

**LAKE COUNTY
EMERGENCY COMMUNICATIONS DISTRICT**

FINANCIAL STATEMENTS

June 30, 2013

**LAKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
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INTRODUCTORY SECTION

FINANCIAL SECTION

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Independent Auditor's Report

Board of Directors
Lake County Emergency Communications District
Tiptonville, Tennessee

Report on the Financial Statements

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, 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lake 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

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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Officials and Key Employees and Budgetary Comparison Schedule are presented for purposes of additional analysis and are not a required part of the basic 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 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 Schedule 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 September 13, 2013 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* in considering Lake County Emergency Communications District's internal control over financial reporting and compliance.

Alexander Thompson Arnold PLLC

Union City, Tennessee
September 13, 2013

LAKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF NET POSITION
June 30, 2013

ASSETS

Current assets

Cash	\$ 439,773
Accounts receivable	1,290
Due from TECB	<u>111,719</u>
Total current assets	552,782

Noncurrent assets

Buildings and improvements	42,710
Furniture and fixtures	10,806
Communications equipment	429,196
Office equipment	15,199
Accumulated depreciation	<u>(150,129)</u>
Total noncurrent assets	<u>347,782</u>

Total assets	900,564
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LIABILITIES

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NET POSITION

Investment in capital assets	347,782
Unrestricted	<u>552,782</u>
Total net position	<u>\$ 900,564</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 POSITION

For the Year Ended June 30, 2013

Operating revenue

TECB - shared wireless charge		\$ 18,983
TECB - operational funding		206,767
Miscellaneous carriers		<u>18,857</u>
Total operating revenue		244,607

Operating expenses

Contracted services		
Addressing/mapping expense	10,300	
Advertising	259	
Audit services	3,200	
Bookkeeping services	9,900	
Fees paid to service provider	14,805	
Contracts to government agency	69,075	
Legal services	1,470	
Maintenance agreements	22,424	
Communication equipment	9,200	
Maintenance and repair - communications equipment	7,080	
Maintenance and repair - building and facilities	2,215	
Maintenance and repair - office equipment	25	
Supplies and materials		
Office supplies	3,165	
Custodial supplies	70	
Postage	84	
Small equipment purchases	22,386	
Utilities - electric	620	
Utilities - water	216	
Utilities - general telephone	2,221	
Other charges		
Bank charges	33	
Dues and memberships	100	
Insurance - building and contents	701	
Licenses and fees	2,462	
Training	8,860	
Travel	197	
Depreciation expense	<u>59,011</u>	
Total operating expenses		<u>250,079</u>

Operating income (loss)

(5,472)

Non-operating income (expense)

Interest income	1,117	
TECB grants and reimbursements	22,373	
Loss on sale of equipment	<u>(11,123)</u>	
Total non-operating income (expense)		<u>12,367</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 POSITION
For the Year Ended June 30, 2013

Income before capital contributions	6,895
Capital contributions	
Capital contributions from TECB	<u>89,346</u>
Increase in net position	96,241
Net position - July 1, 2012	<u>804,323</u>
Net position - June 30, 2013	<u><u>\$ 900,564</u></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, 2013

Cash flows from operating activities	
Cash received from customers	\$ 244,468
Cash payments to suppliers for goods and services	<u>(192,446)</u>
Net cash provided by operating activities	52,022
Cash flows from capital and related financing activities	
Purchase of property, plant, and equipment	(89,346)
Cash flows from investing activities	
Interest earned on investments	<u>1,117</u>
Net decrease in cash	(36,207)
Cash - July 1, 2012	<u>475,980</u>
Cash - June 30, 2013	<u><u>\$ 439,773</u></u>

Reconciliation of operating income to net cash provided by operating activities

Operating income (loss)	\$ (5,472)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	59,011
Increase in accounts receivable	(139)
Decrease in accounts payable	<u>(1,378)</u>
Total adjustments	<u>57,494</u>
Net cash provided by operating activities	<u>\$ 52,022</u>

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

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

June 30, 2013

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*.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting principles. The GASB has established criteria to determine whether (a) an entity has any component units that should be included for financial reporting purposes or (b) the entity itself should be included as a component unit of another 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 is accounted for as a single enterprise fund as prescribed by the State. Enterprise funds are a type of proprietary fund and, as such, are reported in accordance with generally accepted accounting principles for proprietary funds as defined by GASB. Proprietary fund types are reported using the *economic resources* measurement focus and the accrual basis of accounting. The aim of this measurement focus is to report all inflows, outflows, and balances affecting or reflecting the entity's net position. The accrual basis of accounting recognizes income as it is earned and expenses as they are incurred, whether or not cash is received or paid out at that time.

Operating revenues in proprietary funds are those revenues generated from the primary operations of the fund. All other revenues are reported as nonoperating revenues. The State has defined grants and reimbursements from the Tennessee Emergency Communications Board to be nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

C. Assets, Liabilities, and Net Position

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.

LAKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Accounts receivable

Accounts receivable are recorded for amounts due from telephone companies.

Capital assets

Capital assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 3 to 40 years. The District adopted a capitalization policy during the current year. The capitalization threshold is set at \$5,000 per unit cost. Interest costs incurred on financing during the construction or installation period of capital assets are capitalized as part of the cost of the assets. For the year under review, there were no interest costs capitalized.

Impact of recently issued accounting pronouncements

In December 2010, the GASB issued Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in non-governmental pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. This statement is effective for periods beginning after December 15, 2011. The adoption of GASB 62 had no impact on the District's financial statements.

In June 2011, the GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB 63 provides guidance for reporting deferred outflows and inflows of resources, which are distinct from assets and liabilities, and also renames as net position, rather than net assets, the residual of all other elements presented in a statement of financial position. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2011. As of June 30, 2013, the District had no deferred outflows or deferred inflows of resources.

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.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

The District's Board of Directors approves an appropriatory budget annually. The legal level of control is at each line item of expense; therefore, each line item must be amended to authorize actual expenditures. The budget is prepared on a basis which differs from generally accepted accounting principles (GAAP) pertaining to proprietary funds, in that (1) revenue and expenses are on the cash basis rather than the accrual basis, (2) noncash expenses such as depreciation and loss on disposal of assets are not budgeted, and (3) certain expenditures for furniture and building improvements were budgeted as expenditures.

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

June 30, 2013

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

Increase in net position – budgetary basis	\$ 45,045
Receivable adjustments	111,858
Payable adjustments	(1,378)
Capitalized expenditures	10,850
Loss on disposal of equipment	(11,123)
Depreciation	(59,011)
Increase in net position – GAAP basis	<u>\$ 96,241</u>

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, and the state pooled investment fund. As of June 30, 2013, 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, 2013, all bank deposits were fully collateralized or insured.

B. Capital assets

Capital asset activity during the year was as follows:

Description	Balance 7/1/12	Additions	Disposals	Balance 6/30/13
Capital assets, being depreciated				
Building and improvements	\$ -	\$ 42,710	\$ -	\$ 42,710
Furniture and fixtures	-	10,806	-	10,806
Communications equipment	537,161	21,354	(129,319)	429,196
Office equipment	14,457	14,476	(13,734)	15,199
Total capital assets being depreciated	<u>551,618</u>	<u>89,346</u>	<u>(143,053)</u>	<u>497,911</u>

LAKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Description	Balance 7/1/12	Additions	Disposals	Balance 6/30/13
Less accumulated depreciation				
Building and improvements	-	712	-	712
Furniture and fixtures	-	454	-	454
Communications equipment	214,461	55,044	(122,242)	147,263
Office equipment	<u>8,587</u>	<u>2,801</u>	<u>(9,688)</u>	<u>1,700</u>
Total accumulated depreciation	<u>223,048</u>	<u>59,011</u>	<u>(131,930)</u>	<u>150,129</u>
 Total capital assets, net	 <u>\$ 328,570</u>	 <u>\$ 30,335</u>	 <u>\$ (11,123)</u>	 <u>\$ 347,782</u>

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, 2013

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Over (Under)</u>
Operating revenue				
TECB - shared wireless charge	\$ 15,685	\$ 18,984	\$ 18,983	\$ (1)
TECB - operational funding	149,771	142,182	142,182	-
Miscellaneous carriers	<u>22,000</u>	<u>18,631</u>	<u>18,718</u>	<u>87</u>
Total operating revenue	<u>187,456</u>	<u>179,797</u>	<u>179,883</u>	<u>86</u>
Operating expenses				
Contracted services				
Addressing/mapping expense	9,600	13,000	10,300	(2,700)
Advertising	1,000	260	259	(1)
Audit services	3,200	3,200	3,200	-
Bookkeeping services	9,600	9,900	9,900	-
Fees paid to service provider	17,899	15,988	13,622	(2,366)
Contracts to government agencies	70,000	69,075	69,075	-
Legal services	150	1,845	1,470	(375)
Maintenance agreements	1,082	22,424	22,424	-
Communications equipment	10,000	12,960	9,200	(3,760)
Maintenance and repair - communications equipment	15,359	7,080	7,080	-
Maintenance and repair - building and facilities	-	13,065	13,065	-
Maintenance and repair - office equipment	1,000	25	25	-
Fuel	600	-	-	-
Supplies and materials				
Office supplies	1,000	3,165	3,165	-
Custodial supplies	-	70	70	-
Postage	150	85	84	(1)
Small equipment purchases	1,000	22,386	22,386	-
Utilities - electric	-	620	620	-
Utilities - water	-	216	216	-
Utilities - general telephone	2,280	2,416	2,026	(390)
Other charges				
Bank charges	-	36	33	(3)
Dues and memberships	100	100	100	-
Insurance - building and contents	-	701	701	-
Licenses and fees	5,178	2,462	2,462	-
Premiums on surety bonds	325	325	-	(325)
Training	15,000	8,860	8,860	-
Travel	<u>2,000</u>	<u>200</u>	<u>197</u>	<u>(3)</u>
Total operating expenses	<u>166,523</u>	<u>210,464</u>	<u>200,540</u>	<u>(9,924)</u>
Operating income (loss)	<u>20,933</u>	<u>(30,667)</u>	<u>(20,657)</u>	<u>10,010</u>
Non-operating income (expense)				
Interest income	-	-	1,117	1,117
TECB grants and reimbursements	<u>18,000</u>	<u>29,850</u>	<u>64,585</u>	<u>34,735</u>
Total non-operating income (expense)	<u>18,000</u>	<u>29,850</u>	<u>65,702</u>	<u>35,852</u>
Increase (decrease) in net position	<u>\$ 38,933</u>	<u>\$ (817)</u>	<u>\$ 45,045</u>	<u>\$ 45,862</u>

See independent auditor's report

INTERNAL CONTROL AND COMPLIANCE SECTION

Members of:

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**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
Lake County Emergency Communications District
Tiptonville, 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 Lake County Emergency Communications District, a component unit of Lake 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, and have issued our report thereon dated September 13, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lake 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of 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 weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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.

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 13-1 and 13-2.

Lake County Emergency Communications District's Response to Findings

Lake County Emergency Communications District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. 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 results 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

Union City, Tennessee
September 13, 2013

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

June 30, 2013

13-1 Surety Bond

Condition: The District did not obtain surety bonds on applicable personnel in amounts required by state statute as of June 30, 2013.

Criteria: Tennessee Code Annotated (TCA) 7-86-119 states “Any . . . authorized person of an emergency communications district, who receives public funds, has authority to make expenditures from public funds, or has access to any public funds is hereby required to give bond made payable to the state of Tennessee. . . . The amount of such required bond shall be a reasonable amount as determined by the amount of public funds received, expended, or the amount of such bond shall be reasonable to protect the public from breach of the condition of faithful discharge of the duties of such office or position, when the amount of public funds to be received, or expended, or to which that person will have access is considered. Effective July 1, 1994, the minimum amount of such required bond shall be determined from the amount of revenues handled by the respective emergency communications district during the last audit approved by the comptroller of the treasury. The minimum amount of the bond shall be based on revenues as follows:

- Less than fifty thousand dollars (\$50,000) — a base bond of five thousand dollars (\$5,000);
- From fifty thousand dollars (\$50,000) to five hundred thousand dollars (\$500,000) — an amount equal to ten percent (10%) of the revenues handled by the district.”

Effective July 1, 2013, this TCA was amended to four percent (4%) of the revenues up to \$3,000,000. Therefore, the District was in compliance as of July 1, 2013.

Effect: Failure to comply with state laws governing surety bonds increases the risk of loss of public funds.

Recommendation: We recommend that the District stay in compliance with state laws in effect during the entire fiscal year.

Response: *We concur.*

13-2 Failure to Obtain Bids

Condition: During the current year, the District failed to obtain bids for the purchase of a back-up power unit in the amount of \$14,476.

Criteria: The State dictates that districts must follow the County Purchasing Law of 1983, TCA, Section 5-14-201 to 207 – Public advertisement and competitive bids required for purchases of \$10,000 or more.

Effect: The District has made a purchase that is not in compliance with state law. Failure to follow this mandate could cause the District to expend unnecessary funds.

Recommendation: The District should follow bidding requirements for all purchases made.

Response: *We concur.*

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

June 30, 2013

FINDINGS COMMUNICATED IN PRIOR YEARS

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.

Response: *We concur.*

The following prior year findings were corrected:

- 11-1 Capitalization policy
- 11-3 Line-item expenditures exceeded budgeted amounts