

**WEAKLEY COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**JUNE 30, 2014**

**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



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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

#### **Auditor's Responsibility**

Our responsibility is to express 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, 2014, 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 18 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 14, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 14, 2014

## 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, 2014.

### FINANCIAL HIGHLIGHTS

- At June 30, 2014, the assets of the District exceeded its liabilities by \$1,195,547 (*net position*). Of this amount, \$875,776 (*unrestricted net position*) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net position increased \$42,304 during the current 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)
	2014	2013	
Current assets	\$ 878,648	\$ 774,008	\$ 104,640
Capital assets	319,771	380,522	(60,751)
Total assets	1,198,419	1,154,530	43,889
Current liabilities	2,872	1,287	1,585
Other liabilities	-	-	-
Total liabilities	2,872	1,287	1,585
Net position			
Investment in capital assets	319,771	380,522	(60,751)
Unrestricted	875,776	772,721	103,055
Total net position	\$ 1,195,547	\$ 1,153,243	\$ 42,304

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

	June 30,		Increase (Decrease)
	2014	2013	
Operating revenues	\$ 496,462	\$ 485,704	\$ 10,758
Operating expenses			
Salaries and wages	83,454	67,336	16,118
Employee benefits	21,207	17,909	3,298
Contracted services	269,800	455,518	(185,718)
Supplies and materials	15,291	9,193	6,098
Other charges	32,701	28,119	4,582
Depreciation	60,751	59,522	1,229
Total expenses	483,204	637,597	(154,393)
Operating income (loss)	13,258	(151,893)	165,151
Other revenues			
Grants, reimbursements, capital contributions	21,570	297,286	(275,716)
Interest income	7,476	5,170	2,306
Total	29,046	302,456	(273,410)
Increase in net position	42,304	150,563	(108,259)
Net position - beginning	1,153,243	1,002,680	150,563
Net position - ending	\$ 1,195,547	\$ 1,153,243	\$ 42,304

## 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 (27%) 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 (73%) 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, 2014 and 2013. The increase in current assets includes an increase in cash of \$252 thousand, offset by decreases in receivables. The District has accumulated cash assets as a result of fiscally responsible decision making over the past decade. By attempting to maintain a balanced budget, including depreciation, the District has accumulated cash assets to help offset future purchases or revenue shortfalls. The remaining current assets remained steady. The decrease in capital assets is attributable solely to depreciation.

A condensed statement of revenues, expenses and changes in net position also appears on the preceding page. Operating revenues remained relatively steady. Operating expenses increased slightly in all categories, with the exception of contracted services, which increased significantly last year as a result of repair and maintenance to equipment damaged by lightning strikes. Nonoperating revenue and expenses decreased from the prior year, due to insurance reimbursements and catastrophic loss reimbursements from the TECB regarding three lightning strikes that occurred in the prior year.

**Budgetary highlights** – Actual revenues exceeded budgeted revenues by \$59 thousand, while expenditures were \$12 thousand less than appropriations.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital assets** – As of June 30, 2014, the District had invested \$761 thousand in a variety of capital assets. Accumulated depreciation on those assets amounted to \$441 thousand. Net capital assets decreased by \$60,751 which is attributable to depreciation expense 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

In January of 2015, Tennessee's new 9-1-1 Funding Modernization and IP Transition Act will take effect. This will cause all 9-1-1 revenue to be processed through the TN Emergency Communications Board and distributed to the districts based upon several factors.

The District expects to see a decrease in revenue for FY2015 and FY2016 which may lead to expenses in excess of revenue. For fiscal year ending June 30, 2015, the District has planned on numerous line item budget reductions ranging from 3 to 9 percent. This will leave the District in a precarious position if unforeseen, mission critical expenses should arise.

In FY2017, the District anticipates that new devices and technologies coming in the marketplace will cause revenue to trend back upward, allowing for the balancing of local budgets with current year revenues. After January 2015, the District will no longer receive direct remittances from carriers and service providers.

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

The 9-1-1 Funding Modernization and IP Transition Act of 2014 is the first major revision of the 9-1-1 surcharge model since the inception of wireless technologies into the market place. The District will receive a minimum of \$436 thousand in revenue annually from the TN Emergency Communications Board, with the possibility of an additional small increase based upon customer growth. Due to the new funding bill, and the realization of a Next Generation 9-1-1 network in TN, a two year forecast of revenues and expenditures is difficult.

### **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, 2014

**Assets**

Current assets

Cash	\$ 765,756
Investments	49,868
Accounts receivable	8,297
Due from TECB	43,050
Prepaid expense	2,677
Other current assets	<u>9,000</u>
Total current assets	<u>878,648</u>

Noncurrent assets

Capital assets being depreciated, net of accumulated depreciation	
Office equipment	720
Communications equipment	<u>319,051</u>
Net capital assets	<u>319,771</u>

Total assets	<u>1,198,419</u>
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**Liabilities**

Current liabilities

Accounts payable	2,566
Compensated absences payable	<u>306</u>
Total current liabilities	<u>2,872</u>

**Net position**

Investment in capital assets	319,771
Unrestricted net position	<u>875,776</u>

<b>Total net position</b>	<b><u>\$ 1,195,547</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, 2014

**Operating revenues**

Emergency telephone service charge	\$ 97,936
Tennessee Emergency Communications Board - shared wireless charge	104,384
Tennessee Emergency Communications Board - operational funding	<u>294,142</u>
Total operating revenues	<u>496,462</u>

**Operating expenses**

Salaries and wages	
Director	47,704
Administrative personnel	35,000
Longevity benefit	750
Employee benefits	
Social security	5,132
Medicare	1,200
Medical Insurance	3,451
Retirement contributions	11,424
Contracted services	
Addressing/mapping expenses	15,000
Advertising	226
Audit services	2,495
Accounting services	3,670
Contracts with government agencies	164
Fees paid to service providers	69,890
Impact payments	120,500
NCIC expenses	2,680
Maintenance agreements	45,997
Maintenance and repairs - communications equipment	3,406
Maintenance and repairs - office equipment	76
Maintenance and repairs - vehicles	1,767
Fuel - vehicles	3,929
Supplies and materials	
Office supplies	2,053
Custodial supplies	226
Postage	386
Small equipment purchases	7,819
Uniforms and shirts	1,558
Utilities - general telephone	1,771
Utilities - cell phones and pagers	1,478
Other charges	
Board meeting expense	2,300
Dues and memberships	525
Employee testing and exams	290
Insurance - liability	5,378
Premiums on surety bonds	825
Public education	224
Service awards	188
Training expenses	8,282
Travel expenses	13,402
Internet charges	1,287

*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, 2014

Depreciation	60,751
Total operating expenses	<u>483,204</u>
<b>Operating income</b>	<b>13,258</b>
Nonoperating revenues	
Interest income	7,476
Tennessee Emergency Communications Board - grants and reimbursements	<u>21,570</u>
Total nonoperating revenues	<u>29,046</u>
<b>Increase in net position</b>	<b>42,304</b>
Net position - July 1, 2013	<u>1,153,243</u>
Net position - June 30, 2014	<u>\$1,195,547</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, 2014

<b>Cash flows from operating activities</b>	
Cash received from surcharges and other revenues	\$ 643,200
Cash payments to suppliers for goods and services	(314,984)
Cash payments for payroll, taxes and related benefits	<u>(104,661)</u>
Net cash provided by operating activities	223,555
 <b>Cash flows from capital and related financing activities</b>	
TECB equipment reimbursement	21,570
 <b>Cash flows from investing activities</b>	
Interest income received	<u>7,476</u>
<b>Net increase in cash and cash equivalents</b>	<b>252,601</b>
Cash and cash equivalents - July 1, 2013	<u>563,023</u>
Cash and cash equivalents - June 30, 2014	<u>\$ 815,624</u>
 Cash and cash equivalents	
Cash	\$ 765,756
Investments	<u>49,868</u>
Total cash and cash equivalents	<u>\$ 815,624</u>
 <b>Reconciliation of net operating income to net cash provided (used) by operating activities</b>	
Operating income	\$ 13,258
Adjustments to reconcile net operating income to net cash provided (used) by operating activities	
Depreciation	60,751
Changes in current assets and liabilities	
(Increase) decrease in accounts receivable	44,890
(Increase) decrease in TECB receivable	101,848
(Increase) decrease in prepaid expense	1,223
Increase (decrease) in accounts payable	<u>1,585</u>
<b>Net cash provided by operating activities</b>	<b>\$ 223,555</b>

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

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

June 30, 2014

**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 is financial accountability as defined by the Governmental Accounting Standards Board (GASB). 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 District's board and has a right to remove them. The District is accountable to the County for fiscal matters and must obtain the County Commission's approval before the issuance of most debt instruments.

**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 by the Governmental Accounting Standards Board. 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, 2014

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 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. In March 2012, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows or deferred inflows of resources, certain items that were previously reported as assets and liabilities. This statement is effective for periods beginning after December 15, 2012. As of June 30, 2014, the District had no deferred outflows or deferred inflows of resources.

In June 2012, the GASB issued Statement 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement 25*, and Statement 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Statement 67, effective for fiscal years beginning after June 15, 2013, revises existing standards of financial reporting by state and local government pension plans and will be adopted by the pension plan itself. Statement 68 will affect the governments that participate as employers in these plans and is effective for fiscal years beginning after June 15, 2014. For governments to adopt Statement 68, the underlying pension plans must first adopt Statement 67. These statements establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement – determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. Statement 68 details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. The objective of Statement 68 is to improve accounting and financial reporting by state and local

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

June 30, 2014

governments for pensions. These pension standards include significant changes to how governmental employers will report liabilities related to pension obligations. Management is currently evaluating the impact that the adoption of Statement 68 will have on the District's financial statements.

**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.

**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.

For the year ended June 30, 2014, the District had the following line-item expenses that exceeded final budget appropriations:

Line item	Final Budget	Actual Expense	Over Budget
Fees paid to service providers	\$67,900	\$69,890	\$1,990
Fuel – vehicles	3,900	3,929	29
Utilities – general telephone	1,700	1,771	71

**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, 2014, all deposits were fully collateralized or insured.

**WEAKLEY COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**B. Capital Assets**

Capital asset activity during the year was as follows:

<u>Description</u>	<u>Balance 7/1/2013</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 6/30/2014</u>
Capital assets being depreciated				
Communication equipment	\$ 716,145	\$ -	\$ -	\$ 716,145
Office equipment	21,994	-	-	21,994
Vehicles	<u>23,000</u>	-	-	<u>23,000</u>
Total capital assets being depreciated	<u>761,139</u>	<u>-</u>	<u>-</u>	<u>761,139</u>
Less accumulated depreciation				
Communication equipment	338,776	58,318	-	397,094
Office equipment	18,841	2,433	-	21,274
Vehicles	<u>23,000</u>	-	-	<u>23,000</u>
Total accumulated depreciation	<u>380,617</u>	<u>60,751</u>	<u>-</u>	<u>441,368</u>
Total capital assets, net	<u>\$ 380,522</u>	<u>\$ (60,751)</u>	<u>\$ -</u>	<u>\$ 319,771</u>

Depreciation expense for the year ended June 30, 2014, was \$60,751.

**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

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

June 30, 2014

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, 2014, 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, 2014, Weakley County Emergency 911 District's annual pension cost of \$11,424 to TCRS was equal to the District's required and actual contributions. The required contribution was determined as part of the July 1, 2011, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected 3.0 percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. 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, 2013, which established contribution rates effective July 1, 2014.

**Trend Information**

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2014	\$11,424	100.00%	\$0
June 30, 2013	\$10,329	100.00%	\$0
June 30, 2012	\$10,049	100.00%	\$0

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

June 30, 2014

**Funded Status and Funding Progress**

As of July 1, 2013, the most recent actuarial valuation date available, the plan was 65.11% funded. The actuarial accrued liability for benefits was \$215 thousand, and the actuarial value of assets was \$140 thousand, resulting in an unfunded actuarial accrued liability (UAAL) of \$75 thousand. The covered payroll (annual payroll of active employees covered by the plan) was \$65 thousand, and the ratio of the UAAL to the covered payroll was 115.39%.

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
7/01/13	\$140	\$215	\$75	65.11%	\$65	115.39%

**WEAKLEY COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS –  
 EMPLOYEE RETIREMENT SYSTEM  
 June 30, 2014**

*(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
7/01/13	\$140	\$215	\$75	65.11%	\$65	115.39%
7/01/11	\$127	\$197	\$70	64.51%	\$62	112.48%
7/01/09	\$106	\$133	\$27	79.81%	\$58	46.25%

*See independent auditor's report*

## **OTHER SUPPLEMENTARY INFORMATION SECTION**

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

For the Year Ended June 30, 2014

	<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	\$ 124,000	\$ 110,000	\$ 97,936	\$ (12,064)
TECB - shared wireless charge	85,000	86,000	104,384	18,384
TECB - operational funding	<u>234,500</u>	<u>241,200</u>	<u>294,142</u>	<u>52,942</u>
Total operating revenues	<u>443,500</u>	<u>437,200</u>	<u>496,462</u>	<u>59,262</u>
<b>Operating expenses</b>				
Salaries and wages				
Director	45,660	47,760	47,704	(56)
Administrative personnel	35,000	35,000	35,000	-
Longevity benefit	750	750	750	-
Employee benefits				
Social security	5,035	5,148	5,132	(16)
Medicare	1,180	1,205	1,200	(5)
Medical Insurance	3,440	3,451	3,451	-
Retirement contributions	11,210	11,466	11,424	(42)
Contracted services				
Addressing/mapping expenses	15,000	15,000	15,000	-
Advertising	250	250	226	(24)
Audit services	2,500	2,500	2,495	(5)
Accounting services	3,500	3,850	3,670	(180)
Contracts with government agencies	500	900	164	(736)
Fees paid to service providers	53,300	67,900	69,890	1,990
Impact payments	120,500	120,500	120,500	-
NCIC expenses	3,500	3,500	2,680	(820)
Maintenance agreements	53,500	52,400	45,997	(6,403)
Maintenance and repairs - communications equipment	3,000	3,900	3,406	(494)
Maintenance and repairs - office equipment	250	250	76	(174)
Maintenance and repairs - vehicles	2,200	2,150	1,767	(383)
Fuel - vehicles	4,500	3,900	3,929	29
Supplies and materials				
Office supplies	2,000	2,100	2,053	(47)
Custodial supplies	700	600	226	(374)
Postage	400	400	386	(14)
Small equipment purchases	2,650	8,100	7,819	(281)
Uniforms and shirts	1,800	1,800	1,558	(242)
Utilities - general telephone	1,700	1,700	1,771	71
Utilities - cell phones and pagers	1,800	1,600	1,478	(122)

*See independent auditor's report*

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

For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual- Budgetary Basis</u>	<u>Variance Over (Under)</u>
Other charges				
Board meeting expense	1,800	2,310	2,300	(10)
Dues and memberships	550	550	525	(25)
Employee testing and exams	900	440	290	(150)
Insurance - liability	5,000	5,500	5,378	(122)
Premiums on surety bonds	1,000	1,000	825	(175)
Public education	250	250	224	(26)
Service awards	300	300	188	(112)
Training expenses	9,500	8,300	8,282	(18)
Travel expenses	13,000	13,700	13,402	(298)
Internet charges	1,500	1,500	1,287	(213)
Depreciation	<u>56,200</u>	<u>63,450</u>	<u>60,751</u>	<u>(2,699)</u>
Total operating expenses	<u>465,825</u>	<u>495,380</u>	<u>483,204</u>	<u>(12,176)</u>
<b>Operating income (loss)</b>	<b><u>(22,325)</u></b>	<b><u>(58,180)</u></b>	<b><u>13,258</u></b>	<b><u>71,438</u></b>
<b>Nonoperating revenues (expenses)</b>				
Interest income	5,500	7,400	7,476	76
TECB - grants and reimbursements	<u>34,070</u>	<u>45,250</u>	<u>21,570</u>	<u>(23,680)</u>
Total nonoperating revenues	<u>39,570</u>	<u>52,650</u>	<u>29,046</u>	<u>(23,604)</u>
<b>Increase in net position before capital contributions</b>	17,245	(5,530)	42,304	47,834
Capital contributions - TECB	<u>-</u>	<u>20,350</u>	<u>-</u>	<u>(20,350)</u>
<b>Increase in net position</b>	<b><u>\$ 17,245</u></b>	<b><u>\$ 14,820</u></b>	<b><u>\$ 42,304</u></b>	<b><u>\$ 27,484</u></b>

*See independent auditor's report*

## **INTERNAL CONTROL AND COMPLIANCE SECTION**

**Members of:**

American Institute of Certified Public Accountants  
AICPA Center for Public Company Audit Firms  
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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 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, 2014, 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 14, 2014.

**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.

**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 14, 2014.

**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 14, 2014

**WEAKLEY COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**SCHEDULE OF PRIOR YEAR FINDINGS**  
June 30, 2014

**Financial Statement Findings**

<b>Finding No.</b>	<b>Finding Title</b>	<b>Status</b>
2013-001	Budget amendments after June 30, 2013	Partially corrected – line items over budget moved to management letter
2012-001	Cash disbursements irregularities	Improved – verbal comment only

**Federal Award Findings and Questioned Costs**

The District was not subject to a Single Audit in the prior year.