

BEAN STATION UTILITY DISTRICT
Financial Statements
August 31, 2023

**BEAN STATION UTILITY DISTRICT
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AUGUST 31, 2023**

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**BEAN STATION UTILITY DISTRICT
BOARD OF COMMISSIONERS AND MANAGEMENT**
August 31, 2023

<u>NAME</u>	<u>TITLE</u>
Keith Rich	President
Randall Morgan	Vice-President
Melissa Wells	Secretary/Treasurer
Tammy Wilson	General Manager

DAVID M. ELLIS

Certified Public Accountant

Member, American Institute of
Certified Public AccountantsMember, Tennessee Society of
Certified Public Accountants**INDEPENDENT AUDITOR'S REPORT**

To the Board of Commissioners
Bean Station Utility District
Bean Station, Tennessee

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

I have audited the accompanying financial statements of Bean Station Utility District, as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise Bean Station Utility District's basic financial statements as listed in the table of contents.

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Bean Station 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.

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional 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 my 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.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 9 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the

information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Long-Term Debt, Principal and Interest Requirement, Water Rates, Fees and Number of Customers, and the Schedule of Changes in Long-Term Debt by Individual Issue – Bonds and Note Payable on pages 24-27, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information 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 Board of Commissioners and Management but does not include the basic financial statements and my auditor's report thereon. My opinion on the basic financial statements does not cover the other information, and I do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated February 26, 2024, on my consideration of the District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 the District's internal control over financial reporting and compliance.



David M. Ellis, CPA
Greeneville, TN
February 26, 2024

Management's Discussion and Analysis

As management of the Bean Station Utility District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended August 31, 2023. Please note the District presents prior comparative financial information when available.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$7,677,777 (net position).
- As of the close of the current fiscal year, the District reported ending net position of \$7,677,777, an increase of \$222,560 in comparison with the prior year.
- The District's total debt decreased by \$119,842 during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis provided here is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of two components: (1) fund financial statements, and (2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District maintains one fund, a proprietary fund, which is considered to be an enterprise fund.

Notes to the financial statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found on pages 16 through 23 of this report.

Financial Analysis of the District's Funds

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.

Bean Station Utility District
Condensed Statement of Net Position

	8/31/2023	8/31/2022	Dollars	Variance
	8/31/2023	8/31/2022	Dollars	%
Current and Other Assets	\$ 2,005,640	\$ 2,230,017	\$ (224,377)	-10.06%
Capital Assets	7,753,608	7,514,631	238,977	3.18%
 Total Assets	 9,759,248	 9,744,648	 14,600	 0.15%
 Current Liabilities	 266,580	 370,426	 (103,846)	 -28.03%
Long-term Liabilities	1,814,891	1,919,005	(104,114)	-5.43%
 Total Liabilities	 2,081,471	 2,289,431	 (207,960)	 -9.08%
 Net Investment in Capital Assets	 6,108,366	 5,748,816	 359,550	 6.25%
Restricted Net Position	151,892	129,506	22,386	17.29%
Unrestricted Net Position	1,417,519	1,576,895	(159,376)	-10.11%
 Total Net Position	 \$ 7,677,777	 \$ 7,455,217	 \$ 222,560	 2.99%

The balance of unrestricted net position, \$1,417,519, may be used to meet the District's ongoing obligations to citizens and creditors. The District's financial condition was strong at year-end with adequate liquid assets and reliable systems to meet demand. The current financial condition, technical support staff capabilities, and operating plans to meet anticipated customer needs are well balanced and under control.

Results of Operations

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. The following is a summary of financial activities for the District during the fiscal year ended August 31, 2023:

Bean Station Utility District
Statement of Revenues, Expenses, and Changes in Net Position

	8/31/2023	8/31/2022	Variance	
			Dollars	%
Revenues:				
Operating Revenues:				
Charges for Services	\$ 2,448,035	\$ 1,998,614	\$ 449,421	22.49%
Interest Income	1,472	1,124	348	0.12%
 Total Revenues	 2,449,507	 1,999,738	 449,769	 22.49%
 Expenses:				
Operating Expenses	2,175,951	2,127,729	48,222	2.27%
Non-Operating Expenses (Interest)	50,996	45,466	5,530	12.16%
 Total Expenses	 2,226,947	 2,173,195	 53,752	 2.47%
 Change in Net Position	 222,560	 (173,457)	 396,017	 -228.31%
 Beginning Net Position	 7,455,217	 7,628,674	 (173,457)	 -2.27%
 Ending Net Position	 \$ 7,677,777	 \$ 7,455,217	 \$ 222,560	 2.99%

- Operating revenues were \$2,448,035, an increase of \$449,421 or 22.49%, from 2022. This can be attributed to an increase in water rates and repayment of water line extensions.
- Operating expenses increased by \$48,222, an increase of 2.27% compared to 2022. Operating expenses increased due to inflationary increases in a management and operations contract, as well as increases in utilities, insurance, repairs and maintenance, professional services and depreciation.

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District maintains one fund, a proprietary fund, which is considered to be an enterprise fund.

Financial Outlook of the District

The financial outlook of the District is strong. On March 1, 2023, rates were raised to minimum charge of \$29.00 for up to 1,000 gallons compared to \$27.00 for up to 1,500 gallons in the prior year.

Economic Factors and Next Year's Budget and Rates

In the 2023-2024 budget, revenues are budgeted to maintain from the 2022-2023 budget. The District's budget has slowed due to required repairs, but expenditures are expected to level out in the coming year.

Capital Asset and Debt Administration

The District's investment in capital assets for its activities as of August 31, 2023, amounts to \$7,753,608 (net of accumulated depreciation). This investment in capital assets includes improvements, machinery and equipment, and software.

Major capital asset events during the current fiscal year included the following:

- Additions to water lines in the amount of \$426,773
- Equipment in the amount of \$100,261
- New construction in the amount of \$17,969

Bean Station Utility District Capital Assets (Net of Depreciation)

	8/31/2023	8/31/2022		Variance
			Dollars	%
Land	\$ 53,800	\$ 53,800	\$ -	0.00%
Distribution system	7,103,494	7,044,890	58,604	0.83%
Property and Equipment	425,355	378,144	47,211	12.48%
Buildings	152,990	173,530	(20,540)	-11.84%
Construction in Progress	17,969	-	17,969	100.00%
 Total capital assets	 \$ 7,753,608	 \$ 7,650,364	 \$ 103,244	 1.35%

Additional information on the District's capital assets can be found in Note 4 on page 18-19 of this report.

Long-term debt

At the end of the current fiscal year, the District had total bonded debt outstanding of \$1,638,039. The District's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

Bean Station Utility District

Revenue Bonds

	8/31/2023	8/31/2022		Variance
			Dollar	%
Revenue bonds	1,638,039	1,748,594	(110,555)	(0.06)
Less: Current portion	111,285	110,555	730	0.01
 Long-term portion	 \$ 1,526,754	 \$ 1,638,039	 \$ (111,285)	 \$ (0)

The District's total bonded debt decreased by \$111,285 during the current fiscal year.

The District also obtained a loan in the amount of \$121,557 that stipulates equal monthly payments to be made in the amount of \$1,264. The loan was obtained for the purpose of a line extension project to begin in future months.

Bean Station Utility District

Note Payable

	8/31/2023	8/31/2022	Variance	
			Dollar	%
Note payable	109,969	119,256	(9,287)	(0.08)
Less: Current portion	9,773	9,287	486	0.05
Long-term portion	\$ 100,196	\$ 109,969	\$ (9,773)	\$ (0)

Additional information on the District's long-term debt can be found in Note 5 on pages 19-22 of this report.

Requests for Information

This financial report is designed to provide a general overview of the Bean Station Utility District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Bean Station Utility District, P.O. Box 520, Bean Station, TN 37708.

BEAN STATION UTILITY DISTRICT
STATEMENT OF NET POSITION
August 31, 2023

ASSETS

Current Assets

Cash and Equivalents	\$ 1,331,477
Accounts Receivable (net)	204,006
Inventory	111,860
Total Current Assets	\$ 1,647,343

Restricted Assets

Customer Deposits	206,405
Debt Service Reserve	<u>151,892</u>

358,297

Capital Assets

Distribution System	13,109,319
Property and Equipment	997,557
Buildings	365,173
Land	53,800
Construction in Progress	17,969
Less: Accumulated Depreciation	<u>(6,790,210)</u>
Total Capital Assets	<u>7,753,608</u>

TOTAL ASSETS **\$ 9,759,248**

BEAN STATION UTILITY DISTRICT
STATEMENT OF NET POSITION
August 31, 2023

LIABILITIES

Current Liabilities

Accounts Payable	\$ 103,365
Current Portion of Bonds	111,285
Accrued Interest	15,954
Accrued Taxes	17,684
Current Portion of Note Payable	9,773
Prepaid Tap Fees	<u>8,519</u>
Total Current Liabilities	\$ 266,580

Long Term Liabilities

Meter Deposits	187,941
Note Payable	100,196
Bonds Payable - Net of Current Portion	<u>1,526,754</u>
Total Long Term Liabilities	<u>1,814,891</u>

TOTAL LIABILITIES 2,081,471

NET POSITION

Net Investment in Capital Assets	6,108,366
Restricted	151,892
Unrestricted	<u>1,417,519</u>
TOTAL NET POSITION	<u>\$ 7,677,777</u>

BEAN STATION UTILITY DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year ended August 31, 2023

Revenues	
Water sales	\$ 1,967,225
Facility charge income	95,421
Tap fees - operating	96,272
Line extension reimbursements	66,793
Other revenue	28,849
Service charges	19,066
Penalties charged	23,521
Connection fees	22,090
Fire protection	<u>7,847</u>
 Total Revenues	 2,327,084
Operating Expenses	
Cost of water purchased	\$ 662,446
Salaries and wages	448,567
Depreciation	306,026
System repairs and maintenance	288,585
Medical insurance	78,386
Utilities	49,169
Equipment fuel	28,763
Payroll taxes	<u>34,103</u>
 Total Operating Expenses	 \$ 1,896,045
General and Administrative	
Facility charges expense	84,130
Professional services	74,579
Postage and office supplies	41,996
General insurance	39,353
Commissioner fees	9,900
Telephone	9,035
Property maintenance	8,905
Billing expense	5,740
Miscellaneous expenses	4,646
Retirement	949
Employee uniforms	<u>673</u>
 Total General and Administrative	 279,906
 Total Expenses	 <u>2,175,951</u>
 Operating Income	 \$ 151,133

The accompanying notes to financial statements are an integral part of this statement.

BEAN STATION UTILITY DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year ended August 31, 2023

Other Income and Expenses	
Interest income	\$ 1,472
Contribution from customer	\$ 120,951
Interest expense	<u>(50,996)</u>
	<u>71,427</u>
Total Other Income and Expenses	<u>71,427</u>
Net Income	222,560
Net Position - August 31, 2022	<u>7,455,217</u>
Net Position - August 31, 2023	<u>\$ 7,677,777</u>

The accompanying notes to financial statements are an integral part of this statement.

**BEAN STATION UTILITY DISTRICT
STATEMENT OF CASH FLOWS
For the Year ended August 31, 2023**

Cash Flows from Operating Activities:

Receipts from Customers and Users	\$ 2,286,453
Payments to Suppliers	(1,419,148)
Payments to Employees	<u>(448,567)</u>
Net Cash Provided (Used) by Operating Activities	<u>418,738</u>

Cash Flows from Capital and Related Financing Activities:

Capital Asset Additions	(545,002)
Principal Paid on Revenue Bonds	(110,555)
Principal Paid On Note Payable	(9,288)
Meter Deposits	16,945
Interest Paid	<u>(50,996)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(698,896)</u>

Cash Flows from Investing Activities:

Transfers (to)/from Restricted Assets	(57,795)
Interest Received	<u>1,472</u>
Net Cash Provided (Used) by Investing Activities	<u>(56,323)</u>

Net Increase (Decrease) in Cash	(336,481)
Cash -- Beginning of Year	<u>1,667,958</u>
Cash -- End of Year	<u>\$ 1,331,477</u>

BEAN STATION UTILITY DISTRICT
STATEMENT OF CASH FLOWS
For the Year ended August 31, 2023

Reconciliation of Operating Income to Net Cash

Provided (Used) by Operating Activities:

Operating Income	\$ 151,133
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities:	
Depreciation	306,026
(Increase) Decrease in Accounts Receivable	(40,631)
(Increase) Decrease in Inventories	(13,678)
Increase (Decrease) in Accounts Payable	13,872
Increase (Decrease) in Accrued Expenses	<u>2,016</u>
 Total Adjustments	 <u>267,605</u>
 Net Cash Provided (Used) by Operating Activities	 <u>\$ 418,738</u>

Supplemental Disclosures of Cash Flow Information:

Cash Received During the Year for Interest	\$ 1,472
Cash Paid During the Year for Interest	50,996

BEAN STATION UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
August 31, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. DESCRIPTION OF FINANCIAL STATEMENTS:** The financial statements (ie. Statement of net position and statement of activities) report information on all activities of Bean Station Utility District (the District). The District is a business-type activity which relies to a significant extent on fees and charges to external customers for support.
- B. REPORTING ENTITY:** The District is a political subdivision of the State of Tennessee governed by a board of commissioners. The District is the complete reporting entity with no excluded potential component units and provides water to parts of Grainger County. The District is not subject to federal income tax.
- C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING:** The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements. The District's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.
- D. CASH AND EQUIVALENTS:** The District considers highly liquid investments (including restricted assets) with an original maturity when purchased of three months or less to be cash equivalents. The certificates of deposit, classified as investments, and funds restricted for construction are not treated as cash in the Statement of Cash Flows.
- E. INVESTMENTS:** The District is allowed to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Tennessee or its agencies; (3) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Tennessee or the United States; (4) obligations of states, agencies, countries, cities and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "AA" or its equivalent; (5) certificates of deposit issued by state and national banks, domiciled in Tennessee, that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, or secured by obligations mentioned above; and (6) fully collateralized direct repurchase agreements having a defined termination date.

**BEAN STATION UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
August 31, 2023**

F. INVENTORY AND PREPAID ITEMS: Inventory consists of parts used for repairs and installation of new taps. Inventory is valued at cost using the first in\first out (FIFO) method. The cost of such inventory is recorded as expense when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The cost of prepaid items is recorded as expense when consumed rather than when purchased.

G. CAPITAL ASSETS: Capital assets are defined by the District as assets with an initial, individual cost of more than \$2,000 (amount not rounded) and an estimated useful life in excess of one year. The distribution lines and other additions are stated at cost and are being depreciated on the straight-line method over estimated useful lives of 25 to 50 years. The building is being depreciated on the straight-line method over 25 years. Equipment is being depreciated on the straight-line method over its estimated useful life of 5 to 10 years. Land and construction in progress are not depreciated and are recorded at cost. Repairs and interest are expensed as the costs are incurred. Upon retirement or disposal of assets, the cost and related depreciation are removed from the accounts and a gain or loss, if any, is reflected in the earnings for the period.

H. NET POSITION FLOW ASSUMPTION: Sometimes the district will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted and unrestricted 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 to have been depleted before unrestricted is applied.

I. COMPENSATED ABSENCES: The District's vacation policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from District service. The liability for such leave is reported as incurred in the financial statements.

The District's accumulated sick leave lapses when employees leave the employ of the District and, upon separation from service, no monetary obligation exists.

J. OPERATING AND NON-OPERATING REVENUES AND EXPENSES: The financial statements distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing goods in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges to customers for sales and

**BEAN STATION UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
August 31, 2023**

services. The District also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

J. 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.

NOTE 2 – CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

Custodial Credit Risk: The District's policies limit deposits and investments to those instruments allowed by applicable state laws and described in Note 1. State statute requires that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the District's agent in the District's name, or by the treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations, and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities and the state pooled investment fund. Statutes also require that securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase transaction. As of August 31, 2023, all bank deposits were fully collateralized or insured.

NOTE 3 – RECEIVABLES

Accounts receivable of \$204,006 is stated at recorded amount. Amounts deemed uncollectible are turned over to a collections agency and recorded as bad debts on the District's books. As of August 31, 2023, the District did not record any bad debts.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2023 was as follows:

BEAN STATION UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
August 31, 2023

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 53,800	\$ -	\$ -	\$ 53,800
Total capital assets, not being depreciated	<u>53,800</u>	<u>-</u>	<u>-</u>	<u>53,800</u>
Capital assets, being depreciated:				
Distribution system	12,682,546	426,773	-	13,109,319
Property and equipment	897,296	100,261	-	997,557
Buildings	365,173	-	-	365,173
Construction in progress	-	17,969	-	17,969
Total capital assets, being depreciated	<u>13,945,015</u>	<u>545,003</u>	<u>-</u>	<u>14,490,018</u>
Less accumulated depreciation for:				
Distribution system	5,784,638	221,187	-	6,005,825
Property and equipment	497,171	75,031	-	572,202
Buildings	202,375	9,808	-	212,183
Total accumulated depreciation	<u>6,484,184</u>	<u>306,026</u>	<u>-</u>	<u>6,790,210</u>
Total capital assets, being depreciated, net	<u>7,460,831</u>	<u>238,977</u>	<u>-</u>	<u>7,699,808</u>
Total capital assets, net	<u><u>\$7,514,631</u></u>	<u><u>\$ 238,977</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 7,753,608</u></u>

NOTE 5 – LONG TERM LIABILITIES

BONDS PAYABLE:

Direct borrowings and direct placements of long-term bonds payable debt activity for the year ended August 31, 2023, was as follows:

BEAN STATION UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
August 31, 2023

Obligation	Principal Balance 9/1/2022	Additions	Reductions	Principal Balance 8/31/2023
USDA Rural Development-91-12	\$ 211,768	\$ -	\$ 7,718	\$ 204,050
USDA Rural Development-91-14	806,827	-	17,838	788,989
Wiley Bros Revenue Refunding Bonds, Series 2012	<u>730,000</u>	-	85,000	645,000
 Total	 <u>\$ 1,748,595</u>	 \$ -	 \$ 110,556	 \$ 1,638,039

The Utility's direct borrowings and direct placements of long-term bonds payable debt consisted of the following at August 31, 2023:

On May 11, 2010, the Utility issued a USDA, Rural Utility Service Loan with the orginial amount of \$312,300. The loan bears interest at the rate of 4.125 percent per year. \$ 204,050

On September 13, 2016, the Utility issued a USDA, Rural Utility Service Loan with the original amount of \$941,100. The loan bears interest at the rate of 2.25 percent per year. 788,989

On November 13, 2012, the Utility issued Revenue Refunding Bonds, Series 2012 with the orginial amount of \$1,525,052. The loan bears interest at the rate of 2.00 to 3.125 percent per year. 645,000
1,638,039

Less: Amounts due within one year (111,285)
 Total long-term debt \$ 1,526,754

The following is a summary of the Utility's future annual direct borrowings and direct placements debt service requirements for bonds payable:

BEAN STATION UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
August 31, 2023

Year ended August 31	Principal Payments	Interest Payments
2024	111,285	43,040
2025	117,038	39,991
2026	117,814	36,796
2027	123,615	33,451
2028	99,442	30,355
2029-2033	375,548	114,954
2034-2038	185,539	75,041
2039-2043	174,298	47,611
2044-2048	149,646	29,394
2049-2054	167,445	11,596
2055-2056	<u>16,369</u>	<u>101</u>
	<u><u>\$1,638,039</u></u>	<u><u>\$462,330</u></u>

The District's bonds are payable from and secured by a first pledge of the revenues to be derived from the operation of the system. The bonds are also collateralized by a statutory mortgage lien on the system.

NOTE PAYABLE:

Direct borrowings and direct placements of long-term note payable debt activity for the year ended August 31, 2023, was as follows:

Obligation	Principal Balance 9/1/2022	Additions	Reductions	Principal Balance 8/31/2023
Note Payable	<u>\$ 119,257</u>	<u>\$ -</u>	<u>\$ 9,288</u>	<u>\$ 109,969</u>
Total	<u><u>\$ 119,257</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 9,288</u></u>	<u><u>\$ 109,969</u></u>

BEAN STATION UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
August 31, 2023

The Utility's direct borrowings and direct placements of long-term note payable debt consisted of the following at August 31, 2023:

On May 17, 2022, the Utility obtained a note payable in the amount of \$121,556 with equal monthly payments of \$1,264 for the purpose of a water line extension project.	109,969
Less: Amounts due within one year	<u>(9,773)</u>
Total long-term debt	<u><u>\$ 100,196</u></u>

The following is a summary of the Utility's future annual direct borrowings and direct placements note payable debt service requirements:

Year ended August 31	Principal Payments	Interest Payments
2024	9,773	5,393
2025	10,284	4,881
2026	10,822	4,343
2027	11,388	3,777
2028	11,984	3,152
2029-2033	<u>55,718</u>	<u>6,126</u>
	<u><u>\$109,969</u></u>	<u><u>\$27,672</u></u>

The total amount of interest expense for the year ended August 31, 2023, was \$50,996.

In the event of default on the above loans, all sums unpaid become immediately due and payable.

NOTE 6 – RISK MANAGEMENT

The District is exposed to various risks of loss related to: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District manages risk through commercial insurance policies designed to minimize exposure. There were no settlements in excess of the insurance coverage in any of the three prior fiscal years.

**BEAN STATION UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
August 31, 2023**

NOTE 7 – SUBSEQUENT EVENTS

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through February 26, 2024, the date the financial statements were available to be issued.

BEAN STATION UTILITY DISTRICT
SCHEDULE OF LONG-TERM DEBT, PRINCIPAL AND INTEREST REQUIREMENTS
AUGUST 31, 2023

	91-12		91-14		Revenue Bond 2012		Citizens Bank & Trust		TOTALS	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2024	8,042	8,266	85,000	17,209	18,243	17,565	9,773	5,393	\$ 121,058	\$ 48,433
2025	8,380	7,928	90,000	14,913	18,658	17,150	10,284	4,881	\$ 127,322	\$ 44,872
2026	8,732	7,576	90,000	12,494	19,082	16,726	10,822	4,343	\$ 128,636	\$ 41,139
2027	9,099	7,209	95,000	9,950	19,516	16,292	11,388	3,777	\$ 135,003	\$ 37,228
2028	9,482	6,826	70,000	7,681	19,960	15,848	11,984	3,152	\$ 111,426	\$ 33,507
2029	9,880	6,428	50,000	5,938	20,413	15,395	12,611	2,555	\$ 92,904	\$ 30,316
2030	10,296	6,012	50,000	4,375	20,877	14,931	13,270	1,895	\$ 94,443	\$ 27,213
2031	10,729	5,579	55,000	2,734	21,352	14,456	13,965	1,201	\$ 101,046	\$ 23,970
2032	11,180	5,128	30,000	1,406	21,837	13,971	14,695	470	\$ 77,712	\$ 20,975
2033	11,650	4,658	30,000	469	22,334	13,474	1,177	5	\$ 65,161	\$ 18,606
2034	12,139	4,169	-	-	22,841	12,967	-	-	\$ 34,980	\$ 17,136
2035	12,650	3,658	-	-	23,361	12,447	-	-	\$ 36,011	\$ 16,105
2036	13,182	3,126	-	-	23,892	11,916	-	-	\$ 37,074	\$ 15,042
2037	13,736	2,572	-	-	24,435	11,373	-	-	\$ 38,171	\$ 13,945
2038	14,313	1,995	-	-	24,990	10,818	-	-	\$ 39,303	\$ 12,813
2039	14,915	1,393	-	-	25,559	10,249	-	-	\$ 40,474	\$ 11,642
2040	15,542	766	-	-	26,140	9,668	-	-	\$ 41,682	\$ 10,434
2041	10,103	150	-	-	26,734	9,074	-	-	\$ 36,837	\$ 9,224
2042	-	-	-	-	27,342	8,466	-	-	\$ 27,342	\$ 8,466
2043	-	-	-	-	27,963	7,845	-	-	\$ 27,963	\$ 7,845
2044	-	-	-	-	28,599	7,209	-	-	\$ 28,599	\$ 7,209
2045	-	-	-	-	29,249	6,559	-	-	\$ 29,249	\$ 6,559
2046	-	-	-	-	29,914	5,894	-	-	\$ 29,914	\$ 5,894
2047	-	-	-	-	30,594	5,214	-	-	\$ 30,594	\$ 5,214
2048	-	-	-	-	31,290	4,518	-	-	\$ 31,290	\$ 4,518
2049	-	-	-	-	32,001	3,807	-	-	\$ 32,001	\$ 3,807
2050	-	-	-	-	32,728	3,080	-	-	\$ 32,728	\$ 3,080
2051	-	-	-	-	33,472	2,336	-	-	\$ 33,472	\$ 2,336
2052	-	-	-	-	34,232	1,576	-	-	\$ 34,232	\$ 1,576
2053	-	-	-	-	35,012	797	-	-	\$ 35,012	\$ 797
2054	-	-	-	-	16,369	101	-	-	\$ 16,369	\$ 101
	<u>\$ 204,050</u>	<u>\$ 83,439</u>	<u>\$ 645,000</u>	<u>\$ 77,169</u>	<u>\$ 788,989</u>	<u>\$ 301,722</u>	<u>\$ 109,969</u>	<u>\$ 27,672</u>	<u>\$ 1,748,008</u>	<u>\$ 490,002</u>

**BEAN STATION UTILITY DISTRICT
WATER RATES, FEES AND NUMBER OF CUSTOMERS
August 31, 2023**

Effective March 1, 2023

First 1,000 gallons per month (minimum bill)	\$ 29.00
Next 1,000 gallons per month	\$ 5.50
Facility Fee per 1,000 gallons per month	\$0.46
Water tap fee	\$1,500.00
Meter connection fee	\$50.00
Meter deposit fee	\$100.00

NUMBER OF CUSTOMERS

The District has 3,598 active customers.

BEAN STATION UTILITY DISTRICT
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
BONDS
August 31, 2023

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 9/1/2022	Issued During Period	Paid and/or		
							Matured During Period	Refunded During Period	Outstanding 8/31/2023
Bonds Payable									
USDA Rural Development-91-12	\$ 312,300	4.125%	5/11/2010	2048	\$ 211,768	\$ -	\$ 7,718	\$ -	\$ 204,050
USDA Rural Development-91-14	941,100	2.250%	9/13/2016	2056	806,827	-	17,838	-	\$ 788,989
Wiley Bros Revenue Refunding Bonds, Series 2012	1,525,052	2.0 to 3.125%	11/13/2012	2032	730,000	-	85,000	-	\$ 645,000
					\$ 1,748,595	\$ -	\$ 110,556	\$ -	\$ 1,638,039

BEAN STATION UTILITY DISTRICT
 SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
 NOTE PAYABLE
 August 31, 2023

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 9/1/2022	Issued During Period	Paid and/or		
							Matured During Period	Refunded During Period	Outstanding 8/31/2023
Note Payable	\$ 121,556	5.110%	5/17/2022	2032	\$ 119,257	\$ -	\$ -	\$ 9,288	\$ 109,969
					\$ 119,257	\$ -	\$ -	\$ 9,288	\$ 109,969

DAVID M. ELLIS

Certified Public Accountant

Member, American Institute of
Certified Public AccountantsMember, Tennessee Society of
Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Commissioners

Bean Station Utility District

Bean Station, Tennessee

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Bean Station Utility District, as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise Bean Station Utility District's basic financial statement and have issued my report thereon dated February 26, 2024.

Report on Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered Bean Station Utility 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 my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bean Station Utility District's internal control. Accordingly, I do not express an opinion on the effectiveness of Bean Station Utility District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of 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 have not been identified. I did identify a certain deficiency in internal control, described in the accompanying schedule of findings and recommendations, as item 2023-001, that I consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bean Station Utility District's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests did not disclose instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Bean Station Utility District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Bean Station Utility District's response to the findings identified in my audit and described in the accompanying schedule of findings and recommendations. Bean Station Utility District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on the response.

Purpose of This Report

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



David M. Ellis, CPA
Greeneville, TN
February 26, 2024

BEAN STATION UTILITY DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
August 31, 2023

Current and Prior Year Findings:

2023-001 Preparation of Financial Statements and Related Note Disclosures

Condition: As part of the audit, the auditors prepared the financial statements, related notes, and supplementary information from information provided by Utility District personnel.

Criteria: Under current professional standards, the Utility District is responsible for the internal control process which includes the preparation of fiscal year-end financial statements in accordance with accounting principles generally accepted in the United States of America. The financial statement preparation process should be performed in a manner such that there is only a remote likelihood that a misstatement of the Utility District's financial statements, that is more than inconsequential, will not be prevented or detected.

Cause: Personnel of the Utility District are not currently prepared to remit GAAP financial statements for audit or for review to their Board of Commissioners.

Effect: This prevents the Board from getting complete and accurate financial information on a timely basis.

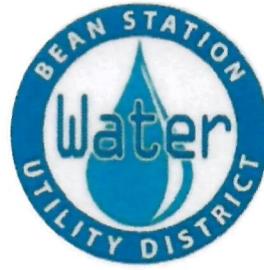
Recommendation: With continued participation of management personnel and members of the Board of Commissioners, the Utility District can have an increased comfort level with the task of financial statement and note disclosure preparation and review.

BEAN STATION UTILITY DISTRICT
SCHEDULE OF DISPOSITION OF PRIOR YEAR FINDINGS
August 31, 2023

Prior Year Finding Number	Finding Title	Status/Current Year Finding Number
2022-001	Preparation of Financial Statements and Related Note Disclosures (original finding 2018-001)	Still applies 2023-001
2022-002	Accounts Receivable Not Reconciled to Control Accounts (original finding 2018-002)	Corrected

Bean Station Utility District

P.O. Box 520 · Bean Station, TN 37708 · Office: 865-993-2326



Management's Corrective Action Plan

The Bean Station Utility District respectfully submits the following corrective action plan for the year ended August 31, 2023.

Name and address of independent public accounting firm:

David M. Ellis, CPA
255 W Summer St.
Greeneville, TN 37743

Audit period:

August 31, 2023

The finding from the August 31, 2023 schedule of findings and recommendations are discussed below. The finding is numbered consistently with the number assigned in the schedule.

Corrective Action:

Finding 2023-001: Preparation of Financial Statements and Related Note Disclosures

Name of contact person: Tammy Wilson, Manager

Corrective action: Due to the size of the utility, it is not practical to hire additional personnel to prepare financial statements.

Anticipated completion date: Unknown

Signed:

Date: 2/26/2024