

David Sturtevant,
Contract Audit Review Manager
Division of County Audit
Comptroller of the Treasury
State of Tennessee

Mr. Sturtevant,

In accordance with instruction 5 of the Contract to Audit, we are writing this letter to communicate that the accompanying report is the official Audit Report for Bristol Tennessee Emergency Communications District for the year ended June 30, 2011.

Very truly yours,

BROWN, EDWARDS & COMPANY, L.L.P.

Richard L. Linnen, Partner

Bristol, Virginia
November 8, 2011

**BRISTOL TENNESSEE EMERGENCY
COMMUNICATIONS DISTRICT**

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2011

**BRISTOL TENNESSEE EMERGENCY
COMMUNICATIONS DISTRICT**

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INTRODUCTORY SECTION

BRISTOL TENNESSEE EMERGENCY
COMMUNICATIONS DISTRICT

DIRECTORY OF PRINCIPAL OFFICIALS
June 30, 2011

Board of Directors:

Blaine E. Wade, Chairman
Tim Eads, Vice-Chairman
David Warren, Treasurer
Frank Blanton, Secretary
Shelton Hillman
Dwayne Honaker
James Messimer

Officers and Advisors:

Virginia Smelser, Director
Ricky Curtis, Legal Advisor

FINANCIAL SECTION

Financial Section contains the
Basic Financial Statements

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Bristol Tennessee Emergency
Communications District
Bristol, Tennessee

We have audited the accompanying financial statements of Bristol Tennessee Emergency Communications District (the "District"), a component unit of the City of Bristol, Tennessee, as of and for the year ended June 30, 2011, as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bristol Tennessee Emergency Communications District as of June 30, 2011, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2011, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 8 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the District, taken as a whole. The accompanying information listed as supporting schedules in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information, except for the portion marked "unaudited" on which we express no opinion or provide any assurance, has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Bristol, Virginia
October 27, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Bristol Tennessee Emergency Communications District (the "District"), we offer readers of our financial statements this narrative and overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2011. It should be read in connection with the District's financial statements and related notes included in this report.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$872,983 (net assets). Of this amount, \$786,357 (unrestricted net assets) may be used to meet the District's ongoing obligations to customers and creditors.
- The District's net assets increased by \$59,092, which was attributable to the net income of the District for the year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's financial statements. Since the District is engaged in business-type activities, its basic financial statements are comprised of only two components: 1) enterprise fund financial statements and 2) notes to the financial statements. The report also contains other supporting schedules in addition to the basic financial statements themselves.

Enterprise fund financial statements. The enterprise fund 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 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.

The statement of revenues, expenses and changes in net assets presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the 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.

The basic enterprise fund financial statements can be found on pages 11 through 13 of this report.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 14 through 18 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain other supporting schedules including the District's budget to actual comparisons of revenues and expenses on the basis of accounting on which the District presents its budget. The other supporting schedules can be found on pages 20 through 23 of this report.

Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a District's financial position. In the case of the District, assets exceeded liabilities by \$872,983 at the close of the most recent fiscal year.

The District uses its capital assets to provide emergency communications services to its customers; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate those liabilities.

	Net Assets	
	2011	2010
Current assets	\$ 787,135	\$ 734,983
Capital assets	<u>86,626</u>	<u>142,814</u>
Total assets	<u>\$ 873,761</u>	<u>\$ 877,797</u>
Current liabilities	\$ 778	\$ 63,906
Total liabilities	<u>\$ 778</u>	<u>\$ 63,906</u>
Net assets:		
Investment in capital assets	\$ 86,626	\$ 133,173
Unrestricted	<u>786,357</u>	<u>680,718</u>
Total net assets	<u>\$ 872,983</u>	<u>\$ 813,891</u>

(Continued)

	<u>Changes in Net Assets</u>	
	<u>2011</u>	<u>2010</u>
Revenues		
Surcharge revenue	\$ 425,572	\$ 395,206
Non-operating revenue	<u>30,352</u>	<u>32,119</u>
Total revenues	<u>\$ 455,924</u>	<u>\$ 427,325</u>
Expenses		
Contracts with government agencies	\$ 165,866	\$ 153,336
Depreciation	56,188	66,405
Lease/rental – communications equipment	102,719	101,401
Other	<u>72,059</u>	<u>99,629</u>
Total expenses	<u>\$ 396,832</u>	<u>\$ 420,771</u>
Increase in net assets	\$ 59,092	\$ 6,554
Net assets – July 1	<u>813,891</u>	<u>807,337</u>
Net assets – June 30	<u>\$ 872,983</u>	<u>\$ 813,891</u>

The District's net assets increased by \$59,092 during the current fiscal year. Revenues increased by \$28,599, or by 6.7%, primarily due to receipt of State of TN grants/reimbursements and an increase in operational funding amounts during the current year. Expenses decreased by \$23,939, largely due to an additional cost incurred during the prior year for the District's portion of the use of the 800 MHz equipment to be shared by the entire County offset by an increase in the contract with the City.

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 the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Bristol Tennessee Emergency Communications District, 801 Anderson Street, Bristol, Tennessee 37620.

BRISTOL TENNESSEE EMERGENCY
COMMUNICATIONS DISTRICT

STATEMENT OF NET ASSETS
June 30, 2011

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents (Note 2)	\$ 746,582
Accounts receivable	31,809
Prepaid expenses	<u>8,744</u>
Total Current Assets	<u>787,135</u>
CAPITAL ASSETS (Note 3)	
Furniture and fixtures	65,877
Office equipment	36,477
Communications equipment	299,008
Vehicles	23,500
Less: Accumulated depreciation	<u>(338,236)</u>
Total Capital Assets	<u>86,626</u>
Total Assets	<u>873,761</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	<u>778</u>
Total Liabilities	<u>778</u>
NET ASSETS	
Invested in capital assets	86,626
Unrestricted	<u>786,357</u>
Total Net Assets	<u>\$ 872,983</u>

The Notes to Financial Statements are an integral part of this statement.

BRISTOL TENNESSEE EMERGENCY
COMMUNICATIONS DISTRICT

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
For the Year Ended June 30, 2011

OPERATING REVENUES

Emergency telephone service charge	\$	217,892
State emergency communications board - shared wireless charge		64,889
State emergency communications board - operational funding		<u>142,791</u>
Total operating revenues		<u>425,572</u>

OPERATING EXPENSES

Audit services		9,250
Administrative fees - service charges		6,386
Contracts with government agencies (Note 5)		165,866
Maintenance agreements		10,733
Lease/rental - communications equipment		102,719
Language line/interpreter service		23
Office supplies		895
Data processing supplies		471
Postage		10
Small equipment purchase		2,816
Utilities - telephone, cell phones, and pagers		6,625
Board meeting expenses		220
Dues and memberships		1,034
Insurance - liability		750
Insurance - building and contents		9,669
Insurance - vehicles		509
Premiums on surety bonds		1,581
Public education		1,633
Service awards		104
Training expenses		14,866
Travel expenses		4,245
Internet charges		239
Depreciation		<u>56,188</u>
Total operating expenses		<u>396,832</u>
Operating income		<u>28,740</u>

NON-OPERATING REVENUE

State emergency communications board grants		10,000
TECB training reimbursement grant		16,000
Interest income		<u>4,352</u>
Total non-operating revenue		<u>30,352</u>

Change in net assets		59,092
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NET ASSETS AT JULY 1		<u>813,891</u>
NET ASSETS AT JUNE 30	\$	<u>872,983</u>

The Notes to Financial Statements are an integral part of this statement.

BRISTOL TENNESSEE EMERGENCY
COMMUNICATIONS DISTRICT

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 423,983
Cash payments to suppliers for goods and services	<u>(361,975)</u>
Net cash provided by operating activities	<u>62,008</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of property, plant & equipment	(40,900)
Proceeds from state ECB grants	26,000
Payments on capital lease obligations	<u>(9,641)</u>
Net cash used in capital and related financing activities	<u>(24,541)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earned	<u>4,352</u>
Net cash provided by investing activities	<u>4,352</u>
Net increase in cash	41,819
CASH AT BEGINNING OF YEAR	<u>704,763</u>
CASH AT END OF YEAR	<u><u>\$ 746,582</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	<u>\$ 28,740</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	56,188
Changes in assets and liabilities:	
Accounts receivable	(1,589)
Prepaid expenses	(8,744)
Accounts payable	<u>(12,587)</u>
Total adjustments	<u>33,268</u>
Net cash provided by operating activities	<u><u>\$ 62,008</u></u>

The Notes to Financial Statements are an integral part of this statement.

BRISTOL TENNESSEE EMERGENCY
COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 1. Summary of Significant Accounting Policies

Financial Reporting Entity

The Tennessee General Assembly's passage of Emergency Communications District Law (Acts 1984, ch. 867) declared that the establishment of a uniform emergency number to shorten the time required for a citizen to request and receive emergency aid is a matter of public concern and interest. It is the intent of communication districts to provide a simplified means of securing emergency services.

The legislative body of any municipality or county may, by ordinance or resolution, respectively, create an emergency communications district within all or part of the boundaries of such municipality or county. Prior to the establishment of such district, an election must be held and certified by the County Election Commission indicating the voters' approval of the communication district. Such an election was held in Bristol, Tennessee in March, 1994, whereby the voters approved a referendum which formed the Bristol Tennessee Emergency Communications District (the "District"). The District began operations July 1, 1994.

The District is a component unit of the City of Bristol, Tennessee (the "City"), as defined by Statement No. 14 of the Governmental Accounting Standards Board, "The Reporting Entity". The District's Board of Directors and General Manager are appointed and provided by the City. The potential exists for the District to provide specific financial benefits to or impose specific financial burdens on the City.

Measurement Focus and Basis of Accounting

The District's financial statements are reported using 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the District's financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The Authority also has the *option* of following subsequent private-sector guidance, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

The District distinguishes *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's principal ongoing operations. The principal operating revenues of the District are surcharge revenue. Operating expenses include the equipment expenses, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

(Continued)

BRISTOL TENNESSEE EMERGENCY
COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 1. Summary of Significant Accounting Policies (Continued)

Budgets and Budgetary Accounting

The following procedures are used by the Board in establishing the budgetary data reflected in the financial statements:

1. Formal budgetary integration is employed as a management control device during the year.
2. Budgets are adopted on a cash basis. A reconciliation of the budgetary data to the accrual basis financial statements is included in Note 7.
3. All budgetary data presented in the accompanying financial statements is the final approved revised data.
4. Budget items can only be revised upon approval of the Board of Directors.
5. Expenses cannot legally exceed the line item level.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, cash and cash equivalents are defined as highly liquid investments with an original maturity of three months or less from the date of acquisition.

Surcharge Revenue

The District recognizes surcharge revenue as earned. Century Link, BTES and Charter, the local telephone service suppliers collect and remit surcharge revenues on a monthly basis. Surcharge revenue collections are being remitted to the District within thirty (30) days subsequent to the last business day of the preceding month. The service suppliers are entitled to and retain three percent (3%) of their collected surcharges as an administrative fee. The District also receives revenue from the State of Tennessee for wireless revenue. This revenue is equivalent to 25% of the revenue generated by wireless communications and is based on a proportion of the population of each District. These funds are remitted to the District on a bi-monthly basis. The District, and all properties at any time owned by it and the income therefrom, and all bonds issued by it and the income therefrom, is exempt from all taxation in the State of Tennessee (Acts 1984, ch. 867).

Depreciation

Depreciation for capital assets is provided on the straight-line and declining balance methods over the estimated useful lives, which range from three to ten years. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain and loss is recognized in income as incurred.

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.

(Continued)

BRISTOL TENNESSEE EMERGENCY
COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 1. Summary of Significant Accounting Policies (Continued)

Net Assets

Net assets are the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets.

Note 2. Cash and Cash Equivalents

State statutes authorize the District to invest in obligations of the federal government, state government, the state investment pool, certificates of deposit and other time deposits, and repurchase agreements.

All of the District's cash and cash equivalents were deposited with financial institutions at June 30, 2011. All deposits in excess of Federal Deposit Insurance Corporation (FDIC) limits were fully collateralized by the Tennessee Bank Collateral Pool.

Note 3. Capital Assets

Capital asset activity for the year was as follows:

	<u>Beginning July 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30</u>
Capital assets, being depreciated				
Furniture and fixtures	\$ 65,877	\$ -	\$ -	\$ 65,877
Office equipment	77,166	-	40,689	36,477
Communications equipment	299,008	-	-	299,008
Vehicles	<u>23,500</u>	<u>-</u>	<u>-</u>	<u>23,500</u>
Total capital assets, being depreciated	<u>465,551</u>	<u>-</u>	<u>40,689</u>	<u>424,862</u>
Less accumulated depreciation for:				
Furniture and fixtures	23,464	12,176	-	35,640
Office equipment	73,100	4,069	40,689	36,480
Communications equipment	202,673	39,943	-	242,616
Vehicles	<u>23,500</u>	<u>-</u>	<u>-</u>	<u>23,500</u>
Total accumulated depreciation	<u>322,737</u>	<u>56,188</u>	<u>40,689</u>	<u>338,236</u>
Total capital assets depreciated, net	<u>142,814</u>	<u>(56,188)</u>	<u>-</u>	<u>86,626</u>
Total capital assets, net	<u>\$ 142,814</u>	<u>\$(56,188)</u>	<u>\$ -</u>	<u>\$ 86,626</u>

Depreciation expense for the fiscal year ended June 30, 2011, was \$56,188.

BRISTOL TENNESSEE EMERGENCY
COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 4. Leases

Capital Leases

The District entered into a license agreement on February 17, 2009 that is classified as a capital lease agreement. The cost of the license is included in the balance sheet as property, plant, and equipment totaling \$29,109 at June 30, 2011. Accumulated amortization of the license at June 30, 2011, was approximately \$19,154. Amortization expense of the license under the agreement is included in depreciation expense. The final lease payment was made during the current year.

Operating Leases

The District leases certain telecommunications equipment under a 60 month operating lease, which began October 1, 2005, with Century Link that expired on October 1, 2010. This lease had an automatic renewal function, which the District allowed to renew. The District is now on a month to month lease and is required to provide a ninety day notice to Century Link prior to discontinuing the lease. The lease payments remain \$5,865 per month.

Lease and rental expenses were \$102,719 for the fiscal year ended June 30, 2011.

Note 5. Related Organizations

The District is a component unit of the City of Bristol, Tennessee and is a party in an "Inter-local Cooperation Agreement" with the City. According to the terms of the agreement, the District, in return for the City providing certain benefits, is to reimburse the City for the cost of those benefits out of its surcharge revenues. The benefits referred to above consist of use of the physical plant and equipment along with services of the General Manager, personnel, administrative and other services provided the District.

For the year ended June 30, 2011, the District reimbursed the City \$165,866.

Note 6. Risk Management

The District is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District maintains commercial insurance coverage for each of the above risks of loss.

Management believes the coverage is adequate to preclude any significant uninsured risk exposure to the District.

There were no significant reductions in insurance coverage from the prior year and no settlements that exceeded the amount of insurance coverage since the inception of the District.

BRISTOL TENNESSEE EMERGENCY
COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 7. Budgetary Reconciliation

Change in net assets, per Statement of Revenues, Expenses and Changes in Net Assets	\$ 59,092
Differences in budgetary basis:	
Depreciation not recorded on budgetary basis	56,188
Conversion of revenues and expenses to the budgetary basis	<u>(63,821)</u>
Change in net assets, per budgetary basis	<u>\$ 51,459</u>

Note 8. Subsequent Events

Management evaluated all activity of the District through October 27, 2011 (the issue date of the Financial Statements) and concluded that no subsequent events have occurred that would require recognition in the Financial Statements or disclosures in the Notes to the Financial Statements.

SUPPORTING SCHEDULES

BRISTOL TENNESSEE EMERGENCY
COMMUNICATIONS DISTRICT

STATEMENT OF REVENUES AND EXPENSES DETAIL -
BUDGET TO ACTUAL COMPARISON (BUDGET BASIS)
For the Year Ended June 30, 2011

	Budget	Actual	Variance
OPERATING REVENUES			
Emergency telephone service charge	\$ 214,117	\$ 216,409	\$ 2,292
State emergency communications board - shared wireless charge	59,829	64,783	4,954
State emergency communications board - operational funding	<u>96,169</u>	<u>142,791</u>	<u>46,622</u>
Total Operating Revenues	<u>370,115</u>	<u>423,983</u>	<u>53,868</u>
OPERATING EXPENSES			
Advertising	500	-	500
Audit services	9,250	9,250	-
Administrative fees - service charges	8,000	6,342	1,658
Contracts with government agencies	178,666	178,644	22
Legal services	1,000	-	1,000
Maintenance agreements	12,100	10,733	1,367
Lease/rental - communications equipment	115,400	111,295	4,105
Maintenance & repairs - vehicles	1,000	-	1,000
Vehicles - gas & fuel	1,000	-	1,000
Language line/interpreter service	175	23	152
Internet	240	239	1
Office supplies	3,000	895	2,105
Custodial supplies	300	-	300
Data processing supplies	1,000	471	529
Postage	300	10	290
Small equipment purchase	3,500	2,669	831
Uniforms	500	-	500
Utilities - general phone	8,400	6,794	1,606
Bank charges	300	-	300
Board meeting expenses	500	220	280
Dues and memberships	1,625	1,034	591
Employee testing	200	-	200
Insurance - liability	900	750	150
Insurance - building and contents	9,800	9,669	131
Insurance - vehicles	600	509	91
Premiums on surety bonds	1,600	1,581	19
Public education	1,800	1,633	167
Service awards	500	104	396
Training expenses	16,000	14,866	1,134
Travel expenses	<u>6,000</u>	<u>4,245</u>	<u>1,755</u>
Total Operating Expenses	<u>384,156</u>	<u>361,976</u>	<u>22,180</u>
Operating income (loss)	<u>(14,041)</u>	<u>62,007</u>	<u>76,048</u>
NON-OPERATING REVENUE (EXPENSE)			
State ECB grants	-	10,000	10,000
TECB Training Grant	16,000	16,000	-
Interest income	8,200	4,352	(3,848)
Capital purchases	<u>(50,900)</u>	<u>(40,900)</u>	<u>10,000</u>
Total Non-Operating Revenue	<u>(26,700)</u>	<u>(10,548)</u>	<u>16,152</u>
CHANGE IN NET ASSETS	<u>\$ (40,741)</u>	<u>\$ 51,459</u>	<u>\$ 92,200</u>

BRISTOL TENNESSEE EMERGENCY
COMMUNICATIONS DISTRICT

SCHEDULE OF PUBLIC SAFETY ANSWERING POINTS (PSAP) (UNAUDITED)
June 30, 2011

1 Public Safety Answering Points (PSAP) with 4 answering positions, all located at:

Bristol Tennessee Police Department
801 Anderson Street
Bristol, TN 37620

CML RescueSTAR 911 Emergency Communications System:

RescueSTAR Double Shelf w/3 Data I/F & 3 L/T – AC Version
4 SenTinal Answering Positions e/w Minitower PC's & 21" SVGA Monitors
911 trunk and administrative and emergency access line ports
RescueSTAR SMART Administrative Position including MIS, Maintenance and Reconfiguration level Software
RescueSTAR Hardware and Software
Sentinel trainer instructional
3 CML Command Post, Portable Answering Position

Director: Virginia Smelser
801 Anderson Street
Bristol, Tennessee 37620
423-989-5653 Voice
423-989-5718 Fax

Chairman: Blaine E. Wade
801 Anderson Street
Bristol, Tennessee 37620
423-989-5653 Voice
423-989-5718 Fax

BRISTOL TENNESSEE EMERGENCY
COMMUNICATIONS DISTRICT

SCHEDULE OF INSURANCE COVERAGE (UNAUDITED)
June 30, 2011

INSURANCE COVERAGE

Type of Policy: Package (Property, General Liability, Medical Malpractice)
Policy Number: TR2055992-03
Policy Premium: \$9,669
Property Coverage: 801 Anderson St., Bristol, Sullivan Co., TN. Personal Property (Contents) \$35,000; Loss of Income \$10,000; Extra Expense \$10,000; \$250 Deductible, Replacement Cost, All Risk.
Limits of Liability: \$2,000,000 General Aggregate limit (Other than Products/Completed Operations)
\$2,000,000 Products/Completed Operations Aggregate Limit
\$1,000,000 Personal & Advertising Injury Limit
\$1,000,000 Each Occurrence Limit
\$50,000 Fire Damage Limit (Any One Person)
\$5,000 Medical Expense Limit (Any One Person)

Type of Policy: Vehicles
Policy Number: CM1053657-03
Policy Premium: \$509
Limits of Liability: \$1,000,000 Combined Single Limit, Hired & Nonowned "Autos"

Type of Policy: Commercial Excess
Policy Number: CU5053080-03
Policy Premium: \$750
Limits of Liability: \$1,000,000 Each Incident; \$2,000,000 Policy Aggregate;
\$ 10,000 Each Incident, Retained Limit; Occurrence Form

BRISTOL TENNESSEE EMERGENCY
COMMUNICATIONS DISTRICT

SCHEDULE OF SURCHARGE RATES
June 30, 2011

<u>CUSTOMER TYPE</u>	<u>RATE PER LINE</u>
Residential	\$.65
Commercial	\$ 2.00*

*Up to 100 lines

COMPLIANCE SECTION



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
Bristol Tennessee Emergency
Communications District
Bristol, Tennessee

We have audited the basic financial statements of the Bristol Tennessee Emergency Communications District (the "District"), a component unit of the City of Bristol, Tennessee, as of and for the year ended June 30, 2011, and have issued our report thereon dated October 27, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the requirements prescribed by the Comptroller of the Treasury, State of Tennessee.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, which is described below:

In accordance with the Section 7-86-126 of the *Tennessee Code Annotated*, all funds deposited with a bank or other financial institution shall be secured by collateral in the same manner and under the same conditions as state deposits under title 9, chapter 4, parts 1 and 4, or as provided in a collateral pool created under title 9, chapter 4, part 5. As such, the funds must be recognized as public deposits by the financial institution and covered by the Tennessee Bank Collateral Pool. Deposits totaling \$105,869 were not identified by the financial institution as public deposits. The deposits were not in excess of Federal Depository Insurance Coverage (FDIC) limits, therefore, the amounts were fully collateralized. The District has moved these deposits to another financial institution subsequent to year end and ensured that they are classified as public deposits.

We noted certain matters that we reported to management of the District, in a separate letter dated October 27, 2011.

This report is intended solely for the information and use of the Board of Directors, management, and state and federal regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Bristol, Virginia
October 27, 2011

**BRISTOL TENNESSEE EMERGENCY
COMMUNICATIONS DISTRICT**

**COMMENTS AND SUGGESTIONS FOR
YOUR CONSIDERATION**

JUNE 30, 2011



INDEPENDENT AUDITOR'S REPORT ON COMMENTS AND SUGGESTIONS

To the Senior Management and
The Board of Directors of
Bristol Tennessee Emergency Communications District
Bristol, Tennessee

In planning and performing our audit of the financial statements of the Bristol Tennessee Emergency Communications District, for the year ended June 30, 2011, we considered the District's internal control over financial reporting (internal control) in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. Our assessment of internal control included obtaining an understanding of the internal control sufficient to plan our audit and comply with *Government Auditing Standards*.

However, during our audit we became aware of a matter that provides an opportunity for strengthening internal controls and operating efficiency. This report does not affect our report dated October 27, 2011, on the financial statements of Bristol Tennessee Emergency Communications District. Since our audit is not designed to include a detailed review of all systems and procedures, this comment should not be considered as being all inclusive of areas where improvements might be achieved. It is our hope that this suggestion will be taken in the constructive light in which it is offered.

We will review the status of this comment during our next audit engagement. We have already discussed this comment and suggestion with the District's management, and will be pleased to discuss this comment in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing the recommendation. Our comment is as follows:

Organizational Structure

In general, the internal control is designed to safeguard assets and help prevent losses from employee dishonesty or error. A fundamental concept of internal control is the separation of duties. The basic premise of this concept is that no one employee should have access to both physical assets and the related accounting records, or to all phases of a transaction. Due to the limited size of the accounting staff of the District, a proper separation of duties cannot be established and maintained. However, procedures have been implemented to mitigate this deficiency to the extent of the District's capabilities. These procedures include the following: significant oversight is performed by the Board of Directors in the area of invoice approval in that invoices are approved by all Board members; checks are signed by two individuals, one of which must be a Board member; and deposits are made by an individual without record keeping responsibilities.

Your Success is Our Focus

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Senior Management and
The Board of Directors of
Bristol Tennessee Emergency Communications District
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We strongly suggest that the procedures detailed above be continued and periodically reevaluated to assure that incompatible functions are reduced to a minimum and that proper mitigating controls are utilized as much as possible.

This report is intended solely for the information and use of the Board of Directors, management and others within the District and is not intended to be and should not be used by anyone other than those specified parties.

Brown, Edwards & Company, S. L. P.

CERTIFIED PUBLIC ACCOUNTANTS

Bristol, Virginia
October 27, 2011