

Claiborne County Emergency Communications District, Inc.

**Financial Statements with
Supplementary Information
Year Ended June 30, 2014**
and
Independent Auditors' Report

**CLAIBORNE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT, INC.**

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

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Claiborne County Emergency Communications District, Inc. (the "District"), a component unit of Claiborne County, Tennessee, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and for the fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

J. Wesley Edmondson • Tim Royster • Jenny C. Raines • Michelle Herrell • Jennifer M. Blackwood

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2014, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7 and the schedule of pension funding progress on page 19 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 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplementary information, listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information, listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other information section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2014 on our consideration of the District's internal control over financial reporting and 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

HG & A Associates), P.C.

Knoxville, Tennessee
December 15, 2014

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, 2014. This should be read in conjunction with the District's financial statements which may be found on pages 8 to 18.

The Statement of Net Position and the Statements of Revenue, Expenses and Changes in Net Position

One of the most important questions asked about any entity's finances is: "How did the District do financially this year?" The statement of net position and statement of revenue, expenses and changes in net position report information in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of 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 position and changes in net position. Net position-- **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 position are an indicator of whether its financial health is improving or deteriorating. An analysis of net position and changes in net position is as follows:

Condensed Statement of Net Position

June 30, 2014 and 2013

| | 2014 | 2013 |
|------------------------------------|--------------|-----------|
| Current and other assets | \$ 809,126 | 747,587 |
| Capital assets | 238,603 | 300,495 |
| Total assets | \$ 1,047,729 | 1,048,082 |
| Current liabilities | \$ 20,379 | 18,588 |
| Net position: | | |
| Invested in capital assets | 238,603 | 300,495 |
| Unrestricted | 788,747 | 728,999 |
| Total net position | 1,027,350 | 1,029,494 |
| Total liabilities and net position | \$ 1,047,729 | 1,048,082 |

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

| Condensed Statements of Revenues, Expenses and Changes in Net Position | | |
|---|--------------|-----------|
| Years Ended June 30, 2014 and 2013 | | |
| | 2014 | 2013 |
| Revenues: | | |
| AT&T emergency service charges | \$ 57,416 | 69,009 |
| Century emergency service charges | 129,169 | 132,653 |
| Other emergency service charges | 25,603 | 21,575 |
| Tennessee ECB shared wireless charges | 82,511 | 79,175 |
| Operational funding | 167,214 | 167,214 |
| Other operating revenues | 709 | - |
| Total operating revenues | 462,622 | 469,626 |
| Operating expenses | 556,839 | 645,405 |
| Operating loss | (94,217) | (175,779) |
| Nonoperating revenues | 24,560 | 27,521 |
| TECB- Grants and reimbursements | 10,000 | 366,714 |
| TN ECB – Training Fund | 8,000 | - |
| TN ECB – GIS – TIPS Funding | 49,513 | - |
| Changes in net position | (2,144) | 218,456 |
| Net position - beginning of the year | 1,029,494 | 811,038 |
| Net position - end of the year | \$ 1,027,350 | 1,029,494 |

Analysis of Financial Position and Results of Operations

The District's net position decreased \$2,144 from the previous year. This decrease is primarily due to approximately \$312,000 of additional revenues received from TECB grants and reimbursements in the prior year and not received in the current year. Those funds were used to acquire/improve the District's communications equipment in fiscal year 2013.

The District's Net Position

The District completed the year with net position of \$1,027,350, a decrease of \$2,144 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. Decrease in full time dispatchers' salaries of \$19,593 offset increases in part-time dispatchers of \$3,000, accounting of \$300, copier lease of \$300, maintenance vehicle of \$1,000, insurance liability of \$100, licenses and fees of \$3,000, and depreciation of \$11,893.

Capital Assets

At the end of the accounting period, The District had \$238,603 in capital assets such as telecommunications and office equipment, building and improvements. This amount represents a decrease of \$61,892, or 26%.

| Capital Assets | | |
|-----------------------------------|-------------------|----------------|
| (net of depreciation) | | |
| | 2014 | 2013 |
| Furniture, fixtures and equipment | \$ 238,603 | 297,747 |
| Vehicles | - | 2,748 |
| | <u>\$ 238,603</u> | <u>300,495</u> |

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 upgrade of the NG-911 equipment, wire-line system with an Internet Protocol (IP) platform. This required an upgrade of the 911 controller, recorder, an additional computer and monitor, and network security devices and switches to the current system. These additions were installed and operational at the end of the fiscal year 2014.

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, two of the four cities and the LMU Police Department 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 State E-911 Board approved a training funding program for the Districts beginning in 2010. That funding program continues and has again in 2014 included \$8,000 for training and operational costs.

The District's future budget plans will take into account the following actions: (1) 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.; (2) continued support from the County and several local cities; and (3) pending changes in landline revenues. The uncertainty of landline use and income from shared wireless fees has become a problem in estimating revenue for budget preparation. In that regard during the legislative session earlier in 2014 a bill passed that has created a new funding structure for all E911 districts throughout the State of Tennessee that is set to take effect beginning in January 2015. At that time any device that has the capability of calling 911 will be charged a flat monthly rate of \$1.16. These funds will be collected through the State of Tennessee and then distributed to the E911 districts at a percentage to be determined by the end of calendar year 2014. This new structure has required the District to base its budgeting of their TECB funding for fiscal year 2015 at a very tentative projection based upon the best information available at the time of publishing these financial statements.

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.**

Statement of Net Position
June 30, 2014

Assets

| | |
|-----------------------------------|---------------------|
| Current assets: | |
| Cash | \$ 342,584 |
| Temporary investments | 387,480 |
| Accounts receivable: | |
| Telephone surcharges | 18,646 |
| Other governments | 49,833 |
| Accrued interest | 118 |
| Prepaid expenses | 10,465 |
| Total current assets | <u>809,126</u> |
| Capital assets: | |
| Furniture, fixtures and equipment | 656,917 |
| Vehicles | 23,560 |
| Less: accumulated depreciation | <u>(441,874)</u> |
| Total capital assets | <u>238,603</u> |
| Total assets | <u>\$ 1,047,729</u> |

Liabilities and Net Position

| | |
|------------------------------------|---------------------|
| Current liabilities: | |
| Accounts payable | \$ 871 |
| Accrued wages | 17,372 |
| Other accrued expenses | 2,136 |
| Total current liabilities | <u>20,379</u> |
| Net position: | |
| Invested in capital assets | 238,603 |
| Unrestricted | 788,747 |
| Total net position | <u>1,027,350</u> |
| Total liabilities and net position | <u>\$ 1,047,729</u> |

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 Position
Year Ended June 30, 2014

| | |
|---------------------------------------|---------------------|
| Operating revenues: | |
| Emergency telephone service charges | \$ 212,188 |
| Shared wireless charges | 82,511 |
| TECB - Operational funding | 167,214 |
| Other operating revenue | 709 |
| Total operating revenues | <u>462,622</u> |
| Operating expenses: | |
| Salaries and wages | 334,935 |
| Employee benefits | 80,910 |
| Contracted services | 42,561 |
| Supplies and materials | 9,175 |
| Other charges | 27,365 |
| Depreciation and amortization | 61,893 |
| Total operating expenses | <u>556,839</u> |
| Operating loss | <u>(94,217)</u> |
| Nonoperating revenues: | |
| Interest revenue | 2,783 |
| TECB - grants and reimbursements | 10,000 |
| TN ECB - Training Funding | 8,000 |
| TN ECB - GIS - TIPS Funding | 49,513 |
| Contracted services | 21,777 |
| Total nonoperating revenues | <u>92,073</u> |
| Change in net position | (2,144) |
| Total net position, beginning of year | <u>1,029,494</u> |
| Total net position, end of year | <u>\$ 1,027,350</u> |

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, 2014

| | |
|---|--------------------------|
| Cash flows from operating activities: | |
| Cash received from surcharges and other revenues | \$ 493,634 |
| Cash payments for goods and services | (78,508) |
| Cash payments for employees | (414,073) |
| Net cash provided by operating activities | <u>1,053</u> |
| Cash provided by noncapital financing activities: | |
| Grants/reimbursements TECB | <u>67,513</u> |
| Cash flows from investing activities: | |
| Interest received | 2,783 |
| Temporary investments purchased | (2,437) |
| Net cash provided by investing activities | <u>346</u> |
| Net increase in cash | 68,912 |
| Cash, beginning of year | <u>273,672</u> |
| Cash, end of year | <u><u>\$ 342,584</u></u> |
| Reconciliation of operating loss to net cash used by operating activities: | |
| Operating loss | \$ <u>(94,217)</u> |
| Adjustments to reconcile operating loss to net cash provided by operating activities: | |
| Depreciation and amortization | 61,893 |
| Contracted services | 21,777 |
| Changes in operating assets and liabilities: | |
| (Increase) decrease in operating assets: | |
| Accounts receivable - telephone surcharges | 1,696 |
| Due from other governments | 7,540 |
| Prepaid expenses | 573 |
| Increase (decrease) in operating liabilities: | |
| Accounts payable | (55) |
| Accrued expenses | <u>1,846</u> |
| Total adjustments | <u>95,270</u> |
| Net cash provided by operating activities | <u><u>\$ 1,053</u></u> |

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

**CLAIBORNE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT, INC.**

Notes to Financial Statements

June 30, 2014

(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 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 component unit of Claiborne County, Tennessee 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 the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included in the statement of net position. The statement of revenue, expenses and change in net position presents increases (revenues) and decreases (expenses) in total net position. Under this method of accounting, revenue is recognized in the period in which it is earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues are those revenues that are generated from the primary operations of the District. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the District. All other expenses are reported as nonoperating expenses.

The District reports its financial activities under the applicable provisions of GASB 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This statement establishes standards for external reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three position groups:

(continued)

**CLAIBORNE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT, INC.**

Notes to Financial Statements
June 30, 2014

(1) Summary of Significant Accounting Policies (continued)

(b) Basis of Accounting (continued)

Invested in capital assets – This component of net position of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by any payables that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This component includes net position whose use is subject to externally imposed stipulations that can be fulfilled by actions of the District pursuant to those stipulations or that expire by the passage of time. The District currently does not have any net position that meets this classification.

Unrestricted – This component of net position consists of net position that does not meet the definition of “restricted” or “invested in capital assets”.

(c) Receivables

Accounts receivable, which are deemed uncollectible based on a periodic review of the accounts, are charged to revenue. At June 30, 2014, no allowance for uncollectible accounts was considered necessary. The accounts receivable from telephone surcharges of \$18,646 primarily represents amounts due from Century Telephone and AT&T for the surcharge on Claiborne County telephone services for the month of June 2014. The accounts receivable from other governments of \$49,833 represents amounts due from the State of Tennessee ECB for wireless commissions and grants due for the months of May 2014 and June 2014.

(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 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.

(continued)

**CLAIBORNE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT, INC.**

Notes to Financial Statements

June 30, 2014

(1) Summary of Significant Accounting Policies (continued)

(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) Tax Status

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

(h) Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the District policy is to apply restricted net position first.

(i) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The District does not have any items that qualify for reporting in this category as of June 30, 2014.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then. The District does not have any items that qualify for reporting in this category as of June 30, 2014.

**CLAIBORNE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT, INC.**

Notes to Financial Statements

June 30, 2014

(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 budget is adopted on a basis consistent with generally accepted accounting principles except that the budgeted cost of capital assets purchased is included as an expenditure. Budgeted expenses may be amended, as needed, to meet changing needs.

(3) Bank Deposits

The District's deposits with financial institutions consist of the following at June 30, 2014:

| | <u>Maturity Date</u> | <u>Interest Rate</u> | <u>Carrying Amount</u> | <u>Bank Balance</u> |
|------------------------|----------------------|----------------------|------------------------|---------------------|
| Cash: | | | | |
| Checking | N/A | .10% | \$ <u>342,584</u> | <u>346,455</u> |
| Temporary investments: | | | | |
| 18 month time deposit | November 16, 2015 | .25% | \$ 125,344 | 125,344 |
| Certificate of deposit | November 8, 2014 | .75% | <u>262,136</u> | <u>262,136</u> |
| | | | \$ <u>387,480</u> | <u>387,480</u> |

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, 2014 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.

**CLAIBORNE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT, INC.**

Notes to Financial Statements

June 30, 2014

(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.

(5) 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, 2014, the accrued liability for vacation pay was nominal and was not included on the accompanying statement of net position.

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.

(6) 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, 2014, 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 2014 from those in effect in 2013 and 2012. In addition, there have been no losses in excess of insurance coverage during the last three years.

(7) Revenue

The District's primary sources of revenues 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, which are collected and disbursed by the Tennessee Emergency Communications Board.

**CLAIBORNE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT, INC.**

Notes to Financial Statements
June 30, 2014

(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, 15th 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, 2014 was 6.38% 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, 2014

(8) Pension Plan (continued)

Annual Pension Cost

For the year ending June 30, 2014, the District's annual pension cost of \$18,060 to TCRS was equal to the District's required and actual contributions. The required contribution was determined as part of the July 1, 2011 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, 2011 was one year. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

| <u>Fiscal Year Ending</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> |
|-------------------------------|--------------------------------------|--|-----------------------------------|
| 6/30/14 | \$18,060 | 100.00% | - |
| 6/30/13 | 19,603 | 100.00% | - |
| 6/30/12 | 18,812 | 100.00% | - |

Funding Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the plan was 100.00% funded. The actuarial accrued liability for benefits was \$0.44 million, and the actuarial value of assets was \$0.44 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 \$0.25 million, and the ratio of the UAAL to the covered payroll was .00 percent.

(continued)

**CLAIBORNE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT, INC.**

Notes to Financial Statements

June 30, 2014

(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.

(Dollar amounts in thousands)

| Actuarial Valuation Date | Actuarial Value of Plan Assets (a) | Actuarial Liability - (AAL) Entry Age (b) | Unfunded AAL (UAAL) (b) - (a) | Funded Ratio (a / b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b - a) / c) |
|--------------------------------|---|---|--|----------------------------|---------------------------|---|
| July 1, 2013 | \$ 443 | \$ 443 | \$ - | 100.00% | \$ 249 | 0.00% |
| July 1, 2011 | \$ 342 | \$ 343 | \$ 1 | 99.72% | \$ 313 | 0.30% |
| July 1, 2009 | \$ 207 | \$ 208 | \$ 1 | 99.48% | \$ 237 | 0.46% |

(9) Capital Assets

Capital asset activity for the year ended June 30, 2014, was as follows:

| | Cost | | | | Accumulated Depreciation | | | |
|--------------------------------------|-------------------|-----------|------------------|--------------------------|--------------------------|---------------|------------------|--------------------------|
| | Balance | | Retirements | | Balance | | Retirements | |
| | June 30, 2013 | Additions | and Transfers | Balance June 30, 2014 | Balance June 30, 2013 | Depreciation | and Transfers | Balance June 30, 2014 |
| Furniture, fixtures and equipment | \$ 656,917 | - | - | 656,917 | 359,170 | 59,144 | - | 418,314 |
| Vehicle | 23,560 | - | - | 23,560 | 20,811 | 2,749 | - | 23,560 |
| | <u>\$ 680,477</u> | <u>-</u> | <u>-</u> | <u>680,477</u> | <u>379,981</u> | <u>61,893</u> | <u>-</u> | <u>441,874</u> |

(10) Subsequent Events

The District has evaluated events and transactions subsequent to the balance sheet date through December 15, 2014, 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, 2014

SCHEDULE OF PENSION 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 Payroll (c) | UAAL as a Percentage of Covered Payroll ((b - a) / c) |
|--------------------------------|---|--|--|----------------------------|---------------------------|---|
| July 1, 2013 | \$ 443 | \$ 443 | \$ - | 100.00% | \$ 249 | 0.30% |
| July 1, 2011 | \$ 342 | \$ 343 | \$ 1 | 99.72% | \$ 313 | 0.30% |
| July 1, 2009 | \$ 207 | \$ 208 | \$ 1 | 99.48% | \$ 237 | 0.46% |

SUPPLEMENTARY INFORMATION

**CLAIBORNE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT, INC.**

Schedule of Revenues and Expenditures - Budget and Actual
Year Ended June 30, 2014

| | <u>Budget</u> | <u>Actual</u> | Variance Favorable (Unfavorable) |
|-------------------------------------|----------------|----------------|--|
| Operating revenues: | | | |
| Emergency telephone surcharges | \$ 220,000 | 212,188 | (7,812) |
| Shared wireless charges | 77,000 | 82,511 | 5,511 |
| Operational funding | 167,173 | 167,214 | 41 |
| Other operational revenues | <u>500</u> | <u>709</u> | <u>209</u> |
| Total operating revenues | <u>464,673</u> | <u>462,622</u> | <u>(2,051)</u> |
| Operating expenditures: | | | |
| Salaries and wages: | | | |
| Director | 59,068 | 59,068 | - |
| Administrative personnel | 25,448 | 24,300 | 1,148 |
| Dispatchers | 222,544 | 183,947 | 38,597 |
| Part-time personnel | 38,700 | 34,296 | 4,404 |
| GIS Mapper/addresser | 33,333 | 33,324 | 9 |
| Overtime pay | 200 | - | 200 |
| Employee benefits: | | | |
| Social security | 24,545 | 20,766 | 3,779 |
| Medicare | 5,741 | 4,856 | 885 |
| Life insurance | 525 | 468 | 57 |
| Medical insurance | 41,552 | 36,364 | 5,188 |
| Unemployment compensation | 600 | 436 | 164 |
| Retirement | 22,980 | 18,020 | 4,960 |
| Contracted services: | | | |
| Advertising | 60 | - | 60 |
| Auditing services | 6,300 | 6,300 | - |
| Accounting services | 3,700 | 3,580 | 120 |
| Data processing services (printing) | 100 | - | 100 |
| Fees paid to service providers | 22,976 | 20,947 | 2,029 |
| Legal services | 2,500 | 2,500 | - |
| Mapping/Data base consultants | 500 | - | 500 |
| NCIC/TBI/TIES expenses | 2,680 | 2,680 | - |
| Lease/Rental - Office equipment | 2,000 | 1,986 | 14 |
| Maintenance and Repairs: | | | |
| Communications equipment | 5,000 | 3,005 | 1,995 |
| Building and facilities | 500 | - | 500 |
| Office equipment | 300 | 39 | 261 |
| Vehicles | 2,000 | 367 | 1,633 |
| Fuel - Vehicles | 2,000 | 1,157 | 843 |
| Supplies and materials: | | | |
| Office supplies | 3,000 | 1,698 | 1,302 |
| Data processing supplies (mapping) | 200 | - | 200 |
| Postage | 200 | 127 | 73 |
| Small equipment purchases | 10,000 | 1,381 | 8,619 |
| Uniforms and shirts | 1,000 | 715 | 285 |
| Utilities: | | | |
| Gas | 650 | 176 | 474 |
| General telephone | 4,500 | 4,137 | 363 |
| Cell phones and pagers | 1,150 | 941 | 209 |

(continued)

**CLAIBORNE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT, INC.**

Schedule of Revenues and Expenditures - Budget and Actual (continued)
Year Ended June 30, 2014

| | <u>Budget</u> | <u>Actual</u> | Variance Favorable (Unfavorable) |
|--|--------------------|-----------------|--|
| Other charges: | | | |
| Bank charges | \$ 30 | - | 30 |
| Dues and memberships | 500 | 431 | 69 |
| Employee testing and exams | 400 | 129 | 271 |
| Insurance: | | | |
| Workers' compensation | 1,800 | 1,535 | 265 |
| Liability | 6,500 | 6,413 | 87 |
| Vehicles | 780 | 750 | 30 |
| Licenses and fees | 16,250 | 15,347 | 903 |
| Premiums on surety bonds | 700 | 700 | - |
| Public education | 300 | - | 300 |
| Service awards | 100 | - | 100 |
| Training | 1,000 | 823 | 177 |
| Travel | 2,500 | 1,237 | 1,263 |
| Depreciation and amortization | <u>61,893</u> | <u>61,893</u> | <u>-</u> |
| Total operating expenditures | <u>639,305</u> | <u>556,839</u> | <u>82,466</u> |
| Excess of operating revenues over (under) operating expenditures | <u>(174,632)</u> | <u>(94,217)</u> | <u>80,415</u> |
| Nonoperating revenues (expenditures): | | | |
| Interest revenue | 5,000 | 2,783 | (2,217) |
| TECB - Grants and reimbursements | 26,000 | 18,000 | (8,000) |
| TN ECB- GIS-TIPS funding | 27,669 | 49,513 | 21,844 |
| Revenue from contracted services | <u>23,377</u> | <u>21,777</u> | <u>(1,600)</u> |
| Total nonoperating revenues (expenditures) | <u>82,046</u> | <u>92,073</u> | <u>10,027</u> |
| Excess of revenues over (under) expenditures | \$ <u>(92,586)</u> | <u>(2,144)</u> | <u>90,442</u> |

OTHER INFORMATION

**CLAIBORNE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT, INC.**

Schedule of Insurance in Force

June 30, 2014

| <u>Description</u> | <u>Coverage</u> |
|---|---------------------------------|
| 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/Products - completed operations aggregate | 3,000,000 |
| Each occurrence limit | 1,000,000 |
| Personal injury and advertising injury | 1,000,000 |
| Medical expense (any one person) | 5,000 |
| Commercial Property: | |
| Business personal property (\$1,000 deductible) | 638,226 |
| Flood (\$1,000 deductible) | |
| Earthquake (\$30,684 deductible, per item) | |
| Loss of income | 12 months actual loss sustained |
| Portable equipment (\$100 deductible) | Guaranteed 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

June 30, 2014

Board of Directors:

Michael Campbell- Chairman
Wayne Lee- Vice Chairman
Barry Thomas- Secretary/Treasurer
Andy Duncan
Sam McCollough
David Ray
David Breeding
Austin Sandefur
Wayne Jessie

Management:

Roger Hager- E911 Director



Independent Auditors' 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

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

We have audited, in accordance with the 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, the financial statements of the Claiborne County Emergency Communications District Inc. (the "District"), a component unit of Claiborne County, Tennessee, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 15, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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 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. *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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As a part of obtaining reasonable assurance about whether the District's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HGA Associates, P.C.

Knoxville, Tennessee
December 15, 2014