LAUDERDALE COUNTY AMBULANCE AUTHORITY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

LAUDERDALE COUNTY AMBULANCE AUTHORITY

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LAUDERDALE COUNTY AMBULANCE AUTHORITY
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Management's Discussion and Analysis

Within this section of the Lauderdale County Ambulance Authority's financial statements, the Authority's management provides narrative discussion and analysis of the financial activities of the organization for the fiscal year ended June 30, 2014. The Ambulance Authority's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section.

Financial Highlights

- The assets of the Lauderdale County Ambulance Authority exceeded its liabilities at the close of the most recent fiscal year by $934,322 (*net position*). Of this amount, $695,154 (*unassigned net position*) may be used to meet the government's ongoing obligations to citizens and creditors. The remaining amount, $239,168 (*invested in capital assets*) reflects the net position invested in capital assets.

- The total net position increased by $109,588 for the fiscal year ended June 30, 2014.

- The Ambulance Authority ended the year June 30, 2014 with cash of $79,613, representing a decrease of $32,468 over the year. None of this cash is restricted for specific purposes.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Lauderdale County Ambulance Authority's financial statements. The financial statements consist of three components: government-wide financial statements, fund financial statements and notes to the financial statements. This report also contains other supplementary information.

Government-wide financial statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Lauderdale County Ambulance Authority's finances, in a manner similar to a private-sector business. The *statement of net position* presents information on all of the Lauderdale County Ambulance Authority'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 Ambulance Authority is improving or deteriorating. The *statement of activities* 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 the 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 ambulance revenue and accounts payable). Both the Statement of Net Position and the Statement of Activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in prior reporting models.

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. *Government funds* are used to account for the Authority's basic services. The governmental fund statements provide a detailed short-term view of the Authority's general government operations by using a modified accrual accounting method, which measures cash and all other financial assets that can be readily converted to cash. Governmental fund information is useful in determining whether there are more or fewer financial resources that can be spent in the near future to finance the Authority's program. The differences of the results in the governmental fund financial statements to those of the government-wide financial statements are explained in a reconciliation following each governmental fund statement.

Notes to the financial statements

The *notes to financial statements* 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 including a budgetary comparison schedule.

GOVERNMENT-WIDE 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 Ambulance Authority, assets exceeded liabilities by $897,094 at the close of the fiscal year. The largest portions of the Ambulance Authority's assets are capital assets (26%), receivables (65%) and cash (9%). The investment in property, plant and equipment are used to provide services to citizens. Consequently, these assets are not available for future spending.

Lauderdale County Ambulance Authority's Net Position

	2014	2013
Current assets	$ 731,928	$ 531,942
Capital assets	239,168	325,280
Total assets	$ 791,096	$ 857,222
Current liabilities	$ 36,774	$ 32,487
Net position invested in capital assets	239,168	325,280
Net position--unrestricted	695,154	499,455
Total liabilities and net position	$ 971,096	$ 857,222

Lauderdale County Ambulance Authority's Statement of Activities

	2014	2013
Program revenues	$1,384,791	$1,126,765
Program expenses	1,275,204	1,172,369
Interest income and other income	0	300,06
Change in net assets	$ 109,588	$ 254,457
Net position at beginning of period	824,735	570,278
Net position at end of period	$ 934,322	$ 824,735

Budgetary Highlights

Differences between the final budget and the final operations were $210,988. The primary difference was due to actual revenues exceeding budgeted revenues Expenditures also exceeded budgeted amounts.

Capital Assets

The Lauderdale County Ambulance Authority's investment in capital assets was $239,168 (net of accumulated depreciation) as of June 30, 2014. This reflects equipment purchased in recent years. Capital assets purchased prior to June 30, 2004 have been reported by Lauderdale County.

Future Projections

The Lauderdale County Ambulance Authority projects no significant changes in operations for the coming periods. The Authority is working harder to increase revenues and reduce costs. Revenue is highly dependent on Medicare, Medicaid, and insurance rules and regulations and is limited in its ability to generate additional revenue.

Requests for Information

This financial report is intended to provide an overview of the finances of the Ambulance Authority's finances for those with an interest in this organization. Questions concerning any information within this report may be directed to the Lauderdale County Ambulance Authority Director, 685 Highway 51 S, Ripley, Tennessee 38063.

Rives Seay
Director

MARTHA CRITES

Certified Public Accountant

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County Mayor of Lauderdale County
Lauderdale County Ambulance Authority
Ripley, Tennessee

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Lauderdale County Ambulance Authority of Lauderdale County, Tennessee, a separately reported special revenue fund of Lauderdale County, (the Authority), and the respective budgetary information, as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the Authority'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 opinions 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.

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PRIVATE COMPANIES PRACTICE SECTION
TENNESSEE SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Lauderdale County Ambulance Authority, a separately reported special revenue fund of Lauderdale County, at June 30, 2014, and the respective changes in financial position, and the budgetary comparison for the Ambulance Authority thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

As described in Note 1, the financial statements present only the financial position of the Lauderdale County Ambulance Authority and do not purport to, and do not, present fairly the financial position of Lauderdale County, Tennessee as of June 30, 2014, and the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity 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 on pages 1–3 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2014, on our consideration of the Lauderdale County Ambulance Authority'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 Ambulance Authority's internal control over financial reporting and compliance.

Martha Cates CPA

November 19, 2014

LAUDERDALE COUNTY AMBULANCE AUTHORITY
STATEMENT OF NET POSITION
AS OF JUNE 30, 2014

ASSETS	
Cash and cash equivalents	$ 79,613
Accounts receivable (net of allowance for doubtful accounts of $ 183,349)	652,315
Capital assets	
Equipment	654,064
Accumulated depreciation	(414,896)
Total Assets	$ 971,096
LIABILITIES	
Accounts payable	$ 7,423
Accrued payroll	29,351
Total Liabilities	36,774
NET POSITION	
Invested in capital assets	239,169
Unassigned	695,154
Total Net Position	934,322
Total Liabilities and Net Position	$ 971,096

The notes to the financial statements are an integral part of this statement.

LAUDERDALE COUNTY AMBULANCE AUTHORITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

	Program Revenues				Net (Expenses)
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Revenue and Changes in Net Assets**
Lauderdale County Ambulance Authority	$ 1,275,203	$ 1,384,791	$ -	$ -	$ 109,588
Change in net position					109,588
Net position at beginning of period					824,735
Net position at end of period					$ 934,323

The notes to the financial statements are an integral part of this statement.

LAUDERDALE COUNTY AMBULANCE AUTHORITY
BALANCE SHEET
JUNE 30, 2014

ASSETS	
Cash and cash equivalents	$ 79,613
Accounts receivable (net of allowance for doubtful accounts of $ 183,349)	652,316
Total Assets	$ 731,929
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable	$ 7,423
Accrued payroll	29,351
Total Liabilities	36,774
Fund balance	
Unassigned	695,154
Total Liabilities and Fund Balance	$ 731,928

RECONCILIATION OF THE STATEMENT OF NET POSITION OF GOVERNMENT FUNDS TO THE BALANCE SHEET

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balance per balance sheet	$ 695,154
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	654,064
Accumulated depreciation in governmental activities are not a use of financial resources and are not reported in the funds	(414,896)
Net position of governmental activities	$ 934,322

The notes to the financial statements are an integral part of this statement.

LAUDERDALE COUNTY AMBULANCE AUTHORITY
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2014

REVENUES		
Services	$ 1,384,791	
Total Revenues		$ 1,384,791
EXPENDITURES		
Salaries	$ 670,659	
Employee insurance and medical expense	74,397	
Gasoline and diesel	72,891	
Maintenance and repair	43,950	
Insurance	89,443	
Payroll taxes	54,457	
Retirement expense	30,051	
Medical and cleaning supplies	23,377	
Education	220	
Utilities	5,784	
Data processing supplies	2,585	
Office supplies	4,863	
Professional services	5,450	
Telephone	5,031	
Collection agency	95,065	
Travel	746	
Licenses	2,000	
Oxygen	2,028	
Uniforms	2,005	
Miscellaneous	750	
Medical director	3,000	
Dues and subscriptions	340	
Total expenditures		1,189,092
Net change in fund balance		195,699
Fund balance, July 1		499,455
Fund balance, June 30		$ 695,154

The notes to the financial statements are an integral part of this statement.

LAUDERDALE COUNTY AMBULANCE AUTHORITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENT FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balance--government funds	$ 195,699
Government funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts are:	
Depreciation expense	(86,111)
Change in net position of governmental activities	$ 109,588

The notes to the financial statements are an integral part of this statement.

LAUDERDALE COUNTY AMBULANCE AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE--BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE)
REVENUES				
Services	$ 1,100,000	$ 1,100,000	$ 1,384,791	$ 284,791
Interest or other revenue	-	-	-	-
Total Revenues	$ 1,100,000	$ 1,100,000	$ 1,384,791	$ 284,791
EXPENDITURES				
Salaries	$ 700,000	$ 700,000	$ 670,659	$ 29,341
Employee insurance and medical expense	50,000	50,000	74,397	(24,397)
Insurance	50,000	50,000	89,443	(39,443)
Payroll taxes	50,000	50,000	54,457	(4,457)
Retirement expense	30,000	30,000	30,051	(51)
Gasoline and diesel	65,000	65,000	72,891	(7,891)
Medical and cleaning supplies	29,000	29,000	23,377	5,623
Maintenance and repair	27,000	27,000	43,951	(16,951)
Equipment purchased	7,000	7,000	-	7,000
Utilities	7,000	7,000	5,784	1,216
Office supplies	2,800	2,800	4,863	(2,063)
Telephone	4,500	4,500	5,031	(531)
Professional services	5,200	5,200	5,450	(250)
Education	1,500	1,500	220	1,280
Medical director	3,000	3,000	3,000	-
Collection agency	72,000	72,000	95,065	(23,065)
Data processing supplies	1,500	1,500	2,585	(1,085)
Oxygen	2,000	2,000	2,028	(28)
Miscellaneous	2,000	2,000	750	1,250
Travel	1,000	1,000	746	254
Licenses	2,500	2,500	2,000	500
Dues and subscriptions	300	300	340	(40)
Uniforms	2,000	2,000	2,005	(5)
Total expenditures	$ 1,115,300	$ 1,115,300	$ 1,189,093	$ (73,793)
Net change in fund balance	(15,300)	(15,300)	195,698	210,998
Fund balance, July 1,	499,455	499,455	499,455	499,455
Fund balance, June 30	$ 484,155	$ 484,155	$ 695,154	$ 710,453

The notes to financial statements are an integral part of this statement.

Note 1: Summary of Significant Accounting Policies

The Lauderdale County Ambulance Authority (the Authority) is a special revenue fund of Lauderdale County, Tennessee. Financial statements of the Authority are consolidated into the financial statements of Lauderdale County, Tennessee. The Authority is governed by a committee of the Lauderdale County Commission and provides ambulance services to the citizens of Lauderdale County.

The accounting and reporting policies of the Authority relating to the activities included in the accompanying financial statements conform to generally accepted accounting principles applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units.* The GASB periodically updates its codification of the existing Governmental Accounting and Standards, which, along with the subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant accounting policies of the Authority are described below.

Reporting Entity

The Authority, for financial purposes, includes all the funds relevant to the operations of the Lauderdale County Ambulance Authority. The Authority is a separately reported fund of Lauderdale County Tennessee.

Government-wide and Fund Financial Statements

In March 2009, the Governmental Accounting Standards Board (GASB) issued Statement No. 54—*Fund Balance Reporting and Government Fund Type Definitions.* This Statement established fund balance classifications based primarily on the extent to which the Authority is bound to honor constraints on the use of the resources reported in each governmental fund as well as establishes additional not disclosures regarding fund balance classification policies and procedures.

The Authority made the decision to implement this standard effective July 1, 2011.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Authority. There is no interfund activity.

The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or identifiable activity. *Program revenues* include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the given function or identifiable activity. Taxes and other items not properly included among program revenues are reported instead as *general revenues.*

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting.* Revenues are recorded when earned

Note 1: Summary of Significant Accounting Policies (continued)

and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Accounts receivable are reduced by an allowance for uncollectible accounts. The Authority has one fund, which is a self-balancing account comprised of its assets, liabilities, fund equity, revenues and expenditures/expenses.

Assets, Liabilities, and Net Assets

Cash and Cash Equivalents –Cash and cash equivalents consist of the following:

Cash in bank	$ 79,613

Capital Assets and Depreciation—Capital assets are comprised of equipment purchased by the Authority for the past nine years. All capital assets are capitalized and depreciated in the government-wide statements. Capital assets are recorded as expenditures of the current period in the governmental fund financial statements. Assets purchased prior to July 1, 2004 are reflected within the financial statements of Lauderdale County in conformity with Governmental Accounting Standards Board (GASB) Statement No. 34 (as amended by Statement No. 37) and are not included in these financial statements.

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.

Depreciation of capital assets is computed and recorded by the straight-line method over the estimated useful lives of the assets. Estimated useful lives of the vehicles and equipment are five years. Total depreciation expense was $86,111 for the year ended June 30, 2014.

Allowance for Uncollectible Accounts—The Authority's allowance for estimated uncollectible receivables at June 30, 2014 was $183,349.

Compensated Absences—The Authority pays employees the value of all accumulated vacation and personal days prior to the end of the fiscal year. Therefore, no compensated absences are reflected within these statements.

Estimates—Management is required to make estimates and assumptions that may affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Fund Equity—Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, or unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by

Note 1: Summary of Significant Accounting Policies (continued)

creditors, grantors, or contributors or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the Authority's board through approval of resolutions. Assigned fund balances is a limitation imposed by a designee of the Authority board. Unassigned fund balance is the net resources in excess of what can be properly classified in one of the above four categories.

When both restricted and unrestricted fund balances are available for use, it is the Authority's policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

Note 2: Reconciliation of Government and Fund Financial Statements

The governmental fund statement of revenues, expenditures, and changes in fund balances of government funds includes a reconciliation between net changes in fund balances—governmental funds and changes in net assets of governmental activities as reported in the government-wide financial statement of activities. The element "Government funds report capital outlays as expenditures" consists of:

Depreciation expense	$ (86,111)
Net adjustment	$ (86,111)

Note 3. Stewardship, Compliance, and Accountability

Budgetary information—An annual budget is adopted by the Ambulance Committee of the Lauderdale County Commissioners on a basis consistent with generally accepted accounting principles and the budget is approved by the Lauderdale County Commissioners. Amendment requires the approval of the County Commissioners. All annual appropriations lapse at fiscal year end.

Excess of expenditures over appropriations—Revenues exceeded budgeted revenues and total expenditures exceeded than total budgeted expenditures. The Ambulance Authority had material excess of expenditures over appropriations.

Note 4. Detailed Notes on All Funds

Cash and investments

Cash in banks is insured up to $250,000 by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2014, all deposits were covered by FDIC. Under the laws of Tennessee, the Ambulance Authority is authorized to invest with obligations of the United States or its agencies, direct obligations of the State of Tennessee or it agencies, collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, certificates of deposit if insured by a Federal Deposit Insurance Corporation or the Tennessee Collateral Pool.

Note 4. Detailed Notes on All Funds (continued)

During the year ended June 30, the Ambulance Authority did not own any types of securities other than those permitted by statute.

Capital assets

Fixed assets are summarized as follows:

	Balance June 30, 2013	Additions	Retirements	Balance June 30, 2014
Capital assets being depreciated:				
Vehicles	$ 527,237	$ 0	$ 0	$ 527,237
Equipment	26,825	0	0	26,825
Subtotal	654,064	0	0	654,064
Less accumulated depreciation for:				
Vehicles	257,240	70,806	0	328,046
Equipment	71,544	15,305	0	86,849
Subtotal	328,784	86,111	0	414,895
Total capital assets, being depreciated, net	$ 325,280	$ 86,111	$ 0	$ 239,169

Pension plan

The pension fund of the Lauderdale County Ambulance Authority is included in the total retirement program for Lauderdale County, Tennessee under the Tennessee Consolidated Retirement System. Five percent (5%) is deducted from the employee's checks and the Ambulance Authority pays a percentage match of 8.87% to fund the employees retirement. Retirement is based on thirty years of service or reaching the age of sixty. For details relative to the funding status and progress, actuarial determined contribution requirements and contributions made, and trend information refer to the Comprehensive Annual Financial Report for Lauderdale County.

Note 5. Other Information

Risk management

The Authority is exposed to various risks of loss related to torts, theft of; damage to; and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Authority has purchased commercial insurance for all of the above risks. Settled claims have not exceeded this coverage in any of the past three years.

Note 5. Other Information (continued)

Concentration of credit risk

The Authority receives its operating funds from governmental agencies, private insurance companies, and citizens served. While the Authority has a broad consumer base, the ability of payment is dependent on the economic conditions of the area and the policies of the various governmental agencies and private insurance.

MARTHA CRITES

Certified Public Accountant

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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*

County Mayor of Lauderdale County
Lauderdale County Ambulance Authority
Ripley, 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 the governmental activities and the major fund of Lauderdale County Ambulance Authority, a special revenue fund of Lauderdale County, Tennessee, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Lauderdale County Ambulance Authority, Lauderdale County, Tennessee's basic financial statements and have issued our report thereon dated November 19, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lauderdale County Ambulance Authority'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lauderdale County Ambulance Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Lauderdale County Ambulance Authority'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, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings to be material weaknesses. (2014-1, 2014-2, 2014-3, 2014-4 and 2014-6)

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A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings to be significant deficiencies. (2014-5)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lauderdale County Ambulance Authority'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Lauderdale County Ambulance Authority's Response to Findings

Lauderdale County Ambulance Authority's response to the findings identified in our audit is described in the accompanying schedule of Findings, Recommendations and Replies. Lauderdale County Ambulance Authority'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.

Martha Cates CPA

November 19, 2014

LAUDERDALE COUNTY AMBULANCE AUTHORITY
SCHEDULE OF FINDINGS, RECOMMENDATIONS, AND REPLIES
FOR THE YEAR ENDED JUNE 30, 2014

STATUS OF PRIOR FINDINGS

2013-01 Due to the small size of the organization, there is a lack of segregation of duties over some accounting functions. See finding 2014-01. This condition continues to exist.

2013-02 Annual audit adjustments are necessary each year to convert the books and records from fund financial statements to government-wide financial statements. See finding 2014-02. This condition continues to exist.

2013-03 The Ambulance Service maintains monthly financial records so that reasonable operations can be maintained. The Ambulance Service does not currently employ or utilize the services of a person/firm who possesses the expertise to properly prepare the external audited financial statements and related notes. Although the Ambulance Service has engaged an accounting firm to prepare such financial statements in connection with the audit, the accounting firm is not a part of the internal control system. See finding 2014-03. This condition continues to exist.

2013-04 Accounts Receivable is maintained by an outside service bureau. At year end bad debt write offs and other adjustments had not been posted to the Accounts Receivable and Allowance for Doubtful Accounts control accounts on the General Ledger. See finding 2014-04. This condition continues to exist.

2013-05 Grant income and the applicable fixed assets were not recorded in the accounting records of the organization. This condition no longer exists.

2013-06 Accounts payable are not recorded on the general ledger based on the date of the invoice and or service. See findings 2014-05. This conditions continues to exist.

CURRENT FINDINGS

2014-01 Due to the small size of the organization, there is a lack of segregation of duties over some accounting functions.

Recommendation: Whereas segregation of accounting functions in a small organization is not totally feasible, steps should be considered to segregate duties whenever possible. We recommend that a review of accounting functions be performed and such functions be segregated to the extent feasible.

Response: Due to economic constraints, complete implementation of this recommendation is not feasible.

2014-02 Annual audit adjustments are necessary each year to convert the books and records from fund financial statements to government-wide financial statements.

Recommendation: Additional accounting guidance should be obtained to eliminate the need for annual audit adjustments.

Response: Our system is capable of maintaining the records on the fund basis. We maintain the information to prepare the government-wide financial statements but do not convert the books to the additional basis.

2014-03 The Ambulance Service maintains monthly financial records so that reasonable operations can be maintained. The Ambulance Service does not currently employ or utilize the services of a person/firm who possesses the expertise to properly prepare the external audited financial statements and related notes. Although the Ambulance Service has engaged an accounting firm to prepare such financial statements in connection with the audit, the accounting firm is not a part of the internal control system.

Recommendation: The Ambulance Service should employ or utilize the services of a person/firm who possesses the expertise to properly prepare the externally audited financial statements and the related notes.

Response: The employment or utilization of the services of a person/firm who possesses the expertise to properly prepare the externally audited financial statements and related notes are not economically feasible at this time.

2014-04 Accounts Receivable is maintained by an outside service bureau. At year end bad debt write offs and other adjustments had not been posted to the Accounts Receivable and Allowance for Doubtful Accounts control accounts on the General Ledger.

Recommendation: The accounting staff should reconcile the Accounts Receivable detail records to the General Ledger Accounts on a monthly basis.

Response: We will perform this reconciliation on a monthly basis.

2014-05 Accounts payable are not recorded on the general ledger based on the date of the invoice and or service.

Recommendation: Date of the invoice and or date of the service shall be used to record liabilities.

Response: We concur with this recommendation.

2014-06 During the year, the Ambulance Authority changed billing companies. Apparently the former billing company wrote off remaining balances against contractual adjustments rather than Ambulance Authority to determine which accounts were collectable and which accounts were to be written off to bad debts. As of time, the Ambulance Authority is unable to access the former billing company's records; therefore, information is not available to properly determine the collectability of these accounts.

Recommendation: The Ambulance Authority should contact the former billing company. Management of the Ambulance Authority should determine the collectability of these accounts and obtain complete information regarding these accounts to pursue subsequent collections through the collection agency.

Response: We concur with this recommendation.

2014-07 During the year, the Lauderdale County Ambulance Authority's actual expenses exceeded the budgeted amounts. The Lauderdale County Ambulance Authority did not amend the budget to reflect actual amounts.

Recommendation: The Ambulance Authority should match budgeted amounts more closely with actual results. The budget may be amended closer to the end of the year.

Response: We concur with this recommendation.