

**INTERLOCAL SOLID WASTE AUTHORITY  
OF GILES, FRANKLIN  
& LINCOLN COUNTIES, TENNESSEE**

Financial Statements and Supplemental Information

For the Year Ended June 30, 2009

**FINANCIAL SECTION**

**INTERLOCAL SOLID WASTE AUTHORITY  
OF GILES, FRANKLIN & LINCOLN COUNTIES, TENNESSEE**

Table of Contents

	<u>Page Number</u>
Financial Section:	
Independent Auditor's Report .....	1
Management's Discussion and Analysis .....	2 - 3
Basic Financial Statements:	
Statement of Net Assets .....	4
Statement of Revenues, Expenses and Changes in Net Assets .....	5
Statement of Cash Flows .....	6
Notes to Financial Statements .....	7 - 9
Supplemental Information:	
Schedule of Board Members and Compensation (Unaudited) .....	10
Schedule of Insurance in Force (Unaudited) .....	11
Other Reports Section:	
Independent Auditor's Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	12

# YEARY, HOWELL & ASSOCIATES

*Certified Public Accountants*

501 EAST IRIS DRIVE  
NASHVILLE, TN 37204-3109

HUBERT E. (BUDDY) YEARY  
GREGORY V. HOWELL

TELEPHONE  
(615) 385-1008  
FAX (615) 385-1208

## Independent Auditor's Report

Board of Directors  
Interlocal Solid Waste Authority  
of Giles, Franklin & Lincoln Counties, Tennessee

We have audited the accompanying basic financial statements of the Interlocal Solid Waste Authority of Giles, Franklin & Lincoln Counties, Tennessee as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the Interlocal Solid Waste Authority of Giles, Franklin & Lincoln Counties' management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Interlocal Solid Waste Authority of Giles, Franklin & Lincoln Counties, Tennessee as of June 30, 2009, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2010 on our consideration of the Interlocal Solid Waste Authority of Giles, Franklin & Lincoln Counties' internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis on pages 2 - 3, is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. 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 do not express an opinion on it.

The accompanying supplemental schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



February 5, 2010

## MANAGEMENT DISCUSSION AND ANALYSIS

The following Management Discussion and Analysis (MD & A) of the Interlocal Solid Waste Authority activities and financial performance provides the reader with an introduction and overview to the financial statements of the Authority for the year ended June 30, 2009. This information should be considered within the context of the Accompanying financial statements and note disclosures.

### FINANCIAL OPERATIONS HIGHLIGHTS

Net assets increased \$62,829 in 2009 as compared to \$61,927 in 2008. The Authority revenues decreased from \$1,751,710 in 2008 to \$1,713,068 in 2009. The Authority has twelve (12) entities that are billed for disposal costs and fees on a monthly basis. All of the Authority's revenue comes from the administrative costs billed to these entities.

Operating expenses also decreased from \$1,695,198 in 2008 to \$1,653,714 in 2009, a 2% decrease. The decrease is due primarily to the related decrease in cost of waste disposal, otherwise operating expenses were relatively consistent with those of the prior year.

### OVERVIEW OF FINANCIAL STATEMENTS

MD & A introduces the Authority's basic financial statements. The basic financial statements include the balance sheet, statement of revenues, expenses and changes in net assets, the statement of cash flows and the notes to the financial statements.

The balance sheet reports all the Authority's assets and liabilities, with the difference being reported as net assets. Over time increases or decreases typically give some indication of whether the financial position of the Authority is improving or deteriorating. However, overall evaluation of the financial health of the Authority should include non-financial factors such as the physical condition of capital assets. The majority of the Authority's net assets are invested in capital assets (equipment). These assets are used to provide services to the entities, which are members of the Authority.

The statement of revenues, expenses, and changes in net assets reports all revenues and expenses for the year, regardless of whether cash has been received or paid. An important purpose of the statement is to show whether the Authority's revenues and operations are sufficient to support continued operations. The Authority showed positive earnings from the operations before depreciation and positive cash flow for each year.

The statement of cash flows converts the operations of the Authority to a cash basis and shows how those cash flows were spent during the year, for example, purchases of fixed assets.

## CONDENSED FINANCIAL INFORMATION

A condensed summary of the Authority's financial position follows:

	<u>2009</u>	<u>2008</u>
Current Assets	\$ 654,010	594,822
Capital Assets, net of accumulated depreciation	4,458	5,943
Other Assets	<u>54,040</u>	<u>60,959</u>
Total Assets	\$ <u>712,508</u>	<u>661,724</u>
Current Liabilities	\$ <u>135,776</u>	<u>147,821</u>
Net Assets:		
Invested in capital assets	4,458	5,943
Unrestricted	<u>572,274</u>	<u>507,960</u>
Total Net Assets	<u>576,732</u>	<u>513,903</u>
Total Liabilities and Net Assets	\$ <u>712,508</u>	<u>661,724</u>

A summary of the Authority's operations follows:

	<u>2009</u>	<u>2008</u>
Operating Revenues	\$ 1,713,068	1,751,710
Operating Expenses	<u>(1,653,714)</u>	<u>(1,695,198)</u>
Operating Income	59,354	56,512
Other Revenue	<u>3,475</u>	<u>5,415</u>
Change in Net Assets	\$ <u>62,829</u>	<u>61,927</u>

## CURRENT INTERLOCAL SOLIDWASTE ACTIVITIES

The Authority is under a ten year contract, commencing April 1, 2005, with Allied Waste for disposal of solid waste. The contract specifies a disposal price of \$25.00 per ton. Financial operations remained generally unchanged and are expected to continue as such in the year 2010.

**INTERLOCAL SOLID WASTE AUTHORITY  
OF GILES, FRANKLIN & LINCOLN COUNTIES, TENNESSEE**

Statement of Net Assets

June 30, 2009

Assets

**Current Assets:**

Cash and cash equivalents	\$ 471,523
Accounts receivable	<u>182,487</u>
Total current assets	654,010

**Capital Assets:**

Equipment, net of accumulated depreciation of \$23,020	4,458
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**Other Assets:**

Unamortized contract negotiation costs, net of amortization of \$34,593	<u>54,040</u>
Total assets	\$ <u>712,508</u>

Liabilities and Net Assets

**Current Liabilities:**

Accounts payable	\$ <u>135,776</u>
Total current liabilities	<u>135,776</u>

**Net Assets:**

Invested in capital assets	4,458
Unrestricted	<u>572,274</u>
Total net assets	\$ <u>576,732</u>

See Accompanying Notes to Financial Statements.

**INTERLOCAL SOLID WASTE AUTHORITY  
OF GILES, FRANKLIN & LINCOLN COUNTIES, TENNESSEE**

Statement of Revenues, Expenses and Changes in Net Assets

For the Year Ended June 30, 2009

<b>Revenue:</b>		
Charges for services		\$ <u>1,713,068</u>
<b>Operating expenses:</b>		
Disposal services		1,566,889
Coordinator salary		36,711
Payroll taxes		3,265
Directors fees		5,700
Insurance		2,215
Professional services		7,350
Depreciation and amortization		8,404
Advertising		3,065
Membership dues		887
Billing services		4,800
Travel and training		7,877
Telephone		2,105
Library information		172
Other operating costs		<u>4,274</u>
Total operating expenses		<u>1,653,714</u>
Operating income		<u>59,354</u>
<b>Other revenue:</b>		
Interest income		1,775
Other income		<u>1,700</u>
Total other income		<u>3,475</u>
Change in net assets		62,829
<b>Net assets, beginning of year</b>		<u>513,903</u>
<b>Net assets, end of year</b>		\$ <u><u>576,732</u></u>

See Accompanying Notes to Financial Statements.

**INTERLOCAL SOLID WASTE AUTHORITY  
OF GILES, FRANKLIN & LINCOLN COUNTIES, TENNESSEE**

Statement of Cash Flows

For the Year Ended June 30, 2009

<b>Cash flows from operating activities:</b>	
Cash received from customers	\$ 1,699,016
Cash paid to suppliers and vendors	(1,620,645)
Cash paid to employees	(36,711)
Other	<u>1,700</u>
Net cash provided (used) by operating activities	<u>43,360</u>
<b>Cash flows from investing activities:</b>	
Interest received	<u>1,776</u>
Net increase in cash	45,136
Cash, beginning of year	<u>426,387</u>
Cash, end of year	<u>\$ 471,523</u>

**Reconciliation of Operating Income to Net Cash Provided by Operating Activities**

Operating income	\$ 59,354
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	8,404
Other	1,700
Change in assets (increase) decrease:	
Accounts receivable	(14,051)
Change in liabilities increase (decrease):	
Accounts payable and accrued expenses	<u>(12,047)</u>
Net cash provided (used) by operating activities	<u>\$ 43,360</u>

See Accompanying Notes to Financial Statements.

**INTERLOCAL SOLID WASTE AUTHORITY  
OF GILES, FRANKLIN & LINCOLN COUNTIES, TENNESSEE**

Notes to Financial Statements

June 30, 2009

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Authority 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 of the Authority's accounting policies are described below.

Organization and Operation

The Authority was originally formed by joint resolution of the counties of Giles, Franklin and Lincoln and the municipalities of Tullahoma and Fayetteville for the purpose of developing a solid waste regional plan, as required by TCA 68-211-801, titled "Solid Waste Management Act of 1991". The Authority's board was appointed by each participating County Executive or Mayor for varying terms of office. The Authority commenced operations in March of 1993 and has since inception, relied upon contractual agreements with third parties for landfill and solid waste disposal services. Also, since inception the municipalities of Shelbyville, Ardmore, Elkton, Petersburg, Pulaski and Minor Hill have been admitted as "participants".

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Authority is accounted for as a "proprietary fund". Proprietary funds are accounted for on a flow of economic resources measurement focus. Under this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The Authority is subject to accounting directives issued by the Governmental Accounting Standards Board (GASB) and therefore has adopted the provisions of GASB pronouncements and all Financial Accounting Standards Board pronouncements issued through November 30, 1989 which do not conflict with GASB pronouncements. The Authority has chosen the option of not following Financial Accounting Standards Board (FASB) pronouncements issued subsequent to November 30, 1989.

The accrual basis of accounting is utilized by the Authority. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Accounts Receivable

Accounts receivable represent unpaid fees charged to user organizations for waste disposal services. An allowance for doubtful accounts receivable at June 30, 2009 was not deemed necessary by management due to the current status of all accounts.

Cash

Cash includes amounts in demand accounts. Cash in excess of current requirements is held in interest-bearing money-market demand accounts.

**INTERLOCAL SOLID WASTE AUTHORITY  
OF GILES, FRANKLIN & LINCOLN COUNTIES, TENNESSEE**

Notes to Financial Statements

June 30, 2009

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)**

Capital Assets

Expenditures for machinery and equipment and other intangible assets expected to provide economic benefits to the Authority are capitalized and depreciated over their useful lives, ranging from 5-10 years, using the straight-line method.

Contract Negotiation Costs

Significant legal fees were incurred in negotiating the current contract to provide transportation and disposal services for the Authority's solid waste. Such costs are presented as other assets and amortized over the 10 year term of the contract using the straight - line method.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**(2) CASH DEPOSITS**

During 2009, the Authority invested in interest bearing checking accounts, and certificate accounts.

**Custodial credit risk** for deposits is the risk that in the event of a bank failure, the Authority's deposits may not be returned or the Authority will not be able to recover collateral securities in the possession of an outside party. The Authority's policy requires that deposits be either (i) secured and collateralized by the institutions at 105% of the value of the deposits placed in the institution, less the amount protected by federal depository insurance or (ii) that deposits be placed in financial institutions that participate in the bank collateral pool administered by the Treasurer of the State of Tennessee. Institutions participating in the collateral pool determine the aggregate balance of their public deposits must be at least 105% of the average daily balance of public deposits held. Investments with the Tennessee Local Government Investment Pool are not categorized as to custodial credit risk. Cash was fully collateralized at June, 30, 2009

**(3) UTILITY PLANT AND EQUIPMENT**

A summary of changes in Utility Plant in Service is as follows:

	Balance <u>Beginning</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>Ending</u>
Office equipment	\$ 27,478	<u>-</u>	<u>-</u>	27,478
Less accumulated depreciation	<u>(21,535)</u>			<u>(23,020)</u>
	<u>\$ 5,943</u>			<u>4,458</u>

Depreciation expense was \$1,485 for the year ended June 30, 2009.

**INTERLOCAL SOLID WASTE AUTHORITY  
OF GILES, FRANKLIN & LINCOLN COUNTIES, TENNESSEE**

Notes to Financial Statements

June 30, 2009

**(4) CONTRACT NEGOTIATION COSTS**

The Authority incurred legal costs relative to contract negotiations for its waste disposal services. The related costs were capitalized and are being amortized over the term of the related contract. Amortization expense amounted to \$6,919 for 2009.

**(5) WASTE DISPOSAL CONTRACT**

The Authority contracted with Browning Farris Industries (BFI) for waste disposal services in the three county area of Giles, Franklin and Lincoln Counties. The contract has a term of ten years commencing April 1, 2005. The contract specifies, among other things, that rates will be adjusted annually by the percentage increase of the Gross National Product Fixed Weight Price Index and that such rates may be increased by certain additional taxes and regulatory changes as set forth in the contract. Contractor will charge the sum of \$25 per ton, as adjusted in accordance with applicable sections of the contract.

**(6) RISK MANAGEMENT**

The Authority is exposed to various risks for general liability and property and casualty losses. The Authority feels that it is more economically feasible to join a public entity risk pool established by the Tennessee Municipal League, an association of member governments. The Authority pays an annual premium to the TML for its general liability and property and casualty insurance coverage. The creation of the pool provides for it to be self-sustaining through member premiums. The pool reinsures through commercial insurance companies for claims in excess of \$130,000 for each insured event. Settled claims for losses have not exceeded coverage in any of the past three years.

**(7) OPERATING LEASE**

The Authority had entered into an agreement with the State of Tennessee for the use of land for a transfer site. The lease requires annual rental payments of \$1,700 through March 2015.

**INTERLOCAL SOLID WASTE AUTHORITY  
OF GILES, FRANKLIN & LINCOLN COUNTIES, TENNESSEE**

Schedule of Board Members and Compensation (Unaudited)

June 30, 2009

Board Members

Compensation

A.J. Williams	*
Raymond Bean	*
Don Wilkinson	*
Danny Watson	*
Tommy Campbell	*
Doug Cunningham	*
Ed Craig	*
John deMoll	*
Wayne Limbaugh	*

\* Compensation for each Board Member is \$50 per month, if meetings are attended.

**INTERLOCAL SOLID WASTE AUTHORITY  
OF GILES, FRANKLIN & LINCOLN COUNTIES, TENNESSEE**

Schedule of Insurance in Force (Unaudited)

June 30, 2009

TML Risk Management Pool:

General Liability	\$ 600,000	Policy limit
	\$ 250,000	Each accident
	\$ 250,000	Each employee
Errors or Omissions	\$ 600,000	Each Occurrence
Auto Liability	\$ 600,000	Per Occurrence
	\$ 250,000	Per Person-Bodily Injury
	\$ 85,000	Per Occurrence-Property Damage
Workers Compensation		Statutory Limit

# YEARY, HOWELL & ASSOCIATES

*Certified Public Accountants*

501 EAST IRIS DRIVE  
NASHVILLE, TN 37204-3109

HUBERT E. (BUDDY) YEARY  
GREGORY V. HOWELL

TELEPHONE  
(615) 385-1008  
FAX (615) 385-1208

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF THE FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Interlocal Solid Waste Authority  
of Giles, Franklin & Lincoln Counties, Tennessee

We have audited the financial statements of the Interlocal Solid Waste Authority of Giles, Franklin & Lincoln Counties, Tennessee (the Authority), as of and for the year ended June 30, 2009, and have issued our report thereon dated February 5, 2010. 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 Authority's internal control over financial reporting as a basis for designing auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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 Authority'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 Authority's financial statements that is more than inconsequential will be prevented or detected by the Authority's internal control.

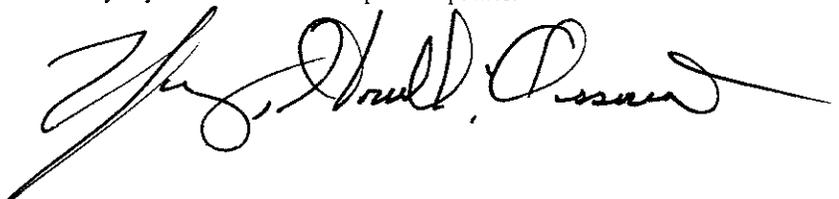
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority'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*.

This report is intended solely for the information and use of the State Comptrollers Office, management, state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



February 5, 2010