

**Robertson County Emergency  
Communications District  
(A Component Unit)  
Financial Statements  
June 30, 2011**

**Robertson County Emergency Communications District  
(A Component Unit)  
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**Robertson County Emergency Communications District  
(A Component Unit)  
Board of Directors  
June 30, 2011**

***Name***

Kathy Spears, Chairman  
PO Box 727  
Ridgetop, TN 37152

Bruce Dean, Vice-Chairman  
2201 Memorial Blvd  
Springfield, TN 37172

Gwen Martin, Secretary/Treasurer  
132 Eagle Tr.  
Springfield, TN 37172

Matt McLane, Member  
1305 Hill St  
Springfield, TN 37172

RL Douglas, Member  
1305 Hill St  
Springfield, TN 37172

Ron Gallagher, Member  
2201 Masters Dr  
Springfield, TN 37172

Nancy Johnson, Member  
8078 Clay Gregory Rd.  
Orlinda, TN 37141

Bill Holt  
507 S Brown St  
Springfield, TN 37172

Mike Wilhoit  
802 S Willow St  
Springfield, TN 37172

# *Gillette, Henderson & Co., PLLC*

CERTIFIED PUBLIC ACCOUNTANTS

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To the Board of Directors  
Robertson County Emergency Communications District  
Springfield, TN 37172

## Independent Auditors' Report

We have audited the accompanying basic financial statements of the Robertson County Emergency Communications District, a component unit of Robertson County, TN, as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the entity's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Robertson County Emergency Communications District as of June 30, 2011, and the changes in its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated February 17, 2012, on our consideration of Robertson County Emergency Communications District's internal control over financial reporting and on tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards, and important for assessing the results of our audit.

The Robertson County Emergency Communications District has not presented the Management Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The supplementary information on pages 17-18 and 20-24 is presented for purposes of additional analysis as required by the **Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts** and is not a required part of the basic financial Statements. The schedules of detailed expenses and budgetary comparisons on pages 17-18 and 20-24 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Insurance in force on page 19, and the Schedule of Disposition of Bond Proceeds on page 25 which are of a non-accounting nature, have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on it.

*Gillette, Henderson & Co., PLLC*

Gillette, Henderson & Co., PLLC  
Hermitage, Tennessee  
February 17, 2012

**Robertson County Emergency Communications District**  
**(A Component Unit)**  
**Statement of Net Assets**  
**June 30, 2011**

ASSETS

Current Assets	
Cash	\$ 207,591
Investments	692,106
Accounts Receivable	28,901
Due from Tennessee Emergency Communications Board	51,476
Prepaid Expenses	20,974
Total Current Assets	<u>1,001,048</u>
Noncurrent Assets	
Restricted Assets - Restricted Cash and Investments	<u>235,876</u>
Total Noncurrent Assets	<u>235,876</u>
Capital Assets	
Land	270,000
Building and Improvements	2,803,656
Furniture and Fixtures	179,038
Office Equipment	3,937
Communications Equipment	1,950,401
Vehicles	21,207
Total Property and Equipment	<u>5,228,239</u>
Accumulated Depreciation	<u>(898,492)</u>
Net Property and Equipment	<u>4,329,747</u>
Other Assets	
Bond Issue Costs	32,854
Less: A/A Bond Issue Costs	<u>(8,478)</u>
Total Other Assets	<u>24,376</u>
Total Assets	<u>\$ 5,591,047</u>

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts Payable	\$ 337
Compensated Absences Payable	24,918
Bonds Payable - Current	105,000
Total Current Liabilities	<u>130,255</u>
Noncurrent Liabilities	
Bonds Payable - Long Term	<u>2,695,000</u>
Total Noncurrent Liabilities	<u>2,695,000</u>
Total Liabilities	<u>2,825,255</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	1,529,747
Restricted for Debt Retirement, Net of Related Debt	230,000
Unrestricted Net Assets	1,006,045
Total Net Assets	<u>2,765,792</u>
Total Liabilities and Net Assets	<u>\$ 5,591,047</u>

**Robertson County Emergency Communications District**  
**(A Component Unit)**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**For the Year Ended June 30, 2011**

Operating Revenue	
Emergency Telephone Service Charge	\$ 405,420
Tennessee Emergency Communications Board - Shared Wireless Charge	142,071
Tennessee Emergency Communications Board - Operational Funding	188,855
Total Operating Revenues	<u>736,346</u>
Operating Expenses	
Salaries and Wages (see Exhibit 1)	195,812
Employee Benefits (see Exhibit 2)	67,639
Contracted Services (see Exhibit 3)	134,555
Supplies and Materials (see Exhibit 4)	35,360
Other Charges (see Exhibit 5)	49,138
Depreciation and Amortization	264,039
Total Operating Expenses	<u>746,543</u>
Operating Income (Loss)	<u>(10,197)</u>
Nonoperating Revenues and (Expenses)	
Interest Income	12,829
Interest Expense	(129,630)
Tennessee Emergency Communications Board - Grants and Reimbursements	34,000
Total Nonoperating Revenues and (Expenses)	<u>(82,801)</u>
Increase (Decrease) in Net Assets	(92,998)
Net Assets, Beginning of Year	<u>2,858,790</u>
Net Assets, End of Year	<u>\$ 2,765,792</u>

**Robertson County Emergency Communications District**  
**(A Component Unit)**  
**Statement of Cash Flows - Direct Method**  
**For the Year Ended June 30, 2011**

**Cash Flows From Operating Activities**

Cash Received from Surcharges and Other Revenues	\$ 738,809
Cash Paid to Suppliers for Goods and Services	(226,563)
Cash Paid for Payroll, Taxes and Related Benefits	(260,145)
Net Cash Provided (Used) by Operating Activities	252,101

**Cash Flows From Noncapital Financing Activities**

Grants/Reimbursements TECB	34,000
Net Cash Provided (Used) by Noncapital Financing Activities	34,000

**Cash Flows From Capital and Related Financing Activities**

Interest paid	(129,630)
Repayment of Bonds	(100,000)
Bond Proceeds (Invested In) Released from Restricted Cash	209,276
Purchases of fixed assets	(267,852)
Net Cash Provided (Used) by Capital and Related Financing	(288,206)

**Cash Flows From Investing Activities**

Transfers (to) from Restricted Cash	
Purchase of CDs	(34,034)
Interest Received	12,829
Reinvested interest earned on investments	(4,210)
Net Cash Provided (Used) by Investing Activities	(25,415)

Net Increase (Decrease) In Cash (27,520)

Cash at Beginning of Year 235,111

Cash at End of Year \$ 207,591

**Robertson County Emergency Communications District**  
**(A Component Unit)**  
**Statement of Cash Flows - Direct Method**  
**For the Year Ended June 30, 2011**

**Reconciliation of Net Income (Loss) from Operations to Net Cash Provided (Used) by Operating Activities**

Net income (loss) from Operations	\$ (10,197)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities	
Depreciation	259,800
Amortization of intangible assets	4,239
(Increase) decrease in accounts receivable	2,463
(Increase) decrease in prepaid assets	(7,847)
Increase (decrease) in accounts payable	337
Increase (decrease) in accrued absences	3,306
Total adjustments	<u>262,298</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 252,101</u>

Supplemental Disclosures

Cash Paid During the Year for:

Cash Paid for Interest	\$ 129,630
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**Robertson County Emergency Communications District  
(A Component Unit)  
Notes to Financial Statements**

**Note 1 - Summary of Significant Accounting Policies**

**Organization**

Robertson County Emergency Communications District (the District) was created as a "Municipality" or public corporation on January 31, 1987 under the authority of the provisions of Chapter 867 of the Tennessee Public Acts of 1984, as approved by the voters of Robertson County, Tennessee. The powers of the District are vested in and exercised by a majority of the members of the Board of Directors, who are appointed by the County Court. The Board consists of nine members. The District is considered a political subdivision and is exempt from Federal and State income tax.

The District is considered a component unit of Robertson County since the County Court appoints the Board of Directors, and therefore, may indirectly impose its will on the District. Furthermore, the county provides office space at a nominal fee to cover utilities and dispatchers through the Sheriff's Department; therefore, the county provides a substantial financial benefit to the District.

**Measurement Focus/ Basis of Accounting**

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

District operations are accounted for on a cost of service measurement focus using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the related liabilities are incurred.

The accounts of the District are organized as a proprietary governmental fund. A proprietary fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs of providing services to the general public covered by the District are financed through user charges. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's ongoing operations. The principle operating revenues are E-911 service charges, state operational funding and tariffs. Operating expenses for enterprise funds include the communication expenses, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Proprietary funds have the option of consistently following or not following FASB pronouncements issued subsequent to November 30, 1989. The District, considering the requirements of the Office of the Comptroller of the Treasury, will only follow GASB guidance issued after November 1989, and not follow any FASB guidance subsequent to November 1989.

**Robertson County Emergency Communications District  
(A Component Unit)  
Notes to Financial Statements**

**Note 1 - Summary of Significant Accounting Policies (continued)**  
**Measurement Focus/ Basis of Accounting (continued)**

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

**Cash and Cash Equivalents**

For the purposes of the statement of cash flows, the District considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. The cash flow statement is prepared in accordance with GASB statement No. 9 as the organization is considered a component of the County. Cash deposits and investments in CD's are reported at carrying amounts which approximates fair value. Because the restricted cash reported is not available for general operations and is excluded from current assets, we have not included it in cash and cash equivalents.

**Accounts Receivable/Due from State Emergency Communications Board**

The District has receivables due from communication service providers and the State ECB for service charges, grant reimbursements and tariffs. Based on the nature of the revenues there will always be at least one month's receivable at the end of the year. There has been no allowance for doubtful accounts recorded because the probability of non-payment is low. Accounts receivable are recorded when incurred.

Accounts Receivable is concentrated with two vendors. Both vendors are pass-thru entities that collect and forward wireless and land line collections from customers in Robertson County.

**Property, Plant and Equipment**

Property, plant and equipment are carried at cost. Depreciation is computed using the straight-line over the estimated useful lives of the respective assets. The District capitalizes all significant purchases with a useful life greater than one year.

**Budgets and Budgetary Accounting**

The District's annual budget is required by state law and assists its users in analyzing financial activity for the fiscal year ended June 30, 2011. The District's board of directors formally approves the budget. The budget is adopted on a basis consistent with accounting principles generally accepted in the United States. The budget was amended during the year by vote of the Board of Directors. The budget may also be amended at the discretion of the director when necessary.

Budgeted amounts lapse at the end of the fiscal year and no unexpended balances are carried to the subsequent year.

Per TCA Section 7-86-120, the Board is legally required to adopt and operate under an annual budget. All monies received and expended by the district must be included in the budget. The district cannot expend any monies regardless of source except in

**Robertson County Emergency Communications District  
(A Component Unit)  
Notes to Financial Statements**

**Note 1 - Summary of Significant Accounting Policies (continued)**  
**Budgets and Budgetary Accounting (continued)**

accordance with the legally adopted budget. Budgetary control for emergency communication districts is legally set at the line-item level.

**Risk Management**

The District is exposed to various risks of loss from theft of, damage to, and destruction of assets; errors and omissions; employee injuries and illnesses; natural disasters; tort; medical malpractice claims and judgments; and employee health and accident benefits. Commercial insurance has been purchased for claims arising from such matters. The District has had no settled claims in any of three preceding years.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Note 2 - Service Arrangement Contract and Economic Dependence**

In 1987 Robertson County Emergency Communications District negotiated a service application with AT&T, formerly known as BellSouth, for the installation and service of an Enhanced 911 Emergency Service System. AT&T furnishes equipment and service sufficient to operate the system for an initial installation fee and a monthly fee based upon the number of telephone stations and access lines served by the System. At June 30, 2011, the monthly fee is one percent of the subscriber fees billed to customers.

**Note 3 - Occupancy In-Kind and Related Party Transactions**

Robertson County provides free office space and dispatch service for the District operations. No provision has been made to recognize this item in the financial statements of Robertson County Emergency Communications District because the amount cannot be reasonably determined. The District pays \$150 per month to Robertson County to cover the cost of general utilities. General utilities include electric, gas, water and sewer. The District is also liable for an accounting fee of one percent of net cash receipts (gross revenues less uncollectibles on the cash basis) totaling \$7,832 which is paid to the Robertson County Finance office for accounting services.

**Note 4 – Noncash Transaction**

For the year ending June 30, 2011, there were no non-cash transactions.

**Robertson County Emergency Communications District  
(A Component Unit)  
Notes to Financial Statements**

**Note 5 - Cash Deposits and Investments**

The District's deposits with financial institutions consist of the following at June 30, 2011:

	Maturity Date	Interest Rate	Carrying Amount	Bank Balance
Cash				
Checking	n/a		\$207,591	\$224,217
			<u>\$207,591</u>	<u>\$224,217</u>
Temporary Investments				
Certificate of Deposit - 5690	11/18/2012	0.75%	\$104,570	\$104,570
Certificate of Deposit - 9005	9/30/2011	2.00%	235,876	235,876
Certificate of Deposit - 4330	10/14/2011	2.05%	25,921	25,921
Certificate of Deposit - 2186	6/6/2012	1.00%	109,660	109,660
Certificate of Deposit - 2144	3/16/2011	1.00%	106,436	106,436
Certificate of Deposit - 1497	9/27/2011	1.60%	34,014	34,014
Certificate of Deposit - 1643	9/22/2012	1.00%	51,850	51,850
Certificate of Deposit - 1510	10/14/2011	1.60%	207,601	207,601
Certificate of Deposit - 1693	5/5/2011	2.51%	52,054	52,054
			<u>\$927,982</u>	<u>\$927,982</u>

Custodial credit risk for the District's deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As required by state statutes, the District's policy is to require that financial institutions holding its deposits to be members of the Tennessee Collateral Pool or pledge collateral for deposits in excess of federal depository insurance. At June 30, 2011, bank deposits did not exceed amounts insured and collateralized.

State statutes authorize the District to invest in obligations of the federal government, federal agencies, state government, the state investment pool, certificates of deposit, other time deposits and repurchase agreements. The District's investment policy follows state law which authorizes investments for emergency communications districts in Tennessee Code Annotated Section 5-8-301. All of the District's temporary investments are in certificates of deposit with maturity dates that range from 6 to 24 months.

**Robertson County Emergency Communications District  
(A Component Unit)  
Notes to Financial Statements**

**Note 6 – Restricted Assets**

Certain of the District's cash and investments are restricted for the following purposes:

	<u>Cash</u>	<u>Investments</u>	<u>Total</u>
Restricted for Debt Service	\$ 235,876	\$ -	\$ 235,876
Total	<u>\$ 235,876</u>	<u>\$ -</u>	<u>\$ 235,876</u>

**Note 7 – Property and Equipment**

Property and Equipment consisted of the following at June 30, 2011:

	Balance 6/30/2010	Additions	Deletions	Balance 6/30/2011
Land	\$ 270,000			\$ 270,000
Construction in Progress	3,718,815		3,718,815	-
Building and Improvements	-	2,803,656		2,803,656
A/D-Building and Improvements	-	(65,098)		(65,098)
Furniture and Fixtures	103,630	75,408		179,038
A/D-Furniture and Fixtures	(52,873)	(26,058)		(78,931)
Office Equipment	5,499	1,738	3,300	3,937
A/D-Office Equipment	(4,704)	(384)	(3,300)	(1,788)
Communications Equipment	1,172,431	935,557	157,587	1,950,401
A/D-Communications Equipment	(732,635)	(166,139)	(157,587)	(741,187)
Vehicles	21,207			21,207
A/D-Vehicles	(9,366)	(2,122)		(11,488)
<b>Net Property and Equipment</b>	<u>\$ 4,492,004</u>	<u>\$ 3,556,558</u>	<u>\$ 3,718,815</u>	<u>\$ 4,329,747</u>

Assets are valued at cost of purchase and depreciated using the straight-line method over their useful lives.

**Note 8 – Compensated Absences**

Upon termination, the employee is paid for all vacation accrued up to 240 hours. Any excess vacation hours are reclassified as sick time. Then the terminated employee would also receive 25 percent of all sick time accrued. If 25 percent of sick time exceeds 240 hours, the remainder is used as credit to increase service years in TCRS.

**Robertson County Emergency Communications District  
(A Component Unit)  
Notes to Financial Statements**

**Note 9 – Retirement Plan**

**PLAN DESCRIPTION**

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

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

**FUNDING POLICY**

Robertson County 911 Emergency Communications District has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to five percent of annual covered payroll.

Robertson County 911 Emergency Communications District is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2011 was 10.78% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Robertson County 911 Emergency Communications District is established and may be amended by the TCRS Board of Trustees.

**ANNUAL PENSION COST**

For the year ending June 30, 2011, Robertson County 911 Emergency Communications District's annual pension cost of \$18,162 to TCRS was equal to Robertson County 911

**Robertson County Emergency Communications District  
(A Component Unit)  
Notes to Financial Statements**

**Note 9 – Retirement Plan (continued)**  
**ANNUAL PENSION COST (continued)**

Emergency Communications District's required and actual contributions. The required contribution was determined as part of the July 1, 2009 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected 3.0 percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the social security wage base, and (e) projected post retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. Robertson County 911 Emergency Communications District's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009 was 11 years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

**Trend Information**

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2011	\$ 18,162	100%	\$ 0
June 30, 2010	\$ 16,100	100%	\$ 0
June 30, 2009	\$ 11,561	100%	\$ 0

**FUNDED STATUS AND FUNDING PROGRESS**

As of July 1, 2009, the most recent actuarial valuation date, the plan was 71.56 percent funded. The actuarial accrued liability for benefits was \$0.2 million, and the actuarial value of assets was \$0.1 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.1 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.1 million, and the ratio of the UAAL to the covered payroll was 47.06 percent.

The schedules of funding progress present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose,

**Robertson County Emergency Communications District  
(A Component Unit)  
Notes to Financial Statements**

**Note 9 – Retirement Plan (continued)**

**FUNDED STATUS AND FUNDING PROGRESS (continued)**

and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2009	\$ 132	\$ 185	\$ 53	71.56%	\$ 112	47.06%
July 1, 2007	\$ 106	\$ 144	\$ 38	73.61%	\$ 101	37.62%

**Note 10 – Long-Term Debt and Commitments**

On June 24, 2009, the District issued Revenue Bonds to finance the construction of a new communications center and upgrades to the current communications equipment. The bonds are secured by pledge of the first revenues derived from the operations of the District as required by the bond issue documents. The District is required to maintain their rates sufficient to cover: 1. 100% of current expenses 2. 100% of the debt service coming due in the following year (except for the final maturity year) 3. Required payments into the reserve fund and 4. An amount adequate to meet the costs of major renewals, replacements, repairs, additions, betterment and improvements to the communications system.

The bonds were issued at a rate of 4.47% with balloon payment due on April 1, 2017. However, the bond issue documents indicate that the District intends to refinance these bonds at that time for an additional 12 years.

Annual debt service requirements to maturity for the revenue bonds are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
6/30/2012	105,000	125,160	230,160
6/30/2013	110,000	120,466	230,466
6/30/2014	115,000	115,550	230,550
6/30/2015	120,000	110,409	230,409
6/30/2016	125,000	105,046	230,046
6/30/2017	2,225,000	99,458	2,324,458
Total	<u>\$ 2,800,000</u>	<u>\$ 676,089</u>	<u>\$ 3,476,089</u>

**Robertson County Emergency Communications District  
(A Component Unit)  
Notes to Financial Statements**

**Note 10 – Long-Term Debt and Commitments-continued**

Long-Term debt for the year ended June 30, 2011 is as follows:

	<u>6/30/2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>6/30/2011</u>	<u>Due Within One Year</u>
Revenue Bonds	\$2,900,000	\$ -	\$ (100,000)	\$ 2,800,000	\$ 105,000
Total	<u>\$2,900,000</u>	<u>\$ -</u>	<u>\$ (100,000)</u>	<u>\$ 2,800,000</u>	<u>\$ 105,000</u>

The total interest incurred on these liabilities for the year ending June 30, 2011 was \$129,630.

As required by the bond issue documents \$230,000 has been set aside in a separate account for the principal payment on these bonds. See Note 6.

**Note 11 – Subsequent Events**

Subsequent events have been evaluated through February 17, 2012. There are no material subsequent events to report at June 30, 2011.

***End of Notes***

SUPPLEMENTARY INFORMATION  
AND  
SCHEDULES

**Robertson County Emergency Communications District**  
**(A Component Unit)**  
**Budgetary Comparison Schedule (GAAP Basis)**  
**For the Year Ended June 30, 2011**

	ORIGINAL BUDGET (Accrual)	AMENDED BUDGET (Accrual)	ACTUAL	VARIANCE OVER (UNDER)
<b>Operating Revenues</b>				
Emergency Telephone Service Charge	\$ 448,400	\$ 448,400	\$ 405,420	\$ (42,980)
TECB - Shared Wireless Charge	158,000	158,000	142,071	(15,929)
TECB - Operational Funding	244,325	244,325	188,855	(55,470)
<b>Total Operating Revenues</b>	<b>850,725</b>	<b>850,725</b>	<b>736,346</b>	<b>(114,379)</b>
<b>Operating Expenses</b>				
<b>Salaries and Wages</b>				
Director	46,670	46,670	46,654	(16)
Administrative Personnel	121,862	121,862	121,826	(36)
Part-time Personnel	12,000	24,650	24,026	(624)
Vacation/Sick Pay	2,000	3,306	3,306	-
<b>Total Salaries and Wages</b>	<b>182,532</b>	<b>196,488</b>	<b>195,812</b>	<b>(676)</b>
<b>Employee Benefits</b>				
Social Security	11,225	11,225	11,054	(171)
Retirement Contributions	18,170	18,170	18,162	(8)
Medicare	2,650	2,650	2,585	(65)
Medical Insurance	26,180	38,787	35,838	(2,949)
<b>Total Employee Benefits</b>	<b>58,225</b>	<b>70,832</b>	<b>67,639</b>	<b>(3,193)</b>
<b>Contracted Services</b>				
Accounting Services	10,000	10,000	7,832	(2,168)
Administrative Fees-Service Charge	16,000	17,145	17,145	-
Advertising	7,000	7,000	4,315	(2,685)
Audit Services	6,250	6,250	6,250	-
Consultants	10,000	6,580	6,580	-
Data Processing Services	25,000	2,054	2,054	-
Disposal Fees	-	678	678	-
Fuel - Vehicles	4,000	1,000	181	(819)
Fees Paid to Service Providers - Communication	125,000	63,157	58,101	(5,056)
Legal Services	2,500	-	-	-
Maintenance Agreements	2,500	3,744	3,744	-
Maintenance and Repairs - Buildings	5,000	5,000	2,341	(2,659)
Maintenance and Repairs - Communication Equipment	25,500	25,500	24,484	(1,016)
Maintenance and Repairs - Vehicles	2,000	2,000	355	(1,645)
Pest Control	600	600	495	(105)
<b>Total Contracted Services</b>	<b>\$ 241,350</b>	<b>\$ 150,708</b>	<b>\$ 134,555</b>	<b>\$ (16,153)</b>

**Robertson County Emergency Communications District**  
**(A Component Unit)**  
**Budgetary Comparison Schedule (GAAP Basis) - Continued**  
**For the Year Ended June 30, 2011**

	ORIGINAL BUDGET (Accrual)	AMENDED BUDGET (Accrual)	ACTUAL	VARIANCE OVER (UNDER)
Supplies and Materials				
Office Supplies	\$ 10,000	\$ 10,000	\$ 6,933	\$ (3,067)
Custodial Supplies	1,200	1,737	1,737	-
Data Processing Supplies	8,000	-	-	-
Duplicating Supplies	5,000	-	-	-
Postal Charges	500	600	600	-
Small Equipment Purchases	7,600	7,600	5,691	(1,909)
Uniforms and Shirts	3,500	3,500	2,786	(714)
Utilities	28,700	24,500	17,613	(6,887)
Total Supplies and Materials	<u>64,500</u>	<u>47,937</u>	<u>35,360</u>	<u>(12,577)</u>
Other Charges				
Dues and Memberships	1,500	1,500	1,020	(480)
Evaluation and Testing	500	500	-	(500)
Janatorial Services	6,000	6,000	5,040	(960)
Building and Content Insurance	21,000	21,000	13,446	(7,554)
Insurance - Workers Compensation	1,100	1,100	870	(230)
Insurance - Liability	15,100	15,100	10,115	(4,985)
Legal Notices	500	500	487	(13)
Licenses	400	1,425	1,025	(400)
Premiums on Surety Bonds	2,000	2,000	1,201	(799)
Training Expenses	21,000	21,000	11,342	(9,658)
Travel Expenses	5,000	5,000	4,415	(585)
Other Charges	500	510	177	(333)
Total Other Charges	<u>74,600</u>	<u>75,635</u>	<u>49,138</u>	<u>(26,497)</u>
Depreciation Expense	99,213	278,820	264,039	(14,781)
Total Operating Expenses	<u>720,420</u>	<u>820,420</u>	<u>746,543</u>	<u>(73,877)</u>
Operating Income (Loss)	\$ 130,305	\$ 30,305	\$ (10,197)	\$ (40,502)
Nonoperating Revenues				
Interest Income	\$ 10,000	\$ 10,000	\$ 12,829	\$ 2,829
TECB - Grants and Reimbursements	10,000	10,000	34,000	24,000
Total Nonoperating Revenues	<u>20,000</u>	<u>20,000</u>	<u>46,829</u>	<u>26,829</u>
Nonoperating Expenses				
Interest Expense	(129,630)	(129,630)	(129,630)	-
Total Nonoperating Expenses	<u>(129,630)</u>	<u>(129,630)</u>	<u>(129,630)</u>	<u>-</u>
Total Non-Operating Revenues and Expenses	<u>(109,630)</u>	<u>(109,630)</u>	<u>(82,801)</u>	<u>26,829</u>
Increase (Decrease) in Net Assets	20,675	(79,325)	(92,998)	<u>(13,673)</u>
Net Assets, Beginning of Year	2,858,790	2,858,790	2,858,790	
Net Assets, End of Year	<u>\$ 2,879,465</u>	<u>\$ 2,779,465</u>	<u>\$ 2,765,792</u>	

**Robertson County Emergency Communications District  
(A Component Unit)  
Schedule of Insurance in Force  
For the Year Ended June 30, 2011**

<u>Type of Coverage</u>	<u>Policy Number</u>	<u>Policy Expiration</u>	<u>Details of Coverage</u>	<u>Deductible</u>	<u>Limits</u>	<u>Estimated Annual Premium</u>
Liability:	TR2060884	12/15/2011	General Liability		\$1,000,000/\$3,000,000 Aggregate	\$437
	CM1056761	12/15/2011	Auto Liability	N/A	\$1,000,000 Combined Single Limit	\$778
	TR2060884	12/15/2011	Management Liability	N/A	\$1,000,000/\$3,000,000 Aggregate	\$422
Commercial Property:	TR2060884	12/15/2011	Property	\$250	Schedule available upon request	\$23,076
	TR2060884	12/15/2011	Blanket Portable Equipment	\$250	Unlimited - Blanket	\$193
Bonds:						
Gena Ellis	NDBFG6558	6/5/2012	Public Official Bond		\$73,600	\$461
Edith Perry	70935389	6/5/2014	Public Official Bond		\$73,600	\$864
Cathy Lowe	NDBDQ4287	6/5/2013	Public Official Bond		\$73,600	\$697
Gwendolous Martin	NDBDQ4145	6/5/2013	Public Official Bond		\$73,600	\$698
Automobile Physical Damage	CM1056761	12/15/2011	Comprehensive and Collision	\$250	Actual Cash Value	\$335

**Robertson County Emergency Communications District  
(A Component Unit)  
Exhibit 1 - Schedule of Salaries and Wages  
For the Year Ended June 30, 2011**

Director	\$	46,654
Administrative Personnel		121,826
Part-time Personnel		24,026
Vacation/Sick Pay		3,306
Total Salaries and Wages	\$	<u>195,812</u>

**Robertson County Emergency Communications District  
(A Component Unit)  
Exhibit 2 - Schedule of Employee Benefits  
For the Year Ended June 30, 2011**

Social Security	\$	11,054
Retirement Contributions		18,162
Medicare		2,585
Medical Insurance		35,838
Total Employee Benefits	\$	<u>67,639</u>

**Robertson County Emergency Communications District  
(A Component Unit)  
Exhibit 3 - Schedule of Contracted Services  
For the Year Ended June 30, 2011**

Accounting Services	\$ 7,832
Administrative Fees-Service Charge	17,145
Advertising	4,315
Audit Services	6,250
Consultants	6,580
Data Processing Services	2,054
Disposal Fees	678
Fuel - Vehicles	181
Fees Paid to Service Providers - Communication	58,101
Maintenance Agreements	3,744
Maintenance and Repairs - Buildings	2,341
Maintenance and Repairs - Communications Equipment	24,484
Maintenance and Repairs - Vehicles	355
Pest Control	495
 Total Contracted Services	 <u><u>\$ 134,555</u></u>

**Robertson County Emergency Communications District  
(A Component Unit)  
Exhibit 4 - Schedule of Supplies and Materials  
For the Year Ended June 30, 2011**

Office Supplies	\$	6,933
Custodial Supplies		1,737
Postal Charges		600
Small Equipment Purchases		5,691
Uniforms and Shirts		2,786
Utilities		17,613
Total Supplies and Materials	\$	<u>35,360</u>

**Robertson County Emergency Communications District**  
**(A Component Unit)**  
**Exhibit 5 - Schedule of Other Charges**  
**For the Year Ended June 30, 2011**

Dues and Memberships	\$ 1,020
Janitorial Services	5,040
Building and Content Insurance	13,446
Insurance - Workers Compensation	870
Insurance - Liability	10,115
Legal Notices	487
Licenses	1,025
Premiums on Surety Bonds	1,201
Training Expenses	11,342
Travel Expenses	4,415
Other Charges	177
Total Contracted Services	<u>\$ 49,138</u>

**Roberson County Emergency Communications District  
(A Component Unit)  
Schedule of Disposition of Bond Proceeds  
June 30, 2011**

**DISPOSITION OF BOND PROCEEDS PURPOSES**

The proceeds of the Series 2009 Revenue Bond Issue will be used for the purpose of financing the construction of extensions and improvements to the emergency communications system serving Robertson County Emergency Communications District.

**SOURCES AND USES OF FUNDS**

The following table summarizes the estimated sources of funds and the expected uses of such funds:

*Sources of Funds:*

Principal Amount of Bonds	\$ 3,000,000
Total	<u>\$ 3,000,000</u>

*Uses of Funds*

Construction of emergency communications system	\$ 2,967,146
Bond Issue Costs	32,854
Total	<u>\$ 3,000,000</u>

# *Gillette, Henderson & Co., PLLC*

CERTIFIED PUBLIC ACCOUNTANTS

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## 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

February 17, 2012

To the Board of Directors  
Robertson County Emergency Communications District  
Springfield, TN 37172

We have audited the basic financial statements of Robertson County Emergency Communications District ("The District" - a component unit of Robertson County) as of and for the year ended June 30, 2011 and have issued our report thereon dated February 17, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Robertson County Emergency Communication District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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

consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses: Finding 2011-1

**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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and responses as item: Finding 2011-1.

Robertson County Emergency Communication District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management of Robertson County Emergency Communications District, the Tennessee Emergency Communications Board, Tennessee State Comptroller's Office and other regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties.

*Gillette, Henderson & Co., PLLC*

Gillette, Henderson & Co., PLLC  
Hermitage, Tennessee

**Roberson County Emergency Communications District  
(A Component Unit)  
Schedule of Findings and Responses  
June 30, 2011**

**Finding 2011-1 Compliance with the Accounting and Financial Reporting Manual  
for Tennessee Emergency Communications District**

*Condition:* In the course of performing our audit procedures relating to the new communications center, we encountered numerous instances of noncompliance with the audit manual.

*Criteria:* Most significantly, the audit manual requires all emergency communications districts to establish a system of internal controls designed to prevent fraud, abuse and errors. Additionally, the manual requires that records be maintained that provide reliable information upon which to base management decisions and the preparation of the financial statements in accordance with generally accepted accounting principles. Finally, the manual requires that fixed assets be depreciated over very specific useful lives.

*Effect:* The effect of these noncompliance issues are innumerate below:

1. The lack of internal controls by the user board over the project resulted in sales tax being paid to vendors in amounts that could be construed as a material misuse of the bond proceeds.
2. The lack of internal controls over the project also resulted in the opportunity to perpetrate fraud and/or abuse the bond funds meant specifically for the communications center project. Since adequate documentation was not required by the user board to authorize payment on the project, fraud and/or abuse of the bond funds could have occurred without management preventing or detecting the misstatement on a timely basis.
3. The lack of internal controls over the project also produced minutes of the user board that did not sufficiently provide an overview of the project or its budget, substantiate the use of the project funds or document the approval of changes to the project.
4. The lack of financial records for the construction project resulted in interim financial statements that were materially misstated. These interim statements were relied on by the board for financial decisions but were materially misstated in the fixed asset and depreciation expense line items since the breakdown between the building and its components could not be accurately estimated because of the lack of documentation maintained by the user board.

*Recommendation:* We recommend that any future construction projects be managed to prevent these issues.

*Management's Response:* We agree with the recommendation as stated.