BLOUNT COUNTY CABLE TELEVISION AUTHORITY

Maryville, Tennessee

FINANCIAL STATEMENTS

For the Fiscal Years Ended
June 30, 2012 and 2011

BLOUNT COUNTY CABLE TELEVISION AUTHORITY
Maryville, Tennessee
June 30, 2012 and 2011

TABLE OF CONTENTS

	Page
Roster of Management and Authority Members	1
Independent Auditors' Report	2-3
Management's Discussion and Analysis	4-6
Statement of Net Assets	7
Statement of Revenues, Expenses, and Changes in Net Assets	8
Statement of Cash Flows	9
Notes to Financial Statements	10 - 14
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*	15 - 16

BLOUNT COUNTY CABLE TELEVISION AUTHORITY
Maryville, Tennessee
For the Fiscal Years Ended June 30, 2012 and 2011

ROSTER OF MANAGEMENT AND AUTHORITY MEMBERS

Chairman Steven J. Greene

Authority Members:

Vaughn Belcher	Donald L. Larson
John T. Keeble	William C. Cochran
Kenneth Melton	Thomas W. Taylor
Steve Hargis	Lauren Kardatzke
Gary Farmer	Roy Gamble
Scott Helton	

Authority Attorney:

Norman H. Newton

Ingram Overholt & Bean, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Joe S. Ingram, CPA (1948 – 2011)
Lonas D. Overholt, CPA
Robert L. Bean, CPA

428 Marilyn Lane
Alcoa, Tennessee 37701

Telephone
865-984-1040
Facsimile
865-982-1665

November 5, 2012

INDEPENDENT AUDITORS' REPORT

Members
Blount County Cable Television Authority
Maryville, Tennessee

We have audited the accompanying financial statements of the Blount County Cable Television Authority, as of and for the fiscal years ended June 30, 2012 and 2011, as listed in the Table of Contents. These financial statements are the responsibility of the Blount County Cable Television Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits 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 audits provide 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 Blount County Cable Television Authority, as of June 30, 2012 and 2011, and the respective changes in net assets and cash flows for the fiscal years 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 November 5, 2012, on our consideration of the Blount County Cable Television Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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 on pages 4 through 6 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 audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's financial statements as a whole. The introductory section on page 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The introductory section is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Ingram, Overholt & Bean, P C

BLOUNT COUNTY CABLE TELEVISION AUTHORITY

P. O. Box 4338
Maryville, Tennessee 37802

November 5, 2012

Our discussion and analysis of the Blount County Cable Television Authority's financial performance provides an overview of the Authority's activities for the years ended June 30, 2012 and 2011. Please read it in conjunction with the transmittal letter and the Authority's financial statements as described in the Table of Contents.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets provide information about the Authority as a whole and present a long-term view of the Authority's finances.

THE STATEMENT OF NET ASSETS AND THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

One of the most important questions asked about the Authority's finances is "Is the Authority better off or worse off 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 Authority and about its activities that help answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

These two statements report the Authority's net assets and changes in them. You can think of the Authority's net assets – the difference between assets and liabilities – as one way to measure the Authority's financial health, or financial position. Over time, increases or decreases in the Authority's net assets are one indicator of whether its financial health is improving or deteriorating.

FINANCIAL HIGHLIGHTS

The operations of the Blount County Cable Television Authority (a joint venture between Blount County, City of Maryville, and City of Alcoa, Tennessee) are primarily funded as follows:

	2012	2011	2010
Franchise fees	100.0%	100.0%	99.9%
Interest income	0.0%	0.0%	0.1%
Total Funding	100.0%	100.0%	100.0%

Operational costs for the Authority were $921,242, $931,327, and $897,915 for the years ended June 30, 2012, 2011, and 2010, respectively.

NET ASSETS

The analysis below focuses on the net assets and changes in net assets of the Authority:

	2012	2011	2010
Current assets	$ 227,548	$ 238,748	$ 233,020
Current liabilities	207,977	218,121	209,197
Net Assets:			
Unrestricted	19,571	20,627	23,823
Total Net Assets	$ 19,571	$ 20,627	$ 23,823

Net assets (unrestricted) of the Authority decreased 5% during the current year.

FINANCIAL RATIOS

The ratios of Working Capital and Days Cash demonstrate the continuing ability to finance operations with cash. The stability of the current ratio and the liabilities to net assets ratio demonstrate that the Authority has not financed its working capital and days cash with an increased proportion of debt. The following is a related schedule of ratios:

	2012	2011	2010
Working Capital (the amount by which current assets exceed liabilities)	$ 19,571	$ 20,627	$ 23,828
Current Ratio (compares current Assets to liabilities – as an indicator of the ability to pay current obligations)	1.09	1.09	1.12
Days Cash and Investments (represents the number of days normal operations could continue with no revenue collections)	1.00	16.00	0.00

CAPITAL ASSETS

At the fiscal years ended June 30, 2012, 2011, and 2010, the Authority had no investments in capital assets.

DEBT

At the fiscal years ended June 30, 2012, 2011, and 2010, the Authority had no debt.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens with a general view of the Authority's finances and to show the Authority's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Chairman of the Blount County Cable Television Authority, P.O. Box 4338, Maryville, TN 37802-4338.

Steven J. Greene

Chairman of the Board

Blount County Cable Television Authority
Maryville, Tennessee
STATEMENT OF NET ASSETS
June 30, 2012 and 2011

ASSETS	2012	2011
Cash in Bank – checking	$ 3,528	$ 6,019
Accounts receivable	224,020	232,652
Total Assets	$ 227,548	$ 238,671
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 8,910	$ 8,885
Due to local governments	199,067	209,236
Total Current Liabilities	207,977	218,121
NET ASSETS:		
Unrestricted	19,571	20,550
Total Liabilities and Net Assets	$ 227,548	$ 238,671

See accompanying independent auditors' report and notes.

BLOUNT COUNTY CABLE TELEVISION AUTHORITY
Maryville, Tennessee
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
For the Fiscal Years Ended June 30, 2012 and 2011

	2012	2011
REVENUES:		
Franchise fees	$ 920,164	$ 927,993
EXPENSES:		
Professional fees	12,581	13,400
Directors' meetings	13,500	13,500
Distributions to:		
Blount County	605,976	604,752
City of Maryville	225,675	232,857
City of Alcoa	63,510	66,818
Total Expenses	921,242	931,327
OPERATING INCOME (LOSS)	(1,078)	(3,334)
Other Income:		
Interest income	99	61
Change in Net Assets	(979)	(3,273)
Net Assets – Beginning of Year	20,550	23,823
Net Assets – End of Year	$ 19,571	$ 20,550

See accompanying independent auditors' report and notes.

BLOUNT COUNTY CABLE TELEVISION AUTHORITY
Maryville, Tennessee
STATEMENT OF CASH FLOWS
June 30, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from franchise fees	$ 928,796	$ 928,170
Cash payments to other governments	(905,330)	(894,802)
Cash payments for goods and services	(26,056)	(27,601)
Net Cash Flows from Operating Activities	(2,590)	5,767
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest earned	99	61
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,491)	5,828
Cash and Cash Equivalents at Beginning of Year	6,019	191
Cash and Cash Equivalents at End of Year	$ 3,528	$ 6,019
RECONCILIATION:		
Operating Income (Loss)	$ (1,078)	$ (3,334)
Changes in Assets and Liabilities:		
Accounts receivable	8,632	177
Accounts payable	(10,144)	8,924
Net Cash Flows from Operating Activities	$ (2,590)	$ 5,767

See accompanying independent auditors' report and notes.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Blount County Cable Television Authority complies with accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the basic financial statements for the proprietary fund, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. After November 30, 1989, the Authority follows GASB pronouncements only, and does not follow any FASB guidance after November 30, 1989. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

A. FINANCIAL REPORTING ENTITY

The Blount County Cable Television Authority was established by a joint venture agreement between the Cities of Alcoa and Maryville, Tennessee and Blount County, Tennessee, on February 13, 1980, pursuant to the provisions of Tennessee Code Annotated Section 7-59-101, et seq. The original joint venture agreement expired on February 13, 2005. On January 4, 2005 an amended agreement became effective and will remain in effect until termination by all parties.

The original purpose of The Authority was to regulate the operations of the cable television systems which serve the residents of the respective governmental entities that are parties to the agreement. The Authority was responsible for granting franchises and supervising the operation of cable television for the residents of the area under The Authority's control. On December 12, 1993, The Authority was certified by the Federal Communications Commission to regulate basic cable television service rates. During the current year state-wide franchises were issued to Charter and Comcast which resulted in the Authority losing the ability to enforce its franchises with these entities, except for the collection of franchise fees.

The Authority consists of nine members - three from each participating governmental unit. The legislative body of each government elects three members to The Authority to serve a term of three years.

In March, 1980, The Authority adopted by-laws to facilitate the orderly and expeditious conduct of business of The Authority. Officers are elected annually by a majority vote of The Authority members present. Officers serve for a term of one year and consist of the following:

Chairman - Responsible for executing all documents of The Authority and for representing The Authority at meetings to explain The Authority's policies.

Vice Chairman - Serves in the absence of the Chairman and assumes all responsibilities of the Chairman.

Secretary-Treasurer - Responsible for notices of meetings, minutes of all The Authority meetings, and acts as fiscal officer for finances.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF PRESENTATION

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities in accordance with special regulations, restrictions or limitations. The Statement of Net Assets and Statement of Revenues, Expenses, and Changes in Net Assets display information about the reporting Authority as a whole. The Authority's activities are financed in whole or in part by fees charged to external parties for goods or services. These activities are financed primarily by user charges and the measurement of financial activity on net income measurement similar to the private sector.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets, the activities are presented using the economic resources measurement focus as defined below.

> The Authority's fund utilizes an "economic resources" measurement focus. The accounting objective of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Fund equity is classified as net assets.

Basis of Accounting

In the Statement of Net Assets and Statement of Revenues, Expenses, and Changes in Net Assets, the activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, LIABILITIES, AND EQUITY

Cash and Investments

For the purpose of the Statement of Net Assets, "cash, including time deposits" includes all demand, savings accounts, and certificates of deposits of the Authority. For the purpose of the Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments, if applicable, are carried at fair value except for short-term U.S. Treasury obligations with a remaining maturity at the time of purchase of one year or less. Those investments are reported at amortized cost. Fair value is based on quoted market price.

Equity Classifications

Equity is classified as net assets and displayed as:

> Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in Capital assets, net of related debt."

E. REVENUES AND EXPENSES

Operating revenues and expenses for the fund are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, non-capital financing, or investing activities.

Operating Revenues/Expenses

Operating revenues and expenses generally result from providing services in connection with the fund's ongoing operations.

Revenues of The Authority consist of franchise fees amounting to a certain percentage of a cable television company's revenue operating within the Authority's control. The following describes the franchise agreements:

Cable Company	Franchise Fee Percentage	Payable
Charter Communication	4%	Quarterly
Comcast (KY-TN-VA)	5%	Quarterly
Comcast	5%	Quarterly

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as an Authority, the entity is subject to various federal, state, and local laws and contractual regulations. An analysis of the entity's compliance with significant laws and regulations and demonstration of its stewardship over entity resources follows.

Fund accounting requirements

The Blount County Cable Television Authority complies with all state and local laws and regulations pertaining to Authorities as prescribed in Tennessee Code Annotated Section 7-59-101, et seq.

Use of 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 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.

Annual Budget

The Authority adopts a budget for the necessary costs of the operation of The Authority. Unencumbered appropriations lapse at year-end. The Authority is responsible for collecting all cable television franchise fees; and, after funding its budget, remits such fees collected annually to the parties to the agreement. Fees are prorated based on origin of cable television fee collections within the geographic location of the three participating governmental entities.

NOTE 2 – CASH

Cash and investments include bank balances and investments that at the balance sheet date were either entirely insured or collateralized with securities held by the Tennessee Investment Collateral Pool.

The carrying amount of the Authority's deposits at June 30, 2012 and 2011 is $3,528 and $6,019, respectively.

(Continued)

NOTE 3 - REVENUES

Revenue for the year ended June 30, 2012 and 2011 is comprised of the following:

	2012	2011
Comcast and Comcast (KY-TN-VA)....	$ 161,227	$ 148,164
Charter Communication.....	767,569	779,829
Interest earned	99	61
Total	$ 928,895	$ 928,054

NOTE 4 - RECLASSIFICATIONS

Certain prior year revenues have been reclassified to facilitate comparison with June 30, 2012 amounts. The reclassification causes no effect on the "operating income (loss)" or on beginning net assets.

NOTE 5 – RISK OF FINANCING ACTIVITES

It is the policy of the Authority not to purchase commercial insurance for the risks of losses to which it is exposed – directors' liability. Instead, the Authority believes it is more economical to manage its risks internally. There have been no unsettled or settled claims in the past three (3) fiscal years.

NOTE 6 – SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2012, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is November 5, 2012, which is the date on which the financial statements were issued.

Ingram Overholt & Bean, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Joe S. Ingram, CPA(1948 – 2011)
Lonas D. Overholt, CPA
Robert L. Bean, CPA

428 Marilyn Lane
Alcoa, Tennessee 37701

Telephone
865-984-1040
Facsimile
865-982-1665

November 5, 2012

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*

Members
Blount County Cable Television Authority
Maryville, Tennessee

We have audited the financial statements of Blount County Cable Television Authority (The Authority) as of and for the years ended June 30, 2012 and 2011, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated November 5, 2012. We conducted our audits 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

Management of the Blount County Cable Television Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Blount County Cable Television Authority'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 Blount County Cable Television Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Blount County Cable Television Authority'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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

Compliance and Other Matters

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

This report is intended solely for the information and use of the governing body, members of the Authority, management, and the State of Tennessee and is not intended to be and should not be used by anyone other than these specified parties.

Ingram, Overholt & Bean, P C