

JEFFERSON COUNTY E-911
Jefferson City, Tennessee
ANNUAL FINANCIAL REPORT
WITH SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2012
and
INDEPENDENT AUDITOR'S REPORT

JEFFERSON COUNTY E-911

Jefferson City, Tennessee

ANNUAL FINANCIAL REPORT
WITH SUPPLEMENTARY INFORMATION

For the Fiscal Year Ended June 30, 2012

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JEFFERSON COUNTY E-911

Jefferson City, Tennessee

SCHEDULE OF BOARD OF DIRECTORS

June 30, 2012

Members of the Board of Directors are as follows:

Alan Palmieri	Chairman
Tom Maursetter	Vice Chairman
Chad Cotter	Secretary
Rob Blevins	Member
Billy John Cureton	Member
Jane Davis	Member
Brad Phillips	Member

BROWN JAKE & McDANIEL, PC

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KNOXVILLE, TENNESSEE 37919-3336
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JOE L. BROWN, CPA, CGFM, CGMA
FRANK D. McDANIEL, CPA, CGFM, CGMA
TERRY L. MOATS, CPA, CGMA
JAMES E. BOOHER, CPA, CGMA

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

Board of Directors
Jefferson County E-911
Jefferson City, Tennessee

We have audited the accompanying financial statements of Jefferson County E-911, a component unit of Jefferson County, Tennessee, as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of Jefferson County E-911's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of Jefferson County E-911 as of June 30, 2012, and the results of its operations and its cash flows for the year 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 November 29, 2012 on our consideration of Jefferson County E-911'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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 6 and the required supplementary information on page 17 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of

America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because of the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying other supplementary information included on pages 18 through 22 is presented for purposes of additional analysis and is not a required part of the basic financial statements of Jefferson County E-911. The accompanying other 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. The information has been subjected to the audit procedures applied in the audits 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Brown Lake & McDaniel, PC

November 29, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR 2012

The financial statements of Jefferson County E-911 (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The financial statements of the District report information using accounting methods similar to those used by private sector companies. These statements offer short and long term financial information about their activities.

The Statement of Net Assets include all of the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Assets. The statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through its fees, profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balances during the reporting period.

Table 1

Condensed Statement of Net Assets

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	Increase (Decrease)	%
Current and other assets	\$ 481,384	\$ 439,396	\$ 41,988	9.56%
Capital assets	<u>206,094</u>	<u>28,790</u>	<u>177,304</u>	615.85%
Total assets	<u>\$ 687,478</u>	<u>\$ 468,186</u>	<u>\$ 219,292</u>	46.84%
Long-term liabilities	\$ -	\$ -	\$ -	- %
Current liabilities	<u>25,140</u>	<u>235,389</u>	<u>(210,249)</u>	-89.32%
Total liabilities	<u>\$ 25,140</u>	<u>\$ 235,389</u>	<u>\$ (210,249)</u>	-89.32%
Invested in capital assets	\$ 206,094	\$ 28,790	\$ 177,304	615.85%
Unrestricted	<u>456,244</u>	<u>204,007</u>	<u>252,237</u>	123.64%
Total net assets	<u>\$ 662,338</u>	<u>\$ 232,797</u>	<u>\$ 429,541</u>	184.51%

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

One way to measure financial health of a company is to look at its increases or decreases in net assets over time. Increases in net assets, in general, are signs that a company's financial health is improving. Decreases may indicate that its financial health is deteriorating. However, you will need to also consider non-financial factors such as economic conditions, service growth, and legislative mandates.

Jefferson County E-911's total net assets increased \$429,541 from last year.

Table 2

Statement of Revenues, Expenses, and Changes in Net Assets

	June 30, 2012	June 30, 2011	Increase (Decrease)	%
Operating revenue	\$ 688,091	\$ 626,414	\$ 61,677	9.85%
Non-operating revenue	480,539	416,242	64,297	15.45%
Total revenues	<u>1,168,630</u>	<u>1,042,656</u>	<u>125,974</u>	12.08%
Direct operating expenses	541,830	561,776	(19,946)	-3.55%
General and administrative expenses	379,923	471,016	(91,093)	-19.34%
Depreciation expense	56,150	19,393	36,757	189.54%
Total expenses	<u>977,903</u>	<u>1,052,185</u>	<u>(74,282)</u>	-7.06%
Income (loss) before capital grants	190,727	(9,529)	200,256	2101.54%
Capital grants	238,814	10,000	228,814	2288.14%
Change in net assets	429,541	471	429,070	91097.66%
Beginning net assets	<u>232,797</u>	<u>232,326</u>	<u>471</u>	0.20%
Ending net assets	<u>\$ 662,338</u>	<u>\$ 232,797</u>	<u>\$ 429,541</u>	184.51%

As can be seen in Table 2, the change in net assets (formerly known as "net income (loss)") increased from the prior year by \$429,070.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Table 3

Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	Increase (Decrease)
Capital assets, net	\$ 206,094	\$ 28,790	\$ 177,304

This year's capital additions include:

Operating equipment	\$ 185,580
Communication equipment	<u>47,874</u>
Total additions	<u>\$ 233,454</u>

The District plans on purchasing a new vehicle for 2013.

At June 30, 2012, the District had no outstanding long-term debt.

There were no significant variations from fiscal year 2012 budgeted operational expenditures and fiscal year 2012 actual operational expenditures. Fiscal year 2013 budget, approved in 2012, contains no significant operational increases or decreases from fiscal year 2012.

This financial report is designed to provide the public and creditors with an overview of the finances of the District and to demonstrate accountability for the money received. If there are questions, comments, or requests for additional information pertaining to this report, please contact:

Mr. Marcus Reed, Director
Jefferson County E-911
112 W. Broadway Blvd.
Jefferson City, TN 37760

Phone (865) 475-4911

JEFFERSON COUNTY E-911
 Jefferson City, Tennessee
 STATEMENT OF NET ASSETS
 June 30, 2012

ASSETS

Current assets:	
Cash and cash equivalents	\$ 379,847
Accounts receivable:	
Customers	78,359
Other	2,376
Prepaid expenses	<u>20,802</u>
Total current assets	<u>481,384</u>
Capital assets:	
Capital assets, net of accumulated depreciation totaling \$790,666	<u>206,094</u>
Total assets	<u>\$ 687,478</u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	\$ 1,723
Accrued vacation leave	20,630
Other current liabilities	<u>2,787</u>
Total liabilities	<u>25,140</u>
Net assets:	
Invested in capital assets	206,094
Unrestricted	<u>456,244</u>
Total net assets	<u>662,338</u>
Total liabilities and net assets	<u>\$ 687,478</u>

See accompanying notes to basic financial statements.

JEFFERSON COUNTY E-911

Jefferson City, Tennessee

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Fiscal Year Ended June 30, 2012

Operating revenues:	
Emergency telephone surcharges	\$ 330,487
State shared wireless charges	138,869
State of Tennessee operational funding	216,744
Other	<u>1,991</u>
	<u>688,091</u>
Operating expenses:	
Salaries and wages	541,830
Employee benefits	191,568
Contracted services	113,998
Supplies and materials	26,740
Other charges	<u>47,617</u>
	<u>921,753</u>
Operating margin (loss) before depreciation	(233,662)
Depreciation expense	<u>56,150</u>
Operating margin (loss)	<u>(289,812)</u>
Non-operating revenue (expense):	
Interest income	452
Contribution from primary government	422,900
State of Tennessee grants and reimbursements	<u>57,187</u>
	<u>480,539</u>
Income before capital grants	190,727
Capital grants - State of Tennessee	<u>238,814</u>
Change in net assets	429,541
Net assets, beginning of the year	<u>232,797</u>
Net assets, end of the year	<u>\$ 662,338</u>

See accompanying notes to basic financial statements.

JEFFERSON COUNTY E-911

Jefferson City, Tennessee

STATEMENT OF CASH FLOWS

For the Fiscal Year Ended June 30, 2012

Cash flows from operating activities:	
Cash received from service fees and other operating revenues	\$ 637,118
Cash paid to suppliers for goods and services	(389,104)
Cash paid to employees for services provided	<u>(542,355)</u>
Net cash used by operating activities	<u>(294,341)</u>
Cash flows from noncapital financing activities:	
Contribution from primary government	422,900
Grant revenues received-State of Tennessee	<u>57,187</u>
Net cash provided by noncapital financing activities	<u>480,087</u>
Cash flows from capital and related financing activities:	
Purchase of equipment	(233,454)
Capital grants received - State of Tennessee	<u>35,386</u>
Net cash used by capital and related financing activities	<u>(198,068)</u>
Cash flows from investing activities:	
Interest income on investments	<u>452</u>
Net cash provided by investing activities	<u>452</u>
Net decrease in cash and cash equivalents	(11,870)
Cash and cash equivalents, beginning of the year	<u>391,717</u>
Cash and cash equivalents, end of the year	<u>\$ 379,847</u>
Reconciliation of operating margin (loss) to net cash used by operating activities:	
Operating margin (loss)	\$ (289,812)
Adjustments to reconcile operating margin (loss) to net cash used by operating activities:	
Depreciation	56,150
Increase in receivables	(50,973)
Increase in prepaid expenses	(2,885)
Decrease in accounts payable	(482)
Decrease in other current liabilities	<u>(6,339)</u>
Net cash used by operating activities	<u>\$ (294,341)</u>

See accompanying notes to basic financial statements.

JEFFERSON COUNTY E-911

Jefferson City, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

1. Summary of Significant Accounting PoliciesGeneral Statement

Jefferson County E-911 (the District) is a 911 service which receives telephone requests for emergency services and provides for the dispatch of appropriate emergency service units. Jefferson County E-911 is a component unit of another governmental entity. Jefferson County, Tennessee is the primary government in whose financial reporting entity Jefferson County E-911 is included. The District receives a significant portion of its income from the tax revenues of Jefferson County. Also, Jefferson County's legislative body approves board members, debt issues, telephone surcharge rate changes and annual budgets of Jefferson County E-911.

The criteria for including organizations as component units within a County's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the County appoints a voting majority of the organization's board
- the County is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the County
- there is a fiscal dependency by the organization on the County

Basis of Presentation

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. As permitted by generally accepted accounting principles, the District has elected to apply only applicable FASB Statements and Interpretations issued on or before November 30, 1989 that do not contradict GASB pronouncements in its accounting and reporting practices. After November 30, 1989, the District has elected not to apply FASB pronouncements. The more significant accounting policies of the District are described below.

The entity is a proprietary fund type known as an Enterprise Fund. The Enterprise Fund is used to account for operations that are financed and

JEFFERSON COUNTY E-911

Jefferson City, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)1. Summary of Significant Accounting Policies (Continued)Basis of Presentation (Continued)

operated in a manner similar to private business enterprises where the costs are financed through user charges.

Proprietary funds are accounted for on a "flow of economic resources" measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the Statement of Net Assets. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net assets.

Methods of Accounting

The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Net Assets

The District follows the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. It requires the classification of net assets into three components - 1) invested in capital assets, net of related debt service, 2) restricted for debt service, and 3) unrestricted.

Cash and Cash Equivalents

For purposes of these financial statements, the District considers all highly liquid investments having original maturity dates of three months or less to be cash equivalents.

Budgetary Principles

Prior to the beginning of the fiscal year, the Board of Directors adopts an annual budget. All revisions must be approved by the Board. All annual appropriations lapse at fiscal year end. Budgetary control is at the line item level.

JEFFERSON COUNTY E-911

Jefferson City, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)1. Summary of Significant Accounting Policies (Continued)Budgetary Principles (Continued)

The District prepares its budget on a basis of accounting that differs from accounting principles generally accepted in the United States of America (GAAP). The major difference between the budgetary basis of accounting and GAAP is that encumbrances are recorded as the equivalent of expenditures (budget) as opposed to a reservation of fund balance (GAAP). At June 30, 2012, the District had no encumbrances.

Capital Assets

Capital assets owned by the District are recorded at cost, or if contributed property, at their fair market value at the time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. Depreciation has been calculated on each class of depreciable property using the straight-line method.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Operating and Non-Operating Revenues

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Restricted and Unrestricted Resources

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

JEFFERSON COUNTY E-911

Jefferson City, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)2. Cash, Cash Equivalents and Deposits

Cash consisted of the following at June 30, 2012:

Cash in bank	<u>\$379,847</u>
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At June 30, 2012, all of the District's deposits were either insured by federal depository insurance or guaranteed by bank participation in the Tennessee Bank Collateral Pool. Investment policies of the District follow state law and bond requirements prohibiting investments that are not secured or insured by the U.S. Government.

3. Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Depreciation Rates</u>
Capital assets, being depreciated:					
Leasehold improvements	\$ 23,765	\$ -	\$ -	\$ 23,765	5.0 - 20.0%
Office equipment and furniture	91,171	-	-	91,171	14.3 - 33.3%
Operating equipment	403,080	185,580	-	588,660	14.3 - 20.0%
Communication equipment	222,512	47,874	-	270,386	14.3 - 20.0%
Vehicle	<u>22,778</u>	<u>-</u>	<u>-</u>	<u>22,778</u>	
 Total capital assets, being depreciated	 <u>763,306</u>	 <u>233,454</u>	 <u>-</u>	 <u>996,760</u>	
Less accumulated depreciation for:					
Leasehold improvements	(23,734)	(32)	-	(23,766)	
Office equipment and furniture	(72,798)	(8,691)	-	(81,489)	
Operating equipment	(395,937)	(40,974)	-	(436,911)	
Communication equipment	(219,269)	(6,453)	-	(225,722)	
Vehicle	<u>(22,778)</u>	<u>-</u>	<u>-</u>	<u>(22,778)</u>	
 Total accumulated depreciation	 <u>(734,516)</u>	 <u>(56,150)</u>	 <u>-</u>	 <u>(790,666)</u>	
 Total capital assets, being depreciated, net	 <u>28,790</u>	 <u>177,304</u>	 <u>-</u>	 <u>206,094</u>	
 Total net capital assets, excluding plant acquisition adjustments	 <u>\$ 28,790</u>	 <u>\$ 177,304</u>	 <u>\$ -</u>	 <u>\$ 206,094</u>	

Depreciation charged to expense totaled \$56,150 for the year ended June 30, 2012.

JEFFERSON COUNTY E-911

Jefferson City, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)4. Compensated Absences

The vacation year is a calendar year beginning January 1 and ending December 31. Regular full-time employees accrue one day of vacation per month. After five years of service, employees accrue one and one-half days of vacation per month. Employees on vacation are paid at the regular rate of pay during such leave. Employees may accrue annual vacation leave up to a maximum of thirty days. Unpaid vacation leave totaled \$20,630 for the year ended June 30, 2012.

Sick leave is earned by regular full-time employees at the rate of one day per month. Employees may accumulate sick leave up to a maximum of one hundred twenty days. It is management's belief that sick leave does not vest, and therefore, no accrual of such leave has been made.

5. Retirement Plan***Plan Description***

Employees of Jefferson County E-911 are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). The TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Jefferson County E-911 participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs/PS/>.

JEFFERSON COUNTY E-911

Jefferson City, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)5. Retirement Plan (Continued)***Funding Policy***

Jefferson County E-911 requires employees to contribute 5.0 percent of earnable compensation.

Jefferson County E-911 is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2012 was 5.71% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Jefferson County E-911 is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ending June 30, 2012, Jefferson County E-911's annual pension cost of \$26,705 to the TCRS was equal to Jefferson County E-911's required and actual contributions. The required contribution was determined as part of the July 1, 2009 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected 3.0 percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. Jefferson County E-911's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009 was 15 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2012	\$26,705	100.00%	\$0.00
June 30, 2011	\$26,131	100.00%	\$0.00
June 30, 2010	\$25,190	100.00%	\$0.00

JEFFERSON COUNTY E-911

Jefferson City, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)5. Retirement Plan (Continued)***Funded Status and Funding Progress***

As of July 1, 2011, the most recent actuarial valuation date, the plan was 97.96 percent funded. The actuarial accrued liability for benefits was \$0.42 million, and the actuarial value of assets was \$0.41 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.01 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.37 million, and the ratio of the UAAL to the covered payroll was 2.34 percent.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

Schedule of Funding Progress

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2011	\$412	\$421	\$9	97.96%	\$368	2.34%
July 1, 2009	\$260	\$260	\$0	100.00%	\$336	0.00%
July 1, 2007	\$171	\$171	\$0	100.00%	\$347	0.00%

6. 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; injuries to employees; and natural disasters. The District purchases commercial insurance for all of these risks of loss. There have been no claims in the prior three years.

REQUIRED SUPPLEMENTARY INFORMATION

JEFFERSON COUNTY E-911
 Jefferson City, Tennessee
 SCHEDULE OF FUNDING PROGRESS
 June 30, 2012

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
July 1, 2011	\$412	\$421	\$9	97.96%	\$368	2.34%
July 1, 2009	\$260	\$260	\$0	100.00%	\$336	0.00%
July 1, 2007	\$171	\$171	\$0	100.00%	\$347	0.00%

See accompanying notes to basic financial statements.

OTHER SUPPLEMENTARY INFORMATION

JEFFERSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Jefferson City, Tennessee

SCHEDULE OF EXPENDITURES OF STATE AWARDS

June 30, 2012

Description	Project Number	CFDA Number	Balance		Receipts	Expenditures	Balance June 30, 2012 Unexpended (Receivable)
			July 1, 2011 Unexpended (Receivable)	June 30, 2012			
Tennessee Department of Commerce and Insurance - GIS Mapping Grant	N/A	N/A	\$ -	\$ 10,000	\$ 10,000	\$ -	
Tennessee Department of Commerce and Insurance - GIS-TIPS Distribution	N/A	N/A	-	31,187	31,187	-	
Tennessee Department of Commerce and Insurance - Dispatcher Training Alloc.	N/A	N/A	-	16,000	16,000	-	
Tennessee Department of Commerce and Insurance - 2012 Recording System	N/A	N/A	-	35,386	35,386	-	
Tennessee Department of Commerce and Insurance - 25% Distribution	N/A	N/A	-	138,869	138,869	-	
Tennessee Department of Commerce and Insurance - Recurring Operational Funding	N/A	N/A	-	216,744	216,744	-	
Tennessee Department of Commerce and Insurance - NG911 EQUIPMENT 2011	N/A	N/A	203,428	-	203,428	-	
Total Grants			\$ 203,428	\$ 448,186	\$ 651,614	\$ -	

Grants:

See independent auditor's report.

JEFFERSON COUNTY E-911

Jefferson City, Tennessee

SCHEDULE OF BUDGET VS. ACTUAL REVENUES AND EXPENSES

For the Fiscal Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>
Operating revenues:		
Emergency telephone surcharges	\$ 300,500	\$ 330,487
State shared wireless charges	211,000	138,869
State of Tennessee operational funding	135,000	216,744
Other	<u>-</u>	<u>1,991</u>
Total operating revenues	<u>646,500</u>	<u>688,091</u>
Operating expenses:		
Directors salary	47,362	47,362
Administrative personnel	34,445	34,445
Telecommunicators	294,392	294,392
Overtime pay	59,966	59,966
Part-time pay	46,434	46,434
Addressing/training coordinator	31,510	31,510
Holiday pay	12,000	11,569
Longevity pay	16,152	16,152
Social security	31,663	31,663
Medicare	7,317	7,317
Life insurance	1,200	1,200
Health insurance	119,307	119,307
Other employee benefits	1,988	1,988
Unemployment taxes	3,867	3,867
Retirement contributions	35,000	26,226
Addressing/mapping expenses	500	349
Audit services	7,000	6,639
Accounting services	600	539
Administrative fees - service charge	7,345	7,345
Fees paid to service providers	29,597	29,597
Legal fees	1,168	1,168
Tower rental	5,500	4,800
Lease/rent - building and fees	19,750	19,750
Maintenance and repairs - equipment	83,000	41,934
Maintenance and repairs - building	1,635	1,635
Small equipment purchases	4,000	169
Maintenance and repairs - vehicle	1,500	242
Language line	1,000	-
Office supplies	3,489	3,489
Media tapes	300	-
Postage	600	486
Uniforms and shirts	3,000	1,207
Utilities - electric	1,200	950
Utilities - gas	500	36
Utilities - general telephone	12,472	12,472
Utilities - cell phone and pagers	7,931	7,931
Dues and memberships	2,017	2,017
Insurance - workers compensation	20,890	20,890
Insurance - liability	4,453	4,453
Insurance - equipment	6,681	4,431
Insurance - vehicle	1,200	1,117
Premiums on surety bonds	1,100	700
Training expenses	16,000	11,131
Fuel costs	5,000	1,247
Miscellaneous	<u>3,000</u>	<u>1,631</u>
Total operating expenses	<u>995,031</u>	<u>921,753</u>
Operating margin (loss) before depreciation	(348,531)	(233,662)
Depreciation expense	<u>75,544</u>	<u>56,150</u>
Operating margin (loss)	<u>(424,075)</u>	<u>(289,812)</u>
Non-operating income (expense):		
Interest income	1,175	452
Contribution from primary government	422,900	422,900
State of Tennessee grants and reimbursements	<u>-</u>	<u>57,187</u>
Total non-operating income (expense)	<u>424,075</u>	<u>480,539</u>
Income (loss) before capital contributions	-	190,727
Capital contributions	<u>-</u>	<u>238,814</u>
Change in net assets	<u>\$ -</u>	<u>\$ 429,541</u>

See independent auditor's report.

JEFFERSON COUNTY E-911

Jefferson City, Tennessee

SCHEDULE OF OPERATING EXPENSES

For the Fiscal Year Ended June 30, 2012

Operating expenses:	
Salaries and wages:	
Director	\$ 47,362
Administrative personnel	34,445
Telecommunicators	294,392
Overtime pay	59,966
Part-time personnel	46,434
Addressing/training coordinator	31,510
Holiday pay	11,569
Longevity pay	<u>16,152</u>
Total salaries and wages	<u>541,830</u>
Employee benefits:	
Social security	31,663
Medicare	7,317
Life insurance	1,200
Health insurance	119,307
Unemployment taxes	3,867
Retirement contributions	26,226
Other	<u>1,988</u>
Total employee benefits	<u>191,568</u>
Contracted services:	
Addressing/mapping expenses	349
Audit services	6,639
Accounting services	539
Administrative fees - service charge	7,345
Fees paid to service providers	29,597
Legal fees	1,168
Rental- building	19,750
Maintenance and repairs - equipment	41,934
Maintenance and repairs - building	1,635
Maintenance and repairs - vehicle	242
Tower rental	<u>4,800</u>
Total contracted services	<u>113,998</u>
Supplies and materials:	
Office supplies	3,489
Postage	486
Small equipment purchases	169
Uniforms and shirts	1,207
Utilities - electric	950
Utilities - gas	36
Utilities - general telephone	12,472
Utilities - cell phones and pagers	<u>7,931</u>
Total supplies and materials	<u>26,740</u>
Other charges:	
Dues and memberships	2,017
Insurance - workers compensation	20,890
Insurance - liability	4,453
Insurance - equipment	4,431
Insurance - vehicle	1,117
Premiums on surety bonds	700
Training expenses	11,131
Fuel costs	1,247
Miscellaneous	<u>1,631</u>
Total other charges	<u>47,617</u>
Total operating expenses	<u>\$ 921,753</u>

See independent auditor's report.

JEFFERSON COUNTY E-911
Jefferson City, Tennessee
SCHEDULE OF TELEPHONE SURCHARGE RATES
June 30, 2012

Residential	\$1.00/ month
Commercial	\$3.00/ month
Wireless	\$1.00/ month

See independent auditor's report.

JEFFERSON COUNTY E-911
 Jefferson City, Tennessee
 SCHEDULE OF INSURANCE COVERAGES
 June 30, 2012

Commercial property and general liability:

Property	\$ 324,480
General liability	2,000,000 (aggregate)
	1,000,000 (per occurrence)
Management liability	2,000,000 (aggregate)
	1,000,000 (per occurrence)
	5,000 (injunctive relief)
Business auto:	
Liability	1,000,000
Uninsured motorists	1,000,000
Employee dishonesty bond	100,000
Workers compensation	Statutory

See independent auditor's report.

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MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

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
Jefferson County E-911
Jefferson City, Tennessee

We have audited the financial statements of Jefferson County E-911 (the District), a component unit of Jefferson County, Tennessee, as of and for the year ended June 30, 2012, and have issued our report thereon dated November 29, 2012. 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

Management of Jefferson County E-911 is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on

the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

A handwritten signature in black ink that reads "Brown Lake & McDaniel, PC". The signature is written in a cursive, flowing style.

CERTIFIED PUBLIC ACCOUNTANTS

November 29, 2012