

LAWRENCE COUNTY EMERGENCY

COMMUNICATIONS DISTRICT

(A Component Unit)

Financial Statements

June 30, 2009

LAWRENCE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

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INTRODUCTORY SECTION

LAWRENCE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Board of Directors

June 30, 2009

| <u>Official</u> | <u>Office</u> |
|------------------|---------------------|
| Larry Glass | Chairman |
| Barry Don Kelley | Vice Chairman |
| Joey Hardin | Secretary/Treasurer |
| W. L. Wright | Director |
| Bid Lindsey | Director |
| John Guthrie | Director |
| Kenny Taylor | Director |
| Jarvis Curtis | Director |

FINANCIAL SECTION

JOHN R. POOLE, CPA
CERTIFIED PUBLIC ACCOUNTANT

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HENDERSONVILLE, TN 37075

(615) 822-4177

INDEPENDENT AUDITORS' REPORT

Board of Directors
Lawrence County Emergency Communications District
Lawrenceburg, Tennessee

I have audited the accompanying financial statements of Lawrence County Emergency Communications District, a component unit of Lawrence County, Tennessee for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of Lawrence County Emergency Communications District's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted the audit in accordance with generally accepted auditing standards of 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that the audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lawrence County Emergency Communications District, a component unit of Lawrence County, as of June 30, 2009, and the results of its operations and the cash flows for the year ending June 30, 2009 in conformity with generally accepted accounting principles of the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated September 30, 2009, on the consideration of Lawrence County Emergency Communications District's internal control over financial reporting and the 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 the 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 the results of the audit.

Management's Discussion and Analysis and the Required Supplementary Information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

The audit was conducted for the purpose of forming an opinion on the financial statements of Lawrence County Emergency Communications District, a component unit of Lawrence County, taken as a whole. The accompanying Introductory Section and the Supplemental schedules in the table of contents, including the Schedule of State Financial Assistance, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and in my opinion is fairly stated in all material respects in relation to the financial statements, taken as a whole.



September 30, 2009

Lawrence County Emergency Communications District

Management's Discussion and Analysis

As management of the Lawrence County Emergency Communications District, (the District) we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2009. The analysis focuses on significant financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the District. Management's Discussion and Analysis (MD&A) focuses on current year activities and resulting changes.

Financial Highlights:

The assets of the Lawrence County Emergency Communications District exceeded its liabilities at the close of the most recent fiscal year by \$775,332. Of this amount, \$295,456 (unrestricted net assets) may be used to meet the District's ongoing obligations.

The District's total net assets increased by \$7,263 during the current year primarily due to higher operational expenses. Operating expenses increased due to personnel costs and contract services.

During the year, the District made improvements to its communications system with a cost of \$38,153 and reduced its debt by \$36,972.

Overview of the Financial Statements:

The Statement of Net Assets presents information on all the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The basic financial statements can be found on pages 6-8 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 9-13 of this report.

Financial Analysis of the Financial Statements

As noted earlier, net assets may serve over time as a useful indicator of the District's financial position. In the case of the Lawrence County Emergency Communications District, assets exceeded liabilities by \$775,332 at the close of the most recent fiscal year.

By far the largest portion of the District's assets reflects its investment in capital assets. The District uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Lawrence County Emergency Communications District's Net Assets

| | <u>2009</u> | <u>2008</u> |
|--|-------------------|------------------|
| Current and other assets | \$ 320,503 | 356,603 |
| Capital assets, net | <u>837,198</u> | <u>876,077</u> |
| Total assets | <u>1,157,701</u> | <u>1,232,680</u> |
| | | |
| Current liabilities | 61,001 | 104,663 |
| Long-term debt | <u>321,368</u> | <u>359,948</u> |
| Total liabilities | <u>382,369</u> | <u>464,611</u> |
| | | |
| Net assets: | | |
| Invested in capital assets, net of related debt | 479,876 | 482,112 |
| Unrestricted | <u>295,456</u> | <u>285,957</u> |
| Total net assets | \$ <u>775,332</u> | <u>768,069</u> |

At the end to the current fiscal year, the District is able to report positive balances in all categories of net assets.

Capital Asset and Debt Administration

Capital Assets

The Lawrence County Emergency Communications District's investment in capital assets from its activities at June 30, 2009, amounts to \$837,198 (net or accumulated depreciation). This investment in capital assets is in communications equipment.

Lawrence County Emergency Communications District's Capital Assets

| | <u>2009</u> | <u>2008</u> |
|-------------------------------|-------------------|----------------|
| Furniture and equipment | \$ 35,480 | 35,480 |
| Building | 400,000 | 400,000 |
| Leasehold improvements | 274,014 | 274,014 |
| Communications equipment | <u>508,168</u> | <u>470,015</u> |
| Less accumulated depreciation | <u>(380,464)</u> | (303,432) |
| Net Capital Assets | \$ <u>837,198</u> | <u>876,077</u> |

Additional information on the Lawrence County Emergency Communications District's capital assets can be found in the notes to the financial statements section of this report.

Lawrence County Emergency Communications District's Debt

The District has one loan on its building, which it is paying as scheduled.

Economic Environment and Next Year's Budget and Rates

Economists predict that the economy at a national level is slowing to modest growth. Additionally, the local economy has seen a slowing in the last twelve months. This low level of growth is expecting to continue over the next fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Johnny Cheatwood
Lawrence County Emergency Communications District

LAWRENCE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Statement of Net Assets

June 30, 2009

| <u>Assets</u> | <u>Account Number</u> | |
|---|---------------------------|--------------------|
| Current Assets: | | |
| Cash and cash equivalents | 1001 | \$205,191 |
| Accounts receivable | 1004 | 93,749 |
| Prepaid insurance | 1009 | 18,937 |
| Total Current Assets | | <u>317,877</u> |
| Capital Assets: | | |
| Communication equipment | 1308 | 508,168 |
| Furniture and equipment | 1304 | 35,480 |
| Building improvements | 1302 | 400,000 |
| Leasehold improvements | 1312 | 274,014 |
| Less accumulated depreciation - comm. equip. | 1309 | (220,823) |
| Less accumulated depreciation - furniture and equipment | 1305 | (20,108) |
| Less accumulated depreciation - building | 1303 | (66,666) |
| Less accumulated depreciation - leasehold | 1313 | (72,867) |
| Total Capital Assets, Net | | <u>837,198</u> |
| Other Assets- bond issue costs | 1401 | <u>2,626</u> |
| Total Assets | | <u>\$1,157,701</u> |
| <u>Liabilities and Net Assets</u> | | |
| Current Liabilities | | |
| Accounts payable | 2001 | 7,601 |
| Accrued liabilities | 2020 | 14,820 |
| Current portion of long-term debt | 2202 | 38,580 |
| Total Current Liabilities | | <u>61,001</u> |
| Long-term debt | 2202 | <u>321,368</u> |
| Total liabilities | | <u>\$382,369</u> |
| Net Assets: | | |
| Invested in capital assets, net of related debt | 2301 | 479,876 |
| Unrestricted | 2320 | 295,456 |
| Total Net assets | | <u>775,332</u> |

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

LAWRENCE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**Statement of Revenues, Expenses
and Changes in Net Assets**

For the Year Ended June 30, 2009

| | <u>Account Number</u> | |
|--|---------------------------|-------------------------|
| Operating Revenues: | | |
| Emergency Telephone Service Charge | 3001 | \$369,462 |
| State Emergency Communications Board Wireless Charge | 3002 | 205,794 |
| Total Operating Revenues | | <u>575,256</u> |
| Operating Expenses: | | |
| Salaries and wages | 4000 | 576,721 |
| Employee benefits | 4100 | 245,129 |
| Contract services | 4200 | 67,248 |
| Supplies and materials | 4300 | 8,617 |
| Depreciation | 4500 | 77,031 |
| Amortization | 4600 | 329 |
| Rental expense | 4227 | 18,650 |
| Insurance | 4409 | 36,427 |
| Repair and maintenance | 4232 | 18,964 |
| Training and travel | 4418 | 19,391 |
| Utilities | 4307 | 73,333 |
| Miscellaneous | 4499 | 1,302 |
| Total Operating Expenses | | <u>1,143,142</u> |
| Operating income (loss) | | <u>(567,886)</u> |
| Nonoperating Revenues (Expenses): | | |
| Interest expense | 5010 | (17,279) |
| Interest income | 5002 | 676 |
| Contributions -Other governments | 3101 | 569,762 |
| Contributions -State Emergency Communications | 3103 | 21,990 |
| Total Nonoperating Revenues (Expenses) | | <u>575,149</u> |
| Net change in assets | | 7,263 |
| Net assets, June 30, 2008 | | <u>768,069</u> |
| Net assets, June 30, 2009 | | <u><u>\$775,332</u></u> |

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

LAWRENCE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Statement of Cash Flows

For the Year Ending June 30, 2009

| | |
|---|-------------------------|
| Cash Flows from Operating Activities: | |
| Cash received from telephone companies | \$545,187 |
| Cash paid to employees | (821,850) |
| Cash paid to suppliers | (282,531) |
| Net Cash Provided by Operating Activities | <u>(559,194)</u> |
| Cash Flows from Capital and Related Financing Activities: | |
| Payments of debt- principal | (36,972) |
| Payments of interest | (17,279) |
| Acquisition of capital assets | (38,153) |
| Net Cash Provided by Capital and Related Financing Activities | <u>(92,404)</u> |
| Cash Flows from Noncapital financing: | |
| Operating contributions | 591,752 |
| Net Cash From Noncapital financing | <u>591,752</u> |
| Cash Flows from Investing Activities: | |
| Interest received | 676 |
| Net Cash From Investing Activities | <u>676</u> |
| Net Increase in Cash | (59,170) |
| Cash and Cash Equivalents, June 30, 2008 | <u>264,361</u> |
| Cash and Cash Equivalents, June 30, 2009 | <u><u>\$205,191</u></u> |

Reconciliation of Operating Income to Net Cash Provided by Operating Activities

| | |
|---|---------------------------|
| Operating income (loss) | (\$567,886) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation and amortization | 77,360 |
| Change in assets (increase) decrease: | |
| Accounts receivable | (30,069) |
| Prepaid assets | 6,670 |
| Change in liabilities increase (decrease): | |
| Accrued liabilities | (51,603) |
| Accounts payable | 6,334 |
| Net Cash Provided by Operating Activities | <u><u>(\$559,194)</u></u> |

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

LAWRENCE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements

June 30, 2009

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Lawrence County Emergency Communications District (the District) was created as a public corporation in perpetuity as authorized by TCA Section 7-86-101. The District was organized subsequent to a public referendum held on March 8, 1988, as approved by the voters of Lawrence County, Tennessee. The District is a component unit of Lawrence County, Tennessee. The District encompasses the same boundaries as Lawrence County, Tennessee. The powers of the District are vested in and exercised by a majority of the members of the Board of Directors, who are appointed by the Lawrence County Mayor. The Board consists of nine members. The Lawrence County Commission has the ability to adjust the District's service charges. The District must obtain County Commission approval before the issuance of most debt. The District is considered a political subdivision and is exempt from Federal and State income taxes.

Basis of Accounting

The accompanying financial statements of the District have been prepared on the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when incurred. Expenditures are recognized in the accounting period in which the liability is incurred and is measurable.

The District applies all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) Opinions; issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The District has elected not to apply FASB Statements and interpretations issued after November 30, 1989.

Cash and Cash Equivalents

The District considers all highly liquid debt instruments purchased with maturities of 60 days or less to be cash equivalents.

Supply Inventory

Supply inventory is valued at the lower of cost (first-in, first-out) or market. Inventory items are considered expenditures when used (consumption method).

Capital Assets

Capital assets of the District is recorded at cost. Depreciation is computed over the estimated life of the assets using the straight-line method. The estimated life for property, plant and equipment in service is from 3 to 15 years. The District does capitalize interest incurred on construction projects.

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, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

LAWRENCE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements

June 30, 2009

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Annual budget

The District's annual budget is required by state law. The budget is adopted on a basis consistent with generally accepted principles and is prepared on the accrual basis. All budget appropriations lapse at year end.

Note 2 - CASH AND CERTIFICATES OF DEPOSIT

The District is authorized to invest funds in financial institutions and direct obligations of the Federal Government. During the year, the District invested funds that were not immediately needed in deposit accounts. Deposits in financial institutions are required by State Statute to be secured and collateralized by the institutions. The District has deposit policies to minimize custodial credit risks. The collateral must meet certain requirements and be deposited in an escrow account in a second bank for the benefit of the District and must total a minimum of 105% of the value of the deposits placed in the institutions less the amount protected by federal depository insurance. The District's deposits with financial institutions are fully insured or collateralized by securities held in the District's name.

Note 3 - CAPITAL ASSETS

A summary of changes in capital assets in service is as follows:

| | Balance <u>6-30-08</u> | <u>Additions</u> | <u>Disposals</u> | Balance <u>6-30-09</u> |
|-------------------------------|---------------------------|------------------|------------------|---------------------------|
| Communications equipment | 470,015 | 38,153 | - | 508,168 |
| Buildings | 400,000 | - | - | 400,000 |
| Leasehold improvements | 274,014 | - | - | 274,014 |
| Equipment and furniture | <u>35,480</u> | <u>-</u> | <u>-</u> | <u>35,480</u> |
| | 1,179,509 | 38,153 | - | 1,217,662 |
| Less accumulated depreciation | <u>(303,432)</u> | | | <u>(380,464)</u> |
| Utility plant - net | <u>\$876,077</u> | | | <u>837,198</u> |

Accumulated depreciation consists of communication equipment \$220,823, Furniture and equipment \$20,108, Building \$66,666, Leasehold \$72,867. All assets are being depreciated.

LAWRENCE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements

June 30, 2009

Note 4 - LONG-TERM DEBT

The following is a summary of changes in long-term debt:

| | Balance | | Balance |
|-------------|----------------|------------------|----------------|
| | <u>6-30-08</u> | <u>Additions</u> | <u>6-30-09</u> |
| Series 2005 | \$ 396,920 | - | 36,972 |
| | | | 359,948 |

Future maturities of note principal and interest are as follows:

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> |
|-------------|-------------------|-----------------|
| 2010 | 38,580 | 15,657 |
| 2011 | 40,258 | 13,979 |
| 2012 | 42,009 | 12,228 |
| 2013 | 43,837 | 10,400 |
| 2014 | 45,744 | 8,493 |
| 2015 | 47,734 | 6,503 |
| 2016 | 49,810 | 4,427 |
| 2017 | <u>51,976</u> | <u>2,261</u> |
| Total | <u>\$ 359,948</u> | <u>73,948</u> |

The Building of the District is pledged as collateral on the bonded indebtedness until the existing principal and interest are paid in full.

Note 5 - RISK MANAGEMENT

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 purchases commercial financial bonded insurance for its officials. For all other risks, the District purchases commercial insurance. There have been no claims during the last four years.

Note 6 - PENSION PLAN

Plan Description:

Certain employees of the District are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with 5 (Five) years of service or at any age with 30 years of service. A reduced retirement benefits is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who became disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after 5 (Five) years of service and members joining prior to July 1, 1979 were vested after 5 years of service and members joining prior to July 1, 1979 were vested after 4 years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the District participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

LAWRENCE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements

June 30, 2009

Note 6 - PENSION PLAN, Continued

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, Tennessee 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs/PS/>.

Funding Policy:

The District requires employees to contribute 5.0% percent of earnable compensation. The District is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2009 was 8.46% of annual covered payroll. The contribution requirements of plan members are set by state statute. Contribution requirements for the District are established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ending June 30, 2009, the District's annual pension cost of \$44,025 to TCRS was equal to the required and actual contributions. The required contribution was determined as part of the July 1, 2005 actuarial valuation using frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5% per year compounded annually, (b) projected salary increases of 4.75% annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5% annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0% annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of equities over a five-year period. The District's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2007 was 9 years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

Trend Information

| Fiscal Year <u>Ending</u> | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|------------------------------|------------------------------|----------------------------------|---------------------------|
| 6/30/2009 | \$ 44,025 | 100.00% | \$ 0.00 |
| 6/30/2008 | \$ 42,786 | 100.00% | \$ 0.00 |
| 6/30/2007 | \$ 42,677 | 100.00% | \$ 0.00 |

Funded Status and Funding Progress:

As of July 1, 2007, the most recent actuarial valuation date, the plan was 75.20% funded. The actuarial accrued liability for benefits was \$0.61 million, and the actuarial value of assets was \$0.46 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.15 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.473 million, and the ratio of the UAAL to the covered payroll was 32.14% percent.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

The annual required contribution (ARC) was calculated using the aggregate cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

LAWRENCE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements

June 30, 2009

Note 7 - LIABILITY FOR COMPENSATED ABSENCES

The District at its inception adopted a sick leave policy in which employees were allowed to accrue twelve sick days per year without limit for compensated absences. Accumulated sick leave had no value except for the purpose granted, and in the event of retirement or separation, all unused sick leave was forfeited. Since the employees accumulating rights to receive compensation for future absences were contingent upon the absences being caused by future illness and such amounts could not be reasonably estimated, a liability for unused sick leave was not recorded in the financial statements, in previous years. During 2001, the District adopted the State of Tennessee's sick leave without a cap on the amount of time the employee can earn. The employee can also receive credit on their retirement for the unused sick leave which they earned. A liability was accrued at year-end for the expected sick leave to be used in the following year.

Employees shall begin accruing vacation time as of the date of their employment. However, an employee is not eligible to use or receive compensation for vacation time until the employee has completed six months of continuous service. Part-time employees do not qualify for vacation leave. Vacation time may be accumulated and carried forward to the next year in an amount not to exceed one-half the employees annual leave. Vacation time is accrued at a rate of eight hours per month for the first five years of services, ten hours per month for five to ten years of service, and twelve hours per month for years of service exceeding ten years. An employee who has fulfilled the six month requirement shall be paid for all accrued vacation leave upon termination or retirement.

Note 8 - COMMITMENTS AND CONTINGENCIES

Federal and State Grants

In the normal course of operations, the District receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authorities: the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

Note 9 - BUDGETS AND BUDGETARY ACCOUNTING

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Formal budgets are adopted and approved by Board vote on an annual basis. These budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- b. The Board approves, total budget appropriations. The Manager is authorized to transfer budget amounts between line items within each department; however, any revisions that alter the total appropriations of any fund must be approved by the Board.
- c. The budget amounts shown in the financial statements are the final authorized amounts as amended during the year.

SUPPLEMENTAL INFORMATION

Financial schedules are used to demonstrate finance related legal and contractual compliance, provide details of data summarized in the financial statements and present other information deemed useful.

LAWRENCE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Schedule of Debt Service Requirements

June 30, 2009

| <u>Year</u> | CAPITAL OUTLAY BUILDING | | TOTALS | |
|-------------|----------------------------|-----------------|------------------|-----------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2010 | \$ 38,580 | 15,657 | 38,580 | 15,657 |
| 2011 | 40,258 | 13,979 | 40,258 | 13,979 |
| 2012 | 42,009 | 12,228 | 42,009 | 12,228 |
| 2013 | 43,837 | 10,400 | 43,837 | 10,400 |
| 2014 | 45,744 | 8,493 | 45,744 | 8,493 |
| 2015 | 47,734 | 6,503 | 47,734 | 6,503 |
| 2016 | 49,810 | 4,427 | 49,810 | 4,427 |
| 2017 | 51,976 | 2,261 | 51,976 | 2,261 |
| | <u>\$ 359,948</u> | <u>73,948</u> | <u>359,948</u> | <u>73,948</u> |

LAWRENCE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Schedule of Revenues and Expenses
Budget and Actual

For the Year Ended June 30, 2009

| | | <u>Budget</u> | <u>Actual</u> | <u>Favorable (Unfavorable) Variance</u> |
|--|---------------|------------------|------------------|---|
| Operating Revenues: | <u>Number</u> | | | |
| Emergency Telephone Service Charge | 3001 | \$388,000 | \$369,462 | (\$18,538) |
| State Emergency Communications Board Wireless Charge | 3002 | 205,000 | 205,794 | 794 |
| Total Operating Revenues | | <u>593,000</u> | <u>575,256</u> | <u>(17,744)</u> |
| Operating Contributions: | | | | |
| Other governments | 3101 | 570,000 | 569,762 | (238) |
| State Emergency Communications | 3103 | 10,000 | 21,990 | 11,990 |
| Total Capital Contributions | | <u>580,000</u> | <u>591,752</u> | <u>11,752</u> |
| Operating Expenses: | | | | |
| Salaries and wages | 4000 | 596,454 | 576,721 | 19,733 |
| Employee benefits | 4100 | 287,500 | 245,129 | 42,371 |
| Contract services | 4200 | 69,250 | 67,248 | 2,002 |
| Supplies and materials | 4300 | 10,000 | 8,617 | 1,383 |
| Depreciation | 4500 | 80,000 | 77,031 | 2,969 |
| Amortization | 4600 | 0 | 329 | (329) |
| Rental expense | 4227 | 16,000 | 18,650 | (2,650) |
| Insurance | 4409 | 26,100 | 36,427 | (10,327) |
| Repair and maintenance | 4232 | 14,600 | 18,964 | (4,364) |
| Training and travel | 4418 | 15,500 | 19,391 | (3,891) |
| Utilities | 4307 | 70,000 | 73,333 | (3,333) |
| Miscellaneous | 4499 | 6,700 | 1,302 | 5,398 |
| Total Operating Expenses | | <u>1,192,104</u> | <u>1,143,142</u> | <u>48,962</u> |
| Operating income (loss) | | <u>(19,104)</u> | <u>23,866</u> | <u>42,970</u> |
| Nonoperating Revenues (Expenses): | | | | |
| Interest expense | 5010 | (53,432) | (17,279) | (36,153) |
| Interest income | 5002 | 550 | 676 | 126 |
| Total Nonoperating Revenues (Expenses) | | <u>(52,882)</u> | <u>(16,603)</u> | <u>(36,027)</u> |
| Net income (loss) | | <u>(71,986)</u> | <u>7,263</u> | <u>79,249</u> |

LAWRENCE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Schedule of Monthly Rates in Effect

June 30, 2009

| <u>Type of Customer</u> | <u>Rate</u> |
|-------------------------|-------------|
| Residential customers | \$ 1.50 |
| Business customers | \$ 3.00 |

LAWRENCE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Schedule of Number and Classification of Customers

June 30, 2009

AT&T

| | |
|-----------------------|-------|
| Residential customers | 8,959 |
| Business customers | 2,302 |

Loretto Telephone

| | |
|-----------------------|-------|
| Residential customers | 4,895 |
| Business customers | 890 |

Other Telephone Companies

| | |
|-----------------------|-------|
| Residential customers | 2,001 |
| Business customers | 152 |

LAWRENCE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**Schedule of Information of the Lawrence County
Emergency Communications District**

June 30, 2009

Number of public safety answering points: 1

Address of this location: 233 West Gaines
Lawrenceburg, TN. 38464

System used - - including database: Direct Dispatch System
Automatic Number Identification
Automatic Location Identification
Database from Positron through InterAct

Director Johnny Cheatwood
Lawrenceburg, TN. 38464
(p) 931-766-0010
(f) 931-762-8829

Chairman : Larry Glass
Lawrenceburg, TN. 38464
(p) 931-766-0010
(f) 931-762-8829

Telephone numbers: 931-766-0010
931-766-1260

LAWRENCE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Schedule of State Financial Assistance

For the Year Ended June 30, 2009

| <u>Program Name</u> | <u>Grantor Agency</u> | <u>Receivable (Deferred) Balance July 1, 2008</u> | <u>Cash Receipts</u> | <u>Other Receipts</u> | <u>Cash Expenditures</u> | <u>Receivable (Deferred) Balance June 30, 2009</u> |
|-------------------------|--|---|--------------------------|---------------------------|------------------------------|--|
| Training | State of Tennessee Commerce and Insurance | \$0 | 11,990 | \$0 | 11,990 | 0 |
| GIS Mapping Maintenance | State of Tennessee Commerce and Insurance | \$0 | 10,000 | \$0 | 10,000 | 0 |
| Totals | | <u>\$0</u> | <u>\$21,990</u> | <u>\$0</u> | <u>\$21,990</u> | <u>\$0</u> |

State Program:

LAWRENCE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Schedule of Expenses

For the Year Ended June 30, 2009

| | | |
|--------------------------|----|------------------|
| Director- wages | \$ | 50,968 |
| Admin personnel - wages | | 29,890 |
| Telecommunications wages | | 388,929 |
| Overtime - wages | | 43,937 |
| Part-time wages | | 55,145 |
| Well pay bonus | | 7,852 |
| Social security | | 34,273 |
| Medicare | | 8,015 |
| Life insurance | | 1,539 |
| Medical insurance | | 153,740 |
| Dental insurance | | 2,797 |
| Unemployment insurance | | 651 |
| Retirement contribution | | 44,115 |
| Repair and maintenance | | 12,665 |
| Addressing - contract | | 905 |
| Janitorial service | | 6,299 |
| Service contracts | | 50,060 |
| Mapping | | 13,433 |
| Rents | | 18,650 |
| Supplies | | 7,361 |
| Uniforms | | 1,256 |
| Utilities | | 73,333 |
| Workmen's compensation | | 9,530 |
| Liability insurance | | 9,264 |
| Building insurance | | 12,148 |
| Vehicle insurance | | 2,147 |
| Surety insurance | | 3,338 |
| Training | | 18,587 |
| Travel | | 804 |
| Amortization | | 328 |
| Depreciation | | 77,031 |
| Professional services | | 2,850 |
| Interest | | 17,279 |
| Miscellaneous | | 1,302 |
| Total expenses | \$ | <u>1,160,421</u> |

REQUIRED SUPPLEMENTARY INFORMATION

LAWRENCE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Required Supplementary Information

June 30, 2009

(1) Pension

Schedule of Funding Progress (Dollar amounts in thousands)

| | |
|--------------------------------|---------------------|
| Actuarial Valuation Date | <u>July 1, 2007</u> |
| Actuarial Valuation Assets: | \$ 461 |
| Actuarial Accrued Liability: | \$ 613 |
| Unfunded AAL: | \$ 152 |
| Funded Ratio: | 75.20% |
| Covered Payroll: | \$ 473 |
| UAAL as Percentage of Payroll: | 32.14% |

The Governmental Accounting Standards (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the Entry Age actuarial cost method was a change made during the year and therefore only the most current year is presented.

**COMPLIANCE AND
INTERNAL CONTROL**

JOHN R. POOLE, CPA
CERTIFIED PUBLIC ACCOUNTANT

134 NORTHLAKE DRIVE
HENDERSONVILLE, TN 37075

(615) 822-4177

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

Board of Directors
Lawrence County Emergency Communications District
Lawrenceburg, Tennessee

I have audited the financial statements (as listed in the table of contents) of Lawrence County Emergency Communications District as of and for the year ended June 30, 2009, and have issued my report thereon dated September 30, 2009. I conducted the 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.

Internal Control Over Financial Reporting

In planning and performing the audit, I considered the Lawrence County Emergency Communications District's internal control over financial reporting as a basis for designing the auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Lawrence County Emergency Communications District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over financial reporting.

My consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified a deficiency in internal control over financial reporting that I consider to be a significant deficiency.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

The significant deficiency is as follows:

Prior Year:

2004-1 Separation of Duties

Due to the limited number of personnel employed by the District, several functions, which ideally should be performed by different individuals, are regularly performed by one person. I recommend that the District strengthen its internal control in cash receipts, cash disbursements, and reconciliation of cash.

Disposition:

Due to the size of the office, a complete separation of duties is not possible. However we are continuing to monitor office responsibilities and segregate duties as needed.

Management Response:

Due to the size of the office, a complete separation of duties is not possible, however we are continuing to monitor office responsibilities.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. I believe that the significant deficiency described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Lawrence 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 grant agreements, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of the audit and, accordingly, I do not express such an opinion. The results of the tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Lawrence County Emergency Communications District's response to the finding identified in the audit is described above. I did not audit the Management Response and, accordingly, I express no opinion on it.

I noted certain matters that I reported to management of the Lawrence County Emergency Communications District in a separate letter dated September 30, 2009.

This report is intended solely for the information and use of the audit committee, management, and State Comptrollers Office and is not intended to be and should not be used by anyone other than these specified parties.

John R. Pook, CPA

September 30, 2009