

**LAKE COUNTY
EMERGENCY COMMUNICATIONS DISTRICT**

FINANCIAL STATEMENTS

June 30, 2012

**LAKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
TABLE OF CONTENTS**

Introductory Section

Schedule of Officials and Key Employees 1

Financial Section

Independent Auditor's Report.....2
Statement of Net Assets4
Statement of Revenues, Expenses and Changes in Net Assets5
Statement of Cash Flows6
Notes to Financial Statements7

Other Supplementary Information Section

Budgetary Comparison Schedule..... 11

Internal Control and Compliance Section

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* 13
Schedule of Findings and Responses 15
Summary Schedule of Prior Year Findings..... 17

INTRODUCTORY SECTION

FINANCIAL SECTION



Certified Public Accountants

www.atacpa.net

624 East Reelfoot Avenue Telephone: (731) 885-3661
Union City, TN 38261 (800) 273-3240
Fax: (731) 885-6909

Members of

American Institute of Certified Public Accountants
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
Lake County Emergency Communications District
Tiptonville, Tennessee

We have audited the accompanying financial statements of the Lake County Emergency Communications District, a component unit of Lake County, Tennessee, 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 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 in the first paragraph present fairly, in all material respects, the financial position of the Lake County Emergency Communications District as of June 30, 2012, and the results of its operations and its cash flows 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 September 7, 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

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

Union City, Tennessee
September 7, 2012

LAKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF NET ASSETS
June 30, 2012

ASSETS

Current assets

Cash	\$ 475,981
Accounts receivable	<u>1,151</u>
Total current assets	477,132

Noncurrent assets

Communications equipment	537,161
Office equipment	14,457
Accumulated depreciation	<u>(223,049)</u>
Total noncurrent assets	<u>328,569</u>

Total assets	<u>805,701</u>
---------------------	-----------------------

LIABILITIES

Current liabilities

Accounts payable	<u>1,378</u>
------------------	--------------

NET ASSETS

Invested in capital assets	328,569
Unrestricted	<u>475,754</u>
Total net assets	<u>\$ 804,323</u>

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

LAKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2012

Operating revenue		
TECB - shared wireless charge		\$ 18,663
TECB - operational funding		158,194
Miscellaneous carriers		<u>21,819</u>
Total operating revenue		198,676
Operating expenses		
Salaries and wages		
Dispatchers	10,369	
Employee benefits		
Payroll taxes	1,120	
Contracted services		
Addressing/mapping expense	11,200	
Advertising	262	
Audit services	3,075	
Bookkeeping services	4,900	
Fees paid to service provider	15,669	
Contracts to government agency	22,500	
Maintenance agreements	1,100	
Lease/rent - office equipment	146	
Maintenance and repair - communications equipment	17,265	
Maintenance and repair - office equipment	75	
Supplies and materials		
Office supplies	396	
Postage	109	
Small equipment purchases	1,149	
Utilities	2,334	
Other supplies and materials	379	
Other charges		
Bank charges	46	
Dues and memberships	100	
Licenses and fees	600	
Training	2,805	
Travel	138	
Other charges	27	
Depreciation expense	<u>39,661</u>	
Total operating expenses		<u>135,425</u>
Operating income		63,251
Non-operating income (expense)		
Interest income	860	
TECB grants and reimbursements	197,766	
Loss on sale of equipment	<u>(5,185)</u>	
Total non-operating income (expense)		<u>193,441</u>
Net income		256,692
Net assets - July 1, 2011		<u>547,631</u>
Net assets - June 30, 2012		<u>\$ 804,323</u>

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

LAKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2012

Cash flows from operating activities	
Cash received from customers	\$ 200,180
Cash payments to suppliers for goods and services	(84,925)
Cash payments to/for employees for services and benefits	<u>(13,033)</u>
Net cash provided by operating activities	102,222
Cash flows from capital and related financing activities	
Proceeds and reimbursements from grants	197,766
Proceeds from sale of equipment	1,750
Purchase of property, plant, and equipment	<u>(184,544)</u>
Net cash provided by capital and related financing activities	14,972
Cash flows from investing activities	
Interest earned on investments	<u>860</u>
Net increase in cash	118,054
Cash - July 1, 2011	<u>357,927</u>
Cash - June 30, 2012	<u>\$ 475,981</u>

Reconciliation of operating income to net cash provided by operating activities

Operating income	\$ 63,251
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	39,661
Decrease in accounts receivable	524
Decrease in prepaid expenses	980
Decrease in accounts payable	(650)
Decrease in payroll deductions payable	<u>(1,544)</u>
Total adjustments	<u>38,971</u>
Net cash provided by operating activities	<u>\$ 102,222</u>

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

LAKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Lake County Emergency Communications District was created in October 2000 by the legislative body of Lake County, Tennessee, to be an emergency communications district as defined by Tennessee state law. As such, it is considered to be a "municipality" or public corporation in perpetuity under its corporate name and shall be a body politic and corporate with power of perpetual succession, but without power to levy or collect taxes. All Tennessee emergency communications districts are required to follow the *Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts* developed by the Office of the Comptroller of the Treasury, Division of County Audit, pursuant to Section 7-86-304, *Tennessee Code Annotated*.

In evaluating how to define the Lake County Emergency Communications District for financial reporting purposes, management has considered whether the District is a primary government or a component unit of another primary government. The decision to be included as a component unit of another reporting entity is made by applying the criteria set forth in Governmental Accounting Standards Board Statement 14, *The Financial Reporting Entity*. The District must obtain the approval of the Lake County Commission before issuance of most debt instruments. The County has determined that this constitutes fiscal dependency by the District, and has, therefore, included the District as a component unit of Lake County.

The District is deemed to be a municipality under Tennessee state law and, as such, is exempt from federal income taxes.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Lake County Emergency Communications District accounts for its financial position and results of operations in accordance with generally accepted accounting principles as defined in the statements of the Governmental Accounting Standards Board (GASB) for proprietary funds. Generally accepted accounting principles for proprietary fund types are those applicable to similar businesses in the private sector, and the measurement focus is on the determination of net income, financial position, and cash flows. Proprietary fund types are accounted for on the accrual basis, whereby income is recognized as it is earned and expenses are recognized as they are incurred, whether or not cash is received or paid out at that time.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the District are operational funding from the Tennessee Emergency Communications Board and miscellaneous carriers. Operating expenses include operation expenses, maintenance expenses, payroll and related expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

LAKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS

June 30, 2012

The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB Statement No. 20 gives governments the option of applying all Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989, to its proprietary funds, unless they conflict with or contradict GASB pronouncements. The Office of the Comptroller of the Treasury requires Tennessee emergency communications districts not to implement FASB statements and interpretations issued thereafter, unless they are adopted by GASB.

C. Assets, Liabilities, and Net Assets

Cash and cash equivalents

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 inception.

Accounts receivable

Accounts receivable are recorded for amounts due from telephone companies.

Capital assets

Capital assets are stated at cost. At this time, assets consist only of communications equipment and office equipment, which are depreciated using the straight-line method over estimated useful lives ranging from 5-10 years.

Compensated absences

The District pays one employee hourly, and the other staff are considered contract labor. Any vacation or sick leave is expensed as incurred. An accrual for compensated absences would not be material to the financial statements.

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

Budgetary Information

The District's Board of Directors approves an appropriatory budget annually. The budget is prepared on a basis which differs from generally accepted accounting principles (GAAP) pertaining to proprietary funds, in that revenue and expenses are on the cash basis rather than the accrual basis. The legal level of control is at each line item of expense; therefore, each line item must be amended prior to expending funds.

**LAKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2012

A reconciliation of the differences between budgetary basis and GAAP basis is as follows.

Net income – budgetary basis	\$ 254,818
Accrual adjustments	1,874
Net income – GAAP basis	\$ 256,692

For the year ended June 30, 2012, there were eight line items whose budgetary-basis expenditures exceeded the legally adopted budget by a total of \$3,354.

NOTE 3 – DETAILED NOTES ON ACCOUNTS

A. Deposits and investments

State statutes authorize the District to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, the state pooled investment fund, and mutual funds. As of June 30, 2012, investments consisted of certificates of deposit only.

Custodial credit risk is the risk that in the event of bank failure the District's deposits may not be returned to it. State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the District's agent in the District's name, or by the Federal Reserve Banks acting as third party agents. As of June 30, 2012, all bank deposits were fully collateralized or insured.

B. Capital assets

Capital asset activity during the year was as follows:

Description	Balance 7/1/11	Additions	Disposals	Balance 6/30/12
Capital assets, being depreciated				
Communications equipment	\$ 363,567	\$ 184,544	\$ (10,950)	\$ 537,161
Office equipment	14,457	-	-	14,457
Total capital assets being depreciated	378,024	184,544	(10,950)	551,618
Less accumulated depreciation				
Communications equipment	180,791	37,686	(4,015)	214,462
Office equipment	6,612	1,975	-	8,587
Total accumulated depreciation	187,403	39,661	(4,015)	223,049
Total capital assets, net	\$ 190,621	\$ 144,883	\$ (6,935)	\$ 328,569

**LAKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2012

NOTE 4 – OTHER INFORMATION

Risk Management

The District is exposed to various risks related to general and public officials' liability, officers/directors omissions liability and property and casualty loss. Since the District's operations are run through the Lake County Sheriff's Department, the District is covered by Lake County's insurance. The County is insured through Local Government Insurance Pool, which is a public entity risk pool established to provide insurance coverage to local governments and is self-sustaining through member premiums. The pool reinsures through commercial insurance companies for claims in excess of a fixed amount set by the pool for each insured event. Settlements have not exceeded insurance coverage in any of the prior three years.

OTHER SUPPLEMENTARY INFORMATION SECTION

**LAKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
BUDGETARY COMPARISON SCHEDULE**

For the Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Over (Under)</u>
Operating revenue				
TECB - shared wireless charge	\$ 44,655	\$ 44,655	\$ 18,663	\$ (25,992)
TECB - operational funding	160,791	170,791	156,970	(13,821)
Miscellaneous carriers	<u>22,000</u>	<u>22,000</u>	<u>21,819</u>	<u>(181)</u>
Total operating revenue	<u>227,446</u>	<u>237,446</u>	<u>197,452</u>	<u>(39,994)</u>
Operating expenses				
Salaries and wages				
Dispatchers	37,500	37,500	10,369	(27,131)
Employee benefits				
Payroll taxes	5,910	2,392	1,120	(1,272)
Contracted services				
Addressing/mapping expense	9,600	11,100	11,200	100
Advertising	1,000	500	262	(238)
Audit services	3,200	3,200	3,075	(125)
Bookkeeping services	3,600	4,600	4,900	300
Fees paid to service provider	17,899	17,899	15,803	(2,096)
Contracts to government agencies	22,500	22,500	22,500	-
Legal services	150	150	-	(150)
Maintenance agreements	1,082	1,082	1,100	18
Lease/rent - office equipment	-	-	146	146
Communications equipment	10,000	10,000	-	(10,000)
Maintenance and repair - communications equipment	15,359	15,359	17,624	2,265
Maintenance and repair - office equipment	1,000	1,000	75	(925)
Fuel	600	600	-	(600)
Supplies and materials				
Office supplies	1,000	1,000	396	(604)
Postage	150	150	109	(41)
Small equipment purchases	1,000	1,149	1,149	-
Utilities	1,800	2,492	2,491	(1)
Other supplies and materials	-	-	379	379
Other charges				
Bank charges	-	-	46	46
Dues and memberships	-	-	100	100
Insurance - surety bonds	300	300	-	(300)
Licenses and fees	5,178	5,178	600	(4,578)
Training	15,000	12,000	2,805	(9,195)
Travel	2,000	1,000	138	(862)
Other charges	-	27	27	-
Depreciation expense	<u>42,536</u>	<u>42,536</u>	<u>39,661</u>	<u>(2,875)</u>
Total operating expenses	<u>198,364</u>	<u>193,714</u>	<u>136,075</u>	<u>(57,639)</u>
Operating income	29,082	43,732	61,377	17,645

See independent auditor's report

**LAKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
BUDGETARY COMPARISON SCHEDULE**

For the Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Over (Under)</u>
Non-operating income (expense)				
Interest income	1,092	1,092	860	(232)
TECB grants and reimbursements	10,000	10,000	197,766	187,766
Loss on sale of equipment	<u>-</u>	<u>-</u>	<u>(5,185)</u>	<u>(5,185)</u>
Total non-operating income (expense)	<u>11,092</u>	<u>11,092</u>	<u>193,441</u>	<u>182,349</u>
Net income	<u>\$ 40,174</u>	<u>\$ 54,824</u>	<u>\$ 254,818</u>	<u>\$ 199,994</u>

See independent auditor's report

INTERNAL CONTROL AND COMPLIANCE SECTION



Certified Public Accountants

www.atacpa.net

624 East Reelfoot Avenue Telephone: (731) 885-3661
Union City, TN 38261 (800) 273-3240
Fax: (731) 885-6909

Members of

American Institute of Certified Public Accountants
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

**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
Lake County Emergency Communications District
Tiptonville, Tennessee

We have audited the financial statements of the Lake County Emergency Communications District, a component unit of Lake County, Tennessee, as of and for the year ended June 30, 2012, and have issued our report thereon dated September 7, 2012. 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.

Internal Control over Financial Reporting

Management of the Lake County Emergency Communications 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as Item 01-1 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as Items 11-1 and 11-3 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lake County Emergency Communications 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 as items 11-1 and 11-3.

Lake County Emergency Communications District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the District's responses, and accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the board of directors, management, and the State of Tennessee Comptroller's Office and is not intended to be and should not be used by anyone other than these specified parties.

Alexander Thompson Arnold PLLC

Union City, Tennessee
September 7, 2012

**LAKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES**

June 30, 2012

FINDINGS COMMUNICATED IN PRIOR YEARS

11-1 Capitalization Policy

Condition: The District does not have a capitalization policy in place to specify which expenditures qualify for capital asset treatment.

Criteria: The *Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts* states that each district should establish a capitalization policy, which specifies the per unit cost at which a given capital asset qualifies for capitalization.

Effect: The District's treatment of capital asset-type expenditures may not be consistent without a policy in place. This could also hinder the District's activity relative to control, safekeeping and proper use of its capital assets.

Recommendation: The District should formally adopt a capitalization policy for its capital asset activity.

Response: *We concur.*

11-3 Line-item Expenditures Exceeded Budgeted Amounts

Condition: During the year ended June 30, 2012, eight line items of expenditures exceeded their budgeted amounts and budget amendments were not formally approved and documented in the minutes before fiscal year end.

	Expenditure	Budget	Over Budget
Addressing/mapping	\$11,200	\$11,100	\$100
Bookkeeping services	4,900	4,600	300
Maintenance agreements	1,100	1,082	18
Lease/rent – office equipment	146	-	146
Maintenance and repair – communications equipment	17,624	15,359	2,265
Other supplies and materials	379	-	379
Bank charges	46	-	46
Dues and memberships	100	-	100

Criteria: TCA Section 7-86-120 requires emergency communications districts to adopt and operate under an annual budget. Expenses must be presented at the legal level of control, which is defined to be at the line-item level.

Effect: Expenditures have been made that were not legally approved in accordance with state statute.

Recommendation: The Board should formally approve its budget and all budget amendments in the minutes. Before approving expenditures, the amount of the unexpended budget amount by line item should be reviewed to prevent expenditures in excess of budgeted amounts. If

**LAKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES**

June 30, 2012

needed, budget amendments should be made to authorize requested expenditures before year end.

Response: *We concur.*

01-1 Segregation of Duties – material weakness

Condition: Due to the size of the staff, the Lake County Emergency Communications District could not fully segregate the record-keeping, custodial and authorization functions of its internal accounting controls.

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

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

Recommendation: While auditors recognize that staff size, due to funding limitations, is not adequate to fully segregate the functions mentioned above, management needs to be aware that this limitation of internal accounting controls does exist in the District. The Board should review financial information such as bank statements and reconciliations monthly to help mitigate these risks.

Response: *We concur.*

**LAKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**

June 30, 2012

- 01-1 Segregation of Duties – repeated
- 08-1 Surety Bonds – corrected
- 10-2 Failure to Use Required Chart of Accounts – corrected
- 11-1 Capitalization Policy - repeated
- 11-2 Financial Statements Not Approved in Board Minutes – corrected
- 11-3 Line-item Expenditures Exceeded Budgeted Amounts - repeated