

**GIBSON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT
(a component unit of Gibson County, Tennessee)**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

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GIBSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

SCHEDULE OF OFFICIALS

JUNE 30, 2009

<u>Officials</u>	<u>Position</u>
Joe Eddleman	Chairman
Bryan Cathey	Vice-Chairman
Tommy Litton	Secretary
John Vickers	Treasurer
James Fuchs	Board Member
Austin Lewis	Board Member
Andy Carlton	Board Member
Terry Shelton	Board Member
James Fountain	Board Member

Management Official

Robert Moore, Executive Director

Independent Certified Public Accountants

Alexander Thompson Arnold, PLLC
Jackson, Tennessee



Certified Public Accountants

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Jackson, TN 38305

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Members of

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American Institute of Certified Public Accountants
AICPA Center for Public Company Audit Firms
AICPA Governmental Audit Quality Center
AICPA Employee Benefit Plan Audit Quality Center
Tennessee Society of Certified Public Accountants
Kentucky Society of Certified Public Accountants

Independent Auditors' Report

Board of Directors
Gibson County Emergency Communications District
Dyer, Tennessee

We have audited the accompanying financial statements of the Gibson County Emergency Communications District (a component unit of Gibson County, Tennessee) (District) as of June 30, 2009, as listed in the Contents. These financial statements are the responsibility of the 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the District as of June 30, 2009, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2009, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Dyersburg, TN
Fulton, KY
Henderson, TN
Jackson, TN
Martin, TN

McKenzie, TN
Milan, TN
Murray, KY
Paris, TN
Trenton, TN
Union City, TN

Board of Directors
Gibson County Emergency Communications District
Dyer, Tennessee

The management's discussion and analysis on pages 4 through 7 and the historical pension data on page 19 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the District. The accompanying supplementary information listed in the table of contents as the introductory section and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole. The introductory section and the information required by the Tennessee Emergency Communications Board have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Certified Public Accountants

Jackson, Tennessee
October 30, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Gibson County Emergency Communications District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2009. All amounts, unless otherwise indicated, are expressed in actual dollars.

FINANCIAL HIGHLIGHTS

Management believes the District's financial condition is getting stronger. The District has struggled to make budget cuts and to operate within its budget and the more stringent financial policies and guidelines set by the Board and management. A rate increase in the current year helped ease some of the financial strain the District had been facing. The following are key financial highlights.

- Total assets at year-end were \$1.4 million and exceeded liabilities in the amount of \$919 thousand (i.e. net assets). Total assets increased by \$161 thousand.
- Net assets increased \$182 thousand during the current year.
- Operating revenues were \$761 thousand, an decrease from year 2008 in the amount of \$2 thousand or 0.31%.
- Operating expenses were \$769 thousand, an increase of \$9 thousand from 2008, or 1.15%.
- The operating loss for the year was \$8 thousand as compared to and income of \$36 thousand during the 2008 fiscal year.

OVERVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the financial statements and supplementary information. The MD&A represents management's examination and analysis of the District's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the District's strategic plan, budget and other management tools were used for this analysis. The financial report is made up of four sections: 1) the introductory section, 2) the financial section, 3) the other supplemental information, and 4) the internal control and compliance section. The introductory section includes the District's directory. The financial section includes the MD&A, the independent auditor's report, the financial statements with accompanying notes, and the supplementary information. The other supplementary information section includes selected financial and operational information. The internal control and compliance section includes the report on internal control and compliance. These sections make up the financial report presented here.

REQUIRED FINANCIAL STATEMENTS

A Proprietary Fund is used to account for the operations of the District, which is financed and operated in a manner similar to private business enterprises where the intent is that the costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

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

The *Statement of Net Assets* presents the financial position of the District on a full accrual, historical cost basis. The statement of net assets includes all of the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to the District's creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District.

The *Statement of Revenue, Expenses and Changes in Fund Net Assets* presents the results of the business activities over the course of the fiscal year and information as to how the net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement measures the success of the District's operations and can be used to determine whether the District has successfully recovered all of its costs. This statement also measures the District's profitability and credit worthiness.

The *Statement of Cash Flows* presents changes in cash and cash equivalents, resulting from operational, financing, and investing activities. This statement presents cash receipt and cash disbursement information, without consideration of the earnings event, when an obligation arises.

The *Notes to the Financial Statements* provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the District's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any. A *Supplementary Schedule* comparing the budget to actual expenses is also presented.

FINANCIAL ANALYSIS

One of the most important questions asked about the District's finances is "Is the District, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Fund Net Assets report information about the District's activities in a way that will help answer this question. These two statements report the net assets of the District and the changes in the net assets. Net assets are one way to measure the financial health or financial position of the District. Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating. However, you will need to also consider other non-financial factors such as changes in economic conditions, customer growth, and legislative mandates.

The District's total net assets increased by \$182 thousand for the fiscal year ended June 30, 2009. The analysis below focuses on the District's net assets (Table 1) and changes in net assets (Table 2) during the year.

Table 1
CONDENSED STATEMENT OF NET ASSETS

	June 30, 2009	June 30, 2008	Increase (Decrease)	
			\$	%
Current and other assets	\$ 583,465	\$ 343,018	\$ 240,447	70.10%
Capital assets	823,065	902,283	(79,218)	-8.78%
Total assets	<u>1,406,530</u>	<u>1,245,301</u>	<u>161,229</u>	12.95%
Total liabilities	487,515	508,701	(21,186)	-4.16%
Investment in capital assets	821,899	902,283	(80,384)	-8.91%
Unrestricted net assets	<u>97,116</u>	<u>(165,683)</u>	<u>262,799</u>	-158.62%
Total net assets	<u>\$ 919,015</u>	<u>\$ 736,600</u>	<u>\$ 182,415</u>	24.76%

The changes in capital assets were funded primarily by operations and the use of unrestricted fund balance. The increase in current and other assets was due to additional operational funding received from the Tennessee Emergency Communications Board.

Changes in the District's net assets can be determined by reviewing the following condensed Statement of Income, Expenses and Changes in Fund Net Assets for the years.

**CONDENSED STATEMENT OF INCOME, EXPENSES
AND CHANGES IN FUND NET ASSETS**

	June 30, 2009	June 30, 2008	Increase (Decrease)	
			\$	%
Operating revenues	\$ 760,561	\$ 762,917	\$ (2,356)	-0.31%
Non-operating revenues	<u>17,831</u>	<u>35,529</u>	<u>(17,698)</u>	-49.81%
Total revenues	778,392	798,446	(20,054)	-2.51%
Salaries and wages	350,960	339,172	11,788	3.48%
Employee benefits	130,429	124,163	6,266	5.05%
Contracted services	111,155	115,744	(4,589)	-3.96%
Supplies and materials	32,864	28,619	4,245	14.83%
Other charges	28,268	35,504	(7,236)	-20.38%
Depreciation & Amortization	115,623	117,378	(1,755)	-1.50%
Total expenses	769,299	760,580	8,719	1.15%
Change in net assets	9,093	37,866	(28,773)	-75.99%
Beginning net assets	736,600	698,734	37,866	5.42%
Prior period adjustment	173,322	-	173,322	0.00%
Adjusted beginning net assets	909,922	698,734	211,188	
Ending net assets	<u>\$ 919,015</u>	<u>\$ 736,600</u>	<u>\$ 182,415</u>	24.76%

Operating revenues showed a 0.31% decrease from 2008 to 2009. The operational revenue decrease is due to the loss of telephone landlines through the telephone carriers. The non-operational revenues decrease is due to purchase and upgrade of new equipment. Expenses increased 1.15% from 2008 to 2009. Ending net assets showed an increase of 24.76%.

CAPITAL ASSETS

At the end of fiscal year 2009, the system had \$821 thousand (net of accumulated depreciation) invested in a broad range of District capital assets. This investment includes land, buildings, and various pieces of communication and office equipment. Based on the uses of the aforementioned assets, they are classified for financial purposes as land and buildings and equipment. This investment represents an overall decrease (net of increases and decreases) of \$80 thousand or 8.91% over last year.

The following table summarizes the District's capital assets, net of accumulated depreciation, and changes therein, for the year ended June 30, 2009. These changes are presented in detail in Note 4 to the financial statements.

Table 3
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

	June 30,	June 30,	Increase (Decrease)	
	2009	2008	\$	%
Land and buildings	\$ 565,486	\$ 571,664	\$ (6,178)	-1.08%
Equipment	256,413	330,619	(74,206)	-22.44%
Total capital assets, net of accumulated depreciation	<u>\$ 821,899</u>	<u>\$ 902,283</u>	<u>\$ (80,384)</u>	-8.91%

The majority of the reductions come from the District depreciating the assets over their useful lives. The majority of the additions come from the District obtaining new equipment during the fiscal year. The District plans of using existing financial resources to keep upgrading existing systems and adding new systems where it sees fit.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Due to the increased use of cellular phones, the District expects shared wireless revenue to continue to increase in future years. Due to the decreased use of landline phones, the District expects the emergency telephone service charge revenue to decrease in future years. The District's surcharge is currently set at \$1.50 and \$3.00 for residential lines and business lines, respectively. Next year, the District expects to receive \$10,000 GIS maintenance Grant; and \$100,000 operational funding grant from the Tennessee Emergency Communications Board.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any information provided in this report or requests for any additional information should be directed to the Executive Director of the Gibson County Emergency Communications District, 1450 South Main Street; Dyer, TN 38330.

GIBSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2009

ASSETS AND LIABILITIES

CURRENT ASSETS

Cash	\$ 112,920
Investments	200,000
Prepaid expenses	10,143
Accounts receivable	44,374
Due from Tennessee Emergency Communications Board	42,706
Due from Primary Government	173,322
<u>Total Current Assets</u>	<u>583,465</u>

NONCURRENT ASSETS

CAPITAL ASSETS

Land and buildings	779,423
Communications equipment	669,685
Office equipment	113,176
Vehicles	4,879
Less accumulated depreciation	<u>(745,264)</u>
<u>Net Capital Assets</u>	<u>821,899</u>

OTHER ASSETS

Intangible Assets	1,977
Less accumulated amortization	<u>(811)</u>
<u>Net Other Assets</u>	<u>1,166</u>

<u>Total Noncurrent Assets</u>	<u>823,065</u>
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<u>Total Assets</u>	<u>1,406,530</u>
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CURRENT LIABILITIES

Accounts payable	6,134
Compensated absences payable	10,048
Deferred revenue-Gibson County	<u>28,000</u>
<u>Total Current Liabilities</u>	<u>44,182</u>

LONG-TERM LIABILITIES

Deferred revenue-Gibson County	<u>443,333</u>
<u>Total Long-term Liabilities</u>	<u>443,333</u>

<u>Total Liabilities</u>	<u>487,515</u>
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NET ASSETS

Investment in capital assets	821,899
Unrestricted net assets	<u>97,116</u>
<u>Total Net Assets</u>	<u>\$ 919,015</u>

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

GIBSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2009

OPERATING REVENUES

Emergency telephone service charge	\$ 432,799
State emergency communications board - shared wireless charge	122,171
State emergency communications board - operational funding	86,734
Other Communication Revenues	<u>118,857</u>
<u>Total Operating Revenues</u>	<u>760,561</u>

OPERATING EXPENSES

Salaries and wages	350,960
Employee benefits	130,429
Contracted services	111,155
Supplies and materials	32,864
Other charges	28,268
Depreciation	114,964
Amortization	<u>659</u>
<u>Total Operating Expenses</u>	<u>769,299</u>

Operating Loss (8,738)

NON-OPERATING REVENUE AND EXPENSE

State grants and reimbursements	11,959
Interest earned	1,629
Rental income	1,400
Insurance bonus	500
Product rebates	47
Loss on disposal of equipment	<u>(69)</u>
<u>Total Non-Operating Revenue and Expense</u>	<u>15,466</u>

Income before Capital Contribution 6,728

CAPITAL CONTRIBUTIONS

Contributions from Other Government Agencies	<u>2,365</u>
<u>Total Capital Contributions</u>	2,365

Increase in Net Assets 9,093

NET ASSETS - JULY 1, 2008 736,600

Prior Period Adjustment 173,322

ADJUSTED NET ASSETS-JULY 1, 2008 909,922

NET ASSETS - JUNE 30, 2009 \$ 919,015

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

GIBSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2009

Cash Flows from Operating Activities:	
Cash received from AT&T and others	\$ 709,878
Cash paid to suppliers of goods and services	(176,174)
Cash paid for employees' services	<u>(479,150)</u>
<u>Net Cash Provided by Operating Activities</u>	<u>54,554</u>
Cash Flows from Non-Capital and Related Financing Activities:	
Grant reimbursements on GIS Mapping expenses	<u>11,959</u>
<u>Net Cash Provided by Capital and Related Financing Activities</u>	<u>11,959</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of fixed assets	<u>(33,002)</u>
<u>Net Cash Used by Capital and Related Financing Activities</u>	<u>(33,002)</u>
Cash Flows from Investing Activities:	
Purchase of investments	(200,000)
Sale of investments	100,000
Interest received	<u>3,739</u>
<u>Net Cash Used by Investing Activities</u>	<u>(96,261)</u>
<u>Net Increase in Cash</u>	(62,750)
BEGINNING CASH - JULY 1, 2008	<u>175,670</u>
ENDING CASH - JUNE 30, 2009	<u>\$ 112,920</u>
RECONCILIATION OF OPERATING LOSS TO	
NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating loss	\$ (8,738)
Adjustments to reconcile operating loss to	
net cash provided by operating activities:	
Depreciation and Amortization	115,622
Amortization of dispatch fees	(28,000)
Rental income and insurance reimbursements	1,947
Changes in assets and liabilities:	
Accounts receivable	(24,630)
Prepays	(8,431)
Accounts payable	4,545
Compensated absences payable	<u>2,239</u>
<u>Net Cash Provided by Operating Activities</u>	<u>\$ 54,554</u>

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

GIBSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 1 – ORGANIZATION AND REPORTING ENTITY

The Gibson County Emergency Communications District (a component unit of Gibson County, Tennessee) (District) was established by voter referendum in May 1987, and the assessment of service fees began October 1, 1987. The local emergency telephone service to residents of Gibson County began July 1, 1989.

The purpose of the District is to provide a simplified means of securing emergency services by telephone to those persons living in Gibson County, Tennessee.

The District is considered a component unit of the County because the Board of Directors of the District are appointed by the County Commission. The County Commission has the authority to adjust the rates charged by the District, and the County Commission must approve any debt issued by the District.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as set forth in the pronouncements of the *Governmental Accounting Standards Board (GASB)*, *Financial Accounting Standards Board (FASB) Statements and Interpretations*, *Accounting Principle Board (APB) Opinions*, and *Accounting Research Bulletins (ARBs)*, issued on or before November 30, 1989. After this date the District has elected to apply only the GASB pronouncements.

A. Basis of Accounting

The accounting and reporting treatment applied to a fund is determined by its measurement focus. Enterprise funds are reported using a flow of economic resources measurement focus. Enterprise fund operating statements present increases (revenues) and decreases (expenses) in total net assets.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The District is considered an enterprise fund, which uses the accrual basis of accounting. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. Enterprise funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with

GIBSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**A. Basis of Accounting**

this activity are included on their statement of position. Enterprise fund operating statements present increases (revenues) and decreases (expenses) in total net assets.

B. Cash and Investments

State statutes allow investments in obligations of the U.S. Treasury, agencies, instrumentalities and obligations guaranteed as to principal and interest of the United States or any of its agencies, repurchase agreements, the Tennessee Local Government Investment Pool and certificates of deposit.

C. Accounts Receivable and Credit Risk

Accounts receivable represents amounts due from telephone companies for user fees, and amounts due from local customers for dispatch services. Other accounts receivable represents amounts due from Tennessee Emergency Communication Board.

D. Capital Assets and Depreciation

Fixed assets are stated at original cost. Maintenance repairs and minor renewals are expensed as incurred. The original cost is deducted when items are retired. Depreciation has been provided over the estimated useful lives of the property and equipment by the straight-line method. The estimated useful lives are as follows:

Equipment	5 to 20 Years
Building	30 Years

E. Compensated Absences

Employees who have earned six months of work service receive one week of vacation time. Employees who have earned one year of work service receive two weeks of vacation time.

There is no accumulation of vacation time or sick leave. Vacation time is lost if not used within the calendar year. At June 30, 2009, accrued leave was booked for \$10,048.

F. Budgetary Compliance

The District adopts a budget in accordance with the requirements of the Tennessee Emergency Communication Board and the Tennessee Code Annotated § 7-86-120. This budget is adopted on

GIBSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS (Cont.)

JUNE 30, 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**F. Budgetary Compliance (cont.)**

an other comprehensive basis of accounting which is not in accordance with generally accepted accounting principles. The budgetary basis of accounting includes expenditures for fixed assets and reduction of principal on long-term debt.

NOTE 3 – CASH AND INVESTMENTS

The District's policies limit deposits and investments to those instruments allowed by applicable state laws and described below. State statute requires that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the District's agent in the District's name, or by the Federal Reserve Banks acting as third party agents. State statutes also authorize the District to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, the state pooled investment fund, and mutual funds. Statutes also require that securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2009, the entire balance of \$312,920 was covered by FDIC insurance

GIBSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS (Cont.)

JUNE 30, 2009

NOTE 4 – CAPITAL ASSETS

A summary of capital assets activity for the year is as follows:

Description	Balance 07/01/08	Additions (Dispositions)	Balance 06/30/09
Capital assets			
Building	\$ 685,958	\$ 19,216	\$ 705,174
Land	66,400	-	66,400
Leasehold improvements	7,850	-	7,850
Communication equipment	781,205	(111,520)	669,685
Office equipment	105,861	7,314	113,175
Vehicles	-	4,879	4,879
Total capital assets	<u>1,647,274</u>	<u>(80,111)</u>	<u>1,567,163</u>
Less accumulated depreciation			
Building	182,134	24,609	206,743
Leasehold improvements	6,410	785	7,195
Communication equipment	485,098	(37,574)	447,524
Office equipment	71,349	12,008	83,357
Vehicles	-	446	446
Total accumulated depreciation	<u>744,991</u>	<u>274</u>	<u>745,265</u>
Net property and equipment	<u>\$ 902,283</u>	<u>\$ (80,385)</u>	<u>\$ 821,898</u>

NOTE 5 – FUNDING SOURCES

Funding for the District's operations is provided by monthly fees from service users in Gibson County and by the Tennessee Emergency Communications Board. Three service suppliers in Gibson County, South Central Bell, West Kentucky Telephone Company and West Tennessee Telephone Company collect service fees and remit the funds to the District. South Central Bell retains one percent of the collections as an administrative fee, as does West Kentucky Telephone Company. West Tennessee Telephone Company retains three percent as an administrative fee.

The State remits a percentage of its shared wireless charges based on the District's population.

GIBSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS (Cont.)

JUNE 30, 2009

NOTE 6 – RETIREMENT PLANPlan Description

Employees of the Gibson County E-911 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 ten 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 ten 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 Gibson County E-911 participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

Funding Policy

The District has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5 percent of annual covered payroll.

The District is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2009 was 11.39% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Gibson County E-911 is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ending June 30, 2009, Gibson County E-911's annual pension cost of \$34,922 to TCRS was equal to Gibson County E-911's required and actual contributions. The required contribution was determined as part of the July 1, 2007 actuarial valuation using the frozen initial liability 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 salary increases of 4.75 percent annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and

GIBSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS (Cont.)

JUNE 30, 2009

NOTE 6 – RETIREMENT PLAN (cont.)Annual Pension Cost (cont.)

(d) projected post retirement increases of 3.0 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 five-year period. Gibson County E-911's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2007 was 12 years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2009	\$ 34,922	100.00%	\$ 0.00
6/30/2008	\$ 34,136	100.00%	\$ 0.00
6/30/2007	\$ 33,317	100.00%	\$ 0.00

Funded Status and Funding Progress

As of July 1, 2007, the most recent actuarial valuation date, the plan was 87.52% percent funded. The actuarial accrued liability for benefits was \$0.51 million, and the actuarial value of assets was \$0.44 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.07 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0 million, and the ratio of the UAAL to the covered payroll was 24.71% percent.

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.

GIBSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS (Cont.)

JUNE 30, 2009

NOTE 6 – RETIREMENT PLAN (cont.)

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, 2007	\$449,000	513,000	\$ 64,000	87.52%	\$259,000	24.71%

NOTE 7 – RISK MANAGEMENT

The District is exposed to various risks of loss related to tort, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District decided it more economically feasible to join a public entity risk pool as opposed to purchasing commercial insurance for general liability, auto liability, errors and omissions, workers compensation and automobile physical damage coverage. The District joined the Tennessee Municipal League Risk Pool (Pool), which is a public entity risk pool established in 1979 by the Tennessee Municipal League.

The District pays annual premiums to the Pool for its general liability, auto liability, real and personal property damage, workman's compensation and errors and omissions policies. The Pool provides the specified coverage and pays all claims from its member premiums charged or through its reinsurance policies. The District's premiums are calculated based on its prior claims history.

It is the policy of the District to purchase commercial insurance for the risks of employee dishonesty and excess liability. Settled claims have not exceeded this commercial coverage in any of the past four years.

NOTE 8 – LEASE COMMITMENTS

The District also leases communication equipment from AT&T Telephone, West Kentucky Telephone, and West Tennessee Telephone companies under a 30-day cancelable agreement between both parties. The monthly amounts are \$3,208, \$303, and \$250 respectively.

NOTE 9 – DEFERRED REVENUE

The District received \$700,000 from Gibson County in May, 2001 which represents advance payments of dispatch fees for the period May, 2001 through April, 2026. Revenue of \$2,333 will be recognized each month during the life of the contract.

GIBSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS (Cont.)

JUNE 30, 2009

NOTE 10 – BUDGET OVERRUNS

The following are budget overruns :

<u>Account</u>	<u>Amount of overrun</u>
Utilities: Electric	\$ 15
Diesel	63
Dues and memberships	181
Licenses and fees	68
Trash collections and disposals	7

NOTE 11- PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made to record amounts submitted in error by new telephone companies to the County Trustee's office. These funds represent telephone service charges that should have been received and recorded by the District for the period July 2001 through March 2009. The County Trustee's office has resolved to repay the \$173,322 over the next three years.

REQUIRED SUPPLEMENTARY INFORMATION

The supplementary information section of this report includes information not required to be included in the financial statements and is provided for the purpose of additional analysis.

GIBSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

PENSION DATA

JUNE 30, 2009

<u>Valuation Date</u>	<u>Assets (a)</u>	<u>(AAL) (b)</u>	<u>(UAAL) (b) - (a)</u>	<u>Ratio (a/b)</u>	<u>Payroll (c)</u>	<u>Payroll ((b-a)/c)</u>
7/1/2007	\$ 449,000	\$ 513,000	\$ 64,000	87.52%	\$ 259,000	24.71%

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 was a change made during the year and therefore, only the most current year is presented.

See independent auditor's report.

OTHER SUPPLEMENTARY INFORMATION

GIBSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

BUDGETARY COMPARISON SCHEDULE (Budgetary Basis)

FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual	Variance Under (Over)
OPERATING REVENUES				
Emergency telephone service charge	\$ 420,600	\$ 450,600	\$ 432,240	\$ 18,360
State shared wireless charge	100,000	100,000	98,842	1,158
Operational Funding	104,000	104,000	86,734	17,266
Other operating revenues	91,257	90,857	90,857	-
	<u>715,857</u>	<u>745,457</u>	<u>708,673</u>	<u>36,784</u>
OPERATING EXPENSES				
Salaries and Wages:				
Dispatchers	359,369	359,369	348,722	10,647
Employee Benefits:				
Social security	22,281	22,281	21,621	660
Medicare	5,211	5,211	5,057	154
Medical insurance	70,129	70,129	68,576	1,553
Unemployment compensation	500	500	253	247
Retirement	40,932	40,932	34,922	6,010
Contracted Services:				
Advertising	200	200	-	200
Audit services	3,500	3,810	3,810	-
Accounting services	11,000	11,000	10,820	180
Fees paid to service providers	53,320	56,320	55,811	509
Janitorial services	3,600	3,600	3,307	293
Legal services	3,000	3,000	480	2,520
Maintenance contracts	33,830	38,830	37,966	864
Pest control	330	330	285	45
Repairs and maintenance:				
Communications equipment	7,500	7,500	2,438	5,062
Office buildings	10,000	10,000	6,986	3,014
Office equipment	1,000	1,000	-	1,000
Automobile	-	4,000	3,538	462
Medical expense	150	150	-	150
Supplies and Materials:				
Office supplies	4,000	4,000	3,535	465
Custodial supplies	750	750	254	496

Continued

GIBSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

BUDGETARY COMPARISON SCHEDULE (Cont.)

FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual	Variance Under (Over)
OPERATING EXPENSES (Cont.)				
Supplies and Materials (cont.):				
Uniforms & shirts	\$ 2,500	\$ 2,500	\$ 1,986	\$ 514
Postage	500	500	441	59
Utilities:				
Electric	13,500	14,000	14,015	(15)
Gas	2,500	2,500	2,294	206
Water	375	375	308	67
Telephone	12,500	12,500	9,224	3,276
Diesel	500	500	563	(63)
Other Charges:				
Board meeting expense	1,250	1,250	456	794
Dues and memberships	900	900	1,081	(181)
Insurance:				
Workers compensation	2,550	2,550	897	1,653
Liability	11,000	11,000	9,228	1,772
Building and contents	10,000	10,000	7,504	2,496
Equipment	3,750	3,750	3,251	499
Licenses and fees	-	-	68	(68)
Premiums on fidelity bonds	1,800	1,800	1,388	412
Training expenses	5,000	5,000	489	4,511
Travel expenses	5,000	5,000	1,650	3,350
Trash collections and disposal	1,320	1,320	1,327	(7)
Miscellaneous expense	1,500	1,500	929	571
Office equipment	3,500	3,500	7,656	(4,156)
Communications equipment	37,500	37,500	3,140	34,360
Asphalt Driveway	17,500	17,500	16,596	904
Depreciation expense	105,133	105,133	-	105,133
<u>Total Operating Expenses</u>	<u>870,680</u>	<u>883,490</u>	<u>692,872</u>	<u>190,618</u>
<u>Operating Income (Loss) -</u>				
<u>Budgetary Basis</u>	<u>(154,823)</u>	<u>(138,033)</u>	<u>15,801</u>	<u>(153,834)</u>
<u>NON-OPERATING REVENUES BUDGETARY BASIS</u>				
Interest income	2,000	2,000	3,739	(1,739)
State grants and reimbursements	10,000	10,000	11,959	(1,959)
Insurance bonus	-	-	500	(500)
Product rebates	-	-	45	(45)
Land rental	1,400	1,400	1,400	-
	<u>13,400</u>	<u>13,400</u>	<u>17,643</u>	<u>(4,243)</u>
Net Income (Loss)-Budgetary Basis	<u>\$ (141,423)</u>	<u>\$ (124,633)</u>	<u>\$ 33,444</u>	<u>\$ (158,077)</u>

See the independent auditor's report.

GIBSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

BUDGETARY COMPARISON SCHEDULE (Cont.)

FOR THE YEAR ENDED JUNE 30, 2009

RECONCILIATION TO GAAP

Net Income (Loss)-Budgetary Basis	\$ 33,444
Adjustments For:	
Depreciation and Amortization	(115,622)
Amortization of deferred revenue	28,000
Fixed assets capitalized	27,148
Interest accrual	(2,110)
Reclassification of expense items to fixed assets	5,854
Compensated absences	(2,239)
Accounts receivable	23,891
Prepaid expense	8,431
Contribution of Vehicle from Sheriff's Dept.	2,365
Loss on fixed assets	<u>(69)</u>
<u>Net Income (Loss)</u>	<u>\$ 9,093</u>

See independent auditor's report.

GIBSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF INFORMATION REQUIRED BY
TENNESSEE EMERGENCY COMMUNICATIONS BOARD (Unaudited)

JUNE 30, 2009

A. The District has one public safety answering point (PSAP).

B. The address of the PSAP is:

Gibson 911
1450 South Main Street
Dyer, TN 38330

C. The PSAP uses an Emergetech Computer Aid Dispatch system and an off-premise AT&T database.

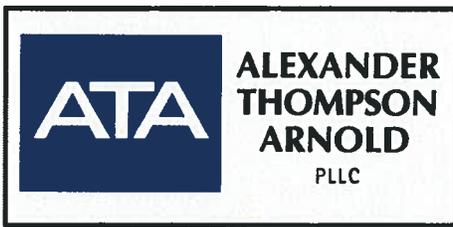
D. The Director of the District is:

Bob Moore
1450 South Main Street
Dyer, TN 38330
Telephone: (731) 692-2911
Fax: (731) 692-3342

E. The Chairman of the District is:

Joe Eddleman
333 Walnut Grove Road
Kenton, TN 38233
Telephone: (731) 749-5831

INTERNAL CONTROL AND COMPLIANCE SECTION



Certified Public Accountants

www.atacpa.net

227 Oil Well Road
Jackson, TN 38305

Telephone:(731) 427-8571
Fax: (731) 424-5701

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Kentucky Society of Certified Public Accountants

**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

Board of Directors
Gibson County Emergency Communications District
Dyer, Tennessee

We have audited the financial statements of Gibson County Emergency Communications District (a component unit of Gibson County, Tennessee) (District) as of and for the year ended June 30, 2009, and have issued our report thereon dated October 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our 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 the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency described in the accompanying schedule of findings and recommendations as 2009-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Dyersburg, TN
Fulton, KY
Henderson, TN
Jackson, TN
Martin, TN

McKenzie, TN
Milan, TN
Murray, KY
Paris, TN
Trenton, TN
Union City, TN

Board of Directors
Gibson County Emergency Communications District
Dyer, Tennessee

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies, and accordingly, would not necessarily disclose all significant deficiencies that are also considered material weaknesses. However, of the significant deficiencies described above, we consider item 2009-1 to be a material weakness..

Compliance and Other Matters

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

We noted certain matters that we reported to management of the District in a letter dated October 30, 2009.

Gibson County Emergency Communications District response to findings identified in our audit are described in the accompanying schedule of findings and recommendations. We did not audit the District's response and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the District's Board of Directors, management and the Comptroller of the Treasury, State of Tennessee. It is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, appearing to read "Alexander Thompson" followed by some less legible characters.

Certified Public Accountants

Jackson, Tennessee
October 30, 2009

GIBSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

JUNE 30, 2009

Prior year findings:

There were no prior year findings.

Current year findings:**2009-1 MONITORING OF REIMBURSEMENT PROGRAMS-SIGNIFICANT DEFICIENCY-MATERIAL WEAKNESS**

Condition: The District is not monitoring the program in which the District submits expenses for dispatch training to the state for reimbursement. The Director submits a request for reimbursement, but never follows-up to ensure that the full amount applied for was received.

Criteria: A system of good internal controls would include checks and balances in which the District is aware of and can explain any discrepancies in requests and amounts actually received.

Effect: The District could not receive all the monies under the program that it is entitled to.

Recommendation: We recommend that the District periodically review reimbursement requests to the amounts received and follow-up on any discrepancies.

Response: We concur. The Director will provide a copy of the request to the bookkeeper, who will reconcile the amounts received from the state to the original request.