

**McNAIRY COUNTY EMERGENCY
COMMUNICATION DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2013

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County)
INDEPENDENT AUDITOR'S REPORT, FINANCIAL
STATEMENTS AND SUPPLEMENTAL INFORMATION
JUNE 30, 2013

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**McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County)
ROSTER OF BOARD OF DIRECTORS
JUNE 30, 2013**

Darrell Goodrum – Chairman

Johnny Mitchell – Vice Chairman

Richie Bodiford

Neal Burks

Anthony Carr

Guy Buck

Rudy Moore

Amy Oakley

Terry Thrasher

Dana Swims – Director



Independent Auditor's Report

Board of Directors
McNairy County Emergency Communication District
Selmer, Tennessee

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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, 2013, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 9, the District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*; Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position*, which became effective for the year ended June 30, 2013. The District early implemented Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which has an effective date of June 30, 2014. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 – 7 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 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section (pages 1 – 2) and the supplemental information (pages 20 – 24) are presented for purposes of additional analysis and are not required parts of the basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2013, 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* in considering the District's internal control over financial reporting and compliance.

December 16, 2013

Adwin & Associates, PLLC

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County, Tennessee)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

As management of the McNairy County Emergency Communication District's (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2013. Readers are encouraged to consider the information presented here in conjunction with the District's financial statements.

Overview of the Financial Statements

The discussion and analysis provided here is intended to serve as an introduction to the District's financial statements and supplementary information. The financial statements consist of two components: 1) the financial statements and 2) the notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the financial statements themselves.

The *Statement of Net Position* presents financial information on all of the District's assets and liabilities with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indication or whether the financial position of the District is improving or deteriorating.

The *Statement of Revenues, Expenses, and Changes in Net Position* presents the results of the business activities over the course of the fiscal year and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. This statement measures the District's profitability.

The *Statement of Cash Flows* presents changes in cash and cash equivalents, resulting from operational, financing, and investing activities. This statement presents cash receipt and cash disbursement information, without consideration of the earnings event, when an obligation arises.

The *Notes to the Financial Statements* provide required disclosures and other 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 11 - 17.

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 18 - 19 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 20 - 24 of this report.

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County, Tennessee)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

Comparative Data

Statement of Net Position

	<u>June 30, 2013</u>	<u>Percent of Total</u>	<u>June 30, 2012</u>	<u>Percent of Total</u>
Current and other assets	\$ 403,114	45.92%	\$ 306,187	55.59%
Capital assets	474,837	54.08%	244,561	44.41%
Total assets	<u>877,951</u>	<u>100.00%</u>	<u>550,748</u>	<u>100.00%</u>
Current liabilities	10,720	100.00%	40,879	100.00%
Total liabilities	<u>10,720</u>	<u>100.00%</u>	<u>40,879</u>	<u>100.00%</u>
Net position				
Investment in capital assets	474,837	54.75%	244,561	47.97%
Unrestricted net position	392,394	45.25%	265,308	52.03%
Total net position	<u>\$ 867,231</u>	<u>100.00%</u>	<u>\$ 509,869</u>	<u>100.00%</u>

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

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Revenues		
Operating revenues		
Charges for services	\$ 204,029	\$ 210,285
TECB operational funding	176,791	142,814
Dispatching revenue	187,466	167,134
Total revenues	<u>568,286</u>	<u>520,233</u>
Expenses		
Salaries and wages	328,957	304,056
Employee benefits	92,397	92,410
Contracted services	26,665	20,539
Supplies and materials	113,363	42,697
Other charges	31,147	28,109
Depreciation	41,813	36,062
Total expenses	<u>634,342</u>	<u>523,873</u>
Operating income (loss)	(66,056)	(3,640)
Nonoperating revenue (expenses)	<u>(6,554)</u>	<u>30,475</u>
Capital contributions	<u>429,972</u>	<u>-</u>
Change in net position	357,362	26,835
Net position - beginning of year	<u>509,869</u>	<u>483,034</u>
Net position - end of year	<u>\$ 867,231</u>	<u>\$ 509,869</u>

**McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County, Tennessee)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

The District had a profit of \$357,362 compared to a profit in the prior year of \$26,835. This change is primarily due to the increase of capital contributions in the current year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 2013, the District had \$474,837 invested in a broad range of capital assets, including communications equipment, vehicles, and maps. This amount represents an increase of \$374,576 (before depreciation) due to purchases in the current year. Additional information on capital assets is in Note 6.

In the current year, the District had a loss on disposal of property in the amount of \$102,487 and an expense for small equipment purchases of \$65,658. These expenses were incurred due to the physical relocation of the District. The loss on disposal was due to the District's forfeiting leasehold improvement upon moving. Additionally, small equipment and improvements were purchased to relocate to a new facility.

Debt

At year-end, the District had no debt.

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 25% 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 \$609,560 (including TECB operational funding of \$152,860) and expenses of \$609,560.

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 12 Falcon Street, Selmer, Tennessee.

Dana Swims
Director

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County)
STATEMENT OF NET POSITION
JUNE 30, 2013

ASSETS

CURRENT ASSETS

Cash	\$	310,494
Certificates of deposit		48,040
Accounts receivable		9,262
Due from TECB		10,931
Prepaid expenses		9,137
Due from other governments		15,250

TOTAL CURRENT ASSETS	403,114
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CAPITAL ASSETS

Maps		55,395
Improvements		134,923
Equipment		418,024
		608,342
LESS: accumulated depreciation		(133,505)

NET CAPITAL ASSETS	474,837
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TOTAL ASSETS	877,951
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LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accrued liabilities		10,720
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TOTAL CURRENT LIABILITIES	10,720
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NET POSITION

Net investment in capital assets		474,837
Unrestricted net position		392,394

TOTAL NET POSITION	\$ 867,231
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McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County)
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

OPERATING REVENUES

Emergency telephone service charges	\$ 139,940
State Emergency Communciations Board - Shared wireless charges	64,089
Operational funding	176,791
Dispatching revenue	<u>187,466</u>

TOTAL OPERATING REVENUES 568,286

OPERATING EXPENSES

Salaries and wages	328,957
Employee benefits	92,397
Contracted services	26,665
Supplies and materials	113,363
Other charges	31,147
Depreciation	<u>41,813</u>

TOTAL OPERATING EXPENSES 634,342

NET OPERATING INCOME (LOSS) (66,056)

NONOPERATING REVENUES AND (EXPENSES)

Interest income	285
Investment income	327
Tennessee Emergency Communications Board-Grants and Reimbursements	93,806
Miscellaneous Income	1,515
Loss on Disposal of Property	<u>(102,487)</u>

NET NONOPERATING REVENUES (EXPENSES) (6,554)

CAPITAL CONTRIBUTIONS

Capital Contributions from Primary Government	193,237
Capital Contributions from Tennessee Emergency Communications Board	<u>236,735</u>
TOTAL CAPITAL CONTRIBUTIONS	<u>429,972</u>

CHANGE IN NET POSITION 357,362

NET POSITION - BEGINNING OF YEAR 509,869

NET POSITION - END OF YEAR \$ 867,231

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from surcharges and other revenues	\$ 552,739
Payments to suppliers for goods and services	(197,799)
Payments for payroll, taxes, and related benefits	<u>(425,798)</u>
NET CASH USED FOR OPERATING ACTIVITIES	<u>(70,858)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Proceeds from grants and reimbursements - TECB	93,806
Proceeds from miscellaneous income	<u>1,515</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>95,321</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(374,576)
Proceeds from primary government	193,237
Proceeds from grants and reimbursements - TECB	<u>236,735</u>
NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>55,396</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	285
Investment income	327
Reinvested in investments	(327)
Certificate of deposit investment	<u>(20,000)</u>
NET CASH USED FOR INVESTING ACTIVITIES	<u>(19,715)</u>
INCREASE IN CASH	60,144
CASH - BEGINNING OF YEAR	<u>250,350</u>
CASH - END OF YEAR	<u><u>\$ 310,494</u></u>

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

Net operating income	\$ (66,056)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	41,813
Changes in Assets and Liabilities	
Accounts receivable	10,384
Prepaid insurance	(909)
Due from other governments	(15,000)
Due from TECB	(10,931)
Accounts payable	(25,715)
Accrued liabilities	<u>(4,444)</u>
NET CASH USED FOR OPERATING ACTIVITIES	<u><u>\$ (70,858)</u></u>

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

1. GENERAL INFORMATION

Component Unit

McNairy County Emergency Communication District (the District) provides 911 emergency assistance to persons living in McNairy County. 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. McNairy County and the cities of Selmer, Adamsville, and Bethel Springs provide funding for the dispatchers' salaries in exchange for dispatching services provided by the District.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accounts of the District are organized on the basis of funds. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenses, as appropriate. The accounts in the financial statements in this report fall under one broad fund category as follows:

Proprietary Funds

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The District's financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position

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 GASB Statement No. 9.

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Balances reported at year-end include telephone wireless fees due from phone companies, dispatching revenue due from the County and the City and wireless charges due from the State of Tennessee.

Capital Assets

All capital assets of the District are recorded at original cost, except for donated equipment which is recorded at fair market value. Expenses which materially increase values or capacities, or extend useful lives of these assets are capitalized while expenses for maintenance and repairs are charged to operations as incurred. Any related interest cost is also added to the cost of the asset as appropriate.

Gains and losses from the sale 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.

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.

Operating Revenues and Expenses

Operating revenues and expenses are those that result from providing 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 daily operations are defined as non-operating.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any items that qualify for reporting in this category as of June 30, 2013.

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District does not have any items that qualify for reporting in this category as of June 30, 2013.

Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e. g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Net Position

In the District's financial statements, equity is classified as net position and displayed in three components:

- a. Investment in Capital Assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation.
- b. Restricted net position – Consists of net position with constraints place on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that do not meet the definition of restricted or investment in capital assets.

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. 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

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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, 2013 was 3.55% 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, 2013, the District's annual pension cost of \$8,322 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 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.

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.

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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.

(Dollar amounts in thousands)

Fiscal Year Ending	Annual Pension Cost(APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2013	\$8,322	100.00%	\$0.00
June 30, 2012	\$6,843	100.00%	\$0.00
June 30, 2011	\$5,216	100.00%	\$0.00
June 30, 2009	\$4,375	100.00%	\$0.00

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013, was as follows:

	Balance 7/1/2012	Additions	Retirements	Balance 6/30/2013
Capital assets being depreciated:				
Equipment	\$ 315,282	\$ 239,653	\$ 136,911	\$ 418,024
Improvements	108,903	134,923	108,903	134,923
Maps	179,985	-	124,590	55,395
Total capital assets being depreciated	604,170	374,576	370,404	608,342
Less accumulated depreciation for:				
Equipment	(216,241)	(23,500)	130,844	(108,897)
Improvements	(13,614)	(4,734)	14,975	(3,373)
Maps	(129,754)	(13,579)	122,098	(21,235)
Total accumulated depreciation	(359,609)	(41,813)	267,917	(133,505)
Total business-type activities capital assets, net	\$ 244,561	\$ 332,763	\$ 638,321	\$ 474,837

Depreciation expense of \$41,813 was recorded by the District.

In the current year, the District had a loss on disposal of property in the amount of \$102,487 and an expense for small equipment purchases of \$65,658. These expenses were incurred due to the physical relocation of the District. The loss on disposal was due to the District's forfeiting leasehold improvement upon moving. Additionally, small equipment and improvements were purchased to relocate to a new facility.

7. 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.

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

7.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, 2013, 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.

7.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 within appropriations at the line-item level.

7.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)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

8. ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

9. ACCOUNTING CHANGES

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*; Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position* became effective for the year ended June 30, 2013. The District early implemented Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which has an effective date of June 30, 2014.

GASB Statement No. 61 amends Statements No. 14 and No. 34 and modifies certain requirements for inclusion of component units in the financial reporting entity to ensure that the reporting entity includes only organization for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. Statement No. 61 also clarifies the criteria for blending component units and presenting business-type component units.

GASB Statement No. 62 incorporates into GASB's literature the provisions in Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' Committee on Accounting Procedure issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements. The option to use subsequent FASB guidance has been removed.

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources that were introduced and defined by Concepts Statement No. 4, *Elements of Financial Statements*. Previous financial reporting standards did not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. In addition, the previous Statement of Net Assets was renamed to a Statement of Financial Position.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

10. OPERATING LEASES

The District entered into an operating lease with the Town of Selmer and McNairy County for the use of the building in which they operate. This lease is for as long as the building is used by the District for a dispatch office. The rental agreement has a cancellation policy of 60 days notice.

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County)
REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF FUNDING PROGRESS – EMPLOYEE RETIREMENT SYSTEM
JUNE 30, 2013

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, 2013

Schedule of Funding Progress

Information relating to the District's pension can be found in the Notes to Financial Statements at Note 5. 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 POSITION - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Under (Over)</u>
OPERATING REVENUES			
Emergency Telephone Service Charges	\$ 145,000	\$ 139,940	\$ (5,060)
State Emergency Communication Board - Share wireless charges	90,000	64,089	(25,911)
Operational funding	152,790	176,791	24,001
Dispatching revenue	175,135	187,466	12,331
TOTAL OPERATING REVENUES	<u>562,925</u>	<u>568,286</u>	<u>5,361</u>
OPERATING EXPENSES			
<u>Salaries and Wages</u>			
Director	38,842	38,265	577
Administrative Personnel	29,050	28,638	412
Dispatchers	166,753	164,168	2,585
Data Processing Personnel	29,090	28,689	401
Overtime Pay	31,300	31,276	24
Part-time Personnel	18,650	18,251	399
Pay Bonuses	10,500	10,250	250
Holiday Pay	9,830	9,420	410
<u>Employee Benefits</u>			
Social Security	20,650	20,623	27
Medicare	4,850	4,832	18
Life Insurance	1,000	782	218
Medical Insurance	51,500	50,531	969
Dental Insurance	5,650	5,492	158
Unemployment Compensation	2,000	1,815	185
Retirement Compensation	8,500	8,322	178
<u>Contracted Services</u>			
Addressing/Mapping Expenses	9,000	75	8,925
Advertising	400	99	301
Audit Services	3,000	3,000	-
Accounting Services	3,000	3,000	-
Legal Services	1,000	900	100
NCIC Expenses	4,900	4,900	-
Data Maxx Support Renewal	2,220	2,220	-
Lease/Rental-Building and Facilities	240	240	-
Lease/Rental-Office Equipment	1,240	1,236	4
Maintenance & Repairs-Communications Equip	2,200	1,938	262
Maintenance & Repairs-Building Facilities	1,750	1,361	389
Maintenance & Repairs-Office Equipment	1,500	1,014	486
Maintenance & Repairs-Vehicles	2,000	1,531	469
Fuel for Vehicle	7,821	5,151	2,670
<u>Supplies and Materials</u>			
Office Supplies	9,552	9,465	87
Custodial Supplies	1,500	1,112	388
Postage	400	317	83
Small Equipment Purchases	66,000	65,658	342
Uniforms and Shirts	1,000	650	350
Utilities-Electric	4,500	4,347	153
Utilities-Water	1,800	1,798	2
Utilities-General Telephone	29,000	28,670	330
Utilities-Cell Phones	1,800	1,346	454

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County)
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - BUDGET AND ACTUAL (CONT.)
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Under (Over)</u>
<u>Other Charges</u>			
Bank Charges	400	-	400
Board Meeting Expenses	700	147	553
Dues and Memberships	1,500	267	1,233
Insurance-Workers Compensation	1,800	1,254	546
Insurance-Liability	9,660	8,026	1,634
Insurance-Building and contents	500	-	500
Insurance-Vehicles	1,500	1,368	132
Premiums on Surety Bonds	1,000	970	30
Public Education	1,500	433	1,067
Service Awards	1,500	1,056	444
Training Expenses	2,000	1,414	586
Travel Expenses	14,700	14,663	37
Internet Charges	1,550	1,549	1
<u>Depreciation</u>			
Depreciation Expense	49,000	41,813	7,187
TOTAL OPERATING EXPENSES	<u>671,298</u>	<u>634,342</u>	<u>36,956</u>
NET OPERATING LOSS	<u>(108,373)</u>	<u>(66,056)</u>	<u>42,317</u>
NONOPERATING REVENUES AND (EXPENSES)			
Interest income	200	285	85
Investment income	-	327	327
TECB-Grants and reimbursements	38,075	93,806	55,731
Miscellaneous income	-	1,515	1,515
Loss on disposal or property	(103,365)	(102,487)	878
NET NONOPERATING REVENUES (EXPENSES)	<u>(65,090)</u>	<u>(6,554)</u>	<u>58,536</u>
CAPITAL CONTRIBUTIONS			
Capital Contributions from Primary Government	12,015	193,237	181,222
Capital Contributions from TECB	-	236,735	236,735
TOTAL CAPITAL CONTRIBUTIONS	<u>12,015</u>	<u>429,972</u>	<u>417,957</u>
CHANGE IN NET POSITION	(161,448)	357,362	518,810
NET POSITION - BEGINNING OF YEAR	<u>509,869</u>	<u>509,869</u>	<u>-</u>
NET POSITION - END OF YEAR	<u>\$ 348,421</u>	<u>\$ 867,231</u>	<u>\$ 518,810</u>

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County)
SCHEDULE OF DETAILED EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013

Operating Expenses

Salaries and Wages

Director	\$ 38,265
Administrative Personnel	28,638
Dispatchers	164,168
Data Processing Personnel	28,689
Overtime Pay	31,276
Part-time Personnel	18,251
Pay Bonuses	10,250
Holiday Pay	9,420
<u>Total Salaries and Wages</u>	<u>328,957</u>

Employee Benefits

Social Security	20,623
Medicare	4,832
Life Insurance	782
Medical Insurance	50,531
Dental Insurance	5,492
Unemployment Compensation	1,815
Retirement Compensation	8,322
<u>Total Employee Benefits</u>	<u>92,397</u>

Contracted Services

Addressing/Mapping Expenses	75
Advertising	99
Audit Services	3,000
Accounting Services	3,000
Legal Services	900
NCIC Expenses	4,900
Data Maxx Support Renewal	2,220
Lease/Rental-Building and Facilities	240
Lease/Rental-Office Equipment	1,236
Maintenance & Repairs-Communications Equipment	1,938
Maintenance & Repairs-Building Facilities	1,361
Maintenance & Repairs-Office Equipment	1,014
Maintenance & Repairs-Vehicles	1,531
Fuel for Vehicle	5,151
<u>Total Contracted Services</u>	<u>26,665</u>

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County)
SCHEDULE OF DETAILED EXPENSES (CONT.)
FOR THE YEAR ENDED JUNE 30, 2013

<u>Supplies and Materials</u>	
Office Supplies	\$ 9,465
Custodial Supplies	1,112
Postage	317
Small Equipment Purchases	65,658
Uniforms and Shirts	650
Utilities-Electric	4,347
Utilities-Water	1,798
Utilities -General Telephone	28,670
Utilities-Cell phones	1,346
<u>Total Supplies and Materials</u>	<u>113,363</u>
<u>Other Charges</u>	
Board Meeting Expenses	147
Dues and Memberships	267
Insurance-Workers Compensation	1,254
Insurance-Liability	8,026
Insurance-Vehicles	1,368
Premiums on surety bonds	970
Public Education	433
Service Awards	1,056
Training Expenses	1,414
Travel Expenses	14,663
Internet Charges	1,549
<u>Total Other Charges</u>	<u>31,147</u>
<u>Depreciation</u>	
Depreciation Expense	<u>41,813</u>
<u>Total Depreciation</u>	<u>41,813</u>
<u>Total Operating Expenses</u>	<u>\$ 634,342</u>

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

JUNE 30, 2013

Federal Grantor/Pass- Through Grantor/ Program Title	Federal CFDA Number	Pass- Through Grantor's Number	Accrued Revenue at July 1 , 2012	Receipts	Expenditures	Accrued(Deferred) Revenue at June 30, 2013
FEDERAL AWARDS						
Department of Economic and Community Development Disaster Relief - CDBG	14.228	GG-1033115	\$ -	\$ 193,237	\$ 193,237	\$ -
TOTAL FEDERAL AWARDS			<u>\$ -</u>	<u>\$ 193,237</u>	<u>\$ 193,237</u>	<u>\$ -</u>

Memo: "Accrued" is due from grantor.
 "Deferred" is unexpended revenue.

Notes to Schedule of Expenditures of Federal Awards

Note A - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards is a summary of the activity of the District's federal award programs presented on the accrual basis of accounting in accordance with generally accepted accounting principles.



**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, 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, the 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, 2013, and the related notes to the financial statements, which comprise the District's basic financial statements and have issued our report thereon dated December 16, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be a material weaknesses.

2013-01 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.

2013-02 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 from 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*.

District's Response to Findings

The District's response to the findings identified in our audit is described above. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DISPOSITION OF PRIOR AUDIT FINDINGS:

2012-03 EXPENDITURES EXCEEDING APPROPRIATIONS – corrected.

2012-04 AUTHORIZED PERSONNEL NOT ADEQUATELY BONDED – corrected.

Madwin & Associates, PLLC

December 16, 2013