

**LAUDERDALE COUNTY EMERGENCY
COMMUNICATION DISTRICT**

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED JUNE 30, 2013

**LAUDERDALE COUNTY EMERGENCY
COMMUNICATION DISTRICT**

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INTRODUCTORY SECTION

**LAUDERDALE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF OFFICIALS AND KEY EMPLOYEES**

June 30, 2013

Board of Trustees

Larry McCoy, Chairman

Mary Miller, Secretary

Roger Leake, Treasurer

Beverly Bates

Steve Sanders

Larry White

Cecil Crowder

Frank Currie

Administrative Staff

Jonathan A. Gay, E-911 Director

Independent Certified Public Accountant

Alexander Thompson Arnold PLLC

Dyersburg, Tennessee

FINANCIAL SECTION

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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



Certified Public Accountants
Offices in Tennessee & Kentucky

185 North Church St.
Dyersburg, TN 38024

Phone 731.285.7900
Fax 731.285.6221
www.atacpa.net

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Lauderdale County Emergency Communications District, a component unit of Lauderdale County, Tennessee, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lauderdale County Emergency Communications District, as of June 30, 2013, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of funding progress on pages 5-7 and 19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Lauderdale County Emergency Communication District's basic financial statements. The schedule of officials and key employees and the budgetary comparison information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedule of officials and key employees has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2014 on our consideration of the Lauderdale County Emergency Communications District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to

describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lauderdale County Emergency Communications District's internal control over financial reporting and compliance.

Alexander Thompson Arnold PLLC

Dyersburg, Tennessee
January 27, 2014

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, 2013.

Financial Highlights

- The assets of the Lauderdale County Emergency Communication District exceeded its liabilities at the close of the most recent fiscal year by \$1,213,936 (*net position*). Of this amount, \$798,419 may be used to meet the government's ongoing obligations to citizens and creditors.
- The total net position decreased by \$33,985 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 position* presents information on all of the Lauderdale County Emergency Communication Districts assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. As of June 30, 2013, the District had no deferred outflows/inflows of resources to report.

The *statement of revenues, expenses and changes in net position* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position 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.

Financial Analysis

As noted earlier, net position 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 \$1,213,936 at the close of the most recent fiscal year.

The largest portion of the District's assets (48%) reflects its investment in cash and equivalents. Investments (16%) and investment in buildings and equipment (34%) 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 Position

	<u>2013</u>	<u>2012</u>
Current assets	\$ 805,722	\$ 787,293
Capital assets	415,517	467,217
Total assets	<u>\$1,221,239</u>	<u>\$1,254,510</u>
Current liabilities	\$ 7,303	\$ 6,589
Net position:		
Investment in capital assets	415,517	467,217
Unrestricted	<u>798,419</u>	<u>780,704</u>
Total net position	<u>\$1,221,239</u>	<u>\$1,254,510</u>

The unrestricted net position may be used to meet the ongoing obligations of the District to citizens and creditors. The net position decreased by \$33,985 in the last fiscal year.

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

	<u>2013</u>	<u>2012</u>
Operating revenues	\$ 375,910	\$ 416,141
Operating expenses	447,390	380,816
Total operating income (deficit)	\$ (71,480)	\$ 35,325
Non-operating revenues	3,564	21,727
Capital contributions	<u>33,931</u>	<u>0</u>
Change in net position	<u>\$ (33,985)</u>	<u>\$ 57,052</u>

Budgetary Highlights

Differences between the final budget and the final operations were \$82,744. The primary differences are due to expenses not exceeding the final budgeted amounts. 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 \$415,517 (net of accumulated depreciation) as of June 30, 2013. 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 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.

Larry McCoy

Larry McCoy
Chairman
Lauderdale County Emergency Communication District
Lauderdale County, Tennessee

LAUDERDALE COUNTY EMERGENCY COMMUNICATION DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2013

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 591,593
Investments	200,276
Accrued interest	224
Receivable--tariff income	7,778
Receivable-employees	<u>5,851</u>
Total Current Assets	805,722

CAPITAL ASSETS

Buildings and equipment	852,552
Less accumulated depreciation	<u>437,035</u>
Total Capital Assets	<u>415,517</u>

Total Assets	<u>\$ 1,221,239</u>
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LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts payable	\$ 5,943
Compensated absences payable	<u>1,360</u>
Total Current Liabilities	<u>7,303</u>
Total Liabilities	<u>7,303</u>

NET POSITION

Investment in capital assets	415,517
Unrestricted	<u>798,419</u>
Total Net Position	<u>1,213,936</u>
Total Liabilities and Net Position	<u>\$ 1,221,239</u>

LAUDERDALE COUNTY EMERGENCY COMMUNICATION DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

OPERATING REVENUES

Emergency Telephone Service Charge	118,613
State Emergency Communications Shared Wireless Charge	67,419
State Emergency Communications Operational Funding	<u>189,878</u>

Total Operating Revenues 375,910

OPERATING EXPENSES

Salaries and Wages	
Director	8,400
Administration	9,034
Dispatchers	90,957
Part-time	<u>33,613</u>

Total Salaries and Wages 142,004

Employee Benefits	
Social Security	8,721
Medicare	2,040
Medical insurance	23,371
Unemployment	1,510
Retirement	<u>1,297</u>

Total Employee Benefits 36,939

Contracted Services	
Addressing	6,600
Ads and notices	428
Audit service	3,500
Accounting	4,425
Maintenance	10,915
Pest control	330
Lease/Rental-communications equipment	42,265
Maintenance and repairs-communication equipment	2,515
Maintenance and repairs-office	<u>1,903</u>

Total Contracted Services 72,881

LAUDERDALE COUNTY EMERGENCY COMMUNICATION DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

Supplies and Materials	
Office supplies	2,625
Postage	291
Small equipment purchases	125
Utilities - electric	8,528
Utilities - gas and water	1,090
Utilities - general telephone	6,454
Utilities-cable	<u>1,050</u>
Total Supplies and Materials	20,163
Other Charges	
Bank charges	29
Dues and memberships	366
Insurance - workman's compensation	878
Insurance-vehicles	490
Insurance - building and contents	10,233
Surety bond	1,278
Travel expenses	62
Contribution for tower purchase	<u>100,000</u>
Total Other Charges	113,336
Depreciation	
Depreciation Expense	<u>62,067</u>
Total Operating Expenses	<u>447,390</u>
Operating Income (Loss)	<u>(71,480)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest Income	<u>3,564</u>
Total Nonoperating Revenues (Expenses)	<u>3,564</u>
CAPITAL CONTRIBUTIONS	
Capital Contributions from Tennessee Emergency Communications Board	<u>33,931</u>
Total Capital Contributions	<u>33,931</u>
Change in net position	<u>(33,985)</u>
NET POSITION--JULY 1, 2012	<u>1,247,921</u>
NET POSITION--JUNE 30, 2013	<u>\$ 1,213,936</u>

LAUDERDALE COUNTY EMERGENCY COMMUNICATION DISTRICT

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2013

CASH FLOW FROM OPERATING ACTIVITIES

Receipts from tariffs	\$ 184,892
Receipts operational funding	189,878
Payments to suppliers for goods and services	(200,251)
Payments to employees for services	<u>(180,136)</u>

Net Cash Provided by Operating Activities (5,617)

CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES

Grants/reimbursements TECB 33,931

CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchase of capital assets (10,367)

CASH FLOW FROM INVESTING ACTIVITIES

Interest received 3,624

Net Increase (Decrease) in Cash 21,571

Cash and Cash Equivalents at Beginning of the Year 570,022

Cash and Cash Equivalents at End of the Year \$ 591,593

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

Operating income (loss) from operations	\$ (71,480)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	62,067
Increase (decrease) in payables	714
Decrease (increase) in receivables	<u>3,082</u>

Total Adjustments 65,863

Net Cash Provided by Operating Activities \$ (5,617)

LAUDERDALE COUNTY EMERGENCY COMMUNICATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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. An eight-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.

C. Assets, liabilities, and net position 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.

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 AT&T and other telephone companies, who then remit the amounts collected to the District.

LAUDERDALE COUNTY EMERGENCY COMMUNICATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

At June 30, 2013, 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 the district for upgraded 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 \$62,067 for the year ended June 30, 2013.

Capitalization of capital asset type 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 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.

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

LAUDERDALE COUNTY EMERGENCY COMMUNICATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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.

6. Deferred Outflows/Inflows of Resources

During the year ended June 30, 2013, the District adopted the provisions of GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. The objective of the statement is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources.

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditures) until then. The District does not have any items that qualify for reporting in this category as of June 30, 2013.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then. The District does not have any items that qualify for reporting in this category as of June 30, 2013.

Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Net Position

Equity is classified as net position and displayed in the following three components:

- Net investment in Capital Assets – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds that are attributable to the acquisition, construction, or improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination.
- Restricted for Debt Service – Consists of net position for which constraints are placed thereon by lenders less any related liabilities.
- Unrestricted – All other net position that do not meet the description of the above categories.

LAUDERDALE COUNTY EMERGENCY COMMUNICATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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 Districts establishes the legal level of control to be at the line item level.

B. Excess of expenditures over appropriations

Expenditures were less than appropriations in total. However, overages are noted in unemployment compensation of \$9 and utilities – electric of \$128.

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	\$ 591,593
Certificates of deposit	<u>200,276</u>
Total	<u>\$ 791,869</u>

Cash in banks and certificates of deposits, are insured up to \$ 250,000 by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2013 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. Receivable-employees

In the year ended June 30, 2012, employees received insurance reimbursement monies that belonged to the District. The employees agreed to repay the amounts received through payroll deductions. The employees are current at June 30, 2013 in the payment arrangements.

C. Capital assets

Capital assets are summarized as follows:

LAUDERDALE COUNTY EMERGENCY COMMUNICATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

	Balance <u>June 30,</u> <u>2012</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30,</u> <u>2013</u>
Capital assets being depreciated:				
Building and improvements	\$ 167,072	\$ 0	\$ 0	\$ 167,072
Communication equipment	589,122	10,367	0	599,489
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	10,367	0	852,552
Less accumulated depreciation for:				
Building and improvements	41,380	4,058	0	45,438
Communication equipment	256,425	53,853	0	310,278
Office equipment	64,895	3,185	0	68,080
Furniture and fixtures	<u>12,268</u>	<u>971</u>	<u>0</u>	<u>13,239</u>
Subtotals	<u>374,968</u>	<u>62,067</u>	<u>0</u>	<u>437,035</u>
Total capital assets being depreciated, net	<u>\$ 467,217</u>	<u>\$(51,700)</u>	<u>\$ 0</u>	<u>\$ 415,517</u>

D. 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 \$ 3,492.

The following is a schedule by years of expected minimum future rentals on operating leases as of June 30, 2013:

Year ended June 30:

2014	\$ 41,904
2015	\$ 41,904
2016	\$ 41,904
2017	\$ 41,904
2018	\$ 41,904

LAUDERDALE COUNTY EMERGENCY COMMUNICATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Note 4 – Other information

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.

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.

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, 2013

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 1.54% 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, 2013 Lauderdale County 911's annual pension cost of \$1,414 to TCRS was equal to Lauderdale County 911's required and actual contributions. The required contribution was determined as part of the July 1, 2011 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 ten-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, 2011 was 1 year. 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</u> <u>Cost (APC)</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
June 30, 2013	\$ 1,414	100.00%	\$ 0.00
June 30, 2012	\$ 5,427	100.00%	\$ 0.00
June 30, 2011	\$ 6,414	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 schedule 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.

REQUIRED SUPPLEMENTARY INFORMATION

LAUDERDALE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

SCHEDULE OF FUNDING PROGRESS

FOR YEAR ENDED JUNE 30, 2013

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Liability (AAL) -Entry Age for 2011 only (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, 2011	\$ 129,000	\$ 130,000	\$ 1,000	99.37%	\$ 63,000	1.30%
July 1, 2009	\$ 83,000	\$ 110,000	\$ 27,000	75.81%	\$ 85,000	31.40%
July 1, 2007	\$ 60,000	\$ 89,000	\$ 29,000	67.42%	\$ 76,000	38.16%

OTHER SUPPLEMENTARY INFORMATION

LAUDERDALE COUNTY EMERGENCY COMMUNICATION DISTRICT

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

FOR THE YEAR ENDED JUNE 30, 2013

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE-- OVER (UNDER)
OPERATING REVENUES				
Emergency Telephone Service Charge	\$ 130,500	\$ 130,500	\$ 118,613	\$ (11,887)
State Emergency Communications Shared Wireless Charge	67,900	67,900	67,419	
State Emergency Communications Board Operational Fund	194,500	194,500	189,878	(4,622)
Other Operating Revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total Operating Revenues	 392,900	 392,900	 375,910	 (16,509)
OPERATING EXPENSES				
Salaries and Wages				
Director	8,120	8,420	8,400	20
Part-Time Assistant	11,180	11,180	9,034	2,146
Dispatchers	89,000	89,000	87,178	1,822
Overtime Pay	9,910	9,610	3,779	5,831
Part-Time Personnel	27,950	33,950	33,613	337
Employee Benefits				-
Social Security	9,189	9,189	8,721	468
Medicare	2,149	2,149	2,040	109
Health Insurance	44,000	44,000	23,371	20,629
Unemployment Compensation	1,351	1,501	1,510	(9)
Retirement	6,500	6,350	1,297	5,053
Workman's Compensation	750	750	-	750
Contracted Services				-
Mapping	7,500	7,500	6,600	900
Advertising	1,000	975	428	547
Audit Services	3,500	3,500	3,500	-
Accounting	4,700	4,700	4,425	275
Legal	2,000	2,000	-	2,000
Maintenance Agreements	11,750	11,750	10,915	835
Pest Control	500	500	330	170
Lease/Rental Communications Equipment	44,000	44,000	42,265	1,735
Maintenance and Repairs - Communications Equipment	10,000	10,000	2,515	7,485
Maintenance and Repairs-- Building	4,500	4,500	-	4,500
Maintenance/Repairs - Office Equipment	8,000	8,000	1,903	6,097
Other Contracted Services	1,000	1,000	-	1,000
Supplies and Materials				
Office Supplies	4,500	4,500	2,625	1,875
Custodial Supplies	1,500	1,450	-	1,450
Postage	300	350	291	59

LAUDERDALE COUNTY EMERGENCY COMMUNICATION DISTRICT

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

FOR THE YEAR ENDED JUNE 30, 2013

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE-- OVER (UNDER)
OPERATING EXPENSES (Continued)				
Small Equipment Purchases	10,000	4,000	125	3,875
Utilities - Electric	8,400	8,400	8,528	(128)
Utilities - Gas/Propane	1,000	1,000	-	1,000
Utilities - Water and Sewer	1,750	1,750	1,090	660
Utilities - General Telephone	6,500	6,500	6,454	46
Utilities-Basic Cable	850	1,150	1,050	100
Other Supplies and Materials	2,500	250	-	250
Other Charges				-
Bank Charges	200	225	29	196
Board Meeting Expenses	500	500	-	500
Dues and Memberships	750	750	366	384
Employee Testing	500	500	-	500
Insurance - Workmans Compensation	2,000	2,000	878	1,122
Insurance - Liability General/Management	2,000	2,000	-	2,000
Insurance - Building/Contents/Equipment	8,000	10,250	10,233	17
Insurance - Vehicles	600	600	490	110
Premiums on Surety Bonds	1,500	1,500	1,278	222
Service Awards	500	500		
Training Expenses	6,000	6,000	-	6,000
Travel Expenses	3,500	3,200	62	3,138
Radio Tower Expense	1,000	101,000	100,000	1,000
Depreciation	70,000	70,000	62,067	7,933
	<u>442,899</u>	<u>542,899</u>	<u>447,390</u>	<u>95,509</u>
Total Operating Expenses				
	442,899	542,899	447,390	95,509
Operating Income (Loss)	(49,999)	(149,999)	(71,480)	78,519
NONOPERATING REVENUES (EXPENSES)				
Capital Contributions from TN Emergency Communications	28,270	28,270	33,931	(5,661)
Interest Income	5,000	5,000	3,564	(1,436)
	<u>33,270</u>	<u>33,270</u>	<u>37,495</u>	<u>(7,097)</u>
Total Nonoperating Revenues (Expenses)				
	33,270	33,270	37,495	(7,097)
Change in Net Position	(16,729)	(116,729)	(33,985)	82,744
NET POSITION - JUNE 30, 2012	<u>1,247,921</u>	<u>1,247,921</u>	<u>1,247,921</u>	<u>-</u>
				-
NET POSITION - JUNE 30, 2013	<u>\$1,231,192</u>	<u>\$1,131,192</u>	<u>\$1,213,936</u>	<u>\$ 82,744</u>

See independent auditor's report.

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Certified Public Accountants
Offices in Tennessee & Kentucky

185 N. Church Ave.
Dyersburg, TN 38204

Phone 731.285.7900
Fax 731.285.6221
www.atacpa.net

Independent Auditor's 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Lauderdale County Emergency Communications District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Lauderdale County Emergency Communications District's basic financial statements, and have issued our report thereon dated January 27, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lauderdale County Emergency Communications District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lauderdale County Emergency Communications District's internal control. Accordingly, we do not express an opinion on the effectiveness of Lauderdale County Emergency Communications District's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of finding and response as 2007-3 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lauderdale County Emergency Communications District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Governmental Auditing Standards* and which is described in the accompanying schedule of finding and response as 2007-3.

Lauderdale County Emergency Communications District Response to Finding

This District's response to the finding identified in our audit are described in the accompanying schedule of finding and response. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Alexander Thompson Arnold PLLC

Certified Public Accountants
Dyersburg, Tennessee
January 27, 2014

LAUDERDALE COUNTY EMERGENCY COMMUNICATION DISTRICT

SCHEDULE OF FINDING AND RESPONSE

JUNE 30, 2013

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

Prior year Findings:

- 2007 – 3 Budget Overages - Certain line item expenditures exceed approved budgeted expenditures.
(Repeated)
- 2011 – 1 Fidelity Bond Coverage - The District did not have sufficient fidelity bond coverage of its
employees at year end. (Corrected)

Current Year Findings:

- 2007 – 3 Budget Overages

Condition - Certain line item expenditures exceed approved budgeted expenditures.
Although total expenditures were less than total approved budgeted expenditures.

Cause – Expenditures in line item exceeded original or amended budget amounts as
approved.

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.