

**Emergency
Communications District of
Shelby County, Tennessee**
(A Component Unit of Shelby County, Tennessee)

**Financial Statements and
Supplementary Information**

Year Ended June 30, 2020



Emergency Communications District of Shelby County, Tennessee
(A Component Unit of Shelby County, Tennessee)
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Emergency Communications District of Shelby County, Tennessee
(A Component Unit of Shelby County, Tennessee)
Management and Government Officials
June 30, 2020

Emergency Communications District Management Staff

Raymond Chiozza, Director *
Carmen Tyler, Accounting Manager
Sue Robinson, Public Education Coordinator
Carlton Ray, Director of Network Systems
Harold Truebger, 911 Information Systems Lead
Timothy Zimmer, Director of GIS

Emergency Communications District Board of Directors

Rebeka Anderson, Chair
Patrick Carter, Vice-Chair
Glen Kneeland, Secretary Treasurer
Bruce Kramer, Member
Mary Balee, Member
Clarence Cash, Jr., Member
Mendi Shull, Member
Rex Hollaway, Member
Stephanie Love, Member
Brenda Jones, Member

* - Employee with financial oversight responsibility

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Emergency Communications District of Shelby County, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the Emergency Communications District of Shelby County, Tennessee, (the "District"), a component unit of Shelby County, Tennessee, as of and for the year ended June 30, 2020, 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2020, and the changes in its financial position, and its 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, schedule of changes in net pension liability and related ratios, schedule of pension contributions, and the schedule of changes in total OPEB liability and related ratios 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 Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The listing of management and government officials and the budgetary comparison schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedule 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 budgetary comparison schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The management and government officials 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 December 9, 2020 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 the District's 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.

A handwritten signature in black ink that reads "Watkins Mikusall, PLLC". The signature is written in a cursive, flowing style.

Memphis, Tennessee
December 9, 2020

Emergency Communications District of Shelby County, Tennessee
(A Component Unit of Shelby County, Tennessee)
Management's Discussion and Analysis
Year Ended June 30, 2020

This section of the Emergency Communications District of Shelby County, Tennessee, (the "District") annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2020. This section should be read in conjunction with the financial statements and accompanying notes, which follow this section.

The District is presented as a component unit of Shelby County Government, located in Shelby County, Tennessee. The District was authorized in November 1984, as provided for in Chapter 867, of the Public Acts of 1984. The District provides for the network, 9-1-1 Controller and Call Taking equipment for each Public Safety Answering Point within Shelby County, Tennessee. The costs of these are funded by monthly telephone subscriber service fees.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's financial statements. The financial report includes financial statements, notes to the financial statements and required and other supplementary information. The statement of net position presents information on the District's assets, deferred outflows, liabilities, and deferred inflows, with the difference between these reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The statement of revenues, expenses, and changes in net position presents information on activities as well as other cash sources and cash payments such as investment income and capital additions.

Financial Highlights

District's Net Position as of June 30

	<u>2020</u>	<u>2019</u>
Current assets	\$ 36,160,392	\$ 34,271,119
Capital assets, net	4,725,851	4,223,939
Net pension asset	274,571	30,980
Total assets	<u>41,160,814</u>	<u>38,526,038</u>
Deferred outflows of resources	92,482	145,489
Current liabilities	1,021,602	479,078
Net pension liability	-	-
Total liabilities	<u>1,021,602</u>	<u>479,078</u>
Deferred inflows of resources	32,570	19,385
Investment in capital assets	4,725,851	4,223,939
Net position restricted for pension asset	274,571	30,980
Unrestricted net position	<u>35,198,702</u>	<u>33,918,145</u>
Total net position	<u>\$ 40,199,124</u>	<u>\$ 38,173,064</u>

**Emergency Communications District of Shelby County, Tennessee
(A Component Unit of Shelby County, Tennessee)
Management's Discussion and Analysis
Year Ended June 30, 2020**

District's Changes in Net Position for the Year Ended June 30

	2020	2019
Operating revenues	\$ 10,196,756	\$ 11,131,726
Operating expenses	8,814,728	10,901,926
Operating income (loss)	1,382,028	229,800
Non-operating revenue	644,032	846,224
Change in net position	<u>\$ 2,026,060</u>	<u>\$ 1,076,024</u>

Operating and Non-Operating Revenues

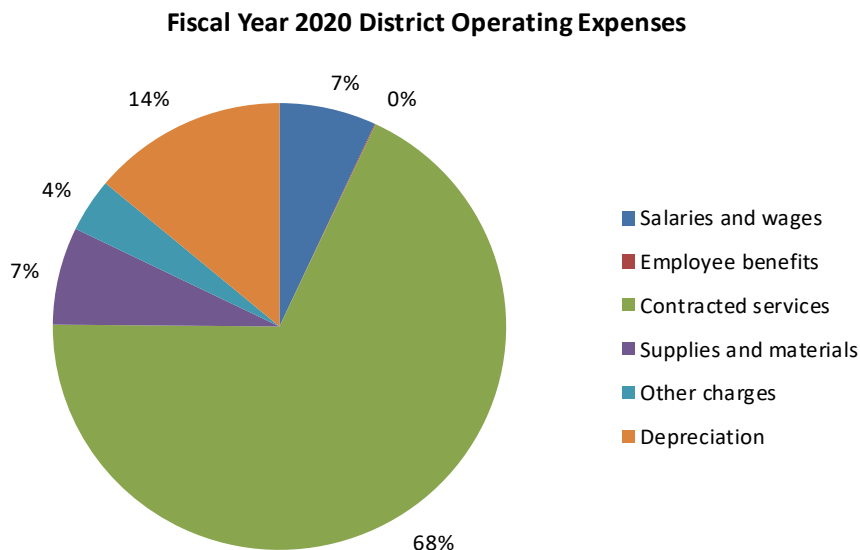
The District's total operating revenue was \$10,196,756 for the year ended June 30, 2020.

Subscriber fees – the emergency telephone service charge – for FY 2020 amounted to \$9,327,186 for base TECB funding distributions, which was unchanged from the prior year. The District also received \$461,570 from TECB for excess revenue distributions as well as a TECB controller subsidy in the amount of \$408,000. The excess revenue distributions received by the District from TECB decreased by \$934,970 from the prior year. The controller subsidy distribution was unchanged from the prior year. Overall, the District's operating revenues decreased by \$934,970 (8%) from the prior year.

During FY 2020, the District had non-operating revenue of \$644,032, a decrease of \$202,192 (24%) from the prior year non-operating revenue of \$846,224. Non-operating revenues consist of investment income, changes in fair value of investments, and a gain on disposal of fixed asset.

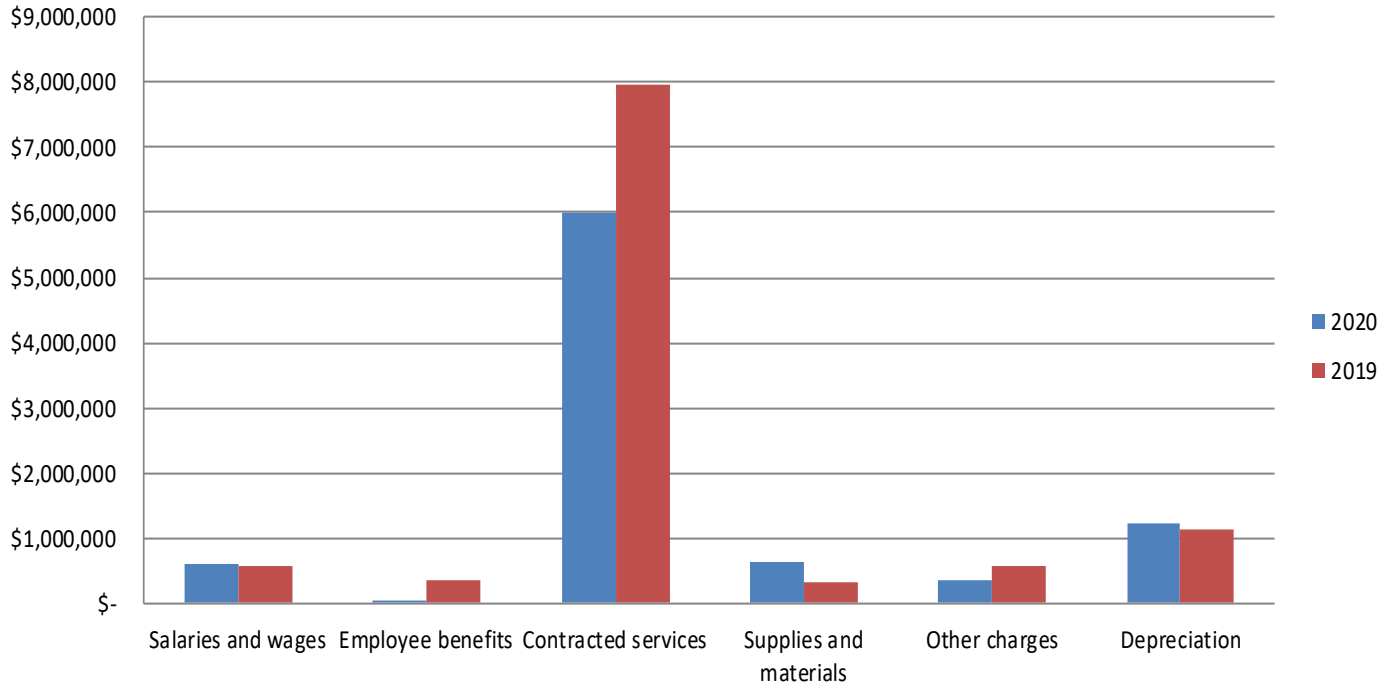
Operating Expenses

Operating expenses of the District decreased to \$8,814,728 for FY 2020 compared with \$10,901,926 for FY 2019, primarily due to decreased contracted services for PSAP equipment reimbursements.



Emergency Communications District of Shelby County, Tennessee
(A Component Unit of Shelby County, Tennessee)
Management's Discussion and Analysis
Year Ended June 30, 2020

Fiscal Year 2020 v. Fiscal Year 2019 Operating Expenses



9-1-1 Service Fees

9-1-1 adjusted service fee rates took effect January 1, 2015. The Tennessee General Assembly passed the 9-1-1 Funding Modernization and IP Transition Act of 2014 (“the Act”) on April 25, 2014. The Act, effective January 1, 2015, updates the existing model for funding the District to account for changes in technology and consumer choice by establishing a single, uniform 9-1-1 surcharge rate.

The new uniform rate accounts for advancements in technology needed to provide Tennesseans with prompt and accurate 911 services and it is intended to adequately fund local 911 services in light of the ongoing reduction of landline use across the State of Tennessee. Accordingly, Shelby County residential and business lines, previously charged at \$0.65 and \$2.00 per month, respectively, were adjusted to \$1.16 per month. The cellular 9-1-1 surcharge was also adjusted from \$1.00 to \$1.16 per month.

The Act also supports the state’s Next Generation 9-1-1 program. Next Generation 9-1-1 will provide better information and data to first responders, which allows local 9-1-1 operators to more quickly assess an emergency and ensure that the necessary equipment and personnel can promptly respond to the scene.

Emergency Communications District of Shelby County, Tennessee
(A Component Unit of Shelby County, Tennessee)
Statement of Net Position
June 30, 2020

Assets:

Current Assets	
Cash and cash equivalents	\$ 5,515,808
Investments	30,525,208
Accrued interest receivable	103,793
Prepaid expenses	15,583
Total current assets	<u>36,160,392</u>
Noncurrent assets	
Capital Assets Being Depreciated	
Communications equipment	10,546,584
Vehicles	64,615
Furniture and fixtures	94,834
Leasehold Improvements	73,553
Total capital assets being depreciated	<u>10,779,586</u>
Less accumulated depreciation	<u>(6,053,735)</u>
Net capital assets being depreciated	4,725,851
Net pension asset	274,571
Total noncurrent assets	<u>5,000,422</u>
Total assets	<u>41,160,814</u>

Deferred Outflows Of Resources:

Pension changes in experience	13,937
Pension changes in assumptions	9,033
Pension contribution after measurement date	65,940
OPEB changes in assumptions	1,926
OPEB changes in experience	1,330
OPEB contributions after measurement date	316
Total deferred outflows of resources	<u>92,482</u>

Liabilities:

Current Liabilities	
Accounts payable	925,047
Compensated absences payable	79,139
OPEB liability	16,663
Other accrued expenses	753
Total current liabilities	<u>1,021,602</u>

Deferred Inflows Of Resources:

Pension changes in experience	12,225
Pension changes in investment earnings	19,050
OPEB changes in assumptions	250
OPEB changes in experience	1,045
Total deferred inflows of resources	<u>32,570</u>

Net Position:

Net investment in capital assets	4,725,851
Net position restricted for pension asset	274,571
Unrestricted	35,198,702
Total net position	<u>\$ 40,199,124</u>

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

Emergency Communications District of Shelby County, Tennessee
(A Component Unit of Shelby County, Tennessee)
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2020

Operating Revenues	
TECB distribution of 911 surcharges (base amount)	\$ 9,327,186
TECB distribution of excess revenue	461,570
Other operating revenues	<u>408,000</u>
Total operating revenues	10,196,756
Operating Expenses	
Salaries and wages	609,731
Employee benefits	5,824
Contracted services	6,007,108
Supplies and materials	623,025
Other charges	342,122
Depreciation	<u>1,226,918</u>
Total operating expenses	<u>8,814,728</u>
Operating income	1,382,028
Non-Operating Revenues (Expenses)	
Investment income	594,377
Net increase in the fair value of investments	<u>49,655</u>
Total non-operating revenue	<u>644,032</u>
Change in net position	2,026,060
Net position - beginning	<u>38,173,064</u>
Net position - ending	<u><u>\$ 40,199,124</u></u>

Emergency Communications District of Shelby County, Tennessee
(A Component Unit of Shelby County, Tennessee)
Statement of Cash Flows
For the Year Ended June 30, 2020

Cash Flows From (Used for) Operating Activities	
Cash received from customers	\$ 10,226,314
Cash payments to suppliers	(6,443,047)
Cash payments to employees	(786,545)
Net cash from operating activities	<u>2,996,722</u>
Cash Flows Used For Capital and Related Financing Activities	
Purchases of capital assets	(1,728,830)
Cash Flows From (Used for) Investing Activities	
Purchase of investments	(78,520,525)
Proceeds from maturities of investments	78,067,320
Investment income received	594,377
Net cash from investing activities	<u>141,172</u>
Net increase in cash and cash equivalents	1,409,064
Cash and cash equivalents at beginning of the year	<u>4,106,744</u>
Cash and cash equivalents at end of the year	<u><u>\$ 5,515,808</u></u>
Reconciliation of Operating Income to Net Cash	
From (Used for) Operating Activities	
Operating income	\$ 1,382,028
Adjustments to Reconcile Operating Income to Net Cash	
Provided By Operating Activities:	
Depreciation	1,226,918
Employer contributions in excess of pension expense	(180,661)
OPEB expense in excess of employer contributions	(601)
Changes in Assets and Liabilities:	
Accounts receivable	29,558
Prepaid expense	819
Accounts payable	528,389
Compensated absences payable	10,272
Total adjustments	<u>1,614,694</u>
Net cash from operating activities	<u><u>\$ 2,996,722</u></u>
Noncash Investing And Financing Activities	
Increase (decrease) in fair value of investments	<u><u>\$ 49,655</u></u>

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations

The Emergency Communications District of Shelby County, Tennessee (the "District") was established on November 21, 1984, pursuant to the provisions of Chapter 867 of the Public Acts of 1984 of the State of Tennessee. The District is responsible for establishing local emergency telephone service and a primary emergency telephone number for the residents of Shelby County, Tennessee. The District is governed by a nine member board of directors, which is nominated by the Mayor of Shelby County, Tennessee, and approved by the Board of Commissioners of Shelby County, Tennessee. The State of Tennessee has the authority to levy an emergency telephone service charge to be used to fund the operation of the District. The District's financial statements are reported as a component unit of Shelby County, Tennessee.

Measurement Focus, Basis, and Method of Accounting

The District is accounted for as a proprietary fund. Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows. Proprietary funds are accounted for using the economic resources measurement and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues in the proprietary fund are those revenues that are generated from the principal ongoing operations of the District. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the District, and include administrative expenses and depreciation on capital assets. All other expenses are reported as non-operating expenses.

When expenditures are incurred for purposes for which both restricted and unrestricted amounts are available, the District's policy is to consider restricted amounts to have been reduced first.

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 the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

Emergency telephone service charge fees are recognized as revenue when earned. The State of Tennessee Emergency Communication Board ("TECB") shared wireless charges and operational funding are recognized in the period earned.

Cash and Cash Equivalents

For statement of cash flow purposes, the District considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash and cash equivalents.

Investments

Investments are stated at fair market value.

Capital Assets

Capital assets are stated at acquisition cost, if purchased, and estimated fair value at the date of the contribution, if contributed. The District defines capital assets as assets with an initial individual cost of at least \$10,000. Major renewals and betterments that extend the useful lives of assets are also recorded at cost. Expenditures for normal repair and maintenance are expensed as they occur. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 5 to 40 years.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial 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 a future period(s) and so will not be recognized as outflow of resources (expense) until then. In addition to liabilities, the statement of financial position will 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 a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has pension and other post-employment qualifying items for reporting in these categories.

Compensated Absences

District employees are granted sick and annual leave in varying amounts in accordance with administrative policies. No more than twice the annual amount of vacation may be accumulated at any one time. Vacation may be accumulated in an excessive amount only if the vacation request has been denied based on the needs of the District office. Payment in lieu of vacation will only be allowed upon separation or other termination of employment. Remaining vacation will be paid to the designated beneficiary in the event of death of the employee. Generally, employees are reimbursed for accumulated sick leave, not to exceed 75 days, only upon retirement.

Pensions

For purposes of measuring the net pension liability/(asset), deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System ("TCRS"), and additions to/deductions from the 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.

Net Position

The District recognizes the difference between its assets plus deferred outflows of resources less liabilities and deferred inflows of resources as net position. Net position categories include:

Net investment in capital assets - consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds and notes that are attributable to the acquisition, construction, or improvement of those assets. Applicable deferred outflows of resources and deferred inflows of resources, if any, are also included in this component of net position.

Restricted net position – consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions enabling legislation.

Unrestricted – remaining balance of the net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Concentration of Revenues

The District is primarily funded by fees collected through the Tennessee Emergency Communications Board.

Income Tax Exemption

The District is exempt from federal income tax under Section 115 of the Internal Revenue Code, and therefore, no allowance for federal income taxes is included in the financial statements.

2. BUDGETARY INFORMATION

The Director prepares a preliminary annual budget compiled from revenue and expense projections. The Board of Directors must pass the preliminary budget on two readings before it is adopted and becomes the approved budget for the District. The first reading takes place during the April meeting with a public hearing, and the second reading is during the June meeting. The budget can be amended during the year as the Director deems necessary. The Director presents proposed budget amendments to the Board by line item during Board meetings. The amendments are discussed and then voted upon during the meetings. When amendments are passed, the Director makes adjustments to his budget to include the newly approved amendments.

3. CASH AND CASH EQUIVALENTS, FAIR VALUE MEASUREMENTS AND INVESTMENTS

Statutes authorize the District to invest in obligations of the United States Treasury, obligations guaranteed as to principal and interest by the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks, savings and loan associations, federal chartered banks, savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, banker's acceptances meeting specific rating criteria, commercial paper meeting specific rating criteria, and the state pooled investment fund.

Statutes also require that securities underlying repurchase agreements must have a market value at least equal to the amount of funds invested in the repurchase transaction.

The District's deposits are entirely covered by federal deposit insurance corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the State. The FDIC insures the first \$250,000 of the District's deposits at each financial institution. Deposit balances over \$250,000 are insured by the collateral pool. State statutes provide for additional amounts to be assessed on a pro rata basis to

financial institutions in the collateral pool in the event that the pool's funds would be insufficient to cover a loss. As of year-end, the carrying amount of the District's demand deposits was \$5,515,808 and the bank balances totaled \$5,390,827. The District limits its exposure to interest rate risk by diversifying its investments.

At year end, the District had the following investments and maturities:

Investment Type	Fair Value	Investments and Maturities (in years)		Concentration
		Less than 1	More than 1	
Municipal Bonds	\$ 8,108,745	\$ 1,920,108	\$ 6,188,637	27%
Federal Home Loan Mortgage Corp	14,561,900	-	14,561,900	48%
Federal National Mortgage Association	1,003,450	-	1,003,450	3%
First Federal Community Bank	6,851,113	2,700,864	4,150,249	22%
	<u>\$ 30,525,208</u>	<u>\$ 4,620,972</u>	<u>\$ 25,904,236</u>	<u>100%</u>

Credit quality distribution for investments, with credit exposure as a percentage of total investments are as follows at year end:

Investment Type	Rating	Percentage
Municipal Bonds	Aaa	27%
Federal Home Loan Mortgage Corp	Aaa	48%
Federal National Mortgage Association	Aaa	3%
First Federal Community Bank	Aaa	22%

Generally accepted accounting principles establish a fair value hierarchy that prioritizes observable inputs used to measure fair value into three broad levels, as described below:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets and liabilities the District has the ability to access.
- Level 2 – Inputs (other than quoted prices within Level 1) such as quoted prices for similar assets or liabilities, quoted prices in inactive markets, or other inputs that can be corroborated by observable market data.
- Level 3 – Inputs which are unobservable for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

In determining fair values, the District utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

The District's investments are all valued using inputs that can be corroborated by observable market data. The following table sets forth by level within the fair value hierarchy, the District's investments at fair value as of June 30, 2020:

Investment Type	Level 2
Municipal Bonds	\$ 8,108,745
Federal Home Loan Mortgage Corp	14,561,900
Federal National Mortgage Association	1,003,450
First Federal Community Bank	<u>6,851,113</u>
	<u>\$ 30,525,208</u>

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020, is as follows (all capital assets are being depreciated):

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Being Depreciated:				
Equipment	\$ 11,163,821	\$ 1,695,331	\$ 2,312,568	\$ 10,546,584
Vehicles	65,311	33,499	34,195	64,615
Furniture and fixtures	94,834	-	-	94,834
Leasehold improvements	<u>73,553</u>	<u>-</u>	<u>-</u>	<u>73,553</u>
Total capital assets being depreciated	11,397,519	1,728,830	2,346,763	10,779,586
Less Accumulated Depreciation for:				
Equipment	7,006,265	1,215,482	2,312,568	5,909,179
Vehicles	54,422	9,574	34,195	29,801
Furniture and fixtures	94,676	-	-	94,676
Leasehold improvements	<u>18,217</u>	<u>1,862</u>	<u>-</u>	<u>20,079</u>
Total accumulated depreciation	<u>7,173,580</u>	<u>1,226,918</u>	<u>2,346,763</u>	<u>6,053,735</u>
Total capital assets, net	<u>\$ 4,223,939</u>	<u>\$ 501,912</u>	<u>\$ -</u>	<u>\$ 4,725,851</u>

5. PENSION

General Information about the Pension Plan

Plan description. Employees of the 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 operations 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 publicly 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 percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees covered by benefit terms. At the measurement date of June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	-
Active employees	6
	<hr/>
	11
	<hr/>

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees of the District are non-contributory. The 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, 2020, employer contributions for the District were \$49,336 based on a rate of 8.23 percent of covered payroll. By law, employer contributions are required to be paid. The District also contributed an excess contribution totaling \$16,604 during the year ended June 30, 2020. The TCRS may intercept the District's state shared taxes, as applicable, if required employer contributions are not remitted. The employer's actuarially determined contribution ("ADC") 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)

The District's net pension liability (asset) was measured as of June 30, 2019, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total pension liability (asset) as of June 30, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	7.25 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.25 percent

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2019 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012, through June 30, 2016. 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, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce 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 expected inflation of 2.5 percent.

The best estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	10%
Short-term securities	0.00%	1%
		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25 percent based on a blending of the three factors described above.

Discount rate. The discount rate used to measure the total pension liability (asset) was 7.25 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 the 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 (asset).

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability/(Asset) (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balance at June 30, 2018	\$ 1,586,972	\$ 1,617,952	\$ (30,980)
Changes for the year:			
Service cost	39,009	-	39,009
Interest	116,654	-	116,654
Differences between expected and actual experience	(9,772)	-	(9,772)
Changes in assumptions	-	-	-
Contributions - employer	-	261,105	(261,105)
Contributions - employees	-	-	-
Net investment income	-	128,911	(128,911)
Benefit payments, including refunds of employee contributions	(33,913)	(33,913)	-
Administrative expense	-	(534)	534
Other changes	-	-	-
Net changes	<u>111,978</u>	<u>355,569</u>	<u>(243,591)</u>
Balance at June 30, 2019	<u>\$ 1,698,950</u>	<u>\$ 1,973,521</u>	<u>\$ (274,571)</u>

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability (asset) of the District calculated using the discount rate of 7.25 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
District's net pension liability (asset)	<u>\$ (70,691)</u>	<u>\$ (274,571)</u>	<u>\$ (446,626)</u>

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

Pension expense. For the year ended June 30, 2020, the District recognized pension expense of \$53,890.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 13,937	\$ 12,225
Net difference between projected and actual earnings on pension plan investments	-	19,050
Changes in assumptions	9,033	-
Contributions subsequent to the measurement date of June 30, 2019	65,940	-
Total	<u>\$ 88,910</u>	<u>\$ 31,275</u>

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2019,” will be recognized as a reduction 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 for the years ending June 30 as follows:

2021	14,815
2022	(16,326)
2023	(6,115)
2024	(679)

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, 2020, there were no outstanding required employer contributions payable to the pension plan.

6. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan description. The employer provides certain retiree health insurance benefits in a single employer defined benefit OPEB Plan through the LGOP which is administered by the State of Tennessee. All employees covered by the LGOP and hired prior to July 1, 2015 are covered by the OPEB Plan. According to State law in effect on the measurement date, employees first hired on or after July 1, 2015 are not eligible to continue health insurance coverage under the OPEB Plan after retiring. Any changes to the law will be recognized in future measurements. For eligible employees, some employers provide a direct subsidy toward the premium for certain employees; all employers provide an implicit subsidy; and the retiree pays any balance of the required premium remaining.

Funding policy. There are no assets or trust fund accumulating to pre-fund the OPEB obligation. The funding policy is to pay the OPEB obligation as it comes due each month on a pay-as-you-go basis. The total premium rate structure required for LGOP coverage is established by and may be amended by the Benefits Administration unit of the State and the State Insurance Committee. The local employer sets its own level of subsidy for the designated classification of members.

Eligibility. Eligibility to commence OPEB coverage is the same as eligibility for retirement under the Tennessee Consolidated Retirement System (TCRS), with the added conditions of (a) having being at least age 55 with at least 10 years of employment with the employer and three continuous years of insurance coverage in the LGOP immediately prior to final termination for retirement (or age 55 with at least 20 years of such employment if only one year of such coverage) and (b) receiving a monthly pension from TCRS. Additional rules apply for OPEB coverage for TCRS-approved disabilities. Alternative conditions are made for any locally sponsored public safety retirement plan or utility board member.

With the exception of a small group of grandfathered individuals, retirees are required to discontinue coverage under the LGOP and this OPEB Plan upon attaining eligibility for Medicare benefits. In addition to subsidies that may be provided by the local employers for retiree premiums, the OPEB benefits include access to coverage for the retiree and dependents under the Medical, Prescription, Dental, Vision, and Long Term Care (LTC access for retirees was discontinued effective January 1, 2018).

Benefits. The employer may provide a flat dollar or percent subsidy depending on years of service, job classification, health plan option and tier selected. The State does not provide a subsidy for local government participants.

Employees covered by benefit terms – At June 30, 2019, the following employees of the District were covered by the benefit terms.

Inactive employees or beneficiaries currently receiving benefits	-
Inactive employees entitled to but not yet receiving benefits	-
Active employees eligible for future benefits	5
Active employees not eligible for future benefits*	1
	<hr/>
	6
	<hr/>

*Note – Non-grandfathered employees who retire after attaining eligibility for Medicare benefits will not be eligible of coverage through the Local Government Employee Group Plan.

The components of the District's net OPEB liability at June 30, 2020, were as follows:

Total OPEB Liability		
Service cost	\$	1,142
Interest		499
Changes of benefit items		-
Differences between expected and actual experience		1,540
Changes in assumptions		1,024
Benefit payments, including refunds		(342)
Net change in total OPEB liability		<u>3,863</u>
Total OPEB liability - beginning		12,800
Total OPEB liability - ending	\$	<u><u>16,663</u></u>
Estimated Covered Payroll	\$	599,460
Total OPEB Liability as a Percentage of Covered Payroll		2.78%

Methods and Assumptions Used to Determine Total OPEB Liability:

Actuarial Cost Method	Entry Age Normal
Inflation	2.25%
Discount Rate	3.51%
Salary Increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent.
Retirement Age	Retirement rates used in the July 1, 2019 actuarial valuation of the Tennessee Consolidated Retirement System (TCRS). They are based on the results of a statewide experience study (undertaken on behalf of TCRS).
Mortality	<p>Healthy: RP-2014 Employees and Healthy Annuitants mortality table projected generationally with MP-2016 from the central year.</p> <p>Post-retirement tables are Blue Collar and adjusted with a 2% load for males and a -3% load for females, projected generationally from 2014 with MP-2016.</p> <p>Disabled: Reflects those used by TCRS and are taken from the gender distinct table published in the IRS Revenue Ruling 96-7 for disabled lives with a 10% load.</p>

Healthcare Cost Trend Rates	6.03% for pre-65 in 2019, decreasing annually over a 10 year period to an ultimate rate of 4.53%. 5.20% for post-65 in 2019, decreasing annually over a 4 year period to an ultimate rate of 4.50%.
Aging factors	Based on the 2013 SOA Study "Health Care Costs - From Birth to Death".
Expenses	Administrative expenses are included in the per capita health costs.

The components for OPEB expenses are as follows:

OPEB Expense	
Service cost	\$ 1,142
Interest	499
Outflow (Inflow) of resources due to liabilities	306
Total OPEB expense	<u>\$ 1,947</u>

Differences between expected and actual experience and changes in assumptions are recognized in OPEB expense using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the OPEB plan (active employees and inactive employees) determined as of the beginning of the measurement period.

At the beginning of the current measurement period, the average of the expected remaining service lives for purposes of recognizing the applicable combined deferred outflows and inflows of resources established in the current measurement period is 8.0 years.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,330	\$ 1,045
Changes in assumptions and other inputs	1,926	250
Contributions/Benefits Paid After the Measurement Date	316	-
Total	<u>\$ 3,572</u>	<u>\$ 1,295</u>

Amounts recognized as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows for the year ending June 30:

2021	\$ 306
2022	306
2023	306
2024	306
2025	306
Thereafter	431

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

Sensitivity of Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability related to the LGOP, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate. (expressed in thousands):

	1% Decrease 2.51%	Current Discount Rate Assumption 3.51%	1% Increase 4.51%
Total OPEB liability (asset)	\$ 18,407	\$ 16,663	\$ 15,065

Sensitivity of Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability related to the LGOP, as well as what the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate. (expressed in thousands):

	1% Decrease (5.03%/4.20% down to 3.50%)	Current Healthcare Cost Trend Rate Assumption (6.03%/5.20% down to 4.50%)	1% Increase (7.03%/6.20% down to 5.50%)
Total OPEB liability (asset)	\$ 14,309	\$ 16,663	\$ 19,547

Discount Rate: The discount rate used to measure the total OPEB liability was 3.51 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Bond Buyer 20-Year Municipal GO AA index.

Plan assets: There are no plan assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

7. OPERATIONAL FUNDING PROGRAM

The Tennessee General Assembly passed the 9-1-1 Funding Modernization and IP Transition Act of 2014 (“the Act”) on April 25, 2014. The Act, effective January 1, 2015, updates the existing model for funding the District to account for changes in technology and consumer choice by establishing a single, uniform 9-1-1 surcharge rate. The new single surcharge rate is \$1.16 per line per month. The surcharge is remitted to the TECB directly. The TECB funds each emergency communications district in the State of Tennessee in accordance with Tennessee Code Annotated, Section 7-86-303, which establishes a base funding amount to each district based upon their pro-rata share of 9-1-1 funding surcharges for fiscal years 2010, 2011, and 2012, provided that the funding amount shall not be less than the amount the District received in fiscal year 2012. The TECB has published the base amount for each emergency communications district, such base amount to be paid to each district in 6 equal installments on a bi-monthly basis. The annual base funding for the District is \$9,327,186.

In addition to the funding noted above, Tennessee Code Annotated section 7-86-130 stipulates that any 9-1-1 surcharge revenue collected in excess of the annual fiscal requirements of the TECB and the mandatory bi-monthly payments to emergency communications districts shall not revert to the general fund

of the State, but rather the TECB shall distribute a minimum of 50% of this excess to the emergency communications districts in accordance with TECB policies.

8. REIMBURSEMENT TO MUNICIPALITIES

The District reimburses the municipalities participating in the emergency telephone service system for certain equipment purchases. The District reimburses for equipment purchases if the equipment was purchased within the individual municipality's purchasing guidelines and if the District had budgeted for the equipment reimbursement. The District also pays for the municipalities' usage of a language line service that assists in translating foreign language speaking callers. Reimbursements for language line service are based on the number of minutes the service has utilized. Included in contracted services are total equipment reimbursement payments of \$4,490,735 for the year ended June 30, 2020.

9. COMMITMENTS

Lease Commitments

The District leases office space under a 5-year lease, expiring May 31, 2022. Rent expense under the lease agreement, including common area maintenance agreements, totaled \$109,936. Future minimum lease requirements for the years ending June 30 are as follows:

2021	\$ 108,540
2022	101,391
	<u>\$ 209,931</u>

Construction Commitments

There were no construction commitments outstanding at June 30, 2020.

10. RISK MANAGEMENT

The District is exposed to potential loss including theft, property damage, public liability, or breach of contract. The District maintains commercial insurance policies in force to handle the above exposures.

11. INTERLOCAL COOPERATION AGREEMENTS

During 2010, the District as recommended by the TECB entered into Interlocal Cooperation Agreements with local municipalities. The municipalities agreed to, at no cost to the District, supply a reasonable space at their PSAPs and/or dispatch centers for the District to place and install their equipment that is necessary for its purpose in providing emergency communications. The District agreed to maintain, repair, and replace the equipment as necessary. The District may also provide funds for the training of the municipalities' personnel for 9-1-1 purposes. The District may also contribute funds towards the cost of equipment used by the municipalities for 9-1-1 purposes, assist in funding the cost of replacing or relocating the PSAPs, or other similar actions. The original agreements became effective July 1, 2010 and ranged from 1 to 4 year agreements, with an optional 1 year for each year thereafter.

REQUIRED SUPPLEMENTARY INFORMATION

Emergency Communications District of Shelby County, Tennessee
(A Component Unit of Shelby County, Tennessee)
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Based on Participation in the Public Employee Pension Plan of TCRS
For the Year Ended June 30*

	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Service cost	\$ 39,009	\$ 36,874	\$ 32,222	\$ 30,779	\$ 29,164	\$ 34,503
Interest	116,654	108,693	97,907	92,039	86,054	75,524
Changes in benefit terms	-	-	-	-	-	-
Differences between actual & expected experience	(9,772)	(4,333)	55,751	(13,653)	(4,986)	66,871
Changes of assumptions	-	-	36,138	-	-	-
Benefit payments, including refunds of employee contributions	(33,913)	(33,216)	(32,532)	(32,210)	(31,891)	(30,412)
Net change in total pension liability	111,978	108,018	189,486	76,955	78,341	146,486
Total pension liability - beginning	1,586,972	1,478,954	1,289,468	1,212,513	1,134,172	987,686
Total pension liability - ending (a)	<u>\$ 1,698,950</u>	<u>\$ 1,586,972</u>	<u>\$ 1,478,954</u>	<u>\$ 1,289,468</u>	<u>\$ 1,212,513</u>	<u>\$ 1,134,172</u>
Plan Fiduciary Net Position						
Contributions - employer	\$ 261,105	\$ 184,674	\$ 77,396	\$ 62,919	\$ 59,992	\$ 59,153
Contributions - employee	-	-	-	-	-	-
Net investment income	128,911	118,224	135,029	29,826	32,732	147,125
Benefit payments, including refunds of employee contributions	(33,913)	(33,216)	(32,532)	(32,210)	(31,891)	(30,412)
Administrative expense	(534)	(570)	(509)	(454)	(305)	(264)
Net change in plan fiduciary net position	355,569	269,112	179,384	60,081	60,528	175,602
Plan fiduciary net position - beginning	1,617,952	1,348,840	1,169,456	1,109,375	1,048,847	873,245
Plan fiduciary net position - ending (b)	<u>\$ 1,973,521</u>	<u>\$ 1,617,952</u>	<u>\$ 1,348,840</u>	<u>\$ 1,169,456</u>	<u>\$ 1,109,375</u>	<u>\$ 1,048,847</u>
Net Pension Liability/(Asset) - Ending (a) - (b)	<u>\$ (274,571)</u>	<u>\$ (30,980)</u>	<u>\$ 130,114</u>	<u>\$ 120,012</u>	<u>\$ 103,138</u>	<u>\$ 85,325</u>
Plan Fiduciary Net Position As A Percentage Of Total Pension Liability	116.16%	101.95%	91.20%	90.69%	91.49%	92.48%
Covered Payroll	\$ 559,931	\$ 530,802	\$ 502,898	\$ 437,243	\$ 416,900	\$ 397,532
Net Pension Liability (Asset) As A Percentage Of Covered Payroll	-49.04%	-5.84%	25.87%	27.45%	24.74%	21.46%

*GASB 68 requires a 10-year schedule for this data to be presented starting *with the implementation of GASB 68*. The information in this schedule is not required to be presented retroactively prior to the implantation date. Please refer to previously supplied data from the TCRS GASB website for prior years' data, if needed.

Changes of assumptions. In 2017, amounts reported as changes of assumptions resulted from changes in to the inflation rate, investment rate of return, cost-of-living adjustment, salary growth and mortality improvements.

**Emergency Communications District of Shelby County, Tennessee
(A Component Unit of Shelby County, Tennessee)**

Schedule of Contributions

**Based on Participation in the Public Employee Pension Plan of TCRS
For the Year Ended June 30***

	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 49,336	\$ 172,329	\$ 81,743	\$ 72,367	\$ 62,919	\$ 59,992	\$ 59,153
Contributions in relation to the actuarially determined contribution	<u>65,940</u>	<u>261,105</u>	<u>184,678</u>	<u>77,396</u>	<u>62,919</u>	<u>59,992</u>	<u>59,153</u>
Contribution deficiency (excess)	<u>\$ (16,604)</u>	<u>\$ (88,776)</u>	<u>\$ (102,935)</u>	<u>\$ (5,029)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 599,460	\$ 559,931	\$ 530,802	\$ 502,898	\$ 437,243	\$ 416,900	\$ 397,532
Contributions as a percentage of covered payroll	11.00%	46.63%	34.79%	15.39%	14.39%	14.39%	14.88%

*GASB 68 requires a 10-year schedule for this data to be presented starting *with the implementation of GASB 68*. The information in this schedule is not required to be presented retroactively prior to the implantation date. Please refer to previously supplied data from the TCRS GASB website for prior years' data, if needed.

NOTES TO SCHEDULE

Valuation date: Actuarially determined contribution rates for 2020 were calculated based on the June 30, 2018, actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
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	2.5 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment Rate of Return	7.25 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	2.25 percent

Changes of assumptions: In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

Emergency Communications District of Shelby County, Tennessee
(A Component Unit of Shelby County, Tennessee)
Schedule of Changes in Total OPEB Liability and Related Ratios
Measurement Year Ended June 30, 2018
For the Year Ended June 30*

	2019	2018	2017
Total OPEB Liability:			
Service cost	\$ 1,142	\$ 1,124	\$ 1,197
Interest	499	444	337
Changes in benefit terms	-	-	-
Differences between actual and expected experience	1,540	(1,393)	-
Changes of assumptions	1,024	1,390	(382)
Benefit payments, including refunds	(342)	(248)	-
Net change in total OPEB liability (asset)	3,863	1,317	1,152
Total OPEB liability-beginning	12,800	11,483	10,331
Total OPEB liability-ending	<u>\$ 16,663</u>	<u>\$ 12,800</u>	<u>\$ 11,483</u>
Covered payroll	\$ 599,460	\$559,931	\$502,898
Total OPEB liability as a percentage of covered payroll	2.78%	2.29%	2.28%

*This is a 10-year schedule. However, 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.

Changes of Assumptions: The discount rate was changed from 3.62% as of the beginning of the measurement period to 3.51% as of June 30, 2019. This change in assumption increased the total OPEB liability. Other changes in assumptions include adjustments to initial per capita costs and health trend rates.

OTHER SUPPLEMENTARY INFORMATION

Emergency Communications District of Shelby County, Tennessee
(A Component Unit of Shelby County, Tennessee)
Budgetary Comparison Schedule
Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Operating Revenues				
TECB distribution of 911 surcharges (base amount)	\$ 9,327,186	\$ 9,327,186	\$ 9,327,186	\$ -
TECB distribution of excess revenue	608,000	200,000	461,570	261,570
Other operating revenue	-	408,000	408,000	-
Total operating revenues	9,935,186	9,935,186	10,196,756	261,570
Operating Expenses				
Salaries and wages				
Director	147,800	147,800	147,800	-
Administrative personnel	531,660	531,660	451,660	80,000
Vacation and compensated expenses	42,971	42,971	10,271	32,700
Total salaries and wages	722,431	722,431	609,731	112,700
Employee benefits				
Social security	50,000	50,000	45,371	4,629
Life insurance	25,200	25,200	16,896	8,304
Medical and dental insurance	99,147	99,147	56,647	42,500
Unemployment	1,900	1,900	-	1,900
Auto Allowance	1,300	1,300	-	1,300
OPEB expense	-	-	1,631	(1,631)
Retirement contributions	110,000	110,000	(114,721)	224,721
Total employee benefits	287,547	287,547	5,824	281,723
Contracted services				
Addressing / mapping & PSAP equipment reimbursements	5,359,000	5,436,401	2,921,804	2,514,597
Audit services	19,500	19,500	18,000	1,500
Accounting services	25,000	25,000	16,055	8,945
Administrative Fees - Telephone	300	300	-	300
Language line	98,000	98,000	99,259	(1,259)
Contracts with private agencies	415,000	415,000	159,817	255,183
Financial advisory services	96,000	96,000	57,673	38,327
Legal services	187,000	187,000	95,295	91,705
Maintenance agreements	1,136,945	1,111,945	862,513	249,432
Lease/rental - communications equipment	1,988,176	2,013,176	1,645,324	367,852
Lease/rental - building and facilities	121,100	121,100	109,936	11,164
Lease/rental - office equipment	6,600	6,600	2,200	4,400
Maintenance and repairs - communications	295,000	295,000	14,458	280,542
Maintenance and repairs - building and facilities	30,000	30,000	3,434	26,566
Maintenance and repairs - office equipment	6,000	6,000	384	5,616
Maintenance and repairs - vehicles	5,000	5,000	956	4,044
Total contracted services	9,788,621	9,866,022	6,007,108	3,858,914
Supplies and materials				
Fuel	6,000	6,000	2,410	3,590
Office supplies	6,500	6,500	4,495	2,005
Custodial supplies	500	500	306	194
Data processing supplies	15,300	15,300	-	15,300
Postage	3,800	3,800	1,246	2,554
Small equipment purchases	1,183,240	1,288,240	597,697	690,543

Emergency Communications District of Shelby County, Tennessee
(A Component Unit of Shelby County, Tennessee)
Budgetary Comparison Schedule
Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Utilities - cell phones	\$ 46,860	\$ 56,860	\$ 15,315	\$ 41,545
Printing	3,200	3,200	1,556	1,644
Total supplies and materials	<u>1,265,400</u>	<u>1,380,400</u>	<u>623,025</u>	<u>757,375</u>
Other charges				
Payroll processing fees	2,400	2,560	-	2,560
Board meeting expenses	8,400	8,400	3,922	4,478
Bank charges	1,500	1,500	60	1,440
Dues and memberships	7,500	7,500	2,971	4,529
Insurance - workers compensation	2,600	2,600	-	2,600
Insurance - building and contents	35,000	35,000	-	35,000
Insurance - vehicles	3,550	3,550	2,974	576
Legal notices	1,750	1,750	90	1,660
Premiums on surety bonds	15,000	15,000	6,924	8,076
Public education	933,700	933,700	-	933,700
Service awards	17,500	17,500	8,318	9,182
Training expenses	1,378,228	1,337,633	265,315	1,072,318
Travel expenses	100,700	100,700	51,548	49,152
Total other charges	<u>2,507,828</u>	<u>2,467,393</u>	<u>342,122</u>	<u>2,125,271</u>
Depreciation	1,500,000	1,500,000	1,226,918	273,082
Total operating expenses	<u>16,071,827</u>	<u>16,223,793</u>	<u>8,814,728</u>	<u>7,409,065</u>
Operating income (loss)	(6,136,641)	(6,288,607)	1,382,028	7,670,635
Non-Operating Revenues (Expenses)				
Investment income	240,000	230,000	594,377	364,377
Net decrease in the fair value of investments	-	-	49,655	49,655
Total non-operating revenue	<u>240,000</u>	<u>230,000</u>	<u>644,032</u>	<u>414,032</u>
Change in net position	<u>\$ (5,896,641)</u>	<u>\$ (6,058,607)</u>	<u>\$ 2,026,060</u>	<u>\$ 8,084,667</u>

**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***

The Board of Directors
Emergency Communications District of Shelby County, 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 the Emergency Communications District of Shelby County, Tennessee (a component unit of Shelby County, Tennessee) (the "District") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents, and have issued our report thereon dated December 9, 2020.

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

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Watkins Mikusall, PLLC". The signature is written in a cursive, flowing style.

Memphis, Tennessee
December 9, 2020

**Emergency Communications District of Shelby County, Tennessee
(A Component Unit of Shelby County, Tennessee)
Schedule of Findings and Responses
For the Year Ended June 30, 2020**

There are no findings reported.

**Emergency Communications District of Shelby County, Tennessee
(A Component Unit of Shelby County, Tennessee)
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2020**

There are no prior year findings reported.