

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

June 30, 2014

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, 2014

BOARD

Murray Blackwelder, Chairman

Billy Gray, Vice Chairman

Mike Hall, Secretary

Danny Travis, Treasurer

James McNeal

Richard Howell

Robert Strobe

Joe Vann

Richard Wright

Joe Young

MANAGEMENT

Robert Jones, 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

Report on the Financial Statements

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, 2014, 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, 2014, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 introductory section and the budgetary comparison schedule - budgetary basis are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary 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 other supplementary 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 December 17, 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
December 17, 2014

DAVID A. KIDD

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

June 30, 2014

ASSETS

CURRENT ASSETS

Cash	\$ 518,963
Certificates of deposit	270,902
Interest receivable	636
Accounts receivable	8,737
Due from Tennessee Emergency Communications Board-Operating	13,985
Due from Tennessee Emergency Communications Board-Grants/Reimbursements	116,171
Prepaid expenses-maintenance contracts	<u>56,488</u>
Total Current Assets	<u>985,882</u>

NONCURRENT ASSETS

Property and equipment, net	1,479,231
Prepaid expenses-maintenance contracts, net of current portion	<u>64,071</u>
Total Noncurrent Assets	<u>1,543,302</u>

TOTAL ASSETS

2,529,184

LIABILITIES

CURRENT LIABILITIES

Accounts payable	80,764
Due to City of Fayetteville	<u>133,649</u>
Total Current Liabilities	<u>214,413</u>

TOTAL LIABILITIES

214,413

NET POSITION

Investment in capital assets	1,479,231
Unrestricted assets	<u>835,540</u>
TOTAL NET POSITION	<u>\$ 2,314,771</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, 2014

OPERATING REVENUES:

Emergency telephone service charge	\$ 114,295
Tennessee Emergency Communications Board-Shared Wireless Charge	84,975
Tennessee Emergency Communications Board-Operational Funding	234,727
Total Operating Revenues	433,997

OPERATING EXPENSES:

Salaries & Wages

Overtime wages	37,074
Bonuses	883
Other wages & salaries-IT department	32,125
Other wages & salaries-GIS/Mapping department	41,159
Total Salaries & wages	111,241

Employee Benefits

Social security & medicare	5,886
Life insurance	373
Medical insurance	8,446
Unemployment compensation	636
Retirement contributions	7,411
Total Employee Benefits	22,752

Contracted Services

Advertising	252
Audit services	3,250
Accounting services	1,850
Other services	50
Maintenance agreements	72,284
Weather warning software service	1,560
NCIC/TBI/TIES expenses	4,160
Pest control	240
Lease/rental-Communications equipment	38,413
Maintenance & repairs-Communications equipment	2,712
Maintenance & repairs-Buildings & facilities	1,763
Maintenance & repairs-Office equipment	260
Maintenance & repairs-Vehicles	270
Fuel-Vehicles	6,484
Miscellaneous contracted services	578
Total Contracted Services	134,126

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, 2014

Supplies & Materials

Office supplies	3,045
Postage	172
Small equipment	2,074
Uniforms & shirts	3,080
Utilities-Electric	20,933
Utilities-Gas	545
Utilities-Water & Sewer	995
Utilities-General Telephone	7,995
Utilities-Cell Phones & Pagers	1,526
Operating supplies	<u>2,995</u>
Total Supplies & Materials	<u>43,360</u>

Other Charges

Bank charges	496
Dues & memberships	969
Employee testing & exams	1,725
Insurance-Workers compensation	3,080
Insurance-Liability	3,957
Insurance-Building & contents	12
Insurance-Vehicles	129
Licenses & fees	84
Premiums on surety bonds	616
Training	7,679
Travel	7,739
Internet Service	<u>564</u>
Total Other Charges	<u>27,050</u>

Depreciation

Depreciation expense	<u>177,617</u>
Total Depreciation	<u>177,617</u>

Total Operating Expenses 516,146

Operating Income(Loss) (82,149)

NONOPERATING REVENUES (EXPENSES):

Interest income	368
Tennessee Emergency Communications Board-Grants & Reimbursements	<u>3,933</u>
Total Nonoperating Revenue/(Expenses)	<u>4,301</u>

Income(Loss) before Capital Contributions (77,848)

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, 2014

CAPITAL CONTRIBUTIONS:

Capital Contributions from Tennessee Emergency Communications Board	<u>116,171</u>
Total Capital Contributions	<u>116,171</u>
INCREASE(DECREASE) IN NET POSITION	38,323
NET POSITION, beginning of year	<u>2,276,448</u>
NET POSITION, end of year	<u>\$ 2,314,771</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, 2014

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from surcharges & other revenues	\$ 434,954
Cash paid to suppliers for goods & services	(168,182)
Cash payments for payroll, taxes & related benefits	<u>(117,791)</u>
Net Cash Provided by Operating Activities	<u>148,981</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Grants/Reimbursements-TECB	<u>3,933</u>
Cash Provided by Noncapital Financing Activities	<u>3,933</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Grants/Reimbursements-TECB	51,260
Additions to property and equipment	<u>(111,678)</u>
Cash Provided used by Capital and Related Financing Activities	<u>(60,418)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income received	<u>368</u>
Cash Provided by Investing Activities	<u>368</u>
NET INCREASE IN CASH	92,864
CASH, beginning of year	<u>426,099</u>
CASH, end of year	<u>\$ 518,963</u>
RECONCILIATION OF OPERATING INCOME TO NET	
CASH FLOWS FROM OPERATING ACTIVITIES:	
Operating income (loss)	\$ (82,149)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	177,617
Change in operating assets and liabilities:	
Increase in receivables	957
Decrease in prepaid expenses	39,976
Increase in payables	<u>12,580</u>
Net Cash Provided by Operating Activities	<u>\$ 148,981</u>
Noncash capital and related financing activities:	
Capital assets acquired by increase in accounts payable	\$ 60,421
Capital grant revenue recorded by increase in grants receivable	\$ 64,911

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, 2014

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:

- Investment 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.

LINCOLN COUNTY "9-1-1" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note A - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

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.

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, 2014, 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 10 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, 2014.

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 2014 the Board invested only in certificates of deposit with maturities of two to three and one-half years, which are carried at cost.

LINCOLN COUNTY "9-1-1" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note A - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

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, 2014, 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 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 \$2,900 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

LINCOLN COUNTY "9-1-1" EMERGENCY COMMUNICATIONS DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2014

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 \$693,047 for the year ended June 30, 2014. These payments include salaries, taxes and related benefits for the year ended June 30, 2014.

Note D - PROPERTY AND EQUIPMENT

Capital asset activity for the year ended June 30, 2014 was as follows:

	06/30/13	Additions	Retirements	Transfers	06/30/14
Land	\$ 208,327	\$ -	\$ -	\$ -	\$ 208,327
Land Improvements	261,353	-	-	-	261,353
Building	599,767	-	-	-	599,767
Communications & Office					
Equipment	1,352,242	172,099	-	-	1,524,341
Vehicles	88,229	-	-	-	88,229
	<u>\$ 2,509,918</u>	<u>\$ 172,099</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,682,017</u>

The related activity for accumulated depreciation for the year ended June 30, 2014 was as follows:

	06/30/13	Additions	Retirements	Transfers	06/30/14
Land Improvements	\$ 50,960	\$ 18,038	\$ -	\$ -	\$ 68,998
Building	181,857	14,630	-	-	196,487
Communications & Office					
Equipment	763,927	132,952	-	-	896,879
Vehicle	28,425	11,997	-	-	40,422
	<u>\$ 1,025,169</u>	<u>\$ 177,617</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,202,786</u>

Depreciation for the year ended June 30, 2014 totaled \$177,617.

Note F- CURRENT PROJECT

At June 30, 2014, the Board had expended approximately \$46,500 on a project for the construction of a tower located near the Communications Center. Total project cost is expected to be approximately \$200,000 and will be funded by approximately \$17,000 from the Tennessee Emergency Communications Board with the remainder coming from Board funds. The project is anticipated to be completed during the year ended June 30, 2015.

LINCOLN COUNTY "9-1-1" EMERGENCY COMMUNICATIONS DISTRICT
 BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)
 For the Year Ended June 30, 2014

	<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>
<u>OPERATING REVENUES:</u>				
Emergency telephone service charge	\$ 121,000	\$ 121,000	\$ 114,295	\$ (6,705)
Tennessee Emergency Communications Board-Shared Wireless Charge	100,000	100,000	84,975	(15,025)
Tennessee Emergency Communications Board-Operational Funding	<u>204,000</u>	<u>204,000</u>	<u>234,727</u>	<u>30,727</u>
Total Operating Revenues	425,000	425,000	433,997	8,997
<u>OPERATING EXPENSES:</u>				
<u>Salaries & Wages</u>				
Overtime wages	20,150	38,050	37,074	976
Bonuses	795	795	883	(88)
Other wages & salaries-IT department	32,000	32,000	32,125	(125)
Other wages & salaries-GIS/Mapping department	<u>41,250</u>	<u>41,250</u>	<u>41,159</u>	<u>91</u>
Total Salaries & wages	<u>94,195</u>	<u>112,095</u>	<u>111,241</u>	<u>854</u>
<u>Employee Benefits</u>				
Social security & medicare	5,700	5,700	5,886	(186)
Life insurance	450	450	373	77
Medical insurance	11,250	11,250	8,446	2,804
Unemployment compensation	54	54	636	(582)
Retirement contributions	7,325	7,325	7,411	(86)
Other fringe benefits	<u>3,500</u>	<u>3,500</u>	<u>-</u>	<u>3,500</u>
Total Employee Benefits	<u>28,279</u>	<u>28,279</u>	<u>22,752</u>	<u>5,527</u>
<u>Contracted Services</u>				
Addressing/Mapping	5,000	500	-	500
Advertising	-	-	252	(252)
Audit services	3,000	3,500	3,250	250
Accounting services	1,500	1,500	1,850	(350)
Legal services	1,000	500	-	500
Other services	-	-	50	(50)
Maintenance agreements	28,832	35,000	29,570	5,430
Mapping/Database consultants	5,000	500	-	500
Weather warning software service	-	-	1,560	(1,560)
NCIC/TBI/TIES expenses	12,000	12,000	4,160	7,840
Pest Control	240	240	240	-
Lease/rental-Communications equipment	43,250	43,250	38,413	4,837
Maintenance & repairs-Communications equipment	5,000	5,000	2,712	2,288
Maintenance & repairs-Buildings & facilities	1,500	1,500	1,763	(263)
Maintenance & repairs-Office equipment	1,000	1,000	260	740
Maintenance & repairs-Vehicles	6,000	2,000	270	1,730
Fuel-Vehicles	5,000	5,000	6,484	(1,484)
Miscellaneous contracted services	<u>-</u>	<u>560</u>	<u>578</u>	<u>(18)</u>
Total Contracted Services	<u>118,322</u>	<u>112,050</u>	<u>91,412</u>	<u>20,638</u>
<u>Supplies & Materials</u>				
Office supplies	4,700	2,500	3,045	(545)
Custodial supplies	1,000	1,000	-	1,000
Postage	200	200	172	28
Small equipment	2,000	2,000	2,074	(74)
Uniforms & shirts	5,000	5,000	3,080	1,920
Utilities-Electric	16,000	17,500	20,933	(3,433)
Utilities-Gas	800	800	545	255
Utilities-Water & Sewer	800	1,000	995	5
Utilities-General Telephone	13,000	13,000	7,995	5,005
Utilities-Cell Phone & Pagers	360	2,000	1,526	474
Operating supplies	<u>3,000</u>	<u>3,000</u>	<u>2,995</u>	<u>5</u>
Total Supplies & Materials	<u>46,860</u>	<u>48,000</u>	<u>43,360</u>	<u>4,640</u>
<u>Other Charges</u>				
Bank charges	-	-	496	(496)
Dues & memberships	2,500	2,500	969	1,531
Employee testing & exams	400	3,000	1,725	1,275
Insurance-Workers compensation	4,600	4,600	3,080	1,520
Insurance-Building & contents	1	1	12	(11)
Insurance-Liability	3,400	3,400	3,957	(557)
Insurance-Vehicles	300	300	129	171
Legal notices	200	200	-	200
Licenses and fees	600	600	84	516
Premiums on surety bonds	1,000	1,000	616	384
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, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
	(Budgetary Basis)	(Budgetary Basis)	(Budgetary Basis)	Under(Over)
Training expenses	21,000	15,000	7,679	7,321
Travel	10,500	5,000	7,739	(2,739)
Internet charges	600	600	564	36
Miscellaneous	-	-	-	-
Capital purchases	-	172,100	172,100	-
Total Other Charges	45,301	208,501	199,150	9,351
Total Operating Expenses-Budgetary Basis	332,957	508,925	467,915	41,010
<u>NON-OPERATING REVENUES (EXPENSES):</u>				
Interest income	-	-	368	368
Tennessee Emergency Communications Board-Grants and Reimbursements	-	-	3,933	3,933
Total Non-operating Revenues/(Expense)	-	-	4,301	4,301
Income (Loss) before Capital Contribution	92,043	(83,925)	(29,617)	54,308
CAPITAL CONTRIBUTIONS:				
Capital Contributions from Tennessee Emergency Communications Board	-	-	116,171	116,171
Total Capital Contributions	-	-	116,171	116,171
Net Income per Budgetary Basis	\$ 92,043	\$ (83,925)	86,554	\$ 170,479
<u>Reconciliation of Budgetary Basis to GAAP Basis</u>				
Depreciation			(177,617)	
Amortization of Maintenance Agreement			(42,714)	
Capital purchases			172,100	
Net Reconciliation Budgetary to GAAP			(48,231)	
INCREASE(DECREASE) IN NET POSITION			38,323	
NET POSITION, beginning of year			2,276,448	
NET POSITION, end of year			\$ 2,314,771	

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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, 2014, 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 December 17, 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.

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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, I did not identify any deficiencies in internal control that I consider to be material weaknesses. However material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

I noted other matters that I reported to the management of the Board in a separate letter dated December 16, 2014.

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
December 17, 2014

DAVID A. KIDD