

EMERGENCY COMMUNICATIONS DISTRICT  
OF THE CITY OF KINGSPORT, TENNESSEE

COMPONENT UNIT FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

EMERGENCY COMMUNICATIONS DISTRICT  
OF THE CITY OF KINGSPORT, TENNESSEE  
  
COMPONENT UNIT FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

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## INTRODUCTORY SECTION

EMERGENCY COMMUNICATIONS DISTRICT  
OF THE CITY OF KINGSPORT, TENNESSEE

PRINCIPAL OFFICIALS

AS OF JUNE 30, 2013

BOARD OF DIRECTORS

Jim Keesling	Chairman
John Moser	Vice-Chairman
Vivian Crymble	Treasurer
Kenneth Calvert	Director
Conner Caldwell	Director
Craig Dye	Secretary
David Quillin	Director
Hunter Wright	Director
Mary Margaret Denton	Director

MANAGEMENT

Jerry Mowl	Executive Director
Joe May	Attorney

BOARD MEMBER ADDRESSES

PANEL ENDING 12-31-2013

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

Vivian Crymble  
2964 Cliffside Rd.  
Kingsport, TN 37664  
378-3782 (H)  
817-8682 (Cell)  
[vcrymble@yahoo.com](mailto:vcrymble@yahoo.com)

PANEL ENDING 12-31-2014

John Moser  
413 Arlington Court  
Kingsport, TN 37660  
239-4140 (H)  
384-6779 (Cell)  
[jmoser413@charter.net](mailto:jmoser413@charter.net)

PANEL ENDING 12-31-2015

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

Hunter Wright  
4163 Skyland Drive  
Kingsport, TN 37664  
245-9981 (H)  
[shhwright@aol.com](mailto:shhwright@aol.com)

Kenneth Calvert  
P.O. Box 2084  
Kingsport, TN 37662  
392-4465 (H)  
245-9721 (W)  
677-9777 (C)  
[lcalvert@aol.com](mailto:lcalvert@aol.com)

PANEL ENDING 12-31-2016

Mary Margaret Denton  
204 St. Charles Pl.  
Kingsport, TN 37660  
247-8280 (H)  
579-6428 (C)  
[mandmdenton@aol.com](mailto:mandmdenton@aol.com)

By Virtue of Office

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

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS SECTION

EMERGENCY COMMUNICATIONS DISTRICT  
OF THE CITY OF KINGSPORT, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013 AND 2012

As financial management of the Emergency Communications District of the City of Kingsport, Tennessee (the "District"), a component unit of the City of Kingsport, Tennessee, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2013. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements taken as a whole.

### **Financial Highlights**

Operating income for the Emergency Communications District was \$97,653 for fiscal year 2013, compared to \$153,439 for fiscal year 2012 and \$198,285 for fiscal year 2011. This decrease in 2013 operating income was a result of lower revenues. Net income produced an increase in net position of \$734,345 in 2013 and \$220,195 in 2012. The term "net position" refers to the difference between assets and liabilities. At the close of fiscal year 2013, the District had net position of \$3,437,550, an increase of 27% over the prior year, and at the close of the fiscal year 2012, the District had net position of \$2,703,205, an increase of 9% over the prior year.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's financial statements, which are comprised of the basic financial statements and the notes to the financial statements. Since the District consists of a single enterprise fund, no fund level financial statements are shown. In addition, the District has no infrastructure assets and is therefore exempt from required infrastructure disclosures. This report also contains other supplementary information concerning the District's budget to actual comparisons and certain non-financial information required by the Tennessee Emergency Communications Board.

**Basic financial statements:** The basic financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Net position increases when revenues exceed expenses. Increases to assets without a corresponding increase to liabilities results in increased net position which indicates an improved financial position.

The statement of revenues, expenses, and changes in net position presents information showing how the District's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

**Notes to the financial statements:** The notes provide additional information that is essential to a full understanding of the information provided in the basic financial statements.

**Other information:** In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the District's budget to actual comparison and certain non-financial information required by the Tennessee Emergency Communications Board.

### **Financial Analysis**

Net position may serve, over time, as a useful indicator of an entity's financial position. In the case of the District, assets exceeded liabilities by \$3,437,550 at June 30, 2013. This represents an increase of \$734,345 (27%) over the previous year. The unrestricted net position was \$2,958,912. At the close of June 30, 2012, assets exceeded liabilities by \$2,703,205 and represented an increase of \$220,195 (9%) over the previous year. The unrestricted net position was \$2,624,280.

EMERGENCY COMMUNICATIONS DISTRICT  
OF THE CITY OF KINGSPORT, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
JUNE 30, 2013 AND 2012

By far, the largest portion of the District's net position reflects its investment in certificates of deposit. These certificates of deposit are in various local financial institutions all of which are members of the Tennessee State Collateral Pool. Interest rates on these certificates range from 0.20% to 1.15%. Maturity dates range from September, 2013 to August, 2014. Much of the funds invested in certificates of deposits are expected to be used to purchase capital assets over the next few years. The Board considers the upgrade of the 911 system to be an ongoing process to stay current with technological advances.

Emergency Communications District's Net Position was as follows for the fiscal years ended June 30, 2013, 2012, and 2011.

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Current Assets	\$ 2,966,166	\$ 2,628,825	\$ 2,388,991
Capital Assets	<u>478,638</u>	<u>78,926</u>	<u>98,959</u>
Total Assets	3,444,804	2,707,751	2,487,950
Current Liabilities	<u>7,254</u>	<u>4,546</u>	<u>4,940</u>
Net Assets:			
Invested in Capital Assets	478,638	78,925	98,958
Unrestricted	<u>2,958,912</u>	<u>2,624,280</u>	<u>2,384,052</u>
Total Net Assets	\$ <u>3,437,550</u>	\$ <u>2,703,205</u>	\$ <u>2,483,010</u>

Emergency Communications District's Changes in Net Position was as follows for the fiscal years ended June 30, 2013, 2012, and 2011

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Operating Revenues	\$ 607,625	\$ 658,510	\$ 665,698
Operating Expenses	<u>509,972</u>	<u>505,071</u>	<u>467,413</u>
Income from Operations	97,653	153,439	198,285
Non-Operating Revenues (Expenses):			
Interest Income	7,072	13,997	40,482
State Grants and Reimbursements	<u>629,620</u>	<u>52,759</u>	<u>34,000</u>
Non-Operating Revenues (Expenses)	<u>636,692</u>	<u>66,756</u>	<u>74,482</u>
Net Income	734,345	220,195	272,767
Net Position, Beginning of Year	<u>2,703,205</u>	<u>2,483,010</u>	<u>2,210,243</u>
Net Position, End of Year	\$ <u>3,437,550</u>	\$ <u>2,703,205</u>	\$ <u>2,483,010</u>

EMERGENCY COMMUNICATIONS DISTRICT  
OF THE CITY OF KINGSPORT, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
JUNE 30, 2013 AND 2012

**Significant Events**

In 2013, \$442,162 of PP&E was purchased. \$436,889 consisted of new communications equipment.

The District purchased \$31,134 of new hardware and software during 2012.

**Cash Flows**

Net cash from operating activities during the year ended June 30, 2013, was \$89,329, a decrease of \$120,655 from the prior year amount. This decrease was principally due to a decrease in receipts for Emergency Telephone Service Charges. Net cash from noncapital financing activities involving the receipt of monies from grants during the year ended June 30, 2013 were \$629,620. Net cash from investing activities for the year ended June 30, 2013, increased by \$6,435 due to interest income earned on savings and CDs.

Net cash from operating activities during the year ended June 30, 2012 were \$209,984, due principally to decreased receipts for Emergency Telephone Service Charges, increase in payments to suppliers, and decrease in accounts receivable. Net cash from financing activities during the year ended June 30, 2013 increased \$187,459 due to state grant and reimbursement. Net cash from financing activities during the year ended June 30, 2012, was an increase of \$21,625 due to grant monies received of \$28,759 and \$31,134 of new equipment purchases. Net cash from investing activities for the year ended June 30, 2013 increased \$6,345 due to interest and for the year ended June 30, 2012, increased by \$51,940 due to interest income earned on savings and CDs.

**Budgeting Highlights**

The original budgets were approved in June 2012 for the fiscal year ended June 30, 2013; and in June 2011 for the fiscal year ended June 30, 2012, and were amended as needed throughout each year. The original and final budgets are presented as separate columns in the required supplementary information.

**Capital Asset and Debt Administration**

Capital Assets: The District's investment in capital assets amounts to \$478,638, net of accumulated depreciation as of June 30, 2013, an increase of \$399,172. Capital assets primarily include communications equipment and computer hardware and software used in 911 communications.

Long-Term Debt: The District had no long-term debt as of June 30, 2013 and 2012, respectively.

**Requests for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Treasurer, Emergency Communications District of the City of Kingsport, Tennessee, Suite 100, 200 Shelby Street, Kingsport, Tennessee 37660.

## FINANCIAL SECTION

Lewis  
& Associates, P.C.  
Certified Public Accountants

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

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Emergency Communications District of the City of Kingsport (the District) as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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



America Counts on CPAs

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Johnson City: 423-926-5138 or 423-926-6475 • Toll Free: 1-877-CPA-4241 • Fax: 423-926-3949 • [www.LewisCPAs.com](http://www.LewisCPAs.com)  
Members: American Institute of Certified Public Accountants • Tennessee Society of Certified Public Accountants  
Virginia Society of Certified Public Accountants

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Emergency Communications District of the City of Kingsport, Tennessee as of June 30, 2013 and 2012, and the respective changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

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

### *Other Information*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2013 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

*Lewis & Associates, P.C.*

Johnson City, Tennessee  
November 25, 2013

EMERGENCY COMMUNICATIONS DISTRICT  
OF THE CITY OF KINGSPORT, TENNESSEE  
STATEMENTS OF NET POSITION  
JUNE 30, 2013 AND 2012

	2013	2012
<b>ASSETS</b>		
Current Assets		
Cash-Checking	\$ 1,355,578	\$ 1,078,665
Cash-Savings and Certificates of Deposit	1,482,468	1,476,158
Accrued Interest Receivable	4,058	3,421
Accounts Receivable	19,638	39,422
Due from TN Emergency Communications Board	20,440	18,569
Prepaid Expenses	83,984	12,590
Total Current Assets	2,966,166	2,628,825
Capital Assets		
Furniture and Fixtures	21,819	16,546
Office Equipment	64,693	64,693
Communications Equipment	1,076,206	639,317
Other Fixed Assets	28,780	28,780
	1,191,498	749,336
Less: Accumulated Depreciation	(712,860)	(670,410)
Net Capital Assets	478,638	78,926
Total Assets	\$ 3,444,804	\$ 2,707,751
<b>LIABILITIES</b>		
Current Liabilities		
Accounts Payable	\$ 7,254	\$ 4,546
<b>NET POSITION</b>		
Net Investment in Capital Assets	478,638	78,925
Unrestricted	2,958,912	2,624,280
Total Net Position	\$ 3,437,550	\$ 2,703,205

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

EMERGENCY COMMUNICATIONS DISTRICT  
OF THE CITY OF KINGSPORT, TENNESSEE  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Operating Revenues		
Emergency Telephone Service Charge	\$ 321,697	\$ 379,131
Tennessee Emergency Communications Board Shared Wireless Charge	118,714	112,206
Tennessee Emergency Communications Board Operating Fund	<u>167,214</u>	<u>167,173</u>
Total Operating Revenues	607,625	658,510
Operating Expenses		
Advertising	368	296
Audit Services	6,716	5,988
Accounting Services	7,485	7,395
Administrative Fees	9,655	13,762
Contracts with Government Agency	266,500	266,500
Fees Paid to Service Providers	50,805	57,336
Legal Fees	19,263	11,540
Liability Insurance	23	-
Maintenance/Communication Equipment	56,613	50,343
Office Supplies	1,013	1,456
Postage	27	-
Board Meeting Expenses	266	-
Dues and Memberships	5,545	845
Appraiser	2,500	-
Surety Bonds	4,978	4,274
Service Awards	204	52
Travel	19,942	12,951
Training	15,619	20,974
Uncollectible Service Charge	-	103
Other Charges - Uniforms	-	90
Depreciation	<u>42,450</u>	<u>51,166</u>
Total Operating Expenses	<u>509,972</u>	<u>505,071</u>
Operating Income	97,653	153,439
Non-Operating Revenues (Expenses)		
Interest	7,072	13,997
Reimbursement TN Emergency Communications Board Grants and Reimbursements	<u>629,620</u>	<u>52,759</u>
Non-Operating Revenues (Expenses)	<u>636,692</u>	<u>66,756</u>
Net Income	734,345	220,195
Net Position, Beginning of Year	<u>2,703,205</u>	<u>2,483,010</u>
Net Position, End of Year	<u>\$ 3,437,550</u>	<u>\$ 2,703,205</u>

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

EMERGENCY COMMUNICATIONS DISTRICT  
OF THE CITY OF KINGSPORT, TENNESSEE  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Cash Flows from Operating Activities:		
Receipts from Emergency Telephone Service Charges	\$ 341,481	\$ 380,788
Receipts from TN ECB Shared Wireless Charges	116,843	113,115
Receipts from TN ECB Operating Fund	167,214	167,173
Payments for Contracts with Government Agency	(266,500)	(266,500)
Payments to Service Providers	(50,805)	(57,336)
Payments to Suppliers for Goods and Services	<u>(218,904)</u>	<u>(127,256)</u>
Net Cash Flows from Operating Activities	89,329	209,984
Cash Flows from Noncapital Financing Activities:		
State Grant and Reimbursement	629,620	24,000
Cash Flows from Capital and Related Financing Activities:		
Purchase of Capital Assets	(442,161)	(31,134)
State Grant and Reimbursement	<u>-</u>	<u>28,759</u>
Net Cash Flows from Financing Activities	187,459	21,625
Cash Flows from Investing Activities:		
Interest Income	<u>6,435</u>	<u>51,940</u>
Net Cash Flows from Investing Activities	<u>6,435</u>	<u>51,940</u>
Increase (Decrease) in Cash	283,223	283,549
Cash, Beginning of Year	<u>2,554,823</u>	<u>2,271,274</u>
Cash, End of Year	<u>\$ 2,838,046</u>	<u>\$ 2,554,823</u>
Reconciliation of Operating Income to Net Cash		
Flows from Operating Activities:		
Operating Income	\$ 97,653	\$ 153,439
Adjustments to Reconcile Operating Income		
to Net Cash Flows from Operating Activities:		
Depreciation	42,450	51,166
(Increase) Decrease in Accounts Receivable	19,784	1,656
(Increase) Decrease in Due from TN ECB	(1,871)	908
(Increase) Decrease in Prepaid Expenses	(71,394)	3,209
Increase (Decrease) in Accounts Payable	<u>2,707</u>	<u>(394)</u>
Net Cash Flows by Operating Activities	<u>\$ 89,329</u>	<u>\$ 209,984</u>

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

EMERGENCY COMMUNICATIONS DISTRICT  
OF THE CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

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

Reporting Entity

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

Basis of Accounting

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

Income Taxes

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

Revenue

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

Expenses

The City of Kingsport, Tennessee provides the physical facilities, employees, and administrative services necessary to operate the District on a contractual fee basis.

EMERGENCY COMMUNICATIONS DISTRICT  
OF THE CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

Cash

For purposes of the Statement of Cash Flows, the Emergency Communications District considers all bank deposits to be cash. Bank balances exceeding Federal Deposit Insurance Corporation insurance limits are collateralized by the Tennessee State Collateral Pool.

Depreciation

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

Uncollectibles

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

Concentrations of Credit Risk

Financial instruments that potentially subject the Emergency Communications District to concentrations of credit risk are primarily cash and accounts receivable. The District's bank deposits, including certificates of deposit, are maintained in banks participating in the Tennessee Collateral Pool for Public Deposits and, consequently, are fully insured. Management does not believe that significant credit risk exists at June 30, 2013.

Net Position

The District's net position is classified as follows:

**Invested in Capital Assets, Net of Related Debt:** This represents the District's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of debt.

**Unrestricted Net Position:** Unrestricted net position includes resources that are available for transactions relating to the general operations of the District and may be used at the discretion of the District to meet current expenses for any purpose.

Use of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**NOTE 2—CASH AND INVESTMENTS**

At June 30, 2013 and 2012, total demand deposits and certificates of deposit for the Emergency Communication District were insured and/or collateralized in one of the following ways. Deposits were held in a financial institution, which is a member of the Tennessee Bank Collateral Pool. The Tennessee Bank Collateral Pool (the pool) is a multiple financial institution collateral pool in which member financial institutions holding public funds pledge collateral securities. In the event any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. The pool also has the ability to make additional assessments on a pro rata basis to the pool if the value of collateral is inadequate to cover a loss. The District's deposits in financial institutions were entirely insured or collateralized at June 30, 2013 and 2012.

At June 30, 2013, the District's carrying amount of deposits was \$2,838,046 and the bank balance was \$2,895,755. At June 30, 2012, the District's carrying amount of deposits was \$2,554,823 and the bank balance was \$2,555,302.

EMERGENCY COMMUNICATIONS DISTRICT  
OF THE CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 3—PROPERTY, PLANT, AND DEPRECIATION

Capital Assets activity for the year ended June 30, 2013 was as follows:

	June 30, <u>2012</u>	<u>Additions</u>	<u>Deletions</u>	June 30, <u>2013</u>
Furniture & Fixtures	\$ 16,546	\$ 5,273	\$ -	\$ 21,819
Office Equipment	64,693	-	-	64,693
Communications Equipment	639,317	436,889	-	1,076,206
Other Fixed Assets	<u>28,780</u>	<u>-</u>	<u>-</u>	<u>28,780</u>
Total	749,336	442,162	-	1,191,498
Less Accumulated Depreciation:				
Furniture & Fixtures	13,597	1,977	-	15,574
Office Equipment	57,541	5,571	-	63,112
Communications Equipment	570,492	34,902	-	605,394
Other Fixed Assets	<u>28,780</u>	<u>-</u>	<u>-</u>	<u>28,780</u>
Total Accumulated Depreciation	<u>670,410</u>	<u>42,450</u>	<u>-</u>	<u>712,860</u>
Net Capital Assets	\$ <u>78,926</u>	\$ <u>399,712</u>	\$ <u>-</u>	\$ <u>478,638</u>

Capital Assets activity for the year ended June 30, 2012 was as follows:

	June 30, <u>2011</u>	<u>Additions</u>	<u>Deletions</u>	June 30, <u>2012</u>
Furniture & Fixtures	\$ 16,546	\$ -	\$ -	\$ 16,546
Office Equipment	64,693	-	-	64,693
Communications Equipment	608,183	31,134	-	639,317
Other Fixed Assets	<u>28,780</u>	<u>-</u>	<u>-</u>	<u>28,780</u>
Total	718,202	31,134	-	749,336
Less Accumulated Depreciation:				
Furniture & Fixtures	12,059	1,538	-	13,597
Office Equipment	45,937	11,604	-	57,541
Communications Equipment	535,037	35,455	-	570,492
Other Fixed Assets	<u>26,210</u>	<u>2,570</u>	<u>-</u>	<u>28,780</u>
Total Accumulated Depreciation	<u>619,243</u>	<u>51,167</u>	<u>-</u>	<u>670,410</u>
Net Capital Assets	\$ <u>98,959</u>	\$ <u>(20,033)</u>	\$ <u>-</u>	\$ <u>78,926</u>

EMERGENCY COMMUNICATIONS DISTRICT  
OF THE CITY OF KINGSPORT, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 4—INSURANCE

The capital assets of the Emergency Communications District are insured by the City Of Kingsport's Blanket Insurance Policy. However, the City has a \$50,000 deductible on each loss per occurrence. The City is self-insured regarding the \$50,000 deductible. In addition, the Emergency Communications District is listed as an additional named insured on the City of Kingsport's general liability policy. There were no settlements in excess of insurance coverage related to the Emergency Communications District for the year ended June 30, 2013 or for any of the four preceding years.

NOTE 5—SURETY BOND

The Emergency Communications District maintains a surety bond for \$500,000 on their treasurer, \$100,000 for the chair, and \$100,000 for the other three board members who are authorized to sign checks. These policies run on a calendar year.

SUPPLEMENTAL INFORMATION SECTION

EMERGENCY COMMUNICATIONS DISTRICT  
OF THE CITY OF KINGSPORT, TENNESSEE  
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Original</u>			<u>Favorable</u>
	<u>Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>(Unfavorable)</u>
				<u>Variance</u>
Operating Revenues				
Emergency Telephone Service Charge	\$ 340,000	\$ 340,000	\$ 321,697	\$ (18,303)
TN ECB Shared Wireless Charge	112,000	112,000	118,714	6,714
TN ECB Operating Fund	167,000	167,000	167,214	214
Other Income	-	-	-	-
	<u>619,000</u>	<u>619,000</u>	<u>607,625</u>	<u>(11,375)</u>
Total Operating Revenues				
Operating Expenses				
Advertising	2,500	2,500	368	2,132
Audit Services	9,000	9,000	6,716	2,284
Accounting Services	8,500	8,500	7,485	1,015
Administrative Fees	13,000	13,000	9,655	3,345
Contracts with Government Agency	373,000	373,000	266,500	106,500
Fees Paid to Service Providers	62,000	66,000	50,805	15,195
Liability Insurance	-	50	23	27
Legal Fees	16,000	26,000	19,263	6,737
Maintenance/Communication Equipment	70,000	80,000	56,613	23,387
Mapping/Database Consultants	2,500	2,500	-	2,500
Other Consultants	2,500	2,500	2,500	-
Office Supplies	2,500	2,500	1,013	1,487
Postage	150	150	27	123
Board Meeting Expenses	4,000	4,000	266	3,734
Dues and Memberships	5,000	6,000	5,545	455
Surety Bonds	5,500	5,500	4,978	522
Service Awards	2,000	2,000	204	1,796
Training	24,000	24,000	15,619	8,381
Travel	20,000	30,000	19,942	10,058
Other Charges	1,000	1,000	-	1,000
Uncollectable service charge	2,000	2,000	-	2,000
Depreciation	87,000	87,000	42,450	44,550
	<u>712,150</u>	<u>747,200</u>	<u>509,972</u>	<u>237,228</u>
Total Operating Expenses				
Operating Income	<u>(93,150)</u>	<u>(128,200)</u>	<u>97,653</u>	<u>225,853</u>
Non-Operating Revenues (Expenses)				
Interest	25,000	8,000	7,072	(928)
Reimbursement TN Emergency Communications Board				
Grants and Reimbursements	<u>253,346</u>	<u>527,880</u>	<u>629,620</u>	<u>101,740</u>
Non-Operating Revenues (Expenses)	<u>278,346</u>	<u>535,880</u>	<u>636,692</u>	<u>100,812</u>
Net Income	<u>\$ 185,196</u>	<u>\$ 407,680</u>	<u>\$ 734,345</u>	<u>\$ 326,665</u>

See independent auditors' report.

EMERGENCY COMMUNICATIONS DISTRICT  
OF THE CITY OF KINGSPORT, TENNESSEE  
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
<b>Operating Revenues</b>				
Emergency Telephone Service Charge	\$ 340,000	\$ 340,000	\$ 379,131	\$ 39,131
TN ECB Shared Wireless Charge	112,000	112,000	112,206	206
TN ECB Operating Fund	167,000	167,000	167,173	173
Other Income	100	-	-	-
<b>Total Operating Revenues</b>	<u>619,100</u>	<u>619,000</u>	<u>658,510</u>	<u>39,510</u>
<b>Operating Expenses</b>				
Advertising	2,500	2,500	296	2,204
Audit Services	8,000	9,000	5,988	3,012
Accounting Services	7,500	8,500	7,395	1,105
Administrative Fees	12,000	13,000	13,762	(762)
Contracts with Government Agency	383,000	373,000	266,500	106,500
Fees Paid to Service Providers	60,000	62,000	57,336	4,664
Legal Fees	6,000	16,000	11,540	4,460
Maintenance/Communication Equipment	70,000	70,000	50,343	19,657
Mapping/Database Consultants	2,500	2,500	-	2,500
Other Consultants	2,500	2,500	-	2,500
Office Supplies	2,500	2,500	1,456	1,044
Postage	150	150	-	150
Board Meeting Expenses	4,000	4,000	-	4,000
Dues and Memberships	5,000	5,000	845	4,155
Surety Bonds	5,500	5,500	4,274	1,226
Service Awards	2,000	2,000	52	1,948
Travel	20,000	20,000	12,951	7,049
Training	24,000	24,000	20,974	3,026
Other Charges	1,000	1,000	90	910
Uncollected Service Charges	2,000	2,000	103	1,897
Depreciation	87,000	87,000	51,166	35,834
<b>Total Operating Expenses</b>	<u>707,150</u>	<u>712,150</u>	<u>505,071</u>	<u>207,079</u>
<b>Operating Income</b>	(88,050)	(93,150)	153,439	246,589
<b>Non-Operating Revenues (Expenses)</b>				
Interest	25,000	25,000	13,997	(11,003)
Reimbursement TN Emergency Communications Board Grants and Reimbursements	<u>25,000</u>	<u>25,000</u>	<u>52,759</u>	<u>27,759</u>
<b>Non-Operating Revenues (Expenses)</b>	<u>50,000</u>	<u>50,000</u>	<u>66,756</u>	<u>16,756</u>
<b>Net Income</b>	<u>\$ (38,050)</u>	<u>\$ (43,150)</u>	<u>\$ 220,195</u>	<u>\$ 263,345</u>

See independent auditors' report.

INTERNAL CONTROL AND COMPLIANCE SECTION

Lewis  
& Associates, P.C.  
Certified Public Accountants

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

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

REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of the Emergency Communications District of the City of Kingsport, Tennessee (the District) as of and for the years ended June 30, 2013 and 2012 and have issued our report thereon dated November 25, 2013. 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.

**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.

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 was for the limited purpose described in the second paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses.



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Virginia Society of Certified Public Accountants

### **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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, the audit committee, City of Kingsport, Tennessee and Comptroller of the Treasury of the State of Tennessee and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Lewis & Associates, P. C.*

Johnson City, Tennessee  
November 25, 2013

EMERGENCY COMMUNICATIONS DISTRICT  
OF THE CITY OF KINGSPORT, TENNESSEE  
SCHEDULE OF INFORMATION REQUIRED BY  
THE TENNESSEE EMERGENCY COMMUNICATIONS BOARD  
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

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

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

**Jim Keesling  
712 Chippendale  
Kingsport, TN 37660  
423-378-5055 (H)  
423-914-0655 (Cell)**