Claiborne County Emergency Communications District, Inc.

Financial Statements with Supplementary Information Year Ended June 30, 2012

and

Independent Auditors' Report

CLAIBORNE COUNTY EMERGENCY COMMUNICATIONS DISTRICT, INC.

Table of Contents

	Page
Independent Auditors' Report	1 - 2
Management's Discussion and Analysis	3 - 6
Financial Statements	
Balance Sheet	7
Statement of Revenues, Expenses and Changes in Net Assets	8
Statement of Cash Flows	9
Notes to Financial Statements	10 - 17
Required Supplementary Information	18
Supplementary Information:	
Schedule of Revenues and Expenditures - Budget and Actual	19 - 20
Schedule of Insurance in Force - Unaudited	21
Roster of Officials - Unaudited	22
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*	23 - 24

HG&A ASSOCIATES, P.C.
Certified Public Accountants

Independent Auditors' Report

Board of Directors
Claiborne County Emergency Communications District, Inc.
Tazewell, Tennessee

We have audited the accompanying balance sheet of the Claiborne County Emergency Communications District, Inc., a component unit of Claiborne County, Tennessee, as of June 30, 2012, and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the District'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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Claiborne County Emergency Communications District, Inc. as of June 30, 2012, and the changes in financial position 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 our report dated January 17, 2013 on our consideration of Claiborne County Emergency Communications District, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in 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 3 through 6 and the schedule of funding progress on page 18 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 the 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

Richard A. Goldstine • J. Wesley Edmondson • Tim Royster • Jenny C. Raines • Michelle Herrell

P.O. Box 50846, Knoxville, TN 37950-0846 • Telephone (865) 691-8000 • FAX (865) 691-3064 • 6504 Deane Hill Drive, Knoxville, TN 37919

CPA
The CPA. Never Underestimate The Value.

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 basic financial statements that collectively comprise the Claiborne County Emergency Communications District, Inc.'s financial statements taken as a whole. The accompanying information listed in the table of contents as supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of revenues and expenditures - budget and actual included on pages 19 and 20 is the responsibility of management and was 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 financial statements as a whole. The accompanying schedule of insurance in force on page 21 and roster of officials on page 22 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

HG+A Associates, P.C.

Knoxville, TN
January 17, 2013

Management's Discussion and Analysis

Our discussion and analysis of the Claiborne County E-911 Emergency Communications District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2012. This should be read in conjunction with the District's financial statements which may be found on pages 7 to 17.

The Balance Sheets and the Statements of Revenue, Expenses and Changes in Net Assets

One of the most important questions asked about any entity's finances is: "How did the District do financially this year?" The balance sheet and statement of revenue, expenses and changes in net assets report information in a way that helps answer this question. These statements include all assets and liabilities using accrual basis accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and changes in net assets. Net assets **-- the difference between assets and liabilities -- are one way to measure the District's** financial health, or its financial position. Over time, increases or decreases to the District's net assets are an indicator of whether its financial health is improving or deteriorating. An analysis of net assets and changes in net assets is as follows:

Condensed Balance Sheets
June 30, 2012 and 2011

		2012	2011
Current and other assets	$	648,193	593,587
Capital assets		183,567	200,082
Total assets	$	831,760	793,669
Current liabilities	$	20,722	17,007
Net assets:			
Invested in capital assets		183,567	200,082
Unrestricted		627,471	576,580
Total net assets		811,038	776,662
Total liabilities and net assets	$	831,760	793,669

Revenues, Expenses and Changes in Net Assets are as follows:

Combined Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2012 and 2011

		2012	2011
Revenues:			
Bell South emergency service charges	$	82,653	85,452
Century emergency service charges		136,107	142,425
Other emergency service charges		18,093	10,430
Tennessee ECB shared wireless charges		74,981	78,067
Operational funding		167,183	167,153
Other		-	1,980
Total operating revenues		479,017	501,507
Total operating expenses		557,936	564,300
Operating loss		(78,919)	(62,793)
Non-operating revenues		26,889	29,436
TECB- Grants and Reimbursements		54,957	26,000
Contributions from Primary Government		31,449	-
Changes in net assets		34,376	(23,357)
Net assets - beginning of the year		776,662	800,019
Net assets - end of the year	$	811,038	776,662

Analysis of Financial Position and Results of Operations

The District's net assets increased $34,376 from the previous year. This increase is primarily due to the approximately $29,000 of additional revenues from TECB grants and reimbursements, the approximately $31,000 increase in contributions from the primary government and the decrease in operating expenditures of approximately $6,000.

The District's Net Assets

The District completed the year with net assets of $811,038, an increase of $34,376 over the previous year.

Budgetary Highlights

In an attempt to prevent budget overruns, the line items within the final budget were amended without increasing the overall budget. Decreases in full time dispatchers' salaries of $13,200 and mapping database consultants of $300 offset increases in GIS

mapper/addresser of $5,000, cell phone/pager of $300, part-time dispatchers of $8,000, unemployment of $100, and insurance vehicles of $100.

Capital Assets

At the end of the accounting period, The District had $183,567 in capital assets such as telecommunications and office equipment, building and improvements. This amount represents a decrease of $16,515, or 8.30%.

Capital Assets
(net of depreciation)

		2012	2011
Furniture and equipment	$	176,107	187,909
Vehicles		7,460	12,173
	$	183,567	200,082

Additional information concerning capital assets can be found in Note 9 of the notes to financial statements.

Financial Activity and Plans for Future Needs

The District relocated to the new E-911 Communications Center located in the Claiborne County Justice Center in April 2006. Along with the new E-911 center, the District received new E-911 equipment, radio tower, a computer aided dispatch (CAD) system, and NCIC software. The size of the new E-911 facility provides sufficient operational space and provides space for future growth. One of the major projects that Claiborne 911 had this past fiscal year was the addition of a fourth dispatch console, which was installed and operational at the end of the fiscal year 2011, but not placed in service until July 2011. This project was funded by homeland security thru the Claiborne County Government in the amount of $31,449.

Currently Claiborne E-911's operating revenue is insufficient to cover operating expenditures. This is created by the lack of funding of the cost of call-taking and dispatch services by the County or any of the four Cities. The County funds approximately $16,000 for mapping and addressing functions. The Sheriff and three of the four cities fund the cost of the NCIC data line. This in fact, created a situation where Claiborne E-911 used 911 revenues to cover dispatcher's salaries and benefits when those monies should be reserved for replacement and/or upgrade of current E-911 equipment.

The District's E-911 equipment was purchased in March 2006. Average life-expectancy of E-911 equipment is three to five years. The State Emergency Communications Board has approved a plan to replace the current E-911 wire-line system with an Internet

Protocol (IP) platform. This will require upgrade of the 911 controller, recorder, adding additional computer and monitor, and network security devices and switches to the current system. The State E-911 board has approved funding for the NG-911 upgrades. The State 911 Board has authorized $187,605 for the NG-911 equipment upgrade at Claiborne E-911. The District also established a budget line item in the FY 06/07 annual budget for designating net assets for equipment in the amount of $20,000 and added another $20,000 in the FY 07/08 budget and again in the FY 08/09 Budget. The District plans to add $20,000 to this line item as the budget permits. Also, the State 911 board is holding funds for Claiborne E-911 in the amount of $8,687 remaining from the Essential and NetClock equipment reimbursement programs.

The State E-911 Board approved a training funding program for the Districts bergining in 2010. That funding program included $16,000 for training and operational costs.

Technology advances and regulatory changes will continue to play major roles in the expenses and revenues for E-911s in the future. Technologies like VoIP, wireless, local number portability, NG-911, and the decrease of landline telephones will all have negative impacts on the District's expense and revenue. We anticipate that NG-911 will add additional manpower requirements for the District. We believe the amount of data coming into the E-911 center will require dispatchers to spend more time analyzing text messages, video, and photos as well as handling the voice calls. This will require more dispatchers. We also believe that the NG-911 will require the District to have a computer network technician on staff to keep the in-house network operational.

Contacting the District's Financial Management

This financial report is designed to provide a general overview of the Claiborne County Emergency Communications District. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Claiborne County Emergency Communications District, P.O. Box 911, Tazewell, Tennessee 37879.

CLAIBORNE COUNTY EMERGENCY COMMUNICATIONS DISTRICT, INC.

Balance Sheet
June 30, 2012

Assets

Current assets:		
Cash	$	184,834
Temporary investments		382,476
Accounts receivable:		
Telephone surcharges		29,446
Other governments		40,276
Accrued interest		122
Prepaid insurance		11,039
Total current assets		648,193
Capital assets:		
Furniture and fixtures		486,482
Vehicles		23,560
Less: accumulated depreciation		(326,475)
		183,567
Total assets	$	831,760

Liabilities and Net Assets

Current liabilities:		
Accounts payable	$	1,031
Accrued wages		15,048
Other accrued expenses		4,643
Total current liabilities		20,722
Net assets:		
Invested in capital assets		183,567
Unrestricted net assets		627,471
Total net assets		811,038
Total liabilities and net assets	$	831,760

The notes to financial statements are an integral part of these statements.

CLAIBORNE COUNTY EMERGENCY COMMUNICATIONS DISTRICT, INC.

Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2012

Operating revenues:	
Emergency telephone service charges	$ 236,853
Shared wireless charges	74,981
TECB - Operational funding	167,183
Total operating revenues	479,017
Operating expenses:	
Salaries and wages	351,471
Employee benefits	81,969
Contracted services	43,349
Supplies and materials	9,055
Other charges	24,128
Depreciation and amortization	47,964
Total operating expenses	557,936
Operating loss	(78,919)
Nonoperating revenues:	
Interest revenue	4,743
TECB - grants and reimbursements	54,957
Contributions from Primary Government	31,449
Miscellaneous income	369
Contracted services	21,777
Total nonoperating revenues	113,295
Change in net assets	34,376
Total net assets, beginning of year	776,662
Total net assets, end of year	$ 811,038

The notes to financial statements are an integral part of these statements.

CLAIBORNE COUNTY EMERGENCY COMMUNICATIONS DISTRICT, INC.

Statement of Cash Flows

Year Ended June 30, 2012

Cash flows from operating activities:		
Cash received from surcharges and other revenues	$	493,084
Cash payments for goods and services		(73,619)
Cash payments for employees		(432,638)
Net cash used by operating activities		(13,173)
Cash flows from noncapital financing activities:		
Grants / Reimbursements TECB		54,957
Net cash provided by noncapital financing activities		54,957
Cash flows from investing activities:		
Interest received		4,865
Temporary investments purchased		(4,702)
Net cash provided by investing activities		163
Net increase in cash		41,947
Cash, beginning of year		142,887
Cash, end of year	$	184,834
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	$	(78,919)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization		47,964
Miscellaneous income		369
Contracted services		21,777
Changes in operating assets and liabilities:		
(Increase) decrease in operating assets:		
Accounts receivable - telephone surcharges		(8,613)
Due from other governments		534
Increase (decrease) in operating liabilities:		
Accounts payable		198
Accrued expenses		3,517
Total adjustments		65,746
Net cash used by operating activities	$	(13,173)
Noncash investing, capital and financing activities:		
Capital assets contributed by primary government	$	31,449

The notes to financial statements are an integral part of these statements.

CLAIBORNE COUNTY EMERGENCY COMMUNICATIONS DISTRICT, INC.

Notes to Financial Statements
June 30, 2012

(1) Summary of Significant Accounting Policies

(a) Nature of Business

The Claiborne County Emergency Communications District, Inc. (the District), commonly referred to as E-911, was established to provide services under the Emergency Communications District Law, Tennessee Code Annotated, Chapter 86. The District was created by a resolution of the Claiborne County, Tennessee Commissioners on September 21, 1992, after adoption by public referendum. Under its enabling legislation, the District is a municipality with powers of perpetual success but without any power to levy or collect taxes. Charges for services authorized shall not be considered as taxes. The powers of the District are vested in and exercised by a majority of the members of the Board of Directors who are appointed by the District's primary government.

The District is a discretely presented component unit of Claiborne County, Tennessee, and the financial statements are presented in both the District's separate financial report and within the Claiborne County, Tennessee report. The District is considered a discretely presented component unit of Claiborne County, Tennessee as defined under the criteria set forth in Governmental Accounting Standards Board Statement No. 14, because the District would be unable to issue debt without going through Claiborne County, Tennessee.

(b) Basis of Accounting

The financial statements of the District are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred.

In accordance with the Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts issued by the Tennessee Office of the Comptroller of the Treasury, the District is required to apply all pronouncements of the Governmental Accounting Standards Board (GASB) and pronouncements of the Financial Accounting Standards Board (FASB) issued prior to November 30, 1989 that do not conflict with those of the Governmental Accounting Standards Board. After November 30, 1989 the District is required to follow only GASB guidance and not follow any FASB guidance issued after that date.

(continued)

CLAIBORNE COUNTY EMERGENCY COMMUNICATIONS DISTRICT, INC.

Notes to Financial Statements
June 30, 2012

(1) Summary of Significant Accounting Policies (continued)

(b) Basis of Accounting (continued)

Additionally, proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District are user fees for landline and wireless telephone customers. Operating expenses for proprietary funds include the cost of sales and services such as salaries and wages, employee benefits, contracted services, supplies and materials, other charges and depreciation and amortization on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District reports its financial activities under the applicable provisions of the Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. Statement 34 established standards for external reporting for all state and local governmental entities that includes a statement of net assets, a statement of activities and changes in net assets and a statement of cash flows. It requires the classification of net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted. When an expense is incurred for the purposes for which there are both restricted and unrestricted net assets available, it is the Utility's policy to apply those expenses to restricted net assets to the extent such are available and then to unrestricted net assets.

(c) Receivables

Accounts receivable, which are deemed uncollectible based on a periodic review of the accounts, are charged to revenue. At June 30, 2012, no allowance for uncollectible accounts was considered necessary. The accounts receivable from telephone surcharges of $29,446 primarily represents amounts due from the State of Tennessee ECB, Century Telephone and AT&T for the surcharge on Claiborne County telephone services for the month of June 2012. The accounts receivable from other governments of $40,276 represents amounts due from the State of Tennessee ECB for wireless commissions and grants due for the months of May 2012 through June 2012.

(continued)

CLAIBORNE COUNTY EMERGENCY COMMUNICATIONS DISTRICT, INC.

Notes to Financial Statements
June 30, 2012

(1) Summary of Significant Accounting Policies (continued)

(d) Capital Assets

Capital assets, including capital lease assets, are stated at cost less accumulated depreciation. The District capitalizes property and equipment with a cost of $3,000 (as changed by the Board from $500 at the June 2012 Board meeting) or more. Depreciation is computed on the straight-line method over the estimated useful lives of the assets that range from 3 to 10 years. When assets are retired or otherwise disposed of, the average cost is removed from the asset account and the accumulated depreciation account. Removal cost, less any salvage value, is charged or credited to the accumulated depreciation account. The cost of maintenance and repairs is charged to earnings as incurred.

(e) Cash and Cash Equivalents

The District considers all unrestricted deposits and highly liquid investments with original maturities of three months or less to be cash equivalents.

(f) Use of Estimates

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

(g) Income Taxes

Because the District was incorporated as a political subdivision under the Tennessee Emergency Communications District Law, it is exempt from Federal income taxes.

(2) Budgetary Control

The District's Board approves an annual budget based upon anticipated revenues and estimated operating expenditures. In accordance with the level of control established by the Tennessee Comptroller of the Treasury, operating expenditures may not exceed amount budgeted in each line item. The District does not budget depreciation and amortization, as its intent is to budget the use of anticipated, available resources. It does, however, budget for acquisitions of certain capital assets. Budgeted expenses may be amended, as needed, to meet changing needs.

CLAIBORNE COUNTY EMERGENCY COMMUNICATIONS DISTRICT, INC.

Notes to Financial Statements
June 30, 2012

(3) Bank Deposits

The District's deposits with financial institutions consist of the following at June 30, 2012:

	Maturity Date	Interest Rate	Carrying Amount	Bank Balance
Cash:				
Checking	N/A	.10%	$ 184,834	188,322
Temporary investments:				
18 month time deposit	November 15, 2012	.65%	$ 124,234	124,234
Certificate of deposit	November 8, 2013	.75%	258,242	258,242
			$ 382,476	382,476

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. As required by state statutes, the District's policy is to require that financial institutions holding its deposits to be members of the Tennessee Collateral Pool or pledge collateral for deposits in excess of federal depository insurance. The collateral is required to be held by the District or its agent in the District's name. At June 30, 2012 none of the District's funds were exposed to credit risk.

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 follows state law which authorizes investments for emergency communications districts in Tennessee Code Annotated Section 5-8-301. All of the District's temporary investments are in certificates of deposit with an original maturity date of eighteen months. The District places no restriction on the amount that it may invest with any one issuer.

(4) Leases

Operating Lease

The District's base of operations is located at the Claiborne County Justice Center. An agreement between the District and Claiborne County specifies that the District will not have to pay rent or utilities as long as the District provides Claiborne County with emergency communication related services.

CLAIBORNE COUNTY EMERGENCY COMMUNICATIONS DISTRICT, INC.

Notes to Financial Statements
June 30, 2012

(5) Operating Revenues

The District's primary sources of revenue are from surcharges imposed on Claiborne County telephone services (net of administrative fees paid to the telephone companies) and from surcharges imposed on cell phone services that are collected and disbursed by the Tennessee Emergency Communications Board.

(6) Compensated Absences

Under the District's vacation policy, full-time employees with at least six months of service earn five (5) days of annual leave available for use after one year of service.

Vacation days may be accumulated and carried forward in an amount not to exceed five (5) days. Vacation pay vests with the employee. At June 30, 2012, the accrued liability for vacation pay was nominal and was not included on the accompanying balance sheet.

Full-time employees are also eligible to earn sick leave after six months of service. Eligible employees earn twelve (12) days of sick leave per year. Unused sick leave is paid in the month of the employee's birthday upon request, except that five (5) sick leave days are carried forward at all times. Sick leave does not vest with the employee and is not paid upon termination or resignation.

(7) 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 employees; and natural disasters. For the year ended June 30, 2012, the District was insured against potential losses associated with these risks through the purchase of commercial insurance. There were no significant reductions in limits of liability or coverage of insurance policies in effect during 2012 from those in effect in 2011 and 2010. In addition, there have been no losses in excess of insurance coverage during the last three years.

CLAIBORNE COUNTY EMERGENCY COMMUNICATIONS DISTRICT, INC.

Notes to Financial Statements
June 30, 2012

(8) Pension Plan

Plan Description

Employees of the 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 the 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.tn.gov/treasury/tcrs/PS/.*

Funding Policy

The District requires employees to contribute 5.0 percent of earnable compensation.

The District is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2012 was 6.39% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the District is established and may be amended by the TCRS Board of Trustees.

(continued)

CLAIBORNE COUNTY EMERGENCY COMMUNICATIONS DISTRICT, INC.

Notes to Financial Statements
June 30, 2012

(8) Pension Plan (continued)

Annual Pension Cost

For the year ending June 30, 2012, the District's annual pension cost of $18,812 to TCRS was equal to the 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) projected 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. The 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 11 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/12	$18,812	100.00%	-
6/30/11	20,148	100.00%	-
6/30/10	20,022	100.00%	-

Funding Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 99.72% funded. The actuarial accrued liability for benefits was $0.34 million, and the actuarial value of assets was $0.34 million, resulting in an unfunded actuarial accrued liability (UAAL) of $0.00 million. The covered payroll (annual payroll of active employees covered by the plan) was $0.31 million, and the ratio of the UAAL to the covered payroll was .30 percent.

(continued)

CLAIBORNE COUNTY EMERGENCY COMMUNICATIONS DISTRICT, INC.

Notes to Financial Statements
June 30, 2012

(8) Pension Plan (continued)

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Accrued Liability - (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a / b)	Covered Ratio (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
July 1, 2011	$ 342	$ 343	$ 1	99.72%	$ 313	0.30%
July 1, 2009	$ 207	$ 208	$ 1	99.48%	$ 237	0.46%
July 1, 2007	$ 153	$ 155	$ 2	98.71%	$ 177	1.13%

(9) Capital Assets

Capital asset activity for the year ended June 30, 2012, was as follows:

Cost				Accumulated Depreciation			
Balance June 30, 2011	Additions	Retirements and Transfers	Balance June 30, 2012	Balance June 30, 2011	Depreciation	Retirements and Transfers	Balance June 30, 2012
$ 455,033	31,449	-	486,482	267,124	43,251	-	310,375
23,560	-	-	23,560	11,387	4,713	-	16,100
$ 478,593	31,449	-	510,042	278,511	47,964	-	326,475

(10) Subsequent Events

The District has evaluated events and transactions subsequent to the balance sheet date through January 17, 2013, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CLAIBORNE COUNTY EMERGENCY COMMUNICATIONS DISTRICT, INC.

Required Supplementary Information
June 30, 2012

SCHEDULE OF FUNDING PROGRESS

The following information is presented for the most recent actuarial valuations:

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability - (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a / b)	Covered Ratio (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
July 1, 2011	$ 342	$ 343	$ 1	99.72%	$ 313	0.30%
July 1, 2009	$ 207	$ 208	$ 1	99.48%	$ 237	0.46%
July 1, 2007	$ 153	$ 155	$ 2	98.71%	$ 177	1.13%

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 went into effect during the year of the 2007 actuarial valuation, therefore only the three most recent valuations are presented.

SUPPLEMENTARY INFORMATION

CLAIBORNE COUNTY EMERGENCY COMMUNICATIONS DISTRICT, INC.

Schedule of Revenues and Expenditures - Budget and Actual
Year Ended June 30, 2012

	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues:			
Emergency telephone surcharges	$ 233,500	236,853	3,353
Shared wireless charges	78,000	74,981	(3,019)
Operational funding	167,152	167,183	31
Other operational revenues	500	-	(500)
Total revenues and other sources	479,152	479,017	(135)
Operating expenses:			
Salaries and wages:			
Director	55,576	55,576	-
Administrative personnel	24,460	23,424	1,036
Dispatchers	219,533	204,159	15,374
Part-time personnel	43,000	38,839	4,161
GIS Mapper/addresser	32,040	29,473	2,567
Overtime Pay	200	-	200
Employee benefits:			
Social security	23,251	21,791	1,460
Medicare	5,438	5,096	342
Life insurance	525	497	28
Medical insurance	38,026	35,134	2,892
Unemployment compensation	600	580	20
Retirement	22,975	18,871	4,104
Contracted services:			
Advertising	60	-	60
Auditing services	5,700	5,700	-
Accounting services	3,400	3,240	160
Data processing services (printing)	150	-	150
Fees paid to service providers	22,976	22,704	272
Legal services	2,500	2,500	-
Mapping/Data base consultants	700	-	700
NCIC/TBI/TIES expenses	2,680	2,680	-
Lease/Rental - Office equipment	1,700	1,697	3
Maintenance and Repairs:			
Communications equipment	10,000	3,109	6,891
Building and facilities	500	280	220
Office equipment	300	-	300
Vehicles	1,000	137	863
Fuel - Vehicles	2,000	1,302	698
Supplies and materials:			
Office supplies	3,500	1,473	2,027
Data processing supplies (mapping)	300	-	300
Postage	200	74	126
Small equipment purchases	203,000	33,122	169,878
Uniforms and shirts	1,200	687	513
Utilities:			
Gas	650	-	650
General telephone	4,500	4,005	495
Cell phones and pagers	1,150	1,143	7

(continued)

CLAIBORNE COUNTY EMERGENCY COMMUNICATIONS DISTRICT, INC.

Schedule of Revenues and Expenditures - Budget and Actual (continued)

Year Ended June 30, 2012

	Budget	Actual	Variance Favorable (Unfavorable)
Other charges:			
Bank charges	$ 30	-	30
Dues and memberships	500	150	350
Employee testing and exams	400	-	400
Insurance:			
Workers' compensation	2,000	1,856	144
Liability	6,136	6,136	-
Vehicles	780	680	100
Licenses and fees	13,250	12,539	711
Premiums on surety bonds	700	700	-
Public education	300	-	300
Service awards	100	-	100
Training	1,500	75	1,425
Travel	3,000	1,992	1,008
Total operating expenditures	762,486	541,421	221,065
Excess of operating revenues over (under) operating expenditures	(283,334)	(62,404)	220,930
Nonoperating revenues (expenses):			
Interest revenue	9,500	4,743	(4,757)
TECB - Grants and Reimbursements	197,605	10,000	(187,605)
TN ECB- Training Funding	16,000	16,000	-
TN ECB- GIS-TIPS Funding	27,669	28,957	1,288
Contributions from Primary Government	-	31,449	31,449
Miscellaneous income	-	369	369
Revenue from contracted services	21,777	21,777	-
Total nonoperating revenues (expenses)	272,551	113,295	(159,256)
Excess of revenues over (under) expenditures	$ (10,783)	50,891	61,674
Adjustments required to reconcile with financial statement - "Statement of Revenues, Expenses, and Changes in Net Assets":			
Expenses unbudgeted:			
Depreciation and amortization		(47,964)	
Equipment purchases		31,449	
Change in net assets		$ 34,376	

CLAIBORNE COUNTY EMERGENCY COMMUNICATIONS DISTRICT, INC.

Schedule of Insurance in Force - Unaudited

June 30, 2012

Description	Coverage
Management Liability:	
Aggregate limit	$ 3,000,000
Wrongful acts	1,000,000
Injunctive relief	25,000
Fidelity Bonds:	
Chairman	50,000
Vice-chairman	50,000
Secretary	50,000
Executive Director	50,000
General Liability:	
General aggregate	3,000,000
Each occurrence limit	1,000,000
Medical expense (any one person)	5,000
Commercial Property:	
Business personal property ($1,000 deductible)	590,076
Flood ($1,000 deductible)	
Earthquake ($29,504 deductible, per item)	
Loss of income	12 months actual loss sustained
Portable equipment ($100 deductible)	Replacement cost
Automobile Liability:	
Combined single limit for bodily injury, uninsured motorist, and property damage	1,000,000
Physical damage - lesser of actual cash value or cost of repairs	
Workers' Compensation/Employer's Liability:	
Workers' compensation	Statutory
Employer's liability	100/500/100,000

CLAIBORNE COUNTY EMERGENCY COMMUNICATIONS DISTRICT, INC.

Roster of Officials - Unaudited

June 30, 2012

Board of Directors:

Michael Campbell- Chairman
Wayne Lee- Vice Chairman
Barry Thomas- Secretary/Treasurer
Andy Duncan
Keith Harmon
Wayne Jessie
Sam McCollough
David Ray

Management:

Roger Hager- E911 Director

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*

Board of Directors
Claiborne County Emergency Communications District, Inc.
Tazewell, Tennessee

We have audited the financial statements of the Claiborne County Emergency Communications District, Inc., a component unit of Claiborne County, Tennessee, as of and for the year ended June 30, 2012, and have issued our report thereon dated January 17, 2013 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

Management of Claiborne County Emergency Communications District, Inc is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Claiborne County Emergency Communications District, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Claiborne County Emergency Communications District, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Claiborne County Emergency Communications District, Inc.'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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we might consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Claiborne County Emergency Communications District, Inc.'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the board of directors, management, federal awarding agencies and the State of Tennessee and is not intended to be and should not be used by anyone other than these specified parties.

HG+A Associates, P.C.

Knoxville, TN
January 17, 2013