

**JOHNSON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT 911**

FINANCIAL REPORT

JUNE 30, 2015

**JOHNSON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT 911
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June 30, 2015**

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November 20, 2015

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, 2015 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, 2015 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.

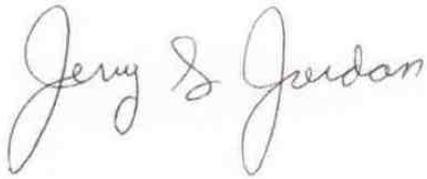
GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Organization's 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, 2015

Chairman	Randy Stewart
Vice Chair	Chris Pierce
Secretary	Willie DeBord
Other Board Members	Jerry Grindstaff
	Janet Wilson
	Gene Hackney
	Bob Morrison
	Jason Blevins
	Shawn Brown

MANAGEMENT OFFICIALS

For the Year Ended June 30, 2015

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, 2015, 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, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 15 to the financial statements, in the fiscal year ending June 30, 2015, the District adopted new accounting guidance, GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. 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, the schedule of changes in net pension liability (asset) and related ratios based on participation in the public employee pension plan of TCRS, and the schedule of contributions based on participation in the public employee pension plan of TCRS on pages 7 through 11 and pages 29 and 30 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 supplemental section is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental section is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section on pages 1 through 3 has 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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2015, 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.



Eddy & Eddy, CPAs, P.C.
Johnson City, Tennessee
November 20, 2015

**JOHNSON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT 911
Management’s Discussion and Analysis
June 30, 2015**

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, 2015. 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 \$90,366 during the fiscal year, and the investment in capital assets increased by \$58,367.
- During the year, the Organization’s expenses were \$98,098 less than the \$598,775 generated in revenues. Last fiscal year revenues exceeded expenses by \$188,531.

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
Accounting basis and measurement focus	Accrual accounting and economic resources focus
Type of asset /deferred outflow of resources/ liability/ deferred inflow of resources information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, 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, 2015**

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 \$90,366 between fiscal years 2014 and 2015 with an ending balance of \$1,437,683. (See Table A-1.) In comparison, last year net position increased \$188,531.

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

	<u>2014</u>	<u>2015</u>	Percentage <u>Change</u>
Current and other assets	\$ 1,124,351	\$ 1,147,964	2.1%
Capital assets	<u>253,122</u>	<u>311,489</u>	23.1%
Total assets	<u>1,377,473</u>	<u>1,459,453</u>	6.0%
 Deferred outflows of resources	 <u>-</u>	 <u>24,807</u>	 -
 Long-term debt outstanding	 -	 -	 -
Other liabilities	<u>30,156</u>	<u>33,107</u>	9.8%
Total liabilities	<u>30,156</u>	<u>33,107</u>	9.8%
 Deferred inflows of resources	 <u>-</u>	 <u>13,470</u>	 -
 Net position			
Investment in capital assets	253,122	311,489	23.1%
Unrestricted	<u>1,094,195</u>	<u>1,126,194</u>	2.9%
Total net position	<u>\$ 1,347,317</u>	<u>\$ 1,437,683</u>	6.7%

Net position of the Organization increased nearly 7 percent to \$1,437,683. 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 \$31,999 increase at the end of this year and net position investment in capital assets increased \$58,367.

**JOHNSON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT 911
Management's Discussion and Analysis
June 30, 2015**

As a result of the Organization implementing GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*, the June 30, 2014 net position was decreased by \$7,732. These statements also resulted in the recording of deferred outflows of resources, a deferred inflow of resources, net pension liability, and pension income. Notes 9, 12, and 15 address these changes.

Changes in net position. The Organization's total revenues decreased by 15 percent to \$598,775. (See Table A-2.) More than 39 percent of the Organization's revenue is from TECB operational funding. More than 28 percent of the Organization's revenue is from governmental grants and reimbursements. More than 12 percent of the Organization's revenue comes from E-911 charges and shared wireless surcharges. Contributions from other governments represented approximately 18 percent of the Organization's revenue. The remainder comes from investment income and other operating and nonoperating revenue.

Revenue for the fiscal year ended June 30, 2015 was affected by a change in State funding that became effective January 2015. This change in State funding resulted in the Organization receiving less funding only for the fiscal year ended June 30, 2015. State funding revenue received for the period July through December 2014 was recorded as in prior years. Beginning January 2015 State funding revenue was recorded as TECB Distribution 911 Surcharges (Base Amount).

The total cost of all programs decreased approximately \$15,532, or about 3 percent. This decrease resulted from implementation of GASB Statement Nos. 68 and 71, which reclassified current year retirement expense to a deferred outflow of resources: pension other deferrals, as reflected on the statement of net position. The Organization's expenses cover a range of services with about 57 percent related to director/dispatcher expenses.

**JOHNSON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT 911
Management's Discussion and Analysis
June 30, 2015**

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

	<u>2014</u>	<u>2015</u>	<u>Percentage Change</u>
Revenues			
Emergency Telephone Service	\$ 131,552	\$ 55,905	-57.5%
TECB - Operational Funding	202,124	47,620	-76.4%
State EMS - Shared Charges	46,730	17,088	-63.4%
TECB Distribution 911 Surcharges (Base)	-	186,879	-
Other Operating Revenues	1,800	1,800	-
Governmental Grants and Reimbursements	204,748	169,488	-17.2%
Contributions from Other Governments	111,000	111,000	-
Miscellaneous Income	1,963	1,009	-48.6%
Interest Income	4,804	4,121	-14.2%
Pension Income	-	3,772	-
Insurance Reimbursements	19	93	389.5%
Total revenues	<u>704,740</u>	<u>598,775</u>	-15.0%
Expenses			
Director/Dispatcher	282,111	284,375	0.8%
Health, Life, Dental Insurance	38,510	44,369	15.2%
Retirement	22,353	7,950	-64.4%
Advertising	-	517	-
Insurance	7,280	7,201	-1.1%
Office Expense	2,338	2,692	15.1%
Uniforms and Shirts	4,390	4,056	-7.6%
Dues and Subscriptions	1,291	1,068	-17.3%
Professional Fees	11,050	11,700	5.9%
Communications	22,883	24,439	6.8%
Repairs and Maintenance	32,039	24,311	-24.1%
Training	10,054	5,129	-49.0%
Travel	1,910	506	-73.5%
Vehicle Expense	3,337	1,749	-47.6%
Depreciation	68,378	72,361	5.8%
Other	8,285	8,254	-0.4%
Total expenses	<u>516,209</u>	<u>500,677</u>	-3.0%
Revenues Exceed Expenses	188,531	98,098	-48.0%
Cumulative Effect of			
Change in Accounting Principle	<u>-</u>	<u>(7,732)</u>	-
Increase (decrease) in Net Position	<u>\$ 188,531</u>	<u>\$ 90,366</u>	-52.1%

**JOHNSON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT 911
Management's Discussion and Analysis
June 30, 2015**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2015 the Organization had a \$311,489 investment in capital assets, including land, equipment, and building. This amount represents a net increase (including additions and deductions) of \$58,367 or about 23 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, 2015, 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, 2015

ASSETS:

Current Assets

Cash and Cash Equivalents	\$ 925,291
Prepaid Items	16,060
Investments	206,613
Total Current Assets	<u>1,147,964</u>

Noncurrent Assets

Capital Assets	
Land	4,767
Other Capital Assets	10,200
Capital Assets Being Depreciated	
Building	75,104
Furniture and Fixtures	74,000
Office Equipment	18,835
Communications Equipment	499,030
Vehicles	22,366
Less Accumulated Depreciation	<u>(392,813)</u>
Total Noncurrent Assets	<u>311,489</u>
Total Assets	<u>1,459,453</u>

DEFERRED OUTFLOWS OF RESOURCES:

Pension Changes in Experience	10,734
Pension Other Deferrals	<u>14,073</u>
Total Deferred Outflow of Resources	<u>24,807</u>

LIABILITIES:

Current Liabilities

Accounts Payable	281
Accrued Payroll	9,321
Accrued Payroll Taxes	977
Accrued Compensated Absences-Current Portion	<u>6,147</u>
Total Current Liabilities	<u>16,726</u>

Noncurrent Liabilities

Accrued Compensated Absences-Long-Term Portion	15,157
Net Pension Liability	<u>1,224</u>
Total Noncurrent Liabilities	<u>16,381</u>
Total Liabilities	<u>33,107</u>

DEFERRED INFLOWS OF RESOURCES:

Pension Changes in Investment Earnings	<u>13,470</u>
Total Deferred Inflow of Resources	<u>13,470</u>

NET POSITION:

Investment in Capital Assets	311,489
Unrestricted	<u>1,126,194</u>
Total Net Position	<u>\$ 1,437,683</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, 2015**

OPERATING REVENUES

Emergency Telephone Service	\$ 55,905
TECB - Operational Funding	47,620
State EMS - Shared Charges	17,088
TECB Distribution 911 Surcharges (Base Amount)	186,879
Other Operating Revenues	<u>1,800</u>
Total Operating Revenues	<u>309,292</u>

OPERATING EXPENSES

Executive Director Salary	32,166
Dispatchers	215,384
Dispatcher Training Wages	11,375
Instructor Pay Train New Dispatchers	278
Bonuses	5,631
Social Security	18,578
Life Insurance	420
Medical Insurance	43,676
Dental Insurance	273
Unemployment Compensation (Taxes)	963
ING Retirement	7,950
Advertising	517
Audit Services	9,900
Accounting Services	1,800
Telephone PSAP	18,143
Maintenance Agreements	20,503
Maintenance and Repairs - Communication Equipment	3,116
Maintenance and Repairs - Buildings and Facilities	51
Maintenance and Repairs - Office Equipment	641
Maintenance and Repairs - Vehicles	1,749
Office Supplies	2,373
Uniforms and Shirts	4,056
Custodial Supplies	124
Postage	195
Utilities - General Telephone	6,296
Cell Phones and Pagers	960
Dues and Memberships	1,068
Insurance - Workers Compensation	889
Insurance - Liability	5,741
Insurance - Vehicles	571
Licenses and Fees	243
Premiums on Surety Bonds	620
Public Education	265
Training Expenses	5,129
Travel Expenses	506
Lease Communication Equipment	2,709
Office Equipment Rental	1,077
Other Operational Expense	2,380
Depreciation	<u>72,361</u>
Total Operating Expenses	<u>500,677</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, 2015**

OPERATING INCOME (LOSS)	<u>\$ (191,385)</u>
 NONOPERATING REVENUES AND (EXPENSES)	
Government Grants and Reimbursements Income	169,488
Miscellaneous Income	1,009
Contributions from Other Governments	111,000
Interest Income	4,121
Insurance Reimbursements	93
Pension Income	<u>3,772</u>
Total Nonoperating Revenues and (Expenses)	<u>289,483</u>
 CHANGE IN NET POSITION	 <u>98,098</u>
 NET POSITION - BEGINNING BEFORE RESTATEMENT	 1,347,317
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	 <u>(7,732)</u>
 NET POSITION - BEGINNING, AS RESTATED	 <u>1,339,585</u>
 NET POSITION - END OF THE YEAR	 <u><u>\$ 1,437,683</u></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, 2015**

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from Surcharges and Other Revenues	\$ 351,862
Cash payments to Employees for Payroll	(259,916)
Cash payments to Suppliers for Goods and Services	<u>(174,886)</u>
Net Cash Provided by (Used in) Operating Activities	<u>(82,940)</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Grants and Reimbursements Received	169,488
Contributions from Other Governments	<u>111,000</u>
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>280,488</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of Capital Assets	(130,728)
Insurance Reimbursements	<u>93</u>
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(130,635)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and Dividends on Investments	4,121
Interest and Dividends Reinvested	<u>(891)</u>
Net Cash Provided by (Used in) Investing Activities	<u>3,230</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	 70,143
Cash and Cash Equivalents at Beginning of the Year	<u>855,148</u>
Cash and Cash Equivalents at End of the Year	<u>\$ 925,291</u>
 Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities	
Operating Income (Loss)	\$ (191,385)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Depreciation	72,361
Miscellaneous Income	1,009
(Increase) Decrease in Accounts Receivable	41,561
(Increase) Decrease in Prepaids	5,860
(Increase) Decrease in Pension Other Deferrals	(14,073)
Increase (Decrease) in Accounts Payable	(3,440)
Increase (Decrease) in Accrued Payroll Taxes	249
Increase (Decrease) in Accrued Payroll and Compensated Absences	<u>4,918</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ (82,940)</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, 2015**

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, 2015**

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, 2015 amounted to \$517.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Johnson County Emergency Communications District's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from Johnson County Emergency Communications District's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

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, 2015 amounted to \$72,361. At June 30, 2013 communications equipment costing \$103,780, with a remaining value of \$10,200, was taken out

**JOHNSON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT 911
Notes to the Financial Statements
June 30, 2015**

NOTE 2. PROPERTY AND EQUIPMENT (Continued)

of service. This equipment was reclassified to other assets to conform to the Tennessee Emergency Communications District's 2015 revised uniform chart of accounts. The District had this equipment in storage at June 30, 2015 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, 2015 the District did not have any impaired capital assets.

Property and equipment are composed of the following:

	<u>Capital Assets, Not Depreciated</u>		<u>Capital Assets, Depreciated</u>				
	Land and Other Capital Assets	<u>Building</u>	Furniture and Fixtures	Office Equipment	Communications Equipment	<u>Vehicles</u>	<u>Total</u>
Capital Assets							
Balance, June 30, 2014	\$ 4,767	\$ 70,404	\$ 4,474	\$ 18,835	\$ 546,308	\$ 22,366	\$ 667,154
Increases	10,200	4,700	69,526	-	56,502	-	140,928
Decreases	-	-	-	-	(103,780)	-	(103,780)
Balance, June 30, 2015	<u>14,967</u>	<u>75,104</u>	<u>74,000</u>	<u>18,835</u>	<u>499,030</u>	<u>22,366</u>	<u>704,302</u>
Accumulated Depreciation							
Balance, June 30, 2014	-	34,932	3,054	12,716	340,964	22,366	414,032
Increases	-	1,994	6,111	1,795	62,461	-	72,361
Decreases	-	-	-	-	(93,580)	-	(93,580)
Balance, June 30, 2015	<u>-</u>	<u>36,926</u>	<u>9,165</u>	<u>14,511</u>	<u>309,845</u>	<u>22,366</u>	<u>392,813</u>
Capital Assets, Net	<u>\$ 14,967</u>	<u>\$ 38,178</u>	<u>\$ 64,835</u>	<u>\$ 4,324</u>	<u>\$ 189,185</u>	<u>\$ -</u>	<u>\$ 311,489</u>

NOTE 3. 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.

**JOHNSON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT 911
Notes to the Financial Statements
June 30, 2015**

NOTE 4. 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.

NOTE 5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at June 30, 2015 consist of the following:

Cash - Checking	\$ 729,937
Cash - Savings	<u>195,354</u>
	<u>\$ 925,291</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, 2015, the carrying amount of the District's deposits was \$1,131,904 and the bank balance was \$1,131,843. As of June 30, 2015, \$524,094 of the bank balance of \$1,131,843 was exposed to custodial credit risk as follows:

Uninsured and Uncollateralized	<u>\$ 524,094</u>
	<u>\$ 524,094</u>

**JOHNSON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT 911
Notes to the Financial Statements
June 30, 2015**

NOTE 6. INVESTMENTS

Investments as of June 30, 2015 consist of the following:

	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>
Certificates of Deposit	\$ 206,613	\$ 206,613	\$ 206,613
	<u>\$ 206,613</u>	<u>\$ 206,613</u>	<u>\$ 206,613</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 7. 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 8. 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, 2015 amounted to \$7,950, as reflected on the statement of revenues, expenses, and changes in net position. For the year ended June 30, 2015, employees' contributions to this plan amounted to \$3,160.

**JOHNSON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT 911
Notes to the Financial Statements
June 30, 2015**

NOTE 9. GENERAL INFORMATION ABOUT THE TCRS PENSION PLAN

Plan Description

Employees of Johnson County Emergency Communications District are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAS) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

**JOHNSON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT 911
Notes to the Financial Statements
June 30, 2015**

NOTE 9. GENERAL INFORMATION ABOUT THE TCRS PENSION PLAN (Continued)

Employees Covered by Benefit Terms

At the measurement date of June 30, 2014, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	10
Active employees	7
	18

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. Johnson County Emergency Communications District makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for Johnson County Emergency Communications District were \$14,073 based on a rate of 6.39 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Johnson County Emergency Communications District's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

Johnson County Emergency Communications District's net pension liability (asset) was measured as of June 30, 2014, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability as of June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation

**JOHNSON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT 911
Notes to the Financial Statements
June 30, 2015**

NOTE 9. GENERAL INFORMATION ABOUT THE TCRS PENSION PLAN (Continued)

Cost-of-Living Adjustment 2.5 percent

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	Long-Term Expected Real Rate of <u>Return</u>	Target <u>Allocation</u>
U. S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U. S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	<u>1%</u>
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

**JOHNSON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT 911
Notes to the Financial Statements
June 30, 2015**

NOTE 9. GENERAL INFORMATION ABOUT THE TCRS PENSION PLAN (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from Johnson County Emergency Communications District will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability (Asset)

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at June 30, 2013	\$ 196,574	\$ 174,839	\$ 21,735
Changes for the year:			
Service cost	6,720	-	6,720
Interest	14,875	-	14,875
Differences between expected and actual experience	12,881	-	12,881
Contributions - employer	-	14,003	(14,003)
Contributions - employees	-	10,822	(10,822)
Net investment income	-	30,497	(30,497)
Benefit payments, including refunds of employee contributions	(9,917)	(9,917)	-
Administrative expense	-	(335)	335
Net changes	<u>24,559</u>	<u>45,070</u>	<u>(20,511)</u>
Balance at June 30, 2014	<u>\$ 221,133</u>	<u>\$ 219,909</u>	<u>\$ 1,224</u>

**JOHNSON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT 911
Notes to the Financial Statements
June 30, 2015**

NOTE 9. GENERAL INFORMATION ABOUT THE TCRS PENSION PLAN (Continued)

Sensitivity of the net pension liability (asset) to changes in the discount rate

The following presents the net pension liability (asset) of Johnson County Emergency Communications District calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease <u>(6.5%)</u>	Current Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
Johnson County Emergency Communications District's net pension liability (asset)	\$ 41,456	\$ 1,224	\$ (28,582)

Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Income

For the year ended June 30, 2015, Johnson County Emergency Communications District recognized pension income of \$3,772.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2015, Johnson County Emergency Communications District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 10,734	\$ -
Net difference between projected and actual earnings on pension plan investments	-	13,470
Contributions subsequent to the measurement date of June 30, 2014	<u>14,073</u>	<u>-</u>
Total	<u>\$ 24,807</u>	<u>\$ 13,470</u>

**JOHNSON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT 911
Notes to the Financial Statements
June 30, 2015**

NOTE 9. GENERAL INFORMATION ABOUT THE TCRS PENSION PLAN (Continued)

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2014,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:		
2016	\$	(1,221)
2017		(1,221)
2018		(1,221)
2019		(1,221)
2020		2,147
Thereafter		-

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

Payable to the Pension Plan

At June 30, 2015, Johnson County Emergency Communications District reported a payable of \$0 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2015.

NOTE 10. 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.

**JOHNSON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT 911
Notes to the Financial Statements
June 30, 2015**

NOTE 11. ACCRUED COMPENSATED ABSENCES

The following summarizes accrued compensated absences activity of the District for the year ended June 30, 2015:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Vacation Pay	\$ 5,889	\$ 6,147	\$ 5,889	\$ 6,147	\$ 6,147
Sick Pay	\$ 10,301	\$ 15,157	\$ 10,301	\$ 15,157	\$ -

NOTE 12. DEFERRED OUTFLOWS / INFLOWS OF RESOURCES

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The District has two items qualifying for reporting in this category: pension changes in experience and pension other deferrals. See also NOTE 9 General Information about the TCRS Pension Plan.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District had one item qualifying for reporting in this category: pension changes in investment earnings. See also NOTE 9 General Information about the TCRS Pension Plan.

NOTE 13. COMMITMENT

In June 2015 the District's Board approved participating in a \$750,000 project to expand the building located at the Johnson County Sheriff's Department. The District's Board also approved a \$250,000 contribution to the building expansion project. The remaining building expansion project costs will be funded by a \$250,000 contribution from the Johnson County Government and a State grant of \$250,000.

NOTE 14. SUBSEQUENT EVENT

In September 2015 the District made its \$250,000 contribution to the building expansion project discussed in NOTE 13 Commitment.

**JOHNSON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT 911
Notes to the Financial Statements
June 30, 2015**

NOTE 15. CHANGE IN ACCOUNTING PRINCIPLE

During the fiscal year ended June 30, 2015, the District implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*, which became effective for fiscal years beginning after June 15, 2014, and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which amended GASB Statement No. 68 and is required to be applied simultaneously with the provisions of GASB Statement No. 68.

As a result of the implementation of GASB Statements No. 68 and No. 71, the District restated the beginning net position in the statement of net position, effectively decreasing net position as of June 30, 2014 by \$7,732. These Statements also resulted in the recording of deferred outflows of resources: \$10,734 in pension changes in experience and \$14,073 in pension other deferrals; a deferred inflow of resources: \$13,470 in pension changes in investment earnings; and \$1,224 in net pension liability, as reflected on the statement of net position. These Statements also resulted in the recording of \$3,772 in pension income as reflected on the statement of revenues, expenses, and changes in net position.

**JOHNSON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT 911**
**Schedule of Changes in Net Pension Liability (Asset)
and Related Ratios Based on Participation in the
Public Employee Pension Plan of TCRS**
Last Fiscal Year Ending June 30

	<u>2014</u>
Total pension liability	
Service Cost	\$ 6,720
Interest	14,875
Changes in benefit terms	-
Differences between actual and expected experience	12,881
Change of assumptions	-
Benefit payments, including refunds of employee contributions	(9,917)
Net change in total pension liability	<u>24,559</u>
Total pension liability-beginning	<u>196,574</u>
Total pension liability-ending (a)	<u>\$ 221,133</u>
Plan fiduciary net position	
Contributions-employer	\$ 14,003
Contributions-employee	10,822
Net investment income	30,497
Benefit payments, including refunds of employee contributions	(9,917)
Administrative expense	(335)
Net change in plan fiduciary net position	<u>45,070</u>
Plan fiduciary net position-beginning	<u>174,839</u>
Plan fiduciary net position-ending (b)	<u>\$ 219,909</u>
Net Pension Liability (asset)-ending (a) - (b)	<u>\$ 1,224</u>
Plan fiduciary net position as a percentage of total pension liability	99.45%
Covered-employee payroll	\$ 216,433
Net pension liability (asset) as a percentage of covered-employee payroll	0.57%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

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

**JOHNSON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT 911
Schedule of Contributions Based on Participation
in the Public Employee Pension Plan of TCRS
Last Fiscal Year Ending June 30**

	<u>2014</u>	<u>2015</u>
Actuarially determined contribution	\$ 14,003	\$ 14,073
Contributions in relation to the actuarially determined contribution	14,003	14,073
Contribution deficiency (excess)	\$ -	\$ -
Covered-employee payroll	\$ 216,433	\$ 220,238
Contributions as a percentage covered- employee payroll	6.47%	6.39%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Notes to Schedule

Valuation date: Actuarially determined contribution rates for 2015 were calculated based on the July 1, 2013 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	8 years
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment Rate of Return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.5 percent

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

**JOHNSON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT 911**

SUPPLEMENTAL SECTION

June 30, 2015

**JOHNSON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT 911
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>Variance with Final Budget</u>
BEGINNING BUDGETARY NET POSITION	\$ 1,347,317	\$ 1,347,317	\$ 1,347,317	\$ -
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	<u>(7,732)</u>	<u>(7,732)</u>	<u>(7,732)</u>	<u>-</u>
RESTATED BEGINNING BUDGETARY NET POSITION	<u>1,339,585</u>	<u>1,339,585</u>	<u>1,339,585</u>	<u>-</u>
Resources (Inflows):				
OPERATING REVENUES:				
Emergency Telephone Service	116,000	61,699	55,905	(5,794)
TECB - Operational Funding	188,265	86,497	47,620	(38,877)
State EMS - Shared Charges	46,000	17,088	17,088	-
TECB Distribution 911 Surcharges (Base Amount)	20,000	186,879	186,879	-
Other Operating Revenues	<u>1,800</u>	<u>1,800</u>	<u>1,800</u>	<u>-</u>
Total Operating Revenues	<u>372,065</u>	<u>353,963</u>	<u>309,292</u>	<u>(44,671)</u>
NONOPERATING REVENUES and (EXPENSES):				
Grants and Reimbursements Income	111,036	124,817	169,488	44,671
Contributions from Other Governments	111,000	111,000	111,000	-
Interest Income	3,000	3,900	4,121	221
Insurance Reimbursements	-	93	93	-
Pension Income	-	-	3,772	3,772
Miscellaneous Income	<u>1,400</u>	<u>1,000</u>	<u>1,009</u>	<u>9</u>
Total Nonoperating Revenues and (Expenses)	<u>226,436</u>	<u>240,810</u>	<u>289,483</u>	<u>48,673</u>
AMOUNTS AVAILABLE FOR APPROPRIATION	<u>\$ 1,938,086</u>	<u>\$ 1,934,358</u>	<u>\$ 1,938,360</u>	<u>\$ 4,002</u>

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, 2015**

Charges to Appropriations (Outflows):	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>Variance with Final Budget</u>
OPERATING EXPENSES:				
Executive Director Salary	\$ 32,136	\$ 33,436	\$ 32,166	\$ 1,270
Dispatchers	229,260	227,885	215,384	12,501
Dispatcher Training Wages	3,000	11,375	11,375	-
Instructor Pay Train New Dispatchers	200	300	278	22
Bonuses	6,500	5,641	5,631	10
Social Security	20,739	21,239	18,578	2,661
Life Insurance	702	702	420	282
Medical Insurance	61,437	44,437	43,676	761
Dental Insurance	-	455	273	182
Unemployment Compensation (Taxes)	600	800	963	(163)
Retirement Contributions (TCRS)	17,377	14,177	-	14,177
ING Retirement	10,320	8,020	7,950	70
Advertising	600	600	517	83
Audit Services	9,600	9,900	9,900	-
Accounting Services	2,000	2,000	1,800	200
Telephone PSAP	22,000	18,200	18,143	57
Legal Services	500	-	-	-
Maintenance Agreements	18,000	20,510	20,503	7
Maintenance and Repairs - Communication Equipment	111,036	6,816	3,116	3,700
Maintenance and Repairs - Buildings and Facilities	2,000	200	51	149
Maintenance and Repairs - Office Equipment	2,000	700	641	59
Maintenance and Repairs - Vehicles	3,000	1,800	1,749	51
Office Supplies	2,500	2,500	2,373	127
Custodial Supplies	250	150	124	26
Postage	250	250	195	55
Utilities - General Telephone	6,250	6,350	6,296	54
Cell Phones and Pagers	960	960	960	-
Dues and Memberships	1,200	1,100	1,068	32
Insurance - Workers Compensation	940	940	889	51
Insurance - Liability	5,600	5,750	5,741	9
Insurance - Vehicles	800	600	571	29
Licenses and Fees	250	250	243	7
Premiums on Surety Bonds	800	620	620	-
Public Education	500	500	265	235
Training Expenses	8,000	8,000	5,129	2,871
Travel Expenses	3,500	1,000	506	494
Other Operational Expense	3,000	7,550	2,380	5,170
Uniforms and Shirts	4,500	4,100	4,056	44
Service Awards	500	500	-	500
Employee Testing and Exams	650	450	-	450
Lease Communication Equipment	3,200	2,710	2,709	1

(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, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
OPERATING EXPENSES CONTINUED:				
Office Equipment Rental	\$ 1,250	\$ 1,580	\$ 1,077	\$ 503
Health Insurance Co-Pays	9,000	-	-	-
Language Line	<u>500</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total Operating Expenses	 <u>607,407</u>	 <u>475,053</u>	 <u>428,316</u>	 <u>46,737</u>
 Total Charges to Appropriations	 <u>607,407</u>	 <u>475,053</u>	 <u>428,316</u>	 <u>46,737</u>
 ENDING BUDGETARY NET POSITION	 <u>\$ 1,330,679</u>	 <u>\$ 1,459,305</u>	 <u>\$ 1,510,044</u>	 <u>\$ 50,739</u>

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

Sources / Inflows of Resources:

Actual amounts (budgetary basis) "available for appropriation"	\$ 1,938,360
Differences - budget to GAAP:	
The net position at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	<u>(1,339,585)</u>
Total revenues as reported on the statement of revenues, expenses and changes in net position	<u>\$ 598,775</u>

Uses / Outflows of Resources:

Actual amounts (budgetary basis) "total charges to appropriations"	\$ 428,316
Differences - budget to GAAP:	
Depreciation is not a budgetary outflow of resources but is a current year expense for financial reporting purposes	<u>72,361</u>
Total expenses as reported on the statement of revenues, expenses and changes in net position	<u>\$ 500,677</u>

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



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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, 2015, 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 November 20, 2015.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2015-001.

We noted certain other matters that we reported to management of Johnson County Emergency Communications District 911 in a separate letter dated November 20, 2015.

Johnson County Emergency Communications District 911's Response to Finding

Johnson County Emergency Communications District 911's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. Johnson County Emergency Communications District 911's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

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
November 20, 2015

**JOHNSON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT 911
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2015**

Finding 2015-001

Criteria: Tennessee Code Annotated Section 7-86-120 states no emergency communications district can spend money except in accordance with an adopted budget at the line item level.

Condition: One expense line item – unemployment compensation (taxes) exceeded its budgeted amount by \$163.

Effect of Condition: The District was not in compliance with Tennessee Code Annotated Section 7-86-120.

Cause of Condition: Expense line item unemployment compensation (taxes) exceeded its budgeted amount.

Recommendation: We recommend the Board continue to monitor its budget throughout the year and make any needed budget amendments.

Views of Responsible Officials: We will be sure to not let this happen again.

**JOHNSON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT 911
Schedule of Prior Year Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2015**

Financial Statement Findings

<u>Finding Number</u>	<u>Finding Title</u>	<u>Status</u>
There were no prior findings reported.		

Federal Award Findings and Questioned Costs

<u>Finding Number</u>	<u>Finding Title</u>	<u>Status</u>
There were no prior findings reported.		