

AUDITED FINANCIAL STATEMENTS
LINCOLN COUNTY "9-1-1" EMERGENCY COMMUNICATIONS DISTRICT
FAYETTEVILLE, TENNESSEE

June 30, 2011

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

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

SCHEDULE OF BOARD MEMBERS AND MANAGEMENT OFFICIAL

June 30, 2011

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

MANAGEMENT

Mike Hopson, Executive Director

DAVID A. KIDD
Certified Public Accountant

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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, 2011. 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 provides a reasonable basis for my opinion.

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, 2011 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 30, 2011, 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.

The District's management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The introductory section and budgetary comparison schedule are presented for the purposes of additional analysis and are not a required part of the financial statements. The budgetary comparison schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

December 30, 2011

DAVID A. KIDD

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

STATEMENT OF NET ASSETS

June 30, 2011

ASSETS

CURRENT ASSETS

Cash	\$ 354,499
Certificates of deposit	370,796
Interest receivable	636
Accounts receivable	11,610
Due from Tennessee Emergency Communications Board	13,459
Prepaid expenses	<u>9,987</u>
Total Current Assets	<u>760,987</u>

NONCURRENT ASSETS

Property and equipment, net	<u>1,024,775</u>
Total Noncurrent Assets	<u>1,024,775</u>

TOTAL ASSETS

1,785,762

LIABILITIES

CURRENT LIABILITIES

Accounts payable	6,612
Due to City of Fayetteville	<u>74,020</u>
Total Current Liabilities	<u>80,632</u>

TOTAL LIABILITIES

80,632

NET ASSETS

Invested in capital assets, net of related debt	1,024,775
Unrestricted assets	<u>680,355</u>
TOTAL NET ASSETS	<u>\$ 1,705,130</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, 2011

OPERATING REVENUES:

Emergency telephone service charge	\$ 137,489
Tennessee Emergency Communications Board-Shared Wireless Charge	81,798
Tennessee Emergency Communications Board-Operational Funding	185,153
Total Operating Revenues	404,440

OPERATING EXPENSES:

Salaries & Wages

Overtime wages	7,028
Other wages & salaries-IT department	29,623
Total Salaries & wages	36,651

Employee Benefits

Social security & medicare	2,166
Life insurance	151
Medical insurance	4,885
Unemployment compensation	339
Retirement contributions	2,914
Other fringe benefits	419
Total Employee Benefits	10,874

Contracted Services

Addressing/Mapping	1,537
Audit services	2,750
Accounting services	1,225
Legal services	2,398
Maintenance agreements	22,278
Weather warning software service	1,560
NCIC/TBI/TIES expenses	5,119
Lease/rental-Communications equipment	41,275
Maintenance & repairs-Communications equipment	5,084
Maintenance & repairs-Buildings & facilities	2,549
Maintenance & repairs-Office equipment	300
Maintenance & repairs-Vehicles	180
Fuel-Vehicles	1,520
Miscellaneous contracted services	81
Total Contracted Services	87,856

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, 2011

Supplies & Materials

Office supplies	2,525
Postage	96
Utilities-Electric	15,429
Utilities-Gas	601
Utilities-Water & Sewer	581
Utilities-General Telephone	6,703
Operating supplies	<u>3,900</u>
Total Supplies & Materials	<u>29,835</u>

Other Charges

Dues & memberships	786
Insurance-Workers compensation	4,288
Insurance-Liability	3,565
Insurance-Building & contents	8
Insurance-Vehicles	306
Premiums on surety bonds	476
Training expenses	7,006
Travel	8,967
Internet Service	564
Miscellaneous	522
Amortization	<u>436</u>
Total Other Charges	<u>26,924</u>

Depreciation

Depreciation expense	<u>93,966</u>
Total Depreciation	<u>93,966</u>

Total Operating Expenses 286,106

Operating Income(Loss) 118,334

NONOPERATING REVENUES (EXPENSES):

Interest income	8,890
Interest expense	<u>(2,464)</u>
Total Nonoperating Revenue/(Expense)	<u>6,426</u>
INCREASE(DECREASE) IN NET ASSETS	124,760
NET ASSETS, beginning of year	<u>1,580,370</u>
NET ASSETS, end of year	<u>\$ 1,705,130</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, 2011

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from surcharges & other revenues	\$ 405,014
Cash paid to suppliers for goods & services	(145,490)
Cash payments for payroll, taxes & related benefits	<u>(53,684)</u>
Net Cash Provided by Operating Activities	<u>205,840</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Additions to property and equipment	(136,124)
Principal paid on long-term debt	(80,000)
Interest paid on long-term debt	<u>(2,975)</u>
Cash Used by Capital and Related Financing Activities	<u>(219,099)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Increase in investments	(179)
Interest income received	<u>8,525</u>
Cash Provided by Investing Activities	<u>8,346</u>
NET DECREASE IN CASH	(4,913)
CASH, beginning of year	<u>359,412</u>
CASH, end of year	<u>\$ 354,499</u>
RECONCILIATION OF OPERATING INCOME TO NET	
CASH FLOWS FROM OPERATING ACTIVITIES:	
Operating income	\$ 118,334
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	94,402
Change in operating assets and liabilities:	
Decrease in receivables	574
Increase in prepaid expenses	(6,478)
Decrease in payables	<u>(992)</u>
Net Cash Provided by Operating Activities	<u>\$ 205,840</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, 2011

Note A - SUMMARY OF ACCOUNTING POLICIES

The accounting policies and the reporting requirements of the Lincoln County "9-1-1" Emergency Communications 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, 2011

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, 2011, 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, 2011.

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. As of June 30, 2011, all of the District's cash was insured through participation in the State of Tennessee Bank 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.

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, 2011

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 \$605,651 for the year ended June 30, 2011. These payments include salaries, taxes and related benefits for the year ended June 30, 2011.

Note D - PROPERTY AND EQUIPMENT

Capital asset activity for the year ended June 30, 2011 was as follows:

	06/30/10	Additions	Retirements	Transfers	06/30/11
Land	\$ 171,110	\$ -	\$ -	\$ -	\$ 171,110
Land Improvements	177,324	8,500	-	-	185,824
Building	599,767	-	-	-	599,767
Communications & Office Equipment	655,658	127,624	-	-	783,282
Vehicle	28,244	-	-	-	28,244
	<u>\$ 1,632,103</u>	<u>\$ 136,124</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,768,227</u>

LINCOLN COUNTY "9-1-1" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

The related activity for accumulated depreciation for the year ended June 30, 2011 was as follows:

	06/30/10	Additions	Retirements	06/30/11
Land Improvements	\$ 5,911	\$ 12,105	\$ -	\$ 18,016
Building	135,309	14,876	-	150,185
Communications & Office Equipment	490,275	62,690	-	552,965
Vehicle	17,991	4,295	-	22,286
	<u>\$ 649,486</u>	<u>\$ 93,966</u>	<u>\$ -</u>	<u>\$ 743,452</u>

Depreciation for the year ended June 30, 2011 totaled \$93,966.

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 agreed to pay the capital outlay notes interest and principal when due from revenues derived from its operations. The debt was fully satisfied during the year ended June 30, 2011.

Long-term debt activity for the year ended June 30, 2011 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 %	\$ 80,000	\$ -	\$ (80,000)	\$ -	\$ -
	<u>\$ 80,000</u>	<u>\$ -</u>	<u>\$ (80,000)</u>	<u>\$ -</u>	<u>\$ -</u>
Less current maturities	40,000			-	
	<u>\$ 40,000</u>			<u>\$ -</u>	

LINCOLN COUNTY "9-1-1" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note F- CURRENT AND PLANNED PROJECTS

During the year ended June 30, 2011, the installation of a new simulcast system was begun. Phase I was completed during the current year at a cost of \$46,789; Phase II installation was underway at June 30, 2011. Project completion is anticipated during the year ended June 30, 2012 at a cost of approximately \$120,200. This project is being funded by Board funds.

The installation of a security system was initiated during the year ended June 30, 2011. The project was completed in July 2011 at a cost of \$74,625. This project is being funded by Board funds.

Installation of a CAD system upgrade was also initiated during the year ended June 30, 2011. The system upgrade is necessary to meet Next Generation 911 project guidelines. The project is expected to cost \$513,000; project costs will be paid by a State of Tennessee grant of \$235,951 with the remainder to be funded by Board funds. The State of Tennessee grant was received in July 2011. Project completion is anticipated in the year ended June 30, 2012.

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

BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)

For the Year Ended June 30, 2011

	<u>Original Budget</u> (Budgetary Basis)	<u>Actual</u> (Budgetary Basis)	<u>Variance</u> Under(Over)
<u>OPERATING REVENUES:</u>			
Emergency telephone service charge	\$ 150,000	\$ 137,489	\$ (12,511)
Tennessee Emergency Communications Board-Shared Wireless Charge	230,951	81,798	(149,153)
Tennessee Emergency Communications Board-Operational Funding	8,000	185,153	177,153
Total Operating Revenues	388,951	404,440	15,489
<u>OPERATING EXPENSES:</u>			
<u>Salaries & Wages</u>			
Overtime wages	-	7,028	(7,028)
Other wages & salaries-IT department	60,000	29,623	30,377
Total Salaries & wages	60,000	36,651	23,349
<u>Employee Benefits</u>			
Social security & medicare	-	2,166	(2,166)
Life insurance	-	151	(151)
Medical insurance	-	4,885	(4,885)
Unemployment compensation	-	339	(339)
Retirement contributions	-	2,914	(2,914)
Other fringe benefits	-	419	(419)
Total Employee Benefits	-	10,874	(10,874)
<u>Contracted Services</u>			
Addressing/ Mapping	2,000	1,537	463
Audit services	4,340	2,750	1,590
Accounting services	-	1,225	(1,225)
Legal services	1,000	2,398	(1,398)
Maintenance agreements	30,000	22,278	7,722
Weather warning software service	-	1,560	(1,560)
NCIC/TBI/TIES expenses	-	5,119	(5,119)
Lease/ rental-Communications equipment	43,250	41,275	1,975
Maintenance & repairs-Communications equipment	7,000	5,084	1,916
Maintenance & repairs-Buildings & facilities	5,000	2,549	2,451
Maintenance & repairs-Office equipment	2,500	300	2,200
Maintenance & repairs-Vehicles	3,000	180	2,820
Fuel-Vehicles	-	1,520	(1,520)
Miscellaneous contracted services	-	81	(81)
Total Contracted Services	98,090	87,856	10,234
<u>Supplies & Materials</u>			
Office supplies	1,500	2,525	(1,025)
Postage	-	96	(96)
Uniforms & shirts	-	-	-
Utilities-Electric	3,500	15,429	(11,929)
Utilities-Gas	-	601	(601)
Utilities-Water & Sewer	-	581	(581)
Utilities-General Telephone	-	6,703	(6,703)
Operating supplies	-	3,900	(3,900)
Total Supplies & Materials	5,000	29,835	(24,835)
<u>Other Charges</u>			
Dues & memberships	4,000	786	3,214
Legal notices	200	-	200
Insurance-Workers compensation	-	4,288	(4,288)
Insurance-Building & contents	-	3,565	(3,565)
Insurance-Liability	-	8	(8)
Insurance-Vehicles	-	306	(306)
Premiums on surety bonds	800	476	324
Training expenses	3,000	7,006	(4,006)
Travel	8,000	8,967	(967)
Internet charges	3,000	564	2,436
Miscellaneous	-	522	(522)
Capital purchases	206,861	136,124	70,737
Principal payments on note	-	80,000	(80,000)
Total Other Charges	225,861	242,612	(16,751)
Total Operating Expenses-Budgetary Basis	388,951	407,828	(18,877)

LINCOLN COUNTY "9-1-1" EMERGENCY COMMUNICATIONS DISTRICT
 BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)-CONTINUED
 For the Year Ended June 30, 2011

	<u>Original Budget</u> <u>(Budgetary Basis)</u>	<u>Actual</u> <u>(Budgetary Basis)</u>	<u>Variance</u> <u>Under(Over)</u>
<u>NON-OPERATING REVENUES (EXPENSES):</u>			
Interest income	6,000	8,890	2,890
Interest expense	<u>(6,000)</u>	<u>(2,464)</u>	<u>3,536</u>
Total Non-operating Revenues/ (Expense)	<u>-</u>	<u>6,426</u>	<u>6,426</u>
 Net Income per Budgetary Basis	 <u>\$ -</u>	 <u>3,038</u>	 <u>\$ (3,038)</u>
 <u>Reconciliation of Budgetary Basis to GAAP Basis</u>			
Depreciation expense		(93,966)	
Amortization expense		(436)	
Capital purchases		136,124	
Principal payment on note		<u>80,000</u>	
Net Reconciliation Budgetary to GAAP		<u>121,722</u>	
 INCREASE(DECREASE) IN NET ASSETS		 124,760	
NET ASSETS, beginning of year		<u>1,580,370</u>	
NET ASSETS, end of year		<u>\$ 1,705,130</u>	

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, 2011, and have issued my report thereon dated December 30, 2011. 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2009-1.

I noted certain matters that I have reported to management of the Lincoln County "9-1-1" Emergency Communications District in a separate letter dated December 30, 2011.

Lincoln County "9-1-1" Emergency Communications District's response to the finding is described in the accompanying schedule of findings and responses. 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.

December 30, 2011

DAVID A. KIDD

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

SCHEDULE OF FINDINGS AND RESPONSES

For the year ended June 30, 2011

Item 2009-1: Budget Variances/Budget Account Classification:

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. The 2011-2012 budget was prepared on the line-item basis established by the *Manual*.