

**MADISON COUNTY
EMERGENCY COMMUNICATIONS DISTRICT**

FINANCIAL STATEMENTS

JUNE 30, 2011

**MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
TABLE OF CONTENTS**

Page

Introductory Section

Schedule of Officials and Key Employees..... 1

Financial Section

Independent Auditor's Report 2
Management's Discussion and Analysis 4
Statement of Net Assets 8
Statement of Revenues, Expenses and Changes in Net Assets 9
Statement of Cash Flows 10
Notes to Financial Statements 11

Required Supplemental Information:

Schedule of Funding Progress 18

Other Supplementary Information

Budgetary Comparison Schedule 19

Internal Control and Compliance Section

Independent Auditor's Report on Internal Control Over Financial Reporting and
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Governmental Auditing Standards* 22

INTRODUCTORY SECTION

**MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF OFFICIALS AND KEY EMPLOYEES
June 30, 2011**

<u>Official</u>	<u>Position</u>
Becky Hayes	Chairperson
Doug Stephenson	Vice-Chairman
Dan Vaughn	Secretary
Ida Burton	Treasurer
Steve Pollock	Board Member
John Scofield	Board Member
James "Jim" Thompson	Board Member
Eric Turner	Board Member
David Woolfork	Board Member

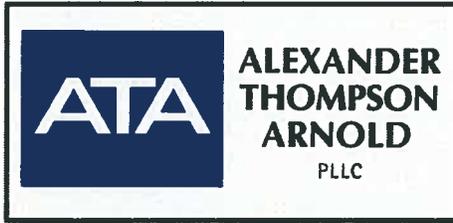
Management Official

Kim Augustine, Executive Director

Independent Certified Public Accountant

Alexander Thompson Arnold PLLC
Jackson, Tennessee

FINANCIAL SECTION



Certified Public Accountants

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Members of

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

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, 2011, 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, 2011, 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 August 24, 2011, 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.

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 the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



Certified Public Accountants
Jackson, Tennessee
August 24, 2011

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, 2011. 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 \$4.06 million and exceeded liabilities in the amount of \$4 million (i.e. net assets). Total assets increased by \$256 thousand due to the purchase and renovation of the District building.
- Net assets increased \$255 thousand during the current year due to the purchase and renovation of the District building.
- During fiscal year 2011, the District's Public Safety Answering Points answered 80,169 calls compared to 78,957 calls during the fiscal year 2010.
- Operating revenues were \$936 thousand, an increase from year 2010 in the amount of \$47 thousand or 5.23%.
- Operating expenses were \$741 thousand, an increase from year 2010 in the amount of \$69 thousand or 10.28%. This increase was due to the recurring monthly expenses incurred with the acquisition of a new building.
- The operating income for the year was \$195 thousand as compared to a \$218 thousand operating income during the 2010 fiscal year.
- Ratios of operating income to total operating revenue were 1:1.4 for 2011 and 1:1.5 for 2010.

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 auditor's 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 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 \$255 thousand for the fiscal year ended June 30, 2011. 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, 2011	June 30, 2010	Increase (Decrease)	
			\$	%
Current and other assets	\$ 3,319,615	\$ 3,264,255	\$ 55,360	1.70%
Capital assets	745,309	544,579	200,730	36.86%
Total assets	<u>4,064,924</u>	<u>3,808,834</u>	<u>256,090</u>	6.72%
Total liabilities	<u>61,152</u>	<u>60,026</u>	<u>1,126</u>	1.88%
Investment in capital assets	745,309	544,579	200,730	36.86%
Unrestricted net assets	<u>3,258,463</u>	<u>3,204,229</u>	<u>54,234</u>	1.69%
Total net assets	\$ 4,003,772	\$ 3,748,808	\$ 254,964	6.80%

The increase in capital assets was the result of the purchase and renovation of a building for the District office.

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, 2011	June 30, 2010	Increase (Decrease)	
			\$	%
Operating revenues	\$ 935,646	\$ 889,116	\$ 46,530	5.23%
Non-operating revenues	<u>59,834</u>	<u>81,083</u>	<u>(21,249)</u>	-26.21%
Total revenues	<u>995,480</u>	<u>970,199</u>	<u>25,281</u>	2.61%
Salaries and wages	144,656	139,603	5,053	3.62%
Employee benefits	50,099	45,794	4,305	9.40%
Contracted services	267,705	242,987	24,718	10.17%
Supplies and materials	24,840	14,963	9,877	66.01%
Other charges	47,816	42,489	5,327	12.54%
Depreciation	<u>205,400</u>	<u>185,679</u>	<u>19,721</u>	10.62%
Total expenses	<u>740,516</u>	<u>671,515</u>	<u>69,001</u>	10.28%
Change in net assets	254,964	298,684	(43,720)	-14.64%
Beginning net assets	3,748,808	3,490,109	258,699	7.41%
Prior Period Adjustment	-	(39,985)	39,985	
Beginning net assets-Restated	<u>3,748,808</u>	<u>3,450,124</u>	<u>298,684</u>	8.66%
Ending net assets	\$ 4,003,772	\$ 3,748,808	254,964	6.80%

Operating revenues showed a 5.23% increase from 2010 to 2011. Expenses increase 10.28% from 2010 to 2011. The increase in expenses is due to the recurring monthly expenses incurred with the acquisition of a new building.

CAPITAL ASSETS

At the end of the fiscal year 2011, the system had \$745 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 \$201 thousand or 36.86% 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, 2011. These changes are presented in detail in Note 4 to the financial statements.

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.

CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

	June 30,	June 30,	Increase (Decrease)	
	2011	2010	\$	%
Buildings	\$ 288,201	\$ -	\$ 288,201	100.00%
Land	16,100	-	16,100	100.00%
Furniture and fixtures	58,223	71,418	(13,195)	-18.48%
Office equipment	49,326	12,274	37,052	301.87%
Communication equipment	320,363	441,653	(121,290)	-27.46%
Vehicles	13,096	19,234	(6,138)	-31.91%
Total capital assets, net of accumulated depreciation	<u>\$ 745,309</u>	<u>\$ 544,579</u>	<u>\$ 200,730</u>	36.86%

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, 914 N. Highland Avenue; Jackson, TN 38301.

MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF NET ASSETS
June 30, 2011

ASSETS

Current Assets

Cash and cash equivalents		\$ 3,258,262
Accounts receivable		45,360
Prepaid Expenses		<u>15,993</u>
Total Current Assets		<u>3,319,615</u>

Noncurrent Assets

Capital Assets

Building and improvements	294,664	
Land	16,100	
Furniture and fixtures	132,855	
Office equipment	79,423	
Communication equipment	1,591,518	
Vehicles	30,691	
Accumulated depreciation	<u>(1,399,942)</u>	
Total Capital Assets		<u>745,309</u>
Total assets		<u>4,064,924</u>

LIABILITIES

Accounts payable	40,664	
Compensated absences payable	<u>20,488</u>	
Total current liabilities		<u>61,152</u>

NET ASSETS

Investment in capital assets	745,309	
Unrestricted net assets	<u>3,258,463</u>	
Total net assets		<u>\$ 4,003,772</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, 2011

Operating revenues		
Emergency telephone service charge		\$ 392,147
State Emergency Communications Board - shared wireless charge		239,696
State Emergency Communications Board - operational funding		<u>303,803</u>
Total operating revenues		<u>935,646</u>
Operating Expenses		
Salaries and wages	144,656	
Employee benefits	50,099	
Contracted services	267,705	
Supplies and materials	24,840	
Other charges	47,816	
Depreciation	<u>205,400</u>	
Total operating expenses		<u>740,516</u>
Operating income		<u>195,130</u>
Non-operating income		
Investment income		56,821
Interest income		373
Miscellaneous income		<u>2,640</u>
Total non-operating revenues		<u>59,834</u>
Net income		254,964
Net assets, July 1, 2010		3,748,808
Net assets, July 1, 2011		<u>\$ 4,003,772</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, 2011

Cash flows from operating activities:	
Cash received from customers	\$ 931,616
Cash paid to suppliers of goods and services	(335,237)
Cash paid for employees' services and benefits	<u>(193,454)</u>
Net cash provided by operating activities	<u>402,925</u>
 Cash flows from capital and related financing activities:	
Acquisition of fixed assets	<u>(406,130)</u>
 Cash flows from investing activities:	
Interest on investments	<u>65,102</u>
Net increase in cash	61,897
Cash and cash equivalents-July 1, 2010	<u>3,196,365</u>
Cash and cash equivalents-July 1, 2011	<u>\$ 3,258,262</u>
 Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 195,130
<i>Adjustments to reconcile operating income to net cash provided by operating activities:</i>	
Miscellaneous income	2,640
Depreciation	205,400
Decrease in accounts receivable	(6,671)
Increase in prepaid expenses	5,300
Decrease in accounts payable	(176)
Increases in compensated absences	<u>1,302</u>
Total adjustments	<u>207,795</u>
Net cash provided by operating activities	<u>\$ 402,925</u>

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

MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. 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.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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.

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
June 30, 2011

C. Assets, Liabilities, and Net Assets

Deposits and investments

Cash and Cash Equivalents are considered to be 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.

Accounts receivable

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

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.

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.

Net Assets

Equity is reported as net assets, which are classified into the following components, as applicable:

Invested in capital assets – consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any payables that are attributable to the acquisition, construction, or improvement of those assets

Restricted – net assets when constraints are placed on their use by external third parties or imposed by law

Unrestricted – all other net assets that do not meet the definition of the other categories.

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.

MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 2 – STEWARDSHIP, COMPLIANCE, and ACCOUNTABILITY

Budgetary Information

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.

NOTE 3 – DETAILED NOTES ON ACCOUNTS

A. Deposits and investments

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 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, 2011, \$500,228 of the District's bank balance was covered by federal depository insurance, and the remaining bank balance of \$2,777,051 was covered by the Tennessee Bank Collateral Pool.

B. Captial Assets

Capital asset activity for the year was as follows:

**MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2011

Description	Balance 7/1/10	Additions	Disposals	Balance 6/30/11
Capital assets, not being depreciated				
Land	\$ -	\$ 16,100	\$ -	\$ 16,100
Capital assets, being depreciated				
Buildings	-	294,664	-	294,664
Furniture and fixtures	136,467	-	3,612	\$ 132,855
Office equipment	43,888	45,503	9,968	79,423
Communication equipment	1,545,049	49,863	3,394	1,591,518
Vehicles	30,691	-	-	30,691
Total capital assets being depreciated	1,756,095	390,030	16,974	2,129,151
Less accumulated depreciation				
Buildings	-	6,463	-	6,463
Furniture and fixtures	65,049	13,195	3,612	74,632
Office equipment	31,614	8,451	9,968	30,097
Communication equipment	1,103,396	171,153	3,394	1,271,155
Vehicles	11,457	6,138	-	17,595
Total accumulated depreciation	1,211,516	205,400	16,974	1,399,942
Net capital assets	\$ 544,579	\$ 200,730	\$ -	\$ 745,309

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

NOTE 4 – OTHER INFORMATION

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.

Retirement plan

Currently, the 2010 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

**MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2011

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/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, 2010 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, 2010, the District's annual pension cost of \$18,960 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.

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.

MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Trend Information

Fiscal Year <u>Ending</u>	Annual Pension <u>Cost (APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
June 30, 2010	\$18,960	100%	\$0
June 30, 2009	\$18,565	100%	\$0
June 30, 2008	\$16,463	100%	\$0

Funded Status and Funding Progress:

As of July 1, 2009, the most recent actuarial valuation date, the plan was 59.12% percent funded. The actuarial accrued liability for benefits was \$0.37 million, and the actuarial value of assets was \$0.22 million, resulting in an unfunded actuarial liability (UAAL) of \$0.15 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.14 million, and the ratio of the UAAL to the covered payroll was 111.54 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, 2009	\$221,000	\$373,000	\$153,000	59.12%	\$137,000	111.54%
July 1, 2007	\$194,000	\$282,000	\$88,000	68.79%	\$118,000	74.58%

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 \$6,060 monthly. During this fiscal year, the communications equipment used by the County Fire Department was added, and has a monthly maintenance fee of \$1,886.

MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Below is a projection of the amount remaining:

Year End	Maintenance
2012	\$22,632
2013	\$22,632
2014	\$22,632
2015	\$22,632
2016	\$11,316
Total Maintenance Remaining	\$101,844

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.

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, 2011

Actuarial Valuation Date	(1) Actuarial Value of Plan Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL (UAAL) (2) - (1)	(4) Funded Ratio (1) / (2)	(5) Annual Covered Payroll	(6) UAAL as a Percentage of Covered Payroll (3) / (5)
7/1/2009	\$ 221,000	\$ 373,000	\$ 153,000	59.12%	\$ 137,000	111.54%
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 auditor's 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, 2011

	Original Budget	Amended Budget	Actual	Variance Over (Under)
Operating revenues				
Emergency telephone service charge	\$ 348,000	\$ 348,000	\$ 385,475	\$ (37,475)
SECB - share wireless charge	207,000	207,000	239,696	(32,696)
SECB - operational funding	303,800	303,800	303,803	(3)
	<u>\$ 858,800</u>	<u>\$ 858,800</u>	<u>\$ 928,974</u>	<u>\$ (70,174)</u>
Operating expenses				
Salaries and wages				
Director	\$ 58,510	\$ 58,510	\$ 57,852	\$ (658)
Administrative personnel	81,000	81,000	79,868	(1,132)
Pay Bonus	4,800	4,800	4,800	-
Employee benefits				
Social security/medicare	12,400	12,400	9,676	(2,724)
Life insurance	990	990	477	(513)
Medical insurance	19,000	19,000	16,298	(2,702)
Dental insurance	1,600	1,600	1,188	(412)
Retirement contributions	23,375	23,375	23,008	(367)
Contracted services				
Advertising	1,500	1,500	296	(1,204)
Audit services	5,000	5,000	4,610	(390)
Data processing services	6,000	6,000	5,160	(840)
Facility relocation expenses	15,000	15,000	624	(14,376)
Fees paid to service providers	162,000	162,000	152,078	(9,922)
Legal services	4,000	4,000	334	(3,666)
Maintenance agreements	5,500	5,500	1,782	(3,718)
Pest control	780	780	160	(620)
Lease/rental:				
Communications equipment	96,000	96,000	87,534	(8,466)
Buildings and facility	3,000	3,000	1,500	(1,500)
Maintenance and repairs:				
Communications equipment	5,400	5,400	298	(5,102)
Buildings and facility	4,900	4,900	2,397	(2,503)
Office equipment	1,800	1,800	197	(1,603)
Vehicles	3,600	3,600	314	(3,286)
Internet	1,500	1,500	878	(622)
Language line	900	900	316	(584)
Fuel-Vehicles	5,400	5,400	3,068	(2,332)
Other contracted services	6,000	6,000	2,040	(3,960)
Supplies and materials				
Office supplies	4,200	4,200	2,683	(1,517)
Data processing supplies	5,000	5,000	3,956	(1,044)

Continued

MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
BUDGETARY COMPARISON SCHEDULE
For The Year Ended June 30, 2011

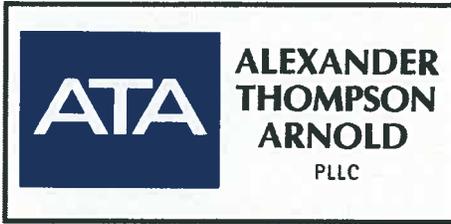
	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating expenses (Cont.)				
Supplies and materials (Cont.)				
Postage	\$ 1,200	\$ 1,200	\$ 482	\$ (718)
Utilities:				
Electric	7,500	7,500	3,353	(4,147)
Gas	7,500	7,500	-	(7,500)
Water	4,000	3,700	880	(2,820)
General telephone	5,400	5,700	5,474	(226)
Cell phones and pagers	2,400	2,400	2,279	(121)
PSAP supplies	6,100	6,100	5,284	(816)
Other charges				
Bank charges	360	360	122	(238)
Board meeting expenses	1,950	1,950	844	(1,106)
Dues and memberships	2,200	2,200	1,050	(1,150)
Insurance:				
Workman's compensation	500	500	-	(500)
Liability	2,000	2,000	859	(1,141)
Buildings and contents	12,000	12,000	8,736	(3,264)
Vehicles	3,500	3,500	2,235	(1,265)
Legal notices	1,500	1,500	264	(1,236)
Premiums on surety bonds	2,100	2,100	1,749	(351)
Public education	10,000	10,000	2,209	(7,791)
Training expenses	15,000	15,000	1,888	(13,112)
Travel expenses	28,000	28,000	8,713	(19,287)
Dispatch training	48,000	48,000	16,967	(31,033)
Miscellaneous expenses	2,500	2,500	1,962	(538)
Capital expenditures	120,000	120,000	65,371	(54,629)
Depreciation	180,000	180,000	-	(180,000)
Total operating expenses	<u>\$ 1,002,865</u>	<u>\$ 1,002,865</u>	<u>\$ 594,113</u>	<u>\$ (408,752)</u>
Operating income	<u>\$ (144,065)</u>	<u>\$ (144,065)</u>	<u>\$ 334,861</u>	<u>\$ (478,926)</u>
Non-operating income				
Investment income	\$ 41,000	\$ 41,500	64,729	\$ 23,229
Interest income	780	280	373	93
Miscellaneous income	2,640	2,640	2,640	-
Total non-operating income	<u>44,420</u>	<u>44,420</u>	<u>67,742</u>	<u>23,322</u>
Net income	<u>\$ (99,645)</u>	<u>\$ (99,645)</u>	<u>\$ 402,603</u>	<u>\$ (455,605)</u>

MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
BUDGETARY COMPARISON SCHEDULE
For The Year Ended June 30, 2011

Reconciliation To GAAP	
Net income-budgetary basis	\$ 402,603
Adjustments for:	
Fixed assets capitalized	64,922
Revenues to accrual basis	(1,238)
Expenses to accrual basis	(5,923)
Depreciation expense	<u>(205,400)</u>
Change in Net Assets-GAAP basis	<u>\$ 254,964</u>

See the independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION



Certified Public Accountants

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**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards***

Board of Directors
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, 2011, and have issued our report thereon dated August 24, 2011. 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
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 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, PLLC". The signature is written in a cursive, flowing style.

Certified Public Accountants
Jackson, Tennessee
August 24, 2011