

MCNAIRY COUNTY EMERGENCY
COMMUNICATION DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2015

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County)
INDEPENDENT AUDITOR'S REPORT, FINANCIAL
STATEMENTS AND SUPPLEMENTAL INFORMATION
JUNE 30, 2015

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**McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County)
ROSTER OF BOARD OF DIRECTORS
JUNE 30, 2015**

Darrell Goodrum – Chairman

Richie Bodiford

Neal Burks

Anthony Carr

Guy Buck

Rudy Moore

Steve Simon

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, 2015, 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, 2015, 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.

Change in Accounting Principles

As described in Note 9, the District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which has an effective date of June 30, 2015. Our opinion is not modified with respect to these matters.

Emphasis of Matter

We draw attention to Note 2.C to the financial statements, which describes a restatement to the beginning net position totaling (\$42,954). This restatement was necessary because of the transitional requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to these matters.

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 and the schedule of changes in the District's net pension liability (asset) and related ratios and schedule of the District's contributions on pages 21-22 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 24 – 27) 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 3, 2015, 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 3, 2015



McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County, Tennessee)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

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, 2015. Readers are encouraged to consider the information presented here in conjunction with the District's financial statements.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$1,006,157 (*net position*). Of this amount, \$432,351 represents unrestricted net position, which may be used to meet the District's ongoing obligations.
- Net position decreased \$10,423 or 1.04%.
- Operating revenues were \$531,914, an increase from the prior year (\$506,798) by \$25,116 or 4.96%.
- Operating expenses were \$590,260, a decrease from the prior year (\$620,615) by \$30,355 or 4.89%.
- The operating income (loss) for the year was (\$58,346) compared to (\$113,817) in the prior year.

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 - 20.

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 21 – 22 of this report. Notes to required supplementary information can be found on page 23.

Other supplemental information concerning the District is required by the Tennessee Emergency Communication Board. This other supplemental information can be found on pages 24 – 27 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, 2015

Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$1,006,157 at the close of the most recent fiscal year.

Statement of Net Position

	<u>June 30, 2015</u>	<u>Percent of Total</u>	<u>June 30, 2014</u>	<u>Percent of Total</u>
Current and other assets	\$ 622,704	59.02%	\$ 622,858	58.20%
Capital assets	432,352	40.98%	447,260	41.80%
Total assets	<u>1,055,056</u>	<u>100.00%</u>	<u>1,070,118</u>	<u>100.00%</u>
Deferred Outflow of Resources	<u>10,904</u>	<u>100.00%</u>	<u>-</u>	<u>100.00%</u>
Current liabilities	15,453	62%	10,584	100%
Noncurrent liabilities	9,435	38%	-	0%
Total liabilities	<u>24,888</u>	<u>100%</u>	<u>10,584</u>	<u>100%</u>
Deferred Inflow of Resources	<u>34,915</u>	<u>100%</u>	<u>-</u>	<u>100%</u>
Investment in capital assets	432,352	42.97%	447,260	42.21%
Unrestricted net position	573,805	57.03%	612,274	57.79%
Total net position	<u>\$ 1,006,157</u>	<u>100.00%</u>	<u>\$ 1,059,534</u>	<u>100.00%</u>

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

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Increase/ (Decrease)</u>	<u>% Change</u>
Revenues				
Operating revenues	\$ 531,914	\$ 506,798	\$ 25,116	5%
Expenses				
Salaries and wages	310,600	311,885	(1,285)	0%
Employee benefits	93,314	101,380	(8,066)	-8%
Contracted services	45,321	52,982	(7,661)	-14%
Supplies and materials	46,983	51,266	(4,283)	-8%
Other charges	33,072	46,276	(13,204)	-29%
Depreciation	60,970	56,826	4,144	7%
Total expenses	<u>590,260</u>	<u>620,615</u>	<u>(30,355)</u>	<u>-5%</u>
Operating income (loss)	(58,346)	(113,817)	55,471	-49%
Nonoperating revenue (expenses)	47,923	102,067	(54,144)	53%
Income before capital contribution	(10,423)	(11,750)	1,327	-11%
Capital Contributions	-	204,053	(204,053)	-
Change in net position	(10,423)	192,303	(202,726)	-105%
Net position - beginning of year, as originally stated	1,059,534	867,231	192,303	22%
Prior period adjustment	(42,954)	-	(42,954)	100%
Net position - beginning of year, as restated	1,016,580	867,231	149,349	17%
Net position - end of year	<u>\$ 1,006,157</u>	<u>\$ 1,059,534</u>	<u>\$ (53,377)</u>	<u>-5%</u>

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County, Tennessee)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

The District had a loss of (\$10,423) compared to a profit in the prior year of \$192,303. This change is primarily due to the decrease of capital contributions in the current year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 2015, the District had \$432,352 invested in a broad range of capital assets, including communications equipment, vehicles, and maps. This amount represents an increase of \$46,062 (before depreciation) due to purchases in the current year. Additional information on capital assets is in Note 6.

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 State of Tennessee as well as operating grants and capital grants from the State Emergency Communication Board. The Tennessee State Legislature approved a new funding model for all Districts setting the rate at \$1.16 for all devices effective January 1, 2015.

A budget is prepared before each fiscal year. Next year the budget shows total revenues and expenses of \$612,513.

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 COMMUNICATIONS DISTRICT
(a component unit of McNairy County, Tennessee)
STATEMENT OF NET POSITION
JUNE 30, 2015

ASSETS

Current Assets

Cash	\$ 459,358
Certificates of deposit	138,709
Due from other governments	15,500
Prepaid expenses	9,137
<u>Total Current Assets</u>	622,704

Noncurrent Assets

Capital Assets Being Depreciated

Maps	84,644
Improvements	134,923
Moveable equipment	464,086
<u>Total Capital Assets</u>	683,653
Accumulated Depreciation	(251,301)
Capital Assets, net	432,352

Total Assets	1,055,056
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Deferred Outflow of Resources

Pension Contribution After Measurement Date	10,904
<u>Total Deferred Outflow of Resources</u>	10,904

LIABILITIES

Current Liabilities

Accounts payable	4,945
Compensated absences payable	9,910
Accrued payroll taxes	598
<u>Total Current Liabilities</u>	15,453

Noncurrent Liabilities

Net Pension Liability	9,435
<u>Total Liabilities</u>	24,888

Deferred Inflow of Resources

Pension Changes in Experience	10,873
Pension Changes in Investment Earnings	24,042
<u>Total Deferred Inflow of Resources</u>	34,915

NET POSITION

Investment in capital assets	432,352
Unrestricted net position	573,805

TOTAL NET POSITION	\$ 1,006,157
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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, 2015

OPERATING REVENUES	
Emergency telephone service charges	\$ 51,743
State Emergency Communications Board -	
Shared wireless charges	24,423
Surcharge base amount	201,102
Operational funding	71,430
Dispatching revenue	<u>183,216</u>
TOTAL OPERATING REVENUES	<u>531,914</u>
OPERATING EXPENSES	
Salaries and wages	310,600
Employee benefits	93,314
Contracted services	45,321
Supplies and materials	46,983
Other charges	33,072
Depreciation	<u>60,970</u>
TOTAL OPERATING EXPENSES	<u>590,260</u>
NET OPERATING INCOME (LOSS)	<u>(58,346)</u>
NONOPERATING REVENUES AND (EXPENSES)	
Interest income	716
Investment income	294
Tennessee Emergency Communications Board-Grants and Reimbursements	<u>46,913</u>
NET NONOPERATING REVENUES (EXPENSES)	<u>47,923</u>
CHANGE IN NET POSITION	<u>(10,423)</u>
NET POSITION - BEGINNING OF YEAR, as originally stated	1,059,534
Prior period adjustment	<u>(42,954)</u>
NET POSITION - BEGINNING OF YEAR, as restated	1,016,580
NET POSITION - END OF YEAR	<u><u>\$ 1,006,157</u></u>

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from surcharges and other revenues	\$ 539,673
Payments to suppliers for goods and services	(129,939)
Payments for payroll, taxes, and related benefits	<u>(403,990)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>5,744</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Proceeds from grants and reimbursements - TECB	<u>46,913</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>46,913</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	<u>(46,062)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	716
Investment income	294
Purchase of certificates of deposit	(90,000)
Reinvested in investments	<u>(294)</u>
NET CASH USED FOR INVESTING ACTIVITIES	<u>(89,284)</u>
DECREASE IN CASH	(82,689)
CASH - BEGINNING OF YEAR	<u>542,047</u>
CASH - END OF YEAR	<u><u>\$ 459,358</u></u>

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

Net operating income (loss)	\$ (58,346)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	60,970
Adjustment from retirement contributions to pension expense	(9,508)
Changes in Assets and Liabilities	
Accounts receivable	8,206
Due from other governments	(11,750)
Due from TECB	11,303
Accrued liabilities	<u>4,869</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 5,744</u></u>

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

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, 2015

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 consists of dispatching revenue due from the County and the City, which are reposted as Due from Other Governments.

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.

Compensated Absences

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 has items that qualify for reporting in this category. Accordingly, the items are reported in the enterprise fund balance sheet. These items are for employer contributions made to the pension plan after the measurement date.

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

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 has items that qualify for reporting in this category. Accordingly, the items are reported in the enterprise fund balance sheet. These items are for pension changes in experience and investment earnings. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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.

Restatement

In prior years, the District was not required to recognize a liability for its defined benefit pension plan. However, with the implementation of GASB Statement No. 68, government employers are required to recognize a new pension liability in their Statement of Net Position. Therefore, a restatement of the District's beginning net position has been recognized in the Statement of Revenues, Expenses, and Changes in Net Position totaling (\$42,954).

D. Pension Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from the District's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

3. REVENUES

Revenues are derived from telephone customers in the area served by the District. Through December 2014, the telephone company collected the fees on the monthly telephone bills and remitted them to the District. Beginning January 2015, the telephone companies remitted these fees to the State of Tennessee. The State of Tennessee then remits to the District a base amount. Revenues are also derived from wireless charges from cellular phone fees. Through December 2014, the State of Tennessee collected these fees and remitted them to the District bimonthly. Beginning January 2015, the State of Tennessee remitted a base amount to the District, which included these fees in their calculation.

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 provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees Covered by Benefit Terms

At the measurement date of June 30, 2014, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	8
Active employees	8
	<u>19</u>

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. The District makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for the District were \$10,904.11 based on a rate of 5.31 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the District's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

The District's net pension liability (asset) was measured as of June 30, 2014, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total pension liability as of June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases percent	Graded salary ranges from 8.97 to 3.71 percent
	based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.5 percent

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from Madison County Emergency Communications District will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at 6/30/13	\$ 385,287	\$ 333,741	\$ 51,546
Changes for the year:			
Service cost	16,956	-	16,956
Interest	29,302	-	29,302
Differences between expected and actual experience	(13,048)	-	(13,048)
Contributions-employer	-	8,592	(8,592)
Contributions-employees	-	12,102	(12,102)
Net investment income	-	54,980	(54,980)
Benefit payments, including refunds of employee contributions	(23,109)	(23,109)	-
Administrative expense	-	(353)	353
Net changes	10,101	52,212	(42,111)
Balance at 6/30/14	\$ 395,388	\$ 385,953	\$ 9,435

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of Madison County Emergency Communications District calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
McNairy County Emergency Communications District's net pension liability (asset)	\$ 60,656	\$ 9,435	\$ (32,024)

Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension expense. For the year ended June 30, 2015, McNairy County Emergency Communications District recognized pension expense of \$1,396.

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

□

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2015, Madison County Emergency Communications District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ -	\$ 10,873
Net difference between projected and actual earnings on pension plan investments	-	24,042
Contributions subsequent to the measurement date of June 30, 2014	10,904	(not applicable)
Total	\$ 10,904	\$ 34,915

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2014,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2016	\$	(8,186)
2017		(8,186)
2018		(8,186)
2019		(8,186)
2020		(2,175)
Thereafter		-

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

Payable to the Pension Plan

At June 30, 2015, the District reported a payable of \$2,012 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2015.

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015, was as follows:

	<u>Balance</u> <u>7/1/2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/2015</u>
Capital assets being depreciated:				
Equipment	\$ 418,024	\$ 46,062	\$ -	\$ 464,086
Improvements	134,923	-	-	134,923
Maps	84,644	-	-	84,644
Total capital assets being depreciated	<u>637,591</u>	<u>46,062</u>	<u>-</u>	<u>683,653</u>
Less accumulated depreciation for:				
Equipment	(143,506)	(37,295)	-	(180,801)
Improvements	(10,119)	(6,746)	-	(16,865)
Maps	(36,706)	(16,929)	-	(53,635)
Total accumulated depreciation	<u>(190,331)</u>	<u>(60,970)</u>	<u>-</u>	<u>(251,301)</u>
Total business-type activities capital assets, net	<u>\$ 447,260</u>	<u>\$ (14,908)</u>	<u>\$ -</u>	<u>\$ 432,352</u>

Depreciation expense of \$60,970 was recorded by the District.

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.

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 year-end, 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 exposed to custodial credit risk due to \$126,854 exceeding 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 exceeded appropriations at the line-item level.

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

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 and how expenses are reimbursable.

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.

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. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an Amendment of GASB No. 68* became effective for the year ended June 30, 2015.

GASB Statement No. 68 replaces the requirements of Statements No. 27 and No. 50 as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pension plans that are not covered by the scope of this statement. This statement establishes standards for measuring and recognizing liabilities, deferred outflows/inflows, and expenses/expenditures.

GASB Statement No. 71 addresses issues related to contributions made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

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. Rental expenses for the year were \$1,311 for a copier operating lease.

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County, Tennessee)
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS BASED ON
PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS
LAST FISCAL YEAR ENDING JUNE 30

	2014
Total pension liability	
Service cost	\$ 16,956
Interest	29,302
Changes in benefit terms	-
Differences between actual & expected experience	(13,048)
Change of assumptions	-
Benefit payments, including refunds of employee contributions	(23,109)
Net change in total pension liability	<u>10,101</u>
Total pension liability - beginning	<u>385,287</u>
Total pension liability - ending (a)	<u><u>\$ 395,388</u></u>
Plan fiduciary net position	
Contributions - employer	\$ 8,592
Contributions - employee	12,102
Net investment income	54,980
Benefit payments, including refunds of employee contributions	(23,109)
Administrative expense	(353)
Net change in plan fiduciary net position	<u>52,212</u>
Plan fiduciary net position - beginning	<u>333,741</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 385,953</u></u>
Net Pension Liability (asset) - ending (a) - (b)	<u><u>\$ 9,435</u></u>
Plan fiduciary net position as a percentage of total pension liability	97.61%
Covered - employee payroll	\$ 242,033
Net pension liability (asset) as a percentage of covered - employee payroll	3.90%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future years until 10 years of information is available.

**SCHEDULE OF McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT'S CONTRIBUTIONS
 BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS
 LAST FISCAL YEAR ENDING JUNE 30**

	<u>2014</u>	<u>2015</u>
Actuarially determined contribution	\$ 8,592	\$ 10,904
Contributions in relation to the actuarially determined contribution	<u>8,592</u>	<u>10,904</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered - employee payroll	\$ 242,033	\$ 205,349
Contributions as a percentage covered-employee payroll	3.55%	5.31%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future years until 10 years of information is available.

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County, Tennessee)
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015

Notes to Schedule

Valuation date: Actuarially determined contribution rates for 2015 were calculated based on the July 1, 2013 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	10 years
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment Rate of Return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.5 percent

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, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
OPERATING REVENUES			
Emergency Telephone Service Charges	\$ 58,000	\$ 51,743	\$ (6,257)
State Emergency Communication Board -			
Shared wireless charges	35,649	24,423	(11,226)
Surcharge base amount	201,100	201,102	2
Operational funding	71,430	71,430	-
Dispatching revenue	183,150	183,216	66
	<u>549,329</u>	<u>531,914</u>	<u>(17,415)</u>
TOTAL OPERATING REVENUES			
OPERATING EXPENSES			
<u>Salaries and Wages</u>			
Director	40,981	44,042	(3,061)
Administrative Personnel	28,682	31,681	(2,999)
Dispatchers	170,956	190,847	(19,891)
Data Processing Personnel	30,336	31,920	(1,584)
Overtime Pay	12,000	1,055	10,945
Part-time Personnel	15,000	2,883	12,117
Pay Bonuses	5,150	4,075	1,075
Holiday Pay	10,900	4,097	6,803
<u>Employee Benefits</u>			
Social Security	19,300	19,259	41
Medicare	4,550	4,504	46
Life Insurance	1,000	806	194
Medical Insurance	60,920	59,537	1,383
Dental Insurance	8,000	5,851	2,149
Unemployment Compensation	2,000	1,961	39
Pension Expense	10,500	1,396	9,104
<u>Contracted Services</u>			
Addressing/Mapping Expenses	1,000	-	1,000
Advertising	480	96	384
Audit Services	3,000	3,000	-
Accounting Services	3,250	3,000	250
Contracts with Private Agencies	2,000	1,700	300
Janitorial Services	2,000	2,292	(292)
Legal Services	1,000	1,000	-
Maintenance Agreements	9,050	9,029	21
NCIC Expenses	2,700	4,600	(1,900)
Data Maxx Support Renewal	1,700	-	1,700
Pest Control	275	260	15
Lease/Rental-Office Equipment	1,240	1,311	(71)
Maintenance & Repairs-Communications Equip	32,850	11,720	21,130
Maintenance & Repairs-Building Facilities	3,750	598	3,152
Maintenance & Repairs-Office Equipment	3,000	3,841	(841)
Maintenance & Repairs-Vehicles	2,000	1,234	766
Fuel for Vehicle	3,000	1,640	1,360
<u>Supplies and Materials</u>			
Office Supplies	6,000	5,206	794
Custodial Supplies	2,000	514	1,486
Postage	500	294	206
Small Equipment Purchases	7,000	1,863	5,137
Uniforms and Shirts	1,000	234	766
Utilities-Electric	12,000	10,564	1,436
Utilities-Gas	1,940	1,066	874
Utilities-Water	800	612	188
Utilities-General Telephone	25,100	25,304	(204)
Utilities-Cell Phones	1,800	1,326	474

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, 2015

	Budget	Actual	Variance Positive (Negative)
<u>Other Charges</u>			
Bank Charges	400	-	400
Board Meeting Expenses	700	926	(226)
Dues and Memberships	1,500	541	959
Insurance-Workers Compensation	2,000	1,000	1,000
Insurance-Liability	10,300	10,985	(685)
Insurance-Building and contents	2,500	-	2,500
Insurance-Vehicles	1,800	1,240	560
Premiums on Surety Bonds	1,200	489	711
Public Education	6,250	1,299	4,951
Service Awards	1,500	1,198	302
Training Expenses	16,600	3,180	13,420
Travel Expenses	12,000	12,214	(214)
<u>Depreciation</u>			
Depreciation Expense	57,000	60,970	(3,970)
TOTAL OPERATING EXPENSES	664,460	590,260	74,200
 NET OPERATING LOSS	 (115,131)	 (58,346)	 56,785
 NONOPERATING REVENUES AND (EXPENSES)			
Interest income	300	716	416
Investment income	-	294	294
TECB-Grants and reimbursements	-	46,913	46,913
Insurance reimbursements	62,700	-	(62,700)
NET NONOPERATING REVENUES (EXPENSES)	63,000	47,923	(15,077)
 CHANGE IN NET POSITION	 (52,131)	 (10,423)	 41,708
 NET POSITION - BEGINNING OF YEAR, as originally stated	 1,059,534	 1,059,534	 -
 Prior period adjustment	 (42,954)	 (42,954)	 -
 NET POSITION - BEGINNING OF YEAR, as restated	 1,016,580	 1,016,580	 -
 NET POSITION - END OF YEAR	 \$ 964,449	 \$ 1,006,157	 \$ 41,708

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County)
SCHEDULE OF DETAILED EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015

Operating Expenses

Salaries and Wages

Director	\$ 44,042
Administrative Personnel	31,681
Dispatchers	190,847
Data Processing Personnel	31,920
Overtime Pay	1,055
Part-time Personnel	2,883
Pay Bonuses	4,075
Holiday Pay	4,097
<u>Total Salaries and Wages</u>	<u>310,600</u>

Employee Benefits

Social Security	19,259
Medicare	4,504
Life Insurance	806
Medical Insurance	59,537
Dental Insurance	5,851
Unemployment Compensation	1,961
Pension Expense	1,396
<u>Total Employee Benefits</u>	<u>93,314</u>

Contracted Services

Advertising	96
Audit Services	3,000
Accounting Services	3,000
Contracts with Private Agencies	1,700
Janitorial Services	2,292
Legal Services	1,000
Maintenance agreements	9,029
NCIC Expenses	4,600
Pest Control	260
Lease/Rental-Office Equipment	1,311
Maintenance & Repairs-Communications Equipment	11,720
Maintenance & Repairs-Building Facilities	598
Maintenance & Repairs-Office Equipment	3,841
Maintenance & Repairs-Vehicles	1,234
Fuel for Vehicle	1,640
<u>Total Contracted Services</u>	<u>45,321</u>

McNAIRY COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of McNairy County)
SCHEDULE OF DETAILED EXPENSES (CONT.)
FOR THE YEAR ENDED JUNE 30, 2015

<u>Supplies and Materials</u>	
Office Supplies	\$ 5,206
Custodial Supplies	514
Postage	294
Small Equipment Purchases	1,863
Uniforms and Shirts	234
Utilities-Electric	10,564
Utilities -Gas	1,066
Utilities-Water	612
Utilities -General Telephone	25,304
Utilities-Cell phones	1,326
<u>Total Supplies and Materials</u>	<u>46,983</u>
 <u>Other Charges</u>	
Board Meeting Expenses	926
Dues and Memberships	541
Insurance-Workers Compensation	1,000
Insurance-Liability	10,985
Insurance-Vehicles	1,240
Premiums on surety bonds	489
Public Education	1,299
Service Awards	1,198
Training Expenses	3,180
Travel Expenses	12,214
<u>Total Other Charges</u>	<u>33,072</u>
 <u>Depreciation</u>	
Depreciation Expense	<u>60,970</u>
<u>Total Depreciation</u>	<u>60,970</u>
 <u>Total Operating Expenses</u>	 <u><u>\$ 590,260</u></u>



**INDEPENDENT AUDITOR'S 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, 2015, and the related notes to the financial statements, which comprise the District's basic financial statements and have issued our report thereon dated December 3, 2015.

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 and significant deficiencies.

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 deficiency 2013-001 to be a material weaknesses.

2013-001 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.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

2014-002 UNCOLLATERALIZED DEPOSITS

The District had uninsured and uncollateralized deposits at year-end.

Recommendation: We recommend that the District obtain collateral for all deposits in excess of the federal depository insurance.

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

2015-001 FAILURE TO BOND EMPLOYEE WHO HANDLES FUNDS

The District had one employee who was not bonded during the current fiscal year.

Recommendation: We recommend that the District obtain surety bonding on all employees who handle District funds.

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

2015-002 EXPENDITURES EXCEED BUDGETED AMOUNTS

The District had line item expenditures that exceeded approved budgeted amounts.

Recommendation: We recommend that the District spend money in accordance with the approved budget and amend the budget as necessary throughout the year.

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

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:

2014-001 INADEQUATE SUPPORT – corrected.

December 3, 2015

