

**CITY OF LAFOLLETTE  
EMERGENCY COMMUNICATIONS DISTRICT**

**LaFollette, Tennessee**

**FINANCIAL STATEMENTS**

**June 30, 2013**



**CITY OF LAFOLLETTE EMERGENCY COMMUNICATIONS DISTRICT**

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**CITY OF LAFOLLETTE EMERGENCY COMMUNICATIONS DISTRICT**

**Board Members**

**June 30, 2013**

**Jack Widener, Director**

**Gary Byrd, Chairman**

**Stephanie Grimm**

**Jay Huddleston**

**James Jeffries**

**David Reynolds**

**Mary Stittums**

**Charlie Woods**

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## INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners and Senior Management  
City of LaFollette Emergency Communications District  
LaFollette, Tennessee

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the City of LaFollette Emergency Communications District, a component unit of the City of LaFollette, Tennessee, which comprise the balance sheet as of June 30, 2013, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended and the related notes to the 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***

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 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of LaFollette Emergency Communications District, as of June 30, 2013, and the changes in its financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



**Emphasis of Matter**

As discussed in Note 1, the financial statements of the City of LaFollette Emergency Communications District, are intended to present the financial position, the changes in financial position and cash flows of only that portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of LaFollette, Tennessee that is attributable to the transactions of the District. They do not purport to, and do not, present fairly the financial position of the City of LaFollette, Tennessee as of June 30, 2013, the changes in its financial position, or its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-6 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements of the City of LaFollette Emergency Communications District. The list of board members and supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements.

The information included in the list of board members and supplementary information as listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2013 on our consideration of the City of LaFollette Emergency Communications 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 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 the City of LaFollette Emergency Communications District's internal control over financial reporting and compliance.

*Pugh & Company, P.C.*

Certified Public Accountants  
Knoxville, Tennessee  
December 23, 2013

**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, 2013.

**Financial Highlights**

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$671,825. Approximately 48% of this amount or \$325,312 is reported as unrestricted net position.
- The District's total net position increased by \$181,100.

**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 position, 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 position. Over time, increases or decreases in net position 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 position* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position 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 7 through 9.

**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 10 through 12.

**Analysis of Financial Statements**

As noted earlier, net position may serve over time as a useful indicator of a fund's financial position. In the case of the District, assets exceeded liabilities by \$671,825 at the close of the most recent fiscal year. A portion of the District's net position 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 is 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 Position**

	<u>As of June 30,</u>	
	<u>2013</u>	<u>2012</u>
Current Assets	\$ 328,686	\$ 312,727
Capital Assets, Net of Accumulated Depreciation	<u>346,513</u>	<u>178,962</u>
Total Assets	<u>675,199</u>	<u>491,689</u>
 Current Liabilities	 <u>3,374</u>	 <u>964</u>
 Net Position:		
Net Investment in Capital Assets	346,513	178,962
Unrestricted	<u>325,312</u>	<u>311,763</u>
Total Net Position	<u>\$ 671,825</u>	<u>\$ 490,725</u>

Net investment in capital assets increased \$167,551 or approximately 94% in 2013 as additions to capital assets exceeded depreciation expenses. None of the District's net position represent resources that are subject to external restrictions on how they may be used. Unrestricted net position increased \$13,549 or approximately 4.3%.

**City of LaFollette Emergency Communication District's Changes in Net Position**

	<u>For the Year Ended June 30,</u>	
	<u>2013</u>	<u>2012</u>
<b>Revenues:</b>		
Operating Revenues:		
Emergency Telephone Service Charges	\$ 60,081	\$ 73,817
State ECB - Shared Wireless Charges and Operational Funding	362,782	176,115
Utilities Dispatch Service and Other	21,141	19,768
Nonoperating Revenues:		
Interest Income	<u>664</u>	<u>631</u>
<b>Total Revenues</b>	<u>444,668</u>	<u>270,331</u>
 <b>Expenses:</b>		
Operating Expenses:		
General and Administrative	192,997	156,682
Depreciation	<u>70,571</u>	<u>81,973</u>
<b>Total Expenses</b>	<u>263,568</u>	<u>238,655</u>
 Increase in Net Position	 181,100	 31,676
Net Position - Beginning of Year	<u>490,725</u>	<u>459,049</u>
<b>Net Position - End of Year</b>	<u>\$ 671,825</u>	<u>\$ 490,725</u>

The District's net position increased by \$181,100. Key elements of this net increase are as follows:

- Tennessee Emergency Communications Board operational funding increased \$181,100 due to the state's decision to continue to increase allocation of funds to 911 districts.

**Capital Asset and Debt Administration**

**Capital Assets.** The District’s investment in capital assets as of June 30, 2013, amounts to \$346,513 (net of accumulated depreciation). This investment in capital assets includes land and land rights and equipment, furniture and fixtures. The increase in the District’s net investment in capital assets for the current fiscal year was approximately 94%.

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

- purchase of new computer server

Capital assets, net of depreciation, as of June 30, 2013 and 2012 is as follows:

	<u>2013</u>	<u>2012</u>
Land and Land Rights	\$ 4,000	\$ 4,000
Equipment, Furniture, and Fixtures	1,033,622	796,180
Accumulated Depreciation	<u>(691,109)</u>	<u>(621,218)</u>
	<u>\$ 346,513</u>	<u>\$ 178,962</u>

Additional information on the District’s capital assets can be found in Note 3 on page 12.

**Long-Term Debt.** At the end of the current fiscal year, the District had no debt outstanding.

**Next Year’s Budget**

The District is expected to upgrade its Recorder for approximately \$25,000 which would be funded by TECB allocation of funds.

**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, 2013

ASSETS

**CURRENT ASSETS:**

Cash	\$ 328,686
<b>Total Current Assets</b>	<u>328,686</u>

**CAPITAL ASSETS:**

Nondepreciable Assets:	
Land and Land Rights	<u>4,000</u>
Depreciable Assets:	
Equipment, Furniture and Fixtures	1,033,622
Less Accumulated Depreciation	<u>(691,109)</u>
<b>Net Depreciable Assets</b>	<u>342,513</u>
<b>Net Capital Assets</b>	<u>346,513</u>

<b>TOTAL ASSETS</b>	<b>\$ <u>675,199</u></b>
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LIABILITIES AND NET POSITION

**CURRENT LIABILITIES:**

Accounts Payable	\$ <u>3,374</u>
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**NET POSITION:**

Net Investment in Capital Assets	346,513
Unrestricted Net Position	<u>325,312</u>
<b>Total Net Position</b>	<u>671,825</u>

<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ <u>675,199</u></b>
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**CITY OF LAFOLLETTE EMERGENCY COMMUNICATIONS DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

**For the Year Ended June 30, 2013**

<b>OPERATING REVENUES:</b>	
Emergency Telephone Service Charges	\$ 60,081
State Emergency Communications Board - Shared Wireless Charges	18,072
State Emergency Communications Board - Operational Funding	344,710
Other Operating Revenues	21,141
<b>Total Operating Revenues</b>	<u>444,004</u>
<b>OPERATING EXPENSES:</b>	
Salaries and Wages	111,717
Contracted Services	49,462
Supplies and Materials	19,649
Other Charges	12,169
Depreciation	70,571
<b>Total Operating Expenses</b>	<u>263,568</u>
<b>OPERATING INCOME</b>	<u>180,436</u>
Interest Income	664
<b>Nonoperating Income</b>	<u>664</u>
<b>CHANGE IN NET POSITION</b>	181,100
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>490,725</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 671,825</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, 2013

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash Received from Customers	\$ 444,004
Cash Paid to Employees	(111,717)
Cash Paid to Suppliers	<u>(78,870)</u>
<b>Net Cash Provided by Operating Activities</b>	<u>253,417</u>

**CASH FLOWS PROVIDED BY INVESTING ACTIVITIES:**

Interest on Cash and Cash Equivalents	<u>664</u>
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**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:**

Capital Assets Additions and Construction	<u>(238,122)</u>
<b>Net Cash Used in Capital and Related Financing Activities</b>	<u>(238,122)</u>

**NET INCREASE IN CASH** 15,959

**CASH BEGINNING OF YEAR** 312,727

**CASH END OF YEAR** \$ 328,686

**RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES**

Operating Income	\$ <u>180,436</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	70,571
Increase in Accounts Payable	<u>2,410</u>
Total Adjustments	<u>72,981</u>
<b>Net Cash Provided by Operating Activities</b>	\$ <u><u>253,417</u></u>

CITY OF LAFOLLETTE EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

**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 discretely presented component unit of the City of LaFollette, Tennessee. 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 (GAAP).

GAAP establishes 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.

**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.

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.

## NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

**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 and defined as an asset with an initial individual cost, or project with a cumulative total cost of more than \$1,000, and estimated useful life in excess on one year. Depreciation is computed using the straight-line method over an estimated useful life of five to twenty five years.

**Deferred Outflows/Inflows of Resources** - In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. In addition to liabilities, the statement of net position may sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The District did not have any deferred outflows of resources or deferred inflows of resources to report as of June 30, 2013.

**Net Position** - Net position comprises the various net earnings from operating and non-operating revenues, expenses, and contributions of capital. Net position is classified in the following three components: net investment in capital assets; restricted for capital assets activity and debt service; and unrestricted net position. Net investment in capital assets consists of all capital assets, net of accumulated depreciation and deferred outflows of resources, and reduced by outstanding debt that is attributable to the acquisition, construction, and improvement of those assets; debt or deferred inflow of resources attributable to unspent proceeds or other restricted cash and investments are excluded from the determination. Restricted net position consists of net positions for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations, and enabling legislation, including self-imposed legal mandates. The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

**Net Position Flow Assumption** - Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted resources are available for use, it is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

**Implementation of GASB Statement No. 63** - During the fiscal year ended June 30, 2013, the District implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which establishes guidance for reporting the balance sheets and statements of revenues, expenses and changes in net position.

**Implementation of GASB Statement No. 65** - During the fiscal year ended June 30, 2013, the District early implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. Implementation of this statement did not have any impact on the amounts previously reported by the District.

## 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).

**NOTE 2 - CONCENTRATION OF CREDIT RISK (Continued)**

As of June 30, 2013, the book balances of the District's deposits were \$328,686 and the bank balances were \$328,737. Of the bank balances, \$250,000 was covered by FDIC insurance and \$78,737 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, 2013 is as follows:

	Balances July 1, 2012	Additions	Reductions	Balances June 30, 2013
Capital Assets, Not Being Depreciated:				
Land and Land Rights	\$ 4,000	\$ 0	\$ 0	\$ 4,000
Construction Work in Progress	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Capital Assets, Not Being Depreciated	<u>4,000</u>	<u>0</u>	<u>0</u>	<u>4,000</u>
Capital Assets, Being Depreciated:				
Equipment, furniture and fixtures	796,180	237,442	0	1,033,622
Total Capital Assets, Being Depreciated	<u>796,180</u>	<u>237,442</u>	<u>0</u>	<u>1,033,622</u>
Less Accumulated Depreciation for:				
Equipment, furniture and fixtures	621,218	70,571	680	691,109
Total Accumulated Depreciation	<u>621,218</u>	<u>70,571</u>	<u>680</u>	<u>691,109</u>
Total Capital Assets, Being Depreciated, Net	<u>174,962</u>	<u>166,871</u>	<u>(680)</u>	<u>342,513</u>
Capital Assets, Net	<u>\$ 178,962</u>	<u>\$ 166,871</u>	<u>\$ (680)</u>	<u>\$ 346,513</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 - PERSONNEL EXPENSES**

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

**NOTE 6 - 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, 2013**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>OPERATING REVENUES</b>				
Emergency Telephone Service Charges	\$ 75,000	\$ 75,000	\$ 60,081	\$ (14,919)
State Emergency Communications Board - Shared Wireless Charges	20,000	20,000	18,072	(1,928)
State Emergency Communications Board - Operational Funding	166,200	166,200	344,710	178,510
Other Operating Revenues	19,900	19,900	21,141	1,241
<b>Total Operating Revenues</b>	<u>281,100</u>	<u>281,100</u>	<u>444,004</u>	<u>162,904</u>
<b>OPERATING EXPENSES</b>				
Salaries-Administrative	9,500	10,750	10,717	33
Salaries-Dispatcher	101,000	101,000	101,000	0
Accounting Services	4,800	4,800	4,800	0
Audit Services	4,400	4,400	3,700	700
Legal Services	3,600	3,600	3,600	0
Maintenance Contractual Agreements	30,150	33,150	31,642	1,508
Maintenance & Repairs	7,200	7,200	1,575	5,625
Other Contracted Services	3,600	4,600	4,144	456
Office Supplies	1,200	1,200	2,129	(929)
Custodial Supplies	200	200	0	200
Data Processing Supplies	300	2,100	1,800	300
Postage	100	100	64	36
Small Equipment Purchases	1,200	1,200	3,053	(1,853)
Gas	500	500	280	220
Electric	2,200	2,200	1,557	643
General Telephone	11,500	11,500	9,207	2,293
Cell Phones & Pagers	2,050	2,050	1,559	491
Dues and Memberships	500	3,100	3,100	-0-
Premium on Surety Bonds	700	700	700	0
Training Expenses	6,000	6,000	1,868	4,132
Travel Expenses	8,600	8,600	6,502	2,098
Depreciation	55,000	67,500	70,571	(3,071)
<b>Total Operating Expenses</b>	<u>254,300</u>	<u>276,450</u>	<u>263,568</u>	<u>12,882</u>
<b>OPERATING INCOME (LOSS)</b>	<u>26,800</u>	<u>4,650</u>	<u>180,436</u>	<u>175,786</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest Income	300	300	664	364
<b>Total Nonoperating Revenues</b>	<u>300</u>	<u>300</u>	<u>664</u>	<u>364</u>
<b>NET INCOME (LOSS)</b>	27,100	4,950	181,100	176,150
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>498,398</u>	<u>454,788</u>	<u>490,725</u>	<u>35,937</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 525,498</u>	<u>\$ 459,738</u>	<u>\$ 671,825</u>	<u>\$ 212,087</u>

CITY OF LAFOLLETTE EMERGENCY COMMUNICATIONS DISTRICT

SCHEDULE OF DETAILED EXPENSES (UNAUDITED)

For the Year Ended June 30, 2013

**OPERATING EXPENSES**

Salaries-Administrative	\$	10,717
Salaries-Dispatcher		101,000
Accounting Services		4,800
Audit Services		3,700
Legal Services		3,600
Maintenance Contractual Agreements		31,642
Maintenance & Repairs		1,575
Other Contracted Services		4,144
Office Supplies		2,129
Data Processing Supplies		1,800
Postage		64
Small Equipment Purchases		3,053
Gas		280
Electric		1,557
General Telephone		9,207
Cell Phones & Pagers		1,559
Dues & Memberships		3,100
Premium on Surety Bonds		700
Training Expenses		1,868
Travel Expenses		6,502
Depreciation		70,571
<b>Total Operating Expenses</b>	<b>\$</b>	<b><u>263,568</u></b>

## OTHER REPORT

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TELEPHONE 865-769-0660



PUGH & COMPANY, P.C.  
www.pughcpas.com

**OAK RIDGE OFFICE:**  
800 OAK RIDGE TURNPIKE – SUITE A404  
OAK RIDGE, TENNESSEE 37830  
TELEPHONE 865-769-1657

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

The Board of Commissioners and Senior Management  
City of LaFollette Emergency Communications District  
LaFollette, Tennessee

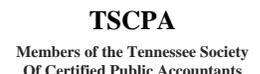
We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the City of LaFollette Emergency Communications District (the District), a component unit of the City of LaFollette, Tennessee, which comprise the balance sheet as of June 30, 2013, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated December 23, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we 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 our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we 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 a 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.

Our 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, during our audit we did not identify any deficiencies in internal control that we 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 from 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 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 our testing of internal control and compliance and the result 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.

*Pugh & Company, P.C.*

Certified Public Accountants  
Knoxville, Tennessee  
December 23, 2013

