

DYER COUNTY E911
EMERGENCY COMMUNICATION DISTRICT
FINANCIAL STATEMENTS AND AUDITOR'S REPORT
Year Ended June 30, 2013

DYER COUNTY E911
EMERGENCY COMMUNICATION DISTRICT
Dyersburg, Tennessee
FINANCIAL STATEMENTS AND AUDITOR'S REPORT
June 30, 2013

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INTRODUCTORY SECTION

DYER COUNTY E911
EMERGENCY COMMUNICATION DISTRICT
Dyersburg, Tennessee
ROSTER OF BOARD OF DIRECTORS AND MANAGEMENT OFFICIALS
June 30, 2013

BOARD MEMBERS

Jeff Burns
Art Heun
James Medling
Jason Roberts
Vernita Turner
Thomas White
Bart Williams
Bob Williamson

MANAGEMENT OFFICIAL

Mark Grant

AUDITED FINANCIAL STATEMENTS

Members
American Institute of Certified Public Accountants
Tennessee Society of Certified Public Accountants
Private Companies Practice Section

A division of



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Dyer County E911 Emergency Communication District
Dyersburg, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the Dyer County E911 Emergency Communication District, a component unit of Dyer 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 opinions 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Dyer County E911 Emergency Communication District as of June 30, 2013, and the respective changes in financial position and, where applicable, 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 management's discussion and analysis as listed in the table of contents 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 budgetary comparison 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 Dyer County E911 Emergency Communication District's basic financial statements. The introductory section and the schedule of expenditures of state awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison information is the responsibility of management and was derived from and relates 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 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 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 13, 2014 on our consideration of the Dyer County E911 Emergency Communication District's internal control over financial reporting and on our test 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Dyer County E911 Emergency Communication District's internal control over financial reporting and compliance.

Dyersburg, Tennessee



August 13, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Dyer County E911 Emergency Communications District, we offer readers of the District's financial statements this narrative overview and analysis of the District's performance during the fiscal year ending June 30, 2013. Please read it in conjunction with the District's financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes this management's discussion and analysis report, the independent auditor's report and the basic financial statements of the District. The financial statements also include notes that explain in more detail some of the information in the financial statements.

REQUIRED FINANCIAL STATEMENTS

The financial statements of the District report information of the District using accounting methods similar to those used by private sector companies. These statements offer both short-term and long-term information about its activities. The Statement of Net Position includes all of the District's assets and liabilities and provides information about where the District has invested its resources (assets) and the obligation to the District's creditors (liabilities).

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Fund Net Position. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through surcharges and fees.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

FINANCIAL ANALYSIS OF THE DISTRICT

One of the most important questions asked about the District's finances is "Is the District better off or worse as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in 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 them. One can think of the District's Net Position – the difference between assets and liabilities – as one way to measure financial health or financial position. Over time, increases or decreases in the District's Net Position are one indicator of whether its financial health is improving or deteriorating. A summary of the District's Net Position and changes in it is presented on the following page.

SUMMARIZED FINANCIAL INFORMATION

	NET POSITION		Dollar Change	Percentage Change
	2013	2012		
Current assets	\$ 1,186,859	\$ 1,064,804	\$ 122,055	11.5%
Capital assets	<u>1,500,902</u>	<u>1,147,942</u>	<u>352,960</u>	30.7%
Total Assets	2,687,761	2,212,746	475,015	21.5%
Current liabilities	96,177	52,527	43,650	83.1%
Noncurrent liabilities	<u>220,911</u>	<u>-</u>	<u>220,911</u>	-
Total Liabilities	<u>317,088</u>	<u>52,527</u>	<u>264,561</u>	503.7%
Net Position	<u>\$ 2,370,673</u>	<u>\$ 2,160,219</u>	<u>\$ 210,454</u>	9.7%
Summary of net position				
Investment in capital assets, net of debt	1,191,911	1,101,468	90,443	8.2%
Unrestricted	<u>1,178,762</u>	<u>1,058,751</u>	<u>120,011</u>	11.3%
	<u>\$ 2,370,673</u>	<u>\$ 2,160,219</u>	<u>\$ 210,454</u>	9.7%

CHANGES IN NET POSITION

Revenues	\$ 496,782	\$ 499,518	\$ (2,736)	-0.5%
Operating expenses	<u>629,359</u>	<u>430,685</u>	<u>198,674</u>	46.1%
Operating income (loss)	(132,577)	68,833	(201,410)	-292.6%
Nonoperating expenses net of revenues	<u>343,031</u>	<u>58,123</u>	<u>284,908</u>	490.2%
Changes in net position	210,454	126,956	83,498	
Net position				
Beginning	<u>2,160,219</u>	<u>2,033,263</u>	<u>126,956</u>	
Ending	<u>\$ 2,370,673</u>	<u>\$ 2,160,219</u>	<u>\$ 210,454</u>	

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

As can be seen from the summarized financial information on this page, the District's current assets have increased \$122,055 during the year ended June 30, 2013 and net capital assets increased \$352,959. The increase in net capital assets was due to the purchase of equipment during the year. The emergency telephone service charge revenues, of the District, decreased by \$94,217. The state shared wireless

revenues increased by an amount of \$18,089. The District also received \$238,611 in operational funding, an increase of \$80,548 from June 30, 2012. In addition, the District received \$5,669 in interest income.

The total operating expenses for the District increased by 46.1%. The majority of the increase in operating expenses is due to an increase in depreciation. The nonoperating revenues increased by \$284,908. This increase is a result of a grant from the State Emergency Communications Board.

BUDGETARY HIGHLIGHTS

The District adopts an annual operating budget, which includes proposed expenses and the means for paying those expenses. The budget is prepared on the cash basis of accounting. As conditions change during the year, the budget may be amended to prevent budget overruns.

The comparison between actual revenues and expenditures and budgeted revenues and expenditures are unfavorable. The largest variance is the depreciation expense; the District does not budget for depreciation. Without the depreciation variance, the budget would show a favorable balance.

All of the line item expenditures of the District show favorable variances when comparing the budgeted amounts with the actual amounts, with the exception of a few accounts. The largest of the unfavorable balance besides depreciation is premiums on surety bonds. The premiums almost doubled compared to prior year. Each of these became under budgeted as a result of the accruals required for reporting purposes.

CAPITAL ASSETS

The District's investment in capital assets amounts to \$2,868,901 with accumulated depreciation of \$1,367,999. Investment in capital assets was \$731,440 for the current year. Capital assets include communications equipment.

ECONOMIC FACTORS AND FUTURE NEEDS

The main economic factor facing Dyer County E911 Emergency Communications District is the decrease in revenue generated from landline telephones. Many individuals are using cellular phones and VOIP services instead of landline services. While the increase in cell phone and VOIP services generate revenue, only a portion of that revenue is being returned to each 911 district under the current system being used by the state for distributing shared wireless fees.

Due to the steady number of individuals who change their service providers during a given year, in addition to the continual emergence and departure of telephone service providers, it is extremely difficult to estimate revenues for budgeting purposes.

The increased availability of state grants and reimbursements is also a major economic factor for the District. The District's ability to qualify for the various types of grants and reimbursements enables the District to acquire and maintain the necessary equipment and services to continue to operate the District efficiently and effectively.

This financial report is designed to provide the readers with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional information, contact:

Dyer County E911 Emergency Communications District
P.O. Box 367
Dyersburg, TN 38025

DYER COUNTY E911 EMERGENCY COMMUNICATION DISTRICT
Dyersburg, Tennessee
STATEMENT OF NET POSITION
June 30, 2013

ASSETS

<u>Current Assets</u>	
Cash	\$ 715,861
Investments	452,181
Accrued interest receivable	353
Accounts receivable	18,464
<u>Total Current Assets</u>	<u>1,186,859</u>
 <u>Noncurrent Assets</u>	
<u>Capital Assets</u>	
Land	10,930
Equipment	2,857,971
<u>Total Capital Assets</u>	<u>2,868,901</u>
Accumulated Depreciation	(1,367,999)
Capital Assets, net	<u>1,500,902</u>
 TOTAL ASSETS	 <u>\$ 2,687,761</u>

LIABILITIES AND NET ASSETS

<u>LIABILITIES</u>	
<u>Current liabilities</u>	
Accounts payable	\$ 8,098
Capitalized lease obligation-current	88,079
<u>Total Current Liabilities</u>	<u>96,177</u>
 <u>Noncurrent liabilities</u>	
Capitalized lease obligation- long-term	220,911
<u>Total Noncurrent Liabilities</u>	<u>220,911</u>
 TOTAL LIABILITIES	 <u>317,088</u>
 <u>Net Position</u>	
Net investment in capital assets	1,191,911
Unrestricted	1,178,762
<u>Total Net Position</u>	<u>2,370,673</u>
 TOTAL LIABILITIES AND NET POSITION	 <u>\$ 2,687,761</u>

See accompanying notes and independent auditor's report.

DYER COUNTY E911 EMERGENCY COMMUNICATION DISTRICT
Dyersburg, Tennessee
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2013

Operating Revenue

Emergency service charges	\$	164,908
Tennessee Emergency Communications Board - shared wireless charge		93,263
Tennessee Emergency Communications Board - operational funding		238,611
<u>Total Operating Revenue</u>		496,782

Operating Expenses

Contracted Services

Audit services		3,000
Contracts with government agencies		19,200
Contracts with private agencies		7,200
Impact payments		50,000
Lease/Rental - communications equipment		56,606
Lease/Rental - office equipment		126
Maintenance agreements		23,010
Maintenance and repairs - communications equipment		5,384
Maintenance and repairs - buildings & facilities		3,949
Maintenance and repairs - vehicles		497
Other contract services		34
<u>Total Contracted Services</u>		169,006

Insurance Premiums

Insurance - liability		2,888
Insurance - building and contents		328
Insurance - equipment		266
Insurance - vehicles		2,472
Surety bond premiums		1,110
<u>Total Insurance Premiums</u>		7,064

Supplies and Materials

Data processing supplies		6,604
Office supplies and postage		539
Maintenance supplies		569
Uniforms and shirts		1,201
Utilities - electric		3,270
Utilities - gas		105
<u>Total Supplies and Materials</u>		12,288

Other Charges

Accounting services		1,800
Bank charges		30
Dues & memberships		326
Legal services		493
Public education		16,957
Service awards		424
Training expenses		26,812
Travel expenses		15,679
<u>Total Other Charges</u>		62,521

DYER COUNTY E911 EMERGENCY COMMUNICATION DISTRICT
Dyersburg, Tennessee
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (Continued)
For the Year Ended June 30, 2013

Depreciation	<u>378,480</u>
<u>Total Operating Expense</u>	<u>629,359</u>
<u>Operating Income (Loss)</u>	<u>(132,577)</u>
<u>Nonoperating Revenues (Expenses)</u>	
State- grants and reimbursements	342,000
Interest Income	5,669
Interest expense	<u>(4,638)</u>
<u>Total Nonoperating Revenues</u>	<u>343,031</u>
Increase (Decrease) in Net Position	<u>210,454</u>
Net Position, July 1, 2012	2,160,219
Net Positon, June 30, 2013	<u>\$ 2,370,673</u>

See accompanying notes and independent auditor's report.

DYER COUNTY E911 EMERGENCY COMMUNICATION DISTRICT
Dyersburg, Tennessee
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2013

<u>Cash Flows From Operating Activities</u>		
Receipts from emergency service charges		\$ 503,939
Payments to suppliers		<u>(295,308)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		208,631
<u>Cash Flows From Capital and Related Financing Activities</u>		
Purchase of equipment	(731,440)	
Proceeds from capital lease	308,990	
Interest paid on capital assets	<u>(4,637)</u>	
NET CASH PROVIDED (USED) IN CAPITAL AND RELATED FINANCING ACTIVITIES		(427,087)
<u>Cash Flows From Noncapital Financing Activities</u>		
State- grants and reimbursements	<u>342,000</u>	
NET CASH PROVIDED (USED) IN NONCAPITAL FINANCING ACTIVITIES		342,000
<u>Cash Flows From Investing Activities</u>		
Purchase of certificates of deposit	(2,524)	
Interest paid on investments	<u>5,652</u>	
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES		<u>3,128</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		126,672
Cash and Cash Equivalents, July 1, 2012		<u>589,189</u>
CASH AND CASH EQUIVALENTS, June 30, 2013		<u><u>\$ 715,861</u></u>

See accompanying notes and independent auditor's report.

DYER COUNTY E911 EMERGENCY COMMUNICATION DISTRICT
Dyersburg, Tennessee
STATEMENT OF CASH FLOWS (CONTINUED)
For the Year Ended June 30, 2013

<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Provided (Used) by Operating Activities</u>	
Operating income (loss)	\$ (132,577)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation - equipment	378,480
Changes in current assets and current liabilities:	
Decrease in accounts receivable	7,157
Decrease in trade accounts payable	<u>(44,429)</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>\$ 208,631</u>

See accompanying notes and independent auditor's report.

DYER COUNTY E911 EMERGENCY COMMUNICATION DISTRICT
Dyersburg, Tennessee
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

Note 1 - Significant Accounting Policies

The Dyer County E911 Emergency Communication District (the "District"), a component unit of Dyer County, was formed under *Tennessee Code Annotated* (TCA) 7-86-109 et. Seq., *Emergency Communication District Law* of the State of Tennessee. The District has a board of directors appointed by the Dyer County legislative body.

The District provides a uniform emergency number to shorten the time required for a citizen to request and receive emergency aid.

Reporting Entity

The District includes only the funds relevant to the operation of the Dyer County E911 Emergency Communication District. Dyer County E911 is a component unit of the primary government of Dyer County. Therefore, the financial statements of the District include only those funds controlled and administered by the District and the governing board of directors. Control is determined on the basis of budget adoption, taxing authority, funding and appointing of the governing board. The Dyer County Legislative body must approve issuance of debt for the District. They also have the ability to adjust the service charges of the District.

Cash and Cash Equivalents

For purposes of the statement of cash flows, only investments with original maturities of less than three months are considered to be cash equivalents.

Measurement Focus and Basis of Accounting

The books and records of Dyer County E911 Emergency Communication District are maintained on a full accrual basis of accounting, and the District uses the economic resources measurement focus. Under the accrual basis of accounting, revenues are recognized when they are earned, and expenses are recognized when they are incurred. The objective of this measurement focus is to report all inflows, outflows, and balances affecting or reflecting the entity's net position.

DYER COUNTY E911 EMERGENCY COMMUNICATION DISTRICT
Dyersburg, Tennessee
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2013

Note 1 - Significant Accounting Policies (Continued)

Capital Assets

The district considers any purchases purchased at a price in excess of \$1,000 to be capital assets. Capital assets, including infrastructure assets, are recorded at cost, and depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 5 to 40 years. Expenditures for maintenance, repairs and minor renewals are charged to operations as incurred.

Gains and losses from the sale or disposal of capital assets are reflected in operations and the asset accounts and related allowances for depreciation are reduced. Depreciation expense on all depreciable items is systematically charged against operations using the straight-line method over the estimated useful lives. Any construction period interest is added to the cost of the related asset.

The following is a summary of capital assets at June 30, 2013 and 2012.

	Balance 6/30/2012	Additions	Retirements and Transfers	Balance 6/30/2013
Land	\$ 10,930	\$ -	\$ -	\$ 10,930
Equipment	2,126,531	731,440	-	2,857,971
Total	2,137,461	731,440	-	2,868,901
Accumulated Depreciation	989,519	378,480	-	1,367,999
Net Capital Assets	<u>\$ 1,147,942</u>	<u>\$ 352,960</u>	<u>\$ -</u>	<u>\$ 1,500,902</u>

Investments

Investments of the District consist of certificates of deposit at banks. Investments are valued at cost. The District is allowed to invest in the following: bonds, notes, or treasury bills of the United States; nonconvertible debt securities of the Federal Home Loan Bank, Federal National Mortgage Association, Federal Farm Credit Bank, and Student Loan Marketing Association; and other obligations which are guaranteed as to principal and interest by the United States or any of its agencies; certificate of deposit at state and federal chartered banks and savings and loans.

Collateralization of Deposits

The District is mandated by law to require that the financial institutions in which they maintain deposits pledge securities to collateralize deposits which are in excess of the amount covered by federal insurance. At June 30, 2013 the District's carrying amount of deposits was \$1,038,847 and the bank balance was \$1,044,641. Of the bank balance, \$566,517 was covered by federal depository insurance and \$478,124 was covered by collateral held by the District's agent in the District's name.

Operating and Non-operating Revenues

In proprietary funds, operating revenues and expenses are distinguished from non-operating revenues and expenses. Operating revenues are revenues generated from the proprietary fund's primary operations. Non-operating revenues are all revenues not classified as operating revenues.

DYER COUNTY E911 EMERGENCY COMMUNICATION DISTRICT
Dyersburg, Tennessee
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2013

Note 1 – Significant Accounting Policies (Continued)

Operating expenses are expenses incurred from the proprietary fund's primary operations. Non-operating expenses are all expenses not classified as operating expenses.

Budget

The District is required by state law to adopt an annual budget that is approved by the Board of Directors. The budget is adopted on a basis consistent with generally accepted accounting principles and once approved, it can be amended only by a majority vote of the Board of Directors. All annual appropriations lapse at fiscal year end.

In accordance with the Accounting and Financial Reporting Manual for Tennessee Emergency Communication Districts, The District's legal level of control remains at the line-item level. Therefore, prior to expending funds, each line item of expense must be amended.

Events Occurring After Reporting Date

The District has evaluated events and transactions that occurred between June 30, 2013 and August 13, 2014, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

Note 2 - Concentration of Credit Risk

The District bills all telephone customers within its boundaries by a surcharge on the telephone bills. The telephone companies then remit the collections on a regular basis to the District. At June 30, 2013, these telephone companies are indebted to the District in the amount of \$16,587. There is no collateral or bonds securing these debts.

Note 3 - Revenue Recognition

Revenue is recorded at the time earned.

Note 4 - Operating Lease

The E911 District obtained an operating lease of some emergency telephone equipment from Bell South. There is no pre-arranged lease term on this lease. The E911 District is required to make monthly lease payments using an established rate for as long as the equipment is used by the E911 District. At any time, the E911 District may return the equipment to Bell South and thus terminate the operating lease.

DYER COUNTY E911 EMERGENCY COMMUNICATION DISTRICT
Dyersburg, Tennessee
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2013

Note 5- Capital Leases

On October 1, 2012, Dyer County E911 Communication District entered into a forty-five month lease-purchase agreement for 50 mobile workstations. The terms of the agreement require total lease payments of \$244,950 plus interest of 3.18 percent. Upon delivery of the equipment, title to the equipment will vest in Dyer County E911 Communication District. However, in the event of termination or default, title will immediately vest in the lessor.

On January 1, 2013, Dyer County E911 Communication District entered into a forty-two month lease purchase agreement for 33 mobile workstations. The terms of the agreement require total lease payments of \$161,667 plus interest of 3.18 percent. Upon delivery of the equipment, title to the equipment will vest in Dyer County E911 Communication District. However, in the event of termination or default, title will immediately vest in the lessor.

Note 6- Long-term Obligations

Capital Lease Payable

The District acquired the equipment described in Note 5 by paying \$50,000 down and financing the remaining balance of \$356,617 through a capital lease. Interest is accrued monthly on the obligation. Interest expense for the year ended June 30, 2013 was \$4,638.

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2013 were as follows:

Year Ending June 30	
2014	\$ 47,638
2015	95,265
2016	95,265
2017	95,265
Total Minimum Lease Payments	<u>333,433</u>
Less: Amount Representing Interest	<u>(24,443)</u>
Present Value of Minimum Lease Payments	<u>\$ 308,990</u>

Note 7 - Net Working Capital

At June 30, 2013, net working capital is \$1,090,682.

DYER COUNTY E911 EMERGENCY COMMUNICATION DISTRICT
Dyersburg, Tennessee
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2013

Note 8 - Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 9 - Risk Management

The District manages the various types of risk that apply through the use of commercial insurance. The District insures against the risk of loss of property and director's misappropriation of funds. There were no settlements in excess of insurance coverage in any of the past three years.

Note 10 –Contracts With Government Agencies

The District entered into an agreement with a local government entity whereby the local government provides technical consulting and mapping/addressing services to the District. \$19,200 was paid for these services during the year ending June 30, 2013.

Note 11 – Non-operating Revenue

The District received a reimbursement from the State Communications Board of \$300,000 for CAD equipment and dispatcher furniture, \$10,000 for mapping and related expenditures, and \$32,000 for dispatcher training.

Note 12 – Subsequent Events

The District has evaluated subsequent events through August 13, 2014, the date which the financial statements were available to be issued.

OTHER FINANCIAL INFORMATION

DYER COUNTY E911 EMERGENCY COMMUNICATION DISTRICT
Dyersburg, Tennessee
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
<u>Operating Revenue</u>				
Emergency telephone service charge	\$ 208,000	\$ 208,000	\$ 164,908	\$ (43,092)
TECB-operational funding distribution			238,611	238,611
TECB-shared wireless charge	200,000	200,000	93,263	(106,737)
Total Operating Revenue	<u>408,000</u>	<u>408,000</u>	<u>496,782</u>	<u>88,782</u>
<u>Operating Expenses</u>				
Accounting services	4,550	4,550	4,800	(250)
Contracts with government agencies	19,200	19,200	19,200	-
Contracts with private agencies	7,200	7,200	7,200	-
Maintenance agreements	37,500	37,500	30,035	7,465
Communications equipment - lease payments	72,000	72,000	56,606	15,394
Communications equipment - maintenance and repair	5,000	5,000	5,385	(385)
Maintenance and repair - buildings & facilities	6,230	6,230	3,949	2,281
Vehicle repairs	2,500	2,500	497	2,003
Legal services	500	500	139	361
Language line	200	200	59	141
Supplies and materials	1,000	1,000	876	124
Office supplies	950	950	404	546
Small equipment purchases	27,500	27,500	-	27,500
Utilities	4,000	4,000	3,375	625
Bank charges	100	100	30	70
Board meetings	-	-	-	-
Dues and memberships	-	-	326	(326)
Impact payments	50,000	50,000	50,000	-
Insurance-liability	5,500	5,500	2,888	2,612
Insurance - building & contents	400	400	328	72
Insurance - vehicles	3,500	3,500	2,472	1,028
Premiums on surety bonds	1,500	1,500	1,110	390
Public education	8,500	8,500	16,959	(8,459)
Service awards	250	250	424	(174)
Training	22,000	22,000	26,812	(4,812)
Travel expenses	10,000	10,000	15,679	(5,679)
Uniforms & shirts	500	500	1,201	(701)
Other charges	200	200	126	74
Depreciation- equipment	-	-	378,480	(378,480)
Total Operating Expenses	<u>290,780</u>	<u>290,780</u>	<u>629,360</u>	<u>(338,580)</u>
OPERATING INCOME (LOSS)	<u>117,220</u>	<u>117,220</u>	<u>(132,578)</u>	<u>(249,798)</u>

See accompanying notes and independent auditor's report.

DYER COUNTY E911 EMERGENCY COMMUNICATION DISTRICT
Dyersburg, Tennessee
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance- Favorable (Unfavorable)
<u>Non-operating Revenue</u>				
Interest Income	\$ 3,000	\$ 3,000	\$ 5,669	\$ 2,669
State Communications Board-reimbursement	42,000	-	342,000	342,000
Total Non-operating Revenue	<u>45,000</u>	<u>3,000</u>	<u>347,669</u>	<u>344,669</u>
INCREASE/ (DECREASE) IN NET POSITION	162,220	120,220	210,454	90,234
Net Position, July 1, 2012	<u>2,160,219</u>	<u>2,160,219</u>	<u>2,160,219</u>	<u>-</u>
Net Position, June 30, 2013	<u>\$ 2,322,439</u>	<u>\$ 2,280,439</u>	<u>\$ 2,370,673</u>	<u>\$ 90,234</u>

See accompanying notes and independent auditor's report.

DYER COUNTY E911 EMERGENCY COMMUNICATION DISTRICT
Dyersburg, Tennessee
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended June 30, 2013

<u>CFDA Number</u>	<u>Programs</u>	<u>Balance 7/1/2012</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Balance 6/30/2013</u>
<u>Tennessee Department of Commerce and Insurance</u>					
	Communications Equipment Grant	\$ -	\$ 300,000	\$ 300,000	\$ -
	GIS Mapping Maintenance Grant	-	10,000	10,000	-
	Dispatcher Training Grant	-	32,000	32,000	-
	Total	<u>\$ -</u>	<u>\$ 342,000</u>	<u>\$ 342,000</u>	<u>\$ -</u>

See accompanying notes and independent auditor's report.

Members

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Dyer County E911 Emergency Communication District
Dyersburg, 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 Dyer County E911 Communication District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Dyer County E911 Communication District's basic financial statements and have issued our report thereon dated August 13, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Dyer County E911 Communication 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Dyer County E911 Communication District's internal control. Accordingly, we do not express an opinion on the effectiveness of Dyer County E911 Communication District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, Recommendations and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying Schedule of Findings, Recommendations and Responses as Finding 2009-1 to be a material weakness.

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. We consider the deficiency described in the accompany Schedule of Findings, Recommendations and Responses as item 2009-2 to be a significant deficiency.

Compliance and Other Matters

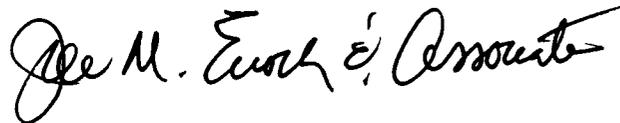
As part of obtaining reasonable assurance about whether Dyer County E911 Communication District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings, Recommendations and Responses as item 2012-1.

Dyer County E911 Communication District's Response to Findings

Dyer County Communication District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings, Recommendations and Responses. Dyer County E911 Communication District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 results 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.



Dyersburg, Tennessee
August 13, 2014

DYER COUNTY E911 EMERGENCY COMMUNICATION DISTRICT
Dyersburg, Tennessee
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2013

Summary of Auditor's Results

1. The auditors report expresses an unqualified opinion on the statement of net position, the statement of revenues, expenses, and changes in net position, and the statement of cash flows of Dyer County E911 Emergency Communication District.
2. The two significant deficiencies disclosed during the audit of the financial statements are reported in the 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. One significant deficiency was reported as a material weakness.
3. One instance of noncompliance material to the financial statements is disclosed in the Schedule of Findings, Recommendations, and Responses, which is required to be reported in accordance with *Government Auditing Standards*.
4. Dyer County E911 Emergency Communication District was not determined to be a low-risk auditee.

DYER COUNTY E911 EMERGENCY COMMUNICATION DISTRICT
Dyersburg, Tennessee
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2013

Prior Year Findings Not Implemented

2009-1 Finding

Due to practical limitations in the size of the District, adequate segregation of duties is not present in the District's internal control structure. However, during the year the Board took an active interest in the financial transactions of the organization by reviewing detail transactions on a regular basis.

Recommendation

Management and the Board need to continue their efforts in complying with the control procedures that are in place to insure that transactions are properly documented and approved. The Board should continue to take an active interest in the financial transactions of the organization by reviewing detail transactions on a regular basis.

Management Response

We concur.

2009-2 Finding

Some of the balance sheet accounts and depreciation are not adjusted to the accrual basis at the end of the year.

Recommendation

An effort should be made to make accrual adjustments to the accounts at the end of the year.

Management Response

We agree, however we prefer those adjustments be made during the audit process with the approval and review of our bookkeeper.

2012-1 Finding

According to *Tennessee Code Annotated*, Section 7-86-120, no emergency communications district may spend money except in accordance with an adopted budget. However, as reflected in the budgetary schedule, some categories of expenses have exceeded The District's adopted budget.

Recommendation

Management and the Board should regularly compare year-to-date expenses to The District's adopted budget. As estimates become more readily available, the budget should be amended as necessary.

Management Response

We concur.