

**Robertson County Emergency
Communications District
(A Component Unit)
Financial Statements
June 30, 2014**

**Robertson County Emergency Communications District
(A Component Unit)
Table of Contents**

Introductory Section

Board of Directors..... 1

Financial Section

Independent Auditors' Report.....2
Statement of Net Position.....5
Statement of Revenues, Expenses and Changes in Net Position6
Statement of Cash Flows – Direct Method7
Notes to Financial Statements.....9

Supplementary Information

Budgetary Comparison Schedule 19
Exhibit 1 – Schedule of Salaries and Wages21
Exhibit 2 – Schedule of Employee Benefits22
Exhibit 3 – Schedule of Contracted Services.....23
Exhibit 4 – Schedule of Supplies and Materials.....24
Exhibit 5 – Schedule of Other Charges25
Schedule of Disposition of Bond Proceeds.....26

Internal Control and Compliance Section

Auditors' Report on Compliance and Internal Control.....27
Schedule of Findings and Responses.29

**Robertson County Emergency Communications District
(A Component Unit)
Board of Directors
June 30, 2014**

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 Pte
Springfield, TN 37172

Russell Gupton, Member
1305 Hill St
Springfield, TN 37172

R.L. Douglas, Member
103 Corbitt Ln
Springfield, TN 37172

Ron Gallagher, Member
2201 Masters Dr
Springfield, TN 37172

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

Bill Holt, Member
239 Allen Dr
Greenbrier, TN 37073

David Thompson, Member
802 S Willow St
Springfield, TN 37172

Gillette, Henderson & Co., PLLC

CERTIFIED PUBLIC ACCOUNTANTS

*John R. Gillette, CPA
Don R. Henderson, CPA
Lisa E. McIntosh, CPA*

*4811 Lebanon Road, Suite 208
Hermitage, TN 37076
(615) 889-1153
Fax (615) 883-2929*

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

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying 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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies

used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business type activities of Robertson County Emergency Communications District as of June 30, 2014, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Robertson County Emergency Communications District's basic financial statements. The Budgetary Comparison Schedule on pages 19-20, and the Schedules of Detailed Expenses on pages 20-24 are presented for purposes of additional analysis as required by the Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts and are not a required part of the basic financial statements. The Schedule of Disposition of Bond Proceeds on page 25 is presented for additional analysis as required by the bond issuer and is also not a required part of the basic financial statements.

The schedules of detailed expenses and budgetary comparisons schedule are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of

detailed expenses and budgetary comparison schedule are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Disposition of Bond Proceeds, which is of a non-accounting nature, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2014, on our consideration of Robertson County Emergency Communications District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Robertson County Emergency Communications District's internal control over financial reporting and compliance.

Gillette, Henderson & Co., PLLC

Gillette, Henderson & Co., PLLC
Hermitage, Tennessee
December 12, 2014

**Robertson County Emergency Communications District
(A Component Unit)
Statement of Net Position
June 30, 2014**

ASSETS

| | |
|---|---------------------|
| Current Assets | |
| Cash | \$ 542,149 |
| Investments | 657,472 |
| Accounts Receivable | 59,875 |
| Due from Tennessee Emergency Communications Board | 56,486 |
| Due from Primary Government | 33,794 |
| Prepaid Expenses | 59,095 |
| Total Current Assets | <u>1,408,871</u> |
| Noncurrent Assets | |
| Restricted Assets - Restricted Cash and Investments | <u>245,791</u> |
| Total Noncurrent Assets | <u>245,791</u> |
| Capital Assets | |
| Land | 270,000 |
| Building and Improvements | 2,769,695 |
| Office Equipment | 10,520 |
| Communications Equipment | 1,129,483 |
| Vehicles | 21,207 |
| Total Property and Equipment | <u>4,200,905</u> |
| Accumulated Depreciation | <u>(685,303)</u> |
| Net Property and Equipment | <u>3,515,602</u> |
| Other Assets | |
| Bond Issue Costs | 32,854 |
| Less: A/A Bond Issue Costs | <u>(21,196)</u> |
| Total Other Assets | <u>11,658</u> |
| Deferred Outflows of Resources | |
| | <u>-</u> |
| Total Deferred Outflows and Assets | <u>\$ 5,181,922</u> |

LIABILITIES AND NET POSITION

| | |
|--|---------------------|
| Current Liabilities | |
| Compensated Absences Payable | \$ 65,621 |
| Accrued Payroll | 29,552 |
| Bonds Payable - Current | 120,000 |
| Total Current Liabilities | <u>215,173</u> |
| Noncurrent Liabilities | |
| Bonds Payable - Long Term | <u>2,350,000</u> |
| Total Noncurrent Liabilities | <u>2,350,000</u> |
| Total Liabilities | <u>2,565,173</u> |
| Deferred Inflows of Resources | |
| | <u>-</u> |
| Net Position | |
| Net Investment in Capital Assets | 1,045,602 |
| Restricted for Debt Service | 230,550 |
| Unrestricted | 1,340,597 |
| Total Net Position | <u>2,616,749</u> |
| Total Liabilities, Deferred Inflows and Net Position | <u>\$ 5,181,922</u> |

See notes to financial statements

Robertson County Emergency Communications District
(A Component Unit)
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2014

| | |
|--|---------------------|
| Operating Revenue | |
| Emergency Telephone Service Charge | \$ 265,688 |
| Tennessee Emergency Communications Board - Shared Wireless Charge | 168,832 |
| Tennessee Emergency Communications Board - Operational Funding | 188,916 |
| Total Operating Revenues | <u>623,436</u> |
| Operating Expenses | |
| Salaries and Wages (see Exhibit 1) | 637,031 |
| Employee Benefits (see Exhibit 2) | 210,413 |
| Contracted Services (see Exhibit 3) | 221,441 |
| Supplies and Materials (see Exhibit 4) | 44,407 |
| Other Charges (see Exhibit 5) | 38,917 |
| Depreciation and Amortization | 192,997 |
| Total Operating Expenses | <u>1,345,206</u> |
| Operating Income (Loss) | <u>(721,770)</u> |
| Nonoperating Revenues and (Expenses) | |
| Gain (Loss) on Disposal of Assets | 200 |
| Interest Income | 5,052 |
| Interest Expense | (115,550) |
| Misc Income | 833 |
| Contributions from Primary Government | 560,362 |
| Tennessee Emergency Communications Board - Grants and Reimbursements | 100,733 |
| Total Nonoperating Revenues and (Expenses) | <u>551,630</u> |
| Income before Capital Contribution | <u>(170,140)</u> |
| Increase (Decrease) in Net Position | (170,140) |
| Net Position, Beginning of Year | 2,786,889 |
| Net Position, End of Year | <u>\$ 2,616,749</u> |

**Robertson County Emergency Communications District
(A Component Unit)
Statement of Cash Flows - Direct Method
For the Year Ended June 30, 2014**

Cash Flows From Operating Activities

| | |
|---|------------|
| Cash Received from Surcharges and Other Revenues | \$ 625,993 |
| Cash Paid to Suppliers for Goods and Services | (294,657) |
| Cash Paid for Payroll, Taxes and Related Benefits | (781,239) |
| Net Cash Provided (Used) by Operating Activities | (449,903) |

Cash Flows From Noncapital Financing Activities

| | |
|---|---------|
| Grants/Reimbursements TECB | 100,733 |
| Contributions from Primary Government | 526,568 |
| Bond Issuance Costs Incurred | |
| Net Cash Provided (Used) by Noncapital Financing Activities | 627,301 |

Cash Flows From Capital and Related Financing Activities

| | |
|---|-----------|
| Other | (598) |
| Proceeds from sale of fixed assets | 200 |
| Insurance Recovery | 833 |
| Interest paid | (115,550) |
| Repayment of Bonds | (115,000) |
| Purchases of fixed assets | (36,080) |
| Net Cash Provided (Used) by Capital and Related Financing | (266,195) |

Cash Flows From Investing Activities

| | |
|--|---------|
| Proceeds from maturity of CD's | |
| Interest Received | 5,052 |
| Reinvested interest earned on investments | (5,084) |
| Net Cash Provided (Used) by Investing Activities | (32) |

| | |
|---------------------------------|----------|
| Net Increase (Decrease) In Cash | (88,829) |
|---------------------------------|----------|

| | |
|---------------------------|---------|
| Cash at Beginning of Year | 630,978 |
|---------------------------|---------|

| | |
|---------------------|------------|
| Cash at End of Year | \$ 542,149 |
|---------------------|------------|

**Robertson County Emergency Communications District
(A Component Unit)
Statement of Cash Flows - Direct Method
For the Year Ended June 30, 2014**

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

| | |
|---|---------------------|
| Net income (loss) from Operations | \$ (721,770) |
| Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities | |
| Depreciation | 189,356 |
| Amortization of intangible assets | 4,239 |
| (Increase) decrease in accounts receivable | 2,556 |
| (Increase) decrease in prepaid assets | 9,511 |
| Increase (decrease) in other accrued payroll | 29,552 |
| Increase (decrease) in accrued absences | 36,653 |
| Total adjustments | <u>271,867</u> |
| Net Cash Provided (Used) by Operating Activities | <u>\$ (449,903)</u> |

Supplemental Disclosures

Cash Paid During the Year for:

| | |
|------------------------|------------|
| Cash Paid for Interest | \$ 115,550 |
|------------------------|------------|

Non Cash Investing, Financing and Capital Activities

| | |
|---|-----------|
| Fixed Assets Reclassed from Prepaid Expenses | \$ 9,000 |
| Credit Due for Sales Tax Paid on Equipment Purchases Included in Accounts Receivable | \$ 42,461 |

**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.

Reporting Entity

The District, a component unit of Robertson County, provides emergency communications and dispatch services for all fire, law enforcement and other emergency departments within the County. 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 through the Sheriff's Department and provides funding for the salaries and related payroll expenses for dispatchers from the General Fund; 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 an economic resources 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.

**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)

The major sources of operating revenue are customer service charges, shared wireless charges and operating subsidies. There is also other income that is considered substantial.

(1) Customer Service Charges

A monthly subscriber fee is added to each telephone line in Montgomery County. The charge is billed and collected by the telephone company and is remitted to the District after a deduction of a 1% administrative fee.

(2) Shared Wireless Charges

A monthly wireless E-911 fee is collected by the State of Tennessee from wireless customers and is remitted to the District.

(3) Operating Subsidies

The District receives an operating subsidy from the Tennessee Emergency Communications Board.

(4) Other Income

The District also receives support from the County for dispatcher payroll and related expenses.

Operating expenses for enterprise funds include expenses incurred relating to the operation and maintenance of its system. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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. 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.

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

Note 1 – Summary of Significant Accounting Policies (continued)

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.

Deferred Inflows/Deferred Outflows

A deferred inflow of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of revenue until that time. A deferred outflow of resources represents consumption of resources that is applicable to future reporting periods.

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, 2014, 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 for the District operations and the City of Springfield provides certain dispatchers free of charge. 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 \$12,568 which is paid to the Robertson County Finance office for accounting services.

Beginning July 1, 2013, County dispatchers came under the umbrella of the District. As such, all payroll and payroll related items are now being paid through the District. The County funds the payroll and payroll related items each month. The funding is reported on the Statement of Revenues, Expenses and Changes in Net position as Contributions from Primary Government.

Note 4 – Noncash Investing and Financing Transactions

Noncash investing and financing transactions are disclosed in the statement of cash flows.

**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, 2014:

| | Maturity Date | Interest Rate | Carrying Amount | Bank Balance |
|-------------------------------|------------------|------------------|--------------------|------------------|
| Cash | | | | |
| Checking | n/a | 0.00% | \$ 25,544 | \$ 51,208 |
| Wireless Checking | n/a | 0.00% | 516,605 | 516,605 |
| | | | <u>\$542,149</u> | <u>\$567,813</u> |
| Temporary Investments | | | | |
| Certificate of Deposit - 5690 | 5/18/2015 | 0.38% | \$ 106,711 | \$ 106,711 |
| Certificate of Deposit - 9006 | 10/3/2014 | 0.50% | 245,791 | 245,791 |
| Certificate of Deposit - 5394 | 10/14/2014 | 0.65% | 27,004 | 27,004 |
| Certificate of Deposit - 2186 | 6/6/2015 | 0.35% | 112,109 | 112,109 |
| Certificate of Deposit - 2144 | 5/16/2015 | 0.35% | 108,584 | 108,584 |
| Certificate of Deposit - 1497 | 9/27/2014 | 0.70% | 34,849 | 34,849 |
| Certificate of Deposit - 1510 | 1/15/2015 | 0.70% | 212,620 | 211,632 |
| Certificate of Deposit - 1693 | 10/25/2015 | 0.65% | 55,595 | 55,595 |
| | | | <u>\$903,263</u> | <u>\$902,275</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, 2014, 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.

Note 6 – Accounts Receivable

Accounts receivable consists primarily of amounts due for monthly service charges collected for the District and for County funding for payroll and related expenses:

| | |
|---------------------------|-------------------|
| AT&T | \$ 17,414 |
| Due from TECB | 56,486 |
| Due from Robertson County | 33,794 |
| Other | 42,461 |
| | <u>\$ 150,155</u> |

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

Note 6 – Accounts Receivable- continued

Included in the other category of receivables is an amount due from a vendor for sales tax inadvertently paid on the purchase of equipment in a prior year.

Note 7 – 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 Capital Projects | \$ - | \$ - | \$ - |
| Restricted for Debt Service | - | 245,791 | 245,791 |
| Total | <u>\$ -</u> | <u>\$ 245,791</u> | <u>\$ 245,791</u> |

Note 8 – Property and Equipment

Property and Equipment consisted of the following at June 30, 2014:

| | Balance 6/30/2013 | Additions | Deletions | Balance 6/30/2014 |
|-------------------------------|----------------------|---------------------|--------------------|----------------------|
| Land | \$ 270,000 | \$ - | \$ - | \$ 270,000 |
| Building and Improvements | 2,812,156 | - | (42,461) | 2,769,695 |
| A/D-Building and Improvements | (206,816) | (70,304) | - | (277,120) |
| Furniture and Fixtures | - | - | - | - |
| A/D-Furniture and Fixtures | - | - | - | - |
| Office Equipment | - | 10,520 | - | 10,520 |
| A/D-Office Equipment | - | (614) | - | (614) |
| Communications Equipment | 1,112,923 | 16,560 | - | 1,129,483 |
| A/D-Communications Equipment | (274,000) | (115,720) | - | (389,720) |
| Vehicles | 21,207 | - | - | 21,207 |
| A/D-Vehicles | (15,729) | (2,120) | - | (17,849) |
| Net Property and Equipment | <u>\$3,719,741</u> | <u>\$ (161,678)</u> | <u>\$ (42,461)</u> | <u>\$3,515,602</u> |

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

Note 9 – 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 10 – 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, 15th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.tn.gov/treasury/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, 2014 was 10.66% 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, 2014, Robertson County 911 Emergency Communications District's annual pension cost of \$57,371 to TCRS was equal to Robertson County 911

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

Note 10 – 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, 2011 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, 2011 was 6 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

| Fiscal Year Ending | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|-----------------------|------------------------------|----------------------------------|---------------------------|
| June 30, 2014 | \$ 57,371 | 100% | \$ 0 |
| June 30, 2013 | \$ 18,408 | 100% | \$ 0 |
| June 30, 2012 | \$ 18,162 | 100% | \$ 0 |

FUNDED STATUS AND FUNDING PROGRESS

As of July 1, 2013, the most recent actuarial valuation date, the plan was 67.20 percent funded. The actuarial accrued liability for benefits was \$0.39 million, and the actuarial value of assets was \$0.26 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.13 million. The covered payroll (annual payroll of active employees covered by the plan) \$0.4 million, and the ratio of the UAAL to the covered payroll was 32.13 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.

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

Note 10 – Retirement Plan (continued)

FUNDED STATUS AND FUNDING PROGRESS (continued)

(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, 2013 | \$ 264 | \$ 393 | \$ 129 | 67.20% | \$ 402 | 32.13% |
| July 1, 2011 | \$ 200 | \$ 238 | \$ 37 | 84.37% | \$ 168 | 22.03% |
| July 1, 2009 | \$ 132 | \$ 134 | \$ 1 | 98.95% | \$ 112 | 1.26% |

Note 11 – 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> |
|--------------------|---------------------|-------------------|---------------------|
| 6/30/2015 | 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>\$ 2,470,000</u> | <u>\$ 314,913</u> | <u>\$ 2,784,913</u> |

Long-Term debt for the year ended June 30, 2014 is as follows:

| | <u>6/30/2013</u> | <u>Additions</u> | <u>Reductions</u> | <u>6/30/2014</u> | <u>Due Within One Year</u> |
|---------------|---------------------|------------------|---------------------|---------------------|----------------------------|
| Revenue Bonds | \$ 2,585,000 | \$ - | \$ (115,000) | \$ 2,470,000 | \$ 120,000 |
| Total | <u>\$ 2,585,000</u> | <u>\$ -</u> | <u>\$ (115,000)</u> | <u>\$ 2,470,000</u> | <u>\$ 120,000</u> |

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

Note 11 – Long-Term Debt and Commitments (continued)

The total interest incurred on these liabilities for the year ending June 30, 2014 was \$115,550.

As required by the bond issue documents \$245,791 has been set aside in a separate account for the principal payment on these bonds. See Note 7.

Note 12 – Economic Dependency

As of and for the year ended June 30, 2014, the District has the following balances and transactions with respect to major customers:

| | <u>Revenues</u> | | <u>AR</u> |
|------------------|-----------------|----|-----------|
| AT&T | \$ 226,776 | \$ | 17,414 |
| TECB | \$ 357,748 | \$ | 56,486 |
| Robertson County | \$ 560,362 | \$ | 33,794 |

Note 13 – Subsequent Events

Subsequent to year end an interlocal agreement was entered into by the District, Robertson County, the City of Springfield and the City of White House. The interlocal agreement requires predetermined monthly payments from the county and cities to fund dispatch services as all dispatchers became employees of the District in July of 2014. The Cities' and County's respective amounts were allocated based upon their percentage of emergency and non-emergency calls for service over a pre-determined time period.

Subsequent events have been evaluated through December 12, 2014.

End of Notes

SUPPLEMENTARY INFORMATION
AND
SCHEDULES

Robertson County Emergency Communications District
(A Component Unit)
Budgetary Comparison Schedule (GAAP Basis) - Continued
For the Year Ended June 30, 2014

| | ORIGINAL BUDGET (Accrual) | AMENDED BUDGET (Accrual) | ACTUAL | VARIANCE OVER (UNDER) |
|---|---------------------------------|--------------------------------|---------------------|--------------------------|
| Supplies and Materials | | | | |
| Office Supplies | \$ 5,500 | \$ 6,496 | \$ 5,666 | \$ (830) |
| Custodial Supplies | 3,250 | 3,050 | 1,859 | (1,191) |
| Postal Charges | 750 | 750 | 705 | (45) |
| Small Equipment Purchases | 3,400 | 12,620 | 11,803 | (817) |
| Uniforms and Shirts | 4,000 | - | - | - |
| Diesel | 1,700 | 1,700 | - | (1,700) |
| Other Equipment | 1,000 | 1,000 | 637 | (363) |
| Utilities | 23,300 | 24,000 | 23,737 | (263) |
| Total Supplies and Materials | <u>42,900</u> | <u>49,616</u> | <u>44,407</u> | <u>(5,210)</u> |
| Other Charges | | | | |
| Dues and Memberships | 1,000 | 1,000 | 750 | (250) |
| Evaluation and Testing | - | 1,200 | 1,200 | - |
| Building and Content Insurance | 25,000 | 25,500 | 25,333 | (167) |
| Insurance - Workers Compensation | 4,000 | 4,000 | 2,109 | (1,891) |
| Insurance - Liability | 1,250 | 1,250 | 1,108 | (142) |
| Legal Notices | 500 | 500 | 285 | (215) |
| Premiums on Surety Bonds | 3,200 | 3,200 | 2,836 | (364) |
| Training Expenses | 9,200 | 25,550 | 3,721 | (21,829) |
| Travel Expenses | 1,000 | 150 | 118 | (32) |
| Other Charges | 250 | 1,550 | 1,457 | (93) |
| Total Other Charges | <u>45,400</u> | <u>63,900</u> | <u>38,917</u> | <u>(24,983)</u> |
| Depreciation and Amortization Expense | 4,240 | 4,240 | 192,997 | 188,757 |
| Total Operating Expenses | <u>631,031</u> | <u>1,289,030</u> | <u>1,345,206</u> | <u>56,176</u> |
| Operating Income (Loss) | \$ 44,914 | \$ (613,085) | \$ (721,770) | \$ (108,685) |
| Nonoperating Revenues | | | | |
| Misc Income | \$ - | \$ - | \$ 833 | \$ 833 |
| Proceeds from Disposal of Property | - | - | 200 | 200 |
| Interest Income | 1,000 | 1,000 | 5,052 | 4,052 |
| Contributions from Primary Government | 719,635 | 719,635 | 560,362 | (159,273) |
| TECB - Grants and Reimbursements | - | - | 100,733 | 100,733 |
| Total Nonoperating Revenues | <u>720,635</u> | <u>720,635</u> | <u>667,180</u> | <u>(53,455)</u> |
| Nonoperating Expenses | | | | |
| Interest Expense | (115,550) | (115,550) | (115,550) | - |
| Total Nonoperating Expenses | <u>(115,550)</u> | <u>(115,550)</u> | <u>(115,550)</u> | <u>-</u> |
| Total Non-Operating Revenues and Expenses | <u>605,085</u> | <u>605,085</u> | <u>551,630</u> | <u>(53,455)</u> |
| Income before Capital Contribution | 649,999 | (8,000) | (170,140) | (162,140) |
| Capital Contributions | | | | |
| Capital Contributions from Primary Government | - | - | - | - |
| Total Capital Contributions | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Increase (Decrease) in Net Assets | 649,999 | (8,000) | (170,140) | <u>(162,140)</u> |
| Net Position, Beginning of Year | 2,786,889 | 2,786,889 | 2,786,889 | |
| Net Position, End of Year | <u>\$ 3,436,888</u> | <u>\$ 2,778,889</u> | <u>\$ 2,616,749</u> | |

**Robertson County Emergency Communications District
(A Component Unit)
Exhibit 1 - Schedule of Salaries and Wages
For the Year Ended June 30, 2014**

| | | |
|--|----|----------------|
| County Official/Administrative Officer | \$ | 11,036 |
| Director | | 49,254 |
| Dispatchers/Radio Operators | | 332,060 |
| Salaries and Wages | | 10,753 |
| Clerical Personnel | | 128,586 |
| Part-time Personnel | | 29,393 |
| Overtime Pay | | 37,201 |
| Vacation/Sick Pay | | 36,654 |
| In Service Training | | 2,094 |
| Total Salaries and Wages | \$ | <u>637,031</u> |

**Robertson County Emergency Communications District
(A Component Unit)
Exhibit 2 - Schedule of Employee Benefits
For the Year Ended June 30, 2014**

| | | |
|--------------------------|----|----------------|
| Social Security | \$ | 33,691 |
| Retirement Contributions | | 57,371 |
| Medicare | | 7,879 |
| Medical Insurance | | 111,472 |
| Total Employee Benefits | \$ | <u>210,413</u> |

**Robertson County Emergency Communications District
(A Component Unit)
Exhibit 3 - Schedule of Contracted Services
For the Year Ended June 30, 2014**

| | |
|--|-------------------|
| Accounting Services | \$ 12,568 |
| Administrative Fees-Service Charge | 11,371 |
| Advertising | 3,079 |
| Audit Services | 8,000 |
| Data Processing Services | 22,661 |
| Disposal Fees | 858 |
| Fuel - Vehicles | 747 |
| Fees Paid to Service Providers - Communication | 40,103 |
| Maintenance Agreements | 86,511 |
| Maintenance and Repairs - Buildings | 11,583 |
| Maintenance and Repairs - Communications Equipment | 15,547 |
| Maintenance and Repairs - Vehicles | 878 |
| Pest Control | 540 |
| Other Contracted Services | 6,995 |
| | |
| Total Contracted Services | <u>\$ 221,441</u> |

**Robertson County Emergency Communications District
(A Component Unit)
Exhibit 4 - Schedule of Supplies and Materials
For the Year Ended June 30, 2014**

| | |
|------------------------------|------------------|
| Office Supplies | \$ 5,666 |
| Custodial Supplies | 1,859 |
| Postal Charges | 705 |
| Small Equipment Purchases | 11,803 |
| Other Equipment | 637 |
| Utilities | 23,737 |
| | |
| Total Supplies and Materials | <u>\$ 44,407</u> |

**Robertson County Emergency Communications District
(A Component Unit)
Exhibit 5 - Schedule of Other Charges
For the Year Ended June 30, 2014**

| | | |
|----------------------------------|----|---------------|
| Dues and Memberships | \$ | 750 |
| Evaluation and Testing | | 1,200 |
| Building and Content Insurance | | 25,333 |
| Insurance - Workers Compensation | | 2,109 |
| Insurance - Liability | | 1,108 |
| Legal Notices | | 285 |
| Premiums on Surety Bonds | | 2,836 |
| Training Expenses | | 3,721 |
| Travel Expenses | | 118 |
| Other Charges | | 1,457 |
| Total Contracted Services | \$ | <u>38,917</u> |

**Roberson County Emergency Communications District
(A Component Unit)
Schedule of Disposition of Bond Proceeds
June 30, 2014**

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 uses of such funds:

| | |
|---|---------------------|
| <i>Sources of Funds:</i> | |
| Principal Amount of Bonds | \$ 3,000,000 |
| Total | <u>\$ 3,000,000</u> |
| <i>Uses of Funds</i> | |
| 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

*John R. Gillette, CPA
Don R. Henderson, CPA
Lisa E. McIntosh, CPA*

*4811 Lebanon Road, Suite 208
Hermitage, TN 37076
(615) 889-1153
Fax (615) 883-2929*

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
Robertson County Emergency Communications District
Springfield, TN 37172

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Robertson County Emergency Communications District (the District – a component unit of Robertson County) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Robertson County Emergency Communication District's basic financial statements and have issued our report thereon dated December 12, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Robertson County Emergency Communication District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not

been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. Findings 2014-2 and 2014-3

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2014-1 and 2014-2.

The District's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gillette, Henderson & Co., PLLC

Gillette, Henderson & Co., PLLC

Hermitage, TN 37076

December 12, 2014