

DYER COUNTY E911  
EMERGENCY COMMUNICATIONS DISTRICT  
AUDITED FINANCIAL STATEMENTS  
Year Ended June 30, 2014



DYER COUNTY E911  
EMERGENCY COMMUNICATIONS DISTRICT  
Dyersburg, Tennessee  
AUDITED FINANCIAL STATEMENTS

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## INTRODUCTORY SECTION

DYER COUNTY E911  
EMERGENCY COMMUNICATIONS DISTRICT  
Dyersburg, Tennessee  
ROSTER OF BOARD OF DIRECTORS AND MANAGEMENT OFFICIALS  
June 30, 2014

**BOARD MEMBERS**

Jeff Burns  
Jeff Box  
James Medling  
Jason Roberts  
Vernita Turner  
Thomas White  
Bob Williamson

**MANAGEMENT OFFICIAL**

Mark Grant

Members

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

A division of



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Dyer County Emergency Communications District  
Dyersburg, Tennessee

We have audited the accompanying financial statements of Dyer County Emergency Communications District, a component unit of Dyer 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 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 Emergency Communications District, as of June 30, 2014, and the respective changes in financial position and cash flows 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 on pages 4-6 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*

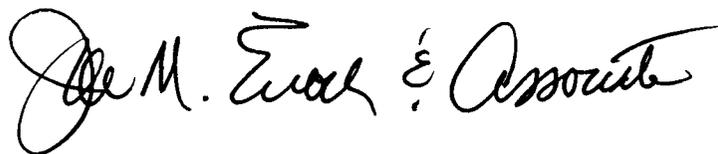
Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The other supplemental information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of Dyer County E911 Communications District. 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 other supplementary 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 December 30, 2014, on our consideration of Dyer County E911 Communication 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 Dyer County E911 Communications District's internal control over financial reporting and compliance.

Dyersburg, Tennessee  
December 30, 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, 2014. 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 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.

### **ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS**

As can be seen from the summarized financial information on page 6, the District's current assets have decreased \$70,426 during the year ended June 30, 2014 and net capital assets decreased \$160,593. The decrease in net capital assets was due to depreciation expense exceeding capital asset additions during the year. The emergency telephone service charge revenues of the District decreased by \$39,198. The state shared wireless revenues increased by an amount of \$20,999. The District also received \$244,596 in operational funding, an increase of \$5,985 from June 30, 2013. In addition, the District received \$6,855 in interest income.

Total operating expenses remained relatively consistent with an increase of 1.11% from the prior year. Nonoperating revenues decreased by \$300,330. This decrease is a result of a grant from the State Emergency Communications Board in the prior year.

### **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 total budget would show a favorable balance.

Some of the line item expenditures of the District show unfavorable variances when comparing the budgeted amounts with the actual amounts. The largest of the unfavorable balance besides depreciation is travel expenses. Due to the nature of the industry, it is difficult to predict the rate of technological changes. Most travel expenses are related to training in the ever-changing industry.

### **CAPITAL ASSETS**

The District's investment in capital assets amounts to \$3,086,786 with accumulated depreciation of \$1,746,479. Investment in capital assets was \$217,885 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

## SUMMARIZED FINANCIAL INFORMATION

	NET POSITION		Dollar Change	Percentage Change
	2014	2013		
Current assets	\$ 1,116,433	\$ 1,186,859	\$ (70,426)	-5.93%
Capital assets	<u>1,340,309</u>	<u>1,500,902</u>	<u>(160,593)</u>	-10.70%
Total Assets	<u>2,456,742</u>	<u>2,687,761</u>	<u>(231,019)</u>	-16.63%
Current liabilities	95,265	96,177	(912)	-0.95%
Noncurrent liabilities	<u>85,918</u>	<u>220,911</u>	<u>(134,993)</u>	-61.11%
Total Liabilities	<u>181,183</u>	<u>317,088</u>	<u>(135,905)</u>	-62.06%
Net Position	<u>\$ 2,275,559</u>	<u>\$ 2,370,673</u>	<u>\$ 95,114</u>	-78.69%
Summary of net position				
Investment in capital assets, net of debt	1,159,125	1,191,911	(32,786)	-2.75%
Unrestricted	<u>1,116,434</u>	<u>1,178,762</u>	<u>(62,328)</u>	-5.29%
	<u>\$ 2,275,559</u>	<u>\$ 2,370,673</u>	<u>\$ (95,114)</u>	-8.04%

### CHANGES IN NET POSITION

Revenues	\$ 484,568	\$ 496,782	\$ (12,214)	-2.46%
Operating expenses	<u>622,383</u>	<u>629,359</u>	<u>(6,976)</u>	-1.11%
Operating income (loss)	(137,815)	(132,577)	(19,190)	-3.57%
Nonoperating revenues net of expenses	<u>42,701</u>	<u>343,031</u>	<u>(300,330)</u>	-87.55%
Changes in net position	(95,114)	210,454	(319,520)	-151.82%
Net position				
Beginning	<u>2,370,673</u>	<u>2,160,219</u>	<u>126,956</u>	5.88%
Ending	<u>\$ 2,275,559</u>	<u>\$ 2,370,673</u>	<u>\$ 210,454</u>	8.88%

DYER COUNTY E911 EMERGENCY COMMUNICATIONS DISTRICT  
Dyersburg, Tennessee  
STATEMENT OF NET POSITION  
June 30, 2014

ASSETS

Current Assets

Cash	\$ 600,859
Investments	455,940
Accrued interest receivable	182
Accounts receivable	56,169
Prepaid expense	3,283
<u>Total Current Assets</u>	<u>1,116,433</u>

Noncurrent Assets

Capital Assets

Land	10,930
Equipment	3,075,856
<u>Total Capital Assets</u>	<u>3,086,786</u>
Accumulated Depreciation	(1,746,479)
Capital Assets, net	<u>1,340,307</u>

TOTAL ASSETS \$ 2,456,740

LIABILITIES AND NET POSITION

LIABILITIES

Current liabilities

Capitalized lease obligation-current	\$ 95,265
<u>Total Current Liabilities</u>	<u>95,265</u>

Noncurrent liabilities

Capitalized lease obligation- long-term	85,918
<u>Total Noncurrent Liabilities</u>	<u>85,918</u>

TOTAL LIABILITIES 181,183

Net Position

Net investment in capital assets	1,159,125
Unrestricted	1,116,432
<u>Total Net Position</u>	<u>2,275,557</u>

TOTAL LIABILITIES AND NET POSITION \$ 2,456,740

See accompanying notes and independent auditor's report.

DYER COUNTY E911 EMERGENCY COMMUNICATIONS DISTRICT  
Dyersburg, Tennessee  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
For the Year Ended June 30, 2014

**Operating Revenue**

Emergency service charges	\$ 125,710
Tennessee Emergency Communications Board - shared wireless charge	114,262
Tennessee Emergency Communications Board - operational funding	244,596
<u>Total Operating Revenue</u>	484,568

**Operating Expenses**

**Contracted Services**

Architect Fees	5,907
Contracts with government agencies	17,600
Contracts with private agencies	7,200
Impact payments	50,000
Lease/Rental - communications equipment	55,900
Maintenance agreements	38,558
Maintenance and repairs - communications equipment	4,370
Maintenance and repairs - buildings & facilities	1,054
Maintenance and repairs - vehicles	413
Other contract services	163
<u>Total Contracted Services</u>	181,165

**Insurance Premiums**

Insurance - liability	1,864
Insurance - building and contents	379
Insurance - equipment	301
Insurance - vehicles	2,920
Surety bond premiums	1,110
<u>Total Insurance Premiums</u>	6,574

**Supplies and Materials**

Data processing supplies	352
Office supplies and postage	575
Maintenance supplies	716
Uniforms and shirts	1,086
Utilities - electric	5,078
Utilities - gas	73
<u>Total Supplies and Materials</u>	7,880

**Other Charges**

Accounting services	1,800
Legal services	100
Public education	6,146
Service awards	137
Training expenses	18,112
Travel expenses	21,989
<u>Total Other Charges</u>	48,284

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 (Continued)  
For the Year Ended June 30, 2014

<u>Depreciation</u>	<u>378,480</u>
<u>Total Operating Expense</u>	<u>622,383</u>
<u>Operating Income (Loss)</u>	<u>(137,815)</u>
<u>Nonoperating Revenues (Expenses)</u>	
State- grants and reimbursements	47,000
Interest Income	6,855
Interest expense	<u>(11,154)</u>
<u>Total Nonoperating Revenues</u>	<u>42,701</u>
Increase (Decrease) in Net Position	<u>(95,114)</u>
Net Position, July 1, 2013	2,370,673
Net Positon, June 30, 2014	<u>\$ 2,275,559</u>

See accompanying notes and independent auditor's report.

DYER COUNTY E911 EMERGENCY COMMUNICATIONS DISTRICT  
Dyersburg, Tennessee  
STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2014

<u>Cash Flows From Operating Activities</u>		
Receipts from emergency service charges		\$ 446,862
Payments to suppliers		<u>(255,287)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		191,575
<u>Cash Flows From Capital and Related Financing Activities</u>		
Purchase of equipment	(217,885)	
Payments on capital lease	(127,178)	
Interest paid on capital assets	<u>(11,784)</u>	
NET CASH PROVIDED (USED) IN CAPITAL AND RELATED FINANCING ACTIVITIES		(356,847)
<u>Cash Flows From Noncapital Financing Activities</u>		
State- grants and reimbursements	<u>47,000</u>	
NET CASH PROVIDED (USED) IN NONCAPITAL FINANCING ACTIVITIES		47,000
<u>Cash Flows From Investing Activities</u>		
Increase in certificates of deposit	(3,759)	
Interest paid on investments	<u>7,029</u>	
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES		<u>3,270</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(115,002)
Cash and Cash Equivalents, July 1, 2013		<u>715,861</u>
CASH AND CASH EQUIVALENTS, June 30, 2014		<u>\$ 600,859</u>

See accompanying notes and independent auditor's report.

DYER COUNTY E911 EMERGENCY COMMUNICATIONS DISTRICT  
Dyersburg, Tennessee  
STATEMENT OF CASH FLOWS (CONTINUED)  
For the Year Ended June 30, 2014

<u>Reconciliation of Operating Income (Loss) to Net Cash</u> <u>Provided (Used) by Operating Activities</u>	
Operating income (loss)	\$ (137,815)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation - equipment	378,480
Changes in current assets and current liabilities:	
Increase in prepaid expense	(3,287)
Increase in accounts receivable	(37,705)
Decrease in trade accounts payable	<u>(8,098)</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>\$ 191,575</u>

See accompanying notes and independent auditor's report.

DYER COUNTY E911 EMERGENCY COMMUNICATIONS DISTRICT  
Dyersburg, Tennessee  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2014

Note 1 - Significant Accounting Policies

The Dyer County E911 Emergency Communications 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 Communications 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 Communications 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 COMMUNICATIONS DISTRICT  
Dyersburg, Tennessee  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
For the Year Ended June 30, 2014

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, 2014 and 2013.

	Balance 6/30/2013	Additions	Retirements and Transfers	Balance 6/30/2014
Land	\$ 10,930	\$ -	\$ -	\$ 10,930
Equipment	2,857,971	217,885		3,075,856
Total	2,868,901	217,885	-	3,086,786
Accumulated Depreciation	1,367,999	378,480		1,746,479
Net Capital Assets	<u>\$ 1,500,902</u>	<u>\$ (160,595)</u>	<u>\$ -</u>	<u>\$ 1,340,307</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, 2014 the District's carrying amount of deposits was \$1,056,798 and the bank balance was \$1,073,624. Of the bank balance, \$629,397 was covered by federal depository insurance and \$444,227 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 COMMUNICATIONS DISTRICT  
Dyersburg, Tennessee  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
For the Year Ended June 30, 2014

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, 2014 and December 30, 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, 2014, these telephone companies are indebted to the District in the amount of \$56,169. 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 COMMUNICATIONS DISTRICT  
Dyersburg, Tennessee  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
For the Year Ended June 30, 2014

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

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2014 were as follows:

<u>Year Ending</u> <u>June 30</u>	
2015	\$ 95,265
2016	95,265
Total Minimum Lease Payments	<u>190,530</u>
Less: Amount Representing Interest	<u>(9,347)</u>
Present Value of Minimum Lease Payments	<u>\$ 181,183</u>

Note 7 - Net Working Capital

At June 30, 2014, net working capital is \$1,021,168.

DYER COUNTY E911 EMERGENCY COMMUNICATIONS DISTRICT  
Dyersburg, Tennessee  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
For the Year Ended June 30, 2014

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, 2014.

Note 11 – Non-operating Revenue

The District received \$10,000 for mapping and related expenditures, \$32,000 for dispatcher training, and \$5,000 for master clock from the State Communications Board.

Note 12 – Subsequent Events

The District has evaluated subsequent events through December 30, 2014, the date which the financial statements were available to be issued.

**OTHER SUPPLEMENTARY INFORMATION**

**DYER COUNTY E911 EMERGENCY COMMUNICATIONS DISTRICT**  
**Dyersburg, Tennessee**  
**BUDGETARY COMPARISON SCHEDULE**  
**For the Year Ended June 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
<b><u>Operating Revenue</u></b>				
Emergency telephone service charge	\$ 208,000	\$ 208,000	\$ 125,710	\$ 82,290
TECB-shared wireless charge and operational funding	200,000	200,000	358,858	(158,858)
<b>Total Operating Revenue</b>	<b><u>408,000</u></b>	<b><u>408,000</u></b>	<b><u>484,568</u></b>	<b><u>(76,568)</u></b>
<b><u>Operating Expenses</u></b>				
Accounting services	1,800	1,800	1,800	-
Architect Fees	-	-	5,907	(5,907)
Audit services	2,750	2,750	-	2,750
Contracts with government agencies	19,200	19,200	17,600	1,600
Contracts with private agencies	7,200	7,200	7,200	-
Data processing supplies	-	-	352	(352)
Impact payments	50,000	50,000	50,000	-
Insurance - building and contents	400	400	379	21
Insurance - equipment	-	-	301	(301)
Insurance - liability	5,500	5,500	1,864	3,636
Insurance - vehicles	3,500	3,500	2,920	580
Lease/Rental - communications equipment	72,000	72,000	55,900	16,100
Legal services	500	500	100	400
Maintenance agreements	37,500	37,500	38,558	(1,058)
Maintenance and repairs - buildings & facilities	5,250	5,250	1,054	4,196
Maintenance and repairs - communications equipment	5,000	5,000	4,370	630
Maintenance and repairs - vehicles	2,500	2,500	576	1,924
Maintenance supplies	-	-	716	(716)
Office supplies and postage	750	750	575	175
Other contract services	-	-	-	-
Public education	8,500	8,500	6,146	2,354
Service awards	250	250	137	113
Surety bond premiums	1,500	1,500	1,110	390
Training expenses	22,000	22,000	18,112	3,888
Travel expenses	10,000	10,000	21,989	(11,989)
Uniforms and shirts	-	-	1,086	(1,086)
Utilities	3,500	3,500	5,151	(1,651)
Depreciation	-	-	378,480	(378,480)
<b>Total Operating Expenses</b>	<b><u>259,600</u></b>	<b><u>259,600</u></b>	<b><u>622,383</u></b>	<b><u>(362,783)</u></b>
<b>OPERATING INCOME (LOSS)</b>	<b><u>148,400</u></b>	<b><u>148,400</u></b>	<b><u>(137,815)</u></b>	<b><u>286,215</u></b>

See accompanying notes and independent auditor's report.

DYER COUNTY E911 EMERGENCY COMMUNICATIONS DISTRICT  
Dyersburg, Tennessee  
BUDGETARY COMPARISON SCHEDULE (CONTINUED)  
For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
<u>Non-operating Revenue</u>				
Interest Income	\$ 3,000	\$ 3,000	\$ 6,855	\$ 2,669
State Communications Board-reimbursement	42,000	42,000	47,000	342,000
Total Non-operating Revenue	<u>45,000</u>	<u>45,000</u>	<u>53,855</u>	<u>344,669</u>
<u>Non-operating Expense</u>				
Interest expense	-	-	11,154	
Total Non-operating Expense	<u>-</u>	<u>-</u>	<u>11,154</u>	<u>-</u>
INCREASE/ (DECREASE) IN NET POSITION	453,000	453,000	(95,114)	90,234
Net Position, July 1, 2013	<u>2,160,219</u>	<u>2,160,219</u>	<u>2,160,219</u>	<u>-</u>
Net Position, June 30, 2014	<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 COMMUNICATIONS DISTRICT  
Dyersburg, Tennessee  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
For the Year Ended June 30, 2014

<u>CFDA Number</u>	<u>Programs</u>	<u>Balance 7/1/2013</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Balance 6/30/2014</u>
<u>Tennessee Department of Commerce and Insurance</u>					
	Dispatcher Training Grant	\$ -	\$ 32,000	\$ 32,000	\$ -
	GIS Grant	-	10,000	10,000	-
	Master Clock	-	5,000	5,000	-
	Total	<u>\$ -</u>	<u>\$ 47,000</u>	<u>\$ 47,000</u>	<u>\$ -</u>

See accompanying notes and independent auditor's report.

## **OTHER FINANCIAL INFORMATION**

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

A division of



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 Communications 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, 2014, and the related notes to the financial statements, which collectively comprise Dyer County E911 Communications District's basic financial statements and have issued our report thereon dated December 30, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Dyer County E911 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 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 Communications 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 2009-001 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 2009-002 to be a significant deficiency.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Dyer County E911 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 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 2012-001.

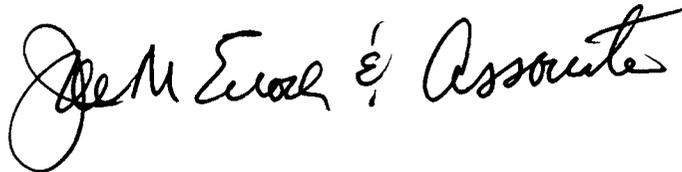
**Dyer County E911 Communications District's Response to Findings**

Dyer County Communications District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings, Recommendations and Responses. Dyer County E911 Communications 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  
December 30, 2014



DYER COUNTY E911 EMERGENCY COMMUNICATIONS DISTRICT  
Dyersburg, Tennessee  
SCHEDULE OF FINDINGS, RECOMMENDATIONS AND RESPONSES  
June 30, 2014

**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 Communications 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*.

DYER COUNTY E911 EMERGENCY COMMUNICATIONS DISTRICT  
Dyersburg, Tennessee  
SCHEDULE OF FINDINGS, RECOMMENDATIONS AND RESPONSES (CONTINUED)  
June 30, 2014

**Prior Year Findings Not Implemented**

**2009-001 Finding: Segregation of Duties**

**Condition**

Due to practical limitations in the size of the District, adequate segregation of duties is not present in the District's internal control structure.

**Criteria**

Generally accepted accounting principles require that accounting functions be adequately segregated to ensure that internal controls are effective.

**Effect**

The risk of errors and irregularities occurring and not being detected in a timely manner increases when accounting functions are not adequately segregated.

**Recommendation**

We recommend that the District make efforts to improve internal control, however, hiring the personnel necessary to establish complete segregation of duties is not practical with an entity of this size.

**Management Response**

Management agrees that the cost of hiring the personnel necessary to adequately segregate the accounting functions would exceed the benefits derived. 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. Management will continue to take steps to improve the system of internal control whenever it is feasible.

DYER COUNTY E911 EMERGENCY COMMUNICATIONS DISTRICT  
Dyersburg, Tennessee  
SCHEDULE OF FINDINGS, RECOMMENDATIONS AND RESPONSES (CONTINUED)  
June 30, 2014

**Prior Year Findings Not Implemented**

**Finding 2009-002: Lack of Year-End Adjustments**

**Condition**

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

**Criteria**

The District should be able to make accrual adjustments to the accounts at the end of the year.

**Effect**

The accounts are not presented in accordance with generally accepted accounting principals.

**Recommendation**

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

**Management Response**

Management agrees; however, management prefers those adjustments be made during the audit process with the approval and review of their bookkeeper.

**Finding 2012-001: Expenditures in Excess of Budget**

**Condition**

As reflected in the budgetary comparison schedule, some categories of expenses have exceeded the District's adopted budget.

**Criteria**

According to *Tennessee Code Annotated*, Section 7-86-120, no emergency communications district may spend money except in accordance with an adopted budget.

**Effect**

Any instance of noncompliance poses risks that could have a material effect on the financial statements.

**Management Response**

Management concurs.

DYER COUNTY E911 EMERGENCY COMMUNICATIONS DISTRICT  
Dyersburg, Tennessee  
SCHEDULE OF PRIOR YEAR FINDINGS, RECOMMENDATIONS AND RESPONSES  
For the Fiscal Year Ended June 30, 2014

Financial Statement Findings

<b>Finding Number</b>	<b>Finding Title</b>	<b>Status</b>
2009-001	Segregation of Duties	Repeated
2009-002	Lack of Year-End Adjustments	Repeated
2012-001	Expenditures in Excess of Budget	Repeated

Federal Award Findings and Questioned Costs

<b>Finding Number</b>	<b>Finding Title</b>	<b>Status</b>
There were no prior findings reported.		