

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

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2012**

**GIBSON COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT  
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**GIBSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
JUNE 30, 2012**

**SCHEDULE OF OFFICIALS**

James Fountain, Chairman  
Bryan Cathey, Vice-Chairman  
Tommy Litton, Secretary  
John Vickers, Treasurer  
Jeff Maitland  
James Fuchs  
Austin Lewis  
Andy Carlton  
Terry Shelton

**Management Official**

Robert Moore, Executive Director

**Independent Certified Public Accountants**

Alexander Thompson Arnold PLLC  
Jackson, Tennessee



Certified Public Accountants

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AICPA Employee Benefit Plan Audit Quality Center  
Tennessee Society of Certified Public Accountants  
Kentucky Society of Certified Public Accountants

## Independent Auditor's 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, 2012, 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 respective financial position of the District as of June 30, 2012, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 3, 2012, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 schedule of funding progress on pages 3 through 6 and 17 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or 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 expenses are the responsibility of management and were derived from and relate 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 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

A handwritten signature in black ink that reads "Alexander Thompson Arnold, PLLC". The signature is written in a cursive, flowing style.

Certified Public Accountants

Jackson, Tennessee  
September 3, 2012

## **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, 2012. 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 \$1.8 million and exceeded liabilities in the amount of \$1.4 million (i.e. net assets). Total assets increased by \$281 thousand.
- Net assets increased \$319 thousand during the current year.
- Operating revenues were \$1.1 million, an increase from year 2011 in the amount of \$279 thousand or 33.98%.
- Operating expenses were \$795 thousand, an increase of \$44 thousand from 2011, or 5.87%.
- The operating income for the year was \$303 thousand as compared to an operating income of \$68 thousand during the 2011 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 required 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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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 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 \$319 thousand for the fiscal year ended June 30, 2012. The analysis below focuses on the District's net assets (Table 1) and changes in net assets (Table 2) during the year.

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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Table 1  
**CONDENSED STATEMENT OF NET ASSETS**

			Increase (Decrease)	
	June 30, 2012	June 30, 2011	\$	%
Current and other assets	\$ 889,298	\$ 808,008	\$ 81,290	10.06%
Capital assets	919,807	719,717	200,090	27.80%
Total assets	<u>1,809,105</u>	<u>1,527,725</u>	<u>281,380</u>	18.42%
Current liabilities	47,539	57,510	(9,971)	-17.34%
Long-term liabilities	359,333	387,333	(28,000)	-7.23%
Total liabilities	<u>406,872</u>	<u>444,843</u>	<u>(37,971)</u>	-8.54%
Investment in capital assets	919,807	719,717	200,090	27.80%
Unrestricted net assets	<u>482,426</u>	<u>363,165</u>	<u>119,261</u>	32.84%
Total net assets	<u>\$ 1,402,233</u>	<u>\$ 1,082,882</u>	<u>\$ 319,351</u>	29.49%

Table 2  
**CONDENSED STATEMENT OF INCOME, EXPENSES  
AND CHANGES IN FUND NET ASSETS**

			Increase (Decrease)	
	June 30, 2012	June 30, 2011	\$	%
Operating revenues	\$ 839,582	\$ 809,676	\$ 29,906	3.69%
Non-operating revenues	275,147	43,948	231,199	526.07%
Total revenues	<u>1,114,729</u>	<u>853,624</u>	<u>261,105</u>	30.59%
Salaries and wages	377,082	352,830	24,252	6.87%
Employee benefits	132,184	127,183	5,001	3.93%
Contracted services	119,724	134,549	(14,825)	-11.02%
Supplies and materials	34,778	35,093	(315)	-0.90%
Other charges	31,926	28,288	3,638	12.86%
Depreciation & Amortization	99,684	73,352	26,332	35.90%
Total expenses	<u>795,378</u>	<u>751,295</u>	<u>44,083</u>	5.87%
Change in net assets	319,351	102,329	217,022	212.08%
Beginning net assets	1,082,882	980,553	102,329	10.44%
Ending net assets	<u>\$ 1,402,233</u>	<u>\$ 1,082,882</u>	<u>\$319,351</u>	29.49%

Operating revenues showed a 33.98% increase from 2011 to 2012. The operational revenue

## MANAGEMENT'S DISCUSSION AND ANALYSIS

increased due to reimbursement from the State for system equipment upgrades. Non-operational revenues decreased due to insurance recovery in the 2011 year not received in 2012. Expenses increased 5.87% from 2011 to 2012. Ending net assets showed an increase of 24.49%.

### CAPITAL ASSETS

At the end of fiscal year 2012, the system had \$920 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 increase (net of increases and decreases) of \$200 thousand or 27.80% 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, 2012. These changes are presented in detail in Note 3B to the financial statements.

Table 3  
**CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION**

	June 30,	June 30,	Increase (Decrease)	
	2012	2011	\$	%
Land	\$ 66,400	\$ 66,400	\$ -	0.00%
Buildings	426,608	452,371	(25,763)	-5.70%
Office equipment	9,824	14,829	(5,005)	-33.75%
Communications equipment	397,327	183,635	213,692	116.37%
Vehicles	19,648	2,482	17,166	691.62%
Total capital assets, net of accumulated depreciation	<u>\$919,807</u>	<u>\$719,717</u>	<u>\$ 17,166</u>	<u>2.39%</u>

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.

### 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, 2012

**Assets**

**Current assets**

Cash and deposits	\$ 544,972
Certificates of deposit	300,000
Accrued interest receivable	979
Accounts receivable	40,375
Prepaid expenses	<u>2,445</u>
Total current assets	<u>888,771</u>

**Noncurrent assets**

Capital assets

Land	66,400
Buildings and improvements	717,023
Office equipment	89,292
Communications equipment	935,032
Vehicles	<u>23,306</u>
Total capital assets	1,831,053
Less accumulated depreciation	<u>(911,246)</u>
Net capital assets	<u>919,807</u>

Other assets

Intangible assets	2,725
Less accumulated amortization of intangibles	<u>(2,198)</u>
Net other assets	<u>527</u>
Total noncurrent assets	<u>920,334</u>
<b>Total assets</b>	<b><u>1,809,105</u></b>

**Liabilities**

**Current liabilities**

Accounts payable	6,644
Compensated absences payable	12,895
Deferred revenue-Gibson County	<u>28,000</u>
Total current liabilities	<u>47,539</u>

**Long-term liabilities**

Deferred revenue-Gibson County	<u>359,333</u>
Total long-term liabilities	<u>359,333</u>
Total liabilities	<u>406,872</u>

**Net assets**

Investment in capital assets	919,807
Unrestricted net assets	<u>482,426</u>
<b>Total net assets</b>	<b><u>\$ 1,402,233</u></b>

*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, 2012

**Operating Revenues**

Emergency telephone service charge	\$ 423,824
State emergency communications board - shared wireless charge	118,748
State emergency communications board - operational funding	185,932
Other operating revenues	<u>111,078</u>
Total operating revenues	<u>839,582</u>

**Operating Expenses**

Salaries and wages	377,082
Employee benefits	132,184
Contracted services	119,724
Supplies and materials	34,778
Other charges	31,926
Depreciation	99,284
Amortization	<u>400</u>
Total operating expenses	<u>795,378</u>

Operating income	<u>44,204</u>
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**Non-Operating Revenue and Expense**

Interest income	5,800
Insurance bonus	500
State grants and reimbursements	258,623
Rental income	3,918
Insurance recoveries	<u>6,306</u>
Total non-operating revenue and expense	<u>275,147</u>

<b>Increase in net assets</b>	<b>319,351</b>
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Net assets - July 1, 2011	<u>1,082,882</u>
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<b>Net assets - June 30, 2012</b>	<b><u>\$ 1,402,233</u></b>
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*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, 2012

**Cash Flows from Operating Activities:**

Cash received from surcharges and other revenues	\$ 825,793
Cash paid to suppliers of goods and services	(193,189)
Cash paid for employees' services and related benefits	<u>(504,778)</u>
Net cash provided by operating activities	<u>127,826</u>

**Cash Flows from Capital and Related Financing Activities:**

Acquisition of fixed assets	(181,775)
Grant reimbursements on acquisition of fixed assets	<u>258,623</u>
Net cash used by capital and related financing activities	<u>76,848</u>

**Cash Flows from Investing Activities:**

Purchase of investments	(300,000)
Sale of investments	300,000
Interest received	<u>6,022</u>
Net cash provided by investing activities	<u>6,022</u>

**Net Increase in Cash** **210,696**

Beginning Cash - July 1, 2011	<u>334,276</u>
Ending Cash - June 30, 2012	<u>\$ 544,972</u>

**Reconciliation of Operating Income to net cash provided by operating activities:**

Operating income	\$ 44,204
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	99,684
Amortization of dispatch fees	(28,000)
Other revenues classified as nonoperating	10,724
Changes in assets and liabilities:	
Current receivables	3,487
Prepays	7,698
Accounts payable	(14,459)
Compensated absences payable	<u>4,488</u>
<b>Net cash provided by operating activities</b>	<b><u>\$ 127,826</u></b>

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

**GIBSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2012

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES**

**A. 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 is 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.

**B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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.

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

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

**GIBSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2012

**C. Assets, Liabilities, and Net Assets**

**Deposits and Investments**

Cash and Cash Equivalents are considered to be all demand deposits and other deposits with original maturities of three months or less are included in caption cash and cash equivalents.

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.

**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.

**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. Capitalization threshold and estimated useful lives are as follows:

	<u>Life</u>	<u>Threshold</u>
Equipment	5 to 20 Years	2,500
Building	30 Years	10,000

**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, 2012, the liability for accrued leave was \$12,895.

**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.

**GIBSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2012

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**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 another comprehensive basis of accounting, which is not in accordance with generally accepted accounting principles. The budgetary basis of accounting includes expenditures for capital assets but does not include depreciation. Expenditures are required to be within budgetary limits at the line item level of control.

The line-item expense overruns were dispatcher salaries of \$7,434; social security tax of \$32; Medicare tax of \$7; advertising of \$36; repairs and maintenance of \$1,124; and depreciation expense of \$27.

**NOTE 3 – DETAILED NOTES ON ACCOUNTS**

**A. Deposits 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, 2012, all bank deposits were fully collateralized or insured.

**B. 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.

**C. Capital Assets**

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

**GIBSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2012

<u>Description</u>	<u>Balance</u> <u>06/30/2011</u>	<u>Additions</u>	<u>Dispostions</u>	<u>Balance</u> <u>06/30/2012</u>
Capital assets, not being depreciated				
Land	\$ 66,400	\$ -	\$ -	\$ 66,400
Capital Assets				
Building and improvements	717,023	-	-	717,023
Office equipment	88,063	1,229	-	89,292
Communication equipment	655,314	279,718	-	935,032
Vehicles	4,879	18,427	-	23,306
Total capital assets	<u>1,465,279</u>	<u>299,374</u>	<u>-</u>	<u>1,764,653</u>
Less accumulated depreciation				
Building and improvements	264,652	25,763	-	290,415
Office equipment	73,234	6,234	-	79,468
Communication equipment	471,679	66,026	-	537,705
Vehicles	2,397	1,261	-	3,658
Total accumulated depreciation	<u>811,962</u>	<u>99,284</u>	<u>-</u>	<u>911,246</u>
Net capital assets	<u>\$ 719,717</u>	<u>\$ 200,090</u>	<u>\$ -</u>	<u>\$ 919,807</u>

**NOTE 4 – OTHER INFORMATION**

**A. 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.

**B. Retirement Plan**

**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

**GIBSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2012

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, 10<sup>th</sup> 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 5.0 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, 2012 was 11.08% 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, 2012, Gibson County E-911's annual pension cost of \$35,046 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, 2009 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 3.0percent annual inflation rate, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. 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, 2009 was 10 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

**GIBSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2012

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2012	\$ 35,046	100%	\$ -
6/30/2011	33,017	100%	\$ -
6/30/2010	36,465	100%	\$ -

**Funded Status and Funding Progress**

As of July 1, 2009, the most recent actuarial valuation date available, the plan was 90.03% percent funded. The actuarial accrued liability for benefits was \$0.6 million, and the actuarial value of assets was \$0.5 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.1 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.3 million, and the ratio of the UAAL to the covered payroll was 21.41% 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.

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, 2009	\$ 533,000	\$ 592,000	\$59,000	90.03%	\$276,000	21.41%
July 1, 2007	449,000	513,000	64,000	87.52%	259,000	24.71%

**C. 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

**GIBSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

June 30, 2012

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 and there has been no significant reduction in coverage.

## **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, 2012

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, 2009	\$ 533,000	\$ 592,000	\$59,000	90.03%	\$276,000	21.41%
July 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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
<b>Operating Revenues</b>				
Emergency telephone service charge	\$ 378,000	\$ 442,000	\$ 423,824	\$ (18,176)
State - shared wireless charge	120,000	120,000	118,748	(1,252)
State - operational funding	164,000	164,000	185,932	21,932
Other operating revenues	<u>83,427</u>	<u>83,077</u>	<u>111,078</u>	<u>28,001</u>
Total operating revenues	<u>745,427</u>	<u>809,077</u>	<u>839,582</u>	<u>30,505</u>
<b>Operating Expenses</b>				
Salaries and wages				
Dispatchers	354,956	364,074	371,508	7,434
Overtime	<u>8,000</u>	<u>8,000</u>	<u>5,574</u>	<u>(2,426)</u>
Total salaries and wages	<u>362,956</u>	<u>372,074</u>	<u>377,082</u>	<u>5,008</u>
Employee benefits				
Social security	22,503	23,068	23,100	32
Medicare	5,263	5,395	5,402	7
Medical insurance	75,900	75,900	68,372	(7,528)
Unemployment compensation	500	500	264	(236)
Retirement	<u>40,215</u>	<u>41,254</u>	<u>35,046</u>	<u>(6,208)</u>
Total employee benefits	<u>144,381</u>	<u>146,117</u>	<u>132,184</u>	<u>(13,933)</u>
Contracted services				
Advertising	500	500	536	36
Audit services	4,500	4,500	4,265	(235)
Accounting services	11,700	11,700	11,420	(280)
Fees paid to service providers	48,987	50,487	47,572	(2,915)
Janitorial services	3,600	2,600	2,205	(395)
Legal services	1,000	1,000	-	(1,000)
Maintenance contracts	37,550	37,550	35,910	(1,640)
Pest control	330	330	312	(18)
Repairs and maintenance:				
Communications equipment	4,000	9,000	9,722	722
Office buildings	4,000	4,000	4,402	402
Office equipment	1,000	1,000	280	(720)
Automobile	1,000	1,000	549	(451)
Mowing and landscaping	4,000	3,000	2,551	(449)
Medical expense	<u>150</u>	<u>150</u>	<u>-</u>	<u>(150)</u>
Total contracted services	<u>122,317</u>	<u>126,817</u>	<u>119,724</u>	<u>(7,093)</u>

*See independent auditor's report.*

**GIBSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
BUDGETARY COMPARISON SCHEDULE**

For the Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Under (Over)</u>
Supplies and materials				
Office supplies	\$ 4,000	\$ 5,500	\$ 5,087	\$ (413)
Custodial supplies	750	1,350	1,167	(183)
Postage	750	750	193	(557)
Uniforms & shirts	1,000	1,000	989	(11)
Electric	17,500	17,500	13,490	(4,010)
Gas	2,750	2,750	1,105	(1,645)
Water	375	375	333	(42)
Telephone	13,220	13,220	11,995	(1,225)
Diesel	1,250	1,250	419	(831)
Total supplies and materials	<u>41,595</u>	<u>43,695</u>	<u>34,778</u>	<u>(8,917)</u>
Other Charges				
Board meeting expense	1,250	350	260	(90)
Dues and memberships	1,200	1,200	760	(440)
Insurance:				
Workers compensation	2,550	1,050	1,004	(46)
Liability	11,000	7,200	7,145	(55)
Building and contents	10,000	9,500	9,472	(28)
Equipment	3,750	5,750	5,647	(103)
Licenses and fees	100	200	171	(29)
Premiums on fidelity bonds	1,800	1,800	1,400	(400)
Training expenses	2,500	1,000	594	(406)
Travel expenses	5,000	3,000	2,726	(274)
Trash collections and disposal	2,100	2,100	1,753	(347)
Miscellaneous expense	1,500	1,500	994	(506)
Total other charges	<u>42,750</u>	<u>34,650</u>	<u>31,926</u>	<u>(2,724)</u>
Depreciation and amortization				
Depreciation and amortization expense	<u>71,596</u>	<u>72,396</u>	<u>99,684</u>	<u>27,288</u>
Total operating expenses	<u>785,595</u>	<u>795,749</u>	<u>795,378</u>	<u>(371)</u>
<b>Operating income (loss) -     Budgetary basis</b>	<u><b>(40,168)</b></u>	<u><b>13,328</b></u>	<u><b>44,204</b></u>	<u><b>30,876</b></u>

*See the independent auditor's report.*

**GIBSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
BUDGETARY COMPARISON SCHEDULE**

For the Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Under (Over)</u>
<b>Non-Operating Revenues Budgetary Basis</b>				
Interest income	2,000	6,000	5,800	(200)
Insurance bonus	-	500	500	-
State grants and reimbursements	116,000	140,450	258,623	118,173
Land rental	1,400	3,918	3,918	-
Insurance recoveries	-	6,306	6,306	-
Prior year fund balance	<u>56,428</u>	<u>56,428</u>	<u>-</u>	<u>(56,428)</u>
	<u>175,828</u>	<u>213,602</u>	<u>275,147</u>	<u>61,545</u>
<b>Non-Operating Expenses Budgetary Basis</b>				
Capital expenses				
Office equipment	2,000	2,000	1,829	(171)
Communications equipment	133,660	163,660	161,519	(2,141)
Vehicles	-	20,000	18,427	(1,573)
<b>Total capital expenses</b>	<u>\$ 135,660</u>	<u>\$ 185,660</u>	<u>181,775</u>	<u>\$ (3,885)</u>
<b>Net income - budgetary basis</b>	<u>\$ -</u>	<u>\$ 41,270</u>	<u>\$ 137,576</u>	<u>\$ 96,306</u>
<b>Reconciliation to GAAP</b>				
Net income - budgetary basis			\$ 137,576	
Adjustments for:				
Fixed assets capitalized			<u>181,775</u>	
<b>Increase in net assets</b>			<u>\$ 319,351</u>	

*See the independent auditor's report.*

**GIBSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
SCHEDULE OF OPERATING EXPENSES**

For the Year Ended June 30, 2012

Salaries and wages	
Dispatchers	\$ 371,508
Overtime	5,574
Total salaries and wages	<u>377,082</u>
 Employee benefits	
Social security	23,100
Medicare	5,402
Medical insurance	68,372
Unemployment compensation	264
Retirement	35,046
Total employee benefits	<u>132,184</u>
 Contracted services	
Advertising	536
Audit services	4,265
Accounting services	11,420
Fees paid to service providers	47,572
Janitorial services	2,205
Maintenance contracts	35,910
Pest control	312
Repairs and maintenance:	
Communications equipment	9,722
Office buildings	4,402
Office equipment	280
Automobile	549
Mowing and landscaping	2,551
Total contracted services	<u>119,724</u>
 Supplies and materials	
Office supplies	5,087
Custodial supplies	1,167
Postage	193
Uniforms & shirts	989
Electric	13,490
Gas	1,105
Water	333
Telephone	11,995
Diesel	419
Total supplies and materials	<u>34,778</u>

*See independent auditor's report.*

**GIBSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
SCHEDULE OF OPERATING EXPENSES**

For the Year Ended June 30, 2012

Other Charges	
Board meeting expense	\$ 260
Dues and memberships	760
Insurance:	
Workers compensation	1,004
Liability	7,145
Building and contents	9,472
Equipment	5,647
Licenses and fees	171
Premiums on fidelity bonds	1,400
Training expenses	594
Travel expenses	2,726
Trash collections and disposal	1,753
Miscellaneous expense	994
Total other charges	<u>31,926</u>

*See independent auditor's report.*

## **INTERNAL CONTROL AND COMPLIANCE SECTION**



Certified Public Accountants

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

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, 2012, and have issued our report thereon dated September 3, 2012. 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**

Management of the District is responsible for establishing and maintaining effective 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.

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 3, 2012.

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, PLLC". The signature is written in a cursive style with a large, stylized initial 'A'.

Certified Public Accountants

Jackson, Tennessee  
September 3, 2012

**GIBSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
June 30, 2012

**Prior year findings**

There were no prior year findings reported.

**Current year findings**

There are no current year findings reported.