

**THE RESOURCE AUTHORITY IN  
SUMNER COUNTY, TENNESSEE**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**For the Years Ended June 30, 2013 and 2012**

**THE RESOURCE AUTHORITY IN  
SUMNER COUNTY, TENNESSEE**

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## **Independent Auditor's Report**

The Board of Directors  
Resource Authority of Sumner County, Tennessee  
Gallatin, Tennessee

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Resource Authority in Sumner County, Tennessee (the Authority), as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Authority'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 audits 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 opinions.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the Authority, as of June 30, 2013 and 2012, and the changes in net position, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States America.

### **Change in Accounting Principle**

As discussed in Note K to the financial statements, in 2013, the Authority adopted new accounting guidance, Government Accounting Standards Board (GASB) Statement 63, *Financial Reporting of Deferred Outflow of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 1989 FASB and AICPA Pronouncements* and early implemented GASB Statement No. 65, *Items Previously Recognized as Assets and Liabilities*. Our opinion is not modified with respect to these matters.

The Board of Directors  
Resource Authority of Sumner County, Tennessee  
Gallatin, Tennessee

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents, 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 opinions on the financial statements that collectively comprise the Authority's basic financial statements. The information in the accompanying schedules on pages 11-13 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying schedules are the responsibility of management and were 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2013 on our consideration of the Authority'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 Resource Authority in Sumner County, Tennessee's internal control over financial reporting and compliance.

*Yeany Howell & Associates*

August 26, 2013

## Management's Discussion and Analysis

Our discussion and analysis of the Resource Authority's financial performance provide an overview of the Authority's financial activities for the fiscal year ended June 30, 2013.

### HIGHLIGHTS

#### Financial highlights

- 1 The Resource Authority's net position decreased to \$1,555,861 which is a decrease of \$52,944 or 3.25%, as a result of this year's operations.
- 2 Revenues increased to \$4,332,167, or 4% in 2013 while expenses increased to \$4,469,765 or 6.5%.
- 3 The Resource Authority's net cash from operating activities decreased by \$263,180 to (\$189,037), a decrease of nearly 355% from last year.

#### Resource Authority highlights

- 1 The Resource Authority had tipping fees of \$4,239,324 or 98% of total revenues for 2013.
- 2 The recycling plant building is still being used to accommodate a transfer station operation.
- 3 Contracted recycling activities are still ongoing along with the continued operation of a recycling drop-off center at the transfer station site.

## USING THIS ANNUAL REPORT

This annual report consists of three parts; Management's Discussion and Analysis, Financial Statements, and Supplemental Schedules. The Financial Statements also include notes that explain in more detail some of the information in the financial statements.

### **Required financial statements**

The Financial Statements of the Resource Authority report information about the Authority using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The Statement of Net Positions includes all of the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations to creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Positions. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its user fees and other charges, profitability, and credit worthiness. The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the Authority's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and capital and non-capital financing activities and provides answers to such questions as "from where did cash come?," "for what was cash used?," and "what was the change in cash balance during the reporting period?"

## FINANCIAL ANALYSIS OF THE RESOURCE AUTHORITY AS A WHOLE

One of the most important questions asked about the Resource Authority's finances is "Is the Authority, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Positions and the Statement of Revenues, Expenses and Changes in Net Positions report information about the Authority's activities in a way that will help answer this question. These two statements report the net assets of the Authority and changes in them. You can think of the Authority's net positions - the difference between assets and liabilities - as one way to measure financial health or financial position. Over time, increases or decreases in the Authority's net positions are one indicator of whether its financial health is improving or deteriorating. However, you will need to also consider other non-financial factors such as changes in economic conditions, population growth, and new or changed environmental regulations as well as the significant change in operation as a result of the plant operations ceasing and transfer station operations beginning.

The Authority's total net position decreased by \$52,944 last year. Our analysis below focuses on the Authority's net positions (Table 1) and changes in net positions (Table 2) during the year. For comparability purposes, reclassifications have been made to the June 30, 2012 information to conform with June 30, 2013 presentation.

**Table 1**

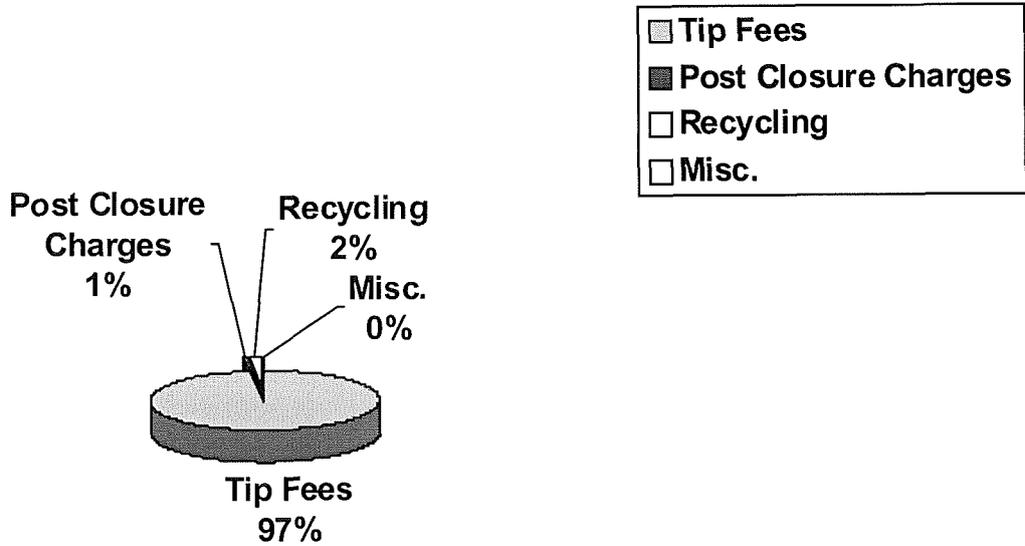
	<u>2013</u>	<u>2012</u>	<u>2011</u>
Capital Assets	2,221,428	2,388,029	2,491,473
Current and other Assets	1,068,231	1,073,859	956,889
Total Assets	3,289,659	3,461,888	,362
Long-term debt outstanding	1,320,103	1,432,663	1,448,140
Other liabilities	413,695	420,420	391,018
Total liabilities	1,733,798	1,853,083	,158
Net positions:			
Investment in Capital	2,126,930	2,194,229	2,335,294
Unrestricted (Deficit)	(571,069)	(585,424)	(766,090)
	1,555,861	1,608,805	1,569,204

Changes in the Authority's net positions can be determined by reviewing the following condensed Statement of Revenue, Expenses and Changes in Net Positions for the year.

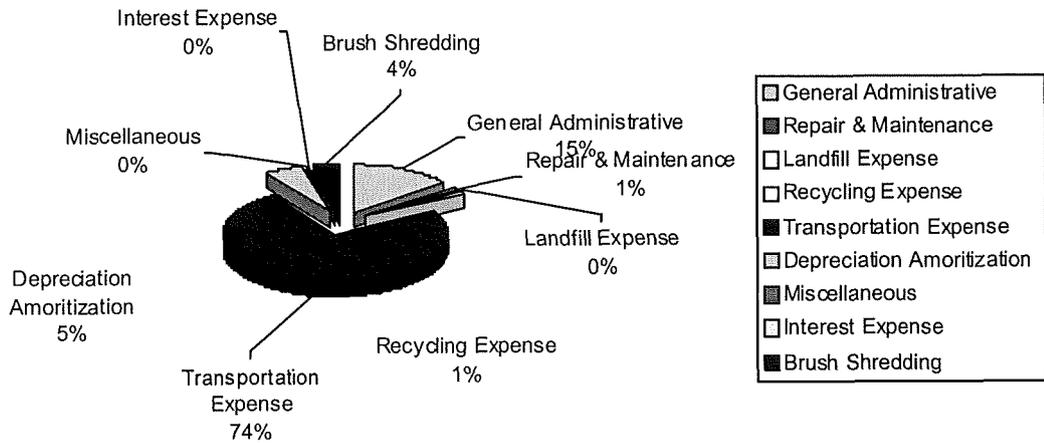
**Table 2**

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Net operating revenues	4,332,167	4,163,637	3,783,739
Interest Income	1,546	1,561	1,584
Operating Subsidies & Other Income	87,820	73,000	74,105
Total Revenue	4,421,533	4,238,198	3,859,428
Operating Expenses	4,469,765	4,193,072	4,024,114
Interest Expenses	(4,712)	(5,525)	2,838
Other Expenses	0	0	0
Total Expenses	4,465,053	4,187,547	4,026,952
Excess of Revenues over Expenses	(52,944)	39,601	(167,524)
Special Item - asset impairment	0	0	14,430
Discontinued Operations	0	0	0
Capital Grants	0	0	0
Change in Net Positions	(52,944)	39,601	(153,094)
Net Positions at Beginning of Year	1,608,805	1,569,204	1,722,298
Net Positions at End of Year	1,555,861	1,608,805	1,569,204

### 2013 Revenues by Source



### 2013 Expenses by Source



Total operating revenues reflect a 4% increase in 2013 compared to 2012 due to higher volumes of waste in 2013. There were no landfill revenues for 2013 due to the continued closure of the C/D Landfill. Recycling revenues were lower by \$41,452 due to lower collection volumes and market price fluctuations for materials sold.

## THE RESOURCE AUTHORITY'S FUNDS

The Authority's fund is an enterprise fund. Enterprise funds are proprietary funds used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measure of financial activity focuses on net income statement similar to the private sector.

The Resource Authority in Sumner County, Tennessee is a public and governmental body acting as an instrumentality and agency of Sumner County and the Cities of Gallatin and Hendersonville, organized in 1979 under Chapter No. 157 of the Tennessee Private Acts of 1979, as amended.

The Authority operated a solid waste disposal and resource recovery facility, located in Gallatin, Sumner County, Tennessee, which incinerated and disposed of solid waste primarily from the County and the Cities, produced steam for distribution to industrial customers and generated electricity for internal plant consumption. Effective May 5, 2005 the Resource Authority in Sumner County ceased operation of this facility due to a decision not to retrofit the plant to meet compliance with new USEPA air emissions guidelines. This resulted in the discontinuance of steam production and sales. The waste that was disposed of in this facility is now handled through a transfer station onsite and transported to an out of county landfill through contract. The Authority also operated a construction / demolition debris landfill for part of fiscal year 2006. This facility was shut down in January 2006 and final closure commenced during fiscal year 2007. Final closure was completed during fiscal year 2008. The Authority began operations of a recycling facility during fiscal year 1992, which ran until the beginning of fiscal year 2006 at which time those operations ceased. This facility was then modified to house a transfer station operation which is still currently in use.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2013, the Resource Authority had \$2,221,428 of capital assets net of accumulated depreciation invested in a broad range of capital assets, including its recycling plant and landfills, as well as other mobile and transportation equipment. This amount represents a net decrease (including additions and deductions) of \$166,601 from last year. These changes are presented in detail Note B to the financial statements. The most significant element of the change relates to the depreciation and amortization of \$226,921 and equipment purchases building/construction at \$60,320.

The following table summarizes the Resource Authority's capital assets, net of accumulated depreciation, for the Years ended June 30, 2013 and 2012.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

Table 3

	<u>06/30/2013</u>	<u>6/30/2012</u>	<u>6/30/2011</u>
Land	307,491	307,491	307,491
Disposal plant	380,756	320,436	320,436
Landfill construction	0	0	0
Equipment	924,400	924,400	870,988
Transfer plant	4,809,545	4,809,545	4,799,931
	6,422,192	6,361,872	6,298,846
Less accumulated depreciation	4,200,764	3,973,843	3,807,373
Net property, plant & equipment	2,221,428	2,388,029	2,491,473
Net landfill costs	0	0	0

The Resource Authority's 2014 capital budget currently has plans for the repair/replacement of the 50 ft. weigh scale.

### Debt

At year-end, the Resource Authority had no bonds and notes outstanding.

The Resource Authority's revenue bond rating is AAA from Moody's and AAA from Standard & Poors rating services. These ratings are the highest possible ratings. Other obligations include accrued closure and post closure landfill costs of \$1,300,842, which is explained in Note D to the financial statement and capital lease obligations of 94,498 which is explained on Note C to the financial statement. More detailed information about the Resource Authority's long-term debt is presented in Note C to the financial statements.

## **ECONOMIC FACTORS AND PROJECTIONS**

The Resource Authority's projected revenues for 2014 are \$4,442,700, while projected expenses are \$4,455,375, resulting in a projected operating deficit of \$12,675. Decisions are still pending about the future operations of the Authority.

## **CONTACTING THE RESOURCE AUTHORITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, customers and creditors with a general overview of the Resource Authority's finances and to demonstrate the Resource Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Resource Authority's General Manager at 625 Rappahannock Wire Road, Gallatin, Tennessee 37066.

**THE RESOURCE AUTHORITY IN  
SUMNER COUNTY, TENNESSEE**

**STATEMENTS OF NET POSITION  
June 30, 2013 and 2012**

	2013	2012
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 318,975	590,433
Accounts receivable, less allowance for doubtful accounts of -0- for 2013 and 2012	732,402	474,025
Grant receivable	<u>16,854</u>	<u>9,401</u>
<b>TOTAL CURRENT ASSETS</b>	<u>1,068,231</u>	<u>1,073,859</u>
<b>NONCURRENT ASSETS</b>		
Non-depreciable capital assets	307,491	307,491
Depreciable capital assets net of accumulated depreciation of \$4,200,764 for 2013 and \$3,973,843 for 2012	<u>1,913,937</u>	<u>2,080,538</u>
<b>TOTAL NONCURRENT ASSETS</b>	<u>2,221,428</u>	<u>2,388,029</u>
<b>TOTAL ASSETS</b>	<u>\$3,289,659</u>	<u>3,461,888</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Trade accounts payable	\$ 274,321	259,950
Capital lease obligation – due within one year	75,237	99,303
Other accrued expenses	<u>64,137</u>	<u>61,167</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>413,695</u>	<u>420,420</u>
<b>NONCURRENT LIABILITIES</b>		
Capital lease obligation – due in more than one year	19,261	94,497
Accrued closure and post closure costs	<u>1,300,842</u>	<u>1,338,166</u>
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>1,320,103</u>	<u>1,432,663</u>
<b>TOTAL LIABILITIES</b>	<u>1,733,798</u>	<u>1,853,083</u>
<b>NET POSITION</b>		
Net investment in capital assets	2,126,930	2,194,229
Unrestricted deficit	<u>(571,069)</u>	<u>(585,424)</u>
<b>TOTAL NET POSITION</b>	<u>\$ 1,555,861</u>	<u>1,608,805</u>

(See Accompanying Notes to the Financial Statements)

**THE RESOURCE AUTHORITY IN  
SUMNER COUNTY, TENNESSEE**

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
For the Years Ended June 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
OPERATING REVENUES		
Tipping fees and payments in lieu of tipping fees	\$ 4,239,324	3,981,576
Recycling revenue	66,625	108,077
Post closure charges	24,583	72,747
Miscellaneous income	<u>1,635</u>	<u>1,237</u>
TOTAL OPERATING REVENUE	<u>4,332,167</u>	<u>4,163,637</u>
OPERATING EXPENSES		
Advertising	285	1,124
Waste and tire disposal	3,317,134	2,983,903
Depreciation and amortization	226,921	225,930
Director's fees	33,600	33,600
Equipment rental and calibration	3,970	3,890
Insurance	46,554	42,942
Brush shredding	168,102	218,889
Landfill post-closure costs	(12,741)	17,206
Miscellaneous	20,425	20,630
Engineering	4,649	1,250
Recycling expenses	39,357	40,450
Office supplies	10,395	9,347
Professional services	14,184	13,670
Lubricating oil	1,236	2,813
Repairs and maintenance	36,348	29,357
Salaries	365,505	363,729
Safety equipment and training	543	652
Taxes and licenses	31,173	30,940
Travel	62	945
Telephone	2,869	4,429
Utilities	19,187	19,948
Employee benefits	136,814	122,837
Uniforms	<u>3,193</u>	<u>4,591</u>
TOTAL OPERATING EXPENSE	<u>4,469,765</u>	<u>4,193,072</u>
OPERATING INCOME (LOSS)	<u>(137,598)</u>	<u>(29,435)</u>
NONOPERATING REVENUES (EXPENSES)		
Interest income	1,546	1,561
Interest expense	(4,712)	(5,525)
Grant-operating	<u>87,820</u>	<u>73,000</u>
NET NONOPERATING REVENUES AND EXPENSES	<u>84,654</u>	<u>69,036</u>
NET INCOME (LOSS)	<u>(52,944)</u>	<u>39,601</u>
TOTAL NET POSITION, BEGINNING OF YEAR	<u>1,608,805</u>	<u>1,569,204</u>
TOTAL NET POSITION, END OF YEAR	\$ <u>1,555,861</u>	<u>1,608,805</u>

(See Accompanying Notes to the Financial Statements)

**THE RESOURCE AUTHORITY IN  
SUMNER COUNTY, TENNESSEE**

**STATEMENTS OF CASH FLOWS  
For the Years Ended June 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES		
Receipts from customers and users	\$ 4,072,155	4,103,744
Miscellaneous income	1,635	1,237
Payments to suppliers	(3,900,292)	(3,672,551)
Payments to employees	<u>(362,535)</u>	<u>(358,287)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>(189,037)</u>	<u>74,143</u>
 CASH FLOWS PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES		
Operating subsidy from grants	<u>80,367</u>	<u>75,465</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>80,367</u>	<u>75,465</u>
 CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(60,320)	(11,238)
Payments on capital lease	(99,302)	(73,627)
Interest paid on capital lease	<u>(4,712)</u>	<u>(5,525)</u>
NET CASH USED BY CAPITAL AND RELATED ACTIVITIES	<u>(164,334)</u>	<u>(90,390)</u>
 CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES		
Interest received	<u>1,546</u>	<u>1,561</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>1,546</u>	<u>1,561</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(271,458)	60,779
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>590,433</u>	<u>529,654</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 318,975</u>	<u>590,433</u>
 RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$(137,598)	(29,435)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization expense	226,921	225,930
(Increase) decrease in accounts receivable	(258,377)	(58,656)
Increase (decrease) in accounts payable	14,371	(14,397)
Increase (decrease) in accrued expenses	2,970	5,442
Increase (decrease) accrued closure costs	<u>(37,324)</u>	<u>(54,741)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ (189,037)</u>	<u>74,143</u>

SUPPLEMENTARY CASH FLOW INFORMATION

Noncash transactions in the amount of \$111,248 relate to  
acquisition of capital assets by a capital lease in 2012.

(See Accompanying Notes to the Financial Statements)

# THE RESOURCE AUTHORITY IN SUMNER COUNTY, TENNESSEE

## Notes To Financial Statements

For The Years Ended June 30, 2013 and 2012

### **NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Resource Authority in Sumner County, Tennessee is a public and governmental body acting as an instrumentality and agency of Sumner County and the Cities of Gallatin and Hendersonville, organized in 1979 under Chapter No. 157 of the Tennessee Private Acts of 1979, as amended.

Up until May 2005, the Authority operated a solid waste disposal and resource recovery facility, which incinerated and disposed of solid waste primarily from the County and the Cities, produced steam for distribution to industrial customers and generated electricity for internal plant consumption. The Authority also operated a construction/demolition debris landfill and an ash monofill both of which ceased operations in fiscal 2011. The Authority began operations of a recycling facility during fiscal year 1992. In May of 2005, the Authority began operating primarily as a transfer station for the solid waste within the county.

The accounting policies of the Authority conform to generally accepted accounting principles applicable to governmental units. The Authority complies with generally accepted accounting principles and applies all relevant Government Accounting Standards Board (GASB) pronouncements.

#### Financial Reporting Entity

The Authority complies with GASB Statement No. 14, "The Financial Reporting Entity." This statement establishes standards for defining and reporting on the financial reporting entity. It defines component units as legally separate organizations for which the elected officials of the primary government are financially accountable and other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The Authority considered all potential component units in determining what organizations should be included in the financial statements. Based on these criteria, there are no component units to include in the Authority's financial statements.

#### Basis of Presentation

The Authority is accounted for as an enterprise fund. Enterprise funds are proprietary funds used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

#### Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied.

The proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

**THE RESOURCE AUTHORITY IN  
SUMNER COUNTY, TENNESSEE**

Notes To Financial Statements (Continued)

For The Years Ended June 30, 2013 and 2012

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Measurement Focus and Basis of Accounting, continued

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's enterprise funds are charged to customers for sales and service. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority considers all highly liquid investments, including restricted assets, with a maturity of three months or less when purchased to be cash equivalents. At June 30, 2013 and 2012, all the Authority's cash was deposited in an institution which is a member of the Local Government Collateral Pool. The Tennessee Bank Collateral Pool (the "pool"), is a multiple financial institution collateral pool where member financial institutions holding public funds pledge collateral to a common pool. If any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. The pool also has the ability to make additional assessments on a pro rata basis to the members of the pool if the value of the pool's collateral is inadequate to cover a loss. As a result the pool is similar to depository insurance.

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 deposits to be 105 percent secured by collateral, less the amount of Federal Deposit Insurance Corporation insurance (FDIC) or deposited in an institution which participates in the State Collateral Pool. Deposited funds may be invested in certificates of deposit in institutions with an established record of fiscal health and service. Collateral agreements must be approved prior to deposit of funds as provided by law. The Authority approves and designates a list of authorized depository institutions based on evaluation of solicited responses and certifications provided by financial institutions and recommendations of Authority staff.

At June 30, 2013 and 2012, there were no amounts of deposits exposed to custodial risks.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. The capitalization threshold for utility plant is \$500. Depreciation is computed by the straight-line method based on the estimated useful lives of related asset classifications. The Authority's policy is to take a full year of depreciation in the year of acquisition. Buildings, structures and improvements are depreciated over 20 to 30 years and equipment is depreciated over 3 to 10 years.

**THE RESOURCE AUTHORITY IN  
SUMNER COUNTY, TENNESSEE**

Notes to Financial Statements (Continued)

For The Years Ended June 30, 2013 and 2012

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED**

Compensated Absences

The Authority provides for paid vacations and sick leave for its employees. Accrued vacation costs are included in accrued expenses. However, accrued sick leave has not been recognized since the Authority does not compensate employees for unused benefits at termination or retirement.

Equity Classification

Equity is classified as net position and displayed if applicable in three components:

- a. Net investment in capital assets - Consists of capital assets net of accumulated depreciation and related debt.
- b. Restricted net position- Consists of net position with constraints. The Authority currently has no restricted net position.
- c. Unrestricted net position-All other net position that do not meet the definition of "restricted" or net investment in capital assets.

Use of 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**NOTE B - CAPITAL ASSETS**

The following is a summary of capital assets:

	Balance <u>7/01/11</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>6/30/12</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>6/30/13</u>
Non-depreciable capital assets							
Land	\$ <u>307,491</u>	-	-	<u>307,491</u>	-	-	<u>307,491</u>
Depreciable assets							
Disposal plant	320,436	-	-	320,436	60,320	-	380,756
Transfer plant	4,799,931	9,614	-	4,809,545	-	-	4,809,545
Equipment	<u>870,988</u>	<u>112,872</u>	<u>59,460</u>	<u>924,400</u>	-	-	<u>924,400</u>
Total depreciable assets	<u>5,991,355</u>	<u>122,486</u>	<u>59,460</u>	<u>6,054,381</u>	<u>60,320</u>	-	<u>6,114,701</u>
Less accumulated depreciation							
Disposal plant	64,911	16,022	-	80,933	19,541	-	100,474
Transfer plant	3,042,029	161,705	-	3,203,734	161,705	-	3,365,439
Equipment	<u>700,433</u>	<u>48,203</u>	<u>59,460</u>	<u>689,176</u>	<u>45,675</u>	-	<u>734,851</u>
Total accumulated depreciation	<u>3,807,373</u>	<u>225,930</u>	<u>59,460</u>	<u>3,973,843</u>	<u>226,921</u>	-	<u>4,200,764</u>
Net depreciable capital assets	<u>\$ 2,183,982</u>			<u>2,080,538</u>			<u>1,913,937</u>

Depreciation expense for 2013 and 2012 was \$226,921 and \$225,930 respectively.

**THE RESOURCE AUTHORITY IN  
SUMNER COUNTY, TENNESSEE**

Notes to Financial Statements (Continued)

For The Years Ended June 30, 2013 and 2012

**NOTE C – CAPITAL LEASE OBLIGATION**

During fiscal 2011 and 2012, the Authority entered into a lease for the purchase of \$ 185,914 and \$111,248 in equipment. The transactions have been accounted for as financing transactions. The Authority will have title to the assets by satisfying the minimum lease payments. The assets acquired by the lease have a net depreciated value of \$185,699.

	<u>2013</u>	<u>2012</u>
Lease obligation	\$ 96,306	200,320
Amount designated as interest	<u>(1,808)</u>	<u>(6,520)</u>
Net capital lease obligation	\$ <u>94,498</u>	<u>193,800</u>

The changes in capital lease obligation were as follows:

	Balance <u>6-30-11</u>	<u>Increase</u>	<u>Payments</u>	Balance <u>6/30/12</u>	<u>Payments</u>	Balance <u>6/30/13</u>
Capital lease obligation	\$ 156,179	-	<u>(55,791)</u>	100,388	<u>(62,797)</u>	37,591
Capital lease obligation	-	<u>111,248</u>	<u>(17,836)</u>	<u>93,412</u>	<u>(36,505)</u>	<u>56,907</u>
Total	\$ <u>156,179</u>	<u>111,248</u>	<u>(73,627)</u>	<u>193,800</u>	<u>(99,302)</u>	<u>94,498</u>

The future capital lease obligations are as follows:

	Lease <u>Obligation</u>	Amount Representing <u>Interest</u>	Net Capital Loan <u>Obligation</u>
2014	\$ 76,871	1,634	75,237
2015	<u>19,435</u>	<u>174</u>	<u>19,261</u>
	\$ <u>96,306</u>	<u>1,808</u>	<u>94,498</u>

**NOTE D – LANDFILL CLOSURE AND POSTCLOSURE COSTS**

The Authority operated three landfills. Operation, closure and post-closure care of these landfills are highly regulated (Federal regulations 42 USC 6907 (a) (3) and 6949 (c) and USC 1345 (d) and (e), and Tennessee Rule 1200-1-76.03 (2)).

The Authority accounts for the landfills under the provisions of GASB Statement No. 18. This statement requires the current recognition of future closure and post closure costs based on landfill capacity used to date. These cost estimates require revision for future changes in the closure and post closure plan or operating conditions (including changes in technology or applicable laws or regulations); these revisions are recognized currently as such conditions occur. The following estimates were made by the Authority's independent engineer based on information from the Tennessee Department of Environment and Conservation.

Accrued future closure and post closure care costs are summarized as follows:

	<u>2013</u>	<u>2012</u>
Closure	\$ -	-
Postclosure	<u>1,300,842</u>	<u>1,338,166</u>
	\$ <u>1,300,842</u>	<u>1,338,166</u>

Since all landfills are closed, there are no closure or post-closure costs estimated to be recognized in the future.

The Capps Gap Landfill is closed and is seventeen years into post closure monitoring. The Oak Grove Landfill and Ash Monofill's Cells I, II, and III were officially closed in 2006 and are seven years into post closure monitoring. All Authority landfills are closed. In 2010, the waste to energy plant was dismantled and closed. Post closure costs were less than estimates for 2013 which resulted in negative post closure expenses of \$12,741. Post closure costs exceeded estimates for 2012 in the amount of \$17,206.

**THE RESOURCE AUTHORITY IN  
SUMNER COUNTY, TENNESSEE**

Notes to Financial Statements (Continued)

For The Years Ended June 30, 2013 and 2012

**NOTE D – LANDFILL CLOSURE AND POSTCLOSURE COSTS, Continued**

The Authority, along with Sumner County and the cities of Gallatin and Hendersonville has a "Contract in Lieu of Performance Bond" with the State for financial assurance of the closure and post closure costs. The Authority is potentially responsible for environmental clean-up costs associated with its landfill operations. However, management anticipates any future clean-up cost would be assessed to, and paid by, the party responsible for generating the hazardous materials. The State calculations for the bond amounts were used as a basis for calculations of closure and post closure costs.

**NOTE E - MUNICIPAL AND COUNTY AGREEMENTS**

During fiscal year 2012 the Authority entered into a Solid Waste Disposal and Recycling Agreement with Sumner County and the Cities of Gallatin and Hendersonville as well as a Post-Closure Monitoring and Maintenance Agreement with Sumner County and the Cities of Gallatin and Hendersonville. The agreements provide that the three entities will pay for the post closure costs associated with the landfills incurred by the Authority. This cost will be paid 3/7 by the county and 2/7 each by the cities.

The agreements also provide that Sumner County will pay an annual \$100,000 fee in lieu of tipping fees. The cities of Gallatin and Hendersonville agree to pay tipping fees in such amounts as may be determined by the Authority but cannot exceed \$45 per ton for solid waste and \$3.50 per cubic yard for brush. The fees for 2013 and 2012 were \$44 per ton for solid waste and \$3.12 per cubic yard for brush.

Tipping and post closure fees paid and related receivables were as follows:

	<u>Tipping Fees</u>							
	<u>Solid Waste</u>		<u>Brush</u>		<u>Post-Closure</u>		<u>Receivable</u>	
	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>
Sumner County	\$ 100,000	100,000	32,080	29,096	31,117	10,535	8,150	7,937
City of Gallatin	502,512	-	63,733	65,618	20,785	7,024	54,152	17,454
City of Hendersonville	-	-	100,727	48,337	20,785	7,024	10,693	5,459

**NOTE F - PENSION PLAN**

The Authority contributes a percentage of employees' salaries to a defined contribution retirement program. These funds are invested with ING Life Insurance and Annuity Company. The employee has several investment options. An employee must be full time and employed for 90 days in order to be eligible. The percentage of contribution is based on the following:

If Employee Contributes:

- 0.0% of salary
- 1.0% of salary
- 2.0% of salary
- 3.0% of salary

The Authority Contributes:

- 2.0% of salary
- 3.0% of salary
- 4.0% of salary
- 5.0% of salary

The Authority's total payroll was \$399,105 for 2013 and \$397,329 for 2012. Employees who are covered and participating under the pension plan were paid \$365,505 for 2013 and \$363,729 for 2012. The Resource Authority contributed 4.5%, (\$16,479) for 2013 and 4.5% (\$16,346) for 2012 of covered and participating salaries. Employees contributed \$14,388 for 2013 and \$12,481 for 2012.

**THE RESOURCE AUTHORITY IN  
SUMNER COUNTY, TENNESSEE**

Notes to Financial Statements (Continued)

For The Years Ended June 30, 2013 and 2012

**NOTE G - TIPPING FEES**

A major portion of the Authority's revenue is from tipping fees. A significant portion of tipping fees are from commercial haulers who are required under waste control laws to dump waste collected within Sumner County at the Authority. Court decisions have supported the enforcement of this law. One major commercial hauler is delivering most of Sumner County commercial waste to the Resource Authority and one major hauler is not. Enforcement by management has not been aggressively sought. Two major customers accounted for 41% and 44% of tipping fees for 2013 and 2012 respectively.

**NOTE H - RISK OF LOSS**

The Authority is exposed to the normal business risk and the environmental risk related to the operations of a transfer station and the post closure costs related to closed landfills. The Authority, is a member of the Tennessee Municipal Risk Management Self Insurance Program, for worker compensation, and general liability coverage. The Authority has obtained coverage from commercial insurance carriers for casualty and property coverage. These insurance coverages minimize the loss from risks to which the Authority is exposed. There was no significant reduction in insurance coverage and settled claims resulting from these risks have not significantly exceeded insurance coverage in any of the past three fiscal years.

**NOTE I – CONTINGENCY**

The Authority is not involved in any lawsuits at the current time.

**NOTE J – CONTRACTS AND COMMITMENTS**

The Authority has entered into a load, haul and disposal contract that runs through July 2015 and provides for a rate per ton plus adjustments for CPI and diesel prices. The amount paid relating to this contract for 2013 and 2012 was \$3,215,460 and \$2,888,869 respectively.

The Authority also has a contract with a company to grind brush for \$2.97 per cubic yard which runs through October 2015. The amount paid related to this contract for 2013 and 2012 was \$168,102 and \$218,889 respectively.

**NOTE K – CHANGE IN ACCOUNTING PRINCIPLE**

For the year ended June 30, 2013, the Authority has implemented GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* and early implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This action resulted in the establishment of categories outside of assets and liabilities titled deferred outflows and deferred inflows. The Statement also retitled Net Assets as Net Position. The implementation of GASB No. 63 and GASB No. 65 had no effect on the presentation of the 2013 or 2012 financial statements other than the change from the net assets category to net position. The Authority has no deferred inflows or outflows of resources. Also, the Authority implemented GASB Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 1989 FASB and AICPA Pronouncements*, which incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in non-governmental pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. This Statement was effective for periods beginning after December 15, 2011. The adoption of GASB 62 had no impact on the Authority's financial statements.

**NOTE L – RECLASSIFICATIONS**

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

**FINANCIAL SCHEDULES**

**THE RESOURCE AUTHORITY IN  
SUMNER COUNTY, TENNESSEE**

Schedule of Principal Officers

June 30, 2013

David Satterfield  
Craig Hayes  
Jim Young  
Frank Freels  
Scott Foster  
Joe Matthews  
L. K. Lannom

Chairman  
Vice-Chairman  
Secretary-Treasurer  
Director  
Director  
Director  
Director

Larry Wright

Manager

**THE RESOURCE AUTHORITY IN  
SUMNER COUNTY, TENNESSEE**

**SCHEDULE OF INSURANCE COVERAGE**

JUNE 30, 2013

<u>Type of Coverage</u>	<u>Limits</u>
1. General liability, including automobiles	\$ 300,000 per person 700,000 per occurrence
2. Real and personal property	\$ 2,433,460 (buildings) and \$145,000 (personal property) \$10,000 deductible per occurrence)
3. Mobile Equipment	\$352,000 aggregate
4. Errors and omissions	\$1,000,000 per occurrence with a \$2,500 deductible
5. Workers compensation	\$1,000,000 policy limit
6. Public Employee Dishonesty	\$150,000;\$150,000 forgery, \$150,000 theft, destruction \$150,000 computer fraud with a \$1,000 deductible

**THE RESOURCE AUTHORITY IN SUMNER COUNTY**

**Schedule of State Financial Assistance**

**For the Year Ended June 30, 2013**

**State Grants:**

<u>State Number</u>	<u>Program Name</u>	<u>Grantor Agency</u>	<u>Deferred (Receivable) Balance 06/30/12</u>	<u>Grant Receipts</u>	<u>Grant Expenditures</u>	<u>Deferred (Receivable) Balance 6/30/13</u>
Z-08-212996-02 FY 12	Waste Tire Option Grant	Tennessee Dept of Environment & Conservation	\$ (9,401)	9,401	-	-
Z-08-212996-02 FY 13	Waste Tire Option Grant	Tennessee Dept of Environment & Conservation	\$ <u>-</u> \$ <u>(9,401)</u>	<u>70,966</u> <u>80,367</u>	<u>87,820</u> <u>87,820</u>	<u>16,854</u> <u>16,854</u>

This schedule was prepared using the accrual basis of accounting.

## **OTHER REPORTS**

# YEARY, HOWELL & ASSOCIATES

*Certified Public Accountants*

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NASHVILLE, TN 37204-3109

HUBERT E. (BUDDY) YEARY  
GREGORY V. HOWELL

(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 FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDIT STANDARDS*

The Board of Commissioners  
The Resource Authority in Sumner County, Tennessee  
Gallatin, 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 the Resource Authority of Sumner County, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated August 26, 2013.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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.

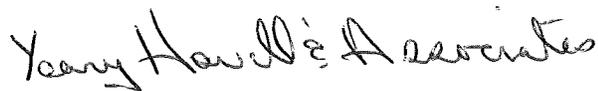
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 the Authority'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*.

## **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.



August 26, 2013