



***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, 2012***

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, 2012

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 financial statements of the Carter County Emergency Communications District, (the District) a component unit of Carter County, Tennessee, as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the Carter County Emergency Communications District 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, 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 October 12, 2012, 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 Post-employment 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 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 12, 2012



# *Carter County Emergency Communications District*

## *911*

### 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, 2012. 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 \$757,894 for fiscal year 2012. This was a decrease of 0.62% 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 2012, the District had net assets of \$868,288, an increase of 4.4% 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 and monies from other agencies and public for services provided. 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, 2012</u>	<u>June 30, 2011</u>	<u>Change</u>	<u>% Change</u>
<b>ASSETS</b>				
Current Assets	\$ 835,835	738,759	\$ 97,076	13.1%
Capital Assets	169,363	233,153	(63,790)	-27.4%
<b>TOTAL ASSETS</b>	<u><u>1,005,198</u></u>	<u><u>971,912</u></u>	<u><u>33,286</u></u>	3.4%
<b>LIABILITIES</b>				
Current Liabilities	58,475	54,070	4,405	8.1%
Non-Current Liabilities	78,535	86,163	(7,628)	-8.9%
<b>TOTAL LIABILITIES</b>	<u><u>137,010</u></u>	<u><u>140,233</u></u>	<u><u>(3,223)</u></u>	-2.3%
<b>NET ASSETS</b>				
Invested in Capital Assets	169,363	233,153	(63,790)	-27.4%
Unrestricted Net Assets	698,925	598,526	100,399	16.8%
<b>TOTAL NET ASSETS</b>	<u><u>868,288</u></u>	<u><u>831,679</u></u>	<u><u>36,609</u></u>	4.4%
<b>REVENUE</b>				
Operating Revenues	757,894	762,678	(4,784)	-0.6%
Nonoperating Revenue	216,039	191,338	24,701	12.9%
<b>TOTAL REVENUES</b>	<u><u>973,933</u></u>	<u><u>954,016</u></u>	<u><u>19,917</u></u>	2.1%
<b>EXPENSES</b>				
Operating Expenses	869,912	930,758	(60,846)	-6.5%
Depreciation	67,412	65,375	2,037	3.1%
<b>TOTAL EXPENSES</b>	<u><u>937,324</u></u>	<u><u>996,133</u></u>	<u><u>(58,809)</u></u>	-5.9%
<b>INCREASE (DECREASE) IN NET ASSETS</b>	36,609	(42,117)	78,726	-186.9%
<b>BEGINNING NET ASSETS</b>	831,679	817,952	13,727	1.7%
<b>PRIOR PERIOD ADJUSTMENT</b>	<u><u>-</u></u>	<u><u>55,844</u></u>	<u><u>(55,844)</u></u>	-100.0%
<b>ENDING NET ASSETS</b>	<u><u>\$ 868,288</u></u>	<u><u>831,679</u></u>	<u><u>36,609</u></u>	4.4%

The District's net assets reflect its investment in Certificates of Deposits. These are in a local financial institution which is a member of the Tennessee State Collateral Pool.

#### SIGNIFICANT EVENTS

During the year ended June 30, 2012, the District made no major purchases. The District is working with (7) seven other regional counties to purchase Next Generation 911 equipment for the year 2012-2013. The District Board of Directors has worked with the City of Elizabethton, Carter County and the City of Watauga to increase funding for the fiscal year 2012-2013 based on the percentage of use for dispatching services being provided.

#### CASH FLOW

Net cash used for operating activities decreased \$48,403. Net cash used for capital and related financing activities decreased \$21,945. Interest income increased \$373 and is reflected in the cash flow investment activities.

#### BUDGETING HIGHLIGHTS

The original 2011-2012 budget approved in August 2011 was amended in June 2012. The original and final budgets are presented as separate columns in the required supplementary information.

#### CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: The District's investment in capital assets amounts to \$169,363, net of accumulated depreciation as of June 30, 2012, a decrease of \$63,790. 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, 2012.

#### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

There were some financial highlights to mention after June 30, 2012. The local governments have increased their funding or began to fund for the dispatching services they are receiving. The City of Elizabethton has increased their funding to \$130,394 for the 2012-2013 budget year. Carter County has increased their funding to \$173,858 for the 2012-2013 budget year. The City of Watauga is funding for its dispatching services in the amount of \$750. There has also been arrangement made with the Carter County Emergency & Rescue Squad for its dispatching services in the amount of \$57,953.

#### 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, 2012

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 638,746	
Certificates of Deposit: Long-Term	100,692	
Accounts Receivable	37,472	
Due from Tennessee Emergency Communications Board	53,604	
Prepaid Expenses	<u>5,321</u>	
Total Current Assets		835,835

CAPITAL ASSETS

Furniture and Fixtures	21,282	
Office Equipment	27,834	
Communication Equipment	688,656	
Vehicles	41,316	
Leasehold Improvements	62,167	
Other Capital Assets	139,034	
Less: Accumulated Depreciation	<u>(810,926)</u>	
Total Capital Assets		<u>169,363</u>

TOTAL ASSETS		<u>1,005,198</u>
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LIABILITIES

CURRENT LIABILITIES

Payroll Deduction Payable	4,353	
Accrued Payroll	13,193	
Compensated Absences Payable	<u>40,929</u>	
TOTAL CURRENT LIABILITIES		58,475

NONCURRENT LIABILITIES

Other Post-employment Benefits Obligation, Net	<u>78,435</u>	
TOTAL NONCURRENT LIABILITIES		<u>78,435</u>

TOTAL LIABILITIES		<u>136,910</u>
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NET ASSETS

Invested in Capital Assets	169,363	
Unrestricted Net Assets	<u>698,925</u>	
TOTAL NET ASSETS		<u>\$ 868,288</u>

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

CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT-  
A COMPONENT UNIT OF CARTER COUNTY, TENNESSEE  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
For the Fiscal Year Ended June 30, 2012

OPERATING REVENUES

Emergency Telephone Service Charge	\$ 396,777	
Tennessee Emergency Communications Board		
Shared Wireless Charge	133,664	
Operational Funding	220,073	
Other Operating Revenues		
Alarm Revenue	3,780	
Rent	<u>3,600</u>	
 Total Operating Revenues		 <u>757,894</u>

OPERATING EXPENSES

Salaries and Wages		
Director	52,329	
Administrative Personnel	77,865	
Dispatchers	262,306	
Part-Time Personnel	51,612	
Overtime Pay	<u>38,302</u>	
		482,414
Employee Benefits		
Social Security	30,847	
Medicare	7,149	
Life Insurance	1,974	
Medical Insurance	74,181	
Unemployment Compensation	3,255	
Retirement Contributions	53,426	
Other Fringe Benefits	<u>22,511</u>	
		193,343

(Continued)

CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT-  
A COMPONENT UNIT OF CARTER COUNTY, TENNESSEE  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
For the Fiscal Year Ended June 30, 2012

OPERATING EXPENSES (CONTINUED)

Contracted Services		
Audit Services	5,650	
Accounting Services	3,536	
Administrative Fees	12,060	
Fees Paid to Service Providers	69,320	
Financial Advisory Services	300	
Legal Services	18,728	
Maintenance Agreements	19,452	
Pest Control	285	
NCIC Expenses	5,851	
Lease/Rental - Buildings and Facilities - Donated	10,145	
Maintenance and Repairs - Communications Equipment	1,070	
Maintenance and Repairs - Building and Facilities	3,854	
Maintenance and Repairs - Vehicles	946	
Fuel Vehicles	<u>1,829</u>	153,026
Supplies/Materials		
Office Supplies	1,218	
Postage	220	
Custodial Supplies	1,053	
Data Processing Supplies	919	
Small Equipment Purchases	60	
Uniforms and Shirts	570	
Utilities - Electric	9,277	
Utilities - Gas	898	
Utilities - Water	1,558	
Utilities - Phones	<u>2,047</u>	17,820
Other Charges		
Board Meeting Expenses	51	
Insurance - Workers Compensation	2,015	
Insurance - Building and Contents	7,353	
Insurance - Vehicles	803	
Dues and Membership	679	
Legal Notices	111	
Premiums on Surety Bonds	1,358	
Training Expenses	8,911	
Travel Expenses	2,013	
Service Awards	<u>15</u>	23,309

(Continued)

CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT-  
A COMPONENT UNIT OF CARTER COUNTY, TENNESSEE  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
For the Fiscal Year Ended June 30, 2012

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OPERATING EXPENSES (CONTINUED)		
Total Operating Expenses		<u>869,912</u>
OPERATING LOSS BEFORE DEPRECIATION		(112,018)
LESS: DEPRECIATION		<u>(67,412)</u>
OPERATING LOSS		(179,430)
NONOPERATING REVENUES		
Contributions from Primary Government	100,941	
Contributions from Other Government Agencies	81,510	
Tennessee Emergency Communications Board - Grants and Reimbursements	22,000	
Donated Use of Space	10,145	
Interest Income	<u>1,443</u>	
TOTAL NONOPERATING REVENUES		<u>216,039</u>
INCREASE IN NET ASSETS		36,609
NET ASSETS, JULY 1, 2011		<u>831,679</u>
NET ASSETS, JUNE 30, 2012		<u><u>\$ 868,288</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  
STATEMENT OF CASH FLOWS  
For the Fiscal Year Ended June 30, 2012

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Surcharges and Other Revenues	\$ 761,458	
Cash Payments to Employees	(477,436)	
Cash Payments for Employee Benefits	(201,029)	
Cash Payments for Contracted Services	(140,741)	
Cash Payments for Supplies	(18,386)	
Cash Payments for Other Charges	<u>(23,309)</u>	
Net Cash Used for Operating Activities		(99,443)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Grants/Reimbursements TECB	22,000	
Allocations from Primary Government	100,941	
Other Local Government Allocations	<u>81,510</u>	
Net Cash Provided by Noncapital Financing Activities		204,451
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of Capital Assets	<u>(3,622)</u>	
Net Cash Used for Capital and Related Financing Activities		(3,622)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Increase in CD Long-Term	(691)	
Interest Income Received	<u>1,443</u>	
Net Cash Provided by Investing Activities		<u>752</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		102,138
<b>CASH AND CASH EQUIVALENTS AT JULY 1, 2011</b>		<u>536,608</u>
<b>CASH AND CASH EQUIVALENTS AT JUNE 30, 2012</b>		<u><u>\$ 638,746</u></u>

(Continued)

CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT-  
A COMPONENT UNIT OF CARTER COUNTY, TENNESSEE  
STATEMENT OF CASH FLOWS  
For the Fiscal Year Ended June 30, 2012

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RECONCILIATION OF OPERATING LOSS TO NET CASH  
USED FOR OPERATING ACTIVITIES

Operating Loss	\$ (179,430)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities	
Depreciation	67,412
Donated Use of Space	10,145
(Increase) Decrease in Accounts Receivable	1,117
(Increase) Decrease in Due from Tennessee Emergency Communications Board	2,480
(Increase) Decrease in Prepaid Expense	2,156
Increase (Decrease) in Accounts Payable	(565)
Increase (Decrease) in Accrued Payroll	820
Increase (Decrease) in Payroll Deductions Payable	8
Increase (Decrease) in Compensated Absences Payable	4,142
Increase (Decrease) in Net Other Post-employment Benefits Obligation	<u>(7,728)</u>
NET CASH USED FOR OPERATING ACTIVITIES	<u>\$ (99,443)</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, 2012

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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).

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, 2012.

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, 2012

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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 (24) 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 week.

Accounts Receivable

Accounts receivable at June 30, 2012 consist of various surcharges totaling \$37,472 and a total of \$53,604 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, 2012

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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, 2012, 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, 2012

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	\$ 19,352	1,930	-	21,282
Office Equipment	26,142	1,692	-	27,834
Communication Equipment	688,656	-	-	688,656
Vehicles	41,316	-	-	41,316
Leasehold Improvements	62,167	-	-	62,167
Other Capital Assets	139,034	-	-	139,034
	<u>976,667</u>	<u>3,622</u>	<u>0</u>	<u>980,289</u>
Less Accumulated Depreciation For:				
Furniture and Fixtures	(16,058)	(1,168)	-	(17,226)
Office Equipment	(23,336)	(935)	-	(24,271)
Communication Equipment	(499,674)	(54,677)	-	(554,351)
Vehicles	(22,019)	(4,135)	-	(26,154)
Leasehold Improvements	(53,143)	(2,597)	-	(55,740)
Other Capital Assets	(129,284)	(3,900)	-	(133,184)
	<u>(743,514)</u>	<u>(67,412)</u>	<u>0</u>	<u>(810,926)</u>
Total Capital Assets, Net	<u>\$ 233,153</u>	<u>(63,790)</u>	<u>0</u>	<u>169,363</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, 2012

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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/>. As of the report date, the June 30, 2012 data was not provided by TCRS.

***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, 2012

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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, 2012

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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-EMPLOYEMENT BENEFITS

Plan Types:

The District has adopted a plan that provides post-employment 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, 2012, there are two retirees 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 prior fiscal year, the Board voted to modify the retiree policy and an updated actuarial valuation was performed.

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, 2012

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NOTE 6 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Annual OPEB Cost and Net OPEB Obligation:

The District's other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially 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)	-
Contribution Made (assumed end of year)	7,728
Increase (Decrease) in Net OPEB Obligation	(7,728)
Net OPEB Obligation - Beginning of Year	86,163
Net OPEB Obligation - End of Year	\$ 78,435

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2012, 2011 and 2010 are as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2012	\$ 11,328	68%	\$ 78,435
6/30/2011	\$ 11,328	41%	\$ 86,163
6/30/2010	\$ 45,930	0%	\$ 90,799

CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT -  
A COMPONENT UNIT OF CARTER COUNTY, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2012

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NOTE 6 - OTHER POST-EMPLOYEMENT BENEFITS (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:

Projections 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 5.0% for year 2, increase 5.0% (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, 2012

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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 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 \$2.03 and the total square feet occupied, which is 4,997 feet. The annual rental equivalent is estimated at \$10,145.

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 off setting utility expenses.

NOTE 11 - CONCENTRATION

The District depends upon financial resources flowing from, or associated with, both the State of Tennessee and local governments. Because of this dependency, the District is subject to changes in specific flows of intergovernmental revenues based on modifications to State laws and State and local appropriations.

NOTE 12 – SUBSEQUENT EVENTS

Subsequent to year-end, the local governments have increased their funding or began to fund for the dispatching services they are receiving. The City of Elizabethton has increased their funding to \$130,394 and Carter County has increased their funding to \$173,858 for the 2012-2013 budget year. The City of Watauga is funding for its dispatching services in the amount of \$750. There has also been arrangement made with the Carter County Emergency & Rescue Squad for its dispatching services in the amount of \$57,953.

CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT -  
A COMPONENT UNIT OF CARTER COUNTY, TENNESSEE  
SCHEDULE OF FUNDING PROGRESS FOR PENSION PLAN AND  
OTHER POST-EMPLOYMENT HEALTHCARE PLAN  
For the Fiscal Year Ended June 30, 2012

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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 – Other Post-employment 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	10.0%
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  
BUDGETARY COMPARISON SCHEDULE  
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Under (Over)
	Original Budget	Final Budget		
<b>OPERATING REVENUES</b>				
Emergency Telephone Service Charge	\$ 418,000	418,000	396,777	(21,223)
TECB - Shared Wireless Charge	148,300	148,300	133,664	(14,636)
TECB - Operational Funding	216,882	238,882	220,073	(18,809)
Other Operating Revenues				
Alarm Revenue	3,780	3,780	3,780	-
Rent Revenue	3,600	3,600	3,600	-
Total Operating Revenues	<u>790,562</u>	<u>812,562</u>	<u>757,894</u>	<u>(54,668)</u>
<b>OPERATING EXPENSES</b>				
Salaries and Wages				
Director	51,000	52,280	52,329	(49)
Administrative Personnel	73,000	73,000	77,865	(4,865)
Dispatchers	273,500	264,048	262,306	1,742
Part-Time Personnel	38,000	51,800	51,612	188
Overtime Pay	41,000	39,172	38,302	870
Total Salaries and Wages	<u>476,500</u>	<u>480,300</u>	<u>482,414</u>	<u>(2,114)</u>
Employee Benefits				
Social Security	36,000	32,200	30,847	1,353
Medicare	8,000	8,000	7,149	851
Life Insurance	2,500	2,500	1,974	526
Medical Insurance	78,900	80,600	74,181	6,419
Unemployment Compensation	3,200	3,400	3,255	145
Retirement Contributions	62,000	59,572	53,426	6,146
Other Fringe Benefits	28,000	27,800	22,511	5,289
Total Employee Benefits	<u>218,600</u>	<u>214,072</u>	<u>193,343</u>	<u>20,729</u>
Contracted Services				
Audit Services	5,650	5,650	5,650	-
Accounting Services	3,700	3,700	3,536	164
Administrative Fees	13,000	12,700	12,060	640
Fees Paid to Service Providers	75,000	75,000	69,320	5,680
Financial Advisory Services	-	300	300	-
Legal Services	5,000	18,728	18,728	-
Maintenance Agreements	28,000	20,000	19,452	548
Pest Control	285	285	285	-
NCIC Expenses	8,250	8,250	5,851	2,399
Lease/Rental - Buildings and Facilities - Donated	-	-	10,145	(10,145)
Maintenance and Repairs - Communication Equipment	2,000	2,000	1,070	930

(Continued)

CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT-  
A COMPONENT UNIT OF CARTER COUNTY, TENNESSEE  
BUDGETARY COMPARISON SCHEDULE  
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts			Variance with Final Budget - Under (Over)
	Original Budget	Final Budget	Actual Amounts	
<b>OPERATING EXPENSES (CONTINUED)</b>				
Contracted Services (Continued)				
Maintenance and Repairs - Office Equipment	500	500	-	500
Maintenance and Repairs - Building and Facilities	3,500	3,500	3,854	(354)
Maintenance and Repairs - Vehicles	1,500	1,500	946	554
Fuel Vehicles	2,000	2,000	1,829	171
Total Contracted Services	<u>148,385</u>	<u>154,113</u>	<u>153,026</u>	<u>1,087</u>
Supplies/Materials				
Office Supplies	1,400	1,400	1,218	182
Postage	350	350	220	130
Custodial Supplies	1,400	1,400	1,053	347
Data Processing Supplies	1,200	1,200	919	281
Small Equipment Purchases	300	300	60	240
Uniforms and Shirts	1,100	1,100	570	530
Utilities - Electric	11,500	11,500	9,277	2,223
Utilities - Gas	1,400	1,320	898	422
Utilities - Water	1,800	1,800	1,558	242
Utilities - Phones	2,000	2,080	2,047	33
Total Supplies/Materials	<u>22,450</u>	<u>22,450</u>	<u>17,820</u>	<u>4,630</u>
Other Charges				
Board Meeting Expenses	-	51	51	-
Insurance - Workers Compensation	2,400	2,400	2,015	385
Insurance - Building and Contents	7,353	7,353	7,353	-
Insurance - Vehicles	1,000	1,000	803	197
Dues and Membership	800	792	679	113
Legal Notices	200	149	111	38
Premiums on Surety Bonds	1,350	1,358	1,358	-
Training Expenses	12,000	12,000	8,911	3,089
Travel Expenses	5,500	5,500	2,013	3,487
Service Awards	46	46	15	31
Other Expenses	5,000	-	-	-
Total Other Charges	<u>35,649</u>	<u>30,649</u>	<u>23,309</u>	<u>7,340</u>
Depreciation				
Depreciation Expense	69,800	69,800	67,412	2,388
Total Depreciation Expense	<u>69,800</u>	<u>69,800</u>	<u>67,412</u>	<u>2,388</u>
OPERATING INCOME (LOSS)	(180,822)	(158,822)	(179,430)	(20,608)

(Continued)

CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT-  
A COMPONENT UNIT OF CARTER COUNTY, TENNESSEE  
BUDGETARY COMPARISON SCHEDULE  
For the Fiscal Year Ended June 30, 2012

	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	100,941	24,229
Contributions from Other Government Agencies	81,510	81,510	81,510	-
Tennessee Emergency Communications Board - Grants and Reimbursements	22,000	-	22,000	22,000
Donated Use of Space	-	-	10,145	10,145
Interest Income	600	600	1,443	843
Total Nonoperating Revenues (Expenses)	<u>180,822</u>	<u>158,822</u>	<u>216,039</u>	<u>57,217</u>
INCREASE (DECREASE) IN NET ASSETS	-	-	36,609	36,609
NET ASSETS, JULY 1, 2011	<u>831,679</u>	<u>831,679</u>	<u>831,679</u>	<u>-</u>
NET ASSETS, JUNE 30, 2012	<u>\$ 831,679</u>	<u>831,679</u>	<u>868,288</u>	<u>36,609</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, 2012

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**ROSTER OF BOARD MEMBERS**

***CHAIRMAN***

Matt Bailey

***VICE CHAIRMAN***

Andrew Worley

***SECRETARY/TREASURER***

Chris Mathes

***MEMBERS***

Bill Carter

Mike Shouse

Barry Carrier

Terry Arnold

Andrew Worley

Kelly Geagley

**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 (the District), a component unit of Carter County, Tennessee, as of and for the fiscal year ended June 30, 2012, and have issued our report thereon dated October 12, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the 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 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 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 is required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Carter County Emergency Communication District in a separate letter dated October 12, 2012.

This report is intended solely for the information and use of management, Board of Directors 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 12, 2012

CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT -  
A COMPONENT UNIT OF CARTER COUNTY, TENNESSEE  
SCHEDULE OF FINDINGS AND RESPONSES  
For the Fiscal Year Ended June 30, 2012

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*Prior Year Significant Deficiencies Implemented:*

**2011-01: Significant Deficiency: Negative change in net assets.**