

**Clarksville Montgomery County E-911  
(A Component Unit)  
Financial Statements  
June 30, 2011**

**Clarksville Montgomery County E-911  
(A Component Unit)  
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**Clarksville Montgomery County E-911  
(A Component Unit)  
Board of Directors**

<b><u>County Members</u></b>	<b><u>Office</u></b>	<b><u>Term Expires</u></b>
Dalton Harrison	Director	November 2011
Ed Patterson	Director	November 2012
Billy Smith	Director	November 2013
<b><u>City Members</u></b>		
Suzanne Uffelman	Director	November 2011
Kevin Judish	Secretary	November 2012
Geno Grubbs	Director	November 2013
<b><u>Other Members</u></b>		
Norman Lewis	Sheriff-Chairman	Coterminous
Daniel Norfleet	911 User Board-Chairman	Coterminous
Al Ansley	Police Chief	Coterminous
John Stanley	Clarksville Fire and Rescue	Coterminous
<b><u>Principal Employees</u></b>		
Loretta Bryant	Supervisor	

## **Clarksville Montgomery County E-911 Management's Discussion and Analysis**

As management of the Clarksville Montgomery County E-911 (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2011. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the District's financial statements, which follow this narrative.

### **Financial Highlights**

- The assets of the District exceeded its liabilities at the close of the fiscal year by \$2,783,622 (net assets).
- The District's total net assets increased by \$57,903, primarily due to non operating revenues received from the Montgomery County Government and the State of Tennessee Emergency Communications Board.
- As of the close of the current fiscal year, the District's enterprise fund reported ending fund balance of \$2,783,622 including an increase of \$57,903 due to operations. Approximately 36 percent of this total amount, or \$1,005,462, is available for spending at the government's discretion (unrestricted net assets).
- The District's total debt decreased by \$845,039, or 20% during the current fiscal year. The key factor in this decrease was the payment of principal on long-term debt and the payment in full of a capitalized lease.

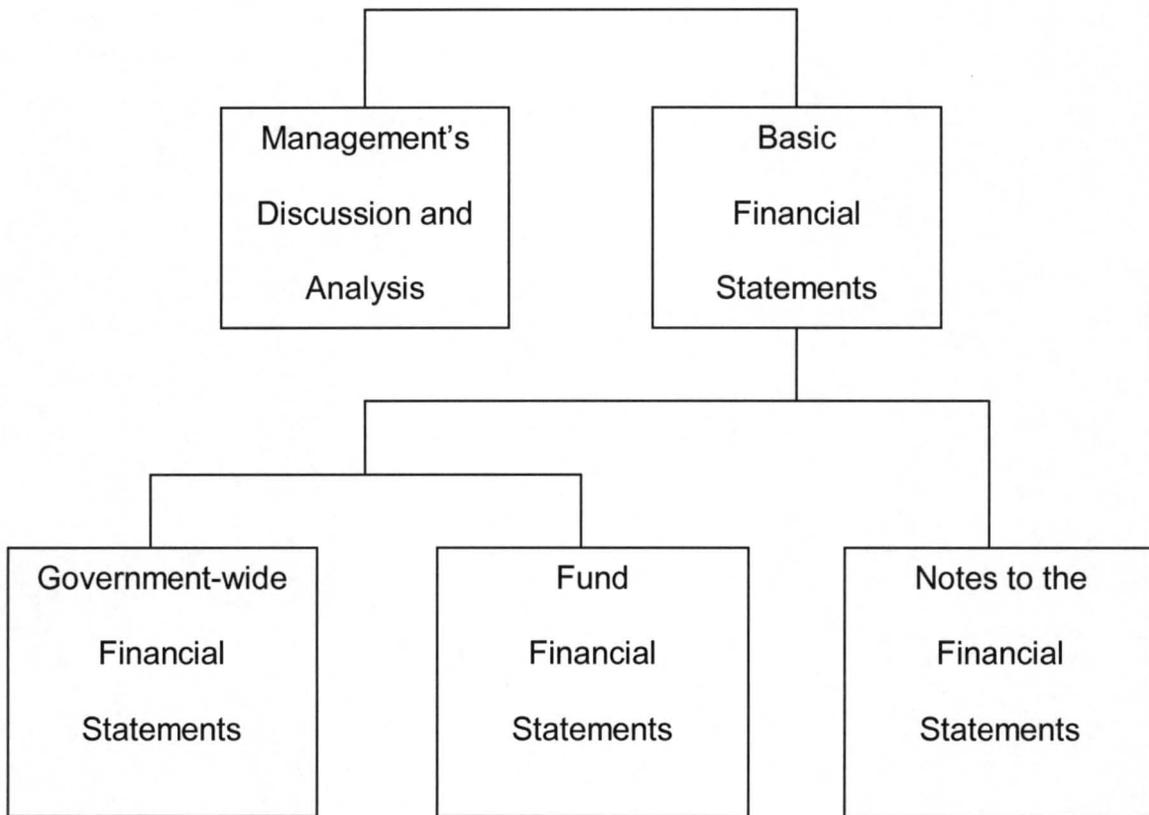
### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the District through the use of government-wide statements and fund financial statements. The government wide and fund financial statements are not presented separately because they are essentially the same. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the District.

Clarksville Montgomery County E-911  
Management's Discussion and Analysis - Continued

Required Components of Annual Financial Report

Figure 1



Summary → Detail

**Basic Financial Statements**

The basic financial statements are the Government-wide and the Fund Financial Statements. They provide both short and long-term information about the District's financial status.

Fund Financial Statements focus on the activities of the individual parts of the District. These statements normally provide more details than the government-wide statements; however in the case of the District the statements are nearly identical. There are three parts to the Fund Financial Statements: 1) the governmental funds statement; 2) the budgetary comparison statement; and 3) the proprietary fund statement. The District's fund financial statements only contain proprietary fund statements.

**Clarksville Montgomery County E-911  
Management's Discussion and Analysis - Continued**

The next sections of the basic financial statements are the notes. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, supplemental information is provided to show details about the District's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

**Government-wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the District's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the District's financial status as a whole.

The two government-wide statements report the District's net assets and how they have changed. Net assets are the difference between the District's total assets and liabilities. Measuring net assets is one way to gauge the District's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The business-type activities are those that the District charges customers to provide services.

The government-wide financial statements are on pages 11-13 of this report.

**Fund Financial Statements**

The fund financial statements (see Figure 2) provide a more detailed look at the District's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like all proprietary funds in Tennessee, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the District's budget. The District only has proprietary funds.

**Proprietary Funds** – The District has one proprietary fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses its enterprise fund to account for its operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Assets and the Statement of Activities.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 15-26 of this report.

**Clarksville Montgomery County E-911  
Management's Discussion and Analysis - Continued**

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain supplementary information concerning the District's operations. Supplementary information can be found beginning on page 27-39 of this report.

**Government-Wide Financial Analysis**

**The Clarksville Montgomery County E-911's Net Assets**

**Figure 2**

	<b>Business-Type Activities</b>	
	<b>2011</b>	<b>2010</b>
Current and other assets	\$ 1,126,084	\$ 1,681,518
Capital assets, net	5,083,161	5,323,377
Total assets	6,209,245	7,004,895
<b>Liabilities</b>		
Current Liabilities	360,623	509,531
Other liabilities	3,065,000	3,769,645
Total liabilities	3,425,623	4,279,176
<b>Net assets:</b>		
Invested in capital assets, net of related debt	1,778,160	1,173,336
Unrestricted	1,005,462	1,552,383
Total net assets	\$ 2,783,622	\$ 2,725,719

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the District exceeded liabilities by \$2,783,622, and net assets increased by \$57,903 for the fiscal year ended June 30, 2011. However, 64% reflects the District's investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt still outstanding that was issued to acquire those items. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. The remaining balance of \$1,005,462 is unrestricted.

Several particular aspects of the District's financial operations positively influenced the total unrestricted governmental net assets:

- Continued investment in the E911 District from Montgomery County and the City of Clarksville.
- Grants obtained from the State of Tennessee's Emergency Communications Board.
- Continued diligence by management to contain expenses.

**Clarksville Montgomery County E-911  
Management's Discussion and Analysis - Continued**

**Clarksville Montgomery County E-911 Changes in Net Assets**

**Figure 3**

	Business Type	
	Activities	Activities
	2011	2010
Revenues:		
Program revenues:		
Charges for services	\$ 1,390,599	\$ 1,424,035
Operational Funding	345,095	290,009
Grants and contributions	591,337	983,127
Other	184,635	167,501
Total revenues	<u>2,511,666</u>	<u>2,864,672</u>
Expenses:		
Operating Expenses	2,253,354	2,116,047
Non Operating Expenses	200,409	205,619
Total expenses	<u>2,453,763</u>	<u>2,321,666</u>
Increase in net assets	57,903	543,006
Net assets, July 1	<u>2,725,719</u>	<u>2,182,713</u>
Net assets, June 30	<u>\$ 2,783,622</u>	<u>\$ 2,725,719</u>

**Business-type activities:** Business-type activities increased the District's net assets by \$57,903, accounting for 100% of the total growth in the government's net assets. The key element of this increase is as follows:

- An increase in operational funding. These funds come from the Tennessee Emergency Communications Board.

**Financial Analysis of the District's Funds**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Proprietary Funds:** The District's proprietary funds provide the same type of information found in the government-wide statements. Unrestricted net assets of the District at the end of the fiscal year amounted to \$1,005,462.

**Clarksville Montgomery County E-911  
Management's Discussion and Analysis - Continued**

**Budgetary Highlights:** During the fiscal year, the District revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Revenues were less than the budgeted amounts primarily because of the decline in emergency telephone service charges as the general population of Montgomery County rely more on cell phones as the primary source for phone services. However, the District was able to mitigate the decrease in these service charges by an increase in the shared wireless revenue collected by the Tennessee Emergency Communications Board (TECB) and remitted to the District. In the current year, the TECB increased its operational funding provided to the District.

Operating expenses budgets were increased primarily from the original budget to account for increases in employee medical insurance premiums.

**Capital Asset and Debt Administration**

**Capital assets:** The District's investment in capital assets for its business-type activities as of June 30, 2011, totals \$5,083,161 (net of accumulated depreciation). These assets include buildings and improvements, furniture and fixtures, communications equipment and other fixed assets.

There were no major asset additions or disposals in the current year.

**District's Capital Assets**

**Figure 4**

(net of depreciation)

	Business-type Activities 2011	Business-type Activities 2010
Building and Improvements	4,388,028	4,520,992
Furniture and Fixtures	-	26,397
Communications Equipment	661,441	735,595
Other Fixed Assets	33,692	40,393
<b>Total</b>	<b>\$ 5,083,161</b>	<b>\$ 5,323,377</b>

**Clarksville Montgomery County E-911  
Management's Discussion and Analysis - Continued**

Additional information on the District's capital assets can be found in note 4 of the Basic Financial Statements.

**Long-term Debt:** As of June 30, 2011, the District had total bonded debt outstanding of \$3,305,000. The District also had a capitalized lease obligation for the PSAP equipment that was purchased in January 2009. This lease was paid off in the current fiscal year. The outstanding lease obligation as of June 30, 2011 was \$0.

**District's Outstanding Debt**

**Figure 5**

The District's Outstanding Debt  
General Obligation and Revenue Bonds

	Business-type Activities	
	2011	2010
Revenue bonds	\$ 3,305,000	\$ 3,535,000
Total	\$ 3,305,000	\$ 3,535,000

The District's total debt decreased by \$845,039 during the past fiscal year, due to the principal payments on the bonds and capital lease.

Additional information regarding the District's long-term debt can be found in note 7 beginning on page 23 of this report.

**Economic Factors and Next Year's Budgets and Rates**

**Budget Highlights for the Fiscal Year Ending June 30, 2012**

**Business – type Activities:** Revenues budgeted in fiscal year 2012 decreased modestly based on the continuing decline in landline usage due to an increase in cell phone usage. Both medical and depreciation expenses are expected to increase due to the rise of premium amount and purchase of new PSAP equipment.

**Requests for Information**

This report is designed to provide an overview of the District's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director, Betty Miller, and (931) 552-1011.

# *Gillette, Henderson & Co., PLLC*

CERTIFIED PUBLIC ACCOUNTANTS

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To the Board of Directors  
Clarksville Montgomery County E-911  
Clarksville, TN 37040

## Independent Auditors' Report

We have audited the accompanying basic financial statements of Clarksville Montgomery County E-911, a component unit of Montgomery County, TN, as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the entity's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Clarksville Montgomery County E-911 as of June 30, 2011, and the changes in its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated February 17, 2012 on our consideration of Clarksville Montgomery County E-911's internal control over financial reporting and on tests of its compliance with certain provisions of laws, regulations and contracts. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards, and important for assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2 - 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Clarksville Montgomery County E-911's financial statements taken as a whole. The introductory section on page 1 and supplementary information on pages 27-33 are presented for purposes of additional analysis as required by the Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts and are not a required part of the basic financial statements. The budgetary comparison schedule on pages 27-28 and schedules of detailed expenses on pages 29-33 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Gillette, Henderson & Co., PLLC*

Gillette, Henderson & Co., PLLC  
Hermitage, Tennessee  
February 17, 2012

**Clarksville Montgomery County E-911  
(A Component Unit)  
Statement of Net Assets  
June 30, 2011**

ASSETS

Current Assets	
Cash	\$ 950,919
Accounts Receivable	116,664
Due from Tennessee Emergency Communications Board	58,501
Total Current Assets	<u>1,126,084</u>
Capital Assets	
Building and Improvements	5,314,855
Communications Equipment	1,029,794
Other Capital Assets	52,120
Total Capital Assets	<u>6,396,769</u>
Accumulated Depreciation	<u>(1,313,608)</u>
Net Capital Assets	<u>5,083,161</u>
Total Assets	<u>\$ 6,209,245</u>

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts Payable	\$ 963
Accrued Payroll	40,056
Payroll Deductions Payable	15,450
Compensated Absences Payable	64,154
Bonds Payable - Current	240,000
Total Current Liabilities	<u>360,623</u>
Noncurrent Liabilities	
Bonds Payable - Long-Term	<u>3,065,000</u>
Total Noncurrent Liabilities	<u>3,065,000</u>
Total Liabilities	<u>3,425,623</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	1,778,160
Unrestricted Net Assets	<u>1,005,462</u>
Total Net Assets	<u>2,783,622</u>
Total Liabilities and Net Assets	<u>\$ 6,209,245</u>

**Clarksville Montgomery County E-911  
(A Component Unit)  
Statement of Revenues, Expenses and Changes in Net Assets  
For the Year Ended June 30, 2011**

Operating Revenue	
Emergency Telephone Service Charge	\$ 1,037,058
Tennessee Emergency Communications Board - Shared Wireless Charge	353,541
Tennessee Emergency Communications Board - Operational Funding	345,095
Rental Income	168,667
Miscellaneous Income	12,158
Total Operating Revenues	<u>1,916,519</u>
Operating Expenses	
Salaries and Wages (see Exhibit 1)	1,168,770
Employee Benefits (see Exhibit 2)	490,577
Contracted Services (see Exhibit 3)	191,479
Supplies and Materials (see Exhibit 4)	93,122
Other Charges (see Exhibit 5)	69,190
Depreciation	240,216
Total Operating Expenses	<u>2,253,354</u>
Operating Income (Loss)	<u>(336,835)</u>
Nonoperating Revenues and (Expenses)	
Interest Income	3,810
Contributions from Primary Government	443,824
Tennessee Emergency Communications Board - Grants and Reimbursements	50,911
Interest Expense	(200,409)
Total Nonoperating Revenues and (Expenses)	<u>298,136</u>
Income before Capital Contribution	<u>(38,699)</u>
Capital Contributions	
Capital Contributions from Primary Government	39,925
Capital Contributions from Other Governments	56,677
Total Capital Contributions	<u>96,602</u>
Increase (Decrease) in Net Assets	<u>57,903</u>
Net Assets, Beginning of Year	<u>2,725,719</u>
Net Assets, End of Year	<u>\$ 2,783,622</u>

**Clarksville Montgomery County E-911  
(A Component Unit)  
Statement of Cash Flows  
For the Year Ended June 30, 2011**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Surcharges and Other Revenues	\$ 1,715,047
Cash Payments for Payroll, Taxes and Benefits	(1,660,122)
Cash Payments to Suppliers for Goods and Services	(361,530)
Other Operating Revenue	12,158
Rental Income	168,667
Net Cash Provided by (Used in) Operating Activities	<u>(125,780)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Contributions from Primary Government	443,824
Grants/Reimbursements TECB	50,911
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>494,735</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital Contribution from Primary Government	39,925
Capital Contribution from Other Governments	56,677
Interest Paid on Long-Term Debt	(200,409)
Principal Paid on Bonds Payable	(230,000)
Repayment of Capital Lease Obligation	(615,039)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(948,846)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest Received	3,810
Net Cash Provided by (Used In) Investing Activities	<u>3,810</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(576,081)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	1,527,000
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u><u>\$ 950,919</u></u>

**Clarksville Montgomery County E-911  
(A Component Unit)  
Statement of Cash Flows-Continued  
For the Year Ended June 30, 2011**

**CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES**

Operating Income (Loss)	\$ (336,835)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Depreciation	240,216
(Increase) decrease in accounts receivable	(18,800)
(Increase) decrease in due from TECB	(1,847)
Increase (decrease) in accounts payable	(7,739)
Increase (decrease) in payroll deductions	(3,665)
Increase (decrease) in compensated absences	(1,018)
Increase (decrease) in accrued payroll	3,908
Total Adjustments	211,055
Net Cash Provided by (Used in) Operating Activities	\$ (125,780)

**NONCASH INVESTING AND FINANCING ACTIVITIES**

None

**Clarksville Montgomery County E-911  
(A Component Unit)  
Notes to Financial Statements**

**Note 1 - Summary of Significant Accounting Policies**

**Organization**

The Clarksville Montgomery County E-911 District (the District) was created as a "Municipality" or public corporation under authority of the provisions of Chapter 867 of the Tennessee Public Acts of 1984, and approved by the voters of Montgomery County, Tennessee on November 4, 1986. The powers of the District are vested in and exercised by a majority of the members of the Board of Directors. The Board consists of nine (9) members comprised of the County Sheriff, the Clarksville Chief of Police, the chairman of the E-911 user group, three (3) members (one of whom shall be a County Commissioner) nominated by the County Executive and approved by the Montgomery County Board of Commissioners, and three (3) members (one of whom shall be a member of the City Council) nominated by the Mayor and approved by the City Council. The District is considered a political sub-division of the County, and is exempt from Federal and State income tax.

**Reporting Entity**

The District, a component unit of Montgomery County, provides emergency communications and dispatch services for all fire, law enforcement and other emergency departments within the County. The District is a component unit of Montgomery County because it is fiscally dependent on the county. The District cannot issue bonded debt without approval of the County and it cannot adjust the rate of service charges without the County Commission's approval. The governing board of the District is appointed equally by the City and County and a substantial portion of operating revenues are provided by allocations from Montgomery County. The District's financial statements include only the assets and operations of the District, and do not include any other fund, organization, agency or department of the City or County.

**Measurement Focus/ Basis of Accounting**

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

District operations are accounted for on a cost of service measurement focus using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the related liabilities are incurred.

**Operating Revenues and Expenses**

The accounts of the District are organized as a proprietary governmental fund. A proprietary fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs of providing services to the general public covered by the District are financed through user charges. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's ongoing operations.

**Clarksville Montgomery County E-911  
(A Component Unit)  
Notes to Financial Statements**

**Note 1 - Summary of Significant Accounting Policies-continued**  
**Operating Revenues and Expenses-continued**

The major sources of operating revenue are customer service charges, shared wireless charges and operating subsidies.

(1) Customer Service Charges

A monthly subscriber fee is added to each telephone line in Montgomery County. The charge is billed and collected by the telephone company and is remitted to the District after a deduction of a 1% administrative fee.

(2) Shared Wireless Charges

A monthly wireless E-911 fee is collected by the State of Tennessee from wireless customers and is remitted to the District.

(3) Operating Subsidies

The District receives an operating subsidy from the Tennessee Emergency Communications Board. The District also receives rent from the City and County on the 911 building.

Operating expenses for enterprise funds include expenses incurred relating to the operation and maintenance of its system. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Proprietary funds have the option of consistently following or not following FASB pronouncements issued subsequent to November 30, 1989. The District, considering the requirements of the Office of the Comptroller of the Treasury, will only follow GASB guidance issued after November 1989, and not follow any FASB guidance subsequent to November 1989.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**Cash and Cash Equivalents**

Cash and cash equivalents, as shown in the Statement of Cash Flows, includes all cash in bank accounts and on hand that is allocated for use by the District. For the purposes of the statement of cash flows, the District considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. The cash flow statement is prepared in accordance with GASB statement No. 9 as the organization is considered a component of the County. As of June 30, 2011 there were no cash equivalents.

**Clarksville Montgomery County E-911  
(A Component Unit)  
Notes to Financial Statements**

**Note 1 - Summary of Significant Accounting Policies-continued**

**Accounts Receivable/Due from Tennessee Emergency Communications Board**

The District has receivables due from communication service providers and the State ECB for service charges and tariffs. Based on the nature of the revenues there will always be at least one month's receivable at the end of the year.

There has been no allowance for doubtful accounts recorded because the probability of non-payment is low. Accounts receivable are recorded when incurred.

Accounts receivable is concentrated with two vendors. Both vendors are pass-thru entities that collect and forward wireless and land line collections from customers in Robertson County.

**Fixed Assets and Depreciation**

Fixed assets are recorded at cost. For the year ending June 30, 2011 the capitalization policy was changed. Previous years capitalization policy stated that capital expenditures of \$5,000 or more and certain sensitive equipment, such as computer equipment, are capitalized for future depreciation. The new policy states that capital expenditures of \$10,000 or more and certain sensitive equipment, such as computer equipment, are capitalized for future depreciation. General equipment costing less than \$10,000 is an expense of the period when placed in service. Computer software is not considered capital equipment. Depreciation and accumulated depreciation are recorded on capitalized equipment. Assets are depreciated using the straight-line basis, and a 5-40 year expected useful life as required by the Accounting and Financial Reporting Manual. The District capitalizes all significant purchases with a useful life greater than five years. See also Note 11.

**Budgets and Budgetary Accounting**

The District board of directors formally approves the budget. The budget is adopted on a basis consistent with generally accepted accounting principles except that depreciation is not budgeted and the budgeted cost of fixed assets purchased is included as an expenditure. The District is required by Section 7-86-120, Tennessee Code Annotated, to adopt and operate under an annual budget. In addition, the Accounting and Financial Reporting Manual for Tennessee Emergency Communication Districts established the legal level of control, which is defined to be at the line item.

Budgeted amounts lapse at the end of the fiscal year and no unexpended balances are carried to the subsequent year.

A statement of comparison for the budgeted and actual revenues and expenditures is included in the Supplementary Information section of this report.

The budget was amended during the year by vote of the Board of Directors.

**Clarksville Montgomery County E-911  
(A Component Unit)  
Notes to Financial Statements**

**Note 1 - Summary of Significant Accounting Policies-continued**

**Leave Policies**

Annual leave is accrued on a monthly basis from the effective date of an employee's appointment. Annual leave may be accrued up to a maximum 160 hours for less than 5 years of employment, 192 hours for 5-10 years of employment, and 200 hours for more than 10 years employment. At the end of each month, accrued hours for each employee in excess of the maximum are transferred to sick leave. On termination of employment, the District pays an accrued vacation leave in a lump cash payment to such employee. All accrued compensated absences are shown on the balance sheet as short-term liabilities since a reasonable estimation of the long-term portion cannot be made.

Sick leave is accumulated on a monthly basis from the effective date of an employee's appointment. Employees may accrue an unlimited number of hours. On termination of employment of any employee, for any reason except retirement, all sick leave is forfeited. On retirement of an employee, accrued sick leave is credited toward extending the computation of longevity. Accrued sick leave is not included as a liability in the balance sheet.

**Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the District.

**Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employee, natural disasters. The District has elected to obtain various insurance policies to transfer risk to a commercial insurance company either directly or through the Tennessee County Services Association Pool. Insurance settlements have not been in excess of insurance coverage in any of the prior three fiscal years. Insurance for the District is included in the policies written for Montgomery County and the City of Clarksville.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Cash Funds**

Cash funds of the District are combined with other County funds and managed by the County Trustee. Interest earned on these combined cash funds is allocated as directed by the County Commissioners. Interest income of \$3,810 was allocated to the District during the current year.

**Clarksville Montgomery County E-911  
(A Component Unit)  
Notes to Financial Statements**

**Note 2 - Cash Deposits**

Cash deposits are carried at cost which approximates fair value. The carrying amount of deposits is separately displayed on the balance sheet as \$950,919.

Custodial credit risk for the District's deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. At June 30, 2011, the deposits of the District were held by the Montgomery County Trustee in a combined fund with other Montgomery County deposits. The deposits of Montgomery County Trustee that exceed FDIC insurance limits are further insured by securities set aside as collateral and pledged to the State Treasurer of the State of Tennessee. This pledging is accomplished as prescribed by Tennessee State Code, Public Funds Collateral Pool Board.

State statutes authorize the District to invest in obligations of the federal government, federal agencies, state government, the state investment pool, certificates of deposit, other time deposits and repurchase agreements. The District's investment policy - via Montgomery County - follows state law which authorizes investments for emergency communications districts in Tennessee Code Annotated Section 5-8-301.

The District's deposits with financial institutions consist of the following at June 30, 2011:

	<b>Maturity Date</b>	<b>Interest Rate</b>	<b>Carrying Amount</b>	<b>Bank Balance</b>
Cash:				
Held in Pooled Checking	n/a	variable	\$950,919	\$967,816

**Note 3 – Accounts Receivable**

Accounts receivable consists primarily of amounts due for monthly service charges collected for the District:

AT&T	\$ 57,612
Other Service Providers	59,052
Due From TECB	58,501
Total	\$ 175,165

**Clarksville Montgomery County E-911  
(A Component Unit)  
Notes to Financial Statements**

**Note 4 – Property and Equipment**

Property and Equipment consisted of the following at June 30, 2011:

	Balance 6/30/2010	Additions	Deletions	Balance 6/30/2011
Buildings and Improvements	\$ 5,314,855	\$ -	\$ -	\$ 5,314,855
A/D - Buildings and Improvements	(793,863)	(132,964)	-	(926,827)
Furniture and Fixtures	72,525	-	72,525	-
A/D - Furniture and Fixtures	(46,128)	-	(46,128)	-
Communications Equipment	1,029,794	-	-	1,029,794
A/D - Communications Equipment	(294,199)	(74,154)	-	(368,353)
Other Fixed Assets	52,120	-	-	52,120
A/D - Other Fixed Assets	(11,727)	(6,701)	-	(18,428)
Net Property and Equipment	<u>\$ 5,323,377</u>	<u>\$ (213,819)</u>	<u>\$ 26,397</u>	<u>\$ 5,083,161</u>

**Note 5 – Operating Lease and Related Party Transactions**

The District entered into a lease effective July 1, 2005 with Montgomery County, Tennessee, a related party, to lease the second floor of the E-911 Building. The base term of this lease is three years from July 1, 2005, continuing through June 30, 2008. A new three year agreement was entered into for the period from July 1, 2008 to June 30, 2011 at \$6,533/month. In addition, the lessee has agreed to pay a portion of the utility costs, maintenance salaries, custodial supplies, and trash collection on an annual basis. Said reimbursement shall be made monthly at \$3,240/month and shall be in an amount based on the prior year's costs.

The District also signed interlocal agreements with Montgomery County to receive compensation for dispatch services provided by the District and to compensate the District for a portion of the new PSAP equipment upgrade. The interlocal agreement for the offset of the PSAP upgrade is in place from July 1, 2009 thru June 30, 2013 at \$3,327/month. The interlocal agreement for the dispatch services was in place from July 1, 2010 through June 30, 2011 at 35,657/month. There were no amounts due to or from Montgomery County at June 30, 2011.

**Clarksville Montgomery County E-911  
(A Component Unit)  
Notes to Financial Statements**

**Note 5 – Operating Lease and Related Party Transactions – continued**

Finally, Montgomery County has agreed to reimburse the District for a portion of the annual PSAP maintenance cost. The amount paid to the District for the year ending June 30, 2011 was \$7,972.

**Note 6 – Retirement Plan**

**PLAN DESCRIPTION**

Employees of Montgomery County 911 Emergency Communications District are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Montgomery County 911 Emergency Communications District participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.treasury.state.tn.us/tcrs/PS/>.

**FUNDING POLICY**

Montgomery County 911 Emergency Communications District has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to five percent of annual covered payroll.

Montgomery County 911 Emergency Communications District is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2011 was 12.22% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Montgomery County 911 Emergency Communications District is established and may be amended by the TCRS Board of Trustees.

**Clarksville Montgomery County E-911  
(A Component Unit)  
Notes to Financial Statements**

**Note 6 – Retirement Plan-continued**

**ANNUAL PENSION COST**

For the year ending June 30, 2011, Montgomery County 911 Emergency Communications District's annual pension cost of \$130,915 to TCRS was equal to Montgomery County 911 Emergency Communications District's required and actual contributions. The required contribution was determined as part of the July 1, 2009 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) project 3.0 percent annual rate of inflation (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. Montgomery County 911 Emergency Communications District's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009 was 12 years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

**Trend Information**

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2011	\$130,915	100.00%	\$0.00
June 30, 2010	\$120,476	100.00%	\$0.00
June 30, 2009	\$116,531	100.00%	\$0.00

**FUNDED STATUS AND FUNDING PROGRESS**

As of July 1, 2009, the most recent actuarial valuation date, the plan was 83.63 percent funded. The actuarial accrued liability for benefits was \$2.1 million, and the actuarial value of assets was \$1.7 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.3 million. The covered payroll (annual payroll of active employees covered by the plan) was \$1 million, and the ratio of the UAAL to the covered payroll was 35.25 percent.

The schedules of funding progress present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose,

**Clarksville Montgomery County E-911  
(A Component Unit)  
Notes to Financial Statements**

**Note 6 – Retirement Plan-continued**

and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

Schedule of Funding Progress for Montgomery County 911 ECD

(Dollar amounts in thousands)

<i>Actuarial Valuation Date</i>	<i>Actuarial Value of Plan Assets (a)</i>	<i>Actuarial Accrued Liability (AAL) - Entry Age (b)</i>	<i>Unfunded AAL (UAAL) (b) - (a)</i>	<i>Funded Ratio (a/b)</i>	<i>Covered Payroll (c)</i>	<i>UAAL as a Percentage of Covered Payroll ((b-a)/c)</i>
July 1, 2009	\$1,745	\$2,086	\$341	83.63%	\$968	35.25%
July 1, 2007	\$1,524	\$1,756	\$232	86.79%	\$947	24.50%

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the Entry Age actuarial cost method change went into effect during the year of the 2007 actuarial valuation, therefore only the two most recent valuations are presented.

**Note 7 – Long-Term Debt**

In 2001, an interlocal agreement was signed by the City of Clarksville and the District whereby the City of Clarksville agreed to furnish the land and issue revenue bonds for the construction of the new emergency dispatch center, and the District became responsible for the debt service to retire the revenue bonds. When the debt service is retired, the City will transfer title to the land and building to the District in fee simple free of all liens and encumbrances. This agreement constitutes a lease purchase and therefore a liability for the bond payable is recorded on the District's books. The interlocal agreements calls for the payments of the debt service to be due annually on June 1 and December 1 until 2018, with term bonds due June 1, 2020 and June 1, 2022.

In January 2009, the District signed a lease-purchase agreement in the amount of \$770,240 for the installation of NG911 PSAP equipment. Payments are due monthly beginning June 2009 in the amount of \$15,045 with interest accrued at 5.5%, ending in June 2014, secured by equipment. In October 2010, the lease payable was paid off in full.

**Clarksville Montgomery County E-911  
(A Component Unit)  
Notes to Financial Statements**

**Note 7 – Long-Term Debt-continued**

Annual debt service requirements to maturity are as follows:

<u>Year Ending</u>	<u>Lease Payable</u>	
	<u>Principal</u>	<u>Interest</u>
6/30/2012	\$ 240,000	\$ 149,693
6/30/2013	250,000	140,093
6/30/2014	260,000	129,780
6/30/2015	270,000	118,860
6/30/2016	285,000	107,250
Thereafter	2,000,000	381,671
Total	<u>\$ 3,305,000</u>	<u>\$ 1,027,347</u>

Long-Term debt for the year ended June 30, 2011 is as follows:

	<u>6/30/10</u>	<u>Additions</u>	<u>Reductions</u>	<u>6/30/11</u>	<u>Due Within One Year</u>
Revenue					
Bonds	\$3,535,000	\$ -	\$ 230,000	\$3,305,000	\$ 240,000
Lease Payable	615,039	-	615,039	-	-
Total	<u>\$4,150,039</u>	<u>\$ -</u>	<u>\$ 845,039</u>	<u>\$3,305,000</u>	<u>\$ 240,000</u>

The total interest incurred on these liabilities for the year ending June 30, 2011 was \$200,409.

**Note 8 - Economic Dependency**

As of and for the year ended June 30, 2011, the District has the following balances and transactions with respect to major customers:

	<u>Revenues</u>	<u>A/R</u>
TECB	\$ 749,547	\$ 58,501
AT&T	\$ 640,198	\$ 57,612

**Clarksville Montgomery County E-911  
(A Component Unit)  
Notes to Financial Statements**

**Note 9 - Other Postemployment Benefits (OPEB)  
Self-Insurance Plan**

Plan Description

All full-time employees and eligible retirees of the primary government of Montgomery County including the emergency communications district are eligible to participate in the health and dental insurance cost sharing plan accounted for in the Self-Insurance Fund (internal service fund). For accounting purposes, the plan is an agent single-employer defined benefit OPEB plan. Benefits are established and amended by an insurance committee established by the County Commission.

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plan is self-insured and financed on a pay-as-you-go basis. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The county develops its own contribution policy in terms of subsidizing active employees or retired employees' premiums.

An employee who retires from Montgomery County becomes eligible for retiree health coverage if they have 20 years of service and were enrolled in the health insurance program for at least two years. Montgomery County pays a portion of the premium for retirees and their spouses. Once the retirees or their dependent(s) become eligible for Medicare, the county coverage will become the secondary insurance provider.

Annual OPEB Cost and Net OPEB Obligation

Annual Required Contribution	\$	13,149
Interest on the Net OPEB Obligation		(34)
Adjustment on Annual Required Contributions		31
Annual OPEB Cost		13,146
Amount of Contribution		(14,355)
Increase/Decrease in Net OPEB Obligation		(1,209)
Net OPEB Obligation, July 1, 2010		(751)
 Net OPEB Obligation, June 30, 2011	 \$	 <u>(1,960)</u>

Fiscal Year	Plans	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6/30/2011	Emergency Communications District	\$ 13,146	100%	\$ (1,960)

**Clarksville Montgomery County E-911  
(A Component Unit)  
Notes to Financial Statements**

**Note 9 - Other Postemployment Benefits (OPEB) - continued**

The funded status of the plan as of June 30, 2011, was as follows:

Actuarial Valuation Date	1/1/2010
Actuarial Accrued Liability (AAL)	\$ 97,099
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	97,099
Actuarial Value of Assets as a Percentage of AAL	0.00%
Covered Payroll	\$ 1,067,763
Unfunded Actuarial Accrued Liability as a % of Covered Payroll	9.09%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The Schedule of Funding Progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**Actuarial Methods and Assumptions**

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the January 1, 2010, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of eight percent for 2011, with the assumption that annual medical costs will increase eight percent per year.

**Note 10 – Subsequent Events**

Subsequent events have been evaluated through February 17, 2012, which is the date the financial statements were available to be issued.

**Note 11 – Change in Accounting Estimate**

The District reduced its estimate of the useful life of furniture for the year ending June 30, 2011. The effect of this change was to increase depreciation expense and reduce the change in net assets by \$26,397.

**END OF NOTES**

**Clarksville Montgomery County E-911  
(A Component Unit)  
Budgetary Comparison Schedule  
For the Year Ended June 30, 2011**

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE OVER (UNDER)
<b>Operating Revenues</b>				
Emergency Telephone Service Charge	\$ 1,100,000	\$ 1,100,000	\$ 1,037,058	\$ (62,942)
TECB - Shared Wireless Charge	340,000	340,000	353,541	13,541
Miscellaneous Income	500	500	12,158	11,658
Rental Income	167,716	167,716	168,667	951
TECB - Operational Funding	345,095	345,095	345,095	-
<b>Total Operating Revenues</b>	<b>1,953,311</b>	<b>1,953,311</b>	<b>1,916,519</b>	<b>(36,792)</b>
<b>Operating Expenses</b>				
<b>Salaries and Wages</b>				
Director	71,005	73,000	73,333	333
Dispatchers	990,110	988,115	961,297	(26,818)
Maintenance Personnel	62,670	79,760	74,506	(5,254)
Overtime Pay	34,000	45,000	39,912	(5,088)
Part-time Personnel	20,000	27,000	19,722	(7,278)
<b>Total Salaries and Wages</b>	<b>1,177,785</b>	<b>1,212,875</b>	<b>1,168,770</b>	<b>(44,105)</b>
<b>Employee Benefits</b>				
Social Security	70,915	74,000	66,996	(7,004)
Medicare	16,590	17,500	15,669	(1,831)
Life Insurance	1,400	1,400	1,157	(243)
Medical Insurance	252,000	280,000	275,450	(4,550)
Unemployment Compensation	7,500	3,245	275	(2,970)
Retirement Contributions	137,330	146,000	131,030	(14,970)
Other Fringe Benefits	672	672	-	(672)
<b>Total Employee Benefits</b>	<b>486,407</b>	<b>522,817</b>	<b>490,577</b>	<b>(32,240)</b>
<b>Contracted Services</b>				
Audit Services	9,000	8,825	8,750	(75)
Contracts with Private Agencies	710	210	-	(210)
Legal Services	5,000	500	-	(500)
Lease/Rental - Communications Equipment	88,000	85,000	83,400	(1,600)
Lease/Rental - Office Equipment	4,515	6,215	4,786	(1,429)
Maintenance and Repairs - Communication Equipment	70,000	81,500	72,898	(8,602)
Maintenance and Repairs - Buildings and Facilities	40,000	20,000	18,362	(1,638)
Maintenance and Repairs - Office Equipment	550	550	357	(193)
Other Contracted Services	3,000	4,000	2,926	(1,074)
<b>Total Contracted Services</b>	<b>220,775</b>	<b>206,800</b>	<b>191,479</b>	<b>(15,321)</b>
<b>Supplies and Materials</b>				
Office Supplies	4,500	5,000	4,380	(620)
Custodial Supplies	10,000	8,500	5,371	(3,129)
Small Equipment Purchases	7,825	6,000	5,431	(569)
Utilities - Electric	52,000	55,000	54,195	(805)
Utilities - Water and Sewer	3,000	3,000	1,990	(1,010)
Utilities - General Telephone	18,000	20,500	18,911	(1,589)
Other Supplies and Materials	4,850	4,850	2,844	(2,006)
<b>Total Supplies and Materials</b>	<b>\$ 100,175</b>	<b>\$ 102,850</b>	<b>\$ 93,122</b>	<b>\$ (9,728)</b>

**Clarksville Montgomery County E-911  
(A Component Unit)  
Budgetary Comparison Schedule-continued  
For the Year Ended June 30, 2011**

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE OVER (UNDER)
Operating Expenses (continued)				
Other Charges				
Dues and Memberships	\$ 2,500	\$ 2,500	\$ 354	\$ (2,146)
Insurance - Workers Compensation	12,000	-	-	-
Insurance - Liability	25,000	22,045	21,798	(247)
Insurance - Buildings and Contents	7,300	5,800	5,750	(50)
Licenses and Fees	200	200	50	(150)
Premiums on Surety Bonds	150	405	405	-
Public Education	-	9,227	8,754	(473)
Training Expenses	45,000	26,145	21,545	(4,600)
Trustee Commission	19,000	14,000	10,534	(3,466)
Other Charges	13,001	1,101	-	(1,101)
Total Contracted Services	<u>124,151</u>	<u>81,423</u>	<u>69,190</u>	<u>(12,233)</u>
Depreciation Expense	218,450	215,450	240,216	24,766
Total Operating Expenses	<u>2,327,743</u>	<u>2,342,215</u>	<u>2,253,354</u>	<u>(88,861)</u>
Operating Income (Loss)	(374,432)	(388,904)	(336,835)	52,069
Nonoperating Revenues and (Expenses)				
Interest Income	1,500	1,500	3,810	2,310
Contributions from Primary Government	428,088	438,460	443,824	5,364
Tennessee Emergency Communications Board - Grants and Reimbursements	40,000	50,000	50,911	911
Interest Expense	(189,100)	(201,000)	(200,409)	(591)
Total Non-Operating Revenues and (Expense)	<u>280,488</u>	<u>288,960</u>	<u>298,136</u>	<u>9,176</u>
Income before Capital Contribution	(93,944)	(99,944)	(38,699)	61,245
Capital Contributions				
Capital Contributions from Primary Government	39,925	39,925	39,925	-
Capital Contributions from Other Governments	56,680	56,680	56,677	(3)
Total Capital Contributions	<u>96,605</u>	<u>96,605</u>	<u>96,602</u>	<u>(3)</u>
Increase (Decrease) in Net Assets	2,661	(3,339)	57,903	<u>61,242</u>
Net Assets, Beginning of Year	2,725,719	2,725,719	2,725,719	
Net Assets, End of Year	<u>\$ 2,728,380</u>	<u>\$ 2,722,380</u>	<u>\$ 2,783,622</u>	

**Clarksville Montgomery County E-911  
(A Component Unit)  
Exhibit 1 - Schedule of Salaries and Wages  
For the Year Ended June 30, 2011**

Director	\$ 73,333
Dispatchers	961,297
Maintenance Personnel	74,506
Overtime Pay	39,912
Part-time Personnel	<u>19,722</u>
Total Salaries and Wages	<u>\$ 1,168,770</u>

**Clarksville Montgomery County E-911  
(A Component Unit)  
Exhibit 2 - Schedule of Employee Benefits  
For the Year Ended June 30, 2011**

Social Security	\$ 66,996
Medicare	15,669
Life Insurance	1,157
Medical Insurance	275,450
Unemployment Compensation	275
Retirement Contributions	<u>131,030</u>
Total Employee Benefits	<u>\$ 490,577</u>

**Clarksville Montgomery County E-911  
(A Component Unit)  
Exhibit 3 - Schedule of Contracted Services  
For the Year Ended June 30, 2011**

Audit Services	\$ 8,750
Lease/Rental - Communications Equipment	83,400
Lease/Rental - Office Equipment	4,786
Maintenance and Repairs - Communications Equipment	72,898
Maintenance and Repairs - Buildings and Facilities	18,362
Maintenance and Repairs - Office Equipment	357
Other Contracted Maintenance Services	<u>2,926</u>
Total Contracted Services	<u>\$ 191,479</u>

**Clarksville Montgomery County E-911  
(A Component Unit)  
Exhibit 4 - Schedule of Supplies and Materials  
For the Year Ended June 30, 2011**

Office Supplies	\$ 4,380
Custodial Supplies	5,371
Small Equipment Purchases	5,431
Utilities - Electric	54,195
Utilities - Water and Sewer	1,990
Utilities - General Telephone	18,911
Other Supplies and Materials	<u>2,844</u>
Total Supplies and Materials	<u>\$ 93,122</u>

**Clarksville Montgomery County E-911  
(A Component Unit)  
Exhibit 5 - Schedule of Other Charges  
For the Year Ended June 30, 2011**

Dues and Memberships	\$	354
Insurance - Liability		21,798
Insurance - Buildings and Contents		5,750
Licenses and Fees		50
Premiums on Surety Bonds		405
Public Education		8,754
Training Expenses		21,545
Other Charges - Trustee Commission		10,534
Total Contracted Services	\$	<u>69,190</u>

# *Gillette, Henderson & Co., PLLC*

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## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

February 17, 2012

To the Board of Directors  
Clarksville Montgomery County E-911  
Clarksville, TN 37040

We have audited the financial statements of Clarksville Montgomery County E-911 ("The District" - a component unit of Montgomery County) as of and for the year ended June 30, 2011 and have issued our report thereon dated February 17, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Clarksville Montgomery County E-911's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting: Finding 2011-3. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of

laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and are described in the accompanying schedule of findings and responses as: Findings 2011-1, 2011-2 and 2011-3.

Clarksville Montgomery County E-911's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management of Clarksville Montgomery County E-911, the Tennessee Emergency Communications Board, Tennessee State Comptroller's Office and other regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties.

*Gillette, Henderson & Co., PLLC*

Gillette, Henderson & Co., PLLC  
Hermitage, Tennessee

**Clarksville Montgomery County E-911  
(A Component Unit)  
Schedule of Findings and Responses  
June 30, 2011**

**Finding 2011-1 Excess Expenditures over Budget (repeat finding)**

*Condition:* Two categories of expenses exceeded the amount budgeted.

*Criteria:* TCA 7-86-120 states that no emergency communications district may spend money except in accordance with an adopted budget.

*Effect:* The District was not in compliance with TCA 7-86-120.

*Recommendation:* We recommend that the District implement control procedures to insure that budget amendments are recorded to prevent violation of this statute.

*Response:* The District had one salary line item to go over budget by \$333. This was due to a retirement at the end of the year that resulted in a payout of accumulated leave earnings that was larger than originally anticipated. The depreciation expense also was over budget by an amount of \$24,766. This occurred because of a change in the capitalization policy. The District strives to comply with TCA code 7-36-120 by reviewing budget to accrual reports quarterly throughout the fiscal year.

**Finding 2011-2 – Internal Control over Compliance with the Accounting Manual (repeat finding)**

*Condition:* In the course of performing our audit, we noted 2 instances of non-compliance with the audit manual.

*Criteria:* TCA Section 7-86-124 requires that no board member on sole authority may authorize a transaction affecting a financial asset. Further, TCA Section 7-86-102(d) states that district funds are public funds and limited as to purposes. Finally TCA Section 7-86-105 requires no fewer than 7 and no more than 9 board members

*Effect:* The effect of the first violation was unintentional noncompliance with each of these policies by the board of directors. Although not a board member, the Trustee of Montgomery County acted on sole authority and transferred funds of the district to a comingled account in an attempt to earn a higher rate of return on the investment without the board's authorization. Further, the additional earnings on the investments were transferred to the general fund of the county rather than transferred to the District to be used exclusively for the operations of the District.

The effect of the second violation was simply a prohibited voting member of the board.

*Recommendation:* We recommend that the board of directors modify the interlocal agreement relative to the Trustee acting on the behalf of the District for investments.

We have no recommendation for the additional board member. This violation has already been resolved.

*Response:* We concur.

**Clarksville Montgomery County E-911  
(A Component Unit)  
Schedule of Findings and Responses - Continued  
June 30, 2011**

**Finding 2011-3 – Internal Control over Payroll**

*Condition:* In the course of performing our audit, we became aware of a lack of internal controls over a segment of the District's payroll system. There are no internal controls in place to oversee the employee in charge of adding employees to the Districts payroll system.

*Criteria:* The management of an emergency communications district is required to establish and maintain a system of internal controls designed to meet its objectives and prevent fraud, abuse and errors.

*Effect:* Without a system of internal controls in place, an employee or number of fictitious employees could be added to the payroll system and their salaries diverted for personal use.

*Recommendation:* We recommend that controls be put into place to oversee the addition of employees to the District's payroll system

*Response:* The internal control over payroll addition and changes is in the process of review. A new employee should only be entered with a fully executed personnel action form. The accounting software generates an audit log of additions and changes made to payroll records. The audit log will be reviewed by a person outside of the payroll system to review additions and changes to payroll records.