

EMERGENCY COMMUNICATIONS DISTRICT  
OF THE CITY OF KINGSPORT, TENNESSEE

COMPONENT UNIT FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

EMERGENCY COMMUNICATIONS DISTRICT  
OF THE CITY OF KINGSPORT, TENNESSEE  
  
COMPONENT UNIT FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

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## INTRODUCTORY SECTION

EMERGENCY COMMUNICATIONS DISTRICT  
OF THE CITY OF KINGSPORT, TENNESSEE

PRINCIPAL OFFICIALS

AS OF JUNE 30, 2008

BOARD OF DIRECTORS

Jim Keesling	Chairman
Craig Dye	Vice-Chairman
Barbara Peavler	Secretary
John Moser	Treasurer
Conner Caldwell	Director
Gale Osborne	Director
Vivian Crymble	Director
Farris Jackson	Director
Kenneth Calvert	Director

MANAGEMENT

Jerry Mowl	Communications Manager
Joe May	Attorney

EMERGENCY COMMUNICATIONS DISTRICT  
OF THE CITY OF KINGSPORT, TENNESSEE

BOARD MEMBER ADDRESSES

PANEL ENDING 1-1-2009

Farris Jackson  
110 Periwinkle Place  
Kingsport, TN 37660  
343-7755 (H)  
343-7714 (FAX)  
612-7755 (Cell)  
[farris@chartertn.net](mailto:farris@chartertn.net)

Jim Keesling  
712 Chippendale  
Kingsport, TN 37660  
378-5055 (H)  
914-6055 (Cell)

PANEL ENDING 1-1-2010

John Moser  
413 Arlington Court  
Kingsport, TN 37663  
239-4140 (H)  
384-6779 (Cell)  
[jmoser413@charter.net](mailto:jmoser413@charter.net)

Vivian Crymble  
2964 Cliffside Rd.  
Kingsport, TN 37664  
378-3782 (H)  
202-4514 (Cell)  
[vcrymble@yahoo.com](mailto:vcrymble@yahoo.com)

PANEL ENDING 1-1-2011

Conner Caldwell  
2104 Windy Place  
Kingsport, TN 37660  
343-8820 (H)  
(336) 877-2200 (Mt.H)  
[jandccaldwell@chartertn.net](mailto:jandccaldwell@chartertn.net)

Barbara Peavler  
5404 Orebank Road  
Kingsport, TN 37664  
288-8484 (H)  
245-3101 (W)  
[bpeavler@bennett-edwards.com](mailto:bpeavler@bennett-edwards.com)

Kenneth Calvert  
P.O. Box 2084  
Kingsport, TN 37662  
392-4465 (H)  
245-9721 (W)  
392-4498 (Fax)  
[lcalvert@aol.com](mailto:lcalvert@aol.com)

By Virtue of Office

Gale Osborne, Chief of Police  
200 Shelby Street  
Kingsport, TN 37660  
229-9423 (W)  
224-2786 (Fax)  
[osborne@ci.kingsport.tn.us](mailto:osborne@ci.kingsport.tn.us)

Craig Dye, Fire Chief  
130 Island St  
Kingsport, TN 37660  
229-9444 (W)  
384-1911  
[dye@ci.kingsport.tn.us](mailto:dye@ci.kingsport.tn.us)

MANAGEMENT'S DISCUSSION AND ANALYSIS SECTION

EMERGENCY COMMUNICATIONS DISTRICT  
OF THE CITY OF KINGSPORT, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2008 AND 2007

As financial management of the Emergency Communications District of the City of Kingsport, Tennessee (the "District"), a component unit of the City of Kingsport, 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, 2008. 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 income for the Emergency Communications District was \$80,275 for fiscal year 2008, compared to \$94,402 for fiscal year 2007 and \$46,455 for fiscal year 2006. This decrease in cash from operating activities was due principally due to higher expenses. Net income produced an increase in net assets of \$180,315 in 2008, and \$280,887 in 2007. The term "net assets" refers to the difference between assets and liabilities. At the close of the fiscal year 2008, the District had net assets of \$2,051,297, an increase of 10% over the prior year, and at the close of the fiscal year 2007, the District had net assets of \$1,870,982, an increase of 17% over the prior year.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's financial statements, which is comprised of the basic financial statements and the notes to the financial statements. Since the District is comprised of a single enterprise fund, no fund level financial statements are shown. In addition, the District has no infrastructure assets and is therefore exempt from required infrastructure disclosures. This report also contains other supplementary information concerning the District's budget to actual comparisons 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 or 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 revenues exceed 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 presents 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 the 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 a full understanding of the information 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**

Net assets may serve, over time, as a useful indicator of an entity's financial position. In the case of the District, assets exceeded liabilities by \$2,051,297 at the close of June 30, 2008. This represents an increase of \$180,315 (10%) over the previous year. The unrestricted net assets were \$1,737,956. At the close of June 30, 2007, assets exceeded liabilities by \$1,870,982 and represented an increase of \$280,887 (18%) over the previous year. The unrestricted net assets were \$1,522,808.

EMERGENCY COMMUNICATIONS DISTRICT  
OF THE CITY OF KINGSPORT, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

By far, the largest portion of the District's net assets reflects its investment in Certificates of Deposit. These Certificates of Deposit are in various local financial institutions all of which are members of the Tennessee State Collateral Pool. Interest rates on these certificates range from 3.05% to 5.35%. Maturity dates range from July 2008 to June 2011. Much of the funds invested in certificates of deposits are expected to be used to purchase capital assets over the next few years. The Board considers the upgrade of the 911 system to be an ongoing process to stay current with technological advances.

Emergency Communications District's Net Assets are as follows for the fiscal years ended June 30, 2008, 2007 and 2006.

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Current Assets	\$ 1,743,542	\$ 1,529,247	\$ 1,312,722
Capital Assets	<u>313,341</u>	<u>348,174</u>	<u>282,998</u>
Total Assets	2,056,883	1,877,421	1,595,720
Current Liabilities	5,586	6,439	5,625
Long-Term Liabilities	<u>0</u>	<u>0</u>	<u>0</u>
Total liabilities	<u>5,586</u>	<u>6,439</u>	<u>5,625</u>
Net Assets:			
Invested in Capital Assets	313,341	348,174	282,998
Unrestricted	<u>1,737,956</u>	<u>1,522,808</u>	<u>1,307,097</u>
Total Net Assets	\$ <u>2,051,297</u>	\$ <u>1,870,982</u>	\$ <u>1,590,095</u>

Emergency Communications District's Changes in Net Assets are as follows for the fiscal years ended June 30, 2008, 2007, and 2006.

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Operating Revenues	\$ 617,932	\$ 542,520	\$ 437,735
Operating Expenses	<u>537,657</u>	<u>448,118</u>	<u>395,716</u>
Income from Operations	80,275	94,402	42,019
Non-Operating Revenues (Expenses):			
Interest Income	87,902	53,504	28,955
State Grants and Reimbursements	14,575	132,981	75,334
(Loss) on Disposal of Equipment	<u>(2,437)</u>	<u>0</u>	<u>0</u>
Net Non-Operating Revenue (Expenses)	<u>100,040</u>	<u>186,485</u>	<u>104,289</u>
Change in Net Assets	180,315	280,887	146,308
Net Assets, Beginning of Year	<u>1,870,982</u>	<u>1,590,095</u>	<u>1,443,787</u>
Net Assets, End of Year	\$ <u>2,051,297</u>	\$ <u>1,870,982</u>	\$ <u>1,590,095</u>

EMERGENCY COMMUNICATIONS DISTRICT  
OF THE CITY OF KINGSPORT, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

**Significant Events**

During the year ended June 30, 2006, the Emergency Communications District of the City of Kingsport continued the Reverse 911 Awareness Campaign to educate the public on Reverse 911. The District spent \$11,854 in advertising during the year ended June 30, 2006, an increase of \$6,823 over the prior year.

During the year ended June 30, 2007, the District purchased a net clock system for \$7,004. This system synchronizes all the computers on the same time. The District received a grant for \$5,000 from the State of Tennessee to fund the purchase of the net clock system. The District also upgraded the ECS-1000 controller for \$117,981 utilizing a grant received from the State of Tennessee.

The District replaced operator workstations and servers in the year ended June 30, 2008, as part of its ongoing policy of updating technologies.

**Cash Flows**

Net cash provided by operating activities during the year ended June 30, 2008, was \$155,612, a decrease of \$17,614 from the prior year amount. This decrease was principally due to higher expenses. Net cash used by financing activities involving the purchase of new workstations and servers during the year ended June 30, 2008, resulted in a decrease in cash of \$39,766 (net of State reimbursements and grants). Net cash provided by investing activities during the year ended June 30, 2008, increased by \$55,145 due to interest income earned on savings and CDs.

Net cash provided by operating activities during the year ended June 30, 2007 increased by \$57,136 due to the State of Tennessee operational funding distribution. Net cash used by capital and related financing activities during the year ended June 30, 2007 increased by \$19,001 due primarily to the purchase of the ECS-1000 controller upgrade and the purchase of the net clock system (net of State reimbursements and grants). Net cash provided by investing activities during the year ended June 30, 2006, increased by \$24,549 due to several CD's maturing during the year.

**Budgeting Highlights**

The original budgets were approved in June 2007 for the fiscal year ended June 30, 2008; and in June 2006 for the fiscal year ended June 30, 2007, and were amended as needed through out each year. 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 \$313,341, net of accumulated depreciation as of June 30, 2008, a decrease of \$34,833. Capital assets primarily include communications equipment and computer hardware and software used in 911 communications.

Long-Term Debt: The District had no long-term debt as of June 30, 2008; and no long-term debt as of June 30, 2007.

**Requests 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 of the information provided in this report or requests for additional financial information should be addressed to the Treasurer, Emergency Communications District of the City of Kingsport, Tennessee, Suite 100, 200 Shelby Street, Kingsport, Tennessee 37660.

## FINANCIAL SECTION

Lewis  
& Associates, P.C.  
Certified Public Accountants

Kenneth L. Lewis, C.P.A.,  
President

INDEPENDENT AUDITORS' REPORT

John F. Hunter, CPA  
T. Craig Ratliff, CPA  
Wayne Turbyfield, CPA  
Jeff Jennings, CPA  
Mary L. Shelton, CPA  
Jennifer C. Penix, CPA

To The Board of Directors  
Emergency Communications District  
of the City of Kingsport, Tennessee  
Kingsport, Tennessee

We have audited the accompanying basic financial statements of the Emergency Communications District of the City of Kingsport, Tennessee, a component unit of the City of Kingsport, Tennessee, as of and for the years ended June 30, 2008 and 2007. These financial statements are the responsibility of the Emergency Communications District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Emergency Communications District of the City of Kingsport, Tennessee, as of June 30, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2008 on our consideration of the Emergency Communications District of the City of Kingsport's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or 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 audits.

The Management's Discussion and Analysis and the other required supplementary information on pages 3 through 5, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.



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Johnson City: 423-926-5138 or 423-926-6475 • Kingsport: 423-216-4356 • Erwin: 423-743-8692 • Elizabethton: 423-547-3795  
Toll Free: 1-877-CPA-4241 • Fax: 423-926-3949 or 423-282-3191 • www.LewisCPAs.com  
Members: American Institute of Certified Public Accountants • Tennessee Society of Certified Public Accountants  
Virginia Society of Certified Public Accountants

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Emergency Communications District of the City of Kingsport, Tennessee. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Lewis & Associates, P.C.*

Lewis & Associates, P.C.

Johnson City, Tennessee  
November 13, 2008

EMERGENCY COMMUNICATIONS DISTRICT  
OF THE CITY OF KINGSPORT, TENNESSEE  
STATEMENTS OF NET ASSETS  
JUNE 30, 2008 AND 2007

ASSETS	<u>2008</u>	<u>2007</u>
Current Assets		
Cash - Checking	\$ 236,195	\$ 113,638
Cash - Savings and Certificates of Deposit	1,403,551	1,355,117
Accrued Interest Receivable	32,757	0
Accounts Receivable	31,193	28,321
Due From TN Emergency Communications Board	18,070	16,603
Prepaid Expenses	<u>21,776</u>	<u>15,568</u>
Total Current Assets	1,743,542	1,529,247
Capital Assets		
Furniture and Fixtures	16,546	16,546
Office Equipment	61,755	8,622
Communications Equipment	588,459	595,614
Other Fixed Assets	<u>28,780</u>	<u>28,780</u>
	695,540	649,562
Less: Accumulated Depreciation	<u>(382,199)</u>	<u>(301,388)</u>
Net Capital Assets	<u>313,341</u>	<u>348,174</u>
Total Assets	<u>2,056,883</u>	<u>1,877,421</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	<u>5,586</u>	<u>6,439</u>
Total Current Liabilities	<u>5,586</u>	<u>6,439</u>
Total Liabilities	<u>5,586</u>	<u>6,439</u>
NET ASSETS		
Invested in Capital Assets	313,341	348,174
Unrestricted Net Assets	<u>1,737,956</u>	<u>1,522,808</u>
Total Net Assets	\$ <u>2,051,297</u>	\$ <u>1,870,982</u>

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

EMERGENCY COMMUNICATIONS DISTRICT  
OF THE CITY OF KINGSPORT, TENNESSEE  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Operating Revenue		
Emergency Telephone Service Charge	\$ 410,081	\$ 326,381
Tennessee Emergency Communications Board -Shared Wireless Charge	103,600	94,541
Tennessee Emergency Communications Board -Operating Fund	104,081	121,428
Other Income	<u>170</u>	<u>170</u>
 Total Operating Revenue	 617,932	 542,520
Operating Expenses		
Addressing and Mapping Service	0	800
Advertising	565	429
Audit Services	3,015	2,750
Accounting Services	1,320	1,210
Administrative Fees	10,432	10,288
Contracts with Government Agency	266,500	206,500
Fees Paid to Service Providers	69,011	65,800
Legal Fees	2,232	3,492
Maintenance/Communication Equipment	56,305	49,186
Office Supplies	1,140	683
Postage	41	183
Board Meeting Expenses	436	2,270
Dues and Memberships	4,457	5,642
Surety Bonds	3,189	2,451
Service Awards	0	1,480
Travel Expenses	22,850	17,603
Training Expenses	8,950	1,725
Depreciation	86,737	75,172
Other Charges	<u>477</u>	<u>454</u>
 Total Operating Expenses	 <u>537,657</u>	 <u>448,118</u>
 Net Operating Income	 80,275	 94,402
Non-Operating Revenues (Expenses)		
Interest Income	87,902	53,504
Tennessee Emergency Communications Board Grants and Reimbursements	14,575	132,981
(Loss) on Disposal of Equipment	<u>(2,437)</u>	<u>0</u>
 Net Non-Operating Revenues (Expenses)	 <u>100,040</u>	 <u>186,485</u>
 Total Net Income	 180,315	 280,887
Net Assets - Beginning	1,870,982	1,594,531
Prior period adjustment	<u>0</u>	<u>(4,436)</u>
Net Assets- Adjusted Beginning	1,870,982	1,590,095
Net Assets - Ending	\$ <u>2,051,297</u>	\$ <u>1,870,982</u>

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

EMERGENCY COMMUNICATIONS DISTRICT  
OF THE CITY OF KINGSPORT, TENNESSEE  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Cash Flows from Operating Activities:		
Receipts from Emergency Telephone Service Charges	\$ 407,209	\$ 333,508
Receipts from TN ECB Shared Wireless Charges	102,133	92,740
Receipts from TN ECB Operating Fund	104,081	104,081
Other Receipts	170	170
Payments for Contracts with Government Agency	(266,500)	(206,500)
Payments to Service Providers	(69,011)	(65,353)
Payments to Suppliers for Goods and Services	<u>(122,470)</u>	<u>(85,420)</u>
Net Cash Provided by Operating Activities	<u>155,612</u>	<u>173,226</u>
Cash Flows from Capital and Related Financing Activities:		
Purchase of Capital Assets	(54,392)	(140,348)
Proceeds from Sale of Equipment	51	0
State Grant and Reimbursement	<u>14,575</u>	<u>132,981</u>
Net Cash Used by Capital and Related Financing Activities	<u>(39,766)</u>	<u>(7,367)</u>
Cash Flows from Investing Activities:		
Interest Income	<u>55,145</u>	<u>53,504</u>
Net Cash Provided by Investing Activities	<u>55,145</u>	<u>53,504</u>
Net Cash Increase	170,991	219,363
Cash - Beginning of Year	<u>1,468,755</u>	<u>1,249,392</u>
Cash - End of Year	\$ <u>1,639,746</u>	\$ <u>1,468,755</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	\$ 80,275	\$ 94,402
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	86,737	75,172
(Increase) Decrease in Accounts Receivable	(2,872)	58
(Increase) Decrease in Prepaid Expenses	(1,467)	(1,801)
(Increase) Decrease in Due from TN ECB	(6,208)	4,581
Increase (Decrease) in Accounts Payable	<u>(853)</u>	<u>814</u>
Net Cash Provided by Operating Activities	\$ <u>155,612</u>	\$ <u>173,226</u>

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

EMERGENCY COMMUNICATIONS DISTRICT  
OF THE CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

The Emergency Communications District of the City of Kingsport, Tennessee was created by a referendum held on January 11, 1994, the results of which were certified on January 20, 1994, as required by Tennessee Code Annotated Title 7 Chapter 86 "Emergency Communications District" section 7-86-104. The purpose of the Emergency Communications District is to oversee the operations of the 911 emergency telephone services. Their Board consists of nine members, all of whom are appointed by the Board of Mayor and Aldermen of the City of Kingsport, Tennessee.

Reporting Entity

The criteria set forth in Governmental Accounting Standards Board Statement 14 *The Financial Reporting Entity* was used to determine that the Emergency Communications District is a component unit of the City of Kingsport, Tennessee. The basic - but not the only - criterion for including a potential component unit within the primary government's reporting entity is the primary government's financial accountability for the potential component unit. A primary government is financially accountable if it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government. The Board of Mayor and Aldermen of the City of Kingsport appoints all nine members of the Board of Directors of the Emergency Communications District of the City of Kingsport, Tennessee. Traditionally, two of the Board members are employees of the City of Kingsport who serve on the Board as part of their duties as Police Chief and Fire Chief. In addition, all personnel performing the daily operations of the Emergency Communications District are employees of the City of Kingsport. The City of Kingsport therefore has the ability to impose its will on the Emergency Communications District of the City of Kingsport. Based upon the application of these criteria, the Emergency Communications District is a component unit of the City of Kingsport, Tennessee.

Basis of Accounting

The financial statements of the Emergency Communications District have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when incurred. As required by Governmental Accounting Standards Board Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting", the Emergency Communications District follows all GASB pronouncements and FASB Statements issued on or before November 30, 1989 except those that conflict with a GASB pronouncement. The District follows only GASB guidance issued after November 30, 1989 and does not follow any FASB guidance issued after that date.

Income Taxes

The Emergency Communications District is an agency organized and existing pursuant to the provisions of Tennessee Code Ann. 7-86-101 which is exempt from federal income taxes pursuant to 26 USC 115 relating to income of states, municipalities, etc.

Revenue

The Emergency Communications District receives the service charges billed and collected by telephone companies operating within the District's area of responsibility directly from those telephone companies. The State of Tennessee collects and remits a percentage of wireless charges to the District.

Expenses

The City of Kingsport, Tennessee provides the physical facilities, employees, and administrative services necessary to fulfill the purpose of the District on a reimbursement basis.

EMERGENCY COMMUNICATIONS DISTRICT  
OF THE CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash

For purposes of the Statement of Cash Flows, the Emergency Communications District considers all bank deposits and any highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Bank balances exceeding Federal Deposit Insurance Corporation insurance limits are collateralized by the Tennessee State Collateral Pool.

Depreciation

Depreciation of capital assets is charged as an expense against operations and accumulated depreciation is reported on the balance sheet. Depreciation has been provided over the useful lives using the straight-line method of depreciation.

Uncollectibles

Uncollectibles are deducted from the service charges collected by the telephone companies and represent uncollected service charges from disconnected customers.

Reclassification

Certain reclassifications have been made to the 2007 balances to conform to the 2008 presentation.

Concentrations of Credit Risk

Financial instruments that potentially subject the Emergency Communications District to concentrations of credit risk are primarily cash, and accounts receivable. The Emergency Communications District's cash is insured by the FDIC or collateralized by the bank's membership in the Tennessee Bank Collateral Pool. Although the District could be affected by changes in general economic conditions of the area, management does not believe that significant credit risk exists at June 30, 2008.

NOTE 2—CASH AND INVESTMENTS

At June 30, 2008 and 2007, total demand deposits and certificates of deposit for the Emergency Communication District were insured and/or collateralized in one of the following ways. Deposits were held in a financial institution, which is a member of the Tennessee Bank Collateral Pool. The Tennessee Bank Collateral Pool (the pool) is a multiple financial institution collateral pool in which member financial institutions holding public funds pledge collateral securities. In the event any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. The pool also has the ability to make additional assessments on a pro rata basis to the pool if the value of collateral is inadequate to cover a loss. The District's deposits in the financial institutions were entirely insured or collateralized at June 30, 2008 and 2007.

At June 30, 2008, the District's carrying amount of deposits was \$1,639,746 and the bank balance was \$1,651,974. Of the bank balance, \$500,000 was covered by federal depository insurance, with the remaining balance of \$1,151,974 being collateralized with the State of Tennessee Bank Collateral Pool with securities held by the pledging financial institution's trust department or agent in the District's name. At June 30, 2007, the District's carrying amount of deposits was \$1,468,755, and the bank balance was \$1,456,461. Of the bank balance, \$600,000 was covered by federal depository insurance, with the remaining balance of \$856,461 being collateralized with the State of Tennessee Bank Collateral Pool with securities held by the pledging financial institution's trust department or agent in the District's name.

EMERGENCY COMMUNICATIONS DISTRICT  
OF THE CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

NOTE 3—PROPERTY, PLANT, AND DEPRECIATION

Capital Assets activity for the year ended June 30, 2008 was as follows:

	June 30, <u>2007</u>	<u>Additions</u>	<u>Deletions</u>	June 30, <u>2008</u>
Furniture & Fixtures	\$ 16,546	\$ 0	\$ 0	\$ 16,546
Office Equipment	8,622	54,392	1,259	61,755
Communications Equipment	595,614	0	7,155	588,459
Other Fixed Assets	<u>28,780</u>	<u>0</u>	<u>0</u>	<u>28,780</u>
Total	<u>649,562</u>	<u>54,392</u>	<u>8,414</u>	<u>695,540</u>

Less Accumulated Depreciation:

Furniture & Fixtures	5,795	1,648	0	7,443
Office Equipment	2,699	7,200	1,259	8,640
Communications Equipment	282,101	74,035	4,667	351,469
Other Fixed Asset	<u>10,793</u>	<u>3,854</u>	<u>0</u>	<u>14,647</u>
Total Accumulated Depreciation	<u>301,388</u>	<u>86,737</u>	<u>5,926</u>	<u>382,199</u>
Capital Assets, Net	\$ <u>348,174</u>	\$ <u>(32,345)</u>	\$ <u>2,488</u>	\$ <u>313,341</u>

Capital Assets activity for the year ended June 30, 2007 was as follows:

	June 30, <u>2006</u>	<u>Additions</u>	<u>Deletions</u>	June 30, <u>2007</u>
Furniture & Fixtures	\$ 5,776	\$ 10,770	\$ 0	\$ 16,546
Office Equipment	4,029	4,593	0	8,622
Communications Equipment	470,629	124,985	0	595,614
Other Fixed Assets	<u>28,780</u>	<u>0</u>	<u>0</u>	<u>28,780</u>
Total	<u>509,214</u>	<u>140,348</u>	<u>0</u>	<u>649,562</u>

Less Accumulated Depreciation:

Furniture & Fixtures	5,338	457	0	5,795
Office Equipment	1,533	1,166	0	2,699
Communications Equipment	212,406	69,695	0	282,101
Other Fixed Asset	<u>6,939</u>	<u>3,854</u>	<u>0</u>	<u>10,793</u>
Total Accumulated Depreciation	<u>226,216</u>	<u>75,172</u>	<u>0</u>	<u>301,388</u>
Capital Assets, Net	\$ <u>282,998</u>	\$ <u>65,176</u>	\$ <u>0</u>	\$ <u>348,174</u>

EMERGENCY COMMUNICATIONS DISTRICT  
OF THE CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

NOTE 4—INSURANCE

The capital assets of the Emergency Communications District are insured by the City Of Kingsport's Blanket Insurance Policy. However, the City has a \$50,000 deductible on each loss per occurrence. The City is self-insured regarding the \$50,000 deductible. In addition, the Emergency Communications District is listed as an additional named insured on the City of Kingsport's general liability policy. There were no settlements in excess of insurance coverage related to the Emergency Communications District for the year ended June 30, 2008 or for any of the four preceding years.

NOTE 5—SURETY BOND

The Emergency Communications District maintains a surety bond for \$500,000 on their treasurer, \$100,000 for the chair, and \$100,000 for the vice-chair. These policies run on a calendar year.

NOTE 6—PRIOR PERIOD ADJUSTMENT

During the audit of year June 30, 2008, it was discovered that net assets were misstated due to an error in the calculation of Accumulated Depreciation for Communications Equipment. The following financial statement line items as of and for the year ending June 30, 2006 were affected by this error correction. The beginning Accumulated Depreciation as of June 30, 2006 have been restated to reflect this correction.

Accumulated Depreciation

	<u>As Previously Stated</u>	<u>As Restated</u>	<u>Effect of Correction</u>
Furniture & Fixtures	\$ 5,338	\$ 5,338	\$ 0
Office Equipment	1,533	1,533	0
Communications Equipment	207,970	212,406	4,436
Other Fixed Asset	<u>6,939</u>	<u>6,939</u>	<u>0</u>
Total Accumulated Depreciation	\$ <u>221,780</u>	\$ <u>226,216</u>	\$ <u>4,436</u>
Net Capital Assets	\$ <u>287,434</u>	\$ <u>282,998</u>	\$ <u>4,436</u>
Total Assets	\$ <u>1,600,156</u>	\$ <u>1,595,720</u>	\$ <u>4,436</u>
Invested in Capital Assets	\$ <u>287,434</u>	\$ <u>282,998</u>	\$ <u>4,436</u>

During the audit of year June 30, 2008, it was discovered that net assets were misstated due to over accrual of income from the State of Tennessee in the amount of \$17,347. Due from the State of Tennessee and Operating Revenue as of June 30, 2007 financial statements have been reduced to correct this error. This is in addition to the error corrected above.

SUPPLEMENTAL INFORMATION SECTION

EMERGENCY COMMUNICATIONS DISTRICT  
OF THE CITY OF KINGSPORT, TENNESSEE  
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Revenue:				
Emergency Telephone Service				
Charges	\$ 381,000	\$ 381,000	\$ 410,081	\$ 29,081
TN ECB Shared Wireless Charges	175,000	100,100	103,600	3,500
TN ECB Operating Fund	0	104,000	104,081	81
Other Revenue	<u>1,000</u>	<u>1,000</u>	<u>170</u>	<u>(830)</u>
Total Operating Revenue	557,000	586,100	617,932	31,832
Operating Expenses:				
Advertising	3,000	3,000	565	2,435
Auditing Services	4,000	4,000	3,015	985
Accounting Services	2,000	2,000	1,320	680
Administrative Fees	14,000	14,000	10,432	3,568
Contracts with Government Agency	266,000	266,500	266,500	0
Fees Paid to Service Providers	80,000	80,000	69,011	10,989
Legal Fees	4,500	4,500	2,232	2,268
Maintenance/Communication				
Equipment	60,000	85,000	56,305	28,695
Mapping/Data Base Consultants	4,000	4,000	0	4,000
Other Consultants	4,400	4,400	0	4,400
Office Supplies	1,500	1,500	1,140	360
Postage	250	250	41	209
Utilities Telephone	1,900	1,900	0	1,900
Board Meeting Expenses	4,000	3,500	436	3,064
Dues and Memberships	5,000	6,000	4,457	1,543
Surety Bonds	4,000	4,000	3,189	811
Service Awards	2,950	2,950	0	2,950
Travel Expenses	20,000	23,100	22,850	250
Training Expenses	9,000	9,000	8,950	50
Other Charges	6,500	6,500	477	6,023
Depreciation	<u>60,000</u>	<u>60,000</u>	<u>86,737</u>	<u>(26,737)</u>
Total Expenses	<u>557,000</u>	<u>586,100</u>	<u>537,657</u>	<u>48,443</u>
Net Operating Income (Loss)	0	0	80,275	80,275
Non-Operating Revenues (Expenses)				
Interest	10,000	10,000	87,902	77,902
TN ECB Grants and Reimbursements	0	0	14,575	14,575
(Loss) on Disposal of Equipment	<u>0</u>	<u>0</u>	<u>(2,437)</u>	<u>(2,437)</u>
Net Non-Operating Revenues (Expenses)	<u>10,000</u>	<u>10,000</u>	<u>100,040</u>	<u>90,040</u>
Net Income	\$ <u>10,000</u>	\$ <u>10,000</u>	\$ <u>180,315</u>	\$ <u>170,315</u>

EMERGENCY COMMUNICATIONS DISTRICT  
OF THE CITY OF KINGSPORT, TENNESSEE  
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Revenue:				
Emergency Telephone Service Charges	\$ 383,000	\$ 381,000	\$ 326,381	\$ (54,619)
TN ECB Shared Wireless Charges	81,550	199,530	215,969	16,439
Other Revenue	<u>1,000</u>	<u>1,000</u>	<u>170</u>	<u>(830)</u>
Total Operating Revenue	465,550	581,530	542,520	(39,010)
Operating Expenses:				
Addressing and Mapping Service	0	1,200	800	400
Advertising	3,000	1,500	429	1,071
Auditing Services	4,000	3,500	2,750	750
Accounting Services	2,000	1,500	1,210	290
Administrative Fees	3,000	12,000	10,288	1,712
Communication Equipment	0	117,981	0	117,981
Contracts with Government Agency	210,000	207,000	206,500	500
Fees Paid to Service Providers	80,000	75,000	65,800	9,200
Legal Fees	4,500	4,199	3,492	707
Maintenance/Communication Equipment	43,000	49,000	49,186	(186)
Mapping/Data Base Consultants	4,000	2,000	0	2,000
Other Consultants	4,400	1,400	0	1,400
Office Supplies	1,500	1,500	683	817
Postage	250	250	183	67
Utilities Telephone	1,900	1,900	0	1,900
Board Meeting Expenses	3,000	3,000	2,270	730
Dues and Memberships	4,000	6,000	5,642	358
Surety Bonds	2,800	3,000	2,451	549
Service Awards	2,500	2,500	1,480	1,020
Travel Expenses	18,500	23,100	17,603	5,497
Training Expenses	5,500	3,000	1,725	1,275
Depreciation	60,000	60,000	75,172	(15,172)
Other Charges	<u>6,500</u>	<u>2,500</u>	<u>454</u>	<u>2,046</u>
Total Expenses	<u>464,350</u>	<u>583,030</u>	<u>448,118</u>	<u>134,912</u>
Net Operating Income (Loss)	1,200	(1,500)	94,402	95,902
Non-Operating Revenues (Expenses)				
Interest	10,148	10,000	53,504	43,504
TN ECB Grants and Reimbursements	<u>0</u>	<u>0</u>	<u>132,981</u>	<u>132,981</u>
Net Non-Operating Revenues (Expenses)	<u>10,148</u>	<u>10,000</u>	<u>186,485</u>	<u>176,485</u>
Net Income	\$ <u>11,348</u>	\$ <u>8,500</u>	\$ <u>280,887</u>	\$ <u>272,387</u>

EMERGENCY COMMUNICATIONS DISTRICT  
OF THE CITY OF KINGSPORT, TENNESSEE  
SCHEDULE OF INFORMATION REQUIRED BY  
THE TENNESSEE EMERGENCY COMMUNICATIONS BOARD  
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

The following information is required by the *Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts Effective July 1, 2004*, published by State of Tennessee Comptroller of the Treasury, Division of County Audit.

1. The number of public safety answering points (PSAP)? **One**
2. The address of each PSAP? **200 Shelby Street, Kingsport, Tennessee 37660**
3. The type of system/equipment and database used by each PSAP? **CML linked to the City's HTE public safety system/CAD.**
4. The name, address, telephone number and fax number of the Director of the Emergency Communications District? **The District does not have any employees and no director, per se. The City employee that is responsible of the direct dispatch function for the City and the District is Jerry Mowl, Communications Manager for the City of Kingsport, 200 Shelby Street, Kingsport, Tennessee 37660, telephone 423-229-9358, fax 423-224-2594.**
5. The name, address, telephone number, and fax number of the Chairman of the Emergency Communications District?

**Jim Keesling  
712 Chippendale  
Kingsport, TN 37660  
378-5055 (H)  
914-0655 (Cell)**

INTERNAL CONTROL AND COMPLIANCE SECTION

Lewis  
& Associates, P.C.  
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Kenneth L. Lewis, C.P.A.,  
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Wayne Turbyfield, CPA  
Jeff Jennings, CPA  
Mary L. Shelton, CPA  
Jennifer C. Penix, CPA

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  
Emergency Communications District  
of the City of Kingsport, Tennessee

We have audited the financial statements of the Emergency Communications District of the City of Kingsport, Tennessee as of June 30, 2008 and 2007 and for the years then ended and have issued our report thereon dated November 13, 2008. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audits, we considered Emergency Communications District of the City of Kingsport, Tennessee's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Emergency Communications District of the City of Kingsport, Tennessee's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Emergency Communications District of the City of Kingsport, Tennessee's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Emergency Communications District of the City of Kingsport, Tennessee's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Emergency Communications District of the City of Kingsport, Tennessee's financial statements that is more than inconsequential will not be prevented or detected by Emergency Communications District of the City of Kingsport, Tennessee's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Emergency Communications District of the City of Kingsport, Tennessee's internal control.



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Virginia Society of Certified Public Accountants

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be 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 Emergency Communications District of the City of Kingsport, Tennessee'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 audits, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are as follows:

*Tennessee Code Annotated* Section 7-86-120 states that no emergency communications district may spend money except in accordance with an adopted budget. The Schedule of Revenues and Expenses - Budget and Actual beginning on page 15 of the District's financial statements for the year ended June 30, 2008, showed two expense line items that exceeded the adopted budget. Depreciation had a budgeted amount of \$60,000, but actual expense was \$86,737, which was \$26,737 dollars over budget. Loss on Disposal of Equipment did not have a budgeted amount, but actual expense was \$2,437.

#### RECOMMENDATION:

The Board should be more diligent in amending the budget to comply with *Tennessee Code Annotated* Section 7-86-120.

#### MANAGEMENT RESPONSE:

The District recognizes the problem. The bookkeeper will maintain the asset depreciation schedule monthly. We will be more diligent to amend the budget in order to comply with *Tennessee Code Annotated* Section 7-86-120.

We noted certain matters that we reported to management of Emergency Communications District of the City of Kingsport, Tennessee, in a separate letter dated November 13, 2008.

The Emergency Communications District of the City of Kingsport, Tennessee's response to the findings identified in our audit is described above. We did not audit the Emergency Communications District of the City of Kingsport, Tennessee's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, management, the audit committee, others within the organization, and the State of Tennessee Comptroller of the Treasury and is not intended to be and should not be used by anyone other than these specified parties.



Lewis & Associates, P.C.  
Johnson City, Tennessee

November 13, 2008