Loudon County Emergency Communications District

Financial Statements with Accompanying Information
Year Ended June 30, 2010

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, 2010, 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, 2010, and the changes in financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2010 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.

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 listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements of Loudon County Emergency Communications District. 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 1, 2010

Loudon County Emergency Communications District

500 John Parris Drive, Loudon, Tennessee 37774
(865) 458-9081 Fax (865) 458-7057

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, 2010. 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.

	2010	2009
Current assets	$ 406,224	367,475
Restricted assets	9,819	-
Capital assets	2,191,190	2,367,548
Total Assets	$ 2,607,233	2,735,023
Current liabilities	$ 72,304	133,219
Noncurrent liabilities	1,438,041	1,468,492
Total Liabilities	1,510,345	1,601,711
Net assets:		
Invested in capital assets	722,786	869,922
Restricted assets	9,819	-
Unrestricted	364,283	263,390
Total Net Assets	1,096,888	1,133,312
Total Liabilities and Net Assets	$ 2,607,233	2,735,023

Net assets of the District decreased approximately 3.2% during the current year, as opposed to last year's 4.6% increase. Unrestricted net assets, the part of net assets used to finance day-to-day operations, increased by approximately 38.3% from the prior year. The reduction in net assets was due primarily to (1) the change in responsibility of the employees to the District from the previous year where Loudon County contracted with the District to provide the appropriate staffing and (2) the increase of approximately $53,000 in depreciation from 2009. The increase in unrestricted net assets is primarily due to the change in the net assets designation "invested in capital assets" as the building and related debt decreases annually.

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	2010	2009
Revenues:		
Emergency telephone charges	$ 149,411	231,533
Tennessee ECB shared wireless charges	98,941	101,725
Tennessee ECB operational funding	151,617	104,081
Other income	-	920
Total operating revenues	399,969	438,259
Total operating expenses	655,765	428,129
Operating income (loss)	(255,796)	10,130
Non-operating revenues	281,794	66,499
Non-operating expenses	(62,422)	(27,238)
Change in net assets	(36,424)	49,391
Net assets – beginning of year	1,133,312	1,083,921
Net assets – end of year	$ 1,096,888	1,133,312

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

Emergency telephone surcharges	14.5%
State of Tennessee shared wireless fee	9.6%
State of Tennessee Communications Board – operational funding	14.8%
State of Tennessee Communications Board – grants and reimbursements	8.3%
Contributions from primary government	52.6%
Interest income	.2%
Total funding	100.0%

Operational costs for the E911 Center were $655,765 for the fiscal year ended June 30, 2010, an increase of $227,636 from the prior year. The increase was primarily from the District ending its contract with Loudon County to provide employees and related benefits for the operations, primarily dispatch services, and undertaking the employment responsibilities beginning January 1, 2010. Loudon County is funding these increased costs by contract which was for $194,580 in fiscal year 2010 and for the full fiscal year 2011 will be $540,000. Also, depreciation expense for the newly constructed building and purchased equipment that became operational during 2009 increased by approximately $53,000 (full years depreciation in 2010).

CAPITAL ASSETS

At the fiscal year ended June 30, 2010, the District had $2,796,634 in capital assets, an increase of $5,313 over the last year's balance of $2,791,321. This change is a result of the purchase of additional office and communications equipment. Additional information concerning the capital assets of the District can be found on page 14 of this report.

DEBT

At the fiscal year end the District's outstanding debt consists of revenue bonds held by the USDA office of Rural Development. The $1,500,000 of proceeds from the issuance of Emergency Communications District Revenue Bonds, Series 2007 in May 2009 were used to retire the draws on the interim financing construction loan used to partially pay for the costs of the District's new facility and furnished equipment completed in 2009. The total amount outstanding on the revenue bonds at June 30, 2010 totaled $1,468,404 due to the retirement of $29,222 this year. Additional information can be found on pages 14 and 15 of this report.

BUDGETS

There were amendments to the originally adopted budget for the fiscal year ending June 30, 2010 totaling $274,495. The amendments were primarily in regard to the District's accepting responsibility for employee payroll and related benefits from Loudon County and the County's support of the District's services through related government contributions.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

As of January 1, 2010 the District is no longer contracting with Loudon County for staffing its operations. With the responsibility of funding employee compensation and benefits the District will consider in future budget preparation the funding of these costs in regard to annual contributions by the Loudon County government.

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, 500 John Parris Drive, Loudon, Tennessee 37774.

LOUDON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Balance Sheet

June 30, 2010

Assets		
Current assets:		
Cash	$	299,973
Certificates of deposit		57,436
Accounts receivable:		
Surcharges and wireless commissions		47,740
Prepaid expenses		1,075
Total current assets		406,224
Restricted assets:		
USDA debt reserve funds		9,819
Capital assets:		
Building and improvements		1,664,200
Furniture and fixtures		90,440
Office equipment		90,247
Communication equipment		912,190
Vehicles		39,557
		2,796,634
Less: allowance for depreciation		605,444
Total capital assets		2,191,190
	$	2,607,233
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$	7,916
Retirement contributions payable		25,201
Accrued compensated absences		8,160
Bonds payable - current		30,363
Accrued interest payable		664
Total current liabilities		72,304
Bonds payable - long-term		1,438,041
Total liabilities		1,510,345
Net assets:		
Invested in capital assets, net of related debt		722,786
Restricted assets		9,819
Unrestricted net assets		364,283
Total net assets		1,096,888
	$	2,607,233

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, 2010

Operating revenue:		
Emergency telephone surcharges	$	149,411
TECB - shared wireless charges		98,941
TECB - operational funding		151,617
Total operating revenue		399,969
Operating expenses:		
Salaries and wages		233,156
Employee benefits		73,561
Contracted services		72,866
Supplies and materials		62,663
Depreciation		181,671
Other charges		31,848
Total operating expense		655,765
Operating loss		(255,796)
Nonoperating revenue (expenses):		
Interest income		1,640
Contributions from primary government		194,580
TECB - grants and reimbursements		85,574
Interest expense		(61,405)
Other expenses		(1,017)
Total nonoperating revenue (expense)		219,372
Change in net assets		(36,424)
Total net assets - beginning of year		1,133,312
Total net assets - end of year	$	1,096,888

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, 2010

Cash flows from operating activities:		
Cash received from customers	$	437,534
Cash payments for goods and services		(248,403)
Cash payments for employees		(288,602)
Net cash used in operating activities		(99,471)
Cash flows from noncapital financing activities:		
Contributions from primary government		194,580
Grants and reimbursements from State Emergency Communications Board		85,574
Other nonoperating expenses		(1,017)
Net cash provided by noncapital financing activities		279,137
Cash flows from capital and related financing activities:		
Acquisition of capital assets		(5,313)
Payments on bonds payable		(29,222)
Interest paid on bonds payable		(60,741)
Net cash used in capital and related financing activities		(95,276)
Cash flows from investing activities:		
Interest received		1,640
Purchase of certificate of deposit		(57,436)
Maturity of certificate of deposit		56,518
Net cash provided by investing activities		722
Net increase in cash		85,112
Cash - beginning of the year		224,680
Cash - end of the year	$	309,792
Cash	$	299,973
Restricted assets		9,819
	$	309,792

(continued)

LOUDON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Statement of Cash Flows (continued)

For the Year Ended June 30, 2010

Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	$ (255,796)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	181,671
Changes in operating assets and liabilities:	
Decrease in accounts receivable	37,565
Increase in prepaid expenses	(103)
Decrease in accounts payable	(96,169)
Increase in retirement contributions payable	25,201
Increase in accrued compensated absences payable	8,160
Total adjustments	156,325
Net cash used in operating activities	$ (99,471)

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

LOUDON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements
June 30, 2010

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 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.

(d) Receivables

The accounts receivable balance of $47,740 primarily represents amounts due from AT&T for the surcharge on Loudon County telephone services for the month of June 2010 and wireless commissions due from the State of Tennessee for May through June, 2010.

(continued)

LOUDON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements
June 30, 2010

1. Summary of Significant Accounting Policies (continued)

(e) Capital Assets

Capital assets, which include a building, communications equipment, office furnishings and equipment and vehicles, are defined as assets with an initial, individual cost of more than $500 and an estimated useful life in excess of two years. Such assets are stated at historical cost, less accumulated depreciation computed on the straight-line method over their estimated useful lives as follows: buildings – forty years; office equipment and furnishings - three to seven years; communications equipment – five to ten 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) Compensated Absences

The District has adopted the policy of Loudon County, Tennessee, which permits its employees to accumulate, in varying amounts, earned but unused vacation and sick pay benefits. Annual vacation time accrues based upon years of service for full-time employees (40 hours per week) and on a pro rata basis for employees that are part-time. Vacation may be carried over up to a maximum of 30 days. Each January 1st, all unused vacation above the 30 day maximum is converted to sick leave. Sick leave accrues in a similar method to vacation time; however, paid sick leave is a benefit and privilege and not a right or compensation and thus will not be paid out at termination of employment.

$8,160 has been recorded as accrued vacation pay for this reporting period.

(h) 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.

LOUDON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements
June 30, 2010

2. Budgetary Control

The District's Board approves the annual budget prepared by the E-911 Director based upon anticipated revenues and estimated operating expenses. In accordance with the level of control established by the Tennessee Comptroller of the Treasury, operating expenses may not exceed the amount budgeted in each line item. The District does not budget depreciation, as its intent is to budget the use of anticipated, available resources. It does, however, budget for acquisitions of certain capital assets. Budgeted expenses may be amended, as needed to meet changing needs.

3. 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, 2010, the carrying amount of deposits was $367,228 and the bank balances were $389,223. 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, 2010, none of the District's bank balances was exposed to credit risk.

4. 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.

5. 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 2010 from those in effect in 2009 and 2008. In addition, there have been no losses in excess of insurance coverage during the past three fiscal years.

LOUDON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements
June 30, 2010

6. Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

Cost	Balance July 1, 2009	Additions	Retirements and Transfers	Balance June 30, 2010
Capital assets, being depreciated:				
Building and improvements	$ 1,663,504	696	-	1,664,200
Vehicles	38,544	1,013	-	39,557
Furniture and fixtures	90,440	-	-	90,440
Office equipment	89,738	509	-	90,247
Communication equipment	909,095	3,095	-	912,190
	2,791,321	5,313	-	2,796,634
Less accumulated depreciation for:				
Building and improvements	(20,794)	(41,613)	-	(62,407)
Vehicles	(19,830)	(7,776)	-	(27,606)
Furniture and fixtures	(23,506)	(12,503)	-	(36,009)
Office equipment	(69,170)	(9,580)	-	(78,750)
Communication equipment	(290,473)	(110,199)	-	(400,672)
	(423,773)	(181,671)	-	(605,444)
Total assets being depreciated, net	$ 2,367,548	(176,358)	-	2,191,190

7. Bonds Payable

Emergency Communications District Revenue Bond, Series 2007, for $1,500,000 was issued May 26, 2009 for the purpose of paying the majority of the costs to construct and equip a new facility to house the District's operations. The bonds are payable in three hundred thirty-six (336) monthly principal and interest payments in the amount of $7,545, at an interest rate of 4.125%. The bonds are payable solely from and secured by a pledge of the income and revenues to be derived from the operations of the District and by a statutory lien on the District's system. Interest expense totaled $61,981 in 2010 and the balance outstanding on the bonds at June 30, 2010 is $1,468,404.

(continued)

LOUDON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements
June 30, 2010

7. Bonds Payable (continued)

Change in debt during the year ended June 30, 2010 is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due in One Year
Long-term debt:					
Revenue bonds:					
Series 2007	$ 1,497,626	-	29,222	1,468,404	30,363

Aggregate maturities of bonds payable are as follows:

Year ended June 30	Principal	Interest	Total
2011	$ 30,363	60,177	90,540
2012	31,643	58,897	90,540
2013	32,977	57,563	90,540
2014	34,367	56,173	90,540
2015	35,816	54,724	90,540
2016 - 2020	203,046	249,654	452,700
2021 - 2025	249,615	203,085	452,700
2026 - 2030	306,864	145,836	452,700
2031 - 2035	377,242	75,458	452,700
2036 - 2037	166,468	7,067	173,535
	$ 1,468,404	968,634	2,437,035

8. Management and Dispatch Service Agreements

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 were to remain employees of Loudon County, which was responsible for continued payment of the employees on a basis consistent with other county employees. The original term of this agreement was five years and was extended for an additional five years. Beginning March 1, 2008 the agreement was extended on a year-by-year basis.

(continued)

LOUDON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements
June 30, 2010

8. Management and Dispatch Service Agreements (continued)

During this fiscal year the District replaced this management agreement with an agreement with Loudon County, Tennessee to take over the employment of the personnel managing and operating the communications system and to provide the necessary 911, emergency and non-emergency dispatch services for Loudon County, Tennessee from the District's location. In exchange for this coverage Loudon County, Tennessee will provide funding up to the amount of $540,000 with annual renewals subject to withdrawal or termination provisions for either party as detailed in the agreement. The funding for fiscal year 2010 began with the contracted starting date of January 1, 2010 and totaled $194,580.

9. Agreement for Office Space

The District entered into an agreement with Loudon County, Tennessee in which it received a contribution, in October 2006, to be used for the construction of the E-911 Center. In return, the District has made 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.

10. Operating Leases

Operating leases in place during the year are as follows;

- 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.

- On October 5, 2006, the District entered into a lease agreement with Loudon Utilities Board for a ground lease on the site of its operating center. The term of the lease is for thirty years from the date of the agreement and may be extended upon mutual consent of both parties. The lease payment to Loudon Utilities Board is for one dollar per year.

11. Employee Retirement Plan

Plan Description

Certain employees of the District are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS).

(continued)

LOUDON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements
June 30, 2010

11. Employee Retirement Plan (continued)

Plan Description (continued)

TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years of service and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the *Tennessee Code Annotated* (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the District participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at http://www.tn.gov/treasury/tcrs/PS/.

Funding Policy, Annual Pension Cost, Trend Information and Funding Status and Funding Progress

As discussed in Note 8 above, the District became responsible for the employees previously contracted with Loudon County, Tennessee on January 1, 2010. With that event, the eligible employees in the TCRS program had their funds transferred into an account that has yet to have completed an actuarial valuation to establish this reporting information. Currently the District is holding 5% employee contributions and matching those contributions at a 7% rate as a liability to be paid to the program upon completion of the actuarial valuation. The amount held at June 30, 2010 from employee's totals $9,955 and matching employer contributions held totaled $15,246. Upon completion of the valuation this information will be disclosed.

Supplementary Data

LOUDON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Schedule of Revenues and Expenses Compared to Budget
For the Year Ended June 30, 2010

	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues:			
Emergency telephone surcharges	$ 150,000	149,411	(589)
TECB - shared wireless charge	98,000	98,941	941
TECB - operational funding	151,468	151,617	149
	399,468	399,969	501
Operating expenses:			
Salaries and wages:			
Director	26,269	26,268	1
Mapper	18,325	17,409	916
Dispatchers	182,900	167,560	15,340
Overtime	5,000	1,080	3,920
Part-time dispatchers	17,000	13,839	3,161
Pay bonuses	7,000	7,000	-
	256,494	233,156	23,338
Employee benefits:			
Social security	14,500	13,504	996
Medicare	3,500	3,158	342
Life insurance	500	341	159
Medical/vision insurance	49,000	35,822	13,178
Dental insurance	4,000	3,400	600
Unemployment insurance	8,000	2,090	5,910
Retirement benefits	17,500	15,246	2,254
	97,000	73,561	23,439
Contracted services:			
Audit services	6,000	6,000	-
Accounting services (payroll preparation)	2,000	1,550	450
Fees paid to service providers	3,000	673	2,327
Janitorial	1,800	1,800	-
Legal services	13,000	10,763	2,237
Contracted maintenance services	26,000	23,204	2,796
NCIC/TBI/TIES	9,000	8,511	489
Maintenance and repairs:			
Communications equipment	14,000	12,588	1,412
Building and facilities	4,000	2,934	1,066
Office equipment	3,000	205	2,795
Vehicle	5,000	3,338	1,662
Vehicle fuel	2,500	1,300	1,200
	89,300	72,866	16,434

(continued)

LOUDON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Schedule of Revenues and Expenses Compared to Budget (continued)
For the Year Ended June 30, 2010

	Budget	Actual	Variance Favorable (Unfavorable)
Supplies and materials:			
Office	$ 5,000	2,655	2,345
Postage	400	250	150
Small equipment purchases	4,000	3,286	714
Uniforms and shirts	1,500	371	1,129
Utilities:			
Electric, gas, water	15,000	14,184	816
General telephone	44,500	41,238	3,262
Cell phones and pagers	2,000	1,188	812
	72,400	63,172	9,228
Other charges:			
Board meetings	200	74	126
Dues and memberships	1,500	918	582
Employee testing and exams	2,500	1,446	1,054
Insurance:			
Workers compensation	1,091	1,091	-
Liability	4,800	4,779	21
Building and contents	4,200	4,126	74
Equipment	350	349	1
Vehicles	3,000	2,914	86
Legal notices	300	70	230
Premium on surety bonds	480	240	240
Employee service awards	1,000	342	658
Training	16,000	5,761	10,239
Travel	10,000	8,475	1,525
Internet	1,200	1,107	93
Mileage	200	56	144
Other	1,000	100	900
	47,821	31,848	15,973
Total operating expenses	563,015	474,603	88,412
Excess of operating revenues over (under) operating expenses	(163,547)	(74,634)	88,913

(continued)

LOUDON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Schedule of Revenues and Expenses Compared to Budget (continued)
For the Year Ended June 30, 2010

	Budget	Actual	Variance Favorable (Unfavorable)
Nonoperating revenues (expenses):			
Interest income	$ 1,200	1,640	440
Contributions from primary government	196,019	194,580	(1,439)
TECB - grants and reimbursements	75,000	85,574	10,574
Interest expense	(61,500)	(61,405)	95
Other nonoperating expenses	(17,972)	(1,017)	16,955
Total nonoperating revenues (expenses)	192,747	219,372	26,625
Excess of revenues over (under) expenditures	$ 29,200	144,738	115,538
Adjustments to agree with financial statement - "Statement of Revenues, Expenses and Changes in Net Assets":			
Expenses unbudgeted:			
Depreciation		(181,671)	
Capital equipment purchases		509	
Change in net assets		$ (36,424)	

LOUDON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Schedule of Insurance in Force

June 30, 2010

Description	Coverage
Property:	
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	$ 1,622,400
Personal property - 500 John Parris Way (Replacement cost)	1,040,000
Portable equipment	Guaranteed replacement cost
Automobile Liability:	
Liability - any auto	1,000,000
Uninsured motorists	1,000,000
Medical payments	2,000
Physical damage	288,000
Commercial Umbrella Liability:	
Each Occurrence	1,000,000
Aggregate	2,000,000
Retained Limit	2,000,000
General Liability:	
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
Crime:	
Public employee blanket, no deductible	50,000
Chairman of the Board - Employee Dishonesty Bond	1,000,000
Management Liability:	
Each claim limit (injunctive relief)	25,000
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, 2010

1. Number of public safety answering points (PSAP): One (1)

2. Address of each PSAP: Loudon County Emergency Communications District
500 John Parris Drive
Loudon, Tennessee 37774

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 Pine, South Carolina

A computer mapping system supported by Southern Software of Southern Pine, South Carolina

4. Name, address, telephone number, and fax number of Executive Director:

Jennifer Estes
500 John Parris Drive
Loudon, Tennessee 37774
(865) 458-9081 (865) 458-7057 (fax)

5. Name, address, telephone number, and fax number of the Chairman of the Board:

Tim Guider
500 John Parris Drive
Loudon, Tennessee 37774
(865) 458-9081 (865) 458-7057 (fax)

LOUDON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Roster of Officials

June 30, 2010

Board of Directors

Tim Guider - Chairman
James Webb - Vice Chairman
Mike Brubaker
Gordon Harless
Richard Martin
Paul Ottaviano
Don White
Wayne Gardin
Bill Hart

Management

Jennifer Estes - Director

LOUDON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2010

Grantor Agency	Program Name	CFDA #	Balance June 30, 2009	Cash Receipts	Expenditures	Repaid	Balance June 30, 2010
Federal Assistance:							
Loans							
U.S. Department of Agriculture							
	Water and Waste Disposal Systems for Rural Communities	10.760	$ 1,497,626	-	-	29,222	1,468,404
State Assistance Programs							
Tennessee Emergency Communications District	GIS Maintenance Grant (Z-08-211957-00)	N/A	$ -	10,000	10,000	-	-

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, 2010, and have issued our report thereon dated December 1, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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 and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

HG&A Associates, P.C.

December 1, 2010

LOUDON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Disposition of Prior Year Findings
Year Ended June 30, 2010

09-1 Finding: Budget vs. Actual Expenses

The District has several operating line items where actual expenditures exceeded the approved budgeted amount. 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.

Status

In this audit presentation the finding has been corrected.

09-2 Finding: Use of Purchase Orders in Expenditure Process

The District had in place procedures over the expenditures of its operations, but those procedures did not include the use of appropriately designed purchase orders.

Status

In this audit presentation the finding has been corrected.