Benton-Decatur Special Sewer District

Comparative Financial Statements
And Supplementary Information
For the Fiscal Years Ended
June 30, 2013 and June 30, 2012

Lori R. Brasher, CPA, CGMA
PO Box 276
Decaturville, TN 38329

BENTON-DECATUR SPECIAL SEWER DISTRICT

COMPARATIVE FINANCIAL STATEMENTS AND

SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND JUNE 30, 2012

TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION	1
Directory	2
FINANCIAL SECTION	3
Independent Auditor's Report	4
Management's Discussion and Analysis	7
Financial Statements:	
Statements of Net Position	20
Statements of Revenues, Expenses, and Changes in Net Position	21
Statements of Cash Flows	22
Notes to Financial Statements	23
OTHER SUPPLEMENTARY INFORMATION SECTION	32
Schedules of Operating Income and Expenses	33
Schedule of Long-Term Debt	35
Sewer Rates in Force	36
Schedule of Expenditures of Federal and State Awards	37
INTERNAL CONTROL AND COMPLIANCE SECTION	38
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*	39
Schedule of Findings, Recommendations and Corrective Action Plans	41

INTRODUCTORY SECTION

BENTON-DECATUR SPECIAL SEWER DISTRICT

DIRECTORY

JUNE 30, 2013

BOARD MEMBERS

Russell Keeton, Chairman
Eugene Tubbs
William Hatler
Brett Rogers
Sam Long
Jimmy Kelley

MANAGEMENT TEAM

Emily Ferguson, Certified Public Accountant

COUNSEL

Wood Law Offices, P.C.
Parsons, Tennessee

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Brasher Accounting
Decaturville, Tennessee

FINANCIAL SECTION

BRASHER ACCOUNTING
Lori R. Brasher, CPA, CGMA

125 North Pleasant Street
PO Box 276
Decaturville, TN 38329
731.852.3100
Fax 731.852.2970
lori@lrbrasher.com

Independent Auditor's Report

To the Management Board
Benton-Decatur Special Sewer District
Parsons, Tennessee

Report on the Financial Statements

I have audited the accompanying financial statements of the Benton-Decatur Special Sewer District (the District), as of and for the years ended June 30, 2013 and June 30, 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. 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. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are

IRS e-file AICPA TSCPA CPA

appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2013 and June 30, 2012, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of funding progress-employee retirement system be presented to supplement the basic financial statements. Such information, 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 contest. 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 our inquiries, the basic financial statements, and other knowledge I obtained during our 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.

Other Information

My audit was conducted for the purpose of forming an opinion on the District's basic financial statements. The introductory section and other supplementary information section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of long-term debt and sewer rates in force is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The other supplementary information has been subjected to the auditing

procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated December 10, 2013, 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 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 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.

Brasher Accounting

Decaturville, Tennessee
December 10, 2013

BENTON-DECATUR SPECIAL SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Benton-Decatur Special Sewer District's basic financial statements. The District presents its financial statements using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The statements offer both short-term and long-term financial information about the activities of the Benton-Decatur Special Sewer District. To further aid the reader with their analysis and comprehension of the information presented, two years of financial data is provided.

The basic financial statements provide information about the District's business-type activities. The financial statements are prepared in accordance with U.S. generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board (GASB).

Required Financial Statements for Business-Type Activities

Reporting on the operations of its enterprise funds, the Benton-Decatur Special Sewer District's basic financial statements include a Statement of Net Position; a Statement of Revenues, Expenses and Changes in Net Position; and a Statement of Cash Flows. To help provide our users with a contextual frame of reference, comparative information from the financial statements of the previous fiscal year is also provided. The financial statements also include notes that are considered essential to a full understanding of the data that is being presented on the face of the statements. The primary purpose of the notes is to provide additional discussion, enhanced disclosures and tabular presentation of data to further explain information in the financial statements and to provide more detailed data.

The information contained on the Statement of Net Position represents all of the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations to the District's creditors (liabilities). It also provides the basis for computing rate of returns, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District.

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 whether Benton-Decatur Special Sewer District has successfully recovered all of its costs through user fees and other charges. It provides the user with basic financial information about the profitability and credit worthiness of the District.

The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the District's cash receipts and cash payments during the fiscal year. The statement reports cash receipts, cash payments and net changes in cash resulting from operating; noncapital financing; capital and related financing; and investing activities. The purpose of this statement is to tell the user where the District's cash came from, what the cash was used for, and by how much the cash balance changed over the course of the fiscal year.

Financial Analysis of the District's Business-Type Activities

When analyzing the financial statements of the Benton-Decatur Special Sewer District's business-type activities, the primary consideration should be whether the District as a whole is financially better off or worse off as a result of the year's activities. The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position are designed to report information about the District's activities that will help the user determine how good or bad a year it was from a financial perspective. These two statements report the net position of the District and changes in that position.

One can think of the District's net position (i.e. the difference between assets and liabilities) as one way to measure financial health or financial position. Over time, increases or decreases in the District's net position are a general indicator of whether its financial health is improving or deteriorating. In addition to the relative change in net position, one will also have to take into consideration the impact on operations of other non-financial factors and external influences. These would include, but are not limited to, economic conditions, population growth, changes in governmental legislation, restrictions on sewer use, the issuances of new regulations and the utilization of new technologies.

Financial Analysis of the Fiscal Year Ended June 30, 2013

Revenues from sewer services were used to pay all operating and maintenance costs and debt service obligations.

Condensed Statements of Net Position

The Statements of Net Position, shown in tabular format below, represents information on all of the District's assets and liabilities with the difference between the two reported as net position. The District's total net position increased from the prior fiscal year by approximately $12 thousand or about 1.82 percent for the period.

Given the significant budgetary problems that have been plaguing most governmental entities over the past several years, it is a significant accomplishment that the net position of the District actually increased during the 2013 fiscal year. Our following analysis focuses on the District's net position (shown in Table 1A and 1B) and the changes in net position (shown in Table 2A and 2B) during the year and prior fiscal year.

Table 1A
CONDENSED STATEMENTS OF NET POSITION

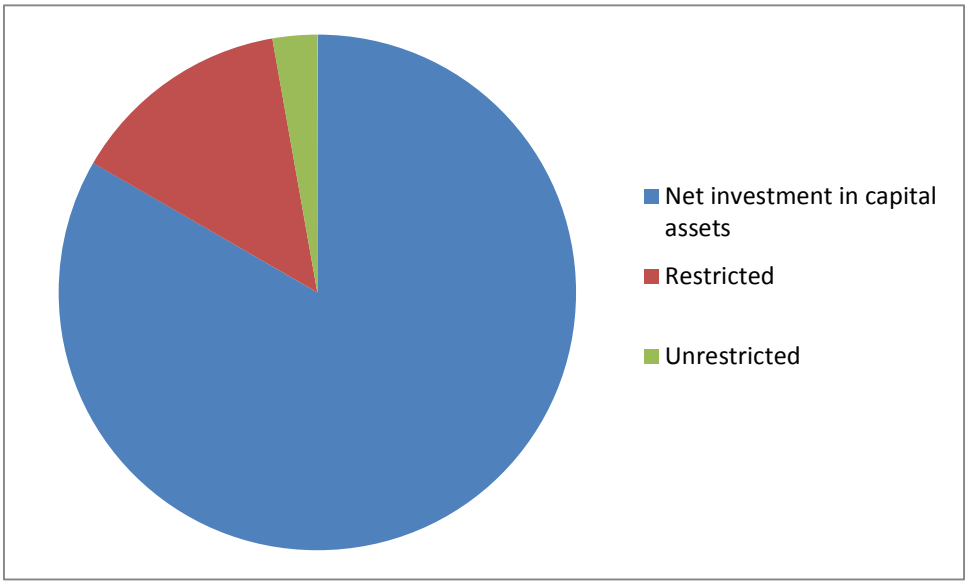
			Increase (Decrease)	
	June 30, 2013	June 30, 2012	Amount	Percent
Current and other assets	$ 118,936.79	$ 112,054.57	$ 6,882.22	6.14%
Capital assets	2,366,303.62	2,458,827.68	(92,524.06)	-3.76%
Total Assets	2,485,240.41	2,570,882.25	(85,641.84)	-3.33%
Noncurrent liabilities	1,678,401.40	1,776,472.22	(98,070.82)	-5.52%
Other liabilities	99,229.27	99,440.60	(211.33)	100.00%
Total liabilities	1,777,630.67	1,875,912.82	(98,282.15)	-5.24%
Net Position:				
Net investment in capital assets	589,831.40	585,714.86	4,116.54	0.70%
Restricted	98,070.82	96,640.60	1,430.22	0.00%
Unrestricted	19,707.52	12,613.97	7,093.55	56.24%
Total Net Position	$ 707,609.74	$ 694,969.43	$ 12,640.31	1.82%

Table 1B
CONDENSED STATEMENTS OF NET POSITION

			Increase (Decrease)	
	June 30, 2012	June 30, 2011	Amount	Percent
Current and other assets	$ 112,054.57	$ 141,009.85	$ (28,955.28)	-20.53%
Capital assets	2,458,827.68	2,514,704.80	(55,877.12)	-2.22%
Total Assets	2,570,882.25	2,655,714.65	(84,832.40)	-3.19%
Noncurrent liabilities	1,776,472.22	1,873,114.00	(96,641.78)	-5.16%
Other liabilities	99,440.60	96,403.63	3,036.97	0.00%
Total liabilities	1,875,912.82	1,969,517.63	(93,604.81)	-4.75%
Net Position:				
Net investment in capital assets	585,714.86	546,358.80	39,356.06	7.20%
Restricted	96,640.60	95,232.00	1,408.60	0.00%
Unrestricted	12,613.97	44,606.22	(31,992.25)	-71.72%
Total Net Position	$ 694,969.43	$ 686,197.02	$ 8,772.41	1.28%

Analysis of Net Position

To better understand the District's actual financial position and its ability to deliver services in future periods, the reader will need to review the various components of the net position category and obtain an understanding of how each relate specifically to the business activities that the District's performs. For example, the vast majority of the net position ($589,831 or approximately 83.4 percent of total net position) represent investment in plant assets, which is the lifeblood to the provision of sewer services.



For the 2013 fiscal year, Net Investment in Capital Assets increased $4,116 or about 0.70 percent compared to the previous year. The increase in this category is primarily due to the reduction of related debt as a result of debt payments. The amount shown in this category is calculated by taking the depreciated value of our capital assets and subtracting the associated debt.

In comparing the total amount of Restricted Net Position with the previous fiscal year, the change of approximately $1,430 was totally attributable to the difference in principal payment total for the year as compared to the year before.

Compared to the prior year's balance, there was an increase in the Unrestricted Net Position category of $7,093 or 56.24 percent. The increase in this component is largely due to the increase in revenues and receivables.

Unrestricted Net Position consists of net assets that do not meet the definition of "restricted" or "net investment in capital assets".

Analysis of Current Assets

The textbook definition of "current assets" is balance sheet items which equals the sum of cash and cash equivalents, accounts receivable, inventory, marketable securities, prepaid expenses, and other assets that could be converted to cash in less than one year. Current assets are important in any financial analysis because it is from current assets that a business funds it ongoing, day-to-day operations. A comparison of the June 30, 2013 and 2012 balances by asset classification is shown in the table below.

	2013	2012
Cash and cash equivalents	$ 86,872.42	$ 93,856.71
Accounts receivable	32,064.37	18,197.86
Total Current Assets	118,936.79	112,054.57

Analysis of Noncurrent Assets

Noncurrent assets represent assets that are not reasonably expected to be realized in cash or sold or consumed during the next fiscal year. When making the distinction between whether an asset should be considered current or noncurrent, liquidity or nearness to cash is not the proper basis for determining the classification. In making this determination, any encumbrances on the use of the asset must also be considered. Thus, cash investments intended for liquidation of liabilities due beyond the one-year period are noncurrent assets, as would assets segregated or restricted for the liquidation of long-term debts (including amounts due within the next operating cycle). Assets designated to be used to acquire, construct, or improve capital assets would also be noncurrent.

In the following table, the Noncurrent Assets of the District at June 30, 2013 and 2012 are compared by major classification. As indicated by the tabular information, total noncurrent assets decreased by $92,524 or approximately 3.76 percent during the 2013 fiscal year.

Noncurrent Assets		
Land	28,500.00	28,500.00
Startup costs	-	55,435.00
Sewer facilities	2,602,828.13	2,602,828.13
Total Noncurrent Assets	2,631,328.13	2,686,763.13
Less: Accumulated Amortization	-	(15,090.65)
Less: Accumulated Depreciation	(265,024.51)	(212,844.80)
Net Noncurrent Assets	2,366,303.62	2,458,827.68

The presentation effectively demonstrates the relatively large investment that the District has made in capital assets. At the end of the 2013 fiscal year, capital assets represented 100 percent of the noncurrent assets.

Analysis of Liabilities

In financial accounting, the term "liability" is defined as an obligation of an entity arising from past transactions or events, the settlement of which may result in the transfer or use of assets, provision of services or other yielding of economic benefits in the future. This section analyzes the various claims that creditors have against the District's assets.

Current Liabilities Payable from Unrestricted Net Position had a net decrease in its various components of $1,693 or 62.87 percent compared to the previous fiscal year's balance. This is due to the timing of vendor invoices received at the end of the fiscal year.

In terms of gauging the relative short-term financial strength of the District, it should be noted that there is roughly $19,707 in Unrestricted Current Net Position available at June 30, 2013 to extinguish the $1,000 in Current Liabilities Payable from Unrestricted Net Position. With a resulting asset to liability ratio of 197.07, the District has placed itself in a strong financial position to meet its immediate obligations.

In the Long-Term Liabilities Outstanding category, the balance decreased by $98,070 or about 5.52 percent from the previous fiscal year.

As the reader of the financial statements might surmise from the preceding discussion, an argument can certainly be made that the District's financial position has indeed improved over that of the previous year. However, the cash flow has decreased due to the payment of long-term debt as compared to operating income. Future cash flows must be reassessed in order to maintain payments of current and long-term liabilities.

Condensed Statements of Revenues, Expenses and Changes in Net Position

Table 2A

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

			Increase (Decrease)	
	June 30, 2013	**June 30, 2012**	**Amount**	**Percent**
Revenues:				
Operating revenues	$ 206,071.29	$ 177,921.44	$ 28,149.85	15.82%
Non-operating revenue	50.18	61.19	(11.01)	-17.99%
Total Revenues	206,121.47	177,982.63	28,138.84	15.81%
Expenses				
Adminstrative and general	126,297.91	143,107.95	(16,810.04)	-11.75%
Non-operating expenses	26,838.90	28,294.79	(1,455.89)	-5.15%
Total Expenses	153,136.81	171,402.74	(18,265.93)	-10.66%
Income (loss) before capital contributions	52,984.66	6,579.89	46,404.77	705.25%
Change in net position	52,984.66	6,579.89	46,404.77	705.25%
Adjustment to prior year net position	(40,344.35)	2,192.38	(42,536.73)	0.00%
Net position-beginning	694,969.43	686,197.16	8,772.27	1.28%
Net position - ending	$ 707,609.74	$ 694,969.43	$ 12,640.31	1.82%

Table 2B

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

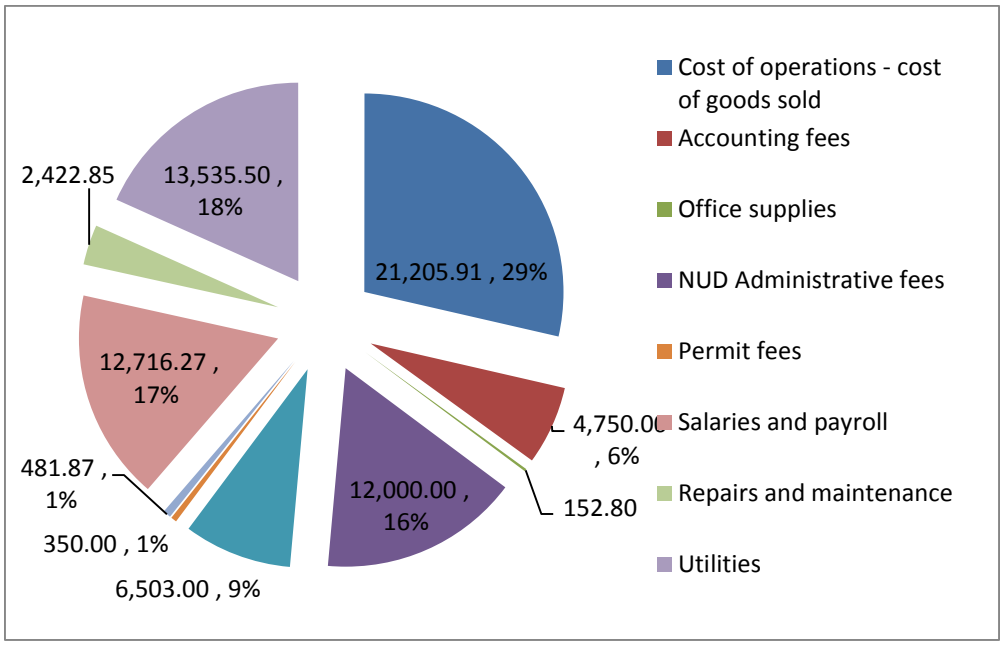
			Increase (Decrease)	
	June 30, 2012	**June 30, 2011**	**Amount**	**Percent**
Revenues:				
Operating revenues	$ 177,921.44	$ 199,923.12	$ (22,001.68)	100.00%
Non-operating revenue	61.19	308.80	(247.61)	-80.18%
Total Revenues	177,982.63	200,231.92	(22,249.29)	-11.11%
Expenses				
Adminstrative and general	143,107.95	146,878.70	(3,770.75)	-2.57%
Non-operating expenses	28,294.79	29,688.00	(1,393.21)	-4.69%
Total Expenses	171,402.74	176,566.70	(5,163.96)	-2.92%
Income (loss) before capital contributions	6,579.89	23,665.22	(17,085.33)	-72.20%
Change in net position	6,579.89	23,665.22	(17,085.33)	-72.20%
Adjustment to prior year net position	2,192.38	-	2,192	0.00%
Net position-beginning	686,197.16	662,531.94	23,665.22	3.57%
Net position - ending	$ 694,969.43	$ 686,197.16	$ 8,772.27	1.28%

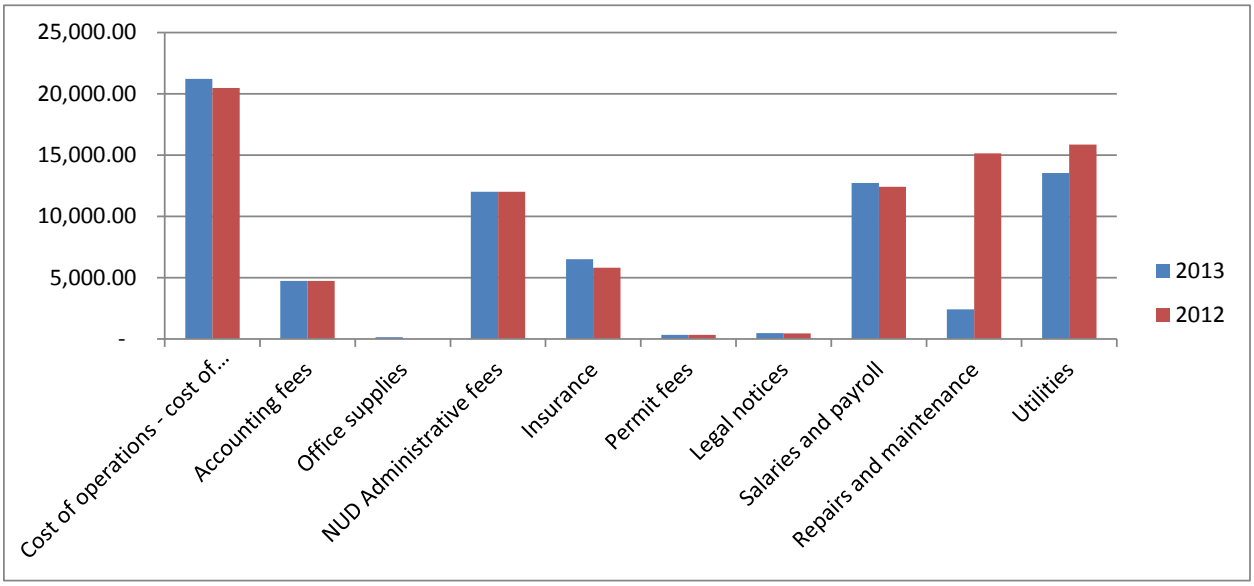
Analysis of Revenues

For the 2013 fiscal year, the Operating Revenues of the District totaled $206,071. This amount represented an increase of $28,149 or about 15.82 percent from than the previous year's total of $177,921. This is largely due to the addition of a new commercial customer.

Analysis of Expenses

The Total Operating Expenses for fiscal year 2013 were $126,298. That amount represents a decrease of $16,810 or about 11.75 percent from than the prior fiscal year total of $143,107. The major categories of Operating Expenses are shown in the pie chart below. The amount of each expense class and its relative percentage of the total are provided. The bar graph below provides a side-by-side comparison of each category with the previous fiscal year.





One of the impacts on the financial statements of operating in a capital asset intensive industry is the significant amount of depreciation and amortization expense. It is important to note that over 39 percent of the total expenses of the District fall into this classification.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2013, the Benton-Decatur Special Sewer District had an investment of about $589,831 in capital assets, net of depreciation and related debt. This amount represents a net increase (including additions and deletions) of approximately $4,116 or 0.70 percent as compared to the prior year. Additional detailed information concerning the District's capital assets can be found in the notes to the financial statements in section 3.B.

Debt

As of June 30, 2013, the Benton-Decatur Special Sewer District had roughly $1,776,472 in outstanding debt, a net decrease of $96,640, or approximately 5.16 percent less than the previous fiscal year. See Note 3.C for more details.

Economic Factors, Rates and Next Year's Financial Activity

Economic Factors

Over the past twelve months, the overall economy of the area has somewhat stabilized from the previous deteriorations but has shown very few signs of improving in recent months. With the area's growth in the past having been closely tied to a vibrant home construction industry and the migration of people to the area, the fallout from the bursting of the housing bubble and the ensuing recession has significantly impacted those sectors of economic growth. Fortunately, the provision of sewer services respresents a necessary purchase for the residents and industries covered by the Benton-Decatur Special Sewer District. However, the underlying causes of this most recent recession have had an adverse impact on the District's revenues.

Next Year's Budget

The District's operating budget for the fiscal year ending June 30, 2013 took into consideration the anticipated impact of the economic factors. The operating budget was balanced with no appropriation of cash reserves.

Sewer Rates

The sewerage rate for all customers is $19.75 per 1,000 gallons of metered water flow. Residential customers pay a connection fee of $1,500. Commercial customers pay a connection fee of $2,500. Historically, the District has been able to collect 100 percent of its sewer billings. The 2013 fiscal year yielded a collection of 100 percent of its sewer billings.

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 in the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any information provided in this report or requests for any additional information should be directed to the Chairman of the Benton-Decatur Special Sewer District, PO Box 594, Parsons, TN 38363.

BENTON-DECATUR SPECIAL SEWER DISTRICT

Statement of Net Position

June 30

	2013	2012
Assets		
Current Assets		
Cash and cash equivalents	$ 86,872.42	$ 93,856.71
Accounts receivable	32,064.37	18,197.86
Total Current Assets	118,936.79	112,054.57
Noncurrent Assets		
Land	28,500.00	28,500.00
Startup costs	-	55,435.00
Sewer facilities	2,602,828.13	2,602,828.13
Total Noncurrent Assets	2,631,328.13	2,686,763.13
Less: Accumulated Amortization	-	(15,090.65)
Less: Accumulated Depreciation	(265,024.51)	(212,844.80)
Net Noncurrent Assets	2,366,303.62	2,458,827.68
Total Assets	$ 2,485,240.41	$ 2,570,882.25
Liabilities and Net Position		
Current Liabilities		
Accounts payable	$ 1,000.00	$ 2,693.45
Taxes payable	158.45	106.55
Current portion of long-term debt	98,070.82	96,640.60
Total Current Liabilities	99,229.27	99,440.60
Noncurrent Liabilities		
Bonds and notes payable after one year	1,678,401.40	1,776,472.22
Total Noncurrent Liabilties	1,678,401.40	1,776,472.22
Total Liabilities	1,777,630.67	1,875,912.82
Net Position		
Net investment in capital assets	589,831.40	585,714.86
Restricted	98,070.82	96,640.60
Unrestricted	19,707.52	12,613.97
Total Net Position	707,609.74	694,969.43
Total Liabilities and Net Position	$ 2,485,240.41	$ 2,570,882.25

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

BENTON-DECATUR SPECIAL SEWER DISTRICT

Statement of Revenues, Expenses and Changes in Fund Net Position

June 30

	2013	2012
Operating Revenues		
Charges for sales and service	$ 206,071.29	$ 177,921.44
Total Operating Revenues	206,071.29	177,921.44
Operating Expenses		
Administrative and general expense	74,118.20	87,232.58
Depreciation and amortization expense	52,179.71	55,875.37
Total Operating Expenses	126,297.91	143,107.95
Operating Income (Loss)	79,773.38	34,813.49
Nonoperating Revenues (Expenses)		
Interest income	50.18	61.19
Interest expense	(26,838.90)	(28,294.79)
Total Nonoperating Revenues (Expenses)	(26,788.72)	(28,233.60)
Net Increase (Decrease) in Net Position	52,984.66	6,579.89
Adjustment to prior year net position	(40,344.35)	2,192.38
Net Position - beginning of year	694,969.43	686,197.16
Net Position - end of year	$ 707,609.74	$ 694,969.43

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

BENTON-DECATUR SPECIAL SEWER DISTRICT

Statement of Cash Flows

June 30

	2013	2012
Cash Flows from Operating Activities		
Cash received from consumers	$ 192,204.78	$ 176,326.82
Cash payments to suppliers	(64,487.14)	(73,132.81)
Cash payments to employees	(11,272.61)	(12,471.40)
Net Cash Provided (Used) by Operating Activities	116,445.03	90,722.61
Cash Flows from Capital and Related Financing Activities		
Interest paid on long-term debt	(26,838.90)	(28,294.79)
Payment of debt	(96,640.60)	(95,233.18)
Net Cash Provided (Used) by Capital and Related Financing Activities	(123,479.50)	(123,527.97)
Cash Flows from Investing Activities		
Interest earned	50.18	61.19
Adjustment to prior period net assets	-	2,192.38
Rounding	1.89	-
Net Cash Provided (Used) by Investing Activities	52.07	2,253.57
Net Increase (Decrease) in Cash and Cash Equivalents	(6,982.40)	(30,551.79)
Cash and Cash Equivalents at beginning of year	93,854.82	124,406.61
Cash and Cash Equivalents at end of year	$ 86,872.42	$ 93,854.82

Reconcilation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Net operating income (loss)	$ 79,773.38	$ 34,813.49
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	52,179.71	55,875.37
Changes in Assets and Liabilities:		
(Increase) Decrease in accounts receivable	(13,866.51)	(1,594.62)
Increase (Decrease) in accounts payable	(1,693.45)	1,693.45
Increase (Decrease) in taxes payable	51.90	(65.08)
Total Adjustments	36,671.65	55,909.12
Net Cash Provided (Used) by Operating Activities	$ 116,445.03	$ 90,722.61

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

BENTON – DECATUR SPECIAL SEWER DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 AND JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

These are proprietary fund financial statements and include only the financial activities of Benton-Decatur Special Sewer District. The District was created under the authority of Title 12, Chapter 9, *Tennessee Code Annotated*, which authorizes public agencies to enter into interlocal cooperation agreements and Title 68, Chapter 221, *Tennessee Code Annotated*, which authorizes local government to construct sewer systems for public use for the purpose of providing sewer service to portions of Benton and Decatur counties. The District is jointly owned between Benton and Decatur counties and is jointly operated between the two counties. The District is operated by a board appointed by the County Executives of each respective government entity. The ownership of the property and facilities of the District are held by the respective counties as tenants in common in equal shares of 50 percent. The District's Management Board must file a quarterly financial report with each respective county. The District began operations as of May 22, 2008.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The basic financial statements provide information about the Benton-Decatur Special Sewer District's business activities. The financial statements for the business-type activities are also often referred to as enterprise fund financial statements.

"Measurement Focus" is an accounting term used to describe which transactions and types of balances are recorded within the various financial statements. The expression, "Basis of Accounting", refers to when transactions or events are recorded regardless of the measurement focus applied.

Because of the "businesslike" characteristics of the District's operations, the accompanying financial statements report using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives of the "economic resources" measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Under full accrual accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The District utilizes enterprise funds to record its financial operating activities. In governmental accounting, the enterprise fund is used to account for operations that are financed and operated in a manner similar to private business or where the Management Board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

To provide the resources necessary to pay for services and related support functions, the District charges its customers monthly user fees which are based on the specific level of services they are receiving. Because the operations of the Benton-Decatur Special Sewer District closely mirror those of a typical, commercial company, its accounting records reflect a similar approach for measuring its business activity.

As permitted by generally accepted accounting principles, the District has chosen to apply, as other accounting literature, post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements.

The enterprise fund used by the District distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing operations. The principal operating revenues are charges to customers for services that are provided to them. The District also recognizes as operating revenue the connection fees for connecting new customers to the sewer 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.

When both restricted and unrestricted resources are available for use, it the District's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Assets, Liabilities, and Net Position

Deposits and Investments

The District considers all highly liquid investments with original maturities of three months or less to be cash or cash equivalents. These include cash on hand, amounts held in bank accounts and certificates of deposit. State statutes authorize the District to invest in certificates of deposit, obligations of the United States Treasury, obligations guaranteed by the United States government or its agencies, repurchase agreements and the state's investment pool.

Accounts Receivable

Trade receivables result from unpaid billings for sewer service to customers. The billing and collections for the District are prepared and collected by the North Utility District. The North Utility District remits to the District the entire amount of the billings on a monthly basis. Due to the short duration of prior operations, an allowance for uncollectible accounts receivable is considered unnecessary at this time but will be considered in future years.

Capital Assets

Capital assets, which include property, plant equipment, organizational costs, and construction in progress, are defined by the District as assets with an initial, individual cost of more than $500 (amount not rounded) and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed and are reported as a component of noncurrent assets in the basic financial statements. Assets acquired through contributions from developers or other customers are capitalized at their estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add value to the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation is charged as an expense against operations on a monthly basis. Capital assets of the District are depreciated using the straight-line method over the following useful lives:

Sewerage facility	50 years
Organizational costs	15 years

Net Position

The Benton-Decatur Special Sewer District's financial statements are being presented in conformance with provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, *"Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments"* (GASB 34) as amended by GASB Statement No. 63, *"Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position"* (GASB 63). As required by GASB 34 and GASB 63, the District has classified net position into three components: net investment in capital assets; restricted; and unrestricted. These classifications of Net Position are defined as follows:

Net investment in capital assets: This component of net position consists of capital assets, including restricted capital assets, reduced by accumulated depreciation and by any outstanding debt incurred to acquire, construct, or improve those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. If there are significant unspent proceeds of capital-related debt or deferred inflows of resources at year-end, this component does not include the portion of the debt or deferred inflows of resources attributable to the unspent amount. Instead, that debt or deferred inflow of resources is included in the same net position component (restricted or unrestricted) as the unspent proceeds.

Restricted Net Position: This component of net position consists of those net restricted assets and deferred outflows of resources reduced by liabilities and deferred inflows of resources related to those assets and deferred outflows of resources. Restricted assets are those assets with restrictions on their use that are externally imposed or that are imposed by the government's own constitutional provisions or enabling legislation. When permanent endowments or permanent fund principal amounts are included in this component, restricted net position is displayed in two subcomponents: expendable and nonexpendable.

Unrestricted Net Position: This component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. Generally, this net position represents those financial resources that are available to the District to meet any future obligations that might arise.

D. <u>Use of Estimates</u>

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the period reported. These estimates include assessing the collectability of accounts receivable, the use and recoverability of inventory, and the useful lives and impairment of tangible and intangible assets, among others. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

A budget is required as part of the agreement with Benton County and Decatur County for the District. The annual operating budget is submitted to each county on or before April 1 of each year. The total expenditures of the District in any fiscal year are determined by the approved budget. The respective counties must approve any purchases or expenditures in excess of the sum allotted in the annual budget.

NOTE 3: DETAILED NOTES

A. Deposits and Investments

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 the 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, the state polled investment fund, and mutual funds. 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 June 30, 2013 and 2012, all bank deposits were fully collateralized or insured.

B. Capital Assets

Capital asset activity during the years ending June 30, 2013 and 2012 was as follows:

CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

	Balance 7/1/12	Additions / Completions	Retirements / Adjustments	Balance 06/30/13
Capital assets not being depreciated				
Land	$ 28,500.00	$ -	$ -	$ 28,500.00
Total Capital assets not being depreciated	28,500.00	-	-	28,500.00
Capital assets being depreciated				
Startup costs	55,435.00	-	(55,435)	-
Sewer facilities	2,602,828.13	-	-	2,602,828.13
Total Capital assets being depreciated	2,658,263.13	-	(55,435)	2,602,828.13
Less accumulated depreciation/amortization for:				
Startup costs	15,090.65	-	(15,091)	-
Sewer facilities	212,844.81	52,179.71	-	265,024.52
Total accumulated depreciation/amortization	227,935.46	52,179.71	(15,091)	265,024.52
Total capital assets, being depreciated, net	2,430,327.67	(52,179.71)	(40,344)	2,337,803.61
Governmental activities capital assets, net	$ 2,458,827.67	$ (52,179.71)	$ (40,344)	$ 2,366,303.61

CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

	Balance 7/1/11	Additions / Completions	Retirements / Adjustments	Balance 06/30/12
Capital assets not being depreciated				
Land	$ 28,500.00	$ -	$ -	$ 28,500.00
Construction in process		-	-	-
Total Capital assets not being depreciated	28,500.00	-	-	28,500.00
Capital assets being depreciated				
Startup costs	55,435.00	-	-	55,435.00
Sewer facilities	2,602,828.13	-	-	2,602,828.13
Total Capital assets being depreciated	2,658,263.13	-	-	2,658,263.13
Less accumulated depreciation/amortization for:				
Startup costs	11,394.98	3,695.67	-	15,090.65
Sewer facilities	160,665.10	52,179.71	-	212,844.81
Total accumulated depreciation/amortization	172,060.08	55,875.38	-	227,935.46
Total capital assets, being depreciated, net	2,486,203.05	(55,875.38)	-	2,430,327.67
Governmental activities capital assets, net	$ 2,514,703.05	$ (55,875.38)	$ -	$ 2,458,827.67

C. Long Term Debt

The District has a note payable for a joint sewer project between Benton and Decatur counties financed through the Clean Water State Revolving Fund. The project was originally approved June 29, 2004 with each County being approved for $600,000. This amount was increased by $500,000 on December 18, 2006 for a total loan of $1,100,000 to each county and a total loan of $2,200,000 for the entire District for which the District is responsible for repaying. The interest rate on the loans is 1.47%. The project was placed in operation on May 22, 2008. Principle repayment began in September 2009. The loan term is for a period of 20 years.

The scheduled annual requirements for long-term debt at June 30, 2013 are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	98,070.82	25,455.14	123,525.96
2015	99,522.22	24,003.74	123,525.96
2016	100,995.08	22,530.88	123,525.96
2017	102,489.77	21,036.19	123,525.96
2018	104,006.55	19,519.41	123,525.96
2019-2023	543,582.01	74,047.79	617,629.80
2024-2028	585,013.91	32,615.89	617,629.80
2029-2030	142,791.86	1,315.34	144,107.20
Total	$1,776,472.22	$ 220,524.38	$1,996,996.60

Activity for the years ending June 30, 2013 and 2012 was as follows:

June 30, 2012	Additions	Repayments	June 30, 2013	Due Within One Year
$ 1,873,112.82	$ -	$ 96,640.60	$1,776,472.22	$ 98,070.82

June 30, 2011	Additions	Repayments	June 30, 2012	Due Within One Year
$ 2,062,186.00	$ -	$ 95,233.18	$1,873,112.82	$ 96,640.60

NOTE 4: OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During the years ended June 30, 2013 and 2012, the District purchased commercial insurance for all of the above risks. There have been no settled claims in the past.

B. Litigation and Contingencies

The District was sued by an individual regarding a dispute over the portion of the individual's condemned property used by the District and the assigned value of the condemned property. A judgment was rendered in the matter against the District for $97,357.36 as of August 30, 2008. The District appealed the case with an oral argument heard on July 21, 2009. The appeal was dismissed and the matter was remanded to the Circuit Court for the trial judge to rule on the legal counsel's motion to amend and insert the correct property description for the property taken. As the legal counsel has been unable to convince the Judge to amend the pleadings, the former legal counsel advised to seek another attorney to handle the case going forward. Subsequently, for this case the District is represented by James G. Stranch, III from Nashville, Tennessee. Currently, the balance to close the case is $80,000 plus interest. A claim on the professional liability insurance of the previous legal counsel has been filed to cover the settlement of the case.

C. Changes in Accounting Principles

For fiscal year 2013, the District implemented Governmental Accounting Standards Board (GASB) Statements Nos. 63 and 65. Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, provides financial reporting guidance for deferred outflows and inflows of resources, originally introduced and defined in GASB Concepts Statement No. 4, Elements of Financial Statements, as a consumption of net assets applicable to a future reporting period and an acquisition of net assets applicable to a future reporting period, respectively. Further, Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position.

Statement No. 65, Items Previously Reported as Assets and Liabilities reclassifies and recognizes certain items that were formerly reported as assets and liabilities as one of four financial statement elements: deferred outflows of resources, outflows of resources, deferred inflows of resources and inflows of resources.

Concepts Statement No. 4 requires that deferred outflows and deferred inflows be recognized only in those instances specifically identified in GASB pronouncements. Statement No. 65 provides that guidance.

Prior Period Adjustment

Due to the changes in accounting principles described above, net position has been decreased by $40,344.35. The difference represents a restatement for startup costs that were amortized under the prior standards but expensed in the period incurred under the new standards.

End of Notes to Financial Statements

OTHER SUPPLEMENTARY INFORMATION SECTION

BENTON-DECATUR SPECIAL SEWER DISTRICT

Schedule of Operating Income and Expenses

For the Year Ended June 30, 2013

	Budgeted Amounts			
	Original	Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Charges for sales and service	$186,915.12	$186,915.12	$206,071.29	$ 19,156.17
Total revenues	186,915.12	186,915.12	206,071.29	19,156.17
Operating expenses				
Administrative and general expenses				
Cost of operations - cost of goods sold	20,321.40	20,321.40	21,205.91	(884.51)
Accounting fees	4,750.00	4,750.00	4,750.00	-
Office supplies	152.80	152.80	152.80	-
NUD Administrative fees	12,000.00	12,000.00	12,000.00	-
Insurance	5,814.00	5,814.00	6,503.00	(689.00)
Permit fees	350.00	350.00	350.00	-
Legal notices	379.63	379.63	481.87	(102.24)
Salaries and payroll	12,273.12	12,273.12	12,716.27	(443.15)
Repairs and maintenance	3,120.00	3,120.00	2,422.85	697.15
Utilities	12,695.01	12,695.01	13,535.50	(840.49)
Total administrative and general expenses	71,855.96	71,855.96	74,118.20	(2,262.24)
Depreciation and amortization expense	55,875.37	55,875.37	52,179.71	3,695.66
Total operating expenses	127,731.33	127,731.33	126,297.91	1,433.42
Operating income (loss)	$ 59,183.79	$ 59,183.79	$ 79,773.38	$ 20,589.59

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

BENTON-DECATUR SPECIAL SEWER DISTRICT

Schedule of Operating Income and Expenses

For the Year Ended June 30, 2012

	Budgeted Amounts			
	Original	**Budget**	**Actual**	**Variance Favorable (Unfavorable)**
Revenues				
Charges for sales and service	$182,853.19	$182,853.19	$177,921.44	$ (4,931.75)
Total revenues	182,853.19	182,853.19	177,921.44	(4,931.75)
Operating expenses				
Administrative and general expenses				
Cost of operations - cost of goods sold	20,568.40	20,568.40	20,478.40	90.00
Accounting fees	2,400.00	2,400.00	4,750.00	(2,350.00)
Office supplies	91.53	91.53	-	91.53
NUD Administrative fees	12,000.00	12,000.00	12,000.00	-
Insurance	5,814.00	5,814.00	5,814.00	-
Permit Fees	350.00	350.00	350.00	-
Legal notices	545.10	545.10	458.86	86.24
Salaries and payroll	12,403.70	12,403.70	12,406.32	(2.62)
Repairs and maintenance	11,942.51	11,942.51	15,130.55	(3,188.04)
Utilities	15,497.73	15,497.73	15,844.45	(346.72)
Total administrative and general expenses	81,612.97	81,612.97	87,232.58	(5,619.61)
Depreciation and amortization expense	55,875.37	55,875.37	55,875.37	-
Total operating expenses	137,488.34	137,488.34	143,107.95	(5,619.61)
Operating income (loss)	$ 45,364.85	$ 45,364.85	$ 34,813.49	$ 10,551.36

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

BENTON-DECATUR SPECIAL SEWER DISTRICT

Schedule of Long-term Debt Principal and Interest Requirements by Fiscal Year

June 30, 2013

Year Ending June 30,	Principal	Interest
2014	98,070.82	25,455.14
2015	99,522.22	24,003.74
2016	100,995.08	22,530.88
2017	102,489.77	21,036.19
2018	104,006.55	19,519.41
2019	105,545.79	17,980.17
2020	107,107.81	16,418.15
2021	108,692.94	14,833.02
2022	110,301.53	13,224.43
2023	111,933.94	11,592.02
2024	113,590.51	9,935.45
2025	115,271.59	8,254.37
2026	116,977.54	6,548.42
2027	118,708.73	4,817.23
2028	120,465.54	3,060.42
2029	122,248.38	1,277.58
2030	20,543.48	37.76
	$ 1,776,472.22	$ 220,524.38

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

BENTON-DECATUR SPECIAL SEWER DISTRICT

SEWER RATES IN FORCE

June 30, 2013

Residential Rate Schedule		
Connection Fee	$	1,500.00
Sewer charge - per 1,000 gallons of water		19.75
Commercial Rate Schedule		
Connection Fee	$	2,500.00
Sewer charge - per 1,000 gallons of water		19.75
Number of customers		12

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

BENTON-DECATUR SPECIAL SEWER DISTRICT

Schedule of Expenditures of Federal Awards and State Financial Assistance

For the Year Ended June 30, 2013

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Contract Number	Beginning (Accrued) / Deferred	Cash Receipts	Expenditures	Ending (Accrued) / Deferred
Federal Awards						
No federal award activity						
State Financial Assistance						
Tennessee Department of Transportation						
State Revolving Fund Loan Program	N/A	CWSRF 2002-163	$ 1,873,112.82	$ -	$ 96,640.60	$ 1,776,472.22
TOTAL STATE AWARDS			$ 1,873,112.82	$ -	$ 96,640.60	$ 1,776,472.22
TOTAL FEDERAL & STATE AWARDS			$ 1,873,112.82	$ -	$ 96,640.60	$ 1,776,472.22

* Denotes a major program

Note 1: This Schedule of Expenditures of Federal Awards and State Financial Assistance summarizes the expenditures of the Benton-Decatur County Special Sewer District under programs of the federal and state governments for the year ended June 30, 2013. The schedule is presented using the modified accrual basis of accounting.

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

INTERNAL CONTROL AND COMPLIANCE SECTION

BRASHER ACCOUNTING

Lori R. Brasher, CPA, CGMA

125 N. Pleasant Street
PO Box 276
Decaturville, TN 38329
731.852.3100
Fax 731.852.3106
lori@lrbrasher.com

Independent Auditor's Report

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 Management Board
Benton-Decatur Special Sewer District
Parsons, Tennessee

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Benton-Decatur Special Sewer District (the District) as of and for the year ended June 30, 2013 and June 30, 2012 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated December 10, 2013.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purposes of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I do not express an opinion on the effectiveness of the District's internal control.

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

IRS e-file Member of AICPA TSCPA CPA CGMA

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. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of the Report

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

Brasher Accounting

Decaturville, Tennessee
December 10, 2013

BENTON-DECATUR SPECIAL SEWER DISTRICT

SCHEDULE OF FINDINGS

JUNE 30, 2013

No Current Year Findings Found

DISPOSITION OF PRIOR YEAR FINDINGS

As per Circular No. A-133, Subpart C, § .315, the summary schedule of prior audit findings is offered below:

2011-01: Dual Signatures for Disbursements

Fully Corrected by ensuring dual authorized signatures on all checks.

End of Schedule of Findings

BRASHER
ACCOUNTING