LAWRENCE COUNTY EMERGENCY

COMMUNICATIONS DISTRICT

(A Component Unit)

Financial Statements

June 30, 2013

LAWRENCE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

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INTRODUCTORY SECTION

LAWRENCE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Board of Directors

June 30, 2013

Official	Office
Barry Don Kelley	Chairman
W. L. Wright	Vice Chairman
Joey Hardin	Secretary/Treasurer
Jay Moore	Director
William Lindsey	Director
John Guthrie	Director
Jimmy Brown	Director
Mike Pope	Director
Steve Davis	Director

FINANCIAL SECTION

JOHN R. POOLE, CPA
CERTIFIED PUBLIC ACCOUNTANT

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(615) 822-4177

INDEPENDENT AUDITORS' REPORT

Board of Directors
Lawrence County Emergency Communications District
Lawrenceburg, Tennessee

Report on the Financial Statements
I have audited the accompanying financial statements of the Lawrence County Emergency Communications District, a component unit of Lawrence 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
My responsibility is to express opinions on these financial statements based on my audit. I conducted the 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. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting policies made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lawrence County Emergency Communications District, a component unit of Lawrence County, Tennessee as of June 30, 2013, and the changes in its financial position, and its cash flows 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 Required Supplementary Information which includes the Management's Discussion and Analysis 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. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United State 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 my inquiries, the basic financial statements and other knowledge we obtained during the audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Matters -Other Information

The audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Introductory Section and the Supplementary Information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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. The Introductory Section and the Supplementary Information have 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 State of America. In our opinion, the Introductory Section and the Supplementary Information, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated September 30, 2013 on the consideration of the District's internal control over financial reporting and the tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of the testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance.

Jah R Poole, CPA

September 30, 2013

Lawrence County Emergency Communications District

Management's Discussion and Analysis

As management of the Lawrence County Emergency Communications District, (the District) we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2013. The analysis focuses on significant financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the District. Management's Discussion and Analysis (MD&A) focuses on current year activities and resulting changes.

Financial Highlights:

The assets of the Lawrence County Emergency Communications District exceeded its liabilities at the close of the most recent fiscal year by $755,593. Of this amount, $113,594 (unrestricted net position) may be used to meet the Districts ongoing obligations.

The District's total net position increased by $151,170 during the current year primarily due to higher grants from the State of Tennessee, including a capital grant of $232,743. Operating expenses increased by $82,911 primarily due to increases in contract services and depreciation. Operating expenses were below the total operating budgeted expenses.

During the year, the District reduced its debt by $43,838. All debts are paying as scheduled.

Overview of the Financial Statements:

The Statement of Net position presents information on all the District's 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.

The Statement of Revenues, Expenses and Changes in Net Position presents information showing how the District'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.

The Statement of Cash Flows presents the flow of cash inflows/outflows during the fiscal year.

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 9-17 of this report.

Financial Analysis of the Financial Statements

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. In the case of the Lawrence County Emergency Communications District, assets exceeded liabilities by $755,593 at the close of the most recent fiscal year.

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

Lawrence County Emergency Communications District's Net position

	2013	2012
Current and other assets	$ 278,654	303,555
Capital assets, net	838,575	710,219
Total assets	1,117,229	1,013,774
Current liabilities	106,147	110,087
Other liabilities	106,000	104,000
Long-term debt	149,489	195,264
Total liabilities	361,636	409,351
Net position:		
Net investment in capital assets	641,999	471,118
Unrestricted	113,594	133,305
Total net position	$ 755,593	604,423

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

Comparison of revenues and expenses

	2013	2012	Variance
Operating Revenues:			
Emergency Telephone Service Charge	$301,694	$271,100	$30,594
State Emergency Communications Board Wireless	268,698	316,568	(47,870)
Total Operating Revenues	570,392	587,668	(17,276)
Operating Contributions:			
Other governments	569,832	569,832	0
State Emergency Communications	346,843	54,957	291,886
Total Capital Contributions	916,675	624,789	291,886
Operating Expenses:			
Salaries and wages	635,750	624,449	(11,301)
Employee benefits	317,652	300,481	(17,171)
Contract services	86,742	60,808	(25,934)
Supplies and materials	15,778	10,871	(4,907)
Depreciation	106,712	88,114	(18,598)
Amortization	328	328	0
Rental expense	19,500	21,432	1,932
Insurance	26,548	25,397	(1,151)
Repair and maintenance	31,150	18,278	(12,872)
Training and travel	11,239	20,461	9,222
Utilities	71,991	70,445	(1,546)
Miscellaneous	2,206	1,621	(585)
Total Operating Expenses	1,325,596	1,242,685	(82,911)
Operating income (loss)	161,471	(30,228)	191,699
Nonoperating Revenues (Expenses):			
Interest expense	(10,396)	(12,228)	1,832
Interest income	95	192	(97)
Total Nonoperating Revenues (Expenses)	(10,301)	(12,036)	1,735
Net income (loss)	151,170	(42,264)	193,434

Capital Assets

The Lawrence County Emergency Communications District's investment in capital assets from its activities at June 30, 2013, amounts to $837,262 (net of accumulated depreciation). This investment in capital assets is in communications equipment.

		2013	2012
Furniture and equipment	$	35,480	35,480
Building		400,000	400,000
Leasehold improvements		274,014	274,014
Communications equipment		793,332	625,238
Less accumulated depreciation		(665,564)	(624,513)
Net Capital Assets	$	837,262	710,219

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

Lawrence County Emergency Communications District's Debt

The District has one loan ($195,263) on its building, which it is paying as scheduled.

Economic Environment and Next Year's Budget and Rates

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

Requests for Information

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

Johnny Cheatwood
Lawrence County Emergency Communications District

FINANCIAL STATEMENTS

LAWRENCE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Statement of Net Position

June 30, 2013

Assets	Account Number	
Current Assets:		
Cash and cash equivalents	1001	$201,353
Accounts receivable	1004	58,112
Prepaid insurance	1009	19,189
Total Current Assets		278,654
Capital Assets:		
Communication equipment	1308	793,332
Furniture and equipment	1304	35,480
Building improvements	1302	400,000
Leasehold improvements	1312	274,014
Less accumulated depreciation - comm. equip.	1309	(369,885)
Less accumulated depreciation - furniture and equipment	1305	(35,480)
Less accumulated depreciation - building	1303	(120,000)
Less accumulated depreciation - leasehold	1313	(140,199)
Total Capital Assets, Net		837,262
Other Assets- bond issue costs	1401	1,313
Total Assets		$1,117,229
Liabilities		
Current Liabilities		
Accounts payable	2001	8,535
Accrued liabilities	2020	51,838
Current portion of long-term debt	2202	45,774
Total Current Liabilities		106,147
Other Liabilities		
Post retirement benefits	2205	106,000
Long-term debt	2202	149,489
		255,489
Total liabilities		$361,636
Net Position		
Net investment in capital assets	2301	641,999
Unrestriced	2320	113,594
Total Net Position		755,593

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

LAWRENCE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended June 30, 2013

	Account Number	
Operating Revenues:		
Emergency Telephone Service Charge	3001	$301,694
Operating Grants -TECB - Operational Funding	3004	167,214
State Emergency Communications Board Wireless Charge	3002	101,484
Total Operating Revenues		570,392
Operating Expenses:		
Salaries and wages	4000	635,750
Employee benefits	4100	317,652
Contract services	4200	86,742
Supplies and materials	4300	15,778
Depreciation	4500	106,712
Amortization	4600	328
Rental expense	4227	19,500
Insurance	4409	26,548
Repair and maintenance	4232	31,150
Training and travel	4418	11,239
Utilities	4307	71,991
Miscellaneous	4499	2,206
Total Operating Expenses		1,325,596
Operating income (loss)		(755,204)
Nonoperating Revenues (Expenses):		
Interest expense	5010	(10,396)
Interest income	5002	95
Contributions -Other governments	3101	569,832
Contributions -State Emergency Communications	3103	346,843
Total Nonoperating Revenues (Expenses)		906,374
Net change in position		151,170
Net position, June 30, 2012		604,423
Net position, June 30, 2013		$755,593

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

LAWRENCE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Statement of Cash Flows

For the Year Ending June 30, 2013

Cash Flows from Operating Activities:	
Cash received from operations	$586,707
Cash paid to employees	(953,402)
Cash paid to suppliers	(251,670)
Net Cash Provided (Used) by Operating Activities	(618,365)
Cash Flows from Capital and Related Financing Activities:	
Payments of debt- principal	(233,755)
Capital contributions	232,743
Payments of interest	(10,396)
Acquisition of capital assets	(43,838)
Net Cash Provided (Used) by Capital and Related Financing Activities	(55,246)
Cash Flows from Noncapital financing:	
Operating contributions	683,932
Net Cash Provided (Used) by Noncapital financing	683,932
Cash Flows from Investing Activities:	
Interest received	95
Net Cash Provided (Used) by Investing Activities	95
Net Change in Cash	10,416
Cash and Cash Equivalents, June 30, 2012	190,937
Cash and Cash Equivalents, June 30, 2013	$201,353

Reconciliation of Operating Income to Net Cash Provided by Operating Activities

Operating income (loss)	($755,204)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	107,040
Change in assets (increase) decrease:	
Accounts receivable	16,315
Prepaid assets	17,361
Change in liabilities increase (decrease):	
Account payable and accrued liabilities	(3,877)
Net Cash Provided (Used) by Operating Activities	($618,365)

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

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

Basis of Accounting

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

Cash and Cash Equivalents

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

Supply Inventory

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

Capital Assets

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

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund 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.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Annual budget

The District's annual budget is required by state law. The budget is adopted on a basis consistent with generally accepted accounting principles and is prepared on the accrual basis. All budget appropriations lapse at year end. The Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts establishes the legal budget level of control to be at the line-item level.

Operating revenues and operating expenses

The District recognizes operating revenues and operating expenses resulting from providing services and producing goods to its customers. All other revenues and services are deemed nonoperating.

Note 2 - CASH AND CERTIFICATES OF DEPOSIT

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

Note 3 - CAPITAL ASSETS

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

	Balance 6-30-12	Additions	Disposals	Balance 6-30-13
Communications equipment	625,238	233,755	65,661	793,332
Buildings	400,000	-	-	400,000
Leasehold improvements	274,014	-	-	274,014
Equipment and furniture	35,480	-	-	35,480
Total	1,334,732	233,755	65,661	1,502,826

Less accumulated depreciation

	Balance 6-30-12	Balance 6-30-13
Communications equipment	362,344	369,885
Buildings	106,666	120,000
Leasehold improvements	123,472	140,199
Equipment and furniture	32,031	35,480
Less accumulated depreciation	(624,513)	(665,564)
Utility plant - net	$710,219	837,262

Depreciation expense consists of communication equipment $73,202, Furniture and equipment $3,449, Building $13,334, Leasehold $16,727. All assets are being depreciated.

Note 4 - LONG-TERM DEBT

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

		Balance 6-30-12	Additions	Retirements	Balance 6-30-13
Series 2005	$	239,101	-	43,838	195,263

Future maturities of note principal and interest are as follows:

Year	Principal	Interest
2014	45,744	8,493
2015	47,734	6,503
2016	49,810	4,427
2017	51,975	2,262
Total	$ 195,263	21,685

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

Note 5 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets: errors and omissions, and natural disasters. The District purchases commercial financial bonded insurance for its officials. For all other risks, the District purchases commercial insurance. There have been no claims during the last three years.

Note 6 - PENSION PLAN

Plan Description:

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

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

Funding Policy:

The District requires employees to contribute 5.0% percent of earnable compensation. The District is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2013 was 8.66% of annual covered payroll. The contribution requirements of plan members are set by state statute. Contribution requirements for the District are established and may be amended by the TCRS Board of Trustees.

Note 6 - PENSION PLAN

Annual Pension Cost

For the year ending June 30, 2013, the District's annual pension cost of $50,260 to TCRS was equal to the required and actual contributions. The required contribution was determined as part of the July 1, 2011 actuarial valuation using frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5% per year compounded annually, (b) projected 3.0 percent annual rate of inflation (c) projected salary increases of 4.75% annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5% annual increase in the Social Security wage base, and (d) projected post retirement increases of 2.5% annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of investments over a ten-year period. The District's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011 was 5 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2013	$ 50,260	100.00%	$ 0.00
6/30/2011	$ 50,366	100.00%	$ 0.00
6/30/2010	$ 47,445	100.00%	$ 0.00

Funded Status and Funding Progress:

As of July 1, 2011, the most recent actuarial valuation date, the plan was 88.48% funded. The actuarial accrued liability for benefits was $0.96 million, and the actuarial value of assets was $0.85 million, resulting in an unfunded actuarial accrued liability (UAAL) of $0.11 million. The covered payroll (annual payroll of active employees covered by the plan) was $0.53 million, and the ratio of the UAAL to the covered payroll was 20.99% percent.

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

Note 7 - LIABILITY FOR COMPENSATED ABSENCES

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

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

Note 8 - COMMITMENTS AND CONTINGENCIES

Federal and State Grants

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

Note 9 - BUDGETS AND BUDGETARY ACCOUNTING

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

a. Formal budgets are adopted and approved by Board vote on an annual basis. These budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

b. The Board approves, total budget appropriations. The Manager is authorized to transfer budget amounts between line items within each department; however, any revisions that alter the total appropriations of any fund must be approved by the Board.

c. The budget amounts shown in the financial statements are the final authorized amounts as amended during the year.

Note 10 - POST - RETIREMENT BENEFITS

The District participates in the state administered Medicare Supplement Plan for healthcare benefits. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by TCA 8-27-701. Prior to reaching the age of 65, all members have the option of choosing a preferred provider organization (PPO), Point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state-administered medicare supplement plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at http://tennessee.gov/finance/act/cafr.html.

Funding policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claim liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop their own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue.

Annual OPEB Cost and Net OPEB Obligation

ARC	$ 2,000
Interest on the NPO	1,150
Adjustment to the ARC	-1,150
Annual OPEB Cost	2,000
Contribution	0
Increase/decrease in NPO	2,000
Net OPEB obligation – beginning of year	104,000
Net OPEB obligation – end of the year	106,000

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2011	$ 10,000	0%	$ 94,000
6/30/2012	$ 10,000	0%	$ 104,000
6/30/2013	$ 10,000	0%	$ 106,000

Note 10 - POST - RETIREMENT BENEFITS, Continued

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July 1, 2009, actuarial valuation the annual healthcare cost trend for the Medicare Supplement was 1percent for fiscal year 2013. The trend will rise to 10% in fiscal year 2013 and then will be reduced by decrements to an ultimate rate of 5% by fiscal year 2021. These rates include a 3 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30 year period.

REQUIRED SUPPLEMENTARY INFORMATION

LAWRENCE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Schedule of Funding Progress

June 30, 2013

(1) Pension

Schedule of Funding Progress (Dollar amounts in thousands)

Actuarial Valuation Date	July 1, 2007	July 1, 2009	July 1, 2011
Actuarial Valuation Assets:	$ 461	$598	$847
Actuarial Accrued Liability:	$ 531	$655	$958
Unfunded AAL:	$ 70	$ 57	$110
Funded Ratio:	86.82%	91.23%	88.48%
Covered Payroll:	$ 473	$525	$526
UAAL as Percentage of Payroll:	14.80%	10.95%	20.99%

(2) Post Retirement Benefits

Schedule of Funding Progress (Dollar amounts in thousands)

Actuarial Valuation Date	July 1, 2011
Actuarial Valuation Assets:	$ 0
Actuarial Accrued Liability:	$ 94
Unfunded AAL:	$ 94
Funded Ratio:	0%
Covered Payroll:	$ 508
UAAL as Percentage of Payroll:	0%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

SUPPLEMENTAL INFORMATION

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

LAWRENCE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Schedule of Revenues and Expenses
Budget and Actual

For the Year Ended June 30, 2013

	Number	Budget	Actual	Favorable (Unfavorable) Variance
Operating Revenues:				
Emergency Telephone Service Charge	3001	$304,000	$301,694	($2,306)
State Emergency Communications Board Wireless Charge	3002	321,000	268,698	(52,302)
Total Operating Revenues		625,000	570,392	(54,608)
Operating Contributions:				
Other governments	3101	570,000	569,832	(168)
State Emergency Communications	3103	273,224	346,843	73,619
Total Capital Contributions		843,224	916,675	73,451
Operating Expenses:				
Salaries and wages	4000	636,100	635,750	350
Employee benefits	4100	318,490	317,652	838
Contract services	4200	111,025	86,742	24,283
Supplies and materials	4300	17,000	15,778	1,222
Depreciation	4500	293,500	106,712	186,788
Amortization	4600	500	328	172
Rental expense	4227	19,500	19,500	0
Insurance	4409	28,100	26,548	1,552
Repair and maintenance	4232	31,300	31,150	150
Training and travel	4418	11,500	11,239	261
Utilities	4307	72,650	71,991	659
Miscellaneous	4499	4,950	2,206	2,744
Total Operating Expenses		1,544,615	1,325,596	219,019
Operating income (loss)		(76,391)	161,471	237,862
Nonoperating Revenues (Expenses):				
Interest expense	5010	(54,500)	(10,396)	44,104
Interest income	5002	125	95	(30)
Total Nonoperating Revenues (Expenses)		(54,375)	(10,301)	44,074
Net change in position		(130,766)	151,170	281,936

LAWRENCE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Schedule of Debt Service Requirements

June 30, 2013

Year		CAPITAL OUTLAY BUILDING Principal	CAPITAL OUTLAY BUILDING Interest	TOTALS Principal	TOTALS Interest
2014	$	45,744	8,493	45,744	8,493
2015		47,734	6,503	47,734	6,503
2016		49,810	4,427	49,810	4,427
2017		51,975	2,262	51,975	2,262
	$	195,263	21,685	195,263	21,685

LAWRENCE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Schedule of Monthly Rates in Effect

June 30, 2013

Type of Customer	Rate
Residential customers	$ 1.50
Business customers	$ 3.00

LAWRENCE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Schedule of Number and Classification of Customers

June 30, 2012

AT&T	
Residential customers	6,564
Business customers	2,188
Loretto Telephone	
Residential customers	4,606
Business customers	831
Other Telephone Companies	
Residential customers	1,795
Business customers	121

LAWRENCE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Schedule of State Financial Assistance

For the Year Ended June 30, 2013

	Program Name	Grantor Agency	Receivable (Deferred) Balance July 1, 2012	Cash Receipts	Other Receipts	Cash Expenditures	Receivable (Deferred) Balance June 30, 2013
State Program:							
	Training	State of Tennessee Commerce and Insurance	$0	16,000	$0	16,000	0
	Operations	State of Tennessee Commerce and Insurance	$0	167,214	$0	167,214	0
	AT&T Reimbursement	State of Tennessee Commerce and Insurance	$0	6,160	$0	6,160	0
	One time Payment	State of Tennessee Commerce and Insurance	$0	39,224	$0	39,224	0
	Communications	State of Tennessee Commerce and Insurance	$0	232,743	$0	232,743	0
	GIS	State of Tennessee Commerce and Insurance	$0	52,716	$0	52,716	0
Totals			$0	$514,057	$0	$514,057	$0

COMPLIANCE AND INTERNAL CONTROL

JOHN R. POOLE, CPA
CERTIFIED PUBLIC ACCOUNTANT

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(615) 822-4177

INDEPENDENT AUDITORS' 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
Lawrence County Emergency Communications District
Lawrenceburg, Tennessee

I have audited 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, the financial statements of the Lawrence 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 the Lawrence County Emergency Communications District's basic financial statements, and have issued a report thereon dated September 30, 2013.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Lawrence 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 an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Lawrence County Emergency Communications District's internal control. Accordingly, I do not express an opinion on the effectiveness of the Lawrence County Emergency Communications District's internal control.

My consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weakness or significant deficiencies may exist that were not identified. However, as discussed below, I identified a deficiency in internal control that I consider to be a material weakness and significant deficiency (2004-01 Lack of segregation of Duties).

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 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. I consider the deficiency described below (2004-01) to be a material weakness.

The material weakness is as follows:

2004-01 Separation of Duties

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

Management Response:

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

Compliance and Other Matters

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

Response to Finding

The Lawrence County Emergency Communications District's response to the finding identified in the audit is described above. The Lawrence County Emergency Communications District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of the 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.

Jack R Poole, CPA

September 30, 2013