

# Knoxville-Knox County



# Emergency Communications District



**FINANCIAL STATEMENTS  
JUNE 30, 2013 and JUNE 30, 2012**

*Prepared By:  
Knox County Finance Department*

**KNOXVILLE – KNOX COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT**

**FINANCIAL STATEMENTS**

June 30, 2013 and June 30, 2012

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**KNOXVILLE - KNOX COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT**  
Knoxville, Tennessee

**FINANCIAL STATEMENTS**  
June 30, 2013 and June 30, 2012

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**INTRODUCTORY  
SECTION**

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**KNOXVILLE - KNOX COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT**

**BOARD OF DIRECTORS**  
June 30, 2013

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*Mr. Nathan Rothchild, Chair*

*Mayor Tim Burchett, Vice Chair*

*Chief Stan Sharp, Secretary and Treasurer*

*Mayor Madeline Rogero*

*Ms. Linda Murawski*

*Commissioner Brad Anders*

*Mr. Marvin Hammond*

*Sheriff Jimmy "J.J." Jones*

*Mr. Bill Cole*

*Mrs. Sheryl Rollins*

*Chief David Rausch*

## **FINANCIAL SECTION**

**KNOXVILLE OFFICE:**  
315 NORTH CEDAR BLUFF ROAD – SUITE  
KNOXVILLE, TENNESSEE 37923  
TELEPHONE 865-769-0660



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## INDEPENDENT AUDITOR'S REPORT

Board of Directors of  
Knoxville - Knox County Emergency Communications District  
Knoxville, Tennessee

### Report on the Financial Statements

We have audited the accompanying financial statements of Knoxville - Knox County Emergency Communications District (the "District") which comprise the statements of net position as of June 30, 2013 and 2012 and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

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

## **Emphasis of Matter**

As discussed in Note 1, the financial statements of the Knoxville - Knox County Emergency Communications District, are intended to present the financial position, the changes in financial position and cash flows of only that portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Knox County, Tennessee that is attributable to the transactions of the District. They do not purport to, and do not, present fairly the financial position of Knox County, Tennessee as of June 30, 2013 and 2012, the changes in its financial position, or its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 10 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audits of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The introductory and supplementary information sections are presented for purposes of additional analysis and are not a required part of the financial statements.

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

The introductory section has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

## **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated November 26, 2013, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

*Pugh & Company, P.C.*

Certified Public Accountants  
Knoxville, Tennessee  
November 26, 2013



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

J. Robert Coker, Executive Director

Phone: 865-215-1100

Fax: 865-215-1134

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### **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, 2013 and June 30, 2012. 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 2013**

- ❖ The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$20,326,899 (*net position*). Of this amount, \$13,797,721 is unrestricted. The unrestricted net position amount is a total of two amounts: \$1,595,463 may be used to meet the District's ongoing obligations to citizens and creditors, while the remaining amount of \$12,202,258 is designated for the equipment reserve.
- ❖ The District's total net position increased by \$3,030,978. 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 \$1,875,152 out of the State of Tennessee's Operational Funding Program.
- ❖ The District's total capital assets before depreciation increased by \$2,304,235. This increase is due to purchases for the new CAD system to be completed in the upcoming fiscal years.

#### **Financial Highlights for Fiscal Year 2012**

- ❖ The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$17,295,921 (*net position*). Of this amount, \$12,899,062 is unrestricted. The unrestricted net position amount is a total of two amounts: \$3,071,643 may be used to meet the District's ongoing obligations to citizens and creditors, while the remaining amount of \$9,827,419 is designated for the equipment reserve.
- ❖ The District's total net position increased by \$2,393,324. 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 \$1,754,386 out of the State of Tennessee's Operational Funding Program.
- ❖ The District's total capital assets before depreciation increased by \$132,923. This increase is due to purchases of new equipment for the District's operations.
- ❖ The District's total debt decreased by \$3,419,250. This decrease reflects the \$3,419,250 final payment to the County to eliminate the District's indebtedness to the County for long-term funds previously advanced to the District. These items are discussed in Note 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 Position, the Statement of Revenues, Expenses, and Changes in Net Position, 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 Position presents information on all of the District's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the District's net position changed during the last two fiscal years. All changes in net position 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 28-30 of this report.

## Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. As of June 30, 2013, the District's assets exceeded its liabilities by \$20,326,899 (*net position*). At June 30, 2012, the District's net position totaled \$17,295,921. The District's net 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, the net position portion of net investment in capital assets, currently amounts to 32% of total net position, and is not available for future spending. Also, while the District's net 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 \$13,797,721 is a total of two

amounts: \$1,595,463 may be used to meet the District’s ongoing obligations to citizens and creditors and \$12,202,258 is designated for the District’s equipment reserve.

As the following table shows, the District reported an increase in net position of \$3,030,978 for the current fiscal year ended June 30, 2013. 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 \$1,875,152 out of the State of Tennessee’s Operational Funding Program. The increase of \$2,132,319 in net investment in capital assets is primarily due to a combination of two items: 1) a decrease in net investment in capital assets, net due to depreciation expense charged during the current fiscal year of \$171,916; 2) an increase in net investment in capital assets, net primarily due to the purchases for the CAD system totaling \$2,304,235.

During the fiscal year ended June 30, 2012, the District reported an increase in net position of \$2,393,324. This increase was 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 \$1,754,386 out of the State of Tennessee’s Operational Funding Program. The decrease of \$54,131 in net investment in capital assets results chiefly from a combination of two items: 1) a decrease in net investment in capital assets, net due to depreciation and amortization expense charged during the prior fiscal year totaling \$187,054; 2) an increase in net investment in capital assets, net due to the purchase of a new equipment totaling \$132,923.

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

	FYE June 30, 2013	FYE June 30, 2012	FYE June 30, 2011
Current and Other Assets	\$ 14,272,848	\$ 13,366,854	\$ 14,519,528
Capital Assets	6,529,178	4,396,859	4,450,990
Total Assets	<u>20,802,026</u>	<u>17,763,713</u>	<u>18,970,518</u>
Non Current Liabilities Outstanding	25,510	26,193	3,278,795
Current Liabilities	449,617	441,599	789,126
Total Liabilities	<u>475,127</u>	<u>467,792</u>	<u>4,067,921</u>
Net Position:			
Net Investment in			
Capital Assets	6,529,178	4,396,859	4,450,990
Unrestricted:			
Designated equipment reserve	12,202,258	9,827,419	7,881,283
Undesignated	1,595,463	3,071,643	2,570,324
Total Net Position	<u>\$ 20,326,899</u>	<u>\$ 17,295,921</u>	<u>\$ 14,902,597</u>

The next table shows the key elements from ongoing operations that contributed to the increase in net position of \$3,030,978 during the current fiscal year. This increase compares to the fiscal year 2012 increase of \$2,393,324. The reasons for this year's increase are similar to last year's increase. Operating revenues, comprised mainly of user service fees, decreased by \$120,861 or approximately 2% during fiscal year 2013, and operating expenses increased by \$23,249 or .4%, a result primarily of increased personnel costs. Also, Nonoperating Revenues decreased by \$4,170 or .2%, the result of decreased grant funding and Miscellaneous Revenue, while Nonoperating Expenses decreased by \$38,296 or 100%, due to the elimination of debt and interest payments on the long term advance from Knox County. The District received a capital contribution of cash for the CAD project totaling \$747,638 in fiscal year 2013.

For fiscal year 2013 Nonoperating Revenues decreased by \$4,170, that decrease is the combination of: decrease of the Tennessee Emergency Communications Board – Grants and Reimbursements totaling \$6,524, increase of radio maintenance totaling \$9,004, decrease of \$10,760 in miscellaneous revenue which is comprised chiefly of charges for tower and facility rental, increase of rental income of \$1,900, and interest earnings increased by \$2,210 primarily as a result of higher interest rates during FY 2013. The District received a capital contribution of cash for the CAD project totaling \$747,638 in fiscal year 2013.

Total expenses for FY 2013 decreased by \$15,047, with the decrease being comprised of an increase of \$47,606 in personnel costs (salaries and wages and employee benefits), increased costs of contracted services totaling \$53,617, an increase in supplies and materials totaling \$21,547, a decrease in other charges totaling \$84,383, combined with decreased interest costs, and a lower depreciation expense. The difference in depreciation from the current fiscal year and the previous fiscal year amounted to \$15,138. The fiscal year 2013 decrease in interest expense was \$38,296. This decrease is the result of the final payment on the Advance from Knox County in fiscal year 2012. During FY 2012, total expenses increased by \$84,771, with the increase being comprised of increased costs of personnel (salaries and wages and employee benefits), an increase in contracted services, a decrease in supplies and materials, an increase in other charges, combined with reduced interest costs, and lower depreciation expense.

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

	FYE <u>June 30, 2013</u>	FYE <u>June 30, 2012</u>	FYE <u>June 30, 2011</u>
Revenues:			
Operating Revenues:			
Emergency Telephone Service Charges	\$ 3,118,517	\$ 3,252,072	\$ 3,530,553
TECB-Wireless Fees	1,062,356	1,171,768	997,110
TECB-Operational Funding Program	1,875,152	1,754,386	1,389,919
Other Operating Revenues - Tape Sales	19,325	17,985	23,795
Total Operating Revenues	<u>6,075,350</u>	<u>6,196,211</u>	<u>5,941,377</u>
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	160,900	159,000	159,000
TN Emergency Comm. Board - Grants and Reimbursements	16,372	22,896	80,046
Radio Maintenance (Non Public Safety Agencies)	201,140	192,136	122,136
Miscellaneous Income	5,368	16,128	28,616
Interest Income	17,960	15,750	25,664
Total Nonoperating Revenues	<u>2,613,708</u>	<u>2,617,878</u>	<u>2,627,430</u>
Total Revenues	<u>8,689,058</u>	<u>8,814,089</u>	<u>8,568,807</u>
Expenses:			
Operating Expenses:			
Salaries and Wages	3,689,684	3,612,857	3,476,614
Employee Benefits	1,041,347	1,070,568	991,328
Contracted Services	1,212,947	1,159,330	1,134,169
Supplies and Materials	190,827	169,280	191,725
Other Charges	98,997	183,380	73,414
Depreciation and Amortization	171,916	187,054	430,448
Total Operating Expenses	<u>6,405,718</u>	<u>6,382,469</u>	<u>6,297,698</u>
Nonoperating Expenses:			
Interest	-	38,296	131,219
Total Nonoperating Expenses	<u>-</u>	<u>38,296</u>	<u>131,219</u>
Total Expenses	<u>6,405,718</u>	<u>6,420,765</u>	<u>6,428,917</u>
Capital Contributions:			
Capital Contributions - CAD System	747,638	-	-
Total Capital Contributions	<u>747,638</u>	<u>-</u>	<u>-</u>
Change in Net Position	3,030,978	2,393,324	2,139,890
Net Position - Beginning of Year	17,295,921	14,902,597	12,762,707
Net Position - End of Year	<u>\$ 20,326,899</u>	<u>\$ 17,295,921</u>	<u>\$ 14,902,597</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 for the new CAD system. Amendments to the budget increased the total revenue budget for the District in the amount of \$5,600,000, and amendments increased the total expense budget for the District in the amount of \$5,600,000. 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, and 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 \$772,533 over budget, while Nonoperating Revenues were a combined \$4,802,622 under budget. Operating expenses were \$4,568,235 under budget, and of the reserved and reappropriated amounts that were budgeted for Capital Outlay \$2,308,111 was spent. The net result of these budgetary variations was that the net increase in net position increased by \$898,659 compared with the budgeted net increase of \$360,513 in the final amended budget.

## **Capital Assets and Debt Administration**

**Capital Assets.** The District's net investment in capital assets as of June 30, 2013, amounts to \$6,529,178 (net of accumulated depreciation). Capital assets include land, construction in progress, buildings, communications and office equipment, vehicle, software, and leasehold improvements. The District's net investment in capital assets increased for the current fiscal year by 48%, or \$2,132,319, due chiefly to a combination of two items: 1) a decrease in net investment in capital assets due to depreciation expense charged during the current fiscal year of \$171,916 and 2) an increase in net investment in capital assets due to the purchases for the new CAD system totaling \$2,304,235. As of June 30, 2012, the District's net investment in capital assets amounted to \$4,396,859 (net of accumulated depreciation). For the fiscal year ending June 30, 2012, the District's net investment in capital assets decreased 1%, or \$54,131. The fiscal year 2012 decrease resulted chiefly from a combination of two items: 1) a decrease in net investment in capital assets due to depreciation and amortization expense charged during the 2012 fiscal year totaling \$187,054 and 2) an increase in net investment in capital assets due to the purchase of a new equipment totaling \$132,923. For a detailed schedule of the District's capital assets, see Note 6: Capital Assets on pages 24 and 25 in the Notes to the Financial Statements.

**Long-term Debt.** Compensated absences payable decreased by a net of \$6,830 in FY 2013, and decreased by a net of \$3,521 in FY 2012. For a detailed schedule of the District's long term debt, see Note 7: Long Term Liabilities on page 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 POSITION  
June 30, 2013 and June 30, 2012**

	<b>2013</b>	<b>2012</b>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 13,297,866	\$ 12,125,006
Accounts Receivable	972,204	1,241,848
Due from Primary Government	2,778	-
Total Current Assets	14,272,848	13,366,854
 <b>Noncurrent Assets:</b>		
Capital Assets:		
Land	56,089	56,089
Construction in Progress	2,304,235	-
Buildings	5,099,736	5,099,736
Communications and Office Equipment	12,499,067	12,499,067
Vehicles	32,276	32,276
Computer Software	29,345	29,345
Leasehold Improvements	207,735	207,735
Subtotal	20,228,483	17,924,248
Less: Accumulated Depreciation	(13,699,305)	(13,527,389)
Total Capital Assets (Net of Accumulated Depreciation)	6,529,178	4,396,859
Total Assets	\$ 20,802,026	\$ 17,763,713

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

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**KNOXVILLE - KNOX COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT**

**STATEMENTS OF NET POSITION - (Continued)  
June 30, 2013 and June 30, 2012**

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	<u>2013</u>	<u>2012</u>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts Payable	\$ 44,083	\$ 25,833
Accrued Payroll Payable	159,493	160,355
Compensated Absences Payable	229,593	235,740
Due to Primary Government	16,448	19,671
Total Current Liabilities	<u>449,617</u>	<u>441,599</u>
<b>Noncurrent Liabilities:</b>		
Compensated Absences Payable - Long Term	<u>25,510</u>	<u>26,193</u>
Total Noncurrent Liabilities	<u>25,510</u>	<u>26,193</u>
Total Liabilities	<u>475,127</u>	<u>467,792</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	6,529,178	4,396,859
Unrestricted	<u>13,797,721</u>	<u>12,899,062</u>
Total Net Position	<u>\$ 20,326,899</u>	<u>\$ 17,295,921</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 POSITION  
For the Years Ended June 30, 2013 and June 30, 2012**

	<b>2013</b>	<b>2012</b>
<b>Operating Revenues:</b>		
Emergency Telephone Service Charges	\$ 3,118,517	\$ 3,252,072
TECB - Wireless Fees	1,062,356	1,171,768
TECB - Operational Funding Program	1,875,152	1,754,386
Other Operating Revenues - Tape Sales	19,325	17,985
Total Operating Revenues	6,075,350	6,196,211
<b>Operating Expenses:</b>		
Salaries and Wages	3,689,684	3,612,857
Employee Benefits	1,041,347	1,070,568
Contracted Services	1,212,947	1,159,330
Supplies and Materials	190,827	169,280
Other Charges	98,997	183,380
Depreciation and Amortization	171,916	187,054
Total Operating Expenses	6,405,718	6,382,469
Operating Loss	(330,368)	(186,258)
<b>Nonoperating Revenues (Expenses):</b>		
Contributions from Other Governments and Agencies	1,719,140	1,719,140
Contributions from Primary Government	492,828	492,828
Rental Income	160,900	159,000
Tennessee Emergency Communications Board - Grants and Reimbursements	16,372	22,896
Radio Maintenance (Non Public Safety Agencies)	130,972	138,264
Radio Maintenance - County Depts.	70,168	53,872
Miscellaneous Income	5,368	16,128
Interest Income	17,960	15,750
Interest Expense	-	(38,296)
Total Nonoperating Revenues (Expenses)	2,613,708	2,579,582
Income before Capital Contributions	2,283,340	2,765,840
<b>Capital Contributions:</b>		
Capital Contributions - CAD System	747,638	-
Total Capital Contributions	747,638	-
Change in Net Position	3,030,978	2,393,324
Total Net Position - Beginning of Year	17,295,921	14,902,597
Total Net Position - End of Year	\$ 20,326,899	\$ 17,295,921

*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, 2013 and June 30, 2012**

	<b>2013</b>	<b>2012</b>
<b>Cash Flows from Operating Activities</b>		
Cash Received from Surcharges and Other Revenues	\$ 6,709,624	\$ 5,939,169
Cash Payments to Suppliers for Goods and Services	(1,487,744)	(1,560,147)
Cash Payments for Payroll, Taxes and Related Benefits	(4,738,723)	(4,813,724)
Net Cash Provided (Used) by Operating Activities	483,157	(434,702)
<b>Cash Flows from Noncapital Financing Activities</b>		
Contributions from Other Governments and Agencies	1,719,140	1,719,140
Contributions from Primary Government	492,828	492,828
Tennessee Emergency Communications Board - Grants and Reimbursements	16,372	22,896
Net Cash Provided by Noncapital Financing Activities	2,228,340	2,234,864
<b>Cash Flows from Capital and Related Financing Activities</b>		
Purchase of Equipment	(2,304,235)	(132,923)
Capital Contributions - CAD System	747,638	-
Interest Paid on Capital Leases Payable	-	(38,296)
Payment to Primary Government for Debt Service	-	(3,419,250)
Net Cash Used by Capital and Related Financing Activities	(1,556,597)	(3,590,469)
<b>Cash Flows from Investing Activities</b>		
Interest Received	17,960	15,750
Net Increase (Decrease) in Cash and Cash Equivalents	1,172,860	(1,774,557)
Cash and Cash Equivalents - Beginning of Year	12,125,006	13,899,563
Cash and Cash Equivalents - End of Year	\$ 13,297,866	\$ 12,125,006

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

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**KNOXVILLE - KNOX COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT**

**STATEMENTS OF CASH FLOWS - (Continued)  
For the Years Ended June 30, 2013 and June 30, 2012**

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**Reconciliation of Operating Loss to  
Net Cash Provided (Used) by Operating Activities**

	<u>2013</u>	<u>2012</u>
Operating Loss	\$ (330,368)	\$ (186,258)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	171,916	187,054
Rental Income	160,900	159,000
Radio Maintenance (Non Public Safety Agencies)	201,140	192,136
Miscellaneous Income	5,368	16,128
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	269,644	(624,306)
(Increase) Decrease in Due from Primary Government	(2,778)	2,423
Increase (Decrease) in Accounts Payable	18,250	(49,436)
Increase (Decrease) in Accrued Payroll Payable	(862)	(126,778)
Increase (Decrease) in Compensated Absences Payable	(6,830)	(3,521)
Increase (Decrease) in Due to Primary Government	(3,223)	(1,144)
Net Cash Provided (Used) by Operating Activities	<u>\$ 483,157</u>	<u>\$ (434,702)</u>

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

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**KNOXVILLE - KNOX COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2013 and June 30, 2012

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**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.

During the fiscal year ended June 30, 2013, the District implemented GASB Statement No. 62 "*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*", which incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance, included in certain FASB and AICPA

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**KNOXVILLE - KNOX COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2013 and June 30, 2012

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

pronouncements issued prior to November 30, 1989, which does not conflict with or contradict GASB pronouncements.

During the fiscal year ended June 30, 2013, the District implemented GASB Statement No. 63, “*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*”, which establishes guidance for reporting the statements of net position and statements of revenues, expenses, and changes in net position.

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 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 Position**

**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 7-86-126 requires financial institutions to secure the District’s deposits by pledging governmental securities as collateral. The market value of the securities must be equal to 105 percent of the average daily balance of the District’s deposits.

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**KNOXVILLE - KNOX COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2013 and June 30, 2012

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

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
Vehicles	5

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.

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**KNOXVILLE - KNOX COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2013 and June 30, 2012

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

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. Net Position

Net Position comprises the various net earnings from operating and non-operating revenues, expenses, and contributions of capital. Net position is classified in the following three components: net investment in capital assets, restricted net position, and unrestricted net position. Net investment in capital assets includes all capital assets, net of accumulated depreciation.

The restricted net position category includes net position whose use is subject to externally imposed stipulations that can be fulfilled by actions of the District pursuant to those stipulations or that expire by the passage of time. The District had no restricted assets at June 30, 2013, and at June 30, 2012. The unrestricted net position category includes all other assets that do not meet the definition of "restricted" or "net investment in capital assets".

The District's Board established an equipment reserve and this reserve is designated to purchase equipment for the District. The amount in the reserve for the years ended June 30, 2013 and 2012 totaled \$12,202,258 and \$9,827,419, respectively. These reserve amounts are included as a component of unrestricted net position on the Statements of Net Position.

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**KNOXVILLE - KNOX COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2013 and June 30, 2012

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

7. 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.

8. Revenue Recognition

Emergency telephone service charge revenues are recognized in the period in which the monthly fees are billed by the service supplier to the subscribers. Any subscriber accounts subsequently determined to be uncollectible are charged against revenues at that time. In the District's opinion, such reporting does not materially affect the financial statements.

Wireless fees are collected and remitted to the District through the State of Tennessee Emergency Communications Board (TECB). Shared wireless revenues are recognized by the District in the period the surcharge is assessed by the service provider. The TECB has approved additional funding from wireless revenues that will be provided annually to the local emergency communications districts for operational needs.

Emergency telephone user service fees are recognized on the accrual basis.

**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. The budget is prepared on the modified accrual basis of accounting. 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.

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**KNOXVILLE - KNOX COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2013 and June 30, 2012

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**NOTE 2: BUDGETARY INFORMATION (Continued)**

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. The encumbrances committed at June 30, 2013 were \$3,507,912 and there were no encumbrances at June 30, 2012. The encumbrances for June 30, 2013 were related primarily to capital expenditures for the ongoing CAD project. See Note 6.

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 net position which enables the Board to determine the funds available for appropriation.

**NOTE 3: DEPOSITS AND INVESTMENTS**

At June 30, 2013, and June 30, 2012, 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.

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.

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**KNOXVILLE - KNOX COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2013 and June 30, 2012

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**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.

Employees choosing to participate with over five years of service receive an equal employer match starting at two percent and staggering up to a maximum additional six percent for those with 15 years or more service. Two other 457 plans, Security Benefits and Nationwide, also allow for similar employee contributions and employer match.

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. There were no contributions from District employees nor the District for the years ended June 30, 2013 and 2012.

**NOTE 5: EMPLOYEE RETIREMENT PLAN**

The District has a defined contribution plan that covers substantially all full time employees of the District. The plan is administered by USI Consulting Group. Plan benefits depend solely on amounts contributed to the plan plus investment earnings. Participation begins on the first day of employment and all eligible employees not participating in another County, or state retirement plan are required to participate. Employees vest in the employer contributions at 20% per year after one year of service and are 100% vested after five years. Effective July 1, 1999, the District amended plan provisions to require all participants to contribute a minimum of 6% of compensation.

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**KNOXVILLE - KNOX COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2013 and June 30, 2012

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**NOTE 5: EMPLOYEE RETIREMENT PLAN (Continued)**

On July 1, 2007, the District incorporated both a 401(a) Plan and a 457(b) Plan in the Defined Contribution Plan for District participants. District's Voluntary 457 plan incorporates voluntary pre-tax contributions by the participant with an employer match based on length of service with the District. Nationwide, the District's 457 Vendor, prepares their own separate financial report for the 457 plan.

As of June 30, 2013, there were 72 active plan members. During the year, the District made total employer contributions of \$155,829 and the District's employees contributed a total amount of \$155,829 to the DC Plan and 457 Plan. During 2012, the District contributed a total amount of \$170,726 and the District's employees contributed a total amount of \$170,726 to the DC Plan and 457 Plan.

**KNOXVILLE - KNOX COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2013 and June 30, 2012

**NOTE 6: CAPITAL ASSETS**

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being:				
Depreciated				
Land	\$ 56,089	\$ -	\$ -	\$ 56,089
Construction in Progress	-	2,304,235	-	2,304,235
Total Capital Assets Not Being Depreciated	56,089	2,304,235	-	2,360,324
Capital Assets Being Depreciated:				
Buildings	5,099,736	-	-	5,099,736
Communications and Office Equipment	12,499,067	-	-	12,499,067
Vehicles	32,276	-	-	32,276
Computer Software	29,345	-	-	29,345
Leasehold Improvements	207,735	-	-	207,735
Total Capital Assets Being Depreciated	17,868,159	-	-	17,868,159
Less Accumulated Depreciation for:				
Buildings	(969,043)	(115,251)	-	(1,084,294)
Communications and Office Equipment	(12,337,456)	(36,361)	-	(12,373,817)
Vehicles	(13,020)	(6,455)	-	(19,475)
Computer Software	(29,345)	-	-	(29,345)
Leasehold Improvements	(178,525)	(13,849)	-	(192,374)
Total Accumulated Depreciation	(13,527,389)	(171,916)	-	(13,699,305)
Total Capital Assets Being Depreciated, Net	4,340,770	(171,916)	-	4,168,854
Total Capital Assets, Net	\$ 4,396,859	\$ 2,132,319	\$ -	\$ 6,529,178

**KNOXVILLE - KNOX COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2013 and June 30, 2012

**NOTE 6: CAPITAL ASSETS (Continued)**

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

	Beginning Balance	Increases	Decreases	Ending Balance
Total Capital Assets, Not Being Depreciated				
Land	\$ 56,089	\$ -	\$ -	\$ 56,089
Capital Assets Being Depreciated:				
Buildings	5,099,736	-	-	5,099,736
Communications and Office Equipment	12,366,144	132,923	-	12,499,067
Vehicles	32,276	-	-	32,276
Computer Software	29,345	-	-	29,345
Leasehold Improvements	207,735	-	-	207,735
Total Capital Assets Being Depreciated	<u>17,735,236</u>	<u>132,923</u>	<u>-</u>	<u>17,868,159</u>
Less Accumulated Depreciation for:				
Buildings	(853,792)	(115,251)	-	(969,043)
Communications and Office Equipment	(12,285,957)	(51,499)	-	(12,337,456)
Vehicles	(6,565)	(6,455)	-	(13,020)
Computer Software	(29,345)	-	-	(29,345)
Leasehold Improvements	(164,676)	(13,849)	-	(178,525)
Total Accumulated Depreciation	<u>(13,340,335)</u>	<u>(187,054)</u>	<u>-</u>	<u>(13,527,389)</u>
Total Capital Assets Being Depreciated, Net	<u>4,394,901</u>	<u>(54,131)</u>	<u>-</u>	<u>4,340,770</u>
Total Capital Assets, Net	<u>\$ 4,450,990</u>	<u>\$ (54,131)</u>	<u>\$ -</u>	<u>\$ 4,396,859</u>

**KNOXVILLE - KNOX COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2013 and June 30, 2012

**NOTE 7: LONG-TERM LIABILITIES**

Long-term liability activity for the year ended June 30, 2013, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Compensated Absences	\$ 261,933	\$ 317,963	\$ (324,793)	\$ 255,103	\$ 229,593

Long-term liability activity for the year ended June 30, 2012, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Advances from Primary Government	\$ 3,419,250	\$ -	\$ (3,419,250)	\$ -	\$ -
Compensated Absences	265,454	309,489	(313,010)	261,933	235,740
Total Long-term Liabilities	\$ 3,684,704	\$ 309,489	\$(3,732,260)	\$ 261,933	\$ 235,740

The Advances from Primary Government represented 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; \$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 were no official terms of repayment between the District and the County. In the previous fiscal year, the District repaid the County for all principal, interest and closing costs incurred on its behalf.

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**KNOXVILLE - KNOX COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2013 and June 30, 2012

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**NOTE 8: CONTRIBUTED SERVICES**

Knox County provides various administrative and internal service functions to the District. During the current fiscal year, the County did not charge the District for those services. In FY2012, \$64,207 was the total amount paid by the District for those services.

The State of Tennessee and Knox County's current ambulance provider gave a capital contribution of cash in the total amount of \$747,638 for specific requirements for the District's CAD system currently in progress. The CAD system is scheduled to be in operation in fiscal year 2015.

**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 25.0 percent and 25.1 percent of total revenues for the fiscal years 2013 and 2012, respectively. The City of Knoxville and Knox County are not legally responsible for funding operational deficits of the District.

**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)**

For the Year Ended June 30, 2013

	Original Budget	Amendments	Amended Budget	Actual	Variance Under (Over)	YTD % of Budget
<b>Operating Revenues</b>						
Emergency Telephone Service Charges	\$ 2,788,695	\$ -	\$ 2,788,695	\$ 3,118,517	\$ (329,822)	112%
TECB - Wireless Fees	1,000,000	-	1,000,000	1,062,356	(62,356)	106%
TECB - Operational Funding Program	1,514,122	-	1,514,122	1,875,152	(361,030)	124%
Other Operating Revenue - Tape Sales	-	-	-	19,325	(19,325)	0%
<b>Total Operating Revenues</b>	<b>5,302,817</b>	<b>-</b>	<b>5,302,817</b>	<b>6,075,350</b>	<b>(772,533)</b>	<b>115%</b>
<b>Operating Expenses</b>						
<u>Salaries and Wages</u>						
Director	122,974	-	122,974	122,974	-	100%
Administrative Personnel	610,804	-	610,804	600,118	10,686	98%
Dispatchers	1,247,184	(15,000)	1,232,184	1,069,331	162,853	87%
Call Processors	1,527,247	(900)	1,526,347	1,435,256	91,091	94%
Part-time Personnel	130,000	15,000	145,000	108,634	36,366	75%
Other Salaries and Wages	628,179	900	629,079	353,371	275,708	56%
<b>Total Salaries and Wages</b>	<b>4,266,388</b>	<b>-</b>	<b>4,266,388</b>	<b>3,689,684</b>	<b>576,704</b>	<b>86%</b>
<u>Employee Benefits</u>						
Social Security	326,572	-	326,572	270,501	56,071	83%
Retirement	200,537	-	200,537	155,829	44,708	78%
Health Insurance	763,495	-	763,495	610,444	153,051	80%
Life Insurance	14,400	-	14,400	4,573	9,827	32%
<b>Total Employee Benefits</b>	<b>1,305,004</b>	<b>-</b>	<b>1,305,004</b>	<b>1,041,347</b>	<b>263,657</b>	<b>80%</b>
<u>Contracted Services</u>						
Medical Services	6,298	-	6,298	2,029	4,269	32%
Licensing and Related Costs	24,750	-	24,750	24,000	750	97%
Other Professional Services	19,750	-	19,750	15,569	4,181	79%
Equipment - Rent/Repair/Maintenance	555,869	3,510	559,379	529,485	29,894	95%
Vehicle - Rent/Repair/Maintenance	3,000	1,500	4,500	4,123	377	92%
Communications and IT Related	526,400	-	526,400	482,188	44,212	92%
Other Services Related to Daily Operations	14,750	-	14,750	1,690	13,060	11%
Services - Maintenance of Building and Grounds	5,802	-	5,802	1,668	4,134	29%
Contract with Other Agencies	190,960	-	190,960	132,823	58,137	70%
Space Rentals	300	-	300	60	240	20%
Employee, Travel, Educational Training	43,670	-	43,670	19,312	24,358	44%
<b>Total Contracted Services</b>	<b>1,391,549</b>	<b>5,010</b>	<b>1,396,559</b>	<b>1,212,947</b>	<b>183,612</b>	<b>87%</b>

*continued...*

**KNOXVILLE - KNOX COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT**

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

For the Year Ended June 30, 2013

	Original Budget	Amendments	Amended Budget	Actual	Variance Under (Over)	YTD % of Budget
<b>Operating Expenses (continued)</b>						
<u>Supplies and Materials</u>						
Food	\$ 2,000	\$ -	\$ 2,000	\$ -	\$ 2,000	0%
Utilities and Fuel	224,220	(11,000)	213,220	162,057	51,163	76%
Office Supplies and Minor Equipment	78,875	(12,200)	66,675	21,212	45,463	32%
Grounds/Buildings - Rent/Repair/Maintenance	500	-	500	-	500	0%
Educational Materials	10,600	-	10,600	668	9,932	6%
Other Materials for Daily Operations	8,225	-	8,225	6,890	1,335	84%
<b>Total Supplies and Materials</b>	<b>324,420</b>	<b>(23,200)</b>	<b>301,220</b>	<b>190,827</b>	<b>110,393</b>	<b>63%</b>
<u>Other Charges</u>						
Insurance Related Charges	7,700	-	7,700	6,191	1,509	80%
Worker's Compensation Charges	30,000	-	30,000	27,524	2,476	92%
Liability Charges	13,200	-	13,200	10,614	2,586	80%
Space Costs	33,010	18,190	51,200	48,876	2,324	95%
Other	3,500	-	3,500	1,916	1,584	55%
Capital Outlay	131,501	5,600,000	5,731,501	2,308,111	3,423,390	40%
<b>Total Other Charges</b>	<b>218,911</b>	<b>5,618,190</b>	<b>5,837,101</b>	<b>2,403,232</b>	<b>3,433,869</b>	<b>41%</b>
<b>Total Operating Expenses</b>	<b>7,506,272</b>	<b>5,600,000</b>	<b>13,106,272</b>	<b>8,538,037</b>	<b>4,568,235</b>	<b>65%</b>
<b>Operating Income (Loss)</b>	<b>(2,203,455)</b>	<b>(5,600,000)</b>	<b>(7,803,455)</b>	<b>(2,462,687)</b>	<b>(5,340,768)</b>	<b>32%</b>
<b>Nonoperating Revenues (Expenses)</b>						
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%
Reimbursements for CAD System	-	-	-	747,638	(747,638)	0%
Rental Income	159,000	-	159,000	160,900	(1,900)	101%
TECB - Grants and Reimbursements	-	-	-	16,372	(16,372)	0%
Radio Maintenance (Non Public Safety Agencies)	-	-	-	201,140	(201,140)	0%
Miscellaneous Income	168,000	-	168,000	5,368	162,632	3%
Interest Income	25,000	-	25,000	17,960	7,040	72%
From Unrestricted Net Position	-	5,600,000	5,600,000	-	5,600,000	0%
<b>Total Nonoperating Revenues (Expenses)</b>	<b>2,563,968</b>	<b>5,600,000</b>	<b>8,163,968</b>	<b>3,361,346</b>	<b>4,802,622</b>	<b>41%</b>
<b>Net Increase (Decrease) in Net Position (Budget Basis)</b>	<b>\$ 360,513</b>	<b>\$ -</b>	<b>\$ 360,513</b>	<b>\$ 898,659</b>	<b>\$ 538,146</b>	<b>249%</b>

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**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 Position**

For the Year Ended June 30, 2013

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

Net Increase (Decrease) in Net Assets (Budget Basis) (page 29)	\$ 898,659
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 Position the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays \$(2,304,235) exceeds depreciation \$(171,916) in the current year.	<u>2,132,319</u>
Change in net position (page 13)	<u><u>\$ 3,030,978</u></u>

**INTERNAL CONTROL  
AND COMPLIANCE SECTION**

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PUGH & COMPANY, P.C.  
www.pughcpas.com

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

Board of Directors  
Knoxville – Knox County Emergency Communications District  
Knoxville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Knoxville – Knox County Emergency Communications District which comprise the statements of net position as of June 30, 2013 and June 30, 2012, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended and the related notes to the financial statements, and have issued our report thereon dated November 26, 2013.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Knoxville – Knox County Emergency Communications District internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Knoxville – Knox County Emergency Communications District's internal control. Accordingly, we do not express an opinion on the effectiveness of Knoxville – Knox County Emergency Communications District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or 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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Knoxville – Knox County Emergency Communications District's financial statements are free from 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 audits, 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.

### **Purpose of this Report**

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

*Pugh & Company, P.C.*

Certified Public Accountants  
Knoxville, Tennessee  
November 26, 2013