

**AUDITED FINANCIAL STATEMENTS**

**AND OTHER FINANCIAL INFORMATION**

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

**FAYETTEVILLE, TENNESSEE**

**June 30, 2010**

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

**FAYETTEVILLE, TENNESSEE**

**June 30, 2010**

**BOARD**

Robert Strobe, Chairman

Murray Blackwelder, Vice Chairman

Mike Hall, Secretary

Joe Vann, Treasurer

Douglas Carver

James McNeal

Billy Gray

Danny Travis

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, 2010. 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.

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, 2010 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 December 8, 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.

December 8, 2010

DAVID A. KIDD

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

STATEMENT OF NET ASSETS

June 30, 2010

ASSETS

CURRENT ASSETS

Cash	\$ 359,412
Certificates of deposit	370,617
Interest receivable	271
Accounts receivable	12,184
Due from Tennessee Emergency Communications Board	13,459
Prepaid expenses	<u>3,509</u>
Total Current Assets	<u>759,452</u>

NONCURRENT ASSETS

Property and equipment, net	982,617
Deferred charges	<u>436</u>
Total Noncurrent Assets	<u>983,053</u>

TOTAL ASSETS

1,742,505

LIABILITIES

CURRENT LIABILITIES

Accounts payable	4,113
Due to City of Fayetteville	77,511
Interest payable	511
Current maturities of long-term debt	<u>40,000</u>
Total Current Liabilities	<u>122,135</u>

LONG-TERM DEBT, net of current maturities

40,000

TOTAL LIABILITIES

162,135

NET ASSETS

Invested in capital assets, net of related debt	902,617
Unrestricted assets	<u>677,753</u>
TOTAL NET ASSETS	<u>\$ 1,580,370</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, 2010

OPERATING REVENUES:

Emergency telephone service charge	\$ 143,175
Tennessee Emergency Communications Board-Shared Wireless Charge	79,333
Tennessee Emergency Communications Board-Operational Funding	143,617
Total Operating Revenues	366,125

OPERATING EXPENSES:

Salaries & Wages

Overtime wages	10,747
Other wages & salaries-IT department	29,582
Total Salaries & wages	40,329

Employee Benefits

Social security	1,736
Medicare	406
Life insurance	144
Medical insurance	4,358
Unemployment compensation	291
Retirement contributions	2,425
Total Employee Benefits	9,360

Contracted Services

Addressing/Mapping	1,076
Audit services	2,750
Accounting services	1,250
Legal services	1,304
Maintenance agreements	30,287
Weather warning software service	1,560
NCIC/TBI/TIES expenses	11,921
Lease/rental-Communications equipment	42,715
Pest control	240
Maintenance & repairs-Communications equipment	4,168
Maintenance & repairs-Buildings & facilities	942
Maintenance & repairs-Office equipment	588
Maintenance & repairs-Vehicles	2,292
Fuel-Vehicles	1,020
Total Contracted Services	102,113

Supplies & Materials

Office supplies	3,035
Uniforms & shirts	108
Utilities-Electric	12,484
Utilities-Gas	808
Utilities-Water & Sewer	464
Utilities-General Telephone	6,355
Operating supplies	2,887
Total Supplies & Materials	26,141

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, 2010

<u>Other Charges</u>	
Bank charges	185
Dues & memberships	943
Insurance-Workers compensation	3,232
Insurance-Liability	3,102
Insurance-Vehicles	248
Premiums on surety bonds	613
Training expenses	5,948
Travel	7,182
Internet Service	564
Amortization	292
Total Other Charges	<u>22,309</u>
<u>Depreciation</u>	
Depreciation expense	<u>83,808</u>
Total Depreciation	<u>83,808</u>
Total Operating Expenses	<u>284,060</u>
Operating Income(Loss)	<u>82,065</u>
<u>NONOPERATING REVENUES (EXPENSES):</u>	
Interest income	9,771
Tennessee Emergency Communications Board-Grants & Reimbursements	10,000
Interest expense	<u>(4,842)</u>
Total Nonoperating Revenue/ (Expense)	<u>14,929</u>
INCREASE(DECREASE) IN NET ASSETS	96,994
NET ASSETS, beginning of year	<u>1,483,376</u>
NET ASSETS, end of year	<u>\$ 1,580,370</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, 2010**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from surcharges & other revenues	\$ 392,266
Cash paid to suppliers for goods & services	(133,896)
Cash payments for payroll, taxes & related benefits	<u>(46,241)</u>
Net Cash Provided by Operating Activities	<u>212,129</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Grants/reimbursements -Tennessee Emergency Communications Board	<u>18,000</u>
Cash Provided by Noncapital Financing Activities	<u>18,000</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Additions to property and equipment	(187,769)
Principal paid on long-term debt	(35,000)
Interest paid on long-term debt	<u>(4,786)</u>
Cash Used by Capital and Related Financing Activities	<u>(227,555)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Increase in investments	(2,486)
Interest income received	<u>11,125</u>
Cash Provided by Investing Activities	<u>8,639</u>
<b>NET INCREASE IN CASH</b>	<b>11,213</b>
<b>CASH, beginning of year</b>	<u><b>348,199</b></u>
<b>CASH, end of year</b>	<u><u><b>\$ 359,412</b></u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Operating income	\$ 74,065
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	84,100
Change in operating assets and liabilities:	
Decrease in receivables	34,141
Decrease in prepaid expenses	4,663
Increase in payables	<u>15,160</u>
Net Cash Provided by Operating Activities	<u><u><b>\$ 212,129</b></u></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, 2010

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 eight 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, 2010

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, 2010, 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 buildings is 40 years, land improvements is 15 years and communications and office 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, 2010.

*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 2010 the Board invested only in certificates of deposit with maturities of two to three and one-half 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 Bank Collateral Pool. At June 30, 2010, \$359,412 of the District's cash was insured through participation in the State of Tennessee Bank Collateral Pool, \$250,000 was federally insured through the FDIC, and \$120,617 was uninsured.

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.

*Budgetary Basis*

The District adopts a budget in accordance with the requirements of Section 7-86-120, *Tennessee Code Annotated*. The budget is adopted on another comprehensive basis of accounting which is not in accordance with generally accepted accounting principles. The budgetary basis of accounting includes

LINCOLN COUNTY "9-1-1" EMERGENCY COMMUNICATIONS DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2010

expenditures for capital assets and reduction of principal on long-term debt and does not include non-cash expenses such as depreciation and amortization.

*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.

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 \$634,099 for the year ended June 30, 2010. These payments include salaries, taxes and related benefits for the year ended June 30, 2010.

Note D - PROPERTY AND EQUIPMENT

Capital asset activity for the year ended June 30, 2010 was as follows:

	06/30/09	Additions	Retirements	Transfers	06/30/10
Land	\$ 172,212	\$ -	\$ -	\$ (1,102)	\$ 171,110
Land Improvements	-	176,222		1,102	177,324
Building	599,767	-	-	-	599,767
Communications & Office Equipment	644,111	11,547	-	-	655,658
Vehicle	28,244	-	-	-	28,244
	<u>\$ 1,444,334</u>	<u>\$ 187,769</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,632,103</u>

LINCOLN COUNTY "9-1-1" EMERGENCY COMMUNICATIONS DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2010

The related activity for accumulated depreciation for the year ended June 30, 2010 was as follows:

	06/30/09	Additions	Retirements	06/30/10
Land Improvements	\$ -	\$ 5,911	\$ -	\$ 5,911
Building	120,434	14,875	-	135,309
Communications & Office				
Equipment	431,901	58,374	-	490,275
Vehicle	13,343	4,648	-	17,991
	<u>\$ 565,678</u>	<u>\$ 83,808</u>	<u>\$ -</u>	<u>\$ 649,486</u>

Depreciation for the year ended June 30, 2010 totaled \$83,808.

Note E - 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	\$ 40,000	\$ 2,946	\$ 42,946
2012	40,000	982	40,982
	<u>\$ 80,000</u>	<u>\$ 3,928</u>	<u>\$ 83,928</u>

LINCOLN COUNTY "9-1-1" EMERGENCY COMMUNICATIONS DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2010

Long-term debt activity for the year ended June 30, 2010 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 %	\$ 115,000	\$ -	\$ (35,000)	\$ 80,000	\$ 40,000
	<u>\$ 115,000</u>	<u>\$ -</u>	<u>\$ (35,000)</u>	<u>\$ 80,000</u>	<u>\$ 40,000</u>
Less current maturities	<u>35,000</u>			<u>40,000</u>	
	<u>\$ 80,000</u>			<u>\$ 40,000</u>	

Note F- PLANNED PROJECTS

Major equipment upgrade projects are planned for 2010-2011. Call-taking/dispatch system equipment upgrades have been approved. The project is expected to cost \$516,950; \$230,951 of project costs will be provided by a State of Tennessee grant with the balance of \$286,010 to be paid by Board funds. Also, a simulcast system purchase/repeater refurbishment project with an expected cost of \$166,111 is planned; this project will be funded solely by Board funds.

OTHER FINANCIAL INFORMATION

LINCOLN COUNTY "9-1-1" EMERGENCY COMMUNICATIONS DISTRICT  
 BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)  
 For the Year Ended June 30, 2010

	Original Budget	Amended Budget	Actual	Variance
	(Budgetary Basis)	(Budgetary Basis)	(Budgetary Basis)	Under(Over)
<b>OPERATING REVENUES:</b>				
Emergency telephone service charge	\$ 150,000	\$ 150,000	\$ 143,175	\$ (6,825)
Tennessee Emergency Communications Board-Shared Wireless Charge	120,000	120,000	79,333	(40,667)
Tennessee Emergency Communications Board-Operational Funding	<u>50,000</u>	<u>50,000</u>	<u>143,617</u>	<u>93,617</u>
Total Operating Revenues	320,000	320,000	366,125	46,125
<b>OPERATING EXPENSES:</b>				
<b>Salaries &amp; Wages</b>				
Overtime wages	-	-	10,747	(10,747)
Other wages & salaries-IT department	<u>60,000</u>	<u>60,000</u>	<u>29,582</u>	<u>30,418</u>
Total Salaries & wages	<u>60,000</u>	<u>60,000</u>	<u>40,329</u>	<u>19,671</u>
<b>Employee Benefits</b>				
Social security	-	-	1,736	(1,736)
Medicare	-	-	406	(406)
Life insurance	-	-	144	(144)
Medical insurance	-	-	4,358	(4,358)
Unemployment compensation	-	-	291	(291)
Retirement contributions	<u>-</u>	<u>-</u>	<u>2,425</u>	<u>(2,425)</u>
Total Employee Benefits	<u>-</u>	<u>-</u>	<u>9,360</u>	<u>(9,360)</u>
<b>Contracted Services</b>				
Addressing/Mapping	5,000	5,000	1,076	3,924
Audit services	4,340	4,340	2,750	1,590
Accounting services	-	-	1,250	(1,250)
Legal services	1,000	1,000	1,304	(304)
Maintenance agreements	23,000	23,000	30,287	(7,287)
Weather warning software service	-	-	1,560	(1,560)
NCIC/TBI/TIES expenses	-	-	11,921	(11,921)
Lease/rental-Communications equipment	47,000	47,000	42,715	4,285
Pest control	-	-	240	(240)
Maintenance & repairs-Communications equipment	3,000	3,000	4,168	(1,168)
Maintenance & repairs-Buildings & facilities	5,000	5,000	942	4,058
Maintenance & repairs-Office equipment	2,500	2,500	588	1,912
Maintenance & repairs-Vehicles	-	-	2,292	(2,292)
Fuel-Vehicles	<u>1,500</u>	<u>1,500</u>	<u>1,020</u>	<u>480</u>
Total Contracted Services	<u>92,340</u>	<u>92,340</u>	<u>102,113</u>	<u>(9,773)</u>
<b>Supplies &amp; Materials</b>				
Office supplies	3,000	3,000	3,035	(35)
Postage	500	500	-	500
Uniforms & shirts	-	-	108	(108)
Utilities-Electric	5,000	5,000	12,484	(7,484)
Utilities-Gas	-	-	808	(808)
Utilities-Water & Sewer	-	-	464	(464)
Utilities-General Telephone	-	-	6,355	(6,355)
Operating supplies	<u>5,000</u>	<u>5,000</u>	<u>2,887</u>	<u>2,113</u>
Total Supplies & Materials	<u>13,500</u>	<u>13,500</u>	<u>26,141</u>	<u>(12,641)</u>
<b>Other Charges</b>				
Bank charges	-	-	185	(185)
Dues & memberships	2,200	2,200	943	1,257
Legal notices	200	200	-	200
Insurance-Workers compensation	-	-	3,232	(3,232)
Insurance-Liability	-	-	3,102	(3,102)
Insurance-Vehicles	-	-	248	(248)
Premiums on surety bonds	800	800	613	187
Training expenses	12,000	12,000	5,948	6,052
Travel	8,000	8,000	7,182	818
Internet charges	-	-	564	(564)
Miscellaneous	3,000	3,000	-	3,000
Capital purchases	134,960	174,315	187,769	(13,454)
Principal payment on note	<u>35,000</u>	<u>35,000</u>	<u>35,000</u>	<u>-</u>
Total Other Charges	<u>196,160</u>	<u>235,515</u>	<u>244,786</u>	<u>(9,271)</u>
Total Operating Expenses-Budgetary Basis	<u>362,000</u>	<u>401,355</u>	<u>422,729</u>	<u>(21,374)</u>

LINCOLN COUNTY "9-1-1" EMERGENCY COMMUNICATIONS DISTRICT  
 BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)-CONTINUED  
 For the Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Original Budget</u>	<u>Actual</u>	<u>Variance</u>
	<u>(Budgetary Basis)</u>	<u>(Budgetary Basis)</u>	<u>(Budgetary Basis)</u>	<u>Under(Over)</u>
<u>NON-OPERATING REVENUES (EXPENSES):</u>				
Interest income	3,000	3,000	9,771	6,771
Tennessee Emergency Communications Board-Grants & Reimbursements	10,000	10,000	10,000	-
Interest expense	(6,000)	(6,000)	(4,842)	1,158
Total Non-operating Revenues/(Expense)	7,000	7,000	14,929	7,929
 Net Income per Budgetary Basis	 \$ (35,000)	 \$ (74,355)	 (41,675)	 \$ (32,680)
 <u>Reconciliation of Budgetary Basis to GAAP Basis</u>				
Depreciation expense			(83,808)	
Amortization expense			(292)	
Capital purchases			187,769	
Principal payment on note			35,000	
Net Reconciliation Budgetary to GAAP			138,669	
 INCREASE(DECREASE) IN NET ASSETS			 96,994	
NET ASSETS, beginning of year			1,483,376	
NET ASSETS, end of year			\$ 1,580,370	

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

SCHEDULE OF INSURANCE-UNAUDITED

June 30, 2010

	<u>Coverage Amount</u>
Property coverage:	
Real	\$ 568,000
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, 2010

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, 2010 was approximately 9,924 and 2,845, 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.

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, 2010, and have issued my report thereon dated December 8, 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect, and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 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 and 2010-1.

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.

December 8, 2010

DAVID A. KIDD

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

SCHEDULE OF FINDINGS AND RESPONSES

For the year ended June 30, 2010

Item 2009-1: Budget/Account Classification:

I noted that actual expenses exceeded the budget in numerous line-item categories. I also noted that budget line-items and financial statement classifications 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. Financial statements classifications should be in accordance with the guidance outlined in the Manual.

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

Item 2010-1: Collateralization of deposits:

I noted that \$120,617 of the District's funds were not insured at June 30, 2010. All cash should be insured to prevent loss; the funds should be insured through the FDIC, pledging of collateral in the District's name by the financial institution or participation in the Tennessee Bank Collateral Pool.

Management response: Subsequent to year-end, all accounts were changed to "Public Funds" status and are now insured through participation in the Tennessee Bank Collateral Pool.