

**AUDITED FINANCIAL STATEMENTS**  
**LINCOLN COUNTY "9-1-1" EMERGENCY COMMUNICATIONS DISTRICT**  
**FAYETTEVILLE, TENNESSEE**  
**June 30, 2015**

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, 2015

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, 2015, 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, 2015, 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 January 7, 2016, 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 7, 2016

DAVID A. KIDD

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

STATEMENT OF NET POSITION

June 30, 2015

ASSETS

CURRENT ASSETS

Cash	\$ 474,622
Certificates of deposit	270,902
Interest receivable	636
Prepaid expenses-maintenance contracts	<u>58,866</u>
Total Current Assets	<u>805,026</u>

NONCURRENT ASSETS

Property and equipment, net	1,531,249
Prepaid expenses-maintenance contracts, net of current portion	<u>25,476</u>
Total Noncurrent Assets	<u>1,556,725</u>

TOTAL ASSETS

2,361,751

LIABILITIES

CURRENT LIABILITIES

Accounts payable	12,091
Due to City of Fayetteville	<u>125,137</u>
Total Current Liabilities	<u>137,228</u>

TOTAL LIABILITIES

137,228

NET POSITION

Investment in capital assets	1,531,249
Unrestricted	<u>693,274</u>
TOTAL NET POSITION	<u>\$ 2,224,523</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, 2015

OPERATING REVENUES:

Emergency telephone service charge	\$ 51,196
Tennessee Emergency Communications Board-Shared Wireless Charge	31,724
Tennessee Emergency Communications Board-Operational Funding	128,746
TECB distribution of 911 surcharges	<u>212,121</u>
Total Operating Revenues	<u>423,787</u>

OPERATING EXPENSES:

Salaries & Wages

Overtime wages	29,226
Bonuses	976
Other wages & salaries-IT department	33,069
Other wages & salaries-GIS/Mapping department	<u>42,334</u>
Total Salaries & wages	<u>105,605</u>

Employee Benefits

Social security & medicare	4,620
Life insurance	283
Medical insurance	10,867
Unemployment compensation	538
Retirement contributions	<u>7,248</u>
Total Employee Benefits	<u>23,556</u>

Contracted Services

Advertising	138
Audit services	3,250
Accounting services	2,100
Fees paid to service providers	606
Maintenance agreements	80,053
Weather warning software service	1,580
NCIC/TBI/TIES expenses	2,240
Pest control	220
Lease/rental-Communications equipment	35,543
Maintenance & repairs-Communications equipment	387
Maintenance & repairs-Buildings & facilities	1,178
Maintenance & repairs-Vehicles	832
Fuel-Vehicles	<u>4,994</u>
Total Contracted Services	<u>133,121</u>

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, 2015

<u>Supplies &amp; Materials</u>	
Office supplies	3,049
Postage	204
Small equipment	1,288
Uniforms & shirts	4,601
Utilities-Electric	19,280
Utilities-Gas	594
Utilities-Water & Sewer	725
Utilities-General Telephone	9,446
Utilities-Cell Phones & Pagers	1,175
Operating supplies	<u>2,629</u>
Total Supplies & Materials	<u>42,991</u>
<u>Other Charges</u>	
Bank charges	118
Dues & memberships	1,124
Insurance-Workers compensation	2,849
Insurance-Liability	3,843
Insurance-Building & contents	14
Insurance-Vehicles	139
Licenses & fees	300
Premiums on surety bonds	721
Training	7,389
Travel	3,551
Internet Service	564
Other miscellaneous charges	<u>316</u>
Total Other Charges	<u>20,928</u>
<u>Depreciation</u>	
Depreciation expense	<u>189,665</u>
Total Depreciation	<u>189,665</u>
Total Operating Expenses	<u>515,866</u>
Operating Income(Loss)	<u>(92,079)</u>
<u>NONOPERATING REVENUES (EXPENSES):</u>	
Interest income	375
Tennessee Emergency Communications Board-Grants & Reimbursements	1,966
Loss on Disposal of Property	<u>(510)</u>
Total Nonoperating Revenue/(Expenses)	<u>1,831</u>
INCREASE(DECREASE) IN NET POSITION	(90,248)
NET POSITION, beginning of year	<u>2,314,771</u>
NET POSITION, end of year	<u>\$ 2,224,523</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, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from surcharges & other revenues	\$ 446,509
Cash paid to suppliers for goods & services	(232,258)
Cash payments for payroll, taxes & related benefits	<u>(134,911)</u>
Net Cash Provided by Operating Activities	<u>79,340</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Grants/Reimbursements-TECB	<u>1,966</u>
Cash Provided by Noncapital Financing Activities	<u>1,966</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Grants/Reimbursements-TECB	116,171
Additions to property and equipment	<u>(242,193)</u>
Cash Provided used by Capital and Related Financing Activities	<u>(126,022)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income received	<u>375</u>
Cash Provided by Investing Activities	<u>375</u>
NET INCREASE IN CASH	(44,341)
CASH, beginning of year	<u>518,963</u>
CASH, end of year	<u>\$ 474,622</u>
RECONCILIATION OF OPERATING INCOME TO NET	
CASH FLOWS FROM OPERATING ACTIVITIES:	
Operating income (loss)	\$ (92,079)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	189,665
Change in operating assets and liabilities:	
Decrease in receivables	22,722
Decrease in prepaid expenses	36,217
Decrease in payables	<u>(77,185)</u>
Net Cash Provided by Operating Activities	<u>\$ 79,340</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, 2015

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 prior to January 1, 2015 and when received from TECB thereafter) 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. 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 for 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, 2015

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, if any, represent fees or other amounts 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.

*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, 2015.

*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 2015 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, 2015

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, 2015, 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

Prior to January 1, 2015, the District received operating revenues from telephone service providers' customers by charging a monthly fee of \$.65 to residential and \$2.00 to business customers. These were the maximum charges allowed by the "Emergency Communications District Law". Beginning January 1, 2015, the "911 Funding Modernization and IP Transition Act" required these fees to be submitted directly to the Tennessee Emergency Communications Board (TECB), and in turn TECB remits funding to the Board based on fiscal year 2012 revenues.

The District has contracted for services to lease and maintain lines and equipment for approximately \$2,700 per month.

The District also received operating revenues from TECB prior to January 1, 2015. The TECB received 25% of the wireless E-911 charge collected from the state's wireless/cellular telephone subscribers, and in turn remitted 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

LINCOLN COUNTY "9-1-1" EMERGENCY COMMUNICATIONS DISTRICT  
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

principles require disclosure of these on-behalf payments. The on-behalf payments by the city and county totaled \$643,957 for the year ended June 30, 2015. These payments include salaries, taxes and related benefits for the year ended June 30, 2015.

Note D - PROPERTY AND EQUIPMENT

Capital asset activity for the year ended June 30, 2015 was as follows:

	06/30/14	Additions	Retirements	Transfers	06/30/15
Not Depreciated:					
Land	\$ 208,327	\$ -	\$ -	\$ -	\$ 208,327
Construction in Progress	9,229	141,122	-	-	150,351
Land Improvements	261,353	10,062	-	-	271,415
Building	599,767	-	-	-	599,767
Communications & Office					
Equipment	1,515,112	59,261	(333,879)	-	1,240,494
Vehicles	88,229	31,748	-	-	119,977
	<u>\$ 2,682,017</u>	<u>\$ 242,193</u>	<u>\$ (333,879)</u>	<u>\$ -</u>	<u>\$ 2,590,331</u>

The related activity for accumulated depreciation for the year ended June 30, 2015 was as follows:

	06/30/14	Additions	Retirements	Transfers	06/30/15
Land Improvements	\$ 68,998	\$ 18,542	\$ -	\$ -	\$ 87,540
Building	196,487	14,630	-	-	211,117
Communications & Office					
Equipment	896,879	141,321	(333,369)	-	704,831
Vehicle	40,422	15,172	-	-	55,594
	<u>\$ 1,202,786</u>	<u>\$ 189,665</u>	<u>\$ (333,369)</u>	<u>\$ -</u>	<u>\$ 1,059,082</u>

Depreciation for the year ended June 30, 2015 totaled \$189,665.

Note F- CURRENT PROJECT

At June 30, 2015, the Board had expended approximately \$150,350 on a project for the construction of a tower located near the Communications Center. Total project cost was approximately \$200,000 and funded by the Board. The project was completed in October 2015.

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

BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)

For the Year Ended June 30, 2015

	<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	\$ 35,000	\$ 51,000	\$ 51,196	\$ 196
Tennessee Emergency Communications Board-Shared Wireless Charge	41,000	31,000	31,724	724
Tennessee Emergency Communications Board-Operational Funding	124,000	124,000	128,746	4,746
TECB distribution of 911 surcharges	217,000	217,000	212,121	(4,879)
Total Operating Revenues	417,000	423,000	423,787	787
<b>OPERATING EXPENSES:</b>				
<u>Salaries &amp; Wages</u>				
Overtime wages	30,000	32,000	29,226	2,774
Bonuses	885	885	976	(91)
Other wages & salaries-IT department	33,550	33,550	33,069	481
Other wages & salaries/GIS/Mapping department	43,600	44,000	42,334	1,666
Total Salaries & wages	108,035	110,435	105,605	4,830
<u>Employee Benefits</u>				
Social security & medicare	5,900	5,900	4,620	1,280
Life insurance	463	463	283	180
Medical insurance	10,350	10,350	10,867	(517)
Unemployment compensation	515	515	538	(23)
Retirement contributions	7,600	7,600	7,248	352
Other fringe benefits	3,600	3,600	-	3,600
Total Employee Benefits	28,428	28,428	23,556	4,872
<u>Contracted Services</u>				
Addressing/Mapping	5,000	5,000	-	5,000
Advertising	-	200	138	62
Audit services	3,000	3,250	3,250	-
Accounting services	2,000	2,000	2,100	(100)
Fees paid to service providers	-	525	606	(81)
Legal services	1,000	1,000	-	1,000
Maintenance agreements	30,000	45,000	37,339	7,661
Mapping/Database consultants	5,000	5,000	-	5,000
Weather warning software service	-	-	1,580	(1,580)
NCIC/TBI/TIES expenses	12,000	12,000	2,240	9,760
Other consultants	200	200	-	200
Pest control	300	300	220	80
Lease/rental-Communications equipment	43,250	43,250	35,543	7,707
Maintenance & repairs-Communications equipment	6,000	6,000	387	5,613
Maintenance & repairs-Buildings & facilities	2,000	2,000	1,178	822
Maintenance & repairs-Office equipment	1,000	1,000	-	1,000
Maintenance & repairs-Vehicles	5,000	5,000	832	4,168
Fuel-Vehicles	5,000	5,000	4,994	6
Total Contracted Services	120,750	136,725	90,407	46,318
<u>Supplies &amp; Materials</u>				
Office supplies	4,700	3,000	3,049	(49)
Custodial supplies	1,000	1,000	-	1,000
Postage	200	300	204	96
Small equipment	2,000	2,000	1,288	712
Uniforms & shirts	5,000	5,000	4,601	399
Utilities-Electric	20,000	20,000	19,280	720
Utilities-Gas	1,100	1,100	594	506
Utilities-Water & sewer	900	900	725	175
Utilities-General telephone	13,000	13,000	9,446	3,554
Utilities-Cell phone & pagers	1,200	1,200	1,175	25
Operating supplies	3,000	3,000	2,629	371
Total Supplies & Materials	52,100	50,500	42,991	7,509
<u>Other Charges</u>				
Bank charges	-	200	118	82
Dues & memberships	2,500	2,500	1,124	1,376
Employee testing & exams	1,500	1,500	-	1,500
Insurance-Workers compensation	5,650	5,650	2,849	2,801
Insurance-Building & contents	1	10	14	(4)
Insurance-Liability	5,150	5,150	3,843	1,307
Insurance-Equipment	45	45	-	45
Insurance-Vehicles	300	300	139	161
Legal notices	200	200	-	200
Licenses and fees	600	600	300	300
Premiums on surety bonds	1,000	1,000	721	279
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, 2015

	<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	10,000	10,000	7,389	2,611
Travel	5,000	5,000	3,551	1,449
Internet charges	600	600	564	36
Other miscellaneous charges	-	500	316	184
Capital purchases	-	242,193	242,193	-
Total Other Charges	<u>32,746</u>	<u>275,648</u>	<u>263,121</u>	<u>12,527</u>
Total Operating Expenses-Budgetary Basis	<u>342,059</u>	<u>601,736</u>	<u>525,680</u>	<u>76,056</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
Interest income	-	-	375	375
Tennessee Emergency Communications Board-Grants and Reimbursements	-	-	1,966	1,966
	-	-	(510)	(510)
Total Non-operating Revenues/(Expense)	<u>-</u>	<u>-</u>	<u>1,831</u>	<u>1,831</u>
Income (Loss) before Capital Contribution	<u>74,941</u>	<u>(178,736)</u>	<u>(100,062)</u>	<u>78,674</u>
<b>CAPITAL CONTRIBUTIONS:</b>				
Capital Contributions from Tennessee Emergency Communications Board	-	-	-	-
Total Capital Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Income per Budgetary Basis	<u>\$ 74,941</u>	<u>\$ (178,736)</u>	<u>(100,062)</u>	<u>\$ 78,674</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Depreciation			(189,665)	
Amortization of maintenance agreement			(42,714)	
Capital purchases			242,193	
Net Reconciliation Budgetary to GAAP			<u>9,814</u>	
INCREASE(DECREASE) IN NET POSITION			(90,248)	
NET POSITION, beginning of year			<u>2,314,771</u>	
NET POSITION, end of year			<u>\$ 2,224,523</u>	

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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, 2015, 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 7, 2016.

**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*.

**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 7, 2016

David A. Kidd