

**CITY OF LAFOLLETTE  
EMERGENCY COMMUNICATIONS DISTRICT**

**LaFollette, Tennessee**

**FINANCIAL STATEMENTS**

**June 30, 2014**



**CITY OF LAFOLLETTE EMERGENCY COMMUNICATIONS DISTRICT**

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**CITY OF LAFOLLETTE EMERGENCY COMMUNICATIONS DISTRICT**

**Board Members**

**June 30, 2014**

**Jack Widener, Director**

**Gary Byrd, Chairman**

**Ann Thompson**

**Tommy Robards**

**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 (ECD), a component unit of the City of LaFollette, Tennessee, which comprise the balance sheet as of June 30, 2014, 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, which collectively comprise the ECD's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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, 2014, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



**Other Matters**

*Required Supplementary Information*

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 November 20, 2014 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  
November 20, 2014

**CITY OF LAFOLLETTE EMERGENCY COMMUNICATIONS DISTRICT**  
**Management's Discussion and Analysis**

The management of the City of LaFollette Emergency Communications District ("the District") has provided this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2014.

**Financial Highlights**

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$746,507. Approximately 65% of this amount or \$482,268 is reported as unrestricted net position.
- The District's total net position increased by \$74,682.

**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 \$746,507 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 Communications District's Net Position**

	As of June 30,	
	<u>2014</u>	<u>2013</u>
Current Assets	\$ 486,887	\$ 328,686
Capital Assets, Net of Accumulated Depreciation	<u>264,239</u>	<u>346,513</u>
Total Assets	<u>751,126</u>	<u>675,199</u>
 Current Liabilities	 <u>4,619</u>	 <u>3,374</u>
 Net Position:		
Investment in Capital Assets	264,239	346,513
Unrestricted	<u>482,268</u>	<u>325,312</u>
Total Net Position	<u>\$ 746,507</u>	<u>\$ 671,825</u>

Investment in capital assets decreased \$82,274 or approximately 24% in 2014 as additions to capital assets were less than depreciation expense. None of the District's net position represents resources that are subject to external restrictions on how they may be used. Unrestricted net position increased \$156,956 or approximately 48%.

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

	For the Year Ended June 30,	
	<u>2014</u>	<u>2013</u>
<b>Revenues:</b>		
Operating Revenues:		
Emergency Telephone Service Charges	\$ 53,737	\$ 60,081
State ECB - Shared Wireless Charges and Operational Funding	178,010	362,782
Utilities Dispatch Service and Other	21,186	21,141
Nonoperating Revenues:		
State ECB - Grants and Reimbursements	94,993	0
Interest Income	835	664
<b>Total Revenues</b>	<u>348,761</u>	<u>444,668</u>
 <b>Expenses:</b>		
Operating Expenses:		
General and Administrative	180,144	192,996
Depreciation	<u>93,935</u>	<u>70,572</u>
<b>Total Expenses</b>	<u>274,079</u>	<u>263,568</u>
 Increase in Net Position	 74,682	 181,100
Net Position - Beginning of Year	<u>671,825</u>	<u>490,725</u>
<b>Net Position - End of Year</b>	<u>\$ 746,507</u>	<u>\$ 671,825</u>

The District's net position increased by \$74,682. Key elements of this net increase are as follows:

- Tennessee Emergency Communications Board grants increased \$94,993.

**Capital Asset and Debt Administration**

**Capital Assets.** The District’s investment in capital assets as of June 30, 2014, amounts to \$264,239 (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 24% due to depreciation expense greater than additions.

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

- purchase of a new computer equipment

Capital assets, net of depreciation, as of June 30, 2014 and 2013 is as follows:

	2014	2013
Land and Land Rights	\$ 4,000	\$ 4,000
Equipment, Furniture, and Fixtures	1,045,283	1,033,622
Accumulated Depreciation	(785,044)	(691,109)
	<u>\$ 264,239</u>	<u>\$ 346,513</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 purchase a new recording system for approximately \$30,000 which would be funded by the 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, 2014

ASSETS

**CURRENT ASSETS:**

Cash	\$ 486,887
<b>Total Current Assets</b>	<u>486,887</u>

**CAPITAL ASSETS:**

Nondepreciable Assets:	
Land and Land Rights	<u>4,000</u>
Depreciable Assets:	
Equipment, Furniture and Fixtures	1,045,283
Less Accumulated Depreciation	<u>(785,044)</u>
<b>Net Depreciable Assets</b>	<u>260,239</u>
<b>Net Capital Assets</b>	<u>264,239</u>

<b>TOTAL ASSETS</b>	<b>\$ <u>751,126</u></b>
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LIABILITIES AND NET POSITION

**CURRENT LIABILITIES:**

Accounts Payable	\$ <u>4,619</u>
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**NET POSITION:**

Investment in Capital Assets	264,239
Unrestricted Net Position	<u>482,268</u>
<b>Total Net Position</b>	<u>746,507</u>

<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ <u>751,126</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, 2014**

**OPERATING REVENUES:**

Emergency Telephone Service Charges	\$ 53,737
State Emergency Communications Board - Shared Wireless Charges	18,991
State Emergency Communications Board - Operational Funding	159,019
Other Operating Revenues	<u>21,186</u>
<b>Total Operating Revenues</b>	<u>252,933</u>

**OPERATING EXPENSES:**

Salaries and Wages	108,711
Contracted Services	46,025
Supplies and Materials	17,724
Other Charges	7,684
Depreciation	<u>93,935</u>
<b>Total Operating Expenses</b>	<u>274,079</u>

**OPERATING INCOME** (21,146)

**NONOPERATING REVENUES (EXPENSES):**

State Emergency Communications Board - Grants and Reimbursements	94,993
Interest Income	<u>835</u>
<b>Nonoperating Income</b>	<u>95,828</u>

**CHANGE IN NET POSITION** 74,682

**NET POSITION - BEGINNING OF YEAR** 671,825

**NET POSITION - END OF YEAR** \$ 746,507

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, 2014

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash Received from Customers	\$ 252,933
Cash Paid to Employees	(108,711)
Cash Paid to Suppliers	<u>(70,188)</u>
<b>Net Cash Provided by Operating Activities</b>	<u>74,034</u>

**CASH FLOWS PROVIDED BY INVESTING ACTIVITIES:**

Interest on Cash and Cash Equivalents	<u>835</u>
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**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:**

Cash Proceeds from State Reimbursement Capital Grants	94,993
Capital Assets Additions and Construction	<u>(11,661)</u>
<b>Net Cash Used in Capital and Related Financing Activities</b>	<u>83,332</u>

**NET INCREASE IN CASH** 158,201

**CASH BEGINNING OF YEAR** 328,686

**CASH END OF YEAR** \$ 486,887

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

Operating Income	\$ <u>(21,146)</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	93,935
Increase in Accounts Payable	<u>1,245</u>
Total Adjustments	<u>95,180</u>
<b>Net Cash Provided by Operating Activities</b>	\$ <u><u>74,034</u></u>

CITY OF LAFOLLETTE EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

**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, 2014.

**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 for capital assets activity and debt service; and unrestricted net position. Investment in capital assets consists of all capital assets, net of accumulated depreciation and deferred outflows of resources; 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.

## **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, 2014, the book balances of the District's deposits were \$486,887 and the bank balances were \$487,477. Of the bank balances, \$250,000 was covered by FDIC insurance and \$237,477 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, 2014 is as follows:

	Balances July 1, 2013	Additions	Reductions	Balances June 30, 2014
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	1,033,622	11,661	0	1,045,283
Total Capital Assets, Being Depreciated	<u>1,033,622</u>	<u>11,661</u>	<u>0</u>	<u>1,045,283</u>
Less Accumulated Depreciation for:				
Equipment, furniture and fixtures	691,109	93,935	0	785,044
Total Accumulated Depreciation	<u>691,109</u>	<u>93,935</u>	<u>0</u>	<u>785,044</u>
Total Capital Assets, Being Depreciated, Net	<u>342,513</u>	<u>(82,274)</u>	<u>0</u>	<u>260,239</u>
Capital Assets, Net	<u>\$ 346,513</u>	<u>\$ (82,274)</u>	<u>\$ 0</u>	<u>\$ 264,239</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, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>OPERATING REVENUES</b>				
Emergency Telephone Service Charges	\$ 60,700	\$ 60,700	\$ 53,737	\$ (6,963)
State Emergency Communications Board - Shared				
Wireless Charges	18,000	18,000	18,991	991
State Emergency Communications Board - Operational				
Funding	166,200	166,200	159,019	(7,181)
Other Operating Revenues	20,625	20,625	21,186	561
<b>Total Operating Revenues</b>	<u>265,525</u>	<u>265,525</u>	<u>252,933</u>	<u>(12,592)</u>
<b>OPERATING EXPENSES</b>				
Salaries-Administrative	10,800	10,800	7,711	3,089
Salaries-Dispatcher	101,000	101,000	101,000	0
Accounting Services	4,800	4,800	4,800	0
Audit Services	4,200	4,200	3,800	400
Legal Services	3,600	3,600	3,600	0
Maintenance Contractual Agreements	20,250	23,250	23,239	11
Maintenance & Repairs	7,200	9,500	6,931	2,569
Other Contracted Services	4,100	4,100	3,655	445
Office Supplies	1,200	1,200	1,193	7
Custodial Supplies	100	100	0	100
Data Processing Supplies	2,100	2,100	268	1,832
Postage	100	100	64	36
Small Equipment Purchases	1,200	2,600	2,487	113
Gas	500	500	186	314
Electric	2,200	2,200	1,628	572
General Telephone	11,500	11,500	9,932	1,568
Cell Phones & Pagers	2,050	2,050	1,966	84
Dues and Memberships	500	500	100	400
Premium on Surety Bonds	700	700	700	0
Training Expenses	6,000	6,000	855	5,145
Travel Expenses	8,600	8,600	6,030	2,570
Depreciation	70,000	94,000	93,934	66
<b>Total Operating Expenses</b>	<u>262,700</u>	<u>293,400</u>	<u>274,079</u>	<u>19,321</u>
<b>OPERATING INCOME (LOSS)</b>	<u>2,825</u>	<u>(27,875)</u>	<u>(21,146)</u>	<u>6,729</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
State Emergency Communications Board -				
Grants and Reimbursements	300,000	300,000	94,993	(205,007)
Interest Income	300	300	835	535
<b>Total Nonoperating Revenues</b>	<u>300,300</u>	<u>300,300</u>	<u>95,828</u>	<u>(204,472)</u>
<b>NET INCOME (LOSS)</b>	<u>303,125</u>	<u>272,425</u>	<u>74,682</u>	<u>(197,743)</u>
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>525,498</u>	<u>459,738</u>	<u>671,825</u>	<u>212,087</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 828,623</u>	<u>\$ 732,163</u>	<u>\$ 746,507</u>	<u>\$ 14,344</u>

CITY OF LAFOLLETTE EMERGENCY COMMUNICATIONS DISTRICT

SCHEDULE OF DETAILED EXPENSES (UNAUDITED)

For the Year Ended June 30, 2014

**OPERATING EXPENSES**

Salaries-Administrative	\$	7,711
Salaries-Dispatcher		101,000
Accounting Services		4,800
Audit Services		3,800
Legal Services		3,600
Maintenance Contractual Agreements		23,239
Maintenance & Repairs		6,931
Other Contracted Services		3,655
Office Supplies		1,193
Data Processing Supplies		268
Postage		64
Small Equipment Purchases		2,487
Gas		186
Electric		1,628
General Telephone		9,932
Cell Phones & Pagers		1,966
Dues & Memberships		100
Premium on Surety Bonds		700
Training Expenses		855
Travel Expenses		6,030
Depreciation		93,934
<b>Total Operating Expenses</b>	<b>\$</b>	<b><u>274,079</u></b>

**OTHER REPORT**

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TELEPHONE 865-769-0660



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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

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, 2014, 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 November 20, 2014.

**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  
November 20, 2014

