

**RUTHERFORD COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT**

**MURFREESBORO, TENNESSEE**

**AUDITED FINANCIAL STATEMENTS  
AND OTHER FINANCIAL INFORMATION**

**JUNE 30, 2012**

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**INTRODUCTORY SECTION**

**RUTHERFORD COUNTY EMERGENCY COMMUNICATIONS DISTRICT**

**Murfreesboro, Tennessee**

**Board of Directors and Management Officials (Unaudited)**

**June 30, 2012**

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Glenn Chrisman, Chairman

Mark O'Neal, Vice-Chairman

John Hood, Treasurer

Mike Nunley, Secretary

Robert Arnold

Ernest Burgess

Cumbey Gaines

Sam Tune

Mike Walker

Steve Smith, Director

**FINANCIAL SECTION**



## JOB, HASTINGS & ASSOCIATES

*Certified Public Accountants*

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Donna K. Hastings, CPA, CSEP

James R. Jobe, CPA

Joel H. Jobe (1944 - 2006)

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### INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Rutherford County Emergency Communications District  
Murfreesboro, Tennessee

We have audited the accompanying statement of net assets of Rutherford County Emergency Communications District, a component unit of Rutherford County, Tennessee, as of June 30, 2012, and the related statements of revenues, expenses, and changes in fund net assets, and cash flows for the year then ended. These financial statements are the responsibility of Rutherford County Emergency Communications District'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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Rutherford County Emergency Communications District as of June 30, 2012, and the respective changes in financial position and cash flows thereof 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 our report dated October 25, 2012, on our consideration of Rutherford County Emergency Communications 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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, economical or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the schedules of funding progress on pages 16 and 17 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements of Rutherford County Emergency Communications District. The introductory section and the supplementary section are presented for purposes of additional analysis and are not a required part of the financial statements. The introductory section and the supplementary section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

 Jake Hastings & Associates  
Certified Public Accountants

Murfreesboro, Tennessee  
October 25, 2012



**RUTHERFORD COUNTY EMERGENCY COMMUNICATIONS DISTRICT**

**Murfreesboro, Tennessee**

**Statement of Revenues, Expenses and Changes in Fund Net Assets**

**For the Year Ended June 30, 2012**

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Operating Revenues -	
Emergency telephone service charge	\$ 565,032
Tennessee Emergency Communications Board - shared wireless charge	611,256
Tennessee Emergency Communications Board - operational funding	384,949
	<u>\$ 1,561,237</u>
Operating Expenses -	
Salaries and Wages -	
Salaries and wages - director	\$ 78,793
Salaries and wages - administrative personnel	147,479
	<u>\$ 226,272</u>
Employee Benefits -	
Social Security	\$ 13,333
Medicare	3,118
Life insurance	193
Medical insurance	24,565
Retirement contributions	22,981
Other postemployment benefit expense	7,961
Other fringe benefits - longevity pay	1,250
	<u>\$ 73,401</u>
Contracted Services -	
Address/mapping expenses	\$ 50,000
Audit services	7,710
Administrative fees - service charges	16,805
Contracts with private agencies	410
Fees paid to service providers	619,790
Janitorial services	4,642
Legal services	7,500
Maintenance agreements	41,330
Mapping/data base consultants	43,756
Pest control	220
Lease/rental - buildings and facilities	390
Maintenance and repairs - communications equipment	10,080
Maintenance and repairs - buildings and facilities	9,591
Maintenance and repairs - vehicles	221
Fuel - vehicles	1,788
Other contracted services	31,325
	<u>\$ 845,558</u>
Supplies and Materials -	
Office supplies	\$ 4,081
Custodial supplies	1,162
Postal charges	992
Small equipment purchases	7,678
Uniform and shirts	495
Utilities - electric	21,193
Utilities - gas	514
Utilities - water	845
Utilities - general telephone	28,746
Utilities - cell phones and pagers	4,800
	<u>\$ 70,506</u>

**RUTHERFORD COUNTY EMERGENCY COMMUNICATIONS DISTRICT**

**Murfreesboro, Tennessee**

**Statement of Revenues, Expenses and Changes in Fund Net Assets (continued)**

**For the Year Ended June 30, 2012**

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Other Charges -		
Board meeting expenses	\$	1,039
Dues and memberships		1,617
Insurance - workers' compensation		899
Insurance - liability		750
Insurance - buildings and contents		11,395
Insurance - vehicles		5,131
Legal notices		308
Licenses and fees		415
Premiums on surety bonds		1,424
Public education		855
Service awards		2,385
Training expenses		107,711
Travel expenses		5,488
Internet charges		1,283
Other - special project		215,000
	\$	<u>355,700</u>
Depreciation expense	\$	<u>153,979</u>
	TOTAL OPERATING EXPENSES	\$ <u>1,725,416</u>
	OPERATING INCOME (LOSS)	\$ <u>(164,179)</u>
Nonoperating Revenues (Expenses) -		
Interest income	\$	27,920
Tennessee Emergency Communications Board - grants and reimbursements		88,000
Gain on disposal of property		198
	\$	<u>116,118</u>
	CHANGE IN NET ASSETS	\$ (48,061)
Net assets, July 1, 2011		<u>5,810,291</u>
	NET ASSETS, JUNE 30, 2012	\$ <u><u>5,762,230</u></u>

See notes to financial statements.

**RUTHERFORD COUNTY EMERGENCY COMMUNICATIONS DISTRICT**

**Murfreesboro, Tennessee**

**Statement of Cash Flows**

**For the Year Ended June 30, 2012**

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Cash Flows From Operating Activities -		
Cash received from surcharges and other revenues	\$ 1,553,950	
Cash payments to suppliers for goods and services	(1,238,213)	
Cash payments for payroll, taxes and related benefits	(287,953)	
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 27,784</u>	
Cash Flows From Noncapital Financing Activities -		
Grants and reimbursements	\$ 88,000	
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>\$ 88,000</u>	
Cash Flows From Capital and Related Financing Activities -		
Proceeds from sale of capital assets	\$ 198	
Acquisition of capital assets	(42,417)	
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>\$ (42,219)</u>	
Cash Flows from Investing Activities -		
Interest income received	\$ 27,805	
Purchases of certificates of deposit	(446,011)	
NET CASH USED FOR INVESTING ACTIVITIES	<u>\$ (418,206)</u>	
	NET DECREASE IN CASH	\$ (344,641)
Cash, July 1, 2011		<u>1,976,742</u>
	CASH, JUNE 30, 2012	<u><u>\$ 1,632,101</u></u>
Reconciliation of Operating Income (Loss) to Net		
Cash Provided (Used) by Operating Activities -		
Operating income (loss)		\$ (164,179)
Adjustments to reconcile operating income (loss) to net cash		
provided by operating activities -		
Depreciation		153,979
Changes in assets and liabilities -		
Decrease in accounts receivable - fees		14,917
Increase in due from Tennessee Emergency Communications Board		(22,204)
Decrease in prepaid expenses		10,291
Increase in accounts payable		23,260
Increase in compensated absences payable		3,759
Increase in net other postemployment benefits obligation		7,961
NET CASH PROVIDED BY OPERATING ACTIVITIES		<u><u>\$ 27,784</u></u>

See notes to financial statements.

**RUTHERFORD COUNTY EMERGENCY COMMUNICATIONS DISTRICT**

**Murfreesboro, Tennessee**

**Notes to the Financial Statements**

**June 30, 2012**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**General Information** - On May 15, 1984, the Tennessee state legislature approved the "Tennessee Emergency Communications District Law" (Acts 1984, ch. 867) which enables a county, upon approval by voters, to create a district to provide local emergency telephone service. Subsequently, on May 6, 1986, the voters of Rutherford County approved the establishment of a district for their county, the Rutherford County Emergency Communications District.

As provided by the Act, the District operates as a governmental organization through the directives of a board of directors and provides enhanced 911 emergency telephone service for its service area. The directors serve without compensation for terms of four years. By their authority, they have employed a full time director to assist the board in discharging its management responsibilities.

**Financial Reporting Entity - Component Unit** - As specified and described by Standard 14 of the Governmental Accounting Standards Board (GASB), the District is a component unit of the primary government of Rutherford County, Tennessee. The District reports its financial information separately from Rutherford County; however, the District's financial information should also be discretely presented by the County in its financial report.

Legally, the District is a separate governmental entity that has considerable legal, financial and administrative autonomy. However, as the governing board is not elected but instead is entirely appointed by Rutherford County Commission, the District cannot be a primary government. Instead, it qualifies as a component unit according to the directives of the GASB.

GASB 14 specifies that component units must be legally separate organizations which have financial accountability to a primary government. Financial accountability exists prima facie if a special-purpose government is not fiscally independent. GASB states that to be fiscally independent, the government has to have the authority to do all of three activities. Two of these are to issue bonded debt without approval by another government and to levy taxes or set rates or charges without approval by another government. By Tennessee Code Annotated 7-86-114, before issuing negotiable bonds, the District must have approval of the legislative body of a county wherein a district is established. It also must have approval before making purchase contracts, lease agreements, and notes payable of over five years' duration. In addition, the Rutherford County Commission has the ability to adjust the District's service charges. Because the District is both a legal entity and financially accountable to the primary government of Rutherford County as the County Commission appoints all members of the governing board and by the nature of its fiscal dependence on Rutherford County as described above, it is a component unit of Rutherford County.

At June 30, 2012, there were no related receivables or payables between Rutherford County and the District. The District did not engage in any activities that were subject to the approval of Rutherford County.

**Basis of Presentation and Accounting** - As a governmental entity, the District conforms to generally accepted accounting principles applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units, and by the Financial Accounting Standards Board (when applicable). As allowed in Section P80 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, the District has elected not to apply Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989. The GASB periodically updates its codification of the existing Governmental Accounting and Standards, which, along with the subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. Pronouncements require that the accrual method of accounting be used for governmental units that operate in a manner similar to a private business.

**RUTHERFORD COUNTY EMERGENCY COMMUNICATIONS DISTRICT**

**Murfreesboro, Tennessee**

**Notes to the Financial Statements (continued)**

**June 30, 2012**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The District does not have the authority to levy or collect taxes but is supported instead by the fees collected from telephone subscribers who benefit from the availability of its service. It recovers the cost of providing its services from its customers. Consequently, the District functions in a manner similar to a private business enterprise and utilizes the accrual method of accounting. Income is recognized as it is earned and expenses are recognized as they are incurred whether or not cash is received or paid out at that time.

The accounts of the District are organized on the basis of a proprietary fund type, specifically an enterprise fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the District's assets, liabilities, net assets, revenues and expenses. Enterprise funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statements of net assets. Net assets (i.e., total assets net of total liabilities) are segregated into invested in capital assets, net of related debt; restricted for debt service; and unrestricted components. As of June 30, 2012, the District had no debt that related to the aforementioned categories.

**Budgetary Law and Practice** - The Director of the District files an annual budget with the mayor of Rutherford County in accordance with the Tennessee Code Annotated, Title 7, Chapter 86, Part 1. In March of each year, the Director presents a preliminary budget to the board of directors which is then discussed and amended as necessary for approval by the board.

The budget for operations is prepared on the cash receipts and disbursements basis by line item accounts. Revenues are budgeted in the year receipt is expected and disbursements are budgeted in the year that the disbursement is expected to occur. The board has determined to maintain an investment approximating twelve months of the operating budget or \$600,000 in cash and certificates of deposit as a resource for future expenses.

**Prepaid Expenses** - The cost of prepaid insurance and any other applicable costs that are prepaid are charged to operations over the period of coverage. For the year ended June 30, 2012, prepaid insurance and service contract costs were \$17,061.

**Property and Equipment** - Property and equipment are stated at cost or estimated historical cost if actual cost is not available and depreciated over the estimated useful lives of the related assets by the straight-line method of depreciation. The District defines capital assets as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Maintenance and repairs are charged to operations when incurred. Major renewals and betterments are capitalized. When items of property and equipment are sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is included as non-operating revenue or loss.

The estimated useful lives are as follows:

Building and improvements	40 years
Furniture and fixtures	5 – 10 years
Office equipment	3 – 10 years
Communications equipment	3 – 10 years
Vehicles	5 years
Other capital assets	5 – 10 years

**RUTHERFORD COUNTY EMERGENCY COMMUNICATIONS DISTRICT**

**Murfreesboro, Tennessee**

**Notes to the Financial Statements (continued)**

**June 30, 2012**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Compensated Absences - The Board of Directors voted to adopt a policy for vacation, sick leave, and holidays effective January 1, 1995. Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the District. Excess days earned are transferred to sick leave days. Sick leave accrues to full-time, permanent employees at the rate of one day per month of service. An employee is entitled to accrue sick leave days without limitation on the number of days. If an employee should leave prior to the vesting of his retirement benefits, no compensation will be paid for unused sick days. After an employee is eligible to receive vested benefits in the retirement plan, any sick leave that said employee has accrued will be credited for retirement service days. Employees are entitled to overtime or compensatory time. The maximum amount of compensatory time that may be accrued by non-emergency personnel is 250 hours and the maximum hours for emergency personnel is 450 hours. Hours in excess of the maximum convert to sick leave on January 1. The Director cannot acquire overtime pay, but can build and use compensatory time.

An estimated liability for vacation has been accrued under the vesting method. The estimated amount calculated for compensated absences recorded as a liability at June 30, 2012 is \$24,114.

Estimates – Management of the District has made certain estimates and assumptions relating to the reporting of assets and liabilities and revenues and expenses to prepare these financial statements in conformity with generally accepted accounting principles. Actual results may differ from those estimates.

Cash Flow - Cash and Cash Equivalents - The District presents its cash flow statement using the direct method. For purposes of cash flow presentation, the District considers cash in operating bank accounts, cash on hand, and certificates of deposit which have original maturities of three months or less as cash and cash equivalents. At June 30, 2012, there were no certificates of deposit that qualified as cash equivalents.

Operating Revenues and Expenses – The District’s operating revenues and expenses consist of revenues earned and expenses incurred relating to the operation and maintenance of its system. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing type of activities and result from nonexchange transactions or ancillary activities. When an expense is incurred for purposes for which there are both restricted and unrestricted net assets available, it is the District’s policy to apply those expenses to restricted net assets to the extent such are available and then to unrestricted net assets.

**NOTE B - CASH AND CERTIFICATES OF DEPOSIT INVESTMENTS**

The District is authorized to make investments in bonds, notes or treasury bills of the United States, Federal Land Bank bonds, Federal Home Loan Bank notes and bonds, Federal National Mortgage Association notes and debentures, banks for cooperative debentures, or any of its other agencies, or obligations guaranteed as to principal and interest by the United States or any of its agencies with a maturity not greater than one year, or in the pooled investment fund established under Tennessee law. During the year ended June 30, 2012, the board of directors chose to limit the investment of funds to certificates of deposit at banks. Cash reserves for operations were held in bank checking and savings accounts.

Cash - At June 30, 2012, the carrying amount of cash deposits was \$1,632,101 and the bank balance was \$1,756,693 as listed below. All bank accounts earn a variable rate of interest. At June 30, 2012, the entire bank balance was covered by federal depository insurance, or by collateral held in the Tennessee Bank Collateral Pool. The Tennessee Bank Collateral Pool (the Pool) is a multiple financial institution collateral pool to which member financial institutions holding public funds pledge collateral securities. In the event any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. The pool also has the ability to make additional assessments on a pro rata basis to the members of the pool if the value of collateral is inadequate to cover a loss.

**RUTHERFORD COUNTY EMERGENCY COMMUNICATIONS DISTRICT**

**Murfreesboro, Tennessee**

**Notes to the Financial Statements (continued)**

**June 30, 2012**

NOTE B - CASH AND CERTIFICATES OF DEPOSIT INVESTMENTS (continued)

<u>Cash Accounts</u>	<u>Interest Rate</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
SunTrust Bank checking	0.07 %	\$ 1,169,069	\$ 1,293,661
SunTrust Bank cash investment	0.07 %	<u>463,032</u>	<u>463,032</u>
		\$ <u>1,632,101</u>	\$ <u>1,756,693</u>

Certificates of Deposit - At June 30, 2012 the District held the following certificates of deposit:

<u>Bank</u>	<u>Maturity</u>	<u>Interest</u>	<u>Amount</u>
CB & S Bank	12/19/13	.50%	\$ 250,000
First Bank	10/03/14	1.00%	250,000
Pinnacle National Bank	01/13/17	1.30%	250,000
SunTrust Bank	12/16/16	1.29%	250,000
First Tennessee Bank	02/15/13	.35%	250,000
First National Bank of McMinnville	12/12/16	2.25%	250,000
US Bank	06/20/13	1.00%	100,000
F&M Bank	10/24/12	.50%	100,010
Bank of America	02/18/13	.65%	100,000
First National Bank of Manchester	04/18/15	1.55%	250,000
Regions Bank	12/21/16	1.09%	250,000
MidSouth Bank	02/18/14	.99%	250,005
Wilson Bank & Trust	10/19/12	1.10%	100,000
Southern Community Bank	07/20/12	1.05%	250,000
			\$ <u>2,900,015</u>

The certificates of deposit are insured by the Federal Deposit Insurance Corporation or the Tennessee Bank Collateral Pool and are shown at fair value. The District manages its exposure to decreasing interest rates by staggering the maturity dates of the certificates of deposit.

NOTE C - ACCOUNTS RECEIVABLE

The District receives its revenue from the telephone subscribers residing within Rutherford County. As provided in the Act, telephone companies collect the 911 fees from the subscribers and remit the funds on a not longer than bi-monthly basis to the District. The policy of the telephone companies has been to remit based upon their billings rather than on their collections. Accordingly, the financial statements do not include a provision for bad debts.

The following is the detail of receivables from the telephone companies at June 30, 2012:

AT&T	\$ 26,397
NUVOX Communications	6,861
Others	<u>9,533</u>
	\$ <u>42,791</u>

**RUTHERFORD COUNTY EMERGENCY COMMUNICATIONS DISTRICT**

**Murfreesboro, Tennessee**

**Notes to the Financial Statements (continued)**

**June 30, 2012**

NOTE D - CAPITAL ASSETS

Capital assets are summarized as follows:

	<u>June 30,</u> <u>2011</u>	<u>Additions</u>	<u>Rounding</u> <u>(Deletions)</u>	<u>June 30,</u> <u>2012</u>
<u>Capital assets, being depreciated -</u>				
Building and improvements	\$ 1,194,506	\$ 5,950		\$ 1,200,456
Furniture and fixtures	45,975			45,975
Office equipment	39,478			39,478
Communications equipment	715,418	36,467		751,885
Vehicle	63,112			63,112
Other fixed assets	323,341			323,341
Subtotal	\$ <u>2,381,830</u>	\$ <u>42,417</u>		\$ <u>2,424,247</u>
<u>Less accumulated depreciation -</u>				
Building and improvements	\$ (279,974)	\$ (29,987)		\$ (309,961)
Furniture and fixtures	(42,502)	(2,940)		(45,442)
Office equipment	(33,003)	(2,599)		(35,602)
Communications equipment	(597,924)	(75,921)		(673,845)
Vehicle	(50,804)	(5,860)		(56,664)
Other fixed assets	(130,627)	(36,672)	\$ 1	(167,298)
Subtotal	\$ <u>(1,134,834)</u>	\$ <u>(153,979)</u>	\$ <u>1</u>	\$ <u>(1,288,812)</u>
Capital assets, being depreciated, net	\$ <u>1,246,996</u>	\$ <u>(111,562)</u>	\$ <u>1</u>	\$ <u>1,135,435</u>
<u>Capital assets, not being depreciated</u>				
Land	\$ <u>17,500</u>			\$ <u>17,500</u>
Capital assets, net	\$ <u>1,264,496</u>	\$ <u>(111,562)</u>	\$ <u>1</u>	\$ <u>1,152,935</u>

NOTE E - LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2012 was as follows:

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Balance</u> <u>June 30, 2012</u>
Post-employment benefits obligation	\$ <u>28,425</u>	\$ <u>7,961</u>	\$ <u>36,386</u>

NOTE F - RETIREMENT PLAN

Plan Description – Employees of Rutherford County 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.

**RUTHERFORD COUNTY EMERGENCY COMMUNICATIONS DISTRICT**

**Murfreesboro, Tennessee**

**Notes to the Financial Statements (continued)**

**June 30, 2012**

NOTE F - RETIREMENT PLAN (continued)

Members joining the system after July 1, 1979 became 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 Rutherford County 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, and Nashville, TN 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs/PS/>.

Funding Policy – Rutherford County Emergency Communications District has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5.0 percent of annual covered payroll.

Rutherford County Emergency Communications District is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2012 was 10.27% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Rutherford County Emergency Communications District is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost – For the year ended June 30, 2012, Rutherford County Emergency Communication District’s annual pension cost of \$22,980 to TCRS was equal to Rutherford County Emergency Communication 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. Rutherford County 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, 2011, which established contribution rates effective July 1, 2012.

Trend information is as follows:

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (NPO)</u>
June 30, 2012	\$ 22,980	100%	\$ 0
June 30, 2011	18,080	100%	0
June 30, 2010	21,979	100%	0

Funded Status and Funding Progress – As of July 1, 2011, the most recent actuarial valuation date, the plan was 85.12 percent funded. The actuarial accrued liability for benefits was \$.49 million, and the actuarial value of assets was \$.42 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$.07 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.21 million, and the ratio of the UAAL to the covered payroll was 33.92 percent.

**RUTHERFORD COUNTY EMERGENCY COMMUNICATIONS DISTRICT**

**Murfreesboro, Tennessee**

**Notes to the Financial Statements (continued)**

**June 30, 2012**

NOTE F - RETIREMENT PLAN (continued)

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

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

(Dollar amounts in thousands)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Plan Assets</u>	<u>Actuarial Accrued Liability (AAL)- Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
	(a)	(b)	(b) – (a)	(a/b)	(c)	((b-a)/c)
July 1, 2011	\$ 415	\$ 488	\$ 73	85.12%	\$ 214	33.92%
July 1, 2009	\$ 301	\$ 311	\$ 9	96.95%	\$ 201	4.70%
July 1, 2007	\$ 257	\$ 267	\$ 10	96.25%	\$ 185	5.41%

NOTE G - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance for claims and for all other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE H - POST-EMPLOYMENT BENEFITS

From an accrual accounting perspective, the cost of other post-employment benefits (OPEB), like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. The District recognizes the cost of post-employment benefits in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the District's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years commencing with the 2009 liability.

Plan Description – In addition to pension benefits described in Note F, the District is included under Rutherford County's postretirement health insurance plan. Rutherford County's plan is an agent multiple-employer defined benefit OPEB plan. Benefits are established and amended by an insurance committee established by the Rutherford County Commission.

Funding Policy – The premium requirements of plan members are established and may be amended by the insurance committee. The plan is self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Rutherford County develops its own contribution policy in terms of subsidizing active employees or retired employees' premiums.

An employee who retires from Rutherford County becomes eligible for retiree health coverage upon the earlier of attaining: (1) age 55 with 15 years of service and active coverage for five continuous years, (2) age 62 with ten years of service and active coverage for five continuous years, or (3) any age with 30 years of service and active coverage for five continuous years.

**RUTHERFORD COUNTY EMERGENCY COMMUNICATIONS DISTRICT**

**Murfreesboro, Tennessee**

**Notes to the Financial Statements (continued)**

**June 30, 2012**

NOTE H - POST-EMPLOYMENT BENEFITS (continued)

An employee who becomes disabled becomes eligible for retiree health coverage if they are under age 65 and have completed at least ten years of service prior to total disability termination plus the employee must have had active coverage for a continuous five year period and have filed and qualified for Medicare disability coverage. If the retiree is eligible for health insurance coverage, the health coverage is also provided for the retiree's spouse and/or dependent children. In event of the retiree's death, the eligible surviving spouse and dependent children may elect to continue coverage until they would no longer qualify as dependents if the retiree were alive.

Eligible retirees and dependents are required to share in the cost of health insurance coverage. Retirees under the age of 65 are required to contribute 50% of the active employee premium. Currently, retirees age 65 and over are required to contribute amounts determined by Rutherford County. Effective May 1, 2009, current retirees and actives age 65 and over as of December 31, 2009, and actives that have completed 30 years of service as of December 31, 2009, will be required to contribute 25% of the adequate premium for themselves and 50% of the adequate premium for their spouses. Effective January 1, 2010 all retirees that are retirement eligible as of December 31, 2010 or have at least 20 years of service as of December 31, 2010, upon attaining age 65, will be required to contribute 50% of the adequate premium for themselves and their spouses. This structure will be phased in over four years (2010 – 2013) such that contributions will be approximately 32% in 2010, 38% in 2011, 44% in 2012, and 50% in 2013 and thereafter.

Adopted in May 2010 and effective January 1, 2011, the following changes take effect: (1) employees with at least 10 years of service but less than 20 years of service as of December 31, 2010-no prescription drug coverage will be provided post age 65 and contributions will be 50% of the adequate premium rate for themselves and their spouses, (2) employees with at least 7 years of service but less than 10 years of service as of December 31, 2010-no prescription drug coverage will be provided post age 65 and contributions will be 50% of the adequate premium rate for themselves and 75% of the adequate premium rate for their spouses, (3) employees hired prior to February 12, 2009 with less then 7 years of service as of December 31, 2010-no prescription drug coverage will be provided post age 65 and the County contribution will be limited to the lesser of \$500 or the actual cost of coverage.

The following changes will apply to anyone hired after February 12, 2009: (1) no prescription drug coverage will be provided post age 65 (2) the County contribution will be limited to the lesser of \$300 per month or the actual cost of coverage, (3) if hired after December 31, 2010 no benefits will be provided post age 65.

The components of the annual OPEB cost and the net OPEB obligation are as follows for Rutherford County Emergency Communications District:

ARC	\$ 8,345
Interest in the NPO	1,421
Adjustment to the ARC	<u>(1,805)</u>
Annual OPEB cost	\$ 7,961
Amount of contribution	<u>-0-</u>
Increase in NPO	\$ 7,961
Net OPEB obligation, 7-1-11	<u>28,425</u>
Net OPEB obligation, 6-30-12	\$ <u>36,386</u>

**RUTHERFORD COUNTY EMERGENCY COMMUNICATIONS DISTRICT**

**Murfreesboro, Tennessee**

**Notes to the Financial Statements (continued)**

**June 30, 2012**

NOTE H - POST-EMPLOYMENT BENEFITS (continued)

The funding status and funding progress is as follows for District:

Actuarial valuation date		<u>1-1-10</u>
Actuarial accrued liability (AAL)	\$	67,855
Actuarial value of plan assets	\$	-0-
Unfunded actuarial accrued liability (UAAL)	\$	67,855
Actuarial value of assets as a % of the AAL		0%
Covered payroll (active members)	\$	214,014
UAAL as a % of covered payroll		31.71%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions – The discount rate as of January 1, 2010, is 5%. The discount rate is determined by the plan sponsor based on the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits. Rutherford County does not pre-fund the ARC, and therefore the discount rate is based on the expected return on the County's general assets.

The trend rate for health claims is 8% for 2010 grading down to 5.5% for 2015 and beyond. The trend rate is determined by the plan sponsor based on historical data and anticipated experience under the plan.

The method used to calculate normal cost and actuarial accrued liability is the projected unit credit cost method. Under this method, the present value of projected benefits is estimated at each decrement age, taking into account the value of future increases in medical claims and the effect of medical contributions and Medicare reimbursement. The total present value of projected benefits is the sum of the present values for each decrement age. The actuarial accrued liability is calculated by prorating the present value of projected benefits by service at the valuation date over service projected to the date of decrement. The normal cost is the present value of projected benefits attributable to the valuation year.

NOTE I - COMMITMENTS

During the year ended June 30, 2012, the District entered into an inter-agency agreement with Rutherford County to remit \$15,000 annually for three years, (a total in the amount of \$45,000), for the District's share of cost associated with a license agreement. The future payments for the year ending June 30, 2013 and 2014 are \$15,000 and \$15,000, respectively.

NOTE J - TRANSACTIONS WITH PRIMARY GOVERNMENT

During the year ended June 30, 2012, the District awarded Rutherford County a grant in the amount of \$215,000. Additional amounts paid to Rutherford County included amounts paid for mapping services, maintenance agreements and training reimbursements in the amounts of \$50,000, \$15,000, and \$40,000 respectively. Rutherford County also administers the payroll reporting for the District. The District reimbursed Rutherford County \$287,953 for salaries and benefits paid on the District's behalf.

**REQUIRED SUPPLEMENTARY INFORMATION**

**RUTHERFORD COUNTY EMERGENCY COMMUNICATIONS DISTRICT**

**Murfreesboro, Tennessee**

**Schedule of Funding Progress**

**For the Year Ended June 30, 2012**

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The following is the Schedule of Funding Progress for Rutherford County Emergency Communications District, 88550:

(Dollar amounts in thousands)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Plan Assets</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
	(a)	(b)	(b) - (a)	(a/b)	(c)	((b-a)/c)
July 1, 2011	\$ 415	\$ 488	\$ 73	85.12%	\$ 214	33.92%
July 1, 2009	\$ 301	\$ 311	\$ 9	96.95%	\$ 201	4.70%
July 1, 2007	\$ 257	\$ 267	\$ 10	96.25%	\$ 185	5.41%

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the entry age actuarial cost method went into affect during the year of the 2007 actuarial valuation, therefore only the three most recent valuations are presented.

**RUTHERFORD COUNTY EMERGENCY COMMUNICATIONS DISTRICT**

**Murfreesboro, Tennessee**

**Post-Employment Benefits Schedule of Funding Progress**

**For the Year Ended June 30, 2012**

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<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Plan Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
	(a)	(b)	(b) - (a)	(a/b)	(c)	((b-a)/c)
January 1, 2010	\$ -	\$ 67,855	\$ 67,855	0.00%	\$ 214,014	32%
January 1, 2009	\$ -	\$ 63,830	\$ 63,830	0.00%	\$ 200,790	32%
January 1, 2008	\$ -	\$ 75,534	\$ 75,534	0.00%	\$ 201,458	37%

Note: One additional year will be reported as data becomes available.

**SUPPLEMENTARY INFORMATION**

**RUTHERFORD COUNTY EMERGENCY COMMUNICATIONS DISTRICT**

**Murfreesboro, Tennessee**

**Comparison of Actual Cash Receipts and Disbursements to Cash Budget (Unaudited)**

**For the Year Ended June 30, 2012**

	Actual Cash Receipts and Disbursements	Cash Budget	(Over) Under Budget
Cash Receipts -			
Emergency telephone service charges	\$ 562,577	\$ 637,904	\$ 75,327
Tennessee Emergency Communications Board - Shared wireless charge	589,052	565,719	(23,333)
Interest income	27,805	25,000	(2,805)
Tennessee Emergency Communications Board- Operational funding	368,949	363,822	(5,127)
Tennessee Emergency Communications Board- Grants and reimbursements		532,083	532,083
Gain on sale of capital assets	198	-	(198)
Total Cash Basis Receipts	\$ <u>1,548,581</u>	\$ <u>2,124,528</u>	\$ <u>575,947</u>
Cash Disbursements -			
Capital purchases	\$ <u>45,224</u>	\$ <u>145,000</u>	\$ <u>99,776</u>
Salaries and wages -			
Director	\$ 78,099	\$ 78,100	\$ 1
Administrative personnel	144,413	144,414	1
	\$ <u>222,512</u>	\$ <u>222,514</u>	\$ <u>2</u>
Employee benefits -			
Social Security	\$ 13,333	\$ 13,825	\$ 492
Medicare	3,118	3,235	117
Life insurance	193	300	107
Medical insurance	24,565	25,740	1,175
Retirement contributions	22,980	22,981	1
Other fringe benefits - longevity pay	1,250	1,250	-
	\$ <u>65,439</u>	\$ <u>67,331</u>	\$ <u>1,892</u>
Contracted services -			
Address/mapping expenses	\$ 50,000	\$ 50,000	\$ -
Audit services	7,710	7,710	-
Contracts with private agencies	410	500	90
Fees paid to service providers	615,461	675,000	59,539
Janitorial services	4,642	5,000	358
Legal services	7,500	7,500	-
Maintenance agreements	30,531	65,000	34,469
Mapping/data base consultants	43,756	44,143	387
Pest control	220	500	280
Lease/rental-buildings and facilities	390	500	110
Maintenance and repairs - communications equipment	1,530	5,000	3,470
Maintenance and repairs - buildings and facilities	9,505	10,000	495
Maintenance and repairs - vehicles	221	4,000	3,779
Fuel - vehicles	1,788	2,500	712
Other contracted services	22,356	22,356	-
	\$ <u>796,020</u>	\$ <u>899,709</u>	\$ <u>103,689</u>
Supplies and materials			
Office supplies	\$ 4,081	\$ 5,000	\$ 919
Custodial supplies	1,162	1,200	38
Postal charges	992	1,000	8
Small equipment purchases	4,871	5,000	129
Uniforms and shirts	495	700	205
Utilities - electric	19,560	19,560	-
Utilities - gas	474	500	26
Utilities - water	777	777	-
Utilities - general telephone	28,746	37,413	8,667
Utilities - cell phones and pagers	4,651	5,000	349
	\$ <u>65,809</u>	\$ <u>76,150</u>	\$ <u>10,341</u>

**RUTHERFORD COUNTY EMERGENCY COMMUNICATIONS DISTRICT**

**Murfreesboro, Tennessee**

**Comparison of Actual Cash Receipts and Disbursements to Cash Budget (Unaudited), (continued)**

**For the Year Ended June 30, 2012**

	Actual Cash Receipts and Disbursements	Cash Budget	(Over) Under Budget
Other charges -			
Board meeting expenses	\$ 1,039	\$ 1,500	\$ 461
Dues and memberships	1,617	2,200	583
Insurance - workers compensation	915	931	16
Insurance - liability	750	800	50
Insurance - building and contents	11,450	11,500	50
Insurance - vehicles	5,369	5,369	-
Legal notices	308	500	192
Licenses and fees	415	750	335
Premiums on surety bonds	1,622	2,500	878
Public education	855	2,500	1,645
Service awards	2,385	2,500	115
Training expenses	3,711	6,000	2,289
Travel expenses	5,487	8,000	2,513
Internet charges	1,283	1,500	217
Other charges-special projects	215,000	215,000	-
	<u>\$ 252,206</u>	<u>\$ 261,550</u>	<u>\$ 9,344</u>
Total Cash Basis Disbursements	<u>\$ 1,447,210</u>	<u>\$ 1,672,254</u>	<u>\$ 225,044</u>
Receipts in Excess of Disbursements	<u>\$ 101,371</u>	<u>\$ 452,274</u>	<u>\$ 350,903</u>
Reconciliation of Cash Basis to Accrual Basis -			
Depreciation expense	\$ (153,979)		
Capital purchases	42,417		
Increase in current receivables	7,287		
Increase in accrued interest receivable	114		
Decrease in prepaid expenses	(10,291)		
Increase in accounts payable	(23,260)		
Increase in compensated absences payable	(3,759)		
Increase in net other postemployment benefits	(7,961)		
Net Reconciliation Cash to Accrual	<u>\$ (149,432)</u>		
CHANGE IN NET ASSETS (ACCRUAL)	<u>\$ (48,061)</u>		
Net assets, July 1, 2011		<u>5,810,291</u>	
NET ASSETS, JUNE 30, 2012		<u>\$ 5,762,230</u>	

**INTERNAL CONTROL AND COMPLIANCE SECTION**



# JOB, HASTINGS & ASSOCIATES

*Certified Public Accountants*

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James R. Jobe, CPA  
Joel H. Jobe (1944 - 2006)

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

To the Board of Directors  
Rutherford County Emergency Communications District  
Murfreesboro, Tennessee

We have audited the financial statements of Rutherford County Emergency Communications District, a component unit of Rutherford County, Tennessee, as of and for the year ended June 30, 2012, and have issued our report thereon dated October 25, 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

Management of Rutherford County Emergency Communications District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Rutherford County Emergency Communications District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Rutherford County Emergency Communications District's internal control over financial reporting.

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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the Board of Directors, management and appropriate regulatory authorities and is not intended to be and should not be used by anyone other than these specified parties.

*Jobe, Hastings & Associates*  
Certified Public Accountants

Murfreesboro, Tennessee  
October 25, 2012