



*Carter County Emergency  
Communications District  
911*

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

**Financial Statements**

**And Supplementary Information**

**For The Fiscal Year Ended June 30, 2013**

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

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**For the Fiscal Year Ended June 30, 2013**

**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

### Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **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, as of June 30, 2013, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of Funding Progress for Pension Plan and Post-employment Healthcare Plan on pages 4 through 6 and page 23 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.

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the Carter County Emergency Communications District's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements. Such information 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 basic financial statements or to the basic 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 basic financial statements as a whole.

**Other Reporting Required by *Governmental Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2013, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Carter County Emergency Communications District's internal control over financial reporting and compliance.

*Blackburn, Childers & Steagall, PLC*  
BLACKBURN, CHILDERS & STEAGALL, PLC  
Johnson City, Tennessee

October 31, 2013



## *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, 2013. 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 District was \$737,872 for fiscal year 2013. This was a decrease of 2.6% 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 position" refers to the difference between assets and liabilities. At the close of the fiscal year 2013, the District had a net position of \$1,289,351, an increase of 48.5% 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 for services provided and interest from financial institutions. The non-operating revenues are monies appropriated by the City of Elizabethton and Carter County for dispatching services and contracted services and funds from the State. 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 Position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or

deteriorating. Net position increases when revenue exceeds expenses. Increases to assets without a corresponding increase to liabilities, results in increased net position, which indicates an improved financial position.

The Statement of Revenues, Expenses, and Changes in Net Position present information showing how the District's net position changed during the fiscal year. All changes in net position 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, 2013</u>	<u>June 30, 2012</u>	<u>Change</u>	<u>% Change</u>
<b>ASSETS</b>				
Current Assets	\$ 977,559	835,835	\$ 141,724	17.0%
Capital Assets	<u>449,332</u>	<u>169,363</u>	<u>279,969</u>	165.3%
<b>TOTAL ASSETS</b>	<u>1,426,891</u>	<u>1,005,198</u>	<u>421,693</u>	42.0%
<b>LIABILITIES</b>				
Current Liabilities	67,712	58,475	9,237	15.8%
Non-Current Liabilities	<u>69,828</u>	<u>78,535</u>	<u>(8,707)</u>	-11.1%
<b>TOTAL LIABILITIES</b>	<u>137,540</u>	<u>137,010</u>	<u>530</u>	0.4%
<b>NET POSITION</b>				
Invested in Capital Assets	449,332	169,363	279,969	165.3%
Unrestricted	<u>840,019</u>	<u>698,925</u>	<u>141,094</u>	20.2%
<b>TOTAL NET POSITION</b>	<u>\$ 1,289,351</u>	<u>868,288</u>	<u>421,063</u>	48.5%
<b>REVENUE</b>				
Operating Revenues	\$ 737,872	757,894	(20,022)	-2.6%
Nonoperating Revenue	<u>748,291</u>	<u>216,039</u>	<u>532,252</u>	246.4%
<b>TOTAL REVENUES</b>	<u>1,486,163</u>	<u>973,933</u>	<u>512,230</u>	52.6%
<b>EXPENSES</b>				
Operating Expenses	1,001,773	869,912	131,861	15.2%
Depreciation	<u>63,327</u>	<u>67,412</u>	<u>(4,085)</u>	-6.1%
<b>TOTAL EXPENSES</b>	<u>1,065,100</u>	<u>937,324</u>	<u>127,776</u>	13.6%
<b>INCREASE (DECREASE) IN NET POSITION</b>	421,063	36,609	384,454	1050.2%
<b>BEGINNING NET POSITION</b>	<u>868,288</u>	<u>831,679</u>	<u>36,609</u>	4.4%
<b>ENDING NET POSITION</b>	<u>\$ 1,289,351</u>	<u>868,288</u>	<u>421,063</u>	48.5%

The District's net position reflects 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, 2013, the District made a purchase of an existing building to renovate to suit. The District plans to occupy this renovated facility by Spring 2014. The District is working with seven other regional counties to purchase Next Generation 911 equipment.

## **CASH FLOW**

Net cash used for operating activities increased \$244,232. Net cash used for capital and related financing activities increased \$339,674. Interest income decreased \$65 and is reflected in the cash flow investment activities.

## **BUDGETING HIGHLIGHTS**

The original 2012-2013 budget approved in August 2012 was amended in June 2013. The original and final budgets are presented as separate columns in the Budgetary Comparison Schedule.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

Capital Assets: The District's investment in capital assets amounts to \$449,332, net of accumulated depreciation as of June 30, 2013, an increase of \$279,969. Capital assets primarily include purchase of an existing 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, 2013.

## **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 POSITION  
June 30, 2013**

<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 788,756	
Certificates of Deposit: Long-Term	101,097	
Accounts Receivable	25,745	
Due from Tennessee Emergency Communications Board	55,558	
Prepaid Expenses	<u>6,403</u>	
Total Current Assets		977,559
<b>CAPITAL ASSETS</b>		
Land	112,000	
Buildings and Improvements	219,074	
Furniture and Fixtures	22,022	
Office Equipment	29,381	
Communication Equipment	698,591	
Vehicles	41,316	
Leasehold Improvements	62,167	
Other Capital Assets	139,034	
Less: Accumulated Depreciation	<u>(874,253)</u>	
Total Capital Assets		<u>449,332</u>
<b>TOTAL ASSETS</b>		<u>1,426,891</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	8,067	
Payroll Deduction Payable	20	
Accrued Payroll	21,481	
Other Payroll Liabilities	479	
Compensated Absences Payable	<u>37,665</u>	
<b>TOTAL CURRENT LIABILITIES</b>		67,712
<b>NONCURRENT LIABILITIES</b>		
Other Post-employment Benefits Obligation, Net	<u>69,828</u>	
<b>TOTAL NONCURRENT LIABILITIES</b>		<u>69,828</u>
<b>TOTAL LIABILITIES</b>		<u>137,540</u>
<b>NET POSITION</b>		
Invested in Capital Assets	449,332	
Unrestricted	<u>840,019</u>	
<b>TOTAL NET POSITION</b>		<u><u>\$ 1,289,351</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 REVENUES, EXPENSES AND CHANGES IN NET POSITION  
For the Fiscal Year Ended June 30, 2013**

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<b>OPERATING REVENUES</b>		
Emergency Telephone Service Charge	\$ 368,400	
Tennessee Emergency Communications Board		
Shared Wireless Charge	141,141	
Operational Funding	224,551	
Other Operating Revenues		
Alarm Revenue	<u>3,780</u>	
Total Operating Revenues		<u>737,872</u>
 <b>OPERATING EXPENSES</b>		
Salaries and Wages		
Director	54,841	
Administrative Personnel	67,172	
Dispatchers	330,418	
Part-Time Personnel	30,736	
Overtime Pay	<u>60,115</u>	
		543,282
Employee Benefits		
Social Security	34,944	
Medicare	8,222	
Life Insurance	2,195	
Medical Insurance	82,566	
Unemployment Compensation	2,722	
Retirement Contributions	61,447	
Other Fringe Benefits	<u>31,444</u>	
		223,540

(Continued)

**CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT-  
A COMPONENT UNIT OF CARTER COUNTY, TENNESSEE  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
For the Fiscal Year Ended June 30, 2013**

OPERATING EXPENSES (CONTINUED)

Contracted Services			
Audit Services	5,900		
Accounting Services	3,935		
Administrative Fees	11,423		
Fees Paid to Service Providers	76,367		
Financial Advisory Services	2,500		
Legal Services	25,849		
Maintenance Agreements	32,097		
Pest Control	285		
NCIC Expenses	4,106		
Lease/Rental - Buildings and Facilities - Donated	16,895		
Maintenance and Repairs - Communications Equipment	2,470		
Maintenance and Repairs - Building and Facilities	1,425		
Maintenance and Repairs - Office Equipment	185		
Maintenance and Repairs - Vehicles	350		
Fuel Vehicles	1,537		
	1,537		185,324
Supplies/Materials			
Office Supplies	1,523		
Postage	242		
Custodial Supplies	1,033		
Data Processing Supplies	1,974		
Small Equipment Purchases	148		
Uniforms and Shirts	1,812		
Utilities - Electric	9,235		
Utilities - Gas	917		
Utilities - Water	1,649		
Utilities - Phones	2,310		
	2,310		20,843
Other Charges			
Board Meeting Expenses	200		
Insurance - Workers Compensation	1,758		
Insurance - Building and Contents	8,447		
Insurance - Vehicles	767		
Dues and Membership	1,036		
Legal Notices	179		
Premiums on Surety Bonds	1,459		
Training Expenses	12,134		
Travel Expenses	2,774		
Service Awards	30		
	30		28,784

(Continued)

**CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT-  
A COMPONENT UNIT OF CARTER COUNTY, TENNESSEE  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
For the Fiscal Year Ended June 30, 2013**

OPERATING EXPENSES (CONTINUED)		
Total Operating Expenses		1,001,773
OPERATING LOSS BEFORE DEPRECIATION		(263,901)
LESS: DEPRECIATION		(63,327)
OPERATING LOSS		(327,228)
NONOPERATING REVENUES		
Contributions from Primary Government	173,858	
Contributions from Other Government Agencies	134,875	
Tennessee Emergency Communications Board - Grants and Reimbursements	366,012	
Revenue from Contracted Services	62,306	
Donated Use of Space	10,145	
Interest Income	1,095	
TOTAL NONOPERATING REVENUES		748,291
CHANGE IN NET POSITION		421,063
NET POSITION, JULY 1, 2012		868,288
NET POSITION, JUNE 30, 2013		\$ 1,289,351

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, 2013**

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CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Surcharges and Other Revenues	\$ 747,645	
Cash Payments to Employees	(538,256)	
Cash Payments for Employee Benefits	(235,999)	
Cash Payments for Contracted Services	(176,260)	
Cash Payments for Supplies	(12,778)	
Cash Payments for Other Charges	<u>(28,784)</u>	
Net Cash Used for Operating Activities		(244,432)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Grants/Reimbursements TECB	366,012	
Contributions from Primary Government	173,858	
Other Local Government Contributions	134,875	
Cash Received from Contracted Services	<u>62,306</u>	
Net Cash Provided by Noncapital Financing Activities		737,051
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of Capital Assets	<u>(343,296)</u>	
Net Cash Used for Capital and Related Financing Activities		(343,296)
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in Certificate's of Deposit: Long-Term	(408)	
Interest Income Received	<u>1,095</u>	
Net Cash Provided by Investing Activities		<u>687</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		150,010
CASH AND CASH EQUIVALENTS AT JULY 1, 2012		<u>638,746</u>
CASH AND CASH EQUIVALENTS AT JUNE 30, 2013		<u><u>\$ 788,756</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, 2013**

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RECONCILIATION OF OPERATING LOSS TO NET CASH  
USED FOR OPERATING ACTIVITIES

Operating Loss	\$ (327,228)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities	
Depreciation	63,327
Donated Use of Space	10,145
(Increase) Decrease in Accounts Receivable	11,728
(Increase) Decrease in Due from Tennessee Emergency Communications Board	(1,955)
(Increase) Decrease in Prepaid Expenses	(1,081)
Increase (Decrease) in Accounts Payable	8,067
Increase (Decrease) in Accrued Payroll	8,290
Increase (Decrease) in Payroll Deduction Payable	(4,333)
Increase (Decrease) in Other Payroll Liabilities	479
Increase (Decrease) in Compensated Absences Payable	(3,264)
Increase (Decrease) in Net Other Post-employment Benefits Obligation	<u>(8,607)</u>
 NET CASH USED FOR OPERATING ACTIVITIES	 <u><u>\$ (244,432)</u></u>

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

**CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT -  
A COMPONENT UNIT OF CARTER COUNTY, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2013**

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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). The financial statements are reported using the economic resources measurement focus on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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.

Operating 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. Accordingly, all of CCECD's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying statement of net position in accordance with the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which was implemented during fiscal year 2013.

**CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT -  
A COMPONENT UNIT OF CARTER COUNTY, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2013**

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

**Cash and Deposits**

Cash and Cash Equivalents on the Statements of Net Position 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 Certificates of Deposit: Long-Term have an original maturity of greater than three months. There are no investments at June 30, 2013.

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. 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 insurance limit of \$250,000 is collateralized by the State of Tennessee bank collateral pool. The total funds held by financial institutions in excess of FDIC insurance coverage, was \$490,073 at June 30, 2013.

**Compensated Absences**

Each full time employee will be granted 24 hours of personnel time each calendar year. Full time employees also receive 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 40 hours per week.

**Accounts Receivable**

Accounts receivable at June 30, 2013 consist of various surcharges totaling \$25,745 and a total of \$55,558 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.

**CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT -  
A COMPONENT UNIT OF CARTER COUNTY, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2013**

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**NOTE 2 - BUDGET**

In accordance with *Tennessee Code Annotated 7-86-120*, an annual budget is adopted by CCECD. 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.

**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. CCECD 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 CCECD 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. CCECD may make investments with longer maturities if various restrictions set out in the State law are followed. CCECD 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, 2013, CCECD held no investments.

**NOTE 4 - CAPITAL ASSETS**

Capital 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. The dollar threshold for capitalization is \$500.

**CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT -  
A COMPONENT UNIT OF CARTER COUNTY, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2013**

**NOTE 4 - CAPITAL ASSETS (CONTINUED)**

**Function and Activity**

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:				
Land	\$ -	112,000	-	112,000
Capital Assets, Being Depreciated:				
Buildings and Improvements	-	219,074	-	219,074
Furniture and Fixtures	21,282	740	-	22,022
Office Equipment	27,834	1,547	-	29,381
Communication Equipment	688,656	9,935	-	698,591
Vehicles	41,316	-	-	41,316
Leasehold Improvements	62,167	-	-	62,167
Other Capital Assets	139,034	-	-	139,034
Total Capital Assets Being Depreciated	980,289	231,296	0	1,211,585
Less Accumulated Depreciation For:				
Buildings and Improvements	-	(3,195)	-	(3,195)
Furniture and Fixtures	(17,226)	(1,274)	-	(18,500)
Office Equipment	(24,271)	(863)	-	(25,134)
Communication Equipment	(554,351)	(47,389)	-	(601,740)
Vehicles	(26,154)	(4,135)	-	(30,289)
Leasehold Improvements	(55,740)	(2,571)	-	(58,311)
Other Capital Assets	(133,184)	(3,900)	-	(137,084)
Total Accumulated Depreciation	(810,926)	(63,327)	0	(874,253)
Total Capital Assets, Net	\$ 169,363	279,969	0	449,332

**CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT -  
A COMPONENT UNIT OF CARTER COUNTY, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2013**

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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 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Carter County 911 participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

***Funding Policy***

Carter County 911 has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5.0 percent of annual covered payroll.

Carter County 911 is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2013 was 11.57% 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, 2013**

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**NOTE 5 - PENSION PLAN (CONTINUED)**

***Annual Pension Cost***

For the year ending June 30, 2013, Carter County 911's annual pension cost of \$61,763 to TCRS was equal to Carter County 911's required and actual contributions. The required contribution was determined as part of the July 1, 2011 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, 2011 was 3 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2013	\$ 61,763	100%	\$0
6/30/2012	\$ 53,130	100%	\$0
6/30/2011	\$ 56,829	100%	\$0

***Funded Status and Funding Progress***

As of July 1, 2011, the most recent actuarial valuation date, the plan was 92.38 percent funded. The actuarial accrued liability for benefits was 0.63 million, and the actuarial value of assets was \$0.58 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.05 million. The covered payroll (annual payroll of active employees covered by the plan) \$0.39 million, and the ratio of the UAAL to the covered payroll was 12.31 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.

**CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT -  
A COMPONENT UNIT OF CARTER COUNTY, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2013**

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**NOTE 5 - PENSION PLAN (CONTINUED)**

(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>(a)</u>	<u>(b)</u>	<u>(b) - (a)</u>	<u>(a/b)</u>	<u>(c)</u>	<u>((b-a)/c)</u>
July 01, 2011	\$582	\$630	\$48	92.38%	\$390	12.31%

**NOTE 6 - OTHER POST-EMPLOYMENT BENEFITS**

Plan Types:

CCECD 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, 2013, there are two retirees under the plan.

CCECD offers post-employment benefits for full-time regular employees retiring under the Tennessee Consolidated Retirement System (TCRS) guidelines. CCECD 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. CCECD 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, 2013**

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**NOTE 6 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

Annual OPEB Cost and Net OPEB Obligation:

CCECD'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 CCECD voted to modify the retirement benefits and an updated calculation was obtained. The ARC and actuarially accrued liability were significantly reduced. CCECD had previously recorded the ARC and the related liability at \$90,799. The following table shows the components of CCECD'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)	\$ 9,394
Interest on Net OPEB Obligation	3,447
Adjustment to ARC	<u>(3,752)</u>
Annual OPEB Cost (Expense)	9,089
Contribution Made (assumed end of year)	<u>(17,696)</u>
Increase (Decrease) in Net OPEB Obligation	(8,607)
Net OPEB Obligation - Beginning of Year	<u>78,435</u>
Net OPEB Obligation - End of Year	<u><u>\$ 69,828</u></u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2013, 2012 and 2011 are as follows:

Fiscal Year Ending	Annual OPEB Cost	Contribution (ARC)	OPEB Cost Contributed	% of ARC Contributed	Net OPEB Obligation
6/30/2013	\$ 9,089	\$ 9,089	\$ 17,696	194.70%	\$ 69,828
6/30/2012	\$ 11,328	\$ 11,328	\$ 7,728	68.22%	\$ 78,435
6/30/2011	\$ 11,328	\$ 11,328	\$ 4,636	40.93%	\$ 86,163

**CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT -  
A COMPONENT UNIT OF CARTER COUNTY, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2013**

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**NOTE 6 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

Funded Status and Funding Progress:

The funded status of the plan as of July 1, 2011, the date of the actuarial valuation was as follows:

Actuarial Valuation Date	<u>7/1/2011</u>
Actuarial Accrued Liability (AAL)	\$ 80,984
Actuarial Value of Plan Assets	\$ -
Unfunded Actuarial Accrued Liability (UAAL)	\$ 80,984
Actuarial Value of Assets as a % of the AAL	0%
Covered Payroll	\$ 550,000
UAAL as a Percentage of Covered Payroll	14.7%

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, 2011. A discount rate of 4.0% was used to discount expected liabilities to the valuation dates. Future salaries are expected to increase at an annual rate of 3.0%. Average health care trend costs rates are assumed to increase by 9.5% for year 2, increase 9.0% (year 3), 8.5% (years 4 and 5), 8.0% (years 6 and 7), 7.5% (years 8 and 9), 7.0% (years 10 and 11), 6.5% (years 12 and 13), 6.0% (years 14 and 15), and 5.5% for years 16 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, 2013**

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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 Position 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 CCECD 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**

CCECD depends upon financial resources flowing from, or associated with, both the State of Tennessee and local governments. Because of this dependency, CCECD 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, renovation and construction process has begun on the new building.

**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, 2013**

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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, 2011	\$582	\$630	\$48	92.38%	\$390	12.31%
July 01, 2009	\$404	\$457	\$53	88.47%	\$349	15.11%
July 01, 2007	\$305	\$361	\$56	84.49%	\$265	21.13%

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>
July 1, 2011	\$ -	80,984	80,984	0.00%	550,000
July 1, 2008	-	446,835	446,835	0.00%	786,000

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, 2013**

	Budgeted Amounts			Variance with Final Budget - Under (Over)
	Original Budget	Final Budget	Actual Amounts	
<b>OPERATING REVENUES</b>				
Emergency Telephone Service Charge	\$ 387,350	382,174	368,400	(13,774)
Tennessee Emergency Communications Board				
Shared Wireless Charge	138,000	137,000	141,141	4,141
Operational Funding	216,882	224,000	224,551	551
Other Operating Revenues				
Alarm Revenue	3,780	3,780	3,780	-
Total Operating Revenues	<u>746,012</u>	<u>746,954</u>	<u>737,872</u>	<u>(9,082)</u>
<b>OPERATING EXPENSES</b>				
<b>Salaries and Wages</b>				
Director	54,000	57,500	54,841	2,659
Administrative Personnel	80,000	75,000	67,172	7,828
Dispatchers	306,000	347,253	330,418	16,835
Part-Time Personnel	40,000	35,000	30,736	4,264
Overtime Pay	45,250	66,500	60,115	6,385
Total Salaries and Wages	<u>525,250</u>	<u>581,253</u>	<u>543,282</u>	<u>37,971</u>
<b>Employee Benefits</b>				
Social Security	38,000	39,000	34,944	4,056
Medicare	9,500	9,300	8,222	1,078
Life Insurance	3,500	3,500	2,195	1,305
Medical Insurance	81,600	84,000	82,566	1,434
Unemployment Compensation	4,500	4,500	2,722	1,778
Retirement Contributions	63,998	66,250	61,447	4,803
Other Fringe Benefits	32,500	34,000	31,444	2,556
Total Employee Benefits	<u>233,598</u>	<u>240,550</u>	<u>223,540</u>	<u>17,010</u>
<b>Contracted Services</b>				
Audit Services	5,900	5,900	5,900	-
Accounting Services	3,850	4,000	3,935	65
Administrative Fees	13,000	12,500	11,423	1,077
Fees Paid to Service Providers	75,000	76,500	76,367	133
Financial Advisory Services	-	2,500	2,500	-
Legal Services	10,000	26,000	25,849	151
Maintenance Agreements	28,000	33,000	32,097	903
Pest Control	300	300	285	15
NCIC Expenses	8,250	8,250	4,106	4,144
Lease/Rental - Buildings and Facilities - Donated	10,145	16,895	16,895	-
Maintenance and Repairs - Communications Equipment	4,000	3,000	2,470	530

(Continued)

**CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT-  
A COMPONENT UNIT OF CARTER COUNTY, TENNESSEE  
BUDGETARY COMPARISON SCHEDULE  
For the Fiscal Year Ended June 30, 2013**

	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 - Building and Facilities	5,000	3,000	1,425	1,575
Maintenance and Repairs - Office Equipment	1,000	1,000	185	815
Maintenance and Repairs - Vehicles	1,500	1,000	350	650
Fuel Vehicles	3,000	2,500	1,537	963
Total Contracted Services	<u>168,945</u>	<u>196,345</u>	<u>185,324</u>	<u>11,021</u>
Supplies/Materials				
Office Supplies	1,400	1,600	1,523	77
Postage	350	350	242	108
Custodial Supplies	1,400	1,500	1,033	467
Data Processing Supplies	1,948	2,900	1,974	926
Small Equipment Purchases	800	850	148	702
Uniforms and Shirts	1,500	1,850	1,812	38
Utilities - Electric	12,500	10,500	9,235	1,265
Utilities - Gas	1,600	1,300	917	383
Utilities - Water	1,800	1,800	1,649	151
Utilities - Phones	2,200	2,400	2,310	90
Total Supplies/Materials	<u>25,498</u>	<u>25,050</u>	<u>20,843</u>	<u>4,207</u>
Other Charges				
Board Meeting Expenses	-	200	200	-
Insurance - Workers Compensation	2,800	2,800	1,758	1,042
Insurance - Building and Contents	9,000	9,000	8,447	553
Insurance - Vehicles	1,000	1,000	767	233
Dues and Membership	800	1,100	1,036	64
Legal Notices	200	200	179	21
Premiums on Surety Bonds	1,200	1,500	1,459	41
Public Education	500	500	-	500
Training Expenses	18,000	13,500	12,134	1,366
Travel Expenses	7,000	6,500	2,774	3,726
Service Awards	50	50	30	20
Other Expenses	5,000	5,000	-	5,000
Total Other Charges	<u>45,550</u>	<u>41,350</u>	<u>28,784</u>	<u>12,566</u>
Depreciation				
Depreciation Expense	94,018	68,932	63,327	5,605
Total Depreciation Expense	<u>94,018</u>	<u>68,932</u>	<u>63,327</u>	<u>5,605</u>
OPERATING INCOME (LOSS)	(346,847)	(406,526)	(327,228)	79,298

(Continued)

**CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT-  
A COMPONENT UNIT OF CARTER COUNTY, TENNESSEE  
BUDGETARY COMPARISON SCHEDULE  
For the Fiscal Year Ended June 30, 2013**

	Budgeted Amounts			Variance with Final Budget - Under (Over)
	Original Budget	Final Budget	Actual Amounts	
NONOPERATING REVENUES (EXPENSES)				
Contributions from Primary Government	173,858	173,858	173,858	-
Contributions from Other Government Agencies	131,144	132,970	134,875	1,905
Tennessee Emergency Communications Board -				
Grants and Reimbursements	270,459	322,000	366,012	44,012
Revenue from Contracted Services	8,250	66,953	62,306	(4,647)
Donated Use of Space	10,145	10,145	10,145	-
Interest Income	1,450	600	1,095	495
Total Nonoperating Revenues (Expenses)	<u>595,306</u>	<u>706,526</u>	<u>748,291</u>	<u>41,765</u>
CHANGE IN NET POSITION	248,459	300,000	421,063	121,063
NET POSITION, JULY 1, 2012	<u>868,288</u>	<u>868,288</u>	<u>868,288</u>	<u>-</u>
NET POSITION, JUNE 30, 2013	<u>\$ 1,116,747</u>	<u>1,168,288</u>	<u>1,289,351</u>	<u>121,063</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, 2013**

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**ROSTER OF BOARD MEMBERS**

***CHAIRMAN***

Andrew Worley

***VICE CHAIRMAN***

Mike Shouse

***SECRETARY/TREASURER***

Kelly Geagley

***MEMBERS***

Bill Carter

Greg Workman

Barry Carrier

Chris Mathes

Terry Arnold

Steve Lowe

**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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, 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, 2013, and the related notes to the financial statements, which collectively comprise the Carter County Emergency Communications District's basic financial statements and have issued our report thereon dated October 31, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Carter County Emergency Communications District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Carter County Emergency Communications District's internal control. Accordingly, we do not express an opinion on the effectiveness of Carter County Emergency Communications District's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. These are listed as 2013-01 and 2013-02.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Carter County Emergency Communications District financial statements are free from 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as 2013-01 and 2013-02.

We noted certain matters that we reported to management of the Carter County Emergency Communications District in a separate letter dated October 31, 2013.

### **Carter County Emergency Communications District's Response to Findings**

Carter County Emergency Communications District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Carter County Emergency Communications District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Blackburn, Childers + Steagall, PLLC*  
BLACKBURN, CHILDERS & STEAGALL, PLLC  
Johnson City, Tennessee

October 31, 2013

**CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT -  
A COMPONENT UNIT OF CARTER COUNTY, TENNESSEE  
SCHEDULE OF FINDINGS AND RESPONSES  
For the Fiscal Year Ended June 30, 2013**

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**CURRENT YEAR SIGNIFICANT DEFICIENCIES:**

**2013-01: Significant Deficiency: Adjustments**

**Criteria:** General ledger accounts should be timely reviewed, reconciled to the appropriate supporting documentation or subsidiary ledger reports and adjusted. District officials should provide constant, close supervision to ensure that:

- Internal controls are working
- Accounts in the District's accounting records are being reconciled systematically and the reconciliation is documented and retained.

**Condition:** Under current professional standards, the District is responsible for the internal control process which includes the preparation of year-end financial statements in accordance with generally accepted accounting principles and the accrual basis of accounting. Audit adjustments were necessary to properly state account balances including: accounts receivable, prepaid assets, and net position, primarily for audit entries from the prior two years not being posted. Thus, total net position did not properly reconcile.

**Effect:** The effect of this deficiency creates the possibility that misstatements may not be timely noted or corrected and that audit adjusting entries will be required.

**Recommendation:** We recommend a procedure be in place to prepare routine, monthly and year-end reconciliations for general ledger accounts to the supporting documentation and subsidiary ledgers and to make related adjustments. The procedure should require retention of supporting documentation for all entries and transfers, including indication of appropriate review and approval. Monthly compilation statements are prepared by the accountant and submitted to the Board. These reports along with the ledger reports are used as the basis of the audited financial statements. There is no procedure in place to prepare complete audited financial statements including note disclosures. We recommend the District continue to work with the accountant to provide supporting documentation for year-end adjustments including information necessary for required note disclosures and complete financial statements in accordance with applicable *Governmental Accounting Standards*.

**Management's Response:** The District will work with its accountant to have a procedure in place to prepare routine, monthly, and year-end reconciliations for general ledger. This will include retention of supporting documentation for all entries, and transfers, including review and approval.

**CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT -  
A COMPONENT UNIT OF CARTER COUNTY, TENNESSEE  
SCHEDULE OF FINDINGS AND RESPONSES  
For the Fiscal Year Ended June 30, 2013**

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**CURRENT YEAR SIGNIFICANT DEFICIENCIES (CONTINUED):**

***2013-02: Significant Deficiency: General Ledger and Journal Entries***

***Criteria:*** Internal Controls dictate that general ledger detail reports as well as journal entries, and related documentation, be maintained and on file. These reports are necessary for management use in monitoring the overall operations of the District as well as useful resources during the annual audit. Indication of review and approval of monthly general ledgers and journal entries should be noted on the related reports.

***Condition:*** At the time of transition to a new accountant, the District did not receive or obtain a general ledger detail account report for each month in addition to the 6 months for the July 1, 2012 to December 31, 2012 time period. Thus, a general ledger account detail report, for this six month period, as well as any accountant prepared journal entries for the same time frame, were not available for the audit. We also noted monthly and recurring accountant journal entries, for the January 1, 2013 to June 30, 2013 time period, were not supported with documentation and there was no indication of subsequent review by District management.

***Effect:*** The effect of this deficiency creates the possibility that misstatements may not be timely noted or corrected and that audit adjusting entries will be required. Further, this limits the overall level of management oversight and monitoring.

***Recommendation:*** We recommend the District obtain, as part of the month-end and fiscal year-end reporting package, a detail general ledger report. We also recommend monthly and recurring journal entries be reviewed by management. This review should be noted and dated on the reports.

***Management's Response:*** The District will work with the accountant to receive the month-end and fiscal year-end reports of the detailed general ledger. The District's management will review monthly and recurring journal entries and shall be noted and dated on the reports.

**PRIOR YEAR SIGNIFICANT DEFICIENCIES IMPLEMENTED:**

None