

**LAUDERDALE COUNTY EMERGENCY  
COMMUNICATION DISTRICT**

**INDEPENDENT AUDITOR'S REPORT  
JUNE 30, 2014**

**LAUDERDALE COUNTY EMERGENCY  
COMMUNICATION DISTRICT**

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## **INTRODUCTORY SECTION**

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

June 30, 2014

**Board of Trustees**

Larry McCoy, Chairman  
Frank Currie, Vice-Chairman  
Mary Miller, Secretary  
Roger Leake, Treasurer  
Rives Seay  
Steve Sanders  
Larry White  
Cecil Crowder

**Administrative Staff**

Jonathan A. Gay, E-911 Director

**Independent Certified Public Accountant**

Alexander Thompson Arnold PLLC  
Dyersburg, Tennessee

## **FINANCIAL SECTION**

**Members of:**

American Institute of Certified Public Accountants  
AICPA Center for Public Company Audit Firms  
AICPA Governmental Audit Quality Center  
AICPA Employee Benefit Plan Audit Quality Center  
Tennessee Society of Certified Public Accountants  
Kentucky Society of Certified Public Accountants



Certified Public Accountants  
**Offices in Tennessee & Kentucky**

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## Independent Auditor's Report

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Lauderdale County Emergency Communications District, a component unit of Lauderdale County, Tennessee, as of and for the year ended June 30, 2014, 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 the Lauderdale County Emergency Communications District, as of June 30, 2014, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

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

#### ***Other Information***

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

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

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2015 on our consideration of the Lauderdale County Emergency Communications District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to

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

*Alexander Thompson Arnold PLLC*

Dyersburg, Tennessee  
January 29, 2015

## Management's Discussion and Analysis

The following discussion and analysis of the Lauderdale County Emergency Communication District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2014.

### Financial Highlights

- The assets of the Lauderdale County Emergency Communication District exceeded its liabilities at the close of the most recent fiscal year by \$1,329,546 (*net position*). Of this amount, \$967,859 may be used to meet the government's ongoing obligations to citizens and creditors.
- The total net position increased by \$115,610 during the year.

### Overview of the Financial Statements

The financial statements consist of two components: fund financial statements and notes to the financial statements. This report also contains required supplementary information, supplementary information, other information, and an internal control and compliance section.

As an enterprise fund supported by user tariffs and charges, the financial statements of the Lauderdale County Emergency Communication District are presented on the full accrual basis, presenting assets and liabilities of the District in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Lauderdale County Emergency Communication 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. As of June 30, 2014, the District had no deferred outflows/inflows of resources to report.

The *statement of revenues, expenses and changes in net position* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected telephone service charges and earned but unused employee compensated absences).

**Fund financial statements.** A fund is established to account for a specific activity or purpose. Law mandates the creation of some funds. Other funds are established by management to demonstrate financial compliance with budget or legal requirements. The District is reported as a proprietary fund.

**Notes to financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's progress in funding its obligation to provide pension benefits to its employees. This report also includes a budgetary comparison schedule as supplementary information.

## Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Lauderdale County Emergency Communication District, assets exceeded liabilities by \$1,329,546 at the close of the most recent fiscal year.

The largest portion of the District's assets (58%) reflects its investment in cash and equivalents. Investments (15%) and investment in buildings and equipment (27%) comprise the other major assets of the District. The building and equipment are used to provide services to citizens. Consequently, these assets are not available for future spending.

### Lauderdale County Emergency Communication District's Net Position

	<u>2014</u>	<u>2013</u>
Current assets	\$ 979,737	\$ 805,722
Capital assets	<u>361,687</u>	<u>415,517</u>
Total assets	<u>\$1,341,424</u>	<u>\$1,221,239</u>
Current liabilities	\$ 11,878	\$ 7,303
Net position:		
Investment in capital assets	361,687	415,517
Unrestricted	<u>967,859</u>	<u>798,419</u>
Total net position	<u>\$1,329,546</u>	<u>\$1,213,936</u>

The unrestricted net position may be used to meet the ongoing obligations of the District to citizens and creditors. The net position increased by \$115,610 in the last fiscal year.

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

	<u>2014</u>	<u>2013</u>
Operating revenues	\$ 373,857	\$ 375,910
Operating expenses	<u>372,456</u>	<u>447,390</u>
Total operating income (deficit)	\$ 1,401	\$ (71,480)
Non-operating revenues	3,842	3,564
Capital contributions	<u>110,367</u>	<u>33,931</u>
Change in net position	<u>\$ 115,610</u>	<u>\$ (33,985)</u>

The main reason for the \$149,595 increase in the change in net position from last year is due primarily to not having the contribution to the County for the radio tower, and the increase in capital contributions during the current year.

## Budgetary Highlights

Differences between the final budget and the final operations were \$142,960. The primary differences are due to the equipment reimbursement from the State not being budgeted, and expenses not exceeding the final budgeted amounts. The differences are not expected to have a significant effect on future services or liquidity.

## **Capital Assets**

The Lauderdale County Emergency Communication District's investment in capital assets was \$361,687 (net of accumulated depreciation) as of June 30, 2014. This included buildings and building improvements, communication equipment, office equipment and furniture and fixtures. No debt was created in relationship to the capital asset purchases.

### **Future projections**

The District anticipates that providing the emergency dispatching for Lauderdale County will result in operating expenditures exceeding operating revenues for the foreseeable future. The District possesses sufficient assets to fund operations and equipment needs for the next five years or more. The board of directors assures the residents of Lauderdale County that the board will continue to meet the needs of the residents and fulfill its mission to provide emergency communication services to the public. Through State capital contributions, the District is upgrading the equipment and capabilities of the organization to meet established standards.

### **Requests for information**

This financial report is designed to provide a general overview of the Lauderdale County Emergency Communication District's finances for those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Board of Directors of the Lauderdale County Emergency Communication District at PO Box 142, Ripley, Tennessee 38063-0142.

*Larry McCoy*

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

**LAUDERDALE COUNTY EMERGENCY COMMUNICATION DISTRICT  
STATEMENT OF NET POSITION**

June 30, 2014

**ASSETS**

Current assets

Cash and cash equivalents	\$ 771,869
Investments	200,276
Accrued interest	49
Receivable--tariff income	7,080
Receivable-employees	<u>463</u>

Total current assets 979,737

Capital assets

Buildings and equipment	859,552
Less accumulated depreciation	<u>497,865</u>

Total capital assets 361,687

**Total assets \$ 1,341,424**

**LIABILITIES AND NET POSITION**

Current liabilities

Accounts payable	\$ 5,596
Accrued payroll	4,954
Compensated absences payable	<u>1,328</u>

Total current liabilities 11,878

**Total liabilities 11,878**

Net position

Investment in capital assets	361,687
Unrestricted	<u>967,859</u>

**Total net position 1,329,546**

**Total liabilities and net position \$ 1,341,424**

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

**LAUDERDALE COUNTY EMERGENCY COMMUNICATION DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

For the Year Ended June 30, 2014

**Operating revenues**

Emergency telephone service charge	\$ 100,885
Tennessee Emergency Communications Board shared wireless charge	70,848
Tennessee Emergency Communications Board operational funding	142,860
Tennessee Emergency Communications Board GIS/TIPS	51,264
Tennessee Emergency Communications Board training	<u>8,000</u>
Total operating revenues	373,857

**Operating expenses**

Salaries and wages	
Director	8,100
Administration	9,035
Dispatchers	64,283
Part-time	<u>57,384</u>
Total salaries and wages	138,802

Employee benefits

Social security	8,513
Medicare	1,991
Medical insurance	24,375
Unemployment	1,712
Retirement	<u>1,048</u>
Total employee benefits	37,639

Contracted services

Addressing	7,990
Ads and notices	338
Audit service	3,800
Accounting	4,400
Maintenance	12,159
Pest control	345
Lease/Rental - communications equipment	40,462
Maintenance and repairs - communication equipment	22,939
Maintenance and repairs - building	2,730
Maintenance and repairs - office	<u>3,567</u>
Total contracted services	98,730

Supplies and materials

Office supplies	2,426
Postage	129
Utilities - electric	8,882
Utilities - gas and water	1,260
Utilities - general telephone	7,340
Utilities - cable	<u>1,248</u>
Total supplies and materials	21,285

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

**LAUDERDALE COUNTY EMERGENCY COMMUNICATION DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
For the Year Ended June 30, 2014

Other charges	
Bank charges	261
Dues and memberships	373
Insurance - workman's compensation	854
Insurance-vehicles	548
Insurance - building and contents	10,650
Surety bond	1,275
Training expense	<u>1,209</u>
Total other charges	15,170
Depreciation expense	<u>60,830</u>
Total operating expenses	<u>372,456</u>
Operating income	1,401
<b>Nonoperating revenues (expenses)</b>	
Interest income	<u>3,842</u>
Income before capital contributions	5,243
<b>Capital Contributions</b>	
Tennessee Emergency Communications Board equipment reimbursements	<u>110,367</u>
<b>Change in net position</b>	<b><u>115,610</u></b>
Net position - July 1, 2013	<u>1,213,936</u>
Net position - June 30, 2014	<u><u>1,329,546</u></u>

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

**LAUDERDALE COUNTY EMERGENCY COMMUNICATION DISTRICT**  
**STATEMENT OF CASH FLOWS**  
For the Year Ended June 30, 2014

<b>Cash flows from operating activities</b>	
Receipts from tariffs	\$ 101,583
Receipts operational funding	272,972
Payments to suppliers for goods and services	(135,532)
Payments to employees for services	<u>(166,131)</u>
Net Cash Provided by Operating Activities	72,892
<b>Cash flows from noncapital financing activities</b>	-
<b>Cash flows from capital and related financing activities</b>	
Purchase of capital assets	(7,000)
Tennessee Emergency Communications Board equipment reimbursements	<u>110,367</u>
Net Cash Provided by Capital and Related Financing Activities	103,367
<b>Cash flows from investing activities</b>	
Interest received	<u>4,017</u>
<b>Net Increase (Decrease) in Cash</b>	<b>180,276</b>
Cash and Cash Equivalents at Beginning of the Year	<u>591,593</u>
Cash and Cash Equivalents at End of the Year	<u><u>\$ 771,869</u></u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income (loss) from operations	\$ 1,401
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	60,830
Increase (decrease) in payables	4,575
Decrease (increase) in receivables	<u>6,086</u>
Total Adjustments	<u>71,491</u>
Net Cash Provided by Operating Activities	<u><u>\$ 72,892</u></u>

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

**LAUDERDALE COUNTY EMERGENCY COMMUNICATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

June 30, 2014

**Note 1 – Summary of significant accounting policies**

**A. Reporting entity**

Lauderdale County Emergency Communication District, Lauderdale County, Tennessee is a governmental agency authorized by Tennessee state law and approved by the voters of the County. The District provides a simplified method of securing emergency services for the residents of Lauderdale County, Tennessee. An eight-member board appointed by the County Commission governs the District. Because the District cannot issue debt without the approval of the county commission, Lauderdale County Emergency Communication District has been determined to be a discrete component unit of Lauderdale County, Tennessee. The financial statements presented include only the Lauderdale County Emergency Communication District and the monies and funds managed by the Board of Directors of the District.

**B. Measurement focus, basis of accounting, and financial statement presentation**

The financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The District distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District are tariffs charged to telephone users. Operating expenses for the District include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**C. Assets, liabilities, and net position or equity**

**1. Deposits and investments**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool. The District has no investments that meet these criteria. All investments of the District consist of Certificates of Deposit, which are stated at cost.

**2. Receivables and service fees**

Fees collected by the Lauderdale County Emergency Communication District are derived from tariffs assessed on the telephone customers of Lauderdale County, Tennessee. The tariff is billed and collected by AT&T and other telephone companies, who then remit the amounts collected to the District.

**LAUDERDALE COUNTY EMERGENCY COMMUNICATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

June 30, 2014

At June 30, 2014, accounts receivable represent service fees collected by the entities named above and not remitted to the District.

The Tennessee Emergency Communications Board collects and remits operational funding monies and reimburses the district for upgraded equipment and/or training.

**3. Capital assets**

Capital assets consist of buildings, communication equipment, and office equipment owned by the District. The Capital assets are capitalized at cost. Depreciation for furniture, fixtures, and equipment is computed using the straight-line method over a five to ten-year estimated life of the assets. Buildings and building improvements are depreciated over a forty-year estimated life using the straight-line method.

Depreciation expense charged to operations was \$60,830 for the year ended June 30, 2014.

Capitalization of capital asset type purchases is determined according to the capitalization policy adopted by the District.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

**4. Compensated absences**

It is the District's policy to permit employees to accumulate earned but unused vacation, holiday, and compensatory pay benefits.

Vacation benefits are earned in accordance with the following table.

<u>Length of Service</u>	<u>Benefit</u>
First 6 months	4 hours/Month
After 6 months	8 hours/Month

Maximum accumulation – 80 hours

There is no liability for unpaid accumulated sick leave.

The District has accrued absences that have been earned by the employees and are payable in accordance with the above table.

**5. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumption that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**LAUDERDALE COUNTY EMERGENCY COMMUNICATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

June 30, 2014

**6. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditures) until then. The District does not have any items that qualify for reporting in this category as of June 30, 2014.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then. The District does not have any items that qualify for reporting in this category as of June 30, 2014.

**7. Net Position Flow Assumption**

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

**Net Position**

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

- Investment in Capital Assets – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds that are attributable to the acquisition, construction, or improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination. The District currently has no debt.
- Restricted for Debt Service – Consists of net position for which constraints are placed thereon by lenders less any related liabilities.
- Unrestricted – All other net position that do not meet the description of the above categories.

**8. Impact of Recently Issued Accounting Pronouncements**

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows or deferred inflows of resources, certain items that were previously reported as assets and liabilities. This statement is effective for periods beginning after December 15, 2012. This statement resulted in no changes in reporting for the year ended June 30, 2014.

**LAUDERDALE COUNTY EMERGENCY COMMUNICATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

June 30, 2014

In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, and Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. For governments to adopt Statement No. 68, the underlying pension plans must first adopt Statement No. 67. Statement No. 67 revises existing standards of financial reporting by state and local government pension plans and is effective for fiscal years beginning after June 15, 2013. Statement No. 68 improves accounting and financial reporting by state and local governments for pensions and is effective for fiscal years beginning after June 15, 2014. These statements establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement – determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. Statement No. 68 details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. These pension standards include significant changes of how governmental employers will report liabilities related to pension obligations. Management is currently evaluating the impact of the adoption of this statement on the Districts financial statements.

**Note 2 – Stewardship, compliance, and accountability**

**A. Budgetary information**

An annual budget is officially adopted by the governing body and approved by the County Commission on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year end. The accounting and financial reporting manual for Tennessee Emergency Communications Districts establishes the legal level of control to be at the line item level.

**B. Excess of expenditures over appropriations**

Expenditures were less than appropriations in total. However, overages are noted in part-time personnel of \$27,384; unemployment compensation of \$112; mapping of \$490; maintenance agreements of \$159; maintenance and repairs – communications equipment of \$17,939; maintenance and repairs – office equipment of \$67; utilities – general telephone of \$840; bank charges of \$61; and insurance – buildings/contents/equipment of \$400.

**Note 3 – Detailed notes on all funds**

**A. Cash and investments**

Cash and investments, which are stated at cost, consisted of the following:

Cash in banks	\$ 771,869
Certificates of deposit	<u>200,276</u>
Total	<u>\$ 972,145</u>

**LAUDERDALE COUNTY EMERGENCY COMMUNICATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

June 30, 2014

Cash in banks and certificates of deposits, are insured up to \$ 250,000 by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2014 all monies were covered by FDIC or covered by the Tennessee Collateral Pool. The Board of Directors approves all investments. The investments consist of certificates of deposits and are in conformity with State guidelines. All cash and investments are held by the depositories in the name of the District.

**B. Receivable-employees**

In the year ended June 30, 2012, employees received insurance reimbursement monies that belonged to the District. The employees agreed to repay the amounts received through payroll deductions. The employees are current at June 30, 2014 in the payment arrangements.

**C. Capital assets**

Capital assets are summarized as follows:

	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2014</u>
Capital assets being depreciated:				
Building and improvements	\$ 167,072	\$ -	\$ -	\$ 167,072
Communication equipment	599,489	7,000	-	606,489
Office equipment	69,866	-	-	69,866
Furniture and fixtures	<u>16,125</u>	<u>-</u>	<u>-</u>	<u>16,125</u>
Subtotals	852,552	7,000	-	859,552
Less accumulated depreciation for:				
Building and improvements	45,438	4,057	-	49,495
Communication equipment	310,278	54,499	-	364,777
Office equipment	68,080	1,324	-	69,404
Furniture and fixtures	<u>13,239</u>	<u>950</u>	<u>-</u>	<u>14,189</u>
Subtotals	<u>437,035</u>	<u>60,830</u>	<u>-</u>	<u>497,865</u>
Total capital assets being depreciated, net	<u>\$ 415,517</u>	<u>\$ (53,830)</u>	<u>\$ -</u>	<u>\$ 361,687</u>

**D. Leases**

The Emergency Communication District leases answering and monitoring equipment from AT & T under operating leases for an indefinite period. The lease, which began at the date of installation, is billed to the District at a current monthly rate of \$ 3,362.

**LAUDERDALE COUNTY EMERGENCY COMMUNICATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

June 30, 2014

The following is a schedule by years of expected minimum future rentals on operating leases as of June 30, 2014:

Year ended June 30:	
2015	\$ 40,344
2016	\$ 40,344
2017	\$ 40,344
2018	\$ 40,344
2019	\$ 40,344

**Note 4 – Other Information**

**Risk management**

Under Tennessee State Law, the board of directors is immune from liability unless they are grossly negligent. Therefore, no additional liability insurance is purchased on behalf of the board members. Board members who are responsible for the cash management of the District are covered under an insurance bond. The Board insures the equipment from loss through commercial insurance. Insurance has been purchased to protect against dispatcher negligence or omissions. No settlements have occurred in any of the prior three years.

**Concentration of credit risk**

The District receives its operating funds from tariffs assessed on and collected from telephone users in Lauderdale County, Tennessee. While the District has a broad consumer base, the ability of consumers to pay their accounts is dependent on the economic conditions of the area.

**Retirement plan**

**Plan description**

Employees of Lauderdale County 911 are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Lauderdale County 911 participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

**LAUDERDALE COUNTY EMERGENCY COMMUNICATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

June 30, 2014

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, 15<sup>th</sup> Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs/PS/>.

**Funding policy**

Lauderdale County 911 requires employees to contribute 5.0 percent of earnable compensation.

Lauderdale County 911 is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2014 was 1.55% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Lauderdale County 911 is established and may be amended by the TCRS Board of Trustees.

**Annual pension cost**

For the year ending June 30, 2014 Lauderdale County 911's annual pension cost of \$930 to TCRS was equal to Lauderdale County 911's required and actual contributions. The required contribution was determined as part of the July 1, 2011 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected 3.0 percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. Lauderdale County 911's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011 was 1 year. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

**Trend Information**

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2014	\$ 930	100.00%	\$ 0.00
June 30, 2013	\$ 1,414	100.00%	\$ 0.00
June 30, 2012	\$ 5,427	100.00%	\$ 0.00

**Funded Status and Funding Progress**

As of July 1, 2013, the most recent valuation date, the plan was 100.00% funded. The actuarial accrued liability for benefits was \$0.17 million, and the actuarial value of assets was \$0.17 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.0 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.06 million, and the ratio of the UAAL to the covered payroll was 0.00%.

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**LAUDERDALE COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**SCHEDULE OF FUNDING PROGRESS**  
For the Year Ended June 30, 2014

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Liability (AAL) -Entry Age for 2011 only (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2013	\$ 170,000	\$ 170,000	\$ -	100.00%	\$ 63,000	0.00%
July 1, 2011	\$ 129,000	\$ 130,000	\$ 1,000	99.37%	\$ 63,000	1.30%
July 1, 2009	\$ 83,000	\$ 110,000	\$ 27,000	75.81%	\$ 85,000	31.40%

*See independent auditor's report.*

## **OTHER SUPPLEMENTARY INFORMATION**

**LAUDERDALE COUNTY EMERGENCY COMMUNICATION DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN**  
**NET POSITION - BUDGET AND ACTUAL**  
For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Operating revenues</b>				
Emergency telephone service charge	\$ 116,000	\$ 116,000	\$ 100,885	\$ (15,115)
TECB shared wireless charge	72,000	72,000	70,848	(1,152)
TECB operational funding	168,791	168,791	142,860	(25,931)
TECB GIS/TIPS	53,510	53,510	51,264	(2,246)
TECB training	-	-	8,000	8,000
Total operating revenues	410,301	410,301	373,857	(36,444)
<b>Operating expenses</b>				
Salaries and wages				
Director	8,120	8,120	8,100	20
Part-time assistant	11,180	11,180	9,035	2,145
Dispatchers	89,000	64,000	59,214	4,786
Overtime pay	8,000	8,000	5,069	2,931
Part-time personnel	30,000	55,000	57,384	(2,384)
Employee benefits				
Social security	9,750	9,750	8,513	1,237
Medicare	2,751	2,751	1,991	760
Medical insurance	44,000	25,000	24,375	625
Unemployment compensation	1,600	2,100	1,712	388
Retirement	5,000	5,000	1,048	3,952
Workman's compensation	1,000	500	-	500
Contracted services				
Mapping	7,500	7,500	7,990	(490)
Advertising	1,000	1,000	338	662
Audit services	3,900	3,900	3,800	100
Accounting	5,900	5,900	4,400	1,500
Janitorial	1,000	1,000	-	1,000
Legal	2,000	2,000	-	2,000
Maintenance agreements	12,000	13,000	12,159	841
Pest control	500	500	345	155
Lease/Rental communications equipment	45,000	45,000	40,462	4,538
Maintenance and repairs - comm. equipment	5,000	24,000	22,939	1,061
Maintenance and repairs - building	4,500	4,500	2,730	1,770
Maintenance and repairs - office equipment	3,500	5,000	3,567	1,433
Other contracted services	1,000	1,000	-	1,000
Supplies and materials				
Office supplies	4,750	3,250	2,426	824
Custodial supplies	1,200	1,200	-	1,200
Postage	300	300	129	171
Small equipment purchases	7,500	2,700	-	2,700
Utilities - electric	9,000	10,250	8,882	1,368
Utilities - gas/propane	1,000	1,000	-	1,000

*See independent auditor's report.*

**LAUDERDALE COUNTY EMERGENCY COMMUNICATION DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
NET POSITION - BUDGET AND ACTUAL**

For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Operating expenses (continued)</b>				
Utilities - water and sewer	1,750	1,750	1,260	490
Utilities - general telephone	6,500	7,500	7,340	160
Utilities - basic cable	1,250	1,500	1,248	252
Other supplies and materials	2,500	2,500	-	2,500
Other charges				
Bank charges	200	500	261	239
Board meeting expenses	500	500	-	500
Dues and memberships	1,000	1,000	373	627
Insurance - workmans compensation	2,000	2,000	854	1,146
Insurance - liability general/management	2,000	2,000	-	2,000
Insurance - building/contents/equipment	10,250	11,250	10,650	600
Insurance - vehicles	650	650	548	102
Legal notices	3,000	3,000	-	3,000
Premiums on surety bonds	1,500	1,500	1,275	225
Service awards	500	500	-	500
Training expenses	6,000	6,000	1,209	4,791
Travel expenses	4,500	4,500	-	4,500
Depreciation	70,000	70,000	60,830	9,170
Total operating expenses	<u>441,051</u>	<u>441,051</u>	<u>372,456</u>	<u>68,595</u>
Operating income (loss)	(30,750)	(30,750)	1,401	32,151
<b>Nonoperating revenues (expenses)</b>				
Interest income	<u>3,400</u>	<u>3,400</u>	<u>3,842</u>	<u>442</u>
Income before capital contributions	<u>(27,350)</u>	<u>(27,350)</u>	<u>5,243</u>	<u>32,593</u>
<b>Capital Contributions</b>				
TECB equipment reimbursements	<u>-</u>	<u>-</u>	<u>110,367</u>	<u>110,367</u>
<b>Change in net position</b>	<b>(27,350)</b>	<b>(27,350)</b>	<b>115,610</b>	<b>142,960</b>
Net position - June 30, 2013	<u>1,213,936</u>	<u>1,213,936</u>	<u>1,213,936</u>	<u>-</u>
Net position - June 30, 2104	<u>\$ 1,186,586</u>	<u>\$ 1,186,586</u>	<u>\$ 1,329,546</u>	<u>\$ 142,960</u>

*See independent auditor's report.*

## **INTERNAL CONTROL AND COMPLIANCE SECTION**

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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  
Lauderdale County Emergency Communication District  
Lauderdale County, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Lauderdale County Emergency Communications District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Lauderdale County Emergency Communications District's basic financial statements, and have issued our report thereon dated January 29, 2015.

### **Internal Control over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings, recommendations, and response as 2007-003 that we consider to be a significant deficiency.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Lauderdale County Emergency Communications District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Governmental Auditing Standards* and which is described in the accompanying schedule of findings, recommendations, and response as 2007-003.

### **Lauderdale County Emergency Communications District Response to Finding**

This District's response to the finding identified in our audit is described in the accompanying schedule of findings, recommendations, 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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Alexander Thompson Arnold PLLC*

Certified Public Accountants  
Dyersburg, Tennessee  
January 29, 2015

**LAUDERDALE COUNTY EMERGENCY COMMUNICATION DISTRICT  
SCHEDULE OF FINDINGS, RECOMMENDATIONS, AND RESPONSE**

June 30, 2014

**Findings – Financial Statement Audit**

Finding 2007-003 Budget Overages

Condition - Certain line item expenditures exceed approved budgeted expenditures. However, total actual expenditures were less than total approved budgeted expenditures.

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

Criteria – Per TCA Section 7-86-120, expenses must be presented at the legal level of control, which is defined to be at the line item level.

Effect – Annual line item budget of expenditures exceeded on several line item expenditures.

Recommendation – We recommend that District's personnel review the budget near the end of the fiscal year and submit any necessary amendments to the Board for its approval.

Response – We will review the budget periodically throughout the year and present amendments as needed for board approval in order to remain compliant.

**LAUDERDALE COUNTY EMERGENCY COMMUNICATION DISTRICT  
SCHEDULE OF DISPOSITION OF PRIOR YEAR FINDINGS**

June 30, 2014

**Findings – Financial Statement Audit**

<b><u>Finding Number</u></b>	<b><u>Finding Title</u></b>	<b><u>Status</u></b>
2007-003	Budget Overages	Repeated