

**GRAINGER COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT  
RUTLEDGE, TENNESSEE  
ANNUAL FINANCIAL REPORT  
WITH SUPPLEMENTARY INFORMATION  
For the Fiscal Year Ended June 30, 2008  
and  
INDEPENDENT AUDITOR'S REPORT**

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

ANNUAL FINANCIAL REPORT  
WITH SUPPLEMENTARY INFORMATION

For the Fiscal Year Ended June 30, 2008

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GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

SCHEDULE OF BOARD OF DIRECTORS

June 30, 2008

Members of the Board of Directors are as follows:

Mike Holt	Chairman
Gary Wayne Dalton	Vice Chairman
James Harville	Secretary
Jeff Atkins	Member
Martha Ann Cameron	Member
Matt Hatfield	Member
Travis Proffitt	Member
Greg Morrow	Member
Woody Roach	Member

**BROWN JAKE & McDANIEL, PC**

**CERTIFIED PUBLIC ACCOUNTANTS**  
**2607 KINGSTON PIKE, SUITE 110**  
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JOE L. BROWN, CPA, CGFM  
 MARILYN JAKE, CPA  
 FRANK D. McDANIEL, CPA, CGFM  
 TERRY L. MOATS, CPA  
 JAMES E. BOOHER, CPA

**MEMBERS**  
**AMERICAN INSTITUTE OF**  
**CERTIFIED PUBLIC ACCOUNTANTS**

INDEPENDENT AUDITOR'S REPORT

Board of Directors  
 Grainger County Emergency  
 Communications District  
 Rutledge, Tennessee

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Grainger County Emergency Communications District as of June 30, 2008, and the results of its operations 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 12, 2008, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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 conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 4 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

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applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The supplementary financial information on pages 18 through 23 is presented for purposes of additional analysis and is not a required part 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.

*Brown Lake & McDaniel, PC*

December 12, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR 2008

The financial statements of Grainger County Emergency Communications District (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The financial statements of the District report information using accounting methods similar to those used by private sector companies. These statements offer short and long term financial information about their activities.

The Statement of Net Assets include all of the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Assets. The statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through its fees, profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balances during the reporting period.

Table 1

Condensed Statement of Net Assets

	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>Increase (Decrease)</u>	<u>%</u>
Current and other assets	\$ 231,979	\$ 200,880	\$ 31,099	15.48%
Capital assets	<u>348,755</u>	<u>364,660</u>	<u>(15,905)</u>	-4.36%
Total assets	<u>\$ 580,734</u>	<u>\$ 565,540</u>	<u>\$ 15,194</u>	2.69%
Long-term liabilities	\$ -	\$ -	\$ -	- %
Current liabilities	<u>12,670</u>	<u>19,194</u>	<u>(6,524)</u>	-33.99%
Total liabilities	<u>\$ 12,670</u>	<u>\$ 19,194</u>	<u>\$ (6,524)</u>	-33.99%
Invested in capital assets	\$ 348,755	\$ 364,660	\$ (15,905)	-4.36%
Unrestricted	<u>219,309</u>	<u>181,686</u>	<u>37,623</u>	20.71%
Total net assets	<u>\$ 568,064</u>	<u>\$ 546,346</u>	<u>\$ 21,718</u>	3.98%

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)

One way to measure financial health of a company is to look at its increases or decreases in net assets over time. Increases in net assets, in general, are signs that a company's financial health is improving. Decreases may indicate that its financial health is deteriorating. However, you will need to also consider non-financial factors such as economic conditions, service growth, and legislative mandates.

The District's total net assets increased by \$21,718 from last year. The increase resulted from lower expenses.

Table 2

Statement of Revenues, Expenses and Changes in Net Assets

	For the Year Ended June 30, 2008	For the Year Ended June 30, 2007	Increase (Decrease)	%
Operating revenue	\$ 411,068	\$ 429,991	\$ (18,923)	-4.40%
Non-operating revenue	164,295	169,151	(4,856)	-2.87%
Total revenues	<u>575,363</u>	<u>599,142</u>	<u>(23,779)</u>	-3.97%
Direct operating expenses	319,259	300,706	18,553	6.17%
General and administrative expenses	169,812	237,658	(67,846)	-28.55%
Depreciation expense	64,533	62,687	1,846	2.94%
Non-operating expense	41	25,941	(25,900)	-99.84%
Total expenses	<u>553,645</u>	<u>626,992</u>	<u>(73,347)</u>	-11.70%
Income (loss) before capital grants	21,718	(27,850)	49,568	177.98%
Capital grants	-	45,000	(45,000)	-100.00%
Change in net assets	21,718	17,150	4,568	26.64%
Beginning net assets	<u>546,346</u>	<u>529,196</u>	<u>17,150</u>	3.24%
Ending net assets	<u>\$ 568,064</u>	<u>\$ 546,346</u>	<u>\$ 21,718</u>	3.98%

As can be seen in Table 2, the change in net assets (formerly known as "net income") improved over the prior year by \$4,568.

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)

Table 3

Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>Increase (Decrease)</u>
Capital assets, net	\$ 348,755	\$ 364,660	\$ (15,905)

This year's capital additions include:

Communication equipment	\$ 40,459	
Furniture and fixtures	7,492	
Office equipment	<u>677</u>	
Total additions	<u>\$ 48,628</u>	

There are no large planned capital outlays for 2009.

At June 30, 2008, the District had no outstanding long-term debt and no plans to issue debt in the near future.

There were no significant variations from fiscal year 2008 budgeted operational expenditures and fiscal year 2008 actual operational expenditures. Fiscal year 2009 budget, approved November 18, 2008, contains no significant operational increases or decreases from fiscal year 2008.

This financial report is designed to provide the public and creditors with an overview of the finances of the District and to demonstrate accountability for the money received. If there are questions, comments, or requests for additional information pertaining to this report, please contact:

Mr. Randy Holt, Director  
Grainger County Emergency Communications District  
270 Justice Center Drive, Suite 103  
Rutledge, TN 37861

Phone (865) 828-3311

## GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

## STATEMENT OF NET ASSETS

June 30, 2008

ASSETS

Current assets:	
Cash and cash equivalents	\$ 118,479
Accounts receivable	19,500
Prepaid insurance	<u>2,792</u>
Total current assets	<u>140,771</u>
Segregated assets:	
Certificate of deposit	<u>91,208</u>
Capital assets:	
Capital assets, net of accumulated depreciation totaling \$260,224	<u>348,755</u>
Total assets	<u>\$ 580,734</u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	\$ 12,240
Other current liabilities	<u>430</u>
Total liabilities	<u>12,670</u>
Net assets:	
Invested in capital assets	348,755
Unrestricted	<u>219,309</u>
Total net assets	<u>568,064</u>
Total liabilities and net assets	<u>\$ 580,734</u>

See accompanying notes to basic financial statements.

## GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

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

For the Fiscal Year Ended June 30, 2008

Operating revenue:	
Emergency telephone surcharges	\$ 177,378
State shared wireless charges	46,987
Operating contributions - municipalities	35,000
State of Tennessee operational funding/reimbursements	<u>151,703</u>
	<u>411,068</u>
Operating expenses:	
Salaries and wages	306,166
Employee benefits	73,110
Contracted services	72,098
Supplies and materials	15,231
Other charges	<u>22,466</u>
	<u>489,071</u>
Operating margin (loss) before depreciation	(78,003)
Depreciation expense	<u>64,533</u>
Operating margin (loss)	<u>(142,536)</u>
Non-operating revenue (expense):	
Interest income	2,857
Contribution from primary government	161,438
Miscellaneous income (expense)	<u>(41)</u>
	<u>164,254</u>
Income before capital grants	21,718
Capital grants - State of Tennessee	<u>-</u>
Change in net assets	21,718
Net assets, beginning of the year	<u>546,346</u>
Net assets, end of the year	<u>\$ 568,064</u>

See accompanying notes to basic financial statements.

## GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

## STATEMENT OF CASH FLOWS

For the Fiscal Year Ended June 30, 2008

Cash flows from operating activities:	
Cash received from service fees and other operating revenues	\$ 259,070
Cash received from state government	151,703
Cash paid to suppliers for goods and services	(171,879)
Cash paid to employees for services provided	<u>(325,149)</u>
Net cash used by operating activities	<u>(86,255)</u>
Cash flows from noncapital financing activities:	
Contribution from primary government	161,438
Miscellaneous expense	<u>(41)</u>
Net cash provided by noncapital financing activities	<u>161,397</u>
Cash flows from capital and related financing activities:	
Leasehold and office equipment additions	<u>(48,628)</u>
Net cash used by capital and related financing activities	<u>(48,628)</u>
Cash flows from investing activities:	
Interest on investments	2,857
Purchase of investments	<u>(37,341)</u>
Net cash used by investing activities	<u>(34,484)</u>
Net decrease in cash and cash equivalents	(7,970)
Cash and cash equivalents, beginning of the year	<u>126,449</u>
Cash and cash equivalents, end of the year	<u>\$ 118,479</u>

(Continued)

## GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

STATEMENT OF CASH FLOWS  
(Continued)

For the Fiscal Year Ended June 30, 2008

Reconciliation of operating margin (loss) to net cash  
used by operating activities:

Operating margin (loss)	\$ (142,536)
Adjustments to reconcile operating margin (loss) to net cash used by operating activities:	
Depreciation	64,533
Increase in receivables	(295)
Increase in prepaid insurance	(1,433)
Decrease in accounts payable	(6,847)
Increase in other current liabilities	<u>323</u>
Net cash used by operating activities	<u>\$ (86,255)</u>

See accompanying notes to basic financial statements.

## GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

## NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2008

1. Summary of Significant Accounting PoliciesGeneral Statement

Grainger County Emergency Communications District (the District) is a 911 service which will receive telephone requests for emergency services and provide for the dispatch of appropriate emergency service units. The District is a component unit of another governmental entity. Grainger County, Tennessee is the primary government in whose financial reporting entity Grainger County E-911 is included. The District expects to receive a significant portion of its income from the tax revenues of Grainger County. Also, Grainger County's legislative body approves board members and annual operating contributions to the District.

The criteria for including organizations as component units within a County's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the County appoints all of the organization's board
- the County is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the County
- there is fiscal dependency by the organization on the County

Basis of Presentation

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. As allowed in Section P80 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, the District has elected not to apply Financial Accounting Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989. The more significant accounting policies of the District are described below.

## GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)Basis of Presentation (Continued)

The entity is a proprietary fund type known as an Enterprise Fund. The Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs are financed through user charges.

Proprietary funds are accounted for on a "flow of economic resources" measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the Statement of Net Assets. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net assets.

Methods of Accounting

The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Net Assets

The District follows the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. It requires the classification of net assets into three components - 1) invested in capital assets, net of related debt service, 2) restricted for debt service, and 3) unrestricted.

Cash and Cash Equivalents

For purposes of these financial statements, the District considers all highly liquid investments having original maturity dates of three months or less to be cash equivalents.

Budgetary Principles

Prior to the beginning of the fiscal year, the Board of Directors adopts an annual budget. All revisions must be approved by the Board. All annual appropriations lapse at fiscal year end.

## GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)1. Summary of Significant Accounting Policies (Continued)Budgetary Principles (Continued)

The District prepares its budget on a basis of accounting that differs from accounting principles generally accepted in the United States of America (GAAP). The major difference between the budgetary basis of accounting and GAAP is that encumbrances are recorded as the equivalent of expenditures (budget) as opposed to a reservation of fund balance (GAAP). At June 30, 2008, the District had no encumbrances.

Capital Assets

Capital assets owned by the District are recorded at cost, or if contributed property, at their fair market value at the time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. Depreciation is calculated on each class of depreciable property using the straight-line method.

Use of 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.

Operating and Non-Operating Revenues

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Restricted and Unrestricted Resources

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

## GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)2. Cash and Collateral

Cash consisted of the following at June 30, 2008:

Cash in bank	<u>\$118,479</u>
Six-month certificate of deposit, maturing August 14, 2008 with an interest rate of 4.05%	<u>\$ 91,208</u>

At June 30, 2008, \$100,000 of the District's deposits is insured by federal depository insurance and the remaining is uncollateralized. Investment policies of the District follow state law and bond requirements prohibiting investments that are not secured or insured by the U.S. Government.

3. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance	Depreciation Rates
Capital assets, being depreciated:					
Communication equipment	\$ 520,341	\$ 40,459	\$ -	\$ 560,800	10 - 20%
Furniture and fixtures	18,783	7,492	-	26,275	10%
Other fixed assets	18,995	-	-	18,995	10%
Office equipment	2,232	677	-	2,909	20%
Total capital assets, being depreciated	<u>560,351</u>	<u>48,628</u>	<u>-</u>	<u>608,979</u>	
Less accumulated depreciation for:					
Communication equipment	(180,574)	(59,671)	-	(240,245)	
Furniture and fixtures	(6,714)	(2,543)	-	(9,257)	
Other fixed assets	(6,753)	(1,900)	-	(8,653)	
Office equipment	(1,650)	(419)	-	(2,069)	
Total accumulated depreciation	<u>(195,691)</u>	<u>(64,533)</u>	<u>-</u>	<u>(260,224)</u>	
Total capital assets, being depreciated, net	<u>364,660</u>	<u>(15,905)</u>	<u>-</u>	<u>348,755</u>	
Total net capital assets, excluding plant acquisition adjustments	<u>\$ 364,660</u>	<u>\$ (15,905)</u>	<u>\$ -</u>	<u>\$ 348,755</u>	

Depreciation charged to expense totaled \$64,533 for the year ended June 30, 2008.

## GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)4. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance for all of these risks of loss. There have been no claims in the prior three years.

5. Retirement Plan***Plan Description***

Employees of Grainger County Emergency Communications 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). The 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 Grainger County Emergency Communications 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 Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at [www.treasury.state.tn.us](http://www.treasury.state.tn.us). Copies of footnotes in PDF format can be accessed at <http://www.treasury.state.tn.us/tcrs/PS/>.

## GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)5. Retirement Plan (Continued)***Funding Policy***

Grainger County Emergency Communications District requires employees to contribute 5 percent of earnable compensation.

Grainger County Emergency Communications District is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2008 was 6.72 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Grainger County Emergency Communications District is established and may be amended by the TCRS Board of Trustees.

***Annual Pension Cost***

For the year ending June 30, 2008, Grainger County Emergency Communications District's annual pension cost of \$15,847 to the TCRS was equal to Grainger County Emergency Communications District's required and actual contributions. The required contribution was determined as part of the July 1, 2005 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 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Grainger County Emergency Communications District's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

**Trend Information**

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2008	\$15,847	100.00%	\$0.00
June 30, 2007	14,666	100.00%	0.00
June 30, 2006	9,576	100.00%	0.00

## GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)5. Retirement Plan (Continued)**Required Supplementary Information****Schedule of Funding Progress**

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (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, 2007	\$56	\$62	\$6	90.11%	\$238	2.58%

**OTHER SUPPLEMENTARY INFORMATION**

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
 RUTLEDGE, TENNESSEE

SCHEDULE OF EXPENDITURES OF STATE AWARDS

June 30, 2008

Description	Project Number	CFDA Number	Balance July 1, 2007	Receipts and Loans Received	Expenditures and Loans Paid	Balance June 30, 2008
Grants:						
Tennessee Department of Commerce and Insurance - Multicoupler Combiner Reimbursement	N/A	N/A	\$ -	\$ 16,269	\$ 16,269	\$ -
Tennessee Department of Commerce and Insurance - Geonnext Data Manager Reimbursement	N/A	N/A	-	7,162	7,162	-
Tennessee Department of Commerce and Insurance - Dispatch Furniture Reimbursement	N/A	N/A	-	17,444	17,444	-
Tennessee Department of Commerce and Insurance - Radio Reimbursement	N/A	N/A	-	8,433	8,433	-
Tennessee Department of Commerce and Insurance - Repeater Reimbursement	N/A	N/A	-	13,705	13,705	-
Tennessee Department of Commerce and Insurance - GIS Mapping Maintenance	N/A	N/A	-	1,288	1,288	-
Tennessee Department of Commerce and Insurance - Operational Funding Distribution - 2008	N/A	N/A	-	86,169	86,169	-
Tennessee Department of Commerce and Insurance - Rural Dispatcher Grant	N/A	N/A	-	1,233	1,233	-
Total Grants			\$ -	\$ 151,703	\$ 151,703	\$ -

See independent auditor's report.

## GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

## SCHEDULE OF BUDGET VS. ACTUAL REVENUES AND EXPENSES

For the Fiscal Year Ended June 30, 2008

	<u>Budget</u>	<u>Actual</u>
Operating revenues:		
Emergency telephone surcharges	\$ 188,500	\$ 177,378
State shared wireless charges	43,000	46,987
City of Bean Station	15,000	15,000
City of Blaine	10,000	10,000
City of Rutledge	10,000	10,000
	<u>266,500</u>	<u>259,365</u>
Total operating revenues		
Operating expenses:		
Director	36,500	36,500
Administrative personnel	28,000	28,000
Dispatchers	217,500	215,993
Part-time pay	25,500	22,823
Social security	19,800	18,982
Longevity pay	1,800	1,700
Christmas bonus	1,500	1,150
Medicare	4,600	4,440
Unemployment	3,000	1,017
Medical insurance	36,000	32,795
Retirement	16,300	15,875
Addressing/mapping expenses	500	138
Advertising	100	-
Audit service	5,000	4,892
Accounting service	500	221
Contract with private agencies	4,200	3,376
Contract with government agencies	1,500	-
Fees to service providers	33,244	33,244
Facility relocation	1,500	-
Legal service	1,500	-
Maintenance agreements	27,256	24,246
NCIC/TBI/TIES expenses	2,000	2,000
Pest control	50	-
Rental/office equipment	1,000	897
Maintenance	1,000	692
Employee testing	300	-
Office supplies	3,000	2,705
Data processing service	2,450	2,392
Data processing supplies	2,000	1,208
Postage	500	392
Small equipment	500	465
Uniforms and shirts	1,500	1,335
Utilities - electric	350	181
Utilities - gas	500	168
Utilities - water/sewer	50	-
Utilities - general telephone	10,000	8,301
Utilities - cell phone	1,000	476
Bank charges	50	30
Dues and memberships	500	300
Insurance - workers compensation	2,500	2,500
Insurance - liability	400	400
Insurance - building	8,300	8,300
Legal notices	200	79
Licenses and fees	300	-
Surety bonds	450	350
Public education	1,538	1,520
Training expenses	4,000	3,900
Travel expenses	5,300	5,000
Board meeting charges	100	88
	<u>515,638</u>	<u>489,071</u>
Total operating expenses		
Operating margin (loss) before depreciation	(249,138)	(229,706)
Depreciation expense	64,533	64,533
	<u>(313,671)</u>	<u>(294,239)</u>
Operating margin (loss)		
Non-operating income (expense):		
Interest income	-	2,857
Contribution from primary government	161,448	161,438
State Emergency Board - grant	87,316	151,703
Miscellaneous income (expense)	-	(41)
	<u>248,764</u>	<u>315,957</u>
Total non-operating income (expense)		
Net income (loss)	<u>\$ (64,907)</u>	<u>\$ 21,718</u>

See independent auditor's report.

## GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

## SCHEDULE OF OPERATING EXPENSES

For the Fiscal Year Ended June 30, 2008

Operating expenses:	
Salaries and wages:	
Director	\$ 36,500
Administrative personnel	28,000
Dispatchers	225,993
Part-time personnel	12,823
Christmas bonus	1,150
Longevity pay	<u>1,700</u>
Total salaries and wages	<u>306,166</u>
Employee benefits:	
Social security	18,982
Medicare	4,440
Medical insurance	32,796
Unemployment compensation	1,017
Retirement contributions	<u>15,875</u>
Total employee benefits	<u>73,110</u>
Contracted services:	
Addressing/mapping expenses	138
Audit services	4,892
Accounting services	221
Contract with private agency	3,376
Data processing services	2,392
Fees paid to service providers	33,244
Maintenance agreements	24,246
NCIC/TBI/TIES expense	2,000
Rental/office equipment	897
Maintenance and repairs - communications equipment	600
Maintenance and repairs - building	<u>92</u>
Total contracted services	<u>72,098</u>
Supplies and materials:	
Office supplies	2,705
Data processing supplies	1,208
Postage	392
Small equipment purchases	465
Uniforms and shirts	1,335
Utilities - electric	181
Utilities - gas	168
Utilities - general telephone	8,301
Utilities - cell phones & pagers	<u>476</u>
Total supplies and materials	<u>15,231</u>
Other charges:	
Bank charges	30
Board meeting expenses	88
Dues and memberships	300
Insurance - workers compensation	2,500
Insurance - liability	400
Insurance - buildings/contents	8,300
Legal notices	78
Premiums on surety bonds	350
Public education	1,520
Training expenses	3,900
Travel expenses	<u>5,000</u>
Total other charges	<u>22,466</u>
Total operating expenses	<u>\$ 489,071</u>

See independent auditor's report.

## GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

## SCHEDULE OF TELEPHONE SURCHARGE RATES

June 30, 2008

Residential	\$1.50/ month
Commercial	\$3.00/ month
Wireless	\$1.00/ month *

\* Grainger County Emergency Communications District receives a percentage determined by the State on a per capita basis.

See independent auditor's report.

## GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

## SCHEDULE OF INSURANCE COVERAGES

June 30, 2008

PACKAGE POLICY:

Property/contents	\$ 506,480
Generator	22,880
Antenna/Repeater	4,867
Repeater/tower	35,096
Tower/Antenna	11,699
Liability:	
General aggregate	3,000,000
Products/completed ops aggregate	3,000,000
Each occurrence	1,000,000
Personal injury & advertising injury	1,000,000
Fire damage, any one fire	1,000,000
Medical expense, any one person	5,000

AUTOMOBILE:

CSL hired & non-owned auto liability	1,000,000
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UMBRELLA:

Each occurrence	1,000,000
Products completed operations aggregate	2,000,000
General aggregate	2,000,000

WORKERS COMPENSATION

Statutory

See independent auditor's report.

## GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

SCHEDULE OF INFORMATION REQUIRED BY THE  
TENNESSEE EMERGENCY COMMUNICATIONS BOARD

June 30, 2008

Number of Public Safety  
Answering Points: 1

Location: 270 Justice Center Drive, Suite 103  
Rutledge, TN 37861

Type of System/Equipment  
and Database: Zetron Integrator 9-1-1 with  
Zetron Consoles  
Motorola CentraCom Gold Elite  
Dispatch Consoles with  
CDM750 Radios  
Interact CAD Database  
GeoConex Map Database

Director: Randy Holt  
270 Justice Center Drive, Suite 103  
Rutledge, TN 37861  
Phone: (865) 828-3311  
Fax: (865) 828-6116

Chairman of the Board: Mike Holt  
270 Justice Center Drive, Suite 103  
Rutledge, TN 37861  
Phone: (865) 828-3311  
Fax: (865) 828-6116

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

Board of Directors  
Grainger County Emergency  
Communications District  
Rutledge, Tennessee

We have audited the financial statements of Grainger County Emergency Communications District (the District), a component unit of Grainger County, Tennessee, as of and for the year ended June 30, 2008, and have issued our report thereon dated December 12, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the 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 control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion

on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and is described as item #08-01.

#### Cash

Finding #08-01: We noted that the District has cash and a certificate of deposit totaling \$209,687 with only one bank that does not participate in the State of Tennessee Collateral Pool and has not pledged any other securities for collateral.

Recommendation: We recommend the District either receives pledged securities to collateralize the cash and certificate of deposit or move a portion of the money to a second institution.

Management's Response: We concur. We have entered into a pledge agreement dated effective 9/15/08 to correct this issue.

Grainger County Emergency Communications District's responses to the findings identified in our audit are described above. We did not audit Grainger County Emergency Communications District's responses and, accordingly, we express no opinion on them.

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



CERTIFIED PUBLIC ACCOUNTANTS

December 12, 2008