

**LAUDERDALE COUNTY EMERGENCY
COMMUNICATION DISTRICT**

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED JUNE 30, 2012

**LAUDERDALE COUNTY EMERGENCY
COMMUNICATION DISTRICT**

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LAUDERDALE COUNTY EMERGENCY COMMUNICATION DISTRICT

SCHEDULE OF OFFICIALS AND KEY EMPLOYEES

June 30, 2012

Board of Trustees

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

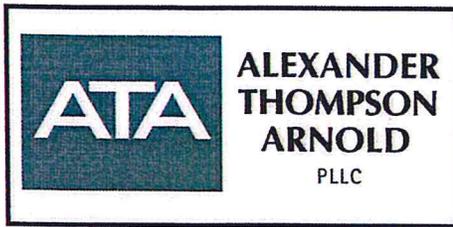
Administrative Staff

Jonathan A. Gay, E-911 Director

Independent Certified Public Accountant

Alexander Thompson Arnold PLLC
Dyersburg, Tennessee

INTRODUCTORY SECTION



Certified Public Accountants

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Tennessee Society of Certified Public Accountants
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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, 2012, as listed in the Table of 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, 2012, 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 December 20, 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.

Alexander Thompson Arnold PLLC

Certified Public Accountants
Dyersburg, Tennessee
December 20, 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, 2012.

Financial Highlights

- The assets of the Lauderdale County Emergency Communication District exceeded its liabilities at the close of the most recent fiscal year by \$1,247,921 (*net assets*). Of this amount, \$780,704 may be used to meet the government's ongoing obligations to citizens and creditors.
- The total net assets increased by \$57,052 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 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 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 only 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 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 section also includes a budgetary comparison schedule and required information that is unique to emergency communication districts.

Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Lauderdale County Emergency Communication District, assets exceeded liabilities by \$1,247,921 at the close of the most recent fiscal year.

The largest portion of the District's assets (45%) reflects its investment in cash and equivalents. Investments (16%) and investment in buildings and equipment (37%) comprise the other major assets of the District. 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

	2012	2011
Current assets	\$ 787,293	\$ 668,528
Fixed assets	467,217	528,190
Total assets	<u>\$1,254,510</u>	<u>\$1,196,718</u>
Current liabilities	\$ 6,589	\$ 5,849
Net assets:		
Invested in capital assets	467,217	528,190
Unrestricted	780,704	662,679
Total net assets	<u>\$1,254,510</u>	<u>\$1,196,718</u>

The unrestricted net assets may be used to meet the ongoing obligations of the District to citizens and creditors. The net assets increased by \$57,052 in the last fiscal year.

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

	2012	2011
Operating revenues	\$ 416,141	\$ 320,906
Operating expenses	380,816	359,248
Total operating income (deficit)	\$ 35,325	\$ (38,342)
Nonoperating revenues	21,727	6,474
Capital contributions	0	31,406
Change in net assets	<u>\$ 57,052</u>	<u>\$ (462)</u>

Budgetary Highlights

Differences between the original budget and the final operations were \$139,860. The primary differences are due to revenues exceeding 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 County Emergency Communication District's investment in capital assets was \$467,217 (net of accumulated depreciation) as of June 30, 2012. This included buildings and building improvements, communication equipment, office equipment and furniture and fixtures. No debt was created in relationship to capital assets purchases.

Future projections

The District anticipates that providing the emergency dispatching for Lauderdale County will result in operating revenues exceeding operating expenditures 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 Communication District's finances for those with an interest in the District's finances. Questions concerning any of the 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, Tennessee 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, 2012

Assets

Current Assets

Cash and cash equivalents	\$ 570,022
Investments	200,000
Accrued interest	283
Receivable--tariff income	6,638
Receivable-employees	<u>10,350</u>

Total Current Assets 787,293

Fixed Assets

Buildings and equipment	842,185
Less accumulated depreciation	<u>374,968</u>

Total Fixed Assets 467,217

Total Assets \$ 1,254,510

Liabilities and Net Assets

Current Liabilities

Accounts payable	\$ 4,096
Compensated absences payable	<u>2,493</u>

Total Current Liabilities 6,589

Total Liabilities 6,589

Net Assets

Invested in capital assets	467,217
Unrestricted	<u>780,704</u>

Total Net Assets 1,247,921

Total Liabilities and Net Assets \$ 1,254,510

LAUDERDALE COUNTY EMERGENCY COMMUNICATION DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012

OPERATING REVENUES

Emergency Telephone Service Charge	198,834
State Emergency Communications Operational Funding	<u>217,307</u>
Total Operating Revenues	416,141

OPERATING EXPENSES

Salaries and Wages	
Director	9,865
Administration	9,351
Dispatchers	92,530
Part-time	<u>37,660</u>
Total Salaries and Wages	149,406

Employee Benefits

Social Security	8,664
Medicare	2,206
Medical insurance	27,584
Unemployment	1,157
Retirement	<u>5,428</u>

Total Employee Benefits	45,039
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Contracted Services

Addressing	6,900
Ads and notices	553
Audit service	3,200
Accounting	4,200
Janitorial	320
Maintenance	13,835
Pest control	390
Lease/Rental-communications equipment	43,722
Lease/Rental-safe deposit box	25
Maintenance and repairs-communication equipment	5,781
Maintenance and repairs-building	4,553
Maintenance and repairs-office	1,240
Fuel - vehicles	<u>900</u>

Total Contracted Services	85,619
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LAUDERDALE COUNTY EMERGENCY COMMUNICATION DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012

Supplies and Materials	
Office supplies	3,234
Custodial	646
Postage	168
Small equipment purchases	5,428
Utilities - electric	8,929
Utilities - gas and water	1,301
Utilities - general telephone	6,743
Utilities-cable	<u>624</u>
Total Supplies and Materials	27,073
Other Charges	
Bank charges	71
Dues and memberships	366
Insurance - workman's compensation	949
Insurance-liability	1,862
Insurance - building and contents	8,170
Surety bond	1,188
Training expenses	<u>100</u>
Total Other Charges	12,706
Depreciation	
Depreciation Expense	<u>60,973</u>
Total Operating Expenses	<u>380,816</u>
Operating Income (Loss)	<u>35,325</u>
NONOPERATING REVENUES (EXPENSES)	
Legal settlement	16,189
Interest Income	<u>5,538</u>
Total Nonoperating Revenues (Expenses)	<u>21,727</u>
Change in net assets	<u>57,052</u>
NET ASSETS--JULY 1, 2011	<u>1,190,869</u>
NET ASSETS--JUNE 30, 2012	<u>1,247,921</u>

LAUDERDALE COUNTY EMERGENCY COMMUNICATION DISTRICT

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2012

CASH FLOW FROM OPERATING ACTIVITIES

Receipts from tariffs	\$ 172,620
Receipts Operational Funding	247,372
Payments to suppliers for goods and services	(180,512)
Payments to employees for services	<u>(148,729)</u>
Cash flow before legal settlement	90,751
Proceeds from legal settlement	<u>16,189</u>
Net Cash Provided by Operating Activities	106,940

CASH FLOW FROM INVESTING ACTIVITIES

Interest received	<u>5,538</u>
Net Increase (Decrease) in Cash	112,478
Cash and Cash Equivalents at Beginning of the Year	<u>457,544</u>
Cash and Cash Equivalents at End of the Year	<u>\$ 570,022</u>

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Operating income from operations	\$ 35,325
Proceeds from legal settlement	16,189
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	60,973
Increase (decrease) in payables	740
Decrease (increase) in receivables	<u>(6,287)</u>
Total Adjustments	<u>55,426</u>
Net Cash Provided by Operating Activities	<u>\$ 106,940</u>

**LAUDERDALE COUNTY EMERGENCY COMMUNICATION DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2012

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

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 authorize the District to invest 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, 2012

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, 2012, accounts receivable represent service fees collected by the entities named above and not remitted to the District.

The Tennessee Emergency Communications Board collects and remits operational funding monies and reimbursements to the district for upgraded equipment and/or training.

3. Capital assets

Fixed assets consist of buildings, communication equipment, and office equipment owned by the District. The fixed 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 \$60,973 for the year ended June 30, 2012.

Capitalization of fixed asset purchases is determined according to the capitalization policy adopted in the fiscal 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 District's 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.

The District has accrued absences that have been earned by the employees and are payable in accordance with the above table.

LAUDERDALE COUNTY EMERGENCY COMMUNICATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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

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. The Accounting and Financial Reporting Manual for Tennessee Emergency Communications District, establishes the legal level of control to be at the line item level.

B. Excess of expenditures over appropriations

Overages were noted on the line item level for two utility items. The two items are electricity for \$529 and general telephone for \$346.

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	\$ 570,022
Certificates of deposit	<u>200,000</u>
Total	<u>\$ 770,022</u>

Cash in banks and certificates of deposits, are insured up to \$ 250,000 by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2012 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.

LAUDERDALE COUNTY EMERGENCY COMMUNICATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

B. Capital assets

Fixed assets are summarized as follows:

	<u>Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2012</u>
Capital assets being depreciated:				
Building and improvements	\$ 167,072	\$ 0	\$ 0	\$ 167,072
Communication equipment	589,122	0	0	589,122
Office equipment	69,866	0	0	69,866
Furniture and fixtures	<u>16,125</u>	<u>0</u>	<u>0</u>	<u>16,125</u>
Subtotals	842,185	0	0	842,185
Less accumulated depreciation for:				
Building and improvements	37,323	4,057	0	41,380
Communication equipment	202,602	53,823	0	256,425
Office equipment	62,793	2,102	0	64,895
Furniture and fixtures	<u>11,277</u>	<u>991</u>	<u>0</u>	<u>12,268</u>
Subtotals	<u>313,995</u>	<u>60,973</u>	<u>0</u>	<u>374,968</u>
Total capital assets being depreciated, net	<u>\$ 528,190</u>	<u>\$(60,973)</u>	<u>\$ 0</u>	<u>\$ 467,217</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 \$ 3,622.

The following is a schedule by years of expected minimum future rentals on operating leases as of June 30, 2012:

Year ended June 30:

2013	\$ 43,464
2014	\$ 43,464
2015	\$ 43,464
2016	\$ 43,464
2017	\$ 43,464

LAUDERDALE COUNTY EMERGENCY COMMUNICATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 4 – OTHER INFORMATION

A. Risk management

Under Tennessee 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.

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 Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Lauderdale County 911 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, TN 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/>.

LAUDERDALE COUNTY EMERGENCY COMMUNICATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Funding policy

Lauderdale County 911 requires employees to contribute 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, 2012 was 5.92% of annual covered payroll. The contribution requirement 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, 2012 Lauderdale County 911's annual pension cost of \$ 5,427 to TCRS was equal to 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 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 total investments over a five-year period. Lauderdale County 911's unfunded 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, 2011, which established contribution rates effective July 1, 2012.

Trend Information

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual Pension Cost</u> <u>(APC)</u>	<u>Percentage of APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
June 30, 2012	\$ 5,427	100.00%	\$ 0.00
June 30, 2011	\$ 6,414	100.00%	\$ 0.00
June 30, 2010	\$ 6,090	100.00%	\$ 0.00

Funded Status and Funding Progress

As of July 1, 2011, the most recent valuation date, the plan was 99.37% funded. The actuarial accrued liability for benefits was \$0.13 million, and the actuarial value of assets was \$0.13 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.0 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.06 million, and the ratio of the UAAL to the covered payroll was 1.30%.

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.

LAUDERDALE COUNTY EMERGENCY COMMUNICATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued 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 01, 2011	\$129	\$130	\$1	99.37%	\$63	1.30%
July 01, 2009	\$83	\$110	\$27	75.81%	\$85	31.40%
July 01, 2007	\$60	\$89	\$29	67.42%	\$76	38.16%

REQUIRED SUPPLEMENTARY INFORMATION

**LAUDERDALE COUNTY EMERGENCY COMMUNICATION DISTRICT
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2012**

Schedule of Funding Progress for Lauderdale County 911, 89550

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll (b-a)/c
	(a)	(b)	(b)-(a)	(a/b)	(c)	(b-a)/c
July 1, 2011	\$129	\$130	\$1	99.37%	\$63	1.3%
July 1, 2009	\$83	\$110	\$27	78.81%	\$85	31.40%
July 1, 2007	\$60	\$89	\$29	67.42%	\$76	38.16%

The Governmental Accounting Standards Board (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 change went into effect during the year of 2007 actuarial valuation, therefore only the two most recent valuations are presented.

See independent auditor's report.

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, 2012

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE-- FAVORABLE (UNFAVORABLE)
OPERATING REVENUES				
Emergency Telephone Service Charge	\$ 132,000	\$ 132,000	\$ 198,834	\$ 66,834
State Emergency Communications Board Operational Fund	231,000	231,000	217,307	(13,693)
Other Operating Revenue	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Operating Revenues	363,000	363,000	416,141	53,141
OPERATING EXPENSES				
Salaries and Wages				
Director	8,120	8,850	8,850	-
Part-Time Assistant	10,920	10,920	9,245	1,675
Dispatchers	110,552	110,552	85,656	24,896
Overtime Pay	11,700	11,700	4,758	6,942
Part-Time Personnel	22,050	36,763	36,763	-
Pay Bonuses/Longevity	4,000	4,134	4,134	-
Employee Benefits				
Social Security	10,283	10,283	8,664	1,619
Medicare	2,405	2,405	2,206	199
Health Insurance	24,000	37,745	27,584	10,161
Unemployment Compensation	1,600	1,600	1,157	443
Retirement	8,000	8,000	5,428	2,572
Workman's Compensation	1,200	1,200	-	1,200
Contracted Services				
Mapping	7,200	7,525	6,900	625
Advertising	1,500	1,500	553	947
Audit Services	3,800	3,800	3,200	600
Accounting	4,700	4,700	4,200	500
Janitorial Services	750	750	320	430
Legal	3,000	1,665	-	1,665
Maintenance Agreements	8,500	13,835	13,835	-
Pest Control	500	500	390	110
Lease/Rental Communications Equipment	46,000	46,000	43,747	2,253
Maintenance and Repairs - Communications Equipment	5,000	5,946	5,781	165
Maintenance and Repairs-- Building	4,500	4,553	4,553	-
Maintenance/Repairs - Office Equipment	3,500	3,500	1,165	2,335
Maintenance/Repairs - Vehicles	-	75	75	-
Fuel - Vehicles	1,800	1,070	900	170
Other Contracted Services	1,000	54	-	54
Supplies and Materials				
Office Supplies	4,500	4,500	3,234	1,266

See independent auditor's report.

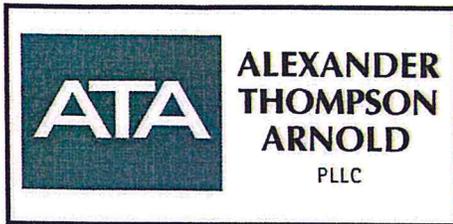
LAUDERDALE COUNTY EMERGENCY COMMUNICATION DISTRICT

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

FOR THE YEAR ENDED JUNE 30, 2012

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE-- FAVORABLE (UNFAVORABLE)
Custodial Supplies	800	800	646	154
Postage	475	475	168	307
Small Equipment Purchases	7,500	7,500	5,428	2,072
Utilities - Electric	8,400	8,400	8,929	(529)
Utilities - Gas/Propane	1,000	903	860	43
Utilities - Water and Sewer	1,900	1,900	441	1,459
Utilities - General Telephone	6,300	6,397	6,743	(346)
Utilities-Basic Cable	840	840	624	216
Other Supplies and Materials	2,500	2,313	-	2,313
Other Charges				-
Bank Charges	200	200	71	129
Board Meeting Expenses	500	500	-	500
Dues and Memberships	1,000	1,000	366	634
Insurance - Workmans Compensation	2,000	2,000	949	1,051
Insurance - Liability General/Management	2,000	2,000	1,862	138
Insurance - Building/Contents/Equipment	8,000	8,000	7,195	805
Insurance - Vehicles	975	975	975	-
Legal Notices	3,000	3,000	-	3,000
Premiums on Surety Bonds	1,500	1,500	1,188	312
Training Expenses	7,000	7,000	100	6,900
Travel Expenses	4,500	100	-	100
Depreciation	<u>70,000</u>	<u>70,000</u>	<u>60,973</u>	<u>9,027</u>
 Total Operating Expenses	 441,470	 469,928	 380,816	 89,112
 Operating Income (Loss)	 (78,470)	 (106,928)	 35,325	 142,253
 NONOPERATING REVENUES (EXPENSES)				
Interest Income	24,120	24,120	5,538	(18,582)
Other Income	<u>-</u>	<u>-</u>	<u>16,189</u>	<u>16,189</u>
 Total Nonoperating Revenues (Expenses)	 <u>24,120</u>	 <u>24,120</u>	 <u>21,727</u>	 <u>(2,393)</u>
 Change in Net Assets	 (54,350)	 (82,808)	 57,052	 139,860
 NET ASSETS - JUNE 30, 2011	 <u>1,190,869</u>	 <u>1,190,869</u>	 <u>1,190,869</u>	 <u>-</u>
 NET ASSETS - JUNE 30, 2012	 <u>\$ 1,136,519</u>	 <u>\$ 1,108,061</u>	 <u>\$ 1,247,921</u>	 <u>\$ 139,860</u>

See independent auditor's report.



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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, 2012, and have issued our report thereon dated December 20, 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.

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.

Alexander Thompson Arnold PLLC

Certified Public Accountants
Dyersburg, Tennessee
December 20, 2012

**LAUDERDALE COUNTY EMERGENCY COMMUNICATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2012**

**FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

Prior year Findings:

- 2007 – 3 Certain Line item expenditures exceed approved budgeted expenditures. (Repeated)
- 2011 – 1 The District did not have sufficient Fidelity bond coverage of its employees at year end. (Repeated)

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 sufficient Fidelity bond coverage of its employees at year end.
- 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 sufficient Fidelity bond coverage remains in effect for appropriate coverage of certain employees and board members.
- Response – We will evaluate surety bond coverage and adjust accordingly to remain compliant with TCA.