

**AUDITED FINANCIAL STATEMENTS**  
**LINCOLN COUNTY "9-1-1" EMERGENCY COMMUNICATIONS DISTRICT**  
**FAYETTEVILLE, TENNESSEE**  
**June 30, 2013**

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

TABLE OF CONTENTS

	<u>Page No.</u>
INTRODUCTORY SECTION	
Schedule of Board Members and Management Official.....	1
FINANCIAL SECTION	
INDEPENDENT AUDITOR'S REPORT.....	2-3
BASIC FINANCIAL STATEMENTS	
Statement of Net Position.....	4
Statement of Revenues, Expenses and Changes in Net Position .....	5-6
Statement of Cash Flows .....	7
Notes to Financial Statements .....	8-11
SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - Budgetary Basis.....	12-13
INTERNAL CONTROL AND COMPLIANCE SECTION	
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDIT STANDARDS .....	14-15
Schedule of Findings and Responses.....	16

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

SCHEDULE OF BOARD MEMBERS AND MANAGEMENT OFFICIAL

June 30, 2013

BOARD

Douglas Carver, Chairman

Murray Blackwelder, Vice Chairman

Mike Hall, Secretary

Danny Travis, Treasurer

James McNeal

Billy Gray

Richard Howell

Robert Strobe

Joe Vann

Richard Wright

Joe Young

MANAGEMENT

Robert Jones, Executive Director

DAVID A. KIDD  
Certified Public Accountant

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

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

INDEPENDENT AUDITOR'S REPORT

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

**Report on the Financial Statements**

I have audited the accompanying financial statements of the Lincoln County "9-1-1" Emergency Communications District (the "District") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

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 of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

*Opinion*

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lincoln County "9-1-1" Emergency Communications District of Lincoln County,

Tennessee, as of June 30, 2013, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Emphasis of Matter*

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, 2013, the changes in its financial position, or, where applicable, its cash flows for the year ended in accordance with accounting principles generally accepted in the United States of America. My opinion is not modified with respect to this matter.

*Other Matters*

*Required Supplementary Information*

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, economical or historical context. My opinion on the basic financial statements is not affected by this missing information.

*Other Information*

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The budgetary comparison schedule - budgetary basis is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The budgetary comparison schedule - budgetary basis information is the responsibility of the District's management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the budgetary comparison schedule - budgetary basis information is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, I have also issued my report dated January 9, 2014, on my consideration of the Lincoln County "9-1-1" Emergency Communications District's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lincoln County "9-1-1" Emergency Communications District's internal control over financial reporting and compliance.

Fayetteville, Tennessee  
January 9, 2014

DAVID A. KIDD

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

STATEMENT OF NET POSITION

June 30, 2013

ASSETS

CURRENT ASSETS

Cash	\$ 426,099
Certificates of deposit	270,902
Interest receivable	636
Accounts receivable	9,694
Due from Tennessee Emergency Communications Board-Operating	13,985
Due from Tennessee Emergency Communications Board-Grants/Reimbursements	51,260
Prepaid expenses-maintenance contracts	<u>53,750</u>
Total Current Assets	<u>826,326</u>

NONCURRENT ASSETS

Property and equipment, net	1,484,749
Prepaid expenses-maintenance contracts, net of current portion	<u>106,785</u>
Total Noncurrent Assets	<u>1,591,534</u>

TOTAL ASSETS

2,417,860

LIABILITIES

CURRENT LIABILITIES

Accounts payable	20,185
Due to City of Fayetteville	<u>121,227</u>
Total Current Liabilities	<u>141,412</u>

TOTAL LIABILITIES

141,412

NET POSITION

Invested in capital assets	1,484,749
Unrestricted assets	<u>791,699</u>
TOTAL NET POSITION	<u>\$ 2,276,448</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 POSITION

For the Year Ended June 30, 2013

OPERATING REVENUES:

Emergency telephone service charge	\$ 123,883
Tennessee Emergency Communications Board-Shared Wireless Charge	82,075
Tennessee Emergency Communications Board-Operational Funding	217,653
Total Operating Revenues	423,611

OPERATING EXPENSES:

Salaries & Wages

Overtime wages	18,702
Bonuses	678
Other wages & salaries-IT department	30,852
Other wages & salaries-GIS/Mapping department	39,367
Total Salaries & wages	89,599

Employee Benefits

Social security & medicare	5,255
Life insurance	771
Medical insurance	10,450
Unemployment compensation	551
Retirement contributions	5,586
Other fringe benefits	53
Total Employee Benefits	22,666

Contracted Services

Addressing/Mapping	401
Advertising	257
Audit services	3,250
Accounting services	1,300
Engineering services	2,100
Legal services	1,365
Other services	652
Maintenance agreements	63,588
Weather warning software service	1,560
NCIC/TBI/TIES expenses	4,720
Pest control	864
Lease/rental-Communications equipment	38,194
Maintenance & repairs-Communications equipment	1,987
Maintenance & repairs-Buildings & facilities	1,451
Maintenance & repairs-Vehicles	1,566
Fuel-Vehicles	5,047
Miscellaneous contracted services	18
Total Contracted Services	128,320

**LINCOLN COUNTY "9-1-1" EMERGENCY COMMUNICATIONS DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION (CONTINUED)**  
**For the Year Ended June 30, 2013**

<u>Supplies &amp; Materials</u>	
Office supplies	3,018
Custodial supplies	518
Postage	292
Small equipment	5,776
Uniforms & shirts	1,390
Utilities-Electric	18,476
Utilities-Gas	506
Utilities-Water & Sewer	849
Utilities-General Telephone	10,015
Utilities-Cell Phones & Pagers	671
Operating supplies	4,745
Total Supplies & Materials	<u>46,256</u>
<u>Other Charges</u>	
Bank charges	566
Dues & memberships	1,350
Employee testing & exams	960
Insurance-Workers compensation	3,164
Insurance-Liability	3,552
Insurance-Building & contents	13
Insurance-Vehicles	109
Licenses & fees	593
Premiums on surety bonds	443
Training	7,345
Travel	7,405
Internet Service	611
Total Other Charges	<u>26,111</u>
<u>Depreciation</u>	
Depreciation expense	<u>156,479</u>
Total Depreciation	<u>156,479</u>
Total Operating Expenses	<u>469,431</u>
Operating Income(Loss)	<u>(45,820)</u>
<u>NONOPERATING REVENUES (EXPENSES):</u>	
Interest income	5,993
Miscellaneous income	100
Tennessee Emergency Communications Board-Grants & Reimbursements	<u>281,319</u>
Total Nonoperating Revenue/(Expense)	<u>287,412</u>
INCREASE(DECREASE) IN NET POSITION	241,592
NET POSITION, beginning of year	<u>2,034,856</u>
NET POSITION, end of year	<u>\$ 2,276,448</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, 2013

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from surcharges & other revenues	\$ 442,431
Cash paid to suppliers for goods & services	(153,817)
Cash payments for payroll, taxes & related benefits	<u>(68,074)</u>
Net Cash Provided by Operating Activities	<u>220,540</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Grants/Reimbursements-TECB	39,224
Miscellaneous income	<u>100</u>
Cash Provided by Noncapital Financing Activities	<u>39,324</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Grants/Reimbursements-TECB	190,835
Additions to property and equipment	<u>(176,577)</u>
Cash Provided by Capital and Related Financing Activities	<u>14,258</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income received	<u>5,993</u>
Cash Provided by Investing Activities	<u>5,993</u>
NET INCREASE IN CASH	280,115
CASH, beginning of year	<u>145,984</u>
CASH, end of year	<u>\$ 426,099</u>
RECONCILIATION OF OPERATING INCOME TO NET	
CASH FLOWS FROM OPERATING ACTIVITIES:	
Operating income (loss)	\$ (45,820)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	156,479
Change in operating assets and liabilities:	
Decrease in receivables	18,820
Decrease in prepaid expenses	39,854
Increase in payables	<u>51,207</u>
Net Cash Provided by Operating Activities	<u>\$ 220,540</u>
Noncash capital and related financing activities:	
Capital assets acquired by increase in accounts payable	\$ 15,877
Capital grant revenue recorded by increase in grants receivable	\$ 51,260

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, 2013**

Note A - SUMMARY OF ACCOUNTING POLICIES

*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.

*Basis of Accounting*

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 defined by the Governmental Accounting Standards Board (GASB). The District is classified as a proprietary fund by GASB. Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. 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.

The District classifies net position as:

- Invested in capital assets - This component of net position consists of capital assets, net of accumulated depreciation.
- Restricted - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors, grantors, or laws or regulations of other governments.
- Unrestricted - This component of net position consists of assets that do not meet the definition of "restricted" or "invested in capital assets".

When both restricted and unrestricted resources are available of use, it is the District's policy to use restricted resources first and then unrestricted resources as they are needed.

*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, 2013**

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, 2013, in the opinion of management, there were no uncollectible accounts receivable.

*Property and Equipment*

Property and equipment is stated at cost. The capitalization threshold for an individual item is \$500.

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, 2013.

*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 2013 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, 2013, 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, 2013**

Note A - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

expenditures for capital assets and does not include non-cash expenses such as depreciation.

*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 \$3,200 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 \$660,040 for the year ended June 30, 2013. These payments include salaries, taxes and related benefits for the year ended June 30, 2013.

Note D - PROPERTY AND EQUIPMENT

Capital asset activity for the year ended June 30, 2013 was as follows:

	06/30/12	Additions	Retirements	Transfers	06/30/13
Land	\$ 171,110	\$ 37,217	\$ -	\$ -	\$ 208,327
Land Improvements	261,353	-	-	-	261,353
Building	599,767	-	-	-	599,767
Communications & Office					
Equipment	1,256,990	95,252	-	-	1,352,242
Vehicles	28,244	59,985	-	-	88,229
	<u>\$ 2,317,464</u>	<u>\$ 192,454</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,509,918</u>

**LINCOLN COUNTY "9-1-1" EMERGENCY COMMUNICATIONS DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013**

The related activity for accumulated depreciation for the year ended June 30, 2013 was as follows:

	<u>06/30/12</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>06/30/13</u>
Land Improvements	\$ 32,922	\$ 18,038	\$ -	\$ -	\$ 50,960
Building	164,815	17,042	-	-	181,857
Communications & Office					
Equipment	648,667	115,260	-	-	763,927
Vehicle	22,286	6,139	-	-	28,425
	<u>\$ 868,690</u>	<u>\$ 156,479</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,025,169</u>

Depreciation for the year ended June 30, 2013 totaled \$156,479.

**Note F- PLANNED PROJECTS**

Planning is in progress for the construction of two towers, one at property acquired during the current year located near the Communications Center and the other in Park City. The projects are expected to cost approximately \$175,000 and will be funded by funds held by the Tennessee Emergency Communications Board of approximately \$122,000 with the remainder being funded by Board funds. Construction is anticipated to begin during the year ended June 30, 2014.

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

BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)

For the Year Ended June 30, 2013

	<u>Original Budget</u> (Budgetary Basis)	<u>Final Budget</u> (Budgetary Basis)	<u>Actual</u> (Budgetary Basis)	<u>Variance</u> Under(Over)
<b>OPERATING REVENUES:</b>				
Emergency telephone service charge	\$ 121,000	\$ 121,000	\$ 123,883	\$ 2,883
Tennessee Emergency Communications Board-Shared Wireless Charge	81,000	81,000	82,075	1,075
Tennessee Emergency Communications Board-Operational Funding	<u>204,000</u>	<u>204,000</u>	<u>217,653</u>	<u>13,653</u>
Total Operating Revenues	406,000	406,000	423,611	17,611
<b>OPERATING EXPENSES:</b>				
<u>Salaries &amp; Wages</u>				
Overtime wages	10,050	15,050	18,702	(3,652)
Bonuses	400	400	678	(278)
Other wages & salaries-IT department	31,000	31,000	30,852	148
Other wages & salaries-GIS/Mapping department	-	-	39,367	(39,367)
Total Salaries & wages	<u>41,450</u>	<u>46,450</u>	<u>89,599</u>	<u>(43,149)</u>
<u>Employee Benefits</u>				
Social security & medicare	2,850	2,850	5,255	(2,405)
Life insurance	250	250	771	(521)
Medical insurance	6,200	6,200	10,450	(4,250)
Unemployment compensation	15	15	551	(536)
Retirement contributions	3,100	3,100	5,586	(2,486)
Other fringe benefits	3,500	3,500	53	3,447
Total Employee Benefits	<u>15,915</u>	<u>15,915</u>	<u>22,666</u>	<u>(6,751)</u>
<u>Contracted Services</u>				
Addressing/Mapping	5,000	5,000	401	4,599
Advertising	-	-	257	(257)
Audit services	3,000	3,000	3,250	(250)
Accounting services	1,500	1,500	1,300	200
Engineering services	-	-	2,100	(2,100)
Legal services	1,000	1,000	1,365	(365)
Other services	-	-	652	(652)
Maintenance agreements	28,632	28,632	63,588	(34,956)
Mapping/Database consultants	5,000	5,000	-	5,000
Weather warning software service	-	-	1,560	(1,560)
NCIC/TBI/TIES expenses	12,000	12,000	4,720	7,280
Pest Control	240	240	864	(624)
Lease/rental-Communications equipment	43,000	43,000	38,194	4,806
Maintenance & repairs-Communications equipment	5,000	5,000	1,987	3,013
Maintenance & repairs-Buildings & facilities	1,500	1,500	1,451	49
Maintenance & repairs-Office equipment	1,000	1,000	-	1,000
Maintenance & repairs-Vehicles	6,000	6,000	1,566	4,434
Fuel-Vehicles	1,800	2,800	5,047	(2,247)
Miscellaneous contracted services	-	-	18	(18)
Total Contracted Services	<u>114,672</u>	<u>115,672</u>	<u>128,320</u>	<u>(12,648)</u>
<u>Supplies &amp; Materials</u>				
Office supplies	4,700	4,700	3,018	1,682
Custodial supplies	1,000	1,000	518	482
Postage	200	200	292	(92)
Small equipment	2,000	2,000	5,776	(3,776)
Uniforms & shirts	2,600	2,600	1,390	1,210
Utilities-Electric	13,000	13,000	18,476	(5,476)
Utilities-Gas	800	800	506	294
Utilities-Water & Sewer	500	500	849	(349)
Utilities-General Telephone	9,000	9,000	10,015	(1,015)
Utilities-Cell Phone & Pagers	360	360	671	(311)
Operating supplies	<u>3,000</u>	<u>3,000</u>	<u>4,745</u>	<u>(1,745)</u>
Total Supplies & Materials	<u>37,160</u>	<u>37,160</u>	<u>46,256</u>	<u>(9,096)</u>
<u>Other Charges</u>				
Bank charges	-	-	566	(566)
Dues & memberships	2,500	2,500	1,350	1,150
Employee Testing and Exams	400	400	960	(560)
Insurance-Workers compensation	4,600	4,600	3,164	1,436
Insurance-Building & contents	1	1	13	(12)
Insurance-Liability	3,400	3,400	3,552	(152)
Insurance-Vehicles	300	300	109	191
Legal notices	200	200	-	200
Licenses and fees	600	600	593	7
Premiums on surety bonds	1,000	1,000	443	557
Service awards	200	200	-	200

LINCOLN COUNTY "9-1-1" EMERGENCY COMMUNICATIONS DISTRICT  
 BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)-CONTINUED  
 For the Year Ended June 30, 2013

	<u>Original Budget</u> <u>(Budgetary Basis)</u>	<u>Final Budget</u> <u>(Budgetary Basis)</u>	<u>Actual</u> <u>(Budgetary Basis)</u>	<u>Variance</u> <u>Under/Over)</u>
Training expenses	21,000	15,000	7,345	7,655
Travel	10,500	10,500	7,405	3,095
Internet charges	600	600	611	(11)
Miscellaneous	-	-	-	-
Capital purchases	318,000	318,000	192,454	125,546
Total Other Charges	<u>363,301</u>	<u>357,301</u>	<u>218,565</u>	<u>138,736</u>
Total Operating Expenses-Budgetary Basis	<u>572,498</u>	<u>572,498</u>	<u>505,406</u>	<u>67,092</u>
 <u>NON-OPERATING REVENUES (EXPENSES):</u>				
Interest income	-	-	5,993	5,993
Miscellaneous income	-	-	100	100
Tennessee Emergency Communications Board-Grants and Reimbursements	-	-	281,319	281,319
Total Non-operating Revenues/(Expense)	<u>-</u>	<u>-</u>	<u>287,412</u>	<u>287,412</u>
 Net Income per Budgetary Basis	 <u>\$ (166,498)</u>	 <u>\$ (166,498)</u>	 <u>205,617</u>	 <u>\$ 372,115</u>
 <u>Reconciliation of Budgetary Basis to GAAP Basis</u>				
Capital purchases			<u>192,454</u>	
Net Reconciliation Budgetary to GAAP			<u>192,454</u>	
 INCREASE(DECREASE) IN NET POSITION			 398,071	
NET POSITION, beginning of year			<u>2,034,856</u>	
NET POSITION, end of year			<u>\$ 2,432,927</u>	

DAVID A. KIDD  
Certified Public Accountant

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

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

INDEPENDENT AUDITOR'S REPORT 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, in accordance with the 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, 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, 2013, and the related notes to the financial statements, which collectively comprise the Lincoln County "9-1-1" Emergency Communications District's basis financial statements, and have issued my report thereon dated January 9, 2014.

**Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, I do not express an opinion on the effectiveness of the District's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, I identified a deficiency in internal control that I consider to be a material weakness.

*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. I consider the deficiency described in the accompanying schedule of findings and responses as item 2013-1 to be a material weakness.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed 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 responses as items 2009-1 and 2013-1.

## Lincoln County "9-1-1" Emergency Communications District's Response to Finding

Lincoln County "9-1-1" Emergency Communications District's response to the finding in my audit is described in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, I express no opinion on it.

### Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Fayetteville, Tennessee

January 9, 2014

DAVID A. KIDD

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

SCHEDULE OF FINDINGS AND RESPONSES

For the year ended June 30, 2013

Item 2009-1: Budget Variances:

Tennessee Code Annotated, Section 7-86-120, states that money should be spent only in accordance with a legally adopted budget. I noted that actual expenses exceeded the budget in numerous line-item categories. The largest variances were due to the failure to budget for an additional employee position and the related benefits and the amortization of a maintenance contract. The failure to budget for these specific items was due to the fact that the 2012-2013 budget was a continuation of the 2011-2012 budget without consideration of the additional costs related to the addition of the new position and maintenance contract. Monitoring of the line-item budget items should be conducted on a monthly basis. If necessary, amendments should be made to reflect the Board's approval of the expenses.

Management response: In addition to the issue noted above, a number of the line-item differences are attributable to expenses which are billed to the District on an annual basis by the City of Fayetteville; these expenses were billed five months after year-end and the delay in receiving the bill did not enable the Board to propose budget amendments on a timely basis. Budget versus actual analysis reports are reviewed on a monthly basis; the monitoring process will be improved to ensure compliance with the budget.

Item 2013-1: Purchase Documentation:

The *Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts* states that documentation, including invoices, should be on file to support the books of account. I noted numerous instances where monthly statements were the only documentation that could be located to support expenditures. Documentation for all expenditures should be required prior to payment, include all invoices and credit card receipts, and be retained on file.

Management response: The required documentation will be retained on all future expenditures.