

Knoxville – Knox County

E-911

Emergency Communications District



Financial Statements June 30, 2009 and June 30, 2008



Prepared By:
Knox County Finance Department

**KNOXVILLE - KNOX COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Knoxville, Tennessee

FINANCIAL STATEMENTS

June 30, 2009 and June 30, 2008

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**INTRODUCTORY
SECTION**

**KNOXVILLE - KNOX COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

BOARD OF DIRECTORS
June 30, 2009

Mr. Nathan Rothchild, Chair

Mayor Bill Haslam, Vice Chair

Chief Sterling Owen, IV, Secretary and Treasurer

Mayor Mike Ragsdale

Mrs. Sharon Gerkin

Commissioner Ivan Harmon

Mr. Rick Harrington

Sheriff Jimmy "J.J." Jones

Chief Robert Key

Mrs. Sheryl Rollins

Mr. Mike Cuddy

FINANCIAL SECTION



KPMG LLP
401 Commerce Street, Suite 1000
Nashville, TN 37219-2422

Independent Auditor's Report

The Board of Directors
Knoxville – Knox County Emergency Communications District:

We have audited the accompanying financial statements of the Knoxville – Knox County Emergency Communications District (the District), a component unit of Knox County, Tennessee, as of and for the years ended June 30, 2009 and 2008, 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 audits.

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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Knoxville – Knox County Emergency Communications District as of June 30, 2009 and 2008, and the respective changes in financial position and cash flows thereof for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2009 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.

The information in the management's discussion and analysis on pages 4 through 10 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The information in the introductory and supplementary information sections listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and Schedule of Information Required by the Tennessee Emergency Communications Board in the supplementary information section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

November 25, 2009



Knox County Emergency Communications District
605 Bernard Avenue, Knoxville, TN 37921

J. Robert Coker, Executive Director

Phone: 865-215-1100

Fax: 865-215-1134

The first CALEA certified 9-1-1 center in Tennessee

Management's Discussion and Analysis

As management of the Knoxville - Knox County Emergency Communications District (the District), we offer the readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal years ended June 30, 2009 and June 30, 2008. We encourage readers to consider the information presented here in conjunction with the information provided in the financial statements, notes to financial statements, and supplementary information when reviewing the District's financial activities and condition.

Financial Highlights for Fiscal Year 2009

- ❖ The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$10,671,436 (*net assets*). Of this amount, \$6,245,914 is unrestricted. The unrestricted net assets amount is a total of two amounts: \$2,494,908 may be used to meet the District's ongoing obligations to citizens and creditors, while the remaining amount of \$3,751,006 is designated for the equipment reserve.
- ❖ The District's total net assets increased by \$1,813,678. This increase is primarily the result of the ongoing principal operations of the District, and the fact that the State of Tennessee distributed an additional lump sum payment in the amount of \$765,516 out of the State of Tennessee's Operational Funding Program.
- ❖ The District's total capital assets before depreciation increased by \$18,412. This increase is comprised of remodeling improvements made to the 911 call center facility.
- ❖ The District's total debt decreased by \$775,000. This decrease reflects \$625,000 in principal paid on the capital leases as well as \$150,000 paid to the County to reduce the Districts' indebtedness to the County for long-term funds previously advanced to the District. These items are discussed in Notes 6 and 7 of the Notes to the Financial Statements.

Financial Highlights for Fiscal Year 2008

- ❖ The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$8,857,758 (*net assets*). Of this amount, \$3,774,037 (*unrestricted net assets*) may be used to meet the District's ongoing obligations to citizens and creditors.
- ❖ The District's total net assets increased by \$1,741,719. This increase is primarily the result of the ongoing principal operations of the District, and the fact that the State of Tennessee distributed an additional lump sum payment in the amount of \$918,619 out of the State of Tennessee's collected wireless fees.
- ❖ The District's total capital assets before depreciation increased by \$75,082. This increase is comprised of construction in process relating to improvements made to the 911 facility by Knox County and the purchase of a new vehicle.

- ❖ The District's total debt decreased by \$1,624,309. This decrease reflects \$1,479,309 in principal paid on the capital leases as well as \$145,000 paid to the County to reduce the Districts' indebtedness to the County for long-term funds previously advanced to the District. These items are discussed in Notes 6 and 7 of the Notes to the Financial Statements.

Overview of 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 consist of two components: 1) financial statements comprised of the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows, and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Financial Statements. The Statement of Net Assets presents information on all of the District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Assets present information showing how the District's net assets changed during the last two fiscal years. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs (full accrual accounting), regardless of the timing of the 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 (e.g., uncollected user service fees, uncollected subsidy payments, and earned but unused vacation leave).

The Statement of Cash Flows presents information on the actual cash inflows and outflows resulting from the various operating, financing, capital, and investing activities of the District for the last two fiscal years.

The financial statements can be found on pages 11-15 of this report.

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 16-27 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the District's budgetary compliance and variances from the original budget and final amended budget. This supplementary information can be found on pages 28-31 of this report.

Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the District's financial position. As of June 30, 2009, the District's assets exceeded its liabilities by \$10,671,436 (*net assets*). At June 30, 2008, the District's net assets totaled \$8,857,758. The District's investment in capital assets consists of capital assets (e.g. land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The District utilizes these capital assets to provide services to citizens and

other user groups. As a result, these net assets, which currently amount to 41.47% of total net assets, are not available for future spending. Also, while 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 these liabilities. The remaining balance of \$6,245,914 is a total of two amounts: \$2,494,908 may be used to meet the District's ongoing obligations to citizens and creditors and \$3,751,006 is designated for the District's equipment reserve.

As the following table shows, the District reported an increase in net assets of \$1,813,678 for the current fiscal year ended June 30, 2009. As previously noted, this increase is primarily the result of the principal operations of the District, and the fact that the State of Tennessee distributed an additional lump sum payment in the amount of \$765,516 out of the State of Tennessee's Operational Funding Program. The decrease of \$658,199 invested in capital assets, net of related debt, is primarily due to a combination of three items: 1) an increase in invested in capital assets, net due to an decrease in associated debt of \$625,000; 2) a decrease in invested in capital assets, net due to depreciation expense charged during the current fiscal year of \$1,301,611; 3) an increase in invested in capital assets, net due to the remodeling improvements at the call center totaling \$18,412.

During the fiscal year ended June 30, 2008, the District reported an increase in net assets of \$1,741,719. This increase was primarily the result of the fact that the State of Tennessee distributed an additional lump sum payment in the amount of \$918,619 out of the State of Tennessee's Operational Funding Program. The increase of \$253,194 invested in capital assets, net of related debt, results chiefly from a combination of three items: 1) an increase in invested in capital assets, net due to a decrease in associated debt of \$1,479,309; 2) a decrease in invested in capital assets, net due to depreciation and amortization expense charged during the 2008 fiscal year totaling \$1,301,197; 3) an increase in invested in capital assets, net due to the construction in process and the purchase of a new vehicle totaling \$75,082.

**Knoxville-Knox County Emergency Communications District
Net Assets**

	FYE June 30, 2009	FYE June 30, 2008	FYE June 30, 2007
Current and Other Assets	\$ 10,592,507	\$ 8,156,579	\$ 6,847,088
Capital Assets	5,730,522	7,013,721	8,239,836
Total Assets	<u>\$ 16,323,029</u>	<u>\$ 15,170,300</u>	<u>\$ 15,086,924</u>
Long-term Liabilities Outstanding	\$ 4,262,921	\$ 5,061,247	\$ 6,132,584
Other Liabilities	1,388,672	1,251,295	1,838,301
Total Liabilities	<u>\$ 5,651,593</u>	<u>\$ 6,312,542</u>	<u>\$ 7,970,885</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	\$ 4,425,522	\$ 5,083,721	\$ 4,830,527
Unrestricted:			
Designated equipment reserve	3,751,006	-	-
Unrestricted	2,494,908	3,774,037	2,285,512
Total Net Assets	<u>\$ 10,671,436</u>	<u>\$ 8,857,758</u>	<u>\$ 7,116,039</u>

The next table shows the key elements from ongoing operations that contributed to the increase in net assets of \$1,813,678 during the current fiscal year. This increase compares to the fiscal year 2008 increase of \$1,741,719. There were two basic reasons for this year's increase as opposed to last year's increase. Operating revenues, comprised mainly of user service fees, increased by \$566,470 or approximately more than 10.50% during fiscal year 2009, operating expenses increased by \$581,361 or 9.45%, a result of increased personnel costs. Also, Nonoperating Revenues increased by \$33,374 or 1.22%, the result of increased grant revenues and increased radio maintenance for Non Public Safety Agencies, while Nonoperating Expenses decreased by \$53,476 or 22.32%, due to interest payments on debt. In fiscal year 2008 operating revenues increased by \$1,056,688, while Nonoperating Revenues decreased by \$183,795.

For fiscal year 2009 Nonoperating Revenues increased by \$33,374, that increase is the combination of: increase in rental income totaling \$90,000, increase of the Tennessee Emergency Communications Board – Grants and Reimbursements totaling \$51,096, increase of radio maintenance (Non Public Safety Agencies) totaling \$27,216, combined with an increase of \$13,970 in miscellaneous revenue which is comprised chiefly of charges for tower and facility rental, and interest earnings decreased by \$148,908 primarily as a result of lower interest rates during FY 2009.

Total expenses for FY 2009 increased by \$527,885, with the increase being comprised of an increase of \$544,981 in personnel costs: salaries and wages and employee benefits, increased costs of contracted services totaling \$51,249 and supplies and materials totaling \$9,014, a decrease in other charges totaling \$24,297, combined with decreased interest costs, and a slightly higher depreciation expense. The difference in depreciation from the current fiscal year and the previous fiscal year amounted to \$414. The fiscal year 2009 decrease in interest expense was \$53,476. This decrease is the result of additional payments on debt. In FY 2008, the District did pay off the debt related to the 800 MHz emergency radio system. During FY 2008, total expenses increased by \$92,337, with the increase being comprised of increased costs of personnel (salaries and wages and employee benefits), an increase in contracted services and other charges, a decrease in supplies and materials, combined with reduced interest costs, and slightly lower depreciation expense.

**Knoxville-Knox County Emergency Communications District
Changes in Net Assets**

	FYE <u>June 30, 2009</u>	FYE <u>June 30, 2008</u>	FYE <u>June 30, 2007</u>
Revenues:			
Operating Revenues:			
Emergency Telephone Service Charges	\$ 4,170,255	\$ 3,586,600	\$ 2,588,675
TECB-Wireless Fees	999,501	866,653	804,315
TECB-Operational Funding Program	765,516	918,619	918,619
Other Operating Revenues - Tape Sales	24,525	21,455	25,030
Nonoperating Revenues:			
Contributions from Other Governments and Agencies	1,719,140	1,719,140	1,719,140
Contributions from Primary Government	492,828	492,828	492,828
Rental Income	159,000	69,000	159,000
TN Emergency Comm. Board - Grants and Reimbursements	120,997	69,901	200,000
Radio Maintenance (Non Public Safety Agencies)	122,976	95,760	34,318
Miscellaneous Income	31,487	17,517	41,000
Interest Income	130,087	278,995	280,650
Total Revenues	<u>8,736,312</u>	<u>8,136,468</u>	<u>7,263,575</u>
Expenses:			
Operating Expenses			
Salaries and Wages	3,126,924	2,752,581	2,673,227
Employee Benefits	905,275	734,637	694,672
Contracted Services	1,155,264	1,104,015	1,095,400
Supplies and Materials	185,660	176,646	184,643
Other Charges	61,742	86,039	65,420
Depreciation and Amortization	1,301,611	1,301,197	1,305,821
Nonoperating Expenses:			
Interest	186,158	239,634	283,229
Total Expenses	<u>6,922,634</u>	<u>6,394,749</u>	<u>6,302,412</u>
Change in Net Assets	1,813,678	1,741,719	961,163
Net Assets July 1	8,857,758	7,116,039	6,154,876
Net Assets June 30	<u>\$ 10,671,436</u>	<u>\$ 8,857,758</u>	<u>\$ 7,116,039</u>

Budgetary Highlights

Differences between the original budget and final amended budget for ongoing operations were relatively minor. The only revisions to the budget were within the major budget categories to cover individual line items that exceeded budget and also included the reappropriation of amounts reserved at the end of the previous fiscal year. Amendments to the budget increased the total revenue budget for the District in the amount of \$73,134, and amendments increased the total expense budget for the District in the same amount of \$73,134. The Schedule of Revenues and Expenses – Budget to Actual (Budget Basis), which is found in the supplementary information section of this report on pages 28, 29, details the original budget, budget amendments, amended budget, and actual revenues and expenditures, as well as the variances from the final amended budget. The District did not exceed their original total budgets at the level of budgetary control, which is at the individual line item level.

Operating Revenues were \$327,981 under budget, while Nonoperating Revenues were a combined \$213,047 over budget. Operating expenses were \$850,541 under budget, and of the reserved and reappropriated amounts that were budgeted for Capital Outlay and the repayment of debt \$979,570 was spent. The net result of these budgetary variations was that the Fund Balance increased by \$2,321,877 compared with the budgeted net increase of \$1,759,206 in the final amended budget.

Capital Assets and Debt Administration

Capital Assets. The District's investment in capital assets as of June 30, 2009, amounts to \$4,425,522 (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings, communications and office equipment, software and leasehold improvements. The District's investment in capital assets, net decreased for the current fiscal year by 13%, or \$658,199, due chiefly to a combination of three items: 1) an increase in invested in capital assets, net due to an decrease in associated debt of \$625,000; 2) a decrease in invested in capital assets, net due to depreciation expense charged during the current fiscal year of \$1,301,611; 3) an increase in invested in capital assets, net due to the remodeling improvements at the call center totaling \$18,412. As of June 30, 2008, the District's net assets invested in capital assets amounted to \$5,083,721 (net of accumulated depreciation and related debt). For the fiscal year ending June 30, 2008, the District's investment in capital assets, net increased 5%, or \$253,194, from the FY 2007 balance of \$4,830,527. This fiscal year 2008 increase resulted chiefly from a combination of three items: 1) an increase in invested in capital assets, net due to a decrease in associated debt of \$1,479,309; 2) a decrease in invested in capital assets, net due to depreciation and amortization expense charged during the 2008 fiscal year totaling \$1,301,197; 3) an increase in invested in capital assets, net due to the construction in process and the purchase of a new vehicle totaling \$75,082. For a detailed schedule of the District's capital assets, see Note 5: Capital Assets on pages 22 and 23 in the Notes to the Financial Statements.

Long-term Debt. At the end of the current fiscal year, the District had capital lease obligations of \$1,305,000. This amount decreased by \$625,000 during FY 2009, representing payment of principal on the CAD/CTI capital lease. At June 30, 2008 the District had capital lease obligations totaling \$1,930,000, or \$1,479,309 less than at June 30, 2007, resulting from the final payment of principal on the 800 MHz capital lease and payment of principal on the CAD/CTI capital lease. Compensated absences payable increased by a net of \$44,915 in FY 2009, and increased by a net of \$9,212 in FY 2008. For a detailed schedule of the District's long term debt, see Note 7: Long Term Liabilities on pages 25 and 26 in the Notes to the Financial Statements.

Requests for Information

This financial report is designed to provide a general overview of the Knoxville - Knox County Emergency Communications District's finances for all of those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Executive Director, Knoxville - Knox County Emergency Communications District, 605 Bernard Avenue, Knoxville, Tennessee, 37917.

**KNOXVILLE - KNOX COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

**STATEMENTS OF NET ASSETS
June 30, 2009 and June 30, 2008**

	2009	2008
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 9,475,025	\$ 7,170,936
Accounts Receivable	1,099,245	957,646
Due from Primary Government	7,438	12,026
Prepaid Items	10,799	15,971
Total Current Assets	10,592,507	8,156,579
 Noncurrent Assets:		
Capital Assets:		
Land	56,089	56,089
Buildings	5,099,736	5,081,324
Construction in Process	107,525	107,525
Communications and Office Equipment	12,335,887	12,335,887
Computer Software	29,345	29,345
Leasehold Improvements	207,735	207,735
Subtotal	17,836,317	17,817,905
Less: Accumulated Depreciation	(12,105,795)	(10,804,184)
Total Capital Assets (Net of Accumulated Depreciation)	5,730,522	7,013,721
Total Assets	\$ 16,323,029	\$ 15,170,300

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

continued . . .

**KNOXVILLE - KNOX COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

**STATEMENTS OF NET ASSETS - (Continued)
June 30, 2009 and June 30, 2008**

	2009	2008
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 53,107	\$ 49,679
Accrued Payroll Payable	218,710	154,099
Compensated Absences Payable	204,037	161,796
Due to Primary Government	4,293	3,196
Deferred Revenue	107,525	107,525
Advances from Primary Government - Current	156,000	150,000
Capital Lease Obligations - Current	645,000	625,000
Total Current Liabilities	<u>1,388,672</u>	<u>1,251,295</u>
Noncurrent Liabilities:		
Compensated Absences Payable - Long Term	22,671	19,997
Advances from Primary Government - Long Term	3,580,250	3,736,250
Capital Lease Obligations - Long Term	660,000	1,305,000
Total Noncurrent Liabilities	<u>4,262,921</u>	<u>5,061,247</u>
Total Liabilities	<u>5,651,593</u>	<u>6,312,542</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	4,425,522	5,083,721
Unrestricted	6,245,914	3,774,037
Total Net Assets	<u>\$ 10,671,436</u>	<u>\$ 8,857,758</u>

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

**KNOXVILLE - KNOX COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

**STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
For the Years Ended June 30, 2009 and June 30, 2008**

	2009	2008
Operating Revenues:		
Emergency Telephone Service Charges	\$ 4,170,255	\$ 3,586,600
TECB - Wireless Fees	999,501	866,653
TECB - Operational Funding Program	765,516	918,619
Other Operating Revenues - Tape Sales	24,525	21,455
Total Operating Revenues	5,959,797	5,393,327
Operating Expenses:		
Salaries and Wages	3,126,924	2,752,581
Employee Benefits	905,275	734,637
Contracted Services	1,155,264	1,104,015
Supplies and Materials	185,660	176,646
Other Charges	61,742	86,039
Depreciation and Amortization	1,301,611	1,301,197
Total Operating Expenses	6,736,476	6,155,115
Operating Loss	(776,679)	(761,788)
Nonoperating Revenues (Expenses):		
Contributions from Other Governments and Agencies	1,719,140	1,719,140
Contributions from Primary Government	492,828	492,828
Rental Income	159,000	69,000
Tennessee Emergency Communications Board - Grants and Reimbursements	120,997	69,901
Radio Maintenance (Non Public Safety Agencies)	97,104	69,888
Radio Maintenance - County Highway Dept.	25,872	25,872
Miscellaneous Income	31,487	17,517
Interest Income	130,087	278,995
Interest Expense	(186,158)	(239,634)
Total Nonoperating Revenues (Expenses)	2,590,357	2,503,507
Change in Net Assets	1,813,678	1,741,719
Total Net Assets, July 1	8,857,758	7,116,039
Total Net Assets, June 30	\$ 10,671,436	\$ 8,857,758

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

**KNOXVILLE - KNOX COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

**STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2009 and June 30, 2008**

	2009	2008
Cash Flows from Operating Activities		
Cash Received from Surcharges and Other Revenues	\$ 6,131,661	\$ 5,296,881
Cash Payments to Suppliers for Goods and Services	(1,388,381)	(1,390,357)
Cash Payments for Payroll, Taxes and Related Benefits	(3,922,673)	(3,482,137)
	<u>820,607</u>	<u>424,387</u>
Cash Flows from Noncapital Financing Activities		
Contributions from Other Governments and Agencies	1,719,140	1,719,140
Contributions from Primary Government	492,828	492,828
Grants/ Reimbursements TECB	120,997	69,901
	<u>2,332,965</u>	<u>2,281,869</u>
Cash Flows from Capital and Related Financing Activities		
Purchase of Equipment	-	(75,082)
Payments for Land and Building	(18,412)	-
Principal Paid on Capital Leases Payable	(625,000)	(1,479,309)
Interest Paid on Capital Leases Payable	(186,158)	(239,634)
Payment to Primary Government for Debt Service	(150,000)	(145,000)
	<u>(979,570)</u>	<u>(1,939,025)</u>
Cash Flows from Investing Activities		
Interest Received	130,087	278,995
	<u>130,087</u>	<u>278,995</u>
Net Increase in Cash and Cash Equivalents	2,304,089	1,046,226
Cash and Cash Equivalents - Beginning of Year	7,170,936	6,124,710
	<u>7,170,936</u>	<u>6,124,710</u>
Cash and Cash Equivalents - End of Year	<u>\$ 9,475,025</u>	<u>\$ 7,170,936</u>

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

continued . . .

**KNOXVILLE - KNOX COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

**STATEMENTS OF CASH FLOWS - (Continued)
For the Years Ended June 30, 2009 and June 30, 2008**

**Reconciliation of Operating Loss to
Net Cash Provided by Operating Activities**

	<u>2009</u>	<u>2008</u>
Operating Loss	\$ (776,679)	\$ (761,788)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	1,301,611	1,301,197
Rental Income	159,000	69,000
Radio Maintenance (Non Public Safety Agencies)	122,976	95,760
Miscellaneous Income	31,487	17,517
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(141,599)	(327,353)
(Increase) Decrease in Due from Primary Government	4,588	13,846
(Increase) Decrease in Prepaid Items	5,172	50,242
Increase (Decrease) in Accounts Payable	3,428	(62,932)
Increase (Decrease) in Accrued Payroll Payable	64,611	(4,131)
Increase (Decrease) in Compensated Absences Payable	44,915	9,212
Increase (Decrease) in Due to Primary Government	1,097	(24,813)
Increase (Decrease) in Deferred Revenue	-	48,630
Net Cash Provided by Operating Activities	<u>\$ 820,607</u>	<u>\$ 424,387</u>

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

**KNOXVILLE - KNOX COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009 and June 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Knoxville - Knox County Emergency Communications District (the District) was established January 1, 1985, pursuant to the provisions of Section 7-86-101, Tennessee Code Annotated. The District has established and operates a consolidated public safety answering point (PSAP) service and emergency radio dispatch service for the residents of the City of Knoxville and Knox County, Tennessee.

The District is considered a component unit of Knox County, Tennessee and is discretely presented in the Knox County Comprehensive Annual Financial Report. The District is governed by an eleven-member Board of Directors (the Board). The majority of the Board is appointed by the Knox County Commission. Debt issuances or lease agreements exceeding five years require the approval of the Knox County Commission. The District has the authority to levy an emergency telephone service charge to be used to fund the emergency telephone service. The Knox County Commission, however, may reduce the levy established by the District, provided that the reduction does not preclude the District from the authorized activities provided in the Tennessee Code Annotated.

B. Basis of Accounting

The financial statements of the District are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The District applies Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements, in which case, GASB prevails. The District has elected not to adopt the Financial Accounting Standards Board statements and interpretations issued after November 30, 1989, in accordance with Governmental Accounting Standards Board Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*.

Additionally, proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District are user fees for landline and wireless telephone

**KNOXVILLE - KNOX COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009 and June 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

customers, as well as charges for tapes. Operating expenses for proprietary funds include the cost of sales and services such as salaries and wages, employee benefits, contracted services, supplies and materials, other charges, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

C. Assets, Liabilities, and Net Assets

1. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The District's cash, cash equivalents and investments are pooled and managed by the Trustee of Knox County. State Statutes authorize the District to invest in obligations of the federal government, State of Tennessee, U.S. governmental agencies, the State of Tennessee Local Government Investment Pool, certificates of deposit and repurchase agreements. All investments are reported at fair value. Short-term investments, however, are reported at cost, which approximates fair value. Currently, no investments are held in the District's name. Tennessee Code Annotated Section 5-8-201 requires financial institutions to secure the District's deposits by pledging governmental securities as collateral. The market value of the securities must equal to 105 percent of the average daily balance of the District's deposits.

2. Receivables and Payables

All trade and subsidy receivables and payables are recognized when incurred and recorded at full value. Any amounts later determined to be uncollectible are written off when that determination is made. Any necessary allowance for doubtful accounts would not be material.

3. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items when paid, and expensed in the applicable future accounting period.

**KNOXVILLE - KNOX COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009 and June 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Capital Assets

Capital assets, which include property, buildings, equipment, software and leasehold improvements, are defined as assets with an initial, individual cost of more than \$5,000 (amount not rounded). 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.

Property, buildings, equipment, software and leasehold improvements are depreciated using the straight-line method over the following estimated useful lives of the assets:

<u>Assets</u>	<u>Years</u>
Buildings	45
Communication and Office Equipment	5-15
Leasehold Improvements	15
Computer Software	7

Maintenance and repairs are charged to operations as incurred; major renewals and betterments are capitalized. When capital assets are sold, the related costs and accumulated depreciation are removed from the respective accounts, and any gain or loss is charged or credited to operations.

Capital assets considered construction in progress are stated at cost and are depreciated using the straight-line method over their estimated useful lives when placed into service.

5. Compensated Absences Payable

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since it is the District's policy that, upon separation or retirement, employees do not receive any payment for unused sick time. Vacation pay is accrued when earned.

**KNOXVILLE - KNOX COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009 and June 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employees may accumulate vacation leave according to the following schedule:

<u>Years of Service</u>	<u>Maximum Accrual</u>
0-8	36 days
9-20	39 days
21 and greater	42 days

6. Fee Income

Emergency telephone user service fees are recognized on the accrual basis. They are recorded when received, but allocated to the period for which the service providers collected them.

7. Designated Net Assets

The District's Board established an equipment reserve during the current fiscal year. This reserve is designated to purchase equipment for the District. The amount in the reserve for the year ended June 30, 2009 totaled \$3,751,006 and is included as a component of unrestricted net assets on the Statements of Net Assets.

8. Reclassifications

Certain amounts for the year ended June 30, 2008 have been reclassified to conform to the presentation for the year ended June 30, 2009.

9. Estimates

The preparation of financial statements in accordance 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 may differ from these estimates.

**KNOXVILLE - KNOX COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009 and June 30, 2008

NOTE 2: BUDGETARY INFORMATION

As required by State Statutes, the District adopts an annual operating budget. The budget proposal is prepared by the Executive Director of the District and approved by the Board. The appropriated budget is prepared by division, major category, and line item. Expenditures cannot exceed a line item or major category within a division without an amendment to the budget approved by the Board. All annual appropriations lapse at fiscal year end.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrances outstanding at year-end are not reported as expenditures or liabilities because the commitments will be honored in the subsequent year. Outstanding encumbrances are reappropriated in the subsequent year. Encumbrances at June 30, 2009 and 2008 were \$103,339 and \$73,134, respectively. These encumbrances are related primarily to capital expenditures for the ongoing equipment projects. See Note 5.

Accounting principles used in developing data on a budgetary basis differ from those used in preparing financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). The District reports a total increase or decrease in fund balance which enables the Board to determine the funds available for appropriation.

NOTE 3: DEPOSITS AND INVESTMENTS

At June 30, 2009, and June 30, 2008, the bank collateral pool administered by the Treasurer of the State of Tennessee covered the District's cash and cash equivalents, which were pooled and managed by the Trustee of Knox County. Banks participating in the collateral pool determine the aggregate balance of their public fund accounts for the District.

**KNOXVILLE - KNOX COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009 and June 30, 2008

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

The amount of collateral required to secure these deposits must be equal to 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the State Treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be entirely insured or collateralized.

NOTE 4: DEFERRED COMPENSATION PLAN

The District provides the opportunity for each of its employees to participate in a deferred compensation plan created in accordance with Internal Revenue Service Code Section 457. Under this plan, employees may elect to reduce their salary by at least \$20 per month in tax-deferred savings to supplement retirement income. The deferred compensation is generally not available to employees until termination, retirement, death or unforeseeable emergency.

The assets of the deferred compensation plan are held in trust for the exclusive benefit of participants and their beneficiaries and are not reflected as an asset or liability of the District.

**KNOXVILLE - KNOX COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009 and June 30, 2008

NOTE 5: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated:				
Land	\$ 56,089	\$ -	\$ -	\$ 56,089
Construction in Progress	107,525	-	-	107,525
Total Capital Assets, Not Being Depreciated	163,614	-	-	163,614
Capital Assets Being Depreciated:				
Buildings	5,081,324	18,412	-	5,099,736
Communications and Office Equipment	12,335,887	-	-	12,335,887
Computer Software	29,345	-	-	29,345
Leasehold Improvements	207,735	-	-	207,735
Total Capital Assets Being Depreciated	17,654,291	18,412	-	17,672,703
Less Accumulated Depreciation for:				
Buildings	(510,500)	(113,203)	-	(623,703)
Communications and Office Equipment	(10,141,211)	(1,174,559)	-	(11,315,770)
Computer Software	(29,345)	-	-	(29,345)
Leasehold Improvements	(123,128)	(13,849)	-	(136,977)
Total Accumulated Depreciation	(10,804,184)	(1,301,611)	-	(12,105,795)
Total Capital Assets Being Depreciated, Net	6,850,107	(1,283,199)	-	5,556,908
Total Capital Assets, Net	\$7,013,721	\$(1,283,199)	\$ -	\$5,730,522

**KNOXVILLE - KNOX COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009 and June 30, 2008

NOTE 5: CAPITAL ASSETS (Continued)

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated:				
Land	\$ 56,089	\$ -	\$ -	\$ 56,089
Construction in Progress	58,895	48,630	-	107,525
Total Capital Assets, Not Being Depreciated	<u>114,984</u>	<u>48,630</u>	<u>-</u>	<u>163,614</u>
Capital Assets Being Depreciated:				
Buildings	5,081,324	-	-	5,081,324
Communications and Office Equipment	12,309,435	26,452	-	12,335,887
Computer Software	29,345	-	-	29,345
Leasehold Improvements	207,735	-	-	207,735
Total Capital Assets Being Depreciated	<u>17,627,839</u>	<u>26,452</u>	<u>-</u>	<u>17,654,291</u>
Less Accumulated Depreciation for:				
Buildings	(394,155)	(116,345)	-	(510,500)
Communications and Office Equipment	(8,970,208)	(1,171,003)	-	(10,141,211)
Computer Software	(29,345)	-	-	(29,345)
Leasehold Improvements	(109,279)	(13,849)	-	(123,128)
Total Accumulated Depreciation	<u>(9,502,987)</u>	<u>(1,301,197)</u>	<u>-</u>	<u>(10,804,184)</u>
Total Capital Assets Being Depreciated, Net	<u>8,124,852</u>	<u>(1,274,745)</u>	<u>-</u>	<u>6,850,107</u>
Total Capital Assets, Net	<u>\$8,239,836</u>	<u>\$(1,226,115)</u>	<u>\$ -</u>	<u>\$ 7,013,721</u>

**KNOXVILLE - KNOX COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009 and June 30, 2008

NOTE 6: CAPITAL LEASE OBLIGATIONS PAYABLE

In the 2004 fiscal year, the District entered into a capital lease agreement totaling \$4,250,000 to finance the acquisition of the new CAD/CTI system. The lease agreement is payable over seven years in quarterly interest installments, with one principal installment annually, at an annual interest rate of 3.31%.

The assets acquired through this capital lease are as follows:

Communications and Office Equipment	\$4,050,052
Less: Accumulated Depreciation	<u>(3,230,398)</u>
Total	<u>\$ 819,654</u>

The future minimum lease obligations for the CAD/CTI system at June 30, 2009 are as follows:

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	645,000	32,521	677,521
2011	<u>660,000</u>	<u>10,923</u>	<u>670,923</u>
Total	<u>\$1,305,000</u>	<u>\$ 43,444</u>	<u>\$1,348,444</u>

**KNOXVILLE - KNOX COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009 and June 30, 2008

NOTE 7: LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2009, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Capital leases	\$ 1,930,000	\$ -	\$ (625,000)	\$ 1,305,000	\$ 645,000
Advances from Primary Government	3,886,250	-	(150,000)	3,736,250	156,000
Compensated absences	181,793	257,202	(212,287)	226,708	204,037
Total long-term liabilities	<u>\$ 5,998,043</u>	<u>\$ 257,202</u>	<u>\$ (987,287)</u>	<u>\$ 5,267,958</u>	<u>\$ 1,005,037</u>

The Advances from Primary Government represent General Obligation Debt issued by Knox County on behalf of the District. The total debt issued by the County on the District's behalf is \$4.5 million, and as of June 30, 2004 \$4,439,250 of this debt issue had been advanced to the District. The remaining balance of \$60,750 represents closing costs paid on the issuance of the debt which reduced the total proceeds available for the District's benefit. There are no official terms of repayment between the District and the County, but it is the District's intent to repay the County for all principal, interest and closing costs incurred on its behalf according to the same debt service schedule as the County. During FY 2009, the District repaid \$150,000 in principal on this Advance.

**KNOXVILLE - KNOX COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009 and June 30, 2008

NOTE 7: LONG-TERM LIABILITIES (Continued)

Long-term liability activity for the year ended June 30, 2008, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Capital Leases	\$ 3,409,309	\$ -	\$(1,479,309)	\$ 1,930,000	\$ 625,000
Advances from Primary Government	4,031,250	-	(145,000)	3,886,250	150,000
Compensated Absences	172,581	234,589	(225,377)	181,793	161,796
Total Long-term Liabilities	<u>\$ 7,613,140</u>	<u>\$ 234,589</u>	<u>\$(1,849,686)</u>	<u>\$ 5,998,043</u>	<u>\$ 936,796</u>

NOTE 8: CONTRIBUTED SERVICES

Knox County provides various administrative and internal service functions to the District at no cost to the District. Since the value of such services has not been determined, no income or related expenses have been included in these financial statements.

NOTE 9: RELATED PARTY TRANSACTIONS

Under an intergovernmental cooperation agreement setting forth their mutual understandings regarding financial assistance provided to the District in return for consolidated PSAP service and emergency radio dispatch service, the City of Knoxville and Knox County make annual allocations to the District. The City of Knoxville and Knox County, Tennessee provided funding of \$2,211,968 in the current fiscal year and past fiscal year to the District, which amounted to 25.3 percent and 27.2 percent of total revenues for the fiscal years 2009 and 2008, respectively. The City of Knoxville and Knox County are not legally responsible for funding operational deficits of the District.

**KNOXVILLE - KNOX COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009 and June 30, 2008

NOTE 10: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District controls these various risks by purchasing commercial insurance coverage. The District purchases workers' compensation, property and liability insurance.

The District has had no significant reduction in insurance coverage over the last three years. There have been no settlements in excess of insurance coverage over the last three years.

**SUPPLEMENTARY
INFORMATION**

**KNOXVILLE - KNOX COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

SCHEDULE OF REVENUES AND EXPENSES - BUDGET TO ACTUAL (BUDGET BASIS)

(Unaudited)

For the Year Ended June 30, 2009

	Original Budget	Amendments	Amended Budget	Actual	Variance Favorable (Unfavorable)	YTD % of Budget
Operating Revenues						
Emergency Telephone Service Charges	\$ 4,544,159	\$ -	\$ 4,544,159	\$ 4,170,255	\$ (373,904)	92%
TECB - Wireless Fees	825,000	-	825,000	999,501	174,501	121%
TECB - Operational Funding Program	918,619	-	918,619	765,516	(153,103)	83%
Other Operating Revenue - Tape Sales	-	-	-	24,525	24,525	0%
Total Operating Revenues	6,287,778	-	6,287,778	5,959,797	(327,981)	95%
Operating Expenses						
<u>Salaries and Wages</u>						
Director	107,409	-	107,409	107,409	-	100%
Administrative Personnel	494,596	6,500	501,096	499,174	1,922	100%
Dispatchers	1,092,986	-	1,092,986	1,026,177	66,809	94%
Call Processors	1,273,725	(6,500)	1,267,225	1,151,314	115,911	91%
Part-time Personnel	130,000	-	130,000	30,000	100,000	23%
Other Salaries and Wages	431,228	(11,000)	420,228	312,850	107,378	74%
Total Salaries and Wages	3,529,944	(11,000)	3,518,944	3,126,924	392,020	89%
<u>Employee Benefits</u>						
Social Security	270,202	11,000	281,202	238,174	43,028	85%
Retirement	164,906	-	164,906	142,353	22,553	86%
Health Insurance	553,594	(100)	553,494	517,121	36,373	93%
Life Insurance	8,550	100	8,650	7,627	1,023	88%
Total Employee Benefits	997,252	11,000	1,008,252	905,275	102,977	90%
<u>Contracted Services</u>						
Medical Services	6,298	(1,000)	5,298	3,362	1,936	63%
Licensing and Related Costs	25,000	(1,000)	24,000	20,000	4,000	83%
Educational Services	4,100	-	4,100	4,071	29	99%
Other Professional Services	5,250	11,000	16,250	15,521	729	96%
Equipment - Rent/Repair/Maintenance	545,200	18,828	564,028	495,639	68,389	88%
Communications and IT Related	512,000	(30,162)	481,838	470,219	11,619	98%
Other Services Related to Daily Operations	11,750	(4,850)	6,900	2,335	4,565	34%
Services - Maintenance of Building and Grounds	9,003	1,164	10,167	7,375	2,792	73%
Contract with Other Agencies	120,960	-	120,960	115,006	5,954	95%
Space Rentals	300	-	300	50	250	17%
Employee, Travel, Educational Training	39,320	(9,000)	30,320	21,686	8,634	72%
Total Contracted Services	1,279,181	(15,020)	1,264,161	1,155,264	108,897	91%

continued...

**KNOXVILLE - KNOX COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

SCHEDULE OF REVENUES AND EXPENSES - BUDGET TO ACTUAL (BUDGET BASIS)

(Unaudited)

For the Year Ended June 30, 2009

	Original Budget	Amendments	Amended Budget	Actual	Variance Favorable (Unfavorable)	YTD % of Budget
Operating Expenses (continued)						
<u>Supplies and Materials</u>						
Food	\$ 2,000	\$ (2,000)	\$ -	\$ -	-	0%
Utilities and Fuel	163,523	(3,500)	160,023	155,215	4,808	97%
Office Supplies and Minor Equipment	51,752	2,019	53,771	15,381	38,390	29%
Grounds/Buildings - Rent/Repair/Maintenance	500	-	500	112	388	22%
Educational Materials	11,100	(4,233)	6,867	3,079	3,788	45%
Other Materials for Daily Operations	14,400	-	14,400	11,873	2,527	82%
Total Supplies and Materials	243,275	(7,714)	235,561	185,660	49,901	79%
<u>Other Charges</u>						
Insurance Related Charges	7,000	-	7,000	4,683	2,317	67%
Worker's Compensation Charges	35,000	(11,500)	23,500	22,060	1,440	94%
Liability Charges	12,000	(3,000)	9,000	8,691	309	97%
Space Costs	24,130	-	24,130	23,456	674	97%
Other	3,100	-	3,100	2,852	248	92%
Capital Outlay	-	110,368	110,368	18,412	91,956	17%
Total Other Charges	81,230	95,868	177,098	80,154	196,746	45%
Total Operating Expenses	6,130,882	73,134	6,204,016	5,453,277	850,541	88%
Operating Loss	156,896	(73,134)	83,762	506,520	522,560	605%
Nonoperating Revenues (Expenses)						
Contributions from Other Governments & Agencies	1,719,140	-	1,719,140	1,719,140	-	100%
Contributions from Primary Government	492,828	-	492,828	492,828	-	100%
Rental Income	159,000	-	159,000	159,000	-	100%
TECB - Grants and Reimbursements	10,000	-	10,000	120,997	110,997	1210%
Radio Maintenance (Non Public Safety Agencies)	-	-	-	122,976	122,976	0%
Miscellaneous Income	157,500	-	157,500	31,487	(126,013)	20%
Interest Income	25,000	-	25,000	130,087	105,087	520%
Debt Principal	(775,000)	-	(775,000)	(775,000)	-	0%
Interest Expense	(186,158)	-	(186,158)	(186,158)	-	0%
Appropriations from Fund Balance	-	73,134	73,134	-	(73,134)	0%
Total Nonoperating Revenues (Expenses)	1,602,310	73,134	1,675,444	1,815,357	139,913	108%
Net Income (Loss) (Budget Basis)	1,759,206	-	1,759,206	2,321,877	562,671	132%

**KNOXVILLE - KNOX COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

**Reconciliation of the Schedule of Revenues and Expenses - Budget to Actual (Budget Basis)
To the Statement of Revenues, Expenses and Changes in Net Assets
(Unaudited)**

For the Year Ended June 30, 2009

Amounts reported in the Schedule of Revenues and Expenses - Budget to Actual
(Budget Basis) are different because:

Total net change in fund balance, (Budget Basis) (page 29) \$ 2,321,877

Capital outlays are reported as expenditures in the Schedule of Revenues and Expenses - Budget to Actual (Budget Basis). However, in the Statement of Revenues, Expenses and Changes in Net Assets the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (1,301,611) exceeds capital outlays (18,412) in the current year. (1,283,199)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources as recognized in the Schedule of Revenues and Expenses - Budget to Actual (Budget Basis), while the repayment of the principal of long-term debt consumes the current financial resources. However, in the Statement of Revenues, Expenses and Changes in Net Assets, neither type of transaction has any effect. This amount is the net effect of these differences in the treatment of long-term debt (625,000) & (150,000). 775,000

Change in net assets (page 13) \$ 1,813,678

**KNOXVILLE - KNOX COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

**Schedule of Information Required by the Tennessee Emergency Communications Board
(Unaudited)**

For the Year Ended June 30, 2009

Number of Public Safety Answering Points (PSAP):

One

Address of PSAP:

Knoxville - Knox County Emergency Communications District
605 Bernard Avenue
Knoxville, Tennessee 37921

System Used by PSAP:

CML ES-1000 Switch

Database Used by PSAP:

Intrado External Database for MSAG

District Director:

Bob Coker, Executive Director
605 Bernard Avenue
Knoxville, Tennessee 37921

Telephone: 865-215-1100

Fax: 865-215-1134

District Board of Directors Chair:

Mr. Nathan Rothchild
8807 Kingston Pike
Knoxville, Tennessee 37923

Telephone: 865-690-0103

Fax: 865-690-0149

**INTERNAL CONTROL
AND COMPLIANCE SECTION**



KPMG LLP
401 Commerce Street, Suite 1000
Nashville, TN 37219-2422

**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***

The Board of Directors
Knoxville – Knox County Emergency Communications District:

We have audited the financial statements of Knoxville – Knox County Emergency Communications District (the District), a component unit of Knox County, Tennessee, as of and for the year ended June 30, 2009, and have issued our report thereon dated November 25, 2009. 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 over financial reporting.

A deficiency in internal control over financial reporting 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 over financial reporting, 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 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 management, the Board of Directors, others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 25, 2009