Unicoi County Emergency Communications District
A Component Unit of Unicoi County, Tennessee
Erwin, Tennessee
Financial Statement
For the Fiscal Year Ended June 30, 2013

Audited by:

Appalachian CPAs, PC

Introduction Section

Unicoi County Emergency Communications District
A Component Unit of Unicoi County, Tennessee
Erwin, Tennessee
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For the Fiscal Year Ended June 30, 2013

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Unicoi County Emergency Communications District
A Component Unit of Unicoi County, Tennessee
Erwin, Tennessee
Roster of Board Members and Management
June 30, 2013

Board of Directors	Position Held
William Hensley, Chairman	Unicoi County Commissioner
Edward Herndon, Vice Chairman	Director of Emergency Preparedness of Unicoi County
Robert Adams, Treasurer	Member of Firefighters Association
Doris Hensley, Secretary (Non-Voting Member)	Town of Erwin Mayor
Randy Trivette (Voting Member)	For Town of Erwin Mayor
Greg Lynch	Unicoi County Mayor
Johnny Lynch	Town of Unicoi Mayor
Mike Hensley	Sheriff of Unicoi County
Regan Tilson, Erwin Chief of Police	Member at Large

Management	
Patsy Ledford	Director

Management Discussion and Analysis Section

Unicoi County Emergency Communications District
A Component Unit of Unicoi County, Tennessee
Erwin, Tennessee
Management's Discussion and Analysis
June 30, 2013

As management of the Unicoi County Emergency Communications District (the District), a component unit of Unicoi County, Tennessee, we offer readers of the District financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with the financial statements taken as a whole.

Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $625,350 (*net position*). Of this amount, $454,970 (*unrestricted net position*) may be used to meet the District's ongoing obligations to citizens and creditors. There was no restricted net position. The balance of the net position was the net investment in capital assets.
- The total net position increased by $144,758 from District operations.
- The District's total debt increased by $59,773 during the current fiscal year. The net increase was attributable to the timing of year end accrued expenses and the recording of a capital lease to purchase Next Generation 911 equipment.
- At year end, the District did not have any deferred inflows or deferred outflows of resources.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise two components: 1) financial statements and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements. The financial statements can be found on pages 10-14.

The financial operations of Tennessee emergency communications districts must be accounted for in an enterprise fund. Enterprise funds are reported using a flow of economic resources measurement focus and the accrual basis of accounting. These are the same measurement focus and basis of accounting used by private business enterprises. Revenues are recognized in enterprise funds when they are earned and expenses are recognized as soon as a liability is incurred.

The *statement of net position* presents information on all of the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and *net position.* The statement of net position is presented in a format that displays *assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, equals net position.*

(Continued)

The *statement of revenue, expenses and change in net position* presents information showing how the government's net position changed during the most recent fiscal year. Revenue, an inflow of resources, is an acquisition of net assets by the District that is applicable to the current reporting period. Expenses, an outflow of resources, is a consumption of net assets by the District that is applicable to the reporting period. All changes in net position are reported as soon as the underlying event giving rise to the change 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.

The *statement of cash flows* is presented on the direct method of presentation.

Notes to the 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 15-20 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information.* Required supplementary information consists of management's discussion and analysis, and the District's budget to actual comparison. The Tennessee Code Annotated requires emergency communications districts to adopt and operate under an annual budget.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the financial direction of the organization. In the case of the District, net position was $625,350 at June 30, 2013, an increase of $144,758 over the net position of the prior year.

A large portion of the District's net position (25 percent) reflects its net investment in capital assets. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

At the end of the current fiscal year, the District is able to report positive balances in all categories of net position. The same situation held true for the prior fiscal year.

Unicoi County Emergency Communications District
Net Position

	2013	2012
Current and Other Assets	$ 468,594	$ 302,643
Capital Assets	232,130	193,550
Total Assets	$ 700,724	$ 496,193
Deferred Outflows of Resources	$ 0	$ 0
Long-Term Liabilities Outstanding	$ 47,250	$ 0
Other Liabilities	28,124	15,601
Total Liabilities	$ 75,374	$ 15,601
Deferred Inflows of Resources	$ 0	$ 0
Net Position:		
Net Invested in Capital Assets	$ 170,380	$ 193,550
Unrestricted	454,970	287,042
Total Net Position	$ 625,350	$ 480,592

District Activities. Activities increased the District's net position by $144,758. Key elements of this increase are as follows:

Unicoi County Emergency Communications District
Changes in Net Position

	2013	2012
Revenues:		
Operating Revenue	$ 359,309	$ 346,710
Nonoperating Revenue	69,172	53,244
Total Revenues	$ 428,481	$ 399,954
Expenses:		
Operating Expenses	$ 283,723	$ 309,101
Total Expenses	$ 283,723	$ 309,101
Change in Net Position	$ 144,758	$ 90,853
Net Position - Beginning	480,592	389,739
Net Position - Ending	$ 625,350	$ 480,592

Cash Flows

Net cash from operating activities during the year ended June 30, 2013, was $109,626, an increase of $14,248 from the prior year amount. This increase was principally due to a decrease in operating expenses. The cash flow from noncapital financing activity of $68,931 was an increase over the

(Continued)

prior year by a non-recurring payment from the Tennessee Emergency Communications Board (TECB) of $33,931. Net cash used by capital and financial activities included the purchase of equipment of $1,574 and the payment on the capital lease of $6,750 during the year ended June 30, 2013. Net cash from investing activities for the year ended June 30, 2013 consisted of interest income.

Budgetary Highlights

Differences between the budget and statement of revenues, expenses and change in net position can be briefly summarized as follows:

- The budget, which was approved at the beginning of the year, was amended one time.
- The budget for the TECB Shared Wireless charges included the TECB - Operational Funding, TECB - GIS/TIPS and TECB - Dispatcher Training that was reported separately in the basic financial statements and budget comparison.
- Nonoperating revenue included an unbudgeted non-recurring payment from TECB.
- Operating and nonoperating revenues exceeded the budgeted amounts.
- Budgeted operating expenses exceeded actual expenses.

The result was an increase in net position over budget of $100,670.

Capital Asset and Debt Administration

Capital assets. The District's net investment in capital assets for the year ended June 30, 2013 increased by $38,580 (current year additions of $69,074, net of current year depreciation of $30,494). The additions include a capital lease of Next Generation 911 equipment and office equipment.

The District had long-term debt as of June 30, 2013 that resulted from an inter-local agreement and capital lease to implement the Next Generation 911 system.

Requests for Information

This financial report is designed to provide a general overview of the Unicoi County Emergency Communications 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 addition financial information provided in this report or requests for additional financial information should be addressed to the Board of Commissioners, Unicoi County Emergency Communications District, 102 North Main Street, Erwin, Tennessee 37650.

Respectfully Submitted,
The Board of Commissioners

by: _____

Financial Section

Appalachian CPAs, PC

Telephone 423-926-4784
Fax 423-926-2416

3 Red Bush Court
Johnson City, TN 37601

August 21, 2013

Independent Auditor's Report

Board of Commissioners
Unicoi County Emergency Communications District
Erwin, Tennessee

We have audited the accompanying financial statements of Unicoi County Emergency Communications District, a component unit of Unicoi County, Tennessee, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are

appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Unicoi County Emergency Communications District, a component unit of Unicoi County, Tennessee as of June 30, 2013, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Boards, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of Unicoi County Emergency Communications District, a component unit of Unicoi County, Tennessee. The supplementary information, as listed in the table of contents, is presented for the purposes of additional analysis and is not a required part of the financial statements. The Schedule of Budgetary Comparison is the responsibility of management and is derived from and relate directly to the underlying accounting

and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2013, on our consideration of Unicoi County Emergency Communications District, a component unit of Unicoi County, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Unicoi County Emergency Communications District, a component unit of Unicoi County, Tennessee's internal control over financial reporting and compliance.

Appalachian CPAs, PC

Appalachian CPAs, PC
Johnson City, Tennessee
EIN 62-1337124

Engagement Partner/Officer
Kenneth W. McCurry, CPA
3 Red Bush Court
Johnson City, TN 37601
(423) 926-4784

Unicoi County Emergency Communications District
A Component Unit of Unicoi County, Tennessee
Erwin, Tennessee
Statement of Net Position
June 30, 2013

Assets	
Current Assets:	
Cash and Cash Equivalents	$ 400,184
Certificate of Deposit	54,649
Accounts Receivable	10,816
Prepaid Expenses	2,945
Total Current Assets	$ 468,594
Capital Assets (Net of Depreciation):	
Leasehold Improvements	$ 110,535
Communications Equipment	116,677
Office Equipment	4,918
Total Capital Assets (Net of Depreciation)	$ 232,130
Total Assets	$ 700,724
Deferred Outflows of Resources:	$ 0
Liabilities	
Current Liabilities:	
Accounts Payable	$ 1,899
Accrued Expenses	12,725
Capital Lease Obligations - Current	13,500
Total Current Liabilities	$ 28,124
Non-Current Liabilities:	
Capitalized Lease Obligations - Long-Term	$ 47,250
Total Non-Current Liabilities	$ 47,250
Total Liabilities	$ 75,374
Deferred Inflows of Resources:	$ 0
Net Position	
Net Investment in Capital Assets	$ 170,380
Unrestricted	454,970
Total Net Position	$ 625,350

The notes to the financial statements are an integral part of this statement.

Unicoi County Emergency Communications District
A Component Unit of Unicoi County, Tennessee
Erwin Tennessee
Statement of Revenue, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2013

Operating Revenues	
Emergency Telephone Service Charge	$ 125,042
Tennessee Emergency Communications Board-Shared Wireless Charge	44,388
Tennessee Emergency Communications Board-Operational Funding	142,860
Tennessee Emergency Communications Board-GIS/TIPS	39,019
Tennessee Emergency Communications Board-Dispatcher Training	8,000
Total Operating Revenues	$ 359,309
Operating Expenses	
Salaries and Wages - Contract Employees	
Director	$ 34,690
Dispatchers	136,364
Total Salaries and Wages - Contract Employees	$ 171,054
Contracted Services	
Accounting Services	$ 6,000
Audit Services	5,000
Maintenance Agreements	8,244
TBI Expenses	2,010
Lease/Rental Office Equipment	1,233
Maintenance and Repairs - Communications Equipment	4,114
Total Contracted Services	$ 26,601
Supplies and Materials	
Office Supplies	$ 5,806
Data Processing Supplies	240
Utilities - General Telephone	42,402
Utilities - Cell Phones and Pagers	670
Total Supplies and Materials	$ 49,118
Other Charges	
Training Expense	$ 3,864
Premiums on Surety Bonds	114
Travel Expense	2,478
Total Other Charges	$ 6,456

(Continued)

Unicoi County Emergency Communications District
A Component Unit of Unicoi County, Tennessee
Erwin Tennessee
Statement of Revenue, Expenses, and Changes in Net Position (Continued)
For the Fiscal Year Ended June 30, 2013

Depreciation	
Depreciation Expense	$ 30,494
Total Depreciation	$ 30,494
Total Operating Expenses	$ 283,723
Operating Income (Loss)	$ 75,586
Nonoperating Revenues and (Expenses)	
Interest Income	$ 241
Contributions from Other Governments	35,000
Tennessee Emergency Communications Board-Grants and Reimbursements	33,931
Total Nonoperating Revenues and (Expenses)	$ 69,172
Increase (Decrease) in Net Position	$ 144,758
Total Net Position - Beginning of Year	480,592
Total Net Position - End of Year	$ 625,350

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

Unicoi County Emergency Communications District
A Component Unit of Unicoi County, Tennessee
Erwin, Tennessee
Statement of Cash Flows
For the Year Ended June 30, 2013

Cash Flows from Operating Activities	
Cash Received from Surcharges and Other Revenues	$ 360,119
Cash Payments to Suppliers for Goods and Services	(77,612)
Cash Payments for Payroll, Taxes and Related Benefits	(172,881)
Net Cash Provided from Operating Activities	$ 109,626
Cash Flows from Noncapital Financing Activities	
Grants/Reimbursements TECB	$ 33,931
Contributions from Other Governments	35,000
Net Cash Provided from Noncapital Financing Activities	$ 68,931
Cash Flows from Capital and Related Financing Activities	
Purchase of Capital Assets	$ (1,574)
Payments on Capital Lease	(6,750)
Net Cash Used for Capital and Related Financing Activities	$ (8,324)
Cash Flows from Investing Activities	
Purchase of Investment Securities	$ (211)
Interest Income Received	241
Net Cash Provided from Investing Activities	$ 30
Net Increase (Decrease) in Cash and Cash Equivalents	$ 170,263
Cash and Cash Equivalents at Beginning of Year	229,921
Cash and Cash Equivalents at End of Year	$ 400,184

Non-Cash Transactions

A capital lease of $67,500 was used to acquire Next Generation equipment.

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Unicoi County Emergency Communications District
A Component Unit of Unicoi County, Tennessee
Erwin, Tennessee
Statement of Cash Flows (Continued)
For the Year Ended June 30, 2013

Reconciliation of Net Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities	
Operating Income (Loss)	$ 75,586
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities	
Depreciation Expense	30,494
Changes in Assets and Liabilities	
(Increase) Decrease in Current Receivables	810
(Increase) Decrease in Prepaid Expenses	3,713
Increase (Decrease) in Accounts Payable	850
Increase (Decrease) in Accrued Payroll	(1,827)
Net Cash Provided by Operating Activities	$ 109,626
Reconciliation of Cash with Statement of Cash Flows	
Cash Per Statement of Net Assets	$ 400,184
Investments with Original Maturity of 3 Months or Less	0
Cash and Cash Equivalents June 30, 2013	$ 400,184

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

Note 1 General Information and Significant Accounting Policies

The Organization

Unicoi County Emergency Communications District is an emergency communications district located in Unicoi County, Tennessee that operates as directed by *Tennessee Code Annotated Section 7-86.* The District began operations in 1999 as an enterprise fund.

Unicoi County Emergency Communications District is a discretely presented Component Unit of Unicoi County, Tennessee. The District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Unicoi County, and the Unicoi County Commission appoints its governing body. The District has a nine member board comprised of the Unicoi County Mayor, Town of Erwin Mayor, Town of Unicoi Mayor, Sheriff of Unicoi County, Police Chief of Town of Erwin, Director of Emergency Preparedness of Unicoi County, a member appointed by the Unicoi County Commission, a member of Firefighters Association, and a member at large who is appointed by the County Mayor and confirmed by the County Commission. The District is funded primarily through a service charge levied on telephone services. Before issuance of most debt instruments, the District must obtain the County Commissioner's approval.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the District have been prepared with the economic resources measurement focus and accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

When both restricted and unrestricted resources are available for use, it is the District's policy to use the restricted resources first, then unrestricted resources as they are needed.

Policy for Defining Operating and Non-Operating revenue and Recognition of Revenue and Expenses

Operating revenue consists of Emergency Telephone Service Charges, Tennessee Emergency Communications Board (TECB) Shared Wireless Charges and Tennessee Emergency Communications (TECB) Operating Fund and other recurring receipts. Subscriber fee revenue from E-911 service charges for telephone landlines are recognized in the period in which monthly subscribers fees are billed by the service supplier. Revenue from the TECB Shared Wireless Charges, which consist of 25% of the revenue generated by the state board, and the TECB Operating Fund and other recurring receipts are received by the District monthly.

Non-Operating revenue consists of investment income, contributions from primary government and other governments, and grants and reimbursements from the Tennessee Emergency Communications Board.

(Continued)

Note 1 General Information and Significant Accounting Policies (Continued)

Operating expenses are recognized on the accrual basis. The required and permissible uses of 911 revenues are limited to those uses outlined in the 911 Revenue Standards adopted by the Tennessee Emergency Communications Board.

Budget and Budgetary Accounting

In accordance with Tennessee Code Annotated, an annual budget is adopted by the District. The budget is approved by the Board and is also submitted to the primary government, Unicoi County, Tennessee. As a legal level of control, expenses are presented at the line-item level in accordance with the *Accounting and Financial Reporting Manual for Tennessee Emergency Communications District.*

Cash and Cash Equivalent

The cash and cash equivalents on the statement of cash flows includes petty cash, cash on hand, demand deposits, and certificates of deposit with an original maturity of three months or less.

Deposits and Investments

State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool. The District is authorized by the governing board to invest with local financial institutions that are members of the State Collateral Pool. The Cash - Certificate of Deposit account has an original maturity of greater than three months. There were no other investments for the year.

Accounts Receivable

Accounts receivable consist of various surcharges levied on telephone services which were collected by the service provider. The District considers the accounts to be fully collectible; therefore, no allowance for uncollectible has been recorded.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. The items include insurance and maintenance contracts and lease payments.

Capital Assets

Capital assets, which include property and equipment, are defined as assets with an initial estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's lives are not capitalized.

(Continued)

Note 1 General Information and Significant Accounting Policies (Continued)

The capital assets are depreciated on the straight-line basis over their various estimated lives. The cost of intangible assets are amortized over their estimated useful lives.

Advertising
Advertising costs are expensed as incurred.

Net Position
The equity reported in the statement of net position is displayed in three components: "net invested in capital assets" "restricted," and "unrestricted." The following explains each:

Net invested in capital assets consists of capital assets, reduced by accumulated depreciation and by any outstanding debt incurred to acquire, construct, or improve those assets.

The restricted component of net position reports the net positions with limits on their use that are externally imposed (by creditors, grantors, contributors, or the laws or regulations of other governments) or that are imposed by the government's own constitutional provisions or enabling legislation.

Unrestricted net position consists of all net positions that do not meet the definition of either of the other two components.

Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 Bank Deposits

Bank deposits as of the balance sheet date are entirely insured or collateralized with securities held by the District's agent in the State of Tennessee Collateral Pool.

Note 3 Receivables

Accounts receivable consist of various surcharges levied on telephone services which were collected by the service provider and remitted to the District after year end in the amount of $10,816.

(Continued)

Note 4 Related Party Transaction

The contract bookkeeper of the District is a non-voting member of the Board of Directors and the wife of the Chairman of the Board of Directors. The bookkeeping services includes maintaining the accounting records, processing the various payable, and bank deposits and reconciliation of the accounting records. The bookkeeper fees for the year were $6,000 with no payable at year end.

The District is a component unit of Unicoi County, Tennessee. The District staff are employees of Unicoi County. The District reimburses the County for their director's salary and one half of the other employee's payroll costs. The salary and wage reimbursement cost for the year was $171,054 of which $12,725 was payable at year end. Unicoi County also provides space to house the operations of the District rent free.

Note 5 Risk Management

The Unicoi County Emergency Communications District's exposure to various risks of loss to theft of, damage to, and destruction of assets; error and omissions; natural disasters; and the building are covered by the comprehensive insurance police of Unicoi County.

Note 6 Operating Leases

The District entered into an operating lease agreement on December 20, 2008 with Canon Financial Services to be provided with a Canon Copier. The lease was for a term of 60 months with monthly payments due in the amount of $101. The District has the option at the end of the lease to purchase the equipment at its fair market value. The lease expires on December 20, 2013. The required payments for the year ended June 30, 2014 is $505.

Note 7 Capital Lease

As part of a inter-local agreement with seven other Emergency Communications Districts located in East Tennessee, the Unicoi County Emergency Communications District acquired under a capital lease, a joint interest in Next Generation 911 call processing equipment to implement internet protocol enabled services. The amount capitalized in the balance sheet is $68,100 and accumulated amortization of this asset is $3,955. The lease expires November 30, 2017 and carries an interest rate of 0% per annum. There is not a purchase option at the end of the lease term.

(Continued)

Note 7 Capital Lease (Continued)

Following is a schedule of future minimum payments required under the lease together with the present value:

Fiscal Year	Amount
2014	$ 13,500
2015	13,500
2016	13,500
2017	13,500
2018	6,750
Less Interest	(0)
Present Value - Minimum Lease Payments	$ 60,750

Interest rates used per FASB would be the lessee's incremental borrowing rate unless the lessee can learn the implicit rate computed by the lessor and the implicit rate computed by the lessor is less than the lessee's incremental borrowing rate. The lessor used a zero rate when it divided the cost of the equipment by the number of Districts in the agreement to set the annual rental due from each. The Districts incremental borrowing rate would be zero because it can get the funds from the Tennessee Emergency Communications District without an interest charge.

Note 8 Inter-Local Agreement

During the year, the District entered an inter-local agreement with 7 other Districts for the acquisition maintenance and joint use of Next Generation 911 equipment. The agreement require the District to pay one-eighth of the related cost. See Note 7 for the information about the capital lease that relates to this agreement.

Note 9 Capital Assets

Capital asset additions, retirements, and balances for the year ended June 30, 2013 are as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Capital Assets				
Leasehold Improvements	$ 188,857	$ 0	$ 0	$ 188,857
Communications Equipment	560,411	69,074	0	629,485
Office Equipment	49,340	0	0	49,340
Total Capital Assets	$ 798,608	$ 69,074	$ 0	$ 867,682
Less Accumulated Depreciation				
Leasehold Improvements	$ 68,255	$ 10,067	$ 0	$ 78,322
Communications Equipment	494,067	18,741	0	512,808
Office Equipment	42,736	1,686	0	44,422
Total Accumulated Depreciation	$ 605,058	$ 30,494	$ 0	$ 635,552
Capital Assets, Net	$ 193,550	$ 38,580	$ 0	$ 232,130

Note 10 Subsequent Events

Subsequent events for Unicoi County Emergency Communications District were evaluated by management up to August 21, 2013, which is the financial statement issuance date.

Note 11 Other Required Disclosures

Depreciation expense for the year was $30,494.

There was no amortization expense for the year.

There was no advertising costs for the year.

There was no interest costs incurred and charged to expense for the year. No interest costs were capitalized.

Supplementary Information

Unicoi County Emergency Communications District
A Component Unit of Unicoi County, Tennessee
Erwin, Tennessee
Schedule of Revenue and Expenses - Budget to Actual
June 30, 2013

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (See Note A)	Favorable (Unfavorable) with Final Budget
Operating Revenues				
Emergency Telephone Service Charges	$ 150,000	$ 150,000	$ 125,042	$ (24,958)
TECB - Shared Wireless Charge	230,000	230,000	44,388	(185,612)
TECB - Operational Funding	0	0	142,860	142,860
TECB - GIS/TIPS	0	0	39,019	39,019
TECB - Dispatcher Training	0	0	8,000	8,000
Total Operating Revenues	$ 380,000	$ 380,000	$ 359,309	$ (20,691)
Operating Expenses				
Salaries and Wages				
Director	$ 35,662	$ 35,662	$ 34,690	$ 972
Other Salaries and Wages - 911 Mapping	17,000	0	0	0
Dispatchers	150,475	150,475	136,364	14,111
Total Salaries and Wages	$ 203,137	$ 186,137	$ 171,054	$ 15,083
Contracted Services				
Audit Services	$ 6,000	$ 6,000	$ 6,000	$0
Accounting Services	6,000	6,000	5,000	1,000
Maintenance Agreements	10,000	10,000	8,244	1,756
NCIC/TBI/TIES Expenses	2,750	2,750	2,010	740
Lease/Rental - Office Equipment	2,000	8,100	1,233	6,867
Maintenance and Repairs - Communications Equipment	7,500	7,500	4,114	3,386
Maintenance and Repairs - Vehicles	500	500	0	500
Maintenance and Repairs - Buildings and Facilities	0	600	0	600
Total Contracted Services	$ 34,750	$ 41,450	$ 26,601	$ 14,849
Supplies and Materials				
Office Supplies	$ 7,500	$ 8,000	$ 5,806	$ 2,194
Data Processing Supplies	3,000	3,000	240	2,760
Custodial Supplies	100	100	0	100
Postage	200	200	0	200
Small Equipment Purchases	5,000	5,000	0	5,000
Uniforms and Shirts	1,500	1,500	0	1,500
Utilities - General Telephone	43,000	43,000	42,402	598
Utilities - Cell Phones and Pagers	600	710	670	40
Total Supplies and Matrials	$ 60,900	$ 61,510	$ 49,118	$ 12,392

(Continued)

Unicoi County Emergency Communications District
A Component Unit of Unicoi County, Tennessee
Erwin, Tennessee
Schedule of Revenue and Expenses - Budget to Actual
June 30, 2013

	Budgeted Amounts		Actual Amounts (See Note A)	Favorable (Unfavorable) with Final Budget
	Original	Final		
Other Charges				
Dues and Memberships	$ 500	$ 500	$0	$ 500
Premiums on Surety Bonds	1,200	1,200	114	1,086
Training Expenses	6,000	6,000	3,864	2,136
Travel Expenses	6,000	6,000	2,478	3,522
Other Charges - Miscellaneous	7,500	7,500	0	7,500
Total Other Charges	$ 21,200	$ 21,200	$ 6,456	$ 14,744
Depreciation				
Depreciation Expense	$ 61,240	$ 61,240	$ 30,494	$ 30,746
Total Depreciation	$ 61,240	$ 61,240	$ 30,494	$ 30,746
Total Operating Expenses	$ 381,227	$ 371,537	$ 283,723	$ 87,814
Operating Income (Loss)	$ (1,227)	$ 8,463	$ 75,586	$ 67,123
Non-Operating Revenues (Expenses)				
Interest Income	$ 625	$ 625	$ 241	$ (384)
Contributions from Other Governments	35,000	35,000	35,000	0
TECB - Non-Operating Revenues (Expenses)	0	0	33,931	33,931
Total Non-Operating Revenues (Expenses)	$ 35,625	$ 35,625	$ 69,172	$ 33,547
(Deficit) Excess of Operating Revenues Over Operating Costs and Expenses and Non-Operating Revenues (Expenses	$ 34,398	$ 44,088	$ 144,758	$ 100,670

Internal Control and Compliance Section

Appalachian CPAs, PC

Telephone 423-926-4784
Fax 423-926-2416

3 Red Bush Court
Johnson City, TN 37601

August 21, 2013

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Governmental Auditing Standards*

Commissioners of Unicoi County Emergency Communications District
Erwin, Tennessee

We have audited, in accordance with the 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, the financial statements of the business-type activities of Unicoi County Emergency Communications District, a component unit of Unicoi County, Tennessee, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Unicoi County Emergency Communications District, a component unit of Unicoi County, Tennessee's basic financial statements and have issued our report thereon dated August 21, 2013.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

(Continued)

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify one certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency (Finding 13-1).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Unicoi County Emergency Communications District, a component unit of Unicoi County, 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 audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Unicoi County Emergency Communications District's Response to Findings

Unicoi County Emergency Communications District, a component unit of Unicoi County, Tennessee's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Unicoi County Emergency Communications District, a component unit of Unicoi County, Tennessee's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Appalachian CPAs, PC

Appalachian CPAs, PC
Johnson City, Tennessee

Unicoi County Emergency Communications District
A Component Unit of Unicoi County, Tennessee
Erwin, Tennessee
Schedule of Audit Findings and Responses
June 30, 2013

Current Year Significant Deficiency:

2013-1: The transaction approval process was not appropriately documented.

Condition: As a component unit of Unicoi County, Tennessee, the District has adopted the various policies and procedures of the County. The District does not have an accounting & financial policies and procedures manual customized for their operation. The application of the controls of the accounts payable and cash disbursement system has not been communicated and is not being documented. Payments are being made for vendor invoices without being documented that they have been properly authorized.

Criteria: The *Accounting and Financial Reporting Manual For Tennessee Emergency Communications Districts issued by the State of Tennessee Comptroller of the Treasury Division of County Audit* states that management is primarily responsible for internal controls, but the District's board of directors are responsible for ensuring that management accomplish this duty.

Effect: An appropriate officer did not sign or initial the vendor invoices to show that they had reviewed and approved for processing.

Recommendation: Management should prepare a customized *Accounting and Financial Policies and Procedures Manual* for Board approval that documents their internal control policies and procedures. The manual should require that all invoices processed for payment should be signed or initialed by a member of management that has the appropriate level of knowledge that the goods or services have been received and the authority to authorize payment.

Management's Response: An officer will start signing or initialing the vendor invoices to document that they have reviewed and approved for processing. Management will discuss the issue relating to a manual update with the Board to determine the appropriate action to be taken.

Prior Year Significant Deficiencies Implemented:

2012-1: The District now has a copy of the Tennessee Emergency Communications District Law to use as a reference guide.
2012-2: Surety bonds have been purchased that exceed the minimum amount required.