

# *Financial Statements*

SOUTH BRISTOL-WEAVER PIKE UTILITY DISTRICT

Year Ended November 30, 2019

## TABLE OF CONTENTS

	<u>Page Nos.</u>
INDEPENDENT ACCOUNTANTS' AUDIT REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-6
FINANCIAL STATEMENTS	
Statement of Net Position	7-8
Statement of Revenue, Expenses and Change in Net Position	9-10
Statement of Cash Flows	11-12
Notes to the Financial Statements	13-20
SUPPLEMENTARY INFORMATION	
Long-Term Debt Requirements	21
Changes in Long-Term Debt by Individual Issue	22-23
Utility Rates and Metered Customers	24
Water Utility Reporting Worksheet	25
Water Utility Performance Indicators	26
Principal Officials	27
INTERNAL CONTROL AND COMPLIANCE	
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	28-29
Findings, Recommendations and Management Responses	30-34
Summary Schedule of Prior Year Findings	35
MANAGEMENT'S CORRECTIVE ACTION PLAN	
Management's Corrective Action Plan	36-37

INDEPENDENT ACCOUNTANTS' AUDIT REPORT

Board of Commissioners  
South Bristol-Weaver Pike Utility District  
Bristol, Tennessee

**Report on the Financial Statements**

We have audited the accompanying financial statements of South Bristol-Weaver Pike Utility District, which comprise the statement of net position as of November 30, 2019, the related statement of revenue, expenses and change in net position and statement of cash flows for the year then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of the 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.

***Auditors' Responsibility***

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 of America. 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 auditors' 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 auditors consider internal control relevant to the 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 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 opinion.

### ***Basis for Qualified Opinion***

Due to material weaknesses in internal control, we were unable to satisfy ourselves to the completeness and proper presentation of cash disbursements for the year ended November 30, 2019. Therefore, we were not able to obtain appropriate audit evidence about the expenses presented in the accompanying financial statements.

### ***Qualified Opinion***

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of South Bristol-Weaver Pike Utility District as of November 30, 2019, and the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note I to the financial statements, South Bristol-Weaver Pike Utility District has restated its net position as of November 30, 2018 to correct inventory, customer deposits, capital assets and accumulated depreciation balances, which were recorded incorrectly. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information/Management's Discussion and Analysis***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 to 6 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 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 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 an opinion on the financial statements that collectively comprise South Bristol-Weaver Pike Utility District's financial statements. The accompanying information listed in the table of contents as supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedules of long-term debt requirements, changes in long-term debt by individual issue and management's corrective action plan are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The 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 financial statements as a whole.

The schedules of utility rates and metered customers, principal officials, water utility reporting worksheet and water utility performance indicators have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2021 on our consideration of South Bristol-Weaver Pike Utility District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the operating effectiveness of South Bristol-Weaver Pike Utility District's 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 South Bristol-Weaver Pike Utility District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Mitchell Emert & Hill". The script is cursive and fluid, with the first letters of "Mitchell", "Emert", and "Hill" being capitalized and prominent.

May 17, 2021

## South Bristol-Weaver Pike Utility District

2800 Highway 421 #5

Bristol, TN 37620

(423) 573-4173

### MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the South Bristol-Weaver Pike Utility District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the District's performance during the fiscal year ended November 30, 2019. Please read it in conjunction with the District's financial statements, which follow this section.

#### Overview of the Financial Statements

This annual report includes this management's discussion and analysis report, the independent accountants' audit report and the financial statements of the District. 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 District report information using accounting methods similar to those used by private companies. These statements offer both short-term and long-term financial information about its activities. The *statement of net position* includes all of the District's assets and liabilities and provides information about where the District has invested its resources (assets) and the obligations to the District's credit (liabilities).

All of the current year's revenue and expenses are accounted for in the *statement of revenue, expenses, and change in net position*. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all of its expenses through customer fees.

The final required financial statement is the *statement of cash flows*. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balances during the reporting period.

#### Financial Analysis of the District

One of the most important questions asked about the District's finances is "Is the District better off or worse off as a result of this year's activities?" The *statement of net position* and the *statement of revenue, expenses, and change in net position* report information about the District's activities in a way that will help answer this question. The two statements report the net position of the District and the changes in it. One can think of the District's net position, difference between assets and liabilities, as one way to measure financial health. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. A summary of the District's net position and changes in it is presented below.

## Summarized Financial Information

### NET POSITION

	<u>2019</u>	<u>2018</u>
Current assets	\$ 609,199	\$ 1,540,600
Restricted assets	0	79,860
Utility plant in service, net of accumulated depreciation	<u>1,049,949</u>	<u>2,570,962</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 1,659,147</b></u>	<u><b>\$ 4,191,422</b></u>
Current liabilities	\$ 89,832	\$ 24,357
Long-term liabilities	<u>936,919</u>	<u>1,065,934</u>
	1,026,750	1,090,291
Net position:		
Net investment in capital assets	72,724	1,555,053
Restricted	0	129,885
Unrestricted	<u>559,673</u>	<u>1,416,193</u>
	<u>632,397</u>	<u>3,101,131</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><b>\$ 1,659,147</b></u>	<u><b>\$ 4,191,422</b></u>

### CHANGES IN NET POSITION

Operating revenue	\$ 1,012,716	\$ 1,011,574
Operating expenses	<u>(1,770,628)</u>	<u>(911,325)</u>
Operating (loss)income	(757,913)	100,249
Nonoperating (expense)	<u>(36,931)</u>	<u>(22,612)</u>
<b>CHANGE IN NET POSITION</b>	(794,844)	77,637

### NET POSITION AT THE BEGINNING

<b>OF THE YEAR, as originally reported</b>	3,101,131	3,023,494
Restatement	<u>(1,673,889)</u>	<u>0</u>

### NET POSITION AT THE BEGINNING

<b>OF THE YEAR, as restated</b>	<u>1,427,241</u>	<u>3,023,494</u>
<b>NET POSITION AT THE END OF THE YEAR</b>	<u><b>\$ 632,397</b></u>	<u><b>\$ 3,101,131</b></u>

## **Analysis of Financial Position and Results of Operations**

As can be seen from the summarized financial information, the District's net position decreased by \$794,844 during the year ended November 30, 2019 and increased by \$77,637 during the year ended November 30, 2018. Operating revenue increased at a rate of less than 1% during the year ended November 30, 2019 mainly due to increased water sales. Operating expenses increased at a rate of 93% during the year ended November 30, 2019 mainly due to increased maintenance and repairs.

### **The District's Net Position**

The District completed the year with a net position of \$632,397 which is \$794,844 lower than the prior year ending net position of \$1,427,241 (as restated).

### **Capital Assets**

At November 30, 2019, the District's capital assets amounted to \$1,611,399 with accumulated depreciation of \$561,450. Capital assets include land, waterworks system, vehicles and buildings. During the year ended November 30, 2019 and the year ended November 30, 2018, the District had capital assets additions amounting to \$144,068 and \$539,454, respectively.

Additional information on capital assets can be found in Note D to the financial statements.

### **Debt Administration**

At November 30, 2019 the District had outstanding debt of \$977,225 (\$1,015,909 in 2018) consisting of a Waterworks Revenue Bond, of which the current portion due is \$40,306.

Additional information on debt can be found in Note G to the financial statements.

### **Economic Factors and Future Needs**

The District is located in an area of moderate growth and the prospect of growth in the customer base appears to be likely.

### **Contacting the District's Financial Management**

The discussion and analysis is designed to provide our customers with a general view of the District's finances and to show the District's accountability for the money it receives. If you have any questions or need additional information, you may contact:

James Graham, Chairman  
South Bristol-Weaver Pike Utility District  
2800 Highway 421 #5  
Bristol, TN 37620  
Telephone (423) 573-4173



SOUTH BRISTOL-WEAVER PIKE UTILITY DISTRICT

**STATEMENT OF NET POSITION**

November 30, 2019

**ASSETS**

**CURRENT ASSETS**

Cash	\$	283,045
Certificates of deposit		201,500
Customer accounts receivable, net of allowance for uncollectible accounts of \$5,000		107,266
Materials and supplies		13,453
Prepaid insurance		<u>3,935</u>

**TOTAL CURRENT ASSETS** 609,199

**UTILITY PLANT IN SERVICE**

Land	\$	95,130
Waterworks system		1,235,960
Vehicles		136,713
Buildings		<u>143,596</u>
		1,611,399
Accumulated depreciation		<u>(561,450)</u>
		<u>1,049,949</u>
	\$	<u><u>1,659,147</u></u>

See the accompanying notes to the financial statements.

**LIABILITIES AND NET POSITION****CURRENT LIABILITIES**

Accounts payable	\$	12,865
Sales tax payable		7,437
Accrued interest		764
Customer meter deposits		28,460
Current portion of bonds payable		<u>40,306</u>

**TOTAL CURRENT LIABILITIES** 89,832

**LONG-TERM DEBT**

net of current portion		<u>936,919</u>
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**TOTAL LIABILITIES** 1,026,750

**NET POSITION**

Net investment in capital assets	\$	72,724	
Unrestricted		<u>559,673</u>	<u>632,397</u>
			<u>\$ 1,659,147</u>

SOUTH BRISTOL-WEAVER PIKE UTILITY DISTRICT

**STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION**

Year Ended November 30, 2019

**OPERATING REVENUE**

Sale of water	\$ 1,012,716
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**OPERATING EXPENSES**

Water purchases	\$ 361,393
Salaries and related expenses	162,624
Depreciation	71,099
Repairs	702,945
Supplies	243,639
Professional services	45,624
General insurance	32,032
Management fees	25,561
Office	19,996
Office lease	12,139
Taxes and licenses	3,642
Computer and software	5,854
Utilities	30,988
Miscellaneous	33,681
Dues and subscriptions	2,511
Bank charges	3,053
Postage	13,849

<b>TOTAL OPERATING EXPENSES</b>	<u>1,770,628</u>
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<b>(LOSS) FROM OPERATIONS</b>	(757,913)
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See the accompanying notes to the financial statements.

SOUTH BRISTOL-WEAVER PIKE UTILITY DISTRICT

**STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION**

(continued)

Year Ended November 30, 2019

**NONOPERATING INCOME(EXPENSE)**

Interest income

4,243

Interest expense

(41,175)

(36,931)

**CHANGE IN NET POSITION**

(794,844)

**NET POSITION AT THE BEGINNING OF THE YEAR,**

as restated

1,427,241

**NET POSITION AT THE END OF THE YEAR**

\$ 632,397

SOUTH BRISTOL-WEAVER PIKE UTILITY DISTRICT

**STATEMENT OF CASH FLOWS**

Year Ended November 30, 2019

**CASH PROVIDED(USED) BY  
OPERATING ACTIVITIES**

Cash received from customers	\$ 998,413
Cash paid to employees	(162,624)
Cash paid to suppliers	<u>(1,538,000)</u>

**NET CASH (USED) BY  
OPERATING ACTIVITIES** (702,211)

**CASH (USED) BY CAPITAL AND  
RELATED FINANCING ACTIVITIES**

Acquisition of property and equipment	\$ (261,009)
Principal payments on long-term debt	(38,865)
Interest paid	<u>(41,175)</u>

**NET CASH (USED) BY CAPITAL AND  
RELATED FINANCING ACTIVITIES** (341,049)

**CASH PROVIDED(USED) BY  
INVESTING ACTIVITIES**

Increase in certificates of deposit	(201,500)
Interest received	<u>4,243</u>

**NET CASH (USED) BY  
INVESTING ACTIVITIES** (197,257)

**NET (DECREASE) IN CASH** (1,240,517)

**CASH AT THE BEGINNING OF THE YEAR** 1,523,562

**CASH AT THE END OF THE YEAR** \$ 283,045

See the accompanying notes to the financial statements.

SOUTH BRISTOL-WEAVER PIKE UTILITY DISTRICT

**STATEMENT OF CASH FLOWS**

(continued)

Year Ended November 30, 2019

**RECONCILIATION OF INCOME(LOSS) FROM  
OPERATIONS TO NET CASH PROVIDED(USED)  
BY OPERATING ACTIVITIES**

(Loss) from operations		\$ (757,913)
Adjustments to reconcile (loss) from operations to net cash (used) by operating activities:		
Depreciation	\$ 71,099	
(Increase) in:		
Accounts receivable	(14,303)	
Materials and supplies	(453)	
Increase(decrease) in:		
Customer deposits	2,650	
Taxes payable	(3,291)	
		<u>55,702</u>
<b>NET CASH (USED) BY OPERATING ACTIVITIES</b>		<u><u>\$ (702,211)</u></u>

## SOUTH BRISTOL-WEAVER PIKE UTILITY DISTRICT

### **NOTES TO THE FINANCIAL STATEMENTS**

November 30, 2019

#### **NOTE A - DESCRIPTION OF ORGANIZATION**

The South Bristol-Weaver Pike Utility District (the District) was created on November 6, 1950 by the County Court of Sullivan County, Tennessee for the purpose of operating and maintaining a public water system. The District is governed by a Board of Commissioners, consisting of three individuals being appointed by the County Mayor of Sullivan County, Tennessee. The District has separate legal standing and is fiscally independent of Sullivan County, Tennessee. The District purchases water from two neighboring utility districts.

In December 2020, the District merged with Holston Utility District to create South Fork Utility District.

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

##### **Financial Reporting**

The District uses the economic resources measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included in the statement of net position. The statement of revenue, expenses and change in net position presents increases (revenue) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenue is recognized in the period in which it is earned while expenses are recognized in the period in which the liability is incurred. Revenue is recorded when billed to the customers, based on a monthly meter reading cycle. Revenue is not accrued for usage from the last meter reading date to November 30.

The District distinguishes operating revenue and expenses from nonoperating items. Operating revenue is revenue that is generated from the primary operations of the District. The principal operating revenue of the District is charges to customers for water sales. The District also recognizes as operating revenue the portion of connection fees intended to recover the cost of connecting new customers to the system. All other revenue is reported as nonoperating revenue. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All other expenses are reported as nonoperating expenses.

The District prepares its financial statements in accordance with the GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting reporting purposes into the following three net position groups:

SOUTH BRISTOL-WEAVER PIKE UTILITY DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

November 30, 2019

Net Investment in Capital Assets

This category includes capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. Net investment in capital assets has been calculated as follows:

Capital assets	\$ 1,611,399
Accumulated depreciation	(561,450)
Principal balance on long-term debt	<u>(977,225)</u>
	<u>\$ 72,724</u>

Restricted

This category includes net position whose use is subject to externally imposed stipulations that can either be fulfilled by actions of the District pursuant to those stipulations or that expire by the passage of time. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Unrestricted

This category includes net position that is not subject to externally imposed stipulations and that does not meet the definition of "Restricted" or "Net Investment in Capital Assets". Unrestricted net position may be designated for specific purposes by action of management or the Board of Commissioners or may otherwise be limited by contractual agreements with outside parties.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions they may undertake in the future, actual results could differ from these estimates. Estimates are used when accounting for allowances for uncollectible accounts receivable, depreciation, revenue and contingencies.



SOUTH BRISTOL-WEAVER PIKE UTILITY DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

November 30, 2019

Materials and Supplies

Materials and supplies are stated at cost.

Utility Plant in Service

Utility plant in service of the District is recorded at cost and is defined by the District as assets with a cost of \$100 or more and have a life expectancy of more than 2 years. For the waterworks system, the recorded balances are recorded at estimated cost, based on an engineer's estimates of cost at the date acquired. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset lives are not included in utility plant in service. Improvements which materially add to the value of an asset are capitalized and depreciated over the remaining useful life of the related asset.

Depreciation of all exhaustible utility plant in service is charged as an expense. Accumulated depreciation is reported on the statement of net position. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Waterworks system	50 years
Vehicles	5 years
Buildings	50 years

Allowance for Uncollectible Accounts

Allowance for uncollectible accounts is provided based upon historical trends. Allowance for uncollectible accounts at November 30, 2019 was \$5,000.

SOUTH BRISTOL-WEAVER PIKE UTILITY DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

November 30, 2019

Economic Dependency

The District purchases all of its water from either the City of Bristol, Tennessee or the Bristol-Bluff City Utility District. Should the District lose access to either of these sources or if the rates were raised significantly, it could have a detrimental effect on the District.

**NOTE C - CASH AND INVESTMENTS**

Investments that have initial maturities of three months or less at the date of purchase are classified as cash equivalents. Cash represents money on deposit in various banks. Cash and investments are state at cost, which approximates market value. A summary of cash balances is as follows:

Unrestricted	\$ 283,045
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State of Tennessee law authorizes the District to invest in obligations of the United States of America or its agencies, nonconvertible debt securities of certain federal agencies, other obligations guaranteed as to principal and interest by the United States of America or any of its agencies, secured certificates of deposit and other evidences of deposit in state and federal banks and savings and loan associations, and the Tennessee Department of Treasury Local Government Investment Pool (the LGIP). The LGIP contains investments in certificates of deposits, U.S. Treasury securities and repurchase agreements, backed by the U.S. Treasury securities. The Treasurer of the State of Tennessee administers the investment pool.

All deposits with financial institutions in excess of Federal Deposit Insurance Corporation (FDIC) limits are required to be secured by one of two methods. Excess funds can be deposited with a financial institution that participates in the State of Tennessee Bank Collateral Pool. For deposits with financial institutions that do not participate in the State of Tennessee Bank Collateral Pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits.

All cash and cash equivalent balances at November 30, 2019 were entirely insured by the Federal Deposit Insurance Corporation or the State of Tennessee Bank Collateral Pool.

SOUTH BRISTOL-WEAVER PIKE UTILITY DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

November 30, 2019

**NOTE D – UTILITY PLANT IN SERVICE**

Utility plant in service activity for the year ended November 30, 2019 was as follows:

	<u>Balance</u> <u>12/1/18</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>11/30/19</u>
<u>Capital assets not being depreciated</u>				
Land	\$ 95,130	\$ 0	\$ 0	\$ 95,130
<u>Capital assets being depreciated</u>				
Waterworks system	1,190,919	45,041	0	1,235,960
Vehicles	22,049	114,664	0	136,713
Buildings	<u>42,292</u>	<u>101,304</u>	<u>0</u>	<u>143,596</u>
	1,255,260	261,009	0	1,516,269
<u>Accumulated depreciation</u>				
Waterworks system	(469,881)	(58,668)	0	(528,549)
Vehicles	(17,600)	(9,559)	0	(27,159)
Buildings	<u>(2,872)</u>	<u>(2,872)</u>	<u>0</u>	<u>(5,744)</u>
	<u>(490,353)</u>	<u>(71,099)</u>	<u>0</u>	<u>(561,450)</u>
	<u>\$ 860,037</u>	<u>\$ 189,910</u>	<u>\$ 0</u>	<u>\$ 1,049,949</u>

The balances as of December 1, 2018 have been restated to correct errors in the balances previously reported.

**NOTE E - RISK MANAGEMENT**

The District is exposed to various risks of losses related to torts; theft, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for all risks of loss, including general liability and workers' compensation coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

SOUTH BRISTOL-WEAVER PIKE UTILITY DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

November 30, 2019

**NOTE F – LEASE OBLIGATIONS**

During the year ended November 30, 2019, the District began leasing an office building from its contracted manager. The duration of this lease is twenty years and annual lease payments are \$1,125. Rent expense for the year ended November 30, 2019 was \$12,127. Future minimum lease payments as of November 30, 2019 are as follows:

<u>Year Ending November 30:</u>	<u>Totals</u>
2020	\$ 13,500
2021	13,500
2022	13,500
2023	13,500
2024	13,500
Thereafter	<u>210,375</u>
	<u><u>\$ 277,875</u></u>

Subsequent to November 30, 2019 the landlord waived the rent due under this lease.

**NOTE G - LONG-TERM DEBT**

Long-term debt at November 30, 2019 consisted of the following:

Waterworks Revenue Bond, Series 2003, interest rate of 4.125%, principal and interest due in monthly installments of \$6,655 through 2036	\$ 977,225
Less current maturities	<u>(40,306)</u>
	<u><u>\$ 936,919</u></u>

The bonds are secured by a pledge of the revenue of the District. Interest costs incurred for the year ended December 31, 2019 was \$41,175, all of which was charged to expense.

SOUTH BRISTOL-WEAVER PIKE UTILITY DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

November 30, 2019

Future maturities of bonds payable are as follows:

<u>Year Ending November 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2020	\$ 40,306	\$ 39,554	\$ 79,860
2021	42,000	37,860	79,860
2022	43,766	36,094	79,860
2023	45,606	34,254	79,860
2024	47,523	32,337	79,860
2025	49,521	30,339	79,860
2026	51,603	28,257	79,860
2027	53,772	26,088	79,860
2028	56,032	23,828	79,860
2029	58,388	21,472	79,860
2030	60,843	19,017	79,860
2031	63,400	16,460	79,860
2032	66,066	13,794	79,860
2033	68,843	11,017	79,860
2034	71,737	8,123	79,860
2035	74,753	5,107	79,860
2036	<u>83,067</u>	<u>1,983</u>	<u>85,050</u>
	<u>\$ 977,225</u>	<u>\$ 385,585</u>	<u>\$ 1,362,810</u>

Changes in long-term debt for the year ended November 30, 2019 were as follows:

	<u>Balance 12/1/18</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance 11/30/19</u>	<u>Amounts Due Within One Year</u>
Waterworks Revenue					
Bond, Series 2003	<u>\$ 1,015,909</u>	<u>\$ 0</u>	<u>\$ 38,684</u>	<u>\$ 977,225</u>	<u>\$ 40,306</u>

The Waterworks Revenue Bond agreement does not include terms related to significant events of default with finance-related consequences, termination events with finance-related consequences or subjective acceleration clauses.

SOUTH BRISTOL-WEAVER PIKE UTILITY DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

November 30, 2019

**NOTE H – SUBSEQUENT EVENTS**

During March 2020, a public health crisis related to the rapidly growing outbreak of a novel strain of coronavirus (COVID-19) gained momentum, significantly impacting the national, state and local economies. While these events do not directly impact the accompanying financial statements for the year ended November 30, 2019, the current situation is rapidly changing and the District management is in the process of evaluating the financial position, liquidity and results of operations of the District.

**NOTE I - RESTATEMENT**

Net position at November 30, 2018 has been restated to correct inventory, customer deposits and capital asset balances recorded in error:

Balance at November 30, 2018, as originally reported	\$ 3,101,131
Inventory	13,000
Customer deposits	24,215
Capital assets	<u>(1,711,104)</u>
Balance at November 30, 2018, as restated	<u>\$ 1,427,241</u>

Due to the lack of accounting records, the effect on the change in net position for the year ended November 30, 2018 could not be determined.

**NOTE J – INVESTIGATIVE AUDIT**

In November 2019, the Tennessee Comptroller of the Treasury's Division of Investigations began an investigation into the accounting records of the District. The investigative audit is still ongoing and the Division of Investigations has not released their report. Therefore, management is unable to determine what the outcome of the investigation will be, or the impact, if any, it will have on the financial statements.

## SUPPLEMENTARY INFORMATION

SOUTH BRISTOL-WEAVER PIKE UTILITY DISTRICT

**LONG-TERM DEBT REQUIREMENTS**

November 30, 2019

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Waterworks Revenue Bond, Series 2003, 4.125%			
<u>Year Ending November 30:</u>			
2020	\$ 40,306	\$ 39,554	\$ 79,860
2021	42,000	37,860	79,860
2022	43,766	36,094	79,860
2023	45,606	34,254	79,860
2024	47,523	32,337	79,860
2025	49,521	30,339	79,860
2026	51,603	28,257	79,860
2027	53,772	26,088	79,860
2028	56,032	23,828	79,860
2029	58,388	21,472	79,860
2030	60,843	19,017	79,860
2031	63,400	16,460	79,860
2032	66,066	13,794	79,860
2033	68,843	11,017	79,860
2034	71,737	8,123	79,860
2035	74,753	5,107	79,860
2036	83,067	1,983	85,050
	<u>\$ 977,225</u>	<u>\$ 385,585</u>	<u>\$ 1,362,810</u>

See the accompanying independent accountants' audit report.



SOUTH BRISTOL-WEAVER PIKE UTILITY DISTRICT

**CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE**

November 30, 2019

<u>Description of Indebtedness</u>	<u>Original Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Issue</u>
Waterworks Revenue Bond, Series 2003	<u>\$ 1,300,000</u>	4.125 %	8/25/2005

See the accompanying independent accountant's audit report.

<u>Last Maturity Date</u>	<u>Outstanding 12/1/2018</u>	<u>Issued During Period</u>	<u>Paid and/or Matured During Period</u>	<u>Refunded During Period</u>	<u>Outstanding 11/30/2019</u>
11/30/2036	<u>\$ 1,015,909</u>	<u>\$ 0</u>	<u>\$ 38,684</u>	<u>\$ 0</u>	<u>\$ 977,225</u>

SOUTH BRISTOL-WEAVER PIKE UTILITY DISTRICT

**UTILITY RATES AND METERED CUSTOMERS**

November 30, 2019

**Utility Rates**

Residential:

First 1,500 gallons (minimum bill)	\$ 15.25
Over 1,500 gallons (per thousand)	7.30

Schools:

First 10,000 gallons (minimum bill)	\$ 63.25
Over 10,000 gallons (per thousand)	6.20

Trailer Parks:

First 1,500 gallons (minimum bill)	\$ 15.25
Over 1,500 gallons (per thousand)	7.30

Holston Utility District (per thousand)

\$ 1.89

East Fire Department (per thousand)

\$ 1.79

**Number of metered customers**

2,257

See the accompanying independent accountants' audit report.



# AWWA Free Water Audit Software: Reporting Worksheet

W ASv5.0  
American Water Works Association  
Copyright © 2014. All Rights Reserved.

Water Audit Report for: **South Bristol-Weaver Pike Utility District (00000644)**  
Reporting Year: **2019** **12/2018 - 11/2019**

Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (n/a or 1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades.

**All volumes to be entered as: MILLION GALLONS (US) PER YEAR**

To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds all criteria for that grade and all grades below it.

## WATER SUPPLIED

Volume from own sources:     MG/Yr  
Water imported:     MG/Yr  
Water exported:     MG/Yr

Master Meter and Supply Error Adjustments

Enter grading in column 'E' and 'J' -----> Pcnt:    Value:

Enter negative % or value for under-registration  
Enter positive % or value for over-registration

**WATER SUPPLIED:**  MG/Yr

## AUTHORIZED CONSUMPTION

Billed metered:     MG/Yr  
Billed unmetered:     MG/Yr  
Unbilled metered:     MG/Yr  
Unbilled unmetered:     MG/Yr

Default option selected for Unbilled unmetered - a grading of 5 is applied but not displayed

**AUTHORIZED CONSUMPTION:**  MG/Yr

Click here:  for help using option buttons below

Pcnt:  Value:  MG/Yr

Use buttons to select percentage of water supplied OR value

Pcnt:  Value:  MG/Yr

MG/Yr

## WATER LOSSES (Water Supplied - Authorized Consumption)

MG/Yr

### Apparent Losses

Unauthorized consumption:     MG/Yr

Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed

Customer metering inaccuracies:     MG/Yr  
Systematic data handling errors:     MG/Yr

Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed

**Apparent Losses:**  MG/Yr

### Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses:  MG/Yr

**WATER LOSSES:**  MG/Yr

## NON-REVENUE WATER

**NON-REVENUE WATER:**  MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

## SYSTEM DATA

Length of mains:     miles  
Number of active AND inactive service connections:      
Service connection density:     conn./mile main

Are customer meters typically located at the curbside or property line?

Average length of customer service line:    (length of service line, beyond the property boundary, that is the responsibility of the utility)

Average length of customer service line has been set to zero and a data grading score of 10 has been applied

Average operating pressure:     psi

## COST DATA

Total annual cost of operating water system:     \$/Year  
Customer retail unit cost (applied to Apparent Losses):     \$/1000 gallons (US)  
Variable production cost (applied to Real Losses):     \$/Million gallons ☐ Use Customer Retail Unit Cost to value real losses

## WATER AUDIT DATA VALIDITY SCORE:

**\*\*\* YOUR SCORE IS: 81 out of 100 \*\*\***

A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score

## PRIORITY AREAS FOR ATTENTION:

Based on the information provided, audit accuracy can be improved by addressing the following components:

- 1: Water imported
- 2: Unauthorized consumption
- 3: Systematic data handling errors

See the accompanying independent accountants' audit report.



# AWWA Free Water Audit Software: System Attributes and Performance Indicators

W AS v5.0  
American Water Works Association  
Copyright © 2014, All Rights Reserved.

Water Audit Report for: **South Bristol-Weaver Pike Utility District (00000644)**

Reporting Year: **2019** **12/2018 - 11/2019**

**\*\*\* YOUR WATER AUDIT DATA VALIDITY SCORE IS: 81 out of 100 \*\*\***

## System Attributes:

Apparent Losses:	<b>2.486</b>	MG/Yr
+	Real Losses:	<b>63.248</b> MG/Yr
=	<b>Water Losses:</b>	<b>65.735</b> MG/Yr

**?** Unavoidable Annual Real Losses (UARL): **18.09** MG/Yr

Annual cost of Apparent Losses: **\$22,153**

Annual cost of Real Losses: **\$119,259**

Valued at **Variable Production Cost**

Return to Reporting Worksheet to change this assumption

## Performance Indicators:

Financial:

Non-revenue water as percent by volume of Water Supplied: **31.0%**

Non-revenue water as percent by cost of operating system: **10.0%**

Real Losses valued at Variable Production Cost

Operational Efficiency:

Apparent Losses per service connection per day: **2.96** gallons/connection/day

Real Losses per service connection per day: **75.34** gallons/connection/day

Real Losses per length of main per day\*: **N/A**

Real Losses per service connection per day per psi pressure: **1.00** gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL): **63.25** million gallons/year

**?** Infrastructure Leakage Index (ILI) [CARL/UARL]: **3.50**

\* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline

See the accompanying independent accountants' audit report.

SOUTH BRISTOL-WEAVER PIKE UTILITY DISTRICT

**PRINCIPAL OFFICIALS**

November 30, 2019

**Board of Commissioners**

James Graham, President  
Michael Phillippi, Secretary  
Tim Leonard, Commissioner

**Manager**

Garry Smith

**Office Manager**

Denise Jordan

See the accompanying independent accountants' audit report.

INTERNAL CONTROL

AND

COMPLIANCE

INDEPENDENT ACCOUNTANTS' 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*

Board of Commissioners  
South Bristol-Weaver Pike Utility District  
Bristol, Tennessee

We were engaged to audit, 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 of America, the financial statements of South Bristol-Weaver Pike Utility District, as of and for the year ended November 30, 2019, and the related notes to the financial statements, and have issued our report thereon dated May 17, 2021. Our report was qualified due to a lack of internal control over disbursements.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered South Bristol-Weaver Pike Utility District'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of South Bristol-Weaver Pike Utility District's internal control. Accordingly, we do not express an opinion on the effectiveness of South Bristol-Weaver Pike Utility District's internal control.

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 significant deficiencies. However, as described in the accompanying schedule of findings, recommendations and management responses, we did identify certain deficiencies in internal control that we consider to be a material weaknesses.



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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of South Bristol-Weaver Pike Utility District'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. We consider the deficiencies described in the accompanying schedule of findings, recommendations and management responses as finding numbers 2019-001, 2019-002, and 2019-003 to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether South Bristol-Weaver Pike Utility District'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 the deficiencies described in the accompanying schedule of findings, recommendations and management responses as finding numbers 2019-001 and 2019-002 to be instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Response to the Findings**

South Bristol-Weaver Pike Utility District's responses to the findings identified in our audit are described in the accompanying schedule of findings, recommendations and management responses. South Bristol-Weaver Pike Utility District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **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 South Bristol-Weaver Pike Utility District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering South Bristol-Weaver Pike Utility District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Mitchell Emert & Hill". The script is cursive and fluid, with the ampersand clearly visible between the two names.

May 17, 2021

## SOUTH BRISTOL-WEAVER PIKE UTILITY DISTRICT

### **FINDINGS, RECOMMENDATIONS AND MANAGEMENT RESPONSES**

Year Ended November 30, 2019

#### Finding Number 2019-001 - Disbursements

*Condition:* Management did not have sufficient internal control over disbursements to ensure they were proper.

- A substantial amount was paid to two companies owned by the individual contracted to manage the District (who is a former commissioner of the District). There was no written contract for the services to be provided and no indication that the Board of Commissioners had approved the work to be performed. Competitive bids were not obtained before this work was awarded to the companies. Invoices to support some checks written to these companies could not be located. Invoices examined did not always include a complete description of the work performed. Due to the different format of invoices we examined and other documents, it was unclear if the invoices on file were prepared by the companies or by District personnel. We noted a few invoices, which had a notation that \$10,000 was being deducted for the contract manager's truck. The Board of Commissioners minutes indicate approval of this arrangement to allow the contracted manager to drive a vehicle owned by the District and the manager to pay part of the cost of the vehicle.
- In addition to the work described above, competitive bids were not obtained for the purchase and installation of new water meters (total cost was \$435,850), a metal building (\$39,245) and metal doors for the building (\$16,901).
- The contracted manager was included on the District's group health insurance plan. The premiums paid on his behalf were not included in his taxable compensation reported on form 1099. The health insurance policy agreement does not permit anyone other than employees to be included in the plan.
- Commissioners received \$250 per month as compensation; however, the amounts were paid without deducting payroll taxes. The amounts were paid and reported as if the commissioners were independent contractors, which is contrary to guidance from the Internal Revenue Service.

*Cause:* Unknown

*Criteria:* Sound internal controls, compliance with state law on bidding, and compliance with Internal Revenue Service guidance.

*Effect or potential effect:* Lack of documentation on the work performed and inability to verify the work that was billed and paid. In addition, there is a possibility that the work could have been obtained with a lower cost.

## SOUTH BRISTOL-WEAVER PIKE UTILITY DISTRICT

### **FINDINGS, RECOMMENDATIONS AND MANAGEMENT RESPONSES**

Year Ended November 30, 2019

*Recommendation:* The Board of Commissioners should establish sufficient internal controls over the disbursement process. This would include making sure there is adequate documentation of the goods or services provided before an invoice is paid and ensuring purchases that exceed the bid limit are based on competitive bidding. Health insurance coverage should be limited to those eligible under the plan. The Commissioners should be paid as employees and not as independent contractors.

*Management Response:* We concur with this finding. In August 2019, the Board of Commissioners terminated the contract with the organization that had been hired to manage the day-to-day operations of the District. Soon after that, all office employees resigned with little notice. In order to keep the system functioning and to make much-needed repairs to the system, we hired a contractor known to the board and with experience in utility systems to perform these tasks. Even selecting this contractor, it was a difficult transition due to the backlog of repairs needed and the departure of our office staff. The Board was not aware of the amount of deferred maintenance of the system until we hired the contractor.

We immediately noticed the water meters were old and many were not functioning properly, resulting in revenue loss to the District. The Board decided to replace all meters and to do so quickly. We needed space for our inventory and equipment and moved quickly to construct a building for this purpose. The roads to the two water tanks were in need of repair. We installed a water line to service the county's new middle school. The District purchased water for our use and sold water to Holston Utility District, therefore a new line connection was installed to improve the flow and pressure. We hired the same contractor for all this work since he had the employees, equipment and experience to get the work completed timely. We now understand that this work should have been bid.

We were not aware that it was a conflict for the contracted manager to be on the District's health insurance plan. He was subsequently hired as an employee, so this has been resolved. We were also not aware that commissioners should be paid as employees and that was corrected in July 2020.

In retrospect, we tried to do too much too soon and did not follow guidelines correctly, but will do so in the future. Currently all orders, invoices, labor time sheets and payroll are reviewed each Friday and checks are signed by a commissioner and the office manager/bookkeeper.

## SOUTH BRISTOL-WEAVER PIKE UTILITY DISTRICT

### **FINDINGS, RECOMMENDATIONS AND MANAGEMENT RESPONSES**

Year Ended November 30, 2019

#### Finding Number 2019-002 - Financial Oversight

*Condition:* Management did not have sufficient internal control over the financial reporting process. There are inadequate controls in place to ensure that the financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. Examples of the lack of financial oversight include:

- There was no accounting procedures manual or purchasing policies in place, as required by state law. Purchase orders were not used.
- The minutes of meetings of the Board of Commissioners did not indicate that the Board of Commissioners approved an annual budget or reviewed and approved monthly financial reports. A few of the minutes were not signed.
- There was no list of property and equipment owned by the District and no documentation of depreciation taken on the property and equipment. As a result, management created the records using actual cost when readily available and estimated costs when needed. Based on the list of property and equipment provided by management, the District's net position at December 1, 2018 had to be restated to reduce total net position by more than \$1,700,000.
- Bank statements were not on file at the District's offices for all accounts and all months. Management had to request duplicate statements from the banks.
- Financial statements of the District were not printed in the local newspaper within 90 days of year-end, as required by state law.
- There was no indication that management or the Board of Commissioners regularly monitored water loss (the difference in the number of gallons purchased and gallons sold). That difference was approximately 30% during the year.
- The audit adjustments for the prior year had not been recorded in the accounting records.
- There was no documentation that the general ledger balance for accounts receivable was reconciled to the detailed records by customer.

*Cause:* During the prior fiscal year, the Board of Commissioners terminated the contract with its management company and had relied on that company and prior auditors to ensure the District was being operated properly.

*Criteria:* Sound internal controls over financial reporting.

*Effect or potential effect:* Lack of compliance with state law and with sound internal controls.

## SOUTH BRISTOL-WEAVER PIKE UTILITY DISTRICT

### **FINDINGS, RECOMMENDATIONS AND MANAGEMENT RESPONSES**

Year Ended November 30, 2019

*Recommendation:* The Board of Commissioners should establish sufficient internal controls over the financial reporting process. The Board of Commissioners should adopt a procedures manual and a purchasing policy that requires the use of purchase orders. Minutes of the Board of Commissioners meetings should include all actions taken by the Board of Commissioners and should always be signed by the Board of Commissioners. The Board of Commissioners should approve an annual budget and monthly financial reports. Bank statements and other accounting records should be retained at the District office. Management should ensure that the financial statements are printed in the newspaper, as required by state law. The Board of Commissioners should monitor water loss on a monthly basis and significant variances should be investigated and resolved. Audit adjustments should be recorded to the accounting records. Accounts receivable balances should be reconciled between the detailed records and the general ledger.

*Management Response:* We concur. We have established accounting procedures and a purchasing policy. The prior month's board minutes are approved and signed at the beginning of each meeting. The Board approved a budget for the current year and now receives and reviews financial reports at each meeting. We will ensure all accounting records are maintained at our office.

We were unaware of the requirement to print our financial statements in the newspaper and will do that in the future. Water loss and financials are being tracked and graphs are posted at the office and will be reviewed at each board meeting. The Board was unaware that the prior year audit adjustments had not been recorded and that the recorded receivables balance was not being reconciled.

#### Finding Number 2019-003 – Segregation of Duties (uncorrected from prior year)

*Condition:* There was a lack of segregation of duties in that the same person received cash payments, created the customer billings and adjustments, and posted the payments to the customers' accounts. The same individual also maintained the accounting records for the District. This is uncorrected from the prior audit.

*Cause:* This condition is a result of the limited personnel available.

*Criteria:* Sound internal controls include the division of accounting responsibilities to help mitigate the possibility of fraud, misappropriation of assets and improper financial reporting.

*Effect or potential effect:* A lack of segregation of duties could result in misappropriation of assets or fraudulent financial reporting.

SOUTH BRISTOL-WEAVER PIKE UTILITY DISTRICT

**FINDINGS, RECOMMENDATIONS AND MANAGEMENT RESPONSES**

Year Ended November 30, 2019

*Recommendation:* Accounting duties should be divided among existing personnel to ensure proper segregation of duties. The Board of Commissioners should consider the cost and benefit of adding additional staff members to ensure that proper segregation of duties exists.

*Management Response:* We concur. We have divided up duties as best we can with existing employees. We have instituted a procedure of one employee receiving the payments, one posting the payment to the customer account and another one who reconciles the postings. Only the accounting manager or utility manager may take the money to the bank.

We do not think we can afford to hire additional staff solely for segregation of duties, but will consider that in the future.

SOUTH BRISTOL-WEAVER PIKE UTILITY DISTRICT  
**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**

Year Ended November 30, 2019

Financial Statement Findings

<u>Finding Number</u>	<u>Finding Title</u>	<u>Status</u>
2018-001	Lack of Adequate Segregation of Duties	Repeated/2019-001

MANAGEMENT'S CORRECTIVE ACTION PLAN



## **MANAGEMENT'S CORRECTIVE ACTION PLAN**

South Bristol-Weaver Pike Utility District respectfully submits the following management's corrective action plan for the year ended November 30, 2019. The findings from the November 30, 2019 schedule of findings, recommendations and management responses are discussed below. Questions concerning the information provided in this corrective action plan or requests for additional information should be addressed to South Bristol-Weaver Pike Utility District.

Jim Graham, Chair, Board of Commissioners  
South Bristol-Weaver Pike Utility District  
2800 Highway 421 #5  
Bristol, TN 37620  
Telephone 423-573-4173

### **Finding Number 2019-001 - Disbursements**

*Recommendation:* The Board of Commissioners should establish sufficient internal controls over the disbursement process. This would include making sure there is adequate documentation of the goods or services provided before an invoice is paid and ensuring purchases that exceed the bid limit are based on competitive bidding. Health insurance coverage should be limited to those eligible under the plan. The Commissioners should be paid as employees and not as independent contractors.

*Action Taken:* We concur with this finding. In August 2019, the Board of Commissioners terminated the contract with the organization that had been hired to manage the day-to-day operations of the District. Soon after that, all office employees resigned with little notice. In order to keep the system functioning and to make much-needed repairs to the system, we hired a contractor known to the board and with experience in utility systems to perform these tasks. Even selecting this contractor, it was a difficult transition due to the backlog of repairs needed and the departure of our office staff. The Board was not aware of the amount of deferred maintenance of the system until we hired the contractor.

We immediately noticed the water meters were old and many were not functioning properly, resulting in revenue loss to the District. The Board decided to replace all meters and to do so quickly. We needed space for our inventory and equipment and moved quickly to construct a building for this purpose. The roads to the two water tanks were in need of repair. We installed a water line to service the county's new middle school. The District purchased water for our use and sold water to Holston Utility District, therefore a new line connection was installed to improve the flow and pressure. We hired the same contractor for all this work since he had the employees, equipment and experience to get the work completed timely. We now understand that this work should have been bid.

We were not aware that it was a conflict for the contracted manager to be on the District's health insurance plan. He was subsequently hired as an employee, so this has been resolved. We were also not aware that commissioners should be paid as employees and that was corrected in July 2020.

In retrospect, we tried to do too much too soon and did not follow guidelines correctly, but will do so in the future. Currently all orders, invoices, labor time sheets and payroll are reviewed each Friday and checks are signed by a commissioner and the office manager/bookkeeper.

Finding Number 2019-002 - Financial Oversight

*Recommendation:* The Board of Commissioners should establish sufficient internal controls over the financial reporting process. The Board of Commissioners should adopt a procedures manual and a purchasing policy that requires the use of purchase orders. Minutes of the Board of Commissioners meetings should include all actions taken by the Board of Commissioners and should always be signed by the Board of Commissioners. The Board of Commissioners should approve an annual budget and monthly financial reports. Bank statements and other accounting records should be retained at the District office. Management should ensure that the financial statements are printed in the newspaper, as required by state law. The Board of Commissioners should monitor water loss on a monthly basis and significant variances should be investigated and resolved. Audit adjustments should be recorded to the accounting records. Accounts receivable balances should be reconciled between the detailed records and the general ledger.

*Action Taken:* We concur. We have established accounting procedures and a purchasing policy. The prior month's board minutes are approved and signed at the beginning of each meeting. The Board approved a budget for the current year and now receives and reviews financial reports at each meeting. We will ensure all accounting records are maintained at our office.

We were unaware of the requirement to print our financial statements in the newspaper and will do that in the future. Water loss and financials are being tracked and graphs are posted at the office and will be reviewed at each board meeting. The Board was unaware that the prior year audit adjustments had not been recorded and that the recorded receivables balance was not being reconciled.

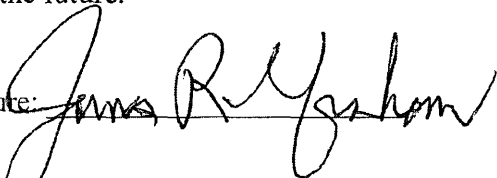
Finding Number 2019-003 – Segregation of Duties (uncorrected from prior year)

*Recommendation:* Accounting duties should be divided among existing personnel to ensure proper segregation of duties. The Board of Commissioners should consider the cost and benefit of adding additional staff members to ensure that proper segregation of duties exists.

*Action Taken:* We concur. We have divided up duties as best we can with existing employees. We have instituted a procedure of one employee receiving the payments, one posting the payment to the customer account and another one who reconciles the postings. Only the accounting manager or utility manager may take the money to the bank.

We do not think we can afford to hire additional staff solely for segregation of duties, but will consider that in the future.

Signature:



Title:

CHAIR, BOARD OF COMMISSIONERS  
SOUTH BRISTOL - WEAVER PIKE UTILITY DISTRICT