

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

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
Schedule of Officials	1
FINANCIAL SECTION	
Independent Auditor's Report	2 - 3
Management's Discussion and Analysis	4-8
Statement of Net Assets	9
Statement of Revenue, Expenses and Changes in Net Assets	10
Statement of Cash Flows	11
Notes to Financial Statements	12-19
Required Supplementary Information:	
Pension Data	20
OTHER SUPPLEMENTARY SECTION:	
Budgetary Comparison Schedule (Budgetary Basis)	21-23
Schedule of State Awards	24
Schedule of Information Required by Tennessee Emergency Communications Board-Unaudited	25
INTERNAL CONTROL AND COMPLIANCE SECTION	
Report on Internal Control Over Financial Reporting and on Compliance And Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	26-27
Schedule of Findings and Recommendations	28

GIBSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

SCHEDULE OF OFFICIALS

JUNE 30, 2010

<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 AccountantsAlexander Thompson Arnold PLLC
Jackson, Tennessee



Certified Public Accountants

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2

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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 and for the year ended June 30, 2010, 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 above present fairly, in all material respects, the financial position of the District as of June 30, 2010, and the changes in financial position and cash flows there of 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 September 9, 2010, 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 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the pension data on pages 4 through 8 and 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historic context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the District's financial statements as a whole. The introductory section and other supplementary information section are presented for purposes of additional analysis and are not a required part of the financial statements. The budgetary comparison schedule and the Schedule of State Awards are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section and the schedule of 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 do not express an opinion or provide any assurance on it.



Certified Public Accountants

Jackson, Tennessee
September 9, 2010

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, 2010. 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 \$981 thousand (i.e. net assets). Total assets increased by \$32 thousand.
- Net assets increased \$62 thousand during the current year.
- Operating revenues were \$795 thousand, an increase from year 2009 in the amount of \$34 thousand or 4.53%.
- Operating expenses were \$750 thousand, a decrease of \$19 thousand from 2009, or 2.49%.
- The operating income for the year was \$45 thousand as compared to an operating loss of \$9 thousand during the 2009 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 \$62 thousand for the fiscal year ended June 30, 2010. 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, 2010	June 30, 2009	Increase (Decrease)	
			\$	%
Current and other assets	\$ 670,843	\$ 583,465	\$ 87,378	14.98%
Capital assets	767,572	823,065	(55,493)	-6.74%
Total assets	<u>1,438,415</u>	<u>1,406,530</u>	<u>31,885</u>	2.27%
Total liabilities	457,859	487,515	(29,656)	-6.08%
Investment in capital assets	767,572	821,899	(54,327)	-6.61%
Unrestricted net assets	<u>212,984</u>	<u>97,116</u>	<u>115,868</u>	119.31%
Total net assets	<u>\$ 980,556</u>	<u>\$ 919,015</u>	<u>\$ 61,541</u>	6.70%

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.

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

	June 30, 2010	June 30, 2009	Increase (Decrease)	
			\$	%
Operating revenues	\$ 794,977	\$ 760,561	\$ 34,416	4.53%
Non-operating revenues	<u>16,681</u>	<u>17,831</u>	<u>(1,150)</u>	-6.45%
Total revenues	<u>811,658</u>	<u>778,392</u>	<u>33,266</u>	4.27%
Salaries and wages	355,141	350,960	4,181	1.19%
Employee benefits	136,645	130,429	6,216	4.77%
Contracted services	112,721	111,155	1,566	1.41%
Supplies and materials	34,653	32,864	1,789	5.44%
Other charges	28,858	28,268	590	2.09%
Depreciation & Amortization	<u>82,099</u>	<u>115,623</u>	<u>(33,524)</u>	-28.99%
Total expenses	750,117	769,299	(19,182)	-2.49%
Change in net assets	61,541	9,093	52,448	576.80%
Beginning net assets	919,015	736,600	182,415	24.76%
Prior period adjustment	<u>-</u>	<u>173,322</u>	<u>(173,322)</u>	0.00%
Adjusted beginning net assets	<u>919,015</u>	<u>909,922</u>	<u>9,093</u>	
Ending net assets	<u>\$ 980,556</u>	<u>\$ 919,015</u>	<u>\$ 61,541</u>	6.70%

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.

Operating revenues showed a 4.53% increase from 2009 to 2010. The operational revenue increased due to additional state funding for dispatcher training. The state also granted additional operational funding during 2010, however, the District lost National Crime Information Center (NCIC) through the Tennessee Bureau of Investigation (TBI) work from Crockett County. In 2009, a vehicle was donated. No donations were received during the current year, causing non-operational funding to decrease. Expenses decreased 2.49% from 2009 to 2010. Ending net assets showed an increase of 6.70%.

CAPITAL ASSETS

At the end of fiscal year 2010, the system had \$768 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 \$135 thousand or 14.93% 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, 2010. 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)	
	2010	2009	\$	%
Land and buildings	\$ 539,870	\$ 571,664	\$ (31,794)	-5.56%
Equipment	227,702	330,619	(102,917)	-31.13%
Total capital assets, net of accumulated depreciation	\$ 767,572	\$ 902,283	\$(134,711)	-14.93%

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 a \$229,000 grant to upgrade equipment to the "Next Generation Emergency 911 System."

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, 2010

ASSETS AND LIABILITIES

CURRENT ASSETS	
Cash	\$ 200,400
CDs	300,000
Prepaid expenses	10,143
Accounts receivable	43,889
Due from primary government	115,548
<u>Total Current Assets</u>	<u>669,980</u>
NONCURRENT ASSETS	
CAPITAL ASSETS	
Land and buildings	779,423
Communications equipment	690,896
Office equipment	111,672
Vehicles	4,879
Less accumulated depreciation	(819,298)
<u>Net Capital Assets</u>	<u>767,572</u>
OTHER ASSETS	
Intangible Assets	2,125
Less accumulated amortization	(1,262)
<u>Net Other Assets</u>	<u>863</u>
<u>Total Noncurrent Assets</u>	<u>768,435</u>
<u>Total Assets</u>	<u>1,438,415</u>
CURRENT LIABILITIES	
Accounts payable	7,845
Compensated absences payable	6,681
Deferred revenue-Gibson County	28,000
<u>Total Current Liabilities</u>	<u>42,526</u>
LONG-TERM LIABILITIES	
Deferred revenue-Gibson County	415,333
<u>Total Long-term Liabilities</u>	<u>415,333</u>
<u>Total Liabilities</u>	<u>457,859</u>
<u>NET ASSETS</u>	
Investment in capital assets	767,572
Unrestricted net assets	212,984
<u>Total Net Assets</u>	<u>\$ 980,556</u>

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

GIBSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010

OPERATING REVENUES	
Emergency telephone service charge	\$ 404,738
State emergency communications board - shared wireless charge	121,708
State emergency communications board - operational funding	151,617
Other Communication Revenues	116,914
<u>Total Operating Revenues</u>	<u>794,977</u>
OPERATING EXPENSES	
Salaries and wages	355,141
Employee benefits	136,645
Contracted services	112,721
Supplies and materials	34,653
Other charges	28,858
Depreciation	81,648
Amortization	451
<u>Total Operating Expenses</u>	<u>750,117</u>
<u>Operating Income</u>	<u>44,860</u>
NON-OPERATING REVENUE AND EXPENSE	
State grants and reimbursements	10,000
Interest earned	4,168
Rental income	1,400
Insurance bonus	1,113
<u>Total Non-Operating Revenue and Expense</u>	<u>16,681</u>
Increase in Net Assets	61,541
NET ASSETS - JULY 1, 2009	<u>919,015</u>
NET ASSETS - JUNE 30, 2010	<u>\$ 980,556</u>

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, 2010

Cash Flows from Operating Activities:	
Cash received from AT&T and others	\$ 870,454
Cash paid to suppliers of goods and services	(174,521)
Cash paid for employees' services	(495,153)
<u>Net Cash Provided by Operating Activities</u>	<u>200,780</u>
Cash Flows from Non-Capital and Related Financing Activities:	
Grant reimbursements on GIS Mapping expenses	10,000
<u>Net Cash Provided by Capital and Related Financing Activities</u>	<u>10,000</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of fixed assets	(27,468)
<u>Net Cash Used by Capital and Related Financing Activities</u>	<u>(27,468)</u>
Cash Flows from Investing Activities:	
Purchase of investments	(300,000)
Sale of investments	200,000
Interest received	4,168
<u>Net Cash Used by Investing Activities</u>	<u>(95,832)</u>
<u>Net Increase in Cash</u>	87,480
BEGINNING CASH - JULY 1, 2009	<u>112,920</u>
ENDING CASH - JUNE 30, 2010	<u>\$ 200,400</u>
RECONCILIATION OF OPERATING INCOME TO	
NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 44,860
Adjustments to reconcile operating income to	
net cash provided by operating activities:	
Depreciation and Amortization	82,099
Amortization of dispatch fees	(28,000)
Rental income and insurance reimbursements	2,513
Changes in assets and liabilities:	
Accounts receivable	100,964
Accounts payable	1,711
Compensated absences payable	(3,367)
<u>Net Cash Provided by Operating Activities</u>	<u>\$ 200,780</u>

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

GIBSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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, 2010

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, 2010, accrued leave was booked for \$6,681.

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, 2010

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.

G. Net Assets

Equity is reported as net assets which are classified into the following components as applicable:

- Invested in capital assets-consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any payables that are attributable to the acquisition, construction, or improvement of those assets
- Restricted-net assets when constraints are placed on their use by external third parties or imposed by law.
- Unrestricted-all other net assets that do not meet the definition of the other categories.

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, 2010, all bank deposits were fully collateralized or insured.

GIBSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS (Cont.)

JUNE 30, 2010

NOTE 4 – CAPITAL ASSETS

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

Description	Balance 07/1/2009	Additions (Dispositions)	Balance 06/30/2010
Capital Assets			
Building	\$ 705,174	\$ -	\$ 705,174
Land	66,400	-	66,400
Leasehold improvements	7,850	-	7,850
Communication equipment	669,685	21,211	690,896
Office equipment	113,175	(1,504)	111,671
Vehicles	<u>4,879</u>	<u>-</u>	<u>4,879</u>
Total capital assets	<u>1,567,163</u>	<u>19,707</u>	<u>1,586,870</u>
Less accumulated depreciation			
Building	206,743	24,963	231,706
Leasehold improvements	7,195	653	7,848
Communication equipment	447,524	41,851	489,375
Office equipment	83,357	5,590	88,947
Vehicles	<u>446</u>	<u>976</u>	<u>1,422</u>
Total accumulated depreciation	<u>745,265</u>	<u>74,033</u>	<u>819,298</u>
Net capital assets	<u>\$ 821,898</u>	<u>\$ (54,326)</u>	<u>\$ 767,572</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, 2010

NOTE 6 – RETIREMENT PLAN

As of the date of issue, the 2009 retirement footnote was the most recent released by the State of Tennessee.

Plan 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.

GIBSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS (Cont.)

JUNE 30, 2010

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

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 (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%	\$ -
6/30/2008	\$ 34,136	100.00%	\$ -
6/30/2007	\$ 33,317	100.00%	\$ -

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.

GIBSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS (Cont.)

JUNE 30, 2010

NOTE 6 – RETIREMENT PLAN (cont.)

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.

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)	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 \$2,940, \$303, and \$275 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, 2010

NOTE 10 – BUDGET OVERRUNS

The line-item for repairs to communication equipment had a budget overrun of \$1,576.

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

SCHEDULE OF FUNDING PROGRESS

JUNE 30, 2010

<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 SECTION

GIBSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

BUDGETARY COMPARISON SCHEDULE (Budgetary Basis)

FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual	Variance Under (Over)
OPERATING REVENUES				
Emergency telephone service charge	\$ 405,600	\$ 473,374	\$ 462,552	\$ 10,822
State shared wireless charge	100,000	165,000	164,415	585
Operational Funding	104,000	154,000	151,617	2,383
Other operating revenues	90,857	88,914	88,914	-
	<u>700,457</u>	<u>881,288</u>	<u>867,498</u>	<u>13,790</u>
OPERATING EXPENSES				
Salaries and Wages:				
Dispatchers	360,824	360,824	350,325	10,499
Overtime	6,000	8,183	8,183	-
Employee Benefits:				
Social security	22,743	22,743	22,228	515
Medicare	5,319	5,319	5,199	120
Medical insurance	70,129	72,372	72,372	-
Unemployment compensation	500	500	381	119
Retirement	41,781	36,465	36,465	-
Contracted Services:				
Advertising	200	200	33	167
Audit services	4,000	4,000	4,000	-
Accounting services	11,300	11,300	10,820	480
Fees paid to service providers	52,420	52,420	48,193	4,227
Janitorial services	3,600	3,600	3,405	195
Legal services	3,000	-	-	-
Maintenance contracts	34,730	26,730	26,311	419
Pest control	330	330	312	18
Repairs and maintenance:				
Communications equipment	4,000	7,000	8,576	(1,576)
Office buildings	8,000	10,500	10,400	100
Office equipment	1,000	1,000	254	746
Automobile	-	500	432	68
Medical expense	150	150	-	150
Supplies and Materials:				
Office supplies	4,000	4,000	3,667	333
Custodial supplies	750	750	538	212

Continued

GIBSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

BUDGETARY COMPARISON SCHEDULE (Cont.)

FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual	Variance Under (Over)
OPERATING EXPENSES (Cont.)				
Supplies and Materials (cont.):				
Uniforms & shirts	\$ 2,500	\$ 2,500	\$ 2,300	\$ 200
Postage	500	500	318	182
Utilities:				
Electric	15,500	15,500	13,995	1,505
Gas	2,750	2,750	2,144	606
Water	375	375	317	58
Telephone	13,220	13,220	10,499	2,721
Diesel	1,000	1,000	875	125
Other Charges:				
Board meeting expense	1,250	750	681	69
Dues and memberships	1,200	1,200	760	440
Insurance:				
Workers compensation	2,550	1,355	1,355	-
Liability	11,000	7,806	7,806	-
Building and contents	10,000	7,895	7,895	-
Equipment	3,750	3,529	3,529	-
Premiums on fidelity bonds	1,800	1,800	1,388	412
Training expenses	2,500	500	378	122
Travel expenses	5,000	3,500	3,164	336
Trash collections and disposal	1,500	1,500	1,468	32
Miscellaneous expense	1,500	500	435	65
Office equipment	3,500	6,000	5,642	358
Communications equipment	14,000	22,000	21,810	190
Depreciation expense	117,226	117,226	-	117,226
<u>Total Operating Expenses</u>	<u>847,397</u>	<u>840,292</u>	<u>698,853</u>	<u>141,439</u>
<u>Operating Income (Loss) -</u>				
<u>Budgetary Basis</u>	<u>(146,940)</u>	<u>40,996</u>	<u>168,645</u>	<u>(127,649)</u>
<u>NON-OPERATING REVENUES BUDGETARY BASIS</u>				
Interest income	2,000	4,000	4,168	(168)
State grants and reimbursements	10,000	10,000	10,000	-
Insurance bonus	-	-	1,113	(1,113)
Land rental	1,400	1,400	1,400	-
	<u>13,400</u>	<u>15,400</u>	<u>16,681</u>	<u>(1,281)</u>
Net Income (Loss)-Budgetary Basis	<u>\$ (133,540)</u>	<u>\$ 56,396</u>	<u>\$ 185,326</u>	<u>\$ (128,930)</u>

See the independent auditor's report.

GIBSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

BUDGETARY COMPARISON SCHEDULE (Cont.)

FOR THE YEAR ENDED JUNE 30, 2010

RECONCILIATION TO GAAP

Net Income (Loss)-Budgetary Basis	\$ 185,326
Adjustments For:	
Depreciation and Amortization	(82,099)
Amortization of deferred revenue	28,000
Fixed assets capitalized	27,468
Compensated absences	3,367
Accounts receivable	<u>(100,521)</u>
<u>Net Income</u>	<u>\$ 61,541</u>

See independent auditor's report.

GIBSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

SCHEDULE OF STATE AWARDS

FOR THE YEAR ENDED JUNE 30, 2010

<u>Grantor</u> <u>Program Title</u>	<u>Grant</u> <u>Number</u>	<u>Balance</u> <u>July 1, 2009</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>June 30, 2010</u>
Tennessee Emergency Communications Board GIS Maintenance Grant	Z-08-211937	\$ -	\$ 10,000	\$ 10,000	\$ -

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

JUNE 30, 2010

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

Members of

26

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

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, 2010, and have issued our report thereon dated September 9, 2010. 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.

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

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

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

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 September 9, 2010.

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 black ink that reads "Alexander Thompson Arnold, CPA". The signature is written in a cursive style with a large, sweeping initial 'A'.

Certified Public Accountants

Jackson, Tennessee
September 9, 2010

GIBSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

JUNE 30, 2010

Prior year findings:

The prior year finding has been corrected.

Current year findings:

There are no current year findings.