

**JOHNSON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT 911**

FINANCIAL REPORT

JUNE 30, 2014

**JOHNSON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT 911
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June 30, 2014**

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December 5, 2014

To the Board of Directors of
Johnson County Emergency
Communications District 911
Mountain City, Tennessee

This report consists of management's representations concerning the finances of Johnson County Emergency Communications District 911. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of Johnson County Emergency Communications District 911 has established a comprehensive internal control framework that is designed both to protect the Organization's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Organization's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Organization's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Organization's financial statements have been audited by Eddy & Eddy, CPAs, P.C., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Organization for the fiscal year ended June 30, 2014 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Organization's financial statements for the fiscal year ended June 30, 2014 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Organization's MD&A can be found immediately following the report of the independent auditor.

Profile of the Government

Johnson County Emergency Communications District 911 was created under the authority of Title 7, Chapter 86, Tennessee Code Annotated. The Organization is dedicated to providing emergency communications for the purposes of enhancing “911” and selective routing services.

Johnson County Emergency Communications District 911 operates under the board-director form of government. The board is responsible, among other things, for adopting the budget, for carrying out the policies of the board, and for overseeing the day-to-day operations of the Organization.

Respectfully submitted,

A handwritten signature in cursive script that reads "Jerry S. Jordan". The signature is written in a dark ink and is positioned above the printed name "Director".

Director

**JOHNSON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT 911**

BOARD MEMBERS

For the Year Ended June 30, 2014

Chairman	Randy Stewart
Vice Chair	Janet Wilson – through November 2013 Chris Pierce – beginning November 2013
Secretary	Willie DeBord
Other Board Members	Jerry Grindstaff Janet Wilson – beginning November 2013 Gene Hackney Bob Morrison Tom Taylor – through December 2013 Jason Blevins Shawn Brown – beginning February 2014

MANAGEMENT OFFICIALS

For the Year Ended June 30, 2014

Director	Jerry Jordan
Assistant Director	Kevin Colson

Member of
TENNESSEE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Johnson County Emergency
Communications District 911
Mountain City, Tennessee

Report on the Financial Statements

We have audited the accompanying statement of net position of Johnson County Emergency Communications District 911, a component unit of Johnson County, Tennessee, and the related statements of revenues, expenses, and changes in net position, and cash flows as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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 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 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 Johnson County Emergency Communications District 911 as of June 30, 2014, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of funding progress – employee retirement system on pages 7 through 11 and page 24 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 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 that collectively comprise Johnson County Emergency Communications District 911's basic financial statements. The introductory section and supplemental section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory and supplemental sections are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The introductory and supplemental information on pages 1 through 3 and 25 through 27 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2014, on our consideration of Johnson County Emergency Communications District 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* in considering Johnson County Emergency Communications District 911's internal control over financial reporting and compliance.

A handwritten signature in red ink that reads "Eddy + Eddy". The signature is written in a cursive, flowing style.

Eddy & Eddy, CPAs, P.C.
Johnson City, Tennessee
December 5, 2014

**JOHNSON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT 911
Management’s Discussion and Analysis
June 30, 2014**

This section of Johnson County Emergency Communications District 911’s annual financial report presents our discussion and analysis of the Organization’s financial performance during the fiscal year that ended on June 30, 2014. Please read it in conjunction with the transmittal letter at the front of this report and the Organization’s financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The Organization’s total net position increased by \$188,531 during the fiscal year, and the investment in capital assets decreased by \$68,378.
- During the year, the Organization’s expenses were \$188,531 less than the \$704,740 generated in revenues. Last fiscal year revenues exceeded expenses by \$183,577.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – management’s discussion and analysis (this section), the basic financial statements, required supplementary information, and supplemental information. The basic financial statements of the Organization are proprietary fund statements. Proprietary fund statements offer short- and long-term financial information about activities that operate like a business. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Figure A-1 summarizes the major features of the Organization’s financial statements, including the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

**Figure A-1
Major Features of the Organization’s Fund Financial Statements**

	Fund Statements
	Proprietary Funds
Scope	Activities the Organization operates similar to private businesses
Required financial statements	Statement of net position Statement of revenues, expenses, and changes in net position Statement of cash flows Budgetary comparison schedule
Accounting basis and measurement focus	Accrual accounting and economic resources focus
Type of asset / liability information	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow / outflow information	All revenues and expenses during the year, regardless of when cash is received or paid

**JOHNSON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT 911
Management's Discussion and Analysis
June 30, 2014**

Fund Financial Statements

The fund financial statements provide more detailed information about the Organization.

- *Proprietary funds* – Services for which the Organization charges customers a fee are generally reported in proprietary funds. Proprietary funds provide both long-term and short-term financial information.

FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE

Net position. The Organization's combined net position increased \$188,531 between fiscal years 2013 and 2014 with an ending balance of \$1,347,317. (See Table A-1.) In comparison, last year net position increased \$183,577.

**Table A-1
Johnson County Emergency Communications District 911's Net Position**

	<u>2013</u>	<u>2014</u>	Percentage <u>Change</u>
Current and other assets	\$ 854,249	\$ 1,124,351	31.6%
Capital assets	<u>321,500</u>	<u>253,122</u>	-21.3%
Total assets	<u>1,175,749</u>	<u>1,377,473</u>	17.2%
Long-term debt outstanding	-	-	-
Other liabilities	<u>16,963</u>	<u>30,156</u>	77.8%
Total liabilities	<u>16,963</u>	<u>30,156</u>	77.8%
Net position			
Investment in capital assets	321,500	253,122	-21.3%
Unrestricted	<u>837,286</u>	<u>1,094,195</u>	30.7%
Total net position	<u>\$ 1,158,786</u>	<u>\$ 1,347,317</u>	16.3%

Net position of the Organization increased approximately 16 percent to \$1,347,317. However, one of the components of net position is investment in capital assets (buildings, equipment, office equipment, and so on). Consequently, the unrestricted portion of net position showed a \$256,909 increase at the end of this year and net position investment in capital assets decreased \$68,378.

**JOHNSON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT 911
Management's Discussion and Analysis
June 30, 2014**

Changes in net position. The Organization's total revenues increased by more than 7 percent to \$704,740. (See Table A-2.) More than 28 percent of the Organization's revenue is from TECB operational funding. More than 29 percent of the Organization's revenue is from governmental grants and reimbursements. More than 25 percent of the Organization's revenue comes from E-911 charges and shared wireless surcharges. Contributions from other governments represented almost 16 percent of the Organization's revenue. The remainder comes from investment income and other operating and nonoperating revenue.

The total cost of all programs increased approximately \$41,941, or about 9 percent. This increase resulted from increased wages, maintenance and repairs, and depreciation expense. The Organization's expenses cover a range of services with about 55 percent related to director/dispatcher expenses.

**JOHNSON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT 911
Management's Discussion and Analysis
June 30, 2014**

**Table A-2
Changes in Johnson County Emergency Communications District 911's Net Position**

	<u>2013</u>	<u>2014</u>	<u>Percentage Change</u>
Revenues			
Emergency Telephone Service	\$ 142,038	\$ 131,552	-7.4%
TECB - Operational Funding	203,610	202,124	-0.7%
State EMS - Shared Charges	30,321	46,730	54.1%
Alarm Monitoring	-	-	-
Other Operating Revenues	1,800	1,800	-
Governmental Grants and Reimbursements	161,185	204,748	27.0%
Contributions from Other Governments	111,000	111,000	-
Gain (Loss) on Disposal of Assets	-	-	-
Miscellaneous Income	4,172	1,963	-52.9%
Interest Income	4,612	4,804	4.2%
Impairment Loss	(893)	-	-100.0%
Insurance Reimbursements	-	19	-
Total revenues	<u>657,845</u>	<u>704,740</u>	7.1%
Expenses			
Director/Dispatcher	244,408	282,111	15.4%
Health, Life, Dental Insurance	36,531	38,510	5.4%
Retirement	17,749	22,353	25.9%
Data Processing Services	-	-	-
Advertising	3,624	-	-100.0%
Insurance	6,418	7,280	13.4%
Office Expense	2,314	2,338	1.0%
Uniforms and Shirts	-	4,390	-
Dues and Subscriptions	480	1,291	169.0%
Professional Fees	10,700	11,050	3.3%
Communications	32,371	22,883	-29.3%
Repairs and Maintenance	28,001	32,039	14.4%
Training	10,399	10,054	-3.3%
Travel	3,466	1,910	-44.9%
Vehicle Expense	2,978	3,337	12.1%
Depreciation	62,829	68,378	8.8%
Bad Debts	-	-	-
Other	12,000	8,285	-31.0%
Total expenses	<u>474,268</u>	<u>516,209</u>	8.8%
Increase (decrease) in Net Position	<u>\$ 183,577</u>	<u>\$ 188,531</u>	2.7%

**JOHNSON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT 911
Management's Discussion and Analysis
June 30, 2014**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2014 the Organization had a \$253,122 investment in capital assets, including land, equipment, and building. This amount represents a net decrease (including additions and deductions) of \$68,378 or about 21 percent over last year. More detailed information about the Organization's capital assets is presented in Note 2 to the financial statements.

Long-term Debt

During the fiscal year ended June 30, 2014, the Organization had no long-term debt.

CONTACTING THE ORGANIZATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Organization's finances and to demonstrate the Organization's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Johnson County Emergency Communications District 911, 999 Honeysuckle Street, Mountain City, TN 37683.

**JOHNSON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT 911
Statement of Net Position
June 30, 2014**

ASSETS:

Current Assets	
Cash and Cash Equivalents	\$ 855,148
Accounts Receivable, net	41,561
Prepaid Items	21,920
Investments	<u>205,722</u>
Total Current Assets	<u>1,124,351</u>
Noncurrent Assets	
Capital Assets	
Land	4,767
Building	70,404
Furniture and Fixtures	4,474
Office Equipment	18,835
Communications Equipment	546,308
Vehicles	22,366
Less Accumulated Depreciation	<u>(414,032)</u>
Total Noncurrent Assets	<u>253,122</u>
Total Assets	<u>1,377,473</u>

LIABILITIES:

Current Liabilities	
Accounts Payable	3,721
Accrued Payroll	9,517
Accrued Payroll Taxes	728
Accrued Compensated Absences - Current Portion	<u>5,889</u>
Total Current Liabilities	<u>19,855</u>
Noncurrent Liabilities:	
Accrued Compensated Absences - Long-Term Portion	<u>10,301</u>
Total Noncurrent Liabilities	<u>10,301</u>
Total Liabilities	<u>30,156</u>

NET POSITION:

Investment in Capital Assets	253,122
Unrestricted	<u>1,094,195</u>
Total Net Position	<u>\$ 1,347,317</u>

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

**JOHNSON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT 911
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2014**

OPERATING REVENUES

Emergency Telephone Service	\$ 131,552
TECB - Operational Funding	202,124
State EMS - Shared Charges	46,730
Other Operating Revenues	<u>1,800</u>
Total Operating Revenues	<u>382,206</u>

OPERATING EXPENSES

Executive Director Salary	33,714
Dispatchers	214,833
Dispatcher Training Wages	9,058
Instructor Pay Train New Dispatchers	99
Bonuses	5,360
Social Security	18,620
Life Insurance	649
Medical Insurance	37,809
Dental Insurance	52
Unemployment Compensation (Taxes)	427
Retirement Contributions (TCRS)	14,003
ING Retirement	8,350
Audit Services	9,400
Accounting Services	1,650
Telephone PSAP	16,537
Maintenance Agreements	24,161
Maintenance and Repairs - Communication Equipment	5,486
Maintenance and Repairs - Buildings and Facilities	820
Maintenance and Repairs - Office Equipment	1,572
Maintenance and Repairs - Vehicles	3,337
Office Supplies	2,023
Uniforms and Shirts	4,390
Custodial Supplies	87
Postage	228
Utilities - General Telephone	6,346
Cell Phones and Pagers	960
Dues and Memberships	1,291
Insurance - Workers Compensation	928
Insurance - Liability	5,586
Insurance - Vehicles	766
Licenses and Fees	107
Premiums on Surety Bonds	780
Training Expenses	10,054
Travel Expenses	1,910
Lease Communication Equipment	3,015
Office Equipment Rental	1,234
Other Operational Expense	2,189
Depreciation	<u>68,378</u>
Total Operating Expenses	<u>516,209</u>

(continued)

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

**JOHNSON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT 911
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2014**

OPERATING INCOME (LOSS)	<u>\$ (134,003)</u>
 NONOPERATING REVENUES AND (EXPENSES)	
Government Grants and Reimbursements Income	204,748
Miscellaneous Income	1,963
Contributions from Other Governments	111,000
Interest Income	4,804
Insurance Reimbursements	<u>19</u>
Total Nonoperating Revenues and (Expenses)	<u>322,534</u>
 CHANGE IN NET POSITION	 188,531
 NET POSITION - BEGINNING OF THE YEAR	 <u>1,158,786</u>
 NET POSITION - END OF THE YEAR	 <u>\$ 1,347,317</u>

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

**JOHNSON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT 911
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2014**

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from Surcharges and Other Revenues	\$ 386,786
Cash payments to Employees for Payroll	(253,207)
Cash payments to Suppliers for Goods and Services	<u>(191,824)</u>
Net Cash Provided by (Used in) Operating Activities	<u>(58,245)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Grants and Reimbursements Received	204,748
Contributions from Other Governments	<u>111,000</u>
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>315,748</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Insurance Reimbursements	<u>19</u>
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>19</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and Dividends on Investments	4,804
Interest and Dividends Reinvested	<u>(1,149)</u>
Net Cash Provided by (Used in) Investing Activities	<u>3,655</u>
Net Increase (Decrease) in Cash and Cash Equivalents	261,177
Cash and Cash Equivalents at Beginning of the Year	<u>593,971</u>
Cash and Cash Equivalents at End of the Year	<u>\$ 855,148</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities	
Operating Income (Loss)	\$ (134,003)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Depreciation	68,378
Miscellaneous Income	1,963
(Increase) Decrease in Accounts Receivable	2,617
(Increase) Decrease in Prepaids	(10,393)
Increase (Decrease) in Accounts Payable	3,370
Increase (Decrease) in Accrued Payroll Taxes	(34)
Increase (Decrease) in Accrued Payroll and Compensated Absences	<u>9,857</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ (58,245)</u>

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

**JOHNSON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT 911
Notes to the Financial Statements
June 30, 2014**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

The proprietary fund's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The District's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

Nature of Activities

The Johnson County Emergency Communications District 911 is an agency dedicated to providing emergency communications for the purposes of enhancing "911" and selective routing services.

Basis of Accounting

The financial statements of the District are reported using the accrual basis of accounting. In the accrual basis of accounting, revenues are generally recognized when earned and expenses recognized when incurred.

Financial Statement Presentation

The operations of the District are accounted for in a proprietary fund. Proprietary funds are reported using a flow of economic resources measurement focus and the accrual basis of accounting. This is the same measurement focus and basis of accounting used by private business enterprises.

Budgetary Control

The Communications District established the fiscal year as the twelve-month period beginning July 1. Upon receipt of the budget prepared by the budget committee, the Board of Directors holds a first reading on the budget. Information about the budget is considered public record. The second reading is scheduled three to four weeks after the first reading is approved. The budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures should not exceed the amount budgeted. Revisions can be made throughout the year with the Board's approval.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include all highly liquid investments with an initial maturity of three months or less, cash on hand, and all cash accounts which are not subject to withdrawal restrictions or penalties.

**JOHNSON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT 911
Notes to the Financial Statements
June 30, 2014**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are stated at cost, or in the case of contributed assets, at their fair value at the time of the gift. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. The District's capitalization policy is to capitalize office and communication equipment costing \$1,000 or more and to capitalize any amount for vehicles, building, or land.

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 the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Advertising

The District expenses advertising costs as incurred. Total advertising expense for the year ended June 30, 2014 amounted to \$-0-.

NOTE 2. PROPERTY AND EQUIPMENT

Property and equipment are carried at cost, or in the case of contributed assets, at their fair market value at the time of the gift. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Buildings are depreciated over forty years; vehicles, furniture and equipment are depreciated between five and ten years. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized. Depreciation expense at June 30, 2014 amounted to \$68,378. At June 30, 2013 communications equipment costing \$103,780, with a remaining value of \$10,200, was taken out of service. The District had this equipment in storage at June 30, 2014 and plans to eventually dispose of it. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. At June 30, 2014 the District did not have any impaired capital assets.

**JOHNSON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT 911
Notes to the Financial Statements
June 30, 2014**

NOTE 2. PROPERTY AND EQUIPMENT (Continued)

Property and equipment are composed of the following:

	<u>Capital Assets, Not Depreciated</u>		<u>Capital Assets, Depreciated</u>				<u>Total</u>
	<u>Land</u>	<u>Building</u>	<u>Furniture and Fixtures</u>	<u>Office Equipment</u>	<u>Communications Equipment</u>	<u>Vehicles</u>	
Capital Assets							
Balance, June 30, 2013	\$ 4,767	\$ 70,404	\$ 4,474	\$ 18,835	\$ 546,308	\$ 22,366	\$ 667,154
Increases	-	-	-	-	-	-	-
Decreases	-	-	-	-	-	-	-
Balance, June 30, 2014	<u>4,767</u>	<u>70,404</u>	<u>4,474</u>	<u>18,835</u>	<u>546,308</u>	<u>22,366</u>	<u>667,154</u>
Accumulated Depreciation							
Balance, June 30, 2013	-	33,147	2,684	10,904	276,553	22,366	345,654
Increases	-	1,785	370	1,812	64,411	-	68,378
Decreases	-	-	-	-	-	-	-
Balance, June 30, 2014	<u>-</u>	<u>34,932</u>	<u>3,054</u>	<u>12,716</u>	<u>340,964</u>	<u>22,366</u>	<u>414,032</u>
Capital Assets, Net	<u>\$ 4,767</u>	<u>\$ 35,472</u>	<u>\$ 1,420</u>	<u>\$ 6,119</u>	<u>\$ 205,344</u>	<u>\$ -</u>	<u>\$ 253,122</u>

NOTE 3. ACCOUNTS RECEIVABLE

The District's accounts receivable at June 30, 2014 is comprised of \$9,489 from E-911 surcharges, \$31,718 from the State of Tennessee for operations, and \$354 from other receivables.

NOTE 4. COMPONENT UNITS

Johnson County Emergency Communications District 911 is a component unit of Johnson County, Tennessee. Johnson County, Tennessee is the primary government and exercises influence upon the Organization. Positions on the board of the Johnson County Emergency Communications District 911 are appointed by the primary government. The primary government controls the borrowing power of the Johnson County Emergency Communications District 911 and sets the rate for the E-911 surcharge income.

NOTE 5. RISK MANAGEMENT

Significant losses are covered by commercial insurance for all major programs. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**JOHNSON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT 911
Notes to the Financial Statements
June 30, 2014**

NOTE 6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at June 30, 2014 consist of the following:

Cash - Checking	\$ 661,059
Cash - Savings	<u>194,089</u>
	<u>\$ 855,148</u>

The District maintains deposit accounts at commercial banks in Mountain City, Tennessee. The Board has adopted the State of Tennessee's investment policy.

Various restrictions on deposits are imposed by state statutes. All deposits with financial institutions must be collateralized in an amount equal to 105% of the market value of uninsured deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the District.

Custodial Credit Risk of Bank Deposits – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy related to such risk. At June 30, 2014, the carrying amount of the District's deposits was \$1,060,870 and the bank balance was \$1,068,702. As of June 30, 2014, \$461,105 of the bank balance of \$1,068,702 was exposed to custodial credit risk as follows:

Uninsured and Uncollateralized	<u>\$ 461,105</u>
	<u>\$ 461,105</u>

**JOHNSON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT 911
Notes to the Financial Statements
June 30, 2014**

NOTE 7. INVESTMENTS

Investments as of June 30, 2014 consist of the following:

	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>
Certificates of Deposit	\$ 205,722	\$ 205,722	\$ 205,722
	<u>\$ 205,722</u>	<u>\$ 205,722</u>	<u>\$ 205,722</u>

State statutes authorize the District to invest in treasury bonds, notes or bills of the United States; nonconvertible debt securities of the Federal Home Loan Bank, the Federal National Mortgage Association, the Federal Farm Credit Bank and the Federal Home Loan Mortgage Corporation; other obligations not listed above which are guaranteed as to principal and interest by the United States or any of its agencies; certificates of deposit and other evidences of deposit at state and federally chartered bank and savings and loan associations; obligations of the United States or its agencies under a repurchase agreement for a shorter time than the maturity date of the security itself if the market value of the security itself is more than the amount of funds invested only if the comptroller of the treasury or the comptroller's designee approves repurchase agreements as an authorized investment, and if such investments are made in accordance with procedures established by the state funding board; and the local government investment pool created by title 9, chapter 4, part 7. The District has adopted the State of Tennessee's investment policy regarding authorized investments.

NOTE 8. OPERATING/NONOPERATING DISTINCTION

The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues result from providing goods and services in connection with the District's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

NOTE 9. ING RETIREMENT PLAN

The District has a 457(b) deferred compensation plan. The District matches participating employee contributions in a four to one ratio. The District's matching amount at June 30, 2014 amounted to \$8,350, as reflected on the statement of revenues, expenses, and changes in net position. For the year ended June 30, 2014, employees' contributions to this plan amounted to \$2,960.

**JOHNSON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT 911
Notes to the Financial Statements
June 30, 2014**

NOTE 10. TCRS RETIREMENT PLAN

Plan Description

Employees of Johnson County 911 ECD 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). 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 Johnson County 911 ECD 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, 15th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs/PS/>.

Funding Policy

Johnson County 911 ECD requires employees to contribute 5.0 percent of earnable compensation.

Johnson County 911 ECD is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2014 was 6.47% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Johnson County 911 ECD is established and may be amended by the TCRS Board of Trustees.

**JOHNSON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT 911
Notes to the Financial Statements
June 30, 2014**

NOTE 10. TCRS RETIREMENT PLAN (Continued)

Annual Pension Cost

For the year ending June 30, 2014, Johnson County 911 ECD's annual pension cost of \$14,003 to TCRS was equal to Johnson County 911 ECD's required and actual contributions. The required contribution was determined as part of the July 1, 2011 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. Johnson County 911 ECD's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011 was 8 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

Fiscal Year <u>Ending</u>	Annual Pension <u>Cost (APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
June 30, 2014	\$ 14,003	100.0%	\$ -
June 30, 2013	\$ 11,063	100.0%	\$ -
June 30, 2012	\$ 11,059	100.0%	\$ -

Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the plan was 92.14 percent funded. The actuarial accrued liability for benefits was \$0.20 million, and the actuarial value of assets was \$0.18 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.02 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.08 million, and the ratio of the UAAL to the covered payroll was 20.09 percent.

**JOHNSON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT 911
Notes to the Financial Statements
June 30, 2014**

NOTE 10. TCRS RETIREMENT PLAN (Continued)

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.

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial 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, 2013	\$ 185	\$ 200	\$ 16	92.14%	\$ 78	20.09%
July 1, 2011	\$ 138	\$ 176	\$ 38	78.64%	\$ 164	22.86%
July 1, 2009	\$ 81	\$ 86	\$ 5	94.53%	\$ 95	4.95%

NOTE 11. LEASES

On November 26, 2003, the District entered into a 15-year lease, renewable for an additional 15 years, with Johnson County, Tennessee for a room in the Johnson County Jail facility. Annual rent of \$1 is due each December 1, beginning December 1, 2003.

On November 18, 2004, the District leased its property located at 158 Nine One One Avenue, Mountain City, Tennessee to Johnson County for 15 years beginning December 1, 2004, with options to renew for annual terms. Annual rent of \$1 is due each December 1, beginning December 1, 2004.

NOTE 12. ACCRUED COMPENSATED ABSENCES

The following summarizes accrued compensated absences activity of the District for the year ended June 30, 2014:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Vacation Pay	\$ 2,533	\$ 5,889	\$ 2,533	\$ 5,889	\$ 5,889
Sick Pay	\$ 5,879	\$ 10,301	\$ 5,879	\$ 10,301	\$ -

**JOHNSON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT 911
Schedule of Funding Progress – Employee Retirement System
June 30, 2014**

Johnson County Emergency Communications District 911 Employees' Pension Plan

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial 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, 2013	\$ 185	\$ 200	\$ 16	92.14%	\$ 78	20.09%
July 1, 2011	\$ 138	\$ 176	\$ 38	78.64%	\$ 164	22.86%
July 1, 2009	\$ 81	\$ 86	\$ 5	94.53%	\$ 95	4.95%

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

**JOHNSON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT 911**

SUPPLEMENTAL SECTION

June 30, 2014

**JOHNSON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT 911
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Positive (Negative) Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
BEGINNING BUDGETARY FUND BALANCE:	\$ 1,158,786	\$ 1,158,786	\$ 1,158,786	\$ -
Resources (Inflows):				
OPERATING REVENUES:				
Emergency Telephone Service	129,314	132,642	131,552	(1,090)
TECB - Operational Funding	189,090	202,123	202,124	1
State EMS - Shared Charges	45,000	46,469	46,730	261
Other Operating Revenues	-	3,600	1,800	(1,800)
	<u>363,404</u>	<u>384,834</u>	<u>382,206</u>	<u>(2,628)</u>
NONOPERATING REVENUES and (EXPENSES):				
Grants and Reimbursements Income	-	184,748	204,748	20,000
Contributions from Other Governments	112,800	112,800	111,000	(1,800)
Interest Income	4,000	4,000	4,804	804
Insurance Reimbursements	-	19	19	-
Impairment (Loss)	-	-	-	-
Gain (Loss) on Disposal of Assets	-	-	-	-
Miscellaneous Income	4,000	2,000	1,963	(37)
	<u>120,800</u>	<u>303,567</u>	<u>322,534</u>	<u>18,967</u>
AMOUNTS AVAILABLE FOR APPROPRIATION	<u>\$ 1,642,990</u>	<u>\$ 1,847,187</u>	<u>\$ 1,863,526</u>	<u>\$ 16,339</u>

(continued)

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

**JOHNSON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT 911
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2014**

Charges to Appropriations (Outflows):	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Positive (Negative) Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
OPERATING EXPENSES:				
Executive Director Salary	\$ 31,334	\$ 31,334	\$ 33,714	\$ (2,380)
Dispatchers	232,179	208,179	214,833	(6,654)
Dispatcher Training Wages	4,000	9,060	9,058	2
Instructor Pay Train New Dispatchers	200	100	99	1
Bonuses	8,267	5,367	5,360	7
Social Security	17,111	18,448	18,620	(172)
Life Insurance	672	672	649	23
Medical Insurance	46,403	39,803	37,809	1,994
Dental Insurance	-	23	52	(29)
Unemployment Compensation (Taxes)	773	456	427	29
Retirement Contributions (TCRS)	17,856	15,856	14,003	1,853
ING Retirement	10,320	8,970	8,350	620
Advertising	600	-	-	-
Audit Services	9,400	9,400	9,400	-
Accounting Services	2,250	1,850	1,650	200
Telephone PSAP	22,512	17,912	16,537	1,375
Legal Services	500	-	-	-
Maintenance Agreements	19,000	39,000	24,161	14,839
Maintenance and Repairs - Communication Equipment	6,035	6,035	5,486	549
Maintenance and Repairs - Buildings and Facilities	2,000	1,262	820	442
Maintenance and Repairs - Office Equipment	2,000	2,000	1,572	428
Maintenance and Repairs - Vehicles	3,000	3,500	3,337	163
Office Supplies	2,500	2,500	2,023	477
Custodial Supplies	250	150	87	63
Postage	200	238	228	10
Utilities - General Telephone	6,250	6,350	6,346	4
Cell Phones and Pagers	960	960	960	-
Dues and Memberships	1,000	1,292	1,291	1
Insurance - Workers Compensation	1,100	984	928	56
Insurance - Liability	4,940	5,587	5,586	1
Insurance - Vehicles	650	766	766	-
Licenses and Fees	550	150	107	43
Premiums on Surety Bonds	840	840	780	60
Public Education	500	8	-	8
Training Expenses	8,000	9,663	10,054	(391)
Travel Expenses	3,500	2,000	1,910	90
Other Operational Expense	6,950	2,354	2,189	165
Uniforms and Shirts	3,950	4,400	4,390	10
Service Awards	350	300	-	300
Employee Testing and Exams	-	100	-	100
Lease Communication Equipment	3,200	3,015	3,015	-

(continued)

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

**JOHNSON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT 911
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Positive</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>(Negative)</u>
			<u>Final Budget</u>	
OPERATING EXPENSES CONTINUED:				
Office Equipment Rental	1,040	1,275	1,234	41
Language Line	500	-	-	-
Total Operating Expenses	483,642	462,159	447,831	14,328
Total Charges to Appropriations	483,642	462,159	447,831	14,328
ENDING BUDGETARY FUND BALANCE	\$ 1,159,348	\$ 1,385,028	\$ 1,415,695	\$ 30,667

**Explanation of Differences between Budgetary Inflows and Outflows and
GAAP Revenues and Expenditures:**

Sources / Inflows of Resources:

Actual amounts (budgetary basis) "available for appropriation"	\$ 1,863,526
Differences - budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	(1,158,786)
Total revenues as reported on the statement of revenues, expenses and changes in net position	\$ 704,740

Uses / Outflows of Resources:

Actual amounts (budgetary basis) "total charges to appropriations"	\$ 447,831
Differences - budget to GAAP:	
Depreciation is not a budgetary outflow of resources but is a current year expense for financial reporting purposes	68,378
Total expenses as reported on the statement of revenues, expenses and changes in net position	\$ 516,209

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

Member of
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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*

To the Board of Directors
Johnson County Emergency
Communications District 911
Mountain City, 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 Johnson County Emergency Communications District 911, a component unit of Johnson County, Tennessee, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Johnson County Emergency Communications District 911's basic financial statements, and have issued our report thereon dated December 5, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Johnson County Emergency Communications District 911's 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 Johnson County Emergency Communications District 911's internal control. Accordingly, we do not express an opinion on the effectiveness of Johnson County Emergency Communications District 911'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 Johnson County Emergency Communications District 911'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 audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of Johnson County Emergency Communications District 911 in a separate letter dated December 5, 2014.

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.



Eddy & Eddy, CPAs, P.C.
Johnson City, Tennessee
December 5, 2014