

Loudon County Emergency Communications District

**Financial Statements with Accompanying Information
Year Ended June 30, 2011**

with
Independent Auditors' Report

**LOUDON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

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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, 2011, 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, 2011, 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 November 28, 2011 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.

November 28, 2011

Loudon County Emergency Communications District

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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, 2011. 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>2011</u>	<u>2010</u>
Current assets	\$ 494,814	406,224
Restricted assets	18,905	9,819
Capital assets	<u>2,059,363</u>	<u>2,191,190</u>
Total Assets	\$ <u>2,573,082</u>	<u>2,607,233</u>
Current liabilities	\$ 135,797	72,304
Noncurrent liabilities	<u>1,190,802</u>	<u>1,438,041</u>
Total Liabilities	<u>1,326,599</u>	<u>1,510,345</u>
Net assets:		
Invested in capital assets	828,052	722,786
Restricted assets	18,905	9,819
Unrestricted	<u>399,526</u>	<u>364,283</u>
Total Net Assets	<u>1,246,483</u>	<u>1,096,888</u>
Total Liabilities and Net Assets	\$ <u>2,573,082</u>	<u>2,607,233</u>

Net assets of the District increased approximately 13.6% during the current year, as opposed to last year's 3.2% decrease. Unrestricted net assets, the part of net assets used to finance day-to-day operations, increased by approximately 9.7% from the prior year. The increase in net assets and unrestricted net assets was due primarily to an increase in TECB grants and reimbursements of approximately \$133,000 from the amounts received in the prior year.

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

	<u>2011</u>	<u>2010</u>
Revenues:		
Emergency telephone charges	\$ 209,189	149,411
Tennessee ECB shared wireless charges	102,181	98,941
Tennessee ECB operational funding	<u>183,153</u>	<u>151,617</u>
Total operating revenues	494,523	399,969
Total operating expenses	<u>1,050,947</u>	<u>655,765</u>
Operating loss	(556,424)	(255,796)
Non-operating revenues	760,812	281,794
Non-operating expenses	<u>(54,793)</u>	<u>(62,422)</u>
Change in net assets	149,595	(36,424)
Net assets – beginning of year	<u>1,096,888</u>	<u>1,133,312</u>
Net assets – end of year	<u>\$ 1,246,483</u>	<u>1,096,888</u>

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

Emergency telephone surcharges	16.7%
State of Tennessee shared wireless fee	8.1%
State of Tennessee Communications Board – operational funding	14.6%
State of Tennessee Communications Board – grants and reimbursements	17.4%
Contributions from primary government	43.0%
Interest income	<u>.2%</u>
Total funding	<u>100.0%</u>

Operational costs for the E911 Center were \$1,050,947 for the fiscal year ended June 30, 2011, an increase of \$395,182 from the prior year. The increase was primarily from this fiscal year's assumption of employment responsibilities. Prior to January 1, 2010 the District has a contract with Loudon County which provided employees and related benefits for the operations (primarily dispatch services). Loudon County is funding these increased costs by an annual contract which was \$540,000 in this fiscal year.

CAPITAL ASSETS

At the fiscal year ended June 30, 2011, the District had \$2,846,878 in capital assets, an increase of \$50,244 over the last year's balance of \$2,796,634. 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, 2011 totaled \$1,231,311 due to the retirement of \$237,093 this year. This retirement included an additional \$200,000 above the required maturity schedule. 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, 2011 totaling \$407,645. The amendments were primarily in regard to the District deciding to budget for depreciation and all capital expenditures.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The District's future budget plans will take into account continued support for covering the employment costs for dispatch services through its contract with Loudon County government and the expected continued operational funding through the State of Tennessee's Emergency Communications Board to assist the District's overall operations.

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, 2011

<u>Assets</u>	
Current assets:	
Cash	\$ 368,123
Certificates of deposit	58,411
Accounts receivable:	
Surcharges and wireless commissions	43,941
Prepaid expenses	24,339
Total current assets	<u>494,814</u>
Restricted assets:	
USDA debt reserve funds	<u>18,905</u>
Capital assets:	
Building and improvements	1,664,200
Furniture and fixtures	90,440
Office equipment	92,456
Communication equipment	960,225
Vehicles	39,557
	<u>2,846,878</u>
Less: allowance for depreciation	<u>787,515</u>
Total capital assets	<u>2,059,363</u>
	<u>\$ 2,573,082</u>
<u>Liabilities and Net Assets</u>	
Current liabilities:	
Bonds payable - current	\$ 40,509
Accounts payable	3,885
Accrued payroll and related taxes	14,620
Retirement contributions payable	67,485
Accrued compensated absences	8,634
Accrued interest payable	664
Total current liabilities	<u>135,797</u>
Bonds payable - long-term	<u>1,190,802</u>
Total liabilities	<u>1,326,599</u>
Net assets:	
Invested in capital assets, net of related debt	828,052
Restricted assets	18,905
Unrestricted net assets	399,526
Total net assets	<u>1,246,483</u>
	<u>\$ 2,573,082</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, 2011

Operating revenue:	
Emergency telephone surcharges	\$ 209,189
TECB - shared wireless charges	102,181
TECB - operational funding	183,153
Total operating revenue	<u>494,523</u>
Operating expenses:	
Salaries and wages	530,625
Employee benefits	155,257
Contracted services	73,018
Supplies and materials	68,957
Depreciation	182,071
Other charges	41,019
Total operating expense	<u>1,050,947</u>
Operating loss	<u>(556,424)</u>
Nonoperating revenue (expenses):	
Interest income	2,275
Contributions from primary government	540,000
TECB - grants and reimbursements	218,487
Miscellaneous income	50
Interest expense	(53,447)
Other expenses	(1,346)
Total nonoperating revenue (expense)	<u>706,019</u>
Change in net assets	149,595
Total net assets - beginning of year	<u>1,096,888</u>
Total net assets - end of year	<u><u>\$ 1,246,483</u></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, 2011

Cash flows from operating activities:	
Cash received from customers	\$ 498,372
Cash payments for goods and services	(211,634)
Cash payments for employees	(628,505)
Net cash used in operating activities	<u>(341,767)</u>
Cash flows from noncapital financing activities:	
Contributions from primary government	540,000
Grants and reimbursements from TECB	218,487
Net cash provided by noncapital financing activities	<u>758,487</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(50,244)
Payments on bonds payable	(237,093)
Interest paid on bonds payable	(53,447)
Net cash used in capital and related financing activities	<u>(340,784)</u>
Cash flows from investing activities:	
Interest received	2,275
Increase in certificate of deposit	(975)
Net cash provided by investing activities	<u>1,300</u>
Net increase in cash	77,236
Cash - beginning of the year	<u>309,792</u>
Cash - end of the year	<u>\$ 387,028</u>
Cash	\$ 368,123
Restricted assets	18,905
	<u>\$ 387,028</u>

(continued)

**LOUDON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**
Statement of Cash Flows (continued)
For the Year Ended June 30, 2011

Reconciliation of operating loss to net	
cash used in operating activities:	
Operating loss	\$ <u>(556,424)</u>
Adjustments to reconcile operating loss to	
net cash used in operating activities:	
Depreciation	182,071
Other nonoperating income (expenses), net	(1,296)
Changes in operating assets and liabilities:	
Decrease in accounts receivable	3,799
Increase in prepaid expenses	(23,264)
Decrease in accounts payable	(4,031)
Increase in accrued payroll and related taxes	14,620
Increase in retirement contributions payable	42,284
Increase in accrued compensated absences payable	<u>474</u>
Total adjustments	<u>214,657</u>
Net cash used in operating activities	<u>\$ (341,767)</u>

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

**LOUDON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Notes to Financial Statements
June 30, 2011

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). Under GASB Statement 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the District has elected to apply all Financial Accounting Standards Board statements and interpretations that do not conflict with or contradict GASB pronouncements.

(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 \$43,941 primarily represents amounts due from AT&T for the surcharge on Loudon County telephone services for the month of June 2011 and wireless commissions due from the State of Tennessee for May through June, 2011.

(continued)

**LOUDON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Notes to Financial Statements
June 30, 2011

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 \$2,500 (as changed by Board approval from \$500 effective March 3, 2011) 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 and vehicles – 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.

\$8,634 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, 2011

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, 2011, the carrying amount of deposits was \$445,439 and the bank balances were \$457,701. 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, 2011, 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 2011 from those in effect in 2010 and 2009. 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, 2011

6. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

<u>Cost</u>	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Retirements and Transfers</u>	<u>Balance June 30, 2011</u>
Capital assets, being depreciated:				
Building and improvements	\$ 1,664,200	-	-	1,664,200
Vehicles	39,557	-	-	39,557
Furniture and fixtures	90,440	-	-	90,440
Office equipment	90,247	2,209	-	92,456
Communication equipment	912,190	48,035	-	960,225
	<u>2,796,634</u>	<u>50,244</u>	<u>-</u>	<u>2,846,878</u>
Less accumulated depreciation for:				
Building and improvements	(62,407)	(41,631)	-	(104,038)
Vehicles	(27,606)	(7,912)	-	(35,518)
Furniture and fixtures	(36,009)	(12,295)	-	(48,304)
Office equipment	(78,750)	(9,479)	-	(88,229)
Communication equipment	(400,672)	(110,754)	-	(511,426)
	<u>(605,444)</u>	<u>(182,071)</u>	<u>-</u>	<u>(787,515)</u>
Total assets being depreciated, net	<u>\$ 2,191,190</u>	<u>(131,827)</u>	<u>-</u>	<u>2,059,363</u>

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 two hundred and forty (240) monthly principal and interest payments in the amount of \$7,545, at an interest rate of 4.125%. The remaining number of monthly payments was reduced due to an additional \$200,000 paid on the bonds during the year. These 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 \$53,447 in 2011 and the balance outstanding on the bonds at June 30, 2011 is \$1,231,311.

(continued)

**LOUDON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Notes to Financial Statements
June 30, 2011

7. Bonds Payable (continued)

Change in debt during the year ended June 30, 2011 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due in One Year</u>
Long-term debt:					
Revenue bonds:					
Series 2007	\$ 1,468,404	-	237,093	1,231,311	40,509

Aggregate maturities of bonds payable are as follows:

<u>Year ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 40,509	50,031	90,540
2013	42,212	48,328	90,540
2014	43,986	46,554	90,540
2015	45,835	44,705	90,540
2016	47,762	42,778	90,540
2017 - 2021	270,670	182,030	452,700
2022 - 2026	332,553	120,147	452,700
2026 - 2030	407,781	44,919	452,700
	<u>\$ 1,231,311</u>	<u>579,492</u>	<u>1,810,800</u>

8. Dispatch Service Agreement

Beginning January 1, 2010 the District entered into 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.

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.

LOUDON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements June 30, 2011

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).

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/>.

(continued)

**LOUDON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Notes to Financial Statements
June 30, 2011

11. Employee Retirement Plan (continued)

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

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 and an actuarial valuation was performed as of April 1, 2011. From that valuation the District was notified that the amounts being held for employees and the employer matching contributions should be remitted to the program and that payment was made in July 2011. In addition, the District was informed that employees should continue to contribute 5% of their earnable compensation and the District should contribute at the actuarially determined rate of 4.42% beginning monthly in July 2011. The amount held at June 30, 2011 from employee's totals \$30,232 and matching employer contributions should be remitted in the amount of \$37,253. As of the date of this report, the remaining information to be reported for the Plan is not yet available.

12. Subsequent Events

The District has evaluated events and transactions subsequent to the balance sheet date through November 28, 2011, which is the date the financial statements were available to be issued.

Supplementary Data

**LOUDON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Schedule of Revenues and Expenses Compared to Budget
For the Year Ended June 30, 2011

	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues:			
Emergency telephone surcharges	\$ 200,000	209,189	9,189
TECB - shared wireless charge	101,000	102,181	1,181
TECB - operational funding	183,153	183,153	-
	<u>484,153</u>	<u>494,523</u>	<u>10,370</u>
Operating expenses:			
Salaries and wages:			
Director	55,037	55,036	1
Mapper	37,760	37,752	8
Dispatchers	415,000	398,879	16,121
Overtime	6,000	4,542	1,458
Part-time dispatchers	28,000	26,866	1,134
Part-time bookkeeping	4,000	3,130	870
Pay bonuses	4,500	4,420	80
	<u>550,297</u>	<u>530,625</u>	<u>19,672</u>
Employee benefits:			
Social security	34,000	32,751	1,249
Medicare	9,000	7,657	1,343
Life insurance	800	568	232
Medical/vision insurance	98,500	84,710	13,790
Dental insurance	8,000	6,657	1,343
Unemployment insurance	14,300	540	13,760
Retirement benefits	28,000	22,374	5,626
	<u>192,600</u>	<u>155,257</u>	<u>37,343</u>
Contracted services:			
Audit services	6,250	6,250	-
Accounting services (payroll preparation)	5,500	4,254	1,246
Fees paid to service providers	1,000	281	719
Janitorial	1,800	1,800	-
Legal services	8,500	8,500	-
Contracted maintenance services	27,000	23,141	3,859
NCIC/TBI/TIES	8,000	7,199	801
Maintenance and repairs:			
Communications equipment	12,000	10,201	1,799
Building and facilities	6,000	5,932	68
Office equipment	3,000	2,728	272
Vehicle	2,000	433	1,567
Vehicle fuel	3,000	2,299	701
	<u>84,050</u>	<u>73,018</u>	<u>11,032</u>

(continued)

**LOUDON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Schedule of Revenues and Expenses Compared to Budget (continued)
For the Year Ended June 30, 2011

	Budget	Actual	Variance Favorable (Unfavorable)
Supplies and materials:			
Office	\$ 5,000	4,095	905
Postage	500	358	142
Small equipment purchases	4,500	3,987	513
Uniforms and shirts	3,000	2,392	608
Utilities:			
Electric, gas, water	15,000	14,177	823
General telephone	44,000	43,813	187
Cell phones and pagers	2,600	2,344	256
	<u>74,600</u>	<u>71,166</u>	<u>3,434</u>
Other charges:			
Board meetings	200	35	165
Dues and memberships	1,000	844	156
Employee testing and exams	2,500	2,225	275
Insurance:			
Workers compensation	3,000	2,590	410
Liability	2,470	2,466	4
Building and contents	7,550	7,550	-
Equipment	230	230	-
Vehicles	1,495	1,493	2
Legal notices	250	58	192
Premium on surety bonds	656	636	20
Employee service awards	1,000	263	737
Training	11,000	9,398	1,602
Travel	13,000	12,057	943
Internet	1,500	1,104	396
Other	1,000	70	930
	<u>46,851</u>	<u>41,019</u>	<u>5,832</u>
Depreciation	<u>185,000</u>	<u>182,071</u>	<u>2,929</u>
Total operating expenses	<u>1,133,398</u>	<u>1,053,156</u>	<u>80,242</u>
Excess of operating revenues over (under) operating expenses	<u>(649,245)</u>	<u>(558,633)</u>	<u>90,612</u>
Capital Outlay	<u>241,000</u>	<u>48,035</u>	<u>192,965</u>

(continued)

**LOUDON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Schedule of Revenues and Expenses Compared to Budget (continued)
For the Year Ended June 30, 2011

	Budget	Actual	Variance Favorable (Unfavorable)
Nonoperating revenues (expenses):			
Interest income	\$ 2,150	2,275	125
Contributions from primary government	540,000	540,000	-
TECB - grants and reimbursements	218,487	218,487	-
Miscellaneous income	-	50	50
Interest expense	(54,000)	(53,447)	553
Other nonoperating expenses	(1,500)	(1,346)	154
Total nonoperating revenues (expenses)	705,137	706,019	882
Excess of revenues over (under) expenditures	\$ (185,108)	99,351	284,459
Adjustments to agree with financial statement - "Statement of Revenues, Expenses and Changes in Net Assets":			
Expenses unbudgeted:			
Capital equipment purchases		50,244	
Change in net assets		\$ 149,595	

**LOUDON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Schedule of Insurance in Force

June 30, 2011

<u>Description</u>	<u>Coverage</u>
Property and Commercial Liability:	
Risks of Direct Physical Loss Subject to Normal Conditions and Exclusions:	
Building and Personal Property - 500 John Parris Way	Guaranteed replacement cost
Contractor's equipment - all risk/blanket coverage	\$ 500,000
Computer equipment - all risk/blanket coverage	500,000
Flood	1,000,000
Extra expense	100,000
Valuable papers and records	100,000
Automobile Liability:	
Liability - combined single limit	1,000,000
Uninsured motorists	1,000,000
Medical payments - any one person/any one claim	5,000/100,000
Workers' Compensation Liability:	Statutory Limits
General Liability:	
Bodily injury and property damage - each occurrence	1,000,000
Crime:	
Fidelity - each loss	150,000
Loss inside/outside - each loss	150,000
Monthly orders and counterfeit - each loss	150,000
Depositors forgery - each loss	150,000
Public officials errors and omissions - each occurrence	1,000,000
Employee Benefits Liability - each claim/per member	1,000,000

**LOUDON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Roster of Officials

June 30, 2011

Board of Directors

Tim Guider - Chairman
James Webb - Vice Chairman
Mike Brubaker
Gordon Harless
Ronnie Lett
Richard Martin
Don White
Steve Harrelson
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, 2011

<u>Grantor Agency</u>	<u>Program Name</u>	<u>CFDA #</u>	<u>Balance June 30, 2010</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Repaid</u>	<u>Balance June 30, 2011</u>
<u>Federal Assistance:</u>							
<u>Loans</u>							
<i>U.S. Department of Agriculture</i>							
	Water and Waste Disposal Systems for Rural Communities	10.760	\$ <u>1,468,404</u>	<u>-</u>	<u>-</u>	<u>237,093</u>	<u>1,231,311</u>
<u>State Assistance Programs</u>							
Tennessee Emergency Communications District	GIS Maintenance Grant (Z-08-211957-00)	N/A	\$ <u>-</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>-</u>



**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, 2011, and have issued our report thereon dated November 28, 2011. 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.

HGA Associates, P.C.

November 28, 2011