

**CARROLL COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

**AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

JUNE 30, 2011

**CARROLL COUNTY EMERGENCY COMMUNICATIONS DISTRICT
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TABLE OF CONTENTS

ROSTER OF BOARD MEMBERS AND MANAGEMENT OFFICIALS	1
MANAGEMENT’S DISCUSSION AND ANALYSIS	2
INDEPENDENT AUDITORS’ REPORT	6
FINANCIAL STATEMENTS:	
Statement of Net Assets	8
Statement of Revenues, Expenses, and Changes in Fund Net Assets	9
Statement of Cash Flows	10
Notes to the Financial Statements	11
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Funding Progress – Employee Retirement System	17
OTHER SUPPLEMENTARY INFORMATION	
Schedule of Detailed Expenses	18
Schedule of Budgetary Comparison	20
Schedule of Expenditures of State Awards – Unaudited	22
INTERNAL CONTROL AND COMPLIANCE SECTION	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	23

**CARROLL COUNTY EMERGENCY COMMUNICATIONS DISTRICT
ROSTER OF BOARD MEMBERS AND MANAGEMENT OFFICIALS
JUNE 30, 2011**

BOARD MEMBERS

John Mann - Chairman

Doug Pruitt - Vice Chairman

Larry Elliott - Treasurer

Beth Sisson - Secretary

Danny Brawner - Member

Billy J. Smith - Member

James Bolin - Member

Terry Bradshaw - Member

Janice Newman - Member

MANAGEMENT OFFICIALS

Tressia Barksdale – Director

Kathy Rawls - Administrative Assistant



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Carroll County Emergency Communications District
Huntingdon, Tennessee

We have audited the accompanying statement of net assets of the Carroll County Emergency Communications District, a component unit of Carroll County, Tennessee, as of June 30, 2011, and the related statement of revenues, expenses and changes in fund net assets, and statement of cash flows for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the financial statements present only the Carroll County Emergency Communications District, and are not intended to present fairly the financial position of Carroll County, Tennessee, and the results of operations and cash flows of its proprietary fund types in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Carroll County Emergency Communications District as of June 30, 2011, 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 January 5, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or 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 our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the governmental Accounting Standards Board, who it considers 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 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 opinions on the financial statements that collectively comprise the Carroll County Emergency Communications District's basic financial statements. The budgetary comparison schedule, schedule of detailed expenses and schedule of expenditures of state awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information, except that which is marked "unaudited", on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.



Cowart Reese Sargent, CPAs
Martin, TN

January 5, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Carroll County Emergency Communications District, we offer readers of the District's financial statements this narrative overview and analysis of the District's performance during the fiscal year ending June 30, 2011. Please read it in conjunction with the District's financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes this management's discussion and analysis report, the independent auditor's report and the basic financial statements of the District. The financial statements also include notes that explain in more detail some of the information in the financial statements.

REQUIRED FINANCIAL STATEMENTS

The financial statements of the District report information of the District using accounting methods similar to those used by private sector companies. These statements offer both short-term and long-term information about its activities. The statement of net assets includes all of the District's assets and liabilities and provides information about where the District has invested its resources (assets) and the obligation to the District's creditors (liabilities).

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Fund Net Assets. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through surcharges and fees.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

FINANCIAL ANALYSIS OF THE DISTRICT

One of the most important questions asked about the District's finances is "Is the District better off or worse as a result of this year's activities?" The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information about the District's activities in a way that will help answer this question. These two statements report the net assets of the District and the changes in them. One can think of the District's net assets – the difference between assets and liabilities – as one way to measure financial health or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. A summary of the District's net assets and changes in them is presented on the following page.

SUMMARIZED FINANCIAL INFORMATION

	NET ASSETS		Dollar Change	Percentage Change
	<u>2011</u>	<u>2010</u>		
Current assets	\$ 712,474	\$ 603,110	\$ 109,364	18.1%
Capital assets	623,489	638,385	(14,896)	-2.3%
Other assets	50	50	-	0.0%
	<u>1,336,013</u>	<u>1,241,545</u>	<u>94,468</u>	<u>7.6%</u>
Current liabilities	2,687	2,155	532	24.7%
Long-term debt	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>2,687</u>	<u>2,155</u>	<u>532</u>	<u>24.7%</u>
Net assets	<u>\$ 1,333,326</u>	<u>\$ 1,239,390</u>	<u>\$ 93,936</u>	<u>7.6%</u>
Summary of net assets				
Invested in capital assets, net of debt	623,489	638,385	(14,896)	-2.3%
Unrestricted net assets	<u>709,837</u>	<u>601,005</u>	<u>108,832</u>	<u>18.1%</u>
	<u>\$ 1,333,326</u>	<u>\$ 1,239,390</u>	<u>\$ 93,936</u>	<u>7.6%</u>
CHANGES IN NET ASSETS				
Revenues	\$ 353,115	\$ 313,080	\$ 40,035	12.8%
Operating expenses	<u>289,410</u>	<u>283,278</u>	<u>6,132</u>	<u>2.2%</u>
Operating income (loss)	63,705	29,802	33,903	113.8%
Nonoperating revenues (expenses)	<u>30,231</u>	<u>64,078</u>	<u>(33,847)</u>	<u>-52.8%</u>
Changes in net assets	93,936	93,880	56	0.1%
Net assets				
Beginning	1,239,390	1,156,548	82,842	
Prior period adjustment	<u>-</u>	<u>(11,038)</u>	<u>11,038</u>	
Beginning, Restated	<u>1,239,390</u>	<u>1,145,510</u>	<u>93,880</u>	
Ending	<u>\$ 1,333,326</u>	<u>\$ 1,239,390</u>	<u>\$ 93,936</u>	<u>7.6%</u>

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

As can be seen from the summarized financial information on the previous page, the District's current assets have increased \$109,364 during the year ended June 30, 2011 and net capital assets decreased \$14,896. The increase in the District's current assets was mainly due to the purchase of new equipment in 2010 and not in 2011. All new equipment was purchased from funds on hand and required no borrowing. Total assets increased by \$93,936.

The District's emergency telephone service charges revenue decreased \$1,602. The state shared wireless revenues increased by an amount of \$2,869. In addition, the District also received operational funding in the amount of \$152,791, which increased by \$38,311 from the prior year. During the current year the District received \$3,179 in adjoining county charges, as compared to \$2,754 the prior year. The result of these changes is an overall increase in operating revenues of \$40,035. The District received \$20,300 in grants and reimbursements from the State Emergency Communications Board. The District also earned \$9,931 in interest.

The operating expenses for the District increased by 1.9% or \$5,247. The increase in operating expenses is due mainly to travel. The District paid for employees to go to the TENA Conference in September. The largest decrease in expenses was for Vehicle insurance which was due to a change in policy which raised the deductible, but lowered premiums.

BUDGETARY HIGHLIGHTS

The District adopts an annual operating budget, which includes proposed expenses and the means for paying for those expenses. As conditions change during the year, the budget may be amended to prevent budget overruns.

Income from residential and business phone lines decreased during the year. The actual residential and business phone line revenues were \$215 more than the amount budgeted. The state shared wireless revenue was \$3,070 less than the amount budgeted. Also, the State Emergency Communications Board forwarded \$152,791 of operational funding, which was \$21,710 less than the amount budgeted. The overall revenues were \$23,656 less than budgeted.

All line item expenditures of the District show favorable variances when comparing the budgeted amounts with the actual amounts. The largest variance between actual expenditures and budgeted expenditures was \$7,361 for fees paid for to service providers. The salaries and wages have a favorable variance of \$710. Employee benefits have a favorable variance of \$2,485. Contracted services, supplies and materials, and other charges are all favorable. The overall effect of the variances of actual revenues and expenditures and budgeted revenues and expenditures is \$47,881.

CAPITAL ASSETS

The District's investment in capital assets amounts to \$945,739 with accumulated depreciation of \$322,250. Capital assets include buildings and improvements, communications equipment, office equipment, and a vehicle. In the current year there was an decrease in capital assets of \$14,896.

ECONOMIC FACTORS AND FUTURE NEEDS

The economic factors for the Carroll County Emergency Communications District are the decreasing use of landline telephones. Many individuals now use cell phones or VOIP services instead of residential landline services. While the increase in cell phone and VOIP services is generating revenue, only a portion of that revenue is being returned to each 911 district under the current system being used by the state for distributing shared wireless fees. Also, the number of individuals who change their service providers during a given year, in addition to the continual emergence and departure of telephone service providers makes it extremely difficult to estimate revenues for budgeting purposes.

The funding provided by state grants and reimbursement programs has also become a major economic factor for the District. The District's ability to obtain funding from the various grants and reimbursement programs is a key factor in their ability to acquire and maintain equipment to continue operating efficiently and effectively.

This financial report is designed to provide the readers with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional information, contact:

Carroll County Emergency Communications District
101 Dillahunty Lane
Huntingdon, Tennessee 38344
(731) 986-8911

CARROLL COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF NET ASSETS
June 30, 2011

Current Assets

Cash in Bank - operating	\$ 230,756
Cash in Bank - Edward Jones Money Market	-
Investment - certificate of deposit	460,775
Accrued interest receivable	4,889
Accounts receivable	11,603
Prepaid Expenses	4,451
Total Current Assets	<u>712,474</u>

Noncurrent Assets

Capital assets	
Construction in progress	-
Buildings and improvements	110,994
Office equipment	23,814
Communications equipment	789,746
Vehicles	21,185
	<u>945,739</u>
Less accumulated depreciation	(322,250)
Total Noncurrent Assets	<u>623,489</u>

Other Assets

Meter deposits	<u>50</u>
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Total Assets

\$ 1,336,013

Liabilities and Net Assets**Current Liabilities**

Payroll deduction payable	978
Backup withholding	1,296
Other current liabilities	413
Total Current Liabilities	<u>2,687</u>

Total Liabilities

2,687

Net Assets

Invested in capital assets	623,489
Unrestricted	709,837
Total Net Assets	<u>1,333,326</u>

Total Liabilities and Net Assets

\$ 1,336,013

**CARROLL COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011**

Operating Revenues:

Emergency telephone service charges	\$ 120,215
State Emergency Communications Board - shared wireless charge	76,930
State Emergency Communications Board - operational funding	152,791
Adjoining county charge	3,179
Total Operating Revenues	<u>353,115</u>

Operating Expenses:

Salaries and wages	70,772
Employee benefits	31,005
Contracted services	54,877
Supplies and materials	7,578
Other charges	38,328
Depreciation	86,850
Total Operating Expenses	<u>289,410</u>

Operating Income (Loss)	<u>63,705</u>
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Nonoperating Revenues (Expenses)

Interest income	9,931
State Emergency Communications Board - grants & reimbursements	20,300
Net Nonoperating Revenues (Expenses)	<u>30,231</u>

Change in Net Assets	93,936
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Total Net Assets at Beginning of Year	1,239,390
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Total Net Assets at End of Year	<u><u>\$ 1,333,326</u></u>
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See accompanying notes to the financial statements.

**CARROLL COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011**

Cash Flows from Operating Activities

Cash received from customers	\$ 353,115
Cash paid to suppliers	(105,234)
Cash paid to employees	(70,772)
Cash paid for employee benefits	(30,473)
Net Cash Provided by Operating Activities	<u>146,636</u>

Cash Flows from Capital and Related Financing Activities

Proceeds from dispatcher training reimbursement - State Emerg. Comm. Board	20,300
Purchases of capital assets	(140,703)
Disposal of capital assets	68,749
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>(51,654)</u>

Cash Flows from Investing Activities

Cash received from interest income	9,931
(Increase) decrease in investments	(9,495)
Net Cash Provided (Used) by Investing Activities	<u>436</u>

Net Increase in Cash and Cash Equivalents

Net Increase in Cash and Cash Equivalents	95,418
Cash and Cash Equivalents at Beginning of Year	135,338
Cash and Cash Equivalents at End of Year	<u>\$ 230,756</u>

Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities

Operating income (loss)	\$ 63,705
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Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities

Depreciation expense	86,850
(Increase) decrease in prepaid expenses	(4,451)
Increase (decrease) in payroll deduction payable	66
Increase (decrease) in backup withholding	428
Increase (decrease) in other current liabilities	38

Net Cash Provided (Used) by Operating Activities	<u>\$ 146,636</u>
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See accompanying notes to the financial statements.

**CARROLL COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1 – Significant Accounting Policies

A. Reporting Entity

The Carroll County Emergency Communications District was created by the legislative body of Carroll County, Tennessee, to be an emergency communications district as defined by Tennessee state law. As such, it is considered to be a “municipality” or public corporation in perpetuity under its corporate name and shall be a body politic and corporate power of perpetual succession, but without power to levy or collect taxes. All Tennessee emergency communications districts are required to follow the *Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts*, developed by the Office of the Comptroller of the Treasury, Division of County Audit, pursuant to Section 7-86-304, *Tennessee Code Annotated*.

In evaluating how to define the Carroll County Emergency Communications District for financial reporting purposes, management has considered whether the District is a primary government. The decision to be included as a component unit of another reporting entity is made by applying the criteria set forth in the Governmental Accounting Standards Board Statement 14, *The Financial Reporting Entity*. The District must obtain the approval of the Carroll County Commission before issuance of most debt instruments. The county has determined that this constitutes fiscal dependency by the District, and has, therefore, included the District as a component unit of Carroll County.

The District is deemed to be a municipality under Tennessee state law and, as such, is exempt from federal income taxes.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Carroll County Emergency Communications District accounts for its financial position and results of operations in accordance with generally accepted accounting principles as defined in the Statements of Governmental Accounting Standards Board (GASB). Generally accepted accounting principles for proprietary fund types are those applicable to similar businesses in the private sector, and the measurement focus is on the determination of net income, financial position, and cash flows. Proprietary fund types are accounted for on the accrual basis, whereby income is recognized as it is earned and expenses are recognized as they are incurred, whether or not cash is received or paid out at that time. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. GASB Statement No. 20 gives governments the option of applying all Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989, to its proprietary funds, unless they conflict with or contradict GASB pronouncements. The Office of the Comptroller of the Treasury requires Tennessee emergency communications districts not to implement FASB statements and interpretations issued thereafter, unless they are adopted by GASB.

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**CARROLL COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

The District's Board of Directors approves an appropriatory budget annually. The budget is prepared on a basis which differs from generally accepted accounting principles (GAAP) pertaining to proprietary funds, in that capital expenditures are budgeted as operating expenses rather than being capitalized as fixed assets and expenses are on the cash basis rather than the accrual basis. It is only necessary to present budgetary revenues and expenses compared to actual. The legal level of control is at each line item of expense; therefore, each line item must be amended prior to expending funds.

C. Assets, Liabilities, and Net Assets

Deposits and investments

For purposes of the statement of net assets and the statement of cash flows, Carroll County Emergency Communications District considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

State statutes authorize the System to invest in certificates of deposit, obligations of the U.S. Treasury, agencies and instrumentalities, obligations by the U.S. government or its agencies, repurchase agreements, as approved by the state director of local finance, and the state's local government pool.

Accounts receivable

Accounts receivable represent amounts due from various phone companies for emergency telephone surcharges and monthly reimbursable wireless fees.

Capital Assets

All capital assets are valued at historical cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 5 to 40 years. Interest costs incurred on financing during the construction or installation period of capital assets are capitalized as part of the cost of the assets. For the year under review, there were no interest costs capitalized.

Compensated absences

Employees are entitled to paid vacation based on term of employment and other factors. Full-time employees with fewer than five years of service are given ten days of vacation each year, awarded on their hire date. After five years of service, employees are given twelve days of vacation, and after ten years of service, they are given fifteen days of vacation. Employees may accumulate up to thirty days of vacation. At the end of each year, employees may carry-over any unused vacation leave to the next year, not to exceed thirty work days. The cost of accumulated vacation is immaterial; thus no accrual has been recorded in the financial statements.

Full-time employees shall accrue sick leave at a rate of one day per month worked. Sick leave can be accumulated up to sixty days. At the end of the calendar year any remaining sick leave may be transferred to the next year, not to exceed a maximum of sixty days. In the event of separation, all unused sick days shall be forfeited.

It is the District's practice to expense these costs when paid to the employees.

CARROLL COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

Net assets

Equity is classified as net assets. Net assets are categorized as invested in capital assets (net of related debt), restricted, and unrestricted.

- Invested in capital assets, net of related debt – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted – This component of net assets consists of constraints placed on net assets use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net assets – This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

NOTE 2 – Detailed Notes on Accounts

A. Deposits and investments

The Utility has implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures* for financial reporting of deposit risk.

Custodial Credit Risk – The Utility’s policies limit investments to those instruments allowed by applicable state laws as described in Note 1. State statute requires that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance of the Tennessee Bank Collateral Pool, by collateral held by the Utility’s agent in the Utility’s name, or by the Federal Reserve Banks acting as third party agents. As of June 30, 2011 and 2010, all bank deposits were fully collateralized or insured.

**CARROLL COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

B. Capital assets

Capital asset activity during the year was as follows:

	Balance at June 30, 2010	Additions	Disposals	Balance at June 30, 2011
Non-depreciable assets				
Construction in Progress	\$ 68,749	\$ -	\$ 68,749	\$ -
Depreciable assets				
Buildings and improvements	108,494	2,500	-	110,994
Office equipment	23,814	-	-	23,814
Communications equipment	651,543	138,203	-	789,746
Vehicles	21,185	-	-	21,185
Total depreciable assets	<u>805,036</u>	<u>140,703</u>	<u>-</u>	<u>945,739</u>
Less accumulated depreciation				
Buildings and improvements	38,385	6,332	-	44,717
Office equipment	20,573	1,527	-	22,100
Communications equipment	155,257	78,992	-	234,249
Vehicles	21,185	-	-	21,185
Total accumulated depreciation	<u>235,400</u>	<u>86,851</u>	<u>-</u>	<u>322,251</u>
Total depreciable assets, net	<u>\$ 569,636</u>	<u>\$ 53,852</u>	<u>\$ -</u>	<u>\$ 623,488</u>
Total capital assets, net	<u>\$ 638,385</u>	<u>\$ 53,852</u>	<u>\$ 68,749</u>	<u>\$ 623,488</u>

NOTE 3 – Other Information

A. Risk Management

The District is exposed to various risks related to general and public official's liability, property and casualty losses and workers' compensation. To cover these risks, the District has purchased insurance policies to provide coverage for these risks. The District pays annual premiums for its insurance coverage. There were no settlements in any of the prior three years in excess of insurance coverage.

B. Unemployment Taxes

Effective with the beginning of operations, the Carroll County Emergency Communications District agreed with the Tennessee Department of Labor and Workforce Development to be a reimbursing employer. Under this agreement, the District elected to reimburse the Department for all disbursements made on valid claims for unemployment insurance charged to the District during the effective period of the election. Thus far, there have not been any claims filed.

**CARROLL COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

C. Employee's Retirement Plan

Plan Description

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

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

Funding Policy

Carroll County 911 Emergency District requires employees to contribute 5.0 percent of earnable compensation.

Carroll County 911 Emergency District is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2011 was 10.18% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirements for Carroll County 911 Emergency District is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ending June 30, 2011, Carroll County 911 Emergency District's annual pension cost of \$6,844 to TCRS was equal to Carroll County 911 Emergency District'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. Carroll County 911 Emergency District's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009 was 20 years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

**CARROLL COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

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, 2011	\$ 6,804	100.00%	\$0.00
June 30, 2010	\$14,098	100.00%	\$0.00
June 30, 2009	\$13,865	100.00%	\$0.00

Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was 82.67% percent funded. The actuarial accrued liability for benefits was \$0.2 million, and the actuarial value of assets was \$0.1 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.0 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.6 million, and the ratio of the UAAL to the covered payroll was 41.02% percent.

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

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)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
	<u>(a)</u>	<u>(b)</u>	<u>(b) - (a)</u>	<u>(a/b)</u>	<u>(c)</u>	<u>((b-a)/c)</u>
7/1/2009	\$126	\$152	\$26	82.67%	\$64	41.02%
7/1/2007	\$86	\$102	\$16	84.31%	\$59	27.12%

NOTE 4 – Subsequent Events

The District has evaluated subsequent events through January 5, 2012, the date which the financial statements were available to be issued.

**CARROLL COUNTY EMERGENCY COMMUNICATIONS DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
June 30, 2011**

(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
<u> </u>	<u>(a)</u>	<u>(b)</u>	<u>(b) - (a)</u>	<u>(a/b)</u>	<u>(c)</u>	<u>((b-a)/c)</u>
7/1/2009	126	152	26	82.67%	64	41.02%
7/1/2007	86	102	16	84.31%	59	27.12%

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

See independent auditors' report

**CARROLL COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF DETAILED EXPENSES
FOR THE YEAR ENDED JUNE 30, 2011**

Salaries and Wages

Salary - director	\$ 36,762
Salary - administrative personnel	30,078
Salary - dispatchers	3,932
	<u>70,772</u>

Employee Benefits

Social security	3,855
Medicare	849
Life insurance	1,398
Medical insurance	16,202
Disability insurance	1,857
Retirement contributions	6,844
	<u>31,005</u>

Contracted Services

Addressing/mapping	5,350
Audit services	3,050
Accounting services	4,440
Contract labor	-
Fees paid to service providers	15,639
Legal services	2,400
Maintenance agreements	16,883
Contract Labor	885
Pest control	195
R&M - communications equipment	-
R&M - buildings and facilities	2,223
R&M - office equipment	1,994
R&M - vehicles	123
Fuel - vehicles	1,115
Lawn care and maintenance	580
	<u>54,877</u>

Supplies and Materials

Office supplies	1,527
Postage	333
Uniforms and shirts	786
Utilities - electric	1,415
Utilities - water	616
Utilities - telephone	2,347
Utilities - cell phones and pagers	554
	<u>7,578</u>

See independent auditors' report.

**CARROLL COUNTY EMERGENCY COMMUNICATIONS
SCHEDULE OF DETAILED EXPENSES
FOR THE YEAR ENDED JUNE 30, 2011**

Other Charges

Bank charges	30
Board meeting expense	1,827
Dues and memberships	381
Insurance - liability	1,979
Insurance - buildings and contents	5,256
Insurance - equipment	100
Insurance - vehicles	1,144
Premiums on surety bonds	1,126
Public education	429
Service awards	-
Training expense	15,492
Travel expense	4,401
Internet charges	993
Reimbursable wireless fees	5,170
	<u>38,328</u>

Depreciation

86,850

Total Operating Expenses

\$ 289,410

See independent auditors' report.

**CARROLL COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF BUDGETARY COMPARISON
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Amended</u>		<u>(Unfavorable)</u>
Operating Revenues				
Emergency telephone service charges	\$ 120,000	\$ 120,000	\$ 120,215	\$ 215
State Emergency Communications				
Board - shared wireless charge	80,000	80,000	76,930	(3,070)
Adjoining County Charges	2,700	2,700	3,179	479
State Emergency Communications				
Board - reimbursement	5,280	20,300	20,730	430
State Emergency Communications				
Board - operational funding	168,791	153,771	132,061	(21,710)
Total Revenues	<u>376,771</u>	<u>376,771</u>	<u>353,115</u>	<u>(23,656)</u>
Operating Expenses				
Salaries and Wages				
	<u>70,982</u>	<u>71,482</u>	<u>70,772</u>	<u>710</u>
Employee Benefits				
Social security	4,184	4,184	3,855	329
Medicare	978	978	849	129
Life Insurance	2,124	2,300	1,398	902
Medical insurance	26,000	17,000	16,202	798
Disability insurance	2,158	2,158	1,857	301
Retirement contributions	6,870	6,870	6,844	26
	<u>42,314</u>	<u>33,490</u>	<u>31,005</u>	<u>2,485</u>
Contracted Services				
Address/mapping expenses	10,000	10,000	5,350	4,650
Advertising	-	-	-	-
Audit services	3,050	3,050	3,050	-
Accounting services	4,440	4,440	4,440	-
Fees paid to service providers	23,000	23,000	15,639	7,361
Janitorial services	2,000	500	-	500
Legal services	2,400	2,400	2,400	-
Maintenance agreements	18,400	18,400	16,883	1,517
Contract Labor	-	1,000	885	115
Pest control	260	275	195	80
Repairs - communications equipment	1,000	1,000	-	1,000
Repairs - buildings and facilities	500	2,500	2,223	277
Repairs - office equipment	1,000	2,000	1,994	6
Repairs - vehicles	1,000	500	123	377
Fuel - vehicles	1,200	1,300	1,115	185
Lawn care and maintenance	-	1,000	580	420
	<u>68,250</u>	<u>71,365</u>	<u>54,877</u>	<u>16,488</u>

See independent auditors' report.

**CARROLL COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF BUDGETARY COMPARISON
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		<u>(Unfavorable)</u>
Supplies and Materials				
Office supplies	1,200	1,700	1,527	173
Postage	450	450	333	117
Small equipment purchases	500	500	-	500
Uniforms and shirts	1,000	1,000	786	214
Utilities - electric	1,350	1,500	1,415	85
Utilities - water	600	650	616	34
Utilities - phone	4,000	5,200	2,347	2,853
Utilities - cell phone & pager	600	600	554	46
	<u>9,700</u>	<u>11,600</u>	<u>7,578</u>	<u>4,022</u>
Other Charges				
Bank charges	50	50	30	20
Board meetings	1,600	2,000	1,827	173
Dues and memberships	380	400	381	19
Insurance - workers comp	440	500	444	56
Insurance - liability	1,550	1,550	1,535	15
Insurance - buildings and contents	3,547	5,300	5,256	44
Insurance - equipment	3,547	3,500	100	3,400
Insurance - vehicles	1,200	1,200	1,144	56
Premiums on surety bonds	1,200	1,200	1,126	74
Public educations	2,500	500	429	71
Service awards	600	200	-	200
Training expenses	20,600	20,600	15,492	5,108
Travel expense	5,000	6,000	4,401	1,599
Internet charges	1,074	1,074	993	81
Reimbursable wireless fees	-	5,280	5,170	110
	<u>43,288</u>	<u>49,354</u>	<u>38,328</u>	<u>11,026</u>
Depreciation	<u>100,000</u>	<u>100,000</u>	<u>86,850</u>	<u>13,150</u>
Total Operating Expenses	<u>334,534</u>	<u>337,291</u>	<u>289,410</u>	<u>47,881</u>
Operating Income (Loss)	<u>42,237</u>	<u>39,480</u>	<u>63,705</u>	<u>24,225</u>
Nonoperating Revenues (Expenses)				
Interest income	20,000	20,000	9,931	(10,069)
Capital Contributions from State Emergency Communications Board	-	20,300	20,300	-
Total Nonoperating Revenues (Expenses)	<u>20,000</u>	<u>40,300</u>	<u>30,231</u>	<u>(10,069)</u>
Revenues in Excess of Expenses	62,237	79,780	93,936	<u>\$ 14,156</u>
Budgetary Net Assets - Beginning	1,210,604	1,168,102	1,239,390	
Budgetary Net Assets - Ending	<u>\$ 1,272,841</u>	<u>\$ 1,247,882</u>	<u>\$ 1,333,326</u>	

See independent auditors' report.

**CARROLL COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS - UNAUDITED
6/30/2011**

<u>Grantor/Pass-Through Grantor Program Title</u>	<u>Grant Number</u>	<u>Balance July 1, 2010</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance June 30, 2011</u>
Department of Commerce and Insurance GIS Maintenance Grant	Z08211911	\$ -	\$ 20,700	\$ 20,700	\$ -
		<u>\$ -</u>	<u>\$ 20,700</u>	<u>\$ 20,700</u>	<u>\$ -</u>

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

To the Board of Directors
Carroll County Emergency Communications District
Huntingdon, Tennessee

We have audited the financial statements of the Carroll County Emergency Communications District (District), a component unit of Carroll County, Tennessee, as of and for the year ended June 30, 2011, and have issued our report thereon dated January 5, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District'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 would not necessarily 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Carroll County Emergency Communications District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management and the board of the Emergency Communications District of Carroll County Tennessee and the State of Tennessee, Comptroller Office, Division of County Audit and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Cowart Reese Sargent, CPAs
Martin, TN

January 5, 2012