

EMERGENCY COMMUNICATIONS DISTRICT OF
METROPOLITAN NASHVILLE AND DAVIDSON COUNTY

FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION
AND
INDEPENDENT AUDITORS' REPORTS

JUNE 30, 2009 AND 2008

EMERGENCY COMMUNICATIONS DISTRICT OF
METROPOLITAN NASHVILLE AND DAVIDSON COUNTY

FINANCIAL STATEMENTS, ADDITIONAL INFORMATION
AND
INDEPENDENT AUDITORS' REPORTS

JUNE 30, 2009 AND 2008

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EMERGENCY COMMUNICATIONS DISTRICT OF
METROPOLITAN NASHVILLE AND DAVIDSON COUNTY

BOARD OF DIRECTORS

Chair - Ms. Cleo Duckworth
5304 Hickory Park Drive
Antioch, TN 37013

1st Vice Chair - Ms. Susan Mattson
1718 Kingsbury Drive
Nashville, TN 37215

2nd Vice Chair - Mr. William Johnson
705 Rowan Drive
Nashville, TN 37207

Mr. James Robertson
4243 Kings Lane
Nashville, TN 37218

Mr. Joe Sweat
3517 Central Avenue
Nashville, TN 37205

Mr. Wayne Tucker
2328 Cabin Hill Road
Nashville, TN 37214

Mr. Buford Tune
5324 Bell Crest Dr.
Antioch, TN 37013

Mr. Eliud Trevino
505 Harding Place
Nashville, TN 37211

Mr. Jim Graves
PO Box 25
Joelton, TN 37080

Legal Counsel
Mr. Joe Haynes
PO Box 527
Goodlettsville, TN 37072

Fiscal Officer
Mr. Mark Lynam
2060 15th Avenue South
Nashville, TN 37212



INDEPENDENT AUDITORS' REPORT

Board of Directors
Emergency Communications District of
Metropolitan Nashville and Davidson County
Nashville, Tennessee

We have audited the accompanying statements of net assets of the Emergency Communications District of Metropolitan Nashville and Davidson County (the "ECD"), a component unit of the Metropolitan Government of Nashville and Davidson County, Tennessee, as of June 30, 2009 and 2008, and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the ECD's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Emergency Communications District of Metropolitan Nashville and Davidson County as of June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2009 on our consideration of the ECD'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 audits.

Management's discussion and analysis information on pages 3 and 4 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. 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 audits were conducted for the purpose of forming an opinion on the above-mentioned basic financial statements taken as a whole. The accompanying additional information, on pages 16 and 17, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except for the portion marked "unaudited," on which we express no opinion, has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Handwritten signature in black ink that reads "Grant CPAs PLLC". The signature is written in a cursive, flowing style.

Nashville, Tennessee
October 12, 2009

Management's Discussion and Analysis

This section of the Emergency Communications District's ("ECD") annual financial report presents our discussion and analysis of ECD's financial performance during the fiscal year ended June 30, 2009. This section should be read in conjunction with the financial statements and accompanying notes, which follow this section.

The Emergency Communications District is a proprietary component unit of the Metropolitan Government of Nashville and Davidson County, Tennessee ("Metropolitan Government"). ECD was authorized by the Metropolitan Council of the Metropolitan Government in 1988 pursuant to the Tennessee Emergency Communications District Law. ECD provides communication for emergency service to the appropriate public service agency. The costs of these services are funded by monthly telephone subscriber service fees.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to ECD's financial statements. The financial report includes three financial statements: the Statements of Net Assets, the Statements of Revenues, Expenses and Changes in Net Assets and the Statements of Cash Flows. The financial statements are prepared on the accrual basis of accounting. The Statements of Net Assets include all the assets and liabilities of ECD as of June 30, 2009 and 2008. The difference between the assets and liabilities is the net assets or equity of ECD. The Statements of Revenues, Expenses and Changes in Net Assets report all of the revenues and expenses during the years ended June 30, 2009 and 2008. The Statements of Cash Flows report the cash provided and used by operating activities as well as other cash sources and cash payments such as investment income and capital additions.

Financial Highlights

	Net Assets		
	2009	2008	
Current Assets	\$ 9,352,475	\$ 7,562,451	*
Capital Assets	5,138,964	4,149,084	
Total Assets	14,491,439	11,711,535	
Current Liabilities	337,137	1,213,006	
Net Assets Invested in Capital Assets	5,138,964	4,149,084	
Unrestricted Net Assets	9,015,338	6,349,445	*
Total Net Assets	\$ 14,154,302	\$ 10,498,529	*

* During 2009, the ECD received payment of \$176,849 from a service provider for subscriber fees collected prior to June 30, 2007. As this revenue was not previously recorded and does not relate to subscriber fees for the 2009 or 2008 fiscal years, a prior period adjustment has been made. (See Note 9 for details.)

Changes in Net Assets

	<u>2009</u>	<u>2008</u>
Operating Revenues	\$ 6,384,347	\$ 6,492,473
Operating Costs and Expenses	<u>3,479,305</u>	<u>2,760,923</u>
Net Operating Income	2,905,042	3,731,550
Other Income	<u>750,731</u>	<u>169,835</u>
Change in Net Assets	<u>\$ 3,655,773</u>	<u>\$ 3,901,385</u>

Operating Revenues and Nonoperating Revenue

We saw no significant change in surcharge fee collections during fiscal year 2009. While land line revenues dropped approximately \$276,000, wireless revenues were up roughly \$168,000 for an overall decrease of \$108,000.

During 2009, nonoperating revenue was up significantly due primarily to grants and reimbursements from the Tennessee Emergency Communications Board. The District received \$205,000 in grants, along with approximately \$438,000 under the dispatcher training reimbursement program sponsored by the Tennessee Emergency Communications Board which was new in 2009. There was an offsetting decrease of approximately \$58,000 in our interest income, which was due to a decrease in the interest rates paid on funds held by the State of Tennessee's Local Government Investment Pool.

Operating Expenses

Overall our operating expenses were up for fiscal year 2009. The increase is due to us taking on additional expenses from Metro which included property protection, office supplies, software licenses and small equipment purchases. We also saw our equipment maintenance expenses increase by approximately \$190,000. Lastly, there was an increase in depreciation expense of approximately \$440,000.

Capital Expenditures

There were significant capital expenditures made in 2009. These projects included:

For the year ended June 30, 2009:

Gold Elite Consoles for back-up site	\$ 52,227
CAD System	183,937
Motorola Vesta System	198,472
Deccan Move-UP-Module Software	239,579
PBX Upgrade	1,254,250

Contacting the Agency's Financial Management

The financial report is designed to provide a general overview of ECD's finances for all those with an interest in ECD's finances. If you have questions about this report or need additional financial information, contact the District Office c/o Mark Lynam, 2060 15th Avenue South, Nashville, TN 37212.

EMERGENCY COMMUNICATIONS DISTRICT OF
METROPOLITAN NASHVILLE AND DAVIDSON COUNTY

STATEMENTS OF NET ASSETS

JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u> (Restated - Note 9)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents - Note 2	\$ 1,111,136	\$ 855,416
Investments - Notes 2 and 8	6,722,068	5,891,940
Accounts receivable	385,131	585,762
Due from Tennessee Emergency Communications Board:		
Shared wireless charge	542,717	229,333
Grants and reimbursements	438,320	-
Operational funding	<u>153,103</u>	<u>-</u>
TOTAL CURRENT ASSETS	9,352,475	7,562,451
EQUIPMENT - net of accumulated depreciation - Note 7	<u>5,138,964</u>	<u>4,149,084</u>
TOTAL ASSETS	<u>14,491,439</u>	<u>11,711,535</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	<u>337,137</u>	<u>1,213,006</u>
TOTAL CURRENT LIABILITIES	<u>337,137</u>	<u>1,213,006</u>
NET ASSETS		
Invested in capital assets	5,138,964	4,149,084
Unrestricted net assets	<u>9,015,338</u>	<u>6,349,445</u>
TOTAL NET ASSETS	<u>\$ 14,154,302</u>	<u>\$ 10,498,529</u>

See accompanying notes to financial statements.

EMERGENCY COMMUNICATIONS DISTRICT OF
METROPOLITAN NASHVILLE AND DAVIDSON COUNTY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
OPERATING REVENUES		
Emergency telephone service charges	\$ 3,982,527	\$ 4,259,054
Tennessee Emergency Communications Board - shared wireless charge	1,483,201	1,314,800
Tennessee Emergency Communications Board - operational funding	<u>918,619</u>	<u>918,619</u>
TOTAL OPERATING REVENUES	<u>6,384,347</u>	<u>6,492,473</u>
OPERATING COSTS AND EXPENSES		
Contracted services	1,764,540	1,554,414
Supplies and materials	194,657	143,125
Other charges	405,777	388,332
Depreciation	<u>1,114,331</u>	<u>675,052</u>
TOTAL OPERATING COSTS AND EXPENSES	<u>3,479,305</u>	<u>2,760,923</u>
OPERATING INCOME	<u>2,905,042</u>	<u>3,731,550</u>
NONOPERATING REVENUE		
Interest income	107,411	165,260
Tennessee Emergency Communications Board - grants and reimbursements	<u>643,320</u>	<u>4,575</u>
TOTAL NONOPERATING REVENUE	<u>750,731</u>	<u>169,835</u>
CHANGE IN NET ASSETS	3,655,773	3,901,385
NET ASSETS - BEGINNING OF YEAR, as restated, see Note 9	<u>10,498,529</u>	<u>6,597,144</u>
NET ASSETS - END OF YEAR	<u>\$ 14,154,302</u>	<u>\$ 10,498,529</u>

See accompanying notes to financial statements.

EMERGENCY COMMUNICATIONS DISTRICT OF
METROPOLITAN NASHVILLE AND DAVIDSON COUNTY

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from subscribers	\$ 6,118,491	\$ 6,496,109
Payments to suppliers	<u>(2,360,038)</u>	<u>(2,089,182)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>3,758,453</u>	<u>4,406,927</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Tennessee Emergency Communications Board - grants and reimbursements	205,000	4,575
Acquisition of equipment	(1,859,621)	(1,129,491)
Payment of prior year accounts payable for equipment purchases	<u>(1,125,395)</u>	<u>(407,183)</u>
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(2,780,016)</u>	<u>(1,532,099)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(830,128)	(5,891,940)
Proceeds from certificates of deposit	-	1,119,352
Interest income	<u>107,411</u>	<u>165,260</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(722,717)</u>	<u>(4,607,328)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	255,720	(1,732,500)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>855,416</u>	<u>2,587,916</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,111,136</u>	<u>\$ 855,416</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	<u>\$ 2,905,042</u>	<u>\$ 3,731,550</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,114,331	675,052
Changes in assets and liabilities:		
Accounts receivable	200,631	3,636
Due from Tennessee Emergency Communications Board	(466,487)	-
Accounts payable	<u>4,936</u>	<u>(3,311)</u>
TOTAL ADJUSTMENTS	<u>853,411</u>	<u>675,377</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 3,758,453</u>	<u>\$ 4,406,927</u>
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Accounts payable for equipment purchases	<u>\$ 244,590</u>	<u>\$ 1,125,395</u>

See accompanying notes to financial statements.

EMERGENCY COMMUNICATIONS DISTRICT OF
METROPOLITAN NASHVILLE AND DAVIDSON COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The Emergency Communications District of Metropolitan Nashville and Davidson County (the "ECD") was authorized on December 20, 1988, by the Metropolitan Council of the Metropolitan Government of Nashville and Davidson County, Tennessee (the "Metropolitan Government" or "Metro"), pursuant to the Tennessee Emergency Communications District Law. This authorization occurred after the citizens of the Metropolitan Government approved by a majority vote in November, 1988, the creation of an Emergency Communications District. The ECD began providing services to the general public on December 1, 1989, upon completion of the installation of the necessary equipment. Through the establishment of the uniform emergency telephone number, 911, the ECD operates to shorten the time required for a citizen to request and receive emergency aid. The ECD provides communication for emergency service to the appropriate public service agency: fire department, ambulatory, law enforcement, etc. The emergency telephone service charge is billed separately by telephone service suppliers to subscribers within the geographic area of the ECD.

The major service supplier for land lines retains a one percent (1%) administrative collection fee for billing and collecting the telephone service charges and remitting the receipts to the ECD. A three percent (3%) fee is retained by the other service suppliers of land lines. Subscriber fee revenues are reported net of these collection fees.

In addition, the ECD pays a communication service charge to the service suppliers at a flat monthly recurring rate for one-party residence and business exchange access service within the geographic area. The current monthly rate is based on a charge of \$100 per one thousand access lines. Such rate is subject to approval by the Tennessee Regulatory Authority.

Organization

The accompanying financial statements encompass the financial activities of the ECD, a proprietary component unit of the Metropolitan Government, which is the principal reporting entity and primary government. The ECD is governed by a Board of Directors whose members are appointed by the Mayor and approved by the Metropolitan Council of Nashville and Davidson County, Tennessee. The ECD furnishes the equipment for the Metropolitan Government's use in providing emergency services.

EMERGENCY COMMUNICATIONS DISTRICT OF
METROPOLITAN NASHVILLE AND DAVIDSON COUNTY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2009 AND 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of presentation

The accompanying financial statements of the ECD have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board ("GASB") is responsible for issuing pronouncements on accounting and reporting standards applicable to state and local governments. Governments are also required to follow pronouncements of the Financial Accounting Standards Board ("FASB") issued through November 30, 1989 (when applicable), that do not conflict with or contradict GASB pronouncements. Although the ECD has the option to apply FASB pronouncements issued after that date, the ECD has elected not to do so.

Revenue and expense recognition

Subscriber fee revenues and related direct costs are recognized in the period in which monthly subscriber fees are billed by the service supplier. Any subscriber accounts subsequently determined to be uncollectible are charged against revenues at that time. In management's opinion, such reporting does not materially affect the financial statements.

Wireless telephone service providers charge \$1.00 per line monthly, which is then paid to the Tennessee Emergency Communications Board (the "TECB"). In accordance with Tennessee Code Annotated §7-86-303(d), the TECB shall disburse 25% of the revenue generated on wireless surcharges to emergency communications districts based on the proportion of population of that district according to the most recent census. Shared wireless revenues are recognized by the ECD in the period the surcharge is assessed by the service provider.

In October 2006, the TECB approved the additional funding from wireless revenues that will be provided annually to the local emergency communications district. Such funds amounted to \$918,619 each year for the years ended June 30, 2009 and 2008.

Cash and cash equivalents

Cash and cash equivalents consist of demand deposits held at financial institutions.

EMERGENCY COMMUNICATIONS DISTRICT OF
METROPOLITAN NASHVILLE AND DAVIDSON COUNTY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2009 AND 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments consist of pooled funds in the State of Tennessee Local Government Pool, which is maintained and operated by the State of Tennessee in accordance with applicable state laws and regulations. The reported value of the pool is the same as the estimated fair value of the pool shares.

Equipment and depreciation

Equipment is reported at cost at the date of purchase. The ECD's policy is to capitalize purchases with a cost of \$1,000 or more and an expected useful life greater than one year. Depreciation is calculated by the straight-line method over estimated useful lives of five to seven years. When depreciable assets are sold, the cost and related accumulated depreciation are removed from the accounts, and any gain or loss is recognized. Costs of maintenance and repairs are charged to expense as incurred.

Grants and reimbursements

Grants and reimbursements from the Tennessee Emergency Communications Board are recorded as non-operating revenues by the ECD when the related expenditures under the respective grant or reimbursement program have been incurred and the ECD is entitled to receive the funds.

Events occurring after reporting date

The ECD has evaluated events and transactions that occurred between June 30, 2009 and October 12, 2009, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation.

EMERGENCY COMMUNICATIONS DISTRICT OF
METROPOLITAN NASHVILLE AND DAVIDSON COUNTY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2009 AND 2008

NOTE 2 - DEPOSITS AND INVESTMENTS

Statutes authorize the ECD to invest in: (1) U. S. Government securities and obligations guaranteed by the U. S. Government; (2) deposit accounts at state and federal chartered banks and savings and loan associations; and (3) the Local Government Investment Pool of the State of Tennessee. During the current fiscal year, the ECD invested funds that were not immediately needed in the Local Government Investment Pool of the State of Tennessee. The ECD's cash and cash equivalents were held by financial institutions that participate in the bank collateral pool administered by the Treasurer of the State of Tennessee. Deposits in financial institutions are required by State statute to be secured and collateralized by the institutions. The collateral must meet certain requirements and must have a total minimum market value of 105% of the value of the deposits placed in the institutions less the amount protected by federal depository insurance. Collateral requirements are not applicable for financial institutions that participate in the State of Tennessee's collateral pool.

Custodial risk is the risk that in the event of a bank failure, the ECD's deposits may not be returned to it. The ECD does not have a formalized and written deposit policy for custodial risk. As of June 30, 2009, the ECD's deposits were insured or collateralized.

NOTE 3 - TRANSACTIONS WITH PRIMARY GOVERNMENT

The ECD has contracted with the Metropolitan Government, by and through its Department of Public Works, for Master Street Address Guide update services at a cost of \$4,900 in 2009 and \$4,826 in 2008. For the fiscal year ended June 30, 2008 the contract also required the ECD to make semi-annual payments to the Metro Department of General Services, which totaled \$37,885 for staff and support services to the ECD's Board of Directors, including liaison services between the ECD, user agencies, the telephone company, and the general public.

NOTE 4 - TAX-EXEMPT STATUS

The ECD is exempt from federal and state taxation as it is deemed to be a government entity. Accordingly, no income taxes have been provided.

NOTE 5 - RISK MANAGEMENT

The ECD is exposed to various risks of loss related to theft of, damage to and destruction of assets. All equipment is covered under warranty agreements or maintenance service contracts when the warranty expires. The ECD carries fidelity bond insurance in the amount of \$183,000 for each staff and Board member, which the Board believes to be sufficient. The ECD has had no claims or settled claims in any of the past three fiscal years.

EMERGENCY COMMUNICATIONS DISTRICT OF
METROPOLITAN NASHVILLE AND DAVIDSON COUNTY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2009 AND 2008

NOTE 6 - CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the ECD to concentrations of credit risk consist principally of accounts receivable. Accounts receivable represent concentrations of credit risk to the extent they are receivable from concentrated sources. Receivables consist of fees paid by telephone service subscribers to telephone service providers.

NOTE 7 - CHANGES IN CAPITAL ASSETS

Capital assets activity for the years ended June 30, is as follows:

	2009			End of the Year
	Beginning of the Year	Increases	Decreases	
<u>Capital assets being depreciated:</u>				
Communications equipment	\$ 5,367,309	\$ 1,998,663	\$ (320,843)	\$ 7,045,129
Office equipment	11,104	7,741	-	18,845
Furniture and fixtures	429,242	97,807	-	527,049
Total capital assets being depreciated	<u>5,807,655</u>	<u>2,104,211</u>	<u>(320,843)</u>	<u>7,591,023</u>
<u>Less accumulated depreciation for:</u>				
Communications equipment	(1,584,030)	(1,046,651)	320,843	(2,309,838)
Office equipment	(11,104)	(258)	-	(11,362)
Furniture and fixtures	(63,437)	(67,422)	-	(130,859)
Total accumulated depreciation	<u>(1,658,571)</u>	<u>(1,114,331)</u>	<u>320,843</u>	<u>(2,452,059)</u>
Capital assets, net	<u>\$ 4,149,084</u>	<u>\$ 989,880</u>	<u>\$ -</u>	<u>\$ 5,138,964</u>

EMERGENCY COMMUNICATIONS DISTRICT OF
METROPOLITAN NASHVILLE AND DAVIDSON COUNTY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2009 AND 2008

NOTE 7 - CHANGES IN CAPITAL ASSETS (CONTINUED)

	2008			End of the Year
	Beginning of the Year	Increases	Decreases	
<u>Capital assets being depreciated:</u>				
Communications equipment	\$ 4,319,244	\$ 2,246,625	\$ (1,198,560)	\$ 5,367,309
Office equipment	13,655	-	(2,551)	11,104
Furniture and fixtures	420,981	8,261	-	429,242
Total capital assets being depreciated	<u>4,753,880</u>	<u>2,254,886</u>	<u>(1,201,111)</u>	<u>5,807,655</u>
<u>Less accumulated depreciation for:</u>				
Communications equipment	(2,168,762)	(613,828)	1,198,560	(1,584,030)
Office equipment	(13,655)	-	2,551	(11,104)
Furniture and fixtures	(2,213)	(61,224)	-	(63,437)
Total accumulated depreciation	<u>(2,184,630)</u>	<u>(675,052)</u>	<u>1,201,111</u>	<u>(1,658,571)</u>
Capital assets, net	<u>\$ 2,569,250</u>	<u>\$ 1,579,834</u>	<u>\$ -</u>	<u>\$ 4,149,084</u>

Substantially all of the decreases shown in the above tables represent fully depreciated assets removed from service during the respective year.

NOTE 8 - FAIR VALUE MEASUREMENTS

Statement of Financial Accounting Standards ("SFAS") No. 157, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under SFAS No. 157 are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the ECD has the ability to access.

EMERGENCY COMMUNICATIONS DISTRICT OF
METROPOLITAN NASHVILLE AND DAVIDSON COUNTY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2009 AND 2008

NOTE 8 - FAIR VALUE MEASUREMENTS (CONTINUED)

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by the observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Financial assets which are measured on a recurring basis include the following:

Investments - Investments consist solely of units within the State of Tennessee Local Government Investment Pool (the "Pool"), which is designed to maintain a stable net asset value of \$1 per unit. The underlying assets in the Pool are invested in certificates of deposit, commercial paper, U.S. Treasuries and agency bonds and a sweep account.

The following table summarizes financial assets measured at fair value on a recurring basis as of June 30, 2009, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	Level 1	Level 2	Level 3	Total
Investments	\$ -	\$ 6,722,068	\$ -	\$ 6,722,068

Certain financial assets and financial liabilities are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment). The ECD has no financial assets or liabilities that are measured on a non-recurring basis.

EMERGENCY COMMUNICATIONS DISTRICT OF
METROPOLITAN NASHVILLE AND DAVIDSON COUNTY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2009 AND 2008

NOTE 9 - PRIOR PERIOD ADJUSTMENT

A prior period adjustment has been made, and the June 30, 2008 Statement of Net Assets has been restated, to recognize \$176,849 of subscriber fee revenues collected by a service provider during fiscal years ended June 30, 2007 and prior, but not remitted to or recorded by the ECD until the June 30, 2009 fiscal year. The effects of the restatement were to increase the ECD's receivables and net assets by \$176,849 as of June 30, 2008 and July 1, 2007. The restatement had no effect on the Statement of Revenues, Expenses and Changes in Net Assets for the year ended June 30, 2008. A schedule of the effects of the restatement on beginning net assets follows:

	<u>2009</u>	<u>2008</u>
BALANCE - BEGINNING OF YEAR, as previously reported	\$ 10,321,680	\$ 6,420,295
PRIOR PERIOD ADJUSTMENT:		
To record additional subscriber fees relating to fiscal years ended June 30, 2007 and prior	<u>176,849</u>	<u>176,849</u>
BALANCE - BEGINNING OF YEAR, as restated	10,498,529	6,597,144
Change in net assets for the year	<u>3,655,773</u>	<u>3,901,385</u>
BALANCE - END OF YEAR	<u>\$ 14,154,302</u>	<u>\$ 10,498,529</u>

ADDITIONAL INFORMATION

EMERGENCY COMMUNICATIONS DISTRICT OF
METROPOLITAN NASHVILLE AND DAVIDSON COUNTY

SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (NON-GAAP)

FOR THE YEAR ENDED JUNE 30, 2009

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>FAVORABLE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u> <small>(SEE NOTE A)</small>	<u>(UNFAVORABLE)</u> <u>WITH FINAL</u> <u>BUDGET</u>
OPERATING REVENUES				
Emergency telephone service charges	\$ 4,475,400	\$ 4,475,400	\$ 4,183,158	\$ (292,242)
Tennessee Emergency Communications Board - shared wireless charge	1,355,000	1,355,000	1,169,817	(185,183)
Tennessee Emergency Communications Board - operational funding	<u>918,600</u>	<u>918,600</u>	<u>765,516</u>	<u>(153,084)</u>
TOTAL OPERATING REVENUES	<u>6,749,000</u>	<u>6,749,000</u>	<u>6,118,491</u>	<u>(630,509)</u>
OPERATING COSTS AND EXPENSES				
Contracted services:				
Audit services	8,500	8,500	8,500	-
Contracts with government agencies - primary government:				
Metro - General Services and Administrative Services	40,000	59,000	58,943	57
Metro - Public Works	4,900	4,900	4,863	37
Metro - CommCenter Training	135,000	135,000	124,619	10,381
Fees paid to service providers - telephones	1,254,800	1,147,000	936,127	210,873
Fees paid to service providers - lines	78,000	78,000	46,964	31,036
Legal services	18,000	18,000	18,000	-
Maintenance agreements	426,700	483,900	483,826	74
Property protection at backup facility	44,000	44,000	25,483	18,517
Rent at back-up facility	69,600	69,600	62,315	7,285
Total contracted services	<u>2,079,500</u>	<u>2,047,900</u>	<u>1,769,640</u>	<u>278,260</u>
Supplies and materials:				
Printer supplies and recording tape	14,000	22,200	22,169	31
Postage, printing and office supplies	39,300	39,300	22,282	17,018
Office equipment	5,400	5,400	4,214	1,186
Communications equipment	73,900	73,900	69,671	4,229
Uniforms	50,000	59,600	59,573	27
Small equipment items	31,800	42,100	42,052	48
Total supplies and materials	<u>214,400</u>	<u>242,500</u>	<u>219,961</u>	<u>22,539</u>
Other charges:				
Memberships and registrations	7,000	7,600	7,558	42
Premiums on surety bonds	4,500	4,500	4,063	437
Public education	366,700	366,700	353,664	13,036
Vehicles	8,800	11,700	11,644	56
Travel expenses	5,000	5,000	827	4,173
Employee recognition	9,500	9,500	7,099	2,401
Miscellaneous and contingency	5,000	5,000	8	4,992
Total other charges	<u>406,500</u>	<u>410,000</u>	<u>384,863</u>	<u>25,137</u>
TOTAL OPERATING EXPENSES	<u>2,700,400</u>	<u>2,700,400</u>	<u>2,374,464</u>	<u>325,936</u>
NONOPERATING REVENUES (EXPENSES)				
Interest income	190,000	190,000	107,411	(82,589)
Tennessee Emergency Communications Board - grants and reimbursements	10,000	10,000	205,000	195,000
Capital improvements	<u>(3,211,300)</u>	<u>(3,211,300)</u>	<u>(2,970,590)</u>	<u>240,710</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(3,011,300)</u>	<u>(3,011,300)</u>	<u>(2,658,179)</u>	<u>353,121</u>
EXCESS OF OPERATING REVENUES OVER OPERATING COSTS AND EXPENSES AND NONOPERATING REVENUES (EXPENSES)	<u>\$ 1,037,300</u>	<u>\$ 1,037,300</u>	<u>\$ 1,085,848</u>	<u>\$ 48,548</u>

NOTE A - BUDGETARY BASIS OF ACCOUNTING

The ECD budgets its revenues and expenses on the cash basis of accounting which reports the inflows and outflows of cash.

NOTE B - RECONCILIATION OF BUDGET TO ACTUAL

Excess of revenues over expenses (Non-GAAP)		\$ 1,085,848
Add: Current year accounts receivable	\$ 385,131	
Receivable from Tennessee Emergency Communications Board	1,134,140	
Prior year accounts payable	1,213,006	
Equipment purchases capitalized	<u>2,104,211</u>	
		4,836,488
Less: Current year accounts payable	337,137	
Prior year accounts receivable	585,762	
Prior year receivable from Tennessee Emergency Communications Board	229,333	
Depreciation expense	<u>1,114,331</u>	
		<u>(2,266,563)</u>

Change in net assets (GAAP basis) per Financial Statements - per page 6 \$ 3,655,773

EMERGENCY COMMUNICATIONS DISTRICT OF
METROPOLITAN NASHVILLE AND DAVIDSON COUNTY

SCHEDULE OF INFORMATION REQUIRED BY
THE TENNESSEE EMERGENCY COMMUNICATIONS BOARD (Unaudited)

JUNE 30, 2009

- | | |
|--|---|
| A. Number of public safety answering points (PSAP) | 1 |
| B. Address of each PSAP | 2060 15th Avenue South
Nashville, TN 37212 |
| C. Type of system/equipment and database used | Northern Telecom SL-1
telephone with VESTA
ANI/ALI equipment
BellSouth Telephone database
by SCC in Colorado |
| D. Director information | Mark Lynam
2060 15 th Avenue South
Nashville, TN 37212
Phone: (615) 862 -6316
Fax: (615) 862 -6288 |
| E. Chairperson information | Cleo Duckworth
5304 Hickory Park Drive
Antioch, TN 37013
Phone: (615) 214 -7831
Fax: (615) 214 -8536 |

OTHER REPORT



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PLLC

INDEPENDENT AUDITORS' 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

Board of Directors
Emergency Communications District of
Metropolitan Nashville and Davidson County
Nashville, Tennessee

We have audited the financial statements of the Emergency Communications District of Metropolitan Nashville and Davidson County (the "ECD") a component unit of the Metropolitan Government of Nashville and Davidson County, Tennessee as of and for the year ended June 30, 2009, and have issued our report thereon dated October 12, 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 ECD'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 ECD's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the ECD's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses, which is identified as item 2007-01, to be a significant deficiency in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. The control deficiency described above is considered to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the ECD'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*.

We noted certain other matters that we have reported to management of the Emergency Communications District of Metropolitan Nashville and Davidson County, Tennessee in a separate letter dated October 12, 2009.

The ECD's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit ECD's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, management, the Metropolitan Government of Nashville and Davidson County, Tennessee and the State of Tennessee and is not intended to be and should not be used by anyone other than these specified parties.

Kraft CPAs PLLC

Nashville, Tennessee

October 12, 2009

EMERGENCY COMMUNICATIONS DISTRICT OF
METROPOLITAN NASHVILLE AND DAVIDSON COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

JUNE 30, 2009 AND 2008

PRIOR YEAR FINDINGS - not implemented

2007-01 – Internal Control over Financial Statement Reporting

Criteria:

Management is responsible for establishing and maintaining effective internal control over reporting its financial statements in accordance with generally accepted accounting principles (“GAAP”).

Condition:

The ECD’s management and accounting staff do not have the inherent resources of time, accounting knowledge, skill and experience to prepare its own financial statements and related disclosures in accordance with generally accepted accounting principles necessary to prevent, detect or correct material misstatements.

Effect:

The ECD requests that the auditors provide accounting assistance during the audit process to propose adjustments required to convert its accounting records from the cash basis to the accrual basis of accounting and to prepare its GAAP-based accounting financial statements and related disclosures at year end. Management does assist in the identification of the necessary year-end accruals, provides oversight and approval for all such GAAP-conversion adjustments.

Recommendation:

We continue to recommend that management consider annually the cost effectiveness of obtaining the services of someone that has the skills and competencies necessary to prepare its financial statements and related disclosures such that any misstatements would be prevented, detected and corrected.

Management’s response:

We will continue to monitor our resources to determine the most cost effective solution to this control deficiency.

CURRENT YEAR FINDINGS

None noted.