

DICKSON COUNTY EMERGENCY

COMMUNICATIONS DISTRICT

Financial Statements

June 30, 2013

Introductory Section

DICKSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

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Financial Section

DICKSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Schedule of Officials

June 30, 2013

<u>Official</u>	<u>Position</u>
Scott England	Chairman
David Faulkner	Vice - chairman
Timothy Spann	Secretary
Jerone Holt	Treasurer
Joe Muraca	Director
Donnie Weiss	Director

JOHN J. MICHIE
Certified Public Accountant

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Independent Auditor's Report

Board of Directors
Dickson County Emergency Communications District
Dickson, Tennessee

Report on the Financial Statements

I have audited the accompanying financial statements of Dickson County Emergency Communications District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise 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

My responsibility is to express opinions on these financial statements based on my audit. I 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 I 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, I 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.

Board of Directors
Dickson County Emergency
Communications District

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December 11, 2013

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

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

Change in Accounting Principle

As discussed in Note 7 to the financial statements, for the year ended June 30, 2013 the Dickson County Emergency Communications District adopted the new accounting guidance, Government Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflow of Recourses, Deferred Inflows of Recourses, and Net Position*, and early implementation of GASB Statement No. 65, *Items Previously Recognized as Assets and Liabilities*. My opinion is not modified as a result of these matters.

Other Matters

Required Supplementary Information

Accounting principles general accepted in the United State of America require that the management's discussion and analysis on pages 4 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historic context. I have applied certain limited procedures to the required supplemental 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Dickson County Emergency Communications District's financial statements. The accompanying Roster of Officers, Board Members and Officials for the year ended June 30, 2013 is presented for the purpose of additional analysis and is not a required part of the financial statements. The accompanying Schedule of Grant Activity is also presented for purposes of additional analysis and is also not a required part of the financial statements.

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Communications District
December 11, 2013
Page Three

The Schedule of Grant Activity is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards general accepted in the United States of America. In my opinion, the Schedule of Grant Activity is fairly stated in all material respects in relation to the financial statements as a whole.

The Roster of Officers, Board Members and Officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Governmental Auditing Standards*, I have also issued my report dated December 11, 2013, on my consideration of Dickson County Emergency Communications District's internal control over financial reporting and my 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 my 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* and should be considered in assessing in assessing Dickson County Emergency Communications District's internal control over financial reporting and compliance.



December 11, 2013

DICKSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Management's Discussion and Analysis

June 30, 2013

This section of the Dickson County Emergency Communications District's financial statements present's management's overview and analysis of the Communications District's financial performance for the year ended June 30, 2013. This section should be read in conjunction with the financial statements which follow this section.

Financial Highlights

Key highlights for the year ended June 30, 2013 are as follows:

The District's net position increased \$327,041.

At the end of the current year the District reported total net position of \$2,384,077

At the end of the current year the District reported current assets in excess of current liabilities of \$884,823.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The notes to the financial statements also contain more detail on some of the information presented in the financial statements. The financial statements of the District report information about the District using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities. The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The Statement of Revenues, Expenses and Changes in Net Position presents information showing how the District's net position changed during the fiscal 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. The final required statement is the statement of Cash Flows. The primary purpose of this statement is to provide information about the District's cash receipts and cash payments during the year. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and capital and non capital financing activities.

The financial statements can be found on pages 9 - 11 of this report.

The notes to the financial statements provide additional information that is essential to the full understanding of the data provided within the financial statements. The notes to the financial can be found on pages 12 - 18 of this report.

DICKSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Management's Discussion and Analysis

June 30, 2013

Financial Analysis

For the year ended June 30, 2013, assets exceeded liabilities by \$2,384,077. The Communications District has accumulated substantial current assets, 26% of total assets are current assets. The following is a summary of the Communications District's net position.

	2013	2012	Change
Assets			
Current assets	\$ 975,365	\$ 795,498	\$179,867
Capital Assets	2,263,115	2,203,994	59,121
Other assets	100	100	-
Total assets	<u>3,238,580</u>	<u>2,999,592</u>	<u>238,988</u>
Liabilities			
Current liabilities	90,542	87,645	2,897
Long term liabilities	<u>763,961</u>	<u>854,911</u>	<u>(90,950)</u>
Total liabilities	<u>854,503</u>	<u>942,556</u>	<u>(88,053)</u>
Net Position			
Invested in capital assets- net	1,413,051	1,267,407	145,644
Unrestricted	<u>971,026</u>	<u>789,629</u>	<u>181,397</u>
Total net position	<u>\$2,384,077</u>	<u>\$2,057,036</u>	<u>\$327,041</u>

The Communications District's net position increased by \$327,041 for the year ended June 30, 2013. The following is a summary Statement of Statement of Revenues, Expenses, and Changes in Net Position.

	2013	2012	Change
Operating revenues	\$462,077	\$433,214	\$28,863
Operating expenses	<u>449,405</u>	<u>382,942</u>	<u>66,463</u>
Operating income (Loss)	12,672	50,272	(37,600)
Non operating revenues	<u>314,369</u>	<u>218,999</u>	<u>95,370</u>
Change in net position	<u>\$327,041</u>	<u>\$269,271</u>	<u>\$57,770</u>

DICKSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Management's Discussion and Analysis

June 30, 2013

Revenues

The Communications District's revenues for the year ended June 30, 2013 increased \$148,250.

The following is a summary of revenues:

	2013	2012	Change
Emergency telephone service charge	\$133,567	\$150,435	\$ (16,868)
Shared Wireless charge	122,072	115,606	6,466
Operational funding	206,438	167,173	39,265
Interest income	3,988	5,005	(1,017)
State Emergency Communications Board Grants	<u>358,508</u>	<u>238,104</u>	<u>120,404</u>
Total Revenues	<u>\$824,573</u>	<u>\$676,323</u>	<u>\$148,250</u>

Expenses

The major changes in operating expenses for the year ended June 30, 2013 were an increase in depreciation expense as a result of a substantial increase in depreciable assets purchased in recent years, and the payments of interest expense due to recent additions of long term lease obligations.

The following is a summary of operating expenses:

	2013	2012	Change
Audit services	\$ 4,500	\$ 3,500	\$ 1,000
Accounting services	8,300	6,600	1,700
Data processing services	55,595	30,663	24,932
Legal services	1,800	2,763	(963)
Maintenance agreements	26,399	21,765	4,634
Lease expense - buildings & facilities	2,684	10,184	(7,500)
Leased communications equipment	61,100	47,793	13,307
Repairs and maintenance - equipment	13,693	14,614	(921)
Repairs & maintenance - building	4,760	548	4,212
Office supplies	234	1,600	(1,366)
Postage	236	277	(41)
Utilities	25,697	12,521	13,176
Telephone	7,833	8,279	(446)
Cellphones & pagers	894	1,118	(224)
Other supplies	3,174	4,891	(1,717)
Dues	422	629	(207)
Licenses and fees	1,700	12,687	(10,987)
Insurance	1,490	1,490	-
Conference & training	3,695	21,122	(17,427)
Other costs	8,722	-	8,722
Depreciation	216,477	179,898	36,579
Interest expense	48,127	23,990	24,137
Loss on disposal of equipment	-	120	(120)
Total expenses	<u>\$497,532</u>	<u>\$407,052</u>	<u>\$90,480</u>

DICKSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Management's Discussion and Analysis

June 30, 2013

Cash Flows

Cash increased \$78,795 for the year ended June 30, 2013.

The following is a summary of the Communications District's cash flows:

	2013	2012	Change
Cash Flows provided by operations	\$226,360	\$230,207	\$(3,847)
Cash Flows from Non-Capital Financing Activities	358,508	238,104	120,404
Cash Flows from Capital and Related Financing Activities	(410,248)	(591,676)	181,428
Cash Flows from Investing Activities	<u>(95,825)</u>	<u>155,072</u>	<u>(250,897)</u>
Change in cash	<u>\$ 78,795</u>	<u>\$ 31,707</u>	<u>\$ 47,088</u>

Capital Assets

The Communications District's investment in capital assets as of June 30, 2013 amounted to \$1,413,051 net of accumulated depreciation and related liabilities. Capital assets consist of computer equipment and buildings and building improvements. Investment in capital asset increased by \$145,644 for the year. Depreciation expense was recorded in the amount of \$216,477 for the year.

	2013	2012	Change
Land	\$ 75,000	\$ 75,000	\$ -
Buildings	1,098,188	993,104	105,084
Equipment	<u>2,089,556</u>	<u>1,919,042</u>	<u>170,514</u>
Total property and equipment	3,262,744	2,987,146	275,598
Accumulated depreciation	<u>999,629</u>	<u>783,152</u>	<u>216,477</u>
Property and equipment - net	2,263,115	2,203,994	59,121
Related liabilities	<u>850,064</u>	<u>936,587</u>	<u>(86,523)</u>
Investment in capital assets	<u>\$1,413,051</u>	<u>\$1,267,407</u>	<u>\$145,644</u>

DICKSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Management's Discussion and Analysis

June 30, 2013

Capital Assets - continued

Changes in investment in capital assets - net of related debt are as follows:

Acquisition of capital assets	
Building	100,570
Fence	4,513
Furniture	6,160
Combiner system	32,017
Repeaters	84,387
Lights	13,550
Repeater	31,715
Television and speakers	<u>2,686</u>
Total additions	275,598
Depreciation	(216,477)
Decrease in capital lease obligations	<u>86,523</u>
Change in investment in capital assets - net of related debt	145,644
Investment in capital assets - net of related debt - beginning of year	<u>1,267,407</u>
Investment in capital assets - net of related debt - end of year	<u>\$1,413,051</u>

Economic Factors and Future Outlook

In light of the new Homeland Security requirements and the mandated requirements laid out by the Federal Communications Commission concerning narrow band communications the Dickson County Emergency Communications District understands we must focus our decisions and our budget on meeting those goals.

DICKSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Statement of Net Position

June 30, 2013

Assets

Current Assets

Cash	\$ 391,163
Certificates of deposit	550,000
Tariffs receivable	32,295
Interest receivable	529
Inventory	<u>1,378</u>
Total Current Assets	975,365

<u>Property and Equipment - Net</u>	2,263,115
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Other Assets

Deposits	<u>100</u>
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Total Assets	<u>\$3,238,580</u>
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Liabilities and Net Position

Current Liabilities

Accounts payable	4,439
Current portion - capital lease obligations	<u>86,103</u>
Total Current Liabilities	<u>90,542</u>

Long Term Indebtedness

Capital lease obligation - City of Dickson	692,071
Capital Lease obligation - BellSouth Telecommunications, Inc.	<u>71,890</u>
Total Long term Indebtedness	<u>763,961</u>

Total Liabilities	<u>854,503</u>
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Net Position

Invested in capital assets - net of related debt	1,413,051
Unrestricted	<u>971,026</u>
Total Net Position	<u>2,384,077</u>

Total Liabilities and Net Position	<u>\$3,238,580</u>
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The accompanying notes are an integral part of these financial statements.

DICKSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended June 30, 2013

Operating Revenues

Emergency telephone service charge	\$ 133,567
State Emergency Communications Board - shared wireless charge	122,072
Operational funding	<u>206,438</u>
Total Operating Revenues	<u>462,077</u>

Operating Expenses

Audit services	4,500
Accounting services	8,300
Data processing services	55,595
Legal Services	1,800
Maintenance agreements	26,399
Leased communication equipment	61,100
Lease expense	2,684
Repairs and maintenance - communications equipment	13,693
Repairs and maintenance - building	4,760
Office supplies	234
Postage	236
Utilities	25,697
Telephone	7,833
Cellphones & pagers	894
Other supplies	3,174
Dues	422
Licenses & permits	1,700
Insurance	1,490
Conferences/training	3,695
Other costs	8,722
Depreciation	<u>216,477</u>
Total Expenses	<u>449,405</u>

Income (Loss) from Operations	<u>12,672</u>
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Non-operating Revenues (Expenses)

Interest income	3,988
State Emergency Communication Board - grants & reimbursements	358,508
Interest expense	<u>(48,127)</u>

Total Non-operating Revenues (Expenses)	<u>314,369</u>
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Change in Net Position	327,041
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<u>Net Position</u> - beginning of year	<u>2,057,036</u>
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<u>Net Position</u> - end of year	<u>\$2,384,077</u>
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The accompanying notes are an integral part of these financial statements.

DICKSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Statement of Cash Flows

For the Year Ended June 30, 2013

<u>Cash Flows from Operations</u>	
Cash received from surcharges and other revenue	\$ 460,818
Cash paid to suppliers	<u>(234,458)</u>
Total Cash Provided (Used) by Operations	<u>226,360</u>
<u>Cash Flows from Non-Capital Financing Activities</u>	
State Emergency Communication Board Grants	<u>358,508</u>
Cash Provided (Used) by Non-Capital Financing Activities	<u>358,508</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Purchase of property and equipment	(275,598)
Long term lease obligation payments	(86,523)
Interest expense paid	<u>(48,127)</u>
Cash Provided (Used) by Capital and Related Financing Activities	<u>(410,248)</u>
<u>Cash Flows from Investing Activities</u>	
Decrease in certificate of deposit	(100,000)
Interest income received	<u>4,175</u>
Cash Provided (Used) from Investing Activities	<u>(95,825)</u>
Total Increase in Cash	78,795
<u>Cash</u> - beginning of year	<u>312,368</u>
<u>Cash</u> - end of year	<u>\$ 391,163</u>
Reconciliation of Net Operating Income to Net Cash Flows from Operating Activities	
Net Operating Income (Loss)	\$ 12,672
Adjustment to reconcile excess revenues and other sources over expenses to net cash provided by operating activities	
Depreciation	216,477
(Increase) decrease in:	
Accounts receivable	(1,259)
Increase (decrease)	
Accounts payable	<u>(1,530)</u>
Net Cash Provided by Operations	<u>\$226,360</u>

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

DICKSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements

June 30, 2013

Note 1 - Summary of Significant Accounting Policies

Business Activity - The Dickson County Emergency Communications District was created to provide enhanced emergency telephone communications service (E-911) within Dickson County.

Component Unit - The District is a component unit of Dickson County, Tennessee. Dickson County's board of commissioners appoints a voting majority to the District's board and is able to influence the operations of the District by regulating the tariff charged by the District for emergency telephone service.

Method of Accounting - The District recognizes income and expenses on the accrual basis of accounting, whereby operating income is reported as earned and expenses are reported when incurred. The financial statements have been prepared in conformity with all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Measurement Focus - The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, and all liabilities, and deferred inflows of resources associated with the operations are included in the statement of net position. The statement of Revenues, expenses, and changes in net position presents increases (revenues) and decreases (expenses) in total net position.

Accounts receivable - The District reports trade receivables at net realized value. Management determines the allowance for doubtful accounts based on historical losses and current economic conditions. On a continuing basis, management analyzes delinquent receivables and, if a receivable is determined to be uncollectible, it is written off through a charge against an existing allowance account or against earnings. As of June 30, 2013 no allowance for doubtful accounts was deemed necessary.

Inventories - Inventories are stated at the lower of cost or market value, with cost determined by using the first-in, first-out method (FIFO).

Property and Equipment - Property and equipment are stated at cost. The District capitalizes expenditures when an individual cost exceeds \$500 and its estimated useful life is three years or greater. Depreciation is computed by the straight-line method based on the following estimated useful lives:

	<u>Years</u>
Buildings	15 - 25
Equipment	3 - 10

DICKSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements

June 30, 2013

Note 1 - Summary of Significant Accounting Policies - continued

Cash and Cash Equivalents - For purpose of reporting cash flows, cash and cash equivalents include cash and all highly liquid investments with an original maturity of three months or less.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Operating and Non-operating revenues - Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. All revenues not meeting this definition are reported as non-operating revenues.

Concentrations of Credit Risk - The District grants credit to various telephone and cellular service providers in the form of emergency telephone tariffs collected by the providers from their customers. It is the providers responsibility to forward to the Dickson County Emergency Communications District tariffs collected.

Note 2 - Cash - At June 30, 2013 cash consisted of the following accounts:

	Bank <u>Balance</u>	Carrying <u>Value</u>
Operating account	\$399,598	\$391,163
Certificates of deposit	<u>550,000</u>	<u>550,000</u>
Total	<u>\$949,598</u>	<u>\$941,163</u>

The District is exposed to custodial credit risk of the District's cash deposits being lost due to bank failure. The bank mitigates this risk, by complying with State statutes, and adopting a policy to require the financial institutions holding cash deposits to be members of the Tennessee Collateral Pool or pledge collateral for deposits in excess of federal depository insurance. The collateral is required to be held by the District or its agent in the District's name.

The above amounts are deposited in various banks in Dickson County area. The balance in one of the accounts presently exceeds FDIC insurance levels, the excess amounts, \$250,000 as of June 30, 2013, is covered by collateral agreement between the bank and the District.

DICKSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements

June 30, 2013

Note 2 - Cash - Continued

State statutes authorize the District to invest in obligations of the Federal government, Federal agencies, the State investment pool, certificates of deposit, other time deposits, and repurchase agreements. The District's investment policy follows State law which authorizes investments for emergency communications district in Tennessee Code Annotated Section 5-8-301. All of the District's temporary investments are in certificates of deposits.

Note 3 - Property and Equipment - At June 30, 2013, property and equipment consisted of the following:

	<u>Cost</u>	<u>Accumulated Depreciation</u>
Capital assets not being depreciated		
Land	\$ 75,000	
Capital assets being depreciated		
Buildings and improvements	1,098,188	\$ 50,207
Equipment	<u>2,089,556</u>	<u>949,422</u>
Total Buildings and equipment	3,262,744	<u>\$999,629</u>
Less: accumulated depreciation	<u>999,629</u>	
Property and equipment - net	<u>\$2,263,115</u>	

	Balance June 30, <u>2012</u>	<u>Additions</u>	Transfers & <u>Disposals</u>	Balance June 30, <u>2013</u>
Land	\$ 75,000	\$ -	\$-	\$ 75,000
Buildings	993,104	105,084	-	1,098,188
Equipment	<u>1,919,042</u>	<u>170,514</u>	-	<u>2,089,556</u>
Total	<u>\$2,987,146</u>	<u>\$275,598</u>	<u>\$-</u>	<u>\$3,262,744</u>

Depreciation expense for the year ended June 30, 2013 amounted to \$216,477.

Note 4 - Indebtedness

Capital Lease Obligations

City of Dickson, Tennessee
 Non-cancelable capital lease
 Due in monthly installments
 of \$8,000 until June 2023
 Secured by District's communication center

Present value of net minimum capital lease payments	\$751,836
Less current obligation	<u>59,765</u>
Long-term lease obligations - net	<u>\$692,071</u>

DICKSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements

June 30, 2013

Note 4 - Indebtedness - continued

Capital Lease Obligations

City of Dickson, Tennessee - continues

The amounts capitalized under the above capitalized lease arrangements are included in equipment on the balance sheet as follows:

Land	\$ 75,000
Building	<u>1,084,748</u>
	1,159,748
Less accumulated amortization	<u>41,471</u>
	<u>\$1,118,277</u>

BellSouth Telecommunications, Inc.

Non-cancelable capital lease
Due in monthly installments
of \$2,554 until December 2016
Secured by specific equipment

Present value of net minimum capital lease payments	\$98,227
Less current obligation	<u>26,337</u>
Long-term lease obligations - net	<u>\$71,890</u>

The amounts capitalized under the above capitalized lease arrangements are included in equipment on the balance sheet as follows:

Equipment	\$161,776
Less accumulated amortization	<u>32,355</u>
	<u>\$129,421</u>

The present value of future minimum capital lease payments as of June 30, 2013 is as follows:

<u>Year</u>	BellSouth		<u>Total</u>
	<u>City of Dickson</u>	<u>Telecommunications, Inc.</u>	
2014	\$ 96,000	\$ 30,650	\$ 126,650
2015	96,000	30,650	126,650
2016	96,000	30,650	126,650
2017	96,000	15,325	111,325
2018	96,000	-	96,000
2019 - 2023	480,000	-	480,000
2024	<u>4,024</u>	<u>-</u>	<u>4,024</u>
	964,024	107,275	1,071,299
Less amounts representing interest	<u>212,188</u>	<u>9,048</u>	<u>221,236</u>
Present value on net minimum Capital lease payments	<u>\$751,836</u>	<u>\$ 98,227</u>	<u>\$ 850,063</u>

DICKSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements

June 30, 2013

Note 4 - Indebtedness - continued

Summary of changes in indebtedness is as follows:

	Balance June 30, <u>2012</u>	<u>Payments</u>	Balance June 30, <u>2013</u>
<u>Capital Lease Obligations</u>			
City of Dickson, Tennessee	\$813,305	\$61,469	\$751,836
BellSouth Telecommunications, Inc.	<u>123,282</u>	<u>25,055</u>	<u>98,227</u>
Total	<u>\$936,587</u>	<u>\$86,524</u>	<u>\$850,063</u>

Interest was paid on lease obligations for the year ended June 30, 2013 in the amount of \$48,127. Amount charged to expense \$48,127. Amount capitalized \$-0-.

Note 5 - Changes in investment in capital assets - net of related debt

Changes in investment in capital assets - net of related debt are as follows:

Acquisition of capital assets	
Building	100,570
Fence	4,513
Furniture	6,160
Combiner system	32,017
Repeaters	84,387
Lights	13,550
Repeater	31,715
Television and speakers	<u>2,686</u>
Total additions	275,598
Depreciation	(216,477)
Decrease in capital lease obligations	<u>86,523</u>
Change in investment in capital assets - net of related debt	145,644
Investment in capital assets - net of related debt - beginning of year	<u>1,267,407</u>
Investment in capital assets - net of related debt - end of year	<u>\$1,413,051</u>

DICKSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements

June 30, 2013

Note 6 - Insurance Risk

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. The district has an arrangement with the City of Dickson, Tennessee, whereby the City obtains general insurance coverage for the property of the District. The City participates in the Tennessee Municipal League Risk Management Pool (the Pool). The Pool operates as a common risk-sharing pool by which governments pool risks and funds and share in the cost of losses. The District purchase commercial insurance for the risks of losses not covered by the Pool. These risks include general fidelity bond for the board of directors. Settled claims have not exceeded this commercial coverage in the last three years.

Note 7 - Lease Commitments

The District leases land on which District has located a base station and antenna. The lease agreement provides for annual rental in the amount of \$2,000 plus property taxes. The term of the lease is 30 years with an option to renew the lease for another 30 years. The term of the lease is from May 2005 until May 2034.

Future minimum lease payments are as follows:

2014	\$ 2,000
2015	2,000
2016	2,000
2017	2,000
2018	2,000
2019 - 2023	10,000
2024 - 2028	10,000
2029 - 2033	10,000
2034	<u>2,000</u>
Total	<u>\$42,000</u>

Note 8 Change in Accounting Method

For the year ended June 30, 2013 the Dickson County Emergency Communications District adopted the new accounting guidance, Government Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflow of Recourses, Deferred Inflows of Recourses, and Net Position*. This action resulted in the establishment of categories outside of assets and liabilities titled deferred outflows and deferred inflows. The Statement of Net Assets has also been re-titled to Statement of Position. The Dickson County Emergency Communications District also early implemented GASB Statement No. 65, *Items Previously Recognized as Assets and Liabilities*, resulting in no change to previously issued financial statements.

DICKSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements

June 30, 2013

Note 8 - Commitments and Contingencies

Management has evaluated subsequent events through December 11, 2013, the date of which the financial statements were available to be issued.

DICKSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Statement of Revenues, Expenditures
and Changes in Net Position - Budget and Actual

For the Year Ended June 30, 2013

	Original <u>Budget</u>	Amended <u>Budget</u>	<u>Actual</u>	Over (Under) <u>Budget</u>
Revenues				
Emergency telephone tariffs	\$ 160,000	\$ 185,014	\$ 254,380	\$ 69,366
Operational funding	276,000	352,557	206,438	(146,119)
State Emergency Communication Board - grants & reimbursements	36,000	397,583	358,508	
Interest income	<u>4,500</u>	<u>5,826</u>	<u>4,175</u>	(1,651)
Total Revenues	<u>476,500</u>	<u>940,980</u>	<u>823,501</u>	<u>(78,404)</u>
Expenditures				
Audit services	4,000	4,500	4,500	-
Accounting services	7,200	7,700	7,700	-
Data processing services	30,000	59,000	58,145	(855)
Legal services	10,000	10,000	7,529	(2,471)
Maintenance agreements	22,000	29,000	26,399	(2,601)
Lease expense buildings & facilities	96,000	106,684	106,684	-
Leased communications equipment	65,000	92,000	91,750	(250)
Repairs & maintenance - equipment	20,000	36,000	13,021	(22,997)
Repairs & maintenance - buildings	10,000	10,000	4,685	(5,315)
Office supplies	1,000	1,000	234	(766)
Postage	350	350	236	(114)
Utilities	23,700	27,800	25,668	(2,132)
Telephone	15,000	15,000	7,930	(7,070)
Cellphones & pagers	1,100	1,100	980	(120)
Other supplies	1,000	3,000	3,089	89
Dues	700	700	422	(278)
Licenses and fees	5,000	5,000	1,700	(3,300)
Insurance	1,500	1,500	1,490	(10)
Conferences/training	9,000	9,000	3,965	(5,035)
Other charges	18,950	18,950	3,723	(15,227)
Equipment purchases	<u>135,000</u>	<u>288,000</u>	<u>269,869</u>	<u>(18,131)</u>
Total Expenditures	<u>476,500</u>	<u>726,284</u>	<u>639,706</u>	<u>(86,573)</u>
Excess (deficiency) of revenues over expenditures	-	214,696	183,795	<u>\$30,901</u>
Net Position, beginning of year	<u>2,057,036</u>	<u>2,057,036</u>	<u>2,057,036</u>	
Net Position, end of year	<u>\$2,057,036</u>	<u>\$2,271,732</u>	<u>\$2,24,0831</u>	

DICKSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Statement of Revenues, Expenditures
and Changes in Net Position - Budget and Actual

For the Year Ended June 30, 2013

The District budgets its revenues and expenses on a non-GAAP basis. The statement of revenues, expenses and changes in net position presented on page 9 has been converted to this non-GAAP basis for purposes of comparison. Reconciliation of revenues and expenses between GAAP and budget basis is as follows:

Revenues (GAAP basis)	\$824,573
Decrease in amounts due for tariffs	(1,259)
Decrease in interest receivable	<u>187</u>
Revenues (budget basis)	<u>\$823,501</u>
Expenses (GAAP basis)	\$497,532
Decrease in accounts payable	1,530
Depreciation expense	(216,477)
Capitalized legal expense	(5,729)
Property and equipment purchases	275,598
Capital lease principal payments	<u>86,523</u>
Expenditures (budget basis)	<u>\$638,977</u>

DICKSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Schedule of Grant and Reimbursements

For the Year Ended June 30, 2013

<u>Grant Number</u>	<u>Program Name</u>	<u>Grantor Agency</u>	Deferred (Due from) Balance June 30, 2012	<u>Receipts</u>	<u>Expenditures</u>	Deferred (Due From) Balance June 30, 2013
<u>Operating grants and reimbursements</u>						
None	GIS Operational Funding	Tennessee Emergency Communications Board	\$ -	\$10,000	\$10,000	\$ -
None	GIS - TIPS	Tennessee Emergency Communications Board	-	10,740	10,740	-
None	GIS - TIPS	Tennessee Emergency Communications Board	-	10,720	10,720	-
None	GIS - TIPS	Tennessee Emergency Communications Board	-	11,048	11,048	-
None	Generator & other equipment	Tennessee Emergency Communications Board	-	300,000	300,000	-
None	Dispatcher Training	Tennessee Emergency Communications Board	\$ -	<u>16,000</u>	<u>16,000</u>	-
Total			<u>\$ -</u>	<u>\$358,508</u>	<u>\$358,508</u>	<u>\$ -</u>

DICKSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Schedule of Officials Bonds

June 30, 2013

The District maintains fidelity bonds on individuals authorized to sign checks for the District. At June 30, 2013 the following surety bonds were in force:

Chairman	\$200,000
Vice-chairman	200,000
Treasurer	200,000

JOHN J. MICHIE

Certified Public Accountant

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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 Governmental Auditing Standards

Board of Directors
Dickson County Emergency
Communications District
Dickson, Tennessee

I 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 Dickson County Emergency Communications District, a component unit of Dickson County, Tennessee, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Dickson County Emergency Communications District's basic financial statements and have issued my report thereon dated December 11, 2013.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Dickson 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Dickson County Emergency Communications District's internal control. Accordingly, I do not express an opinion on the effectiveness of Dickson 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 combination of control deficiencies, in internal control, such that there is a reasonable possibility that material misstatement of the entity's financial statements will not be prevented or detected 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.

Board of Directors
Dickson County Emergency
Communications District
Page Two
December 11, 2013

My 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as number 1 that I consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Dickson County Emergency Communications District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item Number 2.

Dickson County Emergency Communications District's Response to Findings

Dickson County Emergency Communications District's response to the findings identified in my audit is described in the accompanying schedule of findings and questioned costs. I did not audit Dickson County Emergency Communications District's response and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.



December 11, 2013

DICKSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Schedule Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2013

SIGNIFICANT DEFICIENCIES INVOLVING INTERNAL CONTROL STRUCTURE

BASED ON AUDIT OF GENERAL
PURPOSE FINANCIAL STATEMENTS

1. Finding

Accounting functions do not appear to be adequately separated. Good internal accounting controls mandate that no one person should perform all phases of the transaction cycle from beginning to end. The District's recorder is responsible for collecting tariffs, making deposits, writing and recording disbursements and reconciling bank statements. The Uniform Accounting Manual for Tennessee Municipalities, Section 06-7-0, provides the requirements for establishing an adequate system of internal control. Without proper segregation of duties, accounting errors or irregularities may occur and not be detected.

Recommendation

To strengthen internal controls, I recommend that the District establish a simple and flexible organizational plan which clearly places responsibility for specific activities upon specified individuals. I also recommend that the Board of Directors enforce the division of duties and provide a system of checks and balances so that no one person has control over a complete transaction.

Municipality's Response

The District is unable to completely separate duties because of the very limited staff available to perform the duties. However, the Board has implemented a system of policies and procedures in order to strengthen internal control and provide proper separation of duties.

SIGNIFICANT DEFICIENCIES INVOLVING COMPLIANCE

BASED ON AUDIT OF GENERAL
PURPOSE FINANCIAL STATEMENTS

2. Finding

During the year ended June 30, 2013 the District expended funds in one expense category in excess of adopted budget.

Recommendation

I recommend the District closely monitor expenditures to ensure amounts remain within adopted budget guidelines, and if necessary, amend the budget for unforeseen expenditures.

DICKSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Schedule Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2013

Municipality's Response

The District will implement the above recommendations and closely monitor individual account expenditures in order to remain within budgetary guidelines and if necessary amend the budget for expenditures not taken into account when the original budget was prepared.

DICKSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Auditor's Comments on Audit Resolution Matters Relating to Prior Findings

Internal Control Structure

June 30, 2013

Finding No. 1 Accounting functions are not adequately separated.

Status Due to limited personnel the District continues to be unable to adequately segregate accounting functions. This finding is repeated in present year's findings and recommendation.

Auditor's Comments on Audit Resolution Matters Relating to Prior Findings

Compliance with Laws and Regulations

Finding No. 2 District expended funds in excess of adopted budget

Status During the year ended June 30, 2012 the District expended funds in several categories in excess of adopted budget. This finding is repeated in present year's findings and recommendation.