

**MAURY COUNTY BOARD OF PUBLIC UTILITIES  
WATER SYSTEM  
(A DISCRETE COMPONENT UNIT OF  
MAURY COUNTY, TENNESSEE)**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORTS**

**JUNE 30, 2015**

**MAURY COUNTY BOARD OF PUBLIC UTILITIES WATER SYSTEM  
(A DISCRETE COMPONENT UNIT OF MAURY COUNTY, TENNESSEE)**

**TABLE OF CONTENTS**

	<u>Page</u>
Maury County Board of Public Utilities Water System Schedule of Officials (Unaudited)	3
Independent Auditor's Report	4-5
Management's Discussion and Analysis	6-9
Financial Statements:	
Statement of Net Position	10-11
Statement of Revenues, Expenses and Changes in Net Position	12-13
Statement of Cash Flows	14
Notes to Financial Statements	15-21
Required Supplemental Information	
Schedule of Changes in Net Pension Asset and Related Ratios	22
Schedule of Contributions	23
Other Supplemental Information	
Schedule of Additions and Retirements to Utility Plant	24
Schedule of Water Rates in Force (Unaudited)	25
Schedule of Insurance Coverage (Unaudited)	25
Schedule of Investments	26
AWWA WLCC Free Water Audit Software Reporting Worksheet (Unaudited)	27
AWWA WLCC Free Water Audit Software System Attributes and Performance Indicators (Unaudited)	28
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	29-30
Schedule of Findings and Responses	31-33
Schedule of Prior Audit Findings	34

**MAURY COUNTY BOARD OF PUBLIC UTILITIES WATER SYSTEM  
(A DISCRETE COMPONENT UNIT OF MAURY COUNTY, TENNESSEE)**

**SCHEDULE OF OFFICIALS**

**JUNE 30, 2015**

**Officials**

Larry Chunn, Superintendent

**Board Members**

Calvin Cheek

Jerry Attkisson

Glen Stewart

Jimmy Jones

William Pilkinton



**BELLENFANT**

CERTIFIED PUBLIC ACCOUNTING FIRM

Professional Accounting & Consulting Services

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Maury County Board of Public Utilities Water System  
(A Discrete Component Unit of Maury County, Tennessee)  
Columbia, Tennessee

### Report on Financial Statements

I have audited the accompanying financial statements of Maury County Board of Public Utilities, (a discrete component unit of Maury County, Tennessee), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Maury County Board of Public Utilities' 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 the financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

My responsibility is to express opinions 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 auditors' 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, 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 financial statements.

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

## Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Maury County Board of Public Utilities Water System, as of June 30, 2015, and the respective changes in financial position, and cash flows, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 9 and the schedule of changes in net pension asset and related ratios on page 22 and the schedule of contributions on page 23 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. 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Maury County Board of Public Utilities Water System's basic financial statements. The accompanying information listed as Supplemental Schedules in the Table of Contents is presented for purposes of additional analysis and is not a required part of the financial statements.

The Schedule of Officials, Schedule of Additions and Retirements to Utility Plant, Schedule of Water Rates in Force, Schedule of Insurance Coverage, AWWA WLCC Free Water Audit Software Reporting Worksheet, and AWWA WLCC Free Audit Software System Attributes and Performance Indicators have 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 them.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued our report dated August 31, 2015 on my consideration of Maury County Board of Public Utilities Water System'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* and is considering Maury County Board of Public Utilities Water System's internal control over financial reporting and compliance.

*Bellenfant, PLLC*

August 31, 2015

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Maury County Board of Public Utilities Water System (a discrete component unit of Maury County, Tennessee of Columbia, Tennessee ("the System"), we offer readers of the System's financial statements this narrative overview and analysis of the financial activities of the System for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with the financial statements.

### Financial Highlights

Operating revenues were \$4,114,217, an increase from the year ended June 30, 2014 in the amount of \$345,964.

Operating income for the year was \$772,365, representing an increase of \$478,655 from the year ended June 30, 2014.

The operating ratios (operating revenues divided by operating expenses, less depreciation and amortization) were 1.57 for 2015, and 1.37 for 2014.

### Overview of the Financial Statements

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the basic audited financial statements and supplementary information. The MD&A represents management's examination and analysis of the System's financial condition and performance. Summary financial statement data, bond resolutions and other management tools were used for this analysis

The financial statements report information about the System using full accrual accounting methods as utilized by similar business activities in the private sector. The financial statements include a Statement of Net Position; a Statement of Revenues, Expenses and Changes in Net Position; a Statement of Cash Flows; and Notes to Financial Statements.

The Statement of Net Position presents the financial position of the System on a full accrual historical cost basis. The Statement of Net Position presents information on all of the System's assets and liabilities, with the difference reported as net position. Over time, increases and decreases in net position are one indicator of whether the financial position of the System is improving or deteriorating.

While the Statement of Net Position provides information about the nature and amount of resources and obligations at year-end, the Statement of Revenues, Expenses and Changes in Net Position presents the results of the business activities over the course of the fiscal year and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement also provides certain information about the System's recovery of its costs.

The *Statement of Cash Flows* presents changes in cash and cash equivalents, resulting from operational, financing, and investing activities. This statement presents cash receipt and cash disbursement information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

The *Notes to Financial Statements* provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the System's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any. *Supplementary Information* is also provided after the *Notes to Financial Statements*.

The financial statements were prepared from the detailed books and records of the System. The financial statements were audited and adjusted, if material, during the independent external audit process.

## FINANCIAL ANALYSIS

### Condensed Financial Statements

#### Condensed Statement of Net Position

	June 30		
	2015	2014	Variance
Capital assets:			
Production assets - net	\$ 24,481,297	\$ 24,957,016	\$ (475,719)
Land	437,552	502,909	(65,357)
Current assets - restricted assets and other assets	7,772,031	6,579,087	1,192,944
Total assets	<u>\$ 32,690,880</u>	<u>\$ 32,039,012</u>	<u>\$ 651,868</u>
Current liabilities	\$ 566,700	\$ 464,827	\$ 101,873
Other liabilities	34,010	34,260	(250)
Non-current liabilities	6,304,463	6,567,902	(263,439)
Total liabilities	<u>6,905,173</u>	<u>7,066,989</u>	<u>(161,816)</u>
Net position:			
Net investment in capital assets	18,350,715	18,585,472	(234,757)
Restricted for bond repayment	1,650,000	1,650,000	-
Unrestricted	5,784,992	4,736,551	1,048,441
Total net position	<u>25,785,707</u>	<u>24,972,023</u>	<u>813,684</u>
Total liabilities and net position	<u>\$ 32,690,880</u>	<u>\$ 32,039,012</u>	<u>\$ 651,868</u>

Total assets for the year ended June 30, 2015 were \$32,690,880. Total liabilities were \$6,905,173 and total net position was \$25,785,707. Total assets increased \$651,868 and total net position increased by \$813,684 in 2015.

**Condensed Statement of Revenues, Expenses and Changes in Net Position**

	For the Year Ended June:		
	2015	2014	Variance
Revenues:			
Water sales revenues	\$ 3,740,262	\$ 3,476,292	\$ 263,970
Other revenues	373,955	291,961	81,994
Total operating revenues	<u>\$ 4,114,217</u>	<u>\$ 3,768,253</u>	<u>\$ 345,964</u>
Expenses:			
Water purchases	1,282,522	1,291,451	(8,929)
Administrative	1,323,283	1,449,432	(126,149)
Depreciation	736,047	733,660	2,387
Total operating expenses	<u>3,341,852</u>	<u>3,474,543</u>	<u>(132,691)</u>
Operating income	772,365	293,710	478,655
Non-operating revenue (expenses), net	<u>(166,422)</u>	<u>(183,272)</u>	<u>16,850</u>
Net Income before Contributions	605,943	110,438	495,505
Contributions in Aid of Construction	<u>193,755</u>	<u>257,634</u>	<u>(63,879)</u>
Change in net position	<u>\$ 799,698</u>	<u>\$ 368,072</u>	<u>\$ 431,626</u>

**Financial Condition**

The System's financial condition remained strong at year-end with adequate liquid assets, reliable plants and systems to meet demand and a reasonable level of unrestricted net position. The current financial condition, technical support staff capabilities, and operating and expansion plans to meet anticipated customer needs are well balanced and under control.

Total assets increased \$651,868. This increase was primarily related to acquisition of capital assets.

The net position of the System increased by \$813,684. Unrestricted net position increased \$1,048,441.

**Results of Operations**

**Operating Revenues:**

Revenues from operations fall into one general category: water sales and tap fees. The total operating revenues increased \$345,964.

**Expenses:**

Total operating expenses of the System decreased \$132,691.

## **Capital Asset and Debt Administration**

### **Capital Assets:**

The System's investment in capital assets as of June 30, 2015 amounted to \$24,918,849 (net of accumulated depreciation). This investment in capital assets includes land, building, water grid and improvements and equipment. The total capital assets decreased \$541,076. Additional information on capital assets can be found in Note 6 on page 18 of this report.

### **Long-term Debt:**

As of June 30, 2015, the System had long-term debt outstanding of \$6,253,367. Current maturities of that debt amounted to \$314,767. Principal paid on long-term debt during the year amounted to \$306,319. Additional information on long-term debt can be found in Note 9 on pages 19 and 20 of this report.

**MAURY COUNTY BOARD OF PUBLIC UTILITIES WATER SYSTEM  
(A DISCRETE COMPONENT UNIT OF MAURY COUNTY, TENNESSEE)**

**STATEMENT OF NET POSITION**

**JUNE 30, 2015**

**ASSETS**

Current Assets:	
Cash	\$ 4,272,481
Investments	3,016,132
Accounts Receivable	240,454
Prepaid Insurance	56,077
Inventory	71,742
Interest Receivable	<u>9,388</u>
Total Current Assets	<u>7,666,274</u>
Utility Plant, Property, and Equipment	
Land	437,552
Building	1,988,736
Construction in Progress	23,170
Water Grid and Improvements	29,993,920
Equipment	<u>1,058,226</u>
Total Utility Plant, Property, and Equipment	33,501,604
Less: Accumulated Depreciation	<u>(8,582,755)</u>
Utility Plant, Property, and Equipment, net	<u>24,918,849</u>
Restricted Investments	
Customer deposits	<u>34,010</u>
Net Pension Asset	<u>64,956</u>
Deferred outflows of resources - pension	<u>6,791</u>
TOTAL ASSETS	<u><u>\$ 32,690,880</u></u>

The accompanying notes and independent auditor's report are an integral part of this financial statement.

**MAURY COUNTY BOARD OF PUBLIC UTILITIES WATER SYSTEM  
(A DISCRETE COMPONENT UNIT OF MAURY COUNTY, TENNESSEE)**

**STATEMENT OF NET POSITION**

**JUNE 30, 2015**

**LIABILITIES AND NET POSITION**

Current Liabilities:	
Accounts Payable	\$ 218,274
Accrued Leave	19,001
Accrued Salaries	14,658
Current Portion, Long-Term Debt	<u>314,767</u>
Total Current Liabilities	<u>566,700</u>
Other Liabilities:	
Customer Deposits	<u>\$ 34,010</u>
Long-Term Debt:	
State Revolving Loan 2005-065	2,748,265
State Revolving Loan 2007-072	1,173,324
Rural Development Loan	2,646,545
Current Portion, Long-Term Debt	<u>(314,767)</u>
Total Long-Term Debt	<u>6,253,367</u>
Deferred inflows of resources - pension	<u>51,096</u>
Total Liabilities	<u>6,905,173</u>
Net Position	
Net Invested in Capital Assets	18,350,715
Restricted for Bond Repayment	1,650,000
Unrestricted	<u>5,784,992</u>
Total Net Position	<u>25,785,707</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$32,690,880</u></u>

The accompanying notes and independent auditor's report are an integral part of this financial statement.

**MAURY COUNTY BOARD OF PUBLIC UTILITIES WATER SYSTEM  
(A DISCRETE COMPONENT UNIT OF MAURY COUNTY, TENNESSEE)**

**STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION**

**FOR THE YEAR ENDED JUNE 30, 2015**

**OPERATING REVENUES:**

Water Sales	\$ 3,740,262
New Tap Sales	220,000
Penalties	61,858
Other Fees and Revenues	<u>92,097</u>
 Total Operating Revenues	 <u>4,114,217</u>

**OPERATING EXPENSES:**

Water Purchases	\$ 1,282,522
Operation Salaries	409,707
Office Salaries	150,651
Advertising	921
Bad Debts	4,781
Continuing Education	2,207
Contract Services	18,448
Depreciation	736,047
Dues and Fees	18,883
Employee Insurance and Benefits	115,157
Engineering Fees	40,578
Insurance	53,988
IT Expenses	54,749
Legal and Professional Fees	54,069
Miscellaneous	5,131
Office Expense	20,031
Repairs and Maintenance	92,703
Supplies	34,879
Tap Installation	37,051
Taxes	42,187
Telephone and Office Utilities	34,521
Travel	755
Truck Expenses	52,313
Utilities - Pump Stations	64,618
Uniforms	3,877
Water Sampling	<u>11,078</u>

TOTAL OPERATING EXPENSES 3,341,852

NET OPERATING INCOME 772,365

The accompanying notes and independent auditor's report are an integral part of this financial statement.

**MAURY COUNTY BOARD OF PUBLIC UTILITIES WATER SYSTEM  
(A DISCRETE COMPONENT UNIT OF MAURY COUNTY, TENNESSEE)**

**STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION**

**FOR THE YEAR ENDED JUNE 30, 2015**

**NON-OPERATING REVENUES (EXPENSES)**

Interest Income	33,200
Gain on Sale of Building	9,063
Interest Expense	<u>(208,685)</u>

TOTAL NON-OPERATING REVENUES (EXPENSE) (166,422)

NET INCOME BEFORE CONTRIBUTIONS 605,943

**CAPITAL CONTRIBUTIONS**

Contributions in aid of construction 193,755

CHANGE IN NET POSITION 799,698

Net Position - July 1, 2014 24,972,023

Change in accounting principle 13,986

Net Position June 30, 2015 \$ 25,785,707

The accompanying notes and independent auditor's report are an integral part of this financial statement.

**MAURY COUNTY BOARD OF PUBLIC UTILITIES WATER SYSTEM  
(A DISCRETE COMPONENT UNIT OF MAURY COUNTY, TENNESSEE)**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED JUNE 30, 2015**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from Customers	\$ 4,022,099
Payments to Suppliers	(1,796,560)
Payments to Employees	(675,515)
Other Operating Receipts	<u>118,469</u>
Net Cash Provided by Operating Activities	<u>1,668,493</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Contributions in Aid of Construction	193,755
Principle Payments on Long-Term Debt	(306,319)
Interest Paid on Long-Term Debt	(208,685)
Book value of assets disposed of	131,426
Purchase of Property and Equipment	<u>(326,397)</u>
Net Cash Used by Financing Activities	<u>(516,220)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest Received	33,200
Increase in Investments	<u>(15,053)</u>
Net Cash Provided by Investing Activities	<u>18,147</u>

NET INCREASE IN CASH 1,170,420

Cash, July 1, 2014 3,088,075

Change in accounting principle 13,986

Cash, June 30, 2015 \$ 4,272,481

**Reconciliation of Operating Income to Net Cash Provided by Operating Activities:**

Operating Income	\$ 772,365
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	736,047
Deferrals - pensions	(20,651)
Gain on sale of building	9,063
Changes in Assets and Liabilities	
(Increase) Decrease in Accounts Receivable	(21)
(Increase) Decrease in Inventory	40,073
(Increase) Decrease in Prepaid Insurance	36,803
(Increase) Decrease in Interest Receivable	1,157
Increase (Decrease) in Accounts Payable and Accrued Expenses	<u>93,657</u>
Net Cash Provided by Operating Activities	<u>\$ 1,668,493</u>

The accompanying notes and independent auditor's report are an integral part of this financial statement.

**MAURY COUNTY BOARD OF PUBLIC UTILITIES WATER SYSTEM  
(A DISCRETE COMPONENT UNIT OF MAURY COUNTY, TENNESSEE)**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

The Maury County Board of Public Utilities Water System (the "System") is a discrete component unit of Maury County, Tennessee. This System is governed by a board of directors appointed by the Maury County Mayor and ratified by the commissioners of Maury County. In addition, the Maury County commissioners approve the annual budget of the System. The System is operated as an enterprise fund with self-balancing accounting records. The System does not receive any operating revenues from Maury County.

**Basis of Accounting**

The System's financial statements have been presented using the economic resources approach and the accrual basis of accounting, except that revenue from water sales is recognized when billed.

The System adopted Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting guidance contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, required for fiscal periods beginning after December 15, 2011, in 2012. This statement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance, included in certain FASB and AICPA pronouncements issued prior to November 30, 1989, which does not conflict with or contradict GASB pronouncements. The adoption of the Statement did not have a material effect on the System's financial condition or results of operations.

**Deferred Outflows / Inflows of Resources**

The System also adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, in 2012. The objective of this statement is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. The Statement was implemented retroactively and resulted in a change in presentation of the balance sheet to what is now referred to as the statement of net position and the term "net assets" was changed to "net position" throughout the financial statements. The adoption of the Statement did not impact amounts reported in the financial statements.

**MAURY COUNTY BOARD OF PUBLIC UTILITIES WATER SYSTEM  
(A DISCRETE COMPONENT UNIT OF MAURY COUNTY, TENNESSEE)**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Utility Plant, Property and Equipment**

The utility plant, property and equipment are recorded at cost. Depreciation is provided on the straight-line method over the estimated useful lives of the respective assets. Items costing over \$500 are depreciated. Maintenance and repairs are charged to expenses as incurred; major renewals and improvements are capitalized. When items of property or equipment are sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is included in income. Depreciation expense for the year ended June 30, 2015 was \$736,047.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the System considers all investment instruments purchased with an original maturity of three months or less to be cash equivalents. There were no cash equivalents at June 30, 2015. Restricted assets are not treated as part of the System's cash and cash equivalents.

**Classification of Revenue**

The System has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenues - Operating revenues generally result from providing water for use or providing related support services to an individual or entity separate from the System.

Non-operating revenue - Non-operating revenues are those revenues that do not meet the definition of operating revenues: Non-operating revenues include gifts, investment income, and insurance reimbursements.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Inventory**

The System's inventory of supplies is stated at cost using the first in, first out method. The costs of inventory items are recognized as expenditures in the enterprise fund when used.

**Restricted Resources**

When an expense is incurred for purposes for which both restricted and unrestricted assets are available, it is the System's policy to first apply restricted resources.

**MAURY COUNTY BOARD OF PUBLIC UTILITIES WATER SYSTEM  
(A DISCRETE COMPONENT UNIT OF MAURY COUNTY, TENNESSEE)**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**2. ACCOUNTS RECEIVABLE**

Customer receivables are comprised of the following aged categories:

Current billings	\$	250,507
30 days past due		(6,436)
60 days past due		(3,150)
90 days past due		(467)
	<u>\$</u>	<u>240,454</u>

Bad debts are determined and written off only by direct action of the System's Board. The amount of \$4,781 was written off for the year ended June 30, 2015.

**3. DEPOSITS AND INVESTMENTS**

**Deposits**

The System is subject to the Tennessee statute which requires deposits in financial institutions be secured and collateralized by such institutions. The collateral must meet certain requirements and must have a total market value of 105% of the value of the deposits placed in the institutions, less the amount protected by the Federal Depository Insurance. Collateral requirements are not applicable for financial institutions that participate in the State of Tennessee's collateral pool.

Custodial credit risk is the risk that in the event of a bank failure, the System's deposits may not be returned to it. As of June 30, 2015, all deposits were insured or collateralized.

Investments consist of certificates of deposit with financial institutions with original maturities of over three months and not over one year. The System's policy is to hold these investments to maturity, therefore, there is no interest rate risk that will adversely affect the fair value of the investments.

**4. RESTRICTED ASSETS**

The restricted assets represent investment of customer deposits. The customer deposits are not available for operation of the System and are held in trust. The deposits at June 30, 2015 were \$34,010 for meter deposits of current customers.

**MAURY COUNTY BOARD OF PUBLIC UTILITIES WATER SYSTEM  
(A DISCRETE COMPONENT UNIT OF MAURY COUNTY, TENNESSEE)**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**5. UTILITY PLANT, PROPERTY, AND EQUIPMENT**

Major classifications of the utility plant, property, and equipment and their respective depreciable lives are summarized below:

Water grid and improvements	50 -100 year
Water mains	40 years
Water towers and stations	40 years
Water meters	10-40 years
Casting and valves	20-50 years
Other	40 years
Trucks	5 years
Small tools and equipment	3-10 years
Office furniture and equipment	5-10 years

**6. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2015 was as follows:

	Balance <u>July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2015</u>
<i>Capital assets, not being depreciated:</i>				
Land	502,909	-	65,357	437,552
Construction in progress	-	23,170	-	23,170
<i>Total capital assets, not being depreciated</i>	<u>502,909</u>	<u>23,170</u>	<u>65,357</u>	<u>460,722</u>
<i>Capital assets, being depreciated:</i>				
Building	2,137,719	-	148,983	1,988,736
Water grid & improvements	29,761,411	232,509	-	29,993,920
Equipment & fixtures	987,508	70,718	-	1,058,226
<i>Total capital assets, being depreciated</i>	<u>32,886,638</u>	<u>303,227</u>	<u>148,983</u>	<u>33,040,882</u>
<i>Less accumulated depreciation:</i>				
Building	173,433	54,225	82,914	144,744
Water grid & improvements	7,091,717	599,257	-	7,690,974
Equipment & fixtures	664,472	82,565	-	747,037
<i>Total accumulated depreciation</i>	<u>7,929,622</u>	<u>736,047</u>	<u>82,914</u>	<u>8,582,755</u>
<i>Total capital assets, being depreciated, net</i>	<u>24,957,016</u>	<u>(432,820)</u>	<u>66,069</u>	<u>24,458,127</u>
<i>Total capital assets, net</i>	<u>25,459,925</u>	<u>(409,650)</u>	<u>131,426</u>	<u>24,918,849</u>

**MAURY COUNTY BOARD OF PUBLIC UTILITIES WATER SYSTEM  
(A DISCRETE COMPONENT UNIT OF MAURY COUNTY, TENNESSEE)**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**7. ACCRUED LEAVE**

Accumulated annual leave at June 30, 2015, amount to \$19,001. It is the System's policy to accrue vacation annually for full-time personnel and charge employee benefits. The policy provides two weeks annual leave for personnel with one to five years contiguous service, three weeks for six to eleven years of service and increasing amounts up to five weeks for service up to twenty-five years.

**8. RISK MANAGEMENT**

The System is exposed to losses that could arise from torts; asset theft, damage, or destruction; business interruptions; errors or omissions, job-related illnesses or injuries to employees; acts of nature; accident, health, dental, and other medical benefits to employees. Potential losses are covered by commercial insurance.

The System has not been involved in any significant litigation during the last five fiscal years.

**9. LONG-TERM DEBT**

The System's bonds payable are liabilities derived from various system water line upgrades, extensions, and improvements.

Bonds payable consist of the following at June 30, 2015

2006 State Revolving Loan Fund DWSRF 2005-065:

The principal is amortized over 20 years with monthly payments of \$21,623 and an interest rate of 2.42% \$ 2,748,265

2008 State Revolving Loan Fund DWSRF 2007-072:

The principal is amortized over 20 years with monthly payments of \$8,679 and an interest rate of 2.42% 1,173,324

2006 USDA Rural Development Loan:

The principal is amortized over 38 years with monthly payments of \$12,615 and an interest rate of 4.125% 2,646,545

Total 6,568,134

Less Current Portion (314,767)

Total Long-Term Bonds Payable \$ 6,253,367

**MAURY COUNTY BOARD OF PUBLIC UTILITIES WATER SYSTEM  
(A DISCRETE COMPONENT UNIT OF MAURY COUNTY, TENNESSEE)**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**9. LONG-TERM DEBT - CONTINUED**

	<u>Beginning Balance July 1, 2014</u>	<u>Reductions</u>	<u>Ending Balance June 30, 2015</u>	<u>Due Within One Year</u>
Total Long-Term Bonds Payable	\$ 6,874,453	\$ (306,319)	\$ 6,568,134	\$ 314,767

The principal and interest requirements for outstanding bonds as of June 30, 2015 are as follows:

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 314,767	\$ 200,238	\$ 515,005
2017	323,237	191,768	515,005
2018	331,938	183,067	515,005
2019	340,875	174,130	515,005
2020	350,062	164,942	515,004
2021-2025	1,897,698	677,324	2,575,022
2026-2030	1,238,181	432,370	1,670,551
2031-2035	434,177	322,723	756,900
2036-2040	533,422	223,478	756,900
2041-2045	655,355	101,545	756,900
2046	148,422	3,328	151,750
<b>Total</b>	<b>\$ 6,568,134</b>	<b>\$ 2,674,913</b>	<b>\$ 9,243,047</b>

**10. PENSION**

Maury County Board of Public Utilities Water System participates in the Tennessee Consolidated Retirement System, under the Maury County, Tennessee plan. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service.

Employees contribute 5% of earnable compensation to the plan. Maury County Board of Public Utilities Water System is required to contribute at an actuarially determined rate; the rate of the fiscal year ended June 30, 2015 was 4.62% of annual covered payroll.

**MAURY COUNTY BOARD OF PUBLIC UTILITIES WATER SYSTEM  
(A DISCRETE COMPONENT UNIT OF MAURY COUNTY, TENNESSEE)**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**11. CONTRIBUTIONS IN AID OF CONSTRUCTION**

During the fiscal year ended June 30, 2015, the System was deeded water lines in the amount from three sources. The System owns these lines. The total of \$193,755 is shown on the Statement of Revenues, Expenses and Changes in Net Position as Contributions in Aid of Construction.

**12. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through August 31, 2015 which is the date of the financial statements were available to be issued.

**REQUIRED SUPPLEMENTAL INFORMATION**

**MAURY COUNTY BOARD OF PUBLIC UTILITIES WATER SYSTEM  
(A DISCRETE COMPONENT UNIT OF MAURY COUNTY, TENNESSEE)**

**SCHEDULE OF CHANGES IN NET PENSION ASSET AND RELATED RATIOS**

**JUNE 30, 2015**

**Total Pension Liability (Asset)**

Service cost	\$ 26,588
Interest	48,144
Changes of benefit terms	-
Differences between expected and actual experience	(6,412)
Changes of assumptions	0
Benefit payments, including refunds of employee contributions	<u>(21,991)</u>
Net Change in total Pension Liability (Asset)	46,329
Total Pension Liability (Asset) Beginning	<u>626,329</u>
Total Pension Liability (Asset) Ending	<u><u>672,658</u></u>

**Plan Fiduciary Net Position**

Contributions - employer	20,083
Contributions - employee	15,520
Net investment income	104,202
Benefit payments, including refunds of employee contributions	(21,991)
Administrative expenses	(431)
Other	<u>-</u>
Net Change in Plan Fiduciary, Net Position	117,383
Plan Fiduciary Net Position Beginning	<u>620,231</u>
Plan Fiduciary Net Position Ending	<u>737,614</u>
Net Pension Liability (Asset) - ending	<u><u>(64,956)</u></u>

Plan Fiduciary Net Position as a % of the Total Pension Liability (Asset)	96.57%
------------------------------------------------------------------------------	--------

Covered -employee payroll	<u>310,410</u>
Net Pension Liability (Asset) as a % of covered-employee payroll	<u><u>20.93%</u></u>

**MAURY COUNTY BOARD OF PUBLIC UTILITIES WATER SYSTEM  
(A DISCRETE COMPONENT UNIT OF MAURY COUNTY, TENNESSEE)**

**SCHEDULE OF CONTRIBUTIONS**

**JUNE 30, 2015**

Actuarially determined contribution	20,083
Contributions in relation to the actuarially determined contribution	<u>20,083</u>
Contribution deficiency (excess)	<u><u>-</u></u>
Covered-employee payroll	310,410
Contributions as a percentage of covered-employee payroll	6.47%

Notes to the Schedule Relating to the Actuarially Determined Contribution

Employer contributions for the year ended June 30, 2015 are based on the results of the July 1, 2013 actuarial valuation. Accordingly, governmental employers utilize the following notes to the schedule relating to the Actuarially Determined Contributions when presenting 2015. If 2015 is not presented, then a separate set of notes would apply.

Actuarially cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	1 year
Asset valuation method	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent.
Investment rate of return	7.5 percent, net of investment expense, including inflation.
Retirement age	Pattern of retirement determined by experience study.
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvements.
Cost of living adjustments	2.5 percent, if provided

**OTHER SUPPLEMENTAL INFORMATION**

**MAURY COUNTY BOARD OF PUBLIC UTILITIES WATER SYSTEM  
(A DISCRETE COMPONENT UNIT OF MAURY COUNTY, TENNESSEE)**

**SCHEDULE OF ADDITIONS AND RETIREMENTS TO UTILITY PLANT**

**JUNE 30, 2015**

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2015</u>
Land	\$ 502,909	\$ -	\$ 65,357	\$ 437,552
Building	2,137,719	-	148,983	1,988,736
Construction in Progress	-	23,170	-	23,170
<b>Water Grid and Improvements:</b>				
Water Mains	21,998,978	227,147	-	22,226,125
Water Towers and Stations	3,302,004	-	-	3,302,004
Water Meters	2,371,958	-	-	2,371,958
Casting and valves	767,409	5,362	-	772,771
Other	1,321,062	-	-	1,321,062
<b>Total Water Grid and Improvements</b>	<b>29,761,411</b>	<b>232,509</b>	<b>-</b>	<b>29,993,920</b>
<b>Equipment and Fixtures:</b>				
Equipment	650,900	37,154	-	688,054
Office Equipment	211,868	33,564	-	245,432
Office Furniture	124,740	-	-	124,740
<b>Total Equipment and Fixtures</b>	<b>987,508</b>	<b>70,718</b>	<b>-</b>	<b>1,058,226</b>
<b>TOTAL</b>	<b>\$ 33,389,547</b>	<b>\$ 326,397</b>	<b>\$ 214,340</b>	<b>\$ 33,501,604</b>

**MAURY COUNTY BOARD OF PUBLIC UTILITIES WATER SYSTEM  
(A DISCRETE COMPONENT UNIT OF MAURY COUNTY, TENNESSEE)**

**SCHEDULE OF WATER RATES IN FORCE**

**JUNE 30, 2015**

<u>Customer Charge</u> <u>Residential</u>	<u>Capacity</u>	<u>Monthly</u> <u>Charges</u>
5/8 x 3/4	1.00	\$ 17.00
3/4 x 3/4	1.67	\$ 25.00
 <u>Commercial Charge</u>		
1"	2.67	\$ 37.00
2"	6.67	\$ 85.00
3"	10.00	\$ 125.00
4"	13.33	\$ 165.00
5"	33.33	\$ 405.00

Water Usage Billed at \$6.00 per 1,000 gallons.

TAP FEES:

Residential Meters	5/8 x 3/4	\$ 1,850.00
Commercial Meters	3/4 x 3/4	\$ 1,950.00
Commercial Meters	1" x 1"	\$ 2,150.00
All other taps larger than 1"		\$ 2,150.00

PER INCH PLUS ACTUAL COST OF INSTALLATION

(3/4" over 50 foot long tap - Add \$7.00 per foot)  
(1" over 50 foot long tap - Add \$9.00 per foot)

The TDRA surcharge is \$.05 per 1,000 gallons imposed by the Duck River Agency is applicable to the above rate to defray the share of water supply benefits provided by TDRA.

Number of customers at June 30, 2015: 6,966

**SCHEDULE OF INSURANCE COVERAGE**

**JUNE 30, 2015**

<u>Company</u>	<u>Policy Number</u>	<u>Coverage</u>
TNRMT	TNRMT	Worker's Compensation
TNRMT	TNRMT	Vehicles
TNRMT	TNRMT	General Liability
TNRMT	TNRMT	Fidelity Bond on all Employees
TNRMT	TNRMT	Buildings and Contents

**MAURY COUNTY BOARD OF PUBLIC UTILITIES WATER SYSTEM  
(A DISCRETE COMPONENT UNIT OF MAURY COUNTY, TENNESSEE)**

**SCHEDULE OF INVESTMENTS**

**JUNE 30, 2015**

<u>Investment Description</u>	<u>Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance</u>
<i>Unrestricted</i>				
Certificate of Deposit First Farmers & Merchants Bank	44696	0.18%	9/23/2015	\$ 946,675
<i>Partially Restricted</i>				
Certificate of Deposit Community First Bank	12049	0.48%	8/11/2015	<u>2,103,467</u>
Total Investments				<u>\$ 3,050,142</u>
Shown on Balance Sheet As:				
Investments				\$ 3,016,132
Restricted Investments				<u>34,010</u>
				<u>\$ 3,050,142</u>



# AWWA Free Water Audit Software: Reporting Worksheet

WAS v5.0  
American Water Works Association.  
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?	Click to access definition	Water Audit Report for: <b>Maury County Board of Public Utilities</b>	
+	Click to add a comment	Reporting Year: <b>2014</b> <b>7/2014 - 6/2015</b>	

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

<b>WATER SUPPLIED</b>		----- Enter grading in column 'E' and 'J' ----->		Pcnt:	Value:
Volume from own sources:	+ ? n/a	0.000	MG/Yr	+ ?	
Water imported:	+ ? 8	515.653	MG/Yr	+ ? 6	0.02%
Water exported:	+ ? n/a	0.000	MG/Yr	+ ?	
<b>WATER SUPPLIED:</b>		<b>515.550</b>	<b>MG/Yr</b>		

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

<b>AUTHORIZED CONSUMPTION</b>					
Billed metered:	+ ? 7	380.079	MG/Yr		
Billed unmetered:	+ ? n/a	0.000	MG/Yr		
Unbilled metered:	+ ? n/a	0.000	MG/Yr	Pcnt:	Value:
Unbilled unmetered:	+ ? 5	8.444	MG/Yr	1.25%	

Default option selected for Unbilled unmetered - a grading of 5 is applied but not displayed

<b>AUTHORIZED CONSUMPTION:</b>	?	<b>386.523</b>	<b>MG/Yr</b>
--------------------------------	---	----------------	--------------

Click here: ?  
for help using option  
buttons below

Use buttons to select  
percentage of water  
supplied  
OR  
value

<b>WATER LOSSES (Water Supplied - Authorized Consumption)</b>					
		<b>129.027</b>	<b>MG/Yr</b>		
<b>Apparent Losses</b>					
Unauthorized consumption:	+ ? 10	1.289	MG/Yr	Pcnt:	Value:

Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed

Customer metering inaccuracies:	+ ? 5	20.004	MG/Yr	5.00%	0.116	MG/Yr
Systematic data handling errors:	+ ? 5	0.950	MG/Yr	0.25%		MG/Yr

Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed

<b>Apparent Losses:</b>	?	<b>22.243</b>	<b>MG/Yr</b>
-------------------------	---	---------------	--------------

<b>Real Losses (Current Annual Real Losses or CARL)</b>			
Real Losses = Water Losses - Apparent Losses:	?	<b>106.783</b>	<b>MG/Yr</b>
<b>WATER LOSSES:</b>		<b>129.027</b>	<b>MG/Yr</b>

<b>NON-REVENUE WATER</b>			
<b>NON-REVENUE WATER:</b>	?	<b>135.471</b>	<b>MG/Yr</b>
= Water Losses + Unbilled Metered + Unbilled Unmetered			

<b>SYSTEM DATA</b>			
Length of mains:	+ ? 8	461.0	m/ies
Number of active AND inactive service connections:	+ ? 6	8,172	
Service connection density:	?	18	conn./mile main
Are customer meters typically located at the curbside or property line?	+ ?	Yes	(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:	+ ? 8	92.3	psi

<b>COST DATA</b>			
Total annual cost of operating water system:	+ ? B	\$3,557,202	\$/Year
Customer retail unit cost (applied to Apparent Losses):	+ ? 10	\$6.00	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	+ ? 10	\$2,500.00	\$/Million gallons <input type="checkbox"/> Use Customer Retail Unit Cost to value real losses

<b>WATER AUDIT DATA VALIDITY SCORE:</b>			
<b>*** YOUR SCORE IS: 76 out of 100 ***</b>			
A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score			

<b>PRIORITY AREAS FOR ATTENTION:</b>			
Based on the information provided, audit accuracy can be improved by addressing the following components:			
1: Water imported			
2: Customer metering inaccuracies			
3: Billed metered			



**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: <b>Maury County Board of Public Utilities</b>				
Reporting Year:	<b>2014</b>	7/2014 - 6/2015		
*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 76 out of 100 ***				
<b>System Attributes:</b>				
	Apparent Losses:		22,243	MG/Yr
	+ Real Losses:		106,783	MG/Yr
	= Water Losses:		129,027	MG/Yr
?	Unavoidable Annual Real Losses (UARL):		125,25	MG/Yr
	Annual cost of Apparent Losses:		\$133,459	
	Annual cost of Real Losses:		\$266,958	Valued at Variable Production Cost
Return to Reporting Worksheet to change this assumption				
<b>Performance Indicators:</b>				
Financial:	Non-revenue water as percent by volume of Water Supplied:		26.3%	
	Non-revenue water as percent by cost of operating system:		11.7%	Real Losses valued at Variable Production Cost
Operational Efficiency:	Apparent Losses per service connection per day:		7.46	gallons/connection/day
	Real Losses per service connection per day:		N/A	gallons/connection/day
	Real Losses per length of main per day*:		634.61	gallons/mile/day
	Real Losses per service connection per day per psi pressure:		N/A	gallons/connection/day/psi
From Above, Real Losses = Current Annual Real Losses (CARL):			106.78	million gallons/year
?	Infrastructure Leakage Index (ILI) [CARL/UARL]:		0.85	
* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline				



**BELLENFANT**

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Professional Accounting & Consulting Services

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

To the Board of Directors  
Maury County Board of Public Utilities Water System  
(A Discrete Component Unit of Maury County, Tennessee)  
Columbia, Tennessee

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Maury County Board of Public Utilities Water System, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Maury County Board of Public Utilities Water system's basic financial statements, and have issued my report thereon dated August 31, 2015.

**Internal Control Over Financial Reporting**

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

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that I consider to be significant deficiencies as 15-1 and 15-2.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Maury County Board of Public Utilities Water System's financial statements are free of 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 this Report**

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

*Bellonfant, PLLC*

August 31, 2015

**MAURY COUNTY BOARD OF PUBLIC UTILITIES WATER SYSTEM  
(A DISCRETE COMPONENT UNIT OF MAURY COUNTY, TENNESSEE)**

**SCHEDULE OF FINDINGS AND RESPONSES**

**JUNE 30, 2015**

**SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued Unqualified

Internal control over financial reporting:

Material weakness identified? \_\_\_\_\_ Yes \_\_\_\_\_ x \_\_\_\_\_ No

Significant deficiencies identified not  
considered to be material weaknesses? \_\_\_\_\_ x \_\_\_\_\_ Yes \_\_\_\_\_ None Reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes \_\_\_\_\_ x \_\_\_\_\_ No

**MAURY COUNTY BOARD OF PUBLIC UTILITIES WATER SYSTEM  
(A DISCRETE COMPONENT UNIT OF MAURY COUNTY, TENNESSEE)**

**SCHEDULE OF FINDINGS AND RESPONSES**

**JUNE 30, 2015**

**15-1 PAYROLL PROCESSING WAS NOT REVIEWED OR APPROVED.**

**Condition**

The payroll processing was performed by an outside payroll company. The wages and amounts paid to employees were not reviewed.

**Criteria**

Internal control should require that the payroll be reviewed and approved by the Superintendent each time employees are paid.

**Cause**

There is no procedure in place to require management's review of payroll.

**Effect**

Because there is not adequate oversight of this process, payroll could be mishandled or inappropriately entered,.

**Recommendation**

We recommend that each payroll be reviewed by the Superintendent and approved.

**Views of Responsible Officials and Planned Corrective Actions**

Maury County Board of Public Utilities will enter into a Standard Operating Procedure for the review of payroll.

**MAURY COUNTY BOARD OF PUBLIC UTILITIES WATER SYSTEM  
(A DISCRETE COMPONENT UNIT OF MAURY COUNTY, TENNESSEE)**

**SCHEDULE OF FINDINGS AND RESPONSES**

**JUNE 30, 2015**

**15-2 1099's WERE NOT ISSUED FOR THE CALENDAR YEAR 2014.**

**Condition**

Form 1099 - Miscellaneous Payments were not issued for the year 2014.

**Criteria**

Internal control should require that all payments to vendors be reviewed at year end and 1099's issued to the vendors that are required to have a 1099.

**Cause**

There is no procedure in place to issue 1099's.

**Effect**

Because there is not adequate oversight of this process, 1099's were not issued for 2014.

**Recommendation**

We recommend that at the end of December, all vendor payments be reviewed and 1099's issued to those that are required to receive a 1099.

**Views of Responsible Officials and Planned Corrective Actions**

Maury County Board of Public Utilities will review the vendor list for the issuance of 1099 forms.

**MAURY COUNTY BOARD OF PUBLIC UTILITIES WATER SYSTEM  
(A DISCRETE COMPONENT UNIT OF MAURY COUNTY, TENNESSEE)**

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**

**JUNE 30, 2015**

There were no audit findings for the year ended June 30, 2014.