MADISON COUNTY
EMERGENCY COMMUNICATIONS DISTRICT
(A COMPONENT UNIT OF MADISON COUNTY, TENNESSEE)

FINANCIAL STATEMENTS

JUNE 30, 2013

MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
TABLE OF CONTENTS

Introductory Section
Schedule of Officials and Key Employees

Financial Section
Independent Auditor's Report 1
Management's Discussion and Analysis 4
Statement of Net Position 8
Statement of Revenues, Expenses and Changes in Net Position 9
Statement of Cash Flows 10
Notes to Financial Statements 11
Required Supplemental Information:
Schedule of Funding Progress 17

Supplementary Information Section
Schedule of Operating Expenses 18
Budgetary Comparison Schedule (Cash Basis) 20

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* 23

INTRODUCTORY SECTION

MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
June 30, 2013

SCHEDULE OF OFFICIALS

Becky Hayes, Chairperson
Dan Vaughn, Secretary
John Scofield, Board Member
Teresa Henson, Board Member
Eric Turner, Board Member
David Woolfork, Board Member
Charles Markham, Board Member
Doug Stephenson, Board Member
Steve Pollock, Board Member

Management Official

Kim Augustine, Executive Director

Independent Certified Public Accountant

Alexander Thompson Arnold PLLC
Jackson, Tennessee

FINANCIAL SECTION

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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

ATA ALEXANDER THOMPSON ARNOLD PLLC

Certified Public Accountants
Offices in Tennessee & Kentucky

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Independent Auditor's Report

Board of Directors
Madison County Emergency Communications District
Jackson, Tennessee

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position the District as of June 30, 2013, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that managements discussion and analysis on pages 4 to 7 and the schedule of funding progress on page 17 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Madison County Emergency Communication District's basic financial statements. The schedule of operating expenses, the schedule of officials and key employees and the budgetary comparison schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of operating expenses and the budgetary comparison schedule are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of operating expenses and the budgetary comparison schedule are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedule of officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2013 on our consideration of the District's internal control over financial reporting and on our tests of its

compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Alexander Thompson Arnold PLLC

Jackson, Tennessee
August 30, 2013

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, 2013. 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 $4.85 million and exceeded liabilities in the amount of $4.78 million (i.e. net position). Total assets increased by $249 thousand due to the upgrade and replacement of the districts system.
- Net position increased $245 thousand during the current year due to the upgrade of the districts system.
- During fiscal year 2013, the District's Public Safety Answering Points answered 77,533 calls compared to 79,342 calls during the fiscal year 2012.
- Operating revenues were $1.05 million, a decrease from year 2012 in the amount of $68 thousand or 6.09%.
- Operating expenses were $786 thousand, a decrease from year 2012 in the amount of $157 thousand or 16.67%. This decrease was due to decreased depreciation due to several assets being disposed of, and decreased contract services due to a new provider and new system software.
- The operating income for the year was $261 thousand as compared to a $172 thousand operating income during the 2012 fiscal year.

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 supplementary information section, 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 required supplementary information. The 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 Position* presents the financial position of the District on a full accrual, historical cost basis. The statement of net position includes all of the District's assets, liabilities and deferred inflows/outflows of resources, with the difference reported as net position. 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 Position* presents the results of the business activities over the course of the fiscal year and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of 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 and a schedule of operating expenses are also presented as supplementary information.

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 Position and the Statement of Revenues, Expenses and Changes in Fund Net Position report information about the District's activities in a way that will help answer this question. These two statements report the net position of the District and the changes in the net position. Net position is one way to measure the financial health or financial position of the District. Over time, increases or decreases in the District's net position 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 position increased by $245 thousand for the fiscal year ended June 30, 2013. The analysis below focuses on the District's net position (Table 1) and changes in net position (Table 2) during the year.

Table 2A

CONDENSED STATEMENT NET POSITION

	June 30, 2013	June 30, 2012	Increase (Decrease) $	Increase (Decrease) %
Current and other assets	$ 3,347,930	$ 2,776,800	$ 571,130	20.57%
Capital assets	1,506,579	1,828,846	(322,267)	-17.62%
Total assets	4,854,509	4,605,646	248,863	5.40%
Total liabilities	73,495	69,684	3,811	5.47%
Net investment in capital assets	1,506,579	1,828,846	(322,267)	-17.62%
Unrestricted net position	3,274,435	2,707,116	567,319	20.96%
Total net position	$ 4,781,014	$ 4,535,962	$ 245,052	5.40%

The decrease in capital assets was the result of disposal of equipment no longer usable due to lightning damage during the year or rendered obsolete from the new upgrades to all of the districts systems. Increases in current and other assets primarily due to increased investment in certificates of deposit during the year.

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

Table 2B

CONDENSED STATEMENT OF INCOME, EXPENSES AND CHANGES IN FUND NET POSITION

	June 30, 2013	June 30, 2012	Increase (Decrease) $	Increase (Decrease) %
Operating revenues	$ 1,047,344	$ 1,115,307	$ (67,963)	-6.09%
Non-operating revenues	207,814	360,352	(152,538)	-42.33%
Total revenues	1,255,158	1,475,659	(220,501)	-14.94%
Operating expenses				
Salaries and wages	151,078	147,677	3,401	2.30%
Employee benefits	54,246	51,398	2,848	5.54%
Contracted services	172,716	264,008	(91,292)	-34.58%
Supplies and materials	27,148	22,265	4,883	21.93%
Other charges	46,203	58,343	(12,140)	-20.81%
Depreciation	334,810	399,775	(64,965)	-16.25%
Total operating expenses	786,201	943,466	(157,265)	-16.67%
Non operating expenses	223,905	-	223,905	100.00%
Total expenses	1,010,106	943,466	66,640	7.06%
Change in net position	245,052	532,193	(287,141)	-53.95%
Net position, July 1, 2012	4,535,962	4,003,769	532,193	13.29%
Net position, June 30, 2013	$ 4,781,014	$ 4,535,962	245,052	5.40%

Operating revenues showed a 6.09% decrease from 2012 to 2013. Operating expenses decreased 16.67% from 2012 to 2013. The decrease in expenses is due to decreased depreciation as a result disposing of some assets along with a decrease in contracted services due to a new provider and new system software.

CAPITAL ASSETS

At the end of the fiscal year 2013, the system had $1.51 million (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 $322 thousand or 17.62% 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, 2013. These changes are presented in detail in Note 4 to the financial statements.

CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

	June 30, 2013	June 30, 2012	Increase (Decrease) $	Increase (Decrease) %
Buildings	$ 281,735	$ 290,762	$ (9,027)	-3.10%
Land	16,100	16,100	-	0.00%
Furniture and fixtures	180,448	167,523	12,925	7.72%
Office equipment	27,937	38,214	(10,277)	-26.89%
Communication equipment	971,213	1,308,051	(336,838)	-25.75%
Vehicles	29,146	8,196	20,950	255.61%
Total capital assets, net of accumulated depreciation	$ 1,506,579	$ 1,828,846	$ (322,267)	-17.62%

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.

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 POSITION
June 30, 2013

ASSETS	
Current assets	
Cash and cash equivalents	$ 1,772,969
Certificates of deposit	1,505,285
Accrued interest receivable	24,218
Accounts receivable	32,379
Prepaid expenses	13,079
Total current assets	3,347,930
Noncurrent assets	
Capital assets	
Land	16,100
Building and improvements	304,964
Furniture and fixtures	291,805
Office equipment	77,838
Communication equipment	2,210,800
Vehicles	44,242
Accumulated depreciation	(1,439,170)
Total capital assets	1,506,579
Total assets	**4,854,509**
LIABILITIES	
Accounts payable	51,150
Compensated absences payable	22,345
Total current liabilities	73,495
NET POSITION	
Net investment in capital assets	1,506,579
Unrestricted net position	3,274,435
Total net position	**$ 4,781,014**

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

MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For The Year Ended June 30, 2013

Operating revenues	
Emergency telephone service charge	$ 397,562
Tennessee Emergency Communications Board - shared wireless charge	238,249
Tennessee Emergency Communications Board - operational funding	411,533
Total operating revenues	1,047,344
Operating expenses	
Salaries and wages	151,078
Employee benefits	54,246
Contracted services	172,716
Supplies and materials	27,148
Other charges	46,203
Depreciation	334,810
Total operating expenses	786,201
Operating income	**261,143**
Non-operating revenues and (expenses)	
Investment income	28,525
Interest income	220
Insurance reimbursements	176,129
Miscellaneous income	2,940
Loss on disposal of property	(223,905)
Total non-operating revenues and (expenses)	(16,091)
Change in net position	**245,052**
Net position, July 1, 2012	4,535,962
Net position, June 30, 2013	$ 4,781,014

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, 2013

Cash flows from operating activities	
Cash received from surcharges and other revenues	$ 1,060,598
Cash paid to suppliers of goods and services	(242,304)
Cash paid for employees' services and benefits	(204,712)
Net cash provided by operating activities	613,582
Cash flows from non-capital financing activities:	
Insurance reimbursement	176,129
Net cash provided by non-capital financing activities	176,129
Cash flows from capital and related financing activities	
Acquisition of capital assets	(236,448)
Net cash provided by capital and related financing activities	(236,448)
Cash flows from investing activities	
Purchase of investments	(505,285)
Sale of investments	500,000
Interest on investments	13,808
Net cash provided by investing activities	8,523
Net increase in cash	**561,786**
Cash and cash equivalents-July 1, 2012	1,211,183
Cash and cash equivalents-July 1, 2013	**$ 1,772,969**

Reconciliation of operating income to net cash provided by operating activities

Operating income	$ 261,143
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	334,810
Miscellaneous income	2,940
Decrease in accounts receivable	10,314
Decrease in prepaid expenses	564
Increase in accounts payable	3,199
Increaes in compensated absences	612
Net cash provided by operating activities	$ 613,582

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

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 District is accounted for as a single enterprise fund as prescribed by the State. Enterprise funds are a type of proprietary fund, and as such, are reported in accordance with generally accepted accounting principles for proprietary funds as defined by the *Governmental Audit Standards Board* (GASB). Proprietary fund types are reported using the economic resources measurement focus and the accrual basis of accounting. The aim of this measurement focus is to report all inflows, outflows, and balances affecting or reflecting the entities net position. The accrual basis of accounting recognizes income as it is earned and expenses as they are incurred, whether or not cash is received or paid out at that time.

Operating revenues in proprietary funds are those revenues generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. The State has defined grants and reimbursements from TECB to be non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

C. Assets, Liabilities, and Net Position

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 various telephone service providers, 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. Any purchase of equipment, either for office or system use, purchased at a price in excess of $7,500 and with an expected life span of at least 5 years shall be considered a capital asset and carried on the books as such

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

Deferred Outflows/Inflows of Resources
During the year ended June 30, 2013, the district adopted the provisions of GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. The objective of the statement is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources.

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

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

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

the Districts policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Net Position
Equity is reported as net position, which is classified into the following components, as applicable:

Net investment 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 position when constraints are placed on their use by external third parties or imposed by law
Unrestricted – net position that does 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.

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 capital 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, and the state pooled investment fund. 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, 2013, $500,000 thousand of the District's bank balance was covered by federal depository

insurance, and the remaining bank balance of $2,836,724 was covered by the Tennessee Bank Collateral Pool.

B. Capital Assets

Capital asset activity for the year was as follows:

Description	Balance 7/1/12	Additions	Disposals	Balance 6/30/13
Capital assets, not being depreciated				
Land	$ 16,100	$ -	$ -	$ 16,100
Capital assets, being depreciated				
Buildings	304,964	-	-	304,964
Furniture and fixtures	264,100	39,731	12,026	291,805
Office equipment	79,423	-	1,585	77,838
Communication equipment	2,933,284	175,837	898,321	2,210,800
Vehicles	30,691	20,880	7,329	44,242
Total capital assets being depreciated	3,612,462	236,448	919,261	2,929,649
Less accumulated depreciation				
Buildings	14,202	9,027	-	23,229
Furniture and fixtures	96,577	26,482	11,702	111,357
Office equipment	41,209	10,277	1,585	49,901
Communication equipment	1,625,233	281,595	667,241	1,239,587
Vehicles	22,495	7,429	14,828	15,096
Total accumulated depreciation	1,799,716	334,810	695,356	1,439,170
Net capital assets	$ 1,828,846	$ (98,362)	$ 223,905	$ 1,506,579

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. Major 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 voice over internet protocol services and remits a set percentage to the District.

Retirement plan

Plan Description: Employees of the District are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee

Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot 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, 2013 was 15.93% 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, 2013, the District's annual pension cost of $23,969 to TCRS was equal to the District's required and actual contributions. The required contribution was determined as part of the July 1, 2009 actuarial valuation using the frozen 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 3.0 percent annual rate of inflation, (c) 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), (D) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of equities over a ten-year period. The District's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009 was 20 years. An actuarial valuation was performed July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2012	$23,503	100%	$0
June 30, 2011	$23,008	100%	$0
June 30, 2010	$18,960	100%	$0

Funded Status and Funding Progress:

As of July 1, 2011, the most recent actuarial valuation date available, the plan was 66.94% percent funded. The actuarial accrued liability for benefits was $0.44 million, and the actuarial value of assets was $0.29 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 101.35 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.

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL)-entry age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/(c)
July 1, 2011	$294,000	$439,000	$145,000	66.94%	$143,000	101.35%
July 1, 2009	$221,000	$373,000	$153,000	59.12%	$137,000	111.54%
July 1, 2007	$194,000	$230,000	$36,000	84.35%	$118,000	30.51%

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 and there has been no significant reduction in the amount of coverage provided.

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, 2013

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL)-entry age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/(c)
July 1, 2011	$294,000	$439,000	$145,000	66.94%	$143,000	101.35%
July 1, 2009	$221,000	$373,000	$153,000	59.12%	$137,000	111.54%
July 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.

SUPPLEMENTARY INFORMATION SECTION

The 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
SCHEDULE OF OPERATING EXPENSES
For The Year Ended June 30, 2013

Salaries and wages	
Director	$ 61,812
Administrative personnel	83,866
Pay bonus	5,400
	$ 151,078
Employee benefits	
Social security/medicare	$ 10,188
Life insurance	515
Medical insurance	18,386
Dental insurance	1,188
Retirement contributions	23,969
	$ 54,246
Contracted services	
Advertising	$ 507
Audit services	4,985
Data processing services	1,720
Facility relocation services	19,179
Fees paid to service providers	6,364
Legal services	525
Maintenance agreements	22,252
Alarm monitoring sevices	373
Yard Maintenance	1,900
Pest control	320
Lease/rental:	
Communications equipment	98,739
Maintenance and repairs:	
Communications equipment	11,241
Buildings and facility	1,436
Vehicles	592
Fuel - vehicles	2,327
Language line	256
	$ 172,716

See independent auditor's report

MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF OPERATING EXPENSES
For The Year Ended June 30, 2013

Supplies and materials	
Office supplies	$ 1,361
Custodial supplies	149
Data processing supplies	1,957
Postage	238
Supplies and materials	79
Small equipment purchases	10,089
Utilities:	
Electric	3,242
Water	714
General telephone	2,936
Cell phones and pagers	2,126
PSAP supplies	4,257
	$ 27,148

Other charges	
Board meeting expenses	$ 539
Dues and memberships	1,580
Insurance:	
Liability	1,118
Buildings and contents	12,920
Vehicles	2,350
Legal notices	175
Premiums on surety bonds	546
Public education	5,471
Training expenses	2,275
Travel expenses	3,193
Internet	1,080
Dispatch training	14,850
Miscellaneous expenses	106
	$ 46,203

See independent auditor's report

MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
BUDGETARY COMPARISON SCHEDULE (CASH BASIS)
For The Year Ended June 30, 2013

	Original Budget	Amended Budget	Actual	Variance Over (Under)
Operating cash receipts				
Emergency telephone service charge	$ 363,000	$ 363,000	$ 407,876	$ 44,876
TECB - share wireless charge	213,000	213,000	238,249	25,249
TECB - operational funding	334,000	334,000	350,547	16,547
	910,000	910,000	996,672	86,672
Operating cash expenditures				
Salaries and wages				
Director	61,150	61,150	60,752	(398)
Administrative personnel	84,675	84,675	83,443	(1,232)
Pay Bonus	5,400	5,400	5,400	-
Employee benefits				
Social security/medicare	12,300	12,300	9,465	(2,835)
Life insurance	1,030	1,030	512	(518)
Medical insurance	20,500	20,500	18,386	(2,114)
Dental insurance	1,600	1,600	1,188	(412)
Retirement contributions	24,215	24,215	23,969	(246)
Contracted services				
Advertising	750	750	507	(243)
Audit services	5,000	5,000	4,985	(15)
Data processing services	5,700	5,700	1,720	(3,980)
Facility relocation expenses	15,000	20,000	16,898	(3,102)
Fees paid to service providers	28,000	28,000	6,364	(21,636)
Legal services	2,000	2,000	525	(1,475)
Maintenance agreements	17,000	22,000	21,688	(312)
Alarm monitoring service	500	500	373	(127)
Yard Maintenance	5,000	5,000	1,900	(3,100)
Pest control	420	420	320	(100)
Lease/rental:				
Communications equipment	114,000	114,000	92,602	(21,398)
Maintenance and repairs:				
Communications equipment	25,000	25,000	10,951	(14,049)
Buildings and facility	6,000	6,000	1,518	(4,482)
Office equipment	1,800	1,800	-	(1,800)
Vehicles	3,600	3,600	602	(2,998)
Language line	900	900	265	(635)
Fuel - vehicles	4,900	4,900	2,327	(2,573)

See independent auditor's report

MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
BUDGETARY COMPARISON SCHEDULE (CASH BASIS)
For The Year Ended June 30, 2013

	Original Budget	Amended Budget	Actual	Variance Over (Under)
Supplies and materials				
Office supplies	$ 4,200	$ 4,200	$ 1,361	$ (2,839)
Custodial supplies	900	900	149	(751)
Data processing supplies	5,000	5,000	1,957	(3,043)
Postage	960	960	238	(722)
Small equipment purchases	-	12,000.00	10,089.27	(1,911)
Uniforms and shirts	1,500	1,500	79	(1,421)
Utilities:				
Electric	7,200	7,200	3,242	(3,958)
Gas	2,000	2,000	-	(2,000)
Water	1,800	1,800	714	(1,086)
General telephone	5,700	5,700	2,936	(2,764)
Cell phones and pagers	2,400	2,400	2,126	(274)
PSAP supplies	6,100	6,100	4,655	(1,445)
Other charges				
Bank charges	360	360	-	(360)
Board meeting expenses	1,500	1,500	539	(961)
Dues and memberships	2,200	2,200	980	(1,220)
Insurance:				
Workman's compensation	500	500	-	(500)
Liability	2,000	2,000	1,118	(882)
Buildings and contents	16,500	16,500	12,920	(3,580)
Vehicles	3,000	3,000	2,350	(650)
Legal notices	1,000	1,000	285	(715)
Premiums on surety bonds	2,100	2,100	546	(1,554)
Public education	8,000	8,000	5,471	(2,529)
Training expenses	9,600	9,600	2,275	(7,325)
Travel expenses	22,400	22,400	10,000	(12,400)
Internet	1,200	1,200	1,080	(120)
Dispatch training	30,000	30,000	14,850	(15,150)
Miscellaneous expenses	2,000	2,000	105	(1,895)
Capital purchases	110,000	88,000	60,611	(27,389)
Total operating expenses	696,560	696,560	507,337	(189,223)
Cash basis operating income	**213,440**	**213,440**	**489,334**	**275,894**

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See independent auditor's report

MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
BUDGETARY COMPARISON SCHEDULE (CASH BASIS)
For The Year Ended June 30, 2013

	Original Budget	Amended Budget	Actual	Variance Over (Under)
Non-operating cash receipts				
Investment income	$ 11,000	$ 11,065	$ 43,464	$ 32,399
Interest income	240	175	220	45
TECB grants and reimbursements	-	-	60,986	60,986
Miscellaneous income	2,640	2,640	2,940	300
Total non-operating cash receipts	13,880	13,880	107,610	93,730
Cash basis net income (loss)	**$ 227,320**	**$ 227,320**	**596,945**	**$ 369,625**
Reconciliation of cash basis to accrual basis				
Depreciation expense			(334,810)	
Capital purchases			236,448	
Loss on disposal of property			(223,905)	
Increase in accrued interest receivable			(14,937)	
Increase (decrease) in current receivables			(10,314)	
Increase (decrease) in prepaid expenses			(564)	
Increase in accounts payable			(3,199)	
Increase in compensated absences payable			(612)	
Net reconciliation cash to accrual			$ (351,893)	
Increase (decrease) in net position (accrual)			**245,052**	
Net position, July 1, 2012			4,535,962	
Net position, July 1, 2013			$ 4,781,014	

See the independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION

Members of:
American Society 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

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

Board of Directors
Madison County Emergency Communications District
Jackson, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Madison County Emergency Communications District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Madison County Emergency Communications District's basic financial statements, and have issued our report thereon dated August 30, 2013.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Alexander Thompson Arnold PLLC

Jackson, Tennessee
August 30, 2013