

**JEFFERSON COUNTY E-911**  
**Jefferson City, Tennessee**  
**ANNUAL FINANCIAL REPORT**  
**WITH SUPPLEMENTARY INFORMATION**  
**For the Fiscal Year Ended June 30, 2017**  
**and**  
**INDEPENDENT AUDITOR'S REPORT**

JEFFERSON COUNTY E-911  
Jefferson City, Tennessee  
ANNUAL FINANCIAL REPORT  
WITH SUPPLEMENTARY INFORMATION  
For the Fiscal Year Ended June 30, 2017

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JEFFERSON COUNTY E-911

Jefferson City, Tennessee

SCHEDULE OF BOARD OF DIRECTORS

June 30, 2017

Members of the Board of Directors are as follows:

Tom Mauresetter	Chairman
Rob Blevins	Vice Chairman
Lee Turner	Secretary/Treasurer
Ronnie Coleman	Member
Chad Cotter	Member
Billy John Cureton	Member
Colin McRae	Member
Brad Phillips	Member

# BROWN JAKE & McDANIEL, PC

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 JAMES E. BOOHER, CPA, CGMA

MEMBERS  
 AMERICAN INSTITUTE OF  
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## Independent Auditor's Report

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

We have audited the accompanying statement of net position of Jefferson County E-911 (the District), a component unit of Jefferson County, Tennessee, as of June 30, 2017, and the related statements of revenues, expenses and change in net position and cash flows for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Jefferson County E-911'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 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.

### ***Unmodified Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Jefferson County E-911, as of June 30, 2017, 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 on pages 5 – 7 and the required supplementary information on pages 21 – 22 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 Jefferson County E-911's basic financial statements. The other supplementary information and the introductory section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and is derived from and relate 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 other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section 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 14, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and

compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Brown Lake & McDaniel, PC

Knoxville, Tennessee  
November 14, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR 2017

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

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

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

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

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

Table 1

Condensed Statement of Net Position

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Increase (Decrease)</u>	<u>%</u>
Current assets	\$ 1,159,221	\$ 958,928	\$ 200,293	20.89%
Capital assets	<u>217,538</u>	<u>259,228</u>	<u>(41,690)</u>	-16.08%
Total assets	<u>\$ 1,376,759</u>	<u>\$ 1,218,156</u>	<u>\$ 158,603</u>	13.02%
Deferred outflows of resources	<u>\$ 142,394</u>	<u>\$ 50,798</u>	<u>\$ 91,596</u>	180.31%
Current liabilities	\$ 21,008	\$ 19,285	\$ 1,723	8.93%
Noncurrent liabilities	<u>155,843</u>	<u>66,669</u>	<u>89,174</u>	133.76%
Total liabilities	<u>\$ 176,851</u>	<u>\$ 85,954</u>	<u>\$ 90,897</u>	105.75%
Deferred inflows of resources	<u>\$ 519</u>	<u>\$ 6,085</u>	<u>\$ (5,566)</u>	-91.47%
Investment in capital assets	\$ 217,538	\$ 259,228	\$ (41,690)	-16.08%
Unrestricted	<u>1,124,245</u>	<u>917,687</u>	<u>206,558</u>	22.51%
Total net position	<u>\$ 1,341,783</u>	<u>\$ 1,176,915</u>	<u>\$ 164,868</u>	14.01%

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)

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

Jefferson County E-911's total net position increased \$164,868 from last year.

Table 2

Statement of Revenues, Expenses, and Change in Net Position

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Increase (Decrease)</u>	<u>%</u>
Operating revenue	\$ 770,608	\$ 705,337	\$ 65,271	9.25%
Non-operating revenue	<u>556,250</u>	<u>511,024</u>	<u>45,226</u>	8.85%
Total revenues	<u>1,326,858</u>	<u>1,216,361</u>	<u>110,497</u>	9.08%
Direct operating expenses	697,691	665,911	31,780	4.77%
General and administrative expenses	391,952	350,760	41,192	11.74%
Depreciation expense	<u>72,347</u>	<u>76,607</u>	<u>(4,260)</u>	-5.56%
Total expenses	<u>1,161,990</u>	<u>1,093,278</u>	<u>68,712</u>	6.28%
Change in net position	164,868	123,083	41,785	33.95%
Beginning net position	<u>1,176,915</u>	<u>1,053,832</u>	<u>123,083</u>	11.68%
Ending net position	<u>\$ 1,341,783</u>	<u>\$ 1,176,915</u>	<u>\$ 164,868</u>	14.01%

As can be seen in Table 2, the change in net position (formerly known as "net income (loss)") increased from the prior year by \$41,785. This increase was caused by a 9% increase in total revenues and an 6% increase in total expenses.

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)

Table 3

Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Increase (Decrease)</u>
Capital assets, net	<u>\$ 217,538</u>	<u>\$ 259,228</u>	<u>\$ (41,690)</u>

This year's capital additions include:

Communication equipment	\$ 43,401
Operating equipment	<u>8,666</u>
Total additions	<u>\$ 52,067</u>

At June 30, 2017, the District had no outstanding long-term debt.

There were no significant variations from fiscal year 2017 budgeted operational expenditures and fiscal year 2017 actual operational expenditures. The District's adopted budget for fiscal year 2017 is comparable to fiscal year 2016.

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

Justin Crowther, Director  
Jefferson County E-911  
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JEFFERSON COUNTY E-911  
 Jefferson City, Tennessee  
 STATEMENT OF NET POSITION  
 June 30, 2017

ASSETS

Current assets:	
Cash and cash equivalents	\$ 1,143,433
Prepaid expenses	<u>15,788</u>
Total current assets	<u>1,159,221</u>
Capital assets:	
Capital assets, net of accumulated depreciation totaling \$534,120	<u>217,538</u>
Total assets	<u>1,376,759</u>

DEFERRED OUTFLOWS OF RESOURCES

Differences between expected and actual experience - pension	81,660
Pension changes in investment earnings	24,029
Pension contribution after measurement date	<u>36,705</u>
Total deferred outflows of resources	<u>142,394</u>

LIABILITIES

Current liabilities:	
Accrued vacation leave	20,094
Accrued liabilities	914
Noncurrent liabilities:	
Net pension liability	<u>155,843</u>
Total liabilities	<u>176,851</u>

DEFERRED INFLOWS OF RESOURCES

Differences between expected and actual experience - pension	<u>519</u>
Total deferred inflows of resources	<u>519</u>

NET POSITION

Net position:	
Investment in capital assets	217,538
Unrestricted	<u>1,124,245</u>
Total net position	<u>\$ 1,341,783</u>

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

## JEFFERSON COUNTY E-911

Jefferson City, Tennessee

## STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION

For the Fiscal Year Ended June 30, 2017

Operating revenues:	
TECB distribution of 911 surcharges (base amount)	\$ 702,786
TECB distribution of excess	45,819
Other revenue	<u>22,003</u>
	<u>770,608</u>
Operating expenses:	
Salaries and wages	697,691
Employee benefits	221,655
Contracted services	57,781
Supplies and materials	54,798
Other charges	<u>57,718</u>
	<u>1,089,643</u>
Operating income (loss) before depreciation	(319,035)
Depreciation expense	<u>72,347</u>
Operating income (loss)	<u>(391,382)</u>
Non-operating revenue (expense):	
Interest income	967
Miscellaneous income	563
TECB - grants and reimbursement	50,000
Gain or loss on disposal	(21,409)
Contribution from primary government	<u>526,129</u>
	<u>556,250</u>
Change in net position	164,868
Net position, beginning of the year	<u>1,176,915</u>
Net position, end of the year	<u>\$ 1,341,783</u>

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

## JEFFERSON COUNTY E-911

Jefferson City, Tennessee

## STATEMENT OF CASH FLOWS

For the Fiscal Year Ended June 30, 2017

Cash flows from operating activities:	
Cash received from service fees and other operating revenues	\$ 770,605
Miscellaneous income	563
Cash paid to suppliers for goods and services	(400,320)
Cash paid to employees for services provided	<u>(695,966)</u>
Net cash used by operating activities	<u>(325,118)</u>
Cash flows from noncapital financing activities:	
Contribution from primary government	526,129
Contribution from TECB	<u>50,000</u>
Net cash provided by noncapital financing activities	<u>576,129</u>
Cash flows from capital and related financing activities:	
Purchase of equipment	<u>(52,067)</u>
Net cash used by capital and related financing activities	<u>(52,067)</u>
Cash flows from investing activities:	
Interest income on investments	<u>967</u>
Net cash provided by investing activities	<u>967</u>
Net increase in cash and cash equivalents	199,911
Cash and cash equivalents, beginning of the year	<u>943,522</u>
Cash and cash equivalents, end of the year	<u>\$ 1,143,433</u>
Reconciliation of operating income (loss) to net cash used by operating activities:	
Operating income (loss)	\$ (391,382)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Depreciation	72,347
Miscellaneous income	563
Increase in prepaid expenses	(382)
Increase in deferred outflows	(91,596)
Increase in net pension liability	89,174
Decrease in deferred inflows	(5,566)
Increase in other current liabilities	<u>1,724</u>
Net cash used by operating activities	<u>\$ (325,118)</u>

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

## JEFFERSON COUNTY E-911

Jefferson City, Tennessee

## NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

1. Summary of Significant Accounting PoliciesGeneral Statement

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

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

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

Basis of Presentation

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District applies all Governmental Accounting Standards Board (GASB) pronouncements. The more significant accounting policies of the District are described below.

The entity is a proprietary fund type known as an Enterprise Fund. The Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs are financed through user charges.

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

Methods of Accounting

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

## JEFFERSON COUNTY E-911

Jefferson City, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)1. Summary of Significant Accounting Policies (Continued)Net Position

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

Cash and Cash Equivalents

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

Budgetary Principles

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

The District prepares its budget on a basis of accounting that differs from accounting principles generally accepted in the United States of America (GAAP). The major difference between the budgetary basis of accounting and GAAP is that encumbrances are recorded as the equivalent of expenditures (budget) as opposed to a reservation of fund balance (GAAP). At June 30, 2017, the District had no encumbrances.

Capital Assets

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

Use of Estimates

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

Operating and Non-Operating Revenues and Expenses

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

## JEFFERSON COUNTY E-911

Jefferson City, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)1. Summary of Significant Accounting Policies (Continued)Restricted and Unrestricted Resources

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

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 pension of Jefferson County Emergency Communications District's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement Systems (TCRS), and additions to/deductions from Jefferson County Emergency Communication 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.

Evaluation of Subsequent Events

Management has evaluated subsequent events through November 14, 2017, which is the date the financial statements were available to be issued.

2. Cash and Cash Equivalents

Cash consisted of the following at June 30, 2017:

Cash in bank	<u>\$1,143,433</u>
--------------	--------------------

At June 30, 2017, all of the District's deposits were either insured by federal depository insurance or guaranteed by bank participation in the Tennessee Bank Collateral Pool. Investment policies of the District follow state law and bond requirements prohibiting investments that are not secured or insured by the U.S. Government.

## JEFFERSON COUNTY E-911

Jefferson City, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)3. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Depreciation Rates
Capital assets, being depreciated:					
Office equipment and furniture	\$ 12,822	\$ -	\$ -	\$ 12,822	14.3 - 33.3%
Operating equipment	214,723	8,666	-	223,389	14.3 - 20.0%
Communication equipment	366,842	-	-	366,842	14.3 - 20.0%
Software	107,709	43,401	(50,302)	100,808	14.3 - 20.0%
Vehicle	47,797	-	-	47,797	20.0%
	<u>749,893</u>	<u>52,067</u>	<u>(50,302)</u>	<u>751,658</u>	
Total capital assets, being depreciated					
Less accumulated depreciation for:					
Office equipment and furniture	(10,972)	(1,586)	-	(12,558)	
Operating equipment	(203,216)	(5,401)	-	(208,617)	
Communication equipment	(195,061)	(44,791)	-	(239,852)	
Software	(38,622)	(15,565)	28,892	(25,295)	
Vehicle	(42,794)	(5,004)	-	(47,798)	
	<u>(490,665)</u>	<u>(72,347)</u>	<u>28,892</u>	<u>(534,120)</u>	
Total accumulated depreciation					
Total capital assets, being depreciated, net	<u>259,228</u>	<u>(20,280)</u>	<u>(21,410)</u>	<u>217,538</u>	
Total net capital assets	<u>\$ 259,228</u>	<u>\$ (20,280)</u>	<u>\$ (21,410)</u>	<u>\$ 217,538</u>	

Depreciation charged to expense totaled \$72,347 for the year ended June 30, 2017.

4. Compensated Absences

The vacation year is a calendar year beginning January 1 and ending December 31. Regular full-time employees accrue one day of vacation per month. After five years of service, employees accrue one and one-half days of vacation per month. Employees on vacation are paid at the regular rate of pay during such leave. Employees may accrue annual vacation leave up to a maximum of the days earned for the prior service year. Unpaid vacation leave totaled \$20,094 for the year ended June 30, 2017.

Sick leave is earned by regular full-time employees at the rate of one day per month. Employees may accumulate sick leave without a maximum. Accumulated sick leave does not vest for payment at termination, however; if the employee retires such accumulated sick leave counts as time of service under the District's participation in the TCRS Pension Plan.

## JEFFERSON COUNTY E-911

Jefferson City, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)5. Retirement Plan***General Information about the Plan******Plan Description***

Employees of Jefferson 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 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](http://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 percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

## JEFFERSON COUNTY E-911

Jefferson City, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)5. Retirement Plan (Continued)**Benefits Provided** (Continued)

*Employees Covered by Benefit Terms.* At the measurement date of June 30, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	21
Active employees	17
	<u>40</u>

**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. Jefferson 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, 2017, employer contributions for Jefferson County Emergency Communications District were \$36,705 based on a rate of 5.67 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Jefferson 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)**

Jefferson County Emergency Communications District's net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate net pension liability was determined by an actuarial valuation as of that date.

**Actuarial Assumptions**

The total pension liability as of June 30, 2016 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 investments expenses, including inflation
Cost-of-Living Adjustment	2.5 percent

## JEFFERSON COUNTY E-911

Jefferson City, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)5. Retirement Plan (Continued)**Actuarial Assumptions** (Continued)

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, 2016 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:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
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%	1%
		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.

## JEFFERSON COUNTY E-911

Jefferson City, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)5. Retirement 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 Jefferson 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 Net Pension Liability (Asset)**

	Total Pension Liability (a)	Increase(Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
<b>Balance at 6/30/15</b>	\$ 711,665	\$ 644,996	\$ 66,669
<b>Changes for the year:</b>			
Service cost	39,613		39,613
Interest	55,596		55,596
Differences between expected and actual experience	77,029		77,029
Contributions - employer		35,409	(35,409)
Contributions - employees		31,225	(31,225)
Net investment income		17,713	(17,713)
Benefit payments, including refunds of employee contributions	(20,006)	(20,006)	-
Administrative expense	-	(1,283)	1,283
<b>Net changes</b>	<u>152,232</u>	<u>63,058</u>	<u>89,174</u>
<b>Balance at 6/30/16</b>	<u>\$ 863,897</u>	<u>\$ 708,054</u>	<u>\$ 155,843</u>

## JEFFERSON COUNTY E-911

Jefferson City, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)5. Retirement Plan (Continued)***Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate***

The following presents the net pension liability (asset) of Jefferson 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:

	<b>1% Decrease 6.50%</b>	<b>Current Discount Rate 7.50%</b>	<b>1% Increase 8.50%</b>
Jefferson County Emergency Communications District's Net Pension Liability (Asset)	\$ 329,181	\$ 155,843	\$ 20,188

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

For the year ended June 30, 2017, Jefferson County Emergency Communications District recognized pension expense of \$28,717.

***Deferred Outflows of Resources and Deferred Inflows of Resources***

For the year ended June 30, 2017, Jefferson County Emergency Communications District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 81,660	\$ (519)
Net difference between projected and actual earnings on pension plan investments	24,029	-
Contributions subsequent to the measurement date of June 30, 2016	36,705	N/A
	<b>\$ 142,394</b>	<b>\$ (519)</b>

## JEFFERSON COUNTY E-911

Jefferson City, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)5. Retirement Plan (Continued)***Deferred Outflows of Resources and Deferred Inflows of Resources*** (Continued)

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2016," 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:**

2018	\$	13,525
2019		13,525
2020		22,515
2021		17,143
2022		10,671
Thereafter		27,791

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, 2017, *Jefferson 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, 2017.

6. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance for all of these risks of loss. There have been no claims in the prior three years.

## **REQUIRED SUPPLEMENTARY INFORMATION**

## JEFFERSON COUNTY E-911

Jefferson City, Tennessee

## SCHEDULE OF CHANGES IN THE DISTRICT'S 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>	<u>2015</u>	<u>2016</u>
<b>Total pension liability</b>			
Service cost	\$ 38,360	\$ 38,632	\$ 39,613
Interest	44,419	49,113	55,596
Changes in benefit terms	-	-	-
Differences between actual and expected experience	(780)	17,588	77,029
Change of assumptions	-	-	-
Benefit payments, including refunds of employee contributions	(19,615)	(19,758)	(20,006)
<b>Net change in total pension liability</b>	<u>62,384</u>	<u>85,575</u>	<u>152,232</u>
<b>Total pension liability - beginning</b>	563,706	626,090	711,665
<b>Total pension liability - ending (a)</b>	<u>\$ 626,090</u>	<u>\$ 711,665</u>	<u>\$ 863,897</u>
<b>Plan fiduciary net position</b>			
Contributions - employer	\$ 28,583	\$ 30,634	\$ 35,409
Contributions - employee	25,254	27,014	31,225
Net investment income	81,747	18,718	17,713
Benefit payments, including refunds of employee contributions	(19,615)	(19,758)	(20,006)
Administrative expense	(601)	(812)	(1,283)
<b>Net change in plan fiduciary net position</b>	<u>115,368</u>	<u>55,796</u>	<u>63,058</u>
<b>Plan fiduciary net position - beginning</b>	473,832	589,200	644,996
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 589,200</u>	<u>\$ 644,996</u>	<u>\$ 708,054</u>
<b>Net pension liability (asset) - ending (a)-(b)</b>	<u>\$ 36,890</u>	<u>\$ 66,669</u>	<u>\$ 155,843</u>
<b>Plan fiduciary net position as a percentage of total pension liability</b>	94.11%	90.63%	81.96%
<b>Covered payroll</b>	\$ 505,076	\$ 540,279	\$ 624,493
<b>Net pension liability (asset) as a percentage of covered payroll</b>	7.30%	12.34%	24.96%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from TCRS GASB website for prior years' data, if needed.

See independent auditor's report.

## JEFFERSON COUNTY E-911

Jefferson City, Tennessee

SCHEDULE OF JEFFERSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT'S CONTRIBUTIONS  
BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS

For the Fiscal Year Ended June 30, 2017

	Last Fiscal Year Ending June 30			
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actuarially determined contribution	\$ 28,583	\$ 30,634	\$ 35,409	\$ 36,705
Contributions in relation to the actuarially determined contribution	<u>28,583</u>	<u>30,634</u>	<u>35,409</u>	<u>36,705</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 505,076	\$ 540,279	\$ 624,493	\$ 647,354
Contributions as a percentage of covered payroll	5.66%	5.67%	5.67%	5.67%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Please refer to previously supplied data from TCRS GASB website for prior years' data, if needed.

**Notes to schedule**

*Valuation date:* Actuarially determined contribution rates for 2017 were calculated based on the June 30, 2015 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	Varies by year
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
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

See independent auditor's report.

**OTHER SUPPLEMENTARY INFORMATION**

JEFFERSON COUNTY E-911  
Jefferson City, Tennessee  
SCHEDULE OF BUDGET VS. ACTUAL REVENUES AND EXPENSES  
For the Fiscal Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>
Operating revenues:		
TECB distribution of 811 surcharges (base amount)	\$ 702,785	\$ 702,786
TECB distribution of excess	45,819	45,819
Other operating revenues	<u>21,275</u>	<u>22,003</u>
Total operating revenues	<u>769,879</u>	<u>770,608</u>
Operating expenses:		
Directors salary	52,063	52,062
Administrative personnel	39,375	39,374
Telecommunicators	385,000	350,898
Overtime pay	75,000	73,448
Part-time pay	45,000	37,278
Mapper salary	37,503	37,502
TAC salary	39,400	39,393
Holiday pay	26,500	22,124
Longevity pay	9,400	9,300
Sick leave	17,000	13,908
Vacation leave	30,000	22,404
Social security	46,300	43,152
Medicare	10,820	10,092
Life insurance	500	404
Medical insurance	170,747	136,260
Unemployment taxes	7,500	3,030
Retirement contributions	39,760	28,717
Audit services	8,000	7,988
Language interpretation	500	196
Fees paid to service providers	4,240	1,900
Legal fees	1,000	-
Tower rental	5,400	5,400
Technology consultants	4,800	1,064
Lease/rental - office equipment	7,000	6,195
Communications consultant	4,000	195
Maintenance agreements	28,665	28,663
NCIC/TBI/TIES expenses	6,500	6,180
Maintenance and repairs - communication equipment	6,250	4,100
Maintenance and repairs - buildings and facilities	3,500	1,045
Maintenance and repairs - office equipment	1,000	516
Maintenance and repairs - vehicle	1,000	15
Fuel - vehicle	2,000	851
Small equipment purchase	15,000	14,798
Office supplies	5,000	4,085
Custodial supplies	500	300
Postage	1,000	456
Uniforms and shirts	3,000	2,392
Utilities - electric	1,200	997
Utilities - gas	500	36
Utilities - general telephone	1,000	545
Utilities - cell phone and pagers	6,000	3,942
Utilities - telephone call center	20,760	20,720
Bank charges	500	-
Dues and memberships	2,000	907
Employee testing and exams	1,500	94
Insurance - workers compensation	5,000	2,029
Insurance - liability	6,800	6,619
Insurance - equipment	8,000	7,539
Insurance - vehicle	2,100	1,880
Legal notices	500	88
Premiums on surety bonds	1,500	1,093
Training expenses	8,000	2,442
Travel expenses	8,000	7,090
Licenses and fees	20,860	20,682
Cable and internet charges	4,500	3,880
Miscellaneous	<u>3,700</u>	<u>3,275</u>
Total operating expenses	<u>1,242,643</u>	<u>1,089,643</u>
Operating margin (loss) before depreciation	(472,764)	(319,035)
Depreciation expense	<u>85,000</u>	<u>72,347</u>
Operating margin (loss)	<u>(557,764)</u>	<u>(391,382)</u>
Non-operating income (expense):		
Interest income	500	967
TECB - grants and reimbursements	50,000	50,000
Miscellaneous income	1,000	563
Gain/(loss) on disposal	-	(21,409)
Contribution from primary government	<u>526,129</u>	<u>526,129</u>
Total non-operating income (expense)	<u>577,629</u>	<u>556,250</u>
Change in net position	<u>\$ 19,865</u>	<u>\$ 164,868</u>

See independent auditor's report.

JEFFERSON COUNTY E-911  
Jefferson City, Tennessee  
**SCHEDULE OF OPERATING EXPENSES**  
For the Fiscal Year Ended June 30, 2017

Operating expenses:	
Salaries and wages:	
Director	\$ 52,062
Administrative personnel	39,374
Mapper salary	37,502
Telecommunicators	350,898
TAC salary	39,393
Overtime pay	73,448
Part-time personnel	37,278
Holiday pay	22,124
Longevity pay	9,300
Sick leave	13,908
Vacation leave	<u>22,404</u>
Total salaries and wages	<u>697,691</u>
Employee benefits:	
Social security	43,152
Medicare	10,092
Life insurance	404
Medical insurance	136,260
Unemployment taxes	3,030
Retirement contributions	<u>28,717</u>
Total employee benefits	<u>221,655</u>
Contracted services:	
Audit services	7,988
Language interpreting	196
Fees paid to service providers	1,900
Tower rental	5,400
Maintenance agreements	28,663
Technology consultants	1,064
NCIC/TBI/TIES expense	6,180
Communications consultant	195
Lease/rent - building and fees	<u>6,195</u>
Total contracted services	<u>57,781</u>
Supplies and materials:	
Call center	20,720
Fuel	851
Maintenance and repairs - communication equipment	4,100
Office supplies	4,085
Postage	456
Custodial supplies	300
Small equipment purchase	14,798
Maintenance and repairs - building	1,045
Maintenance and repairs - equipment	516
Maintenance and repairs - vehicles	15
Uniforms and shirts	2,392
Utilities - electric	997
Utilities - gas	36
Utilities - general telephone	545
Utilities - cell phones and pagers	<u>3,942</u>
Total supplies and materials	<u>54,798</u>
Other charges:	
Dues and memberships	907
Employee testing and exams	94
Insurance - workers compensation	2,029
Insurance - liability	6,619
Insurance - equipment	7,539
Insurance - vehicle	1,980
Legal notices	88
Premiums on surety bonds	1,093
Training expenses	2,442
Travel expenses	7,090
Internet charges	3,880
Licenses and fees	20,682
Miscellaneous	<u>3,275</u>
Total other charges	<u>57,718</u>
Total operating expenses	<u>\$ 1,089,643</u>

See independent auditor's report.

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MEMBERS  
 AMERICAN INSTITUTE OF  
 CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Directors  
 Jefferson County E-911  
 Jefferson 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 the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Jefferson County E-911 (the District), a component unit of Jefferson County, Tennessee, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 14, 2017.

#### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management of 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 the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Knoxville, Tennessee  
November 14, 2017

## JEFFERSON COUNTY E-911

Jefferson City, Tennessee

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Fiscal Year Ended June 30, 2017

There were no prior year findings.