

**MCNAIRY COUNTY EMERGENCY
COMMUNICATION DISTRICT**

**FINANCIAL STATEMENTS
AND AUDITORS' REPORTS
JUNE 30, 2008**

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County)
INDEPENDENT AUDITORS' REPORT, FINANCIAL
STATEMENTS AND SUPPLEMENTAL INFORMATION
JUNE 30, 2008

Table of Contents

	Page
Introductory Section	
Table of Contents	1
Roster of Board of Directors	2
Management's Discussion and Analysis	3 - 5
Financial Section	
Independent Auditors' Report	6
Statement of Net Assets	7
Statement of Revenues, Expenses, and Changes in Net Assets	8
Statement of Cash Flows	9
Notes to the Financial Statements	10 - 15
Required Supplementary Information	
Analysis of Funding Progress – Employee Retirement System	16
Notes to Required Supplemental Information	17
Supplemental Information	
Statement of Revenues, Expenses, and Changes in Net Assets - Budget and Actual	18 - 19
Schedule of Detailed Expenses	20 - 21
Schedule of Information Required by the Tennessee Emergency Communications Board	22
Internal Control and Compliance Section	
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>	23-24

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County)
ROSTER OF BOARD OF DIRECTORS
JUNE 30, 2008

Darrel Goodrum – Chairman

Johnny Mitchell – Vice Chairman

Richie Bodiford

Dennis Goff

Neal Burks

Ricky Roten

Tony Meeks

Rudy Moore

Terry Thrasher

Ruth Travis – Director

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County, Tennessee)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008

Our discussion and analysis of McNairy County Emergency Communication District's (the District) financial performance will offer readers of the District's financial statements a narrative overview and review of the financial activities of the District for the fiscal year ended June 30, 2008. Readers are encouraged to consider the information presented here in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets (on pages 7 through 8) provide information about the activities of the District's finances.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the District's financial statements. The notes to the financial statements can be found on pages 10 - 15.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's progress in funding its obligations to provide pension benefits to its employees. Required supplementary information can be found on pages 16 – 17 of this report.

Other supplemental information concerning the District is required by the Tennessee Emergency Communication Board. This other supplemental information can be found on pages 18 – 22 of this report.

Comparative Data

Statement of Net Assets

	<u>June 30, 2008</u>	<u>Percent of Total</u>	<u>June 30, 2007</u>	<u>Percent of Total</u>
Current and other assets	\$ 191,425	45.51%	\$ 197,444	43.99%
Capital assets	229,183	54.49%	251,393	56.01%
Total assets	420,608	100.00%	448,837	100.00%
Current liabilities	14,875	100.00%	22,349	100.00%
Total liabilities	14,875	100.00%	22,349	100.00%
Net assets				
Invested in capital assets	229,183	56.49%	251,393	58.94%
Unreserved	176,550	43.51%	175,095	41.06%
Total net assets	\$ 405,733	100.00%	\$ 426,488	100.00%

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County, Tennessee)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008

The changes in the District's net assets are described below:

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Revenues		
Operating revenues		
Charges for services	\$ 249,172	\$ 240,498
TECB operational funding	86,169	-
Donated services	4,000	-
Dispatching revenue	162,999	164,624
Total revenues	<u>502,340</u>	<u>405,122</u>
Expenses		
Salaries and wages	309,773	296,773
Employee benefits	96,721	88,030
Contracted services	33,582	23,532
Supplies and materials	43,330	37,203
Other charges	22,616	21,024
Depreciation	27,774	21,338
Total expenses	<u>533,796</u>	<u>487,900</u>
Operating income (loss)	(31,456)	(82,778)
Nonoperating revenue (expenses)	<u>10,701</u>	<u>224,528</u>
Change in net assets	(20,755)	141,750
Net assets - beginning of year	<u>426,488</u>	<u>284,738</u>
Net assets - end of year	<u>\$ 405,733</u>	<u>\$ 426,488</u>

The District had a loss of \$20,755 compared to a profit in the prior year of \$141,750. This change is primarily due to the decrease of State Emergency Communications Board funding. In the prior year, the District received additional funding from the TECB for office renovations.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 2008, the District had \$229,183 invested in a broad range of capital assets, including communications equipment, vehicles, and maps. This amount represents an increase (before depreciation) of \$882. This increase resulted from communication equipment purchase of \$8,482 and sale of a vehicle of \$7,600. Additional information on capital assets is in Note 8.

Debt

At year-end, the District had no debt.

**McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County, Tennessee)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES AND RATES

The District is dependent on telephone service charges collected by various phone companies and remitted to the District as well as dispatching revenues paid by surrounding communities and governments. Service charges approximate 50% of total operating revenues. Dispatching revenues approximate 39% of total operating revenues.

A budget is prepared before each fiscal year. Next year the budget shows total revenues of \$512,268 (including grants of \$10,000 and TECB operational funding of \$86,169) and expenses of \$512,268.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

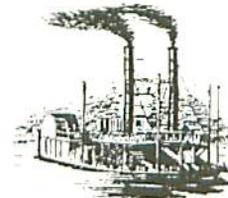
This financial report is designed to provide our citizens, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional information, contact the District at 300 Industrial Park Drive, Selmer, Tennessee.

Ruth Travis
Director

WILLIAMS, JERROLD, GODWIN & NICHOLS, PLLC
Certified Public Accountants

408 Main Street, Savannah, Tennessee 38372

Phone (731) 925-6547 FAX (731) 925-9524
Independent Auditors' Report



Board of Directors
McNairy County Emergency Communication District
Selmer, Tennessee

We have audited the accompanying financial statements of McNairy County Emergency Communication District (the District), a component unit of McNairy County, Tennessee, as of and for the year ended June 30, 2008, 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.

As discussed in Note 1, the financial statements present only the District and do not purport to, and do not, present fairly the financial position of McNairy County, Tennessee, as of June 30, 2008, and the changes in its financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2008, and the changes in financial position and cash flows thereof 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 13, 2009, 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 assessing the results of our audit.

The management's discussion and analysis (pages 3 – 5) and pension funding progress information (pages 16 – 17) are not a required part of the basic financial statements but are 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 financial statements that collectively comprise the District's basic financial statements. The introductory section (pages 1 – 2) and the supplemental information (pages 18 – 22) are presented for purposes of additional analysis and are not required parts of the basic financial statements. The supplemental information has been subjected to the auditing procedures applied in the audit 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. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Williams, Jerrold, Godwin & Nichols, PLLC

January 13, 2009

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County)
STATEMENT OF NET ASSETS
JUNE 30, 2008

ASSETS

CURRENT ASSETS

Cash	\$ 84,261
Certificates of deposit	48,395
Accounts receivable	23,511
Prepaid insurance	7,508
Due from other governments	<u>27,750</u>

TOTAL CURRENT ASSETS 191,425

CAPITAL ASSETS

Maps	124,590
Construction in progress	108,903
Equipment	<u>323,769</u>
	557,262
LESS: accumulated depreciation	<u>(328,079)</u>

NET CAPITAL ASSETS 229,183

TOTAL ASSETS \$ 420,608

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 4,965
Accrued vacation	<u>9,910</u>

TOTAL CURRENT LIABILITIES 14,875

NET ASSETS

Invested in capital assets	229,183
Unrestricted net assets	<u>176,550</u>

TOTAL NET ASSETS 405,733

TOTAL LIABILITIES AND NET ASSETS \$ 420,608

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County)
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008

OPERATING REVENUES

Emergency telephone service charges	\$ 187,720
State Emergency Communciations Board -	
Shared wireless charges	61,452
Operational funding	86,169
Donated professional services	4,000
Dispatching revenue	<u>162,999</u>

TOTAL OPERATING REVENUES 502,340

OPERATING EXPENSES

Salaries and wages	309,773
Employee benefits	96,721
Contracted services	33,582
Supplies and materials	43,330
Other charges	22,616
Depreciation	<u>27,774</u>

TOTAL OPERATING EXPENSES 533,796

NET OPERATING LOSS (31,456)

NONOPERATING REVENUE

Investment income	1,198
Interest income	439
Gain on sale of capital assets	582
Grants and reimbursements- State Emergency Communications Board	<u>8,482</u>

NET NONOPERATING REVENUE 10,701

CHANGE IN NET ASSETS (20,755)

NET ASSETS - BEGINNING OF YEAR 426,488

NET ASSETS - END OF YEAR \$ 405,733

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from surcharges and other revenues	\$ 498,826
Payments to suppliers for goods and services	(96,338)
Payments for payroll, taxes, and related benefits	<u>(414,113)</u>
CASH USED FOR OPERATIONS	<u>(11,625)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(8,482)
Proceeds from the sale of capital assets	3,500
Proceeds from grants and reimbursements - TECB	<u>8,482</u>
CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>3,500</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income received	439
Investment income received	1,198
Purchases of investment securities	(25,000)
Investment income invested in certificates of deposit	<u>(1,198)</u>
CASH USED FOR INVESTING ACTIVITIES	<u>(24,561)</u>
DECREASE IN CASH	(32,686)
CASH - BEGINNING OF YEAR	<u>116,947</u>
CASH - END OF YEAR	<u>\$ 84,261</u>

**RECONCILIATION OF OPERATING LOSS TO
NET CASH USED FOR OPERATIONS**

Net operating loss	\$ (31,456)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	27,774
Changes in Assets and Liabilities	
Accounts receivable	486
Prepaid insurance	(955)
Accounts payable	145
Accrued expenses	<u>(7,619)</u>
CASH USED FOR OPERATIONS	<u>\$ (11,625)</u>

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

1. GENERAL INFORMATION

General

McNairy County Emergency Communication District (the District) provides 911 emergency assistance to persons living in McNairy County.

Component Unit

The District is a component unit of McNairy County since board members are appointed by the County Commission. Accordingly, this financial data is incorporated into the County's financial statements. In addition, the District must obtain approval by the County Commission before the issuance of long-term debt. Further, the County Commission is able to adjust the District's service charges. The County Commission also determines the amount of money to contribute each year to the District. McNairy County and the cities of Selmer, Adamsville, and Bethel Springs provide funding for the dispatchers' salaries.

GASB Conformity

The financial statements included herein are prepared in conformity with accounting principles generally accepted in the United States of America as set forth in the pronouncements of the Governmental Accounting Standards Board (GASB). The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB Statement 20 - "Election of a Reporting Method" - required the District to elect either (1) all provisions of the Financial Accounting Standards Board (FASB) issued prior to 1989 for proprietary type funds, or (2) all of the provisions of the FASB regardless of the issue date for proprietary type funds. The District elected to adopt only the provisions of the FASB prior to 1989.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Revenues and expenses are accounted for using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Capital Assets

All capital assets of the District are recorded at original cost, except for donated equipment that is recorded at fair market value. Expenses that

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

materially increase values or capacities, or extend useful lives of these assets are capitalized while expenses for maintenance and repairs are charged to operations as incurred. Gains and losses from the sales of capital assets are reflected in operations and the asset accounts and related allowances for depreciation are reduced. Also, depreciation expense on all depreciable items is systematically charged against operations using the straight-line method over their estimated useful lives. Any related interest cost is also added to the cost of the asset as appropriate. See Note 8 for more detailed information concerning the District's capital assets.

Vacation Leave

Vacation leave time for employees of the District is earned at eight hours per month. Employees must take at least one week per year. The remaining vacation time can be carried over from one year to the next. Any outstanding balance is paid to the employee upon separation from service.

3. REVENUES

Revenues are derived from telephone customers in the area served by the District. Telephone companies collect the fees on monthly telephone bills and remit them to the District.

4. RISK MANAGEMENT

It is the policy of the District to purchase commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property damage, and theft. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents, as used in the Statements of Cash Flows, includes demand deposit accounts and certificates of deposit with maturities of three months or less when purchased, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 9.

6. OPERATING REVENUES AND EXPENSES

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. All revenues that are not generated from the daily operations are defined as nonoperating.

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

7. PENSION PLAN

Plan Description

Employees of the District are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the District participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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://treasury.state.tn.us/tcrs/PS/>.

Funding Policy

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

The District is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2008 was 4.92% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the District is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ending June 30, 2008, the District's annual pension cost of \$7,336 to TCRS was equal to the District's required and actual contributions.

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

The required contribution was determined as part of the July 1, 2005 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. The District's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1,

Trend Information

Fiscal Year <u>Ending</u>	Annual Pension <u>Cost(APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
June 30, 2008	\$7,336	100.00%	\$0.00
June 30, 2007	\$6,974	100.00%	\$0.00
June 30, 2006	\$10,083	100.00%	\$0.00

2005 was 19 years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

Funded Status and Funding Progress

As of July 1, 2007, the most recent actuarial valuation date, the plan was 106.88% percent funded. The actuarial accrued liability for benefits was \$0.21 million, and the actuarial value of assets was \$0.22 million, resulting in an unfunded actuarial accrued liability (UAAL) of (\$0.01) million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.14 million, and the ratio of the UAAL to the covered payroll was -10.09% 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.

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

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

to serve as a surrogate for the funded status and funding progress of the plan.

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial 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 01, 2007	\$221	\$207	(\$14)	106.88%	\$141	-10.09%

8. CAPITAL ASSETS

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

	Balance 7/1/2007	Additions	Retirements	Balance 6/30/2008
Capital assets not being depreciated:				
Construction in progress	\$ 108,903	\$ -	\$ 108,903	\$ -
Capital assets being depreciated:				
Equipment	322,887	8,482	7,600	323,769
Improvements	-	108,903	-	108,903
Maps	124,590	-	-	124,590
Total capital assets being depreciated	447,477	117,385	7,600	557,262
Less accumulated depreciation for:				
Equipment	(210,456)	(20,038)	(4,682)	(225,812)
Improvements	-	(2,723)	-	(2,723)
Maps	(94,531)	(5,013)	-	(99,544)
Total accumulated depreciation	(304,987)	(27,774)	(4,682)	(328,079)
Total business-type activities capital assets, net	\$ 251,393	\$ 89,611	\$ 111,821	\$ 229,183

Depreciation expense of \$27,774 was recorded by the District.

9. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature as a local government unit, the District is subject to various federal, state, and local laws and contractual regulations. An analysis of the District's compliance with significant laws and regulations and demonstration of its stewardship over the District resources follows.

9.A. DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS

The District's investment policies are governed by State statute. Permissible investments include direct obligations of the U.S. Government and agency securities, certificates of deposit, and savings accounts. The District has no policy that further limits allowable investments. At June 30, 2008, investments consisted entirely of a certificate of deposit with a local bank. Investments are carried at cost which approximates fair value.

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

For deposits and investments, custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy regarding custodial credit risk for deposits. Collateral is required for demand deposits and certificates of deposit at 105% of all amounts not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State of Tennessee and its subdivisions. The District's deposits at year-end were not exposed to custodial credit risk due to being entirely covered by federal depository insurance and pledged collateral held by the pledging financial institution's agent in the entity's name.

9.B. BUDGET APPROPRIATIONS

In accordance with State law, the board of the District must adopt and operate under an annual budget. Criteria for the information required in the annual adopted budget are detailed in Section 7-86-120, *Tennessee Code Annotated*. However, for financial reporting purposes it is only necessary to present budgetary revenues and expenses compared to actual. All purchases must be made within the limits of the approved budget. Expenses must be presented at the legal level of control, which is defined to be at the line-item level.

The District's expenses exceeded appropriations at the line-item level.

9.C. TRAVEL POLICY

In accordance with State law, the board of the District must adopt comprehensive travel regulations applicable to all officers and employees of the District. The minimum regulations shall be the same as those of the appropriate county or municipality that created the district. However, the District is not prohibited from adopting a more stringent policy. The District may establish a mileage allowance for travel up to, but not in excess of, the business standard mileage rate established by the Internal Revenue Service.

If the appropriate county or municipality does not have comprehensive travel regulations as described above, the board is to adopt travel regulations. Such regulations are to determine what expenses are reimbursable and how expenses will be reimbursed.

The District has adopted a travel policy that is the same as the policy of McNairy County, the county that created the district. The District operated by this policy during the current year.

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County)
REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF FUNDING PROGRESS – EMPLOYEE RETIREMENT SYSTEM
JUNE 30, 2008

Required Supplementary Information

Schedule of Funding Progress for the District

(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 01, 2007	\$221	\$207	(\$14)	106.88%	\$141	-10.09%

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County)
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2008

Schedule of Funding Progress

Information relating to the District's pension can be found in the Notes to Financial Statements at Note 7. The schedule of funding progress is designed to reflect the pension plan's success over time in setting aside assets sufficient to cover its actuarial accrued liability.

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 was a change made during the year and therefore only the most current year is presented.

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County)
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET ASSETS - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
OPERATING REVENUES			
Emergency Telephone Service Charges	\$ 180,000	\$ 187,720	\$ 7,720
State Emergency Communication Board -			
Share wireless charges	62,606	61,452	(1,154)
Operational funding	86,169	86,169	-
Donated professional services	-	4,000	4,000
Dispatching revenue	116,000	162,999	46,999
	<u>444,775</u>	<u>502,340</u>	<u>57,565</u>
OPERATING EXPENSES			
<u>Salaries and Wages</u>			
Director	35,433	35,874	(441)
Administrative Personnel	26,175	27,104	(929)
Dispatchers	168,579	171,128	(2,549)
Data Processing Personnel	24,228	24,250	(22)
Overtime Pay	10,960	11,134	(174)
Part-time Personnel	31,740	31,401	339
Holiday Pay	8,960	8,882	78
<u>Employee Benefits</u>			
Social Security	18,999	19,711	(712)
Medicare	4,495	4,615	(120)
Life Insurance	1,996	1,949	47
Medical Insurance	56,210	56,193	17
Dental Insurance	5,386	5,273	113
Unemployment Compensation	1,616	1,572	44
Retirement Compensation	7,795	7,408	387
<u>Contracted Services</u>			
Addressing/Mapping Expenses	4,700	4,936	(236)
Advertising	150	150	-
Audit Services	2,500	2,500	-
Accounting Services	3,000	3,622	(622)
NCIC Expenses	3,400	2,997	403
Lease/Rental-Building and Facilities	240	240	-
Lease/Rental-Office Equipment	1,476	1,476	-
Maintenance & Repairs-Communications Equip	14,000	14,482	(482)
Maintenance & Repairs-Building Facilities	200	200	-
Maintenance & Repairs-Office Equipment	295	245	50
Maintenance & Repairs-Vehicles	2,200	2,270	(70)
Fuel for Vehicle	4,400	464	3,936
<u>Supplies and Materials</u>			
Office Supplies	6,200	5,844	356
Supplies and Materials	-	1,947	(1,947)
Custodial Supplies	750	651	99
Postage	300	16	284
Utilities-Electric	875	874	1
Utilities-General Telephone	32,900	32,690	210
Utilities-Cell Phones	1,300	1,308	(8)

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County)
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET ASSETS - BUDGET AND ACTUAL (CONT.)
FOR THE YEAR ENDED JUNE 30, 2008

	Budget	Actual	Variance Positive (Negative)
<u>Other Charges</u>			
Board Meeting Expenses	750	739	11
Dues and Memberships	1,200	1,185	15
Insurance-Workers Compensation	1,700	1,678	22
Insurance-Liability	8,388	8,300	88
Insurance-Vehicles	350	338	12
Premiums on Surety Bonds	1,150	262	888
Public Education	2,300	3,222	(922)
Service Awards	150	139	11
Training Expenses	3,550	2,730	820
Travel Expenses	4,900	4,023	877
<u>Depreciation</u>			
Depreciation Expense	-	27,774	(27,774)
TOTAL OPERATING EXPENSES	505,896	533,796	(27,900)
 NET OPERATING LOSS	(61,121)	(31,456)	29,665
 NONOPERATING REVENUE (EXPENSE)			
Investment income	-	1,198	1,198
Interest income	1,070	439	(631)
Gain on sale of capital assets	-	582	582
Grant revenue - State of Tennessee	10,000	8,482	(1,518)
NET NONOPERATING REVENUE	11,070	10,701	(369)
 CHANGE IN NET ASSETS	(50,051)	(20,755)	29,296
 NET ASSETS - BEGINNING OF YEAR	426,488	426,488	-
 NET ASSETS - END OF YEAR	\$ 376,437	\$ 405,733	\$ 29,296

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

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County)
SCHEDULE OF DETAILED EXPENSES
FOR THE YEAR ENDED JUNE 30, 2008

Operating Expenses

Salaries and Wages

Director	\$ 35,874
Administrative Personnel	27,104
Dispatchers	171,128
Data Processing Personnel	24,250
Overtime Pay	11,134
Part-time Personnel	31,401
Holiday Pay	8,882
<u>Total Salaries and Wages</u>	<u>309,773</u>

Employee Benefits

Social Security	19,711
Medicare	4,615
Life Insurance	1,949
Medical Insurance	56,193
Dental Insurance	5,273
Unemployment Compensation	1,572
Retirement Compensation	7,408
<u>Total Employee Benefits</u>	<u>96,721</u>

Contracted Services

Addressing/Mapping Expenses	4,936
Advertising	150
Audit Services	2,500
Accounting Services	3,622
NCIC Expenses	2,997
Lease/Rental-Building and Facilities	240
Lease/Rental-Office Equipment	1,476
Maintenance & Repairs-Communications Equipment	14,482
Maintenance & Repairs-Building Facilities	200
Maintenance & Repairs-Office Equipment	245
Maintenance & Repairs-Vehicles	2,270
Fuel for Vehicle	464
<u>Total Contracted Services</u>	<u>33,582</u>

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County)
SCHEDULE OF DETAILED EXPENSES (CONT.)
FOR THE YEAR ENDED JUNE 30, 2008

<u>Supplies and Materials</u>	
Office Supplies	\$ 5,844
Supplies and Materials	1,947
Custodial Supplies	651
Postage	16
Utilities-Electric	874
Utilities -General Telephone	32,690
Utilities-Cell phones	1,308
<u>Total Supplies and Materials</u>	<u>43,330</u>
<u>Other Charges</u>	
Board Meeting Expenses	739
Dues and Memberships	1,185
Insurance-Workers Compensation	1,678
Insurance-Liability	8,300
Insurance-Vehicles	338
Premiums on surety bonds	262
Public Education	3,222
Service Awards	139
Training Expenses	2,730
Travel Expenses	4,023
<u>Total Other Charges</u>	<u>22,616</u>
<u>Depreciation</u>	
Depreciation Expense	<u>27,774</u>
<u>Total Depreciation</u>	<u>27,774</u>
<u>Total Operating Expenses</u>	<u>\$ 533,796</u>

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County)
SCHEDULE OF INFORMATION REQUIRED BY THE TENNESSEE EMERGENCY
COMMUNICATIONS BOARD
JUNE 30, 2008

Number of public safety answering points (PSAP) 1

Address of PSAP

McNairy County Emergency Communication District
300 Industrial Park Drive
Selmer, TN 38375

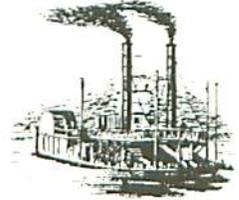
Type of system/equipment and database used by the PSAP Positron

Director's information

Name: Ruth Travis
Address: 6971 Hwy 45S
Ramer, TN 38367
Phone: (731) 645-1049
Fax #: (731) 645-5911

Chairman's information

Name: Darrel Goodrum
Address: 132 Dowty Drive
Selmer, TN 38375
Phone: (731) 645-5308
Fax #: N/A



**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
McNairy County Emergency Communication District
Selmer, Tennessee

We have audited the accompanying financial statements of McNairy County Emergency Communication District (the District), a component unit of McNairy County, Tennessee, as of and for the year ended June 30, 2008, and have issued our report thereon dated January 13, 2009. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

2008-01 INADEQUATE SEGREGATION OF DUTIES

Due to the lack of personnel, there is not sufficient segregation of duties to accomplish an adequate internal control structure.

RECOMMENDATION: Management should try to compensate for this by requiring preparation of monthly reports in key areas. These reports should be reviewed and maintained by management.

MANAGEMENT'S RESPONSE: We have management review monthly key reports. We also keep management informed of any changes or corrections made to key reports.

2008-02 INADEQUATE SUPPORT

Several disbursements lacked adequate support. Invoices were not present for fuel purchases.

Recommendation: We recommend that disbursements have adequate support prior to payment.

Management's Response: We agree and will correct this finding.

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 the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weakness. However, we believe that significant deficiencies 2008-01 through 2008-02 described above are material weaknesses.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described below.

2008-03 EXPENDITURES EXCEEDING APPROPRIATIONS

The District had expenditures which exceeded appropriations at the line-item level.

Recommendation: We recommend that expenditures be monitored and budget amendments be made when necessary.

Management's Response: We agree and will monitor more closely in the future.

2008-04 PROHIBITED PURCHASES MADE

Entertainment and gift expenses were incurred by the District to purchase gifts for employees and board members as well as host a Christmas dinner.

Recommendation: Expend money only for purchases allowed by the *Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts*.

Management's Response: We will correct immediately.

DISPOSITION OF PRIOR AUDIT FINDINGS:

2007-03 FINANCIAL STATEMENTS MATERIALLY MISSTATED—Corrected.

2007-04 PRE-SIGNED CHECKS—Corrected.

2007-05 SAFEKEEPING AGREEMENT FOR PLEDGED COLLATERAL—Corrected.

2007-07 AUTHORIZED PERSONNEL NOT ADEQUATELY BONDED—Corrected.

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

William, Jenolds, Jordan & Nubich, PLLC

January 13, 2009