

**BI-COUNTY SOLID WASTE
MANAGEMENT SYSTEM
REPORT OF AUDIT
JUNE 30, 2008**

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**BI-COUNTY SOLID WASTE MANAGEMENT SYSTEM
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GENERAL INFORMATION

A. GENERAL

Bi-County Solid Waste Management System was established by inter-local agreement on July 22, 1974, by Montgomery County, Stewart County, and the City of Clarksville for the joint and cooperative operation and maintenance of a solid waste collection and disposal system. The System currently operates a solid waste balefill (permit number SNL 63-102-0108 MOD), a transfer station, and numerous convenience centers. The System office is located at the landfill site, which is on Highway 79, east of Oakwood, and approximately ten miles west of Clarksville, Tennessee.

B. MEMBERS OF THE BOARD

Carolyn Bowers

Rick Joiner

Joe L. Creek

Betty Gibbs

Ruth Milliken

Robert Lee

Jay Albertia

County Mayor -
Montgomery County

County Mayor -
Stewart County

Chairman

Vice-Chairperson

Secretary

Member

Member

C. MANAGEMENT EMPLOYEES

Pete Reed

Mary Anderson

Director

Administrative Assistant



December 11, 2008

Board of Directors
Bi-County Solid Waste Management System
Montgomery County Mayor and
Montgomery County Commission
Montgomery County Court House
Clarksville, TN 37040

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of Bi-County Solid Waste Management System (the System), a component unit of Montgomery County, as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the System as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable thereof, for the year then ended in conformity with accounting principals generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2008, on our consideration of the System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important in assessing the results of our audit.

The required supplementary information on page 22 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The System has not prepared the Management Discussion and Analysis, required supplemental information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements. The accompanying financial information listed as Supplemental Information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

WEATHERSPOON // LOWE // WALLACE

**BI-COUNTY SOLID WASTE MANAGEMENT SYSTEM
STATEMENT OF NET ASSETS
JUNE 30, 2008**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash	2,503,712	8,456,931	10,960,643
Accounts Receivable	34,187	486,288	520,475
Grants Receivable	0	35,823	35,823
Loan Receivable	2,500	4,000	6,500
Inventories	<u>0</u>	<u>25,242</u>	<u>25,242</u>
Total Current Assets	2,540,399	9,008,284	11,548,683
Capital Assets:			
Land-Held for Expansion	0	616,156	616,156
Land	17,987	43,849	61,836
Construction in Progress	0	15,000	15,000
Building and Improvements	280,743	2,425,061	2,705,804
Machinery and Equipment	1,776,977	6,396,057	8,173,034
Other Property	<u>0</u>	<u>845,863</u>	<u>845,863</u>
Total Capital Assets	2,075,707	10,341,986	12,417,693
Less: Accumulated Depreciation	<u>1,303,094</u>	<u>5,150,059</u>	<u>6,453,153</u>
Net Capital Assets	772,613	5,191,927	5,964,540
Total Assets	3,313,012	14,200,211	17,513,223
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	35,148	254,517	289,665
Employee Savings	<u>2,062</u>	<u>34,703</u>	<u>36,765</u>
Total Current Liabilities	37,210	289,220	326,430
Non-Current Liabilities:			
Closure/Post-Closure Liability	0	9,091,000	9,091,000
Accrued Compensated Absences	<u>25,626</u>	<u>100,020</u>	<u>125,646</u>
Total Non-Current Liabilities	25,626	9,191,020	9,216,646
Total Liabilities	62,836	9,480,240	9,543,076
<u>NET ASSETS</u>			
Invested in Capital Assets	772,613	5,191,927	5,964,540
Restricted Net Assets	0	0	0
Unrestricted Net Assets	<u>2,477,563</u>	<u>(471,956)</u>	<u>2,005,607</u>
Total Net Assets	3,250,176	4,719,971	7,970,147

SEE ACCOMPANYING NOTES AND AUDITOR'S REPORT.

**BI-COUNTY SOLID WASTE MANAGEMENT SYSTEM
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Program Revenue</u>			<u>Net (Expenses) Revenues and Changes in Net Assets</u>		
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
Governmental Activities:						
Solid Waste Collection	1,631,369	713,803	0	(917,566)	0	(917,566)
Total Governmental Activities	1,631,369	713,803	0	(917,566)	0	(917,566)
Business-Type Activities:						
Land Fill	8,670,192	7,313,771	142,692	0	(1,213,729)	(1,213,729)
Total Business-Type Activities	8,670,192	7,313,771	142,692	0	(1,213,729)	(1,213,729)
Total	10,301,561	8,027,574	142,692	(917,566)	(1,213,729)	(2,131,295)
			General Revenues (Expenses):			
				937,931	(937,931)	0
				0	251,216	251,216
				0	477,405	477,405
				937,931	(209,310)	728,621
				20,365	(1,423,039)	(1,402,674)
				3,229,811	6,143,010	9,372,821
				3,250,176	4,719,971	7,970,147

SEE ACCOMPANYING NOTES AND AUDITOR'S REPORT.

**BI-COUNTY SOLID WASTE MANAGEMENT SYSTEM
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008**

	<u>Waste Collection</u>	<u>Total Governmental Fund</u>
<u>ASSETS</u>		
Cash	2,503,712	2,503,712
Accounts Receivable	34,187	34,187
Loan Receivable	2,500	2,500
Total Assets	2,540,399	2,540,399
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities:		
Accounts Payable	35,148	35,148
Employee Savings	2,062	2,062
Total Liabilities	37,210	37,210
<u>FUND BALANCE</u>		
Reserved Fund Balance	0	0
Unreserved Fund Balance	2,503,189	2,503,189
Total Fund Balance	2,503,189	2,503,189
Total Liabilities and Fund Balance	2,540,399	

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds, net of accumulated depreciation of \$1,303,094	772,613
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Certain long-term liabilities are not due and payable from current financial resources, and therefore, are not reported in the funds: Accrued compensated absences	(25,626)
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Net Assets of Governmental Activities	3,250,176
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SEE ACCOMPANYING NOTES AND AUDITOR'S REPORT.

**BI-COUNTY SOLID WASTE MANAGEMENT SYSTEM
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUND- WASTE COLLECTION
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

REVENUES

Recycle Sales	686,806	
Recycling Rebate	26,997	
	713,803	
Total Revenues		713,803

EXPENDITURES

Personal Services	1,125,541	
Board/Committees	1,325	
Contracted Services	49,897	
Materials and Supplies	248,871	
Insurance	69,246	
Trustee Commission	2,044	
Utilities	22,355	
Capital Expenditures	6,900	
	1,526,179	
Total Expenditures		1,526,179

EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (812,376)

OTHER FINANCING SOURCES (USES)

Transfer In	937,931	
	937,931	
Total Other Financing Sources (Uses)		937,931

NET CHANGE IN FUND BALANCE 125,555

FUND BALANCE-BEGINNING 2,377,634

FUND BALANCE-ENDING 2,503,189

SEE ACCOMPANYING NOTES AND AUDITOR'S REPORT.

**BI-COUNTY SOLID WASTE MANAGEMENT SYSTEM
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008**

Net change in fund balances - total governmental funds	125,555
<p style="margin-left: 40px;">Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p style="margin-left: 40px;">Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.</p>	
	(105,640)
<p style="margin-left: 40px;">Some expenses do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds:</p>	
Current change in accrued compensated absences	<u>450</u>
Change in net assets of governmental activities	<u><u>20,365</u></u>

SEE ACCOMPANYING NOTES AND AUDITOR'S REPORT.

**BI-COUNTY SOLID WASTE MANAGEMENT SYSTEM
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2008**

ASSETS

Current Assets:

Cash	8,456,931
Accounts Receivable	486,288
Grants Receivable	35,823
Loan Receivable	4,000
Inventories	<u>25,242</u>

Total Current Assets 9,008,284

Capital Assets-At Cost:

Land-Held for Expansion	616,156
Land	43,849
Construction in Progress	15,000
Building and Improvements	2,425,061
Machinery and Equipment	6,396,057
Other Property	<u>845,863</u>

Total Capital Assets	<u>10,341,986</u>
Less: Accumulated Depreciation	<u>5,150,059</u>

Net Capital Assets 5,191,927

Total Assets 14,200,211

LIABILITIES

Current Liabilities:

Accounts Payable	254,517
Employee Savings	<u>34,703</u>

Total Current Liabilities 289,220

Non-Current Liabilities:

Closure/Post-Closure Liability	9,091,000
Accrued Compensated Absences	<u>100,020</u>

Total Non-Current Liabilities 9,191,020

Total Liabilities 9,480,240

NET ASSETS

Invested in Capital Assets	5,191,927
Restricted Net Assets	0
Unrestricted Net Assets	<u>(471,956)</u>

Total Net Assets 4,719,971

SEE ACCOMPANYING NOTES AND AUDITOR'S REPORT.

**BI-COUNTY SOLID WASTE MANAGEMENT SYSTEM
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2008**

<u>OPERATING REVENUES</u>		
Charges for Services		4,625,645
User Fees		2,618,776
Other		<u>69,350</u>
Total Operating Revenues		7,313,771
<u>OPERATING EXPENSES</u>		
Personal Services	2,741,500	
Board/Committees	3,975	
Contracted Services	1,329,915	
Materials and Supplies	2,325,396	
Depreciation	462,382	
Insurance	68,490	
Trustee Commission	87,316	
Property and Equipment	247,474	
Utilities	118,344	
Closure/Post-Closure Cost	<u>1,285,400</u>	
Total Operating Expenses		<u>8,670,192</u>
Operating Income		(1,356,421)
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Government Grants	142,692	
Gain on Sale of Land	251,216	
Interest Earned on Deposits	<u>477,405</u>	
Total Non-Operating Revenue (Expense)		<u>871,313</u>
Income Before Contributions and Transfers		(485,108)
Interfund Transfer-Special Revenue		<u>(937,931)</u>
Change in Net Assets		(1,423,039)
<u>NET ASSETS - BEGINNING</u>		<u>6,143,010</u>
<u>NET ASSETS - ENDING</u>		<u><u>4,719,971</u></u>

SEE ACCOMPANYING NOTES AND AUDITOR'S REPORT.

**BI-COUNTY SOLID WASTE MANAGEMENT SYSTEM
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2008**

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers	7,289,889
Payments to Suppliers	(4,098,634)
Payments to Employees	(2,712,396)
Other Receipts (Payments)	<u>144,350</u>
 Net Cash Provided by (Used In) Operating Activities	 623,209

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Governmental Grants	106,869
Decrease in Interfund Payable	(1,707,269)
Interfund Transfer - Special Revenue	<u>(937,931)</u>
 Net Cash Provided by (Used In) Noncapital Financing Activities	 (2,538,331)

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from Sale of Land	251,216
Acquisition of Capital Assets	<u>(145,390)</u>
 Net Cash Provided by (Used In) Capital and Related Financing Activities	 105,826

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Earned on Deposits	<u>477,405</u>
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NET DECREASE IN CASH (1,331,891)

CASH AND CASH EQUIVALENTS, BEGINNING 9,788,822

CASH AND CASH EQUIVALENTS, ENDING 8,456,931

SEE ACCOMPANYING NOTES AND AUDITOR'S REPORT.

**BI-COUNTY SOLID WASTE MANAGEMENT SYSTEM
STATEMENT OF CASH FLOWS (Continued)
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2008**

**Reconciliation of Operating Income (Loss) to Net Cash Provided
(Used) by Operating Activities:**

Operating Income	(1,356,421)
Adjustments to Reconcile Operating Income (Loss) to	
Net Cash Provided (Used) by Operating Activities:	
Depreciation	462,382
(Increase) Decrease in Accounts Receivables	45,468
(Increase) Decrease in Due from Other Governments	75,000
(Increase) Decrease in Inventory	27,824
Increase (Decrease) in Accounts Payable	54,452
Increase (Decrease) in Employee Savings	6,402
Increase (Decrease) in Accrued Compensated Absences	22,702
Increase (Decrease) in Closure/Post-Closure Liability	1,285,400
Total Adjustments	1,979,630
Net Cash Provided by (Used in) Operating Activities	623,209

SEE ACCOMPANYING NOTES AND AUDITOR'S REPORT.

**BI-COUNTY SOLID WASTE MANAGEMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Bi-County Solid Waste Management System (Bi-County) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies for Bi-County are described as follows:

A. The Financial Reporting Entity

Bi-County, a component unit of Montgomery County, provides landfill and collection services for Montgomery and Stewart Counties. The board members of Bi-County are appointed by the joint participants; however, Montgomery County appoints a voting majority of the board members. Bi-County is treated as a discrete component unit of Montgomery County since Montgomery County may unilaterally control the operations of Bi-County. The financial reporting entity of Bi-County only includes the assets and operations of Bi-County and does not include any other fund, organization, institution, agency, department, or office of Montgomery County, the primary government.

B. Governmental -Wide Financial Statements

The governmental -wide financial statements include statements of net assets and a statement of activities. These statements present summaries of governmental and business-type activities for Bi-County, accompanied by a total column.

These statements are presented on an economic resources measurement focus and the accrual basis accounting. Accordingly, all of Bi-County's assets and liabilities, including capital assets, infrastructure assets, and long-term liabilities, are included in the accompanying statement of net assets.

The governmental -wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of Bi-County's activities. Direct expenses are those that are specifically associated with a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that have been obtained to meet the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each function of Bi-County is self-financed or draws from general revenues.

C. Fund Financial Statements and Measurement Focus

Fund financial statements report detailed information about Bi-County. The focus of the fund financial statements is on major funds rather than fund type. Each major fund is presented in a separate column and all non-major funds are aggregated and presented in a single column.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on sources and uses of current financial resources.

Proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. This reporting focuses on the determination of operating income, and changes in net assets, financial position and cash flows. The financial statement requirements are a statement of net assets, statement of revenue, expenses and changes in net assets and a statement of cash flows.

The various funds are grouped, in the financial statements in this report, into two broad fund categories as follows:

Governmental Fund

Special Revenue Fund

The Special Revenue Fund is used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust or major capital projects) that are legally restricted to expenditures for specified purposes.

Proprietary Fund

Enterprise Fund

The Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The governmental fund utilizes the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. All major revenues are susceptible to accrual. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

The proprietary fund utilizes the accrual basis of accounting. Its revenues are recognized when earned, and its expenses are recognized when incurred.

Bi-County is subject to the accounting directives issued by the Governmental Accounting Standards Board (GASB) and, therefore, has adopted, in all material respects, the provisions of all applicable GASB pronouncements and all applicable pronouncements of the Financial Accounting Standards Board issued through November 30, 1989, which do not conflict with GASB pronouncements.

E. Budgetary Control

Bi-County, as a component unit of Montgomery County, is required by State statute to adopt an annual budget. Expenditures may not legally exceed appropriations authorized by the Bi-County Board of Directors, and any authorized revisions. Appropriations lapse at the end of each year.

The budgetary level of control is at the major category level. Management may make revisions within major categories except for certain line items such as salaries, but only the governing body may transfer appropriations between major categories.

Bi-County's budgetary basis of accounting is consistent with generally accepted accounting principles.

F. Inventories

Inventories consist of expendable supplies, primarily fuel held for consumption, and are valued at cost, on the average cost method. The cost thereof is expensed at the time individual items or quantities are used and not at the time purchased.

G. Property, Plant and Equipment

All property, plant and equipment are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated property, plant and equipment are valued at their estimated fair value on the date donated. Bi-County does not have a material amount of donated assets. Property items with cost or value of less than \$5,000 are recorded as a current year expense, and therefore, are not included on the balance sheet, except that all real property is recorded as a capital asset. No interest costs were capitalized during the year ended June 30, 2008.

Depreciation is provided in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated service lives on the straight-line basis. The service lives by type of asset are as follows:

Building and Improvements	15-30 years
Equipment and Vehicles	5-10 years
Cell Construction	5 years

H. Compensated Absences

Bi-County's policy is to permit employees to accumulate a limited amount of earned but unused vacation benefits, as well as unused "comp time", which will be paid to employees upon separation from service. Comp time is to be paid within 45 days of being accrued. The granting of sick leave has no guaranteed payment attached, either through official policy or custom, and is therefore not required to be accrued or recorded.

I. Interfund Transactions

All interfund transactions are accounted for as transfers. Nonrecurring or nonroutine transfers of equity are considered residual equity transfers and all other transfers are treated as operating transfers.

J. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and on deposit with the Montgomery County Trustee.

K. Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

L. Concentration of Credit Risk

Financial instruments that potentially subject Bi-County to concentrations of credit risk consist principally of cash deposits. The Montgomery County Trustee generally limits Bi-County's exposure to this credit risk by maintaining cash deposits only in financial institutions covered by FDIC insurance and/or members of the state collateral pool.

M. Classification of Proprietary Fund Revenue

Operating revenues and expenses generally result from providing services in connection with the

principal ongoing operations of the fund. The principal operating revenues for the proprietary fund are charges for services and user fees. Operating expenses are the costs of providing services and include administrative expenses and depreciation. Other revenues and expenses are classified as non-operating in the financial statements.

N. Other Significant Accounting Principles

Other significant accounting policies are described throughout the notes section of this audit report or disclosed in the statement format.

2. DEPOSITS AND INVESTMENTS

A. Deposits

Cash deposits are carried at cost which approximates market value. The carrying amount of deposits is \$10,960,643. At June 30, 2008, the deposits of Bi-County totaled \$11,135,797 and were held by the Montgomery County Trustee in a combined fund with other Montgomery County deposits. The deposits of Montgomery County Trustee, that exceed FDIC insurance limits, are further insured by securities set aside as collateral and pledged to the State Treasurer of the State of Tennessee. This pledging is accomplished as prescribed by Tennessee State Code, Public Funds Collateral Pool Board. These securities are held at the Federal Reserve Branch in Nashville, TN, for the State of Tennessee. Interest income of \$477,405 earned by these deposits has been recorded or disclosed in these financial statements. Interest earned by the combined County funds is allocated by direction of the County Commissioners.

B. Investments

Bi-County is authorized to make direct investments in bonds, notes or treasury bills of the U. S. Government and obligations guaranteed by the U. S. Government or any of its agencies. These investments may not have maturity greater than two years. Bi-County may make investments with longer maturities if it follows various restrictions set out in state law. Bi-County is also authorized to make investments in the State Pooled Investment Fund and in repurchase agreements.

3. RETIREMENT COMMITMENTS

A. Plan Description

Certain employees of Bi-County (as employees of Montgomery County) 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 the system prior to July 1, 1979 were vested after 4 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 Montgomery County 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.treasury.state.tn.us. Copies of footnotes in PDF format can be accessed at [www.treasury.state.tn.us/tcrs/ PS/](http://www.treasury.state.tn.us/tcrs/PS/).

B. Funding Policy

Montgomery County has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5.0 percent of annual covered payroll. Montgomery County is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2008 was 14.34% of annual covered payroll. The contribution requirements for Montgomery County are established and may be amended by the TCRS Board of Trustees.

C. Annual Pension Cost and Actuarial Information

Pension costs and actuarial information for Bi-County Solid Waste Management System cannot be separately stated. Bi-County is a component unit of Montgomery County, and aggregated pension information is reported for all Montgomery County employees in the June 30, 2008, Montgomery County Comprehensive Annual Financial Report.

4. LANDFILL CLOSURE AND POSTCLOSURE CARE COST

State and federal laws and regulations require Bi-County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, Bi-County will report a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. Closure/Postclosure costs are calculated from an engineering evaluation. The \$9,091,000 reported as landfill closure and postclosure care liability at June 30, 2008, represents the cumulative amount reported to date. The landfill will recognize an additional estimated cost of closure and postclosure care of \$9,219,500 as the remaining estimated capacity is filled.

These amounts are based on what it would cost to perform all closure and postclosure care in 2008. Bi-County expects to close the landfill in the year 2015. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. Also, expansion of the landfill property could change these estimates.

Montgomery and Stewart Counties have executed a "Contract in Lieu of Performance Bond" in the amount of \$18,310,500 to provide financial assurance to the State of Tennessee for estimated operation, closure and postclosure costs.

Change in Long-Term Obligation for Closure and Postclosure Cost:

Accrued liability at July 1, 2007	7,805,600
Current year accrual	<u>1,285,400</u>
Accrued liability at June 30, 2008	<u><u>9,091,000</u></u>

These calculations are based upon a closure/post closure study conducted in June 2000, but estimated costs have been updated for inflation by the State of Tennessee, Department of Environment and Conservation.

5. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2008, consist of the following categories of receivables:

	Special Revenue <u>Fund</u>	Enterprise <u>Fund</u>	Combined <u>Total</u>
Customer Receivables	0	450,047	450,047
User Fees Receivable	0	0	0
Other	<u>34,187</u>	<u>36,241</u>	<u>70,428</u>
Total Accounts Receivable	<u><u>34,187</u></u>	<u><u>486,288</u></u>	<u><u>520,475</u></u>

Loans Receivable consists of an advance from Bi-County of \$6,500 which is pooled with other Montgomery County funds to establish the account for workers compensation self insurance.

The paying agent, Brentwood Services, holds this money on behalf of Bi-County, and Montgomery County maintains records to account for the Bi-County portion.

6. SCHEDULE OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT

	<u>Balance</u> <u>6/30/07</u>	<u>Additions</u>	<u>Transfers or</u> <u>Retirements</u>	<u>Balance</u> <u>6/30/08</u>
<u>Enterprise Assets - Landfill</u>				
Capital Assets Not Depreciated:				
Land - Held for Expansion	616,156	0	0	616,156
Land	43,849	0	0	43,849
Construction in Progress	<u>0</u>	<u>15,000</u>	<u>0</u>	<u>15,000</u>
Total Capital Assets Not Depreciated	660,005	15,000	0	675,005
Capital Assets Depreciated:				
Buildings and Improvements	2,465,589	0	40,528	2,425,061
Machinery and Equipment	6,237,262	158,794	0	6,396,056
Other Property	<u>845,863</u>	<u>0</u>	<u>0</u>	<u>845,863</u>
Total Capital Assets Depreciated	9,548,714	158,794	40,528	9,666,980
Less Accumulated Depreciation For:				
Buildings and Improvements	558,842	69,757	15,373	613,226
Machinery and Equipment	3,298,734	399,214	3,735	3,694,213
Other Property	<u>842,224</u>	<u>672</u>	<u>277</u>	<u>842,619</u>
Total Accumulated Depreciation	4,699,800	469,643	19,385	5,150,058
Total Capital Assets Depreciated, Net	4,848,914	(310,849)	21,143	4,516,922
Total Enterprise Assets, Net	5,508,919	(295,849)	21,143	5,191,927

Governmental Assets

Capital Assets Not Depreciated:

Land	17,987	0	0	17,987
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Capital Assets Depreciated:

Buildings and Improvements	280,743		0	280,743
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Machinery and Equipment	1,823,075	6,900	52,998	1,776,977
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Total Capital Assets Depreciated	2,103,818	6,900	52,998	2,057,720
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Less Accumulated Depreciation For:

Buildings and Improvements	177,385	7,196	33	184,548
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Machinery and Equipment	1,066,167	100,772	48,394	1,118,545
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Total Accumulated Depreciation	1,243,552	107,968	48,427	1,303,093
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Total Capital Assets Depreciated, Net	860,266	(101,068)	4,571	754,627
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Total Governmental Assets, Net	878,253	(101,068)	4,571	772,614
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7. **CONTINGENT LIABILITIES**

There were no material contingent liabilities that should be disclosed in these audited financial statements.

8. **SOURCES OF REVENUE**

Bi-County receives a substantial amount of its Charges for Services (tipping fees) from Cheatham County and three haulers: Clarksville Disposal, Red River Services, and Waste Industries. Bi-County also collects a user fee from each household in Montgomery and Stewart Counties. A major reduction in revenue from any of the above sources, should this occur, may have a significant effect on the future operation of Bi-County.

9. **RELATED PARTIES**

There were no material related party transactions that should be disclosed in these audited financial statements.

10. **SUBSEQUENT EVENTS**

There were no material subsequent events that should be disclosed in these audited financial statements.

11. **RISK MANAGEMENT**

Bi-County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Bi-County through its primary government, Montgomery County, has elected to obtain various insurance policies to transfer risk to a commercial insurance company either directly or through the Tennessee County Services Association Pool. Insurance settlements have not been in excess of insurance coverage in any of the prior three fiscal years.

Bi-County Solid Waste Management System along with other Montgomery County component units has chosen to establish a combined Self-Insurance Fund for risks associated with the employees' health insurance plan.

12. **OPERATING LEASES**

Bi-County has convenience centers in eighteen locations in Montgomery and Stewart Counties. These convenience centers are located on leased property. The lease payments for this year were \$25,800, and are included in the contracted services category on the statement of revenue and expenditures.

None of these are considered to be capital leases and a schedule of future required minimum rental payments is not presented. None of these leases are noncancelable and each can be renewed or canceled by either party.

13. CHANGES IN LONG-TERM DEBT

	<u>Balance</u> <u>6/30/07</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>6/30/08</u>
Accrued Compensated Absences	<u>103,394</u>	<u>22,252</u>	<u>0</u>	<u>125,646</u>

**BI-COUNTY SOLID WASTE MANAGEMENT SYSTEM
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Favorable (Unfavorable)</u>
<u>RESOURCES (INFLOWS):</u>				
Recycle Sales	500,000	500,000	686,806	186,806
Grants, Rebates and Miscellaneous	15,348	15,348	26,997	11,649
Total Charges and Miscellaneous	515,348	515,348	713,803	198,455
Other Financing Sources:				
Transfers from Other Funds	937,931	937,931	937,931	0
Total Revenue	1,453,279	1,453,279	1,651,734	198,455
<u>EXPENSES (OUTFLOWS):</u>				
<u>WASTE COLLECTION</u>				
Personal Services	209,166	662,698	580,343	82,355
Board/Committees	1,500	1,500	1,325	175
Contracted Services	6,800	6,800	2,204	4,596
Materials and Supplies	180,885	199,142	158,885	40,257
Insurance	66,506	47,981	31,272	16,709
Capital Expenditures	1,200	1,200	6,900	(5,700)
Total Waste Collection	466,057	919,321	780,929	138,392
<u>CONVENIENCE CENTERS</u>				
Personal Services	101,521	432,044	479,395	(47,351)
Contracted Services	61,000	60,861	36,221	24,640
Materials and Supplies	54,571	69,196	66,995	2,201
Insurance	56,340	44,715	37,742	6,973
Capital Expenditures	71,750	68,750	28,019	40,731
Total Convenience Centers	345,182	675,566	648,372	27,194
<u>TRANSFER STATION</u>				
Personal Services	23,489	61,803	39,453	22,350
Board/Committees	0	0	0	0
Contracted Services	2,775	2,845	400	2,445
Materials and Supplies	69,397	69,366	30,443	38,923
Insurance	44,662	44,662	26,582	18,080
Capital Expenditures	15,000	15,000	0	15,000
Total Transfer Station	155,323	193,676	96,878	96,798
Total Expenditures and Other Uses	966,562	1,788,563	1,526,179	262,384
Revenues and Other Sources Over (Under) Expenditures and Other Uses	486,717	(335,284)	125,555	(63,929)
<u>FUND BALANCE - BEGINNING</u>			2,377,634	
<u>FUND BALANCE - ENDING</u>			2,503,189	

SEE ACCOMPANYING NOTES AND AUDITOR'S REPORT.

**BI-COUNTY SOLID WASTE MANAGEMENT SYSTEM
SCHEDULE OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2008**

<u>CFDA Number</u>	<u>Grant Number</u>	<u>State Program Name</u>	<u>Grantor Agency</u>	<u>Balance 6/30/07</u>	<u>Amount Received</u>	<u>Amount Earned</u>	<u>Balance 6/30/08</u>
N/A	Z-03-011294-04	Waste Tire Options	State of TN, Department of Environment and Conservation	0	59,177	95,000	(35,823)
N/A	Z-03-011294-03	Waste Tire Options	State of TN, Department of Environment and Conservation	0	47,692	47,692	0
				<u>0</u>	<u>106,869</u>	<u>142,692</u>	<u>(35,823)</u>

SEE ACCOMPANYING NOTES AND AUDITOR'S REPORT.



December 11, 2008

Board of Directors
Bi-County Solid Waste Management System
Montgomery County Executive and
Montgomery County Commission
Montgomery County Court House
Clarksville, TN 37040

**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**

We have audited the financial statements of the governmental activities, the business-type activities and each major fund of Bi-County Solid Waste Management System (the System), a component unit of Montgomery County, as of and for the year ended June 30, 2008, and have issued our report thereon dated December 11, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a significant deficiency.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the System's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the System's financial statements that is more than inconsequential will not be prevented or detected by the System's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the System's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we consider the significant deficiency listed in the schedule of findings and recommendations to be a material weakness.

Compliance and Other Matters

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

Bi-County Solid Waste Management System's response to the findings identified in our audit is described in the accompanying schedule of findings and recommendations. We did not audit the System's response and, accordingly, we express no opinion on it.

This report is intended for the information of management, awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

WEATHERSPOON // LOWE // WALLACE

**BI-COUNTY SOLID WASTE MANAGEMENT SYSTEM
STATEMENT OF FINDINGS AND RECOMMENDATIONS
JUNE 30, 2008**

08-1 MANAGEMENT OVERSIGHT OF FINANCIAL REPORTING

We noted control deficiencies in management oversight of inventory , payables and property and equipment. Several adjusting entries were required for the System's financial statements to be presented in conformity with generally accepted accounting principles.

RECOMMENDATION

We recommend management implement procedures to ensure that the financial statements are prepared in conformity with generally accepted accounting principles.

RESPONSE

Management has established procedures to ensure that all year-end adjustments have been recorded in a timely manner and that all financials are recorded in accordance with generally accepted accounting principles .