

# **McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT**

**INDEPENDENT AUDITORS' REPORT, FINANCIAL  
STATEMENTS AND SUPPLEMENTAL INFORMATION  
JUNE 30, 2010**

**McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT**  
**(a component unit of McNairy County)**  
**INDEPENDENT AUDITORS' REPORT, FINANCIAL**  
**STATEMENTS AND SUPPLEMENTAL INFORMATION**  
**JUNE 30, 2010**

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**McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT  
(a component unit of McNairy County)  
ROSTER OF BOARD OF DIRECTORS  
JUNE 30, 2010**

Darrell Goodrum – Chairman

Johnny Mitchell – Vice Chairman

Richie Bodiford

Dennis Goff

Neal Burks

Ricky Roten

Amy Oakley

Anthony Carr

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, 2010**

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, 2010. 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, 2010</u>	<u>Percent of Total</u>	<u>June 30, 2009</u>	<u>Percent of Total</u>
Current and other assets	\$ 222,009	55.91%	\$ 183,172	47.54%
Capital assets	175,095	44.09%	202,095	52.46%
Total assets	<u>397,104</u>	<u>100.00%</u>	<u>385,267</u>	<u>100.00%</u>
Current liabilities	23,035	100.00%	10,823	100.00%
Total liabilities	<u>23,035</u>	<u>100.00%</u>	<u>10,823</u>	<u>100.00%</u>
Net assets				
Invested in capital assets	175,095	46.81%	202,095	53.97%
Unreserved	198,974	53.19%	172,349	46.03%
Total net assets	<u>\$ 374,069</u>	<u>100.00%</u>	<u>\$ 374,444</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, 2010**

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

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
<b>Revenues</b>		
Operating revenues		
Charges for services	\$ 227,268	\$ 237,206
TECB operational funding	114,480	86,169
Dispatching revenue	163,374	161,625
Total revenues	<u>505,122</u>	<u>485,000</u>
<b>Expenses</b>		
Salaries and wages	322,727	315,367
Employee benefits	96,124	95,680
Contracted services	24,125	30,570
Supplies and materials	40,035	42,907
Other charges	20,539	25,431
Depreciation	27,000	27,088
Total expenses	<u>530,550</u>	<u>537,043</u>
Operating income (loss)	(25,428)	(52,043)
Nonoperating revenue (expenses)	<u>25,053</u>	<u>20,754</u>
Change in net assets	(375)	(31,289)
Net assets - beginning of year	<u>374,444</u>	<u>405,733</u>
Net assets - end of year	<u>\$ 374,069</u>	<u>\$ 374,444</u>

The District had a loss of \$375 compared to a loss in the prior year of \$31,289. This change is primarily due to the increase of revenue derived from TECB operational funding.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of June 2010, the District had \$175,095 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, 2010**

**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 45% of total operating revenues. Dispatching revenues approximate 32% of total operating revenues.

A budget is prepared before each fiscal year. Next year the budget shows total revenues of \$523,959 (including TECB operational funding of \$122,028) and expenses of \$523,959.

**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.

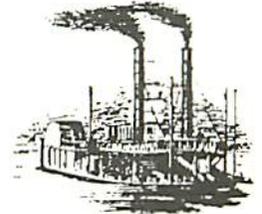
Ruth Travis  
Director

# WILLIAMS, JERROLDs, 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, 2010, 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 above present fairly, in all material respects, the financial position of the District, as of June 30, 2010, 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 February 21, 2011, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 – 5 and pension funding progress information on pages 16 – 17 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted principally 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 financial statements that collectively comprise the District's financial statements. The introductory section (pages 1 – 2) and the supplemental information (pages 18 – 21) are presented for purposes of additional analysis and are not required parts of the financial statements. The supplemental 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 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 do not express an opinion or provide any assurance on it.

*Williams, Jerrold, Godwin & Nichols, PLLC*

February 21, 2011

**McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT**  
**(a component unit of McNairy County)**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2010**

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 141,873
Certificates of deposit	48,395
Accounts receivable	22,502
Prepaid insurance	7,739
Due from other governments	<u>1,500</u>

**TOTAL CURRENT ASSETS** 222,009

**CAPITAL ASSETS**

Maps	124,590
Improvements	108,903
Equipment	<u>323,769</u>
	557,262
LESS: accumulated depreciation	<u>(382,167)</u>

**NET CAPITAL ASSETS** 175,095

**TOTAL ASSETS** \$ 397,104

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Deferred revenue	\$ 12,500
Accrued liabilities	<u>10,535</u>

**TOTAL CURRENT LIABILITIES** 23,035

**NET ASSETS**

Invested in capital assets	175,095
Unrestricted net assets	<u>198,974</u>

**TOTAL NET ASSETS** 374,069

**TOTAL LIABILITIES AND  
NET ASSETS** \$ 397,104

**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, 2010**

<b>OPERATING REVENUES</b>	
Emergency telephone service charges	\$ 164,862
State Emergency Communciations Board -	
Shared wireless charges	62,406
Operational funding	114,480
Dispatching revenue	<u>163,374</u>
<b>TOTAL OPERATING REVENUES</b>	<u><b>505,122</b></u>
<b>OPERATING EXPENSES</b>	
Salaries and wages	322,727
Employee benefits	96,124
Contracted services	24,125
Supplies and materials	40,035
Other charges	20,539
Depreciation	<u>27,000</u>
<b>TOTAL OPERATING EXPENSES</b>	<u><b>530,550</b></u>
<b>NET OPERATING LOSS</b>	<u><b>(25,428)</b></u>
<b>NONOPERATING REVENUE</b>	
Interest income	230
Grants and reimbursements- State Emergency Communications Board	<u>24,823</u>
<b>NET NONOPERATING REVENUE</b>	<u><b>25,053</b></u>
<b>CHANGE IN NET ASSETS</b>	<b>(375)</b>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u><b>374,444</b></u>
<b>NET ASSETS - END OF YEAR</b>	<u><u><b>\$ 374,069</b></u></u>

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

**McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT**  
**(a component unit of McNairy County)**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from surcharges and other revenues	\$ 559,370
Payments to suppliers for goods and services	(73,123)
Payments for payroll, taxes, and related benefits	<u>(418,226)</u>
<b>CASH PROVIDED BY OPERATIONS</b>	<u>68,021</u>
 <b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Proceeds from grants and reimbursements - TECB	<u>24,823</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income received	<u>230</u>
<b>INCREASE IN CASH</b>	93,074
<b>CASH - BEGINNING OF YEAR</b>	<u>48,799</u>
<b>CASH - END OF YEAR</b>	<u><u>\$ 141,873</u></u>

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

Net operating loss	\$ (25,428)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	27,000
<b>Changes in Assets and Liabilities</b>	
Accounts receivable	27,998
Due from other governments	26,250
Prepaid insurance	(11)
Accounts payable	11,587
Accrued vacation	<u>625</u>
<b>CASH PROVIDED BY OPERATIONS</b>	<u><u>\$ 68,021</u></u>

**McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT**  
**(a component unit of McNairy County)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**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, 2010**

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, 2010**

**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://www.tn.gov/treasury/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, 2010 was 3.07% 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, 2010, the District's annual pension cost of \$4,631 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**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

**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, 2010	\$4,631	100.00%	\$0.00
June 30, 2009	\$4,375	100.00%	\$0.00
June 30, 2008	\$7,336	100.00%	\$0.00

**Funded Status and Funding Progress**

As of July 1, 2009, the most recent actuarial valuation date, the plan was 101.81% percent funded. The actuarial accrued liability for benefits was \$0.25 million, and the actuarial value of assets was \$0.26 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.00 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.14 million, and the ratio of the UAAL to the covered payroll was -3.16% 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**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**8. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2010, was as follows:

	Balance 7/1/2009	Additions	Retirements	Balance 6/30/2010
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	(245,163)	(19,264)	-	(264,427)
Improvements	(5,446)	(2,723)	-	(8,169)
Maps	(104,558)	(5,013)	-	(109,571)
Total accumulated depreciation	<u>(349,721)</u>	<u>(27,000)</u>	<u>-</u>	<u>(382,167)</u>
Total business-type activities capital assets, net	<u>\$ 207,541</u>	<u>\$ (27,000)</u>	<u>\$ -</u>	<u>\$ 175,095</u>

Depreciation expense of \$27,000 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, 2010, 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**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**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 were below 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, 2010**

***Required Supplementary Information***

Schedule of Funding Progress for the District

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	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, 2009	\$ 257	\$ 252	\$ (5)	101.81%	\$ 145	-3.16%
July 1, 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, 2010**

**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 went into effect during the year of the 2007 actuarial valuation, therefore only the two most recent valuations are 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, 2010**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>OPERATING REVENUES</b>			
Emergency Telephone Service Charges	\$ 172,000	\$ 164,862	\$ (7,138)
State Emergency Communication Board - Share wireless charges	91,672	62,406	(29,266)
Operational funding	86,169	114,480	28,311
Dispatching revenue	<u>178,667</u>	<u>163,374</u>	<u>(15,293)</u>
<b>TOTAL OPERATING REVENUES</b>	<u>528,508</u>	<u>505,122</u>	<u>(23,386)</u>
<b>OPERATING EXPENSES</b>			
<u>Salaries and Wages</u>			
Director	37,586	37,586	-
Administrative Personnel	31,000	30,109	891
Dispatchers	190,000	184,440	5,560
Data Processing Personnel	25,688	25,688	-
Overtime Pay	10,000	5,709	4,291
Part-time Personnel	30,000	28,259	1,741
Holiday Pay	15,874	10,936	4,938
<u>Employee Benefits</u>			
Social Security	22,000	20,009	1,991
Medicare	5,000	4,680	320
Life Insurance	1,200	904	296
Medical Insurance	60,000	58,821	1,179
Dental Insurance	8,000	7,507	493
Unemployment Compensation	2,100	1,129	971
Retirement Compensation	7,067	3,074	3,993
<u>Contracted Services</u>			
Addressing/Mapping Expenses	4,000	3,415	585
Audit Services	2,500	2,500	-
Accounting Services	3,500	3,250	250
NCIC Expenses	3,000	2,680	320
Software Renewal	500	494	6
Lease/Rental-Building and Facilities	240	240	-
Lease/Rental-Office Equipment	1,476	1,476	-
Maintenance & Repairs-Communications Equip	7,000	4,613	2,387
Maintenance & Repairs-Building Facilities	1,000	-	1,000
Maintenance & Repairs-Office Equipment	3,000	2,737	263
Maintenance & Repairs-Vehicles	2,000	1,388	612
Fuel for Vehicle	3,500	1,332	2,168
<u>Supplies and Materials</u>			
Office Supplies	7,000	4,439	2,561
Custodial Supplies	800	510	290
Postage	300	176	124
Small Equipment Purchases	4,000	575	3,425
Utilities-Electric	1,500	1,227	273
Utilities-General Telephone	33,000	31,632	1,368
Utilities-Cell Phones	1,600	1,476	124

**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, 2010**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<u>Other Charges</u>			
Bank Charges	500	-	500
Board Meeting Expenses	800	193	607
Dues and Memberships	600	210	390
Insurance-Workers Compensation	1,400	1,061	339
Insurance-Liability	8,000	7,325	675
Insurance-Vehicles	1,500	1,240	260
Premiums on Surety Bonds	1,200	1,151	49
Service Awards	1,000	850	150
Training Expenses	4,000	2,114	1,886
Travel Expenses	8,000	5,765	2,235
Internet Charges	1,200	630	570
<u>Depreciation</u>			
Depreciation Expense	-	27,000	(27,000)
<b>TOTAL OPERATING EXPENSES</b>	<u>553,631</u>	<u>530,550</u>	<u>22,581</u>
<b>NET OPERATING LOSS</b>	<u>(25,123)</u>	<u>(25,428)</u>	<u>(805)</u>
<b>NONOPERATING REVENUE (EXPENSE)</b>			
Interest income	300	230	(70)
Grant revenue - State of Tennessee	24,823	24,823	-
<b>NET NONOPERATING REVENUE</b>	<u>25,123</u>	<u>25,053</u>	<u>(70)</u>
<b>CHANGE IN NET ASSETS</b>	-	(375)	(375)
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>374,444</u>	<u>374,444</u>	-
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 374,444</u>	<u>\$ 374,069</u>	<u>\$ (375)</u>

**McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT**  
**(a component unit of McNairy County)**  
**SCHEDULE OF DETAILED EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**Operating Expenses**

**Salaries and Wages**

Director	\$ 37,586
Administrative Personnel	30,109
Dispatchers	184,440
Data Processing Personnel	25,688
Overtime Pay	5,709
Part-time Personnel	28,259
Holiday Pay	10,936
<b><u>Total Salaries and Wages</u></b>	<b><u>322,727</u></b>

**Employee Benefits**

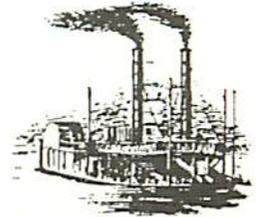
Social Security	20,009
Medicare	4,680
Life Insurance	904
Medical Insurance	58,821
Dental Insurance	7,507
Unemployment Compensation	1,129
Retirement Compensation	3,074
<b><u>Total Employee Benefits</u></b>	<b><u>96,124</u></b>

**Contracted Services**

Addressing/Mapping Expenses	3,415
Audit Services	2,500
Accounting Services	3,250
NCIC Expenses	2,680
Software renewal	494
Lease/Rental-Building and Facilities	240
Lease/Rental-Office Equipment	1,476
Maintenance & Repairs-Communications Equipment	4,613
Maintenance & Repairs-Office Equipment	2,737
Maintenance & Repairs-Vehicles	1,388
Fuel for Vehicle	1,332
<b><u>Total Contracted Services</u></b>	<b><u>24,125</u></b>

**McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT**  
**(a component unit of McNairy County)**  
**SCHEDULE OF DETAILED EXPENSES (CONT.)**  
**FOR THE YEAR ENDED JUNE 30, 2010**

<u>Supplies and Materials</u>	
Office Supplies	\$ 4,439
Custodial Supplies	510
Postage	176
Small Equipment Purchases	575
Utilities-Electric	1,227
Utilities -General Telephone	31,632
Utilities-Cell phones	1,476
<u>Total Supplies and Materials</u>	<u>40,035</u>
<u>Other Charges</u>	
Board Meeting Expenses	193
Dues and Memberships	210
Insurance-Workers Compensation	1,061
Insurance-Liability	7,325
Insurance-Vehicles	1,240
Premiums on surety bonds	1,151
Service Awards	850
Training Expenses	2,114
Travel Expenses	5,765
Internet Charges	630
<u>Total Other Charges</u>	<u>20,539</u>
<u>Depreciation</u>	
Depreciation Expense	<u>27,000</u>
<u>Total Depreciation</u>	<u>27,000</u>
<u>Total Operating Expenses</u>	<u>\$ 530,550</u>



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH 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, 2010, and have issued our report thereon dated February 21, 2011. 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

2010-01 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.

2010-02 UNADJUSTED FINANCIAL STATEMENTS MATERIALLY MISSTATED

The financial statements were materially misstated before audit adjustments 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 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 a 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. We consider the deficiencies described above to be 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

DISPOSITION OF PRIOR AUDIT FINDINGS:

2009-02 Inadequate Support—corrected.  
2009-04 Expenditures Exceeded Appropriations—corrected.  
2009-05 Prohibited Purchases Made—corrected.

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.

*Williams, Teno, & Holman & Nichols, PLLC*

February 21, 2011