LAUDERDALE COUNTY AMBULANCE AUTHORITY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

LAUDERDALE COUNTY AMBULANCE AUTHORITY

TABLE OF CONTENTS

	Page Number
Management's Discussion and Analysis	1-3
Independent Auditor's Report	4-5
Basic Financial Statements	
Statement of Net Assets	6
Statement of Activities	7
Balance Sheet	8
Statement of Revenue, Expenditures, and Changes in Fund Balance	9
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Government Funds	10
Statement of Revenues, Expenditures and Changes in Net Assets—Budget and Actual	11
Notes to Financial Statements	12-15
Internal Control and Compliance	
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	16-17
Schedule of Findings, Recommendations, and Replies for the Year Ended June 30, 2012	18-19

LAUDERDALE COUNTY AMBULANCE AUTHORITY
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Management's Discussion and Analysis

The following discussion and analysis of the Lauderdale County Ambulance Authority's financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2012.

Financial Highlights

- The assets of the Lauderdale County Ambulance Authority exceeded its liabilities at the close of the most recent fiscal year by $570,278 (*net assets*). Of this amount, $493,162 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors. The remaining amount, $77,116 (*invested in capital assets*) reflects the net assets invested in capital assets.

- The total net assets increased by $148,563 for the fiscal year ended June 30, 2012.

- The Ambulance Authority ended the year June 30, 2012 with cash of $170,824, representing a increase of $19,433 over the year. None of this cash is restricted for specific purposes.

Overview of the Financial Statements

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

Government-wide financial statements.
The *government-wide financial statements* are designed to provide readers with a broad overview of the Lauderdale County Ambulance Authority's finances, in a manner similar to a private-sector business. The *statement of net assets* presents information on all of the Lauderdale County Ambulance Authority's assets and liabilities, with the difference between the two reported as *net assets.* Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Ambulance Authority is improving or deteriorating. The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected ambulance revenue and accounts payable). Both the Statement of Net Assets and the Statement of Activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in prior reporting models.

Fund financial statements.
A fund is established to account for a specific activity or purpose. Law mandates the creation of some funds. Other funds are established by management to demonstrate financial compliance with budget or legal requirements. *Government funds* are used to account for the Authority's basic services. The governmental fund statements provide a detailed short-term view of the

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

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

Other information.
In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information including a budgetary comparison schedule.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Lauderdale County Ambulance Authority, assets exceeded liabilities by $498,722 at the close of the fiscal year. The largest portions of the Ambulance Authority's assets are capital assets (35%), receivables and (50%). The investment in property, plant and equipment are used to provide services to citizens. Consequently, these assets are not available for future spending.

Lauderdale County Ambulance Authority's Net Assets

	2012	2011
Current assets	$ 522,420	$ 329,463
Capital assets	77,116	120,976
Total assets	$ 599,536	$ 450,439
Current liabilities	$ 29,258	$ 28,876
Net assets invested in capital assets	77,116	120,976
Net assets--unrestricted	493,162	300,587
Total liabilities and net assets	$ 599,536	$ 450,439

Lauderdale County Ambulance Authority's Statement of Activities

	2012	2011
Program revenues	$1,245,748	$1,026,836
Program expenses	1,100,583	1,104,108
Interest income and other income	3,550	113
Change in net assets	$ 148,715	$ (77,159)
Net assets at beginning of period	421,722	498,722
Net assets at end of period	$ 570,278	$ 421,563

Budgetary Highlights

Differences between the final budget and the final operations were $192,575). Operating revenues were $136,998 more than anticipated and operating expenses were $72,141 less than anticipated.

Capital Assets

The Lauderdale County Ambulance Authority's investment in capital assets was $77,116 (net of accumulated depreciation) as of June 30, 2012. This reflects equipment purchased in recent years. Capital assets purchased prior to June 30, 2004 have been reported by Lauderdale County.

Future Projections

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

Requests for Information

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

Beverly Bates
Director

MARTHA CRITES

Certified Public Accountant

115 South Front • Halls, TN 38040
(731) 836-5987

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

Independent Auditor's Report

I have audited the accompanying financial statements of the governmental activities and the major fund of the Lauderdale County Ambulance Authority of Lauderdale County, Tennessee, a separately reported special revenue fund of Lauderdale County, (the Authority), as of and for the year ended June 30, 2012, as listed in the table of contents and the respective budgetary comparison for the Ambulance Authority. These financial statements are the responsibility of the Lauderdale County Ambulance Authority's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in Note 1, the financial statements present only the financial position of the Lauderdale County Ambulance Authority and do not purport to, and do not, present fairly the financial position of Lauderdale County, Tennessee as of June 30, 2012, and the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Lauderdale County Ambulance Authority, a separately reported special revenue fund of Lauderdale County, at June 30, 2012, and the respective changes in financial position and the respective budgetary comparison for the Ambulance Authority thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* I have also issued my report dated November 7, 2012, on my consideration of the Lauderdale County Ambulance Authority's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, and contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my 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

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accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of my audit.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3-5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statement 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 I obtained during my 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.

Martha Cites CPA

November 7, 2012

LAUDERDALE COUNTY AMBULANCE AUTHORITY
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2012

ASSETS	
Cash and cash equivalents	$ 170,824
Accounts receivable (net of allowance for doubtful accounts of $ 224,182)	351,596
Capital assets	
Equipment	322,725
Accumulated depreciation	(245,609)
Total Assets	$ 599,536
LIABILITIES	
Accounts payable	$ 3,866
Accrued payroll	25,392
Total Liabilities	$ 29,258
NET ASSETS	
Invested in capital assets	77,116
Unrestricted	493,162
Total Net Assets	$ 570,278
Total Liabilities and Net Assets	$ 599,536

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

LAUDERDALE COUNTY AMBULANCE AUTHORITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

	Program Revenues				Net (Expenses)
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Revenue and Changes in Net Assets**
Lauderdale County Ambulance Authority	$ 1,100,583	$ 1,245,748	$ -	$ -	$ 145,165
Other income					3,500
Interest					50
Change in net assets					148,715
Net assets at beginning of period					421,563
Net assets at end of period					$ 570,278

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

LAUDERDALE COUNTY AMBULANCE AUTHORITY
BALANCE SHEET
JUNE 30, 2012

ASSETS	
Cash and cash equivalents	$ 170,824
Accounts receivable (net of allowance for doubtful accounts of $ 224,182)	351,596
Total Assets	$ 522,420
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable	$ 3,866
Accrued payroll	25,392
Total Liabilities	29,258
Fund balance	
Unrestricted	493,162
Total Liabilities and Fund Balance	$ 522,420

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

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

Total fund balance per balance sheet	$ 493,162
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	322,725
Accumulated depreciation in governmental activities are not a use of financial resources and are not reported in the funds	(245,609)
Net assets of governmental activities	$ 570,278

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

LAUDERDALE COUNTY AMBULANCE AUTHORITY
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2012

REVENUES		
Services	$ 1,245,748	
Other income	3,500	
Interest revenue	50	
Total Revenues		$ 1,249,298
EXPENDITURES		
Salaries	$ 642,321	
Employee insurance and medical expense	73,454	
Maintenance and repair	67,249	
Gasoline and diesel	64,022	
Payroll taxes	47,250	
Insurance	46,972	
Retirement expense	29,660	
Medical and cleaning supplies	27,250	
Equipment purchased	11,718	
Utilities	7,373	
Office supplies	7,233	
Miscellaneous	5,700	
Telephone	4,041	
Professional services	4,410	
Collection agency	3,819	
Data processing supplies	3,471	
Medical director	3,000	
Education	2,270	
Oxygen	1,907	
Licenses	1,767	
Uniforms	1,223	
Dues and subscriptions	240	
Bank charges	198	
Travel	175	
Total expenditures		1,056,723
Net change in fund balance		192,575
Fund balance, July 1		300,587
Fund balance, June 30		$ 493,162

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

LAUDERDALE COUNTY AMBULANCE AUTHORITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENT FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balance--government funds	$ 192,575
Government funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlays exceed depreciation in the current period	(43,860)
Change in net assets of governmental activities	$ 148,715

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

LAUDERDALE COUNTY AMBULANCE AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE--BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE)
REVENUES				
Services	$ 1,112,300	$ 1,128,864	$ 1,245,748	$ 133,448
Interest or other revenue	-	-	3,550	3,550
Total Revenues	$ 1,112,300	$ 1,128,864	$ 1,249,298	$ 136,998
EXPENDITURES				
Salaries	$ 700,000	$ 638,886	$ 642,321	$ (3,435)
Employee insurance and medical expense	100,000	100,000	73,454	26,546
Insurance	50,000	50,000	46,972	3,028
Payroll taxes	60,000	60,000	47,250	12,750
Retirement expense	40,000	40,000	29,660	10,340
Gasoline and diesel	46,000	64,022	64,022	-
Medical and cleaning supplies	40,000	35,458	27,250	8,208
Maintenance and repair	30,000	73,955	67,249	6,706
Equipment purchased	-	-	11,718	(11,718)
Utilities	7,000	7,220	7,373	(153)
Office supplies	7,000	7,194	7,233	(39)
Telephone	4,000	4,000	4,041	(41)
Professional services	4,200	4,410	4,410	-
Education	-	16,564	2,270	14,294
Medical director	3,000	3,000	3,000	-
Collection agency	3,000	3,819	3,819	-
Data processing supplies	3,500	3,500	3,471	29
Oxygen	3,000	3,000	1,907	1,093
Miscellaneous	2,000	4,236	5,700	(1,464)
Travel	2,000	2,000	175	1,825
Licenses	2,000	2,000	1,767	233
Dues and subscriptions	350	350	240	110
Bank charges	250	250	198	52
Uniforms	5,000	5,000	1,223	3,777
Total expenditures	$ 1,112,300	$ 1,128,864	$ 1,056,723	$ 72,141
Net change in fund balance	-	-	192,575	(192,575)
Fund balance, July 1,	300,587	300,587	300,587	-
Fund balance, June 30	$ 300,587	$ 300,587	$ 493,162	$ (192,575)

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

Note 1: Summary of Significant Accounting Policies

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

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

Reporting Entity

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

Government-wide and Fund Financial Statements

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Accounts receivable are reduced by an allowance for uncollectible accounts. The

Note 1: Summary of Significant Accounting Policies (continued)

Authority has one fund, which is a self-balancing account comprised of its assets, liabilities, fund equity, revenues and expenditures/expenses.

Assets, Liabilities, and Net Assets

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

Cash in bank	$ 170,683
Cash on hand	114
Total	$ 170,824

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

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

Depreciation of capital assets is computed and recorded by the straight-line method over the estimated useful lives of the assets. Estimated useful lives of the vehicles and equipment are five years. Total depreciation expense was $55,578 for the year ended June 30, 2012.

Allowance for Uncollectible Accounts—The Authority's allowance for estimated uncollectible receivables at June 30, 2012 was $224,182.

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

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

Note 2: Reconciliation of Government and Fund Financial Statements

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

Capital outlay	$ 11,718
Depreciation expense	(55,578)
Net adjustment	$(43,860)

Note 3. Stewardship, Compliance, and Accountability

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

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

Note 4. Detailed Notes on All Funds

Cash and investments

Cash in banks is insured up to $250,000 by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2012, all deposits were covered by FDIC. Under the laws of Tennessee, the Ambulance Authority is authorized to invest with obligations of the United States or its agencies, direct obligations of the State of Tennessee or it agencies, collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, certificates of deposit if insured by a Federal Deposit Insurance Corporation or the Tennessee Collateral Pool. During the year ended June 30, the Ambulance Authority did not own any types of securities other than those permitted by statute.

Capital assets

Fixed assets are summarized as follows:

	Balance June 30, 2011	Additions	Retirements	Balance June 30, 2012
Capital assets being depreciated:				
Vehicles	$ 289,295	$ 10,500	$ 46,363	$ 253,432
Equipment	68,075	1,218	0	69,293
Subtotal	357,370	11,718	46,363	322,725
Less accumulated depreciation for:				
Vehicles	184,009	46,813	46,363	184,459
Equipment	52,385	8,765	0	61,150
Subtotal	236,394	55,578	46,363	245,609
Total capital assets, being depreciated, net	$ 120,976	$(43,860)	$ 0	$ 77,116

Note 4. Detailed Notes on All Funds (continued)

Pension plan

The pension fund of the Lauderdale County Ambulance Authority is included in the total retirement program for Lauderdale County, Tennessee under the Tennessee Consolidated Retirement System. Five percent (5%) is deducted from the employee's checks and the Ambulance Authority pays a percentage match of 7.16% to fund the employees retirement. Retirement is based on thirty years of service or reaching the age of sixty. For details relative to the funding status and progress, actuarial determined contribution requirements and contributions made, and trend information refer to the Comprehensive Annual Financial Report for Lauderdale County.

Note 5. Other Information

Risk management

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

Concentration of credit risk

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

MARTHA CRITES

Certified Public Accountant

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

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

I have audited the financial statement of Lauderdale County Ambulance Authority, a special revenue fund of Lauderdale County, Tennessee, as of and for the year ended June 30, 2012 and have issued my report dated November 7, 2012. I conducted my 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.

Internal Control Over Financial Reporting

Management of Lauderdale County Ambulance Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, I considered Lauderdale County Ambulance Authority's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Ambulance Authority's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Lauderdale County Ambulance Authority's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weakness have been identified. However, as described in the accompanying schedule of findings, I identified certain deficiencies in internal control over financial reporting that I consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements of 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. I consider the deficiencies described in the accompanying schedule of findings to be a material weakness. (2011-01, 2011-02, and 2011-3)

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A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. Other than the material weaknesses described above, no additional significant deficiencies were noted.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lauderdale County Ambulance Authority'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 financial statements amounts. However, providing an opinion on compliance with these provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards.*

Lauderdale County Ambulance Authority's response to the findings identified in my audit are described in the accompanying Schedule of Findings, Recommendations, and Replies. I did not audit Lauderdale County Ambulance Authority's responses and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of the Lauderdale County Ambulance Authority management, the Lauderdale County Commissioners, and the Tennessee State Comptroller's Office and other regulatory bodies, and is not intended to be and should not be used by anyone other than those specified parties.

November 7, 2012

Martha Cates CPA

LAUDERDALE COUNTY AMBULANCE AUTHORITY
SCHEDULE OF FINDINGS, RECOMMENDATIONS, AND REPLIES
FOR THE YEAR ENDED JUNE 30, 2012

STATUS OF PRIOR FINDINGS

2011-01 Due to the small size of the organization, there is a lack of segregation of duties over some accounting functions. See finding 2012-01. This condition continues to exist.

2011-02 Annual audit adjustments are necessary each year to convert the books and records from fund financial statements to government-wide financial statements. See finding 2012-02. This condition continues to exist.

2011-03 The Ambulance Service maintains monthly financial records so that reasonable operations can be maintained. The Ambulance Service does not currently employ or utilize the services of a person/firm who possesses the expertise to properly prepare the external audited financial statements and related notes. Although the Ambulance Service has engaged an accounting firm to prepare such financial statements in connection with the audit, the accounting firm is not a part of the internal control system. See finding 2012-03. This condition continues to exist.

CURRENT FINDINGS

2012-01 Due to the small size of the organization, there is a lack of segregation of duties over some accounting functions.

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

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

2012-02 Annual audit adjustments are necessary each year to convert the books and records from fund financial statements to government-wide financial statements.

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

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

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

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

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