

**MCNAIRY COUNTY EMERGENCY
COMMUNICATION DISTRICT**

**FINANCIAL STATEMENTS
AND AUDITORS' REPORTS
JUNE 30, 2009**

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County)
INDEPENDENT AUDITORS' REPORT, FINANCIAL
STATEMENTS AND SUPPLEMENTAL INFORMATION
JUNE 30, 2009

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**McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County)
ROSTER OF BOARD OF DIRECTORS
JUNE 30, 2009**

Darrell Goodrum – Chairman

Johnny Mitchell – Vice Chairman

Richie Bodiford

Dennis Goff

Neal Burks

Ricky Roten

Amy Oakley

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, 2009

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, 2009. 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, 2009</u>	<u>Percent of Total</u>	<u>June 30, 2008</u>	<u>Percent of Total</u>
Current and other assets	\$ 183,172	47.54%	\$ 191,425	45.51%
Capital assets	202,095	52.46%	229,183	54.49%
Total assets	<u>385,267</u>	<u>100.00%</u>	<u>420,608</u>	<u>100.00%</u>
Current liabilities	<u>10,823</u>	<u>100.00%</u>	<u>14,875</u>	<u>100.00%</u>
Total liabilities	<u>10,823</u>	<u>100.00%</u>	<u>14,875</u>	<u>100.00%</u>
Net assets				
Invested in capital assets	202,095	53.97%	229,183	56.49%
Unreserved	172,349	46.03%	176,550	43.51%
Total net assets	<u>\$ 374,444</u>	<u>100.00%</u>	<u>\$ 405,733</u>	<u>100.00%</u>

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County, Tennessee)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009

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

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Revenues		
Operating revenues		
Charges for services	\$ 237,206	\$ 249,172
TECB operational funding	86,169	86,169
Donated services	-	4,000
Dispatching revenue	161,625	162,999
Total revenues	<u>485,000</u>	<u>502,340</u>
Expenses		
Salaries and wages	315,367	309,773
Employee benefits	95,680	96,721
Contracted services	30,570	33,582
Supplies and materials	42,907	43,330
Other charges	25,431	22,616
Depreciation	27,088	27,774
Total expenses	<u>537,043</u>	<u>533,796</u>
Operating income (loss)	(52,043)	(31,456)
Nonoperating revenue (expenses)	<u>20,754</u>	<u>10,701</u>
Change in net assets	(31,289)	(20,755)
Net assets - beginning of year	<u>405,733</u>	<u>426,488</u>
Net assets - end of year	<u>\$ 374,444</u>	<u>\$ 405,733</u>

The District had a loss of \$31,289 compared to a loss in the prior year of \$20,755. This change is primarily due to the decrease of revenue derived from charges for services.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 2009, the District had \$202,095 invested in a broad range of capital assets, including communications equipment, vehicles, and maps. This amount represents no change (before depreciation) since no assets were acquired or sold in the current year. 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, 2009

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 49% of total operating revenues. Dispatching revenues approximate 33% of total operating revenues.

A budget is prepared before each fiscal year. Next year the budget shows total revenues of \$512,141 (including TECB operational funding of \$86,169) and expenses of \$512,141.

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, 2009, 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, 2009, 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, 2009, 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 December 14, 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

December 14, 2009

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County)
STATEMENT OF NET ASSETS
JUNE 30, 2009

ASSETS

CURRENT ASSETS

Cash	\$ 48,799
Certificates of deposit	48,395
Accounts receivable	50,500
Prepaid insurance	7,728
Due from other governments	<u>27,750</u>

TOTAL CURRENT ASSETS 183,172

CAPITAL ASSETS

Maps	124,590
Improvements	108,903
Equipment	<u>323,769</u>
	557,262
LESS: accumulated depreciation	<u>(355,167)</u>

NET CAPITAL ASSETS 202,095

TOTAL ASSETS \$ 385,267

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 913
Accrued vacation	<u>9,910</u>

TOTAL CURRENT LIABILITIES 10,823

NET ASSETS

Invested in capital assets	202,095
Unrestricted net assets	<u>172,349</u>

TOTAL NET ASSETS 374,444

**TOTAL LIABILITIES AND
NET ASSETS** \$ 385,267

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, 2009

OPERATING REVENUES

Emergency telephone service charges	\$ 173,044
State Emergency Communications Board -	
Shared wireless charges	64,162
Operational funding	86,169
Dispatching revenue	<u>161,625</u>
TOTAL OPERATING REVENUES	<u><u>485,000</u></u>

OPERATING EXPENSES

Salaries and wages	315,367
Employee benefits	95,680
Contracted services	30,570
Supplies and materials	42,907
Other charges	25,431
Depreciation	<u>27,088</u>
TOTAL OPERATING EXPENSES	<u><u>537,043</u></u>

NET OPERATING LOSS	<u><u>(52,043)</u></u>
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NONOPERATING REVENUE

Interest income	288
Insurance recovery	4,748
Grants and reimbursements- State Emergency Communications Board	<u>15,718</u>

NET NONOPERATING REVENUE	<u><u>20,754</u></u>
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CHANGE IN NET ASSETS	(31,289)
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NET ASSETS - BEGINNING OF YEAR	<u><u>405,733</u></u>
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NET ASSETS - END OF YEAR	<u><u><u>\$ 374,444</u></u></u>
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McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from surcharges and other revenues	\$ 458,011
Payments to suppliers for goods and services	(103,180)
Payments for payroll, taxes, and related benefits	<u>(411,047)</u>
CASH USED FOR OPERATIONS	<u>(56,216)</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from grants and reimbursements - TECB	<u>15,718</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Insurance recovery on damaged capital asset	<u>4,748</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income received	<u>288</u>
DECREASE IN CASH	<u>(35,462)</u>
CASH - BEGINNING OF YEAR	<u>84,261</u>
CASH - END OF YEAR	<u><u>\$ 48,799</u></u>

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

Net operating loss	\$ (52,043)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	27,088
Changes in Assets and Liabilities	
Accounts receivable	(26,989)
Prepaid insurance	(220)
Accounts payable	<u>(4,052)</u>
CASH USED FOR OPERATIONS	<u><u>\$ (56,216)</u></u>

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

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 materially increase values or capacities, or extend useful lives of these assets

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

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, 2009

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, 2009 was 3.02% 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, 2009, the District's annual pension cost of \$4,375 to TCRS was equal to the 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

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

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, 2007 was 17 years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

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, 2009	\$4,375	100.00%	\$0.00
June 30, 2008	\$7,336	100.00%	\$0.00
June 30, 2007	\$6,974	100.00%	\$0.00

Funded Status and Funding Progress

As of July 1, 2007, the most recent actuarial valuation date, the plan was 107.28% percent funded. The actuarial accrued liability for benefits was \$0.20 million, and the actuarial value of assets was \$0.22 million, resulting in an unfunded actuarial accrued liability (UAAL) of (\$0.02) million. The covered payroll (annual payroll of active employees covered by the plan) was \$0 million, and the ratio of the UAAL to the covered payroll was -10.64% 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 to serve as a surrogate for the funded status and funding progress of the plan.

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

8. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009, was as follows:

	<u>Balance</u> <u>7/1/2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/2009</u>
Capital assets being depreciated:				
Equipment	\$ 323,769	\$ -	\$ -	\$ 323,769
Improvements	108,903	-	-	108,903
Maps	124,590	-	-	124,590
Total capital assets being depreciated	<u>557,262</u>	<u>-</u>	<u>-</u>	<u>557,262</u>
Less accumulated depreciation for:				
Equipment	(225,812)	(19,351)	-	(245,163)
Improvements	(2,723)	(2,723)	-	(5,446)
Maps	(99,544)	(5,014)	-	(104,558)
Total accumulated depreciation	<u>(325,356)</u>	<u>(27,088)</u>	<u>-</u>	<u>(355,167)</u>
Total business-type activities capital assets, net	<u>\$ 231,906</u>	<u>\$ (27,088)</u>	<u>\$ -</u>	<u>\$ 202,095</u>

Depreciation expense of \$27,088 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, 2009, investments consisted entirely of a certificate of deposit with a local bank. Investments are carried at cost which approximates fair value.

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.

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

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, 2009

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	\$206	(\$15)	107.28%	\$141	-10.64%

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County)
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2009

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, 2009

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
OPERATING REVENUES			
Emergency Telephone Service Charges	\$ 170,000	\$ 173,044	\$ 3,044
State Emergency Communication Board -			
Share wireless charges	83,099	64,162	(18,937)
Operational funding	86,169	86,169	-
Dispatching revenue	162,000	161,625	(375)
	<u>501,268</u>	<u>485,000</u>	<u>(16,268)</u>
TOTAL OPERATING REVENUES			
OPERATING EXPENSES			
<u>Salaries and Wages</u>			
Director	36,483	36,483	-
Administrative Personnel	28,778	28,778	-
Dispatchers	162,216	178,416	(16,200)
Data Processing Personnel	24,012	23,980	32
Overtime Pay	5,734	5,734	-
Part-time Personnel	31,861	31,386	475
Holiday Pay	10,591	10,590	1
<u>Employee Benefits</u>			
Social Security	19,658	19,654	4
Medicare	4,623	4,623	-
Life Insurance	635	635	-
Medical Insurance	56,169	56,169	-
Dental Insurance	7,967	7,967	-
Unemployment Compensation	1,800	1,770	30
Retirement Compensation	6,563	4,862	1,701
<u>Contracted Services</u>			
Addressing/Mapping Expenses	3,500	3,250	250
Advertising	400	358	42
Audit Services	2,500	2,500	-
Accounting Services	3,372	2,250	1,122
NCIC Expenses	2,091	2,091	-
Software Renewal	350	350	-
Lease/Rental-Building and Facilities	240	240	-
Lease/Rental-Office Equipment	1,476	1,476	-
Maintenance & Repairs-Communications Equip	13,825	13,825	-
Maintenance & Repairs-Building Facilities	525	300	225
Maintenance & Repairs-Office Equipment	1,000	802	198
Maintenance & Repairs-Vehicles	2,647	2,647	-
Fuel for Vehicle	1,407	481	926
<u>Supplies and Materials</u>			
Office Supplies	7,380	7,301	79
Supplies and Materials	95	88	7
Custodial Supplies	595	535	60
Postage	80	-	80
Utilities-Electric	1,120	1,120	-
Utilities-General Telephone	32,944	32,615	329
Utilities-Cell Phones	1,349	1,248	101

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, 2009

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<u>Other Charges</u>			
Bank Charges	500	-	500
Board Meeting Expenses	401	382	19
Dues and Memberships	635	635	-
Insurance-Workers Compensation	2,210	2,210	-
Insurance-Liability	7,245	7,245	-
Insurance-Vehicles	1,354	1,354	-
Premiums on Surety Bonds	1,202	1,202	-
Public Education	1,000	-	1,000
Service Awards	800	491	309
Training Expenses	5,797	5,756	41
Travel Expenses	6,156	6,156	-
<u>Depreciation</u>			
Depreciation Expense	-	27,088	(27,088)
TOTAL OPERATING EXPENSES	<u>500,786</u>	<u>537,043</u>	<u>(36,257)</u>
 NET OPERATING LOSS	 <u>482</u>	 <u>(52,043)</u>	 <u>(52,525)</u>
 NONOPERATING REVENUE (EXPENSE)			
Interest income	1,000	288	(712)
Insurance recovery	4,748	4,748	-
Grant revenue - State of Tennessee	15,718	15,718	-
NET NONOPERATING REVENUE	<u>21,466</u>	<u>20,754</u>	<u>(712)</u>
 CHANGE IN NET ASSETS	 21,948	 (31,289)	 (53,237)
 NET ASSETS - BEGINNING OF YEAR	 <u>405,733</u>	 <u>405,733</u>	 <u>-</u>
 NET ASSETS - END OF YEAR	 <u>\$ 427,681</u>	 <u>\$ 374,444</u>	 <u>\$ (53,237)</u>

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, 2009

Operating Expenses

Salaries and Wages

Director	\$ 36,483
Administrative Personnel	28,778
Dispatchers	178,416
Data Processing Personnel	23,980
Overtime Pay	5,734
Part-time Personnel	31,386
Holiday Pay	10,590
<u>Total Salaries and Wages</u>	<u>315,367</u>

Employee Benefits

Social Security	19,654
Medicare	4,623
Life Insurance	635
Medical Insurance	56,169
Dental Insurance	7,967
Unemployment Compensation	1,770
Retirement Compensation	4,862
<u>Total Employee Benefits</u>	<u>95,680</u>

Contracted Services

Addressing/Mapping Expenses	3,250
Advertising	358
Audit Services	2,500
Accounting Services	2,250
NCIC Expenses	2,091
Software renewal	350
Lease/Rental-Building and Facilities	240
Lease/Rental-Office Equipment	1,476
Maintenance & Repairs-Communications Equipment	13,825
Maintenance & Repairs-Building Facilities	300
Maintenance & Repairs-Office Equipment	802
Maintenance & Repairs-Vehicles	2,647
Fuel for Vehicle	481
<u>Total Contracted Services</u>	<u>30,570</u>

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County)
SCHEDULE OF DETAILED EXPENSES (CONT.)
FOR THE YEAR ENDED JUNE 30, 2009

<u>Supplies and Materials</u>	
Office Supplies	\$ 7,301
Supplies and Materials	88
Custodial Supplies	535
Utilities-Electric	1,120
Utilities -General Telephone	32,615
Utilities-Cell phones	1,248
<u>Total Supplies and Materials</u>	<u>42,907</u>
<u>Other Charges</u>	
Board Meeting Expenses	382
Dues and Memberships	635
Insurance-Workers Compensation	2,210
Insurance-Liability	7,245
Insurance-Vehicles	1,354
Premiums on surety bonds	1,202
Service Awards	491
Training Expenses	5,756
Travel Expenses	6,156
<u>Total Other Charges</u>	<u>25,431</u>
<u>Depreciation</u>	
Depreciation Expense	<u>27,088</u>
<u>Total Depreciation</u>	<u>27,088</u>
<u>Total Operating Expenses</u>	<u>\$ 537,043</u>

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

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County)
SCHEDULE OF INFORMATION REQUIRED BY THE TENNESSEE EMERGENCY
COMMUNICATIONS BOARD
JUNE 30, 2009

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) 645-8513

Chairman's information

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

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

408 Main Street, Savannah, Tennessee 38372

Phone (731) 925-6547 Fax (731) 925-9524



**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, 2009, and have issued our report thereon dated December 14, 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.

2009-01 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.

2009-02 INADEQUATE SUPPORT

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

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

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

2009-03 FINANCIAL STATEMENTS MATERIALLY MISSTATED

The financial statements (before audit adjustments) were materially misstated because asset and liability accounts were not adjusted to proper year-end balances.

Recommendation: Personnel should properly record all financial transactions as they occur in order to present financials in accordance with generally accepted accounting principles.

Management's Response: We record all financial information as accurately as possible. We will strive to improve our accounting and financial reporting.

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 2009-01 through 2009-03 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.

2009-04 EXPENDITURES EXCEEDING APPROPRIATIONS

The District had expenditures which exceeded appropriations at the line-item level. The *Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts* Section 2, page 6 requires emergency communications districts to comply with *Tennessee Code Annotated* Section 7-86-120 which requires expenses to be "presented at the legal level of control, which is defined to be 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.

2009-05 PROHIBITED PURCHASES MADE

Entertainment and gift expenses were incurred by the District to purchase gifts and host a Christmas dinner for employees and board members. The *Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts* Section 5, page 21 details prohibited expenses.

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:

None.

The District's response to the findings identified in our audit is described above. We did not audit the District's responses and, accordingly, we express no opinion on them.

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, Gordon & Nubich, PLLC

December 14, 2009