

**GRAINGER COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

RUTLEDGE, TENNESSEE

**ANNUAL FINANCIAL REPORT
WITH SUPPLEMENTARY INFORMATION**

For the Fiscal Year Ended June 30, 2010

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, 2010

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GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

SCHEDULE OF BOARD OF DIRECTORS

June 30, 2010

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

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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, 2010, and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Grainger County Emergency Communications District as of June 30, 2010, 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 September 30, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 6 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 an 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying other supplementary information included on pages 19 to 23 is presented for purposes of additional analysis and is not a required part of the basic financial statements of Grainger County Emergency Communications District. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Brown Lake & McDaniel, PC

September 30, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR 2010

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, 2010</u>	<u>June 30, 2009</u>	<u>Increase (Decrease)</u>	<u>%</u>
Current and other assets	\$ 372,772	\$ 312,303	\$ 60,469	19.36%
Capital assets	<u>177,060</u>	<u>226,634</u>	<u>(49,574)</u>	-21.87%
Total assets	<u>\$ 549,832</u>	<u>\$ 538,937</u>	<u>\$ 10,895</u>	2.02%
Long-term liabilities	\$ -	\$ -	\$ -	- %
Current liabilities	<u>13,288</u>	<u>20,545</u>	<u>(7,257)</u>	-35.32%
Total liabilities	<u>\$ 13,288</u>	<u>\$ 20,545</u>	<u>\$ (7,257)</u>	-35.32%
Invested in capital assets	\$ 177,060	\$ 226,634	\$ (49,574)	-21.87%
Unrestricted	<u>359,484</u>	<u>291,758</u>	<u>67,726</u>	23.21%
Total net assets	<u>\$ 536,544</u>	<u>\$ 518,392</u>	<u>\$ 18,152</u>	3.50%

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 \$18,152 from last year.

Table 2
Statement of Revenues, Expenses and Changes in Net Assets

	For the Year Ended June 30, 2010	For the Year Ended June 30, 2009	Increase (Decrease)	%
Operating revenue	\$ 328,450	\$ 420,438	\$ (91,988)	-21.88%
Non-operating revenue	244,617	203,707	40,910	20.08%
Total revenues	573,067	624,145	(51,078)	-8.18%
Salaries and wages	328,614	319,396	9,218	2.89%
Employee benefits	86,291	79,028	7,263	9.19%
Contracted services	80,271	70,553	9,718	13.77%
Supplies and materials	13,439	14,334	(895)	-6.24%
Depreciation expense	58,547	77,967	(19,420)	-24.91%
Other charges	26,181	27,742	(1,561)	-5.63%
Total expenses	593,343	589,020	4,323	0.73%
Income (loss) before special item and capital grants	(20,276)	35,125	(55,401)	-157.73%
Loss on abandonment of capital assets	-	(108,840)	108,840	
Capital grants	38,428	24,043	14,385	
Change in net assets	18,152	(49,672)	67,824	-136.54%
Beginning net assets	518,392	568,064	(49,672)	-8.74%
Ending net assets	\$ 536,544	\$ 518,392	\$ 18,152	3.50%

As can be seen in Table 2, the change in net assets (formerly known as "net income") increased from the prior year by \$67,824.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Table 3

Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>Increase (Decrease)</u>
Capital assets, net	\$ <u>177,060</u>	\$ <u>226,634</u>	\$ <u>(49,574)</u>

This year's capital additions include:

Communication equipment	<u>\$ 14,425</u>
Total additions	<u>\$ 14,425</u>

There are no large planned capital outlays for 2011.

At June 30, 2010, 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 2010 budgeted operational expenditures and fiscal year 2010 actual operational expenditures. Fiscal year 2011 budget, approved August 17, 2010, contains no significant operational increases or decreases from fiscal year 2010.

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, 2010

ASSETS

Current assets:	
Cash and cash equivalents	\$ 258,995
Accounts receivable	
Customers	<u>17,876</u>
Total current assets	<u>276,871</u>
Segregated assets:	
Certificate of deposit	<u>95,901</u>
Capital assets:	
Capital assets, net of accumulated	
depreciation totaling \$220,739	<u>177,060</u>
Total assets	<u>\$ 549,832</u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	\$ 1,324
Other current liabilities	<u>11,964</u>
Total liabilities	<u>13,288</u>
Net assets:	
Invested in capital assets	177,060
Unrestricted	<u>359,484</u>
Total net assets	<u>536,544</u>
Total liabilities and net assets	<u>\$ 549,832</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, 2010

Operating revenue:	
Emergency telephone surcharges	\$ 159,273
State shared wireless charge	54,697
State of Tennessee operational funding	<u>114,480</u>
	<u>328,450</u>
Operating expenses:	
Salaries and wages	328,614
Employee benefits	86,291
Contracted services	80,271
Supplies and materials	13,439
Other charges	<u>26,181</u>
	<u>534,796</u>
Operating margin (loss) before depreciation	(206,346)
Depreciation expense	<u>58,547</u>
Operating margin (loss)	<u>(264,893)</u>
Non-operating revenue (expense):	
Interest income	1,001
Investment income	1,585
Contribution - primary government	200,000
Contributions - municipalities	32,500
Gain on sale of fixed assets	4,386
Miscellaneous income (expense)	<u>5,145</u>
	<u>244,617</u>
Income (loss) before capital grants	(20,276)
Capital grants - State of Tennessee	<u>38,428</u>
Change in net assets	18,152
Net assets, beginning of the year	<u>518,392</u>
Net assets, end of the year	<u>\$ 536,544</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, 2010

Cash flows from operating activities:	
Cash received from service fees and other operating revenues	\$ 318,079
Cash paid to suppliers for goods and services	(154,892)
Cash paid to employees for services provided	<u>(328,614)</u>
Net cash used by operating activities	<u>(165,427)</u>
Cash flows from noncapital financing activities:	
Cash received from municipal governments	32,500
Contribution from primary government	<u>200,000</u>
Net cash provided by noncapital financing activities	<u>232,500</u>
Cash flows from capital and related financing activities:	
Leasehold and office equipment additions, net of disposals	(18,813)
Proceeds from disposal of fixed assets	9,840
Capital contributions - state grants	<u>38,428</u>
Net cash provided by capital and related financing activities	<u>29,455</u>
Cash flows from investing activities:	
Interest income	2,586
Proceeds from maturities of investments	189,498
Purchases of investments	<u>(191,083)</u>
Net cash provided by investing activities	<u>1,001</u>
Net increase in cash and cash equivalents	97,529
Cash and cash equivalents, beginning of the year	<u>161,466</u>
Cash and cash equivalents, end of the year	<u><u>\$ 258,995</u></u>

(Continued)

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

STATEMENT OF CASH FLOWS
(Continued)

For the Fiscal Year Ended June 30, 2010

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

Operating margin (loss)	\$ (264,893)
Adjustments to reconcile operating margin (loss) to net cash used by operating activities:	
Depreciation	58,547
Gain on sale of fixed assets	4,386
Miscellaneous income (expense)	5,145
Decrease in receivables	38,645
Decrease in accounts payable	(18,246)
Increase in other current liabilities	<u>10,989</u>
Net cash used by operating activities	<u>\$ (165,427)</u>

See accompanying notes to basic financial statements.

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

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. Budgetary control is maintained at the line item level.

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, 2010, 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, 2010:

Cash in bank	<u>\$258,995</u>
Six-month certificate of deposit, maturing August 14, 2010 with an interest rate of 1.40%	<u>\$ 95,901</u>

At June 30, 2010, \$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. Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Depreciation Rates</u>
Capital assets, being depreciated:					
Communication equipment	\$ 368,887	\$ 12,849	\$ (2,981)	\$ 378,755	10 - 20%
Furniture and fixtures	11,926	378	(251)	12,053	10%
Other fixed assets	18,995	-	(13,950)	5,045	10%
Office equipment	<u>985</u>	<u>1,200</u>	<u>(239)</u>	<u>1,946</u>	20%
Total capital assets, being depreciated	<u>400,793</u>	<u>14,427</u>	<u>(17,421)</u>	<u>397,799</u>	
Less accumulated depreciation for:					
Communication equipment	(159,240)	(54,851)	2,337	(211,754)	
Furniture and fixtures	(3,980)	(1,448)	159	(5,269)	
Other fixed assets	(10,552)	(1,899)	9,300	(3,151)	
Office equipment	<u>(387)</u>	<u>(349)</u>	<u>171</u>	<u>(565)</u>	
Total accumulated depreciation	<u>(174,159)</u>	<u>(58,547)</u>	<u>11,967</u>	<u>(220,739)</u>	
Total capital assets, being depreciated, net	<u>226,634</u>	<u>(44,120)</u>	<u>(5,454)</u>	<u>177,060</u>	
Total net capital assets, excluding plant acquisition adjustments	<u>\$ 226,634</u>	<u>\$ (44,120)</u>	<u>\$ (5,454)</u>	<u>\$ 177,060</u>	

Depreciation charged to expense totaled \$58,547 for the year ended June 30, 2010.

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)4. Compensated Absences

The vacation year is a calendar year beginning January 1 and ending December 31. Regular full-time employees accumulate the following hours of vacation:

<u>YEARS OF SERVICE</u>	<u>VACATION EARNED</u>
1 - 2	40 HOURS
3 - 10	80 HOURS
11 - 15	120 HOURS

Employees may accrue annual vacation leave up to a maximum of 192 hours. Unpaid vacation leave totaled \$10,775 for the year ended June 30, 2010.

Sick leave is earned by regular full-time employees at the rate of one day per month for a total of twelve (12) days earned per year. Sick leave can be accumulated and carried forward year to year, without any maximum limitation. The employee shall not be paid for accumulated sick leave credit days, but shall be able to count the unused sick leave credit days toward their retirement, to the extent allowed under the rules and regulations under the Tennessee Consolidated Retirement System. It is management's belief that sick leave does not vest, and therefore, no accrual of such leave has been made.

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. 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.

6. 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

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)6. Retirement Plan (Continued)**Plan Description** (Continued)

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. 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, 2010 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, 2010, Grainger County Emergency Communications District's annual pension cost of \$11,174 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

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)6. Retirement Plan (Continued)**Annual Pension Cost** (Continued)

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, 2009, which established contribution rates effective July 1, 2010.

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, 2010	\$11,174	100.00%	\$0.00
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

Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was 100.70% percent funded. The actuarial accrued liability for benefits was \$0.11 million, and the actuarial value of assets was \$0.11 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.00 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.20 million, and the ratio of the UAAL to the covered payroll was -0.38% percent.

The schedule of funding progress presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)6. Retirement Plan (Continued)**Funded Status and Funding Progress (Continued)**

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

Schedule of Funding Progress

(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)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2009	\$ 107	\$ 107	\$ (1)	100.70%	\$ 199	-0.38%
July 1, 2007	\$ 56	\$ 62	\$ 6	90.32%	\$ 238	2.52%

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the Entry Age actuarial cost method went into affect during the year of the 2007 actuarial valuation, therefore only the two most recent valuations are presented.

OTHER SUPPLEMENTARY INFORMATION

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

SCHEDULE OF EXPENDITURES OF STATE AWARDS

June 30, 2010

Description	Project Number	CFDA Number	Balance July 1, 2009	Receipts and Loans Received	Expenditures and Loans Paid	Balance June 30, 2010
Grants:						
Tennessee Department of Commerce and Insurance - GIS Grant	N/A	N/A	\$ -	\$ 10,000	\$ 10,000	\$ -
Tennessee Department of Commerce and Insurance - Controller Upgrade Grant	N/A	N/A	-	4,420	4,420	-
Tennessee Department of Commerce and Insurance - Dispatcher Training Allocation	N/A	N/A	-	8,000	8,000	-
Tennessee Department of Commerce and Insurance - Dispatcher Training Supplement	N/A	N/A	-	4,000	4,000	-
Tennessee Department of Commerce and Insurance - Monthly Recurring Reimbursement	N/A	N/A	-	12,008	12,008	-
Tennessee Department of Commerce and Insurance - 25% Distribution	N/A	N/A	-	54,697	54,697	-
Tennessee Department of Commerce and Insurance - Recurring Operational Funding	N/A	N/A	-	114,480	114,480	-
Total Grants			\$ -	\$ 207,605	\$ 207,605	\$ -

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, 2010

	<u>Budget</u>	<u>Actual</u>
Operating revenues:		
Emergency telephone surcharge	\$ 166,000	\$ 159,273
State shared wireless charge	60,000	54,697
State Emergency Board - operational funding	<u>86,170</u>	<u>114,480</u>
Total operating revenues	<u>312,170</u>	<u>328,450</u>
Operating expenses:		
Director	38,000	38,000
Administrative (Bookkeeper)	29,300	29,300
Dispatcher	230,000	225,164
Part-time pay	24,000	20,425
Social security	20,000	19,706
Longevity pay	2,800	2,750
Christmas bonus	2,200	2,200
Vacation pay	10,775	10,775
Medicare	5,000	4,609
Unemployment	1,000	494
Medical insurance	49,500	49,447
Life insurance	1,000	861
Retirement	11,500	11,174
Addressing/mapping expenses	19,600	-
Advertising	500	-
Audit service	6,300	5,992
Accounting service	300	220
Contract with private agencies	11,000	10,706
Fees to service providers	30,400	30,398
Maintenance agreements	29,500	29,013
Office equipment lease	1,200	1,002
Maintenance	2,000	1,631
Employee testing	100	-
Office supplies	1,850	1,843
Data processing service	1,400	1,309
Data processing supplies	400	385
Postage	300	281
Small equipment	2,200	46
Uniforms	1,375	1,328
Gas	200	130
General telephone	9,000	8,301
Cell phone and pagers	1,200	1,125
Bank charges	50	30
Dues and memberships	400	280
Workers compensation insurance	2,049	2,049
Liability insurance	500	431
Building insurance	8,600	8,497
Legal notices	150	-
Licenses and fees	100	-
Surety bonds	500	401
Public education	500	210
Training expenses	6,000	5,869
Travel expenses	9,000	8,414
Board meeting charges	<u>100</u>	<u>-</u>
Total operating expenses	<u>571,849</u>	<u>534,796</u>
Operating margin (loss) before depreciation	(259,679)	(206,346)
Depreciation expense	<u>71,000</u>	<u>58,547</u>
Operating margin (loss)	<u>(330,679)</u>	<u>(264,893)</u>
Non-operating income (expense):		
Interest income	-	2,586
Contribution from primary government	200,000	200,000
Contributions - municipalities	35,000	32,500
State Emergency Board - capital grants	9,951	38,428
Miscellaneous income (expense)	-	5,145
Gain/loss on disposal of capital assets	<u>-</u>	<u>4,386</u>
Total non-operating income (expense)	<u>244,951</u>	<u>283,045</u>
Net income (loss)	<u>\$ (85,728)</u>	<u>\$ 18,152</u>

See independent auditor's report.

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

SCHEDULE OF OPERATING EXPENSES

For the Fiscal Year Ended June 30, 2010

Operating expenses:	
Salaries and wages:	
Director	\$ 38,000
Administrative personnel	29,300
Dispatchers	225,164
Part-time personnel	20,425
Christmas bonus	2,200
Vacation pay	10,775
Longevity pay	<u>2,750</u>
Total salaries and wages	<u>328,614</u>
Employee benefits:	
Social security	19,706
Medicare	4,609
Medical insurance	49,447
Unemployment compensation	494
Life insurance	861
Retirement contributions	<u>11,174</u>
Total employee benefits	<u>86,291</u>
Contracted services:	
Audit services	5,992
Accounting services	220
Contract with private agency	10,706
Data processing services	1,309
Fees paid to service providers	30,398
Maintenance agreements	29,013
Rental/office equipment	1,002
Maintenance and repairs-communications equipment	1,631
Maintenance and repairs-building	<u>-</u>
Total contracted services	<u>80,271</u>
Supplies and materials:	
Office supplies	1,843
Data processing supplies	385
Postage	281
Small equipment purchases	46
Uniforms and shirts	1,328
Utilities - gas	130
Utilities - general telephone	8,301
Utilities - cell phones and pagers	<u>1,125</u>
Total supplies and materials	<u>13,439</u>
Other charges:	
Bank charges	30
Board meeting expenses	-
Dues and memberships	280
Insurance - workers compensation	2,049
Insurance - liability	431
Insurance - buildings/contents	8,497
Legal notices	-
Premiums on surety bonds	401
Public education	210
Training expenses	5,869
Travel expenses	<u>8,414</u>
Total other charges	<u>26,181</u>
Total operating expenses	<u>\$ 534,796</u>

See independent auditor's report.

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

SCHEDULE OF TELEPHONE SURCHARGE RATES

June 30, 2010

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, 2010

PACKAGE POLICY:

Property/contents	\$ 547,809
Generator	24,747
Tower/antenna	12,654
Repeater/tower	37,960
Repeater/tower/antenna	5,264
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.

BROWN JAKE & McDANIEL, PC

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**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 as of and for the year ended June 30, 2010, and have issued our report thereon dated September 30, 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 Grainger County Emergency Communications District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Grainger County Emergency Communications District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Grainger County Emergency Communications District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Grainger County Emergency Communications District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws,

regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, federal awarding agencies and pass-through entities and government regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Brown Lake & McDaniel PC". The signature is written in a cursive, flowing style.

CERTIFIED PUBLIC ACCOUNTANTS

September 30, 2010