

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

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

**GIBSON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT
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**GIBSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
JUNE 30, 2013**

SCHEDULE OF OFFICIALS

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

Management Official

Robert Moore, Executive Director

Independent Certified Public Accountants

Alexander Thompson Arnold PLLC
Jackson, Tennessee

Members of:

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



Certified Public Accountants
Offices in Tennessee & Kentucky

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Jackson, TN 38305

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Independent Auditor's Report

Board of Directors
Gibson County Emergency Communications District
Dyer, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the Gibson County Emergency Communications District, a component unit of Gibson County, Tennessee, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Gibson County Emergency Communications District, as of June 30, 2013, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of funding progress on pages 4–8 and 18 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of 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.

Other Information

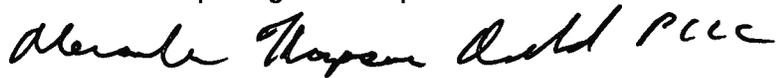
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Gibson County Emergency Communication District's basic financial statements. The schedule of officials, schedule of operating expenses and the budgetary comparison schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The schedule of officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2013 on our consideration of the Gibson County Emergency Communications District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Gibson County Emergency Communications District's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Mervyn Haysen" followed by some less legible characters, possibly initials or a firm name.

Certified Public Accountants

Jackson, Tennessee
September 9, 2013

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, 2013. 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 \$1.97 million and exceeded liabilities in the amount of \$1.59 million (i.e. net position). Total assets increased by \$162 thousand or 8.93%.
- Net position increased \$190 thousand or 13.53% during the current year.
- Operating revenues were \$845 Thousand, an increase from year 2012 in the amount of \$6 thousand or 0.70%.
- Operating expenses were \$847 thousand, an increase of \$52 thousand from 2012, or 6.51%.
- The operating loss for the year was \$1,660 as compared to an operating income of \$44 thousand during the 2012 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 and other 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) supplemental and other 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 supplementary and other 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 Position* presents the financial position of the District on a full accrual, historical cost basis. The statement of net position includes all of the District's assets, liabilities and deferred inflows/outflows of resources, with the difference reported as net position. 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 Position* presents the results of the business activities over the course of the fiscal year and information as to how the net position changed during the year. All changes in net position 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 Position and the Statement of Revenues, Expenses and Changes in Fund Net Position report information about the District's activities in a way that will help answer this question. These two statements report the net position of the District and the changes in the net position. Net position are one way to measure the financial health or financial position of the District. Over time, increases or decreases in the District's net position 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 position increased by \$190 thousand for the fiscal year ended June 30, 2013. The analysis below focuses on the District's net position (Table 1) and changes in net position (Table 2) during the year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Table 1
CONDENSED STATEMENT OF NET POSITION

	June 30, 2013	June 30, 2012	Increase (Decrease)	
			\$	%
Current and other assets	\$ 964,895	\$ 889,298	\$ 75,597	8.50%
Capital assets	1,005,741	919,807	85,934	9.34%
Total assets	1,970,636	1,809,105	161,531	8.93%
Current liabilities	47,331	47,539	(208)	-0.44%
Long-term liabilities	331,333	359,333	(28,000)	-7.79%
Total liabilities	378,664	406,872	(28,208)	-6.93%
Net investment in capital assets	1,005,741	919,807	85,934	9.34%
Unrestricted net assets	586,231	482,426	103,805	21.52%
Total net position	\$ 1,591,972	\$ 1,402,233	\$189,739	13.53%

The changes in capital assets were funded primarily by capital contributions from the Tennessee Emergency Communications Board. 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 position can be determined by reviewing the following condensed Statement of Income, Expenses and Changes in Fund Net Position for the years.

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

	June 30, 2013	June 30, 2012	Increase (Decrease)	
			\$	%
Operating revenues	\$ 845,488	\$ 839,582	\$ 5,906	0.70%
Non-operating revenues	34,659	275,147	(240,488)	-87.40%
Total revenues	880,147	1,114,729	(234,582)	-21.04%
Salaries and wages	361,770	377,082	(15,312)	-4.06%
Employee benefits	132,767	132,184	583	0.44%
Contracted services	145,616	119,724	25,892	21.63%
Supplies and materials	32,534	34,778	(2,244)	-6.45%
Other charges	38,263	31,926	6,337	19.85%
Depreciation & Amortization	136,198	99,684	36,514	36.63%
Total expenses	847,148	795,378	51,770	6.51%
Income before capital contribution	32,999	319,351	(286,352)	-89.67%
Capital contribution from TECB	156,740	-	156,740	100.00%
Change in net position	189,739	319,351	(129,612)	
Net position - July 1, 2012	1,402,233	1,082,882	319,351	29.49%
Net position - June 30, 2013	\$ 1,591,972	\$ 1,402,233	\$189,739	13.53%

MANAGEMENT'S DISCUSSION AND ANALYSIS

Operating revenues showed a 0.70% increase from 2012 to 2013. Non operating revenues decreased primarily due to reimbursement of equipment from the Tennessee Emergency Communications Board in the prior year not received in the current. Expenses increased 6.51% from 2012 to 2013 primarily due to increased depreciation from upgraded assets put in place. Ending net position showed an increase of 13.53% due to the previously mentioned items.

CAPITAL ASSETS

At the end of fiscal year 2013, the system had \$1.01 million (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 \$86 thousand or 9.34% 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, 2013. These changes are presented in detail in Note 3B to the financial statements.

Table 3
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

	June 30, 2013	June 30, 2012	Increase (Decrease)	
			\$	%
Land	\$ 66,400	\$ 66,400	\$ -	0.00%
Buildings	419,217	426,608	(7,391)	-1.73%
Office equipment	5,766	9,824	(4,058)	-41.31%
Communications equipment	499,608	397,327	102,281	25.74%
Vehicles	14,750	19,648	(4,898)	-24.93%
Total capital assets, net of accumulated depreciation	<u>\$ 1,005,741</u>	<u>\$ 919,807</u>	<u>\$ 85,934</u>	<u>9.34%</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 as needed to remain compliant with next generation standards.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 POSITION
June 30, 2013

Assets

Current assets

Cash and deposits	\$ 594,905
Certificates of deposit	300,000
Accrued interest receivable	668
Accounts receivable	64,993
Prepaid expenses	<u>4,032</u>
Total current assets	<u>964,598</u>

Noncurrent assets

Capital assets

Land	66,400
Buildings and improvements	736,365
Office equipment	87,878
Communications equipment	959,659
Vehicles	<u>20,941</u>
Total capital assets	1,871,243
Less accumulated depreciation	<u>(865,502)</u>
Net capital assets	<u>1,005,741</u>

Other assets

Intangible assets	2,725
Less accumulated amortization of intangibles	<u>(2,428)</u>
Net other assets	<u>297</u>
Total noncurrent assets	<u>1,006,038</u>
Total assets	<u>1,970,636</u>

Liabilities

Current liabilities

Accounts payable	7,474
Compensated absences payable	11,857
Deferred revenue-Gibson County	<u>28,000</u>
Total current liabilities	<u>47,331</u>

Long-term liabilities

Deferred revenue-Gibson County	<u>331,333</u>
Total long-term liabilities	<u>331,333</u>
Total liabilities	<u>378,664</u>

Net position

Net investment in capital assets	1,005,741
Unrestricted net position	<u>586,231</u>
Total net position	<u>\$ 1,591,972</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 POSITION
For the Year Ended June 30, 2013

Operating Revenues	
Emergency telephone service charge	\$ 339,002
State emergency communications board - shared wireless charge	165,862
State emergency communications board - operational funding	228,364
Other operating revenues	<u>112,260</u>
Total operating revenues	<u>845,488</u>
Operating Expenses	
Salaries and wages	361,770
Employee benefits	132,767
Contracted services	145,616
Supplies and materials	32,534
Other charges	38,263
Depreciation	135,968
Amortization	<u>230</u>
Total operating expenses	<u>847,148</u>
Operating income	<u>(1,660)</u>
Non-Operating Revenue and Expense	
Interest income	5,363
Insurance bonus	750
Loss on sale of assets	(6,364)
Rental income	1,882
Insurance recoveries	<u>33,028</u>
Total non-operating revenue and expense	<u>34,659</u>
Income before captial contribution	32,999
Capital Contributions	
Capital contributions from TECB	<u>156,740</u>
Change in net position	189,739
Net position - July 1, 2012	<u>1,402,233</u>
Net position - June 30, 2013	<u>\$ 1,591,972</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, 2013

Cash Flows from Operating Activities:	
Cash received from surcharges and other revenues	\$ 794,752
Cash paid to suppliers of goods and services	(217,170)
Cash paid for employees' services and related benefits	<u>(495,575)</u>
Net cash provided by operating activities	<u>82,007</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of capital assets	(229,605)
Insurance recoveries	33,778
Proceeds from sale of assets	1,338
Capital contributions	<u>156,740</u>
Net cash used by capital and related financing activities	<u>(37,749)</u>
Cash Flows from Investing Activities:	
Purchase of investments	(300,000)
Sale of investments	300,000
Interest received	<u>5,675</u>
Net cash provided by investing activities	<u>5,675</u>
Net Increase (decrease) in Cash	49,933
Cash and cash equivalents - July 1, 2012	<u>544,972</u>
Cash and cash equivalents- June 30, 2013	<u>\$ 594,905</u>
Reconciliation of Operating Income to net cash provided by operating activities:	
Operating income	\$ (1,660)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	136,198
Amortization of dispatch fees	(28,000)
Other revenues classified as nonoperating	1,882
Changes in assets and liabilities:	
Current receivables	(24,618)
Prepays	(1,587)
Accounts payable	830
Compensated absences payable	<u>(1,038)</u>
Net cash provided by operating activities	\$ 82,007

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

GIBSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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 is accounted for as a single enterprise fund as prescribed by the State. Enterprise funds are a type of proprietary fund, and as such, are reported in accordance with generally accepted accounting principles for proprietary funds as defined by the governmental audit standards board (GASB). Proprietary fund types are reported using the economic resources measurement focus and the accrual basis of accounting. The aim of this measurement focus is to report all inflows, outflows, and balances affecting or reflecting the entities net position. The accrual basis of accounting recognizes income as it is earned and expenses as they are incurred, whether or not cash is received or paid out at that time.

Operating revenues in proprietary funds are those revenues generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. The State has defined grants and reimbursements from TECB to be non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

C. Assets, Liabilities, and Net Position

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.

GIBSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
 June 30, 2013

Capital Assets and Depreciation

Capital 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
Office equipment	3 to 10 Years	1,000
Building	30 Years	10,000

Compensated Absences

Employees who have completed one year of service shall receive one week of vacation time. Employees who have completed two years of service shall receive two weeks of vacation time. Employees who have completed ten years of service shall receive three weeks of vacation time. Employees who have completed twenty years of service shall receive four weeks of vacation time.

The employee is limited to accumulating up to two weeks of leave per year to be taken in pay, and cannot carry any vacation leave over to the next year. At June 30, 2013, the liability for accrued leave was \$11,857.

Deferred Outflows/Inflows of Resources

During the year ended June 30, 2013, the district adopted the provisions of GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. The objective of the statement is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources.

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any items that qualify for reporting in this category as of June 30, 2013.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District does not have any items that qualify for reporting in this category as of June 30, 2013.

Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Districts policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

GIBSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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

- Net 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 position when constraints are placed on their use by external third parties or imposed by law.
- Unrestricted - all other net position that do not meet the definition of the other categories.

Revenues

The District receives remittances from telephone companies and the state of Tennessee representing fees that have been collected on behalf of the District for 911 services. These fees are remitted to the District on a monthly or bi-monthly schedule, depending on the telephone company. Fees collected for 911 services are considered operating revenues.

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. For the year ended 2013, there were three line items that exceeded the budgeted amounts: office supplies by \$85, custodial supplies by \$69, and training expense by \$95.

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, and the state pooled investment fund. 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, 2013, all bank deposits were fully collateralized or insured.

B. Deferred Revenue

GIBSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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:

<u>Description</u>	<u>Balance 06/30/2012</u>	<u>Additions</u>	<u>Dispostions</u>	<u>Balance 06/30/2013</u>
Capital assets, not being depreciated				
Land	\$ 66,400	\$ -	\$ -	\$ 66,400
 Capital Assets				
Building and improvements	717,023	19,342	-	736,365
Office equipment	89,292	-	1,414	87,878
Communication equipment	935,032	210,262	185,635	959,659
Vehicles	23,306	-	2,365	20,941
Total capital assets	<u>1,764,653</u>	<u>229,604</u>	<u>189,414</u>	<u>1,804,843</u>
 Less accumulated depreciation				
Building and improvements	290,415	26,733	-	317,148
Office equipment	79,468	4,058	1,414	82,112
Communication equipment	537,705	100,871	178,525	460,051
Vehicles	3,658	4,307	1,774	6,191
Total accumulated depreciation	<u>911,246</u>	<u>135,968</u>	<u>181,713</u>	<u>865,502</u>
 Net capital assets	<u>\$ 919,807</u>	<u>\$ 93,636</u>	<u>\$ 7,701</u>	<u>\$ 1,005,741</u>

NOTE 4 – OTHER INFORMATION

A. Funding Sources

Funding for the District's operations is provided by monthly fees from service users in the County and by monthly fees from wireless cellular phone subscribers. Major and alternate local exchange carriers collect service fees from the county users and remit the funds to the District. The Tennessee Emergency Communications Board collects monthly service fees from wireless cellular phone subscribers and voice over internet protocol services and remits a set percentage to the District.

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

GIBSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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 5.0 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, 2013 was 10.79% 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, 2013, Gibson County E-911's annual pension cost of \$33,345 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, 2013

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, 2011, the most recent actuarial valuation date available, the plan was 94.06% percent funded. The actuarial accrued liability for benefits was \$0.76 million, and the actuarial value of assets was \$0.72 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.05 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.29 million, and the ratio of the UAAL to the covered payroll was 15.50% 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.

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, 2011	\$ 717,000	\$ 762,000	\$45,000	94.06%	\$292,000	15.50%
July 1, 2009	\$ 533,000	\$ 586,000	\$53,000	90.96%	\$276,000	19.22%
July 1, 2007	\$ 449,000	\$ 509,000	\$60,000	88.21%	\$259,000	23.17%

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 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, 2011	\$ 717,000	\$ 762,000	\$45,000	94.06%	\$292,000	15.50%
July 1, 2009	\$ 533,000	\$ 586,000	\$53,000	90.96%	\$276,000	19.22%
July 1, 2007	\$ 449,000	\$ 509,000	\$60,000	88.21%	\$259,000	23.17%

See independent auditor's report.

SUPPLEMENTARY AND OTHER INFORMATION SECTION

GIBSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF OPERATING EXPENSES
For the Year Ended June 30, 2013

Salaries and wages	
Dispatchers	\$ 348,678
Overtime	<u>13,092</u>
Total salaries and wages	<u>361,770</u>
Employee benefits	
Social security	22,494
Medicare	5,260
Medical insurance	71,312
Unemployment compensation	356
Retirement	<u>33,345</u>
Total employee benefits	<u>132,767</u>
Contracted services	
Advertising	263
Audit services	4,435
Accounting services	11,420
Fees paid to service providers	39,554
Janitorial services	2,385
Maintenance contracts	32,360
Pest control	312
Repairs and maintenance:	
Communications equipment	45,921
Office buildings	6,070
Automobile	611
Mowing and landscaping	<u>2,285</u>
Total contracted services	<u>145,616</u>
Supplies and materials	
Office supplies	4,735
Custodial supplies	1,069
Postage	280
Uniforms & shirts	714
Electric	12,315
Gas	1,485
Water	335
Telephone	10,461
Diesel	<u>1,140</u>
Total supplies and materials	<u>32,534</u>

See independent auditor's report.

GIBSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF OPERATING EXPENSES
For the Year Ended June 30, 2013

Other Charges	
Board meeting expense	\$ 582
Dues and memberships	1,068
Insurance:	
Workers compensation	1,057
Liability	8,436
Building and contents	10,773
Equipment	8,144
Licenses and fees	60
Premiums on fidelity bonds	720
Training expenses	1,712
Travel expenses	2,089
Trash collections and disposal	1,922
Miscellaneous expense	<u>1,700</u>
Total other charges	<u>38,263</u>

See independent auditor's report.

GIBSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
BUDGETARY COMPARISON SCHEDULE (Budgetary Basis)
For the Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Under (Over)</u>
Operating Revenues				
Emergency telephone service charge	\$ 388,000	\$ 344,700	\$ 344,550	\$ (150)
State - shared wireless charge	120,000	167,214	167,214	-
State - operational funding	180,000	130,622	130,622	-
Other operating revenues	<u>81,328</u>	<u>84,110</u>	<u>84,260</u>	<u>150</u>
Total operating revenues	<u>769,328</u>	<u>726,645</u>	<u>726,645</u>	<u>-</u>
Operating Expenses				
Salaries and wages				
Dispatchers	378,445	378,445	349,715	28,730
Overtime	<u>8,000</u>	<u>13,250</u>	<u>13,092</u>	<u>158</u>
Total salaries and wages	<u>386,445</u>	<u>391,695</u>	<u>362,807</u>	<u>28,888</u>
Employee benefits				
Social security	23,960	23,960	22,494	1,465
Medicare	5,603	5,603	5,260	343
Medical insurance	80,000	80,000	71,312	8,688
Unemployment compensation	500	500	356	144
Retirement	<u>41,697</u>	<u>41,697</u>	<u>33,345</u>	<u>8,353</u>
Total employee benefits	<u>151,760</u>	<u>151,760</u>	<u>132,767</u>	<u>18,993</u>
Contracted services				
Advertising	500	513	263	250
Audit services	4,500	4,500	4,435	65
Accounting services	11,700	11,700	11,420	280
Fees paid to service providers	47,840	47,840	39,554	8,286
Janitorial services	3,600	3,600	2,385	1,215
Legal services	1,000	1,000	-	1,000
Maintenance contracts	46,050	46,050	33,948	12,102
Pest control	348	348	312	36
Repairs and maintenance:				
Communications equipment	5,000	65,500	62,370	3,130
Office buildings	4,000	6,200	6,070	130
Automobile	1,000	1,000	611	389
Mowing and landscaping	<u>4,000</u>	<u>3,000</u>	<u>2,285</u>	<u>715</u>
Total contracted services	<u>129,538</u>	<u>191,251</u>	<u>163,653</u>	<u>27,598</u>

See independent auditor's report.

GIBSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Under (Over)</u>
Supplies and materials				
Office supplies	\$ 4,500	\$ 4,650	\$ 4,735	(85)
Custodial supplies	1,000	1,000	1,069	(69)
Postage	750	350	280	70
Uniforms & shirts	2,000	800	714	86
Electric	17,500	13,500	12,315	1,186
Gas	2,750	1,550	1,485	65
Water	375	375	335	40
Telephone	13,220	13,220	10,461	2,759
Diesel	1,250	1,250	1,140	110
Total supplies and materials	<u>43,345</u>	<u>36,695</u>	<u>32,533</u>	<u>4,162</u>
Other Charges				
Board meeting expense	1,250	600	582	18
Dues and memberships	1,200	1,200	1,068	133
Insurance:				-
Workers compensation	1,500	1,057	1,057	-
Liability	11,000	8,436	8,436	-
Building and contents	11,000	10,773	10,773	-
Equipment	6,000	8,144	8,144	-
Licenses and fees	100	100	60	40
Premiums on fidelity bonds	1,800	800	720	80
Training expenses	2,500	1,617	1,712	(95)
Travel expenses	5,000	2,100	2,089	11
Trash collections and disposal	2,400	2,058	1,922	136
Miscellaneous expense	1,500	1,800	1,700	100
Total other charges	<u>45,250</u>	<u>38,685</u>	<u>38,263</u>	<u>422</u>
Total operating expenses	<u>756,339</u>	<u>810,087</u>	<u>730,023</u>	<u>80,064</u>
Operating income (loss) - Budgetary basis	<u>12,989</u>	<u>(83,441)</u>	<u>(3,377)</u>	<u>(80,064)</u>

See the independent auditor's report.

GIBSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Under (Over)
Non-Operating Revenues Budgetary Basis				
Interest income	3,000	6,400	5,675	725
Insurance bonus	500	750	750	-
Gain on sale of assets	-	1,338	1,338	-
State grants and reimbursements	-	215,258	254,482	(39,224)
Land rental	1,400	1,882	1,882	-
Insurance recoveries	-	1,659	1,659	-
	4,900	227,286	265,785	(38,499)
Non-Operating Expenses Budgetary Basis				
Capital expenses				
Communications equipment	57,700	193,813	193,813	-
Building	-	19,343	19,343	-
Total capital expenses	\$ 57,700	\$ 213,155	213,155	\$ -
Budgetary basis net income (loss)	\$ (39,811)	\$ (69,310)	\$ 49,253	\$ (118,563)
Reconciliation of budgetary basis to accrual basis				
Depreciation and amortization			(136,198)	
Capital purchases			229,605	
Disposal of assets			(7,702)	
Deferred revenue recognized			28,000	
Accrued interest			(312)	
Accounts receivable			24,468	
Prepaid expense			1,587	
Compensated absences payable			1,038	
Increase (decrease) in net position			\$ 189,739	

See the independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Board of Directors
Gibson County Emergency Communications District
Dyer, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Gibson County Emergency Communications District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Gibson County Emergency Communications District's basic financial statements, and have issued our report thereon dated September 9, 2013.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted a certain matter that we reported to management of the District in a separate letter dated September 9, 2013.

Purpose of this Report

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

A handwritten signature in black ink, appearing to read "Alexander Thompson" followed by some initials.

Certified Public Accountants

Jackson, Tennessee
September 9, 2013

**GIBSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
June 30, 2013**

Prior year findings

There were no prior year findings reported.

Current year findings

There are no current year findings reported.