

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

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

**GIBSON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT
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**GIBSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
JUNE 30, 2014**

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

227 Oil Well Rd.
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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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, 2014, 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 October 27, 2014 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.

Alexander Thompson Arnold PLLC

Certified Public Accountants

Jackson, Tennessee
October 27, 2014

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, 2014. 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 \$2.01 million and exceeded liabilities in the amount of \$1.65 million (i.e. net position). Total assets increased by \$40 thousand or 2.05%.
- Net position increased \$63 thousand or 3.95% during the current year.
- Operating revenues were \$769 thousand, a decrease from year 2013 in the amount of \$76 thousand or 9.03%.
- Operating expenses were \$940 thousand, an increase of \$93 thousand from 2013, or 10.96%.
- The operating loss for the year was \$171 thousand as compared to an operating loss of \$1,660 during the 2013 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.

The *Statement of Net Position* presents the financial position of the District on a full accrual,

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 \$63 thousand for the fiscal year ended June 30, 2014. 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, 2014	June 30, 2013	Increase (Decrease)	
			\$	%
Current and other assets	\$ 1,002,741	\$ 964,895	\$ 37,846	3.92%
Capital assets	<u>1,008,253</u>	<u>1,005,744</u>	<u>2,509</u>	0.25%
Total assets	<u>2,010,994</u>	<u>1,970,639</u>	<u>40,355</u>	2.05%
Current liabilities	52,873	47,331	5,542	11.71%
Long-term liabilities	<u>303,333</u>	<u>331,333</u>	<u>(28,000)</u>	-8.45%
Total liabilities	<u>356,206</u>	<u>378,664</u>	<u>(22,458)</u>	-5.93%
Net investment in capital assets	1,008,253	1,005,744	2,509	0.25%
Unrestricted net assets	<u>646,535</u>	<u>586,231</u>	<u>60,304</u>	10.29%
Total net position	<u>\$ 1,654,788</u>	<u>\$ 1,591,975</u>	<u>\$ 62,813</u>	3.95%

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, 2014	June 30, 2013	Increase (Decrease)	
			\$	%
Operating revenues	\$ 769,147	\$ 845,488	\$ (76,341)	-9.03%
Non-operating revenues	<u>69,412</u>	<u>34,659</u>	<u>34,753</u>	100.27%
Total revenues	<u>838,559</u>	<u>880,147</u>	<u>(41,588)</u>	-4.73%
Salaries and wages	367,967	361,770	6,197	1.71%
Employee benefits	144,706	132,767	11,939	8.99%
Contracted services	158,017	145,616	12,401	8.52%
Supplies and materials	35,119	32,534	2,585	7.95%
Other charges	43,283	38,260	5,023	13.13%
Depreciation & Amortization	<u>190,891</u>	<u>136,198</u>	<u>54,693</u>	40.16%
Total expenses	<u>939,983</u>	<u>847,145</u>	<u>92,838</u>	10.96%
Income (loss) before capital cont.	(101,424)	33,002	(134,426)	-407.33%
Capital contribution from TECB	164,240	156,740	7,500	100.00%
Change in net position	62,816	189,742	(126,926)	
Net position - July 1, 2013	<u>1,591,972</u>	<u>1,402,230</u>	<u>189,742</u>	13.53%
Net position - June 30, 2014	<u>\$ 1,654,788</u>	<u>\$ 1,591,972</u>	<u>\$ 62,816</u>	3.95%

MANAGEMENT'S DISCUSSION AND ANALYSIS

Operating revenues showed a 9.03% decrease from 2013 to 2014. Non operating revenues increased primarily due to insurance recoveries of equipment that were damaged during lightning strikes during the current year. Expenses increased 10.96% from 2013 to 2014 primarily due to increased depreciation from upgraded assets put in place and the equipping of the alternate operation center. Ending net position showed an increase of 3.95% due to an increase in capital contribution needed for the aforementioned items.

CAPITAL ASSETS

At the end of fiscal year 2014, 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 \$2,512 or 0.25% 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, 2014. 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)	
	2014	2013	\$	%
Land	\$ 66,400	\$ 66,400	\$ -	0.00%
Buildings	391,782	419,217	(27,435)	-6.54%
Office equipment	90,576	5,766	84,810	1470.86%
Communications equipment	448,725	499,608	(50,883)	-10.18%
Vehicles	10,770	14,750	(3,980)	-26.98%
Total capital assets, net of accumulated depreciation	<u>\$ 1,008,253</u>	<u>\$ 1,005,741</u>	<u>\$ 2,512</u>	<u>0.25%</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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONTACTING THE DISTRICT'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 POSITION
June 30, 2014

Assets

Current assets

Cash and deposits	\$ 673,844
Certificates of deposit	300,000
Accrued interest receivable	890
Accounts receivable	22,298
Prepaid expenses	5,641
Total current assets	<u>1,002,673</u>

Noncurrent assets

Capital assets

Land	66,400
Buildings and improvements	736,365
Office equipment	194,777
Communications equipment	991,952
Vehicles	20,941
Total capital assets	2,010,435
Less accumulated depreciation	<u>(1,002,182)</u>
Net capital assets	<u>1,008,253</u>

Other assets

Intangible assets	2,725
Less accumulated amortization of intangibles	<u>(2,657)</u>
Net other assets	<u>68</u>
Total noncurrent assets	<u>1,008,321</u>

Total assets 2,010,994

Liabilities

Current liabilities

Accounts payable	11,359
Compensated absences payable	13,514
Unearned revenue	28,000
Total current liabilities	<u>52,873</u>

Long-term liabilities

Unearned revenue	<u>303,333</u>
Total long-term liabilities	<u>303,333</u>
Total liabilities	<u><u>356,206</u></u>

Net position

Net investment in capital assets	1,008,253
Unrestricted net position	<u>646,535</u>
Total net position	<u><u>\$ 1,654,788</u></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, 2014

Operating Revenues

Emergency telephone service charge	\$ 298,751
State emergency communications board - shared wireless charge	126,553
State emergency communications board - operational funding	242,727
Other operating revenues	<u>101,116</u>
Total operating revenues	<u>769,147</u>

Operating Expenses

Salaries and wages	367,967
Employee benefits	144,706
Contracted services	156,690
Supplies and materials	35,119
Other charges	44,610
Depreciation	190,661
Amortization	<u>230</u>
Total operating expenses	<u>939,983</u>

Operating loss	<u>(170,836)</u>
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Non-Operating Revenue and Expense

Interest income	4,983
Insurance bonus	750
Rental income	3,339
Insurance recoveries	<u>60,340</u>
Total non-operating revenue and expense	<u>69,412</u>

Income before capital contribution	(101,424)
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Capital Contributions

Capital contributions from TECB	<u>164,240</u>
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Change in net position

62,816

Net position - July 1, 2013	<u>1,591,972</u>
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Net position - June 30, 2014	<u>\$ 1,654,788</u>
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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, 2014

Cash Flows from Operating Activities:

Cash received from surcharges and other revenues	\$ 787,181
Cash paid to suppliers of goods and services	(234,144)
Cash paid for employees' services and related benefits	<u>(511,016)</u>
Net cash provided by operating activities	<u>42,021</u>

Cash Flows from Capital and Related Financing Activities:

Acquisition of capital assets	(193,172)
Insurance recoveries	61,090
Capital contributions	<u>164,240</u>
Net cash used by capital and related financing activities	<u>32,157</u>

Cash Flows from Investing Activities:

Purchase of investments	(300,000)
Sale of investments	300,000
Interest received	<u>4,759</u>
Net cash provided by investing activities	<u>4,759</u>

Net Increase (decrease) in cash **78,937**

Cash and cash equivalents - July 1, 2013	<u>594,907</u>
Cash and cash equivalents- June 30, 2014	<u><u>\$ 673,844</u></u>

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

Operating income	\$ (170,836)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation and amortization	190,891
Amortization of dispatch fees	(28,000)
Other revenues classified as nonoperating	3,339
Changes in assets and liabilities:	
Current receivables	42,695
Prepays	(1,609)
Accounts payable	3,884
Compensated absences payable	<u>1,657</u>

Net cash provided by operating activities **\$ 42,021**

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

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

June 30, 2014

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, 2014

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:

	Life	Threshold
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, 2014, the liability for accrued leave was \$13,514.

Deferred Outflows/Inflows of Resources

During the year ended June 30, 2014, 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, 2014.

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, 2014.

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, 2014

Net Position

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.

Impact of Recently Issued Accounting Pronouncements

In March of 2012, the GASB issued statement no. 65 – Items previously reported as assets and liabilities. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This statement is effective for financial periods beginning after December 15, 2012. As of June 30, 2014, the District has no items affected by the changes.

In June 2012, the GASB issued Statement 67, Financial Reporting for Pension Plans – an amendment of GASB Statement 25, and Statement 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27. Statement 67, effective for fiscal years beginning after June 15, 2013, revises existing standards of financial reporting by state and local government pension plans and will be adopted by the pension plan itself. Statement 68 will affect the governments that participate as employers in these plans and is effective for fiscal year beginning after June 15, 2014. For governments to adopt Statement 68, the underlying pension plans must first adopt Statement 67. These statements establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement – determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. Statement 68 details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. The objective of Statement 68 is to improve accounting and financial reporting by state and local governments for pensions. These pension standards include significant changes to how governmental employers will report liabilities related to pension obligations. Management is currently evaluating the impact the adoption of Statement 68 will have on the District's financial statements.

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

GIBSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

accounting principles. The budgetary basis of accounting used is the cash basis for all revenues and expenses except depreciation and amortization.

Expenditures/expenses are required to be within budgetary limits at the line item level of control. For the year ended June 30, 2014, there were eight line items that exceeded the budgeted amounts: overtime by \$1,782; medical insurance by \$1,992; office supplies by \$623; uniforms and shirts by \$50; direct deposit fees by \$52; travel by \$240; security by \$327; and depreciation expense by \$73,633.

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, 2014, all bank deposits were fully collateralized or insured.

B. Unearned Revenue

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

GIBSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

C. Capital Assets

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

Description	Balance 06/30/2013	Additions	Dispostions	Balance 06/30/2014
Capital assets, not being depreciated				
Land	\$ 66,400	\$ -	\$ -	\$ 66,400
Capital Assets				
Building and improvements	736,365	-	-	736,365
Office equipment	87,878	106,899	-	194,777
Communication equipment	959,659	86,273	53,980	991,952
Vehicles	20,941	-	-	20,941
Total capital assets	<u>1,804,843</u>	<u>193,172</u>	<u>53,980</u>	<u>1,944,035</u>
Less accumulated depreciation				
Building and improvements	317,148	27,436	-	344,584
Office equipment	82,112	22,089	-	104,201
Communication equipment	460,051	137,157	53,980	543,228
Vehicles	6,191	3,979	-	10,170
Total accumulated depreciation	<u>865,502</u>	<u>190,661</u>	<u>53,980</u>	<u>1,002,183</u>
Net capital assets	<u>\$1,005,741</u>	<u>\$ 2,511</u>	<u>\$ -</u>	<u>\$ 1,008,252</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 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

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

June 30, 2014

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, 2014, Gibson County E-911's annual pension cost of \$34,354 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, 2011 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 3.0 percent 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, 2011 was 4 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, 2014

Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2014	\$ 34,354	100%	\$ -
6/30/2013	33,345	100%	\$ -
6/30/2012	35,046	100%	\$ -

Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date available, the plan was 97.26% percent funded. The actuarial accrued liability for benefits was \$0.86 million, and the actuarial value of assets was \$0.02 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 \$0.33 million, and the ratio of the UAAL to the covered payroll was 7.46% 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.

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

GIBSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF FUNDING PROGRESS
 June 30, 2014

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, 2013	\$ 861,000	\$ 886,000	\$24,000	97.26%	\$325,000	7.46%
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%

See independent auditor's report.

SUPPLEMENTARY AND OTHER INFORMATION SECTION

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 OPERATING EXPENSES
For the Year Ended June 30, 2014

Salaries and wages	
Dispatchers	\$ 358,185
Overtime	9,782
Total salaries and wages	<u>367,967</u>
Employee benefits	
Social security	22,712
Medicare	5,311
Medical insurance	81,992
Unemployment compensation	337
Retirement	34,354
Total employee benefits	<u>\$ 144,706</u>
Contracted services	
Advertising	39
Audit services	4,570
Accounting services	11,420
Fees paid to service providers	39,607
Janitorial services	2,490
Maintenance contracts	37,110
Pest control	312
Repairs and maintenance:	
Communications equipment	43,850
Office buildings	13,642
Automobile	1,330
Mowing and landscaping	2,320
Total contracted services	<u>\$ 156,690</u>
Supplies and materials	
Office supplies	4,623
Custodial supplies	1,088
Postage	342
Uniforms & shirts	1,050
Electric	12,022
Gas	2,132
Water	329
Telephone	10,778
Diesel	1,023
Internet	1,732
Total supplies and materials	<u>\$ 35,119</u>

See independent auditor's report.

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

For the Year Ended June 30, 2014

Other Charges	
Board meeting expense	\$ 550
Dues and memberships	3,153
Insurance:	
Workers compensation	628
Liability	8,096
Building and contents	11,256
Equipment	8,216
Licenses and fees	93
Premiums on fidelity bonds	720
Training expenses	824
Travel expenses	6,240
Trash collections and disposal	2,224
Bank Service Charges	52
Security	1,327
Miscellaneous expense	1,231
Total other charges	<u>\$ 44,610</u>

See independent auditor's report.

**GIBSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
BUDGETARY COMPARISON SCHEDULE (Budgetary Basis)**

For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Under (Over)</u>
Operating Revenues				
Emergency telephone service charge	\$ 335,000	\$ 345,000	\$ 308,688	\$ (36,312)
State - shared wireless charge	150,000	150,000	126,553	(23,447)
State - operational funding	164,000	164,000	242,727	78,727
Other operating revenues	<u>72,292</u>	<u>73,093</u>	<u>73,096</u>	<u>3</u>
Total operating revenues	<u>721,292</u>	<u>732,093</u>	<u>751,064</u>	<u>18,971</u>
Operating Expenses				
Salaries and wages				
Dispatchers	379,058	379,058	356,528	22,530
Overtime	<u>8,000</u>	<u>8,000</u>	<u>9,782</u>	<u>(1,782)</u>
Total salaries and wages	<u>387,058</u>	<u>387,058</u>	<u>366,309</u>	<u>20,749</u>
Employee benefits				
Social security	23,998	23,998	22,712	1,286
Medicare	5,612	5,612	5,311	301
Medical insurance	80,000	80,000	81,992	(1,992)
Unemployment compensation	500	500	337	163
Retirement	<u>41,764</u>	<u>41,764</u>	<u>34,354</u>	<u>7,411</u>
Total employee benefits	<u>151,873</u>	<u>151,874</u>	<u>144,706</u>	<u>7,167</u>
Contracted services				
Advertising	500	100	39	61
Audit services	4,570	4,570	4,570	-
Accounting services	11,700	11,700	11,420	280
Fees paid to service providers	50,840	50,840	39,607	11,233
Janitorial services	2,600	2,600	2,490	110
Legal services	1,000	1,000	-	1,000
Maintenance contracts	44,000	44,000	38,718	5,282
Pest control	348	348	312	36
Repairs and maintenance:				
Communications equipment	5,000	65,000	43,835	21,165
Office buildings	4,000	14,000	13,642	358
Office equipment	1,000	100	15	85
Automobile	1,000	1,500	1,330	170
Mowing and landscaping	<u>2,500</u>	<u>2,500</u>	<u>2,320</u>	<u>180</u>
Total contracted services	<u>\$ 129,058</u>	<u>\$ 198,258</u>	<u>\$ 158,299</u>	<u>\$ 39,959</u>

See independent auditor's report.

**GIBSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
BUDGETARY COMPARISON SCHEDULE (Budgetary Basis)**

For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Under (Over)</u>
Supplies and materials				
Office supplies	\$ 4,000	\$ 4,000	\$ 4,623	\$ (623)
Custodial supplies	1,000	1,100	1,088	12
Postage	750	450	342	108
Uniforms & shirts	1,000	1,000	1,050	(50)
Electric	14,000	14,000	12,022	1,978
Gas	2,750	2,750	2,132	618
Water	375	375	329	46
Telephone	11,000	11,000	10,778	222
Diesel	1,500	1,500	1,023	477
Internet	-	2,000	1,732	268
Total supplies and materials	<u>36,375</u>	<u>38,175</u>	<u>35,120</u>	<u>3,055</u>
Other Charges				
Board meeting expense	1,250	750	550	200
Dues and memberships	1,200	3,200	3,153	47
Insurance:				-
Workers compensation	1,500	628	628	-
Liability	9,000	8,096	8,096	-
Building and contents	11,000	11,256	11,256	-
Equipment	10,000	8,216	8,216	-
Licenses and fees	100	100	93	7
Premiums on fidelity bonds	1,800	1,800	720	1,080
Direct Deposit Fee	-	-	52	(52)
Training expenses	2,500	2,500	824	1,676
Travel expenses	3,000	6,000	6,240	(240)
Trash collections and disposal	2,400	2,400	2,224	176
Security	-	1,000	1,327	(327)
Miscellaneous expense	1,500	1,500	1,231	269
Total other charges	<u>45,250</u>	<u>47,446</u>	<u>44,609</u>	<u>2,837</u>
Total operating expenses	<u>749,614</u>	<u>822,811</u>	<u>749,043</u>	<u>73,768</u>
Operating income (loss) - Budgetary basis	<u>\$ (28,322)</u>	<u>\$ (90,718)</u>	<u>\$ 2,021</u>	<u>\$ (54,797)</u>

See independent auditor's report.

**GIBSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
BUDGETARY COMPARISON SCHEDULE (Budgetary Basis)**

For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Under (Over)</u>
Non-Operating Revenues Budgetary Basis				
Interest income	\$ 3,000	\$ 4,100	\$ 4,762	\$ (662)
Insurance bonus	750	1,500	750	750
State grants and reimbursements	164,677	190,240	164,240	26,000
Land rental	1,400	3,339	3,339	-
Insurance recoveries	-	84,905	90,960	(6,055)
	<u>169,827</u>	<u>284,084</u>	<u>264,050</u>	<u>20,034</u>
Non-Operating Expenses Budgetary Basis				
Depreciation	117,028	117,028	190,661	(73,633)
Amortization	230	230	230	(0)
	<u>117,258</u>	<u>117,258</u>	<u>190,891</u>	<u>(73,633)</u>
Budgetary basis net income (loss)	<u>\$ 24,247</u>	<u>\$ 76,108</u>	<u>\$ 75,180</u>	<u>\$ 38,870</u>
Reconciliation of budgetary basis to accrual basis				
Deferred revenue recognized			28,000	
Accrued interest			216	
Accounts receivable			(40,531)	
Prepaid expense			1,608	
Compensated absences payable			<u>(1,657)</u>	
Increase (decrease) in net position			<u>\$ 62,816</u>	

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION

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
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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, 2014, 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 October 27, 2014.

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 October 27, 2014.

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 cursive script that reads "Alexander Thompson Arnold PLLC".

Certified Public Accountants

Jackson, Tennessee
October 27, 2014

GIBSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
For the Fiscal Year Ended June 30, 2014

Finding Number	Finding Title	Status
No current year findings.		
No prior year findings.		