

CITY OF LAFOLLETTE
EMERGENCY COMMUNICATIONS DISTRICT

LaFollette, Tennessee

FINANCIAL STATEMENTS

June 30, 2008

CITY OF LAFOLLETTE EMERGENCY COMMUNICATIONS DISTRICT

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CITY OF LAFOLLETTE EMERGENCY COMMUNICATIONS DISTRICT

Board Members

June 30, 2008

Jack Widener, Director

Gary Byrd, Chairman

Mary Stittums

Ben Baird

Charlie Woods

Mike Stanfield

Tamera Milner

Raymond Duncan

PUGH & COMPANY, P.C.

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INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners
City of LaFollette Emergency Communications District
LaFollette, Tennessee

We have audited the accompanying financial statements of the City of LaFollette Emergency Communications District (the "District"), a component unit of the City of LaFollette, as of and for the year ended June 30, 2008 as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2008 and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2009 on our consideration of the District's internal control over financial reporting and on our 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 our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 to 5 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The information presented on page 1 and the supplementary information presented on pages 12 to 15 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we express no opinion on it.

Pugh & Company, P.C.

Certified Public Accountants
February 17, 2009

CITY OF LAFOLLETTE EMERGENCY COMMUNICATION DISTRICT Management's Discussion and Analysis

The management of the City of LaFollette Emergency Communication District ("the District"), has provided this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2008.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$424,929. Approximately 36% of this amount or \$154,677 is reported as unrestricted net assets.
- The District's total net assets increased by \$16,612.
- The District's total debt decreased by \$13,198 during the current fiscal year due to principal debt repayments.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's financial statements. The District's financial statements consist of a balance sheet, statement of revenues, expenses and changes in net assets, statement of cash flows and notes to the financial statements. The report also contains other supplementary information in addition to the financial statements.

Financial statements. The financial statements are designed to provide readers with a broad overview of the District's financial information, in a manner similar to a private-sector business. The District is a proprietary fund type intended to recover all or a significant portion of its costs through user fees and charges.

The *balance sheet* presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator as to whether the financial position of the District is improving or deteriorating.

The *statement of revenues, expenses and changes in net assets* presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow effects in future fiscal periods (e.g., accounts payable are expensed when incurred but can be paid at a later date).

The District's financial statements can be found on pages 6 through 8.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the District's financial statements. The notes to the financial statements can be found on pages 9 through 11.

Analysis of Financial Statements

As noted earlier, net assets may serve over time as a useful indicator of a fund's financial position. In the case of the District, assets exceeded liabilities by \$424,929 at the close of the most recent fiscal year. The largest portion of the District's net assets reflects its investment in capital assets (e.g., land, equipment, furniture and fixtures), less accumulated depreciation and any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide emergency 911 services to citizens of the City; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of LaFollette Emergency Communication District's Net Assets

	As of June 30,	
	2008	2007
Current Assets	\$ 155,995	\$ 122,600
Capital Assets, Net of		
Accumulated Depreciation	282,597	320,389
Restricted Cash and Investments	0	0
Other Assets	0	0
Total Assets	438,592	442,989
Current Liabilities	12,022	22,321
Long-Term Liabilities	1,641	12,351
Total Liabilities	13,663	34,672
Net Assets:		
Invested in Capital Assets, Net of		
Related Debt	270,252	294,846
Restricted	0	0
Unrestricted	154,677	113,471
Total Net Assets	\$ 424,929	\$ 408,317

Net assets invested in capital assets net of related debt decreased \$24,594 or approximately 8% in 2008 as depreciation expense exceeded additions to capital assets and also due to principal repayments on related debt. None of the District's net assets represent resources that are subject to external restrictions on how they may be used. Unrestricted net assets increased \$41,206 as revenues exceeded expenses.

City of LaFollette Emergency Communication District's Changes in Net Assets

	For the Year Ended June 30,	
	2008	2007
Revenues:		
Operating Revenues:		
Emergency Telephone Service Charges	\$ 97,734	\$ 89,485
State ECB - Shared Wireless Charges	90,242	88,584
Utilities Dispatch Service and Other	5,410	10,172
Nonoperating Revenues:		
State ECB - Grants and Reimbursements	10,000	230,000
Interest Income	338	0
Total Revenues	203,724	418,241
Expenses:		
Operating Expenses:		
General and Administrative	111,680	89,303
Depreciation	74,545	44,132
Nonoperating Expenses:		
Interest on Long-Term Debt	887	1,730
Total Expenses	187,112	135,165
Increase in Net Assets	16,612	283,076
Net Assets - Beginning of Year	408,317	125,241
Net Assets - End of Year	\$ 424,929	\$ 408,317

The District's net assets increased by \$16,612. Key elements of this net increase are as follows:

- Grants and reimbursements decreased \$220,000 due to the District receiving a reimbursement in the prior year from the Tennessee Emergency Communications Board for the cost of the PSAP Controller and other essential and necessary equipment.
- Emergency Telephone Service Charges increased \$8,249 due to an increase in the customer base.
- Depreciation expense increased \$30,413 due to a full year of expense for the prior fiscal year additions of the PSAP Controller and GIS mapping system.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets as of June 30, 2008, amounts to \$282,597 (net of accumulated depreciation). This investment in capital assets includes land and land rights and equipment, furniture and fixtures. The decrease in the District's net investment in capital assets for the current fiscal year was approximately 12%.

Major capital asset events during the current fiscal year include the following:

- Purchases of radio equipment and mapping software upgrade. Total costs were \$33,344.
- Increase in depreciation expense of \$30,413 due to major capital asset purchases in the prior fiscal year.

Capital assets, net of depreciation, as of June 30, 2008 and 2007 is as follows:

	2008	2007
Land and Land Rights	\$ 4,000	\$ 4,000
Equipment, Furniture, and Fixtures	562,503	529,159
Construction in Progress	3,409	0
Accumulated Depreciation	(287,315)	(212,770)
	<u>\$ 282,597</u>	<u>\$ 320,389</u>

Additional information on the District's capital assets can be found in Note 3 on page 10.

Long-term debt. At the end of the current fiscal year, the District had total debt outstanding of \$12,345 which is owed on a bank note. The District's total debt decreased by \$13,198 during the current fiscal year as due to principal repayments.

Additional information on the District's long-term debt can be found in Note 5 on page 11.

Next Year's Budget

The District has additional maintenance agreements for support of the PSAP Controller and other essential and necessary equipment purchased in 2007. This is expected to increase maintenance expense approximately 60% in 2009. No other facts, decisions, or conditions are currently known which would have a significant impact on the District's financial position or results of operations during the fiscal year 2009.

Requests for Additional Information

This financial report is designed to provide a general overview of the District's financial information. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of LaFollette, Office of the City Administrator, 207 South Tennessee Avenue, LaFollette, Tennessee, 37766.

CITY OF LAFOLLETTE EMERGENCY COMMUNICATIONS DISTRICT

BALANCE SHEET

June 30, 2008

ASSETS

CURRENT ASSETS:

Cash	\$	151,420
Due from Tennessee Emergency Communications Board		4,575
Total Current Assets		<u>155,995</u>

CAPITAL ASSETS:

Nondepreciable Assets:		
Land and Land Rights		4,000
Construction in Progress		3,409
Net Nondepreciable Assets		<u>7,409</u>
Depreciable Assets:		
Equipment, Furniture and Fixtures		562,503
Less Accumulated Depreciation		<u>287,315</u>
Net Depreciable Assets		<u>275,188</u>
Net Capital Assets		<u>282,597</u>

TOTAL ASSETS	\$	<u>438,592</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts Payable	\$	1,318
Current Maturities of Long-Term Debt		10,704
Total Current Liabilities		<u>12,022</u>

NONCURRENT LIABILITIES:

Long-Term Debt		1,641
Total Liabilities		<u>13,663</u>

NET ASSETS:

Invested in Capital Assets, Net of Related Debt		270,252
Unrestricted Net Assets		154,677
Total Net Assets		<u>424,929</u>

TOTAL LIABILITIES AND NET ASSETS	\$	<u>438,592</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF LAFOLLETTE EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2008

OPERATING REVENUES:	
Emergency Telephone Service Charges	\$ 97,734
State Emergency Communications Board - Shared Wireless Charges	90,242
Utilities Dispatch Service and Other	5,410
Total Operating Revenues	<u>193,386</u>
OPERATING EXPENSES:	
General and Administrative	111,680
Depreciation	74,545
Total Operating Expenses	<u>186,225</u>
OPERATING INCOME	<u>7,161</u>
NONOPERATING REVENUES (EXPENSES):	
State Emergency Communications Board - Grants and Reimbursements	10,000
Interest Income	338
Interest Expense	(887)
Nonoperating Income	<u>9,451</u>
CHANGE IN NET ASSETS	16,612
NET ASSETS - BEGINNING OF YEAR	<u>408,317</u>
NET ASSETS - END OF YEAR	<u>\$ 424,929</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LAFOLLETTE EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash Received from Customers	\$ 193,986
Cash Paid to Employees	(67,989)
Cash Paid to Suppliers	(51,502)
Net Cash Provided by Operating Activities	<u>74,495</u>

CASH FLOWS PROVIDED BY INVESTING ACTIVITIES:

Interest on Cash and Cash Equivalents	<u>338</u>
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Cash Proceeds from State Reimbursement Capital Grants	15,425
Capital Assets Additions and Construction	(36,753)
Repayment on Long-Term Debt Borrowing	(13,198)
Interest on Capital Debt	(887)
Net Cash Used in Capital and Related Financing Activities	<u>(35,413)</u>

NET INCREASE IN CASH 39,420

CASH BEGINNING OF YEAR 112,000

CASH END OF YEAR \$ 151,420

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating Income	\$ <u>7,161</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	74,545
Decrease in Accounts Payable	(7,811)
Decrease in Accounts Receivable	600
Total Adjustments	<u>67,334</u>
Net Cash Provided by Operating Activities	\$ <u><u>74,495</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF LAFOLLETTE EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The City of LaFollette Emergency Communications District (the "District") was established pursuant to the provisions of Chapter 867 of the Public Acts of 1984 of the State of Tennessee.

The District is considered a discrete component unit of the City of LaFollette, Tennessee. As allowed in Section P80 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, the District has elected not to apply Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989. The District operates under a board appointed by City Council and provides emergency 911 services inside the city limits.

Basis of Presentation - The financial statements of the City of LaFollette Emergency Communications District have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

On July 1, 2002, the District adopted the provisions of Statement No. 34 (Statement 34) of the Governmental Accounting Standards Board *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Statement 34 established standards for external financial reporting for all state and local governmental entities, which includes a balance sheet, a statement of revenues, expenses and changes in net assets and a statement of cash flows. It requires the classification of net assets into three components - invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- Invested in capital assets, net of related debt - This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.
- Restricted - This component of net assets consists of restrictions placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt." These net assets are available for current use by the board.

Fund Structure and Basis of Accounting - The accounts of the District are organized on the basis of a proprietary fund type and are considered a separate accounting entity. The operation of the fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, and revenues and expenses, as appropriate. Government resources are allocated to and accounted for in the fund based on the purposes for which they are to be spent and the means by which spending activities are controlled. The fund, in the financial statements of this report, is as follows:

PROPRIETARY FUND TYPE:

Enterprise Funds - Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Measurement Focus, Basis of Accounting and Financial Statement Presentation - Basis of accounting refers to when revenue and expenditures are recognized in the accounts and reported in the financial statements and relates to the timing of the measurements made, regardless of the measurement focus applied.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

The proprietary fund is accounted for using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District are landline and wireless surcharges. The District also recognizes as operating revenue rent from District towers and other services. Operating expenses for the District include the cost of services, administrative expenses, maintenance, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Budget - Formal budgetary integration is employed as a management control device during the year for the fund. This annual budget is prepared on a basis consistent with generally accepted accounting principles (GAAP) and is approved by the District's Board of Commissioners. The budget may be amended by a majority vote of the Board of Commissioners. Actual expenditures and operating transfers out may not legally exceed budget appropriations. Budgetary control is maintained at the line item level. Appropriations lapse at the close of the fiscal year.

Capital Assets - Capital assets are carried at cost. Depreciation is computed using the straight-line method over an estimated useful life of five to twenty five years.

NOTE 2 - CONCENTRATION OF CREDIT RISK

Custodial Credit Risk - Deposits - For cash, this is the risk that, in the event of bank failure, the District's balances may not be available or the District will not be able to recover collateral securities in possession of an outside party. The District follows State law regarding collateralization of deposits, which requires collateral to be obtained on any deposits exceeding insurance coverage of the Federal Deposit Insurance Corporation (FDIC).

As of June 30, 2008, the book balances of the District's deposits were \$151,420 and the bank balances were \$154,375. Of the bank balances, \$100,000 was covered by FDIC insurance and \$54,375 was covered by collateral held by the Tennessee Bank Collateral Pool Board of the State of Tennessee Treasury Department. In October 2008, the FDIC insurance limits were temporarily increased to \$250,000 until December 31, 2009.

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008 is as follows:

	Balances July 1, 2007	Additions	Reductions	Balances June 30, 2008
Capital assets, not being depreciated:				
Land and land rights	\$ 4,000	\$ 0	\$ 0	\$ 4,000
Construction work in progress	0	3,409	0	3,409
Total capital assets, not being depreciated	<u>4,000</u>	<u>3,409</u>	<u>0</u>	<u>7,409</u>
Capital assets, being depreciated:				
Equipment, furniture and fixtures	529,159	33,344	0	562,503
Total capital assets, being depreciated	<u>529,159</u>	<u>33,344</u>	<u>0</u>	<u>562,503</u>
Less accumulated depreciation for:				
Equipment, furniture and fixtures	212,770	74,545	0	287,315
Total accumulated depreciation	<u>212,770</u>	<u>74,545</u>	<u>0</u>	<u>287,315</u>
Total capital assets, being depreciated, net	316,389	(41,201)	0	275,188
Capital assets, net	<u>\$ 320,389</u>	<u>\$ (37,792)</u>	<u>\$ 0</u>	<u>\$ 282,597</u>

NOTE 4 - LITIGATION

From time to time, various claims and lawsuits are pending against the District. In the opinion of the District's management, the potential loss on all claims and lawsuits will not be significant to the District's financial statements.

NOTE 5 - LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2008 are as follows:

	Balances			Balances		Amounts
	July 1, 2007	Increases	Decreases	June 30, 2008		Due Within
						One Year
First Volunteer Bank Note, 4.89%	\$ 22,545	\$ 0	\$ 10,200	\$ 12,345	\$	10,704
Caterpillar Financial Service Corporation Capital Lease	2,998	0	2,998	0		0
	<u>\$ 25,543</u>	<u>\$ 0</u>	<u>\$ 13,198</u>	<u>\$ 12,345</u>	<u>\$</u>	<u>10,704</u>

The note payable outstanding as of June 30, 2008 is as follows:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Balance June 30, 2008
First Volunteer Bank Note, 4.89%	4.89%	8/19/2005	8/19/2009	\$ 40,110	\$ <u>12,345</u>

Annual debt service requirements to maturity of the note payable is as follows for the year ending June 30:

	Principal	Interest
2009	\$ 10,704	\$ 372
2010	1,641	11
Total	<u>\$ 12,345</u>	<u>\$ 383</u>

NOTE 6 - PERSONNEL EXPENSES

All employees of the District are actually employees of the City. Personnel expenses are allocated to the District by the City.

SUPPLEMENTARY INFORMATION

CITY OF LAFOLLETTE EMERGENCY COMMUNICATIONS DISTRICT

BUDGETARY COMPARISON SCHEDULE (UNAUDITED)

For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
OPERATING REVENUES				
Emergency Telephone Service Charges	\$ 78,445	\$ 78,445	\$ 97,734	\$ 19,289
State Emergency Communications Board - Shared Wireless Charges	86,515	86,515	90,242	3,727
Utilities Dispatch Service and Other	9,600	9,600	5,410	(4,190)
Total Operating Revenues	<u>174,560</u>	<u>174,560</u>	<u>193,386</u>	<u>18,826</u>
OPERATING EXPENSES				
Salaries-Administrative	5,150	5,150	4,989	161
Salaries-Dispatcher	63,000	63,000	63,000	0
Audit Services	3,000	5,800	5,800	0
Legal Services	4,000	4,000	3,000	1,000
Maintenance Contractual Agreements	14,000	14,000	11,847	2,153
Maintenance & Repairs	8,000	8,000	3,411	4,589
Other Contracted Services	0	700	680	20
Office Supplies	1,700	1,700	1,671	29
Custodial Supplies	200	200	61	139
Data Processing Supplies	425	425	100	325
Postage	250	250	202	48
Small Equipment Purchases	2,100	2,100	0	2,100
General Telephone	12,600	12,600	11,140	1,460
Cell Phones & Pagers	2,500	2,500	1,055	1,445
Dues and Memberships	500	500	100	400
Training Expenses	1,050	1,600	1,574	26
Travel Expenses	4,000	4,000	3,050	950
Depreciation	54,700	54,700	74,545	(19,845)
Total Operating Expenses	<u>177,175</u>	<u>181,225</u>	<u>186,225</u>	<u>(5,000)</u>
OPERATING INCOME (LOSS)	<u>(2,615)</u>	<u>(6,665)</u>	<u>7,161</u>	<u>13,826</u>
NONOPERATING REVENUES (EXPENSES)				
State Emergency Communications Board - Grants and Reimbursements	10,000	10,000	10,000	0
Interest Expense	(890)	(890)	(887)	3
Interest Income	0	0	338	338
Total Nonoperating Revenues	<u>9,110</u>	<u>9,110</u>	<u>9,451</u>	<u>341</u>
NET INCOME	<u>6,495</u>	<u>2,445</u>	<u>16,612</u>	<u>14,167</u>
FUND BALANCES - BEGINNING OF YEAR	<u>408,317</u>	<u>408,317</u>	<u>408,317</u>	<u>0</u>
FUND BALANCES - END OF YEAR	<u>\$ 414,812</u>	<u>\$ 410,762</u>	<u>\$ 424,929</u>	<u>\$ 14,167</u>

See Independent Auditor's Report.

CITY OF LAFOLLETTE EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE (UNAUDITED)

For the Year Ended June 30, 2008

	<u>CFDA Number</u>	<u>Contract Number</u>	<u>Beginning (Accrued) Deferred</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Ending (Accrued) Deferred</u>
<u>State Financial Assistance:</u>						
<u>Tennessee Emergency Communications Board:</u>						
GIS Mapping Maintenance Grant	N/A	Z-03-016993-00	<u>(10,000)</u>	<u>15,425</u>	<u>10,000</u>	<u>(4,575)</u>
TOTAL STATE AWARDS			\$ <u>(10,000)</u>	\$ <u>15,425</u>	\$ <u>10,000</u>	\$ <u>(4,575)</u>

See Independent Auditor's Report.

CITY OF LAFOLLETTE EMERGENCY COMMUNICATIONS DISTRICT

SCHEDULE OF DETAILED EXPENSES (UNAUDITED)

For the Year Ended June 30, 2008

OPERATING EXPENSES	
Salaries-Administrative	\$ 4,989
Salaries-Dispatcher	63,000
Audit Services	5,800
Legal Services	3,000
Maintenance Contractual Agreements	11,847
Maintenance & Repairs	3,411
Other Contracted Services	680
Office Supplies	1,671
Custodial Supplies	61
Data Processing Supplies	100
Postage	202
General Telephone	11,140
Cell Phones & Pagers	1,055
Dues & Memberships	100
Training Expenses	1,574
Travel Expenses	3,050
Depreciation	74,545
Total Operating Expenses	<u><u>\$ 186,225</u></u>

CITY OF LAFOLLETTE EMERGENCY COMMUNICATIONS DISTRICT

SCHEDULE OF INFORMATION REQUIRED BY THE
TENNESSEE EMERGENCY COMMUNICATIONS BOARD (UNAUDITED)

For the Year Ended June 30, 2008

Number of public safety answering points (PSAP):

One

Address of PSAP:

207 South Tennessee Avenue
LaFollette, Tennessee 37766

Type of system/equipment and database used by PSAP:

Motorola, Windows Based System

Name, Address, Telephone Number, and Fax Number of the Director of the Emergency Communications District:

Jack Widener
165 South Westbourne Lane
Duff, TN 37729
423-784-2936 (Home)
423-562-6565 (Fax at City)

Name, Address, Telephone Number, and Fax Number of the Chairman of the Emergency Communications District:

Gary Byrd
378 Wier Wood Drive
Jacksboro, TN 37757
423-566-0550 (Home)
423-562-6565 (Fax at City)

OTHER REPORT

PUGH & COMPANY, P.C.

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MEMBERS

AMERICAN INSTITUTE OF
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TENNESSEE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

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*

The Board of Commissioners
City of LaFollette Emergency Communications District
LaFollette, Tennessee

We have audited the financial statements of the City of LaFollette Emergency Communications District (the "District"), a component unit of the City of LaFollette, as of and for the year ended June 30, 2008, and have issued our report thereon dated February 17, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2007-1 and 2007-2 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is 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, we 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 our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2007-2.

Management's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit management's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information of the Board of Commissioners, senior management, Division of County Audit of the Comptroller of the Treasury for the State of Tennessee, and is not intended to be and should not be used by anyone other than these specified parties.

Pugh & Company, P.C.

Certified Public Accountants

February 17, 2009

CITY OF LAFOLLETTE EMERGENCY COMMUNICATIONS DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2008

2007-1 **Criteria or Specific Requirement** - As noted in the prior year, Statement on Auditing Standards No. 112 now requires an entity being audited to have sufficient internal control to allow management to prepare their own financial statements and footnotes in accordance with generally accepted accounting principles (GAAP).

Condition - Management receives assistance in the preparation of financial statements and footnotes in accordance with GAAP from Pugh & Company, P.C.

Cause and Effect - Due to limitations on staff size and resources, management has decided to obtain assistance in the preparation of financial statements and footnotes in accordance with GAAP from Pugh & Company, P.C. Management relies on Pugh & Company, P.C. to advise them of any changes or additions to GAAP.

Recommendation - As the District continues to grow, management should consider whether it will be more cost efficient to keep up with changes in GAAP or continue to rely on Pugh & Company, P.C. for this service.

Management's Response - The District is a small entity with limited resources. Management has determined that it is more cost efficient to delegate the financial statements and footnote preparation in accordance with GAAP to Pugh & Company, P.C. Management will continue to review the financial statements and footnotes and take responsibility for them.

2007-2 **Criteria or Specific Requirement** - As noted in the prior year, state statutes require the District to amend its annual budget before expenditures are made that will exceed appropriated budgeted amounts.

Condition - During the year ended June 30, 2008, the District expended amounts in excess of approved budgeted amounts.

Cause and Effect - Management of the District failed to amend their budget before June 30, 2008. The District has not complied with state statutes and has incurred depreciation expense in excess of the approved budget by \$19,845 without timely authorization from the Board.

Recommendation - Management should anticipate expenditures and request budget amendment approval from the Board as needed.

Management's Response - In accordance with the audit recommendation, management will more closely monitor expenditures and amend its budget if needed prior to incurring expenditures in excess of budgeted amounts.

