

CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT 911

FINANCIAL STATEMENTS

WITH

AUDITOR'S REPORT

June 30, 2008

Kenneth R. Kelly, Jr., MAcc., CPA  
527 Elk Avenue, Suite 4  
Elizabethton, Tennessee 37643

CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT 911  
June 30, 2008

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SECTION I - FINANCIAL SECTION

Kenneth R. Kelly, Jr., MAcc., CPA

527 Elk Avenue, Suite 4

Elizabethton, TN 37643

Independent Auditor's Report

Walter Pierce, Director  
Carter County Emergency Communications District 911  
Elizabethton, TN

I have audited the accompanying statement of net assets of the Carter County Emergency Communications District 911, a component unit of Carter County, Tennessee, as of June 30, 2008, 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 management of the Carter County Emergency Communications District 911. My responsibility is to express an opinion on these financial statements based on the audit.

I conducted the 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 I 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. I believe that the audit provides a reasonable basis for my opinion.

As discussed in Note 1, the financial statements present the Carter County Emergency Communications District 911 and do not purport to present fairly the financial position of Carter County, Tennessee, as of June 30, 2008 and the changes in its financial position and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Carter County Emergency Communications District 911, as of June 30, 2008, and the changes in financial position and 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, I have also issued a report dated February 12, 2009 on my consideration of Carter County Emergency Communications District 911's internal control over financial reporting and my 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 the testing of internal control over financial reporting and on compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of the audit.

Management's Discussion and Analysis is not a required part of the basic financial statement but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

The audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Elizabethton, Tennessee  
February 12, 2009

  
Certified Public Accountant

Member of the AICPA

Member of the IISCPA

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## Carter County Emergency Communications District Management's Discussion and Analysis

As financial management of the Carter County Emergency Communications District (the "District"), a component unit of Carter County, Tennessee, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2008. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

### FINANCIAL HIGHLIGHTS

Telephone Surcharge increases for the year 2007/2008 were nominal and can be attributed to rate adjustments and overall communication levels. The District was a recipient of a \$5,425.00 maintenance grant from the State of Tennessee.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the district's financial statements, which is comprised of the basic financial statements and the notes to the financial statements. The District is a separate government entity, which was established by both the City of Elizabethton and the Carter County Commission as the single communications center for both Carter County and the City of Elizabethton. The District's basic financial statement includes Operating and Non Operating revenue. The Operating revenue is the 911 surcharge collected by the District's telco, Embarq and a few third party companies referred as CLEC. The District also received revenue from alarm vendors for monitoring services; monies from other agencies for services provided and interest from financial institutions. The Non-operating revenue is monies appropriated by the City of Elizabethton and Carter County for dispatching services. This report also contains other supplementary information concerning the District's budget to actual comparison and certain non-financial information required by the Tennessee Communications Board.

Basic financial statements: The basic financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

### Condensed Statement of Net Assets

	<u>FY 2008</u>	<u>FY 2007</u>	<u>CHANGE</u>	<u>PERCENT CHANGE</u>
Total current and other assets	544,499	394,017	150,482	39%
Total noncurrent assets	338,164	343,457	(5,293)	(2%)
Total assets	882,663	737,474	145,189	20%
Total current liabilities	21,017	23,740	(2,723)	(12%)
Total noncurrent liabilities	8,026	9,608	(1,582)	(17%)
Total liabilities	29,043	33,348	(4,305)	(13%)
Invested in capital assets	336,599	337,505	(906)	(1%)
Unrestricted	517,021	366,621	150,400	41%
Total net assets	853,620	704,126	149,494	22%

### Condensed Statement of Revenues, Expenses, and Changes in Net Assets

	<u>FY 2008</u>	<u>FY 2007</u>	<u>CHANGE</u>	<u>PERCENT CHANGE</u>
Operating revenues	765,508	730,938	34,570	5%
Non-operating revenue	183,030	186,590	(3,560)	(2%)
Total revenues	948,538	917,528	31,010	4%
Depreciation and Amortization	52,387	45,169	7,218	16%
Other operating expense	746,657	664,188	82,469	13%
Total expenses	799,044	709,357	89,687	13%
Changes in net assets – operating activities	149,494	208,172	(58,678)	(29%)
Changes in net assets – contributed capital	—	181,634	(181,634)	(100%)
Total changes in net assets	149,494	389,806	(240,312)	(62%)
Beginning net assets	704,126	314,320	389,806	124%
Ending net assets	853,620	704,126	149,494	22%

The Statement of Net Assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Net assets increase when revenue exceeds expenses. Increases to assets without a corresponding increase to liabilities, results in increased net assets, which indicates an improved financial position.

The statement of revenues, expenses, and changes in net assets presents information showing how the District's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event occurs, regardless of timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Notes to the financial statements: The notes provide additional information that is essential to full understanding of the data provided in the basic financial statements.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the District's budget to actual comparison and certain non-financial information required by the Tennessee Emergency Communications Board.

#### FINANCIAL ANALYSIS

Net assets may serve, over time, as a useful indicator of an entity's financial position. In the case of the District, assets exceeded liabilities by \$853,620.32 at the close of June 30, 2008.

Any net assets are to be used in purchasing capital assets over the next few years. The plan includes an upgrade of the 911 service. It will be necessary to upgrade computer hardware, software, and database provisioning. The plan must attempt to accommodate wireless phone/location technology, which is still underdevelopment and the capital and operating costs that are as yet not known.

#### SIGINIFICANT EVENTS

During the year ended June 30, 2008, the District purchased a upgrades including computers, a file server, and enhancement of the GEO CONEX system.

#### CASH FLOW

Net cash provided by operating activities decreased \$150,472.53 due primarily to the one time TECB operational funding disbursement of \$120,041.00 received in 2007.

#### BUDGETING HIGHLIGHTS

The 2007/08 budget was approved in October 2007. The budget is presented as separate columns in the required supplementary information. Significant line item transfers for the 2007/2008 budget were as follows: Transfer \$5,000.00 from Other Charges-Non Budgeted to Part-Time Personnel; Transfer \$7,000.00 from Retirement Contributions to Part-Time Personnel; Transfer \$3,500.00 from Social Security to Overtime Pay; Transfer \$3,500.00 from Medicare to Overtime Pay; Transfer \$2,000.00 from Other Fringe Benefits to Dispatchers; Transfer \$4,819.27 from Fees Paid to Service Providers to Maintenance and Repair - Communications, and Transfer \$646.01 Data Processing Supplies to Uniforms. In total, the operating expenses were under budget by \$96,385.01.

#### CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: The District's investment in capital assets amounts to \$338,163.72 net of accumulated depreciation as of June 30, 2008. Capitalized lease obligations were \$1564.38.

CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT 911  
BOARD MEMBERS AND MANAGEMENT OFFICIALS  
June 30, 2008

District Board

John Pierce - Chairman  
Kelly Geagley – Secretary/Treasurer

Terry Arnold  
Matt Bailey  
Bill Carter  
Johnny Holder  
Ernest Jackson  
Chris Mathes

Management Officials

Walt Pierce – Executive Director  
Glenna Morton – Office Management  
Lou Eller – Office Management

CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT 911  
STATEMENT OF NET ASSETS  
June 30, 2008

ASSETS

Current Assets:		
Cash and Cash Equivalents	467,085.46	
Surcharge Receivable	<u>77,413.92</u>	
Total Current Assets		544,499.38
Non-Current Assets:		
Capital Assets:		
Leasehold Improvements	61,739.00	
Office Furniture and Fixtures	17,421.91	
Office Equipment	23,180.37	
Communications Equipment	649,149.17	
Vehicles	20,640.85	
Other Fixed Asset	<u>16,924.64</u>	
	789,055.94	
Less: Accumulated Depreciation	<u>470,392.22</u>	
Total Capital Assets		318,663.72
Computer Software	24,562.00	
Addressing/Mapping Contract	<u>97,547.41</u>	
	122,109.41	
Less Accumulated Amortization	<u>102,609.41</u>	19,500.00
Total Non - Current Assets		<u>338,163.72</u>
Total Assets		<u><u>882,663.10</u></u>

LIABILITIES

Current Liabilities:		
Accounts Payable	3,189.33	
Accrued Expenses	424.85	
Capital Lease Obligations - Current Portion	1,564.38	
Accrued Compensated Absences - Current Portion	<u>15,838.44</u>	
Total Current Liabilities		21,017.00
Non-Current Liabilities:		
Accrued Compensated Absences - Long-Term Portion	<u>8,025.78</u>	
Total Non-Current Liabilities		8,025.78
Total Liabilities		<u>29,042.78</u>

NET ASSETS

Invested in Capital Assets	336,599.34	
Unrestricted	<u>517,020.98</u>	
Total Net Assets		<u><u>853,620.32</u></u>

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

CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT 911  
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS  
For the Year Ended June 30, 2008

OPERATING REVENUE

Surcharge Revenue	495,208.97	
Tennessee Emergency Communications Board - Shared Wireless Surcharge	270,299.33	
	<u>270,299.33</u>	
Total Operating Revenue		765,508.30

OPERATING EXPENSES

Salaries, Wages, and Payroll Taxes	422,568.22	
Employee Benefits	123,482.14	
Administrative Fees- Service Charge	16,742.77	
Professional Services	4,663.50	
Emergency Lines & Telephones	81,737.61	
Information Services (NCIC/TBI/TIES)	9,310.82	
Occupancy Expenses - Donated	10,045.00	
Building Maintenance	4,816.12	
Communications Equipment Maintenance and Repair	22,319.27	
Office Equipment Maintenance and Repair	380.00	
Vehicle Maintenance and Repair	2,487.78	
Office Supplies	2,550.11	
Other Administrative Expenses	7,425.53	
Utilities	12,753.16	
Insurance	10,295.75	
Training Expenses	8,394.23	
Travel Expenses	6,684.69	
Depreciation and Amortization	52,387.21	
	<u>52,387.21</u>	
Total Operating Expenses		<u>799,043.91</u>
Operating Income (Loss)		(33,535.61)

NON-OPERATING REVENUES (EXPENSES)

Interest Income	1,961.08	
Donated Use of Space - Carter County	10,045.00	
Appropriations from City of Elizabethton	83,172.25	
Appropriations from Carter County	76,712.50	
Tennessee Emergency Communications Board - GIS Maintenance Grant	5,425.00	
Rent Income	3,600.00	
Alarm Monitoring	2,520.00	
Interst on Lease Obligations	(406.06)	
	<u>(406.06)</u>	
Total Non-Operating Revenues (Expenses)		<u>183,029.77</u>

Change in Net Assets		149,494.16
Net Assets, July 1		<u>704,126.16</u>
Net Assets, July 30		<u><u>853,620.32</u></u>

continued

CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT 911

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2008

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

CASH FLOWS FROM OPERATIONS:

Receipts from Surcharges	744,397.52
Receipts from State Maintenance Grants	5,425.00
Customer Receipts - Alarm Monitoring	2,520.00
Rent Receipts	3,900.00
Payments to Employees	(422,619.92)
Payments to Service Providers	(304,806.00)
Payments to Suppliers	(9,403.61)

Net Cash Provided by (Used In) Operating Activities 19,412.99

CASH FLOW FROM NONCAPITAL AND RELATED FINANCING

Operating Grants Received -	
City of Elizabethton, Tennessee	83,172.25
Carter County, Tennessee	76,712.50

Net Cash Provided from Noncapital Financing Activities 159,884.75

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Addition of Property and Equipment	(47,094.20)
Principal Paid on Lease Obligations	(4,387.34)
Interest Paid on Lease Obligations	(406.06)

Net Cash Used by Capital and Related Financing Activities (51,887.60)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Income	1,961.08
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Net Cash Provided from Investing Activities 1,961.08

Net Decrease in Cash and Cash Equivalents 129,371.22

Cash and Cash Equivalents at Beginning of Year 337,714.24

Cash and Cash Equivalents at End of Year 467,085.46

CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT 911

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES

Net Income (Loss) from Operations		(21,990.61)
Adjustments to Reconcile Net Income to		
Net Cash Provided by Operating Activities:		
Depreciation	48,487.21	
Amortization	3,900.00	
Donated Occupancy - Rent	10,045.00	
Changes in Operating Assets and Liabilities:		
Increase of Decrease:		
Receivables	(21,110.78)	
Accounts Payable and Accrued Expenses	133.87	
Accrued Compensated Absences	<u>(51.70)</u>	
Total Adjustments		<u>41,403.60</u>
Net Cash Provided by Operating Activities		<u><u>19,412.99</u></u>

CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT 911

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Carter County Emergency Communications District 911 (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards (FASB) pronouncements and Accounting Principles Board (APB) opinion, issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. After November 30, 1989, the District follows GASB guidance only and does not follow any FASB guidance issued after that date. The more significant accounting policies of the District are described as follows.

The District is a component unit of Carter County, Tennessee. These financial statements are limited to the District and not Carter County, Tennessee as a whole.

1. Nature of Activities

The Carter County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for residents of Carter County. The District is funded primarily through service charges levied on land line based and cellular telephone service. The District operates under the legislative declaration and intent of the “Emergency Communications District Law” which was authorized by Tennessee Code Section 7-86-102.

Carter County Emergency Communications District is a component unit of Carter County. The governing body of the Carter County Emergency Communications District is appointed by the Carter County Board of Commissioners. Before the issuance of most debt instruments, the District must obtain the approval of the County Commissioners.

2. Basis of Accounting

All activities of the District are accounted for within a single proprietary fund. Proprietary funds distinguish operating revenues and expenses from non-operating 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 surcharges applied to tele-communications and charges for alarm monitoring. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The District’s transactions are accounted for on a flow of economic resources measurement focus. Based on this measurement focus, all assets and all liabilities associated with the operations are included on the balance sheet. Net assets are segregated into “invested in capital assets, net of related liabilities” and “unrestricted” components.

3. Deposits

A. Definition of Cash

For the purposes of the Statement of Cash Flows, the District considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents regardless of restrictions. Commercial bank certificates of deposits with initial maturities exceeding three months are not considered cash equivalents.

CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT 911  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued:

3. Deposits-continued

B. Cash Deposits with Financial Institutions:

Cash on the balance sheet includes two demand deposits in one local bank.

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Total Deposits, June 30, 2008	<u>467,085.46</u>	<u>509,077.05</u>

All bank balances were covered throughout the year by federal depository insurance or the State of Tennessee Bank Collateral Pool. State statute requires all deposits with financial institutions to be insured or collateralized in an amount no less than 105% of the market value.

At year-end, there were no investments. Established policies require the District to follow the investment policies utilized by Carter County, TN.

4. Surcharges Receivable

The Carter County Emergency Communications District 911 was due surcharge revenue of \$35,907.72 from Embarq and Wireless Surcharge Revenue of \$41,206.20 from the State of Tennessee Communication Board. This represents surcharges billed as of the month of June 2008. The total was received and deposited during the following fiscal year.

5. Accrued Expenses

Accrued expenses for Carter County Emergency Communications District 911 consisted of payables for employee benefits/payroll taxes.

Carter County Emergency Communications District 911 has the following policy concerning accrued leave and vacation. Sick leave is accumulated at a rate of eight hours per month to be used after completion of the six months probation period. There is not a limit on the amount of accumulated sick leave. Accumulated sick leave can be credited toward service time for retirement, but is not paid should an employee leave before retirement. Vacation pay is accrued and payable at a rate of ten hours per month after an employee has completed six months. Accrued vacation is paid when an employee leaves before retirement. Total accrued leave equals \$23,864.22 at June 30, 2008.

6. Donated Use of Space

Use of facilities is provided by Carter County at a cost of \$1.00 per year. Fair market value of the donated space and related occupancy expenses are reflected in the financial statements based on the estimated rental value per square foot of \$2.01 multiplied by 4,997 total square feet occupied. The annual rental equivalent is estimated at \$10,045.00

7. 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.

CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT 911

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued:

8. Rental Income

An agreement made between the Carter County Emergency Communications District 911 and the Carter County Red Cross stipulates that a portion of the building could be used by the Red Cross at a rate of \$300.00 per month. The monies assist in offsetting utility expenses and at times are complimentary to the mission of the District.

NOTE 2 – FIXED ASSETS:

Fixed assets are stated at cost. Depreciation of all exhaustible fixed assets is recorded as an expense and accumulated depreciation is reported on the balance sheet. Expenditures for maintenance and repairs, which do not improve or extend the life of the asset, are charged to expense as incurred. Other assets include computer software and the contract for addressing and mapping. Amortization is also recorded as an expense and accumulated amortization is reported in the Other Asset section.

Depreciation and amortization of assets are recorded using the straight-line method with the following useful lives:

Building Renovations	20	years
Computer Equipment	5	years
Heating and Air Conditioning Equipment	10	years
Office Furniture and Equipment	5 – 7	years
Radio Consoles	10	years
Radio Communications System	10	years
Other Equipment	3 - 5	years
Computer Software	5	years
Addressing and Mapping Contract	5	years

Capital asset activity during the year was as follows:

	<u>Balance</u> <u>6/30/07</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/08</u>
Capital Assets Not Being Depreciated:				
Capital Assets Being Depreciated:				
Leasehold Improvements	57,639.00	4,100.00		61,739.00
Furniture and Fixtures	17,421.91			17,421.91
Office Equipment	23,180.37			23,180.37
Communications Equipment	606,154.97	42,994.20		649,149.17
Vehicles	20,640.85			20,640.85
Addressing and Mapping	97,547.41			97,547.41
Computer Software	24,562.00			24,562.00
Other Fixed Assets	<u>16,924.64</u>			<u>16,924.64</u>
Total Capital Assets Being Depreciated:	<u>864,071.15</u>	<u>47,094.20</u>		<u>911,165.35</u>
Accumulated Depreciation:				
Leasehold Improvements	44,809.02	2,622.58		47,431.60
Furniture and Fixtures	12,074.17	1,458.88		13,533.05
Office Equipment	22,996.73	183.64		23,180.37
Communications Equipment	304,459.60	44,222.11		348,681.71
Vehicles	20,640.85			20,640.85
Addressing and Mapping	74,147.41	3,900.00		78,047.41
Computer Software	24,562.00			24,562.00
Other Fixed Assets	<u>16,924.64</u>			<u>16,924.64</u>
Total Accumulated Depreciation:	<u>520,614.42</u>	<u>52,387.21</u>		<u>573,001.63</u>
Net Capital Assets Being Depreciated:	<u>343,456.73</u>	<u>(5,293.01)</u>		<u>338,163.72</u>
Net Capital Assets:	<u>343,456.73</u>	<u>159,086.21</u>		<u>338,163.72</u>

CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT 911

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE 3 – BUDGETARY ACCOUNTING:

A budget is adopted annually by the Board of Directors as required by Tennessee Code Annotated, Title 7, Chapter 86, Part I. The Board estimates the anticipated revenues from all sources. Each expenditure is evaluated to determine the estimated needs. After the Board adopts the budget, it is submitted to both the city and the county for approval prior to the beginning of the budgeted fiscal year. The Board receives a monthly analysis comparing actual revenue and expenditures to the budgeted amounts. Amendments were approved by the board as variances were discovered. The amounts reported on the budgetary schedule reflect the amounts of the final amended budget.

The District's budgetary process accounts for certain transactions on a basis other than GAAP. The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on a cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures are recorded when paid. Under the GAAP basis, revenues and expenses are recorded on the full accrual basis. Reconciliation of the Schedule of Revenues and Expenditures – Budget to Actual (Non GAAP Basis) on page 14 to GAAP basis Change in Net Assets reported on Page 4 is as follows:

Budgeted Operating Revenue over Operating Expenditures	181,059.09
Revenue Accruals	21,140.78
Expenditure Accruals	87.56
Depreciation Expense	(52,387.21)
Interest Expense	<u>(406.06)</u>

GAAP Basis – Income (Loss)	<u>149,494.16</u>
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NOTE 4 – RISK FINANCING:

It is the policy of the Carter County Emergency Communications District 911 to purchase commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property and casualty, worker's compensation, employee health and accident. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 5 – RETIREMENT COMMITMENTS:

A. Plan Description

Employees of Carter County Emergency Communications District 911 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 5 (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 became 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

CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT 911

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE 5 – RETIREMENT COMMITMENTS (Continued):

General Assembly. Political subdivisions such as Carter County Emergency Communications District 911 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, 10<sup>th</sup> Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at [www.treasury.state.tn.us](http://www.treasury.state.tn.us).

B. Funding Policy

Carter County Emergency Communications District 911 has adopted a noncontributory plan for its employees by assuming employee contributions up to 5.0 percent of annual covered payroll.

Carter County Emergency Communications District 911 is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2008 was 13.16% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Carter County Emergency Communications District 911 is established and may be amended by the TCRS Board of Trustees.

C. Annual Pension Cost

For the year ending June 30, 2007, Carter County Emergency Communications District 911's annual pension cost of \$41,869 to TCRS was equal to Carter County Emergency Communications District 911's required and actual contributions.

The required contribution was determined as part of the July 1, 2005 actuarial valuation using the frozen initial liability 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 salary increases of 4.75 percent annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0 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 five-year period. Carter County Emergency Communications District 911's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005 was 18 years. An actuarial valuation was performed as of July 1, 2007, which was established contribution rates effective July 1, 2008.

Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/08	\$41,869	100.00%	\$0.00
6/30/07	\$34,433	100.00%	\$0.00
6/30/06	\$32,412	100.00%	\$0.00
6/30/05	\$30,131	100.00%	\$0.00
6/30/04	\$28,099	100.00%	\$0.00
6/30/03	\$16,028	100.00%	\$0.00

CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT 911

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE 5 – RETIREMENT COMMITMENTS (Continued):

D. Funding Status and Funding Progress for Carter County Emergency Communications District 911

As of July 1, 2007, the most recent actuarial valuation date, the plan was 64.94% percent funded. The actuarial accrued liability for benefits was \$0.47 million, and the actuarial value of assets was \$0.31 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.16 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.27 million, and the ratio of the UAAL to the covered payroll was 62.13% percent.

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

(Dollar amounts in thousands)

Actuarial Valuation <u>Date</u>	Actuarial Value of Plan Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) -Entry Age <u>(b)</u>	Unfunded AAL (UAAL) <u>(b) – (a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percentage Of Covered Payroll <u>((b-a)/c)</u>
July 01, 2007	\$305	\$470	\$165	64.94%	\$265	62.13%

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 was a change made during the year and therefore only the most current year is presented.

NOTE 6 – DEFERRED COMPENSATION PLAN:

A Section 457 Deferred Compensation Plan is maintained for employees who desire to make tax deferred contributions up to the maximum allowed by the Internal Revenue Code. Plan assets are held in a separate trust for benefit of the individual employee participants.

NOTE 7 – CAD ACCESS FEE:

The District receives \$150.00 a month from Carter County for high-speed access to the CAD database. The information contained in this database is a valuable resource for the area law enforcement organizations.

NOTE 8 – LEASES:

Capital Leases

The District leases equipment from Patriot Public Finance under a capital lease. The economic substance of the lease is that the District is financing the acquisition of the assets through the lease, and, accordingly, it is recorded in the District's assets and liabilities.

CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT 911

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE 8 – LEASES:

Capital Leases-continued

An audiolog recorder and related accessories and licenses were acquired in October 2003 at a cost of \$18,619. This equipment is included in the fixed asset account, "Communications Equipment." Related accumulated depreciation is \$1,861.90.

The lease agreement contains a bargain option at the end of the lease term of \$1.00. The term of the lease is 60 months with an interest rate of 10.13%. Monthly payments are \$399.34. The following schedule is a summary of the payment schedule by year:

	<u>Principal</u>	<u>Interest</u>
2009	1,564.38	33.42
Thereafter	<u>1,564.38</u>	<u>33.42</u>

NOTE 9– NET ASSETS:

Net asset classification is comprised of two components and is the result of accumulated net earnings from operations, other activities, and contributed capital. "Invested in capital assets, net of related liabilities" consists of all capital assets net of accumulated depreciation and reduced by debt outstanding that is directly related to the purchase, construction, and modifications of those capital assets. The "Unrestricted" component of net assets constitutes all other net assets not included in the aforementioned category of net assets.

**CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT 911**  
**SCHEDULE OF COMPARISON OF BUDGET REVENUES AND EXPENDITURES TO ACTUAL**  
**For the Year Ended June 30, 2008**

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis) (see Note 3)	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Telephone Surcharge	476,400.00	476,400.00	495,301.25	18,901.25
Tennessee Emergency Communications Board - Wireless Surcharge	240,000.00	240,000.00	249,096.27	9,096.27
Appropriations - City of Elizabethton	83,173.00	83,173.00	83,172.25	(0.75)
Appropriations - Carter County	76,712.00	76,712.00	76,712.50	0.50
TECB - Maintenance Grants	10,000.00	10,000.00	5,425.00	(4,575.00)
Interest			1,961.08	1,961.08
Rent Income	3,600.00	3,600.00	3,600.00	-
Alarm Monitoring	2,850.00	2,850.00	2,520.00	(330.00)
<b>Total Revenues</b>	<b>892,735.00</b>	<b>892,735.00</b>	<b>917,788.35</b>	<b>25,053.35</b>
<b>Expenditures:</b>				
Administrative Fees - Service Charge	21,000.00	21,000.00	16,742.77	4,257.23
Professional Services - Accounting and Audit	5,050.00	5,050.00	4,751.00	299.00
Fees Paid To Service Providers	92,000.00	92,000.00	79,928.86	12,071.14
Information Services (NCIC/TBI/TIES)	12,000.00	12,000.00	9,310.82	2,689.18
Pest Control	350.00	350.00	285.00	65.00
Maintenance Agreements	9,000.00	9,000.00	1,808.75	7,191.25
Communications - Mapping, CAD, & Radios	17,500.00	22,319.27	22,319.27	-
Building and Facilities	40,000.00	40,000.00	4,531.12	35,468.88
Office Equipment	400.00	400.00	380.00	20.00
Vehicles	5,000.00	5,000.00	2,487.78	2,512.22
Office Supplies	3,000.00	3,000.00	2,580.11	419.89
Custodial Supplies	1,500.00	1,500.00	1,106.21	393.79
Data Processing & Supplies	3,000.00	2,353.99	1,186.41	1,167.58
Postage	620.00	620.00	459.21	160.79
Small Equipment Purchases	1,000.00	1,000.00	701.40	298.60
Uniforms	2,400.00	3,046.01	3,046.01	-
Electricity	10,000.00	10,000.00	9,222.42	777.58
Gas	1,400.00	1,400.00	883.06	516.94
Water	2,000.00	2,000.00	1,420.87	579.13
Cell Phones and Pagers	1,500.00	1,500.00	1,181.90	318.10
Board Meeting Expenses	500.00	500.00	324.29	175.71
Dues and Memberships	1,500.00	1,500.00	602.00	898.00
Workers' Compensation	2,100.00	2,100.00	1,970.00	130.00
Building and Contents	6,900.00	6,900.00	6,419.00	481.00
Vehicle Insurance	1,400.00	1,400.00	966.00	434.00
Premiums on Surety Bonds	2,000.00	2,000.00	940.75	1,059.25
Training Expenses	12,000.00	12,000.00	8,394.23	3,605.77
Travel Expenses	8,000.00	8,000.00	6,684.69	1,315.31
Non-budgeted Expenses	5,000.00	-	-	-
Director	36,140.00	36,140.00	36,139.48	0.52
Administrative Personnel	78,704.00	78,704.00	75,325.53	3,378.47
Dispatchers	200,050.00	202,050.00	194,195.88	7,854.12
Overtime Pay	3,500.00	10,500.00	9,463.38	1,036.62
Part-time Personnel	54,466.00	66,466.00	66,362.69	103.31
Others Salaries and Wages - Mapping Personnel	10,000.00	10,000.00	10,000.00	-
Social Security	30,000.00	26,500.00	25,232.20	1,267.80
Medicare	10,190.00	6,690.00	5,900.76	789.24
Life Insurance	1,716.00	1,716.00	1,704.72	11.28
Medical Insurance	60,424.00	60,424.00	58,486.83	1,937.17
Unemployment Compensation	2,400.00	2,400.00	571.63	1,828.37
Retirement Contributions	49,315.00	42,315.00	41,869.13	445.87
Other Fringe Benefits	23,270.00	21,270.00	20,843.10	426.90
<b>Total Operating Expenditures</b>	<b>828,295.00</b>	<b>833,114.27</b>	<b>736,729.26</b>	<b>96,385.01</b>
Operating Revenue Over (Under) Expenditures	64,440.00	59,620.73	181,059.09	121,438.36
<b>Capital Outlay Grants &amp; Other Expenditures:</b>				
Fixed Assets - Communication Equipment	(67,940.00)	(67,940.00)	(42,994.20)	24,945.80
Fixed Assets - Leasehold Improvements			(4,100.00)	(4,100.00)
Interest Expense	(1,500.00)	(1,500.00)	(406.06)	1,093.94
Depreciation	(55,000.00)	(55,000.00)	(52,387.21)	2,612.79
<b>Total Capital Outlay Expenditures</b>	<b>(124,440.00)</b>	<b>(124,440.00)</b>	<b>(99,887.47)</b>	<b>24,552.53</b>
Budgeted Revenue Over/Under Expenditures	(60,000.00)	(64,819.27)	81,171.62	145,990.89

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

CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT 911

SUMMARY OF INUSRANCE IN FORCE

June 30, 2008

<u>Insurance Company</u>	<u>Policy Period</u>	<u>Description of Coverage</u>	<u>Amount of Coverage</u>
VFIS Insurance Company	6/30/07 To 6/30/08	Real Property – Comprehensive Loss of Income Personal Property Liability – General Liability – Personal and Advertising Fire Damage – any one fire Medical Expense Limit – any one person Flood/Earthquake	Replacement Cost 12 Months Actual 384,863.00 2,000,000.00 1,000,000.00 1,000,000.00 5,000.00 500,000.00
Travelers Insurance Co.	10/24/07 To 10/24/08	Workers Compensation	Statutory
TML Risk Management Pool	6/30/07 To 6/30/08	Auto – Liability Medical Payments Uninsured Motorist Bodily Injury Property Damage	1,000,000.00 1,000.00 10,000.00 60,000.00 85,000.00
CNA Surety	7/01/07 To 7/1/08	Fidelity Bonds - Chairman	50,500.00
	7/1/07 To 7/1/08	Vice Chairman	50,500.00
	10/16/07 To 10/16/08	Treasurer	50,500.00
	10/06/07 To 10/03/08	Director	50,500.00

CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT 911  
SCHEDULE OF INFORMATION REQUIRED BY THE  
TENNESSEE EMERGENCY COMMUNICATIONS BOARD  
June 30, 2008

Number of Public Safety Answering Points (PSAP):

1 PSAP

Address of Each PSAP:

116 Holston Avenue  
Elizabethton, Tennessee

Type of System/Equipment and Database used:

Telephone System – Spint/CML  
CAD System – Pamet  
Database – Microsoft Works

Name, Address, Telephone Number, and Fax Number:

Director of the Emergency Communications District:

Walter Pierce		
116 Holston Avenue	Phone:	423-543-0911
Elizabethton, TN 37643	Fax:	423-543-7179

Chairman of the Emergency Communications District:

John Pierce		
282 Minton Hollow Road	Phone:	423-543-7422
Elizabethton, TN 37643		

## Section II - Internal Control and Compliance Section

Kenneth R. Kelly, Jr., MAcc., CPA

527 Elk Avenue, Suite 4

Elizabethton, TN 37643

**Independent Auditor's Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance  
with Governmental Auditing Standards**

Board of Commissioners  
Carter County Emergency Communications District 911  
Elizabethton, Tennessee 37643

I have audited the accompanying financial statements of Carter County Emergency Communications District 911, a component unit of Carter County, Tennessee, as of June 30, 2008 and for the year ended June 30, 2008 and have issued my report thereon dated February 12, 2009. I conducted the audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing the audit, I considered the Carter County Emergency Communications District 911's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Carter County Emergency Communications District 911's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Carter County Emergency Communications District 911's internal control over financial reporting. A control deficiency 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 material misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Carter County Emergency Communications District 911's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Carter County Emergency Communications District 911's financial statements that is more than inconsequential will not be prevented or detected by the Carter County Emergency Communications District 911's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Carter County Emergency Communications District 911's internal control. My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies in internal control that might be significant deficiencies or material weaknesses.

I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Carter County Emergency Communications District 911's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants and other matters, 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 the audit and, accordingly, I do not express such an opinion. The results of the tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Member of the TSCPA

(423) 542-5555 \* (423) 542-9339 \* (423) 677-5355

lrkellycpa17@yahoo.com

Report on Internal Control  
Carter County Emergency Communications District 911  
February 12, 2009

This report is intended solely for the information and use of board, management, and the Office of the Comptroller of the Treasury of the State of Tennessee and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



Certified Public Accountant

Elizabethton, Tennessee  
February 12, 2009