

**AUDITED FINANCIAL STATEMENTS  
AND OTHER FINANCIAL INFORMATION  
of  
MINOR HILL WATER UTILITY DISTRICT  
OF GILES COUNTY, TENNESSEE  
December 31, 2023 and 2022**

**MINOR HILL WATER UTILITY DISTRICT OF GILES COUNTY, TENNESSEE**  
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**MINOR HILL WATER UTILITY DISTRICT OF GILES COUNTY, TENNESSEE**

**ROSTER OF OFFICIALS**

**BOARD OF COMMISSIONERS**

Josh Stafford, President

Teryl R Rose, Vice President

Brandon Beard, Treasurer

**PUTMAN & HANCOCK**  
*Certified Public Accountants*

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**INDEPENDENT AUDITORS' REPORT**

Board of Commissioners  
Minor Hill Water Utility District of Giles County, Tennessee  
Giles County, Tennessee

**Report on the Audit of the Financial Statements**

***Opinion***

We have audited the accompanying financial statements of the Minor Hill Water Utility District of Giles County, Tennessee (the "District"), as of and for the year ended December 31, 2023 and 2022, 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 financial position of the Minor Hill Water Utility District of Giles County, Tennessee as of December 31, 2023 and 2022, and the respective changes in financial position and cash flows thereof for the years 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 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 the 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 the 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 auditors' 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 the 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 the 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 7 through 10 be presented to supplement the 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 an opinion on the financial statements taken as a whole. The accompanying supplementary information as listed in the table of contents and the Roster of Officials on page 3 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 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 supplementary information as listed in the table of contents and the Roster of Officials on page 3 are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 4, 2024 on our consideration of Minor Hill Water Utility District'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 Minor Hill Water 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 Minor Hill Water Utility District's internal control over financial reporting and compliance.

*Putman & Hancock, CPAs*

Fayetteville, Tennessee  
September 4, 2024

**MINOR HILL WATER UTILITY DISTRICT OF GILES COUNTY, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Minor Hill Water Utility District of Giles County, Tennessee (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the District's performance during the fiscal year ending December 31, 2023. We encourage readers to consider the information presented here in conjunction with the basic financial statements.

**Financial Highlights**

- The assets of the District exceeded its liabilities at December 31, 2023 by \$8,907,178. Of this amount, \$7,370,736 is invested in capital assets net of related debt, \$195,409 is restricted for debt service, and \$1,341,033 is unrestricted net position that may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the District's policies.
  
- The District's total net position decreased by \$272,706 for the year ended December 31, 2023.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements and revised reporting system as required by Governmental Accounting Standards Board Statement 34, Basic Financial Statements – and Management's Discussion and Analysis – of State and Local Governments. The District's basic financial statements are comprised of two components: (1) the basic financial statements, and (2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Basic financial statements** – The basic financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of revenues, expenses and changes in net position presents information showing how the District's net position changed during the most recent fiscal 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. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Typically, governmental financial statements would distinguish functions of an entity that are supported by intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The District has no governmental activities. The business-type activity of the District is to provide water service to its customers.

**Proprietary fund** - The District operates as an enterprise fund, a type of proprietary fund, to report its business-type activities. This fund is used to account for its water service operations.

**Notes to the financial statements** – The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

**Other information** – In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information.

## Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At December 31, 2023, the District's assets exceeded liabilities by \$8,907,178. The largest portion of the District's net position (82.8%) reflects its investment in capital assets, less any debt incurred to acquire or construct those assets that may still be outstanding. The District's capital assets are used to provide services to citizens and they are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

Minor Hill Water Utility District of Giles County, Tennessee			
	<u>2023</u>	<u>2022</u>	<u>2021</u>
Current and other assets	\$ 1,965,316	\$ 1,770,129	\$ 1,550,276
Capital assets	<u>10,532,271</u>	<u>10,897,921</u>	<u>11,307,770</u>
Total assets	<u>12,497,587</u>	<u>12,668,050</u>	<u>12,858,046</u>
Long term liabilities	3,161,535	3,291,242	3,435,489
Other liabilities	<u>428,874</u>	<u>196,924</u>	<u>138,440</u>
	<u>3,590,409</u>	<u>3,488,166</u>	<u>3,573,929</u>
Net position			
Net investment in capital assets	7,370,736	7,606,679	7,872,281
Restricted for debt service and construction	195,409	206,298	205,300
Unrestricted	<u>1,341,033</u>	<u>1,366,907</u>	<u>1,206,536</u>
	<u>\$ 8,907,178</u>	<u>\$ 9,179,884</u>	<u>\$ 9,284,117</u>

**Analysis of the District's operations** – The following table provides a summary of the District's operations for the years ended December 31, 2023, 2022 and 2021.

Minor Hill Water Utility District of Giles County, Tennessee			
	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating revenues	\$ 1,971,922	\$ 1,917,885	\$ 1,837,996
Operating expenses			
Purchased water	853,129	646,568	538,946
Depreciation and amortization	478,571	471,856	465,823
Salaries	249,272	261,743	238,559
Other operating expenses	<u>604,625</u>	<u>563,040</u>	<u>436,332</u>
Total operating expenses	<u>2,185,597</u>	<u>1,943,207</u>	<u>1,679,660</u>
Operating income (loss)	(213,675)	(25,322)	158,336
Non operating income (expense)	<u>(59,031)</u>	<u>(78,911)</u>	<u>(80,091)</u>
Income (loss) before contributions	(272,706)	(104,233)	78,245
Capital contributions	<u>-</u>	<u>-</u>	<u>44,987</u>
Increase (decrease) in net position	(272,706)	(104,233)	123,232
Net position, beginning of year	<u>9,179,884</u>	<u>9,284,117</u>	<u>9,160,885</u>
Net position, end of year	<u>\$ 8,907,178</u>	<u>\$ 9,179,884</u>	<u>\$ 9,284,117</u>

## Financial Analysis of Capital Assets and Long-term Debt

### **Capital Assets**

The District's investment in capital assets as of December 31, 2023 amounted to \$10,532,271 (net of accumulated depreciation). This includes land, equipment, storage and distribution facilities, and construction in progress.

Capital Assets at December 31, 2023, 2022 and 2021  
(Net of Accumulated Depreciation)

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Land	\$ 29,000	\$ 29,000	\$ 29,000
Building	18,792	21,058	23,323
Equipment	89,809	105,172	119,910
Vehicles	37,711	9,442	17,536
Storage and distribution	10,356,959	10,733,249	11,118,001
	<u>\$ 10,532,271</u>	<u>\$ 10,897,921</u>	<u>\$ 11,307,770</u>

### **Long-term Debt**

At December 31, 2023, the District had long-term debt of \$3,161,535. The following is a summary of the outstanding long-term debt:

Long-term Debt at December 31, 2023, 2022 and 2021

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Waterworks Revenue Bonds, USDA, Rural Development			
Series 2003, dated 10/25/04 - 4.500%	\$ 907,445	\$ 964,360	\$ 1,018,775
Series 2015, dated 01/16/18 - 2.5000%	937,067	955,901	974,270
Series 2018, dated 06/08/18 - 2.7500%	305,246	310,998	316,594
	<u>2,149,758</u>	<u>2,231,259</u>	<u>2,309,639</u>
State Revolving Fund Loan, dated 05/14/13	597,408	626,149	665,488
State Revolving Fund Loan, dated 02/22/16	414,369	433,834	460,362
	<u>\$ 3,161,535</u>	<u>\$ 3,291,242</u>	<u>\$ 3,435,489</u>

During the fiscal year ended December 31, 2023, total principal payments reduced the District's debt by \$129,707.

### **Other Information - Water Rates**

The District had a negative change in net position for two consecutive years (2022 and 2023) without regard to any grants or capital contributions. The District's Board implemented a 4% rate increase, effective January 1, 2024, to alleviate this situation.

### **Economic Factors and Next Year's Budget**

Economic factors affecting next year's budget include entering into a maintenance agreement with American Tank Maintenance effective 1/1/23 which covers all tanks in the system. No significant plant projects are planned. Small water line extension projects may be undertaken when feasible and the District will continue its AMR radio read meter project. Normal scheduled maintenance projects are budgeted as the District continues to improve its water loss ratio.

### **Request for Information**

This financial report is designed to provide a general overview of the finances of the Minor Hill Water Utility District of Giles County, Tennessee for interested parties. If there are questions about this report or additional information is needed, contact the District Manager, Minor Hill Utility District of Giles County, Tennessee, P.O. Box 124, Minor Hill, Tennessee 38473.

## **BASIC FINANCIAL STATEMENTS**

**MINOR HILL WATER UTILITY DISTRICT OF GILES COUNTY, TENNESSEE**  
**STATEMENTS OF NET POSITION**  
**December 31, 2023 and 2022**

**ASSETS**

	<u>2023</u>	<u>2022</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 1,170,885	\$ 1,329,546
Accounts receivable, less allowance for uncollectible accounts of \$4,727 and \$4,355, respectively	117,571	104,214
Accrued interest receivable	4,337	-
Other receivables	1,590	4,096
Prepaid expenses	7,369	5,632
Inventory	<u>49,414</u>	<u>41,602</u>
<b>Total Current Assets</b>	<u>1,351,166</u>	<u>1,485,090</u>
<b>CAPITAL ASSETS</b>		
Utility plant in service	18,394,564	18,299,160
Less accumulated depreciation	<u>(7,862,293)</u>	<u>(7,401,239)</u>
	<u>10,532,271</u>	<u>10,897,921</u>
<b>OTHER ASSETS</b>		
Certificates of deposit	340,000	-
Restricted assets	195,409	206,298
Security deposits - revolving loan fund	<u>78,741</u>	<u>78,741</u>
<b>Total Other Assets</b>	<u>614,150</u>	<u>285,039</u>
<b>TOTAL ASSETS</b>	<u>\$ 12,497,587</u>	<u>\$ 12,668,050</u>

**LIABILITIES AND NET POSITION**

<b>CURRENT LIABILITIES</b>		
Current maturities of long-term debt	\$ 181,729	\$ 153,839
Accounts payable	143,986	135,481
Accrued taxes	123,112	15,082
Accrued payroll and withheld taxes	105,783	31,547
Consumer deposits	10,985	10,985
Unearned tap fees	40,210	1,050
Accrued interest	<u>4,798</u>	<u>2,779</u>
<b>Total Current Liabilities</b>	<u>610,603</u>	<u>350,763</u>
<b>LONG-TERM DEBT</b>	2,979,806	3,137,403
<b>NET POSITION</b>		
Net investment in capital assets	7,370,736	7,606,679
Restricted for debt service	195,409	206,298
Unrestricted	<u>1,341,033</u>	<u>1,366,907</u>
<b>Total Net Position</b>	<u>8,907,178</u>	<u>9,179,884</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 12,497,587</u>	<u>\$ 12,668,050</u>

The accompanying notes are an integral part of these financial statements.

**MINOR HILL WATER UTILITY DISTRICT OF GILES COUNTY, TENNESSEE**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>OPERATING REVENUES</b>		
Water sales, net of bad debts of \$11,042 and \$14,585 respectively	\$ 1,825,451	\$ 1,738,847
Other operating revenues	<u>146,471</u>	<u>179,038</u>
Total Operating Revenues	1,971,922	1,917,885
<b>OPERATING EXPENSES</b>		
Purchased water	853,129	646,568
Bank and credit card fees	5,444	7,974
Continuing education	2,973	3,835
Depreciation	478,571	471,856
Dues, subscriptions and permits	8,435	5,800
Employee insurance	38,485	40,361
Engineering fees	35,817	28,590
Fines and penalties	66,529	10,541
Insurance	22,345	20,984
Office expense	24,038	22,763
Other	4,959	7,369
Payroll taxes	18,672	20,372
Professional fees	14,925	15,286
Repairs and maintenance	161,779	157,129
Salaries	249,272	261,743
Service fees	11,079	5,755
Supplies	97,934	121,203
Transportation	24,333	34,942
Utilities and telephone	<u>66,878</u>	<u>60,136</u>
Total Operating Expenses	<u>2,185,597</u>	<u>1,943,207</u>
Net operating (loss)	(213,675)	(25,322)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest income	19,478	5,259
Interest expense	(81,285)	(84,170)
Gain on sale of assets	<u>2,776</u>	<u>-</u>
Nonoperating Revenues (Expenses) - Net	<u>(59,031)</u>	<u>(78,911)</u>
Income (loss) before Contributions	<u>(272,706)</u>	<u>(104,233)</u>
<b>CHANGE IN NET POSITION</b>	(272,706)	(104,233)
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>9,179,884</u>	<u>9,284,117</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 8,907,178</u>	<u>\$ 9,179,884</u>

The accompanying notes are an integral part of these financial statements.

**MINOR HILL WATER UTILITY DISTRICT OF GILES COUNTY, TENNESSEE**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers and users	\$ 1,996,631	\$ 1,898,839
Other operating receipts	3,600	3,600
Payments to suppliers and others	(1,276,532)	(1,129,104)
Payments to employees	<u>(249,272)</u>	<u>(261,743)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>474,427</u>	<u>511,592</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Additions to plant and construction in progress	(112,921)	(62,007)
Proceeds from sale of capital assets	2,776	-
Principal paid on long-term borrowings	(129,707)	(144,247)
Interest paid	<u>(79,266)</u>	<u>(83,694)</u>
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(319,118)</u>	<u>(289,948)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of certificates of deposit	(535,409)	-
Interest received on cash and cash investments	<u>15,141</u>	<u>5,259</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(520,268)</u>	<u>5,259</u>
INCREASE (DECREASE) IN CASH, NET	(364,959)	226,903
CASH AND CASH EQUIVALENTS, AT BEGINNING OF YEAR	<u>1,535,844</u>	<u>1,308,941</u>
CASH AND CASH EQUIVALENTS, AT END OF YEAR	<u>\$ 1,170,885</u>	<u>\$ 1,535,844</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income	\$ (213,675)	\$ (25,322)
Adjustments to reconcile operating income to net cash provided by operating activities -		
Depreciation and amortization	478,571	471,856
Changes in operating assets and liabilities:		
Accounts receivable	(13,357)	(11,350)
Inventory	(7,812)	18,547
Other receivables	2,506	(4,096)
Prepaid expenses	(1,737)	3,949
Accounts payable	8,505	34,466
Accrued payroll and withheld taxes	74,236	20,851
Accrued sales tax	108,030	2,691
Unearned tap fees	<u>39,160</u>	<u>-</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 474,427</u>	<u>\$ 511,592</u>

The accompanying notes are an integral part of these financial statements.

**MINOR HILL WATER UTILITY DISTRICT OF GILES COUNTY, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2023 and 2022**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Minor Hill Water Utility District of Giles County, Tennessee (the District) was recreated on November 15, 1996, with rights, powers and privileges provided in the Utility District Law of 1937, Title 7, Chapter 82, Tennessee Code Annotated, as amended. The District was originally created on July 20, 1966. The District had previously operated as a not-for-profit corporation since September 4, 1970. The management and control of the District are vested in the Board of Commissioners, who are elected by the members. The District is organized to operate a public benefit water system for residents of Giles County, Tennessee.

The accounting policies of the District conform to generally accepted accounting principles applicable to utilities. The Governmental Accounting Standards Board (GASB) is the standard setting body for establishing governmental accounting and financial reporting standards. The GASB's *Codification of Governmental Accounting and Financial Reporting Standards* document these principles. The following is a summary of significant policies:

- (1) Basis of Accounting The District's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America and general practices of the utility industry. Revenues are recognized when earned and expenses are recognized when incurred regardless of the timing of the related cash flow.

The District distinguishes operating revenues and expenses from non-operating items. Operating revenues generally result from charges to customers for the provision of water services. Operating expenses include the purchased cost of these services as well as costs to operate and maintain the system, general and administrative costs and depreciation on capital assets. All revenues and expenses not meeting the operating items criteria 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 they are needed.

- (2) Utility Plant and Equipment Utility plant in service is stated at cost and includes improvements that significantly add to utility or extend useful lives. Cost of maintenance and repairs are charged to expense.

Depreciation is calculated by the straight-line method to allocate the cost of the assets over their estimated useful lives. The general range of useful lives is 40 to 50 years for the water plant in service and 5 to 10 years for equipment.

- (3) Allowance for Uncollectible Accounts The District provides an allowance for uncollectible receivables equal to the estimated loss that will be incurred in collection of all receivables. The estimated losses are based on historical collection experience and a review of the current status of the existing receivables.
- (4) Inventory The inventory is stated at the lower of average cost (first-in, first-out) or market.
- (5) Compensated Absences The costs of vacation benefits granted to employees are recorded as expenditures when paid. Benefits are awarded on a calendar year basis and expire as of December 31; therefore, no accrual of benefits is required in the financial statements as of December 31, 2023.

**MINOR HILL WATER UTILITY DISTRICT OF GILES COUNTY, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2023 and 2022**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- (6) Statement of Cash Flows - Cash and Cash Equivalents For purposes of the Statement of Cash Flows, the District considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.
- (7) Use of Estimates The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- (8) 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. The District does not have any items that qualify for reporting in this category.

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. The District does not have any items that qualify for reporting in this category.

- (9) Net Position Net position is the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net investment in capital assets represent capital assets reduced by accumulated depreciation and by any outstanding debt related to the acquisition, construction or improvement of those assets as well as any deferred outflows or inflows of resources attributable to the acquisition, construction, or improvement of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted assets occur when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributions, laws, regulations, etc. Unrestricted net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. The debt service reserve is presented as a restricted component of net position. The reserve amount is in compliance with the required amount.
- (10) Other Postemployment Benefits (OPEB) The District participates in the Local Government OPEB Plan (LGOP) through the State of Tennessee. The District's OPEB liability for its implicit subsidy for retiree participants based on the State's actuarial study has been determined to be immaterial. Therefore, no liabilities, deferred outflows of resources, or deferred inflows of resources are recorded in these financial statements related to this plan.
- (11) Reclassifications Certain reclassifications have been made in the 2022 financial statements to conform to the 2023 financial statements presentation. Such reclassifications had no effect on the results of operations as previously reported.

**MINOR HILL WATER UTILITY DISTRICT OF GILES COUNTY, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2023 and 2022**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- (12) Leases During the previous year, the District implemented GASB Statement 87, *Leases*. This standard enhances the relevance and consistency of information of the District's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financing of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. GASB Statement 87 is effective for fiscal years beginning after June 15, 2021. No current year accrual of a potential lease receivable or a deferred inflow of resources was necessary as the District's leasing arrangements were considered immaterial. While no leases are considered material for GASB Statement 87 reporting, the District's future minimum rentals are disclosed in Note I.
- (13) Subscription-Based Information Technology Arrangements (SBITAs) During the year, the District implemented GASB Statement 96, *Subscription-Based Information Technology Arrangements* (SBITAs). This standard enhances the relevance and consistency of information of the District'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. A government is required to recognize a SBITA liability and an intangible right to use SBITA asset when it acquires these types of assets. GASB Statement 96 is effective for fiscal years beginning after June 15, 2022. No current year accrual was necessary, as the District's information technology arrangements have no future obligation beyond one year; therefore, no SBITA assets or liabilities are recorded.

NOTE B - UTILITY PLANT AND EQUIPMENT

The following is a summary of utility plant and equipment activity for the years ended December 31:

	Balance <u>12/31/22</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>12/31/23</u>
Capital assets, not being depreciated:				
Land	\$ 29,000	\$ -	\$ -	\$ 29,000
Total capital assets not being depreciated	<u>29,000</u>	<u>-</u>	<u>-</u>	<u>29,000</u>
Capital assets, being depreciated:				
Office building and landscaping	78,462	-	-	78,462
Equipment	281,971	-	-	281,971
Vehicles	128,583	39,668	17,517	150,734
Storage and distribution	17,781,144	73,253	-	17,854,397
Total capital assets being depreciated	<u>18,270,160</u>	<u>112,921</u>	<u>17,517</u>	<u>18,365,564</u>
Less accumulated depreciation				
Office building and landscaping	(57,404)	(2,266)	-	(59,670)
Equipment	(176,799)	(15,363)	-	(192,162)
Vehicles	(119,141)	(11,399)	(17,517)	(113,023)
Storage and distribution	(7,047,895)	(449,543)	-	(7,497,438)
Total accumulated depreciation	<u>(7,401,239)</u>	<u>(478,571)</u>	<u>(17,517)</u>	<u>(7,862,293)</u>
Total capital assets being depreciated, net	<u>10,868,921</u>	<u>(365,650)</u>	<u>-</u>	<u>10,503,271</u>
Total capital assets, net	<u>\$ 10,897,921</u>	<u>\$ (365,650)</u>	<u>\$ -</u>	<u>\$ 10,532,271</u>

**MINOR HILL WATER UTILITY DISTRICT OF GILES COUNTY, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2023 and 2022**

NOTE B - UTILITY PLANT AND EQUIPMENT (CONTINUED)

	Balance <u>12/31/21</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>12/31/22</u>
Capital assets, not being depreciated:				
Land	\$ 29,000	\$ -	\$ -	\$ 29,000
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets not being depreciated	<u>29,000</u>	<u>-</u>	<u>-</u>	<u>29,000</u>
Capital assets, being depreciated:				
Office building and landscaping	78,462	-	-	78,462
Equipment	281,249	722	-	281,971
Vehicles	128,583	-	-	128,583
Storage and distribution	<u>17,725,793</u>	<u>61,285</u>	<u>5,934</u>	<u>17,781,144</u>
Total capital assets being depreciated	<u>18,214,087</u>	<u>62,007</u>	<u>5,934</u>	<u>18,270,160</u>
Less accumulated depreciation				
Office building and landscaping	(55,139)	(2,265)	-	(57,404)
Equipment	(161,339)	(15,460)	-	(176,799)
Vehicles	(111,047)	(8,094)	-	(119,141)
Storage and distribution	<u>(6,607,792)</u>	<u>(446,037)</u>	<u>(5,934)</u>	<u>(7,047,895)</u>
Total accumulated depreciation	<u>(6,935,317)</u>	<u>(471,856)</u>	<u>(5,934)</u>	<u>(7,401,239)</u>
Total capital assets being depreciated, net	<u>11,278,770</u>	<u>(409,849)</u>	<u>-</u>	<u>10,868,921</u>
Total capital assets, net	<u>\$ 11,307,770</u>	<u>\$ (409,849)</u>	<u>\$ -</u>	<u>\$ 10,897,921</u>

NOTE C - CASH, CERTIFICATES OF DEPOSIT, AND RESTRICTED ASSETS

The following is a summary of cash, certificates of deposit, and restricted assets at December 31:

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents		
General	\$ 1,170,885	\$ 1,329,546
Restricted for debt service reserve funds	<u>-</u>	<u>206,298</u>
Total Cash and Cash Equivalents	<u>\$ 1,170,885</u>	<u>\$ 1,535,844</u>
Certificates of Deposit		
General	\$ 340,000	\$ -
Restricted for debt service reserve funds	<u>195,409</u>	<u>-</u>
Total Certificates of Deposit	<u>\$ 535,409</u>	<u>\$ -</u>
Total, as reported in financial statements	<u>\$ 1,706,294</u>	<u>\$ 1,535,844</u>
Bank balance for above deposits	<u>\$ 1,710,250</u>	<u>\$ 1,535,026</u>

The District is authorized to invest funds in direct obligations of the federal government, the State of Tennessee, the state local government investment pool, municipal bonds issued in Tennessee, money market funds, certificates of deposit, and other time deposits.

Custodial risk for the District's deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. According to Section 9-1-107, *Tennessee Code Annotated*, cash deposits must be insured or collateralized with securities held by the entity or by its agent in the entity's name. It is the District's policy to require financial institutions holding its deposits to be members of the Tennessee Collateral Pool or if not a member of the Tennessee Collateral Pool, to pledge collateral for deposits in excess of the Federal Deposit Insurance Corporation (FDIC) coverage. The pledged collateral is required

**MINOR HILL WATER UTILITY DISTRICT OF GILES COUNTY, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2023 and 2022**

NOTE C - CASH, CERTIFICATES OF DEPOSIT, AND RESTRICTED ASSETS (CONTINUED)

to be held by the District or its agent in the District's name. At December 31, 2023 and 2022, all bank deposits were either fully insured by the FDIC or collateralized by the Tennessee Collateral Pool.

Debt service reserve funds are established pursuant to agreements related to obligations payable to USDA, Rural Development as described in Note D. The agreements provide for the creation and maintenance of various restricted funds as detailed below.

	<u>2023</u>	<u>2022</u>
Debt Service Reserve Funds		
Series 2003, dated 10/25/04 - \$826 monthly until fund reaches \$99,144	\$ 99,144	\$ 99,144
Series 2015, dated 1/16/18 - \$354 monthly until fund reaches \$42,516	25,155	20,904
Series 2018, dated 6/8/18 - \$119 monthly until fund reaches \$14,232	<u>7,828</u>	<u>6,404</u>
Total debt service requirement	132,127	126,452
Debt service funding excess	<u>63,282</u>	<u>79,846</u>
	<u>\$ 195,409</u>	<u>\$ 206,298</u>

NOTE D - LONG-TERM DEBT

The following is a summary of long-term debt transactions for the years ended December 31, 2023 and 2022:

<u>Dated</u>	<u>Rate</u>	<u>Balance</u> <u>12/31/2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2023</u>	<u>Due Within</u> <u>One Year</u>
<u>Revenue Bonds, USDA, Rural Development</u>						
10/25/04	4.500%	\$ 964,360	\$ -	\$ 56,915	\$ 907,445	\$ 59,527
01/16/18	2.500%	955,901	-	18,834	937,067	19,310
06/08/18	2.750%	<u>310,998</u>	<u>-</u>	<u>5,752</u>	<u>305,246</u>	<u>5,912</u>
		<u>2,231,259</u>	<u>-</u>	<u>81,501</u>	<u>2,149,758</u>	<u>84,749</u>
<u>State Revolving Fund DW2 13-136</u>						
05/14/13	0.56%	<u>626,149</u>	<u>-</u>	<u>28,741</u>	<u>597,408</u>	<u>57,784</u>
<u>State Revolving Fund DWF 16-176</u>						
02/22/16	0.72%	<u>433,834</u>	<u>-</u>	<u>19,465</u>	<u>414,369</u>	<u>39,196</u>
		<u>\$ 3,291,242</u>	<u>\$ -</u>	<u>\$ 129,707</u>	<u>\$ 3,161,535</u>	<u>\$ 181,729</u>
Less: Current Maturities					<u>181,729</u>	
Total noncurrent portion					<u>\$ 2,979,806</u>	

**MINOR HILL WATER UTILITY DISTRICT OF GILES COUNTY, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2023 and 2022**

NOTE D - LONG-TERM DEBT (CONTINUED)

<u>Dated</u>	<u>Rate</u>	<u>Balance</u> <u>12/31/2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2022</u>	<u>Due Within</u> <u>One Year</u>
<u>Revenue Bonds, USDA, Rural Development</u>						
10/25/04	4.500%	\$ 1,018,775	\$ -	\$ 54,415	\$ 964,360	\$ 56,912
01/16/18	2.500%	974,270	-	18,369	955,901	18,833
06/08/18	2.750%	316,594	-	5,596	310,998	5,752
		<u>2,309,639</u>	<u>-</u>	<u>78,380</u>	<u>2,231,259</u>	<u>81,497</u>
<u>State Revolving Fund DW2 13-136</u>						
05/14/13	0.56%	665,488	-	39,339	626,149	43,128
<u>State Revolving Fund DWF 16-176</u>						
02/22/16	0.72%	460,362	-	26,528	433,834	29,214
		<u>\$ 3,435,489</u>	<u>\$ -</u>	<u>\$ 144,247</u>	<u>\$ 3,291,242</u>	<u>\$ 153,839</u>
Less: Current Maturities					<u>153,839</u>	
Total noncurrent portion					<u>\$ 3,137,403</u>	

The District has the following waterworks revenue bonds issued in prior years, which are considered direct placements, through the U.S. Department of Agriculture (USDA) Rural Development:

Series 2003 in the original amount of \$1,800,000, with an outstanding balance of \$907,445 bearing interest at the rate of 4.50% per annum and payable in monthly principal and interest installments of \$8,262, maturing in 2035.

Series 2015 in the original amount of \$1,042,000, with an outstanding balance of \$937,067 bearing interest at the rate of 2.50% per annum and payable in monthly principal and interest installments of \$3,543, maturing in 2056.

Series 2018 in the original amount of \$335,000, with an outstanding balance of \$305,246 bearing interest at the rate of 2.75% per annum and payable in monthly principal and interest installments of \$1,186, maturing in 2056.

Bonds payable to USDA, Rural Development are secured by the revenues of the District and a mortgage lien on the District's real estate and water distribution and storage system.

The District has direct borrowings issued in prior years through the state revolving fund as follows:

DW2 13-136 in the original amount of \$1,100,000 with an outstanding balance of \$597,408 bearing interest at the rate of 0.56% per annum and payable in monthly principal and interest installments of \$3,877, maturing in 2036. The contract required the district to deposit funds with the state equal to the maximum annual debt service of \$46,520.

DWF 16-176 in the original amount of \$600,000 with an outstanding balance of \$414,369 bearing interest at the rate of 0.72% per annum and payable in monthly principal and interest installments of \$2,687, maturing in 2037. The contract required the district to deposit funds with the state equal to the maximum annual debt service of \$32,221.

**MINOR HILL WATER UTILITY DISTRICT OF GILES COUNTY, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2023 and 2022**

NOTE D - LONG-TERM DEBT (CONTINUED)

The District has pledged its revenues as security for the above loans. Upon an event of default, the lender may declare all unpaid principal and interest to be immediately due and payable as well as pursue all available legal and equitable remedies.

The annual requirements to amortize all long-term debt outstanding as of December 31, 2023, are as follows:

<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 181,729	\$ 77,119	\$ 258,848
2025	161,390	73,270	234,660
2026	165,377	69,283	234,660
2027	169,511	65,149	234,660
2028	173,812	60,848	234,660
2029-2033	939,595	233,705	1,173,300
2034-2038	583,032	122,166	705,198
2039-2043	194,893	88,848	283,741
2044-2048	221,485	62,255	283,740
2049-2053	251,711	32,029	283,740
2054-2056	<u>119,000</u>	<u>3,493</u>	<u>122,493</u>
	<u>\$ 3,161,535</u>	<u>\$ 888,165</u>	<u>\$ 4,049,700</u>

NOTE E - MAJOR SUPPLIER

The District has one major supplier for the purchase of water. Purchases from the City of Pulaski accounted for approximately 74% and 65% of all water purchases for 2023 and 2022, respectively.

NOTE F - PLEDGED REVENUE

The District has pledged its revenues to secure certain debts as described in Note D. The 2023 and 2022 years' revenues, debt service, and future pledge commitment are as follows:

<u>2023</u>		
Operating Revenues		\$ 1,971,922
Current year principal and interest paid on revenue bonds		208,973
Percent of current revenue		10.6%
Remaining pledge based on future principal and interest requirements		4,049,700
Commitment period through fiscal year		2056
 <u>2022</u>		
Operating Revenues		\$ 1,917,885
Current year principal and interest paid on revenue bonds		227,941
Percent of current revenue		11.9%
Remaining pledge based on future principal and interest requirements		4,260,228
Commitment period through fiscal year		2056

**MINOR HILL WATER UTILITY DISTRICT OF GILES COUNTY, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2023 and 2022**

**NOTE G - RISK MANAGEMENT**

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains commercial insurance to cover any significant loss that may result from a claim. Management believes that the coverage is adequate to preclude any significant uninsured risk exposure to the District. Settled claims in the past three years have not exceeded the coverages. The insurance in effect at December 31, 2023 is essentially the same as prior years with no significant reduction in coverage.

**NOTE H - UNEARNED TAP FEES**

Unearned tap fees represent amounts received from customers for the installation of new taps related to water line distribution extension projects that were not installed or completed in 2023 and 2022. The District recognizes the customer payments as revenue as taps are installed on the project. In 2023 and 2022, the District recognized \$76,800 and \$107,350, respectively, of installed taps as an increase in net position. As of December 31, 2023 and 2022, \$40,210 and \$1,050, respectively had been received in advance and deferred until installation of the taps.

**NOTE I - LEASING ARRANGEMENTS**

The District leases space on its water tanks to Monster Broadband, Inc. for \$100 per month per tank. The lease began April 2016 with an initial term of sixty months and automatically renewed in March 2021 for a 3 year term. The lease will automatically renew in 3 year term increments thereafter unless cancelled by either party. The total rental income was \$3,600 for the current fiscal year and is included in other operating revenues in the statement of revenues, expenses, and changes in net position. Future minimum rentals total \$900 for the year ending December 31, 2024.

**NOTE J - DEFERRED COMPENSATION**

The District offers an optional deferred compensation plan to its employees created in accordance with Sections 457 and 401(k) of the Internal Revenue Code. This plan is available to all employees on a voluntary basis and allows participants to defer a portion of their current income until future years to shelter such funds and earnings from federal taxation until withdrawal. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency.

The deferred compensation plan is administered through the State of Tennessee. Benefit terms, including contribution requirements, are established and may be amended by the TCRS Board. Employees are permitted to make contributions to the pension plan, up to applicable Internal Revenue Code limits. The District matches employee contributions up to 5% of the employees' base pay. For the year ended December 31, 2023, employee contributions totaled \$7,807 and the District recognized retirement expense of \$5,936. At December 31, 2023, the District reported a liability of \$3,352 for the outstanding amount of contributions to its deferred compensation plan at December 31, 2023, which is included in accrued payroll and withheld taxes on the Statements of Net Position.

Employees are immediately vested in their own contributions and earnings on those contributions. Employer matching contributions are vested as follows: 20% after one year of service, 40% after two years of service, 60% after three years of service, 80% after four years of service, and 100% after five years of service. Forfeitures will be used to first reduce the employer's matching contributions, then to reduce the non-matching contributions, and then to offset plan expenses. There were no forfeitures to be recognized in pension expense for the years ending December 31, 2023 and 2022.

**SUPPLEMENTARY INFORMATION**

**MINOR HILL WATER UTILITY DISTRICT OF GILES COUNTY, TENNESSEE**  
**SCHEDULE OF LONG-TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS**  
**December 31, 2023**

Year Ending Dec. 31,	USDA, Rural Development						State Revolving Fund Loan					
	2003		2015		2018		DW2 2013-136		DWF 2016-176		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 59,527	\$ 39,617	\$ 19,310	\$ 23,206	\$ 5,912	\$ 8,320	\$ 57,784	\$ 3,156	\$ 39,196	\$ 2,820	\$ 181,729	\$ 77,119
2025	62,261	36,883	19,798	22,718	6,077	8,155	43,614	2,910	29,640	2,604	161,390	73,270
2026	65,122	34,022	20,299	22,217	6,246	7,986	43,860	2,664	29,850	2,394	165,377	69,283
2027	68,113	31,031	20,812	21,704	6,420	7,812	44,106	2,418	30,060	2,184	169,511	65,149
2028	71,242	27,902	21,338	21,178	6,598	7,634	44,352	2,172	30,282	1,962	173,812	60,848
2029	74,515	24,629	21,878	20,638	6,782	7,450	44,598	1,926	30,504	1,740	178,277	56,383
2030	77,938	21,206	22,431	20,085	6,971	7,261	44,850	1,674	30,726	1,518	182,916	51,744
2031	81,519	17,625	22,998	19,518	7,165	7,067	45,102	1,422	30,948	1,296	187,732	46,928
2032	85,264	13,880	23,580	18,936	7,365	6,867	45,354	1,170	31,170	1,074	192,733	41,927
2033	89,181	9,963	24,176	18,340	7,570	6,662	45,612	912	31,398	846	197,937	36,723
2034	93,278	5,866	24,788	17,728	7,781	6,451	45,870	654	31,626	618	203,343	31,317
2035	79,485	1,623	25,414	17,102	7,997	6,235	46,122	402	31,854	390	190,872	25,752
2036	-	-	26,057	16,459	8,220	6,012	46,184	175	32,058	186	112,519	22,832
2037	-	-	26,716	15,800	8,449	5,783	-	-	5,057	10	40,222	21,593
2038	-	-	27,392	15,124	8,684	5,548	-	-	-	-	36,076	20,672
2039	-	-	28,084	14,432	8,926	5,306	-	-	-	-	37,010	19,738
2040	-	-	28,795	13,722	9,175	5,057	-	-	-	-	37,970	18,779
2041	-	-	29,523	12,993	9,430	4,802	-	-	-	-	38,953	17,795
2042	-	-	30,269	12,247	9,693	4,539	-	-	-	-	39,962	16,786
2043	-	-	31,035	11,481	9,963	4,269	-	-	-	-	40,998	15,750
2044	-	-	31,820	10,696	10,240	3,992	-	-	-	-	42,060	14,688
2045	-	-	32,624	9,892	10,526	3,706	-	-	-	-	43,150	13,598
2046	-	-	33,449	9,067	10,819	3,413	-	-	-	-	44,268	12,480
2047	-	-	34,295	8,221	11,120	3,112	-	-	-	-	45,415	11,333
2048	-	-	35,162	7,354	11,430	2,802	-	-	-	-	46,592	10,156
2049	-	-	36,052	6,464	11,748	2,484	-	-	-	-	47,800	8,948
2050	-	-	36,963	5,553	12,075	2,157	-	-	-	-	49,038	7,710
2051	-	-	37,898	4,618	12,411	1,821	-	-	-	-	50,309	6,439
2052	-	-	38,856	3,660	12,757	1,475	-	-	-	-	51,613	5,135
2053	-	-	39,839	2,677	13,112	1,120	-	-	-	-	52,951	3,797
2054	-	-	40,846	1,670	13,477	755	-	-	-	-	54,323	2,425
2055	-	-	41,879	637	13,853	379	-	-	-	-	55,732	1,016
2056	-	-	2,691	6	6,254	46	-	-	-	-	8,945	52
	<u>\$ 907,445</u>	<u>\$ 264,247</u>	<u>\$ 937,067</u>	<u>\$ 426,143</u>	<u>\$ 305,246</u>	<u>\$ 156,478</u>	<u>\$ 597,408</u>	<u>\$ 21,655</u>	<u>\$ 414,369</u>	<u>\$ 19,642</u>	<u>\$ 3,161,535</u>	<u>\$ 888,165</u>

**MINOR HILL WATER UTILITY DISTRICT OF GILES 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>Payable through the Water District</u>									
<u>BONDS PAYABLE</u>									
USDA Revenue Bond, Series 2003	\$ 1,800,000	4.50%	10/25/2004	10/25/2042	\$ 964,360	\$ -	\$ 56,915	\$ -	\$ 907,445
USDA Revenue Bond, Series 2015	1,042,000	2.50%	1/16/2018	1/16/2056	955,901	-	18,834	-	937,067
USDA Revenue Bond, Series 2018	335,000	2.75%	6/8/2018	6/8/2056	310,998	-	5,752	-	305,246
Total Bonds Payable through Water District					<u>\$ 2,231,259</u>	<u>\$ -</u>	<u>\$ 81,501</u>	<u>\$ -</u>	<u>\$ 2,149,758</u>
<u>OTHER LOANS PAYABLE</u>									
State Revolving Fund Loan (DW2)	\$ 1,100,000	0.56%	5/14/2013	12/1/2036	\$ 626,149	\$ -	\$ 28,741	\$ -	\$ 597,408
State Revolving Fund Loan (DWF)	600,000	0.72%	3/8/2016	2/1/2037	433,834	-	19,465	-	414,369
Total Loans Payable through Water District					<u>\$ 1,059,983</u>	<u>\$ -</u>	<u>\$ 48,206</u>	<u>\$ -</u>	<u>\$ 1,011,777</u>

**MINOR HILL WATER UTILITY DISTRICT OF GILES COUNTY, TENNESSEE**  
**SCHEDULE OF RATES**  
**December 31, 2023**

First 1,500 gallons	\$27.98 (Minimum bill)
All Over 1,500 gallons	\$11.51 per 1,000 gallons

Number of customers at December 31, 2023	3,106
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Number of customers at December 31, 2022	3,024
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**PUTMAN & HANCOCK**  
*Certified Public Accountants*

219 East College Street  
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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**

Board of Commissioners  
Minor Hill Water Utility District  
Giles County, 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 Minor Hill Water Utility District of Giles County, Tennessee (the "District"), as of and for the year ended December 31, 2023, and the related notes to the financial statements, and have issued our report thereon, dated September 4, 2024.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District'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 opinion 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 District's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2023-001 and 2023-002 that we consider to be material weaknesses.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District'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 instances 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 items 2023-002, 2023-003, 2023-004, 2023-005, and 2023-006.

*Members: American Institute and Tennessee Society of Certified Public Accountants*

## **Minor Hill Water Utility District's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The 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.

*Putman & Hancock, CPAs*

Fayetteville, Tennessee  
September 4, 2024

**MINOR HILL UTILITY DISTRICT OF GILES COUNTY, TENNESSEE**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Year Ended December 31, 2023**

**FINDING NUMBER 2023-001 General ledger accounts were not balanced to subsidiary records**

*Condition and Criteria:*

Certain general ledger accounts (Cash, Accounts Receivable, Accounts Payable, and Accrued Liabilities) were not balanced to subsidiary records.

*Cause:*

Reconciliation procedures were not properly transitioned as bookkeeping staff changes occurred.

*Effect:*

The absence of these processes enhances the possibility that assets may be misappropriated and material misstatements go undetected.

*Auditors' Recommendations:*

We recommend regular reconciliation of the above-mentioned general ledger accounts to subsidiary records.

*Management Response:*

The District transitioned to a new bookkeeper during 2022, who had several illness-related absences in the current year preventing them from staying current on these reconciliation procedures. This employee eventually resigned subsequent to year-end and an investigation by the Comptroller's Office is underway related to certain irregularities.

**FINDING NUMBER 2023-002 Fraud was potentially committed by the District's bookkeeper**

*Condition and Criteria:*

The District became aware that its bookkeeper had potentially committed fraud during the year by paying their personal payroll garnishments with District funds that had not been withheld through payroll. The State of Tennessee Comptroller's Office was contacted and an investigation is on-going.

*Cause:*

The District failed to provide appropriate oversight in key financial positions.

*Effect:*

Personal garnishment expenses of \$1,590 appear to have been fraudulently paid during the year ended December 31, 2023.

*Auditors' Recommendations:*

We recommend that appropriate board oversight over key financial positions be implemented, such as review of selected payroll records of garnishments withheld prior to remittance. Also, collection efforts should begin in order to recover these lost funds.

*Management Response:*

The Board will review its procedures related to oversight of key financial positions and will closely monitor financial reporting going forward to prevent these types of incidents.

**MINOR HILL UTILITY DISTRICT OF GILES COUNTY, TENNESSEE**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Year Ended December 31, 2023**

**FINDING NUMBER 2023-003 Tax filings and remittances were not performed timely**

*Condition and Criteria:*

Certain tax filings and remittances (sales and payroll) were not performed in a timely manner.

*Cause:*

There were changes in bookkeeping personnel during the year, as well as illness-related absences, resulting in late filings and remittances.

*Effect:*

The District is in violation of State of Tennessee and Internal Revenue Service rules related to payment and filing of these tax returns. This has resulted in penalties and interest being assessed on the District, causing a significant waste of the District's resources totaling \$60,891.

*Auditors' Recommendations:*

We recommend that a process be instated to ensure that these filings and payments are done in a timely manner to avoid unnecessary penalties and interest.

*Management Response:*

The factors contributing to this finding are related to the bookkeeping issues noted in Finding 2023-001. As noted, that individual has resigned and new personnel and processes are now in place. All filings are now current and taxes paid.

**FINDING NUMBER 2023-004 Retirement plan contributions were not submitted timely**

*Condition and Criteria:*

Certain contributions to the retirement plan during the year were not submitted in a timely manner, in accordance with DOL rules.

*Cause:*

The District's bookkeeper had several illness-related absences during the 2023 year, causing them to get behind on remitting these contributions.

*Effect:*

Department of Labor rules require that the employer deposit deferrals as soon as the employer can; however, in no event can the deposit be later than the 15<sup>th</sup> business day of the following month. The District is in violation of these rules.

*Auditors' Recommendations:*

Any unpaid retirement contributions should be submitted as soon as possible. Future retirement plan contributions should be remitted to the plan at the earliest date that the deferrals can be segregated from general assets. In no case should this be later than the 15<sup>th</sup> business day of the following month.

*Management Response:*

We concur with this finding. Due to illnesses by the bookkeeper during the year, these contributions were not made timely. Unpaid contributions from the 2023 year have been remitted and future submissions will be remitted in a timely manner, in accordance with Department of Labor rules.

**MINOR HILL UTILITY DISTRICT OF GILES COUNTY, TENNESSEE**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Year Ended December 31, 2023**

**FINDING NUMBER 2023-005 Accounting records were not closed within two months after year end**

*Condition and Criteria:*

Tennessee Code Annotated 9-10-102 requires entities to close their accounting records no later than two months after their fiscal year end. This requirement was not met by the District for fiscal year 2023.

*Cause:*

As noted in other findings, the District's bookkeeper abruptly resigned her position, leaving the records in disarray.

*Effect:*

Accounting records that are not closed prevent the District from providing the governing body with current financial information.

*Auditors' Recommendations:*

We recommend that closing procedures be documented and put into effect to ensure timely reporting.

*Management Response:*

The Board will implement procedures for year-end closing that will ensure timely reporting.

**FINDING NUMBER 2023-006 The District is considered a financially distressed utility system**

*Condition and Criteria:*

Public Chapter 463 defines one of the qualifications for being a financially distressed utility system as occurring when the utility system has a negative change in net position for two consecutive years without regard to any grants or capital contributions. The District met this qualification for the 2022 and 2023 fiscal years and is therefore considered financially distressed.

*Cause:*

The District has not sufficiently increased rates as their operating expenses have increased.

*Effect:*

The District is not in compliance with state regulations.

*Auditors' Recommendations:*

We recommend that the District implement a rate increase that will be sufficient to cover its expenses.

*Management Response:*

The Board implemented a 4% rate increase, effective January 1, 2024.

# *Minor Hill Water Utility District*

*P.O. Box 124 • 12950 Minor Hill Hwy. • Minor Hill, TN 38478  
Phone: (931) 565-3436 • Fax: (931) 565-4521*

## MANAGEMENT'S CORRECTIVE ACTION PLAN Year Ended December 31, 2023

Minor Hill Water Utility District of Giles County, Tennessee respectfully submits the following corrective action plan for the year ended December 31, 2023.

### **FINDING NUMBER 2023-001:**

*Condition and Criteria:*

Certain general ledger accounts (Cash, Accounts Receivable, Accounts Payable, and Accrued Liabilities) were not balanced to subsidiary records.

*Recommendation:*

These general ledger accounts should be balanced to subsidiary records on a regular basis to decrease the likelihood of misappropriation or material misstatements.

*Planned Corrective Action:*

We will implement procedures to ensure that general ledger accounts are balanced to subsidiary records on a regular basis.

### **FINDING NUMBER 2023-002:**

*Condition and Criteria:*

The District became aware that its bookkeeper had potentially committed fraud during the year by paying their personal payroll garnishments with District funds that had not been withheld through payroll. The State of Tennessee Comptroller's Office was contacted and an investigation is on-going.

*Recommendation:*

Appropriate board oversight over key financial positions should be implemented, such as review of selected payroll records of garnishments withheld prior to remittance.

*Planned Corrective Action:*

We will implement procedures to ensure that appropriate oversight over key financial positions will be performed. Also, we are making efforts to recover the lost funds.

### **FINDING NUMBER 2023-003:**

*Condition and Criteria:*

Certain tax filings and remittances (sales and payroll) were not performed in a timely manner.

*Recommendation:*

The District should implement procedures to ensure that sales and payroll tax filings are submitted in a timely manner.

*Planned Corrective Action:*

We will implement procedures to ensure that sales and payroll tax filings are submitted on time.

**FINDING NUMBER 2023-004:**

*Condition and Criteria:*

Certain contributions to the retirement plan during the year were not submitted in a timely manner, in accordance with DOL rules.

*Recommendation:*

Any unpaid retirement contributions should be submitted as soon as possible. Future retirement plan contributions should be remitted to the plan at the earliest date that the deferrals can be segregated from general assets. In no case should this be later than the 15<sup>th</sup> business day of the following month.

*Planned Corrective Action:*

We will implement procedures to ensure that retirement plan contributions are submitted on time.

**FINDING NUMBER 2023-005:**

*Condition and Criteria:*

Tennessee Code Annotated 9-10-102 requires entities to close their accounting records no later than two months after their fiscal year end. This requirement was not met by the District for fiscal year 2023.

*Recommendation:*

Closing procedures should be documented and put into effect to ensure timely reporting.

*Planned Corrective Action:*

We will implement procedures for year-end closing that will ensure timely reporting.

**FINDING NUMBER 2023-006:**

*Condition and Criteria:*

Public Chapter 463 defines one of the qualifications for being a financially distressed utility system as occurring when the utility system has a negative change in net position for two consecutive years without regard to any grants or capital contributions. The District met this qualification for the 2022 and 2023 fiscal years and is therefore considered financially distressed.

*Recommendation:*

A rate increase should be implemented that will be sufficient to cover the District's expenses.

*Planned Corrective Action:*

The Board implemented a 4% rate increase, effective January 1, 2024.


*Responsible Person:*

Office Manager, Darla Adams, is responsible for implementing these corrective actions, in coordination with the Board.

*Anticipated Completion Date:*

Corrective action will be implemented immediately.

For questions regarding this plan, please call Josh Stafford at (931) 565-3436.



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Josh Stafford, Board President

September 4, 2024

**MINOR HILL WATER UTILITY DISTRICT OF GILES COUNTY, TENNESSEE**  
**SCHEDULE OF PRIOR YEAR FINDINGS**  
**Year Ended December 31, 2023**

Financial Statement Findings

<b>Prior Year Finding Number</b>	<b>Finding Title</b>	<b>Status</b>
2022-001	General ledger accounts were not balanced to subsidiary records (original finding # 2022-001)	Repeated / 2023-001
2022-002	Tax filings and remittances were not performed timely (original finding # 2022-002)	Repeated / 2023-003