

**AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

**25 UTILITY DISTRICT
OF SMITH COUNTY, TENNESSEE**

**FOR THE YEAR ENDED
December 31, 2023**

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INTRODUCTORY SECTION (UNAUDITED)

**25 UTILITY DISTRICT OF SMITH COUNTY, TENNESSEE
ROSTER OF DISTRICT OFFICIALS
December 31, 2023**

Board of Commissioners

George McDonald	President
Chris McCall	
David Gregory	

Management

Jimmy Mullinax	Office Manager
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FINANCIAL SECTION

ALBERT R. DICUS

Certified Public Accountant

Member: AICPA; TSCPA

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
25 Utility District of
Smith County, Tennessee
Carthage, Tennessee

Report on the Financial Statements

Opinions

I have audited the accompanying financial statements of 25 Utility District of Smith County, Tennessee, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the district's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 25 Utility District as of December 31, 2023, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

I have 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of 25 Utility District and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 25 Utility District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, I

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 25 Utility District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about 25 Utility District's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that I identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages 10 through 16 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise 25 Utility District’s basic financial statements. The accompanying condensed comparative statements of net position; the condensed comparative statements of revenues, expenses, and changes in net position; and the schedule of changes in long-term debt by individual issue are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic 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 my opinion the supplementary information of 25 Utility District is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

I have also previously audited, in accordance with auditing standards generally accepted in the United States of America, the 25 Utility District’s basic financial statements for the year ended December 31, 2022, which are not presented with the accompanying financial statements, and have issued my report thereon dated August 7, 2023, which contains an unmodified opinion on the financial statements. That audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the 25 Utility District’s basic financial statements as a whole. The “Supplementary Information” for the year ended December 31, 2022, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2022 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended December 31, 2022.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and other financial information sections but does not include the basic financial statements and my auditor's report thereon. My opinion on the basic financial statements does not cover the other information, and I do not express an opinion or any form of assurance thereon.

In connection with my audit of the basic financial statements, my responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, I conclude that an uncorrected material misstatement of the other information exists, I am required to describe it in my report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated July 1, 2024, on my consideration of the 25 Utility District'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 solely 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 the effectiveness of the 25 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 25 Utility District's internal control over financial reporting and compliance.



Certified Public Accountant

Sparta, Tennessee
July 1, 2024

25 UTILITY DISTRICT
293 DIXON SPRINGS HWY.
CARTHAGE, TENNESSEE 37030

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the financial statements allows management an opportunity to discuss and analyze the financial condition of the 25 Utility District of Smith County, Tennessee (the district). Summary financial statement data, key financial and operational indicators used in the district's budget, bond resolutions and other management tools were used for this analysis. This information should be read in conjunction with the accompanying financial statements and report of the independent auditor, Albert R. Dicus, CPA.

SUMMARY OF ORGANIZATION AND BUSINESS

The 25 Utility District of Smith County, Tennessee, was created on January 22, 1966, by decree of the County Court of Smith County, Tennessee, pursuant to title 6, Sections 2601-2636, Tennessee Code Annotated, as amended, to provide water services for portions of the 1st, 3rd, 4th and 21st civil districts of Smith County, Tennessee, as authorized by the Utility District Act of 1937.

A Board of Commissioners composed of three citizens who live or own real estate within the district governs the Board. The Smith County Mayor appoints its new members for a term of four years.

The district's capital assets consist primarily of the district's water lines and mains.

The district receives no financial support from Smith County, Tennessee and has no taxing authority. The district's revenues are derived from water based upon metered water consumption of customers. The water rates are established by the Board of Commissioners.

THE ANNUAL FINANCIAL STATEMENTS

The financial statements report information about the district using full accrual accounting methods as utilized by similar business activities in the private sector. However, rate regulated accounting principles applicable to the private sector utilities are not used by government utilities.

The financial statements include a statement of net position; a statement of revenues, expenses, and changes in net position; a statement of cash flows; and notes to the financial statements. The statement of net position presents the financial position of the district on a full accrual basis of accounting. While the statement of net position provides information about the nature and amount of resources and obligations at year-end, the statement of revenues, expenses and changes in net position presents the results of the business activities over the course of the fiscal year and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. The statement also provides certain information about the district's recovery of its costs. The district's rates are based on a cost of service rate study that is updated periodically.

The statement of cash flows presents changes in cash and cash equivalents, resulting from operational, financing, and investing activities. This statement presents cash receipts and cash disbursement information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the district's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

The following comparative condensed financial statements and other selected information provides key financial data and indicators for management, monitoring, and planning.

**TWENTY-FIVE UTILITY DISTRICT
OF SMITH COUNTY, TENNESSEE
CONDENSED STATEMENTS OF NET POSITION
DECEMBER 31, 2023 and DECEMBER 31, 2022**

ASSETS	2023	2022	Variance	
			Amount	%
Current Assets	\$ 464,846.14	\$ 735,798.07	\$ (270,951.93)	-36.82%
Capital Assets	1,376,107.13	1,050,232.37	325,874.76	31.03%
Other	755.00	5.00	750.00	15000.00%
TOTAL ASSETS	\$ 1,841,708.27	\$ 1,786,035.44	\$ 55,672.83	3.12%
LIABILITIES				
Current Liabilities	\$ 107,863.95	\$ 86,686.51	\$ 21,177.44	24.43%
Noncurrent Liabilities	227,852.00	248,636.00	(20,784.00)	-8.36%
TOTAL LIABILITIES	335,715.95	335,322.51	393.44	0.12%
NET POSITION				
Net investment in capital assets	\$ 1,104,679.22	\$ 781,358.37	\$ 323,320.85	41.38%
Restricted	22,620.00	22,620.00	-	0.00%
Unrestricted	378,693.10	646,734.56	(268,041.46)	-41.45%
TOTAL NET POSITION	\$ 1,505,992.32	\$ 1,450,712.93	\$ 55,279.39	3.81%

**TWENTY-FIVE UTILITY DISTRICT
OF SMITH COUNTY, TENNESSEE
CONDENSED STATEMENT OF REVENUES, EXPENSES & CHANGE IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2023 and DECEMBER 31, 2022**

	<u>2023</u>	<u>2022</u>	<u>Variance</u>	
			<u>Amount</u>	<u>%</u>
Operating revenues:				
Water sales (net of bad debts)	\$ 533,663.34	\$ 495,711.99	\$ 37,951.35	7.66%
Forfeited discounts	7,131.10	7,640.01	(508.91)	-6.66%
Tap fees	6,000.00	12,100.00	(6,100.00)	-50.41%
Miscellaneous revenue	3,942.41	3,379.35	563.06	16.66%
Total operating revenues	<u>\$ 550,736.85</u>	<u>\$ 518,831.35</u>	<u>\$ 31,905.50</u>	<u>6.15%</u>
Non-operating revenues:				
Recovery of bad debts	-	-	-	0.00%
Interest income	11,245.33	1,837.54	9,407.79	511.98%
Total Revenues	<u>\$ 561,982.18</u>	<u>\$ 520,668.89</u>	<u>\$ 41,313.29</u>	<u>7.93%</u>
Operating expenses:				
Water Operations	\$ 338,647.24	\$ 332,800.22	\$ 5,847.02	1.76%
General and Administrative and Other	124,829.33	115,888.61	8,940.72	7.71%
Depreciation	40,628.22	35,242.99	5,385.23	15.28%
Total operating expenses	<u>\$ 504,104.79</u>	<u>\$ 483,931.82</u>	<u>\$ 20,172.97</u>	<u>4.17%</u>
Non-operating expenses:				
Interest expense	2,598.00	2,796.00	(198.00)	-7.08%
Total Expenses	<u>506,702.79</u>	<u>486,727.82</u>	<u>19,974.97</u>	<u>4.10%</u>
Increase in Net Position	<u>\$ 55,279.39</u>	<u>\$ 33,941.07</u>	<u>\$ 21,338.32</u>	<u>62.87%</u>
Net position at January 1	1,450,712.93	1,416,771.86	33,941.07	2.40%
Net position at December 31	<u>\$ 1,505,992.32</u>	<u>\$ 1,450,712.93</u>	<u>\$ 55,279.39</u>	<u>3.81%</u>

FINANCIAL ANALYSIS

The district's financial condition improved from the previous year with adequate liquid assets and a reasonable level of unrestricted net position at year-end. The district maintained good debt service coverage and was in compliance with all debt covenants. The current financial condition, staff capabilities, operating plans and upgrade plans to meet future water quality requirements are well balanced and under control. Management believes the following information presented is important to understand the financial statements:

- Total assets at year-end were \$1,841,708 and exceeded liabilities (net position) by \$1,505,992. Of the total net position, \$378,693 was unrestricted and available to support short-term operations.
- Total assets increased from 2021 by \$55,673. Total net position increased from 2022 to 2023 by \$55,279. Restricted net position was unchanged from 2022 to 2023 and unrestricted net position decreased by \$268,041, respectively.
- Accounts receivable at year-end were 3.43% less than the fiscal year 2022, a decrease of \$1,483. At 2023 year-end, the majority of accounts receivable were current within 30 days.
- The district does not receive any financial assistance from the state or Smith County; therefore, the costs of projects are burdened to the district's customers.

Results of Operations

Revenues from operations fall into three general categories: water service, penalties and fees, and other income. The district has two classes of water customers: residential and commercial. The following information is the analysis of operations:

- The district's water rates changed in January 2023. The minimum bill increased to \$28.68 for the first 1,500 gallons and the price per thousand gallons (for usage in excess of 1,500 gallons) to \$11.24. Rates increased again in 2024.
- The district delivered 42.789 million gallons of water, representing an increase of 14.73% from the previous year.
- Operating revenues were \$550,737, an increase of \$31,906 for 2023.

- Operating expenses before depreciation increased by \$14,788, an increase of 3.30% compared to 2022. This was a result of increases in:

	<u>2023</u>	<u>2022</u>	<u>Difference</u>
Water purchased	\$ 200,091	\$ 189,764	\$ 10,327
Repairs and Maintenance	129,529	116,288	13,241
Other	133,857	142,637	(8,780)
Total	\$ 463,477	\$ 448,689	\$ 14,788

- Operating income showed an increase for the year of \$11,733 (33.62%) from 2022.

Capital Contributions

The district collects water connection fees in order to ensure that current customers do not bear the burden of growth. These fees are paid by new customers and represent the cost of water capacity of the new customer. These fees are paid at the time a new customer meter is connected to the system. In addition, the district accepts new water lines that are donated by residential and commercial real estate developers.

CAPITAL ASSETS

The district purchased property and a building at 293 Dixon Springs Highway and moved into the new building in June 2023. With the new building, the district upgraded their computer system and security system. The district also installed 6” gate valves. More detailed information about the district’s capital assets is described in Note C in the accompanying notes to the financial statements.

DEBT

At December 31, 2023, the District had \$248,276 in long-term debt payable, a decrease of \$20,598 from December 31, 2022. The district paid \$2,598 in interest on the bonds. More detailed information about the district's debt is described in Note D in the accompanying notes to the financial statements.

GENERAL TRENDS AND SIGNIFICANT EVENTS

Customer growth in the district has remained steady.

CONTACTING THE DISTRICT

The analysis is designed to provide our customers, creditors and regulatory agencies with a general overview of the district's finances. If additional information is needed, you may contact the district at:

Jimmy Mullinax
25 Utility District
293 Dixon Springs Hwy
Carthage, TN 37030
615-735-9895

BASIC FINANCIAL STATEMENTS

25 UTILITY DISTRICT OF SMITH COUNTY, TENNESSEE
STATEMENT OF NET POSITION
December 31, 2023

ASSETS

CURRENT ASSETS

Cash and cash equivalents - Note B	\$	96,209.36
Certificates of deposit - Note B		298,522.88
Restricted for debt service - cash and cash equivalents		22,620.00
Interest receivable		5,798.64
Accounts receivable		<u>41,695.26</u>

TOTAL CURRENT ASSETS \$ 464,846.14

NONCURRENT ASSETS

Capital assets in service - at cost - Note C	\$ 2,473,186.62		
Less accumulated depreciation	<u>(1,101,717.52)</u>		
	\$ 1,371,469.10		
Construction in progress	<u>4,638.03</u>		1,376,107.13
Other assets:			
Utility deposit			<u>755.00</u>

TOTAL ASSETS \$ 1,841,708.27

See the notes to financial statements.

25 UTILITY DISTRICT OF SMITH COUNTY, TENNESSEE
STATEMENT OF NET POSITION (CONT'D)
December 31, 2023

LIABILITIES

CURRENT LIABILITIES

Accounts payable	\$	18,529.57
Accounts payable - construction in progress		23,151.91
Accrued and withheld payroll taxes		1,037.44
Tennessee sales tax payable		3,435.00
Meter deposits		41,286.03
Portion of long-term debt due within one year		20,424.00

TOTAL CURRENT LIABILITIES \$ 107,863.95

NONCURRENT LIABILITIES

Bonds payable - Note D	\$	248,276.00	
Less amount due within one year, shown as current liability		20,424.00	227,852.00

TOTAL LIABILITIES \$ 335,715.95

NET POSITION

Net investment in capital assets	\$	1,104,679.22	
Restricted for debt service		22,620.00	
Unrestricted		378,693.10	\$ 1,505,992.32

TOTAL LIABILITIES AND NET POSITION \$ 1,841,708.27

25 UTILITY DISTRICT OF SMITH COUNTY, TENNESSEE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Year ended December 31, 2023

Operating revenues:		
Water sales	\$	533,663.34
Forfeited discounts		7,131.10
Tap fees		6,000.00
Other income		3,942.41
		3,942.41
TOTAL OPERATING REVENUE		\$ 550,736.85
Operating expenses:		
Salaries	\$	53,548.55
Payroll taxes		4,934.89
Water purchased		200,091.20
Legal and accounting		7,400.00
Repairs and maintenance		129,528.61
Provision for depreciation		40,628.22
Office expense		12,445.85
Utilities		9,027.43
Commissioners fees		9,900.00
Rent		1,701.00
Insurance		18,544.73
Miscellaneous		16,354.31
		504,104.79
OPERATING INCOME		\$ 46,632.06
Non-operating revenue (expenses):		
Interest income	\$	11,245.33
Interest expense		(2,598.00)
		8,647.33
CHANGE IN NET POSITION		\$ 55,279.39
Net position - January 1, 2023		1,450,712.93
NET POSITION - DECEMBER 31, 2023		\$ 1,505,992.32

Provision for depreciation was computed by the straight-line method and totaled \$40,628.22.

See the notes to financial statements.

25 UTILITY DISTRICT OF SMITH COUNTY, TENNESSEE
STATEMENT OF CASH FLOWS
Year ended December 31, 2023

Cash flows from operating activities:

Receipts from customers and users	\$	555,467.14
Payments to suppliers		(400,676.39)
Payments to employees		(68,958.35)
		(68,958.35)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$	85,832.40

Cash flows from capital and related financing activities:

Acquisition of capital assets	\$	(343,351.07)
Principal paid on notes and revenue bonds		(20,598.00)
Interest paid on notes and revenue bonds		(2,598.00)
		(2,598.00)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES		(366,547.07)

Cash flows from investing activities:

Interest income	\$	6,416.59
Decrease in certificates of deposit		43,066.11
		43,066.11
NET CASH PROVIDED BY INVESTING ACTIVITIES		49,482.70

NET DECREASE IN CASH AND CASH EQUIVALENTS	\$	(231,231.97)
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Cash and cash equivalents at January 1, 2023		350,061.33
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CASH AND CASH EQUIVALENTS AT DECEMBER 31, 2023	\$	118,829.36
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See the notes to financial statements.

25 UTILITY DISTRICT OF SMITH COUNTY, TENNESSEE
STATEMENT OF CASH FLOWS (CONT'D)
Year ended December 31, 2023

Cash and cash equivalents at December 31, 2023:

Cash and cash equivalents	\$	96,209.36
Restricted for debt service		22,620.00
		22,620.00
	\$	118,829.36

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

Operating income	\$	46,632.06
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation		40,628.22
Changes in current assets and liabilities:		
Accounts receivable		1,482.59
Utility deposit		(750.00)
Accounts payable		(5,137.57)
Customer deposits		3,247.70
Other current liabilities		(270.60)
		(270.60)
Net Cash Provided by Operating Activities	\$	85,832.40

25 UTILITY DISTRICT OF SMITH COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE A - The 25 Utility District of Smith County, Tennessee, was created on January 22, 1966, by decree of the County Court of Smith County, Tennessee, pursuant to title 6, Sections 2601-2636, Tennessee Code Annotated, as amended, to provide water services for portions of the 1st, 3rd, 4th and 21st civil districts of Smith County, Tennessee, as authorized by the Utility District Act of 1937. The 25 Utility District has adopted the following accounting policies:

(1) Reporting Entity

The identification of a financial reporting entity is built around the concept of financial accountability. That is, if a primary government is financially accountable for another entity, that entity's financial statements must be included in the financial statements of the reporting entity. While financial accountability is central to the identification of component units, even if it does not exist, an entity will be considered a component unit if that entity's relationship with the primary government is such that its exclusion would create misleading or incomplete financial statements.

Based upon this concept, the reporting entity is the 25 Utility District of Smith County, Tennessee, and there are no potential component units to consider.

(2) Basis of Accounting

The district uses the accrual method of accounting to prepare its financial statements.

All activities of the district are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The accounting and financial reporting treatment applied to the district is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operations are included on the statement of net position.

25 UTILITY DISTRICT OF SMITH COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
December 31, 2023

NOTE A (Cont'd):

(3) Capital Assets

The capital assets in service are carried at cost and are depreciated over the estimated useful life of the asset using the straight-line method of depreciation. Cost consists of all direct costs related to construction or acquisition of capital assets. Depreciation is not considered until the assets are actually put into use. Capital assets contributed by developers are included at the developers' cost or estimated cost.

Maintenance and repairs, which do not significantly extend the value or life of the property, plant, and equipment, are expensed as incurred.

Capital policy for the district is items purchased or betterment, not repairs, in excess of \$750.00 and having a useful life of one year or more will be capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Water Distribution System	10-50
Office Furniture and Other Equipment	5-10

(4) Provision for Uncollectible Accounts

Management has not made an allowance for uncollectible accounts receivable as losses, if any, are recognized by the direct charge-off method.

(5) Cash Equivalents

For purposes of the statement of cash flows, all highly liquid investments (including debt-service funds) with a maturity of three months or less when purchased are considered to be cash equivalents.

(6) Certificates of Deposits

Bank certificates of deposit are stated at cost.

25 UTILITY DISTRICT OF SMITH COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
December 31, 2023

NOTE A (Cont'd):

(7) Credit Risk

The district provides water for residential, commercial and industrial customers located within the District's boundaries.

(8) Restricted Assets

Assets restricted for debt service represent cash and investments maintained in accordance with bond resolutions, loan agreements, grant awards, and other resolutions and formal actions of the district or by agreement for the purpose of funding certain debt service payments, depreciation and contingency activities, and improvements and extensions to the system. Restricted assets are generally not available for current operating expenses.

(9) Net Position

Net position contains the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net position is classified as net investment in capital assets and unrestricted net position. Net investment in capital assets is all capital assets, net of accumulated depreciation and outstanding debt attributable to the acquisition, construction or improvement of the assets. Debt related to unspent proceeds or other restricted cash and investments is not included in this determination. Restricted for debt service includes assets, net of the liabilities, restricted by external parties such as lenders, grantors, contributors, laws, regulations, and enabling legislation, including self-imposed legal mandates. Unrestricted net position consists of the assets, net of the liabilities that do not meet the definition of net investment in capital assets.

(10) Net position flow assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position a flow assumption must be made about the order in which the resources are considered to be applied.

It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

25 UTILITY DISTRICT OF SMITH COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
December 31, 2023

NOTE A (Cont'd.):

(11) Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

For the year ended December 31, 2023, the District has neither a deferred inflow nor outflow of resources.

(12) Receivables and Revenues

Revenues are billed monthly. Revenues are not accrued for usage from the last meter reading date to December 31.

Operating revenues consist of water charges, service fees, and other miscellaneous income. Tap fees are recorded as revenue to the extent of expenses incurred in connecting a customer to the system. Tap fees in excess of costs are recorded as cash capital contributions. Non-operating revenue consists of interest income earned on cash investments.

(13) Expenses

Operating expenses consist of the cost of purchasing water, repairs and maintenance on the lines and storage facilities, customer billing, administrative and general and depreciation of capital assets.

Non-operating expenses consist of interest on long-term liabilities.

25 UTILITY DISTRICT OF SMITH COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
December 31, 2023

NOTE A (Cont'd.):

(14) Contributions

Contributions are recognized in the Statement of Revenues, Expenses, and Changes in Net Position when earned. Contributions include developer contributed utility systems, capacity and other supplemental support by other utilities and industrial customers and federal, state and local grants in support of system improvements.

(15) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, and reported amounts of revenues and expenses during the reporting period. Estimates are used to determine depreciation expense, the allowance for doubtful accounts and certain claims and judgment liabilities, among other accounts. Actual results may vary from those estimates.

(16) Budgets

Prior to January 1, the budget is approved by the commissioners and submitted to the state comptroller's office as required by state statute. The budget is prepared on the basis where current available funds must be sufficient to meet current expenditures.

The District's budgetary basis of accounting is consistent with generally accepted accounting principles.

25 UTILITY DISTRICT OF SMITH COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
December 31, 2023

NOTE B - Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The district's deposit policy for custodial risk is as follows:

All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool.

The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

For deposits with financial institutions that do not participate in the 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. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the district.

Bank balance for December 31, 2023 is \$400,932.50.

25 UTILITY DISTRICT OF SMITH COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
December 31, 2023

NOTE C – Capital assets activity during the year was as follows:

	Balance at January 1	Additions	Reductions	Balance at December 31
Capital Assets Not Being Depreciated:				
Land	\$ 29,325.77	\$ 33,906.04	\$ -	\$ 63,231.81
Construction in progress	-	4,638.03	-	4,638.03
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	\$ 29,325.77	\$ 38,544.07	\$ -	\$ 67,869.84
Capital Assets Being Depreciated:				
Water plant	2,034,938.08	22,965.00	-	2,057,903.08
Buildings	-	295,297.56	-	295,297.56
Office equipment	47,057.82	9,696.35	-	56,754.17
TOTAL CAPITAL ASSETS BEING DEPRECIATED	\$ 2,081,995.90	\$ 327,958.91	\$ -	\$ 2,409,954.81
Less Accumulated Depreciation for:				
Water plant	(1,018,497.27)	(34,348.16)	-	(1,052,845.43)
Buildings	-	(4,306.42)	-	(4,306.42)
Office equipment	(42,592.03)	(1,973.64)	-	(44,565.67)
TOTAL ACCUMULATED DEPRECIATION	\$ (1,061,089.30)	\$ (40,628.22)	\$ -	\$ (1,101,717.52)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, Net	\$ 1,020,906.60	\$ 287,330.69	\$ -	\$ 1,308,237.29
CAPITAL ASSETS, NET	\$ 1,050,232.37	\$ 321,236.73	\$ -	\$ 1,376,107.13

Depreciation expense was \$40,628.22.

Construction in progress consists of engineering for tank reinstatement. The project will be funded from existing funds.

25 UTILITY DISTRICT OF SMITH COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
December 31, 2023

NOTE D – LONG-TERM DEBT

Bonds are issued to provide funds for the acquisition and construction of capital assets. The State Revolving Fund is a direct borrowing. In the event of default on the above loan, all sums unpaid become immediately due and payable.

Changes in long-term indebtedness during 2023 consists of:

	Amount at January 1	Amount Issued	Amount Retired	Amount at December 31	Current Portion
State Revolving Fund	<u>\$ 268,874.00</u>	<u>\$ -</u>	<u>\$ 20,598.00</u>	<u>\$ 248,276.00</u>	<u>\$ 20,424.00</u>

A description of long-term debt is as follows:

	<u>Amount Issued</u>	<u>Amount Outstanding</u>	<u>Interest Rates</u>	<u>Monthly Payment</u> <small>(including interest)</small>
State Revolving Fund (matures 2034)	\$ 417,912.00	<u>\$ 248,276.00</u>	0.910%	\$ 1,905.00

Long-term debt activity during 2023 was as follows:

Balance at January 1, 2023	\$ 268,874.00
Principal payments	<u>(20,598.00)</u>
Balance at December 31, 2023	<u>\$ 248,276.00</u>
 Due within one year	 \$ 20,424.00

25 UTILITY DISTRICT OF SMITH COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
December 31, 2023

NOTE D (Cont'd):

A summary of the debt service requirements for principal and interest at December 31, 2023 is as follows:

<u>Year ending</u> <u>December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 20,424.00	\$ 2,394.00	\$ 22,818.00
2025	20,616.00	2,190.00	22,806.00
2026	20,802.00	1,986.00	22,788.00
2027	20,988.00	1,782.00	22,770.00
2028	21,180.00	1,572.00	22,752.00
2029-2033	108,858.00	4,656.00	113,514.00
2034-2035	35,408.00	340.00	35,748.00
TOTAL	\$ 248,276.00	\$ 14,920.00	\$ 263,196.00

NOTE E - It is the policy of the district to purchase commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property and casualty, worker's compensation and employee fidelity. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

SUPPLEMENTARY INFORMATION

25 UTILITY DISTRICT OF SMITH COUNTY, TENNESSEE
CONDENSED COMPARATIVE STATEMENTS OF NET POSITION
December 31, 2023 and December 31, 2022

	2023	2022	Increase (Decrease)
<u>ASSETS</u>			
Current Assets:			
Cash and certificates of deposits	\$ 417,352.24	\$ 691,650.32	\$ (274,298.08)
Interest receivable	5,798.64	969.90	4,828.74
Accounts receivable	41,695.26	43,177.85	(1,482.59)
	TOTAL CURRENT ASSETS	\$ 735,798.07	\$ (270,951.93)
Capital assets - net	1,376,107.13	1,050,232.37	325,874.76
Other assets	755.00	5.00	750.00
	\$ 1,841,708.27	\$ 1,786,035.44	\$ 55,672.83
<u>LIABILITIES</u>			
Current Liabilities	\$ 107,863.95	\$ 86,686.51	\$ 21,177.44
Noncurrent Liabilities	227,852.00	248,636.00	(20,784.00)
	\$ 335,715.95	\$ 335,322.51	\$ 393.44
<u>NET POSITION</u>			
Net investment in capital assets	\$ 1,104,679.22	\$ 781,358.37	\$ 323,320.85
Restricted for debt service	22,620.00	22,620.00	-
Unrestricted	378,693.10	646,734.56	(268,041.46)
	\$ 1,505,992.32	\$ 1,450,712.93	\$ 55,279.39
	TOTAL LIABILITIES AND NET POSITION	\$ 1,786,035.44	\$ 55,672.83

25 UTILITY DISTRICT OF SMITH COUNTY, TENNESSEE
CONDENSED STATEMENTS OF REVENUES, EXPENSES & CHANGES IN NET POSITION
For Years Ended December 31, 2023 and December 31, 2022

	2023	2022	Increase (Decrease)
Operating revenue (net of bad debts)	\$ 550,736.85	\$ 518,831.35	\$ 31,905.50
Operating expenses:			
Salaries	\$ 53,548.55	\$ 42,800.00	\$ 10,748.55
Payroll taxes	4,934.89	4,107.44	827.45
Water purchased	200,091.20	189,764.31	10,326.89
Legal and accounting	7,400.00	7,700.00	(300.00)
Repairs and maintenance	129,528.61	116,287.85	13,240.76
Provision for depreciation	40,628.22	35,242.99	5,385.23
Engineering fees	-	26,748.06	(26,748.06)
Office expense	12,445.85	8,577.41	3,868.44
Utilities	9,027.43	6,798.66	2,228.77
Commissioners fees	9,900.00	9,900.00	-
Rent	1,701.00	4,800.00	(3,099.00)
Insurance	18,544.73	18,159.73	385.00
Miscellaneous	16,354.31	13,045.37	3,308.94
	TOTAL OPERATING EXPENSES	\$ 483,931.82	\$ 20,172.97
	OPERATING INCOME	\$ 34,899.53	\$ 11,732.53
Non-operating income (expenses):			
Interest income	11,245.33	1,837.54	9,407.79
Interest expense	(2,598.00)	(2,796.00)	198.00
	CHANGE IN NET POSITION	\$ 33,941.07	\$ 21,338.32

25 UTILITY DISTRICT OF SMITH COUNTY, TENNESSEE
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
December 31, 2023

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 1/1/2023	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 12/31/2023
<u>BONDS PAYABLE</u>									
State Revolving Fund	\$ 417,912.00	0.910%	02/03/14	08/03/35	<u>\$ 268,874.00</u>	<u>\$ -</u>	<u>\$ 20,598.00</u>	<u>\$ -</u>	<u>\$ 248,276.00</u>

OTHER FINANCIAL INFORMATION (UNAUDITED)

25 UTILITY DISTRICT OF SMITH COUNTY, TENNESSEE
SCHEDULE OF LONG-TERM DEBT
PRINCIPAL AND INTEREST REQUIREMENTS
Year ended December 31, 2023

Date of Issue: March 26, 2014
Original amount \$417,912.00

Payment for Year ended December 31	Principal	Interest	Total
2024	\$ 20,424.00	\$ 2,394.00	\$ 22,818.00
2025	20,616.00	2,190.00	22,806.00
2026	20,802.00	1,986.00	22,788.00
2027	20,988.00	1,782.00	22,770.00
2028	21,180.00	1,572.00	22,752.00
2029	21,378.00	1,356.00	22,734.00
2030	21,576.00	1,146.00	22,722.00
2031	21,768.00	936.00	22,704.00
2032	21,966.00	720.00	22,686.00
2033	22,170.00	498.00	22,668.00
2034	22,386.00	264.00	22,650.00
2035	13,022.00	76.00	13,098.00
	<u>\$ 248,276.00</u>	<u>\$ 14,920.00</u>	<u>\$ 263,196.00</u>

**25 UTILITY DISTRICT OF SMITH COUNTY, TENNESSEE
INFORMATION REQUIRED BY BOND RESOLUTIONS
December 31, 2023**

The district had approximately 696 metered water customers as of December 31, 2023.

The district is exempt from federal income tax.

Accounts totaling \$2,419.32 were past due at December 31, 2023. None were more than 60 days past due.

Water rates as of December 31, 2023, are:

Customer & Commercial

First 1,500 gallons	\$28.68 minimum bill
Over 1,500 gallons	11.24 per thousand

The State Revolving Loan fund requires a deposit of \$22,620.00.

**25 UTILITY DISTRICT OF SMITH COUNTY, TENNESSEE
INSURANCE IN FORCE
December 31, 2023**

<u>Insurer</u>	<u>Coverage</u>	<u>Amount of Coverage</u>	<u>Date of Expiration</u>
Cincinnati Insurance Co.	Property	\$ 1,268,467	January 29, 2024
	General Liability	\$ 1,000,000	January 29, 2024
	Running Surety Bond	\$ 100,000	April 1, 2024
	Workers Compensation Statutory		January 29, 2024
	Directors & Officials Employer Practices Liability	\$2,000,000 \$1,000,000	
	Fidelity Bond	\$ 137,000	April 10, 2024
	Beazley Insurance Co.	Cyber Liability	\$1,000,000

COMPLIANCE

ALBERT R. DICUS

Certified Public Accountant

Member: AICPA; TSCPA

131 S. Main Street

P.O. Box 176

Sparta, Tennessee 38583

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INDEPENDENT AUDITOR'S 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
25 Utility District of
Smith County, Tennessee
Carthage, Tennessee

I have audited 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, the financial statements of 25 Utility District of Smith County, Tennessee, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise 25 Utility District's basic financial statements, and have issued my report thereon dated July 1, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the 25 Utility District of Smith County, Tennessee's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 25 Utility District's internal control. Accordingly, I do not express an opinion on the effectiveness of 25 Utility District'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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during my audit, I did not identify any deficiencies in internal control that I consider to be material weaknesses. I identified certain deficiencies in internal control, described in the accompanying schedule of findings and recommendations as items 2023-001 and 2023-002, that I consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 25 Utility District of Smith County, Tennessee'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 financial statements. 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*.

25 Utility District's Response to Findings

Government Auditing Standards require the auditor to perform limited procedures. 25 Utility District's response to the findings identified in my audit and described in the accompanying schedule of findings and recommendations and management's corrective action plan. 25 Utility District's response and corrective action plan were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result 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.



Certified Public Accountant

Sparta, Tennessee
July 1, 2024

25 UTILITY DISTRICT OF SMITH COUNTY, TENNESSEE
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
December 31, 2023

A: SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of 25 Utility District of Smith County, Tennessee.
2. Two significant deficiencies were disclosed during the audit of the financial statements.
3. No instances of noncompliance or other matters material to the financial statements of 25 Utility District of Smith County, Tennessee were disclosed during the audit.

B: FINDINGS

Item 2023-001: Segregation of duties (Significant Deficiency)

Criteria or Specific Requirement: In accordance with the *Internal Control and Compliance Manual for Governmental Units and Other Organizations*, district officials should separate duties of employees so that no one person has control over a complete transaction from beginning to end.

Condition: The district employs one person to bill, collect, and deposit receipts, pay vendors, and reconcile cash.

Cause and Effect: The district does not have a sufficient number of employees to provide the proper segregation of duties for an effective internal control system.

Recommendation: The district needs to evaluate and review the separation of duties for its accounting personnel.

Management's response: We concur with the auditor's finding and recommendation. We require two signatures on all checks, which gives us some control over the bank account. The bookkeeper also gives the Board of Commissioners monthly financial statements and a list of disbursements at each meeting. It would not be economically feasible for the district to hire enough employees in order to segregate the accounting duties.

25 UTILITY DISTRICT OF SMITH COUNTY, TENNESSEE
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONT'D)
December 31, 2023

Item 2023-002: Financial statement preparation (Significant Deficiency)

Criteria or Specific Requirement: In accordance with *Government Auditing Standards*, district management is responsible for the fair presentation of the financial statements.

Condition: The employees and management responsible for the accounting and reporting function lack the qualifications and training to apply generally accepted accounting principles in the preparation of financial statements and note disclosures.

Cause and Effect: The district does not prepare the financial statements. The financial statements and note disclosures are prepared by the auditor and presented to management for their approval.

Recommendation: Management should consider hiring an individual with the proper training and qualifications to apply generally accepted accounting principles in the preparation of financial statements.

Management's response: We concur with the auditor's finding and recommendation that preparation of the financial statements and note disclosures may be beyond our expertise. It is not practical nor would it be financially feasible for the district to hire qualified employees to oversee financial statement preparation. However, we believe that our knowledge and experience enables us to review the report and understand it fully.

**25 UTILITY DISTRICT
293 DIXON SPRINGS HWY.
CARTHAGE, TENNESSEE 37030**

MANAGEMENT'S CORRECTIVE ACTION PLAN

The 25 Utility District submits the following corrective action plan for the year ended December 31, 2023. The findings from the December 31, 2023, schedule of findings and recommendations is discussed below.

Item 2023-001: Segregation of duties

Contact person: Jimmy Mullinax, Office manager

Recommendation: The district needs to evaluate and review the separation of duties for its accounting personnel.

Management's response: We require two signatures on all checks, which provides some control over the bank account. The bookkeeper also gives the Board of Commissioners monthly financial statements and a list of disbursements at each meeting. It would not be economically feasible for the district to hire enough employees in order to segregate the accounting duties.

Anticipated completion date: On-going process

Item 2023-002: Financial statement preparation

Contact person: Jimmy Mullinax, Office manager

Recommendation: Management should consider hiring an individual with the proper training and qualifications to apply generally accepted accounting principles in the preparation of financial statements.

Management's response: While it is not practical nor financially feasible for the district to hire qualified employees to oversee financial statement preparation. We believe that our knowledge and experience enable us to review the report and understand it fully. Our commissioners attend training annually, some of which is directed toward understanding the financial statements, and our auditor will continue to review the financial statements, in detail, with management before they are issued.

Anticipated completion date: On-going process


Signature and Title

**25 UTILITY DISTRICT
 OF SMITH COUNTY, TENNESSEE
 SCHEDULE OF PRIOR YEAR FINDINGS
 December 31, 2023**

Prior Year Finding Number	Finding Title	Status/ Current Year Finding Number
2022-001	Segregation of duties (original finding # 2013-001)	Repeated/ 2023-001
2022-002	Financial statement preparation (original finding # 2013-002)	Repeated/ 2023-002