

**CHEATHAM COUNTY WATER
AND WASTEWATER AUTHORITY**

JUNE 30, 2013

**TAMARA L. BECKMAN
CERTIFIED PUBLIC ACCOUNTANT**

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AND WASTEWATER AUTHORITY
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**CHEATHAM COUNTY WATER AND WASTEWATER AUTHORITY
BOARD MEMBERS
JUNE 30, 2013**

Jerry Hamlin, Chairman

Eric Lockert, Secretary

Frank Luppe, Treasurer

James Atkins, Board Member

Patrick McClannahan, Board Member

TAMARA L. BECKMAN
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying financial statements of Cheatham County Water and WasteWater Authority, a related organization of Cheatham County, TN, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Cheatham County Water and WasteWater 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 the 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

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. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Cheatham County Water and WasteWater Authority, a component unit of Cheatham County, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management Discussion 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 historic context.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. The auditor's opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Cheatham County Water and WasteWater Authority's basic financial statements. The schedule of officials on page 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of officials is the responsibility of management and was derived from and relate 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 my opinion, the schedule of officials is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated February 14, 2014 on my consideration of Cheatham County Water and WasteWater Authority's internal control over financial reporting and on my 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 my 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 Cheatham County Water and WasteWater Authority's internal control over financial reporting and compliance.

February 14, 2014
Cookeville, Tennessee

Tamara L. Beckman, CPA

**CHEATHAM COUNTY WATER AND WASTEWATER AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2013**

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 539,791.60	
Accounts Receivable	<u>57,672.35</u>	
<u>Total Current Assets</u>		\$ 597,463.95

Capital Assets

Construction in Progress	50,556.00	
Water Sewage Plant	1,014,090.00	
Less: A/D - Water Sewage Plant	<u>(885,163.44)</u>	
<u>Total Capital Assets</u>		<u>179,482.56</u>

Total Assets **\$ 776,946.51**

LIABILITIES & NET POSITION

Liabilities

Accounts Payable		\$ 409.91
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Net Position

Investment in Capital Assets	\$ 179,482.56	
Unrestricted Net Position	<u>597,054.04</u>	
Total Net Position		<u>776,536.60</u>

Total Liabilities & Net Position **\$ 776,946.51**

The accompanying notes are in integral part of the financial statements

**CHEATHAM COUNTY WATER AND WASTEWATER AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013**

<u>Operating Revenues</u>		
Sewer Charges		\$ 295,157.71
 <u>Operating Expense</u>		
Administrative Collection Fees	\$ 28,402.20	
Depreciation Expense	25,352.25	
Board Member Fees	3,600.00	
Accounting Fees	3,850.00	
Licenses & Permits	2,840.00	
Contracted Services	35,073.72	
Equipment Repairs	23,017.50	
Other Repairs	61.71	
Supplies	1,786.63	
Utilities	<u>9,501.90</u>	
 Total Operating Expenses		 <u>133,485.91</u>
 Net Operating Loss		 \$ 161,671.80
 <u>Non-operating Revenue (Expense)</u>		
Interest Income		<u>1,734.70</u>
Total Non-operating Revenue (Expense)		<u>1,734.70</u>
 Increase in Net Position		 163,406.50
 Total Net Position - June 30, 2012		 <u>613,130.10</u>
 Total Net Position - June 30, 2013		 <u>\$ 776,536.60</u>

The Accompanying notes are in integral part of the financial statements

**CHEATHAM COUNTY WATER AND WASTEWATER AUTHORITY
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED JUNE 30, 2013**

<u>Cash Flows From Operating Activities</u>		
Cash Received from Operations	\$ 255,064.36	
Cash Payments for Goods and Services	<u>(107,723.75)</u>	
Net Cash Provided by Operating Activities		\$ 147,340.61
 <u>Cash Flows from Investing Activities</u>		
Interest Received		1,734.70
 <u>Cash Flows from Capital and Related Financing Activities</u>		
New Construction in Progress		<u>(19,600.00)</u>
Net Increase in Cash and Cash Equivalents		129,475.31
Cash and Cash Equivalent at 6-30-12		<u>410,316.29</u>
Cash and Cash Equivalent at 6-30-13		<u>\$ 539,791.60</u>
 <u>Reconciliation of Net Operating Income (Loss) to Net Cash</u>		
<u> Provided by Operating Activities</u>		
Net Operating Revenue (Loss)	\$ 161,671.80	
Depreciation	25,352.25	
Increase in Accounts Receivable	(40,093.35)	
Increase in Accounts Payable	<u>409.91</u>	
<u>Net Cash Provided by Operating Activities</u>		<u>\$ 147,340.61</u>

The Accompanying notes are in integral part of the financial statements

**CHEATHAM COUNTY WATER
AND WASTEWATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

Note 1 – General Statement and Summary of Significant Accounting Policies

The Cheatham County Water and WasteWater 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 related organization of Cheatham County. Cheatham County Water and WasteWater Authority is run by a board of directors, which is appointed by Cheatham County.

Summary of significant accounting policies

A. Capital Assets and Depreciation

Capital 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 Capital 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 WasteWater Authority presents its financial statements on the accrual basis. 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 position. The reported net position is segregated into three components: investment in capital assets; restricted; and unrestricted. The Authority's operating statement presents increases (revenues) and decreases (expenses) in net position.

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.

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).

The following is a schedule of bank accounts at June 30, 2013:

Checking – Community B & T	\$152,304.30
Money Market – Community B & T	<u>387,487.30</u>
Total	<u>\$539,791.60</u>

At June 30, 2013, the carrying amount of the Cheatham County Water and WasteWater Authority's cash deposits was \$539,791.60. 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, 2013:

<u>Assets</u>	<u>Cost</u>	<u>Depreciation Expense</u>	<u>Accumulated Depreciation</u>
<u>Non-Depreciable</u>			
Construction in Progress	\$ 50,556.00	\$ -0-	\$ -0-
Subtotal	\$ 50,556.00	\$ -0-	\$ -0-
<u>Depreciable</u>			
Water Sewage Plant	\$1,014,090.00	\$ 25,352.25	\$885,163.44
Total Assets	\$1,064,646.00	\$ 25,352.25	\$885,163.44

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

<u>Assets</u>	<u>Balance 6-30-12</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 6-30-13</u>
<u>Non-Depreciable</u>				
Construction in Progress	\$ 30,956.00	\$19,600.00	\$ --	\$ 50,556.00
Subtotal	\$ 30,956.00	\$19,600.00	\$ --	\$ 50,556.00
<u>Depreciable</u>				
Water Sewer Plant	\$1,014,090.00	\$ --	\$ --	\$1,014,090.00
Subtotal	\$1,014,090.00	\$ --	\$ --	\$1,014,090.00
Total Assets	\$1,045,046.00	\$19,600.00	\$ --	\$1,064,646.00

Accumulated Depreciation

<u>Assets</u>	<u>Balance 6-30-12</u>	<u>Depreciation Expense</u>	<u>Retirements</u>	<u>Balance 6-30-13</u>
<u>Depreciable</u>				
Water Sewer Plant	859,811.19	25,352.25	--	885,163.44
Total Accum. Depr.	\$859,811.19	\$25,352.25	\$ --	\$885,163.44

Note 6 – Accounts Receivable

Accounts receivable consists of the following for sewer charges:

Accounts Receivable

June 30, 2013 Billings to Various Companies	\$ 35,463.50
Amount receivable from City of Ashland City (May, 2013)	22,208.85
<u>Total</u>	<u>\$ 57,672.35</u>

Note 7 – Subsequent Events

The Authority has evaluated subsequent events through February 14, 2014, the date in which the financial statements were available to be issued.

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**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 WasteWater Authority
Pleasant View, Tennessee 37146

I have audited, in accordance with the auditing standards generally accepted in the United State 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 Cheatham County Water and WasteWater Authority, a component unit of Cheatham County, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Cheatham County Water and WasteWater Authority's basic financial statements, and have issued my report thereon dated February 14, 2014.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered Cheatham County Water and WasteWater Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cheatham County Water and WasteWater Authority's internal control. Accordingly, I do not express an opinion on the effectiveness of Cheatham County Water and WasteWater 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.

My 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 my audit I did not identify any deficiencies in internal control that I 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 Cheatham County Water and WasteWater 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*.

The purpose of this report is solely to describe the scope of my 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.

February 14, 2014
Cookeville, Tennessee

Tamara L. Beckman, CPA