Loudon County Emergency Communications District

Financial Statements with Supplementary Information
Year Ended June 30, 2014

with

Independent Auditors' Report

LOUDON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Table of Contents

	Page
Independent Auditors' Report	1 - 3
Management's Discussion and Analysis	4 - 7
Financial Statements	
Statement of Net Position	8
Statement of Revenues, Expenses, and Changes in Net Position	9
Statement of Cash Flows	10 - 11
Notes to Financial Statements	12 - 20
Required Supplementary Information	21
Supplementary Information	
Schedule of Revenues and Expenses Compared to Budget	22 - 24
Schedule of Insurance in Force	25
Roster of Officials	26
Schedule of Expenditures of Federal Awards	27
Independent Auditors' 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*	28 - 29

HG&A ASSOCIATES, P.C.
Certified Public Accountants

Independent Auditors' Report

Board of Directors
Loudon County Emergency Communications District
Loudon, Tennessee

Report on the Financial Statements

We have audited the accompanying 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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2014, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7 and the schedule of pension funding progress on page 21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in the appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplementary information, listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2014 on our consideration of the 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 and 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* in considering the District's internal control over financial reporting and compliance.

HG&A Associates, P.C.

Knoxville, Tennessee
November 5, 2014

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, 2014. 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 statement of net position and the statement of revenues, expenses and changes in net position provide information about the District as a whole and present a long-term view of the District's finances.

THE STATEMENT OF NET POSITION AND THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

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 statement of net position and the statement of revenues, expenses, and changes in net position 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 position and changes in them. You can think of the District's net position - 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 position is one indicator of whether its financial health is improving or deteriorating.

CONDENSED STATEMENT OF NET POSITION

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

	2014	2013
Current assets	$ 776,121	794,185
Restricted assets	46,168	37,072
Capital assets	1,790,166	1,814,817
Total Assets	$ 2,612,455	2,646,074
Current liabilities	$ 93,307	86,606
Noncurrent liabilities	1,058,779	1,104,627
Total Liabilities	1,152,086	1,191,233
Net position:		
Net investment in capital assets	685,552	666,220
Restricted	46,168	37,072
Unrestricted	728,649	751,549
Total Net Position	1,460,369	1,454,841
Total Liabilities and Net Position	$ 2,612,455	2,646,074

Total net position of the District increased approximately .4% during the current year, as opposed to last year's 16.3% increase. Unrestricted net position, the part of net position used to finance day-to-day operations, decreased by approximately 3.05% from the prior year. The decrease in the change in net position from the increase incurred in the prior year is primarily as a result of the following: (1) increase in wages and related benefits of approximately $90,000, (2) increase in contracted services of approximately $67,000 and (3) a reduction in TECB – grants and reimbursements of approximately $145,000 that exceeded the increase in operating revenues of approximately $172,000.

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	2014	2013
Revenues:		
Emergency telephone charges	$ 365,684	208,656
Tennessee ECB shared wireless charges	124,371	119,344
Tennessee ECB operational funding	193,214	183,214
Total operating revenues	683,269	511,214
Total operating expenses	1,299,599	1,091,076
Operating loss	(616,330)	(579,862)
Non-operating revenues	668,415	831,817
Non-operating expenses	(46,557)	(48,332)
Change in net position	5,528	203,623
Net position – beginning of year	1,454,841	1,251,218
Net position – end of year	$ 1,460,369	1,454,841

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

Emergency telephone surcharges	27.0%
State of Tennessee shared wireless fee	9.2%
State of Tennessee Communications Board – operational funding	14.4%
State of Tennessee Communications Board – grants and reimbursements	9.4%
Contributions from primary government	39.9%
Interest and miscellaneous income	.1%
Total funding	100.0%

Operational costs for the E911 Center were $1,299,599 for the fiscal year ended June 30, 2014, an increase of $208,523 from the prior year. This change was primarily as a result of the following: (1) increase in salaries and wages and related benefits of $89,753, (2) increase in contracted services of $76,640, (3) an increase in training and related travel costs of $18,997 and (4) an increase in depreciation of $15,304.

CAPITAL ASSETS

At the fiscal year ended June 30, 2014, the District had $2,838,585 in capital assets, an increase of $147,370 over last year's balance of $2,691,215. This change is primarily as a result of the acquisition of new generation communications equipment that was put into service in the current fiscal year. Additional information concerning the capital assets of the District can be found on page 16 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, 2014 totaled $1,104,614 due to the retirement of $43,983 this year. Additional information can be found on pages 17 of this report.

BUDGETS

There were amendments to the originally adopted budget approved by the Board for the fiscal year ending June 30, 2014 increasing the budgeted revenues and expenses by $39,773 and $104,116, respectively.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The District's future budget plans will take into account the following actions: (1) continued support for covering the employment costs for dispatch services through its contract with Loudon County government, (2) expected continued operational funding through the State of Tennessee's Emergency Communications Board to assist the District's overall operations, (3) continuing to seek support from local communities within the County that receive dispatch services and currently are not contributing for that coverage and (4) and pending changes in landline revenues. The uncertainty of landline use and income from shared wireless fees has become a problem in estimating revenue for budget preparation. In that regard, during the legislative session earlier in 2014 a bill passed that has created a new funding structure for all E911 districts throughout the State of Tennessee that is set to take effect beginning in January 2015. At that time any device that has the capability of calling 911 will be charged a flat monthly rate of $1.16. These funds will be collected through the State of Tennessee and then distributed to the E911 districts at a percentage to be determined by the end of calendar year 2014. This new structure has required the District to base its budgeting of their TECB funding for fiscal year 2015 at a very tentative projection based upon the best information available at the time of publishing these financial statements.

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

Statement of Net Position

June 30, 2014

Assets		
Current assets:		
Cash	$	598,530
Certificates of deposit		58,842
Accounts receivable:		
Surcharges and wireless commissions		44,442
Prepaid expenses		74,307
Total current assets		776,121
Restricted assets:		
USDA debt reserve funds		46,168
Capital assets:		
Building and improvements		1,664,200
Furniture and fixtures		71,242
Office equipment		45,635
Communication equipment		991,468
Vehicles		66,040
		2,838,585
Less: allowance for depreciation		1,048,419
Total capital assets		1,790,166
Total assets	$	2,612,455
Liabilities and Net Position		
Current liabilities:		
Bonds payable - current	$	45,835
Accounts payable		8,494
Accrued payroll and related taxes		23,854
Accrued compensated absences		14,460
Accrued interest payable		664
Total current liabilities		93,307
Bonds payable - long-term		1,058,779
Total liabilities		1,152,086
Net position:		
Net investment in capital assets		685,552
Restricted		46,168
Unrestricted		728,649
Total net position		1,460,369
Total liabilities and net position	$	2,612,455

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 Position

For the Year Ended June 30, 2014

Operating revenue:	
Emergency telephone surcharges	$ 365,684
TECB - shared wireless charges	124,371
TECB - operational funding	193,214
Total operating revenue	683,269
Operating expenses:	
Salaries and wages	635,770
Employee benefits	175,650
Contracted services	150,832
Supplies and materials	89,234
Depreciation	172,021
Other charges	76,092
Total operating expense	1,299,599
Operating loss	(616,330)
Nonoperating revenue (expenses):	
Interest income	836
Contributions from primary government	540,000
TECB - grants and reimbursements	127,513
Miscellaneous income	66
Interest expense	(46,557)
Total nonoperating revenue (expenses)	621,858
Change in net position	5,528
Total net position - beginning of year	1,454,841
Total net position - end of year	$ 1,460,369

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, 2014

Cash flows from operating activities:	
Cash received from customers	$ 673,412
Cash payments for goods and services	(354,359)
Cash payments for employees and related benefits	(807,590)
Net cash used in operating activities	(488,537)
Cash flows from noncapital financing activities:	
Contributions from primary government	540,000
Grants and reimbursements from TECB	127,513
Net cash provided by noncapital financing activities	667,513
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(147,370)
Payments on bonds payable	(43,983)
Interest paid on bonds payable	(46,557)
Net cash used in capital and related financing activities	(237,910)
Cash flows from investing activities:	
Interest received	836
Increase in certificate of deposit	(106)
Net cash provided by investing activities	730
Net decrease in cash	(58,204)
Cash - beginning of the year	702,902
Cash - end of the year	$ 644,698

Cash	$ 598,530
Restricted assets	46,168
	$ 644,698

(continued)

LOUDON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Statement of Cash Flows (continued)

For the Year Ended June 30, 2014

Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	$ (616,330)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	172,021
Other nonoperating income (expenses), net	66
Changes in operating assets and liabilities:	
Increase in accounts receivable	(9,858)
Increase in prepaid expenses	(39,272)
Increase in accounts payable	1,006
Increase in accrued payroll and related taxes	692
Increase in accrued compensated absences payable	3,138
Total adjustments	127,793
Net cash used in operating activities	$ (488,537)

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

LOUDON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements
June 30, 2014

1. Summary of Significant Accounting Policies

(a) Description of Organization

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 considered a 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 component unit of Loudon County, Tennessee 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 using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included in the statement of net position. The statement of revenue, expenses and change in net position presents increases (revenue) and decreases (expenses) in total net position. Under the accrual basis of accounting revenue is recognized in the period in which it is earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues are those revenue that are generated from the primary operations of the District. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the District. All other expenses are reported in nonoperating expenses.

The District reports its financial activities under the applicable provisions of GASB 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This statement establishes standards for external reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net position groups:

(continued)

LOUDON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements
June 30, 2014

1. Summary of Significant Accounting Policies (continued)

(b) Basis of Accounting (continued)

Net investment in capital assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by any payables that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This component includes net position whose use is subject to externally imposed stipulations that can be fulfilled by actions of the District pursuant to those stipulations or that expire by the passage of time.

Unrestricted – This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets".

(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

Accounts receivable, which are deemed uncollectible based on a periodic review of the accounts, are charged to revenue. At June 30, 2014, no allowance for uncollectible accounts was considered necessary. The accounts receivable balance of $44,442 primarily represents amounts due from AT&T for the surcharge on Loudon County telephone services for the month of June 2014 and wireless commissions due from the State of Tennessee for May and June, 2014.

(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 $5,000 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.

(continued)

LOUDON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements
June 30, 2014

1. Summary of Significant Accounting Policies (continued)

(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.

$14,460 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.

(i) Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the District's policy is to apply restricted net position first.

(j) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The District does not have any items that qualify for reporting in this category as of June 30, 2014.

(continued)

LOUDON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements
June 30, 2014

1. Summary of Significant Accounting Policies (continued)

   (j) Deferred Outflows/Inflows of Resources (continued)

   In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then. The District does not have any items that qualify for reporting in this category as of June 30, 2014.

2. Budgetary Control

   The District's Board formally approves the annual budget prepared by the E-911 Director based upon anticipated revenues and estimated operating expenses. The budget is adopted on a basis consistent with generally accepted accounting principles except that the budgeted cost of capital assets purchased is included as an expenditure. The District is required by Section 7-86-120, Tennessee Code Annotated, to adopt and operate under an annual budget. In addition, the Accounting and Financial Reporting Manual for Tennessee Emergency Communication Districts established the legal level of control, which is defined to be the line item. Budgeted amounts lapse at the end of the fiscal year and no unexpended balances are carried to the subsequent year. 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, 2014, the carrying amount of deposits was $703,540 and the bank balances were $637,099. 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, 2014, 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.

LOUDON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements
June 30, 2014

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 2014 from those in effect in 2013 and 2012. In addition, there have been no losses in excess of insurance coverage during the past three fiscal years.

6. Capital Assets

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

Cost	Balance July 1, 2013	Additions	Retirements and Transfers	Balance June 30, 2014
Capital assets, being depreciated:				
Building and improvements	$ 1,664,200	-	-	1,664,200
Vehicles	56,789	9,251	-	66,040
Furniture and fixtures	71,242	-	-	71,242
Office equipment	45,635	-	-	45,635
Communication equipment	853,349	138,119	-	991,468
	2,691,215	147,370	-	2,838,585
Less accumulated depreciation for:				
Building and improvements	(187,248)	(41,605)	-	(228,853)
Vehicles	(43,672)	(3,824)	-	(47,496)
Furniture and fixtures	(46,399)	(9,601)	-	(56,000)
Office equipment	(43,955)	(738)	-	(44,693)
Communication equipment	(555,124)	(116,253)	-	(671,377)
	(876,398)	(172,021)	-	(1,048,419)
Total assets being depreciated, net	$ 1,814,817	(24,651)	-	1,790,166

LOUDON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements
June 30, 2014

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 fiscal year 2011. 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 $46,557 in 2014 and the balance outstanding on the bonds at June 30, 2014 is $1,104,614.

Change in debt during the year ended June 30, 2014 is as follows

	Beginning Balance	Additions	Retirements	Ending Balance	Due in One Year
Long-term debt:					
Revenue bonds:					
Series 2007	$ 1,148,597	-	43,983	1,104,614	45,835

Aggregate maturities of bonds payable are as follows:

Year ended June 30	Principal	Interest	Total
2015	$ 45,835	44,705	90,540
2016	47,762	42,778	90,540
2017	49,769	40,771	90,540
2018	51,862	38,678	90,540
2019	54,042	36,498	90,540
2020 - 2024	306,259	146,441	452,700
2025 - 2029	376,277	76,423	452,700
2030 - 2031	172,808	7,492	180,300
	$ 1,104,614	433,786	1,538,400

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. There has not been any change to the agreement during this fiscal year.

LOUDON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements
June 30, 2014

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

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.

(continued)

LOUDON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements
June 30, 2014

11. Employee Retirement Plan (continued)
Plan Description (continued)

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, 15th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at http://www.tn.gov/treasury/tcrs/PS/.

Funding Policy

The District requires employees to contribute 5.0% of earnable compensation.

The District is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2014 was 4.42% of covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the District is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ending June 30, 2014, the District's annual pension cost of $25,099 to TCRS was equal to the District's required and actual contributions. The required contribution was determined as part of the July 1, 2011 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5% a year compounded annually, (b) projected 3.0% annual rate of inflation, (c) projected salary increases of 4.75% (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5% annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5% annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market of total investments over a ten-year period. The District's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011 was zero years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates July 1, 2012.

(continued)

LOUDON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements
June 30, 2014

11. Employee Retirement Plan (continued)

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/14	$ 25,099	100.00%	$ -
6/30/13	$ 21,591	100.00%	$ -
6/30/12	$ 68,204	100.00%	$ -

Funding Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the plan was 59.61% funded. The actuarial accrued liability for benefits was $0.33 million, and the actuarial value of assets was $0.20 million, resulting in an unfunded actuarial accrued liability (UAAL) of $0.13 million. The covered payroll (annual payroll of active employees covered by the plan) is $0.49 million, and the ratio of the UAAL to the covered payroll was 27.29%.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b) – (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2013	$198	$332	$134	59.61%	$491	27.29%
July 1, 2011	$ 0	$ 0	$ 0	00.00%	$ 0	00.00%
July 1, 2009	$ 0	$ 0	$ 0	00.00%	$ 0	00.00%

12. Subsequent Events

The District has evaluated events and transactions subsequent to the balance sheet date through November 5, 2014, which is the date the financial statements were available to be issued.

Required Supplementary Information

LOUDON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Required Supplementary Information
June 30, 2014

Schedule of Pension Funding Progress

(Dollar amounts in thousands)

Actuarial Valuation Date July 1	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2013	$ 198	332	134	59.61%	$ 491	27.29%
2011	0	0	0	0.00%	0	0.00%
2009	0	0	0	0.00%	0	0.00%

Supplementary Information

LOUDON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Schedule of Revenues and Expenses Compared to Budget
For the Year Ended June 30, 2014

	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues:			
Emergency telephone surcharges	$ 365,684	365,684	-
TECB - shared wireless charge	123,678	124,371	693
TECB - operational funding	242,727	193,214	(49,513)
	732,089	683,269	(48,820)
Operating expenses:			
Salaries and wages:			
Director	62,000	60,071	1,929
Mapper	42,000	39,432	2,568
Dispatchers	475,000	472,365	2,635
Overtime	2,000	1,077	923
Part-time dispatchers	52,000	49,389	2,611
Part-time bookkeeping	14,000	13,436	564
	647,000	635,770	11,230
Employee benefits:			
Social security	41,000	39,744	1,256
Medicare	11,000	9,347	1,653
Life insurance	600	539	61
Medical/vision insurance	94,000	92,489	1,511
Dental insurance	8,600	8,432	168
Retirement benefits	26,000	25,099	901
	181,200	175,650	5,550
Contracted services:			
Audit services	7,300	7,300	-
Accounting services (payroll preparation)	6,000	5,608	392
Fees paid to service providers	150	33	117
Legal services	5,000	4,600	400
Contracted maintenance services	45,000	41,708	3,292
NCIC/TBI/TIES	4,000	3,240	760
Maintenance and repairs:			
Communications equipment	76,000	74,304	1,696
Building and facilities	11,000	9,982	1,018
Office equipment	2,500	533	1,967
Vehicle	1,000	318	682
Vehicle fuel	4,000	3,206	794
	161,950	150,832	11,118

(continued)

LOUDON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Schedule of Revenues and Expenses Compared to Budget (continued)
For the Year Ended June 30, 2014

	Budget	Actual	Variance Favorable (Unfavorable)
Supplies and materials:			
Office	$ 5,000	4,731	269
Postage	510	479	31
Small equipment purchases	288,000	165,046	122,954
Uniforms and shirts	3,500	3,147	353
Utilities:			
Electric, gas, water	19,000	18,363	637
General telephone	43,860	42,876	984
Cell phones and pagers	2,500	1,962	538
	362,370	236,604	125,766
Other charges:			
Dues and memberships	1,500	1,150	350
Employee testing and exams	1,500	1,295	205
Insurance:			
Workers compensation	2,570	2,570	-
Liability	5,165	5,165	-
Building and contents	7,499	7,499	-
Equipment	250	250	-
Vehicles	1,670	1,670	-
Legal notices	300	244	56
Premiums on surety bonds	1,600	1,554	46
Employee service awards	9,000	8,909	91
Training	31,000	30,382	618
Travel	16,000	13,318	2,682
Internet	2,100	2,056	44
Other	100	30	70
	80,254	76,092	4,162
Depreciation	175,000	172,021	2,979
Total operating expenses	1,607,774	1,446,969	160,805
Excess of operating revenues over (under) operating expenses	(875,685)	(763,700)	111,985

(continued)

LOUDON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Schedule of Revenues and Expenses Compared to Budget (continued)
For the Year Ended June 30, 2014

		Budget	Actual	Variance Favorable (Unfavorable)
Nonoperating revenues (expenses):				
Interest income	$	836	836	-
Contributions from primary government		540,000	540,000	-
TECB - grants and reimbursements		78,000	127,513	49,513
Miscellanous income		66	66	-
Interest expense		(47,000)	(46,557)	443
Total nonoperating revenues (expenses)		571,902	621,858	49,956
Excess of revenues over (under) expenses	$	(303,783)	(141,842)	161,941

Adjustments required to reconcile with financial statement - "Statement of Revenues, Expenses and Changes in Net Position":

Capital equipment purchases		147,370
Change in net position	$	5,528

LOUDON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Schedule of Insurance in Force

June 30, 2014

Description	Coverage
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
Electronic data processing equipment - each occurrence	1,000,000
Extra expense - each occurrence	5,000,000
Valuable papers - each occurrence	1,000,000
Automobile Liability:	
Liability - combined single limit	1,000,000
Uninsured/underinsured motorists	1,000,000
Medical payments - any one person/any one claim	5,000/100,000
Physical damage	Actual cash value
Workers' Compensation Liability:	Statutory Limits
General Liability:	
Bodily injury and property damage - combined single limit	1,000,000
Crime:	
Employee fidelity - each loss	150,000
Loss inside/outside - each loss	150,000
Monthly orders and counterfeit papers - each loss	150,000
Depositors forgery - each loss	150,000
Public officials liability - each occurrence	1,000,000
Employee liability - each claim/per member	1,000,000
Cyber liability - $5,000 deductible	1,000,000

LOUDON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Roster of Officials

June 30, 2014

Board of Directors

Tim Guider - Chairman
James Webb - Vice Chairman
Travis Gray
Bill Hart
Ronnie Lett
Richard Martin
David Meers
Daryl H. Smith
Don White

Management

Jennifer Estes - Director

LOUDON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Grantor Agency	Program Name	CFDA #	Balance June 30, 2013	Cash Receipts	Expenditures	Repaid	Balance June 30, 2014
Federal Assistance:							
Loans							
U.S. Department of Agriculture							
	Water and Waste Disposal Systems for Rural Communities	10.760	$ 1,148,597	-	43,983	-	1,104,614

Note A - Basis of Presentation

The schedule of expenditures of federal awards includes the federal awards activity of the District and is presented on the accrual basis of accounting.

Independent Auditors' 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Loudon County Emergency Communications District (the "District"), a component unit of Loudon County, Tennessee, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 5, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HG&A Associates, P.C.

Knoxville, Tennessee
November 5, 2014