

**BELVIDERE RURAL UTILITY DISTRICT  
OF FRANKLIN COUNTY,  
TENNESSEE**

**Audit Report**

**September 30, 2023**

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**CERTIFIED PUBLIC ACCOUNTANTS**

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**Clark, Knies & Crenshaw, PLLC**

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**220 NORTH JEFFERSON STREET - WINCHESTER, TN 37398**

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**BELVIDERE RURAL UTILITY DISTRICT  
OF FRANKLIN COUNTY, TENNESSEE**

**Audit Report  
September 30, 2023**

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## **INTRODUCTORY SECTION**

**Belvidere Rural Utility District  
Belvidere, Tennessee  
List of Principal Officials  
September 30, 2023**

**Commissioners:**

Chairman ..... Rusty Reynolds  
Secretary/Treasurer..... Sammie Caldwell  
Commissioner ..... Sid Walker  
Commissioner ..... Fred Benson  
Commissioner .....Kevin Syler

**Appointed:**

Plant Operator .....Daryl Hicklen  
Water Clerk.....Bonilee Derlien

**FINANCIAL SECTION**

# CLARK, KNIES & CRENSHAW, PLLC

CERTIFIED PUBLIC ACCOUNTANTS  
220 North Jefferson Street, Winchester, TN 37398

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of Certified Public Accountants

Members of Tennessee  
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## INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners  
Belvidere Rural Utility District of Franklin County, Tennessee  
Belvidere, Tennessee

### Report on the Audit of the Financial Statements

#### **Opinion**

We have audited the accompanying financial statements of the Belvidere Rural Utility District of Franklin County, Tennessee, as of and for the year ended September 30, 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 our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Belvidere Rural Utility District of Franklin County, Tennessee as of September 30, 2023, and the respective 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 Opinion**

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Belvidere Rural Utility District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 Belvidere Rural 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.

#### **Auditors' Responsibilities for the Audit of Financial Statements**

Our 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 our 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*, we:

- Exercise professional judgment 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 Belvidere Rural 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 our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Belvidere Rural Utility District's ability to continue as a going concern for a reasonable period of time.

We are 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 we 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 3 through 6 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Belvidere Rural Utility District's basic financial statements. The accompanying financial information listed as supplementary information in the table of contents 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 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 our opinion, the accompanying financial information listed as supplementary information in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and the supplementary and other information which has been marked (unaudited) but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our 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, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2024, on our consideration of the Belvidere Rural Utility District of Franklin County, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Belvidere Rural Utility District of Franklin County, Tennessee'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 the Belvidere Rural Utility District of Franklin County, Tennessee's internal control over financial reporting and compliance.

*Clark, Knies & Crenshaw, PLLC*

Clark, Knies & Crenshaw, PLLC

Winchester, Tennessee

June 13, 2024

**BELVIDERE RURAL UTILITY DISTRICT**  
**P.O. Box 67**  
**Belvidere, TN 37306**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Belvidere Rural Utility District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the Belvidere Rural Utility District, for the fiscal year ended September 30, 2023. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the basic financial statements and accompanying notes to the financial statements.

**FINANCIAL HIGHLIGHTS**

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$1,953,357. Of this amount, \$631,671 (unrestricted net position) may be used to meet the District's ongoing obligations.
- The District had net operating income of \$56,242 in 2023 versus a \$116,494 operating income in 2022.
- The operating expenses in 2023 were up \$37,264 from 2022 operating expenses due to increase in office salaries, repairs & maintenance, and employee benefits.
- Operating revenues decreased \$22,988 due to decreased water sales.
- The District's total net position increased by \$75,622 in 2023.

**OVERVIEW OF THE FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the financial statements and supplementary information. The MD&A represents management's examination and analysis of the District's financial condition and performance. The financial statements and supplementary information are made up of four sections: 1) the introductory section, 2) the financial section, 3) the other supplementary information section, and 4) the internal control and compliance section. The introductory section includes the list of principal officials. The financial section includes the MD&A, the independent auditors' report, and the basic financial statements with accompanying notes. The other supplementary information section includes selected financial and operational information. The internal control and compliance section includes the report on internal control and compliance, the schedule of findings and responses, and summary of prior year findings, when applicable. These sections make up the financial report presented here.

**REQUIRED FINANCIAL STATEMENTS**

Enterprise funds are used to account for the operations of the District. The financial statements of the District report information using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities.

The *Statement of Net Position* presents the financial position of the District on a full accrual historical cost basis. The statement includes all of the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to the District's creditors (liabilities). It also provides the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

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 the related cash flows. This statement measures the success of the District's operations and can be used to determine whether the District has successfully recovered all of its costs. This statement also measures the District's profitability and credit worthiness.

The *Statement of Cash Flows* presents changes in cash and cash equivalents resulting from operational, financing, and investing activities. This statement presents cash receipt and cash disbursement information, without consideration of the earnings event or when an obligation arises.

The *Notes to the Financial Statements* provide required disclosures and other information that are essential to a full understanding of the 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.

## FINANCIAL ANALYSIS

One of the most important questions asked about the District's finances is "Is the District, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District's activities in a way that will help answer this question. These two statements report the net position of the District and the changes in the net position. Net position is one way to measure the financial health or financial position of the District. Over time, increases or decreases in the District net position are an indicator of whether its financial health is improving or deteriorating. However, you will need to also consider other non-financial factors such as fluctuations in weather conditions, addition of new customers, economic conditions, and new or changed government legislation.

NET POSITION - The District's total net position increased by \$75,622 in 2023.

The table below provides a summary of the District's Statement of Net Position.

### Condensed Statement of Net Position

	9/30/2023	9/30/2022	Dollar Change	Percentage Change
Current and other assets	\$ 679,142	\$ 580,081	\$ 99,061	17.08
Capital assets, net	1,522,255	1,572,580	(50,325)	(3.20)
Total assets	<u>2,201,397</u>	<u>2,152,661</u>	<u>48,736</u>	2.26
Current liabilities	37,393	41,156	(3,763)	(9.14)
Noncurrent liabilities	210,647	233,770	(23,123)	(9.89)
Total liabilities	<u>248,040</u>	<u>274,926</u>	<u>(26,886)</u>	(9.78)
Net investment in capital assets	1,288,638	1,316,848	(28,210)	(2.14)
Restricted	33,048	33,048	-	0.00
Unrestricted	<u>631,671</u>	<u>527,839</u>	<u>103,832</u>	19.67
Total net position	<u>\$ 1,953,357</u>	<u>\$ 1,877,735</u>	<u>\$ 75,622</u>	4.03

Current and other assets increased 17.08% from 2022 to 2023. This increase is largely driven by an excess of regular operational cash flows over investment in capital assets and principal payment on long-term debt. The \$50,325 decrease in capital assets, net from the prior year, is the result of \$79,682 of depreciation expense exceeding \$29,357 of capital asset additions. The 9.78% decrease in total liabilities is related to the continued payment of Rural Development loans.

CHANGES IN NET POSITION – While the Statement of Net Position shows the change in financial position of the District, the Statement of Revenues, Expenses, and Changes in Net Position provides answers as to the nature and source of these changes. Changes in the District's net position can be determined by reviewing the condensed Statement of Revenues, Expenses, and Changes in Net Position.

## Condensed Statements of Revenues, Expenses, and Changes in Net Position

	9/30/2023	9/30/2022	Dollar Change	Percentage Change
Operating revenues	\$ 477,381	\$ 500,369	\$ (22,988)	(4.59)
Non-operating revenues	30,313	24,829	5,484	22.09
Total revenues	<u>507,694</u>	<u>525,198</u>	<u>(17,504)</u>	<u>(3.33)</u>
Depreciation expense	79,682	79,803	(121)	(0.15)
Other operating expenses	341,457	304,072	37,385	12.29
Non-operating expenses	10,933	11,985	(1,052)	(8.78)
Total expenses	<u>432,072</u>	<u>395,860</u>	<u>36,212</u>	<u>9.15</u>
Change in net position	75,622	129,338	(53,716)	(41.53)
Beginning net position	<u>1,877,735</u>	<u>1,748,397</u>	<u>129,338</u>	<u>7.40</u>
Ending net position	<u>\$ 1,953,357</u>	<u>\$ 1,877,735</u>	<u>\$ 75,622</u>	<u>4.03</u>

Total revenues decreased 3.33% from 2022 to 2023 due to a decrease in water sales. The 9.15% increase in total expenses can be attributed to increases in salaries, repairs & maintenance and employee benefits.

### CAPITAL ASSETS

The District's investment in capital assets for its activities as of September 30, 2023, amounts to \$1,522,255 (net of accumulated depreciation). This investment in capital assets includes land and land rights, buildings and improvements, office, service and pumping equipment, services, mains and lines, hydrants and meters.

Major capital asset events during the fiscal year include the following:

- 3 Turbidimeters (ARP Grant) - \$13,140
- Lab Equipment (ARP Grant) - \$3,824

The following table summarizes the District's capital assets, net of accumulated depreciation, and changes therein for the year ended September 30, 2023.

### Capital Assets, net of Accumulated Depreciation

	9/30/2023	9/30/2022	Dollar Change	Percentage Change
Land and land rights	\$ 9,976	\$ 9,976	0	0.00
Buildings and improvements	518,732	549,703	(30,971)	(5.63)
Machinery, equipment and vehicles	6,469	8,664	(2,195)	(25.33)
Utility plant in service	<u>987,078</u>	<u>1,004,237</u>	<u>(17,159)</u>	<u>(1.71)</u>
Total capital assets, net	<u>\$ 1,522,255</u>	<u>\$ 1,572,580</u>	<u>\$ (50,325)</u>	<u>(3.20)</u>

Additional information on the District's capital assets can be found in Note 4 on page 13 of this report.

## **DEBT ADMINISTRATION**

At the end of the current fiscal year, the District had total long-term debt outstanding of \$233,618. The District's total long-term debt decreased by \$22,114 during the current fiscal year.

Additional information on the District's long-term debt can be found in Note 5 on page 13-14 of this report.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The Board and Management of the District consider many factors when setting the fiscal year 2023-2024 budget, user fees, and charges. Some of the factors include making enough money to meet our indebtedness, meeting all state and federal requirements, and providing our customers with safe, affordable drinking water. Water rates are reviewed by the staff and the Board on at least an annual basis.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be directed to the Utility Office at P.O. Box 67, Belvidere, TN 37306, or by phone at (931) 962-0208.

## BASIC FINANCIAL STATEMENTS

**BELVIDERE RURAL UTILITY DISTRICT  
OF FRANKLIN COUNTY, TENNESSEE  
Statement of Net Position  
September 30, 2023**

**ASSETS**

**CURRENT ASSETS:**

Cash and cash equivalents	\$	416,706
Certificates of deposit		122,488
Accounts receivable		56,612
Grant receivable		23,740
Inventory		26,548
Total current assets		646,094

**CAPITAL ASSETS:**

Utility plant in service		1,669,177
Buildings and improvements		1,357,731
Machinery and equipment		217,188
Less: Accumulated depreciation		(1,731,817)
Land (not depreciated)		9,976
Total capital assets		1,522,255

**NONCURRENT ASSETS:**

Certificates of deposit - restricted		33,048
Total assets		2,201,397

**LIABILITIES AND NET POSITION**

**CURRENT LIABILITIES:**

Accounts payable		4,043
Customer deposits		4,231
Accrued interest on long-term debt		87
Accrued liabilities		6,062
Debt maturing within one year		22,970
Total current liabilities		37,393

**NONCURRENT LIABILITIES:**

Debt due beyond one year		210,647
Total liabilities		248,040

**NET POSITION:**

Net investment in capital assets		1,288,638
Restricted - expendable (Note 5)		33,048
Unrestricted		631,671
Total net position		\$ 1,953,357

The accompanying notes are an integral part of these financial statements

**BELVIDERE RURAL UTILITY DISTRICT  
OF FRANKLIN COUNTY, TENNESSEE  
Statement of Revenues, Expenses, and Changes in Net Position  
For the Year Ended September 30, 2023**

<b>OPERATING REVENUES:</b>		
Water revenues (less collection losses of \$ 953)	\$	434,003
Forfeited discounts		14,409
Tapping fees		11,200
Service charges		1,391
Leak protection revenue		16,378
Total operating revenues		477,381
<b>OPERATING EXPENSES:</b>		
Transmission and distribution expenses:		
Salaries - operations		90,464
Maintenance of mains and installation of services		58,420
Equipment maintenance		3,750
Utilities		28,317
Purification expense		21,324
Administrative and general expenses:		
Salaries - office		45,650
Salaries-commissioners		900
Telephone		3,439
Insurance		8,787
Professional fees		9,105
Office expense		12,826
Employee benefits		26,098
Retirement		1,795
Taxes and licenses		11,355
Miscellaneous		1,995
Travel, meals and entertainment		1,774
Continuing education		905
Dues and subscriptions		550
Leak protection expense		14,003
Depreciation		79,682
Total operating expenses		421,139
<b>OPERATING INCOME (LOSS)</b>		<b>56,242</b>
<b>NON-OPERATING REVENUE (EXPENSES):</b>		
Interest income	\$	5,647
Interest on long-term debt		(10,933)
Miscellaneous income		926
Total non-operating revenue (expenses)		(4,360)
<b>CAPITAL CONTRIBUTIONS</b>		
Capital Grants		23,740
Total Capital Contributions		23,740
<b>CHANGE IN NET POSITION</b>		<b>75,622</b>
<b>NET POSITION – BEGINNING OF YEAR</b>		<b>1,877,735</b>
<b>NET POSITION – END OF YEAR</b>	<b>\$</b>	<b>1,953,357</b>

The accompanying notes are an integral part of these financial statements

**BELVIDERE RURAL UTILITY DISTRICT  
OF FRANKLIN COUNTY, TENNESSEE  
Statement of Cash Flows  
For the Year Ended September 30, 2023**

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash received from customers	\$ 470,810
Cash payments for goods and services	(232,566)
Cash payments to employees	(137,014)
Net cash provided (used) by operating activities	101,230
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Acquisition and construction of capital assets	(29,357)
Capital grants received	23,740
Principal paid on long-term debts	(22,114)
Interest paid on debt	(10,933)
Net cash provided (used) for capital and related financing activities	(38,664)
<b>CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Miscellaneous non-operating revenue	926
Net cash provided (used) for non-capital and related financing activities	926
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Purchase certificate of deposit	(1,831)
Interest income	5,647
Net cash provided (used) for investing activities	3,816
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	67,308
<b>CASH AND CASH EQUIVALENTS AT OCTOBER 1, 2022</b>	349,398
<b>CASH AND CASH EQUIVALENTS AT SEPTEMBER 30, 2023</b>	\$ 416,706
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:</b>	
Operating income (loss)	\$ 56,242
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	79,682
Changes in assets and liabilities:	
(Increase) Decrease in accounts receivables	(7,871)
(Increase) Decrease in inventory	1,689
(Increase) Decrease in grants receivable	(23,740)
Increase (Decrease) in accounts payable	(539)
Increase (Decrease) in accrued liabilities	(4,867)
Increase (Decrease) in customer deposits	634
Total adjustments	44,988
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	\$ 101,230

The accompanying notes are an integral part of these financial statements

**BELVIDERE RURAL UTILITY DISTRICT  
OF FRANKLIN COUNTY, TENNESSEE  
Notes to Financial Statements  
September 30, 2023**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Financial Reporting Entity**

The Belvidere Rural Utility District of Franklin County, Tennessee (the District) was lawfully organized in August 1962, in order to provide water services to the residents and businesses in the Belvidere district of Franklin County, Tennessee. The costs of providing water services are financed through user charges. The exclusive management and control of the District's operations are vested in the five-member Board of Commissioners who are appointed by the County Mayor to serve for a four-year term. Employees are hired by the Board to perform the daily duties, which the Board has assigned. The Board does not have the authority or ability to exercise influence or control over any units other than the Belvidere Rural Utility District of Franklin County, Tennessee.

**Measurement Focus, Basis of Accounting and Basis of Presentation**

Enterprise funds are a type of proprietary fund and, as such, are reported in accordance with generally accepted accounting principles for proprietary funds as defined by the *Governmental Accounting Standards Board* (GASB). Proprietary fund types are reported using the *economic resources* measurement focus and the accrual basis of accounting. The aim of this measurement focus is to report all inflows, outflows, and balances affecting or reflecting the entity's net position. The accrual basis of accounting recognizes income as it is earned and expenses as they are incurred, whether or not cash is received or paid out at that time.

The accounts of the District are an enterprise fund. An enterprise fund is a proprietary-type fund 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 costs of providing goods and services to the public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the District are charges to customers for water sales and services. The District also recognizes as operating revenue non-refundable service charges and the portion of tap fees intended to cover the cost of connecting new customers to the system. Operating expenses for the District include the cost of sales and services, administrative and other operating expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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 needed.

**Assets, Liabilities, Net Position, Revenues & Expenses**

Cash and Investments - Cash and cash equivalents are stated at cost and consist of cash on hand and demand and time deposits with financial institutions. For purposes of the statement of cash flows, the District considers all highly liquid investments with a remaining maturity of three months or less when purchased to be cash equivalents. All investments of the District consist of certificates of deposits which are valued at cost.

Trade Receivables - Water revenue is recognized when billed. All unpaid water bills become delinquent after the 10<sup>th</sup> of the following month. Based on past history of collections and management's analysis of current accounts, no allowance for uncollectible customer accounts is recorded. A collection loss is recorded using the direct write-off method when a customer's account is determined to be uncollectible. Collection losses for the current year totaled \$953.

**BELVIDERE RURAL UTILITY DISTRICT  
OF FRANKLIN COUNTY, TENNESSEE  
Notes to Financial Statements  
September 30, 2023**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Assets, Liabilities, Net Position, Revenues & Expenses (Continued)**

Materials and Supplies Inventory - Inventory is valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed rather than when purchased.

Capital Assets - Capital assets, which include property, plant and equipment, are recorded at historical cost, or estimated historical cost, if purchased or constructed. Capital assets are defined by the District as assets with an initial, individual cost of \$ 800 or more and an estimated useful life in excess of one year. Donated or constructed capital assets paid for by others are recorded at their estimated fair value at the date of donation and subsequently depreciated.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's life are not capitalized. Interest incurred on debt where proceeds were used to finance the construction of assets is included as part of the capitalized value of the assets constructed during the year. No capitalized interest was recorded for the current year.

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

Buildings and building improvements	30 – 50 years
Infrastructure	30 – 50 years
Land improvements	30 – 50 years
Machinery, equipment and vehicles	5 – 20 years

Net Position – The District classifies its assets into three components in accordance with GASB Statement No. 63 – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted – Consists of net assets with constraints, primarily for debt service and capital purchases.

Unrestricted – Items not required to be reported in the other components in net position.

Net Position Flow Assumption - Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Income Taxes - The District is exempt from federal and state income taxes.

**BELVIDERE RURAL UTILITY DISTRICT  
OF FRANKLIN COUNTY, TENNESSEE  
Notes to Financial Statements  
September 30, 2023**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Assets, Liabilities, Net Position, Revenues & Expenses (Continued)**

Compensated Absences - Under the current policy for vacation and sick leave, after one year of employment, full-time employees accrue vacation time at a rate of 6.67 hours per month beginning with the first month of employment. A maximum of 40 hours accrued vacation time may be carried over from one employment year to another. After one year of employment, full-time employees are allowed three non-cumulative personal days per year.

Grants and Capital Contributions – The District may receive grant revenues from various federal, state and local agencies. The District reports operating grants in the Statement of Revenues, Expenses and Changes in Net Position under non-operating revenues and expenses. Capital contributions, including capital grants, are reported as a separate line item after non-operating revenues and expenses.

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

New Accounting Pronouncements- During the year, the District adopted GASB No. 96, *Subscription-Based Information Technology Agreements* (SBITAs) (GASBS No. 96). This standard enhances the relevance and consistency of information of the System's SBITA activities. It establishes requirements for SBITA accounting based on the principle that SBITAs are financings of the right to use an underlying asset. The District is required to recognize a SBITA liability and an intangible right to use an SBITA asset when it acquires these types of assets. GASB No. 96 is effective for fiscal years beginning after June 15, 2022. The adoption of this standard did not have an impact on the District's result of operations and net position.

In April 2022, GASB issued Statement No. 99, *Omnibus 2022* (GASB 99). This standard provides guidance on practice issues identified during implementation of certain GASB statements that impact the Board related to leases, SBITAs, and non-monetary exchanges. The clarifications related to (1) how non-cancellable periods are evaluated for leases and SBITAs and (2) how to account for certain SBITA contract modifications. The clarifications related to non-monetary exchanges could impact future disclosures by the Board should the Board execute a non-monetary exchange contemplated by the standard. The requirements for those matters are effective for fiscal years beginning after June 15, 2022. The adoption had no impact on the Utility's financial statements.

**NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING**

The budget of the District is adopted on a basis consistent with accounting principles generally accepted in the United States of America. The District's Board of Commissioners annually approves the operating budget of the District. Upon approval, budget documents are required to be submitted to USDA Rural Development Agency. Annual appropriations lapse at fiscal year-end.

**NOTE 3 – DEPOSITS**

Deposits - Custodial credit risk is the risk that in the event of bank failure the District's deposits may not be returned to it. The District does not have a deposit or investment policy for custodial credit risk; however, State statutes require that deposits in financial institutions are secured and collateralized by the institutions. The collateral must meet certain requirements and must have a total minimum market value of 105% of the value of the deposits placed in the institutions less the amount protected by federal depository insurance. Collateral requirements are not applicable for financial institutions that participate in the State of Tennessee's collateral pool. As of September 30, 2023, the carrying amount of the District's deposits (checking and certificates of deposit) was \$ 571,162, and the bank balance was \$ 603,618. The difference between the bank balance and carrying amount is due to outstanding checks and/or deposits in transit. None of the District's bank balance was exposed to custodial credit risk as uninsured or uncollateralized.

**BELVIDERE RURAL UTILITY DISTRICT  
OF FRANKLIN COUNTY, TENNESSEE  
Notes to Financial Statements  
September 30, 2023**

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2023, was as follows:

	Balance 10/1/2022	Additions	Deductions	Balance 9/30/2023
Capital assets not being depreciated:				
Land and land rights	\$ 9,976	0	0	9,976
Construction in progress	0	0	0	0
Total capital assets not being depreciated	<u>9,976</u>	<u>0</u>	<u>0</u>	<u>9,976</u>
Capital assets being depreciated:				
Buildings and improvements	1,356,303	1,428	0	1,357,731
Utility plant in service	1,641,248	27,929	0	1,669,177
Machinery, equipment and vehicles	217,188		0	217,188
Total capital assets being depreciated	<u>3,214,739</u>	<u>29,357</u>	<u>0</u>	<u>3,244,096</u>
Less accumulated depreciation for:				
Buildings and improvements	806,600	32,399	0	838,999
Utility plant in service	637,011	45,088	0	682,099
Machinery, equipment and vehicles	208,524	2,195	0	210,719
Total accumulated depreciation	<u>1,652,135</u>	<u>79,682</u>	<u>0</u>	<u>1,731,817</u>
Total capital assets being depreciated, net	<u>1,597,206</u>	<u>(50,325)</u>	<u>0</u>	<u>1,512,279</u>
Total capital assets, net	<u>\$ 1,607,182</u>	<u>(50,325)</u>	<u>0</u>	<u>1,522,255</u>

Total depreciation expense for the year ended September 30, 2023, amounted to \$ 79,682.

**NOTE 5 – LONG-TERM DEBT OBLIGATIONS**

The long-term debt payable by the District to the USDA Rural Development Agency totals \$ 233,618 at September 30, 2023 and consists of two revenue bonds summarized as follows:

Waterworks Revenue Bonds, Series 1994, original issue \$ 300,000, 456 payments due monthly at 4.5% in the amount of \$ 1,377 through 2032	\$ 116,809
Waterworks Revenue Bonds, Series 1994, original issue \$ 300,000, 456 payments due monthly at 4.5% in the amount of \$ 1,377 through 2032	<u>116,809</u>
Total bonds payable	<u>\$ 233,618</u>

Interest expense for the year ended September 30, 2023, on long-term debt was \$ 10,933.

The bond proceeds were used to construct a new water treatment facility and an 80,000-gallon clear well. The bond agreements require that the first monies derived from operations are to be used for current expenses and then monthly principal and interest requirements. The next monies are to be set aside to create and maintain a reserve account in an amount equal to \$ 33,048. At September 30, 2023, the net position reflects an amount restricted for long-term debt equal to \$ 33,048, although the account is not identified as restricted at the bank.

**BELVIDERE RURAL UTILITY DISTRICT  
OF FRANKLIN COUNTY, TENNESSEE  
Notes to Financial Statements  
September 30, 2023**

**NOTE 5 – LONG-TERM DEBT OBLIGATIONS –(Continued)**

A summary of changes in long-term debt for the year ended September 30, 2023, is as follows:

	Balance 10/1/2022	Additions	Retirements	Balance 9/30/2023
1994 Series Waterworks Revenue Bonds	\$ 127,866	0	11,057	116,809
1994 Series Waterworks Revenue Bonds	127,866	0	11,057	116,809
<b>Total long-term debt</b>	<b>\$ 255,732</b>	<b>0</b>	<b>22,114</b>	<b>233,618</b>

The annual requirements to amortize the bonds payable as of September 30, 2023, are as follows:

Year Ending September 30,	Principal	Interest	Total
2024	\$ 22,970	10,078	33,048
2025	24,026	9,022	33,048
2026	25,128	7,920	33,048
2027	26,284	6,764	33,048
2028	27,490	5,558	33,048
2029-2032	107,720	9,334	117,054
	<b>\$ 233,618</b>	<b>48,676</b>	<b>282,294</b>

**NOTE 6 – RISK MANAGEMENT**

The District is exposed to various risks of loss related to worker’s compensation claims; limited torts; theft of, damage to and destruction of assets; and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded commercial coverage in the current year or any of the past three fiscal years.

**NOTE 7 – RETIREMENT PLAN**

The District has a SIMPLE IRA retirement plan, which is a defined contribution retirement plan, established for qualifying employees. Plan provisions are established, and may be amended, by the authority of the District’s Board of Commissioners. The Board of Commissioners authorized Commissioner, Sammie Caldwell, to sign all forms necessary and act as the plan administrator. For participating employees, their compensation is reduced by a set percentage or dollar amount. The contributions are then made to a SIMPLE IRA on behalf of the employees. The District’s employees must be employed for one year and work at least 20 hours per week, or 1,000 hours per year, to qualify for the plan. The District contributes a matching contribution to each eligible employee’s SIMPLE IRA equal to the employee’s salary reduction contributions up to a limit of 3% of the employee’s compensation for the calendar year. The District’s matching contribution for the year ended September 30, 2023, totaled \$ 1,795.

**NOTE 8 – SUBSEQUENT EVENTS**

In preparing these financial statements, the District has evaluated events and transactions for recognition or disclosure through June 13, 2024, the date the financial statements were available to be issued.

**SUPPLEMENTARY AND OTHER INFORMATION SECTION**

**BELVIDERE RURAL UTILITY DISTRICT  
OF FRANKLIN COUNTY, TENNESSEE  
Schedule of Long-Term Debt  
September 30, 2023**

Waterworks Revenue Bonds – 1994 Issue

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 11,485	5,039	16,524
2025	12,013	4,511	16,524
2026	12,564	3,960	16,524
2027	13,142	3,382	16,524
2028	13,745	2,779	16,524
2029	14,377	2,147	16,524
2030	15,037	1,487	16,524
2031	15,728	796	16,524
2032	<u>8,718</u>	<u>237</u>	<u>8,955</u>
Totals	<u>\$ 116,809</u>	<u>24,338</u>	<u>141,147</u>

See accompanying independent auditors' report

**BELVIDERE RURAL UTILITY DISTRICT  
OF FRANKLIN COUNTY, TENNESSEE  
Schedule of Long-Term Debt  
September 30, 2023**

Waterworks Revenue Bonds – 1994 Issue

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 11,485	5,039	16,524
2025	12,013	4,511	16,524
2026	12,564	3,960	16,524
2027	13,142	3,382	16,524
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2030	15,037	1,487	16,524
2031	15,728	796	16,524
2032	<u>8,718</u>	<u>237</u>	<u>8,955</u>
Totals	<u>\$ 116,809</u>	<u>24,338</u>	<u>141,147</u>

See accompanying independent auditors' report

**BELVIDERE RURAL UTILITY DISTRICT  
OF FRANKLIN COUNTY, TENNESSEE  
Schedule of Changes in Long-Term Debt by Individual Issue  
September 30, 2023**

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 10/1/2022	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 9/30/2023
<b><u>BONDS PAYABLE</u></b>									
Waterworks Revenue Bonds Series 1994	\$ 300,000	4.50%	1994	09/30/32	<u>\$ 127,866</u>	<u>0</u>	<u>11,057</u>	<u>0</u>	<u>116,809</u>
Waterworks Revenue Bonds Series 1994	\$ 300,000	4.50%	1994	09/30/32	<u>127,866</u>	<u>0</u>	<u>11,057</u>	<u>0</u>	<u>116,809</u>
Total Bonds Payable					<u>\$ 255,732</u>	<u>0</u>	<u>22,114</u>	<u>0</u>	<u>233,618</u>

See accompanying independent auditors' report

**BELVIDERE RURAL UTILITY DISTRICT  
OF FRANKLIN COUNTY, TENNESSEE  
Schedule of Utility Rates and Number of Customers - Unaudited  
September 30, 2023**

**WATER RATES**

**Residential:**

First 1,500 gallons	\$ 15.00 minimum bill
Over 1,500 gallons	\$ 1.1155 per thousand gallons

**Commercial:**

First 2,000 gallons	\$ 30.00 minimum bill
Over 2,000 gallons	\$ 1.05 per thousand gallons

<b>Number of customers</b>	651
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**BELVIDERE RURAL UTILITY DISTRICT  
OF FRANKLIN COUNTY, TENNESSEE  
Schedule of Expenditures of Federal Awards  
September 30, 2023**

Federal Agency/ Pass - through Agency / State Grantor Program	Federal Assistance Listing Number	Pass- through Entity Identifying Number	Expenditures
<u>Federal Awards</u>			
U.S. Department of Treasury			
Passed - through Tennessee Department of Environment and Conservation:			
ARPA - Coronavirus State and Local Fiscal Recovery Funds	21.027	(2)	\$ 23,740
Total U.S. Department of Treasury			\$ 23,740
<b>TOTAL FEDERAL AWARDS</b>			<b>\$ 23,740</b>

Note 1: Basis of Presentation: The accompanying Schedule of Expenditures of Federal Awards summarizes the expenditures of the Belvidere Rural Utility District under programs of the federal and state governments for the year ended September 30, 2023. The schedule is presented on the same basis of accounting as the Belvidere Rural Utility District's basic financial statements.

Note 2: Information not available

**INTERNAL CONTROL AND COMPLIANCE SECTION**

# CLARK, KNIES & CRENSHAW, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

220 North Jefferson Street, Winchester, TN 37398

Members of American Institute  
of Certified Public Accountants

Members of Tennessee  
Society of CPA's

Coyle O. Clark  
Robert C. Knies  
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## INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Commissioners  
Belvidere Rural Utility District  
of Franklin County, Tennessee  
Belvidere, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Belvidere Rural Utility District of Franklin County, Tennessee, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 13, 2024.

### Report on Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses, or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2023-001 that we consider to be a significant deficiency.

### Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Belvidere Rural Utility District of Franklin County, Tennessee's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2023-001.

In addition, we noted certain other matters involving the internal control and its operation that we reported to management of Belvidere Rural Utility District in a separate letter dated June 13, 2024.

### **Belvidere Rural Utility District's Response to Findings**

*Governmental Auditing Standards* requires the auditor to perform limited procedures on the Belvidere Rural Utility District's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. Belvidere Rural Utility District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Clark, Knies & Crenshaw, PLLC  
Winchester, Tennessee  
June 13, 2024

**BELVIDERE RURAL UTILITY DISTRICT**  
**Belvidere, Tennessee**  
**Schedule of Findings and Responses**  
**September 30, 2023**

**I. SUMMARY OF AUDIT RESULTS**

Unmodified opinion issued on the financial statements in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. During the audit of the financial statements, one significant deficiency in internal control and/or noncompliance issue was disclosed.

**II. FINDINGS RELATED TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS**

**2023-001 – INADEQUATE ADHERENCE TO PURCHASING POLICY (Significant Deficiency / Noncompliance)**

CONDITION: The District did not consistently adhere to policies for expenses and payables.

CRITERIA: All disbursements must be properly approved by the board, supported by invoices or other adequate supporting documentation, cancelled properly, and must follow the district's purchasing policies.

EFFECT: Due to a lack of financial oversight, the district remitted sales tax and incurred a penalty on late filing of payroll taxes.

RECOMMENDATION: Given the lack of a district manager, the board must ensure that all expenditures adhere to the current purchasing policy. The invoice packet must include proper supporting documentation, indication of proper board approval(s) and must be paid timely to avoid penalties.

RESPONSE: We will work on strengthening internal controls to streamline the purchasing policy, and we will implement a more secure and efficient process. The office manager will seek board signatures more frequently to ensure bills are paid timely.

**BELVIDERE RURAL UTILITY DISTRICT  
Belvidere, Tennessee  
Summary Schedule of Prior Year Findings  
September 30, 2023**

**There were no prior findings reported.**

**BELVIDERE RURAL UTILITY DISTRICT**

PO Box 67  
Belvidere TN 37306

**Management's Corrective Action Plan**

Belvidere Rural Utility District respectfully submits the following corrective action plan for the year ended September 30, 2023.

Name and address of independent public accounting firm:

Clark, Knies & Crenshaw, PLLC  
220 North Jefferson St  
Winchester, TN 37398

Audit Period

October 1, 2022 – September 30, 2023

The findings from the September 30, 2023 schedule of findings and responses are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

**2023-001 Inadequate Adherence to Purchasing Policy**

Responsible Party for implementing Corrective Action: Office Manager and Board of Directors

Anticipated Date of Completion: 7/1/2024 effective immediately

Repeat Findings: No

Planned Corrective Action: We will work on strengthening internal controls to streamline the Purchasing policy and implement a more secure and efficient process. Office Manager has been asked to pay more timely requesting more frequent check signatures.

Respectfully submitted,

*Joanna Miller*  
Commissioner