

LAWRENCE COUNTY EMERGENCY

COMMUNICATIONS DISTRICT

(A Component Unit)

Financial Statements

June 30, 2015

LAWRENCE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

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INTRODUCTORY SECTION

LAWRENCE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Board of Directors

June 30, 2015

<u>Official</u>	<u>Office</u>
W. L. Wright	Chairman
Jay Moore	Vice Chairman
Joey Hardin	Secretary/Treasurer
Chad Moore	Director
Richard Dorning	Director
Jimmy Brown	Director
Mike Pope	Director
Steve Davis	Director
Maria Santini	Director

FINANCIAL SECTION

JOHN R. POOLE, CPA
CERTIFIED PUBLIC ACCOUNTANT

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HENDERSONVILLE, TN 37075

(615) 822-4177

INDEPENDENT AUDITORS' REPORT

Board of Directors
Lawrence County Emergency Communications District
Lawrenceburg, Tennessee

Report on the Financial Statements

I have audited the accompanying financial statements of the Lawrence County Emergency Communications District, a component unit of Lawrence County, Tennessee as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted the audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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, I 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.

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lawrence County Emergency Communications District, a component unit of Lawrence County, Tennessee as of June 30, 2015, and the changes in its financial position, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters -Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Required Supplementary Information which includes the Management's Discussion and Analysis and the Schedule of Changes in Net Pension Liability (Asset) and the Schedule of Contributions to the Employee Pension Plan and Schedule of Funding Progress – Post Employment Retirement be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United 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 my inquiries, the basic financial statements and other knowledge we obtained during the audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Matters -Other Information

The audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Introductory Section and the Supplementary Information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Introductory Section and the Supplementary Information have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Introductory Section and the Supplementary Information, are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated September 30, 2015 on the consideration of the District's internal control over financial reporting and the tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of the testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance.

Joh R Poole, CPA

September 30, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Lawrence County Emergency Communications District

Management's Discussion and Analysis

As management of the Lawrence County Emergency Communications District, (the District) we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2015. The analysis focuses on significant financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the District. Management's Discussion and Analysis (MD&A) focuses on current year activities and resulting changes.

Financial Highlights:

The assets of the Lawrence County Emergency Communications District exceeded its liabilities at the close of the most recent fiscal year by \$1,024,283. Of this amount, \$363,333 (unrestricted net position) may be used to meet the Districts ongoing obligations.

The District's total net position increased by \$40,927 during the current year primarily due to grants from the State of Tennessee. Operating expenses decreased by \$23,160 primarily due to decreases in personnel costs. Operating expenses were below the total operating budgeted expenses.

During the year, the District reduced its debt by \$47,734. All debts are paying as scheduled.

Overview of the Financial Statements:

The Statement of Net position presents information on all the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

The basic financial statements can be found on pages 7-9 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 10-20 of this report.

Financial Analysis of the Financial Statements

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. In the case of the Lawrence County Emergency Communications District, assets exceeded liabilities by \$1,024,283 at the close of the most recent fiscal year.

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

Lawrence County Emergency Communications District's Net position

	<u>2015</u>	<u>2014</u>
Current assets and deferred inflows	\$ 725,681	424,949
Capital assets, net	<u>762,735</u>	<u>857,489</u>
Total assets	<u>1,488,416</u>	<u>1,282,438</u>
Current liabilities	110,221	60,086
Other liabilities and deferred inflows	301,937	118,000
Long-term debt	<u>51,975</u>	<u>149,519</u>
Total liabilities	<u>464,133</u>	<u>327,605</u>
Net position:		
Net investment in capital assets		
	660,950	707,970
Unrestricted	<u>363,333</u>	<u>246,863</u>
Total net position	\$ <u>1,024,283</u>	<u>954,833</u>

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

Comparison of revenues and expenses

	<u>2015</u>	<u>2014</u>	<u>Variance</u>
Operating Revenues:			
Emergency Telephone Service Charge	\$101,833	\$214,536	(\$112,703)
State Emergency Communications Board Wireless	57,366	106,646	(49,280)
Total Operating Revenues	<u>159,199</u>	<u>321,182</u>	<u>(161,983)</u>
Operating Contributions:			
Other governments	678,490	678,490	0
State Emergency Communications	455,861	268,806	187,055
Total Operating Contributions	<u>1,134,351</u>	<u>947,296</u>	<u>187,055</u>
Capital Contributions:			
State Emergency Communications	0	208,420	(208,420)
Total Capital Contributions	<u>0</u>	<u>208,420</u>	<u>(208,420)</u>
Operating Expenses:			
Salaries and wages	616,821	626,214	9,393
Employee benefits	282,903	321,119	38,216
Contract services	80,315	60,210	(20,105)
Supplies and materials	7,272	20,212	12,940
Depreciation	94,783	94,783	0
Amortization	0	1,313	1,313
Rental expense	21,379	63,164	41,785
Insurance	23,960	17,923	(6,037)
Repair and maintenance	23,992	13,334	(10,658)
Training and travel	16,031	12,426	(3,605)
Utilities	75,828	38,249	(37,579)
Miscellaneous	2,916	413	(2,503)
Total Operating Expenses	<u>1,246,200</u>	<u>1,269,360</u>	<u>23,160</u>
Operating income (loss)	<u>47,350</u>	<u>207,538</u>	<u>(160,188)</u>
Nonoperating Revenues (Expenses):			
Interest expense	(6,504)	(8,453)	1,949
Interest income	81	155	(74)
Total Nonoperating Revenues (Expenses)	<u>(6,423)</u>	<u>(8,298)</u>	<u>1,875</u>
Net income (loss)	<u>40,927</u>	<u>199,240</u>	<u>(158,313)</u>

Capital Assets

The Lawrence County Emergency Communications District's investment in capital assets from its activities at June 30, 2015, amounts to \$762,735 (net of accumulated depreciation). This investment in capital assets is in communications equipment.

	<u>2015</u>	<u>2014</u>
Furniture and equipment	\$ 23,996	23,996
Building	400,000	400,000
Leasehold improvements	274,014	274,014
Communications equipment	<u>908,342</u>	<u>908,342</u>
Less accumulated depreciation	<u>(843,617)</u>	<u>(748,863)</u>
Net Capital Assets	\$ <u>762,735</u>	<u>857,489</u>

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

Lawrence County Emergency Communications District's Debt

The District has one loan (\$101,785) on its building, which it is paying as scheduled.

Economic Environment and Next Year's Budget and Rates

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

Requests for Information

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

Johnny Cheatwood
Lawrence County Emergency Communications District

FINANCIAL STATEMENTS

LAWRENCE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Statement of Net Position

June 30, 2015

<u>Assets and Deferred Inflows</u>	<u>Account Number</u>	
Current Assets:		
Cash and cash equivalents	1001	\$443,051
Prepaid insurance	1009	25,186
Total Current Assets		468,237
Capital Assets:		
Communication equipment	1308	908,342
Furniture and equipment	1304	23,996
Building improvements	1302	400,000
Leasehold improvements	1312	274,014
Less accumulated depreciation - comm. equip.	1309	(499,331)
Less accumulated depreciation - furniture and equipment	1305	(23,996)
Less accumulated depreciation - building	1303	(146,667)
Less accumulated depreciation - leasehold	1313	(173,623)
Total Capital Assets, Net		762,735
Pension position	1060	214,048
Deferred outflow - pension	1620	43,396
Total Assets and Deferred Inflows		\$1,488,416
 <u>Liabilities</u>		
Current Liabilities		
Accounts payable	2001	13,907
Accrued liabilities	2020	46,504
Current portion of long-term debt	2202	49,810
Total Current Liabilities		110,221
 <u>Other Liabilities</u>		
Post retirement benefits	2205	130,000
Long-term debt	2202	51,975
		181,975
Total liabilities		\$292,196
Deferred inflow - pension	2270	171,937
 Net Position		
Net investment in capital assets	2301	660,950
Unrestricted	2320	363,333
Total Net Position		1,024,283

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

LAWRENCE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**Statement of Revenues, Expenses
and Changes in Net Position**

For the Year Ended June 30, 2015

	<u>Account Number</u>	
Operating Revenues:		
Emergency Telephone Service Charge	3001	\$101,833
State Emergency Communications Board Wireless Charge	3002	57,366
TECB Distribution of Excess Revenue	3020	300,747
Total Operating Revenues		<u>459,946</u>
Operating Expenses:		
Salaries and wages	4000	616,821
Employee benefits	4100	282,903
Contract services	4200	80,315
Supplies and materials	4300	7,272
Depreciation	4500	94,783
Rental expense	4227	21,379
Insurance	4409	23,960
Repair and maintenance	4232	23,992
Training and travel	4418	16,031
Utilities	4307	75,828
Miscellaneous	4499	2,916
Total Operating Expenses		<u>1,246,200</u>
Operating income (loss)		<u>(786,254)</u>
Nonoperating Revenues (Expenses):		
Interest expense	5010	(6,504)
Interest income	5002	81
Contributions -Other governments	3101	678,490
Contributions -State Emergency Communications	3103	155,114
Total Nonoperating Revenues (Expenses)		<u>827,181</u>
Net change in position		40,927
Net position, June 30, 2014		<u>954,833</u>
Restatement		28,523
Net position, June 30, 2014, as restated		983,356
Net position, June 30, 2015		<u>\$1,024,283</u>

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

LAWRENCE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Statement of Cash Flows

For the Year Ending June 30, 2015

Cash Flows from Operating Activities:	
Cash received from operations	\$513,141
Cash paid to employees	(899,724)
Cash paid to suppliers	(296,381)
Net Cash Provided (Used) by Operating Activities	<u>(682,964)</u>
Cash Flows from Capital and Related Financing Activities:	
Payments of debt- principal	(47,734)
Payments of interest	(6,504)
Acquisition of capital assets	0
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(54,238)</u>
Cash Flows from Noncapital financing:	
Operating contributions	<u>833,604</u>
Net Cash Provided (Used) by Noncapital financing	<u>833,604</u>
Cash Flows from Investing Activities:	
Interest received	<u>81</u>
Net Cash Provided (Used) by Investing Activities	<u>81</u>
Net Change in Cash	96,483
Cash and Cash Equivalents, June 30, 2014	<u>346,568</u>
Cash and Cash Equivalents, June 30, 2015	<u><u>\$443,051</u></u>

Reconciliation of Operating Income to Net Cash Provided by Operating Activities

Operating income (loss)	(\$786,254)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	94,783
Change in assets (increase) decrease:	
Accounts receivable	53,195
Deferred outflows	(43,396)
Net pension position	(185,554)
Change in liabilities increase (decrease):	
Account payable and accrued liabilities	325
Post-retirement benefits	12,000
Deferred inflows	<u>171,937</u>
Net Cash Provided (Used) by Operating Activities	<u><u>(\$682,964)</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

LAWRENCE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements

June 30, 2015

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

Basis of Accounting

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

Cash and Cash Equivalents

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

Supply Inventory

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

Capital Assets

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

Net Position Flow Assumption

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

LAWRENCE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements

June 30, 2015

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Estimates

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

Annual budget

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

Operating revenues and operating expenses

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

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net 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(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has no items that qualify for reporting in this category.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has items that qualify for reporting in this category.

Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from the District's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

LAWRENCE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements

June 30, 2015

Note 2 - CASH AND CERTIFICATES OF DEPOSIT

All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

For deposits with financial institutions that do not participate in the bank collateral pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the District.

Note 3 - CAPITAL ASSETS

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

	Balance <u>6-30-14</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>6-30-15</u>
Communications equipment	908,342	-	-	908,342
Buildings	400,000	-	-	400,000
Leasehold improvements	274,014	-	-	274,014
Equipment and furniture	<u>23,996</u>	<u>-</u>	<u>-</u>	<u>23,996</u>
Total	1,606,352	-	-	1,606,352
Less accumulated depreciation				
	Balance <u>6-30-14</u>			Balance <u>6-30-14</u>
Communications equipment	434,608			499,331
Buildings	133,333			146,667
Leasehold improvements	156,926			173,623
Equipment and furniture	<u>23,996</u>			<u>23,996</u>
Less accumulated depreciation	<u>(748,863)</u>			<u>(843,617)</u>
Utility plant - net	<u>\$857,489</u>			<u>762,735</u>

Depreciation expense consists of communication equipment \$64,753, Building \$13,333, and Leasehold \$16,697. All assets are being depreciated.

LAWRENCE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements

June 30, 2015

Note 4 - LONG-TERM DEBT

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

	Balance <u>6-30-14</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>6-30-15</u>
Series 2005	\$ 149,519	-	47,734	101,785

Future maturities of note principal and interest are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2016	49,810	4,427
2017	<u>51,975</u>	<u>2,262</u>
Total	\$ <u>101,785</u>	<u>6,689</u>

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

Note 5 - RISK MANAGEMENT

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

Note 6 - PENSION PLAN

General Information about the Pension Plan

Plan description. Employees of the District are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

LAWRENCE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements

June 30, 2015

Note 6 - PENSION PLAN, Continued

Benefits provided. Tennessee Code Annotated Title 8, Chapter 34-37 established the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees covered by benefit terms. At the measurement date of June 30, 2014, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	8
Active employees	<u>15</u>
Total	<u>25</u>

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be charged by the Tennessee General Assembly. Employees contribute 5 percent of salary. The District makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for the District were (\$43,396) based on a rate of (7%) percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the District's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

The District's net pension liability (asset) was measured as of June 30, 2014, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

LAWRENCE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements

June 30, 2015

Note 6 - PENSION PLAN, Continued

Actuarial assumptions. The total pension liability as of June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation 3.0 percent

Salary increases Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation averaging 4.25 percent.

Investment rate of return 7.5 percent, net of pension plan investment expenses, including inflation.

Cost-of-Living Adjustment 2.5 percent

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset class</u>	<u>Long-term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real Estate	4.73%	7%
Short-term securities	0.00%	<u>1%</u>
Total		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

LAWRENCE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements

June 30, 2015

Note 6 - PENSION PLAN, Continued

Discount rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the District will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balance at 6/30/13	\$ 1,031,978	\$ 1,009,611	\$ 22,367
Changes for the year:			
Service cost	46,037		46,037
Interest	80,399		80,399
Differences between expected and actual experience	(106,742)		(106,742)
Contributions- employer		50,890	(50,890)
Contributions- employees		29,382	(29,382)
Net investment income		176,428	(176,428)
Benefit payments, including refunds of employee contributions	(12,076)	(12,076)	-
Administrative expense		(591)	591
Net changes	7,618	244,033	(236,415)
Balance at 6/30/14	\$ 1,039,596	\$ 1,253,644	\$ (214,048)

LAWRENCE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements

June 30, 2015

Note 6 - PENSION PLAN, Continued

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of the District calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
District's net pension Liability (asset)	(54,123)	(214,048)	(345,970)

Pension Expense (income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension income. For the year ended June 30, 2015, the District recognized pension income of \$13,588.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2015, the District reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and Actual experience	-	93,399
Net difference between projected and Actual earning on pension plan Investments		78,538
Contributions subsequent to the Measurement date of June 30, 2014	<u>43,396</u>	-
Total	<u>43,396</u>	<u>171,937</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2016	(32,977)
2017	(32,977)
2018	(32,977)
2019	(32,977)
2020	(13,343)
Thereafter	(26,686)

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

LAWRENCE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements

June 30, 2015

Note 7 - LIABILITY FOR COMPENSATED ABSENCES

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

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

Note 8 - COMMITMENTS AND CONTINGENCIES

Federal and State Grants

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

Note 9 - BUDGETS AND BUDGETARY ACCOUNTING

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

- a. Formal budgets are adopted and approved by Board vote on an annual basis. These budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- b. The Board approves, total budget appropriations. The Manager is authorized to transfer budget amounts between line items within each department; however, any revisions that alter the total appropriations of any fund must be approved by the Board.
- c. The budget amounts shown in the financial statements are the final authorized amounts as amended during the year.

LAWRENCE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements

June 30, 2015

Note 10 - POST - RETIREMENT BENEFITS

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

Funding policy

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

Annual OPEB Cost and Net OPEB Obligation

ARC	\$	12,000
Interest on the NPO		1,150
Adjustment to the ARC		<u>-1,150</u>
Annual OPEB Cost		12,000
Contribution		<u>0</u>
Increase/decrease in NPO		12,000
Net OPEB obligation – beginning of year		118,000
Net OPEB obligation – end of the year		<u>130,000</u>

Trend Information

Fiscal Year <u>Ending</u>	Annual Pension <u>Cost (APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
6/30/2013	\$ 12,000	0%	\$ 106,000
6/30/2014	\$ 12,000	0%	\$ 118,000
6/30/2015	\$ 12,000	0%	\$ 130,000

LAWRENCE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements

June 30, 2015

Note 10 - POST - RETIREMENT BENEFITS, Continued

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

Actuarial Methods and Assumptions

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

In the July 1, 2009, actuarial valuation the annual healthcare cost trend for the Medicare Supplement was 1percent for fiscal year 2015. The trend will rise to 10% in fiscal year 2015 and then will be reduced by decrements to an ultimate rate of 5% by fiscal year 2021. These rates include a 3 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30 year period.

REQUIRED SUPPLEMENTARY
INFORMATION

Schedules of Required Supplementary Information

Schedule of Changes in Lawrence County Emergency Communications District's Net Pension Liability (Asset) and Related Ratios Based on Participation in the Public Employee Pension Plan of TCRS Last Fiscal Year ending June 30

		2014
Total pension liability		
Service cost	\$	46,037
Interest		80,399
Changes in benefit terms		-
Differences between actual & expected experience		(106,742)
Change of assumptions		-
Benefit payments, including refunds of employee contributions		(12,076)
Net change in total pension liability		7,618
Total pension liability-beginning		1,031,978
Total pension liability-ending (a)	\$	1,039,596
 Plan fiduciary net position		
Contributions-employer	\$	50,890
Contributions-employee		29,382
Net investment income		176,428
Benefit payments, including refunds of employee contributions		(12,076)
Administrative expense		(591)
Net change in plan fiduciary net position		244,033
Plan fiduciary net position-beginning		1,009,611
Plan fiduciary net position-ending (b)	\$	1,253,644
 Net Pension Liability (asset)-ending (a) – (b)	\$	(214,048)
 Plan fiduciary net position as a percentage of total pension liability		120.59%
 Covered-employee payroll	\$	587,645
 Net pension liability (asset) as a percentage of covered-employee payroll		36.42%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will added to this schedule in future fiscal years until 10 years of information is available.

LAWRENCE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**Schedule of Contributions Based on Participation in the
Public Employee Pension Plan of TCRS**

For the Year Ended June 30, 2015

	<u>2014</u>	<u>2015</u>
Actuarially determined contribution	50,890	43,396
Contributions in relation to the actuarially determined contribution	<u>50,890</u>	<u>43,396</u>
Contribution deficiency (excess)	<u><u>\$50,890</u></u>	<u><u>\$43,396</u></u>
Covered-employee payroll	<u>587,645</u>	<u>588,364</u>
Contributions as a percentage covered-employee payroll	8.66%	7.40%

Notes to Schedule

Valuation date: Actuarially determined contribution rates for 2015 were calculated based on the July 1, 2013 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	3 years
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment Rate of Return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.5 percent

LAWRENCE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Schedule of Funding Progress

June 30, 2015

(1) Post Retirement Benefits

Schedule of Funding Progress (Dollar amounts in thousands)

Actuarial Valuation Date	<u>July 1, 2011</u>	<u>July 1, 2013</u>
Actuarial Valuation Assets:	\$ 0	\$ 0
Actuarial Accrued Liability:	\$ 118	\$ 130
Unfunded AAL:	\$ 118	\$ 130
Funded Ratio:	0%	0%
Covered Payroll:	\$ 517	\$ 617
UAAL as Percentage of Payroll:	0%	0%

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

SUPPLEMENTAL
INFORMATION

LAWRENCE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Schedule of Revenues and Expenses
Budget and Actual

For the Year Ended June 30, 2015

		<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
State Emergency Communications Board Wireless Charge				
Operating Revenues:	<u>Number</u>			
Emergency Telephone Service Charge	3001	\$279,000	\$101,833	(\$177,167)
State Emergency Communications Board Wireless Charge	3002	100,000	57,366	(42,634)
TECB Distribution of Excess Revenue	3020	0	300,747	300,747
Total Operating Revenues		<u>379,000</u>	<u>459,946</u>	<u>80,946</u>
Operating Contributions:				
Other governments	3101	714,382	678,490	(35,892)
State Emergency Communications - TECB- Operational Funding	3103	391,000	155,114	(235,886)
Total Operating Contributions		<u>1,105,382</u>	<u>833,604</u>	<u>(271,778)</u>
Operating Expenses:				
Salaries and wages	4000	676,922	616,821	60,101
Employee benefits	4100	300,610	282,903	17,707
Contract services	4200	80,700	80,315	385
Supplies and materials	4300	15,750	7,272	8,478
Depreciation	4500	203,000	94,783	108,217
Rental expense	4227	27,500	21,379	6,121
Insurance	4409	28,100	23,960	4,140
Repair and maintenance	4232	24,700	23,992	708
Training and travel	4418	17,000	16,031	969
Utilities	4307	76,500	75,828	672
Miscellaneous	4499	8,001	2,916	5,085
Total Operating Expenses		<u>1,458,783</u>	<u>1,246,200</u>	<u>212,583</u>
Operating income (loss)		<u>25,599</u>	<u>47,350</u>	<u>21,751</u>
Nonoperating Revenues (Expenses):				
Interest expense	5010	(54,300)	(6,504)	47,796
Interest income	5002	75	81	6
Total Nonoperating Revenues (Expenses)		<u>(54,225)</u>	<u>(6,423)</u>	<u>47,802</u>
Net change in position		<u>(28,626)</u>	<u>40,927</u>	<u>69,553</u>

LAWRENCE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Schedule of Debt Service Requirements

June 30, 2015

<u>Year</u>	CAPITAL OUTLAY BUILDING		TOTALS	
	Principal	Interest	Principal	Interest
2016	\$ 49,810	4,427	49,810	4,427
2017	51,975	2,262	51,975	2,262
\$	<u>101,785</u>	<u>6,689</u>	<u>101,785</u>	<u>6,689</u>

LAWRENCE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Schedule of Expenses

For the Year Ended June 30, 2015

<u>Account</u>	<u>Account Number</u>	<u>Amount</u>
Director- wages	4001	\$ 64,376
Admin personnel - wages	4002	37,121
Telecommunications wages	4004	427,317
Overtime - wages	4008	59,550
Part-time wages	4009	20,935
Well pay bonus	4010	7,867
Social security	4101	36,500
Medicare	4102	8,536
Life insurance	4103	1,393
Medical insurance	4104	230,513
Dental insurance	4105	3,028
Unemployment insurance	4107	2,588
Audit	4203	1,900
Accounting	4201	575
Repair and maintenance	4332	24,227
Addressing - contract	4201	1,023
Janitorial service	4216	6,030
Service contracts	4208	62,243
On-line lease	4299	8,000
Pest control	4225	544
Drinking water	4301	1,004
Rents	4227	19,000
Supplies	4399	4,963
Uniforms	4306	1,305
Utilities	4307	19,532
Telephone	4312	56,296
Dues	4405	1,444
Workmen's compensation	4407	1,823
Liability insurance	4408	6,696
Building insurance	4409	16,575
Vehicle insurance	4411	507
Conferences	4418	4,141
Training	4418	10,636
Travel	4419	1,254
Depreciation	4501	94,783
Interest	5010	6,504
Miscellaneous	4499	1,975
Total expenses		\$ <u><u>1,252,704</u></u>

LAWRENCE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Schedule of State Financial Assistance

For the Year Ended June 30, 2015

<u>Program Name</u>	<u>Grantor Agency</u>	Receivable (Deferred) Balance July 1, 2014	Cash Receipts	Other Receipts	Cash Expenditures	Receivable (Deferred) Balance June 30, 2015
State Program:						
Training	State of Tennessee Commerce and Insurance	<u>\$0</u>	<u>8,000</u>	<u>0</u>	<u>8,000</u>	<u>0</u>
Operations	State of Tennessee Commerce and Insurance	<u>\$0</u>	<u>83,607</u>	<u>0</u>	<u>83,607</u>	<u>0</u>
AT&T Reimbursement	State of Tennessee Commerce and Insurance	<u>\$0</u>	<u>5,720</u>	<u>0</u>	<u>5,720</u>	<u>0</u>
TECB Distribution	State of Tennessee Commerce and Insurance	<u>\$0</u>	<u>300,747</u>	<u>0</u>	<u>300,747</u>	<u>0</u>
TIPS/GIS	State of Tennessee Commerce and Insurance	<u>\$0</u>	<u>52,787</u>	<u>0</u>	<u>52,787</u>	<u>0</u>
GIS	State of Tennessee Commerce and Insurance	<u>\$0</u>	<u>5,000</u>	<u>0</u>	<u>5,000</u>	<u>0</u>
Totals		<u>\$0</u>	<u>\$455,861</u>	<u>0</u>	<u>\$455,861</u>	<u>\$0</u>

COMPLIANCE AND INTERNAL CONTROL

JOHN R. POOLE, CPA
CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Lawrence County Emergency Communications District
Lawrenceburg, Tennessee

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

Internal Control Over Financial Reporting

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

My consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, I identified a deficiency in internal control that I consider to be a material weakness (2004-001 Lack of segregation of Duties).

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A 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. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiency described below (2004-001) to be a material weakness.

The material weakness is as follows:

2004-001 Separation of Duties

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

Management Response:

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

Compliance and Other Matters

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

Response to Finding

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

Purpose of This Report

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



September 30, 2015

LAWRENCE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Schedule of Disposition of Prior Year Comments

June 30, 2015

<u>Finding Number</u>	<u>Finding Title</u>	<u>Status</u>
2004-001	Separation of Duties	Continues