

**CHEATHAM COUNTY WATER
AND WASTE WATER AUTHORITY**

JUNE 30, 2012

**TAMARA L. BECKMAN
CERTIFIED PUBLIC ACCOUNTANT**

**CHEATHAM COUNTY WATER
AND WASTEWATER AUTHORITY
JUNE 30, 2012**

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**CHEATHAM COUNTY WATER AND WASTEWATER
AUTHORITY BOARD MEMBERS
JUNE 30, 2012**

Jerry Hamlin, Chairman

Eric Lockert, Secretary

Frank Luppe, Treasurer

James Atkins, Board Member

Patrick McClannahan, Board Member

TAMARA L. BECKMAN
CERTIFIED PUBLIC ACCOUNTANT

6 SOUTH MADISON AVENUE
COOKEVILLE, TN 38501
Office (931) 526-5489
Fax (931) 526-9064

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Cheatham County Water and Waste Water Authority
Pleasant View, Tennessee 37146

I have audited the accompanying financial statements of the Cheatham County Water and Waste Water Authority, a component unit of Cheatham County, as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the Cheatham County Water and Waste Water Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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 of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cheatham County Water and Waste Water Authority, as of June 30, 2012, and the results of its operations and the 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* I have also issued my report dated February 14, 2013, on my consideration of the Cheatham County Water and Waste Water Authority's internal control over financial reporting and my test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. This report is an integral part of the audit performed in accordance with Government Auditing Standards and should be considered in conjunction with this report in considering the results of my audit.

GASB Statement No. 34 provides guidance on Management's Discussion and Analysis, which is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board; however, management has chosen to exclude this information.

February 14, 2013
Cookeville, Tennessee

Tamara L. Beckman, CPA

**CHEATHAM COUNTY WATER AND WASTE WATER AUTHORITY
STATEMENT OF NET ASSETS
JUNE 30, 2012**

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 410,316.29	
Accounts Receivable	<u>17,579.00</u>	
<u>Total Current Assets</u>		\$ 427,895.29

Non-Current Assets

Construction in Progress	30,956.00	
Water Sewage Plant	1,014,090.00	
Less: A/D - Water Sewage Plant	<u>(859,811.19)</u>	
<u>Total Non-Current Assets</u>		<u>185,234.81</u>

Total Assets **\$ 613,130.10**

LIABILITIES & NET ASSETS

Liabilities

Accounts Payable	\$ -	
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Net Assets

Invested in Capital Assets	\$ 185,234.81	
Unrestricted Net Assets	<u>427,895.29</u>	
Total Net Assets		<u>613,130.10</u>

Total Liabilities & Net Assets **\$ 613,130.10**

The accompanying notes are in integral part of the financial statements

**CHEATHAM COUNTY WATER AND WASTE WATER AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012**

<u>Operating Revenues</u>		
Sewer Charges		\$ 114,089.83
 <u>Operating Expense</u>		
Administrative Collection Fees	\$ 10,793.90	
Depreciation Expense	25,352.25	
Board Member Fees	3,850.00	
Accounting Fees	4,170.00	
Licenses & Permits	729.98	
Contracted Services	34,377.82	
Equipment Repairs	27,282.50	
Supplies	1,454.95	
Utilities	<u>11,676.59</u>	
 Total Operating Expenses		 <u>119,687.99</u>
 Net Operating Loss		 \$ (5,598.16)
 <u>Non-operating Revenue (Expense)</u>		
Interest Income		2,703.43
Proceeds from Settlement		<u>20,000.00</u>
 Total Non-operating Revenue (Expense)		 <u>22,703.43</u>
 Increase in Net Assets		 17,105.27
 Total Net Assets - June 30, 2011		 <u>596,024.83</u>
 Total Net Assets - June 30, 2012		 <u>\$ 613,130.10</u>

The Accompanying notes are in integral part of the financial statements

CHEATHAM COUNTY WATER AND WASTE WATER AUTHORITY
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED JUNE 30, 2012

<u>Cash Flows From Operating Activities</u>		
Cash Received from Operations	\$ 134,089.83	
Cash Payments for Goods and Services	<u>(92,196.04)</u>	
Net Cash Provided by Operating Activities		\$ 41,893.79
 <u>Cash Flows from Investing Activities</u>		
Interest Received		2,703.43
 <u>Cash Flows from Capital and Related Financing Activities</u>		
New Construction in Progress		<u>(30,956.00)</u>
Net Increase in Cash and Cash Equivalents		13,641.22
Cash and Cash Equivalent at 6-30-11		<u>396,675.07</u>
Cash and Cash Equivalent at 6-30-12		<u>\$ 410,316.29</u>
 <u>Reconciliation of Net Operating Income (Loss) to Net Cash</u>		
<u>Used by Operating Activities</u>		
Net Operating Revenue (Loss)	\$ (5,598.16)	
Settlement Proceeds	20,000.00	
Depreciation	25,352.25	
Decrease in Accounts Receivable	<u>2,139.70</u>	
<u>Net Cash Provided by Operating Activities</u>		<u>\$ 41,893.79</u>

The Accompanying notes are in integral part of the financial statements

**CHEATHAM COUNTY WATER
AND WASTE WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012**

Note 1 – General Statement and Summary of Significant Accounting Policies

The Cheatham County Water and Waste Water Authority was established by resolution of the Cheatham County Commission to be operational July 1, 1998 for the purpose of operating the industrial park wastewater system. The Authority is a component unit and proprietary fund of Cheatham County. Cheatham County Water and Waste Water Authority is run by a board of directors, which is appointed by Cheatham County. The authority must obtain County Commission approval before the issuance of debt. The County Commission does not have authority to change the Wastewater Authority's rates without Board of Directors approval.

Summary of significant accounting policies

A. Capital Assets and Depreciation

Fixed assets are recorded at cost and depreciated over their useful lives of 40 years using the straight-line method. Construction period interest is capitalized. All capital expenditures under \$1,000 are expensed. Of the \$1,014,090 of fixed assets included in these financial statements, approximately \$759,000 is based not on cost, but on the best evidence available, which is bid cost and/or preliminary cost estimates according to the engineer.

B. Basis of Accounting

The Cheatham County Water and Waste Water Authority presents its financial statements on the accrual basis and according to Governmental Accounting Standards Board (GASB) Statement No. 20, follows pronouncements of the Financial Accounting Standards Board (FASB) issued before November 30, 1989 unless they conflict with or contradict GASB guidance. After November 30, 1989, the District follows GASB guidelines only and does not follow any FASB guidelines issued after that date. Revenues are recognized when earned and expenses are recognized when incurred.

C. Measurement Focus

The Authority uses the economic resources measurement focus. Accordingly, it reports all assets and liabilities on the statement of net assets. The reported net assets are segregated into three components: invested in capital assets, net of related debt; restricted; and unrestricted. The Authority's operating statement presents increases (revenues) and decreases (expenses) in net assets.

D. Use of 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.

E. Cash and cash equivalents

Cash and cash equivalents consist of demand deposits with original maturities of three months or less with local financial institutions.

F. Major Sources of Revenue

The major source of operating revenue is sewer charges. The major source of non-operating revenue is interest income and proceeds from a lawsuit settlement.

Note 2 – Cash and cash investments

The Tennessee Government Code requires Tennessee banks and savings and loan associations to secure a governmental entity's deposits by pledging government securities as collateral. The market value of pledged securities must equal 105% of the entity's deposits. The entity may waive collateral requirements for deposits that are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) or Savings Association Insurance Fund (SAIF).

The following is a schedule of bank accounts at June 30, 2012:

Checking – Community B & T	\$ 24,568.69
Money Market – Community B & T	<u>385,747.60</u>
Total	<u>\$410,316.29</u>

At June 30, 2012, the carrying amount of the Cheatham County Water and Waste Water Authority's cash deposits was \$410,316.29. The Authority's deposit accounts are covered up to \$250,000 by the Federal Deposit Insurance Corporation. Any amounts over \$250,000 are covered by the government collateralization pool of which Community Bank & Trust is a member. The Authority is authorized to deposit and invest funds according to the provisions of Section 5-8-301 of the Tennessee Code Annotated. [Acts 1992, ch. 891, section 10].

Note 3 – Bonding

The Authority is exposed to various risks of loss related to torts, errors and omissions. The Authority has elected not to obtain insurance policies to transfer risk to a commercial insurance company either directly or through the Tennessee County Services Pool and is, in effect, self-insured with an unfunded plan. Insurance settlements have not been in excess of insurance coverage in any of the prior three fiscal years.

Note 4 – Compensated Absences

The Authority does not have employees; therefore, no amount has been recorded for compensated absences.

Note 5 – Capital Assets

The following is a schedule of equipment, current year depreciation expense and accumulated depreciation at June 30, 2012:

<u>Assets</u>	<u>Cost</u>	<u>Depreciation Expense</u>	<u>Accumulated Depreciation</u>
<u>Non-Depreciable</u>			
Construction in Progress	\$ 30,956.00	\$ -0-	\$ -0-
Subtotal	<u>\$ 30,956.00</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
<u>Depreciable</u>			
Water Sewage Plant	\$1,014,090.00	\$ 25,352.25	\$859,811.19
Total Assets	<u>\$1,045,046.00</u>	<u>\$ 25,352.25</u>	<u>\$859,811.19</u>

Changes in property and equipment during the year are as follows:

<u>Assets</u>	<u>Balance 6-30-11</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 6-30-12</u>
<u>Non-Depreciable</u>				
Construction in Progress	\$ --	\$30,956.00	\$ --	\$ 30,956.00
Subtotal	<u>\$ --</u>	<u>\$30,956.00</u>	<u>\$ --</u>	<u>\$ 30,956.00</u>
<u>Depreciable</u>				
Water Sewer Plant	\$1,014,090.00	\$ --	\$ --	\$1,014,090.00
Subtotal	<u>\$1,014,090.00</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$1,014,090.00</u>
Total Assets	<u>\$1,014,090.00</u>	<u>\$30,956.00</u>	<u>\$ --</u>	<u>\$1,045,046.00</u>

Accumulated Depreciation

<u>Assets</u>	<u>Balance 6-30-11</u>	<u>Depreciation Expense</u>	<u>Retirements</u>	<u>Balance 6-30-12</u>
<u>Depreciable</u>				
Water Sewer Plant	834,458.94	25,352.25	--	859,811.19
Total Accum. Depr.	<u>\$834,458.94</u>	<u>\$25,352.25</u>	<u>\$ --</u>	<u>\$859,811.19</u>

Note 6 – Accounts Receivable

Accounts receivable consists of the following for sewer charges:

Accounts Receivable

Various Companies	<u>\$ 17,579.00</u>
<u>Total</u>	<u>\$ 17,579.00</u>

Note 7 – Subsequent Events

The Authority has evaluated subsequent events through February 14, 2013, the date in which the financial statements were available to be issued.

TAMARA L. BECKMAN
CERTIFIED PUBLIC ACCOUNTANT

6 SOUTH MADISON AVENUE
COOKEVILLE, TN 38501
Office (931) 526-5489
Fax (931) 526-9064

**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**

To the Board of Directors of the
Cheatham County Water and Waste Water Authority
Pleasant View, Tennessee 37146

I have audited the financial statements of Cheatham County Water and Waste Water Authority as of and for the year ended June 30, 2012, and have issued my report thereon dated February 14, 2013. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, I considered Cheatham County Water and Waste Water Authority's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of Cheatham County Water and Waste Water Authority's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Cheatham County Water and Waste Water Authority's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses, as defined above. I did not identify any

deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cheatham County Water and Waste Water Authority's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the management and federal awarding agencies and pass-through entities and the State of Tennessee Comptroller of the Treasury and is not intended to be and should not be used by anyone other than these specified parties.

February 14, 2013
Cookeville, Tennessee

Tamara L. Beckman, CPA