



***Carter County Emergency  
Communications District  
911***

***A Component Unit of Carter County, Tennessee***

***Financial Statements***

***And Supplementary Information***

***With***

***Independent Auditors' Report***

***For The Fiscal Year Ended June 30, 2011***



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

FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
WITH  
INDEPENDENT AUDITORS' REPORT

For the Fiscal Year Ended June 30, 2011

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 fiscal year ended June 30, 2011, 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, 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 October 31, 2011, 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 require that the management's discussion and analysis and the analysis 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. 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. The Schedule of Expenditures of State Awards, Budgetary Comparison Schedule 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 & STEAGALL, PLC

October 31, 2011



# *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, 2011. 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 \$762,678 for fiscal year 2011. This was a decrease of 0.4% 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 2011, the District had net assets of \$831,679, an increase of 1.7% 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. The non-operating revenues are monies appropriated by the City of Elizabethton and Carter County for dispatching services. This report also contains other supplementary information concerning the District's budget to actual comparison and certain non-financial information required by the Tennessee 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. Net assets increase when revenue exceeds expenses. Increases to assets without a corresponding increase to liabilities, results in increased net assets, which indicates an improved financial position.

The Statement of Revenues, Expenses, and Changes in Net Assets 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

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Change</u>	<u>% Change</u>
<b>ASSETS</b>				
Current Assets	\$ 738,759	674,989	\$ 63,770	9.4%
Capital Assets	<u>233,153</u>	<u>272,961</u>	<u>(39,808)</u>	-14.6%
<b>TOTAL ASSETS</b>	<u><u>971,912</u></u>	<u><u>947,950</u></u>	<u><u>23,962</u></u>	2.5%
<b>LIABILITIES</b>				
Current Liabilities	54,070	39,199	14,871	37.9%
Non-Current Liabilities	<u>86,163</u>	<u>90,799</u>	<u>(4,636)</u>	-5.1%
<b>TOTAL LIABILITIES</b>	<u><u>140,233</u></u>	<u><u>129,998</u></u>	<u><u>10,235</u></u>	7.9%
<b>NET ASSETS</b>				
Invested in Capital Assets	233,153	272,961	(39,808)	-14.6%
Unrestricted Net Assets	<u>598,526</u>	<u>544,991</u>	<u>53,535</u>	9.8%
<b>TOTAL NET ASSETS</b>	<u><u>831,679</u></u>	<u><u>817,952</u></u>	<u><u>13,727</u></u>	1.7%
<b>REVENUE</b>				
Operating Revenues	762,678	765,528	(2,850)	-0.4%
Nonoperating Revenue	<u>191,338</u>	<u>215,277</u>	<u>(23,939)</u>	-11.1%
<b>TOTAL REVENUES</b>	<u><u>954,016</u></u>	<u><u>980,805</u></u>	<u><u>(26,789)</u></u>	-2.7%
<b>EXPENSES</b>				
Operating Expenses	930,758	922,820	7,938	0.9%
Depreciation	<u>65,375</u>	<u>64,172</u>	<u>1,203</u>	1.9%
<b>TOTAL EXPENSES</b>	<u><u>996,133</u></u>	<u><u>986,992</u></u>	<u><u>9,141</u></u>	0.9%
<b>INCREASE (DECREASE) IN NET ASSETS</b>	(42,117)	(6,187)	(35,930)	580.7%
<b>BEGINNING NET ASSETS</b>	817,952	873,215	(55,263)	-6.3%
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>55,844</u>	<u>(49,076)</u>	<u>104,920</u>	-213.8%
<b>ENDING NET ASSETS</b>	<u><u>\$ 831,679</u></u>	<u><u>817,952</u></u>	<u><u>13,727</u></u>	1.7%

## SIGNIFICANT EVENTS

During the year ended June 30, 2011, the District purchased a 2011 Ford Escape for GIS/Addressing Department and District use. The District Board of Directors made one major personnel policy change. The retiree health benefit policy was amended to have 30 years continuous service with no minimum age being required or 25 years of continuous service and age 60 to be eligible for retiree health insurance benefits.

## CASH FLOW

Net cash used for operating activities increased \$74,713. Net cash used for capital and related financing activities increased by \$25,164. Interest income increased by \$64 and is reflected in cash flows from investing activities.

## BUDGETING HIGHLIGHTS

The original 2010-2011 budget approved in July 2010 was amended in June 2011. The original and final budgets are presented as separate columns in the supplementary information.

## CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: The District's investment in capital assets amounts to \$233,153, net of accumulated depreciation as of June 30, 2011 a decrease of \$39,808. 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, 2011.

## 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, 2011

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 536,608
Certificates of Deposit: Long-Term	100,000
Accounts Receivable	38,588
Due from Tennessee Emergency Communications Board	56,085
Prepaid Expenses	<u>7,478</u>

Total Current Assets 738,759

CAPITAL ASSETS

Furniture and Fixtures	19,352
Office Equipment	26,142
Communication Equipment	688,656
Vehicles	41,316
Leasehold Improvements	62,167
Other Capital Assets	139,034
Less: Accumulated Depreciation	<u>(743,514)</u>

Total Capital Assets 233,153

TOTAL ASSETS 971,912

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	565
Payroll Deduction Payable	4,345
Accrued Payroll	12,373
Compensated Absences Payable	<u>36,787</u>

TOTAL CURRENT LIABILITIES 54,070

NON CURRENT LIABILITIES

Other Postemployment Benefits Obligation, Net	<u>86,163</u>
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TOTAL NON CURRENT LIABILITIES 86,163

TOTAL LIABILITIES 140,233

NET ASSETS

Invested in Capital Assets	233,153
Unrestricted Net Assets	<u>598,526</u>

TOTAL NET ASSETS \$ 831,679

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 Fiscal Year Ended June 30, 2011

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OPERATING REVENUES		
Emergency Telephone Service Charge	\$ 418,315	
Tennessee Emergency Communications Board		
Shared Wireless Charge	148,338	
Operational Funding	188,855	
Other Operating Revenues		
Alarm Revenue	3,570	
Rent	<u>3,600</u>	
Total Operating Revenues		<u>762,678</u>
OPERATING EXPENSES		
Salaries and Wages		
Director	51,401	
Administrative Personnel	86,681	
Dispatchers	265,703	
Part-Time Personnel	51,463	
Overtime Pay	57,802	
Other Salaries and Wages	<u>538</u>	
		513,588
Employee Benefits		
Social Security	34,344	
Medicare	7,887	
Life Insurance	2,171	
Medical Insurance	69,575	
Unemployment Compensation	2,971	
Retirement Contributions	57,312	
Other Fringe Benefits	<u>31,898</u>	
		206,158

(Continued)

CARTER COUNTY EMERGENCY COMMUNICATION DISTRICT-  
A COMPONENT UNIT OF CARTER COUNTY, TENNESSEE  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
For the Fiscal Year Ended June 30, 2011

OPERATING EXPENSES (CONTINUED)

Contracted Services		
Audit Services	5,500	
Accounting Services	3,527	
Administrative Fees	12,430	
Fees Paid to Service Providers	74,998	
Financial Advisory Services	2,500	
Legal Services	5,906	
Maintenance Agreements	25,109	
Pest Control	285	
NCIC Expenses	10,721	
Lease/Rental - Buildings and Facilities - Donated	10,045	
Maintenance and Repairs - Communications Equipment	461	
Maintenance and Repairs - Building and Facilities	3,427	
Maintenance and Repairs - Vehicles	1,162	
Fuel Vehicles	<u>1,548</u>	157,619
Supplies/Materials		
Office Supplies	1,387	
Postage	308	
Custodial Supplies	1,217	
Data Processing Supplies	630	
Small Equipment Purchases	370	
Uniforms and Shirts	2,432	
Utilities - Electric	8,837	
Utilities - Gas	1,138	
Utilities - Water	1,473	
Utilities - Phones	<u>1,415</u>	19,207
Other Charges		
Board Meeting Expenses	621	
Insurance - Workers Compensation	2,226	
Insurance - Building and Contents	7,167	
Insurance - Vehicles	919	
Dues and Membership	612	
Legal Notices	77	
Premiums on Surety Bonds	1,794	
Public Education	69	
Training Expenses	14,856	
Travel Expenses	<u>5,845</u>	34,186

(Continued)

CARTER COUNTY EMERGENCY COMMUNICATION DISTRICT-  
A COMPONENT UNIT OF CARTER COUNTY, TENNESSEE  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
For the Fiscal Year Ended June 30, 2011

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OPERATING EXPENSES (CONTINUED)		
Total Operating Expenses		930,758
OPERATING LOSS BEFORE DEPRECIATION		(168,080)
LESS: DEPRECIATION		(65,375)
OPERATING LOSS		(233,455)
NONOPERATING REVENUES		
Contributions from Primary Government	76,713	
Contributions from Other Government Agencies	81,510	
Tennessee Emergency Communications Board - Grants and Reimbursements	22,000	
Donated Use of Space	10,045	
Interest Income	1,070	
TOTAL NONOPERATING REVENUES		191,338
DECREASE IN NET ASSETS		(42,117)
NET ASSETS, JULY 1, 2010		817,952
PRIOR PERIOD ADJUSTMENTS		
State Emergency Communications Board Receipts	55,844	
TOTAL PRIOR PERIOD ADJUSTMENTS		55,844
RESTATED NET ASSETS, JULY 1, 2010		873,796
NET ASSETS, JUNE 30, 2011		\$ 831,679

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 Fiscal Year Ended June 30, 2011

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Surcharges and Other Revenues	\$ 762,861	
Cash Payments to Employees	(503,275)	
Cash Payments for Employee Benefits	(206,801)	
Cash Payments for Contracted Services	(147,803)	
Cash Payments for Supplies	(18,642)	
Cash Payments for Other Charges	<u>(34,186)</u>	
Net Cash Used for Operating Activities		(147,846)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Grants/Reimbursements TECB	22,000	
Allocations from Primary Government	76,713	
Other Local Government Allocations	<u>81,510</u>	
Net Cash Provided by Noncapital Financing Activities		180,223
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of Capital Assets	<u>(25,567)</u>	
Net Cash Used for Capital and Related Financing Activities		(25,567)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Certificates of Deposit: Long-Term	(100,000)	
Interest Income Received	<u>1,070</u>	
Net Cash Used for Investing Activities		<u>(98,930)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		(92,120)
<b>CASH AND CASH EQUIVALENTS AT JULY 1, 2010</b>		<u>628,728</u>
<b>CASH AND CASH EQUIVALENTS AT JUNE 30, 2011</b>		<u><u>\$ 536,608</u></u>

(Continued)

CARTER COUNTY EMERGENCY COMMUNICATION DISTRICT-  
A COMPONENT UNIT OF CARTER COUNTY, TENNESSEE  
STATEMENT OF CASH FLOWS  
For the Fiscal Year Ended June 30, 2011

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RECONCILIATION OF OPERATING LOSS TO NET CASH  
USED FOR OPERATING ACTIVITIES

Operating Loss		\$ (233,455)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities		
Depreciation	65,375	
Donated Use of Space	10,045	
(Increase) Decrease in Accounts Receivable	424	
(Increase) Decrease in Due from Tennessee Emergency Communications Board	(241)	
(Increase) Decrease in Prepaid Expense	(229)	
Increase (Decrease in Accounts Payable	565	
Increase (Decrease) in Accrued Payroll	1,151	
Increase (Decrease) in Payroll Deductions Payable	3,993	
Increase (Decrease) in Compensated Absences Payable	9,162	
Increase (Decrease) in Net Other Postemployment Benefits Obligation	<u>(4,636)</u>	
		<u>85,609</u>
NET CASH USED FOR OPERATING ACTIVITIES		<u><u>\$ (147,846)</u></u>

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 Fiscal Year Ended June 30, 2011

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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). GASB Statement No. 20 gives proprietary funds the option of applying all Financial Accounting Standards Board (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 Century Link-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, CCECD 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 and Cash Equivalents 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, 2011.

Cash and Certificates of Deposit: Long-Term are all covered by Federal Deposit Insurance Corporation (FDIC) insurance or by the State of Tennessee collateral pool.

CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT -  
A COMPONENT UNIT OF CARTER COUNTY, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2011

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

Cash and Deposits (Continued)

CCECD is exposed to concentration of credit risk by placing its deposits in financial institutions. The CCECD 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, 2011 consist of various surcharges totaling \$38,588 and a total of \$56,085 due from the Tennessee Emergency Communications Board. 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 Fiscal Year Ended June 30, 2011

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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, 2011, the District held no investments.

CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT -  
A COMPONENT UNIT OF CARTER COUNTY, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2011

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>Ending Balance</u>
Capital Assets, Being Depreciated:				
Furniture and Fixtures	\$ 17,422	1,930	-	19,352
Office Equipment	23,180	2,962	-	26,142
Communication Equipment	688,656	-	-	688,656
Vehicles	20,641	20,675	-	41,316
Leasehold Improvements	62,167	-	-	62,167
Other Capital Assets	139,034	-	-	139,034
	<u>951,100</u>	<u>25,567</u>	<u>0</u>	<u>976,667</u>
Total Capital Assets Being Depreciated				
Less Accumulated Depreciation For:				
Furniture and Fixtures	(15,298)	(760)	-	(16,058)
Office Equipment	(23,180)	(156)	-	(23,336)
Communication Equipment	(443,090)	(56,584)	-	(499,674)
Vehicles	(20,641)	(1,378)	-	(22,019)
Leasehold Improvements	(50,546)	(2,597)	-	(53,143)
Other Capital Assets	(125,384)	(3,900)	-	(129,284)
	<u>(678,139)</u>	<u>(65,375)</u>	<u>0</u>	<u>(743,514)</u>
Total Accumulated Depreciation				
Total Capital Assets, Net	<u>\$ 272,961</u>	<u>(39,808)</u>	<u>0</u>	<u>233,153</u>

CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT -  
A COMPONENT UNIT OF CARTER COUNTY, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2011

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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, 2011 was 11.95% 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 Fiscal Year Ended June 30, 2011

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NOTE 5 - PENSION PLAN (CONTINUED)

*Annual Pension Cost*

For the year ending June 30, 2011, Carter County 911's annual pension cost of \$56,829 to TCRS was equal to Carter County 911's required and actual contributions. The required contribution was determined as part of the July 1, 2009 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected 3.0 percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. 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, 2009 was 14 years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2011	\$ 56,829	100%	\$0
6/30/2010	\$ 54,289	100%	\$0
6/30/2009	\$ 51,224	100%	\$0

As of July 1, 2009, the most recent actuarial valuation date, the plan was 72.37% funded. The actuarial accrued liability for benefits was \$0.6 million, and the actuarial value of assets was \$0.40 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.2 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.3 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 Fiscal Year Ended June 30, 2011

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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)	
July 01, 2009	\$404	\$559	\$155	72.27%	\$349	44.41%
July 01, 2007	\$305	\$469	\$164	65.03%	\$265	61.89%

NOTE 6 – Other Post-Employment Benefits

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. As of June 30, 2011, there is one employee under the plan.

The District offers post employment benefits for full time regular employees retiring under the Tennessee Consolidated Retirement System (TCRS) guidelines. The District will pay 100% of the cost of single coverage. The benefit applies to those full-time employees retiring under TCRS guidelines and have 30 years continuous service with no minimum age being required or 25 years of service and age 60. The District will pay 100% of the premium until the retiree reaches age 65. As of the effective date of the actuarial valuation, there was a total of 15 active participants. During the fiscal year, the Board voted to modify the retiree policy and an updated actuarial valuation was performed. 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 Fiscal Year Ended June 30, 2011

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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. During the fiscal year ending June 30, 2011, the District voted to modify the retirement benefits and an updated calculation was obtained. The ARC and actuarially accrued liability were significantly reduced. The District had previously recorded the ARC and the related liability at \$90,799. Since the District had funded the plan for the past two years based upon the original plan and actuary study, the current Net OPEB Obligation only reflects current year contributions for the participating employees. 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)	\$ 11,328
Interest on net OPEB Obligation	-
Adjustment to ARC	(11,328)
Annual OPEB Cost (Expense)	<u>-</u>
Contribution Made (assumed end of year)	4,636
Increase (Decrease) in Net OPEB Obligation	<u>(4,636)</u>
Net OPEB Obligation - Beginning of Year	90,799
Net OPEB Obligation - End of Year	<u><u>\$ 86,163</u></u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2011, 2010 and 2009 are as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2011	\$ 11,328	41%	\$ 86,163
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 Fiscal Year Ended June 30, 2011

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NOTE 6 - OPEB (CONTINUED)

Funded Status and Funding Progress:

The funded status of the plan as of July 1, 2010 the date of the actuarial valuation was as follows:

Actuarial Valuation Date	7/1/2010
Actuarial Accrued Liability (AAL)	\$ 79,395
Actuarial Value of Plan Assets	0
Unfunded Actuarial Accrued Liability (UAAL)	\$ 79,395
Actuarial Value of Assets as a % of the AAL	0
Covered Payroll	\$ 786,000
UAAL as a Percentage of Covered Payroll	10.0%

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 was updated with a calculation performed for July 1, 2010 based upon District approved changes to the benefit policy. 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 Fiscal Year Ended June 30, 2011

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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 rate for the fiscal year was \$2,921. This monthly base rate is influenced by various additional charges including database, switching fees, transfers and other services.

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, a prior period adjustment totaling \$55,844 is reflected. This includes the effect of prior year receivable from the Tennessee Emergency Communications Board that was not reflected as a prior year receivable or in prior year revenues.

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 Fiscal Year Ended June 30, 2011

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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	\$155	72.27%	\$349	44.41%
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, 2010	\$ 0	\$79,395	\$79,395	0.0%	\$786,000	10.1%
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, 2011

CFDA Number	Grant Number	Program Name	Grantor Agency	Balance July 1, 2010 (Receivable)	Receipts	Qualifying Expenses	Balance June 30, 2011
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 Fiscal Year Ended June 30, 2011

	Budgeted Amounts			Variance with Final Budget - Under (Over)
	Original Budget	Final Budget	Actual Amounts	
<b>OPERATING REVENUE</b>				
Emergency Telephone Service Charge	\$ 480,000	480,000	418,315	(61,685)
TECB - Shared Wireless Charge	222,000	222,000	148,338	(73,662)
TECB - Operational Funding	179,550	179,550	188,855	9,305
Other Revenue				
Alarm Revenue	2,850	2,850	3,570	720
Rent Revenue	3,600	3,600	3,600	-
Total Operating Revenue	<u>888,000</u>	<u>888,000</u>	<u>762,678</u>	<u>(125,322)</u>
<b>OPERATING EXPENSES</b>				
<b>Salaries and Wages</b>				
Director	-	-	51,401	(51,401)
Administrative Personnel	156,662	156,662	86,681	69,981
Dispatchers	295,000	279,000	265,703	13,297
Part-time Personnel	55,000	55,000	51,463	3,537
Other Salary and Wages	-	-	538	(538)
Overtime Pay	45,000	61,000	57,802	3,198
Total Salaries and Wages	<u>551,662</u>	<u>551,662</u>	<u>513,588</u>	<u>38,074</u>
<b>Employee Benefits</b>				
Social Security	37,000	36,300	34,344	1,956
Medicare	7,200	7,900	7,887	13
Life Insurance	3,060	3,060	2,171	889
Medical Insurance	86,400	84,400	69,575	14,825
Other Fringe Benefits	35,000	35,000	31,898	3,102
Retirement Contributions	65,000	65,000	57,312	7,688
Unemployment Compensation	1,400	3,400	2,971	429
Total Employee Benefits	<u>235,060</u>	<u>235,060</u>	<u>206,158</u>	<u>28,902</u>
<b>Contracted Services</b>				
Audit Services	6,000	6,000	5,500	500
Accounting Services	3,600	3,600	3,527	73
Administrative Fees	21,000	18,500	12,430	6,070
Fees Paid to Service Providers	82,500	82,500	74,998	7,502
Financial Advisory Services	-	2,500	2,500	-
Pest Control	300	300	285	15
Legal Services	5,000	6,000	5,906	94
Maintenance Agreements	26,500	26,500	25,109	1,391
Fuel Vehicles	2,500	2,500	1,548	952
NCIC/TBI/TIES	14,000	14,000	10,721	3,279
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 Fiscal Year Ended June 30, 2011

	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	5,000	5,000	461	4,539
Maintenance and Repairs - Office Equipment	2,000	1,000	-	1,000
Maintenance and Repairs - Building and Facilities	7,000	7,000	3,427	3,573
Maintenance and Repairs - Vehicles	1,800	1,800	1,162	638
Total Contracted Services	<u>177,200</u>	<u>177,200</u>	<u>157,619</u>	<u>19,581</u>
Supplies/Materials				
Small Equipment Purchases	3,000	3,000	370	2,630
Office Supplies	2,500	2,500	1,387	1,113
Postage	400	400	308	92
Custodial Supplies	2,000	2,000	1,217	783
Data Processing Supplies	2,000	2,000	630	1,370
Uniforms and Shirts	3,000	3,000	2,432	568
Utilities - Electric	10,200	10,200	8,837	1,363
Utilities - Gas	1,400	1,400	1,138	262
Utilities - Water	1,800	1,800	1,473	327
Utilities - Phones	2,000	2,000	1,415	585
Total Supplies/Materials	<u>28,300</u>	<u>28,300</u>	<u>19,207</u>	<u>9,093</u>
Other Charges				
Board Meeting Expenses	700	700	621	79
Insurance - Workers Compensation	2,100	2,315	2,226	89
Insurance - Building and Contents	7,200	7,200	7,167	33
Insurance - Vehicles	1,000	1,000	919	81
Dues and Membership	1,500	1,285	612	673
Legal Notices	400	400	77	323
Other Expenses	5,500	3,000	-	3,000
Premiums on Surety Bonds	2,500	2,500	1,794	706
Public Education	500	500	69	431
Training Expenses	14,500	15,000	14,856	144
Travel Expenses	10,000	9,500	5,845	3,655
Total Other Charges	<u>45,900</u>	<u>43,400</u>	<u>34,186</u>	<u>9,214</u>
Depreciation				
Depreciation Expense	<u>63,800</u>	<u>66,300</u>	<u>65,375</u>	<u>925</u>
Total Depreciation Expense	<u>63,800</u>	<u>66,300</u>	<u>65,375</u>	<u>925</u>
OPERATING INCOME (LOSS)	(213,922)	(213,922)	(233,455)	(19,533)

(Continued)

CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT-  
A COMPONENT UNIT OF CARTER COUNTY, TENNESSEE  
BUDGETARY COMPARISON SCHEDULE  
For the Fiscal Year Ended June 30, 2011

	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	81,510	81,510	81,510	-
Tennessee Emergency Communications Board - Grants and Reimbursements	-	-	22,000	22,000
Donated Use of Space	-	-	10,045	10,045
Miscellaneous Income	74,700	74,700	-	(74,700)
Interest Income	1,000	1,000	1,070	70
Total Nonoperating Revenues (Expenses)	<u>233,922</u>	<u>233,922</u>	<u>191,338</u>	<u>(42,584)</u>
INCREASE (DECREASE) IN NET ASSETS	<u>20,000</u>	<u>20,000</u>	<u>(42,117)</u>	<u>(62,117)</u>
NET ASSETS, JULY 1, 2010	817,952	817,952	817,952	-
PRIOR PERIOD ADJUSTMENT	<u>-</u>	<u>-</u>	<u>55,844</u>	<u>55,844</u>
NET ASSETS, JULY 1, 2010 RESTATED	<u>817,952</u>	<u>817,952</u>	<u>873,796</u>	<u>55,844</u>
NET ASSETS, JUNE 30, 2011	<u>\$ 837,952</u>	<u>837,952</u>	<u>831,679</u>	<u>(6,273)</u>

See Independent Auditors' Report.

CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT -  
A COMPONENT UNIT OF CARTER COUNTY, TENNESSEE  
ROSTER OF BOARD MEMBERS AND MANAGEMENT  
For the Fiscal Year Ended June 30, 2011

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**ROSTER OF BOARD MEMBERS**

***CHAIRMAN***

Terry Arnold

***VICE CHAIRMAN***

Barry Carrier

***SECRETARY/TREASURER***

Kelly Geagley

***MEMBERS***

Scott Whaley

Bill Carter

Chris Mathes

Matt Bailey

Andrew Worley

Leon Humphrey

**ROSTER OF MANAGEMENT OFFICIALS**

T. Dale Blevins

Director

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 fiscal year ended June 30, 2011, and have issued our report thereon dated October 31, 2011. 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 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 internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Carter County Emergency Communications District.

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 a certain deficiency in internal control over financial reporting, described in the accompanying schedule of finding and responses that we consider to be a significant deficiency in internal control over financial reporting. This is listed as 2011-01. 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 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings and responses as item 2011-01.

We noted certain matters that we reported to management of the Carter County Emergency Communication District, in a separate letter dated October 31, 2011.

Carter County Emergency Communications District's 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 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 Communications District, others within the District 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 & STEAGALL, PLC

October 31, 2011

CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT -  
A COMPONENT UNIT OF CARTER COUNTY, TENNESSEE  
SCHEDULE OF FINDINGS AND RESPONSES  
For the Fiscal Year Ended June 30, 2011

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***Current Year Significant Deficiency:***

***2011-01: Condition:***

***Criteria:*** The District should be structured such that revenues received are adequate to cover expenses incurred. TCA 7-86-304 defines a financially distressed district based upon the district having a negative change in net assets for three consecutive years, having a deficit in total net assets or in default on any indebtedness. A negative change in net assets indicates a District is not financially balanced for that term.

***Condition:*** For the past two fiscal years, the District has incurred a negative change in net assets. For the June 30, 2010 fiscal year, the decrease in net assets was \$6,187 and for the June 30, 2011 fiscal year, the decrease in net assets was \$42,117.

***Effect:*** The effect of this deficiency results in the District not being considered financially balanced and the possibility of being considered financially distressed increases given two consecutive years of incurring a negative change in net assets.

***Recommendation:*** We recommend the District continue to monitor revenue sources, expenses planned and incurred as well as monthly budgets. The District should be considering possible solutions and courses of action regarding the financial operations including contacting the Tennessee Emergency Communications Board.

***Management's Response:*** The District will approve a balanced budget using no reserve funds. The budget and revenues will be monitored closely. The Tennessee Emergency Communications Board will be contacted for assistance. The Board of Directors will work to find ways to increase revenue to include addressing local governments about increasing allocation for services.

***Prior Year Significant Deficiencies Implemented:***

2010-01: Audit Adjustments  
2010-02: Policies and Procedures