

**WEAKLEY COUNTY
MUNICIPAL ELECTRIC SYSTEM**

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

JUNE 30, 2010 AND 2009

**WEAKLEY COUNTY MUNICIPAL ELECTRIC SYSTEM
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INTRODUCTORY SECTION

WEAKLEY COUNTY MUNICIPAL ELECTRIC SYSTEM DIRECTORY

Board of Directors

Bob Wray
Terry Oliver
Jerry Brigance
Larry McCartney
Joseph D. Porter
Johnny Vincent
James Westbrook, Jr.
David Woolf

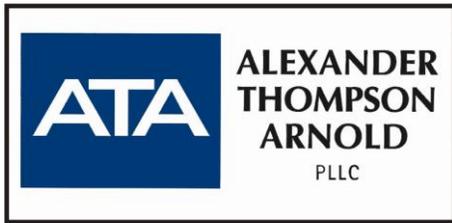
Key Personnel

Faron Collins – General Manager
Thomas Brewer – Accounting Manager

Independent Certified Public Accountants

Alexander Thompson Arnold PLLC

FINANCIAL SECTION



Certified Public Accountants

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Tennessee Society of Certified Public Accountants
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Independent Auditor's Report

Board of Directors
Weakley County Municipal Electric System
Martin, Tennessee

We have audited the accompanying financial statements of the Weakley County Municipal Electric System, an enterprise fund of Weakley County, Tennessee, as of and for the years ended June 30, 2010 and 2009, as listed in the table of contents. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Weakley County Municipal Electric System as of June 30, 2010 and 2009, and the results of operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2010, on our consideration of the Weakley County Municipal Electric System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Dyersburg, TN
Henderson, TN
Jackson, TN
Martin, TN
McKenzie, TN

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

Board of Directors
Weakley County Municipal Electric System

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9 and the schedule of funding progress on page 21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Weakley County Municipal Electric System's financial statements as a whole. The introductory section and other supplementary information section are presented for purposes of additional analysis and are not a required part of the financial statements. The schedules of operation expense, maintenance expense, expenditures of federal awards, debt service requirements by individual issue and utility rates in force are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section and the summary of comparative information have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Alexander Thompson Arnold PLLC

Union City, Tennessee
November 8, 2010

Management's Discussion and Analysis

As management of the Weakley County Municipal Electric System (the System), we offer the readers of the System's financial statements this narrative overview and analysis of the financial activities of the System for the fiscal year ended June 30, 2010. All amounts, unless otherwise indicated, are expressed in actual dollars.

Financial Highlights

Management believes the System's financial condition is strong. The following are key financial highlights.

- Total assets at year-end were \$42,635,688 and exceeded liabilities of \$9,120,808 in the amount of \$33,514,880 (i.e. net assets). Total assets increased by 2.77% during the year while total liabilities decreased 1.81%.
- Net assets increased \$1,317,910 during the current year.
- Operating revenues decreased \$3,492,569 due to decreased retail rates.
- Operating expenses increased \$233,617 primarily due to increases in interest expense and overhead cost.
- Total expenses were \$40,477,781 a decrease from fiscal year 2009 by \$3,472,021.
- The net income for FY 2010 was \$1,317,910 as compared to FY 2009 of \$1,273,827.
- Interest income decreased from \$124,264 to \$94,191 with interest rates becoming lower.
- Interest expense increased from \$54,265 to \$100,630 due to increased long-term debt for new facility.
- The System had twelve monthly rate adjustments. Monthly fuel cost adjustments are received from TVA. These adjustments were a pass-thru rate adjustment.

Overview of the 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 System's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the System's strategic plan, budget, and other management tools were used for this analysis. The Annual Financial Report is made up of three sections: 1) the financial section, 2) the other supplementary information section, and 3) the internal control and compliance section. The financial section includes the MD&A, the independent auditor's report, and the financial statements with accompanying notes. The other supplementary information section includes selected financial and operational information. The internal control and compliance section includes the report on internal control and compliance. These sections make up the financial report presented here.

Required Financial Statements

A Proprietary Fund is used to account for the operations of the System, 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 System, using accounting methods similar to those used by private sector companies. These statements offer short and long term financial information about its activities.

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

The *Statement of Revenues, Expenses, and Changes in Net Assets* presents the results of the business activities over the course of the fiscal year and information as to how the net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement measures the success of the System's operations and can be used to determine whether the System has successfully recovered all of its costs. This statement also measures the System'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 System's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

Financial Analysis

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

The System's total net assets increased by \$1,317,910 and \$1,273,827 for the fiscal years ended June 30, 2010 and 2009, respectively. The analysis below focuses on the System's net assets (Table 1) and changes in net assets (Table 2) during the year.

Table 1A
CONDENSED STATEMENT OF NET ASSETS

	June 30, 2010	June 30, 2009	Increase (Decrease)	
Current and other assets	\$ 9,147,227	\$ 8,732,980	\$ 414,247	4.74%
Capital assets	33,488,461	32,752,726	735,735	2.25%
Total assets	<u>42,635,688</u>	<u>41,485,706</u>	<u>1,149,982</u>	2.77%
Long-term liabilities	2,852,472	3,229,056	(376,584)	-11.66%
Other liabilities	6,268,336	6,059,680	208,656	3.44%
Total liabilities	<u>9,120,808</u>	<u>9,288,736</u>	<u>(167,928)</u>	-1.81%
Invested in capital assets	31,283,489	30,263,670	1,019,819	3.37%
Unrestricted	2,231,391	1,933,300	298,091	15.42%
Total net assets	<u>\$ 33,514,880</u>	<u>\$ 32,196,970</u>	<u>\$ 1,317,910</u>	4.09%

Table 1B
CONDENSED STATEMENT OF NET ASSETS

	June 30, 2009	June 30, 2008	Increase (Decrease)	
Current and other assets	\$ 8,732,980	\$ 11,339,423	\$ (2,606,443)	-22.99%
Capital assets	32,752,726	26,198,403	6,554,323	25.02%
Total assets	<u>41,485,706</u>	<u>37,537,826</u>	<u>3,947,880</u>	10.52%
Long-term liabilities	3,229,056	740,000	2,489,056	336.36%
Other liabilities	6,059,680	5,874,683	184,997	3.15%
Total liabilities	<u>9,288,736</u>	<u>6,614,683</u>	<u>2,674,053</u>	40.43%
Invested in capital assets	30,263,670	26,198,403	4,065,267	15.52%
Unrestricted	1,933,300	4,724,740	(2,791,440)	-59.08%
Total net assets	<u>\$ 32,196,970</u>	<u>\$ 30,923,143</u>	<u>\$ 1,273,827</u>	4.12%

The increase in capital assets was funded by long-term debt, operations and the use of unrestricted fund balance. The decrease in long-term liabilities is from the monthly payments on our building loan for our new facility. The overall increase in total net assets for the period indicates that cash flows from operations continue to be adequate to support the capital projects undertaken by the System. Changes in the System's net assets can be determined by reviewing the following condensed *Statement of Revenues, Expenses, and Changes in Net Assets* for the years.

Table 2A
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	June 30, 2010	June 30, 2009	Increase (Decrease)	
Operating revenues	\$ 40,776,122	\$ 44,268,691	\$ (3,492,569)	-7.89%
Non-operating revenues	1,019,569	954,938	64,631	6.77%
Total Revenues	<u>41,795,691</u>	<u>45,223,629</u>	<u>(3,427,938)</u>	-7.58%
Power cost	33,351,608	37,057,246	(3,705,638)	-10.00%
Operations expense	3,634,726	3,548,311	86,415	2.44%
Maintenance expense	1,064,914	1,082,835	(17,921)	-1.66%
Depreciation expense	1,436,202	1,403,553	32,649	2.33%
Taxes and tax equivalents	850,974	764,865	86,109	11.26%
Interest and amortization	139,357	92,992	46,365	49.86%
Total expenses	<u>40,477,781</u>	<u>43,949,802</u>	<u>(3,472,021)</u>	-7.90%
Change in net assets	1,317,910	1,273,827	44,083	3.46%
Beginning net assets	32,196,970	30,923,143	1,273,827	4.12%
Ending net assets	<u>\$ 33,514,880</u>	<u>\$ 32,196,970</u>	<u>\$ 1,317,910</u>	4.09%

Table 2B
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	June 30, 2009	June 30, 2008	Increase (Decrease)	
Operating revenues	\$ 44,268,691	\$ 38,858,634	\$ 5,410,057	13.92%
Non-operating revenues	954,938	1,026,736	(71,798)	-6.99%
Total Revenues	<u>45,223,629</u>	<u>39,885,370</u>	<u>5,338,259</u>	13.38%
Power cost	37,057,246	32,086,457	4,970,789	15.49%
Operations expense	3,548,311	3,453,164	95,147	2.76%
Maintenance expense	1,082,835	1,226,775	(143,940)	-11.73%
Depreciation expense	1,403,553	1,381,133	22,420	1.62%
Taxes and tax equivalents	764,865	764,475	390	0.05%
Interest and amortization	92,992	68,833	24,159	35.10%
Total expenses	<u>43,949,802</u>	<u>38,980,837</u>	<u>4,968,965</u>	12.75%
Change in net assets	1,273,827	904,533	369,294	40.83%
Beginning net assets	30,923,143	30,018,610	904,533	3.01%
Ending net assets	<u>\$ 32,196,970</u>	<u>\$ 30,923,143</u>	<u>\$ 1,273,827</u>	4.12%

Operating revenues showed a 13.92% increase from 2008 to 2009 and showed a decrease of 7.89% from 2009 to 2010. This is not unusual in the industry since sales are directly related to weather patterns with one year being warmer or cooler than average and the resulting sales being higher or lower than normal. Non-operating revenues increased by \$64,631 from 2009 to 2010 with most of the increase attributed to rent of electric property. Operations expense increased \$86,415 from 2009 to 2010 due to increase in outside services (professional fees), insurance and other overhead cost. The majority of the increase in operations expense from 2008 to 2009 was due to increases in uncollectable accounts. Maintenance expense decreased from 2009 to 2010 by \$17,921 or 1.66%. Maintenance expense decreased from 2008 to 2009 by \$143,940 or 11.73%.

Capital Assets and Debt Administration

At the end of fiscal year 2010, the System had \$33,488,461 (net of accumulated depreciation) invested in a broad range of utility capital assets. This investment includes land, buildings, transmission and distribution systems and their related equipment, and various other types of equipment and vehicles. Based on the uses of the aforementioned assets, they are classified for financial purposes as transmission plant, distribution plant, and general plant. This investment represents an overall increase (net of increases and decreases) of \$735,735 or 2.25% for fiscal year 2010 above fiscal year 2009 and an increase of \$6,554,323 or 25.02% for fiscal year 2009 above fiscal year 2008.

The following tables summarize the System's capital assets, net of accumulated depreciation, and changes therein, for the fiscal years ended June 30, 2010 and 2009, respectively.

Table 3A
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

	June 30, 2010	June 30, 2009	Increase (Decrease)	
Transmission plant	\$ 1,765,051	\$ 1,841,614	\$ (76,563)	-4.16%
Distribution plant	21,741,247	21,643,108	98,139	0.45%
General plant	9,014,597	1,352,849	7,661,748	566.34%
Construction in progress	680,512	7,589,373	(6,908,861)	-91.03%
Unamortized acq. adj.	287,054	325,782	(38,728)	-11.89%
Capital assets, net of acc deprec	<u>\$ 33,488,461</u>	<u>\$ 32,752,726</u>	<u>\$ 735,735</u>	2.25%

Table 3B
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

	June 30, 2009	June 30, 2008	Increase (Decrease)	
Transmission plant	\$ 1,841,614	\$ 1,857,253	\$ (15,639)	-0.84%
Distribution plant	21,643,108	22,035,065	(391,957)	-1.78%
General plant	1,352,849	1,291,898	60,951	4.72%
Construction in progress	7,589,373	649,677	6,939,696	1068.18%
Unamortized acq. adj.	325,782	364,510	(38,728)	-10.62%
Capital assets, net of acc deprec	<u>\$ 32,752,726</u>	<u>\$ 26,198,403</u>	<u>\$ 6,554,323</u>	25.02%

The System continues to upgrade various substations. The System has ended a building project for a new office facility. This accounts for the increase in general plant and decrease in work in progress for fiscal year 2010.

Debt Administration

The System has long-term debt of \$2,204,972 as of fiscal year 2010 from the construction of a new office facility. Monthly payments made during fiscal year 2010 reduced the principal by \$284,084. The debt was obtained from First State Bank.

Economic Factors and Next Year's Budget and Rates

The System's electric supplier, TVA, adjusted rates on a monthly basis for their fuel cost adjustment. The System passed the monthly rate adjustments to our customers. The Board of Directors approved the System's fiscal year 2011 budget at its meeting in June.

The System continues to enjoy a stable industrial, commercial and residential customer base.

Contacting the Authority's Financial Management

This financial report is designed to provide a general overview of the System's finances for all those with an interest in the System's finances and to demonstrate the System'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 Manager of Accounting at Weakley County Municipal Electric System.

**WEAKLEY COUNTY MUNICIPAL ELECTRIC SYSTEM
STATEMENTS OF NET ASSETS**

June 30, 2010 and 2009

	2010	2009
ASSETS		
Current assets:		
Cash and working funds	\$ 2,979,779	\$ 2,681,485
Accounts receivable - consumers, net	2,556,089	2,357,299
Accounts receivable - other	148,835	64,616
Rents receivable	108,092	105,466
Transportation clearing	330	-
Materials and supplies	483,376	492,860
Prepayments	68,120	69,012
Total current assets	6,344,621	5,770,738
Non-current assets:		
Renewal and replacement funds	5,577	5,557
Revolving loan fund	45,774	739
Prepaid purchased power - TVA	337,125	467,625
Conservation loans receivable	1,443,922	1,388,321
Note receivable - grant funds	315,000	360,000
Note receivable - USDA intermediary loan	655,208	740,000
Capital assets		
Electric plant in service - at cost	58,439,424	49,915,768
Work in progress	680,512	7,589,373
Electric plant acquisition adjustment	287,054	325,782
Less: accumulated depreciation	(25,918,529)	(25,078,197)
Net capital assets	33,488,461	32,752,726
Total non-current assets	36,291,067	35,714,968
Total assets	42,635,688	41,485,706
LIABILITIES		
Current liabilities:		
Accounts payable	3,262,148	2,990,540
Customer deposits	906,027	890,606
Accrued salaries and leave	519,607	508,755
Other current and accrued liabilities	27,329	139,262
Current portion of long-term note payable	370,020	283,828
Total current liabilities	5,085,131	4,812,991
Non-current liabilities:		
Note payable, net of current portion	1,834,952	2,205,228
USDA loan payable	647,500	740,000
Conservation loans payable	1,466,007	1,412,765
Interest payable - conservation loans	8,427	8,462
Deferred interest income	78,791	109,291
Total non-current liabilities	4,035,677	4,475,746
Total liabilities	9,120,808	9,288,737
NET ASSETS		
Invested in capital assets, net of related debt	31,283,489	30,263,670
Unrestricted	2,231,391	1,933,299
Total net assets	\$ 33,514,880	\$ 32,196,969

The notes to the financial statements are an integral part of this financial statement.

WEAKLEY COUNTY MUNICIPAL ELECTRIC SYSTEM
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Years Ended June 30, 2010 and 2009

	2010	Percent	2009	Percent
Operating revenues				
Sales of electric energy				
Residential and rural	\$ 23,285,901	55.90	\$ 25,382,337	56.38
Small commercial	3,996,346	9.59	4,161,466	9.24
Large commercial	12,399,044	29.76	13,474,992	29.93
Street and outdoor lighting	<u>1,052,087</u>	<u>2.53</u>	<u>1,176,140</u>	<u>2.61</u>
Total sales of electric energy	<u>40,733,378</u>	<u>97.78</u>	<u>44,194,935</u>	<u>98.16</u>
Other electric revenues				
Consumer forfeited discounts	288,111	0.69	311,931	0.69
Rent from electric property	464,573	1.12	357,227	0.79
Service charge - meter sets	89,156	0.21	90,301	0.20
Miscellaneous	<u>83,543</u>	<u>0.20</u>	<u>62,479</u>	<u>0.16</u>
Total other electric revenues	<u>925,383</u>	<u>2.22</u>	<u>821,938</u>	<u>1.84</u>
Total operating revenues	<u>41,658,761</u>	<u>100.00</u>	<u>45,016,873</u>	<u>100.00</u>
Operating expenses				
Purchased power	33,351,608	80.06	37,057,247	82.32
Operation expense	3,591,984	8.62	3,474,555	7.72
Maintenance expense	1,064,914	2.56	1,082,835	2.41
Depreciation and amortization	1,474,931	3.54	1,442,281	3.20
Tax equivalent	111,832	0.27	109,953	0.24
Payroll taxes	<u>75,135</u>	<u>0.18</u>	<u>78,924</u>	<u>0.18</u>
Total operating expenses	<u>39,670,404</u>	<u>95.23</u>	<u>43,245,795</u>	<u>96.07</u>
Operating income	<u>1,988,357</u>	<u>4.77</u>	<u>1,771,078</u>	<u>3.93</u>
Non-operating revenues (expenses)				
Income from investments	94,191	0.23	124,264	0.28
Miscellaneous non-operating income	-	-	8,737	0.02
Interest on long-term debt	(101,876)	(0.24)	(44,058)	(0.10)
Other interest expense	<u>1,246</u>	<u>-</u>	<u>(10,207)</u>	<u>(0.02)</u>
Total non-operating revenues (expenses)	<u>(6,439)</u>	<u>(0.01)</u>	<u>78,736</u>	<u>0.18</u>
Transfers				
Transfer to General Fund	<u>(664,007)</u>	<u>(1.59)</u>	<u>(575,988)</u>	<u>(1.28)</u>
Change in net assets	<u>1,317,911</u>	<u>3.17</u>	<u>1,273,826</u>	<u>2.83</u>
Net assets, beginning of year	<u>32,196,969</u>		<u>30,923,143</u>	
Net assets, end of year	<u>\$ 33,514,880</u>		<u>\$ 32,196,969</u>	

The notes to the financial statements are an integral part of this financial statement.

**WEAKLEY COUNTY MUNICIPAL ELECTRIC SYSTEM
STATEMENTS OF CASH FLOWS**

For the Years Ended June 30, 2010 and 2009

	2010	2009
Cash flows from operating activities		
Cash received from customers	\$ 41,388,547	\$ 45,244,366
Cash payments to suppliers for goods and services	(34,898,242)	(38,641,924)
Cash payments to employees for services	(2,801,663)	(2,915,436)
Net cash advanced on conservation loans receivable	(55,601)	(145,641)
Net cash proceeds from conservation loans payable	53,242	140,645
Net cash provided by operating activities	3,686,283	3,682,010
Cash flows from non-capital financing activities		
Interest paid	(3,506)	(9,918)
Transfer to General Fund	(664,007)	(575,988)
Payments on USDA loan payable	(92,500)	-
Miscellaneous non-operating income	-	8,737
Net cash used by non-capital financing activities	(760,013)	(577,169)
Cash flows from capital and related financing activities		
Additions to plant	(2,315,316)	(5,551,451)
Proceeds from sale of land and building	50,000	-
Removal cost	(155,628)	(110,034)
Interest paid on long-term debt	(101,876)	(44,058)
Principal paid on long-term debt	(284,084)	-
Net cash used by capital and related financing activities	(2,806,904)	(5,705,543)
Cash flows from investing activities		
Interest received	94,191	124,264
Payments received on notes receivable	129,792	-
Net cash provided by investing activities	223,983	124,264
Net increase (decrease) in cash and cash equivalents	343,349	(2,476,438)
Cash and cash equivalents - beginning	2,687,781	5,164,219
Cash and cash equivalents - ending	\$ 3,031,130	\$ 2,687,781
 <i>Cash and cash equivalents are presented in the balance sheet as follows:</i>		
Cash and working funds	\$ 2,979,779	\$ 2,681,485
Revolving loan fund	45,774	739
Renewal and replacement funds	5,577	5,557
	\$ 3,031,130	\$ 2,687,781
 Noncash capital and related financing activities		
Plant purchased with note proceeds		\$ 2,489,056

The notes to the financial statements are an integral part of this financial statement.

WEAKLEY COUNTY MUNICIPAL ELECTRIC SYSTEM
STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2010 and 2009

	2010	2009
Cash flows from operating activities		
Operating income	\$ 1,988,357	\$ 1,771,078
<i>Adjustments to reconcile net operating income to net cash provided by operating activities:</i>		
Depreciation and amortization	1,590,222	1,549,493
Amortization of prepaid purchased power	130,500	130,500
Change in:		
Accounts receivable	(283,009)	201,842
Rents receivable	(2,626)	(659)
Material and supplies	104,471	(21,641)
Transportation clearing	(330)	-
Prepayments	892	12,328
Conservation loans receivable	(55,601)	(145,641)
Accounts payable	271,608	1,051
Customer deposits	15,421	26,310
Accrued salaries and leave	10,852	(21,223)
Other current and accrued liabilities	(107,216)	68,427
Conservation loans payable	53,242	140,645
Deferred credits	(30,500)	(30,500)
 Net cash provided by operating activities	 \$ 3,686,283	 \$ 3,682,010

WEAKLEY COUNTY MUNICIPAL ELECTRIC SYSTEM
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE 1 - Significant Accounting Policies

A. Reporting Entity

These financial statements include only the financial activities of Weakley County Municipal Electric System. The TCA code section 7-52-117(c) states "Subject to the provisions of section 7-52-132, the superintendent with the approval of the supervisory body, may acquire and dispose of all property, real and personal, necessary to effectuate the purpose of this part. The title of such property shall be taken in the name of the municipality" (county). Therefore, Weakley County Electric System does not possess sufficient corporate powers that distinguish it as a legally separate entity and is considered a proprietary fund of Weakley County, Tennessee.

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

The System's financial statements are presented on the full accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. GASB Statement No. 20 gives governments the option of applying all Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989, to its proprietary funds, unless they conflict with or contradict GASB pronouncements. The County has elected not to implement FASB statements and interpretations issued thereafter, unless they are adopted by GASB.

The books of account are kept in accordance with the provisions of the power contract between the Weakley County Municipal Electric System and the Tennessee Valley Authority (TVA) and meet the requirements of the Federal Power System chart of accounts.

The System recognizes income based on cycle billings. This results in recognizing as income the energy usage through each respective cycle each month, which may not coincide with the last day of the fiscal year. Non-recognition of unbilled income from energy sales as a result of cycle billing is a common industry practice.

The cost of purchased power is accrued based on the final meter reading of the fiscal year. This may result in unrecognized expense for the period between the final billing and the end of the fiscal year. This practice is consistent with TVA guidelines and does not differ significantly from generally accepted accounting principles.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the System are charges to customers for sales and service. Operating expenses for the System include the cost of purchased power, operation expenses, maintenance expenses, amortization of plant acquisition adjustment, property tax equivalent, payroll taxes, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

WEAKLEY COUNTY MUNICIPAL ELECTRIC SYSTEM
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

C. Assets, Liabilities, and Net Assets

Deposits and investments

Cash and cash equivalents on the statements of cash flows include cash on hand, demand deposits at financial institutions, and funds held in the State of Tennessee Local Government Investment Pool. The funds held in the State of Tennessee Local Government Investment Pool mature every 30 days.

Accounts receivable

Trade receivables result from unpaid billings for electric service to customers and from unpaid billings related to work performed for or materials sold to certain entities. The System uses the direct write-off method for uncollectible accounts, rather than an estimated allowance for uncollectible accounts. This method, though not recognized by generally accepted accounting principles, does not distort the presentation by a material amount.

Operating revenues are reported net of bad debt expense. Bad debt expense for the years ended June 30, 2010 and 2009, was \$42,744 and \$73,756, respectively.

Inventories

The System uses a perpetual inventory system and has actual physical counts annually. Inventories are stated at cost, using an average costing method.

Capital assets

Capital assets include property, plant and equipment, work in progress and an electric plant acquisition adjustment. Such assets are stated substantially at original cost. The System capitalizes interest costs as part of the cost of construction when the construction period covers more than twelve months. For the year under examination, there was no interest costs capitalized. The System provides for depreciation on a straight-line basis at rates recommended by the Tennessee Valley Authority. These rates purport to depreciate the property over its estimated useful life. Depreciation for the year ended June 30, 2010, consisted of \$1,436,203 charged to depreciation expense and \$115,291 cleared through other accounts, for a total of \$1,551,494. Depreciation for the year ended June 30, 2009, consisted of \$1,403,553 charged to depreciation expense and \$107,212 cleared through other accounts, for a total of \$1,510,765. The electric plant acquisition adjustment represents the cost of acquiring existing plant from neighboring systems over the book value of the plant purchased. This amount is amortized over a 10-year period as prescribed by state statutes. Amortization for the years ended June 30, 2010 and 2009, was \$38,728 per year.

Leases

The System leases attachment space on joint use poles to and from telephone companies and various cable television companies. These leases are accounted for as operating leases. Rent expense for the years ended June 30, 2010 and 2009, was \$20,905 and \$20,030, respectively.

Compensated absences

Employees are entitled to paid vacation and sick days depending on length of service and other factors. An accrual for compensated absences has been made which includes accumulated vacation leave and one-half of accumulated sick leave.

WEAKLEY COUNTY MUNICIPAL ELECTRIC SYSTEM
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

Net assets

Equity is classified as net assets and displayed in the following components:

- Invested in capital assets, net of related debt – 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

- Unrestricted – all other net assets that do not meet the description of the above categories

Comparative data

Comparative data for the prior year has been presented in order to provide an understanding of the changes in financial position and operations.

NOTE 2 – Detailed Notes on All Accounts

A. Deposits and Investments

Custodial Credit Risk – The System's policies limit investments to those instruments allowed by applicable state laws as described in Note 1. State statutes require 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 System's agent in the System's name, or by the Federal Reserve Banks acting as third party agents. State statutes also authorize the System to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, the state pooled investment fund, and mutual funds. Statutes also require that securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2010 and 2009, all bank deposits were fully collateralized or insured.

B. Prepayments

The System elected to participate in a Discounted Energy Units (DEU) Program offered by TVA. This program allowed the Company to purchase DEUs in \$1 million increments, which entitles them to a 2.5 cent per kwh program discount on a specified quantity for a specified term. The System's agreement is for a period of 10 years, and amounts will be amortized over the 10 year period. For the years ended June 30, 2010 and 2009, the System received credits of \$130,500 per year for prepaid purchased power.

C. Interfund Activity

A transfer is made each year from the Weakley County Municipal Electric System to the General Fund of Weakley County for an in-lieu-of-tax payment. The transfer amount for the years ended June 30, 2010 and 2009, was \$664,007 and \$575,988 respectively. This amount was included in operating expenses in the System's books of account.

WEAKLEY COUNTY MUNICIPAL ELECTRIC SYSTEM
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

D. Capital Assets

Capital asset activity for the current year was as follows:

Description	Balance at July 1, 2009	Additions	Disposals and Other	Balance at June 30, 2010
Capital assets, not being depreciated				
Transmission plant	\$ 100,307	\$ --	\$ --	\$ 100,307
Distribution plant	111,975	--	--	111,975
General plant	306,131	--	--	306,131
Construction work in progress	7,589,373	(6,908,861)	--	680,512
Total capital assets not being depreciated	<u>8,107,786</u>	<u>(6,908,861)</u>	<u>--</u>	<u>1,198,925</u>
Capital assets, being depreciated				
Transmission plant	4,866,054	2,131	(31,475)	4,836,710
Distribution plant	40,021,656	1,281,884	(389,145)	40,914,395
General plant	4,509,645	7,917,013	(256,752)	12,169,906
Electric plant acquisition adjustment	325,782	--	(38,728)	287,054
Total capital assets being depreciated	<u>49,723,137</u>	<u>9,201,028</u>	<u>(716,100)</u>	<u>58,208,065</u>
Less accumulated depreciation				
Transmission plant	3,124,746	47,219	--	3,171,965
Distribution plant	18,490,526	1,303,735	(509,135)	19,285,126
General plant	3,462,925	200,540	(202,027)	3,461,438
Total accumulated depreciation	<u>25,078,197</u>	<u>1,551,494</u>	<u>(711,162)</u>	<u>25,918,529</u>
Total capital assets being depreciated, net	<u>24,644,940</u>	<u>7,649,534</u>	<u>(4,938)</u>	<u>32,289,536</u>
Total capital assets, net	<u>\$ 32,752,726</u>	<u>\$ 740,673</u>	<u>\$ (4,938)</u>	<u>\$ 33,488,461</u>

E. Notes Payable

Two notes were executed with First State Bank to assist in financing the cost of capital assets. Two draw-down lines of credit were established for \$2,000,000 each. The draw-down feature expired after six months, and during this period, monthly interest-only payments were due. The amounts outstanding are being repaid through monthly payments of principal and interest. Both notes are unsecured and have a fixed interest rate. Details of the two notes are as follows:

Loan No.	Loan Date	Maturity Date	Interest Rate	Monthly Payment	6/30/10 Balance	6/30/09 Balance
82112076	11/17/2008	11/17/2020	4.45%	\$18,607	\$1,852,445	\$1,989,056
92112453	04/28/2009	04/24/2012	3.30%	\$19,635	352,527	500,000
					<u>\$2,204,972</u>	<u>\$2,489,056</u>

WEAKLEY COUNTY MUNICIPAL ELECTRIC SYSTEM
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

Amounts due on notes payable for the next five years and to maturity are shown below.

Year Ending	Principal	Interest
June 30, 2011	\$ 370,020	\$ 88,888
June 30, 2012	274,086	75,573
June 30, 2013	156,047	67,242
June 30, 2014	163,235	60,055
June 30, 2015	170,755	52,535
June 30, 2016 – 2020	979,092	137,358
June 30, 2021	91,737	1,045
Total	<u>\$2,204,972</u>	<u>\$482,696</u>

Changes in long-term debt during the year ended June 30, 2010, are summarized as follows:

	Balance 7/01/09	Proceeds	Payments	Balance 6/30/10	Due within one year
Note No. 82112076	\$1,989,056	\$ --	\$ 136,611	\$1,852,445	\$ 142,615
Note No. 92112453	500,000	--	147,473	352,527	227,405
Total	<u>\$2,489,056</u>	<u>\$ --</u>	<u>\$ 284,084</u>	<u>\$2,204,972</u>	<u>\$ 370,020</u>

NOTE 3 – OTHER INFORMATION

A. Pension Plan

Employees of Weakley County Municipal Electric System 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 statutes 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 Weakley County Municipal Electric System 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, TN 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs/PS/>.

**WEAKLEY COUNTY MUNICIPAL ELECTRIC SYSTEM
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009**

Funding Policy

Weakley County Municipal Electric System requires employees to contribute 5.0 percent of earnable compensation.

Weakley County Municipal Electric System is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2010, was 18.86% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Weakley County Municipal Electric System is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ending June 30, 2010, Weakley County Municipal Electric System's annual pension cost of \$485,085 to TCRS was equal to the System's required and actual contributions. The required contribution was determined as part of the July 1, 2007 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% per year compounded annually, (b) projected salary increases of 4.75% (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), and (c) projected 3.5% annual increase in the Social Security wage base. 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 five-year period. The System's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2007 was 14 years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/10	\$485,085	100.00%	\$0
6/30/09	\$502,885	100.00%	\$0
6/30/08	\$525,393	100.00%	\$0

Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was 55.11% funded. The actuarial accrued liability for benefits was \$10.6 million, and the actuarial value of assets was \$5.84 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$4.76 million. The covered payroll (annual payroll of active employees covered by the plan) was \$2.55 million, and the ratio of the UAAL to the covered payroll was 186.82%.

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.

WEAKLEY COUNTY MUNICIPAL ELECTRIC SYSTEM
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

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

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)- Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/01/09	\$5,840	\$10,596	\$4,756	55.11%	\$2,546	186.82%
7/01/07	\$5,311	\$8,297	\$2,986	64.01%	\$2,611	114.36%

B. Risk Management

It is the policy of the System to purchase commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property and casualty, worker's compensation, employee health and accident and employee and officer liability and dishonesty. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

**WEAKLEY COUNTY MUNICIPAL ELECTRIC SYSTEM
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 June 30, 2010**

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)- Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/01/09	\$5,840	\$10,596	\$4,756	55.11%	\$2,546	186.82%
7/01/07	\$5,311	\$8,297	\$2,986	64.01%	\$2,611	114.36%

The Governmental Accounting Standards Board 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 two most recent valuations are presented.

OTHER SUPPLEMENTARY INFORMATION SECTION

**WEAKLEY COUNTY MUNICIPAL ELECTRIC SYSTEM
SCHEDULES OF OPERATION EXPENSE**

For the Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>Percent</u>	<u>2009</u>	<u>Percent</u>
Transmission expense				
Overhead wire expense	\$ 1,841	-	\$ 362	-
Station expense	<u>23,559</u>	<u>0.06</u>	<u>24,777</u>	<u>0.06</u>
Total	<u>25,400</u>	<u>0.06</u>	<u>25,139</u>	<u>0.06</u>
Distribution expense				
Supervision and engineering	140,044	0.34	135,759	0.30
Station expense	33,614	0.08	33,070	0.07
Overhead line expense	584,231	1.40	500,438	1.11
Underground line expense	62,247	0.15	90,493	0.20
Street lighting and signal systems	16,935	0.04	8,928	0.02
Removing and resetting meters	239,499	0.57	305,993	0.68
Services on customers' premises	52,972	0.13	45,974	0.10
Miscellaneous distribution expense	11,082	0.03	20,523	0.05
Rents	<u>20,905</u>	<u>0.05</u>	<u>20,030</u>	<u>0.04</u>
Total	<u>1,161,529</u>	<u>2.79</u>	<u>1,161,208</u>	<u>2.57</u>
Customer accounts expense				
Supervision and accounting	17,301	0.04	17,131	0.04
Meter reading	221,889	0.53	221,130	0.49
Records and collection	<u>665,150</u>	<u>1.60</u>	<u>659,225</u>	<u>1.46</u>
Total	<u>904,340</u>	<u>2.17</u>	<u>897,486</u>	<u>1.99</u>
Customer service and sales expense				
Supervision	11,543	0.03	11,452	0.03
Customer assistance	33,550	0.08	33,228	0.07
Miscellaneous sales expense	<u>114,286</u>	<u>0.27</u>	<u>110,470</u>	<u>0.25</u>
Total	<u>159,379</u>	<u>0.38</u>	<u>155,150</u>	<u>0.35</u>
Administrative and general expense				
Salaries	287,323	0.69	291,571	0.65
Office supplies and expense	132,471	0.32	114,285	0.25
Outside services	86,587	0.21	18,201	0.04
Insurance	50,974	0.12	40,400	0.09
Injuries and damages	160,797	0.39	155,333	0.35
Employee pension and benefits	569,760	1.37	581,835	1.29
Duplicate miscellaneous credits	(16,158)	(0.04)	(34,678)	(0.08)
Dues	38,956	0.09	37,516	0.08
Miscellaneous	<u>30,626</u>	<u>0.07</u>	<u>31,109</u>	<u>0.08</u>
Total	<u>1,341,336</u>	<u>3.22</u>	<u>1,235,572</u>	<u>2.75</u>
Total operation expense	<u>\$ 3,591,984</u>	<u>8.62</u>	<u>\$ 3,474,555</u>	<u>7.72</u>

WEAKLEY COUNTY MUNICIPAL ELECTRIC SYSTEM
SCHEDULES OF MAINTENANCE EXPENSE
For the Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>Percent</u>	<u>2009</u>	<u>Percent</u>
Transmission maintenance				
Station equipment	\$ 3,001	0.01	\$ 11,191	0.02
Overhead lines	<u>30,841</u>	<u>0.07</u>	<u>27,171</u>	<u>0.06</u>
Total	<u>33,842</u>	<u>0.08</u>	<u>38,362</u>	<u>0.08</u>
Distribution maintenance				
Supervision and engineering	-	-	936	-
Station equipment	25,073	0.06	36,290	0.08
Overhead lines	759,382	1.82	801,000	1.78
Underground lines	8,292	0.02	6,303	0.01
Line transformers and devices	41,605	0.10	45,285	0.10
Street lights and signal systems	20,566	0.05	14,989	0.03
Meters	39,538	0.09	34,667	0.08
Security lights	33,049	0.08	27,151	0.06
Miscellaneous distribution maintenance	<u>10,810</u>	<u>0.04</u>	<u>2,546</u>	<u>0.02</u>
Total	<u>938,315</u>	<u>2.26</u>	<u>969,167</u>	<u>2.16</u>
Administrative and general maintenance				
Structures and improvements	73,478	0.18	63,653	0.14
Communications equipment	18,530	0.04	11,653	0.03
Fiber optic	<u>749</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>92,757</u>	<u>0.22</u>	<u>75,306</u>	<u>0.17</u>
Total maintenance expense	<u>\$1,064,914</u>	<u>2.56</u>	<u>\$1,082,835</u>	<u>2.41</u>

WEAKLEY COUNTY MUNICIPAL ELECTRIC SYSTEM
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2010

<u>Grantor Agency/ Pass-through Entity/ Program Name</u>	<u>CFDA #</u>	<u>Grant Number</u>	<u>Balance July 1, 2009</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Adjustments</u>	<u>Balance June 30, 2010</u>
Federal Emergency Management Agency Public Assistance Grant	97.036	FEMA-DR-1821-TN	\$ (136,023)	\$ -	\$ -	\$ 8,548	\$ (127,475) *

* included in construction in process as a result of TVA/RUS accounting procedures requiring this to be accounted for as a reduction in plant costs.

NOTE: The accompanying schedule is prepared on the accrual basis of accounting.

**WEAKLEY COUNTY MUNICIPAL ELECTRIC SYSTEM
SCHEDULE OF DEBT SERVICE REQUIREMENTS
BY INDIVIDUAL ISSUE
June 30, 2010**

<u>Year Ending June 30,</u>	<u>Note #82112076</u>		<u>Note #92112453</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2011	\$ 142,616	\$ 80,674	\$ 227,405	\$ 8,214	\$ 458,909
2012	148,983	74,307	125,122	1,266	349,678
2013	156,048	67,242	-	-	223,290
2014	163,235	60,055	-	-	223,290
2015	170,755	52,535	-	-	223,290
2016	178,500	44,790	-	-	223,290
2017	186,843	36,447	-	-	223,290
2018	195,448	27,842	-	-	223,290
2019	204,452	18,838	-	-	223,290
2020	213,848	9,442	-	-	223,290
2021	91,717	1,044	-	-	92,761
	<u>\$ 1,852,445</u>	<u>\$ 473,216</u>	<u>\$ 352,527</u>	<u>\$ 9,480</u>	<u>\$ 2,687,668</u>

**WEAKLEY COUNTY MUNICIPAL ELECTRIC SYSTEM
SUMMARY OF COMPARATIVE INFORMATION - UNAUDITED**

	FOR THE YEARS ENDED JUNE 30,		
	2010	2009	2008
Revenue			
Residential	\$ 23,243,157	\$ 25,308,581	\$ 22,230,648
Small commercial lighting	3,996,346	4,161,466	3,695,732
Large commercial lighting	12,399,044	13,474,992	11,885,132
Street and athletic lighting	328,030	374,101	299,758
Outdoor lighting	724,057	802,039	696,772
Other electric revenue	925,383	821,938	768,744
Interest and other income	94,191	133,001	257,992
	<u>41,710,208</u>	<u>45,076,118</u>	<u>39,834,778</u>
Expense			
Electric power costs	33,351,608	37,057,247	32,086,457
Other operating expenses	4,614,154	4,483,634	4,629,347
Depreciation and amortization	1,474,931	1,442,281	1,419,861
Taxes and tax equivalent	850,974	764,865	764,475
Interest and other expense	100,630	54,265	30,105
	<u>40,392,297</u>	<u>43,802,292</u>	<u>38,930,245</u>
Change in net assets	<u>\$ 1,317,911</u>	<u>\$ 1,273,826</u>	<u>\$ 904,533</u>
Capital assets			
Plant in service (at original cost)	<u>\$ 58,439,424</u>	<u>\$ 49,915,768</u>	<u>\$ 49,363,493</u>
Power in use - KWH			
Residential	279,351,206	272,800,322	287,992,611
Small lighting	38,080,963	36,756,273	38,693,051
Large lighting	149,462,341	148,087,636	156,029,366
Street and athletic lighting	4,191,936	4,213,513	3,930,708
Outdoor lighting	6,594,365	6,735,885	6,347,196
Total	<u>477,680,811</u>	<u>468,593,629</u>	<u>492,992,932</u>
Number of customers			
Residential	16,344	16,509	16,537
Small lighting	3,580	3,486	3,508
Large lighting	280	277	274
Street and athletic lighting	85	87	86
Outdoor lighting	98	96	97
	<u>20,387</u>	<u>20,455</u>	<u>20,502</u>
Line Loss	<u>4.84%</u>	<u>5.44%</u>	<u>5.31%</u>

WEAKLEY COUNTY MUNICIPAL ELECTRIC SYSTEM
SCHEDULE OF UTILITY RATES IN FORCE
June 30, 2010

Residential Rates

Customer Charge - per month less \$1.71 Hydro allocation credit	\$10.59
Energy Charges - per kwh per month	
First 800 kwh	\$0.08147
Additional kwh	\$0.08066

General Power Rates

GSA Part 1	
Customer Charge - per delivery point per month	\$15.74
Energy Charge - per kwh per month	\$0.09011
GSA Part 2	
Customer Charge - per delivery point per month	\$81.34
Demand Charge - per kw per month	
First 50 kw	-
Additional kw	\$13.00
Energy Charge - per kwh per month	
First 15,000 kwh	\$0.09224
Additional kwh	\$0.04855
GSA Part 3	
Customer Charge - per delivery point per month	\$204.68
Demand Charge - per kw per month	
First 1,000 kw	\$12.66
Additional kw	\$14.65
Energy Charge - per kwh per month	\$0.04924
GSB	
Customer Charge - per delivery point per month	\$1,500.00
Demand Charge - per kw per month	\$14.79
Energy Charge - per kwh per month	
First 620 kwh	\$0.04132
Additional kwh	\$0.03372
GSC	
Customer Charge - per delivery point per month	\$1,500.00
Demand Charge - per kw per month	\$14.89
Energy Charge - per kwh per month	
First 620 kwh	\$0.04132
Additional kwh	\$0.03372
GSD	
Customer Charge - per delivery point per month	\$1,500.00
Demand Charge - per kw per month	\$18.24
Energy Charge - per kwh per month	\$0.03314

Outdoor Lighting Rates

Customer Charge	\$13.15
Energy Charge - per kwh per month	\$0.05915

INTERNAL CONTROL AND COMPLIANCE SECTION



Certified Public Accountants

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

Board of Directors
Weakley County Municipal Electric System
Martin, Tennessee

We have audited the financial statements of the Weakley County Municipal Electric System, an enterprise fund of Weakley County, Tennessee, as of and for the year ended June 30, 2010, as listed in the table of contents and have issued our report thereon dated November 8, 2010. 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.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

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

Board of Directors
Weakley County Municipal Electric System

Compliance and Other Matters

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

This report is intended solely for the information and use of the board of directors, management, regulatory agencies and the State of Tennessee Comptroller's Office and is not intended to be and should not be used by anyone other than these specified parties.

Alexander Thompson Arnold PLLC

Union City, Tennessee
November 8, 2010