

MCNAIRY COUNTY E911

ANNUAL FINANCIAL STATEMENTS

JUNE 30, 2012

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County)
INDEPENDENT AUDITORS' REPORT, FINANCIAL
STATEMENTS AND SUPPLEMENTAL INFORMATION
JUNE 30, 2012

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McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County)
ROSTER OF BOARD OF DIRECTORS
JUNE 30, 2012

Darrell Goodrum – Chairman

Johnny Mitchell – Vice Chairman

Richie Bodiford

Dennis Goff

Neal Burks

Rudy Moore

Amy Oakley

Anthony Carr

Terry Thrasher

Dana Swims – Director

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County, Tennessee)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012

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, 2012. 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 – 21 of this report.

Comparative Data

Statement of Net Assets

	<u>June 30, 2012</u>	<u>Percent of Total</u>	<u>June 30, 2011</u>	<u>Percent of Total</u>
Current and other assets	\$ 306,187	55.59%	\$ 268,833	54.41%
Capital assets	244,561	44.41%	225,228	45.59%
Total assets	<u>550,748</u>	<u>100.00%</u>	<u>494,061</u>	<u>100.00%</u>
Current liabilities	40,879	100.00%	11,027	100.00%
Total liabilities	<u>40,879</u>	<u>100.00%</u>	<u>11,027</u>	<u>100.00%</u>
Net assets				
Invested in capital assets	244,561	47.97%	225,228	46.63%
Unreserved	265,308	52.03%	257,806	53.37%
Total net assets	<u>\$ 509,869</u>	<u>100.00%</u>	<u>\$ 483,034</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, 2012

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

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Revenues		
Operating revenues		
Charges for services	\$ 210,285	\$ 220,206
TECB operational funding	142,814	152,791
Dispatching revenue	167,134	163,124
Total revenues	<u>520,233</u>	<u>536,121</u>
Expenses		
Salaries and wages	304,056	313,963
Employee benefits	92,410	90,401
Contracted services	20,539	24,582
Supplies and materials	42,697	43,295
Other charges	28,109	26,453
Depreciation	36,062	25,130
Total expenses	<u>523,873</u>	<u>523,824</u>
Operating income (loss)	(3,640)	12,297
Nonoperating revenue (expenses)	<u>30,475</u>	<u>96,668</u>
Change in net assets	26,835	108,965
Net assets - beginning of year	<u>483,034</u>	<u>374,069</u>
Net assets - end of year	<u>\$ 509,869</u>	<u>\$ 483,034</u>

The District had a profit of \$26,835 compared to a profit in the prior year of \$108,965. This change is primarily due to the decrease of nonoperating revenues derived from insurance recovery proceeds in the prior year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 2012, the District had \$244,561 invested in a broad range of capital assets, including communications equipment, vehicles, and maps. This amount represents an increase of \$55,395 (before depreciation) due to purchases 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, 2012

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 29% 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 \$613,215 (including TECB operational funding of \$152,790) and expenses of \$613,215.

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.

Dana Swims
Director



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, 2012, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2012, 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 October 30, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements 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.

Godwin & Associates, PLLC

October 30, 2012

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County)
STATEMENT OF NET ASSETS
JUNE 30, 2012

ASSETS

CURRENT ASSETS

Cash	\$ 250,350
Certificates of deposit	27,713
Accounts receivable	19,646
Prepaid expenses	8,228
Due from other governments	<u>250</u>

TOTAL CURRENT ASSETS 306,187

CAPITAL ASSETS

Maps	179,985
Improvements	108,903
Equipment	<u>315,282</u>
	604,170
LESS: accumulated depreciation	<u>(359,609)</u>

NET CAPITAL ASSETS 244,561

TOTAL ASSETS \$ 550,748

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 25,715
Accrued liabilities	<u>15,164</u>

TOTAL CURRENT LIABILITIES 40,879

NET ASSETS

Invested in capital assets	244,561
Unrestricted net assets	<u>265,308</u>

TOTAL NET ASSETS 509,869

**TOTAL LIABILITIES AND
NET ASSETS** \$ 550,748

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

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, 2012

OPERATING REVENUES

Emergency telephone service charges	\$ 149,591
State Emergency Communciations Board -	
Shared wireless charges	60,694
Operational funding	142,814
Dispatching revenue	167,134

TOTAL OPERATING REVENUES 520,233

OPERATING EXPENSES

Salaries and wages	304,056
Employee benefits	92,410
Contracted services	20,539
Supplies and materials	42,697
Other charges	28,109
Depreciation	36,062

TOTAL OPERATING EXPENSES 523,873

NET OPERATING INCOME (LOSS) (3,640)

NONOPERATING REVENUES AND (EXPENSES)

Interest income	426
Investment income	596
Contributions to Primary Governments	(10,000)
Contributions to Other Governments and Agencies	(10,000)
Tennessee Emergency Communications Board-Grants and Reimbursement	49,453

NET NONOPERATING REVENUES (EXPENSES) 30,475

CHANGE IN NET ASSETS 26,835

NET ASSETS - BEGINNING OF YEAR 483,034

NET ASSETS - END OF YEAR \$ 509,869

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from surcharges and other revenues	\$ 535,975
Payments to suppliers for goods and services	(66,130)
Payments for payroll, taxes, and related benefits	<u>(392,329)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>77,516</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Proceeds from grants and reimbursements - TECB	<u>23,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(55,395)
Contributions to Primary Governments	(10,000)
Contributions to Other Governments and Agencies	(10,000)
Proceeds from grants and reimbursements - TECB	<u>26,453</u>
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(48,942)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	426
Investment income	596
Reinvested in investments	(345)
Certificate of deposit redemption	<u>24,429</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>25,106</u>
INCREASE IN CASH	76,680
CASH - BEGINNING OF YEAR	<u>173,668</u>
CASH - END OF YEAR	<u><u>\$ 250,348</u></u>

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

Net operating income	\$ (3,640)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	36,062
Changes in Assets and Liabilities	
Accounts receivable	14,492
Prepaid insurance	(500)
Due from other governments	1,250
Accounts payable	25,715
Accrued liabilities	<u>4,137</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 77,516</u></u>

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

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 District complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the District the option of electing to apply FASB pronouncements issued after November 30, 1989. The District has elected not to apply those pronouncements.

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 are capitalized while expenses for maintenance and repairs are charged to

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

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, 2012

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, 2012 was 3.20% 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, 2012, the District's annual pension cost of \$6,843 to TCRS was equal to the District's required and actual contributions. The required contribution was determined as part of the July 1, 2009 actuarial valuation using the frozen entry age actuarial cost method. Significant

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

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 3.0 percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a 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, 2009 was 15 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

Fiscal Year <u>Ending</u>	Annual Pension <u>Cost(APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
June 30, 2012	\$6,843	100.00%	\$0.00
June 30, 2011	\$4,631	100.00%	\$0.00
June 30, 2010	\$5,216	100.00%	\$0.00

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 97.53% percent funded. The actuarial accrued liability for benefits was \$0.32 million, and the actuarial value of assets was \$0.32 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 \$0.19 million, and the ratio of the UAAL to the covered payroll was 4.19% 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.

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

8. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012, was as follows:

	Balance 7/1/2011	Additions	Retirements	Balance 6/30/2012
Capital assets being depreciated:				
Equipment	\$ 315,282	\$ 55,395	\$ -	\$ 370,677
Improvements	108,903	-	-	108,903
Maps	124,590	-	-	124,590
Total capital assets being depreciated	<u>548,775</u>	<u>55,395</u>	<u>-</u>	<u>604,170</u>
Less accumulated depreciation for:				
Equipment	(198,071)	(18,170)	-	(216,241)
Improvements	(10,891)	(2,723)	-	(13,614)
Maps	(114,585)	(15,169)	-	(129,754)
Total accumulated depreciation	<u>(323,547)</u>	<u>(36,062)</u>	<u>-</u>	<u>(359,609)</u>
Total business-type activities capital assets, net	<u>\$ 225,228</u>	<u>\$ 19,333</u>	<u>\$ -</u>	<u>\$ 244,561</u>

Depreciation expense of \$36,062 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, 2012, 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 and pledged collateral held by the pledging financial institution's agent in the entity's name.

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

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 operating expenses were not within 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, 2012

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)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2011	\$ 316	\$ 324	\$ 8	97.53%	\$ 191	4.19%
July 1, 2009	\$ 257	\$ 265	\$ 9	96.73%	\$ 145	5.99%
July 1, 2007	\$ 221	\$ 230	\$ 9	96.09%	\$ 141	6.38%

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County)
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2012

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.

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, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Under (Over)</u>
OPERATING REVENUES			
Emergency Telephone Service Charges	\$ 294,790	\$ 149,591	\$ (145,199)
State Emergency Communication Board - Share wireless charges	81,000	60,694	(20,306)
Operational funding		142,814	142,814
Dispatching revenue	<u>163,500</u>	<u>167,134</u>	<u>3,634</u>
TOTAL OPERATING REVENUES	<u>539,290</u>	<u>520,233</u>	<u>(19,057)</u>
OPERATING EXPENSES			
<u>Salaries and Wages</u>			
Director	36,421	36,996	(575)
Administrative Personnel	27,400	27,789	(389)
Dispatchers	161,731	152,909	8,822
Data Processing Personnel	27,318	27,662	(344)
Overtime Pay	23,700	17,485	6,215
Part-time Personnel	30,900	32,374	(1,474)
Holiday Pay	11,163	8,841	2,322
<u>Employee Benefits</u>			
Social Security	19,200	19,007	193
Medicare	4,500	4,347	153
Life Insurance	1,000	773	227
Medical Insurance	62,000	50,691	11,309
Dental Insurance	8,097	7,129	968
Unemployment Compensation	2,000	1,247	753
Retirement Compensation	9,300	9,216	84
<u>Contracted Services</u>			
Addressing/Mapping Expenses	20,500	2,875	17,625
Advertising	250	229	21
Audit Services	2,700	2,500	200
Accounting Services	3,000	3,000	-
Legal Services	1,000	675	325
NCIC Expenses	2,680	2,680	-
Software Renewal	500	-	500
Lease/Rental-Building and Facilities	240	240	-
Lease/Rental-Office Equipment	3,740	1,095	2,645
Maintenance & Repairs-Communications Equip	8,000	1,981	6,019
Maintenance & Repairs-Building Facilities	1,000	80	920
Maintenance & Repairs-Office Equipment	3,000	1,206	1,794
Maintenance & Repairs-Vehicles	2,000	1,014	986
Fuel for Vehicle	3,000	2,964	36
<u>Supplies and Materials</u>			
Office Supplies	5,400	5,274	126
Custodial Supplies	800	301	499
Postage	400	266	134
Small Equipment Purchases	4,000	3,060	940
Uniforms and Shirts	1,000	805	195
Utilities-Electric	1,450	1,431	19
Utilities-General Telephone	32,000	30,185	1,815
Utilities-Cell Phones	1,800	1,375	425

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, 2012

	Budget	Actual	Variance Under (Over)
<u>Other Charges</u>			
Bank Charges	400	-	400
Board Meeting Expenses	650	342	308
Dues and Memberships	1,000	222	778
Insurance-Workers Compensation	1,600	1,302	298
Insurance-Liability	8,000	7,852	148
Insurance-Vehicles	1,370	1,368	2
Premiums on Surety Bonds	1,000	629	371
Public Education	1,000	691	309
Service Awards	1,000	750	250
Training Expenses	6,000	3,009	2,991
Travel Expenses	12,000	10,961	1,039
Internet Charges	1,100	983	117
<u>Depreciation</u>			
Depreciation Expense	25,200	36,062	(10,862)
TOTAL OPERATING EXPENSES	583,510	523,873	59,237
 NET OPERATING LOSS	 (44,220)	 (3,640)	 40,180
 NONOPERATING REVENUES AND (EXPENSES)			
Interest income	200	426	226
Investment income	-	596	596
Contributions to Primary Government	-	(10,000)	(10,000)
Contributions to Other Governments and Agencies	-	(10,000)	(10,000)
TECB-Grants and reimbursements	44,020	49,453	5,433
NET NONOPERATING REVENUES (EXPENSES)	44,220	30,475	(13,745)
 CHANGE IN NET ASSETS	 -	 26,835	 26,835
 NET ASSETS - BEGINNING OF YEAR	 483,034	 483,034	 -
 NET ASSETS - END OF YEAR	 \$ 483,034	 \$ 509,869	 \$ 26,835

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County)
SCHEDULE OF DETAILED EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012

Operating Expenses

Salaries and Wages

Director	\$ 36,996
Administrative Personnel	27,789
Dispatchers	152,909
Data Processing Personnel	27,662
Overtime Pay	17,485
Part-time Personnel	32,374
Holiday Pay	8,841
<u>Total Salaries and Wages</u>	<u>304,056</u>

Employee Benefits

Social Security	19,007
Medicare	4,347
Life Insurance	773
Medical Insurance	50,691
Dental Insurance	7,129
Unemployment Compensation	1,247
Retirement Compensation	9,216
<u>Total Employee Benefits</u>	<u>92,410</u>

Contracted Services

Addressing/Mapping Expenses	2,875
Advertising	229
Audit Services	2,500
Accounting Services	3,000
Legal Services	675
NCIC Expenses	2,680
Lease/Rental-Building and Facilities	240
Lease/Rental-Office Equipment	1,095
Maintenance & Repairs-Communications Equipment	1,981
Maintenance & Repairs-Building Facilities	80
Maintenance & Repairs-Office Equipment	1,206
Maintenance & Repairs-Vehicles	1,014
Fuel for Vehicle	2,964
<u>Total Contracted Services</u>	<u>20,539</u>

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County)
SCHEDULE OF DETAILED EXPENSES (CONT.)
FOR THE YEAR ENDED JUNE 30, 2012

Supplies and Materials

Office Supplies	\$ 5,274
Custodial Supplies	301
Postage	266
Small Equipment Purchases	3,060
Uniforms and Shirts	805
Utilities-Electric	1,431
Utilities -General Telephone	30,185
Utilities-Cell phones	1,375
<u>Total Supplies and Materials</u>	<u>42,697</u>

Other Charges

Board Meeting Expenses	342
Dues and Memberships	222
Insurance-Workers Compensation	1,302
Insurance-Liability	7,852
Insurance-Vehicles	1,368
Premiums on surety bonds	629
Public Education	691
Service Awards	750
Training Expenses	3,009
Travel Expenses	10,961
Internet Charges	983
<u>Total Other Charges</u>	<u>28,109</u>

Depreciation

Depreciation Expense	36,062
<u>Total Depreciation</u>	<u>36,062</u>

<u>Total Operating Expenses</u>	<u>\$ 523,873</u>
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
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, 2012, and have issued our report thereon dated October 30, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the District is responsible for establishing and maintaining effective 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.

2012-01 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.

2012-02 GENERAL LEDGER MATERIALLY MISSTATED BEFORE ADJUSTMENTS

The client's general ledger was materially misstated because personnel did not adjust asset and liability accounts to proper year-end balances. Therefore, material adjustments were required for the financial statements to be materially correct at year-end.

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 the following instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

2012-03 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.

2012-04 AUTHORIZED PERSONNEL NOT ADEQUATELY BONDED

Authorized personnel are bonded but not to the level required by the Tennessee Code Annotated (TCA).

Recommendation: Obtain bonding for authorized personnel according to the formula provided in the TCA.

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.

Modum Associates, PLLC

October 30, 2012