

CITY OF LAFOLLETTE
EMERGENCY COMMUNICATIONS DISTRICT

LaFollette, Tennessee

FINANCIAL STATEMENTS

June 30, 2009

CITY OF LAFOLLETTE EMERGENCY COMMUNICATIONS DISTRICT

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CITY OF LAFOLLETTE EMERGENCY COMMUNICATIONS DISTRICT

Board Members

June 30, 2009

Jack Widener, Director

Gary Byrd, Chairman

Mary Stittums

James Lynch

Charlie Woods

Wayne Kitts

Mike Freeman

David Reynolds

PUGH & COMPANY, P.C.

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LISA W. HILL, CPA
SUSAN R. FOARD, CPA
ANDREW R. HARPER, CPA
R.E. FOUST, CPA
A. TED HOTZ, CPA
BARRETT V. SIMONIS, CPA

HOME FEDERAL PLAZA - SUITE 200
315 NORTH CEDAR BLUFF ROAD
KNOXVILLE, TENNESSEE 37923

P.O. BOX 31409
KNOXVILLE, TENNESSEE 37930-1409

865-769-0660 800-332-7021
TELECOPIER 865-769-1660

MEMBERS

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners and Senior Management
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, 2009 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, 2009 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 5, 2010 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 5, 2010

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, 2009.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$407,667. Approximately 41% of this amount or \$168,883 is reported as unrestricted net assets.
- The District's total net assets decreased by \$17,262.
- The District's total debt decreased by \$10,711 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 \$407,667 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,	
	2009	2008
Current Assets	\$ 173,815	\$ 155,995
Capital Assets, Net of		
Accumulated Depreciation	240,418	282,597
Total Assets	<u>414,233</u>	<u>438,592</u>
Current Liabilities	6,566	12,022
Long-Term Liabilities	0	1,641
Total Liabilities	<u>6,566</u>	<u>13,663</u>
Net Assets:		
Invested in Capital Assets, Net of		
Related Debt	238,784	270,252
Restricted	0	0
Unrestricted	168,883	154,677
Total Net Assets	<u>\$ 407,667</u>	<u>\$ 424,929</u>

Net assets invested in capital assets net of related debt decreased \$31,468 or approximately 12% in 2009 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 \$14,206 or 9%.

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

	For the Year Ended June 30,	
	2009	2008
Revenues:		
Operating Revenues:		
Emergency Telephone Service Charges	\$ 95,175	\$ 97,734
State ECB - Shared Wireless Charges and Operational Funding	76,449	90,242
Utilities Dispatch Service and Other	2,810	5,410
Nonoperating Revenues:		
State ECB - Grants and Reimbursements	10,000	10,000
Interest Income	1,076	338
Total Revenues	<u>185,510</u>	<u>203,724</u>
Expenses:		
Operating Expenses:		
General and Administrative	124,895	111,680
Depreciation	77,511	74,545
Nonoperating Expenses:		
Interest on Long-Term Debt	366	887
Total Expenses	<u>202,772</u>	<u>187,112</u>
Increase (Decrease) in Net Assets	(17,262)	16,612
Net Assets - Beginning of Year	424,929	408,317
Net Assets - End of Year	<u>\$ 407,667</u>	<u>\$ 424,929</u>

The District's net assets decreased by \$17,262. Key elements of this net decrease are as follows:

- Tennessee Emergency Communications Board shared wireless charges and operational funding decreased \$13,793 due to a decrease in allocation of funding and customer usage.
- Emergency Telephone Service Charges and Other Operating Revenues decreased \$5,159 due to a decrease in land lines and discontinued dispatching services for local utilities.
- General and Administrative Expenses increased \$13,215 due to a full year of maintenance contracts expense for the PSAP Controller, an increase in training expense and additional electrical expense for Tower Location.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets as of June 30, 2009, amounts to \$240,418 (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 15%.

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

- Purchases of generator set and facility site preparation. Total costs were \$38,741.
- Increase in depreciation expense of \$2,966 due to capital asset purchases in the current fiscal year.

Capital assets, net of depreciation, as of June 30, 2009 and 2008 is as follows:

	2009	2008
Land and Land Rights	\$ 4,000	\$ 4,000
Equipment, Furniture, and Fixtures	601,244	562,503
Construction in Progress	0	3,409
Accumulated Depreciation	(364,826)	(287,315)
	<u>\$ 240,418</u>	<u>\$ 282,597</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 \$1,634 which is owed on a bank note. The District's total debt decreased by \$10,711 during the current fiscal year 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 is expected to purchase new radio equipment to replace existing equipment whose useful life is expiring. 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 2010.

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, 2009

ASSETS

CURRENT ASSETS:

Cash	\$	173,679
Accounts Receivable		<u>136</u>
Total Current Assets		<u>173,815</u>

CAPITAL ASSETS:

Nondepreciable Assets:		
Land and Land Rights		<u>4,000</u>
Depreciable Assets:		
Equipment, Furniture and Fixtures		601,244
Less Accumulated Depreciation		<u>364,826</u>
Net Depreciable Assets		<u>236,418</u>

Net Capital Assets		<u>240,418</u>
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TOTAL ASSETS	\$	<u><u>414,233</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts Payable	\$	4,932
Current Maturities of Long-Term Debt		<u>1,634</u>
Total Current Liabilities		<u>6,566</u>

NET ASSETS:

Invested in Capital Assets, Net of Related Debt		238,784
Unrestricted Net Assets		<u>168,883</u>
Total Net Assets		<u>407,667</u>

TOTAL LIABILITIES AND NET ASSETS	\$	<u><u>414,233</u></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, 2009

OPERATING REVENUES:	
Emergency Telephone Service Charges	\$ 95,175
State Emergency Communications Board - Shared Wireless Charges	16,270
State Emergency Communications Board - Operational Funding	60,179
Other Operating Revenues	<u>2,810</u>
Total Operating Revenues	<u>174,434</u>
OPERATING EXPENSES:	
Salaries and Wages	68,866
Contracted Services	36,495
Supplies and Materials	15,644
Other Charges	3,890
Depreciation	<u>77,511</u>
Total Operating Expenses	<u>202,406</u>
OPERATING LOSS	<u>(27,972)</u>
NONOPERATING REVENUES (EXPENSES):	
State Emergency Communications Board - Grants and Reimbursements	10,000
Interest Income	1,076
Interest Expense	<u>(366)</u>
Nonoperating Income	<u>10,710</u>
CHANGE IN NET ASSETS	(17,262)
NET ASSETS - BEGINNING OF YEAR	<u>424,929</u>
NET ASSETS - END OF YEAR	<u>\$ 407,667</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, 2009

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash Received from Customers	\$ 174,298
Cash Paid to Employees	(68,866)
Cash Paid to Suppliers	(52,415)
Net Cash Provided by Operating Activities	<u>53,017</u>

CASH FLOWS PROVIDED BY INVESTING ACTIVITIES:

Interest on Cash and Cash Equivalents	<u>1,076</u>
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Cash Proceeds from State Reimbursement Capital Grants	14,575
Capital Assets Additions and Construction	(35,332)
Repayment on Long-Term Debt Borrowing	(10,711)
Interest on Capital Debt	(366)
Net Cash Used in Capital and Related Financing Activities	<u>(31,834)</u>

NET INCREASE IN CASH 22,259

CASH BEGINNING OF YEAR 151,420

CASH END OF YEAR \$ 173,679

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating Loss	\$ <u>(27,972)</u>
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation	77,511
Increase in Accounts Payable	3,614
Increase in Accounts Receivable	(136)
Total Adjustments	<u>80,989</u>
Net Cash Provided by Operating Activities	\$ <u><u>53,017</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, 2009

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, 2009, the book balances of the District's deposits were \$173,679 and the bank balances were \$174,714. Of the bank balances, \$174,714 was covered by FDIC insurance and \$0 was covered by collateral held by the Tennessee Bank Collateral Pool Board of the State of Tennessee Treasury Department.

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009 is as follows:

	Balances			Balances
	July 1, 2008	Additions	Reductions	June 30, 2009
Capital assets, not being depreciated:				
Land and land rights	\$ 4,000	\$ 0	\$ 0	\$ 4,000
Construction work in progress	3,409	0	3,409	0
Total capital assets, not being depreciated	<u>7,409</u>	<u>0</u>	<u>3,409</u>	<u>4,000</u>
Capital assets, being depreciated:				
Equipment, furniture and fixtures	562,503	38,741	0	601,244
Total capital assets, being depreciated	<u>562,503</u>	<u>38,741</u>	<u>0</u>	<u>601,244</u>
Less accumulated depreciation for:				
Equipment, furniture and fixtures	287,315	77,511	0	364,826
Total accumulated depreciation	<u>287,315</u>	<u>77,511</u>	<u>0</u>	<u>364,826</u>
Total capital assets, being depreciated, net	<u>275,188</u>	<u>(38,770)</u>	<u>0</u>	<u>236,418</u>
Capital assets, net	<u>\$ 282,597</u>	<u>\$ (38,770)</u>	<u>\$ 3,409</u>	<u>\$ 240,418</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, 2009 are as follows:

	Balances			Amounts	
	July 1, 2008	Increases	Decreases	June 30, 2009	Due Within One Year
First Volunteer Bank Note, 4.89%	\$ 12,345	\$ 0	\$ 10,711	\$ 1,634	\$ 1,634

The note payable outstanding as of June 30, 2009 is as follows:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Balance June 30, 2009
First Volunteer Bank Note, 4.89%	4.89%	8/19/2005	8/19/2009	\$ 40,110	\$ 1,634

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

	Principal	Interest
2010	\$ 1,634	\$ 11

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.

NOTE 7 - RISK MANAGEMENT

The District is included in the insurance coverage obtained by the City of LaFollette. The City of LaFollette purchases commercial insurance and participates in the Tennessee Municipal League Risk Management Pool to handle risks arising from workers' compensation, torts, asset theft, damage or destruction, errors or omissions, or acts of God, whereby these risks are transferred to the Pool and/or insurance company. Insurance coverage is virtually the same as in prior years, with no major changes. Settled claims have not exceeded the insurance coverage limits in any of the past three fiscal years.

Coverage through the Pool will pay all damage claims and defend the City of LaFollette in any damage suit that is included in the coverage, up to the policy's applicable limits, at the Pool's expense. This includes any other necessary costs relating to the defense. The City of LaFollette has the responsibility of following any reporting requirements, including timely reporting on any incidents which might result in a damage claim. The City of LaFollette is to do everything necessary to protect the rights of recovery of the Pool and enforcement of these rights by complying with all terms of the policy.

SUPPLEMENTARY INFORMATION

CITY OF LAFOLLETTE EMERGENCY COMMUNICATIONS DISTRICT

BUDGETARY COMPARISON SCHEDULE (UNAUDITED)

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
OPERATING REVENUES				
Emergency Telephone Service Charges	\$ 80,000	\$ 80,000	\$ 95,175	\$ 15,175
State Emergency Communications Board - Shared Wireless Charges	17,000	17,000	16,270	(730)
State Emergency Communications Board - Operational Funding	72,000	72,000	60,179	(11,821)
Other Operating Revenues	2,400	2,400	2,810	410
Total Operating Revenues	<u>171,400</u>	<u>171,400</u>	<u>174,434</u>	<u>3,034</u>
OPERATING EXPENSES				
Salaries-Administrative	5,150	6,150	5,866	284
Salaries-Dispatcher	63,000	63,000	63,000	0
Audit Services	3,000	4,125	4,125	0
Legal Services	3,000	3,000	3,000	0
Maintenance Contractual Agreements	23,000	23,000	21,909	1,091
Maintenance & Repairs	6,000	8,800	4,876	3,924
Other Contracted Services	700	4,300	2,585	1,715
Office Supplies	1,700	1,700	670	1,030
Custodial Supplies	200	200	148	52
Data Processing Supplies	425	425	0	425
Postage	250	250	123	127
Small Equipment Purchases	1,500	1,500	400	1,100
Gas	0	50	9	41
Electric	2,400	2,400	1,875	525
General Telephone	11,000	11,000	11,137	(137)
Cell Phones & Pagers	2,000	2,000	1,282	718
Dues and Memberships	500	500	100	400
Training Expenses	1,100	1,100	260	840
Travel Expenses	4,000	4,000	3,530	470
Depreciation	68,435	78,435	77,511	924
Total Operating Expenses	<u>197,360</u>	<u>215,935</u>	<u>202,406</u>	<u>13,529</u>
OPERATING INCOME (LOSS)	<u>(25,960)</u>	<u>(44,535)</u>	<u>(27,972)</u>	<u>16,563</u>
NONOPERATING REVENUES (EXPENSES)				
State Emergency Communications Board - Grants and Reimbursements	10,000	10,000	10,000	0
Interest Expense	(375)	(375)	(366)	9
Interest Income	0	0	1,076	1,076
Total Nonoperating Revenues	<u>9,625</u>	<u>9,625</u>	<u>10,710</u>	<u>1,085</u>
NET INCOME	<u>(16,335)</u>	<u>(34,910)</u>	<u>(17,262)</u>	<u>17,648</u>
NET ASSETS - BEGINNING OF YEAR	<u>424,929</u>	<u>424,929</u>	<u>424,929</u>	<u>0</u>
NET ASSETS - END OF YEAR	<u>\$ 408,594</u>	<u>\$ 390,019</u>	<u>\$ 407,667</u>	<u>\$ 17,648</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, 2009

	<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-08-211951-00	(4,575)	14,575	10,000	0
TOTAL STATE AWARDS			<u>\$ (4,575)</u>	<u>\$ 14,575</u>	<u>\$ 10,000</u>	<u>\$ 0</u>

CITY OF LAFOLLETTE EMERGENCY COMMUNICATIONS DISTRICT

SCHEDULE OF DETAILED EXPENSES (UNAUDITED)

For the Year Ended June 30, 2009

OPERATING EXPENSES

Salaries-Administrative	\$	5,866
Salaries-Dispatcher		63,000
Audit Services		4,125
Legal Services		3,000
Maintenance Contractual Agreements		21,909
Maintenance & Repairs		4,876
Other Contracted Services		2,585
Office Supplies		670
Custodial Supplies		148
Postage		123
Small Equipment Purchases		400
Gas		9
Electric		1,875
General Telephone		11,137
Cell Phones & Pagers		1,282
Dues & Memberships		100
Training Expenses		260
Travel Expenses		3,530
Depreciation		77,511
Total Operating Expenses	\$	<u>202,406</u>

CITY OF LAFOLLETTE EMERGENCY COMMUNICATIONS DISTRICT

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

For the Year Ended June 30, 2009

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.

CERTIFIED PUBLIC ACCOUNTANTS

WILL J. PUGH, CPA
RONNIE G. CATE, CPA
C. LARRY ELMORE, CPA
W. JAMES PUGH, JR., CPA
DANIEL C. FRANKLIN, CPA
JAMES H. JONES, CPA
LISA W. HILL, CPA
SUSAN R. FOARD, CPA
ANDREW R. HARPER, CPA
R.E. FOUST, CPA
A. TED HOTZ, CPA
BARRETT V. SIMONIS, CPA

HOME FEDERAL PLAZA - SUITE 200
315 NORTH CEDAR BLUFF ROAD
KNOXVILLE, TENNESSEE 37923

P.O. BOX 31409
KNOXVILLE, TENNESSEE 37930-1409

865-769-0660 800-332-7021
TELECOPIER 865-769-1660

MEMBERS

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

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 and Senior Management
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, 2009, and have issued our report thereon dated February 5, 2010. 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 deficiency described in the accompanying schedule of findings and responses as item 2007-1 to be a significant deficiency 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 no instances of noncompliance or other matter that are required to be reported under *Government Auditing Standards*.

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

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 5, 2010

CITY OF LAFOLLETTE EMERGENCY COMMUNICATIONS DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2009

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.

CITY OF LAFOLLETTE EMERGENCY COMMUNICATIONS DISTRICT

SCHEDULE OF CORRECTED PRIOR AUDIT FINDINGS

For the Year Ended June 30, 2009

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.

Current Status - Management monitored expenditures more closely and amended the budget prior to June 30, 2009.

