NORTH UTILITY DISTRICT
OF RHEA COUNTY, TENNESSEE

FINANCIAL STATEMENTS

September 30, 2023

HASSELL RAY YORK AND ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
Phone: 931-484-5570
P. O. Box 137 • 228 Rector Avenue
Crossville, Tennessee 38557

NORTH UTILITY DISTRICT
OF RHEA COUNTY, TENNESSEE

FINANCIAL STATEMENTS

September 30, 2023

INTRODUCTORY SECTION

NORTH UTILITY DISTRICT OF RHEA COUNTY, TENNESSEE

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ROSTER OF OFFICIALS
(UNAUDITED)

NORTH UTILITY DISTRICT OF RHEA COUNTY, TENNESSEE
ROSTER OF OFFICIALS
September 30, 2023
(Unaudited)

Aaron M. Loden, President
Term Expires January, 2024

Michelle L. McCuistion, Vice President
Term Expires February, 2025

Villa L. Edwards, Secretary/Treasury
Term Expires February, 2026

Linda Sue Durham
Contract General Manager
Contract not renewed May 31, 2023

Crystal M. Giles
Office Manager

Danah K. Thunquist
Water Treatment Plant Operator

Greg Goins
Interim Field Director

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

HASSELL RAY YORK AND ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
Phone: 931-484-5570
P. O. Box 137 • 228 Rector Avenue
Crossville, Tennessee 38557

May 31, 2024

Board of Commissioners
North Utility District of Rhea County, Tennessee
P. O. Box 1089
Spring City, Tennessee 37381

INDEPENDENT AUDITOR'S REPORT

Opinions

We have audited the accompanying financial statements of North Utility District of Rhea County, Tennessee as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise North Utility District of Rhea County, Tennessee's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of North Utility District of Rhea County, Tennessee, as of September 30, 2023, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the North Utility District of Rhea County, Tennessee, 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 opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. 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 North Utility District of Rhea County, Tennessee'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 North Utility District of Rhea County, Tennessee'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 pages 6-10 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 that collectively comprise North Utility District of Rhea County, Tennessee's basic financial statements. The accompanying Statement of Revenues and Expenses – Budget and Actual, Schedule of Utility Rates in Force and Number of Customers, Schedule of Compensation – Board of Commissioners, Schedule of Expenditures of Federal and State Financial Assistance, Schedule of Long-Term Debt by Individual Issue, and Schedule of Principal and Interest Requirements 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 our opinion, the financial statements and the additional supplementary information, are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2024, on our consideration of the North Utility District of Rhea County, Tennessee’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the North Utility District of Rhea County, Tennessee’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North Utility District of Rhea County, Tennessee’s internal control over financial reporting and compliance.

HASSELL RAY YORK AND ASSOCIATES, P.C.

Hassell Ray York & Associates, P.C.

Hassell Ray York
Certified Public Accountant
Crossville, Tennessee
May 31, 2024

MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)

Our discussion and analysis of the District's financial performance provide an overview of the District's financial activities for the fiscal year ended September 30, 2023. Please read it in conjunction with the transmittal letter on pages 2, 3, 4, and 5 and the District's financial statements that begin on page 11.

FINANCIAL HIGHLIGHTS

The District's Net Position increased by $286,605 as a result of this year's operations.

Water Sale Revenues increased by 7.9% in 2023 while Expenses increased by 14.2%.

The District's Investment in Capital Assets, Net of Depreciation, decreased by $57,221 to $5.03 million.

USING THIS ANNUAL REPORT

This annual report consists of three parts; Management's Discussion and Analysis, Financial Statements, and Supplementary Information. The Financial Statements also includes Notes that explain in more detail some of the information in the financial statements.

REQUIRED FINANCIAL STATEMENTS

The Financial Statements of the District are designed to provide readers with information of the District's finances, in a manner similar to a private sector company. The Statement of Net Position includes all of the District's Assets and Liabilities, with the difference reported as Net Position. All of the current year's Revenues and Expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the District's operations over the past year and can be used to determine the District's solvency. The Statement of Cash Flows provides information about the District's Cash Receipts and Cash Payments and Changes in Cash Balance during the reporting period.

FINANCIAL ANALYSIS

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position reports information about the District's activities to assess whether the District's financial condition is better or worse off as a result of the year's activities. The Statement of Net Position presents information on the District's Net Position, the difference between Assets and Liabilities. 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. Net Position increases when Revenues exceed Expenses. Increases to Assets (without a corresponding increase to Liabilities) results in increased Net Position, which indicates an improved financial position. In addition, non-financial factors such as changes in economic conditions and an increase in customers should be considered.

FINANCIAL ANALYSIS (continued)

Our analysis below focuses on the District's Net Position (Table 1) and Changes in Net Position (Table 2) during the year.

Table 1

	2023	2022	Net Change
ASSETS:			
Capital Assets (Net of Depreciation)	$ 4,894,902	$ 5,039,924	$(145,022)
Current and Other Assets	2,532,214	2,142,612	389,602
Total Assets	$ 7,427,116	$ 7,182,536	$ 244,580
LIABILITIES:			
Long-term Debt Outstanding	$ 2,211,202	$ 2,299,288	$ (88,086)
Other Liabilities	180,583	134,522	46,061
Total Liabilities	$ 2,391,785	$ 2,433,810	$ (42,025)
NET POSITION:			
Net Investment in Capital Assets	$ 2,595,900	$ 2,653,121	$ (57,221)
Restricted	185,120	184,320	800
Unrestricted	2,254,311	1,911,285	343,026
Total Net Position	$ 5,035,331	$ 4,748,726	286,605

As the above table indicates, Total Assets increased by $244,580 during the fiscal year ended September 30, 2023. The District's Net Investment in Capital Assets decreased by $57,221 during the 2022/2023 fiscal year. (See Table 3 and Note 3 to the financial statements for additional Capital Asset details.)

Total Liabilities reflect a decrease of $42,025. This decrease is primarily affected by principal payments applied to the District's Long-term Debt. (Additional discussion relating to Long-term Debt is provided under Notes 4-6, Schedule of Long-Term Debt by Individual Issue, and Schedule of Principal and Interest Requirements.)

Total Net Position increased by $286,605 during the fiscal year ended September 30, 2023. This is the result of current year's Revenues exceeding Expenses. The District received no Grant Funds during this fiscal year.

FINANCIAL ANALYSIS (continued)

Changes in the District's Net Position can be determined by reviewing the following condensed Statement of Revenue, Expenses, and Changes in Net Position for the year.

Table 2

	2023	2022	Net Change
REVENUES:			
Operating Revenue	$ 1,147,724	$1,075,607	$ 72,117
Interest Income	19,857	1,235	18,622
Total Revenues	1,167,581	1,076,842	90,739
EXPENSES:			
Operating Expenses	778,570	681,631	96,939
Interest Expense	102,406	106,347	(3,941)
Total Expenses	880,976	787,978	92,998
CAPITAL CONTRIBUTIONS:			
Grant Funds	-	-	-
Customers	-	21,267	(21,267)
Total Capital Contributions	-	21,267	(21,267)
CHANGE IN NET POSITION	286,605	310,131	(23,526)
NET POSITION AT BEGINNING OF YEAR	4,748,726	4,438,595	310,131
Adjustment	-	-	-
NET POSITION AT END OF YEAR	$5,035,331	$4,748,726	$286,605

Table 2 indicates that the District's Total Revenues increased by $90,739 for the fiscal year ended September 30, 2023 from the prior year. This increase is attributable mainly due to the District's installation of new taps increased fee; as well as the increase in interest income.

The increase in operating expenses was primarily due to increased cost for the installation of new water meters for the District's customers. The increase is also due to higher amounts of water purchased.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

The following table summarizes the District's Investment in Capital Assets for the years ended September 30, 2023 and 2022.

Table 3

	2023	2022	Net Change
Land and Easements	$ 60,183	$ 60,183	$ -
Storage and Distribution System	7,593,884	7,592,379	1,505
Building and Improvements	123,356	123,356	-
Equipment	58,000	21,893	36,107
Total	7,835,423	7,797,811	37,612
Less: Accumulated Depreciation	2,940,521	2,757,886	182,635
Net Capital Assets	$ 4,894,902	$ 5,039,925	$ (145,023)

(See Notes 3 to the financial statements for additional *Capital Assets* details.)

DEBT ADMINISTRATION

The District's Long-term Debt consists of the following:

Table 4

Water Revenue Bonds Payable	2023	2022	Net Change
Rural Development	$2,299,003	$2,386,803	$ (87,800)
Total Long-term Debt	$2,299,003	$2,386,803	$ (87,800)

All scheduled principal payments were made for the 2022/2023 fiscal year. (Additional information on the District's Long-term Debt is provided in Note 4 of the financial statements.)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Board of Commissioners adopted the District's 2022/2023 budget on September 21, 2023. The rate schedule that became effective January 1, 2023 is considered adequate to meet the budgeted expenditures.

However, we will continue to closely monitor our monthly collections and expenditures and assess any need for increases. At this time, no construction projects are anticipated.

The District's customer base is primarily residential customers and we do not foresee any reversal in the growth trend over the past years.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for needed additional financial information, contact the North Utility District of Rhea County at P. O. Box 1089, Spring City, Tennessee 37381.

BASIC FINANCIAL STATEMENTS

NORTH UTILITY DISTRICT OF RHEA COUNTY, TENNESSEE
STATEMENT OF NET POSITION
September 30, 2023

ASSETS

CURRENT ASSETS	
Cash – Operating and Maintenance	$1,447,236.23
Certificates of Deposit	767,485.71
Accounts Receivable (Net of Allowance for Doubtful Accounts, $2,500.00)	99,687.48
Prepaid Expenses	9,494.91
Inventory	23,189.65
Restricted Cash – Bond Redemption Fund	185,119.70
Total Current Assets	2,532,213.68
NON-CURRENT ASSETS	
Capital Assets:	
Land and Easements	60,182.64
Storage and Distribution System	7,593,884.36
Office Building and Improvements	123,355.85
Equipment	33,112.70
Office Furniture and Equipment	24,887.75
Accumulated Depreciation	(2,940,521.22)
Total Non-Current Assets	4,894,902.08
TOTAL ASSETS	$7,427,115.76

LIABILITIES

CURRENT LIABILITIES	
Accounts Payable	$ 55,654.20
Accrued Vacation and Sick Payable	7,015.90
Accrued Taxes Payable	8,426.23
Accrued Interest Payable	3,361.50
Customer Prepayments	18,324.17
Notes/Bonds Payable (Current Maturities)	87,800.82
Total Current Liabilities	180,582.82
NON-CURRENT LIABILITIES	
Notes/Bonds Payable	2,299,002.63
Current Maturities	(87,800.82)
Total Non-Current Liabilities	2,211,201.81
TOTAL LIABILITIES	2,391,784.63

NET POSITION

NET POSITION	
Net Investment in Capital Assets	2,595,899.72
Restricted	185,119.70
Unrestricted	2,254,311.71
Total Net Position	5,035,331.13
TOTAL LIABILITIES AND NET POSITION	$7,427,115.76

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

NORTH UTILITY DISTRICT OF RHEA COUNTY, TENNESSEE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Fiscal Year Ended September 30, 2023

OPERATING REVENUES	
Water Sales Net of Bad Debts ($2,056.60)	$1,063,006.86
Tap Fee Income	72,000.00
Other Income	12,716.87
Total Operating Revenues	1,147,723.73
OPERATING EXPENSES	
Water Purchases	207,854.34
Management Fees	43,910.00
Water Tap Installation	78,178.21
Utilities and Telephone	41,480.38
Legal, Accounting, and Professional Fees	12,275.00
Office Expense	26,542.92
Payroll Tax Expense	6,379.05
Insurance	7,289.20
Commissioners Fees	11,100.00
Employee Salaries	72,829.97
Legal Notices and Advertising Expense	980.51
Materials, Supplies, and Maintenance	72,621.89
Dues, Subscriptions, Fees	6,795.17
Education and Training	2,230.00
Travel and Lodging	5,467.76
Depreciation Expense	182,635.60
Total Operating Expenses	778,570.00
OPERATING INCOME	369,153.73
NON-OPERATING REVENUES (EXPENSES)	
Interest Revenue	19,857.34
Interest Expense	(102,406.24)
Total Non-Operating Revenues (Expenses)	(85,548.90)
NET INCREASE (DECREASE) IN NET POSITION BEFORE CAPITAL CONTRIBUTIONS	286,604.83
CAPITAL CONTRIBUTIONS	
Capital Contributions - Customers	-
Total Capital Contributions	-
CHANGE IN NET POSITION	286,604.83
NET POSITION, BEGINNING OF YEAR	4,748,726.30
NET POSITION, END OF YEAR	$5,035,331.13

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

NORTH UTILITY DISTRICT OF RHEA COUNTY, TENNESSEE
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended September 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts From Customers	$1,147,723.73
Payments to Suppliers for Goods and Services	(470,966.79)
Payments to Commissioners and Employees	(83,929.97)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	592,826.97
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal Paid on Debt	(87,800.82)
Interest Paid on Debt	(102,406.24)
Capital Contributions – Customers	-
Additions to System and Equipment	(37,613.35)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(227,820.41)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Received	19,857.34
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	19,857.34
NET CHANGE IN CASH AND CASH EQUIVALENTS	384,863.90
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	2,014,977.74
CASH AND CASH EQUIVALENTS – END OF YEAR	$2,399,841.64

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

NORTH UTILITY DISTRICT OF RHEA COUNTY, TENNESSEE
STATEMENT OF CASH FLOWS (CONTINUED)
For the Fiscal Year Ended September 30, 2023

RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:	
Operating Income	$ 369,153.73
Non-Cash Items Included in Operating Income:	
Depreciation	182,635.60
(Increase) Decrease in:	
Accounts Receivable	6,587.09
Inventory	(11,850.45)
Prepaid Expenses	525.44
Increase (Decrease) in:	
Accounts Payable	37,354.52
Customer Prepayments	6,329.24
Accrued Interest Payable	(172.94)
Accrued Vacation and Sick Payable	1,925.89
Accrued Taxes Payable	338.85
NET CASH FLOWS FROM OPERATING ACTIVITIES	$ 592,826.97

RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION ACCOUNTS:	
Cash – Operating and Maintenance	$1,447,236.23
Certificate of Deposits	767,485.71
Restrict Cash – Bond Fund	185,119.70
CASH AND CASH EQUIVALENTS	$2,399,841.64

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of North Utility District of Rhea County, Tennessee have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to enterprise funds of governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the District are described below.

Reporting Entity

The North Utility District of Rhea County, Tennessee (the District) is a utility district incorporated under the State of Tennessee law "*The Utility District Law of 1937*" and amendments and supplements thereto. It was incorporated on January 24, 1994. The District is engaged in the distribution of water to portions of the county that it serves. Three District Commissioners, who are appointed for staggered four year terms, manage the District.

The District, for financial purposes, includes only the North Utility District of Rhea County and is the only entity presented in these financial statements. The District has no component units.

Measurement Focus, Basis of Accounting, and Basis of Presentation

The District's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. With this measurement focus, all Assets and all Liabilities associated with the operations are included on the Statement of Net Position. Net Position (i.e., Total Assets net of Total Liabilities) are segregated into Net Investment in Capital Assets, Restricted for Specified Purposes; and Unrestricted Components. The Operating Statement presents increases (e.g. Revenues) and decreases (e.g. Expenses) in Net Total Position.

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of Assets and Liabilities and disclosure of contingent Assets and Liabilities at the date of the financial statements and the reported amounts of Revenues and Expenses during the reporting period. Actual results could differ from those estimates.

Budgets and Budgetary Accounting

Formal budgetary integration is employed by the District as a management control device during the year. The budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deposits and Investments

For the purpose of the Statement of Cash Flows, Cash and Cash Equivalents have original maturities of three months or less from the date of acquisition. Investments, if applicable, are stated at fair value.

Receivables

Customer Accounts Receivable are measured Net of Estimated Uncollectible Amounts. Uncollected Amounts are charged to Revenues or the Allowance for Uncollectible Accounts, as applicable.

The District reads customer water meter monthly. Customers are billed based on these monthly readings. The amount of Unbilled Revenues is not material to the financial statements; therefore, no amount for Unbilled Revenues has been accrued at September 30, 2023.

Inventory and Prepaid Items

Inventory is recorded at cost using the first-in, first-out method of consumption.

Certain payments to suppliers reflect cost applicable to future accounting periods and are recorded as Prepaid Items.

Restricted Assets

Mandatory segregations of Assets are presented as Restricted Assets. Such segregations are required by bond agreements and other external parties. Current Liabilities payable from these Restricted Assets are so classified. The excess of Restricted Assets over Current Liabilities will be first used for retirement of related Long-term Debt. The remainder, if generated from earnings, is shown as Restricted Net Position.

Capital Assets

Capital Assets, which include property, distribution system, furniture, fixtures, and equipment, are recorded at historical cost. Donated Capital Assets are valued at estimated fair market value as of the date of donation.

Capital Assets are defined by the District as (1) equipment with an estimated useful life of at least one year and a cost of $2,000 or more, (component items that form one working equipment system are combined for capitalization purposes), (2) buildings and building improvements costing $10,000 or more, (3) all land, (4) any land improvements costing more than $5,000, and (5) infrastructure which includes all items of utility systems improvements owned by the District costing more than $5,000. Additions to equipment that become either component parts or permanently connected to existing equipment items are also defined as equipment and are to be capitalized regardless of the cost.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets (continued)

The District capitalizes net interest cost incurred as part of the cost of constructing various water projects. All cost of normal maintenance and repairs that do not add to the value or materially extend asset lives are not capitalized. The cost and accumulated depreciation of property sold or retired are deducted from Capital Assets, and any profit or loss resulting from the disposal is credited or charged in the Non-Operating section of the Statement of Revenues, Expenses, and Changes in Net Position.

Depreciation of exhaustible Capital Assets is charged as an expense against operations. Accumulated Depreciation is reported on the Statement of Net Position. Depreciation is provided on the straight-line method over the following estimated useful lives:

Buildings, Infrastructure, Distribution System	40 – 50 Years
Land Improvements	20 Years
Furniture, Fixtures, and Equipment	5 Years
Vehicles	3 Years
Computers and Electronic Equipment	3 Years

Deferred Outflow/Inflows of Resources

In addition to Assets and Liabilities the Statement of Financial Position will, when applicable, report separate sections for Deferred Outflows and Inflows of Resources. Deferred Outflows of Resources are presented after Total Assets. A Deferred Outflow of Resources is a consumption of Net Assets by the District that is applicable to a future reporting period(s). Deferred Inflows of Resources are presented after Total Liabilities. A Deferred Inflow of Resources is an acquisition of Net Position that applies to a future period(s) and so will not be recognized as an Inflow of Resources until that time.

The District has no items that qualify as a Deferred Outflow/Inflows of Resources.

Compensated Absences

The District's policy provides that vacation leave is to be taken following the period of time in which it is earned. Up to one year's accrual may be carried forward into the next year. Sick leave is accrued at the rate of two days per year. Not more than 720 hours can be accrued. Any accumulated amount will be charged to expense and corresponding liability in the financial statements.

Revenues and Expenses

The District distinguishes Operating Revenues and Expenses from Non-Operating Items. Operating Revenues and Expenses generally result from providing services and delivering goods in connection with the District's principal ongoing operations. The principal Operating Revenues of the District are charges to customers for sales and services. The District recognizes as Operating Income the portion of tap fees intended to cover the cost of connecting to the system. Operating Expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All Revenues and Expenses not meeting this definition are reported as Non-Operating Revenues and Expenses.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising Costs

The District expenses Advertising Cost as incurred. Advertising Cost for the year ended September 30, 2023 was $980.51.

Income Taxes

As a political subdivision of the State of Tennessee, the District is not subject to federal or state income taxes.

Capital Contributions

Distribution System Assets, such as water lines, contributed to the District by installers are capitalized at the installer's cost, which approximates fair value at the time of the District's acquisition, and are recorded as Capital Contributions when received. It is the District's policy to classify as Contributions from Customers, the portion of tap fees that is substantially in excess of installation charges. These amounts are reflected as Capital Contributions in the Statement of Revenues, Expenses, and Changes in Net Position.

Net Position

Net Position is classified into three components – Net Investment in Capital Assets, Restricted, and Unrestricted. The classifications are defined as follows:

Net Investment in Capital Assets – This component of Net Position consists of Capital Assets, Net of Accumulated Depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position – This component of Net Position consists of constraints placed on Net Position use through external constraints imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – This component of Net Position consists of Net Position that does not meet the definition of "Restricted" or "Net Investment in Capital Assets."

Unrestricted and Restricted Net Position

When an expense is incurred for purposes for which both Restricted and Unrestricted Net Position are available, Unrestricted Net Position should be applied first.

NOTE 2 – DEPOSITS AND INVESTMENTS

Investment of District funds is restricted by the State of Tennessee statutes to include the following:

- Bonds, notes, or treasury bills of the United States
- Nonconvertible debt securities of the Federal Home Loan Bank, the Federal National Mortgage Association, the Federal Farm Credit Bank, and the Student Loan Marketing Association
- Any other obligations which are guaranteed as to principal and interest by the United States or any of its agencies
- Certificates of Deposit and other evidences of deposit at state and federal chartered banks and savings and loan associations
- Obligations of the United States or its agencies under a repurchase agreement, with certain conditions
- The local government investment pool
- Without the approval of the State Director of Local Finance, investments must have a maturity of not greater than two years from the date of investment

At September 30, 2023, the District's deposits consisted of the following:

	Bank Balance	Carrying Value
Simply Bank		
Demand Deposits	$ 145,556.89	$ 145,556.89
Southeast Bank and Trust		
Demand Deposits	1,487,475.50	1,486,799.04
Certificate of Deposit	767,485.71	767,485.71
Totals	$ 2,400,518.10	$ 2,399,841.64

The difference between the bank balance and carrying amount is due to outstanding checks and/or deposits in transit.

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

State statutes require deposits to be either (1) secured and collateralized by the institutions at 105% of the value of the deposits placed in the institution less the amount protected by federal depository insurance or (2) that deposits be placed in financial institutions that participate in the bank collateral pool administered by the Treasurer of the State of Tennessee.

As of September 30, 2023, the total demand deposits of the District were insured and/or collateralized in one of the following ways: Certain deposits were held in a financial institution which is a member of the Tennessee Bank Collateral Pool. The Tennessee Bank Collateral Pool is a multiple financial institution collateral pool in which member financial institutions holding public funds pledge collateral securities. In the event any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of the governmental entities. The pool also has the ability to make additional assessments on a pro rata basis to the pool if the value of collateral is inadequate to cover a loss. Other deposits were adequately insured and collateralized by Federal Depository Insurance (FDIC) and pledged collateral securities that meets or exceeds the required 105% of the value of the deposits. The District's deposits in financial institutions were entirely insured or collateralized at September 30, 2023.

The District had no investments at September 30, 2023.

NOTE 3 – CAPITAL ASSETS

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

	Balance October 1, 2022	Increases	Decreases	Balance September 30, 2023
Capital Assets Not Being Depreciated:				
Land and Easements	$ 60,182.64	$ .00	$ .00	$ 60,182.64
Capital Assets Being Depreciated:				
Storage and Distribution System	7,592,378.70	1,505.66	.00	7,593,884.36
Building and Improvements	123,355.85	.00	.00	123,355.85
Equipment	21,892.76	36,107.69	.00	58,000.45
Total	7,737,627.31	37,613.35	.00	7,775,240.66
Accumulated Depreciation:				
Storage and Distribution System	(2,705,896.70)	(175,808.92)	.00	(2,881,705.62)
Building and Improvements	(33,777.17)	(3,357.27)	.00	(37,134.44)
Equipment	(18,211.75)	(3,469.41)	.00	(21,681.16)
Total Accumulated Depreciation	(2,757,885.62)	(182,635.60)	.00	(2,940,521.22)
Net Capital Assets Being Depreciated	4,979,741.69	(145,022.25)	.00	4,834,719.44
Total Capital Assets (Net)	$5,039,924.33	$(145,022.25)	$ .00	$4,894,902.08

Depreciation Expense was $180,881.66 for the fiscal year ended September 30, 2023.

The following calculation supports the Net Position – Net Investment in Capital Assets:

Total Plant and Equipment	$7,835,423.30
Accumulated Depreciation	(2,940,521.22)
Total	4,894,902.08
Less: Capital Related Debt	
Current Portion of Capital Related Debt	87,800.82
Long-term Portion of Capital Related Debt	2,211,201.81
Total	2,299,002.63
Adjustment to Net Position	.00
Total Net Position – Net Investment in Capital Assets	$2,595,899.45

NOTE 4 – CHANGES IN LONG-TERM DEBT

The following is a summary of the Revenue Bond and Notes Payable transactions of the District for the year ended September 30, 2023:

	Balance 10/01/2022	Additions	Reductions	Balance 09/30/2023
Waterworks Revenue Bond	$2,386,803.45	$ .00	$ 87,800.82	$2,299,002.63
Notes Payable	.00	.00	.00	.00
Total	$2,386,803.45	$ .00	$ 87,800.82	$2,299,003.63

The annual requirement to amortize Long-term Debt as of September 30, 2023 follows:

Year	Principal	Interest	Total
2024	$ 91,626.81	$ 98,853.19	$ 190,480.00
2025	95,935.53	94,544.47	190,480.00
2026	100,448.89	90,031.11	190,480.00
2027	105,180.38	85,299.62	190,480.00
2028	110,140.47	80,339.53	190,480.00
2029 – 2033	633,837.58	318,562.42	952,400.00
2034 – 2038	551,396.98	171,572.80	722,969.78
2039 – 2043	377,097.31	74,212.13	451,309.44
2044 – 2048	191,052.06	21,088.25	212,140.31
2049 – 2050	42,572.18	1,129.38	43,701.56
Totals	$2,299,288.19	$1,035,632.90	$3,334,921.09

NOTE 5 – RESTRICTED CASH

Covenants contained in the Revenue Bond Issues require that the District establish certain Sinking Fund to meet annual payment of principal and interest on outstanding issues. Both minimum and maximum account balance amounts are stipulated. The amount on deposit in Restricted Funds at September 30, 2023 was sufficient to meet the minimum requirements. The District made an additional deposit May 22, 2024, in the amount of $2,250.00.

Balances	Minimum Account Balances
1997 Revenue Bond Issue	$1,245,000.00
2002 Revenue Bond Issue	930,000.00
2006 Revenue Bond Issue	600,000.00
2010 Revenue Bond Issue	660,000.00
Total Bond and Note Payable	$3,435,000.00
Maximum Sinking Fund Requirements	
1997 Revenue Bond Issue	$ 75,156.00
2002 Revenue Bond Issue	52,116.00
2006 Revenue Bond Issue	31,896.00
2010 Revenue Bond Issue	31,212.00
Total Maximum Sinking Fund Requirements	$ 190,380.00
Minimum Account Balance Requirements	
Bond and Interest Sinking Fund Balance	$ 187,258.80
Minimum Requirement	$ 187,258.80
Cash Restricted for Debt Service at September 30, 2023	$ 185,119.70

NOTE 6 – INTEREST EXPENSE

The Interest Expense for the District is as follows:

Waterworks Revenue Bond, Series 1997	$ 35,486.97
Waterworks Revenue Bond, Series 2002	29,413.19
Waterworks Revenue Bond, Series 2006	19,487.73
Waterworks Revenue Bond, Series 2010	18,191.29
Total Interest Expense	$102,579.18

There was no interest expense capitalized during the fiscal year ended September 30, 2023.

NOTE 7 – RISK MANAGEMENT

The District is exposed to various risks of loss from torts, theft of, damage to, and destruction of assets, business interruption, errors and omissions, and natural disasters. It is the policy of the District to purchase commercial insurance for the risk of losses to which it is exposed. These risks include general liability, property and casualty, worker's compensation, and accident and environmental. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in insurance coverage from coverage in the prior year.

NOTE 8 – COMMITMENTS

Service Contract

The District has contracted with Mrs. Linda Sue Durham to provide services as General Manager of the District.

In addition to management services, the contract also requires the General Manager to perform such general services as leak repair, meter installations, meter readings, customer billings, and other services related to operating and maintaining the District. A six-month notice by either party will cancel and terminate the contract. As of May 31, 2023, the service contract with Sue Durham was not renewed.

Water Purchase Contract

The District contracted with the Rockwood Water, Sewer, and Natural Gas Department of the City of Rockwood, Tennessee to purchase its water for use and resale at a rate of $1.85 per thousand gallons of water. The contract was entered into on March 21, 2013 for a period of twenty years. Rockwood Water, Sewer, and Natural Gas reserves the right to increase the rate based on reasonable expenses incurred in supplying water to the District and based on its economic projections. The District will be given sixty days' notice of any increase.

NOTE 8 – COMMITMENTS (continued)

Rockwood Water, Sewer, & Gas increased their rate on June 27, 2023 to $2.05 per thousand gallons of water, which took effect August 2023.

At September 30, 2023, the Rockwood Water, Sewer, and Natural Gas Department of the City of Rockwood, Tennessee supplied the District with 76% of water supplied to its customers.

The District contracted with the Town of Spring City, Tennessee to purchase its water for use and resale at a rate of $2.65 per thousand gallons of water. This contract was entered into on August 25, 2023 for a period of one year, starting September 1, 2023. The Town of Spring City, Tennessee reserves the right to increase the rate based on reasonable expenses incurred in supplying water to the District and based on its economic projection. The water rates may be adjusted after the one year period.

NOTE 9 – MAJOR CUSTOMERS

The District has one major industrial customer, which had approximately 36.364% of the total water sales for the year ended September 30, 2023.

NOTE 10 – CAPITAL CONTRIBUTIONS

It is the District’s policy to classify as Contributions From Customers, the portion of tap fee that is substantially in excess of installation charges. The amount recognized as Contributions From Customers in the Statement of Revenues, Expenses, and Changes in Net Position for the year ended September 30, 2023 was $0.00.

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated events subsequent to the date of the Statement of Net Position May 31, 2024 the date of the auditor’s report, which is the date the financial statements were available to be issued. Management has not identified any items requiring disclosure.

SUPPLEMENTARY INFORMATION

STATEMENT OF REVENUES AND EXPENSES
BUDGET AND ACTUAL

NORTH UTILITY DISTRICT OF RHEA COUNTY, TENNESSEE
STATEMENT OF REVENUES AND EXPENSES – BUDGET AND ACTUAL
September 30, 2023

	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Water Sales (Net of Bad Debt Expenses, Budget $1,500, Actual $2,056.60)	$ 900,000.00	$1,063,006.86	$163,006.86
Tap Fee Income	69,000.00	72,000.00	3,000.00
Other Income	12,800.00	12,716.87	(83.13)
Total Operating Revenues	981,800.00	1,147,723.73	165,923.73
OPERATING EXPENSES			
Water Purchases	109,000.00	207,854.34	(98,854.34)
Management Fees	50,000.00	43,910.00	6,090.00
Water Tap Installation	48,000.00	78,178.21	(30,178.21)
Utilities and Telephone	42,000.00	41,480.38	519.62
Legal/Professional Fees	10,992.00	12,275.00	(1,283.00)
Office Expense	12,852.00	26,542.92	(13,690.92)
Payroll Tax Expense	4,500.00	6,379.05	(1,879.05)
Insurance	6,996.00	7,289.20	(293.20)
Commissioners Fees	10,500.00	11,100.00	(600.00)
Employee Salaries and Benefits	52,740.00	72,829.97	(20,089.97)
Advertising Expense	600.00	980.51	(380.51)
Dues, Subscriptions, Fees	5,196.00	6,795.17	(1,599.17)
Materials, Supplies, and Maintenance	73,992.00	72,621.89	1,370.11
Education and Training	.00	2,230.00	(2,230.00)
Travel and Lodging	2,196.01	5,467.76	(3,271.75)
Depreciation Expense	180,000.00	182,635.60	(2,635.60)
Miscellaneous	.00	.00	.00
Total Operating Expenses	609,564.01	778,570.00	(169,005.99)
OPERATING REVENUE	372,235.99	369,153.73	(3,082.26)
NON-OPERATING REVENUES (EXPENSES)			
Interest Revenue	924.00	19,857.34	18,933.34
Interest Expense	(136,848.00)	(102,406.24)	34,441.76
Total Non-Operating Revenues (Expenses)	(135,924.00)	(82,548.90)	53,375.10
CAPITAL CONTRIBUTIONS			
Capital Contributions - Customers	.00	.00	.00
Total Capital Contributions	.00	.00	.00
NET REVENUE	$ 236,311.99	$286,604.83	$ 50,292.84

SCHEDULE OF UTILITY RATES IN FORCE AND NUMBER OF CUSTOMERS

NORTH UTILITY DISTRICT OF RHEA COUNTY, TENNESSEE
SCHEDULE OF UTILITY RATES IN FORCE AND NUMBER OF CUSTOMERS
September 30, 2023

Gallons/Services	Rate	Increment
Water Rates Per Meter Tap		
First 2,000 Gallons (Per Month)	$ 30.00	(Minimum)
All Over 2,000 Gallons	9.75	Per 1,000 Gallons
Service Charges		
Non-Refundable Service Charge – Reconnection		
Regular Office Hours	100.00	Each Reconnection
After Office Hours	125.00	Each Reconnection
Special Meter Read Request	50.00	
Damaged Lock	100.00	
Damaged Shutoff Valve	200.00	
Damaged Meter	350.00	
Meter Box .75 Inch Residential Meter	125.00	
Meter Box 2 Inch Commercial Meter	300.00	
Tampering Fees		
Removing Lock or Breaking Shutoff Valve	200.00	
Jumper in Place of Meter and Unauthorized Connections	500.00	
Bypass Around Meter	1,000.00	
Unauthorized Taps	5,000.00	
Meter Accuracy Testing		
.75 Inch	175.00	
1 Inch	250.00	
1.25 Inch and Larger	750.00	
Connection Fee		
Renters	100.00	
Owner Transfer Fee	50.00	
Other Fees		
Backflow Testing – One Per Year	60.00	
Mutual Aide Water Rate	4.75	Per 1,000 Gallons
Water Tap Fees		
3/4 Inch	2,000.00	
1 Inch	3,600.00	
2 Inch	7,000.00	Minimum
All Other Sizes Priced Per Case if Available	-	
Capacity Fee for Developments Per Platted Lot	750.00	
Number of Active Customers Serviced		
At September 30, 2023	1,360	

SCHEDULE OF COMPENSATION – BOARD OF COMMISSIONERS

NORTH UTILITY DISTRICT OF RHEA COUNTY, TENNESSEE
SCHEDULE OF COMPENSATION – BOARD OF COMMISSIONERS
September 30, 2023

Name	Position	Compensation
Aaron M. Loden	President	3,900.00
Michelle L. McCuistion	Vice-President	3,600.00
Villa L. Edwards	Secretary/Treasurer	3,600.00
Total		$11,100.00

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE FINANCIAL ASSISTANCE

NORTH UTILITY DISTRICT OF RHEA COUNTY, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE FINANCIAL ASSISTANCE
For the Fiscal Year Ended September 30, 2023

Federal Grantor/ Pass-Through Grantor	CFDA Number	Contract Number	Beginning (Accrued) Deferred	Cash Receipts	Expenditures	Ending (Accrued) Deferred
Federal Awards			$ -	$ -	$ -	$ -
U.S. Department of Agriculture (Direct) (Grants Funds) – (ARRA)			$ -	-	-	-
Total Federal Awards			$ -	-	-	-
State Financial Assistance			$ -	-	-	-
Total Federal and State Awards			$ -	-	-	-

Notes to Schedule:

Note 1 – Basis of Presentation

The District follows the accrual basis of accounting in preparing this schedule. This method is consistent with the preparation of the District's financial statement.

SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE

NORTH UTILITY DISTRICT OF RHEA COUNTY, TENNESSEE
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
September 30, 2023

The Long-term Debt of the District is as follows:

Lender Description	Original Amount of Issue	Interest Rate	Date of Issue	Final Maturity Date	Outstanding 10/1/2022	Issued During Period	Matured During Period	Paid and/or Refunded During Period	Outstanding 9/30/2023
BONDS PAYABLE									
Waterworks Revenue Bonds/1997 Series	$1,245,000*	5.250%	9/03/1997	9/3/2035	$ 710,536.78	$ .00	$39,669.03	$ .00	$670,867.75
Waterworks Revenue Bond/2002 Series	930,000*	4.625%	5/29/2003	4/29/2041	646,344.44	.00	22,702.81	.00	623,641.63
Waterworks Revenue Bond/2006 Series	600,000*	4.25%	7/24/2007	5/24/2045	464,218.31	.00	12,408.27	.00	451,810.04
Waterworks Revenue Bond/2010 Series	660,000*	3.25%	4/23/2014	1/23/2050	565,703.92	.00	13,020.71	.00	552,683.21
TOTAL BONDS PAYABLE					$2,386,803.45	.00	$87,800.82	.00	$2,299,002.63
Long-term Debt	$3,435,000				$2,386,803.45		$87,800.82		$ 2,299,002.63
Less: Current Portion									87,800.82
Net Long-term Debt									$2,211,201.81

*Secured by a pledge of the Net Revenue derived from the operations of the District.

The Revenue Bond Issues, which are described above, contain various restrictive covenants. The covenants restrict the use of revenue received, require establishment of restricted cash amounts, and prohibit and/or require other actions.

SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS

NORTH UTILITY DISTRICT OF RHEA COUNTY, TENNESSEE
SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS
September 30, 2023

	USDA Rural Development										Total
	1997 Series		2002 Series		2006 Series		2010 Series		Total	Total	Principal and
Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Interest
2024	$ 41,732.00	$ 33,424.00	$ 23,494.00	$ 28,622.00	$ 12,950.00	$ 18,946.00	$ 13,450.81	$ 17,861.19	$91,626.81	98,853.19	190,480.00
2025	43,922.00	31,234.00	24,608.00	27,508.00	13,511.00	18,385.00	13,894.53	17,417.47	95,935.53	94,544.47	190,480.00
2026	46,226.00	28,930.00	25,774.00	26,342.00	14,096.00	17,800.00	14,352.89	16,959.11	100,448.89	90,031.11	190,480.00
2027	48,652.00	26,504.00	26,995.00	25,121.00	14,707.00	17,189.00	14,826.38	16,485.62	105,180.38	85,299.62	190,480.00
2028	51,205.00	23,951.00	28,275.00	23,841.00	15,345.00	16,551.00	15,315.47	15,996.53	110,140.47	80,339.53	190,480.00
Sub-Totals	231,737.00	144,043.00	129,146.00	131,434.00	70,609.00	88,871.00	71,840.08	84,719.92	503,332.08	449,067.92	952,400.00
2029	53,891.00	21,265.00	29,615.00	22,501.00	16,010.00	15,886.00	15,820.71	15,491.29	115,336.71	75,143.29	190,480.00
2030	56,719.00	18,437.00	31,018.00	21,098.00	16,703.00	15,193.00	16,342.61	14,969.39	120,782.61	69,697.39	190,480.00
2031	59,695.00	15,461.00	32,488.00	19,628.00	17,427.00	14,469.00	16,881.72	14,430.28	126,491.72	63,988.28	190,480.00
2032	62,827.00	12,329.00	34,028.00	18,088.00	18,183.00	13,713.00	17,438.63	13,873.37	132,476.63	58,003.37	190,480.00
2033	66,124.00	9,032.00	35,641.00	16,475.00	18,971.00	12,925.00	18,013.91	13,298.09	138,749.91	51,730.09	190,480.00
Sub-Totals	299,256.00	76,524.00	162,790.00	97,790.00	87,294.00	72,186.00	84,497.58	72,062.42	633,837.58	318,562.42	952,400.00
2034	69,594.00	5,562.00	37,330.00	14,786.00	19,793.00	12,103.00	18,608.15	12,703.85	145,325.15	45,154.85	190,480.00
2035	70,298.78	1,895.00	39,099.00	13,017.00	20,650.00	11,246.00	19,222.02	12,089.98	149,269.80	38,247.98	187,517.78
2036	.00	.00	40,952.00	11,164.00	21,545.00	10,351.00	19,856.11	11,455.89	82,353.11	32,970.89	115,324.00
2037	.00	.00	42,893.00	9,223.00	22,479.00	9,417.00	20,511.14	10,800.86	85,883.14	29,440.86	115,324.00
2038	.00	.00	44,925.00	7,191.00	22,453.00	8,443.00	21,187.78	10,124.22	88,565.78	25,758.22	114,324.00
Sub-Totals	139,892.78	7,457.00	205,199.00	55,381.00	106,920.00	51,560.00	99,385.20	57,174.80	551,396.98	171,572.80	722,969.78
2039	.00	.00	47,055.00	5,061.00	24,470.00	7,426.00	21,886.72	9,425.28	93,411.72	21,912.28	115,324.00
2040	.00	.00	48,118.77	2,831.00	25,530.00	6,366.00	22,608.74	8,703.26	96,257.51	17,900.26	114,157.77
2041	.00	.00	31,604.67	599.00	26,637.00	5,259.00	23,354.57	7,957.43	81,596.24	13,815.43	95,411.67
2042	.00	.00	.00	.00	27,791.00	4,105.00	24,124.99	7,187.01	51,915.99	11,292.01	63,208.00
2043	.00	.00	.00	.00	28,995.00	2,901.00	24,920.85	6,391.15	53,915.85	9,292.15	63,208.00
Sub-Totals	.00	.00	126,778.44	8,491.00	133,423.00	26,057.00	116,895.87	39,664.13	377,097.31	74,212.13	451,309.44
2044	.00	.00	.00	.00	30,252.00	1,644.00	25,742.95	5,569.05	55,994.95	7,213.05	63,208.00
2045	.00	.00	.00	.00	23,308.31	376.00	26,592.17	4,719.83	49,900.48	5,095.83	54,996.31
2046	.00	.00	.00	.00	.00	.00	27,469.40	3,842.60	27,469.40	3,842.60	31,312.00
2047	.00	.00	.00	.00	.00	.00	28,375.58	2,936.42	28,375.58	2,936.42	31,312.00
2048	.00	.00	.00	.00	.00	.00	29,311.65	2,000.35	29,311.65	2,000.35	31,312.00
Sub-Totals	.00	.00	.00	.00	53,560.31	2,020.00	137,491.75	19,068.25	191,052.06	21,088.25	212,140.31
2049	.00	.00	.00	.00	.00	.00	30,278.59	1,033.41	30,278.59	1,033.41	31,312.00
2050	.00	.00	.00	.00	.00	.00	12,293.59	95.97	12,293.59	95.97	12,389.56
Sub-Totals	.00	.00	.00	.00	.00	.00	42,572.18	1,129.38	42,572.18	1,129.38	43,701.56
TOTAL	$ 670,885.78	$228,024.00	$623,913.44	$293,096.00	$451,806.31	$240,694.00	$552,682.66	$273,818.90	$2,299,288.19	$1,035,632.90	$3,334,921.09

INTERNAL CONTROL AND COMPLIANCE SECTION

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

HASSELL RAY YORK AND ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
Phone: 931-484-5570
P. O. Box 137 • 228 Rector Avenue
Crossville, Tennessee 38557

May 31, 2024

Board of Commissioners
North Utility District of Rhea County, Tennessee
P. O. Box 1089
Spring City, Tennessee 37381

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*

We 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 North Utility District of Rhea County, Tennessee, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which comprise North Utility District of Rhea County, Tennessee's basic financial statements, and have issued our report thereon dated May 31, 2024.

Reporting on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered North Utility District of Rhea County, Tennessee's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of North Utility District of Rhea County, Tennessee's internal control. Accordingly, we do not express an opinion on the effectiveness of North Utility District of Rhea County, Tennessee's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be a material weakness. We identified certain deficiencies in internal control, described in the Schedule of Findings, Recommendations, Management's Response, and Corrective Action as item 2024-001 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Utility District of Rhea County, Tennessee's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement. 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 Schedule of Findings, Recommendations, Management's Response, and Corrective Action as items 2024-001 and 2024-002.

North Utility District of Rhea County, Tennessee's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the North Utility District of Rhea County, Tennessee's response to the findings identified in our audit and described in the Schedule of Findings, Recommendations, Management's Response, and Corrective Actions. The North Utility District of Rhea County, Tennessee'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.

HASSELL RAY YORK AND ASSOCIATES, P.C.

Hassell Ray York & Associates, P.C.

Certified Public Accountant
Crossville, Tennessee
May 31, 2024

SCHEDULE OF FINDINGS, RECOMMENDATIONS, AND MANAGEMENT'S RESPONSE

FINANCIAL STATEMENT FINDINGS:

FINDING (2024-001)	ALL SIGNED MINUTES WERE NOT ON FILE
Condition:	North Utility District of Rhea County, Tennessee did not maintain all signed minutes on file.
Criteria:	The design of an internal control structure should allow an entity to maintain adequate documentation filing. According to the Tennessee Code Annodated 65-1-110, minutes shall be signed by each member of the utility commission and kept on file in the office of the commission.
Cause:	Internal control structure was not adhered to in relation to documentation filing.
Effect:	Due to this significant deficiency, management was unable to present the signed minutes for auditing or other purposes.
Recommendation:	Crystal, as office manager, should work with other individuals who have access to the office in managing documentation filing and verifying all documents are kept as required.

FINDING (2024-002)	CONFLICT OF INTEREST CONCERNING BOARD OF COMMISSIONER MEMBER
Condition:	Board of Commissioner is involved in a conflict of interest regarding a service provider.
Criteria:	The Tennessee Code 12-4-114 states no conflict of interest allowed. The District should use other service providers that do not have a direct interest/connection with employees or board members.
Cause:	Hiring a commissioner's husband to complete lawn care and bush-hogging for the District.
Effect:	The non-compliance of Tennessee Code 12-4-114 has an appearance of abuse by persons in charge.
Recommendation:	The District should bid or hire individuals or entities that have no direct interest or relation to employees or board members. To no longer employ the commissioner's husband for District work.

NORTH UTILITY DISTRICT OF RHEA COUNTY

P.O. BOX 1089
Spring City, TN 37381

Phone (423) 365 2680

MANAGEMENT'S CORRECTIVE ACTION PLAN

In regard to the Schedule of Findings and Recommendations for the fiscal year ended September 30, 2023, the North Utility District of Rhea County submits the following corrective action plan:

FINDING (2024-001) ALL SIGNED MINUTES WERE NOT ON FILE:

Management's Response and Corrective Action:

As stated in the audit finding, the signatures were missing from two packets of minutes.

Management would like to state that the minutes for both instances along with all accompanying documentation were presented to the audit staff without signatures so no records were withheld from the audit.

Management believes that this is an isolated incident and should not happen again. However in the future the minutes will be signed separately and kept out of the other documents to be signed at Board meetings. This will result in the minutes remaining in the possession of the office manager.

Anticipated Completion Date: Immediately- New Process Currently being adhered to

Contact Person: Crystal Giles, Office Manager

FINDING (2024-002) CONFLICT OF INTEREST CONCERNING BOARD OF COMMISSIONER MEMBER:

Management's Response and Corrective Action:

As stated in the audit finding, there was a conflict of interest concerning a service provider.

The contractor for the district left abruptly in May leaving us with no one to maintain the grounds at the office and the pump station sites as well as the water treatment plant. There are a number of pumpstations/tanks and water treatment plant areas that require more than just a standard mower and must be bushhogged and would be hard for a standard landscaping service to handle.

After contacting several mowing services for quotes to assume the mowing and groundskeeping and having no luck as it was already the middle of the mowing season, and most landscape crews schedules were full. The Office Manager asked the board member's husband if he could do it in the interim as an emergency situation until we could find someone early in the next season. He agreed to do this for the price we were paying the previous contractor.

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The arrangement was until someone else could be found. We have now made other arrangements and the commissioner's husband is no longer needed.

Anticipated Completion Date: *Completed*

Contact Person: Crystal Giles, Office Manager

Crystal Giles, Office Manager

Michelee McCuistion

Board of Commissioners Member

SCHEDULE OF DISPOSITION OF PRIOR YEAR'S FINDINGS

NORTH UTILITY DISTRICT OF RHEA COUNTY, TENNESSEE
SCHEDULE OF DISPOSITION OF PRIOR YEAR'S FINDINGS
For the Fiscal Year Ended September 30, 2023

FINANCIAL STATEMENT FINDINGS:

There were no prior year findings for disposition.