

**WEAKLEY COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**JUNE 30, 2011**

**WEAKLEY COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
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## **INTRODUCTORY SECTION**

**WEAKLEY COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
SCHEDULE OF OFFICIALS**

**Board Members**

John Bucy, Chairman

Bob Dudley, Secretary

Richard Phebus, Treasurer

John Salmon

Shawn Francisco

Howard Ross

Jeff Washburn

Phillip Johnson

Mike Wilson

Mark Stafford

Dale Overton

**Management Officials**

Jamison Peevyhouse, Director

## **FINANCIAL SECTION**



Certified Public Accountants

[www.atacpa.net](http://www.atacpa.net)

304 North Lindell  
Martin, TN 38257

Telephone:(731) 587-5145  
Fax:(731) 587-1952

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AICPA Employee Benefit Plan Audit Quality Center  
Tennessee Society of Certified Public Accountants  
Kentucky Society of Certified Public Accountants

## Independent Auditor's Report

Members of the Board  
Emergency Communications District of  
Weakley County, Tennessee  
Dresden, Tennessee

We have audited the accompanying financial statements of the Weakley County Emergency Communications District, a component unit of Weakley County, Tennessee, as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the Weakley County Emergency Communications District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Weakley County Emergency Communications District, as of June 30, 2011, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2011, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 – 6 and the schedule of funding progress on page 16 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 financial statements that collectively comprise the District's financial statements as a whole. The introductory section and the other supplementary information section are presented for purposes of additional analysis and are not a required part of the financial statements. The budgetary comparison schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing process 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*

Martin, Tennessee  
September 16, 2011

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Weakley County Emergency Communications District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2011.

### FINANCIAL HIGHLIGHTS

- At June 30, 2011, the assets of the District exceeded its liabilities by \$976 thousand (*net assets*). Of this amount, \$536 thousand (*unrestricted net assets*) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net assets increased \$91 thousand during the current year.
- During the current fiscal year, the District's grants and reimbursements from the Tennessee Emergency Communications Board were \$195 thousand, an increase of \$146 thousand over the prior year.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of the following components:

1. Statement of Net Assets
2. Statement of Revenues, Expenses and Changes in Net Assets
3. Statement of Cash Flows
4. Notes to Financial Statements

This report also contains required supplementary information and other supplementary information in addition to the basic financial statements themselves.

#### Basic Financial Statements

The basic financial statements are designed to provide readers with an overview of the District's finances, in a manner similar to a private-sector business.

- The Statement of Net Assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.
- The Statement of Revenues, Expenses and Changes in Net Assets presents information showing how the District's net assets changed during the most recent fiscal 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 related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected receivables, compensated absences, etc.). The Statement of Cash Flows presents this information on a cash basis.

#### Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

#### Supplementary Information

Information required by the Governmental Accounting Standards Board to supplement the financial statements and a budgetary comparison schedule have been included in the accompanying report.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Condensed Statement of Net Assets

	June 30,		Increase
	2011	2010	(Decrease)
Current assets	\$ 544,314	\$ 551,181	\$ (6,867)
Capital assets	440,684	340,979	99,705
Total assets	984,998	892,160	92,838
Current liabilities	8,541	6,541	2,000
Other liabilities	-	-	-
Total liabilities	8,541	6,541	2,000
Net assets:			
Invested in capital assets	440,684	340,979	99,705
Unrestricted	535,773	544,640	(8,867)
Total net assets	\$ 976,457	\$ 885,619	\$ 90,838

### Condensed Statement of Revenues, Expenses and Changes in Net Assets

	June 30,		Increase
	2011	2010	(Decrease)
Operating revenues	\$ 429,673	\$ 401,374	\$ 28,299
Operating expenses			
Salaries and wages	49,479	49,667	(188)
Employee benefits	14,708	16,758	(2,050)
Contracted services	199,820	172,512	27,308
Supplies and materials	9,993	8,688	1,305
Other charges	24,616	41,065	(16,449)
Capital projects - non-depreciable	183,519	161,675	21,844
Depreciation	65,913	61,218	4,695
Total expenses	548,048	511,583	36,465
Operating income (loss)	(118,375)	(110,209)	(8,166)
Non-operating revenues			
Grants and reimbursements	194,887	48,460	146,427
Other	14,326	8,963	5,363
Total	209,213	57,423	151,790
Increase (decrease) in net assets	90,838	(52,786)	143,624
Net assets - beginning	885,619	938,405	(52,786)
Net assets - ending	\$ 976,457	\$ 885,619	\$ 90,838

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$976 thousand at the close of the most recent fiscal year. A large portion of the District's net assets (45%) reflects its investment in capital assets (e.g., communications equipment, office equipment and vehicles), less the accumulated depreciation on those assets. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The remaining balance of net assets, unrestricted net assets (55%) may be used to meet the District's ongoing obligations to citizens and creditors.

The preceding page presents a condensed statement of net assets for the years ended June 30, 2011 and 2010. The most significant change in assets was the increase in capital assets attributable to the purchase of communications equipment with TECB grants and reimbursements. Current assets and current liabilities did not have large variances from the prior year.

A condensed statement of revenues, expenses and changes in net assets also appears on the preceding page. Operating revenues and expenses both increased approximately 7% during the current year. Grants and reimbursements from TECB increased significantly, due to one-time equipment reimbursement monies received during the current year.

**Budgetary highlights** - Actual revenues exceeded budgeted revenues by \$6 thousand. Expenditures were \$51 thousand less than appropriations. Significant variances were as follows:

- The District budgeted \$22 thousand for accounting services that were not expended.
- Capital projects for non-depreciable assets were \$18 thousand less than budgeted.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital assets** – As of June 30, 2011, the District had invested \$704 thousand in a variety of capital assets. Accumulated depreciation on those assets amounted to \$263 thousand as of June 30, 2011. Net capital assets increased by approximately \$100 thousand during the current year. Additional information on the District's capital assets can be found in Note 3B of this report.

**Long-term debt** – The District has no long-term debt.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District anticipates a continual decline in wireline revenue over the next fiscal year due to many citizens disconnecting their home phone service. While there are no plans for major capital purchases for the next FY, the District will incur increases in fees paid to service providers. These fees are associated with increased level of services for the providers, as well as ongoing preparations for Next Generation 9-1-1 systems. The District anticipates net increases in unrestricted assets for FY 2011-12.

### REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for citizens, taxpayers, customers, investors, creditors and all others with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District Director, Weakley County Emergency Communications District, P.O. Box 911, Dresden, TN 38225.

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

**Assets**

Current assets

Cash	\$ 423,390
Investments	48,927
Accounts receivable	11,246
Prepaid expense	5,133
Other current assets	<u>55,618</u>
Total current assets	<u>544,314</u>

Noncurrent assets

Capital assets being depreciated, net of accumulated depreciation	
Office equipment	9,437
Communications equipment	426,647
Vehicles	<u>4,600</u>
Net capital assets	<u>440,684</u>

Total assets	<u>984,998</u>
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**Liabilities**

Current liabilities

Accounts payable	8,235
Compensated absences payable	<u>306</u>
Total current liabilities	<u>8,541</u>

**Net assets**

Invested in capital assets	440,684
Unrestricted net assets	<u>535,773</u>

<b>Total net assets</b>	<b><u>\$ 976,457</u></b>
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*The accompanying notes are an integral part of these financial statements.*

**WEAKLEY COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

For the Year Ended June 30, 2011

**Operating revenues**

Emergency telephone service charge	\$ 137,443
Tennessee Emergency Communications Board - shared wireless charge	91,077
Tennessee Emergency Communications Board - operational funding	<u>201,153</u>
Total operating revenue	<u>429,673</u>

**Operating expenses**

Salaries and wages	
Director	39,381
Administrative personnel	9,398
Bonuses	700
Employee benefits	
Social security	3,169
Medicare	754
Retirement contributions	10,185
Longevity benefits	600
Contracted services	
Addressing/mapping expenses	8,929
Advertising	264
Audit services	2,395
Contracts with government agencies	913
Fees paid to service providers	60,773
Impact payments	98,787
NCIC expenses	2,680
Maintenance agreements	18,673
Maintenance and repairs - communications equipment	905
Maintenance and repairs - office equipment	243
Maintenance and repairs - vehicles	1,524
Fuel - vehicles	3,734
Supplies and materials	
Office supplies	1,999
Custodial supplies	482
Postage	295
Small equipment purchases	2,601
Uniforms and shirts	1,282
Utilities - general telephone	1,461
Utilities - cell phones and pagers	1,873
Other charges	
Board meeting expense	1,516
Dues and memberships	427
Employee testing and exams	870
Insurance - liability	3,131
Premiums on surety bonds	261
Public education	250
Service awards	174
Training expenses	7,175
Travel expenses	9,527
Internet charges	1,285
Capital projects - non-depreciable	183,519
Depreciation	<u>65,913</u>
Total operating expenses	<u>548,048</u>

<b>Operating income (loss)</b>	<b><u>(118,375)</u></b>
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*The accompanying notes are an integral part of these financial statements.*

**WEAKLEY COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
For the Year Ended June 30, 2011

Nonoperating revenues	
Interest income	4,562
Tennessee Emergency Communications Board - grants and reimbursements	194,887
Gain on disposal of property	8,963
Miscellaneous	<u>801</u>
Total nonoperating revenues	<u>209,213</u>
<b>    Increase in net assets</b>	<b>90,838</b>
Net assets, July 1, 2010	<u>885,619</u>
Net assets, June 30, 2011	<u>\$ 976,457</u>

*The accompanying notes are an integral part of these financial statements.*

**WEAKLEY COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**STATEMENT OF CASH FLOWS**  
For the Year Ended June 30, 2011

**Cash flows from operating activities**

Cash received from surcharges and other revenues	\$ 434,854
Cash payments to suppliers for goods and services	(418,961)
Cash payments for payroll, taxes and related benefits	<u>(66,307)</u>
Net cash used by operating activities	<u>(50,414)</u>

**Cash flows from noncapital financing activities**

Miscellaneous revenue	<u>801</u>
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**Cash flows from capital and related financing activities**

Purchase of capital assets	(212,273)
TECB equipment reimbursement	<u>194,887</u>
Net cash used by capital and related financing activities	<u>(17,386)</u>

**Cash flows from investing activities**

Interest income received	<u>4,562</u>
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**Net decrease in cash and cash equivalents (62,437)**

Cash and cash equivalents - July 1, 2010	<u>534,754</u>
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**Cash and cash equivalents - June 30, 2011 **\$ 472,317****

Cash and cash equivalents

Cash	\$ 423,390
Investments	<u>48,927</u>
Total cash and cash equivalents	<u>\$ 472,317</u>

**Reconciliation of net operating income (loss) to net cash provided (used) by operating activities**

Operating income (loss)	\$ (118,375)
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities	
Depreciation	65,913
Changes in current assets and liabilities	
(Increase) decrease in accounts receivables	5,181
(Increase) decrease in prepaid expense	(5,133)
Increase (decrease) in accounts payable	4,120
Increase (decrease) in compensated absences payable	<u>(2,120)</u>
<b>Net cash used by operating activities</b>	<b><u>\$ (50,414)</u></b>

**Noncash investing, capital and related financing activities:**

Net book value of asset traded	<u>\$ 5,536</u>
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*The accompanying notes are an integral part of these financial statements.*

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

June 30, 2011

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting District**

The Weakley County Emergency Communications District was approved by a referendum on August 4, 1994. The County Commissioners passed a resolution to establish the Emergency Communications District in accordance with Tennessee Code Annotated, 7-86-101 on August 22, 1994. The District accounts for its financial position and results of operations in accordance with generally accepted accounting principles applicable to governmental units. Currently only a proprietary fund type is used that accounts for activities conducted on a fee-for-service basis in a manner similar to commercial enterprises providing services to the public (enterprise fund).

The District's financial statements include all accounts of all the District's operations. The criteria for including organizations with the District's reporting district, as set forth in GASB No. 14, "The Financial Reporting District", is financial accountability. Financial accountability is defined as appointment of a voting majority of the component unit's board and either the ability to impose will by the primary government or the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. Based upon these criteria, there were no component units that required presentation.

The District is, however, considered a discretely presented component unit of Weakley County, Tennessee because of the following factors. The County appoints the Board and has a right to remove them. It provides office space for the District's business use. The District is accountable to the County for fiscal matters.

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

The Weakley County Emergency Communications District accounts for its financial position and results of operations in accordance with generally accepted accounting principles as defined in the Statements of Governmental Accounting Standards Board (GASB). Generally accepted accounting principles for proprietary fund types are those applicable to similar businesses in the private sector, and the measurement focus is on the determination of net income, financial position, and cash flows. Proprietary fund types are accounted for on the accrual basis, whereby income is recognized as it is earned and expenses are recognized as they are incurred, whether or not cash is received or paid out at that time. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. 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 Office of the Comptroller of the Treasury requires Tennessee emergency communications districts not to implement FASB statements and interpretations issued thereafter, unless they are adopted by GASB.

**C. Assets, Liabilities, and Net Assets**

**Deposits and Investments**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of inception.

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

June 30, 2011

State statutes authorize the System to invest in certificates of deposit, obligation of the U.S. Treasury, agencies and instrumentalities, obligations by the U.S. government or its agencies, repurchase agreements, as approved by the state director of local finance, and the state's local government investment pool.

**Accounts Receivable**

Accounts receivable represent amounts due from various phone companies.

**Capital Assets**

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 5 to 40 years. The District's capitalization threshold is set at \$5,000 per unit cost. Interest costs incurred on financing during the construction or installation period of capital assets are capitalized as part of the cost of the assets. For the year under review, there were no interest costs capitalized.

**Compensated Absences**

The District has adopted Weakley County's Personnel Policies which allowed full-time employees one sick day for each month with a maximum carryover of ninety days to the subsequent year and one vacation day per month with a maximum carryover of fifteen days. These benefits normally are accrued in proprietary funds (using the accrual basis of accounting). Employees are not paid for unused sick days but may be paid for a maximum of fifteen unused vacation days. This liability is reflected in the current year's financial statements.

**Net Assets**

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

- Invested in capital assets – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any payables that are attributable to the acquisition, construction, or improvement of those assets.
- Unrestricted net assets– All other net assets that do not meet the description of the above category.

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Budgetary Information**

The District's Board of Directors approves an appropriatory budget annually. The budgetary basis statement of revenue and expenses differs from generally accepted accounting principles (GAAP) pertaining to proprietary funds, in that expenses are budgeted on the cash basis, rather than the accrual basis, and capital asset purchases are budgeted as expenses. A reconciliation of budgetary basis to GAAP basis is included in the budgetary comparison statements.

The legal level of control is at each line item of expense; therefore, each line item must be amended prior to expending funds. For the year ended June 30, 2011, the only line item that exceeded the budgeted amount was depreciation, a noncash expense.

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

June 30, 2011

**NOTE 3 – DETAILED NOTES ON ACCOUNTS**

**A. Deposits and Investments**

Custodial Credit Risk – The District's policies limit investments to those instruments allowed by applicable state laws as described in Note 1. State statute requires that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the District's agent in the District's name, or by the Federal Reserve Banks acting as third party agents. As of June 30, 2011, all deposits were fully collateralized or insured.

**B. Capital Assets**

Capital asset activity during the year was as follows:

<u>Description</u>	<u>Balance 7/1/10</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 6/30/11</u>
Capital assets being depreciated				
Communication equipment	\$ 687,000	\$ 217,809	\$ 245,850	\$ 658,959
Office equipment	72,658	-	50,664	21,994
Vehicles	<u>45,076</u>	<u>-</u>	<u>22,076</u>	<u>23,000</u>
Total capital assets being depreciated	<u>804,734</u>	<u>217,809</u>	<u>318,590</u>	<u>703,953</u>
Less accumulated depreciation				
Communication equipment	400,622	54,128	222,438	232,312
Office equipment	27,258	7,185	21,886	12,557
Vehicles	<u>35,876</u>	<u>4,600</u>	<u>22,076</u>	<u>18,400</u>
Total accumulated depreciation	<u>463,756</u>	<u>65,913</u>	<u>266,400</u>	<u>263,269</u>
Total capital assets, net	<u>\$ 340,978</u>	<u>\$ 151,896</u>	<u>\$ 52,190</u>	<u>\$ 440,684</u>

Depreciation expense for the year ended June 30, 2011, was \$65,913.

**NOTE 4 – OTHER INFORMATION**

**A. Risk Management**

The District's primary risk of loss is from suits filed for improper response or handling of emergency 911 calls. The District's significant losses are covered by commercial liability insurance. There were no claims or settlements made during this fiscal year and no losses were sustained. Board members with financial responsibility are bonded.

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

June 30, 2011

**B. Employees' Retirement Plan**

**Plan Description**

Employees of Weakley County Emergency 911 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 became disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the *Tennessee Code Annotated* (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Weakley County Emergency 911 District participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at [www.tn.gov/treasury/tcrs/PS/](http://www.tn.gov/treasury/tcrs/PS/).

**Funding Policy**

Weakley County Emergency 911 District has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5.0 percent of annual covered payroll.

Weakley County Emergency 911 District is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2010 (the most recent year available) was 30.75% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Weakley County Emergency 911 District is established and may be amended by the TCRS Board of Trustees.

**Annual Pension Cost**

For the year ending June 30, 2010 (the most recent year available), Weakley County Emergency 911 District's annual pension cost of \$12,930 to TCRS was equal to Weakley County Emergency 911 District'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 percent a year compounded annually, (b) 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), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Weakley County Emergency 911 District's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis.

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

June 30, 2011

The remaining amortization period at July 1, 2007 was 8 years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

**Trend Information**

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2010	\$12,930	100.00%	\$0
June 30, 2009	\$12,915	100.00%	\$0
June 30, 2008	\$10,619	100.00%	\$0

**Funded Status and Funding Progress**

As of July 1, 2009, the most recent actuarial valuation date available, the plan was 58.84% funded. The actuarial accrued liability for benefits was \$181 thousand, and the actuarial value of assets was \$106 thousand, resulting in an unfunded actuarial accrued liability (UAAL) of \$74 thousand. The covered payroll (annual payroll of active employees covered by the plan) was \$58 thousand, and the ratio of the UAAL to the covered payroll was 127.88%.

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

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, 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 Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/01/09	\$106	\$181	\$74	58.84%	\$58	127.88%
7/01/07	\$87	\$157	\$70	55.41%	\$35	200.00%

## **REQUIRED SUPPLEMENTARY INFORMATION SECTION**

**WEAKLEY COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS –  
 EMPLOYEE RETIREMENT SYSTEM  
 June 30, 2011**

*(Dollar amounts in thousands)*

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/01/09	\$106	\$181	\$74	58.84%	\$58	127.88%
7/01/07	\$87	\$157	\$70	55.41%	\$35	200.00%

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. The third valuation that is required to be presented will be added when it becomes available.

## **OTHER SUPPLEMENTARY INFORMATION SECTION**

**WEAKLEY COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**

For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual- Budgetary Basis</u>	<u>Variance Over (Under)</u>
<b>Operating revenues</b>				
Emergency telephone service charge	\$ 142,000	\$ 142,000	\$ 136,867	\$ (5,133)
TECB - shared wireless charge	80,000	80,000	91,077	11,077
TECB - operational funding	<u>201,000</u>	<u>201,000</u>	<u>201,153</u>	<u>153</u>
Total operating revenue	<u>423,000</u>	<u>423,000</u>	<u>429,097</u>	<u>6,097</u>
<b>Operating expenses</b>				
Communications equipment	188,000	212,280	212,273	(7)
Salaries and wages				
Director	41,500	41,500	41,500	-
Administrative personnel	9,000	9,400	9,398	(2)
Bonuses	-	700	700	-
Employee benefits				
Social security	3,135	3,175	3,169	(6)
Medicare	735	755	754	(1)
Retirement contributions	9,600	10,190	10,185	(5)
Longevity benefits	650	650	600	(50)
Contracted services				
Addressing/mapping expenses	10,000	10,000	8,929	(1,071)
Advertising	250	270	264	(6)
Audit services	3,000	3,000	2,395	(605)
Accounting services	22,093	22,093	-	(22,093)
Contracts with government agencies	1,400	1,400	913	(487)
Fees paid to service providers	64,000	66,500	64,328	(2,172)
Impact payments	98,787	98,787	98,787	-
NCIC expenses	3,500	3,500	3,040	(460)
Maintenance agreements	17,000	17,000	16,106	(894)
Maintenance and repairs - communications equipment	750	910	905	(5)
Maintenance and repairs - office equipment	250	250	243	(7)
Maintenance and repairs - vehicles	1,500	1,530	1,524	(6)
Fuel - vehicles	3,000	4,000	3,782	(218)
Supplies and materials				
Office supplies	2,000	2,000	1,999	(1)
Custodial supplies	800	800	505	(295)
Postage	350	410	295	(115)
Small equipment purchases	2,500	2,610	2,601	(9)
Uniforms and shirts	1,500	1,500	1,282	(218)
Utilities - general telephone	2,000	2,000	1,589	(411)
Utilities - cell phones and pagers	2,000	2,000	1,873	(127)

*See independent auditor's report*

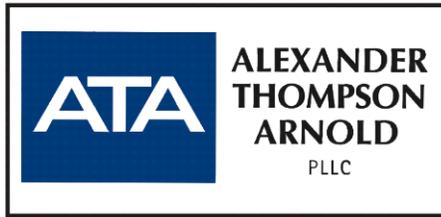
**WEAKLEY COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**

For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual- Budgetary Basis</u>	<u>Variance Over (Under)</u>
Other charges				
Board meeting expense	2,300	2,300	1,516	(784)
Dues and memberships	550	550	427	(123)
Employee testing and exams	600	880	870	(10)
Insurance - liability	4,000	4,000	3,131	(869)
Premiums on surety bonds	700	700	261	(439)
Public education	250	250	250	-
Service awards	300	300	174	(126)
Training expenses	10,000	10,000	7,175	(2,825)
Travel expenses	10,000	10,000	9,527	(473)
Internet charges	1,500	1,500	1,285	(215)
Capital projects - non-depreciable	239,000	209,510	191,219	(18,291)
Depreciation	<u>44,000</u>	<u>63,000</u>	<u>65,913</u>	<u>2,913</u>
Total operating expenses	<u>802,500</u>	<u>822,200</u>	<u>771,687</u>	<u>(50,513)</u>
<b>Operating income (loss)</b>	<b><u>(379,500)</u></b>	<b><u>(399,200)</u></b>	<b><u>(342,590)</u></b>	<b><u>56,610</u></b>
<b>Nonoperating revenues (expenses)</b>				
Interest income	10,000	10,000	4,562	(5,438)
TECB - grants and reimbursements	204,465	204,465	194,887	(9,578)
State of Tennessee reimbursements	5,000	5,000	5,757	757
Capital contribution from primary government	161,000	161,000	-	(161,000)
Gain on disposal of property	-	-	8,963	8,963
Miscellaneous	<u>-</u>	<u>-</u>	<u>801</u>	<u>801</u>
Total nonoperating revenues	<u>380,465</u>	<u>380,465</u>	<u>214,970</u>	<u>(165,495)</u>
<b>Net income (loss)</b>	<b><u>\$ 965</u></b>	<b><u>\$ (18,735)</u></b>	<b><u>\$ (127,620)</u></b>	<b><u>\$(108,885)</u></b>
Reconciliation to GAAP net income (loss)				
Receivables			(5,181)	
Accounts payable			4,114	
Compensated absences payable			2,119	
Capitalized expenditures			212,273	
Prepaid expense			<u>5,133</u>	
Net income (loss) - GAAP basis			<u>\$ 90,838</u>	

*See independent auditor's report*

## **INTERNAL CONTROL AND COMPLIANCE SECTION**



Certified Public Accountants

[www.atacpa.net](http://www.atacpa.net)

304 North Lindell  
Martin, TN 38257

Telephone:(731) 587-5145  
Fax:(731) 587-1952

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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**

Members of the Board  
Emergency Communications District  
of Weakley County, Tennessee  
Dresden, Tennessee

We have audited the financial statements of Weakley County Emergency Communications District (a component unit of Weakley County, Tennessee), as of and for the year ended June 30, 2011, and have issued our report thereon dated September 16, 2011. 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 Communications District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Weakley County Emergency Communications District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings as Items 11-1, 11-2 and 11-3 that we consider to be significant deficiencies in internal control over financial reporting. 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.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Weakley County Emergency Communications District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 11-2 and 11-3.

The District's response to findings identified in our audit are described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on the response.

We noted certain matters that we reported to management of the District in a separate letter dated September 16, 2011.

This report is intended solely for the information and use of the Board, County Commission, management, the State of Tennessee Comptroller's Office, and others within the District; and is not intended to be and should not be used by anyone other than these specified parties.

*Alexander Thompson Arnold PLLC*

Martin, Tennessee  
September 16, 2011

**WEAKLEY COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
SCHEDULE OF FINDINGS**

June 30, 2011

**FINDINGS RELATIVE TO THE AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

**11-1 Segregation of Duties**

Condition: Due to the size of the staff, the Weakley County Emergency Communications District could not fully segregate the record-keeping, custodial and authorization functions of its internal accounting controls for the year ended June 30, 2011.

Criteria: Generally accepted accounting principles require that accounting functions be adequately segregated to ensure that the internal accounting controls are effective.

Effect: The risk of errors and irregularities occurring and not being detected in a timely manner increases when accounting functions are not adequately segregated.

Recommendation: While auditors recognize that staff size, due to funding limitations, is not adequate to fully segregate the functions mentioned above, management needs to be aware that this limitation does exist in the District's internal accounting controls.

Response: *The District will further segregate the duties of the administrative staff during the next FY. These include the retrieval of postal material, deposits made, checks printed (to be signed by bonded Board members), and appropriate posting of payments to respective line items. These items will be documented to reduce the likelihood of confusion.*

**11-2 Surety Bond**

Condition: The District did not obtain surety bonds on all applicable personnel in amounts required by state statute.

Criteria: Tennessee Code Annotated (TCA) 7-86-119 states "Any . . . authorized person of an emergency communications district, who receives public funds, has authority to make expenditures from public funds, or has access to any public funds is hereby required to give bond made payable to the state of Tennessee." . . . The amount of such required bond shall be a reasonable amount as determined by the amount of public funds received, expended, or the amount of such bond shall be reasonable to protect the public from breach of the condition of faithful discharge of the duties of such office or position, when the amount of public funds to be received, or expended, or to which that person will have access is considered. Effective July 1, 1994, the minimum amount of such required bond shall be determined from the amount of revenues handled by the respective emergency communications district during the last audit approved by the comptroller of the treasury. The minimum amount of the bond shall be based on revenues as follows:

- Less than fifty thousand dollars (\$50,000) — a base bond of five thousand dollars (\$5,000);
- From fifty thousand dollars (\$50,000) to five hundred thousand dollars (\$500,000) — an amount equal to ten percent (10%) of the revenues handled by the district."

**WEAKLEY COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
SCHEDULE OF FINDINGS**

June 30, 2011

Effect: Failure to comply with state laws governing surety bonds increases the risk of loss of public funds.

Recommendation: We recommend that the District obtain surety bonds on all personnel outlined above in the amounts required by state statute.

Response: *The District will purchase bonds in compliance with TCA 7-86-119 for the appropriate staff and Board members. Historically, the District has relied on board members as check signatories that were bonded through Weakley County Government. These members will now be bonded through both the County and the District.*

**11-3 Failure to Comply with Financial Reporting Required for Board Meetings**

Condition: The Board did not receive financial reports that met the minimum guidelines as prescribed by the *Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts* during the year.

Criteria: TCA Section 7-86-123 requires that a financial report of the district's activities must be provided to the board of directors at every scheduled meeting. This report must be in accordance with the guidelines developed by the Comptroller of the Treasury. The minimum guidelines for the report are as follows:

1. The financial report shall be as of the most recent month ended prior to a regularly scheduled board meeting.
2. The report shall include a balance sheet reflecting the financial position of the district.
3. The report shall contain a statement of operations.
4. The report shall include a budgetary statement that compares budget with actual for the year to date.
5. The report shall include a summary of investment activity, which includes a listing of all investment accounts.

Effect: The District's financial reports at board meetings were not in accordance with state law.

Recommendation: We recommend the District prepare the reports required by TCA and present them at each board meeting. The reports reviewed should be noted in the minutes.

Response: *The District has hired John Reese, CPA, to perform all accountant functions for the District. Mr. Reese is aware of the requirements of TCA 7-86-123.*

**WEAKLEY COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**SCHEDULE OF PRIOR YEAR FINDINGS**  
June 30, 2011

None reported.