

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

FINANCIAL STATEMENTS

AS OF JUNE 30, 2009

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

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

FAYETTEVILLE, TENNESSEE

June 30, 2009

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

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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 year ended June 30, 2009. 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 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 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, 2009, and the changes in its financial position and cash flows, where applicable, for the year 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, 2009 and the changes in financial position and cash flows 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 a report dated February 3, 2010, 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 audit.

My audit was 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 audit 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.

February 3, 2010

DAVID A. KIDD

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

June 30, 2009

ASSETS

CURRENT ASSETS

Cash	\$ 348,199
Certificates of deposit	368,131
Interest receivable	1,625
Accounts receivable	12,591
Due from Tennessee Emergency Communications Board	47,193
Prepaid expenses	<u>8,172</u>
Total Current Assets	<u>785,911</u>

NONCURRENT ASSETS

Property and equipment, net	878,656
Deferred charges	<u>728</u>
Total Noncurrent Assets	<u>879,384</u>

TOTAL ASSETS

1,665,295

LIABILITIES

CURRENT LIABILITIES

Accounts payable	4,421
Due to City of Fayetteville	62,043
Interest payable	455
Current maturities of long-term debt	<u>35,000</u>
Total Current Liabilities	<u>101,919</u>

LONG-TERM DEBT, net of current maturities

80,000

TOTAL LIABILITIES

181,919

NET ASSETS

Invested in capital assets, net of related debt	763,656
Unrestricted assets	<u>719,720</u>
TOTAL NET ASSETS	<u>\$ 1,483,376</u>

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

LINCOLN COUNTY "9-1-1" EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
For the Year Ended June 30, 2009

OPERATING REVENUES:

Emergency telephone service charge	\$ 153,246
Tennessee Emergency Communications Board-Shared Wireless Charge	81,566
Tennessee Emergency Communications Board-Operational Funding	104,081
Total Operating Revenues	338,893

OPERATING EXPENSES:

Salaries & Wages

Overtime wages	8,488
Other wages & salaries-IT department	28,621
Total Salaries & wages	37,109

Employee Benefits

Social security	1,672
Medicare	391
Life insurance	113
Medical insurance	4,655
Unemployment compensation	353
Retirement contributions	1,775
Total Employee Benefits	8,959

Contracted Services

Addressing/Mapping	1,233
Audit services	3,550
Legal services	500
Maintenance agreements	12,719
NCIC/TBI/TIES expenses	8,819
Lease/rental-Communications equipment	43,395
Pest control	240
Maintenance & repairs-Communications equipment	8,724
Maintenance & repairs-Buildings & facilities	1,833
Maintenance & repairs-Office equipment	879
Fuel-Vehicles	1,124
Total Contracted Services	83,016

Supplies & Materials

Office supplies	1,436
Postage	138
Uniforms & shirts	1,742
Utilities-Electric	12,568
Utilities-Gas	907
Utilities-Water & Sewer	435
Utilities-General Telephone	(1,653)
Operating supplies	2,255
Total Supplies & Materials	17,828

LINCOLN COUNTY "9-1-1" EMERGENCY COMMUNICATIONS DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS (CONTINUED)
 For the Year Ended June 30, 2009

<u>Other Charges</u>	
Bank charges	181
Dues & memberships	988
Insurance-Workers compensation	1,096
Insurance-Liability	3,810
Insurance-Vehicles	484
Licenses & Fees	630
Premiums on surety bonds	504
Training expenses	8,959
Travel	7,112
Internet Service	571
Amortization	291
Total Other Charges	<u>24,626</u>
<u>Depreciation</u>	
Depreciation expense	<u>77,534</u>
Total Depreciation	<u>77,534</u>
 Total Operating Expenses	 <u>249,072</u>
 Operating Income(Loss)	 <u>89,821</u>
 <u>NONOPERATING REVENUES (EXPENSES):</u>	
Interest income	11,362
Tennessee Emergency Communications Board-Grants & Reimbursements	14,794
Interest expense	<u>(6,376)</u>
Total Nonoperating Revenue/(Expense)	<u>19,780</u>
Income Before Capital Contributions	109,601
Capital contributions - Tennessee Emergency Communications Board	<u>1,000</u>
INCREASE(DECREASE) IN NET ASSETS	110,601
NET ASSETS, beginning of year	<u>1,372,775</u>
NET ASSETS, end of year	<u>\$ 1,483,376</u>

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

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

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from surcharges & other revenues	\$ 305,307
Cash paid to suppliers for goods & services	(103,936)
Cash payments for payroll, taxes & related benefits	<u>(28,116)</u>
Net Cash Provided by Operating Activities	<u>173,255</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Grants/reimbursements -Tennessee Emergency Communications Board	<u>92,990</u>
Cash Provided by Noncapital Financing Activities	<u>92,990</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Additions to property and equipment	(92,663)
Principal paid on long-term debt	(35,000)
Interest paid on long-term debt	(6,514)
Capital contributions from Tennessee Emergency Communications Board	<u>1,000</u>
Cash Used by Capital and Related Financing Activities	<u>(133,177)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Increase in investments	(2,205)
Interest income received	<u>10,355</u>
Cash Provided by Investing Activities	<u>8,150</u>
NET INCREASE IN CASH	141,218
CASH, beginning of year	<u>206,981</u>
CASH, end of year	<u>\$ 348,199</u>
RECONCILIATION OF OPERATING INCOME TO NET	
CASH FLOWS FROM OPERATING ACTIVITIES:	
Operating income	\$ 89,820
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	77,825
Change in operating assets and liabilities:	
Increase in receivables	(33,585)
Increase in prepaid expenses	(4,160)
Increase in payables	<u>43,355</u>
Net Cash Provided by Operating Activities	<u>\$ 173,255</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, 2009

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, 2009

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, 2009, 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 year ended June 30, 2009.

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 2009 the Board invested only in certificates of deposit with maturities of one, two or three years, 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, 2009

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 and benefits 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 \$549,641 for the year ended June 30, 2009. These payments include salaries, taxes and related benefits for the year ended June 30, 2009.

Note D - PROPERTY AND EQUIPMENT

Capital asset activity for the year ended June 30, 2009 was as follows:

	COST			
	Balance 06/30/08	Additions	Retirements	Balance 06/30/09
Land	\$ 116,984	\$ 55,228	\$ -	\$ 172,212
Building	596,568	3,199	-	599,767
Communication				
Equipment	614,877	29,234	-	644,111
Vehicle	23,242	5,002	-	28,244
	\$ 1,351,671	\$ 92,663	\$ -	\$ 1,444,334

The related activity for accumulated depreciation for the year ended June 30, 2009 was as follows:

	06/30/08	Additions	Retirements	06/30/09
Building	\$ 105,759	\$ 14,675	\$ -	\$ 120,434
Communication				
Equipment	373,283	58,618	-	431,901
Vehicle	9,102	4,241	-	13,343
	\$ 488,144	\$ 77,534	\$ -	\$ 565,678

LINCOLN COUNTY "9-1-1" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Depreciation for the year ended June 30, 2009 totaled \$77,534.

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, 2009.

Note F - LONG-TERM DEBT

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
2011	\$ 35,000	\$ 4,787	\$ 39,787
2012	40,000	2,946	42,946
2013	40,000	982	40,982
	<u>\$ 115,000</u>	<u>\$ 8,715</u>	<u>\$ 123,715</u>

Long-term debt activity for the year ended June 30, 2009 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 2013, at interest rate of 4.91%	\$ 150,000	\$ -	\$ (35,000)	\$ 115,000	\$ 35,000
	<u>\$ 150,000</u>	<u>\$ -</u>	<u>\$ (35,000)</u>	<u>\$ 115,000</u>	<u>\$ 35,000</u>
Less current maturities	35,000			35,000	
	<u>\$ 115,000</u>			<u>\$ 80,000</u>	

OTHER FINANCIAL INFORMATION

LINCOLN COUNTY "9-1-1" EMERGENCY COMMUNICATIONS DISTRICT
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
For the Year Ended June 30, 2009

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
	<u>(Accrual Basis)</u>	<u>(Accrual Basis)</u>	<u>Under(Over)</u>
<u>OPERATING REVENUES:</u>			
Emergency telephone service charge	\$ 153,246	\$ 140,000	\$ 13,246
Tennessee Emergency Communications Board-Shared Wireless Charge	81,566	120,000	(38,434)
Tennessee Emergency Communications Board-Operational Funding	<u>104,081</u>	<u>120,000</u>	<u>(15,919)</u>
Total Operating Revenues	338,893	380,000	(41,107)
<u>OPERATING EXPENSES:</u>			
<u>Salaries & Wages</u>			
Overtime wages	8,488	-	(8,488)
Other wages & salaries-IT department	<u>28,621</u>	<u>60,000</u>	<u>31,379</u>
Total Salaries & wages	<u>37,109</u>	<u>60,000</u>	<u>22,891</u>
<u>Employee Benefits</u>			
Social security	1,672	-	(1,672)
Medicare	391	-	(391)
Life insurance	113	-	(113)
Medical insurance	4,655	-	(4,655)
Unemployment compensation	353	-	(353)
Retirement contributions	<u>1,775</u>	<u>-</u>	<u>(1,775)</u>
Total Employee Benefits	<u>8,959</u>	<u>-</u>	<u>(8,959)</u>
<u>Contracted Services</u>			
Addressing/Mapping	1,233	5,000	3,767
Audit services	3,550	4,340	790
Contracts with Government Agencies	-	-	-
Legal services	500	1,000	500
Maintenance agreements	12,719	23,000	10,281
NCIC/TBI/TIES expenses	8,819	-	(8,819)
Lease/rental-Communications equipment	43,395	47,000	3,605
Pest control	240	-	(240)
Maintenance & repairs-Communications equipment	8,724	3,000	(5,724)
Maintenance & repairs-Buildings & facilities	1,833	5,000	3,167
Maintenance & repairs-Office equipment	879	2,500	1,621
Fuel-Vehicles	<u>1,124</u>	<u>1,500</u>	<u>376</u>
Total Contracted Services	<u>83,016</u>	<u>92,340</u>	<u>9,324</u>
<u>Supplies & Materials</u>			
Office supplies	1,436	3,000	1,564
Postage	138	500	362
Uniforms & shirts	1,742	-	(1,742)
Utilities-Electric	12,568	5,000	(7,568)
Utilities-Gas	907	-	(907)
Utilities-Water & Sewer	435	-	(435)
Utilities-General Telephone	(1,653)	-	1,653
Operating supplies	<u>2,255</u>	<u>5,000</u>	<u>2,745</u>
Total Supplies & Materials	<u>17,828</u>	<u>13,500</u>	<u>(4,328)</u>

LINCOLN COUNTY "9-1-1" EMERGENCY COMMUNICATIONS DISTRICT
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)-CONTINUED
For the Year Ended June 30, 2009

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
	<u>(Accrual Basis)</u>	<u>(Accrual Basis)</u>	<u>Under(Over)</u>
<u>Other Charges</u>			
Bank charges	181	-	(181)
Dues & memberships	988	2,200	1,212
Legal notices	-	200	200
Insurance-Workers compensation	1,096	-	(1,096)
Insurance-Liability	3,810	-	(3,810)
Insurance-Vehicles	484	-	(484)
Licenses & Fees	630	-	(630)
Premiums on surety bonds	504	800	296
Training expenses	8,959	12,000	3,041
Travel	7,112	8,000	888
Internet charges	571	-	(571)
Miscellaneous	-	3,000	3,000
Amortization	291	-	(291)
Total Other Charges	<u>24,626</u>	<u>26,200</u>	<u>1,574</u>
<u>Depreciation</u>			
Depreciation expense	<u>77,534</u>	<u>-</u>	<u>(77,534)</u>
Total Depreciation	<u>77,534</u>	<u>-</u>	<u>(77,534)</u>
 Total Operating Expenses	 <u>249,072</u>	 <u>192,040</u>	 <u>(57,032)</u>
 Operating Income(Loss)	 <u>89,821</u>	 <u>187,960</u>	 <u>(98,139)</u>
 <u>NONOPERATING REVENUES (EXPENSES):</u>			
Interest income	11,362	7,000	4,362
Tennessee Emergency Communications Board-Grants & Reimbursements	14,794	17,000	(2,206)
Interest expense	(6,376)	(6,000)	(376)
Total Nonoperating Revenue/(Expense)	<u>19,780</u>	<u>18,000</u>	<u>1,780</u>
Income Before Capital Contributions	109,601	205,960	(96,359)
Capital contributions - Tennessee Emergency Communications Board	1,000	-	1,000
INCREASE(DECREASE) IN NET ASSETS	<u>110,601</u>	<u>205,960</u>	<u>(95,359)</u>
NET ASSETS, beginning of year	<u>1,372,775</u>	<u>1,372,775</u>	<u>-</u>
NET ASSETS, end of year	<u>\$ 1,483,376</u>	<u>\$ 1,578,735</u>	<u>\$ (95,359)</u>

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

SCHEDULE OF INSURANCE-UNAUDITED

June 30, 2009

	<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	44,000
Treasurer	44,000

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

SCHEDULE OF RATES AND NUMBER OF CUSTOMERS

June 30, 2009

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, 2009 was approximately 10,629 and 2,924, 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, 2009

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 Strobe, 201 Jeffrey Drive, Fayetteville, Tennessee 37334, Telephone (931)652-2422.

DAVID A. KIDD
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***

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, 2009, and have issued my report thereon dated February 3, 2010. 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.

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.

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 or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

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 a instances of noncompliance or other matters that are required to be

reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2009-1.

I noted a matter that I reported to management in a separate letter dated February 3, 2010.

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.

February 3, 2010

DAVID A. KEDD

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

SCHEDULE OF FINDINGS AND RESPONSES

For the year ended June 30, 2009

Item 2009-1: Budget:

I noted that actual expenses exceeded the budget in numerous line-item categories. I also noted that budget line-items were not prepared in accordance with the uniform chart of accounts as established by *Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts* (the "Manual"). Tennessee Code Annotated, Section 7-86-120, states that money should be spent only in accordance with a legally adopted budget.

Management response: Budget versus actual analysis will be performed regularly to ensure compliance with the budget. Future budgets will be prepared on the detailed line-item chart of accounts established by the *Manual*.

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

MANAGEMENT REPORT

JUNE 30, 2009

DAVID A. KIDD
Certified Public Accountant

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

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

February 3, 2010

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, 2009, 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 February 3, 2010 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 February 3, 2010 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,

DAVID A. KIDD

PRIOR YEAR COMMENTS NOT REPEATED

Check Preparation/Authorization:

I did not note checks being signed prior to completion of payee, date and other information.

Retention of Documentation:

Documentation was available for all tested expenditures during the current year.

CURRENT YEAR COMMENT

Budget:

I noted that actual expenditures exceeded the budget in numerous line-item categories. I also noted that budget line-items were not prepared in accordance with the uniform chart of accounts as established by *Accounting and Financial Reporting Manual for Tennessee Emergency Communications District* (the "Manual"). Tennessee Code Annotated, Section 7-86-120, states that money should be spent only in accordance with a legally adopted budget.

Management response: Budget versus actual analysis will be performed regularly to ensure compliance with the budget. Future budgets will be prepared on the detailed line-item chart of accounts established by the *Manual*.

I appreciate the courtesies extended my representatives during my examination.