

**CITY OF CLINTON
EMERGENCY COMMUNICATIONS DISTRICT
(A Component Unit of City of Clinton, Tennessee)**

Clinton, Tennessee

ANNUAL FINANCIAL REPORT

**For the Fiscal Years Ended
June 30, 2014 and 2013**

**CITY OF CLINTON EMERGENCY COMMUNICATIONS DISTRICT
Clinton, Tennessee**

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INTRODUCTORY SECTION

**CITY OF CLINTON EMERGENCY COMMUNICATIONS DISTRICT
Clinton, Tennessee**

Board of Directors

June 30, 2014

Archie Brummitt, Chairman

Richard Scarbrough, Vice-Chairman

William Riggs, Secretary/Treasurer

Mark Alderson, Board Member

Randy Page, Board Member

Joe Roberts, Board Member

Jim Sanderson, Board Member

FINANCIAL SECTION

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315 NORTH CEDAR BLUFF ROAD – SUITE
KNOXVILLE, TENNESSEE 37923
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INDEPENDENT AUDITOR'S REPORT

Board of Directors and Management of
The City of Clinton Emergency Communications District
Clinton, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the City of Clinton Emergency Communications District (the "District"), a discretely presented component unit of the City of Clinton, Tennessee, which comprise the balance sheets as of June 30, 2014 and 2013 and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended and the related notes to the financial statements.

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 audits. We conducted our audits 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 audits 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 District as of June 30, 2014 and 2013 and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 through 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 audits 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 as a whole. The introductory and supplementary information sections are presented for purposes of additional analysis and are not a required part of the financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The introductory section 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 January 20, 2015, 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 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 District's internal control over financial reporting and compliance.

Pugh & Company, P.C.

Certified Public Accountants
Knoxville, Tennessee
January 20, 2015

CITY OF CLINTON EMERGENCY COMMUNICATIONS DISTRICT

125 W. Broad Street
Clinton, Tennessee 37716
(865) 457-3112

Management's Discussion and Analysis

The management of the City of Clinton Emergency Communications District (the District), has provided this narrative overview and analysis of the financial activities of the District for the fiscal years ended June 30, 2014 and 2013. We encourage readers to consider the information presented here in conjunction with the information provided in the financial statements, notes to financial statements, and supplementary information when reviewing the District's financial activities and condition.

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 Balance Sheets, Statements of Revenues, Expenses and Changes in Net Position, Statements of Cash Flows and notes to the financial statements. This report also contains other supplementary information in addition to the financial statements.

Financial statements. The Balance Sheets present information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statements of Revenues, Expenses, and Changes in Net Position present information showing how the District's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs (full accrual accounting), regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (i.e., accounts payable are expensed when incurred but paid at a later date).

The Statements of Cash Flows present information on the actual cash inflows and outflows resulting from the various operating, financing, capital, and investing activities of the District for the fiscal year.

The District's financial statements can be found on pages 7 through 9 of this report.

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 15 of this report.

Other information. In addition to the financial statements and accompanying notes, this report also presents certain supplementary information concerning the District. This supplementary information can be found on pages 16 and 17 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Financial Highlights

- The assets of the District exceeded its liabilities (net position) at June 30, 2014 by \$580,687 and at June 30, 2013 by \$528,756. Of this amount \$486,520 or 83.8% is reported as unrestricted at June 30, 2014 and \$463,211 or 87.6% at June 30, 2013. The unrestricted net assets may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net position increased by \$51,931 during fiscal year 2014 and by \$202,499 during fiscal year 2013. These increases are primarily the result of increasing operating funds from the State of Tennessee Emergency Communication Board.

Net Position

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 \$580,687 at the close of the most recent fiscal year.

	<u>2014</u>	<u>2013</u>	<u>2012</u>
<u>Balance Sheets</u>			
Current assets	\$ 489,845	\$ 534,948	\$ 291,161
Capital assets - net	94,167	65,545	35,297
Total assets	<u>\$ 584,012</u>	<u>\$ 600,493</u>	<u>\$ 326,458</u>
Current liabilities	\$ 3,325	\$ 71,737	\$ 201
Net position:			
Investment in capital assets	94,167	65,545	35,297
Unrestricted	<u>486,520</u>	<u>463,211</u>	<u>290,960</u>
Total net position	<u>580,687</u>	<u>528,756</u>	<u>326,257</u>
Total liabilities and net position	<u>\$ 584,012</u>	<u>\$ 600,493</u>	<u>\$ 326,458</u>
<u>Statements of Revenues, Expenses and Changes in Net Position</u>			
Operating revenues	\$ 245,155	\$ 277,324	\$ 239,822
Operating expenses	<u>155,286</u>	<u>121,881</u>	<u>118,188</u>
Operating income (loss)	89,869	155,443	121,634
Non-operating revenues (expenses) - net	<u>(37,938)</u>	<u>47,056</u>	<u>510</u>
Change in net position	51,931	202,499	122,144
Beginning net position	<u>528,756</u>	<u>326,257</u>	<u>204,113</u>
Ending net position	<u>\$ 580,687</u>	<u>\$ 528,756</u>	<u>\$ 326,257</u>

A portion of the District's net position reflects its investment in capital assets (i.e., equipment, furniture and fixtures), less accumulated depreciation. This portion of the District's net position amounts to \$94,167 or 16.2% of total net position at June 30, 2014 and \$65,545 or 12.4% of total net position at June 30, 2013. The District uses these capital assets to provide emergency 911 services to citizens of the City of Clinton. Accordingly, these assets are not available for future spending.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Capital Assets

At the fiscal year end of June 30, 2014, the District had \$94,167 invested in capital assets as outlined below (a \$28,622 or 43.7% increase over the last year).

	2014	2013	2012
Building improvements	\$ 41,163	\$ 30,275	\$ 30,275
Communication equipment	377,461	364,104	321,661
Furniture and fixtures	2,310	1,155	0
Office equipment	12,999	20,614	17,938
	<u>433,933</u>	<u>416,148</u>	<u>369,874</u>
Less accumulated depreciation	<u>(339,766)</u>	<u>(350,603)</u>	<u>(334,577)</u>
	<u>\$ 94,167</u>	<u>\$ 65,545</u>	<u>\$ 35,297</u>

Additional information on the District's capital assets can be found in note IV on pages 14 and 15 of this report.

Debt

At the fiscal year end, the District had no outstanding bonds payable, notes payable or capital lease obligations outstanding.

Economic Factors and Next Year's Budget

During the upcoming fiscal year, the District does not anticipate any significant changes to its operational revenues or expenses for fiscal year 2015. No major purchases of equipment are planned.

Contacting the District's Financial Management

This financial report is designed to provide our citizens with a general view of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact:

Archie Brummitt, Chairman of the Board
City of Clinton Emergency Communications District
125 W. Broad Street
Clinton, Tennessee 37716

Phone: 865.457.3112

CITY OF CLINTON EMERGENCY COMMUNICATIONS DISTRICT
Clinton, Tennessee

BALANCE SHEETS
June 30, 2014 and 2013

	2014	2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 130,944	\$ 459,233
Accounts receivable	3,557	4,619
Due from State of Tennessee	355,344	71,096
Total current assets	489,845	534,948
Noncurrent assets:		
Capital assets, net	94,167	65,545
Total assets	\$ 584,012	\$ 600,493
Liabilities and Net Position		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 831	\$ 21,041
Due to Primary Government	2,494	50,696
Total liabilities	3,325	71,737
Net position:		
Investment in capital assets	94,167	65,545
Unrestricted	486,520	463,211
Total net position	580,687	528,756
Total liabilities and net position	\$ 584,012	\$ 600,493

See the accompanying notes to the financial statements.

CITY OF CLINTON EMERGENCY COMMUNICATIONS DISTRICT
Clinton, Tennessee

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Fiscal Years Ended June 30, 2014 and 2013

	2014	2013
Operating Revenues		
Emergency telephone service charges	\$ 42,929	\$ 54,811
TECB - Wireless fees	25,207	24,188
TECB - Operational funding program	124,182	132,182
TECB - Other funding	52,837	66,143
Total operating revenues	245,155	277,324
 Operating Expenses		
Salaries and wages	75,000	50,212
Contracted services	12,860	12,497
Supplies and materials	17,111	18,024
Other charges	27,085	25,121
Depreciation	23,230	16,027
Total operating expenses	155,286	121,881
 Operating Income (Loss)	 89,869	 155,443
 Nonoperating Revenues (Expenses)		
TECB - Grants and reimbursements	433,264	46,274
Interest income	852	782
Loss on disposal of assets	(397,054)	0
Capital contribution to primary government	(75,000)	0
Total non-operating revenues (expenses) - net	(37,938)	47,056
 Change in Net Position	 51,931	 202,499
 Net position, beginning of year	 528,756	 326,257
 Net position, end of year	 \$ 580,687	 \$ 528,756

See the accompanying notes to the financial statements.

CITY OF CLINTON EMERGENCY COMMUNICATIONS DISTRICT
Clinton, Tennessee

STATEMENTS OF CASH FLOWS
For the Fiscal Years Ended June 30, 2014 and 2013

	2014	2013
Cash flows from operating activities		
Cash received from service fees and operational funding	\$ 249,089	\$ 296,149
Cash paid for payroll, taxes, and related benefits	(125,000)	(212)
Cash paid to suppliers for goods and services	(58,376)	(55,147)
Net cash provided by operating activities	65,713	240,790
Cash flows from capital and related financing activities		
TECB - Grants and reimbursements	149,157	0
Acquisition of equipment	(469,011)	(25,234)
Capital contribution to primary government	(75,000)	0
Net cash provided by capital and related financing activities	(394,854)	(25,234)
Cash flows from investing activities		
Interest received	852	782
Net increase (decrease) in cash and cash equivalents	(328,289)	216,338
Cash and cash equivalents, beginning of year	459,233	242,895
Cash and cash equivalents, end of year	\$ 130,944	\$ 459,233
Reconciliation of operating loss to net cash provided by operating activities		
Operating income (loss)	\$ 89,869	\$ 155,443
Adjustment to reconcile operating income to net cash provided by operating activities:		
Depreciation	23,230	16,027
Decrease in accounts receivable	1,062	2,609
(Increase) Decrease in due from State of Tennessee	(141)	16,216
Increase (Decrease) in accounts payable	208	(201)
Increase (Decrease) in due to primary government	(48,515)	50,696
Total adjustments	(24,156)	85,347
Net cash provided by operating activities	\$ 65,713	\$ 240,790
Noncash investing, capital and related financing activities		
Accrued liabilities for equipment purchases	\$ 936	\$ 21,040
Contributions of capital assets to the Primary Government (City)	(397,003)	0

See the accompanying notes to the financial statements.

CITY OF CLINTON EMERGENCY COMMUNICATIONS DISTRICT
Clinton, Tennessee

Notes to the Financial Statements
June 30, 2014 and 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Clinton Emergency Communications District (the District) have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies of the District:

(A) Reporting Entity

The District has established and operates a 911 service for the residents of the City of Clinton, Tennessee which receives telephone requests for emergency services and provides for the dispatch of appropriate emergency service units.

The District is considered a component unit of the City of Clinton, Tennessee and is discretely presented in the City of Clinton Annual Financial Report. The District is governed by a seven-member Board of Directors (the Board). The Board is appointed by the City of Clinton Council and any debt issuances require the Council's approval.

(B) Basis of Accounting

The financial statements of the District are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and measurable. Expenses are recorded at the time the liability is incurred.

The District's accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities in accordance with special regulations, restrictions or limitations. The District is maintained as a proprietary fund. Proprietary funds are used to account for business-type activities which are activities financed in whole or in part by fees charged to external parties for goods or services.

Additionally, proprietary funds distinguish operating revenues and expenses from non-operating 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 user fees for landline and wireless telephone customers. Operating expenses for proprietary funds include the cost of sales and services such as salaries and wages, contracted services, supplies and materials, other charges, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

(C) Assets, Liabilities, and Net Position

1. Deposits and Investments

Cash and cash equivalents include demand deposits and short-term investments with original maturities of three months or less from the acquisition date. Investments are stated at fair value, which approximates cost. Currently, no investments are held in the District's name.

2. Receivables and Payables

All trade and subsidy receivables and payables are recognized when incurred and recorded at full value. Any receivable amounts later determined to be uncollectible are written off when that determination is made. Any necessary allowance for doubtful accounts would not be material.

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items when paid, and expensed in the applicable future accounting period.

4. Capital Assets

Capital assets, which include furniture and fixtures, equipment, and building improvements, are defined as assets with a life greater than one year and initial individual cost of \$1,000 or greater. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful life for all assets is as follows:

Office furniture and fixtures	10 years
Equipment	10 years
Vehicles	5 years
Buildings and improvements	20 years
Leasehold improvements	20 years

5. Deferred Outflows/Inflows of Resources

In addition to assets, the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, 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 balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, 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 that time.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

6. 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: investment in capital assets, restricted, and unrestricted. Investment in capital assets includes all capital assets, net of accumulated depreciation. Investment in capital assets has been calculated as follows:

	<u>2014</u>	<u>2013</u>
Capital assets	\$ 433,933	\$ 416,148
Accumulated depreciation	<u>(339,766)</u>	<u>(350,603)</u>
	<u>\$ 94,167</u>	<u>\$ 65,545</u>

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. 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.

(D) Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from these estimates.

(E) Revenue Recognition

Emergency telephone service charge revenues are recognized in the period in which the monthly fees are billed by the service supplier to the subscribers. Any subscriber accounts subsequently determined to be uncollectible are charged against revenues at that time. In management's opinion, such reporting does not materially affect the financial statements.

Wireless fees are collected and remitted to the District through the State of Tennessee Emergency Communications Board (TECB). Shared wireless revenues are recognized by the District in the period the surcharge is assessed by the service provider. The TECB has approved additional funding from wireless revenues that will be provided annually to the local emergency communications districts for operational needs.

(F) Implementation of GASB Statement No. 62

During the fiscal year ended June 30, 2013, the District implemented GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance, included in certain FASB and AICPA pronouncements issued prior to November 30, 1989, which does not conflict with or contradict GASB pronouncements. The adoption of this

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Statement did not have any effect on the District's financial condition and results of operations.

(G) Implementation of GASB Statement No. 65

During the fiscal year ended June 30, 2013, the District 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 and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The adoption of this Statement did not have any effect on the District's financial condition and results of operations.

II. BUDGETARY INFORMATION

As required by statutes of the State of Tennessee, the District adopts an annual operating budget. The budget proposal is prepared by the Board Chairman and approved by the Board. The Board maintains the legal level of control at the line item level. The budget is prepared on the accrual basis of accounting. Appropriations lapse at the close of the fiscal year to the extent that they have not been transferred or encumbered.

III. DEMAND DEPOSITS AND INVESTMENTS

State statutes authorize the District to invest in obligations of the United States or its agencies, non-convertible debt securities of certain federal agencies, other obligations guaranteed as to principal and interest by the United States or any of its agencies, secured certificates of deposit and other evidences of deposit in state and federal banks and savings and loan associations, and the State of Tennessee Local Government Investment Pool.

Tennessee Code Annotated (TCA) §9-1-107 requires the District to secure deposits by having banks pledge governmental securities as collateral. The state statute requires collateral whose market value is equal to 105% of the deposit, less the amount protected by the Federal Deposit Insurance Corporation (FDIC). In lieu of pledged collateral, the bank may participate in the bank collateral pool as administered by the Tennessee State Treasurer. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the State Treasurer on behalf of the bank collateral pool. Members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be entirely insured or collateralized.

At June 30, 2014 and 2013, all of the District's deposits were either insured by federal depository insurance or guaranteed by bank participation in the Tennessee Bank Collateral Pool. Investment policies of the District follow state law as described above.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

IV. CAPITAL ASSETS

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

	Balance June 30, 2013	Additions	Retirements	Balance June 30, 2014
Capital assets being depreciated:				
Building improvements	\$ 30,275	\$ 10,888	\$ 0	\$ 41,163
Furniture and fixtures	1,155	1,155	0	2,310
Communication equipment	364,104	436,863	423,506	377,461
Office equipment	20,614	0	7,615	12,999
	<u>416,148</u>	<u>448,906</u>	<u>431,121</u>	<u>433,933</u>
Total capital assets being depreciated				
Accumulated depreciation:				
Building improvements	30,275	19	0	30,294
Furniture and fixtures	0	443	0	443
Communication equipment	302,763	21,899	26,503	298,159
Office equipment	17,565	869	7,564	10,870
	<u>350,603</u>	<u>23,230</u>	<u>34,067</u>	<u>339,766</u>
Total accumulated depreciation				
Total capital assets, net	<u>\$ 65,545</u>	<u>\$ 425,676</u>	<u>\$ 397,054</u>	<u>\$ 94,167</u>

During fiscal year 2014, the District transferred communications equipment with a net book value of \$397,003 to the Primary Government (City) for public safety and emergency communications purposes. This transfer was approved by the District's Board of Directors.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Capital asset activity for the year ended June 30, 2013, was as follows:

	Balance June 30, 2012	Additions	Retirements	Balance June 30, 2013
Capital assets being depreciated:				
Building improvements	\$ 30,275	\$ 0	\$ 0	\$ 30,275
Furniture and fixtures	0	1,155	0	1,155
Communication equipment	321,661	42,443	0	364,104
Office equipment	17,938	2,676	0	20,614
	<u>369,874</u>	<u>46,274</u>	<u>0</u>	<u>416,148</u>
Total capital assets being depreciated				
Accumulated depreciation:				
Building improvements	30,275	0	0	30,275
Furniture and fixtures	0	0	0	0
Communication equipment	287,824	14,939	0	302,763
Office equipment	16,478	1,087	0	17,565
	<u>334,577</u>	<u>16,026</u>	<u>0</u>	<u>350,603</u>
Total accumulated depreciation				
Total capital assets, net	<u>\$ 35,297</u>	<u>\$ 30,248</u>	<u>\$ 0</u>	<u>\$ 65,545</u>

V. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District carries commercial insurance for all of these risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The District maintains general liability insurance through a public entity risk pool operated by the Tennessee Municipal League (TML). This pool is sustained by member premiums, and because the TML pool has excess aggregate and individual claim loss insurance coverage, management considers any related risk to be insignificant. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

VI. REIMBURSED EXPENSES

The E-911 dispatchers are employees of the City of Clinton. All salaries, payroll taxes, retirement, and other fringe benefit costs of the E-911 dispatchers are paid directly by the City of Clinton (primary government) through its General Fund. The District has agreed to reimburse the City of Clinton for a portion of these costs, as determined on an annual basis. The amount reimbursed for fiscal year 2014 and 2013 was \$75,000 and \$50,212 respectively.

SUPPLEMENTARY INFORMATION

CITY OF CLINTON EMERGENCY COMMUNICATIONS DISTRICT
Clinton, Tennessee

SCHEDULE OF REVENUES AND EXPENSES - BUDGET TO ACTUAL
For the Fiscal Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget
Operating Revenues				
Emergency telephone service charges	\$ 45,000	\$ 45,000	\$ 42,929	\$ (2,071)
TECB - Wireless fees	22,000	22,000	25,207	3,207
TECB - Operational funding program	124,000	124,000	124,182	182
TECB - Other funding	8,000	8,000	52,837	44,837
Total operating revenues	<u>199,000</u>	<u>199,000</u>	<u>245,155</u>	<u>46,155</u>
Operating Expenses				
Salaries and wages	75,000	75,000	75,000	0
Contracted services:				
Audit services	4,500	4,500	4,500	0
Data processing services	500	500	360	140
NCIC/TBI/TIES expenses	8,000	8,000	8,000	0
Supplies and materials:				
Maintenance and repairs-equipment	14,000	7,500	5,379	2,121
Maintenance and repairs-buildings	1,000	3,500	79	3,421
Office supplies	1,000	1,300	1,329	(29)
Data processing supplies	0	1,275	0	1,275
Postage	50	50	55	(5)
Uniforms	2,000	2,500	2,260	240
Small equipment purchases	0	8,900	8,009	891
Other charges:				
Operating lease-communication equipment	4,900	10,500	9,852	648
Operating lease-facilities	3,650	3,650	3,650	0
Utilities-electric	500	500	476	24
Utilities-telephone	1,700	1,700	1,204	496
Utilities-cellular phones	500	500	407	93
Utilities-internet	800	900	852	48
Subscriptions and periodicals	100	100	0	100
Dues and memberships	100	100	0	100
Insurance-liability	650	550	548	2
Insurance-equipment	750	850	833	17
Legal notices	50	50	13	37
Premiums on surety bonds	2,000	2,500	2,442	58
Training	6,000	3,000	1,953	1,047
Emergency notification contract	4,855	4,855	4,855	0
Capital improvements	4,000	49,000	0	49,000
Depreciation	16,500	31,000	23,230	7,770
Total operating expenses	<u>153,105</u>	<u>222,780</u>	<u>155,286</u>	<u>67,494</u>
Operating Income (Loss)	<u>45,895</u>	<u>(23,780)</u>	<u>89,869</u>	<u>113,649</u>
Non-operating Revenues (Expenses)				
TECB - Grants and reimbursements	0	445,000	433,264	(11,736)
Interest income	750	750	852	102
Loss on disposal of assets	0	(400,000)	(397,054)	2,946
Capital contribution to primary government	0	(75,000)	(75,000)	0
Total non-operating revenues (expenses)	<u>750</u>	<u>(29,250)</u>	<u>(37,938)</u>	<u>(8,688)</u>
Change in Net Position	<u>\$ 46,645</u>	<u>\$ (53,030)</u>	<u>\$ 51,931</u>	<u>\$ 104,961</u>

**CITY OF CLINTON EMERGENCY COMMUNICATIONS DISTRICT
Clinton, Tennessee**

**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
For the Fiscal Year Ended June 30, 2014**

<u>Federal Grantor/ Pass-Through Grantor</u>	<u>Contract Number</u>	<u>Expenditures</u>
<u>State Financial Assistance</u>		
Tennessee Department of Commerce and Insurance - TECB Equipment funding	N/A	<u>\$ 432,328</u>

INTERNAL CONTROL AND COMPLIANCE SECTION

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PUGH & COMPANY, P.C.
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Board of Directors and Management of
The City of Clinton Emergency Communications District
Clinton, 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 Clinton Emergency Communications District, a discretely presented component unit of the City of Clinton, Tennessee, which comprise the balance sheets as of June 30, 2014 and June 30, 2013, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended and the related notes to the financial statements, and have issued our report thereon dated January 20, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Clinton Emergency Communications District internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 City of Clinton Emergency Communications District's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Clinton Emergency Communications 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 City of Clinton Emergency Communications 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 audits, 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 results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pugh & Company, P.C.

Certified Public Accountants
Knoxville, Tennessee
January 20, 2015

