

WATER & WASTEWATER AUTHORITY OF WILSON COUNTY
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED JUNE 30, 2014

WATER & WASTEWATER AUTHORITY OF WILSON COUNTY
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WATER & WASTEWATER AUTHORITY OF WILSON COUNTY
BOARD OF COMMISSIONERS AND MANAGEMENT OFFICIALS

YEARS ENDED JUNE 30, 2014 AND 2013

Board of Commissioners

Chairman.....Donald Chambers
Vice Chairman.....Charles Albert Bell
Board Member.....Brody Kane
Board Member.....David E Swindell
Board Member.....Hale Moss

Management Officials

Executive Director.....Chris Leuber
Treasurer.....Robert Boyd
Secretary.....Robert Rochelle

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Water & Wastewater Authority of Wilson County

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Water & Wastewater Authority of Wilson County as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Authority'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

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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 we plan and perform the audits 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 appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Water & Wastewater Authority of Wilson County, as of June 30, 2014 and 2013, and the respective changes in financial position, and, where applicable, 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 on pages 5–13 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 context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Water & Wastewater Authority of Wilson County's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information has not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2014, on our consideration of the Water & Wastewater Authority of Wilson County'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 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 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 Water & Wastewater Authority of Wilson County's internal control over financial reporting and compliance.

Dempsey Vantrouse & Fallis PLLC

Lebanon, TN
December 22, 2014

Water & Wastewater Authority of Wilson County Management's Discussion and Analysis

This section of the Water & Wastewater Authority of Wilson County's annual financial report presents an analysis of the Authority's financial performance during the fiscal years ended June 30, 2014 and 2013. This information is presented in conjunction with the audited basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR ENDING JUNE 30, 2014

- The Authority's net position increased by \$1,461 thousand or 4.7 percent from \$31,008 thousand to \$32,469 thousand.
- Operating revenues increased by \$273 thousand or 5.4 percent from \$5,016 thousand to \$5,289 thousand.
- Operating expenses increased by \$289 thousand or 6.7 percent from \$4,299 thousand to \$4,588 thousand.
- Capital contributions to the Authority increased by \$635 thousand or 109.7 percent from \$579 thousand to \$1,214 thousand.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of the following three parts: management's discussion and analysis, summaries of the Authority's net position and condensed statement of revenues, expenses and changes in net position.

REQUIRED FINANCIAL STATEMENTS

The financial statements of the Authority report information utilizing the full accrual basis of accounting. The financial statements conform to accounting principles which are generally accepted in the United States of America. The statements of net position include information on the Authority's assets and liabilities and provide information about the nature and amounts of investments in resources and the obligations to the Authority's creditors. The statements of revenues, expenses and changes in net position identify the Authority's revenues, and expenses for the fiscal years ended June 30, 2014 and 2013. These statements provide information on the Authority's operation over the past two fiscal years.

FINANCIAL ANALYSIS OF THE DISTRICT

The statement of net position and the statement of revenues, expenses, and changes in net position provide an indication of the Authority's financial condition and also indicate that the financial condition of the Authority improved during the last fiscal year. The Authority's net position reflects the difference between assets and liabilities. An increase in net position over time typically indicates an improvement in financial condition.

NET POSITION

A summary of the Authority's statement of net position is presented below.

Table 1
Condensed Statement of Net Position
(in thousands of dollars)

	<u>2014</u>	<u>2013</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current Assets	\$ 5,660	\$ 5,108	\$ 552	10.8%
Restricted Assets	8,640	9,562	(922)	(9.6)%
Capital Assets, net	<u>37,432</u>	<u>36,108</u>	<u>1,324</u>	3.7%
Total Assets	51,732	50,778	954	1.9%
Long-Term Debt	17,053	17,706	(653)	(3.7)%
Current Liabilities	<u>2,210</u>	<u>2,064</u>	<u>146</u>	7.1%
Total Liabilities	19,263	19,770	(507)	(2.6)%
Net Investment in Capital Assets	25,109	24,144	965	4%
Restricted for Debt Service	2,921	2,877	44	1.5%
Unrestricted	4,439	3,987	452	11.3%
Total Net Position	<u>\$32,469</u>	<u>\$31,008</u>	<u>\$ 1,461</u>	4.7%

As the above table indicates total assets increased by \$954 thousand, or 1.9%, from \$50,778 thousand to \$51,732 thousand in the fiscal year ending June 30, 2014. The primary factors behind the increase in total assets were the wastewater developer contributions and the new water lines projects under construction. As a result, net capital asset values alone increased by \$1,324 thousand this period.

Total liabilities during the year decreased by \$507 thousand, or 2.6%. This is primarily due to payments on bonds and bond interest, which decreased long-term debt by \$653 thousand. This decrease more than offset a \$146 thousand increase in current liabilities.

Both restricted and unrestricted net position increased during the audit year, further adding to the increase in net position at year end. Total net position increased by 4.7%, or \$1,461 thousand during the year ending June 30, 2014.

Table 2
Condensed Statement of Net Position
(in thousands of dollars)

	<u>2013</u>	<u>2012</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current and Other Assets	\$ 5,108	\$ 4,989	\$ 119	2.4%
Restricted Assets	9,562	2,786	6,776	243.2%
Capital Assets, net	<u>36,108</u>	<u>36,363</u>	<u>(255)</u>	(.7)%
Total Assets	50,778	44,138	6,640	15%
Long-Term Debt	17,706	11,570	6,136	53%
Current Liabilities	<u>2,064</u>	<u>1,939</u>	<u>125</u>	6.4%
Total Liabilities	19,770	13,509	6,261	46.3%
Net Investment in Capital Assets	24,144	24,548	(404)	(1.6)%
Restricted for Debt Service	2,877	2,294	583	25.4%
Unrestricted	3,987	3,787	200	5.3%
Total Net Position	<u>\$31,008</u>	<u>\$30,629</u>	<u>\$ 379</u>	1.2%

As the above table indicates total assets increased by \$6,640 thousand, or 15%, from \$44,138 thousand to \$50,778 thousand in the fiscal year ending June 30, 2013. This is primarily due to the new funds received from the 2013 bond issue, which significantly increased restricted assets.

Total liabilities increased by \$6,261 thousand, or 46.3%. This is due to the increased long-term debt incurred from the 2013 bond issue. While current liabilities only increased by \$125 thousand, long-term debt increased by \$6,136 thousand.

In summary, net position increased by 1.2%, or \$379 thousand, from \$30,629 thousand to \$31,008 thousand. A \$404 thousand decrease in net investment in capital assets, was outpaced by increases in unrestricted (\$200 thousand) and restricted for debt service (\$583 thousand).

Table 3
Condensed Statement of Revenues, Expenses and Changes in Net Position
(in thousands of dollars)

	<u>2014</u>	<u>2013</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating Revenue	\$ 5,289	\$ 5,016	\$ 273	5.4%
Nonoperating Revenue	<u>54</u>	<u>50</u>	<u>4</u>	8%
Total Revenue	5,343	5,066	277	5.5%
Depreciation Expense	1,287	1,220	67	5.5%
Other Operating Expenses	3,301	3,079	222	7.2%
Nonoperating Expenses	<u>508</u>	<u>614</u>	<u>(106)</u>	(17.3)%
Total Expenses	5,096	4,913	183	3.7%
Income Before Capital Contributions	247	153	94	61.4%
Capital Contributions	1,214	579	635	109.7%
GASB 65 Restatement	<u>0</u>	<u>(353)</u>	353	100%
Change in Net Position	1,461	379	1,082	285.5%
Beginning Net Position	<u>31,008</u>	<u>30,629</u>	<u>379</u>	1.2%
Ending Net Position	<u>\$32,469</u>	<u>\$31,008</u>	<u>\$ 1,461</u>	4.7%

The Statement of Revenues, Expenses and Change in Net Position identifies the various revenue and expense items which affect the change in net position for the fiscal year ending June 30, 2014.

As the information in this table indicates, the Authority's total revenue increased by \$277 thousand, or 5.5 percent this year. Both water and wastewater revenue increased, contributing to a \$273 thousand gain in operating revenue compared to the previous year. Nonoperating income also increased by 8% during the year.

The Authority's total expenses increased by 3.7%, or \$183 thousand, this year. Although nonoperating expenses decreased, modest increases were experienced in most all operating expense categories during the year.

The Authority's income before capital contributions was \$247 thousand. The Authority also received \$1,214 thousand capital contributions during the year, which was \$635 thousand more than the previous year. As a result, the Authority's net position increased by \$1,461 thousand compared to the previous year. Ending net position on June 30, 2014 was \$32,469 thousand, which is up 4.7% from year end 2013.

Table 4
Condensed Statement of Revenues, Expenses and Changes in Net Position
(in thousands of dollars)

	<u>2013</u>	<u>2012</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>
Operating Revenue	\$ 5,016	\$ 4,950	\$ 66	1.3%
Nonoperating Revenue	<u>50</u>	<u>73</u>	<u>(23)</u>	(31.5)%
Total Revenue	5,066	5,023	43	.9%
Depreciation Expense	1,220	1,200	20	1.7%
Other Operating Expenses	3,079	2,977	102	3.4%
Nonoperating Expenses	<u>614</u>	<u>559</u>	<u>55</u>	9.8%
Total Expenses	4,913	4,736	177	3.7%
Income Before Capital Contributions	153	287	(134)	(46.7)%
Capital Contributions	579	773	(194)	(25.1)%
GASB 65 Restatement	<u>(353)</u>	<u>0</u>	(353)	(100)%
Changes in Net Position	<u>379</u>	<u>1,060</u>	<u>(681)</u>	(64.3)%
Beginning Net Position	<u>30,629</u>	<u>29,569</u>	<u>1,060</u>	3.6%
Ending Net Position	<u>\$31,008</u>	<u>\$30,629</u>	<u>\$ 379</u>	1.2%

The Statement of Revenues, Expenses and Change in Net Position identifies the various revenue and expense items which affect the change in net position for the fiscal year ending June 30, 2013.

As the information in this table indicates, the Authority's total revenue increased by \$43 thousand, or .9 percent, from \$5,023 thousand to \$5,066 thousand. A 1.4% increase in water sales was the major factor in the \$66 thousand increase in operating revenue. Nonoperating income decreased in fiscal year 2013 by 31.5% due to the lack of TDOT reimbursements or state grants received during the year.

The Authority's total expenses increased by 3.7%, or \$177 thousand, this year. Modest increases were experienced in nonoperating, other operating, and depreciation expenses.

Despite the fact that total expenses increased more than total revenue, the Authority still experienced income before capital contributions of \$153 thousand. In addition, the Authority received \$579 thousand capital contributions during the year, which is down by 25.1%, or \$194 thousand, from the previous year. There was also a GASB 65 Restatement which reduced net position by \$353 thousand. Nevertheless, there was still a \$379 thousand, or 1.2%, increase in the Authority's ending net position for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

Table 5
Capital Assets at Year-end
(Net of Depreciation, in thousands of dollars)

	<u>2014</u>	<u>2013</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>
Land	\$ 570	\$ 570	\$ 0	0%
Rights of Way	143	143	0	0%
Construction in Progress	1,585	1,232	353	28.7%
Water Distribution System	14,082	14,287	(205)	(1.4)%
Wastewater System	20,072	18,869	1,203	6.4%
Building	765	790	(25)	(3.2)%
Office Equipment	31	29	2	6.9%
Equipment	184	188	(4)	(2.1)%
Total Capital Assets	<u>\$37,432</u>	<u>\$36,108</u>	<u>\$ 1,324</u>	3.7%

As of June 30, 2014 the Authority had \$37,432 thousand in capital assets net of accumulated depreciation. This is a 3.7% increase from the previous year. Significant increases were experienced in wastewater systems via increased developer contributions during the year. Water line constructions in progress also increased due to the new line construction projects currently underway.

In the next fiscal year the Authority anticipates a new loan from the Rural Development Administration for the construction of an interconnection between two existing wastewater treatment facilities. This interconnect, valued at approximately \$981 thousand, will enhance future wastewater earning potential by increasing the capacity of our wastewater infrastructure. Other wastewater projects will be developer-paid and the associated assets transferred to the Authority as developer contributions.

Approximately \$412 thousand of new water lines were completed this year. An additional \$1,900 thousand of new water line projects currently under contract should be in operation by the end of the 2015 budget year. These projects are being financed from the 2013 bond funds.

The Authority continues to investigate enhancements that will result in the purchase of additional capital assets over the next couple of years. The major enhancements include:

- Advanced Metering Infrastructure (AMI) for all customer accounts and system input meters to free up man-hours to focus on distribution system maintenance, increase metering accuracy and reduce leakage to maintain compliance with the new Tennessee water loss regulations.
- Distribution system upgrades to maintain and improve our level of service.
- Distribution system expansions to provide water to areas of the county presently without access to a public water supply.

It should be noted the Authority will experience financial gains from these enhancements in the form of reduced losses, both real (leakage) and apparent (inaccurate metering). There will also be increased revenue from the addition of new customers.

Table 6
Capital Assets at Year-end
(Net of Depreciation, in thousands of dollars)

	<u>2013</u>	<u>2012</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Land	\$ 570	\$ 570	\$ 0	0%
Rights of Way	143	143	0	0%
Construction in Progress	1,232	989	243	24.6%
Water Distribution System	14,287	14,697	(410)	(2.8)%
Wastewater System	18,869	19,063	(194)	(1)%
Building	790	812	(22)	(2.7)%
Office Equipment	29	27	2	7.4%
Equipment	188	62	126	203.2%
Total Capital Assets	<u>\$36,108</u>	<u>\$36,363</u>	<u>\$ (255)</u>	(.7)%

At the end of June 2013 budget year, the Authority had \$36,108 thousand invested in capital assets net of depreciation, including water and sewer infrastructure, land, rights of way, building, office equipment, equipment and construction in progress. This amount represents a \$255 thousand, or .7%, decrease, from the previous year.

The Authority added \$722 thousand of new depreciable capital assets during the year. The largest additions were \$362 thousand of wastewater infrastructure, \$196 thousand of water infrastructure and \$145 thousand of equipment. However, total capital asset values decreased for the year due to total depreciation of \$1,220 thousand.

DEBT

Table 7
Outstanding Debt at Year-end
(in thousands of dollars)

	<u>2014</u>	<u>2013</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Revenue Bonds & Notes	<u>\$18,017</u>	<u>\$18,620</u>	<u>\$ (603)</u>	<u>(3.2)%</u>

As table 7 indicates, the Authority had \$18,017 thousand in total debt at the end of the fiscal year. This is \$603 thousand less than the previous year. Although no individual debts were retired this fiscal year, all scheduled bond and interest payments were completed in a timely manner.

As previously stated, the Authority anticipates an additional \$981 thousand loan from the Rural Development Administration for enhancements to our wastewater infrastructure during the next fiscal year. Any new water projects will be financed by existing bond funds.

Table 8
Outstanding Debt at Year-end
(in thousands of dollars)

	<u>2013</u>	<u>2012</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Revenue Bonds & Notes	<u>\$18,620</u>	<u>\$12,416</u>	<u>\$ 6,204</u>	<u>50%</u>
Other Notes	<u>0</u>	<u>147</u>	<u>(147)</u>	<u>(100)%</u>
Total Debt	<u>\$18,620</u>	<u>\$12,563</u>	<u>\$ 6,057</u>	<u>48.2%</u>

As shown in table 8, the Authority had \$18,620 thousand in total debt at the end of the fiscal year ending June 30, 2013. This is \$6,057 thousand, or 48.2%, more than the previous year.

Total debt increased due to the 2013 bond issue in the amount of \$8,873 thousand. The Authority did retire \$2,727 thousand of previous debt from the 1993 bonds, the State Revolving Fund loan and the note from Wilson Bank & Trust. All bond and interest payments were completed in a timely manner as scheduled.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Authority's 2014/2015 budget reflects minimal increases to its customer base and associated streams of revenue. As a result, management will continue to make every effort possible to keep controllable operating expenses at a minimum.

The Authority's primary water supplier, the City of Lebanon, increased wholesale water rates to the Authority in July 2014. As a result, the Authority's Board of Commissioners approved a corresponding 9% increase in its water rates in July 2014. This marks the first increase in the Authority's rates since 2011.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our customers, investors and creditors with a general overview of the Authority's finances and accountability for the money it receives. If you have any questions about this report or need additional information, contact the Authority office at 680 Maddox Simpson Parkway in Lebanon, TN.

WATER & WASTEWATER AUTHORITY OF WILSON COUNTY
 STATEMENTS OF NET POSITION
 JUNE 30, 2014 AND 2013

	2014	2013
ASSETS		
Current Assets		
Cash & Cash Equivalents - Unrestricted/Undesignated	\$ 2,732,763	2,252,510
Cash & Cash Equivalents - Unrestricted/Designated	347,627	406,533
Investments in Interest Bearing Deposits - Unrestricted/Undesignated	765,707	715,635
Investments in Interest Bearing Deposits - Unrestricted/Designated	1,000,000	1,000,000
Accounts Receivable Net of Allowance for Doubtful Accounts of \$10,000 and \$10,000 as of June 30, 2014 and June 30, 2013, respectively.	622,815	543,836
Accrued Interest Receivable	12,832	13,189
Inventory of Supplies	154,417	152,112
Prepaid Expenses	23,429	24,076
Total Current Assets	5,659,590	5,107,891
Restricted Assets		
Restricted Cash & Cash Equivalents	5,600,376	6,369,443
Restricted Investments in Interest Bearing Deposits	3,040,025	3,192,165
Total Restricted Assets	8,640,401	9,561,608
Utility Plant & Equipment		
Land	569,532	569,532
Rights of Way	143,216	143,216
Water Distribution System	24,633,333	24,220,666
Wastewater System	24,276,715	22,479,738
Building	1,250,596	1,243,579
Office Equipment	134,041	227,973
Equipment	745,317	715,421
Construction in Progress	1,585,361	1,231,912
Total Utility Plant & Equipment	53,338,111	50,832,037
Less Accumulated Depreciation	(15,905,647)	(14,724,459)
Utility Plant & Equipment Net of Accumulated Depreciation	37,432,464	36,107,578
Total Assets	\$ 51,732,455	\$ 50,777,077

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

WATER & WASTEWATER AUTHORITY OF WILSON COUNTY
 STATEMENTS OF NET POSITION
 JUNE 30, 2014 AND 2013

	2014	2013
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 208,008	\$ 119,874
Accrued Interest Payable	144,904	168,486
Customer Deposits	822,375	799,904
Sales Tax Payable	31,648	28,328
Accrued Payroll & Related Items	39,368	33,266
Current Portion of Long-Term Debt	963,951	913,778
Total Current Liabilities	2,210,254	2,063,636
Long-Term Debt	17,052,797	17,705,918
Total Liabilities	19,263,051	19,769,554
NET POSITION		
Net Investment In Capital Assets	25,109,458	24,143,713
Restricted For Debt Service	2,921,000	2,877,000
Unrestricted	4,438,946	3,986,810
	32,469,404	31,007,523
Total Liabilities & Net Position	\$ 51,732,455	\$ 50,777,077

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

WATER & WASTEWATER AUTHORITY OF WILSON COUNTY
 STATEMENTS OF REVENUES, EXPENSES, & CHANGES IN NET POSITION
 FOR THE YEARS ENDING JUNE 30, 2014 AND 2013

	2014	2013
Operating Sales		
Water Sales	\$ 3,731,850	\$ 3,623,416
Wastewater Income	1,363,680	1,187,103
Other Charges	193,532	205,160
	5,289,062	5,015,679
Less: Bad Debt Expense	(14,524)	(2,438)
Net Operating Revenue	5,274,538	5,013,241
Operating Expenses		
Depreciation Expense	1,286,591	1,219,975
Water Purchased	927,547	854,328
Wastewater Service Costs	1,000,833	918,142
Repairs & Maintenance Expense	175,457	158,339
Management Salaries	260,393	220,145
Plant Salaries	223,615	213,913
Office Salaries	96,000	103,148
Legal Expense	48,030	96,196
Health Insurance Expense	102,672	86,060
Engineering Fees	27,200	24,180
Retirement Expense	70,791	67,493
Office Supplies & Expense	24,610	27,005
Plant Utilities Expense	57,363	52,861
Payroll Tax Expense	47,647	44,036
Miscellaneous Expense	45,494	39,492
Other Insurance Expense	43,014	46,261
Postage	34,889	35,391
Audit & Accounting	20,225	18,000
Telephone & Office Utilities	18,556	15,561
Legal Salary	26,742	25,963
Data Processing	13,989	8,731
Uniforms Expense	5,778	6,385
Seminar Expense	6,962	7,681
Dues Expense	5,473	4,855
Director Fees	3,415	2,300
Total Operating Expenses	4,573,286	4,296,441
Operating Income	701,252	716,800

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

WATER & WASTEWATER AUTHORITY OF WILSON COUNTY
 STATEMENTS OF REVENUES, EXPENSES, & CHANGES IN NET POSITION
 FOR THE YEARS ENDING JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Operating Income (From Prior Page)	\$ 701,252	\$ 716,800
Nonoperating Revenues (Expenses)		
Interest Income	48,747	45,460
Interest & Amortization Expense	(508,176)	(614,109)
Gain On Sale Of Asset	5,653	4,469
Total Nonoperating Revenues (Expenses)	<u>(453,776)</u>	<u>(564,180)</u>
Income Before Contributions	247,476	152,620
Contributions		
Contributions In Aid Of Construction	<u>1,214,405</u>	<u>578,700</u>
	1,214,405	578,700
Increase In Net Position	1,461,881	731,320
Net Position, Beginning of Year	31,007,523	30,628,953
GASB 65 Restatement	<u>-</u>	<u>(352,750)</u>
Net Position, Restated	31,007,523	30,276,203
Net Position, End of Year	<u>\$ 32,469,404</u>	<u>\$ 31,007,523</u>

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

WATER & WASTEWATER AUTHORITY OF WILSON COUNTY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
Cash Flows From Operating Activities		
Cash Receipts From Customers	\$ 5,207,317	\$ 5,289,337
Cash Payments to Suppliers for Goods and Services	(2,369,039)	(2,341,559)
Cash Payments to or on Behalf of Employees	(821,758)	(757,667)
Other Operating Revenue	10,713	18,059
Net Cash Provided By Operating Activities	2,027,233	2,208,170
 Cash Flows From Capital & Related Financing Activities		
Capital Contributions	78,000	125,500
Proceeds From State Revolving Fund	-	119,011
Deferred Loss on Refunding	-	234,123
Bond Issue Costs - 2013 Bond	-	(123,615)
Proceeds From 2013 Bond Series	-	8,645,000
Purchase & Construction of Utility Plant & Equipment	(1,475,072)	(511,721)
Proceeds on Sale of Assets	5,653	4,469
Capital Reimbursement - State of Tennessee	-	-
Principal Payments on Revenue Bonds	(913,778)	(1,520,697)
Principal Payments on State Revolving Fund	-	(1,720,508)
Interest Paid on Revenue Bonds	(220,927)	(218,107)
Net Cash Provided By (Used In) Capital & Related Financing Activities	(2,526,124)	5,033,455
 Cash Flows From Investing Activities		
Net Proceeds From (Purchases Of) Investments in Interest Bearing Deposits	102,068	(1,133,777)
Interest Income	49,103	45,002
Net Cash Provided By (Used In) Investing Activities	151,171	(1,088,775)
Net Increase (Decrease) in Cash & Cash Equivalents	(347,720)	6,152,850
Cash & Cash Equivalents, Beginning of Year	9,028,486	2,875,636
Cash & Cash Equivalents, End of Year	\$ 8,680,766	\$ 9,028,486
 Reconciliation to Balance Sheet:		
Cash & Cash Equivalents - Unrestricted/Undesignated	\$ 2,732,763	\$ 2,252,510
Cash & Cash Equivalents - Unrestricted/Designated	347,627	406,533
Restricted Cash & Cash Equivalents	5,600,376	6,369,443
	\$ 8,680,766	\$ 9,028,486

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

WATER & WASTEWATER AUTHORITY OF WILSON COUNTY
 STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
Adjustments to Reconcile Operating Income To Net Cash Provided By (Used) By Operating Activities		
Operating Income	\$ 701,252	\$ 716,800
Depreciation	1,286,591	1,219,975
Decrease/(Increase) in Accounts Receivable	(78,979)	74,169
Decrease/(Increase) in Receivable From TDOT	-	50,788
Decrease in Inventory	(2,305)	11,800
(Increase)Decrease in Prepaid Expenses	647	(1,177)
Increase/(Decrease) in Accounts Payable	88,134	(31,119)
Increase in Customer Deposits	22,471	169,198
(Decrease)/Increase in Sales Tax Payable	3,320	(5,355)
Increase in Accrued Payroll & Related Items	6,102	3,091
Net Cash Provided By Operating Activities	\$ 2,027,233	\$ 2,208,170
 Non-Cash Transactions		
Noncash Capital Contributions From Developers Consisting of Water Infrastructure	\$ 12,000	\$ 170,700
 Noncash Capital Contributions From Developers Consisting of Wastewater Infrastructure	1,124,405	282,500
 Interest Capitalized to Utility Plant & Equipment	\$ 303,706	\$ 97,051

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

WATER & WASTEWATER AUTHORITY
OF WILSON COUNTY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2014 AND 2013

Note A – Summary of Significant Accounting Policies

General Information – The Water & Wastewater Authority of Wilson County, Tennessee, (“the Authority”) was established July 21, 1975, under Tennessee Code Annotated section 68-221-601. The Authority is governed by a Board of Commissioners appointed by the County Mayor and approved by the County commissioners and does not have any power to levy or collect a tax. In 1977, the Board of Commissioners changed the name to the Water & Wastewater Authority of Wilson County, Tennessee. The Authority operates a water system and supply for customers in specified areas of Wilson County. In the fiscal year ended June 30, 2000, the Authority began providing wastewater treatment for a limited number of customers.

Reporting Entity – Because of the lack of significance of its operational and financial relationship with Wilson County, the Authority is not a component unit of Wilson County, Tennessee.

Basis of Presentation and Accounting – The economic resources measurement focus and the accrual basis of accounting is used, in conformity with generally accepted governmental accounting principles applicable to water utility districts. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. Unbilled utility service receivables are recorded at year end. The Authority is a proprietary fund because it is required by law to recover its costs of operation with fees and charges for services rather than with taxes or similar revenues. The Authority applies all applicable Governmental Accounting Standards Board (GASB).

Budget – An annual budget is adopted by the Board of Commissioners as a management control device on a basis consistent with generally accepted accounting principles (GAAP).

Estimates – The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that may affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual results could differ from those estimates.

WATER & WASTEWATER AUTHORITY
OF WILSON COUNTY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2014 AND 2013

Note A – Summary of Significant Accounting Policies (continued)

Utility Plant, Building, Wastewater System, & Equipment – Land, utility plant, building, wastewater system, and equipment are recorded at cost or, if contributed, at the estimated fair market value of the contribution. The Authority defines capital assets as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Repairs and maintenance are recorded as expenses; renewals and improvements are capitalized. When items of property and equipment are sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is included as non-operating revenue or loss.

Depreciation of the utility plant, building, wastewater system, and equipment is computed using the straight line method as follows:

<u>Asset</u>	<u>Estimated Useful Life</u>
Cost of Water System	25 – 40 years
Wastewater System	40 years
Building	10 – 40 years
Equipment	3 – 10 years

Restricted Assets – Bond covenants of the various bond issues require the establishment of bond interest and sinking funds to provide for the timely retirement of bond principal and interest. At June 30, 2014 and 2013, these reserves have been adequately funded and have been presented in the financial statements as restricted assets.

Cash & Cash Equivalents – Cash consists principally of checking accounts and certificates of deposit with financial institutions. For the purpose of the statement of cash flows, the Authority considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Receivables – The Authority uses the reserve method in determining bad debt expense.

Inventory – The Authority maintains an inventory of materials and supplies for repairs to the utility system. The inventory is carried at the lower of cost or market value using the “first in – first out” method.

Capitalized Interest – The Authority capitalizes net interest costs and related interest earned as part of constructing water projects.

WATER & WASTEWATER AUTHORITY
OF WILSON COUNTY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2014 AND 2013

Note A – Summary of Significant Accounting Policies (continued)

Discounts on Bonds – The discount on bonds issued are being amortized on the straight line method, over the life of the bonds.

Deferred Loss on Refinancing of Bonds – The refunding of debt in 1993 and 2006 resulted in a deferred amount which is being amortized over the remaining life of the old debt in accordance with GASB 23.

Operating Revenues and Expenses – Operating revenues and expenses consist of those revenues that result from the ongoing principal operations of the Authority. Operating revenues consist primarily of charges for water services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing type activities. When an expense is incurred for purposes for which there are both restricted and unrestricted net assets available, it is the Authority's policy to apply those expenses to restricted net assets first, the extent such are available, and then to unrestricted net assets.

Contributions In Aid of Construction – Developers are required by the Authority to install water lines in new developments according to the Authority's specifications and subject to inspection by the engineer. Developers bear the cost of laying the water lines, which become the property of the Authority. The engineer's estimate of the cost of these lines is capitalized as utility plant and recorded as contributed capital by the Authority prior to July 1, 2000. After June 30, 2000, the Authority records the cost as revenue.

A fee is charged by the Authority for the physical connection to the water system. Prior to July 1, 2000, the fee was recorded as contributed capital and the cost of the installation of the tap was capitalized as utility plant. Beginning July 1, 2000, tap fees are recorded as revenue.

In accordance with GASB 33, contributions from contractors are recorded as revenue in the statement of earnings rather than as a component of equity effective July 1, 2000.

WATER & WASTEWATER AUTHORITY
OF WILSON COUNTY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2014 AND 2013

Note A – Summary of Significant Accounting Policies (continued)

Compensated Absences – Full time employees are given one day of vacation each month during the first six years of continuous employment. Employees with more than six years of continuous employment are granted fifteen days annual vacation with the additional days being granted in the months of March, June, and September.

Vacation days earned and not used may be carried forward, however, accumulated vacation days may not exceed 30 days per employee. The Authority has accrued the amount of vacation time carried forward as of June 30, 2014 and 2013.

Each employee accumulates one day of sick leave each month. Sick leave not used during the year may be carried forward. Upon termination or voluntary resignation, all accrued sick leave is forfeited. Therefore, no amounts have been recorded for accrued sick pay in the financial statements.

Net Position – Net position comprises the various net earnings from operating income, non-operating revenues and expenses, and capital contributions. Net position is classified in the following three components:

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. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted – This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component of net position consists of net positions that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

It is the Authority’s policy to first apply restricted resources when an expense is incurred for which both restricted and unrestricted net position are available.

WATER & WASTEWATER AUTHORITY
OF WILSON COUNTY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2014 AND 2013

Note B – Cash & Cash Equivalents

Interest Rate Risk and Concentration of Credit Risk – The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates. The Authority places no limit on the amount it may invest in any one issuer.

Credit Risk – The Authority is authorized to make investments in certificates of deposit, bonds, notes or treasury bills of the United States or any of its other agencies, or obligations guaranteed as to principal and interest by the United States or any of its agencies with a maturity not greater than one year, or in the pooled investment fund established under Tennessee law.

At June 30, 2014 and 2013, the entire bank balances were covered by federal depository insurance or by collateral held in the Tennessee Bank Collateral Pool. The Tennessee Bank Collateral Pool is a multiple financial institution collateral pool to 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 governmental entities. The pool also has the ability to make additional assessments on a pro rata basis to the members of the pool if the value of collateral is inadequate to cover a loss.

Note C – Commitments & Contingencies

The majority of the water supplied to customers of the Authority is purchased from the City of Lebanon pursuant to a contractual agreement.

On approximately May 6, 1999, the Authority entered into a master provider agreement with a company to build, operate, and maintain wastewater systems. This agreement contains a provision that would subject the Authority to contract cancellation fees if the Authority were to take control of the operation and maintenance services through no fault of the contracting company. The Authority has no intention of assuming these operation and maintenance services, however, the cancellation fees would be material to the financial statements if they were to occur.

Note D – Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

WATER & WASTEWATER AUTHORITY
OF WILSON COUNTY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2014 AND 2013

Note D – Risk Management (continued)

The Authority purchases commercial insurance for claims and for all other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Note E – Capital Assets

Capital asset activity for the years ended June 30, 2014 and 2013 was as follows:

	Balance July 1, 2013	Transfers In And Additions	Transfers Out And Retirements	Balance June 30, 2014
Capital Assets Not Being Depreciated				
Land	\$ 569,532	\$ -	\$ -	\$ 569,532
Rights of Way	143,216	-	-	143,216
Construction In Progress	1,231,912	1,378,199	(1,024,750)	1,585,361
Total Capital Assets Not Being Depreciated	<u>1,944,660</u>	<u>1,378,199</u>	<u>(1,024,750)</u>	<u>2,298,109</u>
Capital Assets Being Depreciated				
Water Distribution System	24,220,666	412,667	-	24,633,333
Wastewater System	22,479,738	1,796,977	-	24,276,715
Building	1,243,579	7,017	-	1,250,596
Office Equipment	227,973	11,472	(105,403)	134,041
Equipment	715,421	29,896	-	745,317
Total Capital Assets Being Depreciated	<u>48,887,377</u>	<u>2,258,028</u>	<u>(105,403)</u>	<u>51,040,002</u>
Less Accumulated Depreciation				
Water Distribution System	(9,933,650)	(618,101)	-	(10,551,751)
Wastewater System	(3,610,952)	(593,808)	-	(4,204,760)
Building	(452,993)	(32,182)	-	(485,175)
Office Equipment	(199,187)	(8,874)	105,403	(102,658)
Equipment	(527,677)	(33,626)	-	(561,303)
Total Accumulated Depreciation	<u>(14,724,459)</u>	<u>(1,286,591)</u>	<u>105,403</u>	<u>(15,905,647)</u>
Total Capital Assets Being Depreciated Net of Accumulated Depreciation	<u>34,162,918</u>	<u>971,437</u>	<u>-</u>	<u>35,134,355</u>
Total Capital Assets Net of Accumulated Depreciation	<u>\$ 36,107,578</u>	<u>\$ 2,349,636</u>	<u>\$ (1,024,750)</u>	<u>\$ 37,432,464</u>

WATER & WASTEWATER AUTHORITY
OF WILSON COUNTY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2014 AND 2013

Note E – Capital Assets (continued)

	Balance July 1, 2012	Transfers In And Additions	Transfers Out And Retirements	Balance June 30, 2013
Capital Assets Not Being Depreciated				
Land	\$ 569,532	\$ -	\$ -	\$ 569,532
Rights of Way	143,216	-	-	143,216
Construction In Progress	989,055	322,682	(79,825)	1,231,912
Total Capital Assets Not Being Depreciated	<u>1,701,803</u>	<u>322,682</u>	<u>(79,825)</u>	<u>1,944,660</u>
Capital Assets Being Depreciated				
Water Distribution System	24,024,449	196,218	-	24,220,666
Wastewater System	22,117,413	362,325	-	22,479,738
Building	1,234,248	9,331	-	1,243,579
Office Equipment	218,686	9,287	-	227,973
Equipment	647,489	144,904	(76,972)	715,421
Total Capital Assets Being Depreciated	<u>48,242,285</u>	<u>722,065</u>	<u>(76,972)</u>	<u>48,887,377</u>
Less Accumulated Depreciation				
Water Distribution System	(9,327,785)	(605,865)	-	(9,933,650)
Wastewater System	(3,054,264)	(556,688)	-	(3,610,952)
Building	(421,608)	(31,385)	-	(452,993)
Office Equipment	(192,010)	(7,177)	-	(199,187)
Equipment	(585,789)	(18,860)	76,972	(527,677)
Total Accumulated Depreciation	<u>(13,581,456)</u>	<u>(1,219,975)</u>	<u>76,972</u>	<u>(14,724,459)</u>
Total Capital Assets Being Depreciated Net of Accumulated Depreciation	<u>34,660,829</u>	<u>(497,910)</u>	<u>-</u>	<u>34,162,918</u>
Total Capital Assets Net of Accumulated Depreciation	<u>\$ 36,362,632</u>	<u>\$ (175,228)</u>	<u>\$ (79,825)</u>	<u>\$ 36,107,578</u>

WATER & WASTEWATER AUTHORITY
OF WILSON COUNTY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2014 AND 2013

Note F – Bonds & Notes Payable

Bonds and notes payable as of June 30, 2014 and 2013 are as follows:

Series, Rates of Interest, & Maturity Dates	2014	2013
Waterworks Revenue Improvement Bonds, Series 2000 Capital Appreciation Bonds, (zero coupon bonds) dated 10/5/00. Interest of 6.1% - 6.4%, principal and accreted interest due serially starting in 2018 through 2025.	4,676,430	4,396,198
Waterworks Revenue Bonds, Series 2002, numbered R-1 (Rural Development), dated 12/29/04, interest not greater than 4.5%, due in monthly installments through 2043	220,126	223,904
Local Government Public Improvement Bonds Series IV-E-1, dated 10/24/06. Interest at 4% - 5%.	4,833,628	5,146,893
Water and Wastewater Revenue Refunding and Improvement Bonds, Series 2013, dated 1/30/13, interest not greater than 3.5%, due in monthly installments through 2033.	8,286,564	8,852,701
Total Bonds & Notes Payable	\$ 18,016,748	\$ 18,619,696
Less Current Portion	(963,951)	(913,778)
Long-Term Debt	\$ 17,052,797	\$ 17,705,918

WATER & WASTEWATER AUTHORITY
OF WILSON COUNTY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2014 AND 2013

Note F – Bonds & Notes Payable (Continued)

Changes to the Authority's long-term debt are as follows:

	2014	2013
Total Long-Term Debt At Beginning of Year	\$ 18,325,103	\$ 12,538,861
Notes Payable Proceeds	-	119,011
Accreted Interest On Capital Appreciation Bonds	280,231	263,436
Notes Payable Principal Paid	-	(1,867,593)
Bond Retirements Paid	(913,778)	(1,373,612)
Bond Proceeds	-	8,645,000
	<hr/>	<hr/>
Total Long-Term Debt At End of Year	17,691,556	18,325,103
Refunding Revenue Bond Unamortized Discount	-	(3,867)
Unamortized Deferred Loss on Refundings	325,192	298,460
	<hr/>	<hr/>
Total Long-Term Debt At End of Year Net of Unamortized Discount & Deferred Loss	18,016,748	18,619,696
Less Current Portion	(963,951)	(913,778)
	<hr/>	<hr/>
Non-Current Portion	<u>\$ 17,052,797</u>	<u>\$ 17,705,918</u>

Annual debt service requirements for bonds outstanding to maturity are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$ 963,951	\$ 476,637	\$ 1,440,589
2016	1,009,133	429,656	1,438,789
2017	1,064,323	380,266	1,444,589
2018	1,089,521	352,467	1,441,989
2019	1,104,729	345,560	1,450,289
2020-2024	5,607,109	1,607,771	7,214,880
2025-2029	5,013,935	1,148,682	6,162,618
2030-2034	4,072,480	380,000	4,452,480
2035-2039	53,176	15,704	68,880
2040-2043	41,770	3,300	45,069
	<hr/>	<hr/>	<hr/>
	20,020,126	\$ 5,140,043	\$ 25,160,169
Less: Accumulated Accreted Interest	(2,328,570)		
	<u>\$ 17,691,556</u>		

WATER & WASTEWATER AUTHORITY
OF WILSON COUNTY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2014 AND 2013

Note F – Bonds & Notes Payable (Continued)

The Authority pays its bond liability by semi-annual installments for all issues except for the Series 2002 liability that is paid monthly. The bonds are secured by the revenue of the Authority. In addition, the Authority has complied with the bond resolution requirements adopted by the Board.

Deferred Loss – The refunding of debt in 1993 and 2006 resulted in a deferred loss of \$949,152 and \$164,035, respectively, to be amortized over the remaining life of the old debt in accordance with GASB 23.

Note G – Pension Plan

The Authority's employees participate in the Tennessee Consolidated Retirement System under the Wilson County membership. All information related to the plan is reported in the general fund of the County. The county has been funding all employee contributions prior to the fiscal year ended June 30, 1993.

Total contributions to the plan by the Authority for the years ended June 30, 2014 and 2013, amounted to \$70,791 and \$67,493.

Note H – Related Party Transactions

The Authority's attorney is on the payroll of the Water & Wastewater Authority of Wilson County. The law firm he represents does legal work for the Authority including closings on new water and sewer taps installed and receives a fee (usually 50% of the tap fee) for their work. Total fees paid to the law firm totaled \$21,975 and \$68,075 for the fiscal years ended June 30, 2014 and 2013, respectively.

Note I – Designated Net Position

The Board of Commissioners of the Water & Wastewater Authority of Wilson County has designated some cash accounts and certificates of deposit for operation of the sewer system should its master provider agreement described in Note C for sewer services be cancelled. In addition, certain amounts have been designated for facility improvements and sewer construction. The accounts that have been designated for these purposes are presented separately in the statement of net position with the suffix – Unrestricted/Designated.

WATER & WASTEWATER AUTHORITY
OF WILSON COUNTY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2014 AND 2013

Note J – Net Investment In Capital Assets

Net investment in capital assets at June 30, 2014 and 2013 consists of the following:

	2014	2013
Utility Plant & Equipment, net of Accumulated Depreciation	\$ 37,432,462	\$ 36,107,577
Restricted Investments - Unspent Debt Proceeds	119,025	315,165
Restricted Cash - Unspent Debt Proceeds	5,574,718	6,340,667
Current Portion of Long-Term Debt	(963,951)	(913,778)
Long-Term Debt, net of Unamortized Discount and Loss	(17,052,796)	(17,705,918)
	\$ 25,109,458	\$ 24,143,713

Restricted Investments – Unspent Debt Proceeds is included in “Restricted Investments in Interest Bearing Deposits” on the Statements of Net Position.

Note K – Restatement of Net Position

For the fiscal year ended June 30, 2014, the Authority was required to implement GASB 65 “Items Previously Reported as Assets and Liabilities”. As a result of the implementation, deferred bond issue costs, which were previously amortized over the life of the bond issue are now required to be expensed when incurred. The statement also requires restatement of the June 30, 2013 net position. As a result of the restatement, net position decreased by \$352,750 as follows:

Net Position, June 30, 2013, as previously reported	\$ 31,360,273
Deferral of bond issue costs	(352,750)
Net Position, July 1, 2013, as restated	\$ 31,007,523

SUPPLEMENTARY INFORMATION

WATER & WASTEWATER AUTHORITY OF WILSON COUNTY
 FIVE YEAR SUMMARY OF REVENUE & EXPENSES
 (UNAUDITED)

	2010	2011	2012	2013	2014
Operating Revenues					
Water Sales	\$ 3,244,719	\$ 3,233,271	\$ 3,573,329	\$ 3,623,416	\$ 3,731,850
Wastewater Income	946,279	942,636	1,187,747	1,187,103	1,363,680
Other Charges	179,885	179,528	188,621	205,160	193,532
Total Operating Revenues	<u>4,370,883</u>	<u>4,355,435</u>	<u>4,949,697</u>	<u>5,015,679</u>	<u>5,289,062</u>
Operating Expenses					
Operations, Administration, & General	2,778,749	2,788,125	2,976,443	3,078,904	3,301,219
Depreciation	1,130,250	1,171,177	1,200,041	1,219,975	1,286,591
Total Operating Expenses	<u>3,908,999</u>	<u>3,959,302</u>	<u>4,176,484</u>	<u>4,298,879</u>	<u>4,587,810</u>
Non-Operating Revenues (Expenses)					
Interest Income	84,062	61,342	48,059	45,460	48,747
Gain (Loss) On Sale Of Assets	-	-	-	4,469	-
Reimbursement Revenue, net of expenses	-	17,807	14,800	-	(508,176)
Grant Income	-	30,884	10,295	-	5,653
Interest & Amortization Expense	(602,455)	(581,140)	(558,974)	(614,109)	(453,776)
Flood Damages	(46,721)	-	-	-	-
Total Non-Operating Expenses	<u>(565,114)</u>	<u>(471,107)</u>	<u>(485,820)</u>	<u>(564,180)</u>	<u>(907,552)</u>
Income (Loss) Before Contributions	(103,230)	(74,974)	287,393	152,620	(206,300)
Capital Contributions					
Capital Reimbursement	-	-	-	-	-
Tap Fees & Fire Hydrant	115,000	41,500	59,500	125,500	78,000
Developer Contributions of Transmission Lines	1,476,700	685,700	713,350	453,200	1,136,405
Total Capital Contributions	<u>1,591,700</u>	<u>727,200</u>	<u>772,850</u>	<u>578,700</u>	<u>1,214,405</u>
Increase In Net Assets	<u>\$ 1,488,470</u>	<u>\$ 652,226</u>	<u>\$ 1,060,243</u>	<u>\$ 731,320</u>	<u>\$ 1,008,105</u>

WATER & WASTEWATER AUTHORITY OF WILSON COUNTY
 SCHEDULE OF DEBT SERVICE TO MATURITY
 (UNAUDITED)
 JUNE 30, 2014

Fiscal Year Ended June 30,	2013		2000 Series Capital Appreciation Bonds		2002 Series Revenue Bonds		2006 Series "Refunding" Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 40,000.00	\$ 254,700.00			\$ 3,951.16	\$ 9,824.84	\$ 785,000.00	\$ 123,200.00
2016	35,000.00	253,900.00			4,132.67	9,643.33	825,000.00	83,950.00
2017	50,000.00	253,200.00	345,000.00		4,322.52	9,453.48	515,000.00	42,700.00
2018	25,000.00	252,200.00	905,000.00		4,521.09	9,254.91		22,100.00
2019	40,000.00	251,700.00	900,000.00		4,728.80	9,047.20		22,100.00
2020	35,000.00	250,900.00	900,000.00		4,946.05	8,829.95		22,100.00
2021	30,000.00	250,200.00	900,000.00		5,173.26	8,602.74		22,100.00
2022	35,000.00	249,450.00	900,000.00		5,410.92	8,365.08		22,100.00
2023	35,000.00	248,575.00	895,000.00		5,659.49	8,116.51		22,100.00
2024	35,000.00	247,700.00	900,000.00		5,919.50	7,856.50		22,100.00
2025	60,000.00	246,650.00	360,000.00		6,191.41	7,584.59	520,000.00	22,100.00
2026	905,000.00	244,850.00			6,475.87	7,300.13		
2027	880,000.00	217,700.00			6,773.36	7,002.64		
2028	905,000.00	191,300.00			7,084.53	6,691.47		
2029	930,000.00	164,150.00			7,409.98	6,366.02		
2030	960,000.00	136,250.00			7,750.41	6,025.59		
2031	990,000.00	107,450.00			8,106.46	5,669.54		
2032	1,020,000.00	72,800.00			8,478.87	5,297.13		
2033	1,060,000.00	37,100.00			8,868.37	4,907.63		
2034					9,275.79	4,500.21		
2035					9,701.92	4,074.08		
2036					10,147.63	3,628.37		
2037					10,613.81	3,162.19		
2038					11,101.40	2,674.60		
2039					11,611.39	2,164.61		
2040					12,144.81	1,631.19		
2041					12,702.77	1,073.23		
2042					13,286.31	489.69		
2043					3,635.64	5.55		
	<u>\$ 8,070,000.00</u>	<u>\$ 3,930,775.00</u>	<u>\$ 7,005,000.00</u>	<u>\$ -</u>	<u>\$ 220,126.19</u>	<u>\$ 169,243.00</u>	<u>\$ 2,645,000.00</u>	<u>\$ 426,650.00</u>

WATER & WASTEWATER AUTHORITY OF WILSON COUNTY
SCHEDULE OF DEBT SERVICE TO MATURITY
(UNAUDITED)
JUNE 30, 2014

Fiscal Year Ended June 30,	2006 Series "Construction"			
	Revenue Bonds		Total	
	Principal	Interest	Principal	Interest
2015	\$ 135,000.00	\$ 88,912.50	\$ 963,951.16	\$ 476,637.34
2016	145,000.00	82,162.50	1,009,132.67	429,655.83
2017	150,000.00	74,912.50	1,064,322.52	380,265.98
2018	155,000.00	68,912.50	1,089,521.09	352,467.41
2019	160,000.00	62,712.50	1,104,728.80	345,559.70
2020	170,000.00	56,312.50	1,109,946.05	338,142.45
2021	175,000.00	49,512.50	1,110,173.26	330,415.24
2022	180,000.00	42,075.00	1,120,410.92	321,990.08
2023	190,000.00	34,425.00	1,125,659.49	313,216.51
2024	200,000.00	26,350.00	1,140,919.50	304,006.50
2025	205,000.00	17,850.00	1,151,191.41	294,184.59
2026	215,000.00	9,137.50	1,126,475.87	261,287.63
2027			886,773.36	224,702.64
2028			912,084.53	197,991.47
2029			937,409.98	170,516.02
2030			967,750.41	142,275.59
2031			998,106.46	113,119.54
2032			1,028,478.87	78,097.13
2033			1,068,868.37	42,007.63
2034			9,275.79	4,500.21
2035			9,701.92	4,074.08
2036			10,147.63	3,628.37
2037			10,613.81	3,162.19
2038			11,101.40	2,674.60
2039			11,611.39	2,164.61
2040			12,144.81	1,631.19
2041			12,702.77	1,073.23
2042			13,286.31	489.69
2043			3,635.64	5.55
	<u>\$ 2,080,000.00</u>	<u>\$ 613,275.00</u>	<u>\$ 20,020,126.19</u>	<u>\$ 5,139,943.00</u>

WATER & WASTEWATER AUTHORITY OF WILSON COUNTY
 SCHEDULE OF INSURANCE COVERAGE
 (UNAUDITED)
 JUNE 30, 2014

Name of Company	Period Of Coverage	Coverage	Liability
St. Paul Travelers	1/31/14 - 1/31/15	General Liability	\$3,000,000/\$2,000,000/ \$1,000,000/\$500,000
St. Paul Travelers	1/31/14 - 1/31/15	Automobile Liability & Damage	\$1,000,000/\$1,000,000
St. Paul Travelers	1/31/14 - 1/31/15	Property	\$4,175,023
St. Paul Travelers	1/31/14 - 1/31/15	Employment Practices Liability	\$2,000,000/\$2,000,000
St. Paul Travelers	1/31/14 - 1/31/15	Worker's Compensation	\$500,000/\$500,000/\$500,000
St. Paul Travelers	1/31/14 - 1/31/15	Employee Benefits	\$2,000,000/\$2,000,000
St. Paul Travelers	1/31/14 - 1/31/15	Crime	\$100,000
St. Paul Travelers	1/31/14 - 1/31/15	Umbrella	\$1,000,000
St. Paul Travelers	1/31/14 - 1/31/15	Earthquake	\$2,000,000
St. Paul Travelers	7/19/14-7/19/15	Highway Replacement Bond	\$100,000
St. Paul Travelers	4/8/14 - 4/8/15	Fidelity Bond/Chairman	\$50,000
St. Paul Travelers	1/3/14 - 1/3/15	Fidelity Bond/Executive Director	\$50,000
St. Paul Travelers	2/4/14 - 2/4/15	Fidelity Bond/Treasurer	\$50,000
St. Paul Travelers	9/9/13 - 9/9/14	Fidelity Bond/Customer Service Rep	\$50,000
St. Paul Travelers	10/13/13-10/13/14	Fidelity Bond/Customer Service Rep	\$50,000
St. Paul Travelers	11/19/13 - 11/19/14	Fidelity Bond/Customer Service Rep	\$50,000
RLI	3/7/12 - 3/7/16	Notary Bond/Treasurer	\$10,000
RLI	6/16/11 - 6/16/15	Notary Bond/Executive Director	\$10,000
RLI	11/20/12 - 11/20/16	Notary Bond/Project Manager	\$10,000

WATER & WASTEWATER AUTHORITY OF WILSON COUNTY
 SCHEDULE OF GENERAL INFORMATION
 (UNAUDITED)
 JUNE 30, 2014

<u>Water Rate Schedule</u>	<u>Rate</u>
First 2,000 gallons	\$29.96 per month minimum
Next 3,000 gallons	\$10.59 per 1,000 gallons
Next 5,000 gallons	\$9.22 per 1,000 gallons
Over 10,000 gallons	\$8.29 per 1,000 gallons

<u>Year Ended June 30,</u>	<u>Number of Customers</u>
2014	7,983
2013	7,759
2012	7,560
2011	7,442
2010	7,352
2009	7,320
2008	7,156
2007	6,642
2006	6,409
2005	5,907
2004	5,504
2003	5,241
2002	4,971
2001	4,743
2000	4,583

<u>Customers</u>	<u>Estimated Gallons/Year</u>
Wilson County School System	9,691,256
JRK/Spring Hill Townhomes	5,039,300
Peyton Park Apts L.P.	4,991,200
Bellwood Assisted Living LLC	1,332,400
Peyton Manor Inc.	607,400
Curtis & Sharon Morgan	488,300
Randy Archer	369,800
Roy Major	363,000
Michael D. Watkins	361,400
Jim Adams	346,200

AWWA Free Water Audit Software:
Reporting Worksheet

WAS v5.0
American Water Works Association
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- ?
- +

Water Audit Report for: Water & Wastewater Authority of Wilson County (0000790)
Reporting Year: 2014 7/2013 - 6/2014

Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (n/a or 1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades

All volumes to be entered as: MILLION GALLONS (US) PER YEAR

To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds all criteria for that grade and all grades below it.

Master Meter and Supply Error Adjustments

WATER SUPPLIED

----- Enter grading in column 'E' and 'J' ----->

Volume from own sources:	+ ?	n/a	<input type="text" value="0.000"/>	MG/yr	+ ?	n/a	<input type="text" value="0.00%"/>	<input type="text" value="0.00"/>	MG/yr
Water imported:	+ ?	8	<input type="text" value="374.213"/>	MG/yr	+ ?	3	<input type="text" value="0.00%"/>	<input type="text" value="-16.070"/>	MG/yr
Water exported:	+ ?	n/a	<input type="text" value="0.000"/>	MG/yr	+ ?		<input type="text" value="0.00%"/>	<input type="text" value="0.00"/>	MG/yr

Enter negative % or value for over-registration
Enter positive % or value for under-registration

WATER SUPPLIED: MG/yr

AUTHORIZED CONSUMPTION

Billed metered:	+ ?	9	<input type="text" value="310.002"/>	MG/yr	Click here: ? for help using option buttons below Use buttons to select percentage of water supplied OR value
Billed unmetered:	+ ?	n/a	<input type="text" value="0.000"/>	MG/yr	
Unbilled metered:	+ ?	n/a	<input type="text" value="0.000"/>	MG/yr	
Unbilled unmetered:	+ ?	9	<input type="text" value="1.440"/>	MG/yr	

AUTHORIZED CONSUMPTION: MG/yr

WATER LOSSES (Water Supplied - Authorized Consumption)

Apparent Losses

Unauthorized consumption:	+ ?	7	<input type="text" value="0.976"/>	MG/yr	Pent: <input type="text" value="1.25%"/> Value: <input type="text" value="1.440"/> MG/yr
Default option selected for unauthorized consumption - a grading of 6 is applied but not displayed					
Customer metering inaccuracies:	+ ?	7	<input type="text" value="5.595"/>	MG/yr	Pent: <input type="text" value="0.25%"/> Value: <input type="text" value="1.000"/> MG/yr
Systematic data handling errors:	+ ?	7	<input type="text" value="0.035"/>	MG/yr	Pent: <input type="text" value="1.77%"/> Value: <input type="text" value="5.595"/> MG/yr Pent: <input type="text" value="0.25%"/> Value: <input type="text" value="0.035"/> MG/yr

Apparent Losses: MG/yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: MG/yr

WATER LOSSES: MG/yr

NON-REVENUE WATER

NON-REVENUE WATER: MG/yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains:	+ ?	10	<input type="text" value="329.7"/>	miles
Number of active AND inactive service connections:	+ ?	10	<input type="text" value="7,130"/>	
Service connection density:	?		<input type="text" value="22"/>	conn./mile main

Are customer meters typically located at the curbside or property line? (length of service line, beyond the property boundary, that is the responsibility of the utility)

Average length of customer service line: ft
Average length of customer service line has been set to zero and a data grading score of 10 has been applied

Average operating pressure: psi

COST DATA

Total annual cost of operating water system:	+ ?	10	<input type="text" value="\$4,161,960"/>	\$/Year
Customer retail unit cost (applied to Apparent Losses):	+ ?	9	<input type="text" value="\$7.60"/>	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	+ ?	10	<input type="text" value="\$2,520.73"/>	\$/Million gallons <input type="checkbox"/> Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

*** YOUR SCORE IS: 82 out of 100 ***

A weighted score for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score

PRIORITY AREAS FOR ATTENTION:

Based on the information provided, audit accuracy can be improved by addressing the following components:

- 1: Water Imported
- 2: Unauthorized consumption
- 3: Customer metering inaccuracies



AWWA Free Water Audit Software: System Attributes and Performance Indicators

WAS v5.0
American Water Works Association.
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Water Audit Report for:
 Reporting Year:

*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 82 out of 100 ***

System Attributes:

Apparent Losses:	6.606	MG/Yr
+	Real Losses:	72.236
=	Water Losses:	78.841

? Unavoidable Annual Real Losses (UARL): MG/Yr

Annual cost of Apparent Losses:

Annual cost of Real Losses: Valued at Variable Production Cost
 Return to Reporting Worksheet to change this assumption

Performance Indicators:

Financial: { Non-revenue water as percent by volume of Water Supplied:
 Non-revenue water as percent by cost of operating system: Real Losses valued at Variable Production Cost

Operational Efficiency: { Apparent Losses per service connection per day: gallons/connection/day
 Real Losses per service connection per day: gallons/connection/day
 Real Losses per length of main per day*: gallons/mile/day
 Real Losses per service connection per day per psi pressure: gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL): million gallons/year

? Infrastructure Leakage Index (ILI) [CARL/UARL]:

* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline

WATER & WASTEWATER AUTHORITY OF WILSON COUNTY
 SCHEDULE OF CHANGES IN BOND FUNDS
 (UNAUDITED)
 FOR THE YEAR ENDED JUNE 30, 2014

	<u>Bond & Interest Sinking Fund</u>	<u>Debt Service Reserve Fund</u>
Balance, June 30, 2013	\$ 1,454,776	\$ 1,451,000
Deposits & Transfers	44,032	-
Disbursements & Transfers	<u>(3,150)</u>	<u>-</u>
Balance, June 30, 2014	<u>\$ 1,495,658</u>	<u>\$ 1,451,000</u>

WATER & WASTEWATER AUTHORITY OF WILSON COUNTY
SCHEDULE OF DEBT SERVICE COVERAGE
(UNAUDITED)
JUNE 30, 2014

Net Earnings From Operations	\$ 701,252
Add:	
Depreciation	1,286,591
Interest Income	48,744
Cash Contributions - Tap & Fire Hydrant Revenue	78,000
Cash Contributions - Utility Plant	<u>12,000</u>
Amount Available For Debt Service	<u>\$ 2,126,587</u>
Annual Debt Service	<u>\$ 1,440,589</u>
Coverage	1.48

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

To the Board of Commissioners
Water & Wastewater Authority of Wilson County
Lebanon, TN

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Water & Wastewater Authority of Wilson County, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Water & Wastewater Authority of Wilson County's basic financial statements and have issued our report thereon dated December 22, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Water & Wastewater Authority of Wilson County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Water & Wastewater Authority of Wilson County's internal control. Accordingly, we do not express an opinion on the effectiveness of the Water & Wastewater Authority of Wilson County'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Water & Wastewater Authority of Wilson County's financial statements are free of 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 amounts. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Water & Wastewater Authority of Wilson County's Response to Findings

The Water & Wastewater Authority of Wilson County's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Water & Wastewater Authority of Wilson County's response was not subjected to the auditing procedures applied in the audit of the financial statement and accordingly, we express no opinion on it.

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.

Dempsey Vantrase & Foltis PLLC

Lebanon, Tennessee

December 22, 2014

WATER & WASTEWATER AUTHORITY OF WILSON COUNTY
SCHEDULE OF FINDINGS & RESPONSES
JUNE 30, 2014

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of Water & Wastewater Authority of Wilson County.
2. One significant deficiency disclosed during the audit of the financial statements is reported in the Report on Internal Control Over Financial Reporting & on Compliance & Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.

B. SIGNIFICANT DEFICIENCIES

R-1. Segregation of Duties

Condition: Due to the limited number of financial personnel employed by the Authority, the same individuals regularly perform several functions, which, ideally, should be performed by different individuals. Such functions include preparation of bank reconciliations, issuing checks, signing checks, handling cash receipts, processing customer billings and accounts receivable, and recording of transactions.

Criteria: Proper segregation of duties requires that no one employee be responsible for an entire transaction cycle from beginning to end.

Effect: Inadequate separation of duties allows the possibility of the occurrence of unauthorized cash transactions, which may not be properly detected by Management.

Recommendation: To the extent possible, Management should separate the duties of preparing bank reconciliations, issuing checks, signing checks, handling cash receipts, processing customer billings and accounts receivable, and recording transactions to the accounting system.

Response: Management believes the cost of maintaining this control would exceed its benefits.