

**LAUDERDALE COUNTY EMERGENCY
COMMUNICATION DISTRICT**

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED JUNE 30, 2011

LAUDERDALE COUNTY EMERGENCY COMMUNICATION DISTRICT

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INTRODUCTORY SECTION

LAUDERDALE COUNTY EMERGENCY COMMUNICATION DISTRICT

SCHEDULE OF OFFICIALS AND KEY EMPLOYEES

JUNE 30, 2011

Board of Trustees

Frank Currie, Chairperson
Mary Miller, Secretary
Eric Newman, Treasurer
Steve Sanders
Roger Leake
Larry White
Cecil Crowder
Larry McCoy

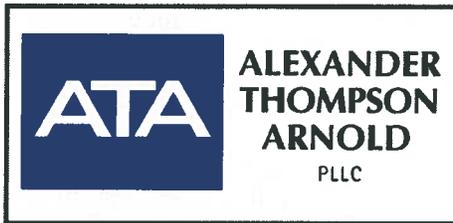
Administrative Staff

Jonathan A. Gay, E-911 Director

Independent Certified Public Accountant

Alexander Thompson Arnold PLLC
Jackson, Tennessee

FINANCIAL SECTION



Certified Public Accountants

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Dyersburg, TN 38024

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Members of

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AICPA Center for Public Company Audit Firms
AICPA Governmental Audit Quality Center
AICPA Employee Benefit Plan Audit Quality Center
Tennessee Society of Certified Public Accountants
Kentucky Society of Certified Public Accountants

Independent Auditor's Report

Board of Directors
Lauderdale County Emergency Communication District
Lauderdale County, Tennessee

We have audited the accompanying financial statements of Lauderdale County Emergency Communication District (a discretely presented component unit of Lauderdale County, Tennessee) (the District) as of and for the year ended June 30, 2011, as listed in the Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2011, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2012, on our consideration of the 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* and should be considered in assessing the results of our audit.

Dyersburg, TN
Union City, TN
Henderson, TN
Jackson, TN
Martin, TN

McKenzie, TN
Milan, TN
Murray, KY
Paris, TN
Trenton, TN

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 6 and the Schedule of Funding Progress 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements as a whole. The introductory section and other supplementary information section are presented for purposes of additional analysis and are not a required part of the financial statements. The budgetary comparison schedule is the responsibility of management and was derived from and relates 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 generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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.



Certified Public Accountants
Jackson, Tennessee
January 24, 2012

Management's Discussion and Analysis

The following discussion and analysis of the Lauderdale County Emergency Communication District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2011.

Financial Highlights

- The assets of the Lauderdale County Emergency Communication District exceeded its liabilities at the close of the most recent fiscal year by \$1,190,869 (*net assets*). Of this amount, \$662,679 may be used to meet the government's ongoing obligations to citizens and creditors.
- The total net assets decreased by \$462 during the year.

Overview of the Financial Statements

The financial statements consist of two components: fund financial statements and notes to the financial statements. This report also contains other supplementary information.

As an enterprise fund supported by user tariffs and charges, the financial statements of the Lauderdale County Emergency Communication District are presented on the full accrual basis, presenting assets and liabilities of the District in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Lauderdale County Emergency Communication Districts assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases and 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 revenues, expenses and changes in net assets* presents information showing how the government'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 result in cash flows in future fiscal periods (e.g., uncollected telephone service charges and earned but unused employee compensated absences).

Fund financial statements. A fund is established to account for a specific activity or purpose. Law mandates the creation of some funds. Other funds are established by management to demonstrate financial compliance with budget or legal requirements. The district is reported as a proprietary fund.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

Other information. In addition to the basic financial statements and the accompanying notes, this report also presents certain required supplementary information concerning the District's progress in funding its obligation to provide pension benefits to its employees. This report also includes a budgetary comparison schedule and as other supplementary information that is unique to emergency communication districts.

Financial Analysis

As noted earlier, net assets may serve as a useful indicator of a government's financial position. In the case of the Lauderdale Emergency Communication District, assets exceeded liabilities by \$1,190,869 at the close of the most recent fiscal year.

The largest portion of the district's assets (44%) reflects its investment in building and equipment. Investments (17%) and cash and equivalents (38%) comprise the other major assets of the District, accrued interest and tariff income receivable composes the remaining (1%). The building and equipment are used to provide services to citizens. Consequently, these assets are not available for future spending.

Lauderdale County Emergency Communication District's Net Assets

Current assets	\$ 668,528	\$ 657,103
Capital assets	<u>528,190</u>	<u>560,155</u>
Total assets	<u>\$ 1,196,718</u>	<u>\$ 1,217,258</u>
Current liabilities	\$ 5,849	\$ 26,027
Net assets:		
Invested in capital assets	528,190	560,155
Unrestricted	<u>662,679</u>	<u>631,176</u>
Total net assets	<u>\$ 1,190,869</u>	<u>\$ 1,191,331</u>

The unrestricted net assets may be used to meet the ongoing obligations of the District to citizens and creditors. The net assets decreased by \$462 in the last fiscal year.

Lauderdale County Emergency Communication District's Statement of Revenues, Expenses and Changes in Net Assets

Operating revenues	\$ 320,906	\$ 348,327
Operating expenses	<u>359,248</u>	<u>362,925</u>
Total operating income (deficit)	\$ (38,342)	\$ (14,598)
Nonoperating revenues	6,474	5,612
Capital contributions	<u>31,406</u>	<u>210,332</u>
Change in net assets	<u>\$ (462)</u>	<u>\$ 201,346</u>

Budgetary Highlights

Differences between the original budget and the final operations were \$(7,415). The primary differences are due to revenues not meeting the original budgeted amount and operating expenses being less than anticipated. The differences are not expected to have a significant effect on future services or liquidity.

Capital Assets

The Lauderdale Communications District's investment in capital assets was \$528,190 (net of accumulated depreciation) as of June 30, 2011. This included buildings and building improvements, communication equipment, office equipment and furniture and fixtures. No debt was created in relationship to the capital assets purchases.

Future Projections

The District anticipates that providing the emergency dispatching for Lauderdale County will result in operating expenditures exceeding operating revenues for the foreseeable future. The District possesses sufficient assets to fund operations and equipment needs for the next five years or more. The board of directors assures the residents of Lauderdale County that the board will continue to meet the needs of the residents and fulfill its mission to provide emergency communication services to the public. Through State capital contributions, the District is upgrading the equipment and capabilities of the organization to meet established standards.

Requests for information

This financial report is designed to provide a general overview of the Lauderdale County Emergency District's finances for all those with an interest in the District's finances. Questions concerning any information provided in this report or requests for additional information should be addressed to the Board of Directors of the Lauderdale County Emergency Communication District at PO Box 142, Ripley TN 38063-0142.

Frank Currie

Frank Currie
Chairman
Lauderdale County Emergency Communication District
Lauderdale County, Tennessee

LAUDERDALE COUNTY EMERGENCY COMMUNICATION DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2011

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	457,544
Investments		200,000
Accrued interest		495
Receivable-tariff income		<u>10,489</u>

Total Current Assets 668,528

CAPITAL ASSETS

Buildings and equipment		842,185
Less accumulated depreciation		<u>(313,995)</u>

Total Fixed Assets 528,190

Total assets \$ 1,196,718

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$	4,034
Compensated absences payable		<u>1,815</u>

Total Current Liabilities 5,849

Total Liabilities 5,849

NET ASSETS

Invested in capital assets		528,190
Unrestricted		<u>662,679</u>

Total Net Assets 1,190,869

Total Liabilities and Net Assets \$ 1,196,718

LAUDERDALE COUNTY EMERGENCY COMMUNICATION DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011

OPERATING REVENUES

Emergency Telephone Service Charge	142,818
State Emergency Communications Operational Funding	<u>178,088</u>
 Total Operating Revenues	 <u>320,906</u>

OPERATING EXPENSES

Salaries and Wages	
Director	8,100
Administration	9,468
Dispatchers	103,661
Part-time	<u>25,547</u>

Total Salaries and Wages	146,776
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Employee Benefits

Social Security	9,027
Medicare	2,111
Medical insurance	18,830
Unemployment	1,104
Retirement	<u>6,594</u>

Total Employee Benefits	37,666
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Contracted Services

Addressing	5,930
Audit service	3,200
Accounting	4,350
Legal	667
Pest control	150
Lease/Rental - communications equipment	41,270
Maintenance and Repairs - communications equipment	8,751
Maintenance and Repairs - building	2,017
Maintenance and Repairs - office equipment	1,338
Fuel - vehicles	<u>1,800</u>

Total Contracted Services	69,473
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LAUDERDALE COUNTY EMERGENCY COMMUNICATION DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011

Supplies and Materials	
Office supplies	3,166
Postage	225
Small equipment purchases	587
Utilities - electric	8,045
Utilities - gas and water	1,492
Utilities - general telephone	<u>6,216</u>
 Total Supplies and Materials	 19,731
Other charges	
Bank charges	308
Dues and memberships	360
Insurance - workman's compensation	2,020
Insurance - building, Contents, and liability	10,271
Legal notices	1,675
Training expense	644
Travel expense	<u>89</u>
 Total Other Charges	 15,367
Depreciation Expense	<u>70,235</u>
 Total Operating Expenses	 <u>359,248</u>
 Operating Income (Loss)	 <u>(38,342)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest Income	<u>6,474</u>
 Total Nonoperating Revenues (Expenses)	 <u>6,474</u>
 Income (Loss) Before Contributions	 (31,868)
CAPITAL CONTRIBUTIONS	
Contributions from State Emergency Communications Board	<u>31,406</u>
 Change in Net Assets	 <u>(462)</u>
 NET ASSETS, JULY 1, 2010	 <u>1,191,331</u>
 NET ASSETS, JUNE 30, 2011	 <u>\$ 1,190,869</u>

The notes to the financial statements are an integral part of this statement.

LAUDERDALE COUNTY EMERGENCY COMMUNICATION DISTRICT

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2011

CASH FLOW FROM OPERATING ACTIVITIES	
Receipts from tariffs	\$ 357,228
Payments to suppliers of goods and services	(162,445)
Payments to employees for services	<u>(146,746)</u>
Net Cash Provided by Operating Activities	48,037
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of fixed assets	(38,270)
Contributions from other governments	<u>31,406</u>
Net Cash Used by Capital and Related Financing Activities	(6,864)
CASH FLOW FROM INVESTING ACTIVITIES	
Interest received	<u>6,502</u>
Net Increase (Decrease) in Cash	47,675
Cash and Cash Equivalents - at Beginning of the Year	<u>409,869</u>
Cash and Cash Equivalents at End of the Year	<u>\$ 457,544</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income from operations	\$ (38,342)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	70,235
Increase (decrease) in payables	(20,178)
Decrease (increase) in receivables	36,322
Total adjustments	<u>86,379</u>
Net cash provided by operating activities	<u>\$ 48,037</u>

LAUDERDALE COUNTY EMERGENCY COMMUNICATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Note 1 – Summary of significant accounting policies

A. Reporting entity

Lauderdale County Emergency Communication District, Lauderdale County, Tennessee is a governmental agency authorized by Tennessee state law and approved by the voters of the County. The District provides a simplified method of securing emergency services for the residents of Lauderdale County, Tennessee. A seven-member board appointed by the County Commission governs the District. Because the District cannot issue debt without the approval of the county commission, Lauderdale County Emergency Communication District has been determined to be a discrete component unit of Lauderdale County, Tennessee. The financial statements presented include only the Lauderdale County Emergency Communication District and the monies and funds managed by the Board of Directors of the District.

B. Measurement focus, basis of accounting, and financial statement presentation

The financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The District distinguishes *operating* revenues and expense from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principle ongoing operations. The principle operating revenues of the District are tariffs charged to telephone users. Operating expenses for the District include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expense not meeting this definition are reported as non-operating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The district has elected not to follow subsequent private-sector guidance.

C. Assets, Liabilities, and Net Assets

1. Deposits and investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes allow investments in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool. The District has no investments that meet these criteria. All investments of the District consist of Certificates of Deposit, which are stated at cost.

LAUDERDALE COUNTY EMERGENCY COMMUNICATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

2. Receivables and service fees

Fees collected by the Lauderdale County Emergency Communication District are derived from tariffs assessed on the telephone customers of Lauderdale County, Tennessee. The tariff is billed and collected by Bell South and other telephone companies, who then remit the amounts collected to the District.

At June 30, 2011, accounts receivable represent service fees collected by the entities named above and not remitted to the District.

The Tennessee Emergency Communication Board collects and remits operational funding monies and reimbursements to the District for upgrading equipment and/or training.

3. Capital assets

Capital assets consist of buildings, communication equipment, and office equipment owned by the District. The capital assets are capitalized at cost. Depreciation for furniture, fixtures, and equipment is computed using the straight-line method over a five to ten-year estimated life of the assets. Buildings and building improvements are depreciated over a forty-year estimated life using the straight-line method.

Depreciation expense charged to operations was \$70,235 for the year ended June 30, 2011.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

4. Compensated absences

It is the Districts policy to permit employees to accumulate earned but unused vacation, holiday, and compensatory pay benefits.

Vacation benefits are earned in accordance with the following table:

<u>Length of Service</u>	<u>Benefit</u>
1 year	4 hours/Month
After 1 year	8 hours/Month

Maximum Accumulation - 80 hours

There is no liability for unpaid accumulated sick leave.

Compensatory and holiday time is payable to the employee at 1 ½ times the number hours actually worked. The District has accrued absences that have been earned by the employees and are payable in accordance with the above table.

5. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and

LAUDERDALE COUNTY EMERGENCY COMMUNICATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

6. Net Assets

Equity is reported as net assets, which are classified into the following components, as applicable:

Invested in capital assets – consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any payables that are attributable to the acquisition, construction, or improvement of those assets

Restricted – net assets when constraints are placed on their use by external third parties or imposed by law

Unrestricted – all other net assets that do not meet the definition of the other categories.

Note 2 – Stewardship, compliance, and accountability

A. Budgetary Information

An annual budget is officially adopted by the governing body and approved by the county commission on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year end.

B. Excess of expenditures over appropriations

Expenditures were less than appropriations.

Note 3 – Detailed notes on all funds

A. Cash and investments

Cash and investments, which are stated at cost, consisted of the following:

Cash in banks	\$ 457,544
Certificates of deposit	<u>200,000</u>
Total	<u>\$ 657,544</u>

Cash in banks and certificates of deposits, are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2011 all monies were covered by FDIC or covered by the Tennessee Collateral Pool. The Board of Directors approves all investments. The investments consist of certificates of deposits and are in conformity with State guidelines. All cash and investments are held by the depositories in the name of the District.

B. Capital Assets

Fixed assets are summarized as follows:

LAUDERDALE COUNTY EMERGENCY COMMUNICATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

	Balance			Balance
	June 30, 2010	Additions	Retirements	June 30, 2011
Capital assets being depreciated:				
Building and improvements	\$ 158,842	\$ 8,230	\$ -	\$ 167,072
Communication equipment	559,645	30,040	563	589,122
Office equipment	83,561	-	13,695	69,866
Furniture and fixtures	<u>16,125</u>	<u>-</u>	<u>-</u>	<u>16,125</u>
 Subtotals	 818,173	 38,270	 14,258	 842,185
Less accumulated depreciation for:				
Building and improvements	33,368	3,955	-	37,323
Communication equipment	149,466	53,699	563	202,602
Office equipment	64,918	11,570	13,695	62,793
Furniture and fixtures	<u>10,266</u>	<u>1,011</u>	<u>-</u>	<u>11,277</u>
 Subtotals	 <u>258,018</u>	 <u>70,235</u>	 <u>14,258</u>	 <u>313,995</u>
 Total Capital assets being depreciated, net	 <u>\$ 560,155</u>	 <u>\$ (31,965)</u>	 <u>\$ -</u>	 <u>\$ 528,190</u>

C. Leases

The emergency Communication District leases answering and monitoring equipment from AT & T under operating leases for an indefinite period. The lease, which began at the date of installation, is billed to the District at a monthly rate of \$ 3,752.

The following is a schedule by years of expected minimum future rentals on operating leases as of June 30, 2011:

Year ended June 30:

2012	\$ 45,024
2013	\$ 45,024
2014	\$ 45,024
2015	\$ 45,024
2016	\$ 45,024

Note 4 – Other information

A. Risk management

Under Tennessee law, State Law, the board of directors is immune from liability unless they are grossly negligent. Therefore. No additional liability insurance is purchased on behalf of the board members. Board members who are responsible for the cash management of the District are covered under an insurance bond. The Board insures the equipment from loss through commercial insurance. Insurance has been purchased to protect against dispatcher negligence or omissions. No settlements have occurred in any of the prior three years.

LAUDERDALE COUNTY EMERGENCY COMMUNICATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

B. Concentration of credit risk

The District receives its operating funds from tariffs assessed on and collected from telephone users in Lauderdale County, Tennessee. While the District has a broad consumer base, the ability of consumers to pay their accounts is dependent on the economic conditions of the area.

C. Retirement Plan

Plan Description

Employees of Lauderdale County 911 are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service, and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the 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.

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 www.treasury.state.tn.us. Copies of footnotes in PDF format can be accessed at <http://www.treasury.state.tn.us/tcrs/PS/>.

Funding Policy

Lauderdale County 911 requires employees to contribution 5.0 percent of earnable compensation.

Lauderdale County 911 is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2011 was 5.92% of annual covered payroll. The contribution requirements of plan members is set by state statute. The contribution requirement for Lauderdale County 911 is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ending June 30, 2011, Lauderdale County 911's annual pension cost of \$6,090 to TCRS was equal to the Lauderdale County 911's required and actual contributions. The required contribution was determined as part of the July 1, 2009 actuarial valuation using the 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 percent a year compounded annually, (b) projected 3.0 percent annual

LAUDERDALE COUNTY EMERGENCY COMMUNICATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of equities over a five-year period. Lauderdale County 911's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009 was 11 years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

Trend Information

<u>Fiscal</u> <u>Year</u> <u>Ending</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
June 30, 2011	\$6,090	100%	\$0
June 30, 2010	\$6,414	100%	\$0
June 30, 2009	\$5,728	100%	\$0

Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was 96.31% percent funded. The actuarial accrued liability for benefits was \$0.1 million, and the actuarial value of assets was \$0.1 million, resulting in an unfunded actuarial liability (UAAL) of \$0.00 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.1 million, and the ratio of the UAAL to the covered payroll was 3.77 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 actuarial 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.

<u>Valuation</u> <u>Date</u>	<u>Value of Plan Assets</u> <u>(a)</u>	<u>Accrued Liability</u> <u>(AAL)-entry age</u> <u>(b)</u>	<u>AAL</u> <u>(UAAL)</u> <u>(b)-(a)</u>	<u>Funded</u> <u>Ratio</u> <u>(a/b)</u>	<u>Covered</u> <u>Payroll</u> <u>(c)</u>	<u>Percentage of</u> <u>Covered Payroll</u> <u>((b-a)/(c))</u>
July 1, 2009	\$83	\$87	\$3	96.31%	\$85	3.77%
July 1, 2007	\$60	\$52	(\$8)	115.38%	\$76	-10.53%

REQUIRED SUPPLEMENTARY INFORMATION

**LAUDERDALE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2011**

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2009	\$ 83	\$ 87	\$ 3	96.31%	\$ 85	3.77%
July 1, 2007	\$ 60	\$ 52	\$ (8)	115.38%	\$ 76	-10.53%

OTHER SUPPLEMENTARY INFORMATION

LAUDERDALE COUNTY EMERGENCY COMMUNICATION DISTRICT

**STATEMENT OF REVENUES, EXPENDITURE, AND CHANGES IN
NET ASSETS - BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2011

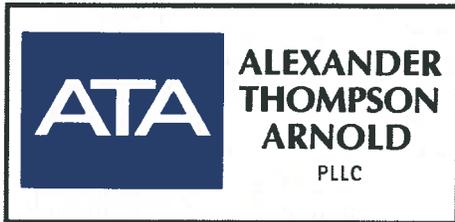
	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE-- FAVORABLE (UNFAVORABLE)
OPERATING REVENUES				
Emergency Telephone Service Charge	\$ 151,200	\$ 151,200	\$ 142,818	\$ (8,382)
State Emergency Communications Board				
Operational Fund	161,169	161,169	178,088	16,919
Other Operating Revenue	<u>64,622</u>	<u>64,622</u>	<u>-</u>	<u>(64,622)</u>
 Total Operating Revenues	 376,991	 376,991	 320,906	 (56,085)
OPERATING EXPENSES				
Salaries and Wages				
Director	8,100	8,100	8,100	-
Part-Time Assistant	10,920	10,920	9,468	1,452
Dispatchers	134,472	134,472	103,661	30,811
Overtime pay	11,700	11,700	-	11,700
Part-Time Personnel	22,050	25,550	25,547	3
Pay Bonuses/Longevity	2,500	2,500	-	2,500
Employee Benefits				
Social Security	11,764	11,764	9,027	2,737
Medicare	2,751	2,751	2,111	640
Health Insurance	23,520	23,520	18,830	4,690
Unemployment Compensation	840	840	1,104	(264)
Retirement	7,328	7,328	6,594	734
Workman's Compensation	1,000	1,000	-	1,000
Contracted Services				
Mapping	10,000	10,000	5,930	4,070
Advertising	1,500	1,500	-	1,500
Audit Services	3,800	3,800	3,200	600
Accounting	2,750	2,750	4,350	(1,600)
Janitorial Services	1,000	1,000	-	1,000
Legal	3,000	3,000	667	2,333
Maintenance Agreements	8,500	8,500	-	8,500
Pest control	250	250	150	100
Lease/Rental - Communications Equipment	47,000	47,000	41,270	5,730
Maintenance and Repairs -				
Communications Equipment	5,000	5,000	8,751	(3,751)
Maintenance and Repairs-- Buildings	4,500	11,000	2,017	8,983
Maintenance/Repairs Office Equipment	3,500	3,500	1,338	2,162
Fuel - Vehicles	1,800	1,800	1,800	-
Supplies and Materials				
Office Supplies	4,750	4,750	3,166	1,584

**LAUDERDALE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF REVENUES, EXPENDITURE, AND CHANGES IN
NET ASSETS - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011**

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE-- FAVORABLE (UNFAVORABLE)
Custodial Supplies	1,200	1,200	-	1,200
Postage	475	475	225	250
Small Equipment Purchases	7,500	1,000	587	413
Utilities - Electric	6,000	6,000	8,045	(2,045)
Utilities - Gas/Propane	1,200	1,200	-	1,200
Utilities - Water and Sewer	1,900	1,900	1,492	408
Utilities - General Telephone	5,300	5,300	6,216	(916)
Other Supplies and Materials	2,500	2,500	-	2,500
Other Charges				
Bank Charges	200	200	308	(108)
Board Meeting Expenses	500	500	-	500
Dues and Memberships	3,000	3,000	360	2,640
Insurance - Liability General/Managemen	1,862	1,862	1,862	-
Insurance - Building/Contents/Equipmen	7,681	7,681	8,454	(773)
Insurance - Vehicles	975	975	975	-
Legal Notices	1,200	1,200	1,675	(475)
Premiums on Surety Bonds	1,000	1,000	1,000	-
Training Expenses	8,000	8,000	644	7,356
Travel Expenses	6,000	2,500	89	2,411
Internet charges	600	600	-	600
Depreciation	-	-	70,235	(70,235)
Total Operating Expenses	391,388	391,388	359,248	32,140
Operating Income (Loss)	(14,397)	(14,397)	(38,342)	(23,945)
NON OPERATING REVENUES (EXPENSES)				
Interest Income	3,400	3,400	6,474	3,074
Contributions from Other Governments	17,950	17,950	31,406	13,456
Total Nonoperating Revenue (Expenses)	21,350	21,350	37,880	16,530
Change in Net Assets	6,953	6,953	(462)	(7,415)
NET ASSETS - JUNE 30, 2010	1,191,331	1,191,331	1,191,331	-
NET ASSETS - JUNE 30, 2011	\$ 1,198,284	\$ 1,198,284	\$ 1,190,869	\$ (7,415)

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION



Certified Public Accountants

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Lauderdale County Emergency Communication District
Lauderdale County, Tennessee

We have audited the financial statements of Lauderdale County Emergency Communication District (a component unit of Lauderdale County, Tennessee) (the District) as of and for the year ended June 30, 2011, and have issued our report thereon dated January 31, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the district is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Dyersburg, TN
Union City, TN
Henderson, TN
Jackson, TN
Martin, TN

McKenzie, TN
Milan, TN
Murray, KY
Paris, TN
Trenton, TN

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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 and responses. We noted certain matters that we reported to management of the District in a separate letter dated January 24, 2012.

This report is intended solely for the information and use of the District's Board of Directors, management and the Comptroller of the Treasury, State of Tennessee. It is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Alexander Thompson Arnold, PLLC". The signature is written in a cursive, flowing style.

Certified Public Accountants
Jackson, Tennessee
January 24, 2012

**LAUDERDALE COUNTY EMERGENCY COMMUNICATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2011**

FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Prior year Findings:

- 2007 – 1 Finding – Disbursements of District funds are not always evidenced by supporting documentation. (Corrected)
- 2007 – 3 Finding – Certain Line item expenditures exceed approved budgeted expenditures. Although total expenditures were less than total approved budgeted expenditures, the legal level of control is at the line item level. (Repeated)
- 2008 - 2 Finding – The District does not have a capitalization threshold. (Corrected)

Current Year Findings:

- 2007 – 3 Condition - Certain Line item expenditures exceed approved budgeted expenditures. Although total expenditures were less than total approved budgeted expenditures.

Criteria – Per TCA Section 7-86-120, expenses must be presented at the legal level of control, which is defined to be at the line item level.

Effect – Annual line item budget of expenditures exceeded.

Recommendation – We recommend that District personnel review the budget near the end of the fiscal year and submit any necessary amendments to the Board for its approval. Substantial improvement was noted over the previous year.

Response – We will review the budget periodically through out the year and present amendments as needed for board approval in order to remain compliant.

- 2011 – 1 Finding – The District did not have Fidelity bond coverage of its employees at year end. Fidelity Bond writer did not send notice of expiration and therefore coverage lapsed.

Criteria – Per TCA Section 7-86-119, Fidelity Bond required for certain board members and employees.

Effect – Fidelity Bond coverage over certain board members and employees not in place.

Recommendation – We recommend that District personnel and Board members ensure that Fidelity bond coverage remains in effect for appropriate coverage of certain employees and board members.

Response – As of the date the report was available for issue, we have put into effect new fidelity bond agreements for certain board members and employees and will monitor expiration date of these in order to remain compliant.