

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

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

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INTRODUCTORY SECTION

MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

SCHEDULE OF OFFICIALS

JUNE 30, 2010

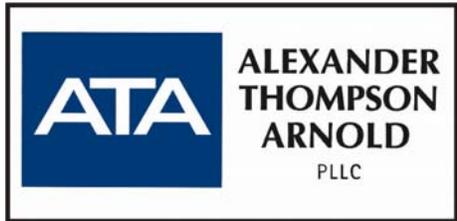
<u>Official</u>	<u>Position</u>
Jeff Davis	Chairman
David Woolfork	Vice-Chairman
Jennifer Brandon	Secretary
Becky Hayes	Treasurer
Denise Bond	Board Member
Ida Burton	Board Member
James Thompson	Board Member
Doug Stephenson	Board Member
Dan Vaughn	Board Member

Management Official

Kim Augustine, Executive Director

Independent Certified Public AccountantAlexander Thompson Arnold PLLC
Jackson, Tennessee

FINANCIAL SECTION



Certified Public Accountants

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Members of

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Independent Auditor's 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, 2010, 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2010, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2010, 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 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

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

Board of Directors
Madison County Emergency Communications District
Jackson, Tennessee

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the pension data on pages 4 through 8 and 19 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 of the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the District's financial statements as a whole. The introductory section and other supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements. The budgetary comparison schedule and the Schedule of State Awards is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section and the schedule of information required by the Tennessee Emergency Communications Board have 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.



Certified Public Accountants
Jackson, Tennessee
September 22, 2010

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, 2010. 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 \$3.8 million and exceeded liabilities in the amount of \$3.75 million (i.e. net assets). Total assets increased by \$299 thousand based on an increase in wireless revenue; an increase in additional operational funding from the Tennessee Emergency Communications Board (TECB); and upgraded radio console and 911 equipment at the Madison County Fire Department dispatch facility.
- Net assets increased \$299 thousand during the current year based on an increase in wireless revenue; an increase in additional operational funding from the Tennessee Emergency Communications Board (TECB); and upgraded radio console and 911 equipment at the Madison County Fire Department dispatch facility.
- During fiscal year 2010, the District's Public Safety Answering Points answered 78,957 calls compared to 79,243 calls during the fiscal year 2009.
- Operating revenues were \$889 thousand, an increase from year 2009 in the amount of \$44 thousand or 5.17%.
- Operating expenses were \$672 thousand, an increase from year 2009 in the amount of \$12 thousand or 1.87%. This increase was due to the District funding dispatcher training with the additional operational funding received from the Tennessee Emergency Communications Board (TECB).
- The operating income for the year was \$218 thousand as compared to a \$186 thousand operating income during the 2009 fiscal year.
- Ratios of operating income to total operating revenue were 1:1.5 for 2010 and 1:4 for 2009.

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 \$299 thousand for the fiscal year ended June 30, 2010. 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, 2010	June 30, 2009	Increase (Decrease)	
			\$	%
Current and other assets	\$ 3,264,255	\$ 2,953,266	\$ 310,989	10.53%
Capital assets	544,579	597,478	(52,899)	-8.85%
Total assets	<u>3,808,834</u>	<u>3,550,744</u>	<u>258,090</u>	7.27%
Total liabilities	60,026	60,635	(609)	-1.00%
Investment in capital assets	544,579	597,478	(52,899)	-8.85%
Unrestricted net assets	<u>3,204,229</u>	<u>2,892,631</u>	<u>311,598</u>	10.77%
Total net assets	\$ 3,748,808	\$ 3,490,109	\$ 258,699	7.41%

The negative change in capital assets was the result of accumulated depreciation. The increase in current and other assets was based on an increase in wireless revenue; an increase in additional operational funding from the Tennessee Emergency Communications Board (TECB); and upgraded radio console and 911 equipment at the Madison County Fire Department dispatch facility.

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.

	June 30, 2010	June 30, 2009	Increase (Decrease)	
			\$	%
Operating revenues	\$ 889,116	\$ 845,417	\$ 43,699	5.17%
Non-operating revenues	<u>81,083</u>	<u>85,397</u>	<u>(4,314)</u>	-5.05%
Total revenues	<u>970,199</u>	<u>930,814</u>	<u>39,385</u>	4.23%
Salaries and wages	139,603	145,131	(5,528)	-3.81%
Employee benefits	45,794	45,082	712	1.58%
Contracted services	242,987	240,642	2,345	0.97%
Supplies and materials	14,963	11,989	2,974	24.81%
Other charges	42,489	36,478	6,011	16.48%
Depreciation	<u>185,679</u>	<u>179,895</u>	<u>5,784</u>	3.22%
Total expenses	671,515	659,217	12,298	1.87%
Change in net assets	298,684	271,597	27,087	9.97%
Beginning net assets	3,490,109	3,218,512	271,597	8.44%
Prior Period Adjustment	(39,985)	-	(39,985)	
Beginning net assets-Restated	<u>3,450,124</u>	<u>3,218,512</u>	<u>231,612</u>	7.20%
Ending net assets	\$ 3,748,808	\$ 3,490,109	258,699	7.41%

Operating revenues showed a 5.17% increase from 2009 to 2010. Expenses increase 1.87% from 2009 to 2010. The increase in expenses is due to the District funding dispatcher training with the additional operational funding received from the Tennessee Emergency Communications Board (TECB). This expense was budgeted and paid for from the District operating account.

CAPITAL ASSETS

At the end of the fiscal year 2010, the system had \$545 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 decrease (net of increases and decreases) of \$53 thousand or 8.85% 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, 2010. These changes are presented in detail in Note 4 to the financial statements.

The District upgraded the radio console and 911 equipment at the Madison County Fire Department dispatch facility. 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 Tennessee Emergency Communications Board guidelines.

Table 3A
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

	June 30,	June 30,	Increase (Decrease)	
	2010	2009	\$	%
Furniture and fixtures	\$ 71,418	\$ 80,154	\$ (8,736)	-10.90%
Office equipment	12,274	17,760	(5,486)	-30.89%
Communication equipment	441,653	490,113	(48,460)	-9.89%
Vehicles	19,234	9,451	9,783	103.51%
Total capital assets, net of accumulated depreciation	<u>\$ 544,579</u>	<u>\$ 597,478</u>	<u>\$ (52,899)</u>	-8.85%

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, 2010

ASSETS AND LIABILITIES

CURRENT ASSETS

Cash and cash equivalents	\$ 3,196,365
Accounts receivable	38,688
Accrued interest receivable	7,909
Prepaid Expenses	<u>21,293</u>
<u>Total Current Assets</u>	<u>3,264,255</u>

NONCURRENT ASSETS

CAPITAL ASSETS

Furniture and fixtures	136,467
Office equipment	43,888
Communication equipment	1,545,049
Vehicles	<u>30,691</u>
	1,756,095
Less accumulated depreciation	<u>(1,211,516)</u>
<u>Total Capital Assets</u>	<u>544,579</u>

<u>Total Assets</u>	<u>3,808,834</u>
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CURRENT LIABILITIES

Accounts payable	40,840
Compensated absences payable	<u>19,186</u>
<u>Total Current Liabilities</u>	<u>60,026</u>

<u>Total Assets less Liabilities</u>	<u>\$ 3,748,808</u>
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NET ASSETS

Investment in capital assets	\$ 544,579
Unrestricted net assets	<u>3,204,229</u>
<u>Total Net Assets</u>	<u>\$ 3,748,808</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, 2010

OPERATING REVENUES	
Emergency telephone service charge	\$ 407,779
State Emergency Communications Board - shared wireless charge	232,126
State Emergency Communications Board - operational funding	<u>249,211</u>
<u>Total Operating Revenues</u>	<u>889,116</u>
OPERATING EXPENSES	
Salaries and wages	139,603
Employee benefits	45,794
Contracted services	242,987
Supplies and materials	14,963
Other charges	42,489
Depreciation	<u>185,679</u>
<u>Total Operating Expenses</u>	<u>671,515</u>
OPERATING INCOME	<u>217,601</u>
NON-OPERATING REVENUES (EXPENSES)	
Investment income	67,102
Interest income	1,561
State grants and reimbursements	10,000
Miscellaneous income	<u>2,420</u>
<u>Total Non-operating Revenues</u>	<u>81,083</u>
<u>Changes in Net Assets</u>	298,684
NET ASSETS, JULY 1, 2009	3,490,109
Prior Period Adjustment	<u>(39,985)</u>
NET ASSETS, JULY 1, 2009-RESTATED	<u>3,450,124</u>
NET ASSETS, JUNE 30, 2010	<u><u>\$ 3,748,808</u></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, 2010

Cash Flows from Operating Activities:	
Cash received from AT&T and others	\$ 968,358
Cash paid to suppliers of goods and services	(317,255)
Cash paid for employees' services	<u>(185,516)</u>
<u>Net Cash Provided by Operating Activities</u>	<u>465,587</u>
Cash Flows from Non-Capital Financing Activities:	
State grants & reimbursements for GIS	10,000
Miscellaneous income	<u>2,420</u>
<u>Net Cash Provided by Non-Capital Financing Activities</u>	<u>12,420</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of fixed assets	<u>(132,780)</u>
<u>Net Cash Used by Financing Activities</u>	<u>(132,780)</u>
Cash Flows from Investing Activities:	
Interest on investments	<u>68,663</u>
<u>Net Cash Provided by Investing Activities</u>	<u>68,663</u>
<u>Net Increase in Cash</u>	413,890
CASH AND CASH EQUIVALENTS, JULY 1, 2009	<u>2,782,475</u>
CASH AND CASH EQUIVALENTS, JUNE 30, 2010	<u>\$ 3,196,365</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 217,601
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	185,679
Changes in assets and liabilities:	
Accounts receivable	84,209
Prepaid expenses	(21,293)
Accounts payable	(490)
Compensated absences	<u>(119)</u>
<u>Net Cash Provided by Operating Activities</u>	<u>\$ 465,587</u>

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

MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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, 2010

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

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.

State statutes allow investments in obligations of the U.S. treasury, agencies, instrumentalities and obligations guaranteed as to principal and interest of the United States or any of its agencies, repurchase agreements, the Tennessee local Government Investment Pool and certificates of deposit.

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. Budgetary Compliance:

The District adopts a budget in accordance with the requirements of the Tennessee Emergency Communications Board and the Tennessee Code Annotated 7-86-120. This budget is adopted on an other comprehensive basis of accounting, which is not in accordance with generally accepted accounting principals. The budgetary basis of accounting includes expenditures for fixed assets and reduction of principal on long-term debt, but does not include depreciation. Expenditures are required to be within budgetary limits at the line item level of control.

F. 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.

MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS (Cont.)

JUNE 30, 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

F. Compensated Absences (cont.):

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.

G. Revenues:

The District receives remittances from telephone companies and the state of Tennessee representing fees that have been collected on behalf of the District for 911 services. These fees are remitted to the District on a monthly or bi-monthly schedule, depending on the telephone company. Fees collected for 911 services are considered operating revenues.

H. Net Assets:

Net Assets are classified for reporting purposes as unrestricted and invested in capital assets. There are currently no restrictions on net assets.

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 14 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 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, 2010, \$439,295 of the District's bank balance was covered by federal depository insurance, and the remaining bank balance of \$2,540,525 was covered by the Tennessee Bank Collateral Pool.

MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS (Cont.)

JUNE 30, 2010

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year was as follows:

Description	Balance 7/1/09	Additions	Disposals	Balance 6/30/10
Capital assets, being depreciated				
Furniture and fixtures	\$ 132,287	\$ 4,180	\$ -	\$ 136,467
Office equipment	43,888	-	-	43,888
Communication equipment	1,728,289	112,738	295,978	1,545,049
Vehicles	36,329	15,862	21,500	30,691
Total capital assets being depreciated	1,940,793	132,780	317,478	1,756,095
Less accumulated depreciation				
Furniture and fixtures	52,133	12,916	-	65,049
Office equipment	26,128	5,486	-	31,614
Communication equipment	1,238,176	161,198	295,978	1,103,396
Vehicles	26,878	6,079	21,500	11,457
Total accumulated depreciation	<u>1,343,315</u>	<u>185,679</u>	<u>317,478</u>	<u>1,211,516</u>
Net capital assets	<u>\$ 597,478</u>	<u>\$ (52,899)</u>	<u>\$ -</u>	<u>\$ 544,579</u>

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

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.

MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS (Cont.)

JUNE 30, 2010

NOTE 6 – RETIREMENT PLAN

Currently, the 2009 Retirement footnote 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 <http://www.tn.gov/treasury/tcrs/>.

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, 2009 was 13.57% 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.

Annual Pension Cost: For the year ending June 30, 2009, the District's annual pension cost of \$18,565 to TCRS was equal to the District's required and actual contributions.

The required contribution was determined as part of the July 1, 2007 actuarial valuation using the frozen 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.

MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS (Cont.)

JUNE 30, 2010

NOTE 6 – RETIREMENT PLAN (Cont.)

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, 2007 was 16 years.

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2009	\$18,565	100%	\$0
June 30, 2008	\$16,453	100%	\$0
June 30, 2007	\$15,658	100%	\$0

Funded Status and Funding Progress:

As of July 1, 2007, the most recent actuarial valuation date, the plan was 84.35% percent funded. The actuarial accrued liability for benefits was \$230 million, and the actuarial value of assets was \$194 million, resulting in an unfunded actuarial liability (UAAL) of \$36 million. The covered payroll (annual payroll of active employees covered by the plan) was \$118 million, and the ratio of the UAAL to the covered payroll was 30.51% percent.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL)-entry age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/(c))
July 1, 2007	\$194,000	\$230,000	\$36,000	84.35%	\$118,000	30.51%

MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS (Cont.)

JUNE 30, 2010

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:

<u>Year ending</u>	<u>Maintenance</u>	<u>Operating*</u>
2011	128,664	75,480
2012	<u>107,220</u>	<u>62,900</u>
Total	<u>\$ 235,884</u>	<u>\$ 138,380</u>

* - Based on telephone line charges as of June 30, 2010.

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

On July 19 2010, the District purchased an office building located at 914 N. Highland. Renovations are currently being bid out. The District plans to take occupancy in October 2010.

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.

NOTE 9 – PRIOR PERIOD ADJUSTMENT

A prior period adjustment of \$39,985 was required to correct an error in estimating amounts due from the State of Tennessee at June 30, 2009.

REQUIRED SUPPLEMENTAL INFORMATION

The supplemental information section of this report includes information not required to be included in the financial statements and is provided for the purpose of additional analysis.

MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

SCHEDULE OF FUNDING PROGRESS

JUNE 30, 2010

		(2)	(3)			(6)
	(1)	Actuarial	Unfunded	(4)	(5)	UAAL as a
Actuarial	Actuarial	Accrued	AAL	Funded		Percentage
Valuation	Value of	Liability	(UAAL)	Ratio	Covered	of Covered
Date	Assets	(AAL)	(2) - (1)	(1) / (2)	Payroll	Payroll
						(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 SUPPLEMENTARY SECTION

The other supplementary information section of this report includes information not required to be included in the financial statements and is provided for the purpose of additional analysis.

MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES - BUDGETARY BASIS				
Emergency telephone service charge	\$ 366,000	\$ 366,000	\$ 409,000	\$ 43,000
SECB - share wireless charge	207,000	207,000	280,492	73,492
SECB - operational funding	221,610	221,610	278,647	57,037
	<u>\$ 794,610</u>	<u>\$ 794,610</u>	<u>\$ 968,138</u>	<u>\$ 173,528</u>
OPERATING EXPENSES - BUDGETARY BASIS				
Salaries and Wages				
Director	\$ 57,250	\$ 57,250	\$ 56,525	\$ 725
Administrative personnel	105,500	105,500	78,044	27,456
Pay Bonus	4,500	4,500	4,500	-
Employee Benefits				
Social security/medicare	14,100	14,100	10,090	4,010
Life insurance	1,030	1,030	477	553
Medical insurance	23,680	23,680	15,033	8,647
Dental insurance	2,560	2,560	1,188	1,372
Retirement contributions	23,105	23,105	18,960	4,145
Contracted Services				
Advertising	1,775	1,775	-	1,775
Audit services	4,600	4,600	4,495	105
Data processing services	6,000	6,000	5,160	840
Facility relocation expenses	5,500	5,500	4,113	1,387
Fees paid to service providers	138,000	138,000	126,179	11,821
Legal services	1,000	1,000	-	1,000
Maintenance agreements	4,050	4,050	2,636	1,414
Lease/Rental:				
Communications equipment	91,200	91,200	88,658	2,542
Buildings and facility	6,000	6,000	6,000	-
Maintenance and Repairs:				
Communications equipment	5,400	5,400	4,327	1,073
Buildings and facility	4,900	4,900	3,460	1,440
Office equipment	1,800	1,800	-	1,800
Vehicles	3,600	3,600	1,315	2,285
Internet	1,500	1,500	1,087	413
Language line	900	900	203	697
Fuel-Vehicles	5,400	5,400	3,688	1,712
Supplies and Materials				
Office supplies	4,200	4,200	3,303	897
Data processing supplies	5,000	5,000	500	4,499

Continued

MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED JUNE 30, 2010

	<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	\$ 506	\$ 694
Utilities:				
General telephone	5,400	5,400	4,545	855
Cell phones and pagers	1,200	1,200	1,026	174
PSAP supplies	6,100	6,100	5,083	1,017
Other Charges				
Bank charges	360	360	132	228
Board meeting expenses	1,675	1,675	1,317	358
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	6,390	110
Vehicles	3,200	3,200	2,522	678
Legal notices	1,500	1,500	435	1,065
Premiums on surety bonds	2,100	2,100	1,314	786
Public education	10,000	10,000	586	9,414
Training expenses	59,500	59,500	13,839	45,661
Travel expenses	28,000	28,000	11,097	16,903
Miscellaneous expenses	2,500	2,500	578	1,922
Capital expenditures	127,000	127,000	51,882	75,118
<u>Total Operating Expenses - Budgetary Basis</u>	<u>\$ 783,485</u>	<u>\$ 783,485</u>	<u>\$ 543,207</u>	<u>\$ 240,278</u>
<u>Operating Income - Budgetary Basis</u>	<u>\$ 11,125</u>	<u>\$ 11,125</u>	<u>\$ 424,932</u>	<u>\$ 413,807</u>
NON-OPERATING REVENUES - BUDGETARY BASIS				
Investment income	\$ 54,800	\$ 54,800	72,068	\$ 17,268
Interest income	600	600	1,561	961
State grants and reimbursements	10,000	10,000	10,000	-
Miscellaneous income	2,640	2,640	2,640	-
	<u>68,040</u>	<u>68,040</u>	<u>86,269</u>	<u>18,229</u>
<u>Net Income - Budgetary Basis</u>	<u>\$ 79,165</u>	<u>\$ 79,165</u>	<u>\$ 511,200</u>	<u>\$ 432,035</u>

Continued

MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2010

RECONCILIATION TO GAAP

Net income-Budgetary Basis	\$ 511,200
Adjustments For:	
Fixed assets capitalized	56,764
Revenues to accrual basis	(84,209)
Expenses to accrual basis	608
Depreciation expense	<u>(185,679)</u>
<u>Change in Net Assets</u>	<u>\$ 298,684</u>

See the independent auditors' report.

MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

SCHEDULE OF STATE AWARDS

FOR THE YEAR ENDED JUNE 30, 2010

<u>Grantor Program Title</u>	<u>Grant Number</u>	<u>Balance July 1, 2009</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance June 30, 2010</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, 2010

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.

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

www.atacpa.net

227 Oil Well Road
Jackson, TN 38305

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

Members of

25

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

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, 2010, and have issued our report thereon dated September 22, 2010. 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.

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 *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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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

McKenzie, TN
Milan, TN
Murray, KY
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 that reads "Alexander Thompson Arnold, CPA". The signature is written in a cursive style with a large, stylized initial 'A'.

Certified Public Accountants
Jackson, Tennessee
September 22, 2010