

CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT-  
A COMPONENT UNIT OF CARTER COUNTY, TENNESSEE

FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
WITH  
INDEPENDENT AUDITORS' REPORT

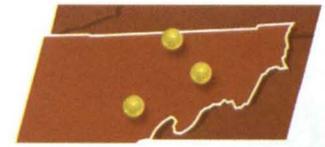
For the Year Ended June 30, 2010

CARTER COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT -  
A COMPONENT UNIT OF CARTER COUNTY, TENNESSEE

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Carter County Emergency  
Communications District  
116 Holston Avenue  
Elizabethton, Tennessee 37643

We have audited the accompanying basic financial statements of the Carter County Emergency Communications District, (the District) a component unit of Carter County, Tennessee, as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the Carter County Emergency Communications District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Carter County Emergency Communications District, a component unit of Carter County, Tennessee as of June 30, 2010, and the respective changes in financial position and cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2010, on our consideration of the Carter County Emergency Communications District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America required that the management's discussion and analysis and the Schedule of Funding Progress for Pension Plan and Postemployment Healthcare Plan on pages 3 through 5 and page 22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Carter County Emergency Communications District, a component unit of Carter County, Tennessee's financial statements. The supplementary information, as listed in the table of contents, is presented for the purposes of additional analysis and is not a required part of the financial statements of Carter County Emergency Communications District, a component unit of Carter County, Tennessee. The Schedule of Expenditures of State Awards, Budgetary Comparison Schedule, Schedule of Information Required by State and Roster of Board Members and Management are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

*Blackburn, Childers + Steagall, PLC*  
BLACKBURN, CHILDERS AND STEAGALL, PLC

December 6, 2010



# *Carter County Emergency Communications District*

**911**

**116 Holston Ave. Elizabethton, TN 37643  
(423) 543-0911**

## 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, 2010. 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

Operating revenues for the Emergency Communications District was \$765,528 for fiscal year 2010. This was an increase of 23.7% from the previous year. The District's current 9-1-1 surcharge rate for wireline customers is \$1.50 for residential customers and \$3.00 for businesses. The State's current wireless 9-1-1 surcharge rate is \$1.00 per access number and is collected and remitted to the District by the State Emergency Communications Board based on 25% of the revenue generated by such a charge to each Communications District based on the proportion of the population of each District to that of the State using the most current federal census. The term "net assets" refers to the difference between assets and liabilities. At the close of the fiscal year 2010, the District had net assets of \$817,952, a decrease of 6.33% over the previous year.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's financial statements, which consists 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 9-1-1 surcharges collected by the District's telco, Century Link, and a few third party companies referred to as CLEC. The District also received revenue from alarm vendors for monitoring services; monies from other agencies and public for services provided and interest revenue from financial institutions. This report also contains other supplementary information concerning the District's budget to actual comparison and certain non-financial information required by the Tennessee Emergency 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.

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. 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 present 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 \$817,952 at the close of June 30, 2010. This represents a decrease of 6.33% the previous year. The unrestricted net assets were \$544,991.

Total assets at year end are \$947,950 which includes \$674,989 of current assets and \$272,961 of capital assets. Total assets increased \$42,890 from previous year.

Total program revenue for the year was \$966,154 compared to \$881,324 in the previous year, an increase of \$84,830. Program revenues include telephone surcharge, appropriations, state grants and reimbursements, and alarm revenues. General revenues for the year were \$14,651 compared to \$14,660 in previous year, a decrease of \$9. Total revenue was \$980,805 compared to \$893,080 in 2009, an increase of \$87,725.

Total program expenses including salaries, benefits, contracted services, supplies and other were \$922,820 for the year compared to \$811,999 in previous year for an increase of \$110,821.

Total expenses for the year were \$986,992 compared to \$873,485 in the previous year, an increase of \$113,507.

## SIGNIFICANT EVENTS

During the year ended June 30, 2010, the District replaced a radio system monitor at a cost of \$760. The District had to complete some renovations to the generator building by installing cooling fans at a cost of \$526. The District received \$17,015 and \$1,000 for dispatcher training. The District received \$12,724 in reimbursement for the UPS system from the Tennessee Emergency Communications Board.

## CASH FLOW

Net cash used for operating activities increased \$9,116. Net cash used for capital and related financing activities increased by \$58,345. Interest income decreased by \$9 and is reflected in cash flows from investing activities.

## BUDGETING HIGHLIGHTS

The original 2009-2010 budget approved in September 2009 was amended in June 2010. The original and final budgets are presented as separate columns in the required supplementary information.

## CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: The District's investment in capital assets amounts to \$272,961, net of accumulated depreciation as of June 30, 2010, a decrease of \$57,430. Capital assets primarily include improvements to building, additional hardware, and software upgrades to enhance the District's Communications Center.

Long Term Debt: The District has no long term debt as of June 30, 2010.

## REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in its finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the Director, Carter County Emergency Communications District, 116 Holston Avenue, Elizabethton, Tennessee 37643.

Terry D. Blevins,  
Director

CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT-  
A COMPONENT UNIT OF CARTER COUNTY, TENNESSEE  
STATEMENT OF NET ASSETS  
June 30, 2010

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 628,728
Accounts Receivable	39,012
Prepaid Expenses	<u>7,249</u>

Total Current Assets 674,989

CAPITAL ASSETS

Furniture and Fixtures	17,422
Office Equipment	23,180
Communication Equipment	688,656
Vehicles	20,641
Leasehold Improvements	62,167
Other Capital Assets	139,034
Less: Accumulated Depreciation	<u>(678,139)</u>

Total Capital Assets 272,961

TOTAL ASSETS 947,950

LIABILITIES

CURRENT LIABILITIES

Payroll Deduction Payable	11,222
Accrued Payroll	352
Compensated Absences Payable	<u>27,625</u>

TOTAL CURRENT LIABILITIES 39,199

NON CURRENT LIABILITIES

Net Other Postemployment Benefits Obligation	<u>90,799</u>
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TOTAL NON CURRENT LIABILITIES 90,799

TOTAL LIABILITIES 129,998

NET ASSETS

Invested in Capital Assets	272,961
Unrestricted Net Assets	<u>544,991</u>

TOTAL NET ASSETS \$ 817,952

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

CARTER COUNTY EMERGENCY COMMUNICATION DISTRICT-  
A COMPONENT UNIT OF CARTER COUNTY, TENNESSEE  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
For the Year Ended June 30, 2010

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OPERATING REVENUE		
Emergency Telephone Service Charge	\$ 453,140	
Tennessee Emergency Communications Board		
Shared Wireless Charge	143,420	
Operational Funding	166,448	
Other Operating Revenues		
Alarm Revenue	<u>2,520</u>	
Total Operating Revenues		<u>765,528</u>
OPERATING EXPENSES		
Salaries and Wages		
Director	41,970	
Administrative Personnel	80,530	
Dispatchers	220,739	
Part-time Personnel	75,792	
Overtime Pay	20,028	
Other Salaries and Wages	<u>10,000</u>	
		449,059
Employee Benefits		
Social Security	31,418	
Medicare	5,589	
Life Insurance	1,920	
Medical Insurance	63,104	
Unemployment Compensation	866	
Retirement Contributions	54,289	
Other Postemployment Benefits Expense	45,930	
Other Fringe Benefits	<u>42,141</u>	
		245,257

(Continued)

CARTER COUNTY EMERGENCY COMMUNICATION DISTRICT-  
A COMPONENT UNIT OF CARTER COUNTY, TENNESSEE  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
For the Year Ended June 30, 2010

OPERATING EXPENSES (CONTINUED)

Contracted Services		
Audit Services	1,950	
Accounting Services	3,351	
Administrative Fees	19,074	
Fees Paid to Service Providers	81,854	
Legal Services	9,500	
Maintenance Agreements	4,333	
NCIC Expenses	10,571	
Lease/Rental - Buildings and Facilities - Donated	10,045	
Maintenance and Repairs - Office Equipment	290	
Maintenance and Repairs - Communications Equipment	7,700	
Maintenance and Repairs - Building and Facilities	8,121	
Maintenance and Repairs - Vehicles	558	
Fuel Vehicles	<u>2,089</u>	159,436
Supplies/Materials		
Office Supplies	2,226	
Postage	354	
Custodial Supplies	1,843	
Data Processing Supplies	1,058	
Uniforms and Shirts	2,490	
Utilities - Electric	8,432	
Utilities - Gas	1,206	
Utilities - Water	1,449	
Utilities - Phones	<u>1,386</u>	20,444
Other Charges		
Board Meeting Expenses	2,656	
Insurance - Workers Compensation	1,083	
Insurance - Building and Contents	7,568	
Insurance - Vehicles	604	
Dues and Membership	722	
Premiums on Surety Bonds	1,482	
Training Expenses	28,923	
Travel Expenses	<u>5,586</u>	48,624

(Continued)

CARTER COUNTY EMERGENCY COMMUNICATION DISTRICT-  
A COMPONENT UNIT OF CARTER COUNTY, TENNESSEE  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
For the Year Ended June 30, 2010

<b>OPERATING EXPENSES (CONTINUED)</b>		
Total Operating Expenses		<u>922,820</u>
<b>OPERATING LOSS BEFORE DEPRECIATION</b>		(157,292)
<b>LESS: DEPRECIATION</b>		<u>(64,172)</u>
<b>OPERATING LOSS</b>		(221,464)
 <b>NONOPERATING REVENUES (EXPENSES)</b>		
Contributions from Primary Government	76,713	
Contributions from Other Government Agencies	83,173	
Tennessee Emergency Communications Board - Grants and Reimbursements	40,740	
Donated Use of Space	10,045	
Rental Income	3,600	
Interest Income	<u>1,006</u>	
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>		<u>215,277</u>
 <b>DECREASE IN NET ASSETS</b>		 (6,187)
 <b>NET ASSETS, JULY 1, 2009</b>		 <u>873,215</u>
 <b>PRIOR PERIOD ADJUSTMENTS</b>		
Accrued Wages	10,545	
Depreciation Expense and Accumulated Depreciation	(6,338)	
Other Post Employment Benefits	<u>44,869</u>	
<b>TOTAL PRIOR PERIOD ADJUSTMENTS</b>		<u>(49,076)</u>
 <b>RESTATED NET ASSETS, JULY 1, 2009</b>		 <u>824,139</u>
 <b>NET ASSETS, JUNE 30, 2010</b>		 <u><u>\$ 817,952</u></u>

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

CARTER COUNTY EMERGENCY COMMUNICATION DISTRICT-  
A COMPONENT UNIT OF CARTER COUNTY, TENNESSEE  
STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2010

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CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received From Surcharges and Other Revenues	\$ 814,198	
Cash Payments to Employees	(448,336)	
Cash Payments for Employee Benefits	(199,436)	
Cash Payments for Contracted Services	(166,685)	
Cash Payments for Supplies	(24,250)	
Cash Payments for Other Charges	<u>(48,624)</u>	
Net Cash Used for Operating Activities		(73,133)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Grants/Reimbursements TECB	40,740	
Allocations from Primary Government	76,713	
Other Local Government Allocations	<u>96,818</u>	
Net Cash Provided by Noncapital Financing Activities		214,271
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of Capital Assets	<u>(403)</u>	
Net Cash Used for Capital and Related Financing Activities		(403)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income Received	<u>1,006</u>	
Net Cash Provided by Investing Activities		<u>1,006</u>
NET INCREASE (DECREASE) IN CASH		141,741
CASH AND CASH EQUIVALENTS AT JULY 1, 2009		<u>486,987</u>
CASH AND CASH EQUIVALENTS AT JUNE 30, 2010		<u><u>\$ 628,728</u></u>

(Continued)

CARTER COUNTY EMERGENCY COMMUNICATION DISTRICT-  
A COMPONENT UNIT OF CARTER COUNTY, TENNESSEE  
STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2010

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RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Operating Loss		\$ (221,464)
Adjustments to Reconcile Operating Loss to Net Cash Provided by (Used for) Operating Activities		
Depreciation	64,172	
(Increase) Decrease in Accounts Receivable	48,670	
(Increase) Decrease in Prepaid Expense	(7,249)	
Increase (Decrease in Accounts Payable	(3,806)	
Increase (Decrease) in Accrued Payroll	677	
Increase (Decrease) in Payroll Deductions	(109)	
Increase (Decrease) in Compensated Absences	46	
Increase (Decrease) in Net Other Postemployment Benefits Obligation	45,930	
		148,331
 NET CASH USED FOR OPERATING ACTIVITIES		 \$ (73,133)

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

CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT -  
A COMPONENT UNIT OF CARTER COUNTY, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2010

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NOTE 1 - GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

Carter County Emergency Communications District (CCECD) is an emergency communications district under *Tennessee Code Annotated Section 7-86*. CCECD has established the number 911 as a primary emergency telephone number to provide emergency service quickly and efficiently.

The financial statements of CCECD have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. GASB Statement No. 20 gives proprietary funds the option of applying all FASB statements and interpretations issued after November 30, 1989, unless they conflict with or contradict GASB pronouncements. CCECD has not implemented FASB statements and interpretations issued thereafter, unless they are adopted by GASB.

CCECD is a discretely presented Component Unit of Carter County, Tennessee. CCECD is a separate legal entity and is not fiscally dependent upon Carter County. However, the CCECD Board of Directors is appointed by the County Commission and Carter County has the ability to significantly influence the programs, projects, activities and level of services provided by CCECD.

CCECD began operations in 1991 and operates as an Enterprise Fund. The Board of Directors authorized the Sprint-United Telephone Company to begin charging the 911 surcharge to all customers in the service area. The surcharge is \$1.50 per residential subscriber and \$3.00 per line for commercial subscribers up to a maximum 100 lines. The lines actually belong to the phone company and are leased annually by 911.

Program revenue includes service charges, alarm, tape and other revenues, contributions, state and insurance reimbursements. Nonoperating revenues are identified in accordance with the *Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts*.

When an expense is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first.

Basis of Accounting

CCECD utilizes the full accrual basis of accounting. Revenue is recognized in the period in which it is earned and measurable; likewise, expenses are recognized when incurred, if measurable.

Cash and Deposits

Cash on the statements of net assets and cash flows includes petty cash, cash on hand, demand deposits, and certificates of deposit with an original maturity of three months or less. The certificate of deposit: long-term has an original maturity of greater than three months. There are no investments at June 30, 2010.

Cash and Certificates of Deposit: Long-Term are all covered by FDIC insurance or by the state collateral pool.

CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT -  
A COMPONENT UNIT OF CARTER COUNTY, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2010

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NOTE 1 - GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

Cash and Deposits (Continued)

The District is exposed to concentration of credit risk by placing its deposits in financial institutions. The District has mitigated the risks because the bank balance in excess of the FDIC limit is collateralized by the State of Tennessee bank collateral pool.

Compensated Absences

Each full time employee will be granted twenty four hours of personnel time each calendar year. Full time employees also received sick leave in the amount of eight hours per month. There is no limit to the amount of accumulated sick time. At the time of retirement, any accumulated sick leave will be credited toward service time for retirement.

Compensatory time may be earned at 1-1/2 times the regular rate of pay for time worked over forty (40) hours per work.

Accounts Receivable

Accounts receivable at June 30, 2010 consist of various surcharges totaling \$39,012. CCECD considers accounts receivable to be fully collectible; therefore, no allowance for uncollectibles has been recorded.

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.

NOTE 2 - BUDGET

In accordance with Tennessee Code Annotated 7-86-120, an annual budget is adopted by the District. The budget is approved by the Board and is also submitted to the primary government, Carter County, Tennessee. Expenses are presented at the legal level of control which in accordance with the *Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts* is the line-item level.

CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT -  
A COMPONENT UNIT OF CARTER COUNTY, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2010

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NOTE 3 - DEPOSITS AND INVESTMENTS

DEPOSITS - All deposits with financial institutions must be collateralized in an amount equal to 105% of the market value of uninsured deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the organization. The District does not have a policy for interest rate risk or other credit risk other than pledging securities for amounts in excess of FDIC coverage.

INVESTMENTS – Investments are allowed for the District in accordance with *TCA Section 5-8-301* which includes the provision that counties are authorized to make direct investments in bonds, notes or treasury bonds, notes or treasury bills of the U.S. Government and obligations guaranteed by the U.S. Government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; and the County's own legally issued bonds or notes. These investments may not have a maturity greater than two years. The District may make investments with longer maturities if various restrictions set out in the State law are followed. The District is also authorized to make investments in the State Pooled Investment Fund and in repurchase agreements. Repurchase agreements must be approved by the State Director of Local Finance and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. Government or obligations guaranteed by the U.S. Government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least 2% below the market value of the securities on the day of purchase.

As of June 30, 2010, the District held no investments.

CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT -  
A COMPONENT UNIT OF CARTER COUNTY, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2010

NOTE 4 - FIXED ASSETS

Fixed assets are stated at cost. Depreciation is computed using the straight-line method and a life of 10 years for the renovations, 7 years for the furniture, 5-7 years for the equipment, and 5 years for the vehicles.

Function and Activity

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments</u>	<u>Ending Balance</u>
Capital Assets, Being Depreciated:					
Furniture and Fixtures	\$ 17,422	-	-	-	17,422
Office Equipment	23,180	-	-	-	23,180
Communication Equipment	688,680	760	-	(784)	688,656
Vehicles	20,641	-	-	-	20,641
Leasehold Improvements	61,739	428	-	-	62,167
Other Capital Assets	139,034	-	-	-	139,034
<b>Total Capital Assets Being Depreciated</b>	<u>950,696</u>	<u>1,188</u>	<u>0</u>	<u>(784)</u>	<u>951,100</u>
Less Accumulated Depreciation For:					
Furniture and Fixtures	(14,602)	(696)	-	-	(15,298)
Office Equipment	(23,180)	-	-	-	(23,180)
Communication Equipment	(388,307)	(56,937)	-	2,153	(443,091)
Vehicles	(20,641)	-	-	-	(20,641)
Leasehold Improvements	(50,141)	(2,639)	-	2,235	(50,545)
Other Capital Assets	(123,434)	(3,900)	-	1,950	(125,384)
<b>Total Accumulated Depreciation</b>	<u>(620,305)</u>	<u>(64,172)</u>	<u>0</u>	<u>6,338</u>	<u>(678,139)</u>
<b>Total Capital Assets, Net</b>	<u>\$ 330,391</u>	<u>(62,984)</u>	<u>0</u>	<u>5,554</u>	<u>272,961</u>

CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT -  
A COMPONENT UNIT OF CARTER COUNTY, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2010

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NOTE 5 - PENSION PLAN

***Carter County 911***

***Plan Description***

Employees of Carter County 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 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 3437 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Carter County 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, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs/PS/>.

***Funding Policy***

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

Carter County 911 is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2010 was 14.07% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Carter County 911 is established and may be amended by the TCRS Board of Trustees.

CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT -  
A COMPONENT UNIT OF CARTER COUNTY, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2010

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NOTE 5 - PENSION PLAN (CONTINUED)

***Annual Pension Cost***

For the year ending June 30, 2010, Carter County 911's annual pension cost of \$54,289 to TCRS was equal to Carter County 911's required and actual contributions. The required contribution was determined as part of the July 1, 2007 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 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), (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 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, 2007 was 16 years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

**Trend Information**

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost(APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2010	\$54,289	100.00%	\$0.00
June 30, 2009	\$51,224	100.00%	\$0.00
June 30, 2008	\$41,869	100.00%	\$0.00

As of July 1, 2009, the most recent actuarial valuation date, the plan was 72.37% funded. The actuarial accrued liability for benefits was \$0.56 million, and the actuarial value of assets was \$0.40 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.15 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.35 million, and the ratio of the UAAL to the covered payroll was 44.28%.

The schedules of funding progress, presented as required supplementary information 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. The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate

CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT -  
A COMPONENT UNIT OF CARTER COUNTY, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2010

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NOTE 5 - PENSION PLAN (CONTINUED)

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 Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll ((b-a)/c)
	(a)	(b)	(b) - (a)	(a/b)	(c)	((b-a)/c)
July 01, 2009	\$404	\$559	\$154	72.37%	\$349	44.28%
July 01, 2007	\$305	\$469	\$164	65.03%	\$265	61.89%

NOTE 6 - OPEB

Plan Types:

The District has adopted a plan that provides postemployment medical benefits for retirees. Upon retirement, individuals are eligible to continue to receive coverage under the employer provided group medical plan.

The District offers post employment benefits for full time regular employees retiring under the Tennessee Consolidated Retirement System (TCRS) guidelines. Employees hired after January 21, 2008 must have a minimum of 20 years continuous full time employment or a combination of accumulated sick leave credits equal to 20 years continuous full time employment to be eligible. The minimum service requirement does not apply to employees hired before January 22, 2008. The District will pay 100% of the premium until the retiree becomes eligible for Medicare or reaches age 65. Eligible retirees receive medical, vision and dental insurance until eligible for Medicare. As of the effective date of the actuarial valuation, there was a total of 15 active participants. There have been no significant changes in the number covered or the type of coverage since the date of the actuarial valuation. The District has applied GASB 45 prospectively.

Funding Policy:

The contribution requirements of plan members are based on pay-as-you go financing requirements.

CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT -  
A COMPONENT UNIT OF CARTER COUNTY, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2010

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NOTE 6 - OPEB (CONTINUED)

Annual OPEB Cost and Net OPEB Obligation:

The District's other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarial determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (of funding excess) over a period not to exceed thirty years. The following table shows the components of the District's costs for the year, the amount actually contributed to the plan, and changes in the OPEB obligation.

Annual OPEB Cost and Net OPEB Obligation

Annual Required Contribution (ARC)	\$ 45,930
Interest on net OPEB Obligation	-
Adjustment to ARC	-
Annual OPEB Cost (Expense)	45,930
Contribution Made (assumed end of year)	-
Increase in Net OPEB Obligation	45,930
Net OPEB Obligation - Beginning of Year	44,869
Net OPEB Obligation - End of Year	\$ 90,799

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2010 and 2009 are as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2010	\$ 45,930	0%	\$ 90,799
6/30/2009	\$ 44,869	0%	\$ 44,869

CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT -  
A COMPONENT UNIT OF CARTER COUNTY, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2010

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NOTE 6 - OPEB (CONTINUED)

Funded Status and Funding Progress:

The funded status of the plan as of July 1, 2009, the date of the actuarial valuation was as follows:

Actuarial Valuation Date		<u>7/1/2008</u>
Actuarial Accrued Liability (AAL)	\$	446,835
Actuarial Value of Plan Assets		0
Unfunded Actuarial Accrued Liability (UAAL)	\$	446,835
Actuarial Value of Assets as a % of the AAL		0
Covered Payroll	\$	786,000
UAAL as a Percentage of Covered Payroll		56.8%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions:

Projects of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The following methods and assumptions were used.

The valuation date is July 1, 2008 and year 1 represents the period of July 1, 2008 to June 30, 2009. A discount rate of 4.0% was used to discount expected liabilities to the valuation dates. This is the approximate rate of return available on investments. Future salaries are expected to increase at an annual rate of 3.0%. Average health care trend costs rates are assumed to decrease by 5% for year 2, increase 5% (year 3), 9.55% (years 4 and 5), 9.0% (years 6 and 7), 8.5% (years 8 and 9), 8.0% (years 10 and 11), 7.5% (years 12 and 13), 7.0% (years 14 and 15), 6.5% (years 16 and 17), 6.0% (years 18 and 19), and 5.5% for years 20 and subsequent. The Projected Unit Credit Actuarial cost method was used to allocate the value of benefits to valuation years. The ARC was calculated using the level percent of payroll amortization method, amortizing costs over 30 years on an open basis.

CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT -  
A COMPONENT UNIT OF CARTER COUNTY, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2010

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NOTE 7 - CONTRACT

CCECD has a contract for telephone access lines from Centurylink-United Telephone Southeast. The billing is reviewed annually based on the number of access lines in-service at calendar year end. The monthly rates for the fiscal year were \$3,048 based on 24,589 access lines. This monthly base rate is influenced by various additional charges including database, switching fees, transfers and other services. The telephone company has updated the rates effective July 1, 2010. The new rate will be \$2,921 based on the updated number of access lines.

NOTE 8 - RISK MANAGEMENT ACTIVITIES

The CCECD carries insurance coverage for property, auto liability, workman's compensation, general liability and contents. There have been no significant changes from the previous year in the types of coverage. There have been no claims in the past three years which were not covered by insurance.

NOTE 9 - 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 on the Statement of Revenues, Expenses and Changes in Net Assets based upon the estimated rental value per square foot of \$2.01 and the total square feet occupied, which is 4,997 feet. The annual rental equivalent is estimated at \$10,045.

NOTE 10 - RENTAL INCOME

An agreement made between the District and the Carter County Red Cross stipulates that a portion of the building can be used by the Red Cross at a rate of \$300 per month. These funds assist in offsetting utility expenses.

NOTE 11 - PRIOR PERIOD ADJUSTMENTS

As noted on the Statement of Revenues, Expenses and Changes in Net Assets, prior period adjustments totaling \$49,076 are reflected. These include \$10,545 to properly record accrued wages, \$44,869 to properly record the liability for other postemployment benefits and (\$6,338) related to depreciation.

CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT -  
A COMPONENT UNIT OF CARTER COUNTY, TENNESSEE  
SCHEDULE OF FUNDING PROGRESS FOR PENSION PLAN AND  
POSTEMPLOYMENT HEALTHCARE PLAN  
For the Year Ended June 30, 2010

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Schedule of Funding Progress for Pension Plan

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) <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, 2009	\$404	\$559	\$154	72.37%	\$349	44.28%
July 01, 2007	\$305	\$469	\$164	65.03%	\$265	61.89%

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

Schedule of Funding Progress – Postemployment Healthcare Plan

Actuarial Valuation Date	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) <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, 2008	\$ 0	\$446,835	\$446,835	0.0%	\$786,000	56.8%

See Independent Auditors' Report.

CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT -  
A COMPONENT UNIT OF CARTER COUNTY, TENNESSEE  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
For the Fiscal Year Ended June 30, 2010

CFDA Number	Grant Number	Program Name	Grantor Agency	Balance July 1, 2009 (Receivable)	Receipts	Qualifying Expenses	Balance June 30, 2010
N.A	N.A	GIS Maintenance Grant	Tennessee Department of Commerce and Insurance	\$ -	10,000	10,000	-
TOTAL STATE AWARDS				<u>\$ 0</u>	<u>10,000</u>	<u>10,000</u>	<u>0</u>

See Independent Auditors' Report.

CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT-  
A COMPONENT UNIT OF CARTER COUNTY, TENNESSEE  
BUDGETARY COMPARISON SCHEDULE  
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Under (Over)
	Original Budget	Final Budget		
<b>OPERATING REVENUE</b>				
Emergency Telephone Service Charge	\$ 496,300	496,300	453,140	(43,160)
TECB - Shared Wireless Charge	154,400	154,400	143,420	(10,980)
TECB - Operational Funding	120,000	120,000	166,448	46,448
Other Revenue				
Alarm Revenue	2,850	2,850	2,520	(330)
Total Operating Revenue	<u>773,550</u>	<u>773,550</u>	<u>765,528</u>	<u>(8,022)</u>
<b>OPERATING EXPENSES</b>				
<b>Salaries and Wages</b>				
Director	38,352	41,972	41,970	2
Administrative Personnel	94,073	81,453	80,530	923
Dispatchers	250,810	250,810	220,739	30,071
Part-time Personnel	60,000	76,000	75,792	208
Other Salary and Wages	10,000	10,000	10,000	-
Overtime Pay	12,000	21,000	20,028	972
Total Salaries and Wages	<u>465,235</u>	<u>481,235</u>	<u>449,059</u>	<u>32,176</u>
<b>Employee Benefits</b>				
Social Security	29,000	31,800	31,418	382
Medicare	7,700	7,700	5,589	2,111
Life Insurance	2,700	2,700	1,920	780
Medical Insurance	81,000	71,500	63,104	8,396
Other Fringe Benefits	41,380	42,155	42,141	14
Retirement Contributions	60,000	56,425	54,289	2,136
Other Post Employment Benefits	-	-	45,930	(45,930)
Unemployment Compensation	1,200	1,200	866	334
Total Employee Benefits	<u>222,980</u>	<u>213,480</u>	<u>245,257</u>	<u>(31,777)</u>
<b>Contracted Services</b>				
Audit Services	2,100	2,100	1,950	150
Accounting Services	3,100	3,360	3,351	9
Administrative Fees	21,000	21,000	19,074	1,926
Fees Paid to Service Providers	84,500	84,500	81,854	2,646
Pest Control	350	350	-	350
Legal Services	-	9,500	9,500	-
Maintenance Agreements	9,000	9,000	4,333	4,667
Fuel Vehicles	2,900	2,900	2,089	811
NCIC/TBI/TIES	14,000	14,000	10,571	3,429
Lease/Rental - Buildings and Facilities - Donated	-	-	10,045	(10,045)

(Continued)

CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT-  
A COMPONENT UNIT OF CARTER COUNTY, TENNESSEE  
BUDGETARY COMPARISON SCHEDULE  
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Under (Over)
	Original Budget	Final Budget		
<b>OPERATING EXPENSES (CONTINUED)</b>				
Contracted Services (Continued)				
Maintenance and Repairs - Communication Equipment	12,000	11,740	7,700	4,040
Maintenance and Repairs - Office Equipment	400	400	290	110
Maintenance and Repairs - Building and Facilities	10,000	10,288	8,121	2,167
Maintenance and Repairs - Vehicles	1,850	1,562	558	1,004
Total Contracted Services	<u>161,200</u>	<u>170,700</u>	<u>159,436</u>	<u>11,264</u>
Supplies/Materials				
Small Equipment Purchases	800	800	-	800
Office Supplies	3,000	2,655	2,226	429
Postage	620	529	354	175
Custodial Supplies	1,500	1,845	1,843	2
Data Processing Supplies	3,000	3,000	1,058	1,942
Uniforms and Shirts	2,400	2,491	2,490	1
Utilities - Electric	11,200	10,200	8,432	1,768
Utilities - Gas	1,400	1,400	1,206	194
Utilities - Water	2,000	2,000	1,449	551
Utilities - Phones	1,500	1,500	1,386	114
Total Supplies/Materials	<u>27,420</u>	<u>26,420</u>	<u>20,444</u>	<u>5,976</u>
Other Charges				
Board Meeting Expenses	500	(9,500)	2,656	(12,156)
Insurance - Workers Compensation	2,100	2,100	1,083	1,017
Insurance - Building and Contents	6,900	6,900	7,568	(668)
Insurance - Vehicles	1,000	1,000	604	396
Dues and Membership	1,500	1,500	722	778
Premiums on Surety Bonds	2,500	2,500	1,482	1,018
Other Charges	15,000	-	-	-
Training Expenses	16,100	16,100	28,923	(12,823)
Travel Expenses	8,000	8,000	5,586	2,414
Total Other Charges	<u>53,600</u>	<u>28,600</u>	<u>48,624</u>	<u>(20,024)</u>
Depreciation				
Depreciation Expense	63,100	63,100	64,172	(1,072)
Total Depreciation Expense	<u>63,100</u>	<u>63,100</u>	<u>64,172</u>	<u>(1,072)</u>
OPERATING INCOME (LOSS)	(219,985)	(209,985)	(221,464)	(11,479)

(Continued)

CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT-  
A COMPONENT UNIT OF CARTER COUNTY, TENNESSEE  
BUDGETARY COMPARISON SCHEDULE  
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Under (Over)
	Original Budget	Final Budget		
NONOPERATING REVENUES (EXPENSES)				
Contributions from Primary Government	76,712	76,712	76,713	1
Contributions from Other Government Agencies	83,173	83,173	83,173	-
Tennessee Emergency Communications Board - Grants and Reimbursements	10,000	10,000	40,740	30,740
Donated Use of Space	-	-	10,045	10,045
Rental Income	3,600	3,600	3,600	-
Miscellaneous Income	47,000	47,000	-	(47,000)
Interest Expense	(500)	(500)	-	500
Interest Income	15,000	-	1,006	1,006
Total Nonoperating Revenues (Expenses)	<u>234,985</u>	<u>219,985</u>	<u>215,277</u>	<u>(4,708)</u>
INCREASE (DECREASE) IN NET ASSETS	<u>15,000</u>	<u>10,000</u>	<u>(6,187)</u>	<u>(16,187)</u>
NET ASSETS, JULY 1, 2009	873,215	873,215	873,215	-
PRIOR PERIOD ADJUSTMENTS	<u>-</u>	<u>-</u>	<u>(49,076)</u>	<u>(49,076)</u>
NET ASSETS, JULY 1, 2009 RESTATED	<u>873,215</u>	<u>873,215</u>	<u>824,139</u>	<u>(49,076)</u>
NET ASSETS, JUNE 30, 2010	<u>\$ 888,215</u>	<u>883,215</u>	<u>817,952</u>	<u>(65,263)</u>

See Independent Auditors' Report.

CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT -  
A COMPONENT UNIT OF CARTER COUNTY, TENNESSEE  
SCHEDULE OF INFORMATION REQUIRED BY STATE  
For the Year Ended June 30, 2010

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The following information is required by the Accounting and Financial Reporting Manual For Tennessee Emergency Communications Districts:

The Carter County Emergency Communications District has one (1) public safety answering point located at 116 Holston Avenue, Elizabethton, Tennessee.

The Carter County Emergency Communications District's system is Sprint/CML. The 9-1-1 database is maintained by Embarq. The CAD System is PAMET.

Director:

Dale Blevins  
P.O. Box 999  
116 Holston Avenue  
Elizabethton, TN 37644  
Phone: (423) 543-0911  
Fax: (423) 543-7179

Chairman:

Terry Arnold  
P.O. Box 776  
Elizabethton, TN 37644  
Phone: (423) 543-5445  
Fax: (423) 543-4323

See Independent Auditors' Report.

CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT -  
A COMPONENT UNIT OF CARTER COUNTY, TENNESSEE  
ROSTER OF BOARD MEMBERS AND MANAGEMENT  
For the Year Ended June 30, 2010

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**ROSTER OF BOARD MEMBERS**

***CHAIRMAN***

Terry Arnold

***VICE CHAIRMAN***

Barry Carrier

***SECRETARY/TREASURER***

Kelly Geagley

Scott Whaley

Bill Carter

Chris Mathes

Matt Bailey

**ROSTER OF MANAGEMENT OFFICIALS**

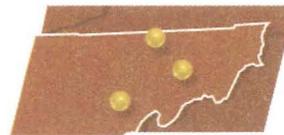
Dale Blevins

Director

Lou Eller

Office Manager

See Independent Auditors' Report.



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*

To the Board of Directors  
Carter County Emergency  
Communications District  
116 Holston Avenue  
Elizabethton, Tennessee 37643

We have audited the financial statements of the Carter County Emergency Communications District, a component unit of Carter County, Tennessee, as of and for the year ended June 30, 2010, and have issued our report thereon dated December 6, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Carter County Emergency Communications District's, a component unit of Carter County, Tennessee, internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Carter County Emergency Communications District's, a component unit of Carter County, Tennessee, internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Carter County Emergency Communications District's, a component unit of Carter County, Tennessee, internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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.

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

not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of finding and responses that we consider to be significant deficiencies in internal control over financial reporting. These are listed as 2010-01 and 2010-02. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Carter County Emergency Communications District's, a component unit of Carter County, Tennessee, financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying schedule of findings and responses as items 2010-01 and 2010-02.

We noted certain matters that we reported to management of the Carter County Emergency Communication District's, a component unit of Carter County, Tennessee, in a separate letter dated December 6, 2010.

Carter County Emergency Communications District's, a component unit of Carter County, Tennessee, response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Carter County Emergency Communications District's, a component unit of Carter County, Tennessee response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management of the Carter County Emergency Communication District, a component unit of Carter County, Tennessee, others within the organization and county officials and is not intended to be and should not be used by anyone other than these specified parties.

*Blackburn, Childers + Steagall, PLC*  
BLACKBURN, CHILDERS AND STEAGALL, PLC

December 6, 2010

CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT -  
A COMPONENT UNIT OF CARTER COUNTY, TENNESSEE  
SCHEDULE OF FINDINGS AND RESPONSES  
For the Year Ended June 30, 2010

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***Current Year Significant Deficiencies:***

**2010-01: Condition:** Several audit adjustments were required to properly adjust accrued payroll and related liabilities, to record the liability for other post employment benefits and to adjust current year receivables. In addition, net assets did not properly reconcile as past auditor entries were not posted. Current year audit adjustments were therefore necessary to properly adjust these Statement of Net Assets accounts.

**Criteria:** The financial statement and general ledger accounts should be properly posted to reflect all proper adjustments. Financial reports and journal entries should be reviewed and approved.

**Effect:** The effect of this deficiency results in the need to record significant audit adjustments.

**Recommendation:** We recommend the District review account postings and journal entries for accuracy. Every practical step should be taken to minimize the possibility of material auditor-initiated audit adjustments. For example, the District should carefully review its cutoff procedures and the method it uses to uncover unrecorded liabilities at the end of the fiscal year (items found by the auditor rather than by management). Special care also should be taken to ensure the timely and effective implementation of new accounting standards.

**Management's Response:** In the future the District Director will review account posting and journal entries for accuracy. The District will review its cutoff procedures and the methods used to uncover unrecorded liabilities and shall ensure timely and effective implementation on new accounting standards.

**2010-02: Condition:** During audit procedures, it was determined the District does not have several written policies and procedures which are useful to enhance the overall internal control environment. The District does not have a written capitalization policy related to capital assets. A written bid and purchasing policy and travel policy were also not in place. It does appear the District has steps in place for purchasing, although many purchase orders were issued and approved after the purchase was actually made.

**Criteria:** The Accounting and Financial Reporting Manual for Tennessee Communications Districts (the Manual) indicates each District should establish a capitalization policy which specifies the per unit cost at which a given capital asset qualifies for capitalization. The Manual further specifies each District must follow the County Purchasing Law of 1983, Section 5-14-201 to 207 (TCA) and competitive bids are required for purchases of \$10,000 or more. The Manual requires the Board to adopt the same comprehensive travel regulations as the county (TCA 7-86-125).

CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT -  
A COMPONENT UNIT OF CARTER COUNTY, TENNESSEE  
SCHEDULE OF FINDINGS AND RESPONSES  
For the Year Ended June 30, 2010

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***Current Year Significant Deficiencies - Continued***

***Effect:*** The effect of this deficiency results in an overall weakness in the internal control environment of the District.

***Recommendation:*** We recommend the District continue to work to define and document necessary policies and procedures including a capitalization policy, travel, and bid and purchasing policy. These policies should be in writing, conform to the applicable State laws and be approved by the Board of Directors.

***Management's Response:*** The District will put in place written policies and procedures to include capitalization, travel, bid, and purchasing policy. These will be approved by the Board of Directors.