

Savannah Housing Authority  
Audited Financial Statements  
For The Year Ended  
June 30, 2010



**CARROLL COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
AUDITED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
June 30, 2012**

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**CARROLL COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
ROSTER OF BOARD MEMBERS AND MANAGEMENT OFFICIALS  
June 30, 2012**

**BOARD MEMBERS**

Doug Pruitt - Chairman

Larry Elliott - Treasurer

Beth Sisson – Secretary

John Mann - Member

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



**COWART REESE**  
**S A R G E N T**  
Certified Public Accountants, P.C.

Brownsville | Jackson | Martin | Milan | Paris

John R. (Jack) Reese, CPA  
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Martin, TN 38237  
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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, 2012, 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.

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, 2012, 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 April 25, 2013, 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 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

April 25, 2013

## **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, 2012. 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

	<b>NET ASSETS</b>		Dollar Change	Percentage Change
	<u>2012</u>	<u>2011</u>		
Current assets	\$ 805,251	\$ 712,474	\$ 92,777	13.0%
Capital assets	808,692	623,489	185,203	29.7%
Other assets	<u>50</u>	<u>50</u>	<u>-</u>	0.0%
Total Assets	1,613,993	1,336,013	277,980	20.8%
Current liabilities	2,752	2,687	65	2.4%
Long-term debt	<u>-</u>	<u>-</u>	<u>-</u>	-
Total liabilities	<u>2,752</u>	<u>2,687</u>	<u>65</u>	2.4%
Net assets	<u><u>\$ 1,611,241</u></u>	<u><u>\$ 1,333,326</u></u>	<u><u>\$ 277,915</u></u>	20.8%
Summary of net assets				
Invested in capital assets, net of debt	808,692	623,489	185,203	29.7%
Unrestricted net assets	<u>802,549</u>	<u>709,837</u>	<u>92,712</u>	13.1%
	<u><u>\$ 1,611,241</u></u>	<u><u>\$ 1,333,326</u></u>	<u><u>\$ 277,915</u></u>	20.8%
	<b>CHANGES IN NET ASSETS</b>			
Revenues	\$ 321,337	\$ 353,115	\$ (31,778)	-9.0%
Operating expenses	<u>314,233</u>	<u>289,410</u>	<u>24,823</u>	8.6%
Operating income (loss)	7,104	63,705	(56,601)	-88.8%
Nonoperating revenues (expenses)	<u>270,811</u>	<u>30,231</u>	<u>240,580</u>	795.8%
Changes in net assets	277,915	93,936	183,979	195.9%
Net assets				
Beginning	1,333,326	1,239,390	93,936	
Prior period adjustment	<u>-</u>	<u>-</u>	<u>-</u>	
Beginning, Restated	<u>1,333,326</u>	<u>1,239,390</u>	<u>93,936</u>	
Ending	<u><u>\$ 1,611,241</u></u>	<u><u>\$ 1,333,326</u></u>	<u><u>\$ 277,915</u></u>	20.8%

## **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 \$92,777 during the year ended June 30, 2012 and net capital assets increased \$185,203. The increase in the District's net capital assets was mainly due to the purchase of new equipment in 2012 and not in 2011. All new equipment was purchased from funds on hand and required no borrowing. Total assets increased by \$277,980.

The District's emergency telephone service charges revenue increased \$22,100. The state shared wireless revenues increased by an amount of \$151,313. In addition, the District also received operational funding in the amount of \$26,000, which decreased by \$126,791 from the prior year. During the current year the District received \$0 in adjoining county charges, as compared to \$3,179 the prior year. The result of these changes is an overall increase in operating revenues of \$46,622. The District received \$186,729 in grants and reimbursements from the State Emergency Communications Board. The District also earned \$3,701 in interest.

The operating expenses for the District increased by 8.6% or \$24,823. The increase in operating expenses is due mainly to repairs and maintenance.

### **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 \$22,315 more than the amount budgeted. The state shared wireless revenue was \$145,543 more than the amount budgeted. Also, the State Emergency Communications Board forwarded \$26,000 of operational funding, which was \$126,791 less than the amount budgeted. The overall revenues were \$107,689 more 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 \$9,410 for maintenance agreements. The salaries and wages have a favorable variance of \$3,214. Employee benefits have a favorable variance of \$1,967. 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 \$45,107.

### **CAPITAL ASSETS**

The District's investment in capital assets amounts to \$1,219,909 with accumulated depreciation of \$411,217. Capital assets include buildings and improvements, communications equipment, office equipment, and a vehicle. In the current year there was an increase in capital assets of \$274,170.

## **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, 2012

<b>Current Assets</b>	
Cash in Bank - operating	\$ 310,309
Cash in Bank - Edward Jones Money Market	-
Investment - certificate of deposit	464,763
Accrued interest receivable	3,961
Accounts receivable	21,767
Prepaid Expenses	4,451
<b>Total Current Assets</b>	805,251
 <b>Noncurrent Assets</b>	
Capital assets	
Construction in progress	-
Buildings and improvements	255,105
Office equipment	60,344
Communications equipment	883,275
Vehicles	21,185
	1,219,909
Less accumulated depreciation	(411,217)
<b>Total Noncurrent Assets</b>	808,692
 <b>Other Assets</b>	
Meter deposits	50
<b>Total Assets</b>	\$ 1,613,993
 <b>Liabilities and Net Assets</b>	
<b>Current Liabilities</b>	
Payroll deduction payable	1,441
Backup withholding	1,311
Other current liabilities	-
<b>Total Current Liabilities</b>	2,752
<b>Total Liabilities</b>	2,752
 <b>Net Assets</b>	
Invested in capital assets	808,692
Unrestricted	802,549
<b>Total Net Assets</b>	1,611,241
<b>Total Liabilities and Net Assets</b>	\$ 1,613,993

See accompanying notes to the financial statements.

**CARROLL COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2012**

**Operating Revenues:**

Emergency telephone service charges	\$	142,315
State Emergency Communications Board - shared wireless charge		228,243
State Emergency Communications Board - operational funding		31,160
<b>Total Operating Revenues</b>		401,718

**Operating Expenses:**

Salaries and wages		69,268
Employee benefits		27,221
Contracted services		86,751
Supplies and materials		10,368
Other charges		31,658
Depreciation		88,967
<b>Total Operating Expenses</b>		314,233

**Operating Income (Loss)**

87,485

**Nonoperating Revenues (Expenses)**

Interest income		3,701
State Emergency Communications Board - grants & reimbursements		186,729
<b>Net Nonoperating Revenues (Expenses)</b>		190,430

**Change in Net Assets**

277,915

**Total Net Assets at Beginning of Year**

1,333,326

**Total Net Assets at End of Year**

\$ 1,611,241

See accompanying notes to the financial statements.

**CARROLL COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2012**

**Cash Flows from Operating Activities**

Cash received from customers	\$ 391,554
Cash paid to suppliers	(128,777)
Cash paid to employees	(69,268)
Cash paid for employee benefits	(27,156)
<b>Net Cash Provided by Operating Activities</b>	<u>166,353</u>

**Cash Flows from Non-capital Financing Activities**

Proceeds from dispatcher training reimbursement - State Emerg. Comm. Board	<u>186,729</u>
<b>Net Cash Provided by Non-capital Financing Activities</b>	<u>186,729</u>

**Cash Flows from Capital and Related Financing Activities**

Purchases of capital assets	(274,170)
Disposal of capital assets	-
<b>Net Cash Provided (Used) for Capital and Related Financing Activities</b>	<u>(274,170)</u>

**Cash Flows from Investing Activities**

Cash received from interest income	3,701
Purchase of investments	(3,060)
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>641</u>

**Net Increase in Cash and Cash Equivalents**

<b>Net Increase in Cash and Cash Equivalents</b>	79,553
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>230,756</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u><u>\$ 310,309</u></u>

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

Operating income (loss)	\$ 87,485
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**Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities**

Depreciation expense	88,967
(Increase) decrease in prepaid expenses	-
Increase (decrease) in payroll deduction payable	463
Increase (decrease) in backup withholding	15
Increase (decrease) in other current liabilities	(413)

<b>Net Cash Provided (Used) by Operating Activities</b>	<u><u>\$ 166,353</u></u>
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See accompanying notes to the financial statements.

**CARROLL COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**

**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, 2012**

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, 2012**

**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 District 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, 2012, all bank deposits were fully collateralized or insured.

**CARROLL COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2012**

**B. Capital assets**

Capital asset activity during the year was as follows:

	Balance at June 30, 2011	Additions	Disposals	Balance at June 30, 2012
<b>Non-depreciable assets</b>				
Construction in Progress	\$ -	\$ -	\$ -	\$ -
<b>Depreciable assets</b>				
Buildings and improvements	110,994	144,111	-	255,105
Office equipment	23,814	36,530	-	60,344
Communications equipment	789,746	93,529	-	883,275
Vehicles	21,185	-	-	21,185
Total depreciable assets	945,739	274,170	-	1,219,909
<b>Less accumulated depreciation</b>				
Buildings and improvements	44,717	7,400	-	52,117
Office equipment	22,100	1,386	-	23,486
Communications equipment	234,249	80,181	-	314,430
Vehicles	21,185	-	-	21,185
Total accumulated depreciation	322,251	88,967	-	411,218
Total depreciable assets, net	\$ 623,488	\$ 185,203	\$ -	\$ 808,691
Total capital assets, net	\$ 623,488	\$ 185,203	\$ -	\$ 808,691

**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, 2012**

**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, 10<sup>th</sup> 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, 2012 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 are established and may be amended by the TCRS Board of Trustees.

*Annual Pension Cost*

For the year ending June 30, 2012, Carroll County 911 Emergency District's annual pension cost of \$7,031 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, 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 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 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, 2011, which established contribution rates effective July 1, 2012.

**CARROLL COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2012**

*Trend Information*

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2012	\$ 7,031	100.00%	\$0.00
June 30, 2011	\$ 6,804	100.00%	\$0.00
June 30, 2010	\$14,098	100.00%	\$0.00

*Funded Status and Funding Progress*

As of July 1, 2009, the most recent actuarial valuation date, the plan was 96.14 percent funded. The actuarial accrued liability for benefits was \$0.19 million, and the actuarial value of assets was \$0.19 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.01 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.7 million, and the ratio of the UAAL to the covered payroll was 11.16 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 April 25, 2013, 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, 2012**

(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>
7/1/2011	186	193	7	96.14%	67	11.16%
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 three most recent valuations are presented.

**CARROLL COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
SCHEDULE OF DETAILED EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2012**

**Salaries and Wages**

Salary - director	\$ 37,924
Salary - administrative personnel	31,144
Salary - dispatchers	200
	<u>69,268</u>

**Employee Benefits**

Social security	4,003
Medicare	946
Life insurance	1,800
Medical insurance	11,986
Disability insurance	1,455
Retirement contributions	7,031
	<u>27,221</u>

**Contracted Services**

Addressing/mapping	7,820
Audit services	3,200
Accounting services	4,070
Contract labor	-
Fees paid to service providers	15,363
Legal services	2,200
Maintenance agreements	8,990
Contract Labor	-
Pest control	2,674
R&M - communications equipment	10,447
R&M - buildings and facilities	25,969
R&M - office equipment	365
R&M - vehicles	1,284
Fuel - vehicles	1,229
Lawn care and maintenance	3,140
	<u>86,751</u>

**Supplies and Materials**

Office supplies	2,197
Postage	274
Small equipment purchases	785
Uniforms and shirts	-
Utilities - electric	1,225
Utilities - water	579
Utilities - telephone	4,741
Utilities - cell phones and pagers	567
	<u>10,368</u>

See independent auditors' report.

**CARROLL COUNTY EMERGENCY COMMUNICATIONS  
SCHEDULE OF DETAILED EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2012**

**Other Charges**

Bank charges	-
Board meeting expense	2,359
Dues and memberships	372
Insurance - liability	1,956
Insurance - buildings and contents	4,821
Insurance - equipment	211
Insurance - vehicles	1,309
Legal notices	40
Premiums on surety bonds	1,126
Public education	-
Service awards	-
Training expense	7,694
Travel expense	5,037
Internet charges	1,573
Reimbursable wireless fees	5,160
	<u>31,658</u>

**Depreciation**

88,967

**Total Operating Expenses**

\$ 314,233

See independent auditors' report.

**CARROLL COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
SCHEDULE OF BUDGETARY COMPARISON  
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget - Favorable (Unfavorable)</b>
	<u>Original</u>	<u>Amended</u>		<u>(Unfavorable)</u>
<b>Operating Revenues</b>				
Emergency telephone service charges	\$ 120,000	\$ 120,000	\$ 142,315	\$ 22,315
State Emergency Communications Board - operating fund	82,700	82,700	228,243	145,543
State Emergency Communications Board - reimbursement	5,160	5,160	5,160	-
State Emergency Communications Board - operating grant	81,009	86,169	26,000	(60,169)
<b>Total Revenues</b>	<u>288,869</u>	<u>294,029</u>	<u>401,718</u>	<u>107,689</u>
<b>Operating Expenses</b>				
<b>Salaries and Wages</b>	<u>72,482</u>	<u>72,482</u>	<u>69,268</u>	<u>3,214</u>
<b>Employee Benefits</b>				
Social security	4,276	4,276	4,003	273
Medicare	1,000	1,000	946	54
Life Insurance	2,190	2,190	1,800	390
Medical insurance	12,000	12,500	11,986	514
Disability insurance	2,200	2,200	1,455	745
Retirement contributions	7,022	7,022	7,031	(9)
	<u>28,688</u>	<u>29,188</u>	<u>27,221</u>	<u>1,967</u>
<b>Contracted Services</b>				
Address/mapping expenses	10,000	10,000	7,820	2,180
Advertising	-	-	-	-
Audit services	3,050	3,200	3,200	-
Accounting services	4,440	4,440	4,070	370
Fees paid to service providers	17,040	17,040	15,363	1,677
Janitorial services	2,000	2,000	-	2,000
Legal services	2,400	2,400	2,200	200
Maintenance agreements	18,400	18,400	8,990	9,410
Contract Labor	-	-	-	-
Pest control	260	2,750	2,674	76
Repairs - communications equipment	1,000	12,000	10,447	1,553
Repairs - buildings and facilities	500	26,000	25,969	31
Repairs - office equipment	1,000	500	365	135
Repairs - vehicles	1,000	1,500	1,284	216
Fuel - vehicles	1,800	1,800	1,229	571
Lawn care and maintenance	-	3,200	3,140	60
	<u>62,890</u>	<u>105,230</u>	<u>86,751</u>	<u>18,479</u>

**CARROLL COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
SCHEDULE OF BUDGETARY COMPARISON  
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>Supplies and Materials</b>				
Office supplies	1,200	2,300	2,197	103
Postage	450	450	274	176
Small equipment purchases	1,500	1,500	785	715
Uniforms and shirts	1,000	1,000	-	1,000
Utilities - electric	1,500	1,500	1,225	275
Utilities - water	600	600	579	21
Utilities - phone	4,200	4,800	4,741	59
Utilities - cell phone & pager	600	600	567	33
	<u>11,050</u>	<u>12,750</u>	<u>10,368</u>	<u>2,382</u>
<b>Other Charges</b>				
Bank charges	50	50	-	50
Board meetings	2,800	2,800	2,359	441
Dues and memberships	380	380	372	8
Insurance - workers comp	460	460	438	22
Insurance - liability	1,550	1,550	1,518	32
Insurance - buildings and contents	2,400	5,000	4,821	179
Insurance - equipment	3,000	3,000	211	2,789
Insurance - vehicles	1,150	1,400	1,309	91
Legal Notices	-	50	40	10
Premiums on surety bonds	1,200	1,200	1,126	74
Public educations	2,500	2,500	-	2,500
Service awards	600	600	-	600
Training expenses	20,600	8,000	7,694	306
Travel expense	7,000	5,500	5,037	463
Internet charges	1,080	1,600	1,573	27
Reimbursable wireless fees	-	5,600	5,160	440
	<u>44,770</u>	<u>39,690</u>	<u>31,658</u>	<u>8,032</u>
<b>Depreciation</b>	<u>100,000</u>	<u>100,000</u>	<u>88,967</u>	<u>11,033</u>
<b>Total Operating Expenses</b>	<u>319,880</u>	<u>359,340</u>	<u>314,233</u>	<u>45,107</u>
<b>Operating Income (Loss)</b>	<u>(31,011)</u>	<u>(65,311)</u>	<u>87,485</u>	<u>152,796</u>
<b>Nonoperating Revenues (Expenses)</b>				
Interest income	20,000	20,000	3,701	(16,299)
Capital Contributions from State Emergency Communications Board	105,622	105,622	186,729	81,107
<b>Total Nonoperating Revenues (Expenses)</b>	<u>125,622</u>	<u>125,622</u>	<u>190,430</u>	<u>64,808</u>
<b>Revenues in Excess of Expenses</b>	94,611	60,311	277,915	<u>\$ 217,604</u>
<b>Budgetary Net Assets - Beginning</b>	1,168,102	1,168,102	1,333,326	
<b>Budgetary Net Assets - Ending</b>	<u>\$ 1,262,713</u>	<u>\$ 1,228,413</u>	<u>\$ 1,611,241</u>	

**CARROLL COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
 SCHEDULE OF EXPENDITURES OF STATE AWARDS - UNAUDITED  
 6/30/2012**

<u>Grantor/Pass-Through Grantor Program Title</u>	<u>Grant Number</u>	<u>Balance July 1, 2011</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance June 30, 2012</u>
Department of Commerce and Insurance GIS Maintenance Grant	Z08211911	\$ -	\$ 5,160	\$ 5,160	\$ -
		<u>\$ -</u>	<u>\$ 5,160</u>	<u>\$ 5,160</u>	<u>\$ -</u>

See independent auditors' report



# COWART REESE S A R G E N T

Certified Public Accountants, P.C.

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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, 2012, and have issued our report thereon dated April 25, 2013. 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

April 25, 2013