GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

ANNUAL FINANCIAL REPORT WITH SUPPLEMENTARY INFORMATION

For the Fiscal Year Ended June 30, 2012

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, 2012

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GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

SCHEDULE OF BOARD OF DIRECTORS

June 30, 2012

Members of the Board of Directors are as follows:

Jeff Atkins	Chairman
Woody Roach	Vice Chairman
Martha Ann Cameron	Secretary
Gary Wayne Dalton	Member
Sarah Fennell	Member
James Harville	Member
Dr. Mark Holland	Member
Mike Holt	Member
Travis Proffitt	Member

BROWN JAKE & McDANIEL, PC

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TERRY L. MOATS, CPA, CGMA
JAMES E. BOOHER, CPA, CGMA

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 financial statements of Grainger County Emergency Communications District, a component unit of Grainger County, Tennessee, as of and for the year ended June 30, 2012, as listed in the table of contents. 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 previously present fairly, in all material respects, the financial position of Grainger County Emergency Communications District as of June 30, 2012, 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 November 20, 2012, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 6 and the required supplementary information on page 19 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

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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 20 to 24 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 accompanying other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. 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

November 20, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR 2012

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

	June 30, 2012	June 30, 2011	Increase (Decrease)	%
Current and other assets	$ 493,568	$ 410,390	$ 83,178	20.27%
Capital assets	113,785	144,018	(30,233)	-20.99%
Total assets	$ 607,353	$ 554,408	$ 52,945	9.55%
Long-term liabilities	$ -	$ -	$ -	- %
Current liabilities	13,296	15,438	(2,142)	-13.87%
Total liabilities	$ 13,296	$ 15,438	$ (2,142)	-13.87%
Invested in capital assets	$ 113,785	$ 144,018	$ (30,233)	-20.99%
Unrestricted	480,272	394,952	85,320	21.60%
Total net assets	$ 594,057	$ 538,970	$ 55,087	10.22%

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 $55,087 from last year.

Table 2

Statement of Revenues, Expenses and Changes in Net Assets

	For the Year Ended June 30, 2012	For the Year Ended June 30, 2011	Increase (Decrease)	%
Operating revenue	$ 372,644	$ 349,309	$ 23,335	6.68%
Non-operating revenue	266,526	236,370	30,156	12.76%
Total revenues	639,170	585,679	53,491	9.13%
Salaries and wages	333,580	334,236	(656)	-0.20%
Employee benefits	81,935	88,071	(6,136)	-6.97%
Contracted services	97,086	90,911	6,175	6.79%
Supplies and materials	17,274	16,161	1,113	6.89%
Depreciation expense	65,200	61,409	3,791	6.17%
Other charges	25,461	25,535	(74)	-0.29%
Total expenses	620,536	616,323	4,213	0.68%
Income (loss) before capital grants	18,634	(30,644)	49,278	160.81%
Capital grants	36,453	33,070	3,383	10.23%
Change in net assets	55,087	2,426	52,661	2170.69%
Beginning net assets	538,970	536,544	2,426	0.45%
Ending net assets	$ 594,057	$ 538,970	$ 55,087	10.22%

As can be seen in Table 2, the change in net assets (formerly known as "net income") increased from the prior year by $52,661.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Table 3

Capital Assets, Net of Accumulated Depreciation

	June 30, 2012	June 30, 2011	Increase (Decrease)
Capital assets, net	$ 113,785	$ 144,018	$ (30,233)

This year's capital additions include:

Communication equipment	$ 37,563
Total additions	$ 37,563

There are no large planned capital outlays for 2013.

At June 30, 2012, 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 2012 budgeted operational expenditures and fiscal year 2012 actual operational expenditures. Fiscal year 2013 budget, approved August 21, 2012, contains no significant operational increases or decreases from fiscal year 2012.

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, 2012

ASSETS

Current assets:	
Cash and cash equivalents	$ 339,304
Accounts receivable	
Customers	21,727
State of TN-recurring operational funding	32,537
Total current assets	393,568
Segregated assets:	
Certificate of deposit	100,000
Capital assets:	
Capital assets, net of accumulated depreciation totaling $291,492	113,785
Total assets	$ 607,353

LIABILITIES AND NET ASSETS

Current liabilities:	
Other current liabilities	$ 13,296
Total liabilities	13,296
Net assets:	
Invested in capital assets	113,785
Unrestricted	480,272
Total net assets	594,057
Total liabilities and net assets	$ 607,353

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, 2012

Operating revenue:	
Emergency telephone surcharges	$ 144,322
State shared wireless charge	61,698
State of Tennessee operational funding	166,624
	372,644
Operating expenses:	
Salaries and wages	333,580
Employee benefits	81,935
Contracted services	97,086
Supplies and materials	17,274
Other charges	25,461
	555,336
Operating margin (loss) before depreciation	(182,692)
Depreciation expense	65,200
Operating margin (loss)	(247,892)
Non-operating revenue (expense):	
Interest income	1,890
Contribution - primary government	200,000
Contributions - municipalities	37,500
State Emergency Board-grants and reimbursements	23,984
Loss on disposal of fixed assets	(2,596)
Miscellaneous income (expense)	5,748
	266,526
Income before capital grants	18,634
Capital grants - State of Tennessee	36,453
Change in net assets	55,087
Net assets, beginning of the year	538,970
Net assets, end of the year	$ 594,057

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, 2012

Cash flows from operating activities:	
Cash received from service fees and other operating revenues	$ 333,737
Cash paid to suppliers for goods and services	(217,596)
Cash paid to employees for services provided	(336,732)
Net cash used by operating activities	(220,591)
Cash flows from noncapital financing activities:	
Cash received from municipal governments	37,500
State Emergency Board-grants and reimbursements	23,984
Contribution from primary government	200,000
Net cash provided by noncapital financing activities	261,484
Cash flows from capital and related financing activities:	
Leasehold and office equipment additions, net of disposals	(34,965)
Capital contributions - State Emergency Board	36,453
Net cash provided by capital and related financing activities	1,488
Cash flows from investing activities:	
Interest income	1,890
Proceeds from maturities of investments	194,252
Purchases of investments	(197,126)
Net cash used by investing activities	(984)
Net increase in cash and cash equivalents	41,397
Cash and cash equivalents, beginning of the year	297,907
Cash and cash equivalents, end of the year	$ 339,304

(Continued)

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

STATEMENT OF CASH FLOWS
(Continued)

For the Fiscal Year Ended June 30, 2012

Reconciliation of operating margin (loss) to net cash used by operating activities:	
Operating margin (loss)	$ (247,892)
Adjustments to reconcile operating margin (loss) to net cash used by operating activities:	
Depreciation	65,200
Gain on sale of fixed assets	(2,596)
Miscellaneous income (expense)	5,748
Increase in receivables	(38,907)
Decrease in other current liabilities	(2,144)
Net cash used by operating activities	$ (220,591)

See accompanying notes to basic financial statements.

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

1. Summary of Significant Accounting Policies

General 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, 2012, 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, 2012:

Cash in bank	$339,304
Twelve-month certificate of deposit, maturing February 14, 2013 with an interest rate of .90%	$100,000

At June 30, 2012, $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:

	Beginning Balance	Increases	Decreases	Ending Balance	Depreciation Rates
Capital assets, being depreciated:					
Communication equipment	$ 385,500	$ 37,563	$ (44,150)	$ 378,913	10 - 20%
Building and improvements	8,315	-	-	8,315	
Furniture and fixtures	11,128	-	-	11,128	10%
Other fixed assets	5,045	-	-	5,045	10%
Office equipment	1,876	-	-	1,876	20%
Total capital assets, being depreciated	411,864	37,563	(44,150)	405,277	
Less accumulated depreciation for:					
Communication equipment	(256,634)	(61,260)	41,554	(276,340)	
Building and improvements	(495)	(1,188)	-	(1,683)	
Furniture and fixtures	(6,102)	(1,783)	-	(7,885)	
Other fixed assets	(3,656)	(504)	-	(4,160)	
Office equipment	(959)	(465)	-	(1,424)	
Total accumulated depreciation	(267,846)	(65,200)	41,554	(291,492)	
Total capital assets, being depreciated, net	144,018	(27,637)	(2,596)	113,785	
Total net capital assets, excluding plant acquisition adjustments	$ 144,018	$ (27,637)	$ (2,596)	$ 113,785	

Depreciation charged to expense totaled $65,200 for the year ended June 30, 2012.

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:

YEARS OF SERVICE	VACATION EARNED
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 $9,390 for the year ended June 30, 2012.

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 http://www.tn.gov/treasury/tcrs/PS/.

Funding Policy

Grainger County Emergency Communications District requires employees to contribute 5.0 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, 2012 was 3.35% 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, 2012, Grainger County Emergency Communications District's annual pension cost of $8,026 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, 2009 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

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

6. Retirement Plan (Continued)

Annual Pension Cost (Continued)

future assets of 7.5 percent a year compounded annually, (b) projected 3.0 percent annual rate of inflation, (c) 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), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 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 ten-year period. Grainger County Emergency Communications District's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009 was 15 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2012	$ 8,026	100.00%	$0.00
June 30, 2011	11,174	100.00%	0.00
June 30, 2010	8,431	100.00%	0.00

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 87.24 percent funded. The actuarial accrued liability for benefits was $0.20 million, and the actuarial value of assets was $0.18 million, resulting in an unfunded actuarial accrued liability (UAAL) of $0.03 million. The covered payroll (annual payroll of active employees covered by the plan) was $0.22 million, and the ratio of the UAAL to the covered payroll was 11.82 percent.

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

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

6. Retirement Plan (Continued)

Funded Status and Funding Progress (Continued)

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)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2011	$ 176	$ 202	$ 26	87.24%	$ 218	11.82%
July 1, 2009	$ 107	$ 135	$ 28	79.29%	$ 199	14.11%
July 1, 2007	$ 56	$ 86	$ 30	65.12%	$ 238	12.61%

7. General Litigation

Grainger County Emergency Communications District has been indirectly named in pending and threatened litigation. The attorney for our insurance carrier has filed an answer denying liability; management does not consider this to be a case of liability. If the case was tried and lost, damages would be capped at $300,000 under the Tennessee Governmental Tort Liability Act, which the amount is within the liability limit of the District's insurance policy.

REQUIRED SUPPLEMENTARY INFORMATION

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

SCHEDULE OF FUNDING PROGRESS

June 30, 2012

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
July 1, 2011	$176	$202	$26	87.24%	$218	11.82%
July 1, 2009	$107	$135	$28	79.29%	$199	14.11%
July 1, 2007	$56	$86	$30	65.12%	$238	12.61%

See accompanying notes to basic financial statements.

OTHER SUPPLEMENTARY INFORMATION

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

SCHEDULE OF EXPENDITURES OF STATE AWARDS

June 30, 2012

Description	Project Number	CFDA Number	Balance July 1, 2011	Receipts and Loans Received	Expenditures and Loans Paid	Balance June 30, 2012
Grants:						
Tennessee Department of Commerce and Insurance - GIS Grant	N/A	N/A	$ -	$ 36,453	$ 36,453	$ -
Tennessee Department of Commerce and Insurance - Dispatcher Training Allocation	N/A	N/A	-	12,000	12,000	-
Tennessee Department of Commerce and Insurance - Monthly Recurring Reimbursement	N/A	N/A	-	11,984	11,984	-
Tennessee Department of Commerce and Insurance - 25% Distribution	N/A	N/A	-	61,698	61,698	-
Tennessee Department of Commerce and Insurance - Recurring Operational Funding	N/A	N/A	-	134,087	166,624	32,537
Total Grants			$ -	$ 256,222	$ 288,759	$ 32,537

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, 2012

	Budget	Actual
Operating revenues:		
Emergency telephone surcharge	$ 151,300	$ 144,322
State shared wireless charge	55,000	61,698
State Emergency Board - operational funding	177,790	166,624
Total operating revenues	384,090	372,644
Operating expenses:		
Director	40,500	40,500
Administrative (Bookkeeper)	31,200	31,200
Dispatcher	246,000	232,415
Part-time pay	24,050	23,495
Social security	21,500	20,867
Longevity pay	3,800	3,600
Christmas bonus	2,500	2,370
Medicare	5,100	4,881
Unemployment	2,202	2,202
Medical insurance	56,000	45,749
Life insurance	500	210
Retirement	10,000	8,026
Addressing/mapping expenses	2,000	-
Advertising	500	235
Audit service	6,600	6,449
Accounting service	400	-
Contract with private agencies	11,000	6,914
Contract with government agencies	5,000	-
Fees to service providers	32,000	30,402
Maintenance agreements	36,000	33,583
Office equipment lease	1,200	1,044
Maintenance and repairs-communications equipment	17,860	17,860
Employee testing	1,000	-
Office supplies	2,800	2,563
Data processing service	1,000	599
Data processing supplies	500	432
Postage	500	365
Small equipment	1,500	1,425
Uniforms	2,000	1,617
Utilities	1,600	770
Utilities - general telephone	9,000	8,942
Utilities - cell phone and pagers	1,200	1,160
Bank charges	50	50
Board meeting expense	200	-
Dues and memberships	400	366
Workers compensation insurance	2,000	1,291
Liability insurance	9,500	8,647
Legal notices	200	25
Licenses and fees	300	176
Surety bonds	500	384
Public education	1,200	1,035
Training expenses	5,200	4,589
Travel expenses	9,000	8,898
Total operating expenses	605,562	555,336
Operating margin (loss) before depreciation	(221,472)	(182,692)
Depreciation expense	65,200	65,200
Operating margin (loss)	(286,672)	(247,892)
Non-operating income (expense):		
Interest income	-	1,890
Contribution from primary government	200,000	200,000
Contributions - municipalities	35,000	37,500
State Emergency Board - grants and reimbursements	23,069	23,984
Miscellaneous income (expense)	73,533	5,748
Gain (loss) on disposal of capital assets	-	(2,596)
Total non-operating income (expense)	331,602	266,526
Income before capital contributions	44,930	18,634
Capital grants - State Emergency Board	-	36,453
Change in net assets	$ 44,930	$ 55,087

See independent auditor's report.

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

SCHEDULE OF OPERATING EXPENSES

For the Fiscal Year Ended June 30, 2012

Operating expenses:	
Salaries and wages:	
Director	$ 40,500
Administrative personnel	31,200
Dispatchers	232,415
Part-time personnel	23,495
Christmas bonus	2,370
Longevity pay	3,600
Total salaries and wages	333,580
Employee benefits:	
Social security	20,867
Medicare	4,881
Medical insurance	45,749
Unemployment compensation	2,202
Life insurance	210
Retirement contributions	8,026
Total employee benefits	81,935
Contracted services:	
Advertising	235
Audit services	6,449
Contract with private agency	6,914
Data processing services	599
Fees paid to service providers	30,402
Maintenance agreements	33,583
Rental/office equipment	1,044
Maintenance and repairs-communications equipment	17,860
Total contracted services	97,086
Supplies and materials:	
Office supplies	2,563
Data processing supplies	432
Postage	365
Small equipment purchases	1,425
Uniforms and shirts	1,617
Utilities	770
Utilities - general telephone	8,942
Utilities - cell phones and pagers	1,160
Total supplies and materials	17,274
Other charges:	
Bank charges	50
Dues and memberships	366
Insurance - workers compensation	1,291
Insurance - liability	8,647
Licenses & fees	176
Legal notices	25
Premiums on surety bonds	384
Public education	1,035
Training expenses	4,589
Travel expenses	8,898
Total other charges	25,461
Total operating expenses	$ 555,336

See independent auditor's report.

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

SCHEDULE OF TELEPHONE SURCHARGE RATES

June 30, 2012

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, 2012

PACKAGE POLICY:	
Property/contents	$ 592,510
Tower/antenna	13,686
Repeater/tower	41,057
Repeater/tower/antenna	5,694
Liability:	
General aggregate	3,000,000
Products/completed operations aggregate	3,000,000
Each occurrence	1,000,000
Personal injury and advertising injury	1,000,000
Fire damage, any one fire	1,000,000
Medical expense, any one person	5,000
AUTOMOBILE:	
CSL hired and 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.

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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, 2012, and have issued our report thereon dated November 20, 2012. 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

Management of Grainger County Emergency Communications District is responsible for establishing and maintaining effective 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.

Brown Lake & McDaniel, PC

CERTIFIED PUBLIC ACCOUNTANTS

November 20, 2012