

**MADISON COUNTY EMERGENCY  
COMMUNICATION DISTRICT**

**ANNUAL FINANCIAL REPORT**

**JUNE 30, 2014**

**MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**(a component unit of Madison County, Tennessee)**  
**INDEPENDENT AUDITOR'S REPORT, FINANCIAL**  
**STATEMENTS AND SUPPLEMENTAL INFORMATION**  
**JUNE 30, 2014**

**Table of Contents**

	<b>Page</b>
<b>Introductory Section</b>	
Table of Contents . . . . .	1
Roster of Board of Directors . . . . .	2
<b>Financial Section</b>	
Independent Auditor's Report . . . . .	3 – 4
Management's Discussion and Analysis . . . . .	5 – 7
Statement of Net Position . . . . .	8
Statement of Revenues, Expenses, and Changes in Net Position . . . . .	9
Statement of Cash Flows . . . . .	10
Notes to the Financial Statements . . . . .	11 – 16
Required Supplementary Information:	
Schedule of Funding Progress . . . . .	17
<b>Supplemental Information</b>	
Budgetary Comparison Schedule (Cash Basis Budget) . . . . .	18 – 19
Schedule of Detailed Expenses . . . . .	20 – 21
<b>Compliance and Internal Control Report</b>	
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 <i>Government Auditing Standards</i> . . . . .	22 – 23

**MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
(a component unit of Madison County, Tennessee)  
ROSTER OF BOARD OF DIRECTORS  
JUNE 30, 2014**

Becky Hayes - Chairperson

Steve Pollock - Vice Chairman

Doug Stephenson -Treasurer

Dan Vaughn - Secretary

Teresa Henson

Charles Markham

John Scofield

Eric Turner

David L. Woolfork

**MANAGEMENT OFFICIAL**

Kim Augustine, ENP  
Director



## 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 (the District), a component unit of Madison County, Tennessee, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2014, 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.

### *Change in Accounting Principles*

As described in Note 10, the District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*, which has an effective date of June 30, 2014. Our opinion is not modified with respect to this matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 – 7 and the schedule of 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 opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section (pages 1 – 2) and the supplemental information (pages 18 – 21) are presented for purposes of additional analysis and are not required parts of the basic financial statements.

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Galvin & Associates, PLLC*

October 31, 2014

**MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**(a component unit of Madison County, Tennessee)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

As management of the Madison County Emergency Communications District's (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with the District's financial statements.

**Financial Highlights**

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$5,382,350 (*net position*). Of this amount, \$4,197,009 represents unrestricted net position, which may be used to meet the District's ongoing obligations.
- Net position increased \$601,336 or 12.58%.
- Operating revenues were \$909,463, a decrease from the prior year (\$1,047,344) by \$137,881 or 13.16%.
- Operating expenses were \$799,786, an increase from the prior year (\$786,201) by \$13,585 or 1.73%.
- The operating income for the year was \$109,677 compared to \$261,143 in the prior year.
- Capital contributions from the Tennessee Emergency Communication Board of \$300,000 were reimbursements for capital assets purchased by the District in prior years (Tier 1 and Tier 2 reimbursements of non-recurring costs for purchase of ECD/PSAP essential and necessary equipment).

**Overview of the Financial Statements**

The discussion and analysis provided here are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of four sections: 1) introductory section, 2) financial section, 3) supplemental information section, and (4) compliance and internal control section. The introductory section includes table of contents and the District's roster of Board of Directors. The financial section includes the MD&A, the independent auditor's report, and the financial statements with accompanying notes. The supplemental information section includes selected financial and operational information. The internal control and compliance section includes the report on internal control and compliance.

**Proprietary Funds.** 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 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.

**MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**(a component unit of Madison County, Tennessee)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

The *supplementary schedule* comparing the budget to actual expenses and a schedule of detailed expenses are also presented as supplementary information.

**Financial Analysis**

As noted earlier, net position over time, may serve as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$5,382,350 at the close of the most recent fiscal year.

**Statement of Net Position**

	June 30, 2014	Percent of Total	June 30, 2013	Percent of Total
Current and other assets	\$ 4,279,496	78.31%	\$ 3,347,930	68.97%
Capital assets	1,185,341	21.69%	1,506,579	31.03%
Total assets	<u>5,464,837</u>	<u>100.00%</u>	<u>4,854,509</u>	<u>100.00%</u>
Current liabilities	82,487	100%	73,495	100%
Total liabilities	<u>82,487</u>	<u>100%</u>	<u>73,495</u>	<u>100%</u>
Investment in capital assets	1,185,341	22.02%	1,506,579	31.51%
Unrestricted net position	4,197,009	77.98%	3,274,435	68.49%
Total net position	<u>\$ 5,382,350</u>	<u>100.00%</u>	<u>\$ 4,781,014</u>	<u>100.00%</u>

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

	June 30, 2014	June 30, 2013	Increase/ (Decrease)	% Change
<b>Revenues</b>				
Operating revenues	\$ 909,463	\$ 1,047,344	\$ (137,881)	-13%
<b>Expenses</b>				
Salaries and wages	154,685	151,078	3,607	2%
Employee benefits	57,444	54,246	3,198	6%
Contracted services	181,729	172,716	9,013	5%
Supplies and materials	19,689	27,148	(7,459)	-27%
Other charges	65,279	46,203	19,076	41%
Depreciation	320,960	334,810	(13,850)	-4%
Total expenses	<u>799,786</u>	<u>786,201</u>	<u>13,585</u>	<u>2%</u>
Operating income (loss)	109,677	261,143	(151,466)	-58%
Nonoperating revenue (expenses)	191,659	(16,091)	207,750	1291%
Income before capital contribution	301,336	245,052	56,284	23%
Capital Contributions	300,000	-	300,000	-
Change in net position	601,336	245,052	356,284	145%
Net position - beginning of year	4,781,014	4,535,962	245,052	5%
Net position - end of year	<u>\$ 5,382,350</u>	<u>\$ 4,781,014</u>	<u>\$ 601,336</u>	<u>13%</u>

**MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
(a component unit of Madison County, Tennessee)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014**

The District had a current year net increase in net position of \$601,336 compared to \$245,052 in the prior year. The increase in the change in net position from the prior year to the current year is due to the District receiving increased grants and reimbursements from the Tennessee Emergency Communications Board.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of June 2014, the District had \$2,858,541 invested in capital assets, including buildings and improvements, furniture and fixtures, office equipment, communications equipment, and vehicles. There were no capital asset purchases in the current year. Accumulated depreciation increased by \$234,030 (\$320,960 current year depreciation less \$86,930 disposals). Additional information on capital assets is in Note 6.

**Debt**

At year-end, the District had no debt.

**ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES AND RATES**

The District is dependent on telephone service charges collected by various phone companies and remitted to the District as well as operating grants and capital grants from the State Emergency Communication Board. The District's surcharge for each wireless device is currently set by the State at \$1.00 per device. The District's surcharge for landline telephones is currently set at \$0.45 for each residential line and \$1.64 for each business line up to 100 lines. The Tennessee State Legislature approved a new funding model for all Districts setting the rate at \$1.16 for all devices effective January 1, 2015.

A budget is prepared before each fiscal year. Next year the budget shows total revenues of \$1,037,975 (including grants of \$200,720 which will be used to help pay mapping expenses, dispatcher training expenses, operating expenses, and capital asset purchases) and expenses of \$948,685.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of 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 Director of Madison County Emergency Communications District, 914 N. Highland Avenue, Jackson, TN 38301.

Kim Augustine  
Director

**MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**(a component unit of Madison County, Tennessee)**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 2,644,101
Certificates of deposit	1,543,362
Accrued interest receivable	2,634
Accounts receivable	38,044
Due from Tennessee Emergency Communications Board	42,608
Prepaid expenses	8,747

<b>TOTAL CURRENT ASSETS</b>	<b>4,279,496</b>
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**CAPITAL ASSETS**

Land	16,100
Buildings and improvements	304,964
Furniture and fixtures	287,585
Office equipment	76,363
Communications equipment	2,129,287
Vehicles	44,242
	2,858,541
LESS: accumulated depreciation	(1,673,200)

<b>NET CAPITAL ASSETS</b>	<b>1,185,341</b>
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<b>TOTAL ASSETS</b>	<b>5,464,837</b>
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**LIABILITIES AND NET POSITION**

**LIABILITIES**

Accounts payable	60,142
Compensated absences payable	22,345

<b>TOTAL CURRENT LIABILITIES</b>	<b>82,487</b>
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**NET POSITION**

Investment in capital assets	1,185,341
Unrestricted net position	4,197,009

<b>TOTAL NET POSITION</b>	<b>\$ 5,382,350</b>
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**MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**(a component unit of Madison County, Tennessee)**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2014**

<b>OPERATING REVENUES</b>	
Emergency Telephone Service Charge	\$ 350,627
Tennessee Emergency Communications Board - Shared Wireless Charge	292,976
Tennessee Emergency Communications Board - Operational Funding	<u>265,860</u>
<b>TOTAL OPERATING REVENUES</b>	<u>909,463</u>
<b>OPERATING EXPENSES</b>	
Salaries and wages	154,685
Employee benefits	57,444
Contracted Services	181,729
Supplies and Materials	19,689
Other Charges	65,279
Depreciation	<u>320,960</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>799,786</u>
<b>OPERATING INCOME (LOSS)</b>	<u>109,677</u>
<b>NONOPERATING REVENUES AND (EXPENSES)</b>	
Investment Income	29,151
Interest Income	253
Insurance reimbursements	3,655
Miscellaneous income	2,640
Loss on disposal of property	(279)
Tennessee Emergency Communications Board - Grants & Reimbursements	<u>156,239</u>
<b>TOTAL NONOPERATING REVENUES AND (EXPENSES)</b>	<u>191,659</u>
<b>INCOME BEFORE CAPITAL CONTRIBUTION</b>	301,336
<b>CAPITAL CONTRIBUTIONS</b>	
Capital Contributions from Tennessee Emergency Communications Board	<u>300,000</u>
<b>CHANGE IN NET POSITION</b>	601,336
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>4,781,014</u>
<b>NET POSITION - END OF YEAR</b>	<u><u>\$ 5,382,350</u></u>

**MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
(a component unit of Madison County, Tennessee)  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash receipts from surcharges and other revenues	\$ 863,830
Cash payments to suppliers for goods and services	(266,697)
Cash payments for employees' services and benefits	(198,805)
<b>CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>398,328</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Insurance reimbursement	\$ 3,655
Grants and reimbursements TECB	156,239
<b>CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>159,894</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Grants and reimbursements TECB	300,000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment income	50,734
Interest income	253
Reinvestment of interest income into CD	(38,077)
<b>CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>12,910</b>
<b>INCREASE IN CASH</b>	<b>871,132</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>	<b>1,772,969</b>
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<b>\$ 2,644,101</b>

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<b>RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Net operating revenue (expense)	\$ 109,677
Adjustments to reconcile operating revenue to net cash provided by operating activities:	
Depreciation	320,960
Miscellaneous income	2,640
<b>Changes in Assets and Liabilities</b>	
Accounts receivable	(5,665)
Due from Tennessee Emergency Communications Board	(42,608)
Prepaid expenses	4,332
Accounts payable	8,992
<b>CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 398,328</b>

**MADISON COUNTY EMERGENCY COMMUNICATION DISTRICT**  
**(a component unit of Madison County, Tennessee)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**1. GENERAL INFORMATION**

**Component unit**

The District provides the 911 emergency communications infrastructure to persons living in Madison County. The District is a component unit of Madison County. Accordingly, this financial data is incorporated into the County's financial statements. The District is governed by a nine member Board of Directors who are appointed by the Madison County Mayor and confirmed by the Madison County Commission. The District owns the operating headquarters and maintains all of the repairs and furnishings. The District receives no operational or capital funding from Madison County.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

The accounts of the District are organized on the basis of funds. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenses, as appropriate. The accounts in the financial statements in this report fall under one broad fund category as follows:

**Proprietary Funds**

**Enterprise Funds** - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**B. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The District's financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position**

**Cash and Cash Equivalents**

Cash and cash equivalents, as used in the Statements of Cash Flows, includes demand deposit accounts and certificates of deposit with maturities of three months or less when purchased, in accordance with GASB Statement No. 9.

**Receivables**

Receivables consist of all revenues earned at year-end and not yet received. Balances reported at year-end include telephone fees due from phone companies, wireless charges due from the State of Tennessee, and grant receivables due from the Tennessee Emergency Communications Board.

**MADISON COUNTY EMERGENCY COMMUNICATION DISTRICT**  
**(a component unit of Madison County, Tennessee)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**Capital Assets**

All capital assets of the District are recorded at original cost, except for donated equipment which is recorded at fair market value. Expenses which materially increase values or capacities, or extend useful lives of these assets are capitalized while expenses for maintenance and repairs are charged to operations as incurred. It is the policy of the District to maintain a capitalization threshold of \$7,500.

Gains and losses from the sale of capital assets are reflected in operations and the asset accounts and related allowances for depreciation are reduced. Also, depreciation expense on all depreciable items is systematically charged against operations using the straight-line method over their estimated useful lives. Any related interest cost is also added to the cost of the asset as appropriate.

**Compensated Absences**

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**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any items that qualify for reporting in this category as of June 30, 2014.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District does not have any items that qualify for reporting in this category as of June 30, 2014.

**Net Position Flow Assumption**

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

It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

**Net Position**

In the District's financial statements, equity is classified as net position and displayed in three components:

- a. Investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.

**MADISON COUNTY EMERGENCY COMMUNICATION DISTRICT**  
**(a component unit of Madison County, Tennessee)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

- c. Unrestricted net position – All other net position that do not meet the definition of restricted or net investment in capital assets.

**3. REVENUES**

Revenues are derived from telephone customers in the area served by the District. Telephone companies collect monthly fees from landline customers and remit them to the District. The TECB collects monthly fees from wireless customers and remits 25% of the fees collected back to the Districts based on population.

Operating revenues and expenses are those that result from providing services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. All revenues that are not generated from daily operations are defined as non-operating.

**4. RISK MANAGEMENT**

It is the policy of the District to purchase commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property damage, and theft. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. It is also insured against possible loss related to acts of District key officers or directors by official statutory bonds carried by the District. The District has had no insurance settlements in excess of insurance coverage during the past three years.

**5. CONTRACT AGREEMENT**

In a prior year, the District entered into an agreement with Madison County, Tennessee, whereby the Board of the District is charged with the responsibilities of establishing and collecting service fees; seeking additional funding and issuing bonds, if necessary; and creating a dispatch service and determining the mode.

Further, the parties agreed that the City and County would serve as the dispatching authorities with the responsibility to operate the dispatch facility in a manner consistent with statutory requirements. The District has provided the 911 infrastructure, 911 equipment and training funding for the dispatchers.

**6. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2014, was as follows:

	Balance 7/1/2013	Additions	Retirements	Balance 6/30/2014
Capital assets not being depreciated				
Land	\$ 16,100	\$ -	\$ -	\$ 16,100
Capital assets being depreciated				
Buildings	304,964	-	-	304,964
Furniture and fixtures	291,805	-	4,220	287,585
Office equipment	77,838	-	1,475	76,363
Communications equipment	2,210,800	-	81,513	2,129,287
Vehicles	44,242	-	-	44,242
Total capital assets being depreciated	<u>2,929,649</u>	<u>-</u>	<u>87,208</u>	<u>2,842,441</u>
Less accumulated depreciation for:				
Buildings and improvements	(23,229)	(9,027)	-	(32,256)
Furniture and fixtures	(111,357 00)	(29,352)	(3,941)	(136,768)
Office equipment	(49,901)	(8,435)	(1,475)	(56,861)
Communications equipment	(1,239,587)	(265,297)	(81,513)	(1,423,371)
Vehicles	(15,095)	(8,849)	-	(23,944)
Total accumulated depreciation	<u>(1,439,169)</u>	<u>(320,960)</u>	<u>(86,929)</u>	<u>(1,673,200)</u>
Total capital assets, net	<u>\$ 1,490,480</u>			<u>\$ 1,185,341</u>

Depreciation expense of \$320,960 was recorded by the District.

**MADISON COUNTY EMERGENCY COMMUNICATION DISTRICT**  
**(a component unit of Madison County, Tennessee)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**7. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

By its nature as a local government unit, the District is subject to various federal, state, and local laws and contractual regulations. An analysis of the District's compliance with significant laws and regulations and demonstration of its stewardship over the District resources follows.

**7.A. DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS**

The District's investment policies are governed by State statute. Permissible investments include direct obligations of the U.S. Government and agency securities, certificates of deposit and savings accounts. At June 30, 2014, investments consisted entirely of certificates of deposit with original maturities greater than three months at a local bank. Investments are carried at cost which approximates fair value.

For deposits and investments, custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. Collateral is required for demand deposits and certificates of deposit at 105% of all amounts not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State of Tennessee and its subdivisions. The District's deposits at year-end were not exposed to custodial credit risk due to being entirely covered by depository insurance (a combination of federal depository insurance with the excess covered by the State's Bank Collateral Pool).

**7.B. BUDGET APPROPRIATIONS**

In accordance with State law, the board of the District must adopt and operate under an annual budget. Criteria for the information required in the annual adopted budget are detailed in Section 7-86-120, *Tennessee Code Annotated*. However, for financial reporting purposes it is only necessary to present budgetary revenues and expenses compared to actual. All purchases must be made within the limits of the approved budget. Expenses must be presented at the legal level of control, which is defined to be at the line-item level.

The District's expenses were within appropriations at the line-item level (cash basis).

**8. ESTIMATES AND ASSUMPTIONS**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**9. 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

**MADISON COUNTY EMERGENCY COMMUNICATION DISTRICT**  
**(a component unit of Madison County, Tennessee)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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 Tennessee Code Annotated (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, 15th Floor Andrew Jackson Building, Nashville, TN 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, 2014 was 15.93% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the District is established and may be amended by the TCRS Board of Trustees.

**Annual Pension Cost**

For the year ending June 30, 2014, the District's annual pension cost of \$24,641 to TCRS was equal to the District's required and actual contributions. The required contribution was determined as part of the July 1, 2011 actuarial valuation using the frozen entry age 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 (graded) 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 total investments 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, 2011 was 15 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

**Trend Information**

<u>Fiscal</u> <u>Year</u> <u>Ending</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
June 30, 2014	\$24,641	100.00%	\$0.00
June 30, 2013	\$23,969	100.00%	\$0.00
June 30, 2012	\$23,503	100.00%	\$0.00

**MADISON COUNTY EMERGENCY COMMUNICATION DISTRICT**  
**(a component unit of Madison County, Tennessee)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**Funded Status and Funding Progress**

As of July 1, 2013, the most recent actuarial valuation date, the plan was 73.90 percent funded. The actuarial accrued liability for benefits was \$0.49 million, and the actuarial value of assets was \$0.36 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.13 million. The covered payroll (annual payroll of active employees covered by the plan) \$0.15 million, and the ratio of the UAAL to the covered payroll was 84.15 percent.

The schedule 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.

**10. ACCOUNTING CHANGES**

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans* became effective for the year ended June 30, 2014.

GASB Statement No. 67 replaces the requirements of Statements. No. 25 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trusts or equivalent arrangements.

**MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**(a component unit of Madison County, Tennessee)**  
**SCHEDULE OF FUNDING PROGRESS - EMPLOYEE RETIREMENT SYSTEM**  
**JUNE 30, 2014**

(Dollar amounts in thousands)

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)	Annual Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2013	\$ 358	\$ 485	\$ 127	73.90%	\$ 150	84.15%
July 1, 2011	\$ 294	\$ 439	\$ 145	66.94%	\$ 143	101.35%
July 1, 2009	\$ 221	\$ 373	\$ 153	59.12%	\$ 137	111.54%

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 went into effect during the year of the 2007 actuarial valuation, therefore, only the three most recent valuations are presented.

**MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
(a component unit of Madison County, Tennessee)  
**BUDGETARY COMPARISON SCHEDULE (CASH BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budget</u> <u>(Cash Basis)</u>	<u>Actual</u> <u>(Cash Basis)</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
<b>CASH RECEIPTS</b>			
Emergency Telephone Service Charge	\$ 322,000	\$ 344,962	\$ 22,962
TECB - Shared Wireless Charges	207,000	250,368	43,368
TECB - Operational Funding	634,000	265,860	(368,140)
Interest Income	60	253	193
Investment Income	15,000	29,151	14,151
Insurance Reimbursements	-	3,655	3,655
Miscellaneous Income	2,640	2,640	-
TCEB - Grants and Reimbursements	-	156,239	156,239
Capital Contributions from TECB	-	300,000	300,000
<b>TOTAL CASH BASIS REVENUES</b>	<u>1,180,700</u>	<u>1,353,128</u>	<u>172,428</u>
<b>CASH EXPENDITURES</b>			
<u>Salaries and Wages</u>			
Director	63,000	62,496	504
Administrative Personnel	87,000	85,697	1,303
Pay Bonus	5,600	5,600	-
<u>Employee Benefits</u>			
Social security/medicare	12,500	11,147	1,353
Life insurance	1,030	337	693
Medical insurance	20,500	19,589	911
Dental insurance	1,600	1,188	412
Retirement contributions	24,780	24,641	139
<u>Contracted Services</u>			
Advertising	750	500	250
Audit Services	5,500	5,135	365
Contract with Government Agencies	28,000	28,000	-
Data Processing Services	5,280	-	5,280
Facility Relocation Expenses	7,200	1,878	5,322
Legal Services	1,500	-	1,500
Maintenance Agreements	26,000	22,253	3,747
Alarm monitoring services	500	378	122
Yard maintenance	4,600	2,175	2,425
Pest control	420	320	100
Lease/Rental - Communications Equipment	105,600	83,810	21,790
Maintenance and Repairs-Communications Equipment	25,000	20,603	4,397
Maintenance and Repairs-Buildings and Facilities	6,000	1,193	4,807
Maintenance and Repairs-Office Equipment	1,800	-	1,800
Maintenance and Repairs-Vehicles	3,600	1,018	2,582
Fuel-vehicles	4,500	2,519	1,981
Language lines	480	308	172
<u>Supplies and Materials</u>			
Office Supplies	4,200	1,743	2,457
Custodial Supplies	600	104	496
Data Processing Supplies	5,000	3,675	1,325
Postage	480	281	199
Small equipment	20,000	-	20,000
Uniform and shirts	10,000	-	10,000
Utilities-Electric	6,000	3,290	2,710
Utilities-Water	1,500	622	878
Utilities-General Telephone	3,900	3,126	774
Utilities-Cell Phones and Pagers	2,400	2,116	284
Other Supplies and Materials	6,100	4,965	1,135

**MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
(a component unit of Madison County, Tennessee)  
**BUDGETARY COMPARISON SCHEDULE (CASH BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budget</u> <u>(Cash Basis)</u>	<u>Actual</u> <u>(Cash Basis)</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
<u>Other Charges</u>			
Bank charges	180	-	180
Board Meeting Expenses	1,500	628	872
Dues and Memberships	2,200	987	1,213
Insurance-Workers' Compensation	500	-	500
Insurance-Liability	2,100	2,078	22
Insurance-Buildings and Contents	15,000	12,379	2,621
Insurance-Vehicles	3,000	2,424	576
Legal Notices	600	385	215
Premiums on Surety Bonds	1,500	250	1,250
Public Education	6,000	4,979	1,021
Training Expenses	9,000	3,156	5,844
Travel	20,000	10,337	9,663
Internet	1,200	1,080	120
Dispatch Training	35,000	25,847	9,153
Miscellaneous Expenses	1,080	265	815
<b>TOTAL CASH BASIS EXPENSES</b>	<u>601,780</u>	<u>465,502</u>	<u>136,278</u>
 <b>CASH BASIS NET INCOME</b>	 <u>578,920</u>	 <u>887,626</u>	 <u>308,706</u>
 <b>RECONCILIATION OF CASH BASIS TO ACCRUAL BASIS</b>			
Depreciation expense		(320,960)	
Loss on disposal of property		(279)	
Increase (decrease) in current receivables		48,273	
Increase (decrease) in prepaid expenses		(4,332)	
(Increase) decrease in accounts payable		(8,992)	
<b>NET RECONCILIATION CASH TO ACCRUAL</b>		<u>(286,290)</u>	
 <b>INCREASE (DECREASE) IN NET POSITION (ACCRUAL)</b>		 601,336	
 <b>NET POSITION - BEGINNING OF YEAR</b>		 <u>4,781,014</u>	
 <b>NET POSITION - END OF YEAR</b>		 <u><u>\$ 5,382,350</u></u>	

**MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**(a component unit of Madison County, Tennessee)**  
**SCHEDULE OF DETAILED EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

Operating Expenses

Salaries and Wages

Director	\$ 62,872
Administrative personnel	86,213
Pay bonus	5,600
<u>Total Salaries and Wages</u>	<u>154,685</u>

Employee Benefits

Social security/medicare	11,212
Life insurance	275
Medical insurance	20,128
Dental insurance	1,188
Retirement contributions	24,641
<u>Total Employee Benefits</u>	<u>57,444</u>

Contracted Services

Advertising	500
Audit Services	5,135
Contracts with Government Agencies	28,000
Maintenance Agreements	34,711
Alarm Monitoring Services	378
Yard Maintenance	2,175
Pest Control	320
Lease/Rental - Communications Equipment	83,440
Maintenance and Repairs-Communications Equipment	22,033
Maintenance and Repairs-Buildings and Facilities	1,192
Maintenance and Repairs-Vehicles	1,018
Fuel - Vehicles	2,519
Language Line	308
<u>Total Contracted Services</u>	<u>181,729</u>





**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT  
AUDITING STANDARDS**

Board of Directors  
Madison County Emergency Communication 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 Communication District (the District), a component unit of Madison County, Tennessee, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which comprise the District's basic financial statements and have issued our report thereon dated October 31, 2014.

**Internal Control Over Financial Reporting**

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

*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 the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed 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 results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

### DISPOSITION OF PRIOR AUDIT FINDINGS:

None.

*Godwin : Associates, PLLC*

October 31, 2014