

**WEAKLEY COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**JUNE 30, 2013**

**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**

**Members of:**

American Institute of Certified Public Accountants  
AICPA Center for Public Company Audit Firms  
AICPA Governmental Audit Quality Center  
AICPA Employee Benefit Plan Audit Quality Center  
Tennessee Society of Certified Public Accountants  
Kentucky Society of Certified Public Accountants



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## Independent Auditor's Report

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

### Report on the Financial Statements

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

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

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

### **Auditor's Responsibility**

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

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

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

### **Opinion**

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

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Officials and Budgetary Comparison Schedule are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2013 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Weakley County Emergency Communications District's internal control over financial reporting and compliance.

*Alexander Thompson Arnold PLLC*

Martin, Tennessee  
November 12, 2013

## 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, 2013.

### FINANCIAL HIGHLIGHTS

- At June 30, 2013, the assets of the District exceeded its liabilities by \$1,153,243 (*net position*). Of this amount, \$772,721 (*unrestricted net position*) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net position increased \$150,563 during the current year.
- There were extensive repairs to damaged equipment from lightning strikes during the current year. This accounts for the \$224 thousand increase in contracted services from 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 Position
2. Statement of Revenues, Expenses and Changes in Net Position
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 Position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 Position presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of 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 Position

	June 30,		Increase (Decrease)
	2013	2012	
Current assets	\$ 774,008	\$ 628,423	\$ 145,585
Capital assets	<u>380,522</u>	<u>377,157</u>	<u>3,365</u>
Total assets	<u>1,154,530</u>	<u>1,005,580</u>	<u>148,950</u>
Current liabilities	1,287	2,900	(1,613)
Other liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>1,287</u>	<u>2,900</u>	<u>(1,613)</u>
Net position			
Investment in capital assets	380,522	377,157	3,365
Unrestricted	<u>772,721</u>	<u>625,523</u>	<u>147,198</u>
Total net position	<u>\$ 1,153,243</u>	<u>\$ 1,002,680</u>	<u>\$ 150,563</u>

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

	June 30,		Increase (Decrease)
	2013	2012	
Operating revenues	\$ 485,704	\$ 436,413	\$ 49,291
Operating expenses			
Salaries and wages	67,336	63,792	3,544
Employee benefits	17,909	15,628	2,281
Contracted services	455,518	231,617	223,901
Supplies and materials	9,193	9,502	(309)
Other charges	28,119	31,266	(3,147)
Capital projects - non-depreciable	-	327	(327)
Depreciation	<u>59,522</u>	<u>63,527</u>	<u>(4,005)</u>
Total expenses	<u>637,597</u>	<u>415,659</u>	<u>221,938</u>
Operating income (loss)	(151,893)	20,754	(172,647)
Other revenues			
Grants, reimbursements, capital contributions	297,286	-	297,286
Interest income	<u>5,170</u>	<u>5,469</u>	<u>(299)</u>
Total	<u>302,456</u>	<u>5,469</u>	<u>296,987</u>
Increase in net position	150,563	26,223	124,340
Net position - beginning	<u>1,002,680</u>	<u>976,457</u>	<u>26,223</u>
Net position - ending	<u>\$ 1,153,243</u>	<u>\$ 1,002,680</u>	<u>\$ 150,563</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$1.2 million at the close of the most recent fiscal year. A portion of the District's net position (33%) 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 position, unrestricted net position (67%) may be used to meet the District's ongoing obligations to citizens and creditors.

The preceding page presents a condensed statement of net position for the years ended June 30, 2013 and 2012. The increase in current assets includes a receivable of \$145 thousand due from the State for equipment reimbursements and \$43 thousand in insurance recoveries receivable. There was also an increase in other current assets of \$9 thousand that represents a deposit to the County's payroll account to cover the cost of monthly payroll in the event that signatories are not available at the end of the month. These increases were offset in part by a decrease in prepaid expense, attributable to the payment in advance of impact payments for the current year.

A condensed statement of revenues, expenses and changes in net position also appears on the preceding page. Operating revenues increased \$49 thousand due to a one-time payment from the TECB due to surplus revenue in Voice Over IP funding to the State. Operating expenses increased by over 50%, attributable to the increase in contracted services as a result of repair and maintenance to equipment damaged by lightning strikes. Grants, reimbursements and capital contributions from TECB and insurance proceeds increased significantly, due to insurance reimbursements and catastrophic loss reimbursements from the TECB regarding the three lightning strikes this fiscal year.

**Budgetary highlights** – Actual revenues were in line with budgeted revenues, while expenditures were \$61 thousand less than appropriations, mainly due to actual maintenance and repairs on communications equipment being \$44 thousand less than budgeted. All line items of expenses were under budgeted expenses; however, the final budget amendment for the June 30, 2013, year was not made until September 2013. Financials for June 30, 2013, were not made available to the District from the accountant until the end of August.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital assets** – As of June 30, 2013, the District had invested \$761 thousand in a variety of capital assets. Accumulated depreciation on those assets amounted to \$381 thousand. Net capital assets increased by \$3,365 which represents asset additions of \$63 thousand offset by depreciation expense of \$60 thousand for 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

Operating revenues for the current year included a one-time payment from the TECB due to surplus revenue in Voice Over IP funding to the State. Grants, reimbursements and capital contributions from TECB and insurance proceeds were also received during the current year, due to insurance reimbursements and catastrophic loss reimbursements from the TECB for three lightning strikes. Most significantly, Charter Communications changed its remittance model in FY2012-13. Historically, Charter remitted fees directly to the District in which service is provided. During the previous fiscal year, Charter began remitting directly to the State for all jurisdictions, which in turn allows Districts that

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

do not have Charter customers to receive a portion of the remittance. The Weakley County District expects at least a \$12 thousand yearly decrease in revenue from this single issue.

### **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 POSITION**  
June 30, 2013

**Assets**

Current assets

Cash	\$ 513,322
Investments	49,701
Accounts receivable	53,187
Due from TECB	144,898
Prepaid expense	3,900
Other current assets	<u>9,000</u>
Total current assets	<u>774,008</u>

Noncurrent assets

Capital assets being depreciated, net of accumulated depreciation	
Office equipment	3,153
Communications equipment	<u>377,369</u>
Net capital assets	<u>380,522</u>

Total assets	<u>1,154,530</u>
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**Liabilities**

Current liabilities

Accounts payable	981
Compensated absences payable	<u>306</u>
Total current liabilities	<u>1,287</u>

**Net position**

Investment in capital assets	380,522
Unrestricted net position	<u>772,721</u>

<b>Total net position</b>	<b><u>\$ 1,153,243</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 POSITION**  
For the Year Ended June 30, 2013

<b>Operating revenues</b>	
Emergency telephone service charge	\$ 117,665
Tennessee Emergency Communications Board - shared wireless charge	84,885
Tennessee Emergency Communications Board - operational funding	<u>283,154</u>
Total operating revenues	<u>485,704</u>
<b>Operating expenses</b>	
Salaries and wages	
Director	43,160
Administrative personnel	6,983
Part-time personnel - GIS	16,493
Longevity benefit	700
Employee benefits	
Social security	4,077
Medicare	1,006
Medical Insurance	2,497
Retirement contributions	10,329
Contracted services	
Addressing/mapping expenses	16,397
Advertising	243
Audit services	2,495
Accounting services	3,279
Contracts with government agencies	164
Fees paid to service providers	50,234
Impact payments	120,500
NCIC expenses	3,040
Maintenance agreements	50,122
Maintenance and repairs - communications equipment	202,390
Maintenance and repairs - office equipment	129
Maintenance and repairs - vehicles	2,051
Fuel - vehicles	4,474
Supplies and materials	
Office supplies	1,733
Custodial supplies	535
Postage	369
Small equipment purchases	2,014
Uniforms and shirts	1,582
Utilities - general telephone	1,529
Utilities - cell phones and pagers	1,431
Other charges	
Board meeting expense	1,950
Dues and memberships	518
Employee testing and exams	1,160
Insurance - liability	3,131
Premiums on surety bonds	725
Service awards	234
Training expenses	8,425
Travel expenses	10,914
Internet charges	1,062

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

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

Depreciation	59,522
Total operating expenses	<u>637,597</u>
 <b>Operating income (loss)</b>	 <b>(151,893)</b>
 Nonoperating revenues	
Interest income	5,170
Tennessee Emergency Communications Board - grants and reimbursements	135,756
Insurance reimbursements	<u>98,643</u>
Total nonoperating revenues	<u>239,569</u>
 <b>Increase in net position before capital contributions</b>	 <b>87,676</b>
Capital contributions - Tennessee Emergency Communications Board	<u>62,887</u>
 <b>Increase in net position</b>	 <b>150,563</b>
Net position - July 1, 2012	<u>1,002,680</u>
Net position - June 30, 2013	<u>\$ 1,153,243</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, 2013

**Cash flows from operating activities**

Cash received from surcharges and other revenues	\$ 487,031
Cash payments to suppliers for goods and services	(372,877)
Cash payments for payroll, taxes and related benefits	<u>(94,245)</u>
Net cash provided by operating activities	19,909

**Cash flows from capital and related financing activities**

Purchase of capital assets	(62,887)
Capital contributions	53,745
Insurance proceeds received	<u>55,887</u>
Net cash provided by capital and related financing activities	<u>46,745</u>

**Cash flows from investing activities**

Interest income received	<u>5,209</u>
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**Net increase in cash and cash equivalents 71,863**

Cash and cash equivalents - July 1, 2012	<u>491,160</u>
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Cash and cash equivalents - June 30, 2013	<u>\$ 563,023</u>
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Cash and cash equivalents	
Cash	\$ 513,322
Investments	<u>49,701</u>
Total cash and cash equivalents	<u>\$ 563,023</u>

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

Operating income (loss)	\$ (151,893)
Adjustments to reconcile net operating income to net cash provided (used) by operating activities	
Depreciation	59,522
Changes in current assets and liabilities	
(Increase) decrease in accounts receivable	1,327
(Increase) decrease in prepaid expense	121,566
(Increase) decrease in other current assets	(9,000)
Increase (decrease) in accounts payable	<u>(1,613)</u>
<b>Net cash provided by operating activities</b>	<b><u>\$ 19,909</u></b>

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

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

June 30, 2013

**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 the Governmental Accounting Standards Board (GASB). Proprietary fund types are reported using the *economic resources* measurement focus. The aim of this measurement focus is to report all inflows, outflows, and balances affecting or reflecting the entity's net position. 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.

Operating revenues in proprietary funds are those revenues generated from the primary operations of the fund. All other revenues are reported as nonoperating revenues. The State has defined grants and reimbursements from the Tennessee Emergency Communications Board to be nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

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

**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, 2013

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.

**Impact of recently issued accounting pronouncements**

In December 2010, the GASB issued Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in non-governmental pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. This statement is effective for periods beginning after December 15, 2011. The adoption of GASB 62 had no impact on the District's financial statements.

In June 2011, the GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB 63 provides guidance for reporting deferred outflows and inflows of resources, which are distinct from assets and liabilities, and also renames as net position, rather than net assets, the residual of all other elements presented in a statement of financial position. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2011. As of June 30, 2013, the District had no deferred outflows or deferred inflows of resources.

**Net position flow assumption**

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

**WEAKLEY COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2013

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

**Budgetary Information**

The District's Board of Directors approves an appropriatory budget annually. The budget is prepared in accordance with generally accepted accounting principles (GAAP) pertaining to proprietary funds. The legal level of control is at each line item of expense; therefore, each line item must be amended to approve the expending of funds.

**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, 2013, all deposits were fully collateralized or insured.

**B. Capital Assets**

Capital asset activity during the year was as follows:

<u>Description</u>	<u>Balance 7/1/2012</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 6/30/2013</u>
Capital assets being depreciated				
Communication equipment	\$ 658,509	\$ 62,887	\$ 5,251	\$ 716,145
Office equipment	21,994	-	-	21,994
Vehicles	23,000	-	-	23,000
Total capital assets being depreciated	<u>703,503</u>	<u>62,887</u>	<u>5,251</u>	<u>761,139</u>
Less accumulated depreciation				
Communication equipment	287,647	56,380	5,251	338,776
Office equipment	15,699	3,142	-	18,841
Vehicles	23,000	-	-	23,000
Total accumulated depreciation	<u>326,346</u>	<u>59,522</u>	<u>5,251</u>	<u>380,617</u>
Total capital assets, net	<u>\$ 377,157</u>	<u>\$ 3,365</u>	<u>\$ -</u>	<u>\$ 380,522</u>

Depreciation expense for the year ended June 30, 2013, was \$59,522.

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

June 30, 2013

**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.

**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, 2013, was 23.55% 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, 2013, Weakley County Emergency 911 District's annual pension cost of \$10,329 to TCRS was equal to the District's required and actual contributions. The required contribution was determined as part of the July 1, 2011, actuarial valuation using the frozen entry

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

June 30, 2013

age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected 3.0 percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. Weakley County Emergency 911 District's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011, was 9 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

**Trend Information**

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2013	\$10,329	100.00%	\$0
June 30, 2012	\$10,049	100.00%	\$0
June 30, 2011	\$9,779	100.00%	\$0

**Funded Status and Funding Progress**

As of July 1, 2011, the most recent actuarial valuation date available, the plan was 64.51% funded. The actuarial accrued liability for benefits was \$197 thousand, and the actuarial value of assets was \$127 thousand, resulting in an unfunded actuarial accrued liability (UAAL) of \$70 thousand. The covered payroll (annual payroll of active employees covered by the plan) was \$62 thousand, and the ratio of the UAAL to the covered payroll was 112.48%.

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.

*(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
7/01/11	\$127	\$197	\$70	64.51%	\$62	112.48%

**WEAKLEY COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS –  
 EMPLOYEE RETIREMENT SYSTEM  
 June 30, 2013**

*(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
7/01/11	\$127	\$197	\$70	64.51%	\$62	112.48%
7/01/09	\$106	\$133	\$27	79.81%	\$58	46.25%
7/01/07	\$87	\$121	\$34	71.90%	\$35	97.14%

## **OTHER SUPPLEMENTARY INFORMATION SECTION**

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

For the Year Ended June 30, 2013

	<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	\$ 129,000	\$ 129,000	\$ 117,665	\$ (11,335)
TECB - shared wireless charge	88,000	88,000	84,885	(3,115)
TECB - operational funding	<u>226,000</u>	<u>266,000</u>	<u>283,154</u>	<u>17,154</u>
Total operating revenue	<u>443,000</u>	<u>483,000</u>	<u>485,704</u>	<u>2,704</u>
<b>Operating expenses</b>				
Salaries and wages				
Director	43,160	43,160	43,160	-
Administrative personnel	7,000	7,000	6,983	(17)
Part-time personnel - GIS	16,500	16,500	16,493	(7)
Longevity benefit	-	700	700	-
Employee benefits				
Social security	4,133	4,133	4,077	(56)
Medicare	967	1,006	1,006	-
Medical Insurance	-	2,500	2,497	(3)
Retirement contributions	10,164	10,329	10,329	-
Other fringe benefits	750	50	-	(50)
Contracted services				
Addressing/mapping expenses	16,500	16,500	16,397	(103)
Advertising	250	250	243	(7)
Audit services	3,000	2,531	2,495	(36)
Accounting services	3,500	3,500	3,279	(221)
Contracts with government agencies	1,400	1,400	164	(1,236)
Fees paid to service providers	53,300	53,300	50,234	(3,066)
Impact payments	120,500	120,500	120,500	-
NCIC expenses	3,500	3,500	3,040	(460)
Maintenance agreements	54,400	54,400	50,122	(4,278)
Maintenance and repairs - communications equipment	3,500	246,097	202,390	(43,707)
Maintenance and repairs - office equipment	250	250	129	(121)
Maintenance and repairs - vehicles	1,800	2,150	2,051	(99)
Fuel - vehicles	4,500	4,500	4,474	(26)
Supplies and materials				
Office supplies	2,000	2,000	1,733	(267)
Custodial supplies	800	800	535	(265)
Postage	400	400	369	(31)
Small equipment purchases	3,000	2,650	2,014	(636)
Uniforms and shirts	1,800	1,800	1,582	(218)
Utilities - general telephone	1,700	1,700	1,529	(171)
Utilities - cell phones and pagers	2,100	2,100	1,431	(669)

*See independent auditor's report*

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

For the Year Ended June 30, 2013

	<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	1,950	(350)
Dues and memberships	550	550	518	(32)
Employee testing and exams	900	1,250	1,160	(90)
Insurance - liability	4,000	4,000	3,131	(869)
Premiums on surety bonds	1,700	1,370	725	(645)
Public education	250	250	-	(250)
Service awards	300	300	234	(66)
Training expenses	8,000	8,450	8,425	(25)
Travel expenses	12,000	13,200	10,914	(2,286)
Internet charges	1,500	1,500	1,062	(438)
Depreciation	<u>46,200</u>	<u>60,103</u>	<u>59,522</u>	<u>(581)</u>
Total operating expenses	<u>438,574</u>	<u>698,979</u>	<u>637,597</u>	<u>(61,382)</u>
<b>Operating income (loss)</b>	<b><u>4,426</u></b>	<b><u>(215,979)</u></b>	<b><u>(151,893)</u></b>	<b><u>64,086</u></b>
<b>Nonoperating revenues (expenses)</b>				
Interest income	5,500	5,500	5,170	(330)
TECB - grants and reimbursements	-	175,450	135,756	(39,694)
Miscellaneous income	-	2,000	-	(2,000)
Insurance reimbursements	<u>-</u>	<u>102,943</u>	<u>98,643</u>	<u>(4,300)</u>
Total nonoperating revenues	<u>5,500</u>	<u>285,893</u>	<u>239,569</u>	<u>(46,324)</u>
<b>Increase in net position before capital contributions</b>	9,926	69,914	87,676	17,762
Capital contributions - TECB	<u>-</u>	<u>-</u>	<u>62,887</u>	<u>62,887</u>
<b>Increase in net position</b>	<b><u>\$ 9,926</u></b>	<b><u>\$ 69,914</u></b>	<b><u>\$ 150,563</u></b>	<b><u>\$ 80,649</u></b>

See independent auditor's report

## **INTERNAL CONTROL AND COMPLIANCE SECTION**

**Members of:**

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

Members of the Board

Weakley County Emergency Communications District  
Dresden, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Weakley County Emergency Communications District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 12, 2013.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as Items 13-1 and 12-1, that we consider to be significant deficiencies.

### **Compliance and Other Matters**

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

We noted certain matters that we reported to the management of Weakley County Emergency Communications District in a separate letter dated November 12, 2013.

### **Weakley County Emergency Communications District's Response to Findings**

Weakley County Emergency Communications District's response to the findings identified in our audit is described in the accompanying schedule of findings. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

### **Purpose of this Report**

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

*Alexander Thompson Arnold PLLC*

Martin, Tennessee  
November 12, 2013

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

June 30, 2013

**13-1 Budget Amendments after June 30, 2013**

Condition: During our audit, we discovered that additional budget amendments for the June 30, 2013, disbursements were made after year end.

Criteria: Tennessee Code Annotated, Title 5, Chapter 14, Part 2, states that all purchases shall be made within the limits of the approved budget. The State of Tennessee Comptroller's Office has indicated that budgets are intended to be used for legal approval of expenditures prior to the expenditure being made, and amendments made after the fact provide no meaningful purpose in legally approving expenditures.

Effect: Failure to approve budget amendments prior to the end of the fiscal year causes expenditures to be made without proper budgetary authority.

Recommendation: We recommend that all budget amendments be approved prior to expenditures being made.

Response: *Staff will ensure that all amendments be approved prior to expenditures being made.*

**12-1 Cash Disbursements Irregularities**

Condition: During our testing, we found several instances where receipts and approval for cash disbursements were not complete.

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 and have supporting documentation on file.

Response: *Staff will request specific instances regarding this finding and will take appropriate measures to mitigate this finding.*

Prior Year Findings Corrected:

11-2 Surety bond coverage