

EMERGENCY COMMUNICATIONS DISTRICT OF  
METROPOLITAN NASHVILLE AND DAVIDSON COUNTY

FINANCIAL STATEMENTS,  
ADDITIONAL INFORMATION  
AND  
INDEPENDENT AUDITORS' REPORTS

JUNE 30, 2010 AND 2009

EMERGENCY COMMUNICATIONS DISTRICT OF  
METROPOLITAN NASHVILLE AND DAVIDSON COUNTY

FINANCIAL STATEMENTS, ADDITIONAL INFORMATION  
AND  
INDEPENDENT AUDITORS' REPORTS

JUNE 30, 2010 AND 2009

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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

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

2<sup>nd</sup> 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

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

Fiscal Officer  
Mr. Mark Lynam  
2060 15<sup>th</sup> 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, 2010 and 2009, 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 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 ECD'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 financial position of the Emergency Communications District of Metropolitan Nashville and Davidson County as of June 30, 2010 and 2009, 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 19, 2010 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 15 and 16, 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.

A handwritten signature in black ink that reads "K. J. CPAs PLLC". The signature is written in a cursive, stylized font.

Nashville, Tennessee  
October 19, 2010

## 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, 2010. 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, 2010 and 2009. 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, 2010 and 2009. 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	
	<u>2010</u>	<u>2009</u>
Current Assets	\$ 11,643,810	\$ 9,352,475
Capital Assets	<u>5,174,036</u>	<u>5,306,201</u>
Total Assets	<u>16,817,846</u>	<u>14,658,676</u>
Current Liabilities	<u>119,389</u>	<u>628,088</u>
Net Assets Invested in Capital Assets	5,174,036	5,306,201
Unrestricted Net Assets	<u>11,524,421</u>	<u>8,724,387</u>
Total Net Assets	<u>\$ 16,698,457</u>	<u>\$ 14,030,588</u>

## Changes in Net Assets

	<u>2010</u>	<u>2009</u>
Operating Revenues	\$ 6,368,080	\$ 6,384,347
Operating Costs and Expenses	<u>3,681,672</u>	<u>3,537,495</u>
Net Operating Income	2,686,408	2,846,852
Other Income	<u>(18,539)</u>	<u>750,731</u>
Change in Net Assets	<u>\$ 2,667,869</u>	<u>\$ 3,597,583</u>

### **Operating Revenues and Nonoperating Revenue**

We saw no major change in operating revenues received during fiscal year 2010. While surcharge fee collections were down approximately \$356,000 (\$315,000 for landlines and \$41,000 for wireless), an increase of almost \$340,000 from the Tennessee Emergency Communications Board operational funding program helped offset the loss of surcharge fees.

Non-operating revenue was down significantly from the previous fiscal year. During fiscal year 2009 we received grants and reimbursements from the TECB totaling \$643,320. In fiscal year 2010 we received only a \$10,000 GIS grant from the TECB. Interest on the funds invested with the State of Tennessee's Local Government Investment Pool also decreased from \$107,400 in 2009 to \$33,800 in 2010.

### **Operating Expenses**

Overall our operational expenses for fiscal year 2010 were pretty much in line with 2009. We did, however, see an increase in our depreciation expense of approximately \$187,000, which contributed to overall expenses being up by about \$144,000 for the year.

### **Capital Expenditures**

There were significant capital expenditures made in 2010. These projects included:

#### For the year ended June 30, 2010:

CAD System and Accessories (in process at year-end)	\$ 776,031
Dell Computers and Accessories	242,570
Disptach Workstations	30,979
Logger Recorder Upgrade	182,239
Completion of PBX Upgrade	26,854

### **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 15<sup>th</sup> Avenue South, Nashville, TN 37212.

EMERGENCY COMMUNICATIONS DISTRICT OF  
METROPOLITAN NASHVILLE AND DAVIDSON COUNTY

STATEMENTS OF NET ASSETS

JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u> (Restated - Note 8)
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents - Note 2	\$ 897,197	\$ 1,111,136
Investments - Note 2	10,153,356	6,722,068
Accounts receivable	348,545	385,131
Due from Tennessee Emergency Communications Board:		
Shared wireless charge	244,712	542,717
Grants and reimbursements	-	438,320
Operational funding	-	153,103
	<u>11,643,810</u>	<u>9,352,475</u>
<b>TOTAL CURRENT ASSETS</b>	<b>11,643,810</b>	<b>9,352,475</b>
<b>EQUIPMENT - net of accumulated depreciation - Note 7</b>	<u>5,174,036</u>	<u>5,306,201</u>
<b>TOTAL ASSETS</b>	<u>16,817,846</u>	<u>14,658,676</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	<u>119,389</u>	<u>628,088</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>119,389</u>	<u>628,088</u>
<b>NET ASSETS</b>		
Invested in capital assets	5,174,036	5,306,201
Unrestricted net assets	<u>11,524,421</u>	<u>8,724,387</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 16,698,457</u>	<u>\$ 14,030,588</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, 2010 AND 2009

	<u>2010</u>	<u>2009</u> (Restated - Note 8)
<b>OPERATING REVENUES</b>		
Emergency telephone service charges	\$ 3,667,233	\$ 3,982,527
Tennessee Emergency Communications Board - shared wireless charge	1,442,578	1,483,201
Tennessee Emergency Communications Board - operational funding	<u>1,258,269</u>	<u>918,619</u>
<b>TOTAL OPERATING REVENUES</b>	<u>6,368,080</u>	<u>6,384,347</u>
<b>OPERATING COSTS AND EXPENSES</b>		
Contracted services	1,712,874	1,764,540
Supplies and materials	188,790	194,657
Other charges	420,411	405,777
Depreciation	<u>1,359,597</u>	<u>1,172,521</u>
<b>TOTAL OPERATING COSTS AND EXPENSES</b>	<u>3,681,672</u>	<u>3,537,495</u>
<b>OPERATING INCOME</b>	<u>2,686,408</u>	<u>2,846,852</u>
<b>NONOPERATING REVENUE</b>		
Interest income	33,814	107,411
Tennessee Emergency Communications Board - grants and reimbursements	10,000	643,320
Loss on disposals of equipment	<u>(62,353)</u>	<u>-</u>
<b>TOTAL NONOPERATING REVENUE</b>	<u>(18,539)</u>	<u>750,731</u>
<b>CHANGE IN NET ASSETS</b>	<u>2,667,869</u>	<u>3,597,583</u>
<b>NET ASSETS - BEGINNING OF YEAR, as restated - Note 8</b>	<u>14,030,588</u>	<u>10,433,005</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 16,698,457</u>	<u>\$ 14,030,588</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, 2010 AND 2009

	2010	2009
		(Restated - Note 8)
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from subscribers, including TECB operational funding	\$ 6,855,774	\$ 6,118,491
Payments to suppliers	<u>(2,295,233)</u>	<u>(2,360,038)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>4,560,541</u>	<u>3,758,453</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Tennessee Emergency Communications Board - grants and reimbursements	<u>438,320</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Tennessee Emergency Communications Board - grants and reimbursements	10,000	205,000
Acquisition of equipment	(1,293,015)	(1,859,621)
Payment of prior year accounts payable for equipment purchases	<u>(535,541)</u>	<u>(1,125,395)</u>
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,818,556)</u>	<u>(2,780,016)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(3,431,288)	(830,128)
Proceeds from the sale of equipment	3,230	-
Interest income	<u>33,814</u>	<u>107,411</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(3,394,244)</u>	<u>(722,717)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(213,939)	255,720
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,111,136</u>	<u>855,416</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 897,197</u>	<u>\$ 1,111,136</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 2,686,408	\$ 2,846,852
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,359,597	1,172,521
Changes in assets and liabilities:		
Accounts receivable	36,586	200,631
Due from Tennessee Emergency Communications Board	451,108	(466,487)
Accounts payable	<u>26,842</u>	<u>4,936</u>
TOTAL ADJUSTMENTS	<u>1,874,133</u>	<u>911,601</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 4,560,541</u>	<u>\$ 3,758,453</u>
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Accounts payable for equipment purchases	<u>\$ -</u>	<u>\$ 535,541</u>

See accompanying notes to financial statements.

EMERGENCY COMMUNICATIONS DISTRICT OF  
METROPOLITAN NASHVILLE AND DAVIDSON COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

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, 2010 AND 2009

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.

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 \$1,258,269 and \$918,619 for the years ended June 30, 2010 and 2009, respectfully.

Cash and Cash Equivalents

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

Accounts Receivable

Accounts receivable consist of subscriber fees due from service suppliers. Based on historical experience, an allowance for doubtful accounts is not provided. 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.

EMERGENCY COMMUNICATIONS DISTRICT OF  
METROPOLITAN NASHVILLE AND DAVIDSON COUNTY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2010 AND 2009

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, 2010 and October 19, 2010, 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, 2010 AND 2009

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 and investments may not be returned to it. The ECD does not have a formalized and written deposit policy for custodial risk. As of June 30, 2010 and 2009, the ECD's deposits and investments 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 2010 and in 2009. Additionally, the ECD paid the Metro Planning Department \$3,500 in 2010 for the use of aerial photography images.

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 \$208,300 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, 2010 AND 2009

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 unremitted 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:

	2010			End of the Year
	Beginning of the Year	Increases	Decreases	
<u>Capital assets not being depreciated:</u>				
Construction in progress	\$ 1,214,191	\$ 776,081	\$ (1,030,254)	\$ 960,018
<u>Capital assets being depreciated:</u>				
Communications equipment	6,121,889	1,538,882	(1,052,990)	6,607,781
Office equipment	18,845	-	-	18,845
Furniture and fixtures	527,049	8,306	(2,761)	532,594
Total capital assets being depreciated	6,667,783	1,547,188	(1,055,751)	7,159,220
<u>Less accumulated depreciation for:</u>				
Communications equipment	(2,433,552)	(1,278,851)	988,006	(2,724,397)
Office equipment	(11,362)	(1,548)	-	(12,910)
Furniture and fixtures	(130,859)	(79,198)	2,162	(207,895)
Total accumulated depreciation	(2,575,773)	(1,359,597)	990,168	(2,945,202)
Capital assets, net	<u>\$ 5,306,201</u>	<u>\$ 963,672</u>	<u>\$ (1,095,837)</u>	<u>\$ 5,174,036</u>

EMERGENCY COMMUNICATIONS DISTRICT OF  
METROPOLITAN NASHVILLE AND DAVIDSON COUNTY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2010 AND 2009

NOTE 7 - CHANGES IN CAPITAL ASSETS (CONTINUED)

	2009 (Restated - Note 8)			End of the Year
	Beginning of the Year	Increases	Decreases	
<u>Capital assets not being depreciated:</u>				
Construction in progress	\$ -	\$ 1,214,191	\$ -	\$ 1,214,191
<u>Capital assets being depreciated:</u>				
Communications equipment	5,658,260	784,472	(320,843)	6,121,889
Office equipment	11,104	7,741	-	18,845
Furniture and fixtures	429,242	97,807	-	527,049
Total capital assets being depreciated	<u>6,098,606</u>	<u>890,020</u>	<u>(320,843)</u>	<u>6,667,783</u>
<u>Less accumulated depreciation for:</u>				
Communications equipment	(1,649,554)	(1,104,841)	320,843	(2,433,552)
Office equipment	(11,104)	(258)	-	(11,362)
Furniture and fixtures	(63,437)	(67,422)	-	(130,859)
Total accumulated depreciation	<u>(1,724,095)</u>	<u>(1,172,521)</u>	<u>320,843</u>	<u>(2,575,773)</u>
Capital assets, net	<u>\$ 4,374,511</u>	<u>\$ 931,690</u>	<u>\$ -</u>	<u>\$ 5,306,201</u>

Construction in progress at June 30, 2010 consisted of an upgrade to the CAD system, which is expected to be completed in fiscal year 2011 at an additional cost of approximately \$300,000.

EMERGENCY COMMUNICATIONS DISTRICT OF  
METROPOLITAN NASHVILLE AND DAVIDSON COUNTY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2010 AND 2009

NOTE 8 - PRIOR PERIOD ADJUSTMENT

A prior period adjustment has been made, and the June 30, 2009 financial statements have been restated, to record a property and equipment addition and corresponding accounts payable in the amount of \$290,951 for an asset that was acquired and placed in service in 2007 that was not timely billed by the vendor. The vendor invoice was received and paid during the 2010 fiscal year. The effects of the restatement were (i) to increase the ECD's equipment, net of accumulated depreciation, by \$167,237 and \$225,427 as of June 30, 2009 and July 1, 2008, respectively, (ii) to increase accounts payable by \$290,951 as of June 30, 2009 and July 1, 2008, (iii) to decrease net assets by \$123,714 and \$65,524 as of June 30, 2009 and July 1, 2008, respectively, and (iv) to increase depreciation expense and decrease the change in net assets by \$58,190 for the year ended June 30, 2009. A schedule of the effects of the restatement on beginning net assets follows:

	<u>2010</u>	<u>2009</u>
BALANCE - beginning of year, as previously reported	\$ 14,154,302	\$ 10,498,529
Prior period adjustment - to record the effect of equipment depreciation	<u>(123,714)</u>	<u>(65,524)</u>
BALANCE - beginning of year, as restated	14,030,588	10,433,005
Change in net assets	<u>2,667,869</u>	<u>3,597,583</u>
BALANCE - end of year	<u>\$ 16,698,457</u>	<u>\$ 14,030,588</u>

NOTE 9 - SUBSEQUENT EVENT

On September 16, 2010, the Board approved funding to the Metro Government in the amount of \$22.5 million for the upgrade of the 800 MHz radio system. While a formal agreement has not been signed, the ECD anticipates making a \$7 million down-payment on the project and financing the balance over approximately 10 years.

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, 2010

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>FAVORABLE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u> <u>(SEE NOTE A)</u>	<u>(UNFAVORABLE)</u> <u>WITH FINAL</u> <u>BUDGET</u>
<b>OPERATING REVENUES</b>				
Emergency telephone service charges	\$ 4,142,400	\$ 4,142,400	\$ 3,703,819	\$ (438,581)
Tennessee Emergency Communications Board - shared wireless charge	1,404,400	1,404,400	1,740,583	336,183
Tennessee Emergency Communications Board - operational funding	<u>918,600</u>	<u>918,600</u>	<u>1,411,372</u>	<u>492,772</u>
<b>TOTAL OPERATING REVENUES</b>	<u>6,465,400</u>	<u>6,465,400</u>	<u>6,855,774</u>	<u>390,374</u>
<b>OPERATING COSTS AND EXPENSES</b>				
<b>Contracted services:</b>				
Audit services	8,800	8,800	8,500	300
Contracts with government agencies - primary government:				
Metro - General Services and Administrative Services	40,000	40,000	35,300	4,700
Metro - Public Works	10,700	10,700	8,767	1,933
Metro - CommCenter Training	197,300	397,300	142,905	254,395
Fees paid to service providers - telephones	898,200	898,200	862,102	36,098
Fees paid to service providers - lines	60,000	60,000	43,759	16,241
Legal services	18,000	18,000	18,000	-
Maintenance agreements	618,200	618,200	482,608	135,592
Rent at back-up facility	69,600	73,700	73,645	55
Other contracted services	<u>81,200</u>	<u>81,200</u>	<u>16,928</u>	<u>64,272</u>
Total contracted services	<u>2,002,000</u>	<u>2,206,100</u>	<u>1,692,514</u>	<u>513,586</u>
<b>Supplies and materials:</b>				
Printer supplies and recording tape	14,000	14,000	7,722	6,278
Postage, printing and office supplies	44,700	44,700	27,654	17,046
Office equipment	5,400	5,400	3,598	1,802
Communications equipment	77,900	77,900	77,590	310
Uniforms	66,000	66,000	43,780	22,220
Small equipment items	<u>36,800</u>	<u>36,800</u>	<u>27,541</u>	<u>9,259</u>
Total supplies and materials	<u>244,800</u>	<u>244,800</u>	<u>187,885</u>	<u>56,915</u>
<b>Other charges:</b>				
Memberships and registrations	7,000	7,000	6,240	760
Premiums on surety bonds	6,500	7,400	7,394	6
Public education	408,700	408,700	383,444	25,256
Vehicles	12,000	12,000	11,534	466
Travel expenses	5,000	5,000	4,400	600
Employee recognition	9,500	9,500	9,500	-
Internet services	2,400	2,400	2,102	298
Miscellaneous and contingency	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other charges	<u>456,100</u>	<u>452,000</u>	<u>424,614</u>	<u>27,386</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>2,702,900</u>	<u>2,902,900</u>	<u>2,305,013</u>	<u>597,887</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest income	50,000	50,000	33,814	(16,186)
Tennessee Emergency Communications Board - grants and reimbursements	160,000	160,000	448,320	288,320
Capital improvements	<u>(8,655,600)</u>	<u>(8,667,600)</u>	<u>(1,815,546)</u>	<u>6,852,054</u>
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>(8,445,600)</u>	<u>(8,457,600)</u>	<u>(1,333,412)</u>	<u>7,124,188</u>
<b>EXCESS OF OPERATING REVENUES OVER OPERATING COSTS AND EXPENSES AND NONOPERATING REVENUES (EXPENSES)</b>	<u>\$ (4,683,100)</u>	<u>\$ (4,895,100)</u>	<u>\$ 3,217,349</u>	<u>\$ 8,112,449</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)		\$ 3,217,349
Add: Current year accounts receivable	\$ 348,545	
Receivable from Tennessee Emergency Communications Board	244,712	
Prior year accounts payable	628,088	
Equipment purchases capitalized	<u>1,293,015</u>	
		2,514,360
Less: Current year accounts payable	119,389	
Prior year accounts receivable	385,131	
Prior year receivable from Tennessee Emergency Communications Board	1,134,140	
Depreciation expense	1,359,597	
Cash received on sale of equipment used to offset capital expenditures	3,230	
Loss on disposals of equipment	<u>62,353</u>	
		<u>(3,063,840)</u>
		<u>\$ 2,667,869</u>

Change in net assets (GAAP basis) per Financial Statements - per page 6

EMERGENCY COMMUNICATIONS DISTRICT OF  
METROPOLITAN NASHVILLE AND DAVIDSON COUNTY

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

JUNE 30, 2010

- |  |   |
|--|---|
| A. Number of public safety answering points (PSAP) | 2   |
| B. Address of each PSAP                            | (Main)<br>2060 15th Avenue South<br>Nashville, TN 37212<br><br>(Backup)<br>5240 Harding Place<br>Nashville, TN 37217        |
| C. Type of system/equipment and database used      | Northern Telecom CS1000E PBX<br>Plant/CML VESTA<br>Intrado ANI/ALI Database   |
| D. Director information                            | Mark Lynam<br>2060 15 <sup>th</sup> Avenue South<br>Nashville, TN 37212<br>Phone: (615) 862 - 6316<br>Fax: (615) 862 - 6288 |
| E. Chairperson information                         | Cleo Duckworth<br>5304 Hickory Park Drive<br>Antioch, TN 37013<br>Phone: (615) 214 - 7831<br>Fax: (615) 214 - 8536          |

OTHER REPORT



**KraftCPAs**  
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, 2010, and have issued our report thereon dated October 19, 2010. 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 and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

*A deficiency in internal control* exists when the design or operations 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses and identified as 2010-01 and 2007-01 to be material weaknesses.

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 19, 2010.

The ECD's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit ECD's responses and, accordingly, we express no opinion on them.

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.

Handwritten signature in black ink that reads "W. J. H. CPAs PLLC". The signature is stylized and appears to be written in a cursive or semi-cursive font.

Nashville, Tennessee  
October 19, 2010

EMERGENCY COMMUNICATIONS DISTRICT OF  
METROPOLITAN NASHVILLE AND DAVIDSON COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

JUNE 30, 2010 AND 2009

CURRENT YEAR FINDINGS

2010-01 - Internal Control Over Identifying Asset Additions

Criteria:

Management is responsible for identifying capital assets and the related liabilities to be recorded at year end.

Condition:

During 2010, the ECD received an invoice for the balance owed on a contract for an asset that was acquired and placed in service in 2007. There was a problem in the vendor's accounting department and the invoice was issued over two years after the service was performed or the product was received.

Effect:

The amount of this invoice was not included in the capital asset line item when the project was placed in service in 2007, nor was a payable for the outstanding balance recorded. Additionally, these balances were misstated for the years ended June 30, 2009 and 2008, and the related accumulated depreciation and depreciation expense for those periods were also reported incorrectly.

Recommendation:

We recommend that management monitor the larger capital project contracts in order to ensure that the total costs of acquiring assets are capitalized at the point the asset is placed in service, and any related liability is recorded so that all transactions are properly accounted for in the event a vendor does not bill timely. Additionally, this will allow for proper recognition of depreciation expense as the asset is utilized over its expected useful life.

Management's response:

Management understands the significance of this oversight and will follow the audit recommendation.

EMERGENCY COMMUNICATIONS DISTRICT OF  
METROPOLITAN NASHVILLE AND DAVIDSON COUNTY

SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)

JUNE 30, 2010 AND 2009

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 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.

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