

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, 2012.

Very truly yours,

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

A handwritten signature in black ink that reads "Rick L. Brown, CPA". The signature is written in a cursive style.

Rick L. Brown, CPA

Bristol, Virginia  
October 23, 2012

**BRISTOL TENNESSEE EMERGENCY  
COMMUNICATIONS DISTRICT**

**ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2012**

**BRISTOL TENNESSEE EMERGENCY  
COMMUNICATIONS DISTRICT**

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## **INTRODUCTORY SECTION**

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BRISTOL TENNESSEE EMERGENCY  
COMMUNICATIONS DISTRICT

DIRECTORY OF PRINCIPAL OFFICIALS  
June 30, 2012

Board of Directors:

Blaine E. Wade, Chairman  
Tim Eads, Vice-Chairman  
David Warren, Treasurer  
Shelton Hillman, Secretary (for May and June)  
Frank Blanton, Secretary  
Dwayne Honaker  
James Messimer

Officers and Advisors:

Virginia Smelser, Director  
Ricky Curtis, Legal Advisor

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## **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, 2012, 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, 2012, 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 11, 2012, 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 11, 2012

## 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, 2012. 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 \$981,521 (net assets). Of this amount, \$871,494 (unrestricted net assets) may be used to meet the District's ongoing obligations to customers and creditors.
- The District's net assets increased by \$108,538, 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 22 of this report.

(Continued)

## 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 \$981,521 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	
	2012	2011
Current assets	\$ 872,100	\$ 787,135
Capital assets	<u>110,027</u>	<u>86,626</u>
Total assets	<u>\$ 982,127</u>	<u>\$ 873,761</u>
Current liabilities	\$ 606	\$ 778
Total liabilities	<u>\$ 606</u>	<u>\$ 778</u>
Net assets:		
Investment in capital assets	\$ 110,027	\$ 86,626
Unrestricted	<u>871,494</u>	<u>786,357</u>
Total net assets	<u>\$ 981,521</u>	<u>\$ 872,983</u>

(Continued)

	<u>Changes in Net Assets</u>	
	<u>2012</u>	<u>2011</u>
Revenues		
Surcharge revenue	\$ 420,727	\$ 425,572
Non-operating revenue	<u>55,399</u>	<u>30,352</u>
Total revenues	<u>\$ 476,126</u>	<u>\$ 455,924</u>
Expenses		
Contracts with government agencies	\$ 180,476	\$ 165,866
Depreciation	40,880	56,188
Lease/rental – communications equipment	95,537	102,719
Other	<u>50,695</u>	<u>72,059</u>
Total expenses	<u>\$ 367,588</u>	<u>\$ 396,832</u>
Increase in net assets	\$ 108,538	\$ 59,092
Net assets – July 1	<u>872,983</u>	<u>813,891</u>
Net assets – June 30	<u>\$ 981,521</u>	<u>\$ 872,983</u>

The District's net assets increased by \$108,538 during the current fiscal year. Revenues increased by \$20,202, or by 4.4%, primarily due to receipt of State of TN grants/reimbursements during the current year. Expenses decreased by \$29,244, largely due to a decrease in depreciation expense and lease expense for communications equipment offset by an increase in the District's 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, 2012

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents (Note 2)	\$ 832,368
Accounts receivable	<u>39,732</u>
Total Current Assets	<u>872,100</u>
CAPITAL ASSETS (Note 3)	
Furniture and fixtures	65,647
Office equipment	36,477
Communications equipment	361,687
Vehicles	23,500
Less: Accumulated depreciation	<u>(377,284)</u>
Total Capital Assets	<u>110,027</u>
Total Assets	<u>982,127</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	<u>606</u>
Total Liabilities	<u>606</u>
NET ASSETS	
Invested in capital assets	110,027
Unrestricted	<u>871,494</u>
Total Net Assets	<u>\$ 981,521</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, 2012

OPERATING REVENUES	
Emergency telephone service charge	\$ 215,759
State emergency communications board - shared wireless charge	62,154
State emergency communications board - operational funding	<u>142,814</u>
Total operating revenues	<u>420,727</u>
OPERATING EXPENSES	
Audit services	9,500
Administrative fees - service charges	6,468
Contracts with government agencies (Note 5)	180,476
Maintenance agreements	3,278
Lease/rental - communications equipment	95,537
Maintenance & repairs - vehicles	284
Language line/interpreter service	23
Office supplies	676
Data processing supplies	1,167
Small equipment purchase	3,261
Utilities - telephone, cell phones, and pagers	1,942
Board meeting expenses	393
Dues and memberships	916
Insurance - liability	750
Insurance - building and contents	8,557
Insurance - vehicles	549
Premiums on surety bonds	34
Public education	450
Employee testing/exams	600
Training expenses	8,311
Travel expenses	3,257
Internet charges	279
Depreciation	<u>40,880</u>
Total operating expenses	<u>367,588</u>
Operating income	<u>53,139</u>
NON-OPERATING REVENUE	
State emergency communications board grants	36,453
TECB training reimbursement grant	16,000
Miscellaneous income	1,450
Interest income	<u>1,496</u>
Total non-operating revenue	<u>55,399</u>
Change in net assets	108,538
NET ASSETS AT JULY 1	<u>872,983</u>
NET ASSETS AT JUNE 30	<u>\$ 981,521</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, 2012

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 422,015
Cash payments to suppliers for goods and services	<u>(318,136)</u>
Net cash provided by operating activities	<u>103,879</u>
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchase of property, plant & equipment	(64,281)
Proceeds from insurance refund	1,450
Proceeds from state ECB grants	<u>43,242</u>
Net cash used in capital and related financing activities	<u>(19,589)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest earned	<u>1,496</u>
Net cash provided by investing activities	<u>1,496</u>
Net increase in cash	85,786
<b>CASH AT BEGINNING OF YEAR</b>	<u>746,582</u>
<b>CASH AT END OF YEAR</b>	<u><u>\$ 832,368</u></u>
 <b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Operating income	<u>\$ 53,139</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	40,880
Changes in assets and liabilities:	
Accounts receivable	1,288
Prepaid expenses	8,744
Accounts payable	<u>(172)</u>
Total adjustments	<u>50,740</u>
Net cash provided by operating activities	<u><u>\$ 103,879</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, 2012

**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 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.

BRISTOL TENNESSEE EMERGENCY  
COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

**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, 2012

**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, 2012. 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	\$ -	\$ 230	\$ 65,647
Office equipment	36,477	-	-	36,477
Communications equipment	299,008	64,281	1,602	361,687
Vehicles	<u>23,500</u>	<u>-</u>	<u>-</u>	<u>23,500</u>
Total capital assets, being depreciated	<u>424,862</u>	<u>64,281</u>	<u>1,832</u>	<u>487,311</u>
Less accumulated depreciation for:				
Furniture and fixtures	35,640	8,757	230	44,167
Office equipment	36,480	-	-	36,480
Communications equipment	242,616	32,123	1,602	273,137
Vehicles	<u>23,500</u>	<u>-</u>	<u>-</u>	<u>23,500</u>
Total accumulated depreciation	<u>338,236</u>	<u>40,880</u>	<u>1,832</u>	<u>377,284</u>
Total capital assets depreciated, net	<u>86,626</u>	<u>23,401</u>	<u>-</u>	<u>110,027</u>
Total capital assets, net	<u>\$ 86,626</u>	<u>\$ 23,401</u>	<u>\$ -</u>	<u>\$ 110,027</u>

Depreciation expense for the fiscal year ended June 30, 2012, was \$40,880.

BRISTOL TENNESSEE EMERGENCY  
COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

**Note 4. Leases**

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 \$95,537 for the fiscal year ended June 30, 2012.

**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, 2012, the District reimbursed the City \$180,476.

**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.

**Note 7. Budgetary Reconciliation**

Change in net assets, per Statement of Revenues, Expenses and Changes in Net Assets	\$ 108,538
Differences in budgetary basis:	
Capital assets recorded as expenses rather than as assets	(64,281)
Depreciation not recorded on budgetary basis	40,880
Conversion of revenues and expenses to the budgetary basis	<u>650</u>
Change in net assets, per budgetary basis	<u>\$ 85,787</u>

BRISTOL TENNESSEE EMERGENCY  
COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

**Note 8. Subsequent Events**

**Next Generation 911 Equipment**

In accordance with the Inter-Local Cooperation Agreement with seven other upper East Tennessee Emergency Communications Districts for the Acquisition, Maintenance and Joint Use of Next Generation 911 Equipment, the District is responsible for one eighth of the cost of the Next Generation 911 call processing equipment. In addition, the District will be purchasing additional equipment separately that will be the sole responsibility of the District. The approximate total cost for both obligations is \$260,000. The State of Tennessee Emergency Communications Board has agreed to provide grant monies to cover the cost to purchase this equipment. Negotiations to purchase the Next Generation 911 equipment have begun and are expected to conclude in early fiscal year 2013 with installation to be complete by June 2013.

Management evaluated all activity of the District through October 11, 2012 (the issue date of the Financial Statements) and concluded that no subsequent events, except as stated above, have occurred that would require recognition in the Financial Statements or disclosures in the Notes to the Financial Statements.

## **SUPPORTING SCHEDULES**

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BRISTOL TENNESSEE EMERGENCY  
COMMUNICATIONS DISTRICT

STATEMENT OF REVENUES AND EXPENSES DETAIL -  
BUDGET TO ACTUAL COMPARISON (BUDGET BASIS)  
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>OPERATING REVENUES</b>				
Emergency telephone service charge	\$ 207,000	\$ 207,000	\$ 216,567	\$ 9,567
State emergency communications board - shared wireless charge	63,801	63,801	62,634	(1,167)
State emergency communications board - operational funding	<u>142,790</u>	<u>142,790</u>	<u>142,814</u>	<u>24</u>
Total Operating Revenues	<u>413,591</u>	<u>413,591</u>	<u>422,015</u>	<u>8,424</u>
<b>OPERATING EXPENSES</b>				
Audit services	9,500	9,500	9,500	-
Administrative fees - service charges	6,400	7,400	6,493	907
Contracts with government agencies	180,476	180,476	180,476	-
Legal services	1,000	1,000	-	1,000
Maintenance agreements	19,600	18,300	3,278	15,022
Lease/rental - communications equipment	102,600	102,600	86,961	15,639
Maintenance & repairs - communications equipment	1,000	1,000	-	1,000
Maintenance & repairs - office equipment	1,000	1,000	-	1,000
Maintenance & repairs - vehicles	1,000	1,000	284	716
Vehicles - gas & fuel	700	700	-	700
Language line/interpreter service	175	175	23	152
Internet	-	300	279	21
Office supplies	3,000	3,000	676	2,324
Custodial supplies	100	100	-	100
Data processing supplies	2,500	2,500	1,167	1,333
Postage	150	150	-	150
Small equipment purchase	3,500	3,500	3,408	92
Uniforms	500	500	-	500
Utilities - general phone	3,200	3,200	1,773	1,427
Board meeting expenses	500	500	393	107
Dues and memberships	1,800	1,800	916	884
Employee testing	600	600	600	-
Insurance - liability	1,000	1,000	750	250
Insurance - building and contents	9,800	9,800	8,557	1,243
Insurance - vehicles	650	650	549	101
Premiums on surety bonds	1,500	1,500	34	1,466
Public education	1,800	1,800	450	1,350
Service awards	500	500	-	500
Training expenses	16,000	16,000	8,311	7,689
Travel expenses	<u>6,000</u>	<u>6,000</u>	<u>3,257</u>	<u>2,743</u>
Total Operating Expenses	<u>376,551</u>	<u>376,551</u>	<u>318,135</u>	<u>58,416</u>
Operating Income	<u>37,040</u>	<u>37,040</u>	<u>103,880</u>	<u>66,840</u>
<b>NON-OPERATING REVENUE (EXPENSE)</b>				
State ECB grants	243,370	243,370	27,242	(216,128)
TECB Training Grant	16,000	16,000	16,000	-
Interest income	5,216	5,216	1,496	(3,720)
Miscellaneous income	-	-	1,450	1,450
Capital purchases	<u>(280,000)</u>	<u>(280,000)</u>	<u>(64,281)</u>	<u>215,719</u>
Total Non-Operating Revenue (Expense)	<u>(15,414)</u>	<u>(15,414)</u>	<u>(18,093)</u>	<u>(2,679)</u>
<b>CHANGE IN NET ASSETS</b>	<u>\$ 21,626</u>	<u>\$ 21,626</u>	<u>\$ 85,787</u>	<u>\$ 64,161</u>

BRISTOL TENNESSEE EMERGENCY  
COMMUNICATIONS DISTRICT

SCHEDULE OF INSURANCE COVERAGE (UNAUDITED)  
June 30, 2012

INSURANCE COVERAGE

Type of Policy: Package (Property, General Liability, Medical Malpractice)  
Policy Number: TR-2055992-05  
Policy Premium: \$8,695  
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: CM-1053657-05  
Policy Premium: \$622  
Limits of Liability: \$1,000,000 Combined Single Limit, Hired & Nonowned "Autos"

Type of Policy: Commercial Excess  
Policy Number: TR-2055992-05  
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, 2012

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

\*Up to 100 lines

**COMPLIANCE SECTION**

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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, 2012, and have issued our report thereon dated October 11, 2012. 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

Management of the District, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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* and which is described in the accompanying schedule of audit findings and responses as item 2012-1.

We noted certain matters that we reported to management of the District, in a separate letter dated October 11, 2012.

The District's response to the finding identified in our audit is described in the accompanying schedule of audit findings and responses. We did not audit the District'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, 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 11, 2012

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## **SCHEDULE OF AUDIT FINDINGS AND RESPONSES**

### **BRISTOL TENNESSEE EMERGENCY COMMUNICATIONS DISTRICT JUNE 30, 2012**

#### **2012-1. One of the District's bank accounts was not classified as public deposits**

##### **Description of Condition**

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 \$94,665 were not identified by the financial institution as public deposits.

##### **Cause of Condition**

The District relied on the financial institution's previous acknowledgement that the deposits were identified as public deposits.

##### **Effect of Condition**

The deposits were not in excess of Federal Depository Insurance Coverage (FDIC) limits, therefore, the amounts were fully collateralized.

##### **Recommendation**

We recommend the District contact each financial institution where deposits are held to ensure that the deposits are correctly identified as public deposits.

##### **District's Response**

District management has contacted the financial institution to identify the reason the deposits were not identified as public deposits. The District is currently in discussions to determine if they wish to keep their deposits at this financial institution and identify them as public deposits, or move the monies to another financial institution where they will be identified as public deposits.

**BRISTOL TENNESSEE EMERGENCY  
COMMUNICATIONS DISTRICT**

**COMMENTS AND SUGGESTIONS FOR  
YOUR CONSIDERATION**

**JUNE 30, 2012**



## 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, as of and for the year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) 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 Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

However, during our audit we became aware of a matter that provides an opportunity for strengthening internal controls and operating efficiency. The comment listed below summarizes our comment and suggestion regarding that matter. This report does not affect our report dated October 11, 2012, on the financial statements of Bristol Tennessee Emergency Communications District.

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.

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Senior Management and  
The Board of Directors of  
Bristol Tennessee Emergency Communications District  
Page 2

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, L.L.P.*

CERTIFIED PUBLIC ACCOUNTANTS

Bristol, Virginia  
October 11, 2012