

**MADISON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT
(A Component Unit of Madison County, Tennessee)**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

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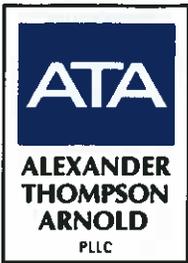
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INTRODUCTORY SECTION

MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF OFFICIALS
JUNE 30, 2009

<u>Official</u>	<u>Position</u>
Jeff Davis	Chairman
David Woolfork	Vice-Chairman
Jennifer Brandon	Secretary
Becky Hayes	Treasurer
Fred Birmingham	Board Member
Denise Bond	Board Member
Ida Burton	Board Member
Ron Hornburger	Board Member
Darryl Samuels	Board Member

FINANCIAL SECTION



Certified Public Accountants

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Members of:
American Institute of Certified Public Accountants
Governmental Audit Quality Center – AICPA
Tennessee Society of Certified Public Accountants
Center for Public Company Audit Firms
Employee Benefit Plan Audit Quality Center – AICPA

www.atacpa.net

Independent Auditors' Report

Board of Directors
Madison County Emergency Communications District
Jackson, Tennessee

We have audited the accompanying financial statements of Madison County Emergency Communications District (a component unit of Madison County, Tennessee) (the District) as of and for the year ended June 30, 2009, which comprise the District's basic financial statements as listed in the Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the financial statements present only the Madison County Emergency Communications District and are not intended to present fairly the financial position of Madison County, Tennessee, and the results of its operations and cash flows of its proprietary fund types in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2009, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2009, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Dyersburg, TN
Fulton, KY
Henderson, TN
Jackson, TN
Martin, TN

Milan, TN
McKenzie, TN
Paris, TN
Trenton, TN
Union City, TN

Board of Directors
Madison County Emergency Communications District
Jackson, Tennessee

The management's discussion and analysis on pages 4 through 8, the schedule of information required by Tennessee Emergency Communications Board, and the pension data on page 18 are not a required part of the accompanying financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the accompanying financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information listed in the table of contents as the introductory section and other supplemental information is not a required part of the financial statements. The other supplemental information, except that which has been marked "unaudited," has been subjected to the auditing procedures applied in the audit of the accompanying financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the accompanying financial statements and, accordingly, we express no opinion on it.



Certified Public Accountants
Jackson, Tennessee
August 28, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Madison County Emergency Communications District (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, 2009. All amounts, unless otherwise indicated, are expressed in actual dollars.

FINANCIAL HIGHLIGHTS

Management believes the District's financial condition is strong. The District is well within its budget and the more stringent financial policies and guidelines set by the Board and management. The following are key financial highlights.

- Total assets at year-end were \$3.55 million and exceeded liabilities in the amount of \$3.49 million (i.e. net assets). Total assets increased by \$286 thousand based on the purchase of an upgraded radio system for the Madison County Sheriff's PSAP; the addition of a 5th position at Central Dispatch; and the purchase of upgraded uninterruptible power supplies at all PSAP's.
- Net assets increased \$272 thousand during the current year based on the purchase of an upgraded radio system for the Madison County Sheriff's PSAP; the addition of a 5th position at Central Dispatch; and the purchase of upgraded uninterruptible power supplies at all PSAP's.
- During fiscal year 2009, the District's Public Safety Answering Points answered 79,243 calls compared to 80,531 calls during the fiscal year 2008.
- Operating revenues were \$845 thousand, a decrease from year 2008 in the amount of \$65 or 0.01%.
- Operating expenses were \$659 thousand, an increase from year 2008 in the amount of \$45 thousand or 7.24%. This increase was due to the installation of a 5th position at Central Dispatch and upgraded uninterruptible power supplies at all PSAP's. This expense was budgeted and paid for from the District operating account. Other upgrades purchased by the District during this fiscal year were budgeted and paid for from the District investment funds.
- The operating income for the year was \$186 thousand as compared to a \$231 thousand operating income during the 2008 fiscal year.
- Ratios of operating income to total operating revenue were 1:4 for 2009 and 1:3 for 2008.

OVERVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the financial statements and supplementary information. The MD&A represents management's examination and analysis of the District's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the District's strategic plan, budget and other management tools were used for this analysis. The financial report is made up of 4 sections: 1) the introductory section, 2) the financial section, 3) the other supplemental information, and 4) the internal control and compliance section. The introductory section includes the District's directory. The financial section includes the MD&A, the independent auditors' report, the financial statements with accompanying notes, and the supplementary information. The other supplementary information section includes selected financial and operational information. The internal control and compliance section includes the report on internal control and compliance. These sections make up the financial report presented here.

REQUIRED FINANCIAL STATEMENTS

A Proprietary Fund is used to account for the operations of the District, which is financed and operated in a manner similar to private business enterprises where the intent is that the costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

The financial statements report information about the District, using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities.

The *Statement of Net Assets* presents the financial position of the District on a full accrual, historical cost basis. The statement of net assets includes all of the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to the District's creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District.

The *Statement of Revenues, Expenses and Changes in Fund Net Assets* presents the results of the business activities over the course of the fiscal year and information as to how the net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement measures the success of the District's operations and can be used to determine whether the District has successfully recovered all of its costs. This statement also measures the District's profitability and credit worthiness.

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 are essential to a full understanding of material data provided in the statements. The notes present information about the District's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any. A *Supplementary Schedule* comparing the budget to actual expenses is also presented.

FINANCIAL ANALYSIS

One of the most important questions asked about the District's finances is "Is the District, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Fund Net Assets report information about the District's activities in a way that will help answer this question. These two statements report the net assets of the District and the changes in the net assets. Net assets are one way to measure the financial health or financial position of the District. Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating. However, you will need to also consider other non-financial factors such as changes in economic conditions, customer growth, and legislative mandates.

The District's total net assets increased by \$272 thousand for the fiscal year ended June 30, 2009. The analysis below focuses on the District's net assets (Table 1) and changes in net assets (Table 2) during the year.

Table 2A
CONDENSED STATEMENT NET ASSETS

	June 30, 2009	June 30, 2008	Increase (Decrease)	
			\$	%
Current and other assets	\$ 2,953,266	\$ 2,830,920	\$ 122,346	4.32%
Capital assets	597,478	434,003	163,475	37.67%
Total assets	<u>3,550,744</u>	<u>3,264,923</u>	<u>285,821</u>	8.75%
Total liabilities	<u>60,635</u>	<u>46,411</u>	<u>14,224</u>	30.65%
Investment in capital assets	597,478	434,003	163,475	37.67%
Unrestricted net assets	<u>2,892,631</u>	<u>2,784,509</u>	<u>108,122</u>	3.88%
Total net assets	3,490,109	3,218,512	271,597	8.44%

The changes in capital assets were funded primarily from the District investment funds. The increase in current and other assets was based on the purchase of an upgraded radio system for the Madison County Sheriff's PSAP; the addition of a 5th position at Central Dispatch; and the purchase of upgraded uninterruptible power supplies at all PSAP's. The overall increase in net assets was due to an increase in fixed assets.

Changes in the District's net assets can be determined by reviewing the following condensed Statement of Income, Expenses and Changes in Fund Net Assets for the years.

Table 2B
**CONDENSED STATEMENT OF INCOME, EXPENSES
AND CHANGES IN FUND NET ASSETS**

	June 30, 2009	June 30, 2008	Increase (Decrease)	
			\$	%
Operating revenues	\$ 845,417	\$ 845,482	\$ (65)	-0.01%
Non-operating revenues	85,397	117,885	(32,488)	-27.56%
Total revenues	<u>930,814</u>	<u>963,367</u>	<u>(32,553)</u>	-3.38%
Salaries and wages	145,131	132,885	12,246	9.22%
Employee benefits	45,082	45,105	(23)	-0.05%
Contracted services	240,642	234,581	6,061	2.58%
Supplies and materials	11,989	11,298	691	6.12%
Other charges	36,478	44,854	(8,376)	-18.67%
Depreciation	<u>179,895</u>	<u>145,964</u>	<u>33,931</u>	23.25%
Total expenses	659,217	614,687	44,530	7.24%
Change in net assets	271,597	348,680	(77,083)	-22.11%
Beginning net assets	3,218,512	2,869,832	348,680	12.15%
Ending net assets	<u>\$ 3,490,109</u>	<u>\$ 3,218,512</u>	<u>271,597</u>	8.44%

Operating revenues showed a 0.01% decrease from 2008 to 2009. Expenses increased 7.24% from 2008 to 2009. Operating revenues showed a 0.01% decrease from 2008 to 2009. Expenses increased 7.24% from 2008 to 2009. The increase in expenses is due to the installation of a 5th position at Central Dispatch and upgraded uninterruptible power supplies at all PSAP's. This expense was budgeted and paid for from the District operating account.

CAPITAL ASSETS

At the end of the fiscal year 2009, the system had \$597 thousand (net of accumulated depreciation) invested in a broad range of District capital assets. This investment includes automobiles, equipment and various fixtures and pieces of furniture. Based on the uses of the aforementioned assets, they are classified for financial purposes as furniture and fixtures, office equipment, communication equipment and vehicles. This investment represents an overall increase (net of increases and decreases) of \$163 thousand or 37.67% from last year.

The following tables summarize the District's capital assets, net of accumulated depreciation, and changes therein, for the year ended June 30, 2009. These changes are presented in detail in Note 4 to the financial statements.

The majority of the additions come from the District purchasing an upgraded radio system for the Madison County Sheriff's PSAP; the addition of a 5th position at Central Dispatch; and the purchase of upgraded uninterruptible power supplies at all PSAP's. The District plans on using existing financial resources to keep upgrading existing systems and adding new systems where it sees fit and remain in compliance with the State Emergency Communications Board guidelines.

	2009	2008	\$	%
Furniture and fixtures	\$ 80,154	\$ 86,818	\$ (6,664)	-7.68%
Office equipment	17,760	6,955	10,805	155.36%
Communication equipment	490,113	323,512	166,601	51.50%
Vehicles	9,451	16,718	(7,267)	-43.47%
Total capital assets, net of accumulated depreciation	\$ 597,478	\$ 434,003	\$ 163,475	37.67%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Due to the increased use of wireless devices, the District expects shared wireless revenue to continue to increase in future years. The District's surcharge for each wireless device is currently set at \$1.00. This rate is set by the State and is not expected to increase in the coming year. Due to the decreased use of landline phones, the District expects the emergency telephone service charge revenue to decrease in future years. The District's surcharge is currently set at \$.45 and \$1.64 for residential and business lines, respectively.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any information provided in this report or requests for any additional information should be directed to the Executive Director of the Madison County Emergency Communications District, 546 E. College Street; Room 219; Jackson, TN 38301.

MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2009

ASSETS AND LIABILITIES

CURRENT ASSETS

Cash and cash equivalents	\$ 2,782,475
Accounts receivable	157,916
Accrued interest receivable	12,875
<u>Total Current Assets</u>	<u>2,953,266</u>

NONCURRENT ASSETS

CAPITAL ASSETS

Furniture and fixtures	132,287
Office equipment	43,887
Communication equipment	1,728,289
Vehicles	36,329
	<u>1,940,792</u>
Less accumulated depreciation	<u>(1,343,314)</u>

Total Capital Assets 597,478

Total Assets 3,550,744

CURRENT LIABILITIES

Accounts payable	41,330
Compensated absences payable	19,305
<u>Total Current Liabilities</u>	<u>60,635</u>

Total Assets less Liabilities \$ 3,490,109

NET ASSETS

Investment in capital assets	\$ 597,478
Unrestricted net assets	<u>2,892,631</u>
<u>Total Net Assets</u>	<u>\$ 3,490,109</u>

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

MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2009

OPERATING REVENUES	
Emergency telephone service charge	\$ 426,917
State Emergency Communications Board - shared wireless charge	241,881
State Emergency Communications Board - operational funding	<u>176,619</u>
<u>Total Operating Revenues</u>	<u>845,417</u>
OPERATING EXPENSES	
Salaries and wages	145,131
Employee benefits	45,082
Contracted services	240,642
Supplies and materials	11,989
Other charges	36,478
Depreciation	<u>179,895</u>
<u>Total Operating Expenses</u>	<u>659,217</u>
OPERATING INCOME	<u>186,200</u>
NON-OPERATING REVENUES (EXPENSES)	
Investment income	63,562
Interest income	2,628
State grants and reimbursements	16,795
Miscellaneous income	2,420
Loss on disposal of property	<u>(8)</u>
<u>Total Non-operating Revenues</u>	<u>85,397</u>
<u>Changes in Net Assets</u>	271,597
NET ASSETS, JULY 1, 2008	<u>3,218,512</u>
NET ASSETS, JUNE 30, 2009	<u>\$ 3,490,109</u>

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

MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2009

Cash Flows from Operating Activities:	
Cash received from AT&T and others	\$ 771,529
Cash paid to suppliers of goods and services	(283,206)
Cash paid for employees' services	(181,892)
<u>Net Cash Provided by Operating Activities</u>	<u>306,431</u>
Cash Flows from Non-Capital Financing Activities:	
State grants & reimbursements for GIS and dispatch training	16,795
Miscellaneous income	2,420
<u>Net Cash Provided by Non-Capital Financing Activities</u>	<u>19,215</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of fixed assets	(343,379)
<u>Net Cash Used by Financing Activities</u>	<u>(343,379)</u>
Cash Flows from Investing Activities:	
Interest on investments	53,316
<u>Net Cash Provided by Investing Activities</u>	<u>53,316</u>
<u>Net Increase in Cash</u>	35,583
CASH AND CASH EQUIVALENTS, JULY 1, 2008	<u>2,746,892</u>
CASH AND CASH EQUIVALENTS, JUNE 30, 2009	<u>\$ 2,782,475</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 186,200
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	179,895
Changes in assets and liabilities:	
Accounts receivable	(73,888)
Accounts payable	5,903
Compensated absences	8,321
<u>Net Cash Provided by Operating Activities</u>	<u>\$ 306,431</u>

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

MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 1 – ORGANIZATION AND REPORTING ENTITY

The Madison County Emergency Communications District (the District) was created under *Tennessee Code Annotated (TCA) 7-86-109 et. Seq., Emergency Communications District Law* by a referendum of voters in Madison County, Tennessee (the County) on May 5, 1987.

The purpose of the District is to provide a simplified means of securing emergency services by telephone to those persons living in the County.

The District is considered a component unit of the County because the Board of Directors of the District is appointed by the County Commission. The County Commission must approve any debt issued by the District.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform to generally accepted accounting principles applicable to government as defined in the *Statements of Governmental Accounting Standards board (GASB)*. The District also elected to apply generally accepted accounting principles as defined by *Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins* issued on or before November 30, 1989. After that date the District has elected to apply only GASB pronouncements. The following is a summary of the more significant accounting policies.

A. Basis of Accounting:

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The District is considered an enterprise fund, which uses the accrual basis of accounting. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. Enterprise funds are accounted for on a cost of services or “capital maintenance” measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with this activity are included on their statement of net assets. Enterprise fund operating statements present increases (revenues) and decreases (expenses) in net total assets.

MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS (Cont.)

JUNE 30, 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**B. Cash**

Cash and Cash Equivalents: All demand deposits and other deposits with original maturities of three months or less are included in the caption cash and cash equivalents.

C. Accounts Receivable:

Accounts receivable represents amounts due from AT&T, less applicable commissions, Emergency Medical Services, and state wireless charges.

D. Capital Assets:

The capital assets are recorded at historical cost. Maintenance, repairs and minor renewals are expensed as incurred. Interest costs incurred on financing during the construction or installation period of capital assets are capitalized as part of the cost of the assets.

Depreciation has been provided over the estimated useful lives of the fixed assets by the straight-line method.

E. Compensated Absences:

The District allows two weeks of vacation to each employee per year with accrual limited to 30 days for one to five years of service. For employees with six to ten years of service, 18 days of vacation are received and accrual is limited to 36 days. Employees with more than ten years of service receive three weeks of vacation with accrual limited to 39 days. Employees with twenty or more years of service receive 24 days of vacation with accrual limited to 42 days. Employees receive full reimbursement for unused vacation upon leaving the employment of the District.

The District allows employees to accrue one day per month sick leave with unlimited accrual. Employees are not reimbursed for any portion of unused sick leave upon leaving the employment of the District. Therefore, no liability is reflected in the financial statements.

NOTE 3 – CASH

The District's policies limit deposits and investments to those instruments allowed by applicable state laws and described below. State statute requires that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the District's agent in the District's name, or by the Federal Reserve Banks acting as

MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS (Cont.)

JUNE 30, 2009

NOTE 3 – CASH (Cont.)

third party agents. State statutes also authorize the District to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, the state pooled investment fund, and mutual funds. Statutes also require that securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2009, \$436,472 of the District's bank balance was covered by federal depository insurance, and the remaining bank balance of \$2,350,958 was covered by the Tennessee Bank Collateral Pool.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year was as follows:

Description	Balance 7/1/08	Additions	Disposals	Balance 6/30/09
Capital assets, being depreciated				
Furniture and fixtures	\$ 128,267	\$ 5,708	\$ 1,688	\$ 132,287
Office equipment	50,154	16,887	23,153	43,888
Communication equipment	1,417,341	320,785	9,837	1,728,289
Vehicles	36,329	-	-	36,329
Total capital assets being depreciated	\$ 1,632,091	\$ 343,380	\$ 34,678	\$ 1,940,793
Less accumulated depreciation				
Furniture and fixtures	41,449	12,372	1,688	52,133
Office equipment	43,199	6,082	23,153	26,128
Communication equipment	1,093,829	154,184	9,837	1,238,176
Vehicles	19,611	7,267	-	26,878
Total accumulated depreciation	1,198,088	179,905	34,678	1,343,315
Total capital assets, net	\$ 434,003	\$ 163,475	\$ -	\$ 597,478

Depreciation is recognized over the estimated useful lives of the property and equipment of 5 to 10 years using the straight-line method.

MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS (Cont.)

JUNE 30, 2009

NOTE 5 – FUNDING SOURCES

Funding for the District's operations is provided by monthly fees from service users in the County and by monthly fees from wireless cellular phone subscribers. AT&T and alternate local exchange carriers collect service fees from the county users and remit the funds to the District. The Tennessee Emergency Communications Board collects monthly service fees from wireless cellular phone subscribers and remits a set percentage to the District.

NOTE 6 – RETIREMENT PLAN

The following is the 2008 pension footnote, which is the most current available from the state of Tennessee.

Plan Description: Employees of the District are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service, and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the 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, Tennessee 37243-0230 or can be accessed at www.treasury.state.tn.us/tcrs/PS/.

Funding Policy: The District has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5.0 percent of annual covered payroll.

The District is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2008 was 13.16% of annual covered payroll. The contribution requirements of plan members are set by state statute. Contribution requirements for the District are established and may be amended by the TCRS Board of Trustees.

MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS (Cont.)

JUNE 30, 2009

NOTE 6 – RETIREMENT PLAN (Cont.)

Annual Pension Cost: For the year ending June 30, 2008, the District's annual pension cost of \$16,463 to TCRS was equal to the District's required and actual contributions.

The required contribution was determined as part of the July 1, 1999 actuarial valuation using the frozen initial liability 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 salary increases of 4.75 percent annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of equities 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, 2005 was 18 years.

Trend Information

<u>Fiscal</u> <u>Year</u> <u>Ending</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
June 30, 2008	\$16,463	100%	\$0
June 30, 2007	\$15,658	100%	\$0
June 30, 2006	\$15,669	100%	\$0

NOTE 7 – COMMITMENTS

The District is obligated to AT&T for the monthly operating and maintenance services pertaining to the operation of the emergency communications system. The maintenance portion of this contract is \$10,722 per month for a 72 month period, beginning in 2006. The operating portion under this contract is based on the actual number of lines used and is adjusted annually. The current base operating charge is \$6,290 monthly. The projection of the obligations under this contract is as follows:

MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS (Cont.)

JUNE 30, 2009

NOTE 7 – COMMITMENTS (cont.)

<u>Year ending</u>	<u>Maintenance</u>	<u>Operating*</u>
2010	128,664	75,480
2011	128,664	75,480
2012	<u>107,220</u>	<u>62,900</u>
Total	<u>\$ 364,548</u>	<u>\$ 213,860</u>

* - Based on telephone line charges as of June 30, 2009.

The District leases office space from the Madison County Sheriff's Department. Monthly payments on the lease are \$500. The lease is renewable annually.

NOTE 8 – RISK MANAGEMENT

The District is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the District to purchase commercial insurance for the risks of general liability, vehicle liability employee dishonesty, worker's compensation and physical damage to its fixed assets. Settled claims have not exceeded this commercial coverage or in any coverage of the past three years.

MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

SCHEDULE OF FUNDING PROGRESS

JUNE 30, 2009

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
			(2) - (1)	(1) / (2)		(3) / (5)
7/1/2007	\$ 194,000	\$ 230,000	\$ 36,000	84.35%	\$ 118,000	30.51%

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the Entry Age actuarial cost method change was made during the year of the most recent actuarial valuation date, therefore only the most current year is presented.

See the independent auditors' report.

OTHER SUPPLEMENTAL INFORMATION

MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES - BUDGETARY BASIS				
Emergency telephone service charge	\$ 428,610	\$ 428,610	\$ 435,612	\$ 7,002
SECB - share wireless charge	196,500	196,500	188,514	(7,986)
SECB - operational funding	120,000	120,000	147,182	27,182
	<u>\$ 745,110</u>	<u>\$ 745,110</u>	<u>\$ 771,308</u>	<u>\$ 26,198</u>
OPERATING EXPENSES - BUDGETARY BASIS				
Salaries and Wages				
Director	\$ 55,000	\$ 55,000	\$ 53,663	\$ 1,337
Administrative personnel	102,900	102,900	74,095	28,805
Pay Bonus	6,400	6,400	6,200	200
Employee Benefits				
Social security/medicare	14,000	14,000	10,480	3,520
Life insurance	960	960	519	441
Medical insurance	23,680	23,680	14,105	9,575
Dental insurance	2,560	2,560	1,188	1,372
Retirement contributions	22,635	22,635	18,565	4,070
Contracted Services				
Advertising	1,775	1,775	325	1,450
Audit services	4,300	4,300	4,280	20
Data processing services	6,000	6,000	5,160	840
Facility relocation expenses	-	5,500	128	5,372
Fees paid to service providers	138,000	138,000	126,274	11,726
Legal services	1,000	1,000	-	1,000
Maintenance agreements	4,050	4,050	2,882	1,168
Lease/Rental:				
Communications equipment	93,600	93,600	88,456	5,144
Buildings and facility	6,000	6,000	6,000	-
Maintenance and Repairs:				
Communications equipment	5,400	5,400	3,778	1,622
Buildings and facility	1,400	1,400	-	1,400
Office equipment	1,800	1,800	420	1,381
Vehicles	8,000	4,000	571	3,429
Internet	1,500	1,500	1,139	361
Language line	900	900	326	574
Fuel-Vehicles	-	4,000	3,305	695
Supplies and Materials				
Office supplies	4,200	4,200	2,752	1,448
Data processing supplies	5,000	5,000	1,115	3,884

Continued

MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
OPERATING EXPENSES - BUDGETARY BASIS (Cont.)				
Supplies and Materials (Cont.)				
Postage	\$ 1,200	\$ 1,200	\$ 935	\$ 265
Utilities:				
General telephone	5,400	5,400	4,588	812
Cell phones and pagers	1,200	1,200	1,016	184
PSAP supplies	2,100	2,100	1,583	517
Other Charges				
Bank charges	360	360	98	262
Board meeting expenses	1,675	1,675	802	873
Dues and memberships	2,200	2,200	1,160	1,040
Insurance:				
Workman's compensation	500	500	-	500
Liability	2,000	2,000	854	1,146
Buildings and contents	6,500	6,500	6,056	444
Vehicles	3,200	3,200	2,522	678
Legal notices	1,500	1,500	262	1,238
Premiums on surety bonds	2,100	2,100	1,314	786
Public education	10,000	10,000	3,914	6,086
Training expenses	14,500	14,500	4,811	9,689
Travel expenses	25,000	25,000	12,944	12,056
Miscellaneous expenses	2,500	2,500	288	2,212
Capital expenditures	149,200	143,700	60,126	83,574
Total Operating Expenses - Budgetary Basis	\$ 742,195	\$ 742,195	\$ 528,999	\$ 213,196
Operating Income - Budgetary Basis	\$ 2,915	\$ 2,915	\$ 242,309	\$ 239,394
NON-OPERATING REVENUES - BUDGETARY BASIS				
Investment income	\$ 48,000	\$ 48,000	50,688	\$ 2,688
Interest income	2,400	2,400	2,628	228
State grants and reimbursements	10,000	10,000	16,795	6,795
Insurance reimbursements	-	-	-	-
Miscellaneous income	2,640	2,640	2,640	0
	<u>63,040</u>	<u>63,040</u>	<u>72,751</u>	<u>9,711</u>
Net Income - Budgetary Basis	\$ 65,955	\$ 65,955	\$ 315,060	\$ 249,105

Continued

MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED JUNE 30, 2009

RECONCILIATION TO GAAP

Net income-Budgetary Basis	\$ 315,060
Adjustments For:	
Fixed assets capitalized	63,893
Revenues to accrual basis	86,763
Expenses to accrual basis	(14,224)
Depreciation expense	<u>(179,895)</u>
<u>Change in Net Assets</u>	<u>\$ 271,597</u>

See the independent auditors' report.

MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

SCHEDULE OF STATE AWARDS

FOR THE YEAR ENDED JUNE 30, 2009

<u>Grantor Program Title</u>	<u>Grant Number</u>	<u>Balance July 1, 2008</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance June 30, 2009</u>
Tennessee Emergency Communications Board GIS Maintenance Grant	Z-08-211937	\$ -	\$ 10,000	\$ 10,000	\$ -

See independent auditors' report.

MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF INFORMATION REQUIRED BY
TENNESSEE EMERGENCY COMMUNICATIONS BOARD-UNAUDITED

FOR THE YEAR ENDED JUNE 30, 2009

There are four public safety answering points. The locations are as follows:

Jackson Central Dispatch Center
Interm Director: Mr. Buddy Norvell
60 Auditorium Drive
Jackson, Tennessee 38301

Jackson Med-Link
Supervisor: Mr. Kevin Deaton
708 W. Forest
Jackson, Tennessee 38301

Madison County Sheriff's Department
Supervisor: Sgt. Jennifer Brandon
546 E. College Street
Jackson, Tennessee 38301

Madison County Fire Department
Chief Kelly Holmes
801 Harts Bridge Road
Jackson, Tennessee 38301

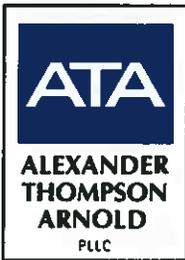
All public safety answering points are equipped with Positron Lifeline 100 equipment. All PSAPs have Power 911 and PowerMap with the exception of the Madison County Fire Dept, which uses the Postron ICM equipment.

The Director and Chairman are:

Kim Augustine, Director
546 E College Street
Jackson, Tennessee 38301
Phone: (731) 423-3911

Jeff Davis, Chairman
75 Windy Hill Road
Jackson, Tennessee 38305
Phone: (731) 422-0967

INTERNAL CONTROL AND COMPLIANCE SECTION



Certified Public Accountants

227 Oil Well Road
Jackson, TN 38305

Telephone: (731) 427-8571
Fax: (731) 424-5701

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Members of:
American Institute of Certified Public Accountants
Governmental Audit Quality Center – AICPA
Tennessee Society of Certified Public Accountants
Center for Public Company Audit Firms
Employee Benefit Plan Audit Quality Center – AICPA

www.atacpa.net

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
Madison County Emergency Communications District
Jackson, Tennessee

We have audited the financial statements of Madison County Emergency Communications District (a component unit of Madison County, Tennessee) (the District) as of and for the year ended June 30, 2009, and have issued our report thereon dated August 28, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. These financial statements present only the Madison County Emergency Communications District and are not intended to present fairly the financial position of Madison County, Tennessee, and the results of its operations and cash flows of its proprietary fund types in conformity with accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District’s financial statements that is more than inconsequential will not be prevented or detected by the District’s internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District’s internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Dyersburg, TN
Fulton, KY
Henderson, TN
Jackson, TN
Martin, TN

Milan, TN
McKenzie, TN
Paris, TN
Trenton, TN
Union City, TN

Board of Directors
Madison County Emergency Communications District
Jackson, Tennessee

Compliance and Other Matters

As a part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the District's Board of Directors, management and the Comptroller of the Treasury, State of Tennessee. It is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Alexander Thompson" followed by some initials or a flourish.

Certified Public Accountants
Jackson, Tennessee
August 28, 2009