

# **Loudon County Emergency Communications District**

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**Financial Statements with Accompanying Information  
Year Ended June 30, 2008**

with  
Independent Auditors' Report

# LOUDON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

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HG&A ASSOCIATES, P.C.

Certified Public Accountants

## Independent Auditors' Report

Board of Directors  
Loudon County Emergency Communications District  
Loudon, Tennessee

We have audited the accompanying balance sheet of the Loudon County Emergency Communications District, a component unit of Loudon County, Tennessee, as of June 30, 2008, and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2008 on our consideration of the Loudon County Emergency Communications District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Richard A. Goldstine • J. Wesley Edmondson • John C. Pannell • Tim Royster • Jenny C. Raines • Michelle Herrell

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The CPA. Never Underestimate The Value.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Loudon County Emergency Communications District taken as a whole. The supplementary information and the schedule of expenditures of federal and state awards listed in the table of contents are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Management's Discussion and Analysis on pages 3 through 6 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures that consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

*HG & A Associates, P.C.*

December 18, 2008

# **Loudon County Emergency Communications District**

9006 Highway 11 West, Lenoir City, Tennessee 37771  
(865) 986-9081 Fax (865) 988-4116

## **Management's Discussion and Analysis**

Our discussion and analysis of the Loudon County Emergency Communications District's (the "District") financial performance provides an overview of the District's activities for the year ended June 30, 2008. Please read it in conjunction with the District's financial statements, as listed in the table of contents.

### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The balance sheet and the statement of revenues, expenses and changes in net assets provide information about the District as a whole and present a long-term view of the District's finances.

### **THE BALANCE SHEET AND THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**

One of the most important questions asked about the District's finances is "Is the District better off or worse off as a result of this year's activities?" The balance sheet and the statement of revenues, expenses, and changes in net assets report information about the District and about its activities that help answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. You can think of the District's net assets - the difference between assets and liabilities - as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating.

## CONDENSED BALANCE SHEET

The analysis below focuses on the net assets and changes in net assets of the District.

	<u>2008</u>	<u>2007</u>
Current assets	\$ 589,580	643,216
Capital assets	<u>1,079,662</u>	<u>321,649</u>
Total Assets	\$ <u>1,669,242</u>	<u>964,865</u>
Current liabilities	\$ <u>585,321</u>	<u>68,517</u>
Net assets:		
Invested in capital assets	585,190	321,649
Unrestricted	<u>498,731</u>	<u>574,699</u>
Total Net Assets	<u>1,083,921</u>	<u>896,348</u>
Total Liabilities and Net Assets	\$ <u>1,669,242</u>	<u>964,865</u>

Net assets of the District increased approximately 21% during the current year. Unrestricted net assets, the part of net assets used to finance day-to-day operations, decreased by approximately 13% from the prior year. The increase in net assets was due primarily to funding from the State Emergency Communications Board and a federal government grant. The decrease in unrestricted net assets is primarily due to the construction of the District's new facility.

## CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	<u>2008</u>	<u>2007</u>
Revenues:		
Emergency telephone charges	\$ 239,917	243,020
Tennessee ECB shared wireless charges	90,175	82,289
Other income	<u>1,965</u>	<u>1,455</u>
Total operating revenues	332,057	326,764
Total operating expenses	<u>341,356</u>	<u>305,688</u>
Operating income (loss)	(9,299)	21,076
Non-operating revenues	92,791	225,742
Non-operating expenses	-	(43,777)
Capital contributions	<u>104,081</u>	<u>244,081</u>
Change in net assets	187,573	447,132
Net assets – beginning of year	<u>896,348</u>	<u>449,216</u>
Net assets – end of year	\$ <u>1,083,921</u>	<u>896,348</u>

The operations of the District (a component unit of Loudon County, Tennessee) are primarily funded as follows:

Emergency telephone surcharges	45.4%
State of Tennessee shared wireless fee	17.0%
State of Tennessee Communications Board – grants	10.7%
Capital contributions	19.7%
Federal grants	3.0%
Other income	1.1%
Interest income	<u>3.1%</u>
Total funding	<u>100.0%</u>

Operational costs for the E911 Center were \$341,356 for the fiscal year ended June 30, 2008, an increase of \$35,668 from the prior year. The increase was primarily from contracted services and the annual maintenance costs of the new CAD system.

### **CAPITAL ASSETS**

At the fiscal year ended June 30, 2008, the District had \$1,429,399 in capital assets, an increase of 236.3% over the last year's balance of \$604,872. This change is a result of the construction costs incurred thru June 30 for District's new facility. Additional information concerning the capital assets of the District can be found on page 13 of this report. The construction of the new operating facility has an anticipated total cost at completion of approximately \$1,448,000 and is being funded with a contribution of \$140,000 received from Loudon County, Tennessee in October 2006 and a loan from USDA Rural Development of up to \$1,500,000.

### **DEBT**

At the fiscal year end the District's outstanding debt consists of interim financing for a construction loan with a local bank to build the facility mentioned above. The District has received approval from the office of the USDA Rural Development for a \$1,500,000 loan to assist with the construction of that facility. Until the Rural Development loan funds are made available to the District the interim financing construction loan is being used to fund the construction payments for the new facility. The total amount outstanding on the construction loan at June 30, 2008 totaled \$494,472. Additional information can be found on page 14 of this report.

### **BUDGETS**

Due to a change in the amount of funding from the State of Tennessee Dispatcher grant program the originally adopted budgeted was amended to the final budgeted revenues and expenses of \$449,969 each.

## **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, contact the Director of the Loudon County Emergency Communications District, 9006 Highway 11 West, Lenoir City, Tennessee 37771.

**LOUDON COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT**

Balance Sheet

June 30, 2008

<u>Assets</u>	
Current assets:	
Cash	\$ 174,132
Certificates of deposit	373,112
Accounts receivable:	
Surcharges and wireless commissions	42,336
Total current assets	<u>589,580</u>
Capital assets:	
Furniture and fixtures	27,545
Office equipment	98,967
Communication equipment	496,538
Vehicles	38,544
Construction in progress	767,805
	<u>1,429,399</u>
Less: allowance for depreciation	<u>349,737</u>
Total capital assets	<u>1,079,662</u>
	<u>\$ 1,669,242</u>
<u>Liabilities and Net Assets</u>	
Current liabilities:	
Accounts payable	\$ 90,849
Interim financing construction loan	494,472
Total current liabilities	<u>585,321</u>
Net assets:	
Invested in capital assets, net of related debt	585,190
Unrestricted net assets	498,731
Total net assets	<u>1,083,921</u>
	<u>\$ 1,669,242</u>

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

**LOUDON COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT**  
Statement of Revenues, Expenses and Changes in Net Assets  
For the Year Ended June 30, 2008

Operating revenue:	
Emergency telephone surcharges	\$ 239,917
State Emergency Communications Board - shared wireless charge	90,175
Other	1,965
	<u>332,057</u>
Operating expenses:	
Salaries and wages	89,406
Contracted services	68,232
Supplies and materials	75,017
Depreciation	66,726
Other charges	41,975
Total operating expense	<u>341,356</u>
Operating loss	<u>(9,299)</u>
Nonoperating revenue (expenses):	
Interest income	16,156
State Emergency Communications Board - grants	56,620
Grants from Federal Government	16,015
Other income - donated vehicle	4,000
Total nonoperating revenue	<u>92,791</u>
Income before contributions	<u>83,492</u>
Capital contributions:	
State Emergency Communications Board	<u>104,081</u>
Change in net assets	187,573
Total net assets - beginning of year	<u>896,348</u>
Total net assets - end of year	<u>\$ 1,083,921</u>

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

**LOUDON COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT**

Statement of Cash Flows

For the Year Ended June 30, 2008

Cash flows from operating activities:	
Cash received from customers	\$ 393,615
Cash payments for goods and services	(99,026)
Cash payments for employees	<u>(89,406)</u>
Net cash provided by operating activities	<u>205,183</u>
Cash flows from noncapital financing activities:	
Contributions from State Emergency Communications Board	56,620
Grants from Federal Government	<u>16,015</u>
Net provided by noncapital financing activities	<u>72,635</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(820,739)
Cash received for capital contributions	104,081
Proceeds on interim financing construction loan	<u>494,472</u>
Net cash used in capital and related financing activities	<u>(222,186)</u>
Cash flows from investing activities:	
Interest received	16,156
Maturities of certificates of deposit	358,289
Increase in certificates of deposit	<u>(373,112)</u>
Net cash provided by investing activities	<u>1,333</u>
Net increase in cash	56,965
Cash - beginning of the year	<u>117,167</u>
Cash - end of the year	<u>\$ 174,132</u>

(continued)

**LOUDON COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT**  
Statement of Cash Flows (continued)  
For the Year Ended June 30, 2008

Reconciliation of operating income to net cash used in operating activities:	
Operating loss	\$ <u>(9,299)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	66,726
Changes in operating assets and liabilities:	
Decrease in accounts receivable	125,424
Increase in accounts payable	86,198
Decrease in deferred revenue	<u>(63,866)</u>
Total adjustments	<u>214,482</u>
Net cash provided by operating activities	\$ <u><u>205,183</u></u>

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

# LOUDON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements  
June 30, 2008

## 1. Summary of Significant Accounting Policies

### (a) Nature of Business

The Loudon County Emergency Communications District (the "District"), commonly referred to as E-911, was established to provide services under the Emergency Communications District Law, Tennessee Code Annotated, Chapter 86. The District was created by a resolution of the Loudon County Commissioners on September 12, 1989, and subsequently approved by public referendum. Under its enabling legislation, the District is a municipality with powers of perpetual success but without any power to levy or collect taxes. Charges for services authorized shall not be considered as taxes. The powers of the District are vested in and exercised by a majority of the members of the board of directors of the District who are appointed by the District's primary government.

The District is a discretely presented component unit of Loudon County, Tennessee and the financial statements are presented in both the District's separate financial report and within the Loudon County, Tennessee report. The District is considered a discretely presented component unit of Loudon County, Tennessee as defined under the criteria set forth in Governmental Accounting Standards Board Statement No. 14 because the District is unable to issue debt without going through Loudon County, Tennessee.

### (b) Basis of Accounting

The financial statements of the District are reported on the accrual basis. In accordance with the Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts issued by the Tennessee Office of the Comptroller of the Treasury, the District is required to apply all pronouncements of the Governmental Accounting Standards Board (GASB) and pronouncements of the Financial Accounting Standards Board (FASB) issued prior to November 30, 1989 that do not conflict with those of the Governmental Accounting Standards Board. After November 30, 1989 the District is required to follow only GASB guidance and not follow any FASB guidance issued after that date.

### (c) Cash and Cash Equivalents

The District considers all unrestricted deposits and highly liquid investments with original maturities of three months or less to be cash equivalents.

(continued)

**LOUDON COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT**

Notes to Financial Statements  
June 30, 2008

1. Summary of Significant Accounting Policies (continued)

(d) Receivables

The accounts receivable balance of \$42,336 primarily represents amounts due from AT&T for the surcharge on Loudon County telephone services for the month of June 2008 and wireless commissions due from the State of Tennessee for March through June, 2008.

(e) Capital Assets

Capital assets consists of property and equipment and is stated at cost, less accumulated depreciation computed on the straight-line method over their estimated useful lives as follows: buildings - forty years; equipment and furnishings - three to seven years; building improvements - twenty years. When assets are retired or otherwise disposed of, the average cost is removed from the asset account and the accumulated depreciation account. Removal cost, less any salvage value, is charged or credited to the accumulated depreciation account. The cost of maintenance and repairs is charged to earnings as incurred.

(f) Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(g) Tax Status

Because the District was incorporated as a political subdivision under the Tennessee Emergency Communications District Law, it is exempt from federal income taxes.

2. Deposits

Custodial credit risk for the District's deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2008, the carrying amount of deposits was \$547,244 and the bank balances were \$581,590. As required by state statutes, the District's policy is to require financial institutions holding its deposits to be members of the Tennessee Collateral Pool or pledge collateral for deposits in excess of federal depository insurance. At June 30, 2008, none of the District's bank balances was exposed to credit risk.

**LOUDON COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT**

Notes to Financial Statements  
June 30, 2008

3. Revenue

The District's primary sources of revenues are from surcharges imposed on Loudon County telephone services (net of administrative fees paid to the telephone companies) and from surcharges imposed on cell phone services, which are collected and disbursed by the Tennessee Emergency Communications Board.

4. 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; injuries to employees; and natural disasters. In order to minimize its costs, the District insures itself against potential losses associated with these risks through the purchase of commercial insurance. There were no significant reductions in limits of liability or coverage of insurance policies in effect during 2008 from those in effect in 2007 and 2006. In addition, there have been no losses in excess of insurance coverage during the past three fiscal years.

5. Capital Assets

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

<u>Cost</u>	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Retirements and Transfers</u>	<u>Balance June 30, 2008</u>
Capital assets, being depreciated:				
Vehicles	\$ 33,955	4,589	-	38,544
Furniture and fixtures	27,545	-	-	27,545
Office equipment	99,179	-	(212)	98,967
Communication equipment	304,187	192,351	-	496,538
Construction in progress	140,006	691,784	(63,985)	767,805
	<u>\$ 604,872</u>	<u>888,724</u>	<u>(64,197)</u>	<u>1,429,399</u>
<u>Accumulated Depreciation</u>				
Vehicles	\$ 4,508	7,613	-	12,121
Furniture and fixtures	11,753	3,743	-	15,496
Office equipment	61,111	9,964	(212)	70,863
Communication equipment	205,851	45,406	-	251,257
	<u>\$ 283,223</u>	<u>66,726</u>	<u>(212)</u>	<u>349,737</u>

## LOUDON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements  
June 30, 2008

### 6. Interim Financing Construction Loan

The District has received approval from the USDA Rural Development for a \$1,500,000 Rural Development Community Facilities Direct Loan ("Rural Development Loan") to assist in the construction and equipping of a new facility to house their operations. Until that loan is processed and the funds are made available the District has entered into an agreement with a local bank for interim financing of \$1,500,000. This construction loan bears interest at an annual rate of 7.25% and matures on February 12, 2009 (after receiving a 90-day extension on its original due date of November 14, 2008). The loan allows the District to make draws as the construction proceeds. These loan draws will be retired with the proceeds of the Rural Development Loan upon their release. Interest accrued and paid on the construction loan thru June 30, 2008 totaled \$6,329 and has been included in the cost of construction of the new facility. The amount outstanding on the construction loan at June 30, 2008 totals \$494,472.

### 7. Management Agreement

Effective March 1, 1997, the District entered into a management agreement with the Loudon County Law Enforcement Agency. Pursuant to the terms of the agreement, the District assumed all management and supervisory authority and control of the county radio communications system including the dispatching center located at the Loudon County Justice Center. All personnel of the communications system are to remain employees of Loudon County, which shall be responsible for continued payment of the employees on a basis consistent with other county employees. The payment amount may be increased during the term of the agreement by mutual consent of the parties.

The original term of this agreement was five years and was extended for an additional five years. Beginning March 1, 2008 the agreement is extended on a year-by-year basis at \$45,000 per year.

The total amount expensed by the District during the year ended June 30, 2008, relating to this agreement was \$45,000.

### 8. Agreement for Office Space

The District entered into an agreement with Loudon County, Tennessee in which it received a \$140,000 contribution, in October 2006, to be used for the construction of an E-911 Center. In return, upon completion of that construction the District will make available to Loudon County offices and emergency operations space for the Emergency Management Agency (EMA), a subsidiary of Loudon County, Tennessee for up to thirty years, with an extension possible upon mutual agreement of both parties.

**LOUDON COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT**

Notes to Financial Statements

June 30, 2008

9. Operating Lease

During fiscal year 2005, the District sold its Mobile 911 Center to Loudon County, Tennessee and then entered into a lease agreement with Loudon County, Tennessee, to lease the facility for one dollar per year.

# Supplementary Data

**LOUDON COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT**

Schedule of Revenues and Expenses Compared to Budget  
For the Year Ended June 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Operating revenues:</b>			
Emergency telephone surcharges	\$ 237,000	239,917	2,917
State Emergency Communications Board - shared wireless charge	90,000	90,175	175
Other income	1,600	1,965	365
	<u>328,600</u>	<u>332,057</u>	<u>3,457</u>
<b>Operating expenses:</b>			
<b>Salaries and wages:</b>			
Director	5,150	5,150	-
Administrative personnel	46,850	48,506	(1,656)
Part-time personnel	30,000	30,000	-
Pay bonuses	6,000	5,750	250
	<u>88,000</u>	<u>89,406</u>	<u>(1,406)</u>
<b>Contracted services:</b>			
Audit services	4,725	4,725	-
Contracts with government agencies	45,000	45,000	-
Fees paid to service providers	1,325	1,271	54
Legal services	6,225	5,775	450
Pest control	420	385	35
<b>Maintenance and repairs:</b>			
Building and facilities	2,600	2,529	71
Vehicles	2,500	2,233	267
Communications equipment	8,500	6,314	2,186
	<u>71,295</u>	<u>68,232</u>	<u>3,063</u>
<b>Supplies and materials:</b>			
Office	1,500	1,283	217
Postage	250	197	53
Small equipment purchases	191,782	22,653	169,129
<b>Utilities:</b>			
Electric, gas, water	7,300	7,155	145
General telephone	43,750	43,729	21
	<u>244,582</u>	<u>75,017</u>	<u>169,565</u>

(continued)

**LOUDON COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT**

Schedule of Revenues and Expenses Compared to Budget (continued)  
For the Year Ended June 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Other charges:			
Dues and memberships	\$ 800	700	100
Employee testing and exams	3,200	3,096	104
Insurance:			
Liability	4,606	4,060	546
Building and contents	6,975	6,975	-
Equipment	210	210	-
Vehicles	6,205	6,205	-
Legal notices	250	207	43
Premium on surety bonds	600	600	-
Training	5,900	5,606	294
Travel	8,200	8,018	182
Internet charges	1,300	1,280	20
Other	7,846	5,018	2,828
	<u>46,092</u>	<u>41,975</u>	<u>4,117</u>
Total operating expenses	<u>449,969</u>	<u>274,630</u>	<u>175,339</u>
Excess of operating revenues over operating expenses	<u>(121,369)</u>	<u>57,427</u>	<u>178,796</u>
Nonoperating revenues (expenses):			
Interest income	16,000	16,156	156
State Emergency Communications Board - grants	1,288	56,620	55,332
Grants From Federal Government	-	16,015	16,015
Other income	-	4,000	4,000
Total nonoperating revenues (expenses)	<u>17,288</u>	<u>92,791</u>	<u>75,503</u>
Excess of revenues and expenditures before capital contributions	<u>(104,081)</u>	<u>150,218</u>	<u>254,299</u>
Capital contributions:			
State Emergency Communications Board	<u>104,081</u>	<u>104,081</u>	<u>-</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>254,299</u>	<u>254,299</u>
Adjustments to agree with financial statement - "Statement of Revenues, Expenses and Changes in Net Assets":			
Expenses unbudgeted:			
Depreciation		<u>(66,726)</u>	
Change in net assets		<u>\$ 187,573</u>	

**LOUDON COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT**

Schedule of Insurance in Force

June 30, 2008

<u>Description</u>	<u>Coverage</u>
<b>Property:</b>	
Risks of Direct Physical Loss Subject to Normal Conditions and Exclusions:	
Business personal property - \$250 property deductible; earthquake and flood deductible varies:	
Building - 500 John Parris Way	\$ 1,500,000
Personal property - 500 John Parris Way	5,000
Personal property - 9006 Highway 11W (Replacement cost)	468,000
Portable equipment	Replacement cost
<b>Automobile Liability:</b>	
Liability - any auto	1,000,000
Uninsured motorists	1,000,000
Medical payments	2,000
<b>Commercial Umbrella Liability:</b>	
Each Occurrence	1,000,000
Aggregate	2,000,000
Retained Limit	2,000,000
<b>General Liability:</b>	
General aggregate limit	2,000,000
Products/completed operations aggregate limit	2,000,000
Personal and advertising injury each occurrence limit	1,000,000
Each occurrence or medical incident limit	1,000,000
Medical expense limit (any one person)	5,000
<b>Crime:</b>	
Public employee blanket	50,000
Chairman of the Board - Employee Dishonesty Bond	1,000,000
<b>Management Liability:</b>	
Each claim limit (injunctive relief)	5,000
Each claim limit (each wrongful act)	1,000,000
Annual aggregate limit	2,000,000
Fidelity bonds (5)	150,000

**Loudon County Emergency  
Communications District**  
Schedule of Information Required by the  
Tennessee Emergency Communications Board  
June 30, 2008

1. Number of public safety answering points (PSAP):     One (1)
  
2. Address of each PSAP:   Loudon County Emergency Communications District  
                                  9006 Highway 11 West  
                                  Lenoir City, Tennessee 37771
  
3. Type of system /equipment and database used:  
  
                                  Zetron communications equipment used with an NT server  
                                  and work stations using Windows 98 operating system;  
  
                                  A computer aided dispatch (CAD) system installed and  
                                  supported by Southern Software of  
                                  Southern Pines, North Carolina  
  
                                  A computer mapping system supported by Southern  
                                  Software of Southern Pines, North Carolina
  
4. Name, address, telephone number, and fax number of Executive Director:  
  
                                  Jennifer Estes  
                                  9006 Highway 11 West  
                                  Lenoir City, Tennessee 37771  
                                  (865) 986-9081   (865) 988-4116 (fax)
  
5. Name, address, telephone number, and fax number of the Chairman of the Board:  
  
                                  Tim Guider  
                                  9006 Highway 11 West  
                                  Lenoir City, Tennessee 37771  
                                  (865) 986-9081   (865) 988-4116 (fax)

**LOUDON COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT**  
Schedule of Expenditures of Federal and State Awards  
For the Year Ended June 30, 2008

<u>Grantor Agency</u>	<u>Program Name</u>	<u>CFDA #</u>	<u>Balance June 30, 2007</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Balance June 30, 2008</u>
<b><u>Federal Assistance:</u></b>						
<b><u>Grants</u></b>						
<i>U.S. Department of Homeland Security</i>						
Tennessee Emergency Communications District	Emergency Management Performance Grant (Z-05-25182)	97.042	\$ 63,985	80,000	16,015	-
<b><u>Major Program</u></b>						
<b><u>Interim Financing</u></b>						
<i>U.S. Department of Agriculture</i>						
	Water and Waste Disposal Systems for Rural Communities	10.760	-	-	494,472	(494,472) (1)
Total Federal Assistance			<u>63,985</u>	<u>80,000</u>	<u>510,487</u>	<u>(494,472)</u>
<b><u>State Assistance Programs</u></b>						
Tennessee Emergency Communications District	Rural Disptatch Grant (Z-04-020035-00)	N/A	-	7,480	7,480	-
			<u>\$ 63,985</u>	<u>87,480</u>	<u>517,967</u>	<u>(494,472)</u>

- (1) A loan agreement was entered into for interim financing for the construction of a new building. Rural Development has committed for permanent financing and requires these expenditures to be considered Federal awards expended.



**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 Directors  
Loudon County Emergency Communications District  
Loudon, Tennessee

We have audited the financial statements of the Loudon County Emergency Communications District (the "District"), a component unit of Loudon County, Tennessee, as of and for the year ended June 30, 2008, and have issued our report thereon dated December 18, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as 08-02 to be a significant deficiency in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not considered to be a material weakness.

#### Compliance and Other Matters

As a part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings and questioned costs as 08-01.

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of the Board of Directors, management, State of Tennessee, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

*HGA Associates, P.C.*

December 18, 2008



**Report on Compliance with Requirements Applicable to Each  
Major Program and Internal Control Over Compliance  
in Accordance with OMB Circular A-133**

The Board of Directors  
Loudon County Emergency Communications District  
Loudon, Tennessee

**Compliance**

We have audited the compliance of the Loudon County Emergency Communications District (the "District"), a component unit of Loudon County, Tennessee, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2008. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and recommendations. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United State; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008.

**Internal Control Over Compliance**

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an



opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described as 08-2 in the accompanying schedule of findings and questioned costs to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. However, we believe that the significant deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs is not considered to be a material weakness.

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

This report is intended for the information of the District's Board of Directors, management, and others within the organization and federal awarding agencies and is not to be used by anyone other than these specified parties.

*HG & A Associates, P.C.*

December 18, 2008

**LOUDON COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT**  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2008

**SUMMARY OF AUDITORS' RESULTS**

1. The auditors' report expresses an unqualified opinion on the financial statements of the District.
2. One significant deficiency disclosed during the audit of the financial statements is reported in the auditors' report on internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards* and included as finding 08-2. The condition is not reported as a material weakness.
3. One instance of noncompliance material to the financial statements was disclosed during the audit and included as finding 08-1.
4. One significant deficiency in internal control over major federal award programs disclosed during the audit as 08-2. The condition is not reported as a material weakness.
5. The auditors' report on compliance for the major federal award program for the District expresses an unqualified opinion on all major federal programs.
6. There were no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The Water and Waste Disposal Systems for Rural Communities (CFDA #10.760) was tested as the major program.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The District was not determined to be a low-risk auditee.

**FINDINGS – FINANCIAL STATEMENT AUDIT**

The following findings are from our audit of the Loudon County Emergency Communications District (the "District") and our recommendations to management. Immediately following the recommendation is management's response to those findings and recommendations.

**LOUDON COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT**  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2008

08-1 Finding: Budget vs. Actual Expenses

The District had one operating line item where actual expenditures exceeded the approved budgeted amount by \$1,656. This is a repeat of finding 07-1 from the prior year's audit of the District.

Recommendation

The *Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts* Section II page 6 states that the budgets for Emergency Communications Districts are to be set at the line-item level. In order to comply with that manual we recommend the District's Executive Director present the necessary budget amendments to the District's Board of Directors for approval of increases in each line item as situations arise whereby required expenditures will exceed budgeted amounts.

Management's Response

The overage was an unforeseen circumstance at the end of the year. The District failed to amend the budget to approve the overage in the line item. In the future, any overage amount will be brought before the Board of Directors at each monthly meeting to make any necessary adjustments.

08-2 Finding: Use of Purchase Orders in Expenditure Process

The District has in place procedures over the expenditures of its operations. Those procedures do not include the use of appropriately designed purchase orders.

Recommendation

The *Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts* Section II page 3 requires Districts to adopt procedures to provide reasonable assurance regarding effective internal controls in their operations. In order to meet that requirement in regards to expenditures the District should implement procedures to use purchase orders in the expenditure process. The implementation would allow for prior approval of disbursements over a defined amount, usually \$100 that would only enhance the District's ability to control the expending of District funds.

**LOUDON COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT**  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2008

Management's Response

Since the use of purchase orders has now been recommended, we will develop a system. There will be a numbered form that will be completed and approved with each purchase over \$100.

**FINDINGS AND QUESTIONED COSTS – MAJOR AWARD PROGRAMS AUDIT**

*Significant deficiency*

Finding 08-2 for the Financial Statement Audit also applies to the expenditures for the major federal award program and should be referred to in regards to the finding, recommendation and management response.