

RECEIVED  
JAN 16 2009  
COUNTY AUDIT

LINCOLN COUNTY "9-1-1" EMERGENCY COMMUNICATIONS DISTRICT

FINANCIAL STATEMENTS  
AS OF JUNE 30, 2008 AND 2007  
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

LINCOLN COUNTY "9-1-1" EMERGENCY COMMUNICATIONS DISTRICT

FAYETTEVILLE, TENNESSEE

June 30, 2008

BOARD

Robert Strobe, Chairman

Murray Blackwelder, Vice Chairman

Mike Hall, Secretary

Joe Vann, Treasurer

Douglas Carver

James McNeal

Billy Gray

Richard Wright

Joe Young

LINCOLN COUNTY "9-1-1" EMERGENCY COMMUNICATIONS DISTRICT

TABLE OF CONTENTS

	<u>Page No.</u>
INDEPENDENT AUDITOR'S REPORT .....	3
AUDITED FINANCIAL STATEMENTS	
Statements of Net Assets .....	4
Statements of Revenues, Expenses and Changes in Net Assets.....	5
Statements of Cash Flows.....	6
Notes to Financial Statements.....	7-10
OTHER FINANCIAL INFORMATION	
Schedule of Budgeted Revenues and Expenses .....	12
Schedule of Insurance - Unaudited.....	13
Schedule of Rates and Number of Customers.....	14
Schedule of Information Required by the Tennessee Emergency Communications Board .....	15
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 AUDIT STANDARDS .....	16-17
Schedule of Findings and Responses.....	18

DAVID A. KIDD  
Certified Public Accountant

115 N. Main ❖ P.O. Box 66  
Fayetteville, TN 37334

(931) 433-0128  
Fax (931) 433-0650

INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Lincoln County "9-1-1" Emergency Communications District  
Fayetteville, Tennessee

I have audited the accompanying financial statements of the Lincoln County "9-1-1" Emergency Communications District (the "District"), a component unit of Lincoln County, Tennessee, as of and for the years ended June 30, 2008 and June 30, 2007. These financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these financial statements based on my audits

I conducted my audits 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 audits provide a reasonable basis for my opinion.

As discussed in Note A, the financial statements present only the Lincoln County "9-1-1" Emergency Communications District and do not purport to, and do not, present fairly the financial position of Lincoln County, Tennessee as of June 30, 2008 and June 30, 2007, and the changes in its financial position and cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The District has elected not to present management's discussion and analysis (MD&A) as supplementary information as required by the Government Accounting Standards Board because it is not a required part of the basic financial statements.

In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Lincoln County "9-1-1" Emergency Communications District as of June 30, 2008 and June 30, 2007, and the changes in financial position and cash flows thereof for the years 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 a report dated November 12, 2008, on my consideration of Lincoln County "9-1-1" Emergency Communications District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of 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 my audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of my audits.

My audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedules listed as other financial information in the table of contents are presented for the purpose of additional analysis and are not a required part of the financial statements of the Lincoln County "9-1-1" Emergency Communications District. Such information, except as marked "unaudited" on which I express no opinion, has been subjected to the auditing procedures applied in my audits of the financial statements and, in my opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

November 12, 2008

DAVID A. KIDD

LINCOLN COUNTY "9-1-1" EMERGENCY COMMUNICATIONS DISTRICT  
STATEMENTS OF NET ASSETS

June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 572,906	\$ 493,952
Accounts receivable	26,198	25,328
Grant/reimbursement receivable	78,196	3,699
Interest receivable	618	3,205
Prepaid expenses	<u>4,012</u>	<u>8,500</u>
Total Current Assets	<u>681,930</u>	<u>534,684</u>
<b>NONCURRENT ASSETS</b>		
Property and equipment, net	863,527	788,047
Deferred charges	<u>1,020</u>	<u>1,311</u>
Total Noncurrent Assets	<u>864,547</u>	<u>789,358</u>
<b>TOTAL ASSETS</b>	<u>1,546,477</u>	<u>1,324,042</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Current maturities of long-term debt	\$ 35,000	\$ 35,000
Accounts payable	13,413	2,857
Due to City of Fayetteville	9,696	3,699
Interest payable	<u>593</u>	<u>732</u>
Total Current Liabilities	58,702	42,288
LONG-TERM DEBT, net of current maturities	<u>115,000</u>	<u>150,000</u>
<b>TOTAL LIABILITIES</b>	<u>173,702</u>	<u>192,288</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	713,527	603,047
Unrestricted assets	<u>659,248</u>	<u>528,707</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 1,372,775</u>	<u>\$ 1,131,754</u>

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

**LINCOLN COUNTY "9-1-1" EMERGENCY COMMUNICATIONS DISTRICT**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**

For the Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<b>OPERATING REVENUES:</b>		
Emergency telephone service charges	\$ 157,764	\$ 160,191
Tennessee Emergency Communications Board-Shared Wireless Charge	71,701	66,586
Tennessee Emergency Communications Board-Operational Funding	<u>104,081</u>	<u>104,081</u>
Total Operating Revenues	333,546	330,858
<b>OPERATING EXPENSES:</b>		
Addressing/ mapping contracted services	1,050	1,669
Fees paid to service providers	42,703	42,650
Maintenance agreements	21,583	22,650
Maintenance and repairs - communications equipment	3,806	-
Maintenance and repairs - building and facilities	2,452	453
Maintenance and repairs - office equipment	750	4,079
Salary and related benefits reimbursed to City of Fayetteville	9,698	33,699
Legal services	500	534
Audit services	3,550	2,750
Office/computer supplies	1,022	2,521
Internet access fees	569	571
Telephone	760	589
Dues and memberships	1,271	866
Legal notice publication	106	32
Surety bond expense	376	312
Training/education conferences	4,840	5,626
Travel	6,923	6,422
Depreciation	78,810	76,319
Amortization	292	292
Other	<u>518</u>	<u>1,410</u>
Total Operating Expenses	<u>181,579</u>	<u>203,444</u>
Operating Income	<u>151,967</u>	<u>127,414</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Interest income	8,963	7,309
Interest expense	<u>(8,105)</u>	<u>(10,612)</u>
Total Nonoperating Revenue/ (Expense)	<u>858</u>	<u>(3,303)</u>
Income Before Reimbursements/Contributions	152,825	124,111
Reimbursements - State Emergency Communications Board	-	38,995
Capital contributions - State Emergency Communications Board	<u>88,196</u>	<u>4,704</u>
CHANGE IN NET ASSETS	241,021	167,810
NET ASSETS, beginning of year	<u>1,131,754</u>	<u>963,944</u>
NET ASSETS, end of year	<u>\$ 1,372,775</u>	<u>\$ 1,131,754</u>

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

**LINCOLN COUNTY "9-1-1" EMERGENCY COMMUNICATIONS DISTRICT**

**STATEMENTS OF CASH FLOWS**

**For the Years Ended June 30, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 228,595	\$ 226,934
Cash received from State of Tennessee for operational funding	104,081	104,081
Cash paid to suppliers for goods and services	<u>(81,436)</u>	<u>(120,677)</u>
Net Cash Provided by Operating Activities	<u>251,240</u>	<u>210,338</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Proceeds from operating reimbursements/contributions	<u>3,699</u>	<u>30,000</u>
Cash Provided by Capital and Related Financing Activities	<u>3,699</u>	<u>30,000</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Additions to property and equipment	(154,290)	(9,222)
Principal paid on long-term debt	(35,000)	(70,000)
Interest paid on long-term debt	(8,244)	(11,594)
Proceeds from capital contributions	<u>10,000</u>	<u>-</u>
Cash Used by Capital and Related Financing Activities	<u>(187,534)</u>	<u>(90,816)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income received	<u>11,550</u>	<u>6,177</u>
Cash Provided by Investing Activities	<u>11,550</u>	<u>6,177</u>
<b>NET INCREASE IN CASH</b>	78,955	155,699
<b>CASH, beginning of year</b>	<u>493,952</u>	<u>338,253</u>
<b>CASH, end of year</b>	<u>\$ 572,907</u>	<u>\$ 493,952</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Operating income	\$ 151,967	\$ 127,414
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	79,102	76,611
Change in operating assets and liabilities:		
(Increase)Decrease in receivables	(870)	157
Decrease in prepaid expenses	4,488	2,357
Increase in payables	<u>16,553</u>	<u>3,799</u>
Net Cash Provided by Operating Activities	<u>\$ 251,240</u>	<u>\$ 210,338</u>

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

LINCOLN COUNTY "9-1-1" EMERGENCY COMMUNICATIONS DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2008 and 2007

Note A - SUMMARY OF ACCOUNTING POLICIES

The accounting policies and the reporting requirements of the Lincoln County "9-1-1" Emergency Communication District ("the District") conform to generally accepted accounting principles as applicable to governmental entities. The District applies all Governmental Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. As allowed by GASB Statement No. 20, the Board has elected to not follow pronouncements of the Financial Accounting Standards Board issued subsequent to November 30, 1989.

*Reporting Entity*

The Lincoln County "9-1-1" Emergency Communications District was organized in 1990 under the "Emergency Communications District Law", Tennessee Code Annotated, Title 7, Chapter 86, in the State of Tennessee for the purpose of establishing a uniform emergency number to shorten the time required for a citizen to request and receive emergency aid in Lincoln County, Tennessee.

The District represents an enterprise fund, a legal entity separate and apart from Lincoln County, Tennessee (the "County" and "Primary Government"). The District's financial statements are reported as a discretely presented component unit of the Primary Government. The District is governed by the Lincoln County "9-1-1" Emergency Communications District Board which consists of seven members appointed by the Lincoln County Board of Commissioners, the Chief of Police of Fayetteville, Tennessee, and the Sheriff of Lincoln County, Tennessee. Each member serves a four-year term. The Directors have the authority to do all things necessary to conduct the business of the District including appointing and fixing the salaries, benefits, and duties of employees and hiring experts and consultants. The District is restricted on the type of debt it can incur without the approval of Lincoln County, Tennessee.

*Revenue Recognition*

The accompanying statements are prepared on the accrual basis utilizing generally accepted accounting principles applicable to Tennessee emergency communications districts. Revenues are recognized when earned (operating revenues as described in Note B are recognized when collected by the service providers) and expenses when incurred. Operating revenues and expenses generally result from charges collected by service providers under the Emergency Communications District Law and related fees for services. Deferred revenues, primarily grant contributions, are recorded when resources have been received, but not yet earned or not considered to be available to liquidate liabilities of the current period. Operating expenses include the cost of contractual services, supplies, repairs and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

*Risk Management*

The District is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; and natural disasters. Lincoln County, Tennessee maintains and pays the premiums for commercial insurance coverage for each of these risks of losses for the District.

Insurance settlements have not exceeded the coverage in any of the past three years. There were no reductions in insurance coverage compared to the prior year.

LINCOLN COUNTY "9-1-1" EMERGENCY COMMUNICATIONS DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2008 and 2007

Note A - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

*Accounts Receivable*

Accounts receivable represent fees collected by certain service providers that are due to the District as of year end. Uncollectible fees/revenues are accounted for as a reduction of revenues based upon periodic review of accounts receivable. As of June 30, 2008 and 2007, in the opinion of management, there were no uncollectible accounts receivable.

*Property and Equipment*

Property and equipment is stated at cost. Depreciation expense is calculated on the straight-line method. The depreciation method and rates are designed to amortize the cost of the assets over their estimated useful lives. The useful life for the building is 40 years, equipment is 3 to 15 years. Maintenance and repairs are charged to expense as incurred.

Net interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. There were no capitalized interest costs on borrowed funds for the years ended June 30, 2008 and 2007.

*Statement of Cash Flows - Cash and Cash Equivalents*

For purposes of the Statement of Cash Flows, the District considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

*Deposits and Investments*

Statutes authorize the District to invest in: (1) U.S. government securities and obligations guaranteed by the U.S. government; (2) deposit accounts at state and federal chartered banks and savings and loan associations; (3) the Local Government Investment Pool of the State of Tennessee; and (4) obligations of the United States or its agencies under repurchase agreements with certain restrictions. In 2008 the Board invested only in certificates of deposit with maturities of one year or less, which are carried at cost.

Deposits in financial institutions are required by State statute to be secured and collateralized by the institutions. The collateral must meet certain requirements and must have a total minimum market value of 105% of the value of the deposits placed in the institutions less the amount protected by federal depository insurance. Collateral requirements are not applicable for financial institutions that participate in the State of Tennessee's collateral pool.

The District has not adopted formal deposit or investment policies for exposure to various forms of risks associated with its deposit and investment practices, other than to follow State statutes as described above.

*Use of 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

LINCOLN COUNTY "9-1-1" EMERGENCY COMMUNICATIONS DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2008 and 2007

Note B - OPERATIONS

The District receives operating revenues from telephone service providers' customers by charging a monthly fee of \$.65 to residential and \$2.00 to business customers. These are the maximum charges allowed by the "Emergency Communications District Law" and there are no plans to decrease them in the near future. The District has contracted for services to lease and maintain lines and equipment for approximately \$3,600 per month. The actual monthly costs vary depending on the number of users on the system.

The District also receives operating revenues from the Tennessee Emergency Communications Board (ECB). The ECB receives 25% of the wireless E-911 charge collected from the state's wireless/cellular telephone subscribers, and in turn remits to each E-911 district its portion of the funds collected based on that District's population.

Note C - ON-BEHALF PAYMENTS FOR DISPATCH SERVICES

The City of Fayetteville, Tennessee and Lincoln County, Tennessee provide central dispatch services for police, fire, ambulance and the District's emergency communications, among others. These services include payment for dispatch salaries, benefits, maintenance agreements for certain dispatch equipment and utilities on an equal basis. Generally accepted accounting principles require disclosure of these on-behalf payments. The on-behalf payments by the city and county totaled \$532,750 and \$480,863 for the years ended June 30, 2008 and June 30, 2007, respectively. These payments include salaries and benefits totaling \$484,271 and \$434,512 and other expenses totaling \$48,479 and \$46,351, for the years ended June 30, 2008 and June 30, 2007, respectively.

Note D - PROPERTY AND EQUIPMENT

Capital asset activity for the year ended June 30, 2008 was as follows:

	COST			
	Balance 06/30/07	Additions	Retirements	Balance 06/30/08
Land	\$ 116,984	\$ -	\$ -	\$ 116,984
Building	547,921	48,647	-	596,568
Communication Equipment	509,234	105,643	-	614,877
Vehicle	23,242	-	-	23,242
	\$ 1,197,381	\$ 154,290	\$ -	\$ 1,351,671

The related activity for accumulated depreciation for the year ended June 30, 2008 was as follows:

	06/30/07	Additions	Retirements	06/30/08
Building	\$ 91,033	\$ 14,726	\$ -	\$ 105,759
Communication Equipment	313,440	59,843	-	373,283
Vehicle	4,861	4,241	-	9,102
	\$ 409,334	\$ 78,810	\$ -	\$ 488,144

LINCOLN COUNTY "9-1-1" EMERGENCY COMMUNICATIONS DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2008 and 2007

Depreciation for the years ended June 30, 2008 and 2007 totaled \$78,810 and \$76,319, respectively.

Note E - CASH

All the District's deposits were covered by federal depository insurance or by the bank collateral pool which is administered by the Treasurer of the State of Tennessee as of June 30, 2008 and 2007.

Note F - LONG-TERM DEBT

Long-term debt activity for the year ended June 30, 2008 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Capital Outlay Note Series 2000A, due in annual installments of \$30,000 to \$40,000 through December 2011, at interest rate of 4.91%	\$ 185,000	\$ -	\$ (35,000)	\$ 150,000	\$ 35,000
	<u>\$ 185,000</u>	<u>\$ -</u>	<u>\$ (35,000)</u>	<u>\$ 150,000</u>	<u>\$ 35,000</u>
Less current maturities	<u>35,000</u>			<u>35,000</u>	
	<u>\$ 150,000</u>			<u>\$ 115,000</u>	

Under a lease purchase arrangement with the District, Lincoln County, Tennessee issued general obligation capital outlay note Series 2000A of Lincoln County, Tennessee, in the amount of \$375,000 to construct the "E-911" Communications Center and purchase capital equipment costing approximately \$637,000. Accordingly, the related assets and liabilities for these transactions are recognized in the financial statements herein. The Series 2000A, maturing December 1, 2007 and thereafter, is subject to redemption prior to maturity at the option of Lincoln County on December 1, 2004 or any date thereafter at par plus accrued interest to the redemption date. The District has agreed to pay the capital outlay notes interest and principal when due from revenues derived from its operations.

Long-term debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2009	\$ 35,000	\$ 6,506	\$ 41,506
2010	35,000	4,787	39,787
2011	40,000	2,946	42,946
2012	40,000	982	40,982
	<u>\$ 150,000</u>	<u>\$ 15,221</u>	<u>\$ 165,221</u>

OTHER FINANCIAL INFORMATION

**LINCOLN COUNTY "9-1-1" EMERGENCY COMMUNICATIONS DISTRICT**  
**SCHEDULE OF BUDGETED REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**For the Year Ended June 30, 2008**  
**With Comparative Totals For the Year Ended June 30, 2007**

	Budget <u>Original</u>	Budget <u>Amended</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>	2007 <u>Actual</u>
<b>OPERATING REVENUES:</b>					
Emergency telephone service charges	\$ 160,000	\$ 160,000	\$ 157,764	\$ (2,236)	\$ 160,191
Emergency shared wireless service charges	79,000	79,000	71,701	(7,299)	66,586
Operational funding	-	-	104,081	104,081	104,081
<b>Total Operating Revenues</b>	<u>239,000</u>	<u>239,000</u>	<u>333,546</u>	<u>94,546</u>	<u>330,858</u>
<b>OPERATING EXPENSES:</b>					
Addressing/mapping contracted services	5,000	5,000	1,050	3,950	1,669
Fess paid to service providers	46,000	46,000	42,703	3,297	42,650
Maintenance agreements	23,000	23,000	21,583	1,417	22,650
Maintenance and repairs - communications equipment	3,000	3,000	3,806	(806)	-
Maintenance and repairs - building and facilities	2,000	2,000	2,452	(452)	453
Maintenance and repairs - office equipment	5,000	5,000	750	4,250	4,079
Salary and related benefits	-	-	9,698	(9,698)	33,699
Legal services	1,000	1,000	500	500	534
Audit services	3,000	3,000	3,550	(550)	2,750
Office/computer supplies	8,000	8,000	1,022	6,978	2,521
Internet access fees	-	-	569	(569)	571
Telephone	-	-	760	(760)	589
Dues and memberships	2,200	2,200	1,271	929	866
Legal notice publication expense	200	200	106	94	32
Surety bond expense	800	800	376	424	312
Training/education conferences	7,000	7,000	4,840	2,160	5,626
Travel expenses	8,000	8,000	6,923	1,077	6,422
Depreciation	-	78,810	78,810	-	76,319
Amortization	-	300	292	8	292
Other	1,500	1,500	518	982	1,410
<b>Total Operating Expenses</b>	<u>115,700</u>	<u>194,810</u>	<u>181,579</u>	<u>13,231</u>	<u>203,444</u>
<b>Operating Income</b>	<u>123,300</u>	<u>44,190</u>	<u>151,967</u>	<u>107,777</u>	<u>127,414</u>
<b>NONOPERATING INCOME/(EXPENSE):</b>					
Interest income	-	-	8,962	8,962	7,309
Interest expense	(15,557)	(15,557)	(8,105)	7,452	(10,612)
<b>Total Nonoperating Revenue/(Expense)</b>	<u>(15,557)</u>	<u>(15,557)</u>	<u>857</u>	<u>16,414</u>	<u>(3,303)</u>
Income Before Reimbursements/Contributions	107,743	28,633	152,824	124,191	124,111
Reimbursements/Contributions - State Emergency Communications Board	-	-	88,196	88,196	43,699
<b>CHANGE IN NET ASSETS</b>	<u>107,743</u>	<u>28,633</u>	<u>241,020</u>	<u>\$ 212,387</u>	<u>\$ 167,810</u>
NET ASSETS, beginning of year	1,131,754	1,131,754	1,131,754		
NET ASSETS, end of year	<u>\$ 1,239,497</u>	<u>\$ 1,160,387</u>	<u>\$ 1,372,774</u>		

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

LINCOLN COUNTY "9-1-1" EMERGENCY COMMUNICATIONS DISTRICT

SCHEDULE OF INSURANCE-UNAUDITED

June 30, 2008

	<u>Coverage Amount</u>
Property coverage:	
Real	\$ 538,125
Personal	350,000
General liability:	
Aggregate limit	2,000,000
Personal & property damage	1,000,000
Errors and Omissions liability - claims made form	1,000,000
Official Statutory Bond:	
Chairman	33,100
Treasurer	33,100

LINCOLN COUNTY "9-1-1" EMERGENCY COMMUNICATIONS DISTRICT

SCHEDULE OF RATES AND NUMBER OF CUSTOMERS

June 30, 2008

The District receives operating revenues from Bell South, Ardmore Telephone Company and certain other customers by charging a monthly fee of \$.65 to residential and \$2.00 to business customers. These are the maximum charges allowed by the "Emergency Communications District Law" and there are no plans to decrease them in the near future.

The number of residential and business customers served as of June 30, 2008 was approximately 12,440 and 2,978, respectively.

The District also receives operating revenues from the Tennessee Emergency Communications Board (ECB). The ECB receives 25% of the wireless E-911 charge collected from the state's wireless/cellular telephone subscribers, and in turn remits to each E-911 district its portion of the funds collected based on that district's population.

LINCOLN COUNTY "9-1-1" EMERGENCY COMMUNICATIONS DISTRICT  
SCHEDULE OF INFORMATION REQUIRED BY THE TENNESSEE EMERGENCY  
COMMUNICATIONS BOARD

June 30, 2008

1. Number of public safety answering points: One
2. Location: 607 Moyers Drive, Fayetteville, Tennessee 37334
3. Type of system/equipment and database used: CAD system, two-way radio system and phone system via AT&T database
4. Name, address, telephone number, and fax number of the Director of the emergency communications district: Not applicable
5. Name, address, telephone number, and fax number of the Chairman of the emergency communications district: Robert Strope, 201 Jeffrey Drive, Fayetteville, Tennessee 37334, Telephone (931)652-2422.

DAVID A. KIDD  
Certified Public Accountant

115 N. Main ❖ P.O. Box 66  
Fayetteville, TN 37334

(931) 433-0128  
Fax (931) 433-0650

**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**

To the Board of Directors  
Lincoln County "9-1-1" Emergency Communications District  
Fayetteville, Tennessee

I have audited the financial statements of the Lincoln County "9-1-1" Emergency Communications District (the "District"), a component unit of Lincoln County, Tennessee, as of and for the year ended June 30, 2008, and have issued my report thereon dated November 12, 2008. 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

In planning and performing my audit, I considered the District'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 District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the District'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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified a deficiency in internal control over financial reporting that I consider to be a significant deficiency.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. I consider the deficiency described in the accompanying schedule of findings and responses, noted as Item 2008-1, to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not disclose all significant deficiencies that

are also considered to be material weaknesses. However, I consider the significant deficiency noted as Item 2008-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 financial statement amounts. However, providing an opinion on compliance with those 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 are required to be reported under *Government Auditing Standards*.

I noted an additional matter that I reported to management in a separate letter dated November 12, 2008.

The District's response to the finding identified in my audit is described in the accompanying schedule of findings and questioned costs. I did not audit the District's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, management and the Lincoln County, Tennessee Board of Commissioners and is not intended to be and should not be used by anyone other than these specified parties.

November 12, 2008

DAVID A. KIDD

LINCOLN COUNTY "9-1-1" EMERGENCY COMMUNICATIONS DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

For the year ended June 30, 2008

Item 2008-1: Check preparation/ Authorization:

I noted that checks were being signed by one authorized signer prior to completion of the check. Checks should be signed and authorized for payment only after invoices have been received and approved.

Management response: Checks will be completed with all required information prior to authorization by the check signers.

**RECEIVED**  
JAN 16 2009  
COUNTY AUDIT

LINCOLN COUNTY "9-1-1" EMERGENCY COMMUNICATIONS DISTRICT

MANAGEMENT REPORT

JUNE 30, 2008

DAVID A. KIDD  
Certified Public Accountant

115 N. Main ❖ P.O. Box 66  
Fayetteville, TN 37334

(931) 433-0128  
Fax (931) 433-0650

November 12, 2008

To the Members of the  
Lincoln County "9-1-1" Emergency Communications District

In planning and performing my audit of the financial statements of the Lincoln County "9-1-1" Emergency Communications District for the year ended June 30, 2008, I considered the Lincoln County "9-1-1" Emergency Communications District's internal controls to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal controls.

However, during my audit I became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes my comments and suggestions regarding those matters. A separate report dated November 12, 2008 contains my report on my consideration of Lincoln County "9-1-1" Emergency Communications District's internal controls. This letter does not affect my report dated November 12, 2008 on the financial statements of the Lincoln County "9-1-1" Emergency Communications District.

This report is intended solely for the information and use of the Board of Directors, management and the Lincoln County, Tennessee Board of Commissioners and is not intended to be and should not be used by anyone other than the specified parties.

Sincerely,

A handwritten signature in black ink that reads "DAVID A. KIDD". The letters are written in a cursive, slightly slanted style.

PRIOR YEAR COMMENTS NOT REPEATED

Cash Management:

Excess deposits were invested in higher-yielding certificates of deposit during the current year.

Surety Bond Coverage:

Surety bond coverage was increased in order to be in compliance with State law.

CURRENT YEAR COMMENTS

Check Preparation/ Authorization:

I noted that checks were being signed by one authorized signer prior to completion of the check. Checks should be signed and authorized for payment only after invoices have been received and approved.

Management response: Checks will be completed with all required information prior to authorization by the check signers.

Retention of Documentation:

I noted several expenditures for which the supporting documentation was not retained. Invoices should be retained in support of all expenditures.

Management response: Invoices for all expenditures will be retained.

-----  
I appreciate the courtesies extended my  
representatives during my examination.