

**GRAINGER COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

RUTLEDGE, TENNESSEE

**ANNUAL FINANCIAL REPORT
WITH SUPPLEMENTARY INFORMATION**

For the Fiscal Year Ended June 30, 2009

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, 2009

Table of Contents

<u>INTRODUCTORY SECTION</u>	<u>Page</u>
Schedule of Board of Directors	1
 <u>FINANCIAL SECTION</u>	
Independent Auditor's Report	2 - 3
Required Supplementary Information:	
Management's Discussion and Analysis	4 - 6
Basic Financial Statements:	
Statement of Net Assets	7
Statement of Revenues, Expenses and Changes in Net Assets	8
Statement of Cash Flows	9 - 10
Notes to Basic Financial Statements	11 - 17
Other Supplementary Information:	
Schedule of Expenditures of State Awards	18
Schedule of Budget vs. Actual Revenues and Expenses	19
Schedule of Operating Expenses	20
Schedule of Telephone Surcharge Rates	21
Schedule of Insurance Coverages	22
Schedule of Information Required by the Tennessee Emergency Communications Board	23
 <u>INTERNAL CONTROL AND COMPLIANCE SECTION</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 <i>Government Auditing Standards</i>	24 - 25

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

SCHEDULE OF BOARD OF DIRECTORS

June 30, 2009

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
Dr. Mark Holland	Member
Travis Proffitt	Member
Greg Morrow	Member
Woody Roach	Member

BROWN JAKE & McDANIEL, PC

CERTIFIED PUBLIC ACCOUNTANTS
2607 KINGSTON PIKE, SUITE 110
KNOXVILLE, TENNESSEE 37919-3336
865/637-8600 • fax: 865/637-8601

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, 2009, 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, 2009, 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 January 19, 2010, 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

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

January 19, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR 2009

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, 2009</u>	<u>June 30, 2008</u>	<u>Increase (Decrease)</u>	<u>%</u>
Current and other assets	\$ 312,303	\$ 231,979	\$ 80,324	34.63%
Capital assets	<u>226,634</u>	<u>348,755</u>	<u>(122,121)</u>	-35.02%
Total assets	<u>\$ 538,937</u>	<u>\$ 580,734</u>	<u>\$ (41,797)</u>	-7.20%
Long-term liabilities	\$ -	\$ -	\$ -	- %
Current liabilities	<u>20,545</u>	<u>12,670</u>	<u>7,875</u>	62.15%
Total liabilities	<u>\$ 20,545</u>	<u>\$ 12,670</u>	<u>\$ 7,875</u>	62.15%
Invested in capital assets	\$ 226,634	\$ 348,755	\$ (122,121)	-35.02%
Unrestricted	<u>291,758</u>	<u>219,309</u>	<u>72,449</u>	33.04%
Total net assets	<u>\$ 518,392</u>	<u>\$ 568,064</u>	<u>\$ (49,672)</u>	-8.74%

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 decreased by \$49,672 from last year.

Table 2

Statement of Revenues, Expenses and Changes in Net Assets

	For the Year Ended June 30, 2009	For the Year Ended June 30, 2008	Increase (Decrease)	%
Operating revenue	\$ 420,438	\$ 411,068	\$ 9,370	2.28%
Non-operating revenue	203,707	164,254	39,453	24.02%
Total revenues	<u>624,145</u>	<u>575,322</u>	<u>48,823</u>	8.49%
Salaries and wages	319,396	306,166	13,230	4.32%
Employee benefits	79,028	73,110	5,918	8.09%
Contracted services	70,553	72,098	(1,545)	-2.14%
Supplies and materials	14,334	15,231	(897)	-5.89%
Depreciation expense	77,967	64,533	13,434	20.82%
Other charges	27,742	22,466	5,276	23.48%
Total expenses	<u>589,020</u>	<u>553,604</u>	<u>35,416</u>	6.40%
Income before special item and capital grants	35,125	21,718	13,407	61.73%
Loss on abandonment of capital assets	(108,840)	-	(108,840)	
Capital grants	24,043	-	24,043	
Change in net assets	(49,672)	21,718	(71,390)	-328.71%
Beginning net assets	<u>568,064</u>	<u>546,346</u>	<u>21,718</u>	3.98%
Ending net assets	<u>\$ 518,392</u>	<u>\$ 568,064</u>	<u>\$ (49,672)</u>	-8.74%

As can be seen in Table 2, the change in net assets (formerly known as "net income") decreased from the prior year by \$71,390. This was caused by the loss on abandonment of capital assets. Various technology equipment and related software were abandoned and replaced when the District moved to its new facilities.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Table 3

Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>Increase (Decrease)</u>
Capital assets, net	\$ 226,634	\$ 348,755	\$ (122,121)

This year's capital additions include:

Communication equipment	<u>\$ 64,686</u>
Total additions	<u>\$ 64,686</u>

There are no large planned capital outlays for 2010.

At June 30, 2009, 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 2009 budgeted operational expenditures and fiscal year 2009 actual operational expenditures. Fiscal year 2010 budget, approved November 18, 2009, contains no significant operational increases or decreases from fiscal year 2009.

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, 2009

ASSETS

Current assets:	
Cash and cash equivalents	\$ 161,466
Accounts receivable	
Customers	18,194
State of Tennessee Emergency Communications Board	<u>38,327</u>
Total current assets	<u>217,987</u>
Segregated assets:	
Certificate of deposit	<u>94,316</u>
Capital assets:	
Capital assets, net of accumulated depreciation totaling \$174,159	<u>226,634</u>
Total assets	<u>\$ 538,937</u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	\$ 19,570
Other current liabilities	<u>975</u>
Total liabilities	<u>20,545</u>
Net assets:	
Invested in capital assets	226,634
Unrestricted	<u>291,758</u>
Total net assets	<u>518,392</u>
Total liabilities and net assets	<u>\$ 538,937</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, 2009

Operating revenue:	
Emergency telephone surcharges	\$ 166,711
State shared wireless charge	50,808
Operating contributions - municipalities	35,000
State of Tennessee operational funding/reimbursements	<u>167,919</u>
	<u>420,438</u>
Operating expenses:	
Salaries and wages	319,396
Employee benefits	79,028
Contracted services	70,553
Supplies and materials	14,334
Other charges	<u>27,742</u>
	<u>511,053</u>
Operating margin (loss) before depreciation	(90,615)
Depreciation expense	<u>77,967</u>
Operating margin (loss)	<u>(168,582)</u>
Non-operating revenue (expense):	
Interest income	594
Investment income	3,108
Contribution - primary government	200,000
Miscellaneous income (expense)	<u>5</u>
	<u>203,707</u>
Income before special item and capital grants	35,125
Loss on abandonment of capital assets (Note 3)	(108,840)
Capital grants - State of Tennessee	<u>24,043</u>
Change in net assets	(49,672)
Net assets, beginning of the year	<u>568,064</u>
Net assets, end of the year	<u>\$ 518,392</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, 2009

Cash flows from operating activities:	
Cash received from service fees and other operating revenues	\$ 215,498
Cash received from state government	167,919
Cash paid to suppliers for goods and services	(175,727)
Cash paid to employees for services provided	<u>(324,654)</u>
Net cash used by operating activities	<u>(116,964)</u>
Cash flows from noncapital financing activities:	
Contribution from primary government	<u>200,000</u>
Net cash provided by noncapital financing activities	<u>200,000</u>
Cash flows from capital and related financing activities:	
Leasehold and office equipment additions	(64,686)
Capital contributions - state grants	<u>24,043</u>
Net cash used by capital and related financing activities	<u>(40,643)</u>
Cash flows from investing activities:	
Interest income	3,702
Proceeds from maturities of investments	184,258
Purchases of investments	<u>(187,366)</u>
Net cash provided by investing activities	<u>594</u>
Net increase in cash and cash equivalents	42,987
Cash and cash equivalents, beginning of the year	<u>118,479</u>
Cash and cash equivalents, end of the year	<u>\$ 161,466</u>

(Continued)

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

STATEMENT OF CASH FLOWS
(Continued)

For the Fiscal Year Ended June 30, 2009

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

Operating margin (loss)	\$ (168,582)
Adjustments to reconcile operating margin (loss) to net cash used by operating activities:	
Depreciation	77,967
Miscellaneous income (expense)	5
Increase in receivables	(37,021)
Decrease in prepaid insurance	2,792
Increase in accounts payable	7,330
Increase in other current liabilities	<u>545</u>
Net cash used by operating activities	<u>\$ (116,964)</u>

See accompanying notes to basic financial statements.

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2009

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 classifies 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, 2009, the District had no encumbrances.

Property and Equipment

Property and equipment 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, 2009:

Cash in bank	<u>\$161,466</u>
Six-month certificate of deposit, maturing August 14, 2009 with an interest rate of 1.85%	<u>\$ 94,316</u>

At June 30, 2009, \$250,000 of the District's deposits is insured by federal depository insurance and the remaining is collateralized. 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. Fixed Assets

Fixed assets, together with annual depreciation and amortization rates, consist of the following:

	Beginning Balance	Increases	Decreases	Ending Balance	Depreciation Rates
Capital assets, being depreciated:					
Communication equipment	\$ 560,800	\$ 64,686	\$ (256,599)	\$ 368,887	10 - 20%
Furniture and fixtures	26,275	-	(14,349)	11,926	10%
Other fixed assets	18,995	-	-	18,995	10%
Office equipment	2,909	-	(1,924)	985	20%
Total capital assets, being depreciated	<u>608,979</u>	<u>64,686</u>	<u>(272,872)</u>	<u>400,793</u>	
Less accumulated depreciation for:					
Communication equipment	(240,245)	(72,949)	153,954	(159,240)	
Furniture and fixtures	(9,257)	(2,878)	8,155	(3,980)	
Other fixed assets	(8,653)	(1,899)	-	(10,552)	
Office equipment	(2,069)	(241)	1,923	(387)	
Total accumulated depreciation	<u>(260,224)</u>	<u>(77,967)</u>	<u>164,032</u>	<u>(174,159)</u>	
Total capital assets, being depreciated, net	<u>348,755</u>	<u>(13,281)</u>	<u>(108,840)</u>	<u>226,634</u>	
Total net capital assets	<u>\$ 348,755</u>	<u>\$ (13,281)</u>	<u>\$ (108,840)</u>	<u>\$ 226,634</u>	

Depreciation charged to expense totaled \$77,967 for the year ended June 30, 2009.

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)3. Fixed Assets (Continued)

In connection with a change in the operating location of the District, management performed a detailed assessment of communications equipment, operating equipment and mapping software for obsolescence and abandonment. It was determined various capital assets of this nature should be removed as they had been replaced with more advanced equipment. The majority of these items were purchased at the inception of the District in 2003. The capital assets removed totaled \$272,872 with a remaining net book value of \$108,840. The Statement of Changes in Net Assets for the year ended June 30, 2009 reflects a loss from the abandonment of capital assets totaling \$108,840. This item is reflected as a special item due to the infrequent nature of its occurrence.

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 that have exceeded the insurance coverage during the three prior 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

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

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

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. Copies of footnotes in PDF format can be accessed at <http://www.treasury.state.tn.us/tcrs/PS/>.

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, 2009 was 4.56% 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, 2009, Grainger County Emergency Communications District's annual pension cost of \$10,969 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, 2007 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

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)5. Retirement Plan (Continued)**Annual Pension Cost** (Continued)

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, 2009	\$10,969	100.00%	\$0.00
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

Schedule of Funding Progress

(Dollar amounts in thousands)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll (b-a)/c</u>
	<u>(a)</u>	<u>(b)</u>	<u>(b) - (a)</u>	<u>(a/b)</u>	<u>(c)</u>	
July 1, 2007	\$56	\$62	\$6	90.32%	\$238	2.52%

OTHER SUPPLEMENTARY INFORMATION

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT
RUTLEDGE, TENNESSEE

SCHEDULE OF EXPENDITURES OF STATE AWARDS

June 30, 2009

Description	Project Number	CFDA Number	Balance July 1, 2008	Receipts and Loans Received	Expenditures and Loans Paid	Balance June 30, 2009
Grants:						
Tennessee Department of Commerce and Insurance - Train the Trainer Reimbursement	N/A	N/A	\$ -	\$ 15,565	\$ 15,565	\$ -
Tennessee Department of Commerce and Insurance - Master Clock 150k Program Reimbursement	N/A	N/A	-	9,143	9,143	-
Tennessee Department of Commerce and Insurance - Repeater Reimbursement	N/A	N/A	-	14,900	14,900	-
Tennessee Department of Commerce and Insurance - Monthly Recurring Reimbursement	N/A	N/A	-	56,186	56,186	-
Tennessee Department of Commerce and Insurance - GIS Mapping Maintenance	N/A	N/A	-	10,000	10,000	-
Tennessee Department of Commerce and Insurance - Operational Funding Distribution - 2008/2009	N/A	N/A	-	86,169	86,169	-
Total Grants			\$ -	\$ 191,963	\$ 191,963	\$ -

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, 2009

	<u>Budget</u>	<u>Actual</u>
Operating revenues:		
Emergency telephone surcharge	\$ 175,000	\$ 166,711
State shared wireless charge	49,000	50,808
City of Bean Station	15,000	15,000
City of Blaine	10,000	10,000
City of Rutledge	10,000	10,000
State Emergency Board - operating grants	<u>146,620</u>	<u>167,919</u>
 Total operating revenues	 <u>405,620</u>	 <u>420,438</u>
Operating expenses:		
Director	37,600	37,600
Administrative (Bookkeeper)	28,850	28,850
Dispatcher	224,000	223,990
Part-time pay	25,500	24,731
Social security	20,500	19,802
Longevity pay	2,400	2,300
Christmas bonus	2,000	1,925
Medicare	5,000	4,630
Unemployment	1,200	695
Medical insurance	47,000	42,932
Retirement	14,500	10,970
Addressing/mapping expenses	6,525	-
Advertising	50	-
Audit service	5,500	5,439
Accounting service	300	239
Contract with private agencies	10,000	9,401
Fees to service providers	36,000	33,211
Legal service	500	-
Maintenance agreements	19,000	16,031
NCIC/TIES expenses	200	-
Office equipment lease	1,000	982
Maintenance	3,500	3,500
Employee testing	200	-
Office supplies	3,500	3,408
Data processing service	1,800	1,750
Data processing supplies	1,000	812
Postage	500	500
Small equipment	1,000	1,000
Uniforms	1,600	897
Gas	300	-
General telephone	9,000	7,016
Cell phone and pagers	1,000	700
Bank charges	50	30
Dues and memberships	300	280
Workers compensation insurance	2,000	1,957
Liability insurance	500	429
Building insurance	8,500	8,428
Legal notices	150	150
Licenses and fees	250	-
Surety bonds	500	401
Public education	1,500	1,451
Training expenses	7,000	6,629
Travel expenses	8,000	7,979
Board meeting charges	<u>150</u>	<u>8</u>
 Total operating expenses	 <u>539,925</u>	 <u>511,053</u>
 Operating margin (loss) before depreciation	 (134,305)	 (90,615)
Depreciation expense	<u>70,100</u>	<u>77,967</u>
 Operating margin (loss)	 <u>(204,405)</u>	 <u>(168,582)</u>
Non-operating income (expense):		
Interest income	-	3,702
Contribution from primary government	200,000	200,000
State Emergency Board - capital grants	-	24,043
Miscellaneous income (expense)	-	5
Loss on disposal of capital assets	<u>-</u>	<u>(108,840)</u>
 Total non-operating income (expense)	 <u>200,000</u>	 <u>118,910</u>
 Net income (loss)	 <u>\$ (4,405)</u>	 <u>\$ (49,672)</u>

See independent auditor's report.

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

SCHEDULE OF OPERATING EXPENSES

For the Fiscal Year Ended June 30, 2009

Operating expenses:	
Salaries and wages:	
Director	\$ 37,600
Administrative personnel	28,850
Dispatchers	223,990
Part-time personnel	24,731
Christmas bonus	1,925
Longevity pay	<u>2,300</u>
Total salaries and wages	<u>319,396</u>
Employee benefits:	
Social security	19,802
Medicare	4,630
Medical insurance	42,932
Unemployment compensation	695
Retirement contributions	<u>10,970</u>
Total employee benefits	<u>79,029</u>
Contracted services:	
Audit services	5,439
Accounting services	239
Contract with private agency	9,401
Data processing services	1,750
Fees paid to service providers	33,211
Maintenance agreements	16,031
Rental/office equipment	982
Maintenance and repairs-communications equipment	3,475
Maintenance and repairs-building	<u>25</u>
Total contracted services	<u>70,553</u>
Supplies and materials:	
Office supplies	3,408
Data processing supplies	812
Postage	500
Small equipment purchases	1,000
Uniforms and shirts	897
Utilities - general telephone	7,016
Utilities - cell phones and pagers	<u>700</u>
Total supplies and materials	<u>14,333</u>
Other charges:	
Bank charges	30
Board meeting expenses	8
Dues and memberships	280
Insurance - workers compensation	1,957
Insurance - liability	429
Insurance - buildings/contents	8,428
Legal notices	150
Premiums on surety bonds	401
Public education	1,451
Training expenses	6,629
Travel expenses	<u>7,979</u>
Total other charges	<u>27,742</u>
Total operating expenses	<u>\$ 511,053</u>

See independent auditor's report.

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

SCHEDULE OF TELEPHONE SURCHARGE RATES

June 30, 2009

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

* The State of Tennessee collects this charge from service providers monthly for each wireless customer in the State and retains 75% of the collections. The other 25% is allocated and distributed among various communications districts serving citizens based on population and other service area data. Grainger County ECD receives their allocated share of these charges.

See independent auditor's report.

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

SCHEDULE OF INSURANCE COVERAGES

June 30, 2009

PACKAGE POLICY:

Property/contents	\$ 526,739
Generator	23,795
Antenna/Repeater	5,062
Repeater/tower	36,500
Tower/Antenna	12,167
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
--------------------------------------	-----------

UMBRELLA:

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

WORKERS COMPENSATION:

Bodily injury by accident, each accident	100,000
Bodily injury by disease, policy limit	500,000
Bodily injury by disease, each employee	100,000

See independent auditor's report.

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

SCHEDULE OF INFORMATION REQUIRED BY THE
TENNESSEE EMERGENCY COMMUNICATIONS BOARD

June 30, 2009

Number of Public Safety
Answering Points:

1

Location:

270 Justice Center Drive, Suite 103
Rutledge, TN 37861Type of System/Equipment
and Database:Zetron Integrator 9-1-1 with
Zetron Consoles
Motorola CentraCom Gold Elite
Dispatch Consoles with
CDM750 Radios
GeoConex CAD Database
GeoConex Map Database
Pictometry Digital Aerial Photography

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

BROWN JAKE & McDANIEL, PC

CERTIFIED PUBLIC ACCOUNTANTS
2607 KINGSTON PIKE, SUITE 110
KNOXVILLE, TENNESSEE 37919-3336
865/637-8600 • fax: 865/637-8601

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

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, 2009, and have issued our report thereon dated January 19, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



CERTIFIED PUBLIC ACCOUNTANTS

January 19, 2010