

**WEAKLEY COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

JUNE 30, 2012

**WEAKLEY COUNTY EMERGENCY COMMUNICATIONS DISTRICT
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INTRODUCTORY SECTION

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

Board Members

John Bucy, Chairman
John Salmon, Vice-chairman
Bob Dudley, Secretary
Shawn Francisco
Jeff Washburn
Phillip Johnson
Mike Wilson
Mark Stafford
Dale Overton

Management Officials

Jamison Peevyhouse, Director

FINANCIAL SECTION



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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, 2012, 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, 2012, 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 October 3, 2012, 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 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

Martin, Tennessee
October 3, 2012

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, 2012.

FINANCIAL HIGHLIGHTS

- At June 30, 2012, the assets of the District exceeded its liabilities by \$1,002,680 (*net assets*). Of this amount, \$625,523 (*unrestricted net assets*) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net assets increased \$26,223 during the current year.
- There was minimal capital asset activity during the current fiscal year, with the only significant change attributable to depreciation.

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
	2012	2011	(Decrease)
Current assets	\$ 628,423	\$ 544,314	\$ 84,109
Capital assets	377,157	440,684	(63,527)
Total assets	1,005,580	984,998	20,582
Current liabilities	2,900	8,541	(5,641)
Other liabilities	-	-	-
Total liabilities	2,900	8,541	(5,641)
Net assets			
Invested in capital assets	377,157	440,684	(63,527)
Unrestricted	625,523	535,773	89,750
Total net assets	\$ 1,002,680	\$ 976,457	\$ 26,223

Condensed Statement of Revenues, Expenses and Changes in Net Assets

	June 30,		Increase
	2012	2011	(Decrease)
Operating revenues	\$ 436,413	\$ 429,673	\$ 6,740
Operating expenses			
Salaries and wages	63,792	49,479	14,313
Employee benefits	15,628	14,708	920
Contracted services	231,617	199,820	31,797
Supplies and materials	9,502	9,993	(491)
Other charges	31,266	24,616	6,650
Capital projects - non-depreciable	327	183,519	(183,192)
Depreciation	63,527	65,913	(2,386)
Total expenses	415,659	548,048	(132,389)
Operating income (loss)	20,754	(118,375)	139,129
Non-operating revenues			
Grants and reimbursements	-	194,887	(194,887)
Other	5,469	14,326	(8,857)
Total	5,469	209,213	(203,744)
Increase in net assets	26,223	90,838	(64,615)
Net assets - beginning	976,457	885,619	90,838
Net assets - ending	\$ 1,002,680	\$ 976,457	\$ 26,223

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 \$1 million at the close of the most recent fiscal year. A portion of the District's net assets (38%) 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 (62%) 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, 2012 and 2011. The most significant change in assets was the increase in prepaid expense, attributable to the payment in advance of impact payments for 2012-2013. Capital assets decreased by the amount of depreciation.

A condensed statement of revenues, expenses and changes in net assets also appears on the preceding page. Operating revenues remained steady, while non-capital operating expenses increased 9% during the current year, mostly in contracted services. Grants and reimbursements from TECB decreased significantly, due to one-time equipment reimbursement monies received during the prior year. Capital expenditures decreased accordingly.

Budgetary highlights – Actual revenues were \$20 thousand less than budgeted revenues and expenditures were \$18 thousand less than appropriations. Significant variances were as follows:

- The District budgeted \$72 thousand for depreciation, while actual depreciation was \$63,527.
- Only three line items were over budget, for a total of \$570.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets – As of June 30, 2012, the District had invested \$703 thousand in a variety of capital assets. Accumulated depreciation on those assets amounted to \$326 thousand as of June 30, 2012. Net capital assets decreased by \$63,527 of depreciation 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. Wireless revenue will plateau as many users consolidate from multiple wireless and wireline devices to a single device. The TECB has released an additional \$300,000 per District in reimbursement grant funding for the purchase of equipment, upgrades or replacements. This is to assist local Districts with maintaining current equipment needs as well as preparations for the TN Next Generation 9-1-1 Network over the next few years.

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, 2012

Assets

Current assets

Cash	\$ 441,750
Investments	49,410
Accounts receivable	11,758
Accrued interest receivable	39
Prepaid expense	<u>125,466</u>
Total current assets	<u>628,423</u>

Noncurrent assets

Capital assets being depreciated, net of accumulated depreciation	
Office equipment	6,295
Communications equipment	<u>370,862</u>
Net capital assets	<u>377,157</u>
Total assets	<u>1,005,580</u>

Liabilities

Current liabilities

Accounts payable	2,594
Compensated absences payable	<u>306</u>
Total current liabilities	<u>2,900</u>

Net assets

Invested in capital assets	377,157
Unrestricted net assets	<u>625,523</u>
Total net assets	<u>\$ 1,002,680</u>

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, 2012

Operating revenues	
Emergency telephone service charge	\$ 133,319
Tennessee Emergency Communications Board - shared wireless charge	83,162
Tennessee Emergency Communications Board - operational funding	<u>219,932</u>
Total operating revenue	<u>436,413</u>
Operating expenses	
Salaries and wages	
Director	43,022
Administrative personnel	10,273
Part-time personnel - GIS	10,497
Employee benefits	
Social security	3,998
Medicare	931
Retirement contributions	10,049
Other fringe benefits	650
Contracted services	
Addressing/mapping expenses	7,472
Advertising	145
Audit services	2,500
Accounting services	2,191
Contracts with government agencies	684
Fees paid to service providers	69,937
Impact payments	105,500
NCIC expenses	2,680
Maintenance agreements	26,111
Mapping/data base consultants	5,000
Maintenance and repairs - communications equipment	2,808
Maintenance and repairs - office equipment	243
Maintenance and repairs - vehicles	1,562
Fuel - vehicles	4,784
Supplies and materials	
Office supplies	1,512
Custodial supplies	360
Postage	351
Small equipment purchases	2,395
Uniforms and shirts	1,718
Utilities - general telephone	1,181
Utilities - cell phones and pagers	1,985
Other charges	
Board meeting expense	1,893
Dues and memberships	473
Employee testing and exams	1,160
Insurance - liability	3,131
Premiums on surety bonds	1,330
Service awards	273
Training expenses	6,604
Travel expenses	15,065
Internet charges	1,337

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, 2012

Capital projects - non-depreciable	327
Depreciation	<u>63,527</u>
Total operating expenses	<u>415,659</u>
Operating income	20,754
Nonoperating revenues	
Interest income	<u>5,469</u>
Increase in net assets	26,223
Net assets, July 1, 2011	<u>976,457</u>
Net assets, June 30, 2012	<u><u>\$ 1,002,680</u></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, 2012

Cash flows from operating activities

Cash received from surcharges and other revenues	\$ 435,901
Cash payments to suppliers for goods and services	(398,686)
Cash payments for payroll, taxes and related benefits	<u>(79,420)</u>
Net cash used by operating activities	(42,205)

Cash flows from capital and related financing activities

Insurance proceeds received	55,618
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Cash flows from investing activities

Interest income received	<u>5,430</u>
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Net increase in cash and cash equivalents 18,843

Cash and cash equivalents - July 1, 2011	<u>472,317</u>
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Cash and cash equivalents - June 30, 2012	<u>\$ 491,160</u>
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Cash and cash equivalents

Cash	\$ 441,750
Investments	<u>49,410</u>
Total cash and cash equivalents	<u>\$ 491,160</u>

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

Operating income	\$ 20,754
Adjustments to reconcile net operating income to net cash provided (used) by operating activities	
Depreciation	63,527
Changes in current assets and liabilities	
(Increase) decrease in accounts receivable	(512)
(Increase) decrease in prepaid expense	(120,333)
Increase (decrease) in accounts payable	<u>(5,641)</u>
Net cash used by operating activities	<u>\$ (42,205)</u>

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

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

June 30, 2012

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, 2012

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, 2012, there were three line items that exceeded budgeted amounts: retirement contributions by \$99, maintenance agreements by \$211, and employee testing and exams by \$260.

WEAKLEY COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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, 2012, all deposits were fully collateralized or insured.

B. Capital Assets

Capital asset activity during the year was as follows:

<u>Description</u>	<u>Balance</u> <u>7/1/11</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>6/30/12</u>
Capital assets being depreciated				
Communication equipment	\$ 658,959	\$ -	\$ 450	\$ 658,509
Office equipment	21,994	-	-	21,994
Vehicles	<u>23,000</u>	<u>-</u>	<u>-</u>	<u>23,000</u>
Total capital assets being depreciated	<u>703,953</u>	<u>-</u>	<u>450</u>	<u>703,503</u>
Less accumulated depreciation				
Communication equipment	232,312	55,785	450	287,647
Office equipment	12,557	3,142	-	15,699
Vehicles	<u>18,400</u>	<u>4,600</u>	<u>-</u>	<u>23,000</u>
Total accumulated depreciation	<u>263,269</u>	<u>63,527</u>	<u>450</u>	<u>326,346</u>
Total capital assets, net	<u>\$ 440,684</u>	<u>\$ (63,527)</u>	<u>\$ -</u>	<u>\$ 377,157</u>

Depreciation expense for the year ended June 30, 2012, was \$63,527.

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, 2012

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/.

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, 2012 was 28.41% 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, 2012, Weakley County Emergency 911 District's annual pension cost of \$10,049 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, 2009 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected 3.0 percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. Weakley County Emergency 911 District's unfunded actuarial accrued liability is being amortized as a level dollar

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

June 30, 2012

amount on a closed basis. The remaining amortization period at July 1, 2009 was 6 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2012	\$10,049	100.00%	\$0
June 30, 2011	\$9,779	100.00%	\$0
June 30, 2010	\$12,930	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)

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

**WEAKLEY COUNTY EMERGENCY COMMUNICATIONS DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS –
 EMPLOYEE RETIREMENT SYSTEM
 June 30, 2012**

(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, 2012

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual- Budgetary Basis</u>	<u>Variance Over (Under)</u>
Operating revenues				
Emergency telephone service charge	\$ 135,000	\$ 135,000	\$ 125,887	\$ (9,113)
TECB - shared wireless charge	88,000	88,000	83,162	(4,838)
TECB - operational funding	<u>225,800</u>	<u>225,800</u>	<u>219,932</u>	<u>(5,868)</u>
Total operating revenue	<u>448,800</u>	<u>448,800</u>	<u>428,981</u>	<u>(19,819)</u>
Operating expenses				
Salaries and wages				
Director	43,160	43,160	43,022	(138)
Administrative personnel	10,400	10,400	10,273	(127)
Part-time personnel - GIS	11,000	11,000	10,497	(503)
Employee benefits				
Social security	4,130	4,130	3,998	(132)
Medicare	970	970	931	(39)
Retirement contributions	9,950	9,950	10,049	99
Other fringe benefits	700	700	650	(50)
Contracted services				
Addressing/mapping expenses	7,500	7,500	7,472	(28)
Advertising	250	250	145	(105)
Audit services	3,000	3,000	2,500	(500)
Accounting services	3,500	3,500	2,191	(1,309)
Contracts with government agencies	2,600	1,300	684	(616)
Fees paid to service providers	60,000	71,906	69,937	(1,969)
Impact payments	105,500	105,500	105,500	-
NCIC expenses	3,500	2,700	2,680	(20)
Maintenance agreements	27,000	28,300	28,511	211
Mapping/data base consultants	5,000	5,000	5,000	-
Maintenance and repairs - communications equipment	3,000	3,000	2,808	(192)
Maintenance and repairs - office equipment	250	250	243	(7)
Maintenance and repairs - vehicles	1,800	1,800	1,562	(238)
Fuel - vehicles	4,000	4,800	4,784	(16)
Supplies and materials				
Office supplies	2,000	2,000	1,512	(488)
Custodial supplies	800	800	360	(440)
Postage	350	360	351	(9)
Small equipment purchases	2,500	2,500	2,395	(105)
Uniforms and shirts	1,800	1,790	1,718	(72)
Utilities - general telephone	2,000	2,000	1,181	(819)
Utilities - cell phones and pagers	2,000	2,000	1,985	(15)

See independent auditor's report

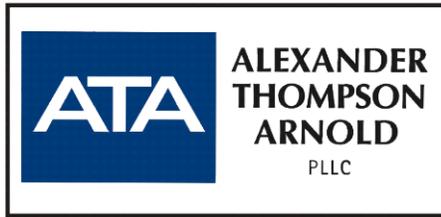
**WEAKLEY COUNTY EMERGENCY COMMUNICATIONS DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**

For the Year Ended June 30, 2012

	<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	1,893	(407)
Dues and memberships	550	550	473	(77)
Employee testing and exams	900	900	1,160	260
Insurance - liability	4,000	3,600	3,131	(469)
Premiums on surety bonds	700	1,700	1,330	(370)
Public education	250	250	-	(250)
Service awards	300	300	273	(27)
Training expenses	10,000	6,750	6,604	(146)
Travel expenses	10,000	15,262	15,065	(197)
Internet charges	1,500	1,500	1,337	(163)
Capital projects - non-depreciable	--	400	327	(73)
Depreciation	<u>72,200</u>	<u>72,200</u>	<u>63,527</u>	<u>(8,673)</u>
Total operating expenses	<u>421,360</u>	<u>436,278</u>	<u>418,059</u>	<u>(18,219)</u>
Operating income	<u>27,440</u>	<u>12,522</u>	<u>10,922</u>	<u>(1,600)</u>
Nonoperating revenues (expenses)				
Interest income	7,000	7,000	5,469	(1,531)
State of Tennessee reimbursements	<u>5,000</u>	<u>5,000</u>	-	<u>(5,000)</u>
Total nonoperating revenues	<u>12,000</u>	<u>12,000</u>	<u>5,469</u>	<u>(6,531)</u>
Net income	<u>\$ 39,440</u>	<u>\$ 24,522</u>	<u>\$ 16,391</u>	<u>\$ (8,131)</u>
Reconciliation to GAAP net income				
Receivables			7,432	
Prepaid expense			<u>2,400</u>	
Net income - GAAP basis			<u>\$ 26,223</u>	

See independent auditor's report

INTERNAL CONTROL AND COMPLIANCE SECTION



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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
Weakley County Emergency Communications District
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, 2012, and have issued our report thereon dated October 3, 2012. 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

Management of Weakley County Emergency Communications District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 12-1 and 11-2 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 item 11-2.

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.

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
October 3, 2012

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

June 30, 2012

12-1 Cash Disbursements Irregularities

Condition: During our testing, we found several instances where receipts and approval for cash disbursements were not complete. There were also two checks that lacked dual signatures. Two fuel purchases tested were not paid by the due date and late charges were paid.

Criteria: The *Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts*, Section II, states that documentation should be on file to support the books of account, such as cancelled checks, lease and loan agreements, contracts, time sheets, invoices, etc.

Effect: Failure to follow cash disbursements policies increases the risk of errors and irregularities occurring and not being detected in a timely manner. It also increases the risk of improper disbursements being made.

Recommendation: We recommend that all disbursements be properly approved, paid in a timely manner and have supporting documentation on file.

Response: *The 9-1-1 District will continue to improve upon record keeping and invoice payments. The Office has spoken several times with FuelMan regarding the short time frame from invoice delivery to due date, and currently only uses the FuelMan system if needed. As for checks 1728 and 1730 not having dual signatures, this was an oversight and will be corrected.*

11-2 Surety Bond (repeat finding)

Condition: The District had one surety bond on a board member that was not for the amount 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."

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

WEAKLEY COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF FINDINGS
June 30, 2012

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

Response: *Mr. Bucy has been bonded for the correct amount. This issue has been corrected.*