

*Financial Statements*

EAST SEVIER COUNTY UTILITY DISTRICT

Year Ended June 30, 2012

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INDEPENDENT ACCOUNTANTS' AUDIT REPORT

Board of Commissioners  
East Sevier County Utility District  
Sevierville, Tennessee

We have audited the accompanying statement of net assets of East Sevier County Utility District as of June 30, 2012, and the related statement of revenue, expenses, and change in net assets and statement of cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

East Sevier County Utility District has excluded from plant in service in the accompanying statement of net assets certain assets that were donated by homeowner associations related to agreements for operating and maintaining their sewer system. The effects of the omitted plant in service are not reasonably determinable.

In our opinion, except for the effects of the matter described above, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of East Sevier County Utility District as of June 30, 2012, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 3 to 5 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion thereon.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise East Sevier County Utility District's basic financial statements. The accompanying financial information listed as supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2013 on our consideration of East Sevier County Utility District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the 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 should be considered in assessing the results of our audit.

*Mitchell Emert & Hill*

August 23, 2013

EAST SEVIER COUNTY UTILITY DISTRICT  
1529 Alpine Drive  
Sevierville, TN 37876  
865-453-6704

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the East Sevier County Utility District, we offer readers of the District's financial statements this narrative overview and analysis of the District's performance during the fiscal year ending June 30, 2012. Please read it in conjunction with the District's financial statements, which follow this section.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report includes this management's discussion and analysis report, the independent auditors report and the basic financial statements of the District. The financial statements also include notes that explain in more detail some of the information in the financial statements.

### **REQUIRED FINANCIAL STATEMENTS**

The financial statements of the District report information using accounting methods similar to those used by private companies. These statements offer both short-term and long-term financial information about its activities. The Statement of Net Assets includes all of the District's assets and liabilities and provides information about where the District has invested its resources (assets) and the obligations to the District's credit (liabilities).

All of the current year's revenue and expenses are accounted for in the Statement of Revenue, Expenses and Change in Net Assets. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all of its expenses through customer fees.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balances during the reporting period.

### **FINANCIAL ANALYSIS OF THE DISTRICT**

One of the most important questions asked about the District's finances is "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Assets and the Statement of Revenue, Expenses and Change in Net Assets report information about the District's activities in a way that will help answer this question. The statements report the difference between assets and liabilities as one way to measure financial health or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. A summary of the District's net assets and change in them is presented below:

## **SUMMARIZED FINANCIAL INFORMATION**

	<u>2012</u>	<u>2011</u>
<b>NET ASSETS</b>		
Current assets	\$ 222,593	\$ 151,484
Capital assets	<u>629,922</u>	<u>661,154</u>
Total assets	<u>\$ 852,515</u>	<u>\$ 812,638</u>
Current liabilities	\$ 83,354	\$ 62,103
Long term liabilities	<u>30,023</u>	<u>42,393</u>
Total liabilities	<u>113,377</u>	<u>104,496</u>
Net assets:		
Invested in capital assets, net of related debt	587,517	606,936
Unrestricted	<u>151,621</u>	<u>101,206</u>
	<u>739,138</u>	<u>708,142</u>
Total liabilities and net assets	<u>\$ 852,515</u>	<u>\$ 812,638</u>
<b>CHANGE IN NET ASSETS</b>		
Operating revenue	\$ 499,067	\$ 406,469
Operating expenses	<u>467,658</u>	<u>373,506</u>
Operating income	31,409	32,964
Nonoperating income	1,834	1,614
Nonoperating expenses	<u>(2,247)</u>	<u>(25,058)</u>
Change in net assets	30,996	9,520
Beginning net assets	<u>708,142</u>	<u>698,623</u>
Ending net assets	<u>\$ 739,138</u>	<u>\$ 708,142</u>

## **ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS**

As can be seen from the summarized financial information, the District's net assets increased by \$30,996 during the year ended June 30, 2012 and increased \$9,520 during the year ended June 30, 2011. Operating revenue increased at a rate of 22.8% (increased by 7.7% in 2010) while expenses increased at a rate of 25.2% (increased by 7% in 2011). Operating revenue increased primarily due to the receipt of tap fees from the Douglas Lake Resort Owners Association, Inc. Operating expenses increased primarily due to increased salary and maintenance expenses.

## **THE DISTRICT'S NET ASSETS**

The District completed the year with net assets of \$739,138 which is \$30,996 more than the prior year's ending net assets of \$708,142.

## **BUDGETARY HIGHLIGHTS**

The District adopts an annual operating budget, which includes proposed expenses and the means for paying these expenses. As conditions change during the year, the budget may be amended to prevent budget overruns.

## **CAPITAL ASSETS**

The District's investment in capital assets amounts to \$1,004,686 with accumulated depreciation of \$374,765. Capital assets include land, distribution and collection systems, and equipment. During the year ended June 30, 2012 the District had capital asset additions totaling \$5,420.

## **ECONOMIC FACTORS AND FUTURE NEEDS**

The District continued to add new customers during the year ended June 30, 2012. In addition to water and sewer service provided to the English Mountain subdivision including The Preserve and Douglas Lake Resort subdivision, sewer service is provided to the Sherwood Forest, Bear Creek Crossing, Smoky Mountain Ridge, Lashbrooke Bouldercrest Villas, Parkside Resort, and Douglas Lake Resort subdivisions. In September 2012 the District terminated providing water service to the Douglas Lake Resort (approximately 129 customers).

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

The discussion and analysis is designed to provide our customers with a general view of the District's finances and to show the District's accountability for the money it receives. If you have any questions or need additional information, contact the following commissioners at the address on the letterhead.

Roy Ivey  
Barbara Darby  
Tony Ortiz





EAST SEVIER COUNTY UTILITY DISTRICT

**STATEMENT OF NET ASSETS**

June 30, 2012

**ASSETS**

**PLANT IN SERVICE**

Land	\$	14,525
Building		65,096
Distribution and collection system		808,035
Equipment		<u>117,030</u>
		1,004,686
Accumulated depreciation		<u>(374,765)</u>
		<u>629,922</u>

**CURRENT ASSETS**

Cash	\$	7,144
Certificates of deposit		140,922
Prepaid insurance		2,274
Accounts receivable, net of allowance for uncollectible accounts of \$35,000		56,433
Deposits		<u>15,820</u>

**TOTAL CURRENT ASSETS**

<u>222,593</u>
<u><u>\$ 852,515</u></u>

See the accompanying notes to the financial statements.

**LIABILITIES AND NET ASSETS**

**LONG-TERM DEBT**, net of current portion \$ 30,023

**CURRENT LIABILITIES**

Accounts payable	\$ 23,817
Payroll taxes payable	2,563
Accrued wages	2,125
Deferred revenue	8,982
Customer deposits	33,485
Current portion of long-term debt	<u>12,382</u>

**TOTAL CURRENT LIABILITIES** 83,354

**TOTAL LIABILITIES** 113,377

**NET ASSETS**

Invested in capital assets, net of related debt	587,517	
Unrestricted	<u>151,621</u>	<u>739,138</u>

\$ 852,515

EAST SEVIER COUNTY UTILITY DISTRICT

**STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET ASSETS**

Year Ended June 30, 2012

**OPERATING REVENUE**

Water sales	\$ 135,251
Sewer services	243,175
Tap fees	108,440
Contractual fees	2,800
Penalties and interest	<u>9,401</u>

**TOTAL OPERATING REVENUE** 499,067

**OPERATING EXPENSES**

Salaries	\$ 153,250
Payroll taxes	11,817
Health insurance	8,400
Uniforms	2,095
Plant utilities	44,247
Repairs and maintenance	112,544
Depreciation	36,652
Vehicle expense	32,423
Mileage expense	1,672
Insurance	24,391
Permits	4,140
Telephone	6,359
Office supplies	2,556
Postage	2,067
Legal fees	1,942
Audit expense	6,025
Professional fees	4,953
Commissioner fees	6,700
Miscellaneous	<u>5,425</u>

**TOTAL OPERATING EXPENSES** 467,658

**INCOME FROM OPERATIONS** 31,409

EAST SEVIER COUNTY UTILITY DISTRICT

**STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET ASSETS**

(continued)

Year Ended June 30, 2012

**NONOPERATING REVENUE(EXPENSE)**

Interest income

1,834

Interest expense

(2,247)

(413)

**CHANGE IN NET ASSETS**

30,996

**NET ASSETS AT THE BEGINNING OF THE YEAR**

708,143

**NET ASSETS AT THE END OF THE YEAR**

\$ 739,138

See the accompanying notes to the financial statements

EAST SEVIER COUNTY UTILITY DISTRICT

**STATEMENT OF CASH FLOWS**

Year Ended June 30, 2012

**CASH PROVIDED(USED) BY  
OPERATING ACTIVITIES**

Cash received from customers	\$ 497,069
Cash paid to employees	(159,950)
Cash paid to suppliers	<u>(255,204)</u>

**NET CASH PROVIDED BY  
OPERATING ACTIVITIES**

81,915

**CASH PROVIDED(USED) BY CAPITAL AND RELATED  
FINANCING ACTIVITIES**

Acquisition of capital assets	\$ (5,420)
Principal payments on long-term debt	(11,813)
Interest paid	<u>(2,247)</u>

**NET CASH (USED) BY CAPITAL AND  
RELATED FINANCING ACTIVITIES**

(19,480)

**CASH PROVIDED(USED) BY  
INVESTING ACTIVITIES**

Interest received	1,834
Increase in certificate of deposit	<u>(76,745)</u>

**NET CASH (USED) BY  
INVESTING ACTIVITIES**

(74,912)

**NET (DECREASE) IN CASH**

(12,477)

**CASH AT THE BEGINNING OF THE YEAR**

19,622

**CASH AT THE END OF THE YEAR**

\$ 7,144

EAST SEVIER COUNTY UTILITY DISTRICT

**STATEMENT OF CASH FLOWS**

(continued)

Year Ended June 30, 2012

**RECONCILIATION OF INCOME FROM OPERATIONS  
TO NET CASH PROVIDED(USED) BY OPERATING  
ACTIVITIES**

Income from operations		\$ 31,409
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation	\$ 36,652	
(Increase)decrease in:		
Accounts receivable	(1,998)	
Prepaid insurance	1,853	
Deposits	(6,695)	
Increase(decrease) in:		
Accounts payable	20,352	
Payroll taxes payable	(22)	
Accrued wages	(91)	
Deferred revenue	140	
Customer deposits	315	
	<hr/>	<hr/>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		<b><u>\$ 81,915</u></b>

See the accompanying notes to the financial statements.

## EAST SEVIER COUNTY UTILITY DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

#### **NOTE A - DESCRIPTION OF ORGANIZATION**

East Sevier County Utility District (the District) was created under the authority of Title 7, Chapter 82 of the 1937 Utility District Law of the State of Tennessee. The Board of Commissioners is appointed by the Sevier County Mayor for a term of four years. Sevier County does not have any fiscal or budgetary control over the District. Operations are funded by water and sewer rates established by the Board of Commissioners.

#### **NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### Financial Reporting

The District follows all pronouncements of the Governmental Accounting Standards Board (GASB) and only pronouncements of the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989. The District has not elected to follow FASB pronouncements issued after November 30, 1989.

The District uses the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included in the statement of net assets. The statement of revenue, expenses and change in net assets presents increases (revenue) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenue is recognized in the period in which it is earned while expenses are recognized in the period in which the liability is incurred. Revenue is recorded when billed to the customers, based on a monthly meter reading cycle.

The District distinguishes operating revenue and expenses from nonoperating items. Operating revenue for proprietary funds is revenue that is generated from the primary operations of the District. The principal operating revenue of the District is charges to customers for water sales and sewer services. The District also recognizes as operating revenue the portion of connection fees intended to recover the cost of connecting new customers to the system. Revenue from sewer only customers is recognized in the month service is provided. Sewer only customers are billed a flat rate one month in advance which is reported as deferred revenue. All other revenue is reported as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All other expenses are reported as nonoperating expenses.

EAST SEVIER COUNTY UTILITY DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2012

The District prepares its financial statements in accordance with the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis - for State and Local Governments*. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting reporting purposes into the following three net assets groups:

Invested in capital assets, net of related debt

This category includes capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. Invested in capital assets, net of related debt at June 30, 2012 has been calculated as follows:

Capital assets	\$ 1,004,686
Accumulated depreciation	(374,765)
Principal balance on long-term debt	<u>(42,405)</u>
	<u>\$ 587,517</u>

Restricted

This category includes net assets whose use is subject to externally imposed stipulations that can be fulfilled by actions of the District pursuant to those stipulations or that expire by the passage of time. Restricted net assets of the District consist of funds restricted for debt payments and future construction. When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed. The District had no restricted net assets at June 30, 2012.

Unrestricted

This category includes net assets that are not subject to externally imposed stipulations and that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”. Unrestricted net assets may be designated for specific purposes by action of the Board of Commissioners or may otherwise be limited by contractual agreement with outside parties.

Prepaid Expenses

Payments made for insurance premiums that will benefit periods beyond June 30, 2012 are recorded as prepaid expenses.



EAST SEVIER COUNTY UTILITY DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2012

Plant in Service

Plant in service is recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 7 to 50 years.

Allowance for Uncollectible Accounts

Allowance for uncollectible accounts is provided based upon historical trends. Allowance for uncollectible accounts at June 30, 2012 was \$35,000.

**NOTE C - CASH**

Cash represents money on deposit in various banks.

State of Tennessee law authorizes the District to invest in obligations of the United States or its agencies, nonconvertible debt securities of certain federal agencies, other obligations guaranteed as to principal and interest by the United States or any of its agencies, secured certificates of deposit and other evidences of deposit in state and federal banks and savings and loan associations, and the State of Tennessee Local Government Investment Pool.

All deposits with financial institutions in excess of Federal Deposit Insurance Corporation (FDIC) limits are required to be secured by one of two methods. Excess funds can be deposited with a financial institution that participates in the State of Tennessee Bank Collateral Pool. For deposits with financial institutions that do not participate in the State of Tennessee Bank Collateral Pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits.

All cash balances at June 30, 2012 were entirely insured through the Federal Deposit Insurance Corporation.

EAST SEVIER COUNTY UTILITY DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2012

**NOTE D - PLANT IN SERVICE**

Plant in service activity for the year ended June 30, 2012 was as follows:

	<u>Balance</u> <u>7/1/11</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/12</u>
<u>Capital assets not being depreciated</u>				
Land	\$ 14,525	\$ 0	\$ 0	\$ 14,525
<u>Capital assets being depreciated</u>				
Building	65,096	0	0	65,096
Distribution and collection system	802,616	5,420	0	808,035
Equipment	100,983	0	0	100,983
Office equipment	<u>16,048</u>	<u>0</u>	<u>0</u>	<u>16,048</u>
	984,742	5,420	0	990,162
<u>Accumulated depreciation</u>				
Building	(1,512)	(2,169)	0	(3,682)
Distribution and collection system	(254,616)	(27,670)	0	(282,290)
Machinery and equipment	(71,901)	(4,069)	0	(75,970)
Office equipment	<u>(10,082)</u>	<u>(2,742)</u>	<u>0</u>	<u>(12,823)</u>
	<u>(338,112)</u>	<u>(36,652)</u>	<u>0</u>	<u>(374,765)</u>
	<u>\$ 661,155</u>	<u>\$ (31,232)</u>	<u>\$ 0</u>	<u>\$ 629,923</u>

EAST SEVIER COUNTY UTILITY DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2012

**NOTE E - LONG-TERM DEBT**

Long-term debt at June 30, 2012 consisted of the following:

Note payable, due in monthly installments of \$1,172 including interest at 4.5% per annum, balance due in full on September 9, 2015 secured by certificate of deposit.	\$ 42,405
Less current maturities	<u>(12,382)</u>
	<u>\$ 30,023</u>

Future maturities of long-term debt as of June 30, 2012 are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2013	\$ 12,382	\$ 1,678	\$ 14,060
2014	12,959	1,101	14,060
2015	13,563	497	14,060
2016	<u>3,501</u>	<u>27</u>	<u>3,528</u>
	<u>\$ 42,405</u>	<u>\$ 3,303</u>	<u>\$ 45,708</u>

Changes in long-term debt were as follows:

	<u>Balance 7/1/11</u>	<u>Issued</u>	<u>Paid</u>	<u>Balance 6/30/12</u>
Note payable	<u>\$ 54,218</u>	<u>\$ 0</u>	<u>\$ 11,813</u>	<u>\$ 42,405</u>

EAST SEVIER COUNTY UTILITY DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2012

**NOTE F - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for all risks of loss, including general liability, workers' compensation coverage, and employee dishonesty bonds. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE G - SUBSEQUENT EVENT**

On November 1, 2011, the District took on 129 new customers from the Douglas Lake Resort Owners Association, Inc. The District received a one-time payment of \$750 in tap fees from each new customer and monthly fees for water and sewer service. Subsequent to June 30, 2012, the District terminated its agreement to provide water service to these customers.

SUPPLEMENTARY INFORMATION

EAST SEVIER COUNTY UTILITY DISTRICT

**INSURANCE COVERAGE**

June 30, 2012

<u>Description</u>	<u>Insurer</u>	<u>Expiration Date</u>	<u>Amount of Coverage</u>
Property, equipment, office contents, and other assets	Selective Insurance Company	2/12/13	\$ 3,574,604
Automobile liability and physical damage	Selective Insurance Company	2/12/13	1,000,000
General liability	Selective Insurance Company	2/12/13	2,000,000
Employee dishonesty	Selective Insurance Company	2/12/13	10,000
Public officials liability	Mt. Vernon Fire Insurance Company	5/13/13	1,000,000
Workers compensation	Selective Insurance Company	2/12/13	500,000

See the accompanying independent accountants' audit report.

EAST SEVIER COUNTY UTILITY DISTRICT

CUSTOMERS AND UTILITY RATES

June 30, 2012

**Tap Fees:**

English Mountain subdivision:	
Water	\$ 750.00
Sewer	1,250.00
Other subdivisions, where applicable:	
Sewer	750.00

**Utility Rates:**

Water:	
Residential - first 3,000 gallons	26.75
Commercial - first 3,000 gallons	46.81
Commercial - over 3,000 gallons	187.22
Douglas Lake Resort – flat rate	25.00
Sewer:	
English Mountain subdivision:	
Residential - first 3,000 gallons	31.18
Commercial - first 3,000 gallons	54.56
Commercial - over 3,000 gallons	218.23
Other subdivisions - unmetered service	35.00

**Number of customers** 610

See the accompanying independent accountants' audit report.

**AWWA WLCC Free Water Audit Software: Reporting Worksheet**

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WAS v4.2

[Back to Instructions](#)

[?](#) Click to access definition

Water Audit Report for: **East Sevier Utility District**

Reporting Year: **2012** 7/2011 - 6/2012

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 (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**

**WATER SUPPLIED**

<< Enter grading in column 'E'

Volume from own sources:	<input type="text" value="3"/>	<input type="text" value="30.154"/>	Million gallons (US)/yr (MG/Yr)
Master meter error adjustment (enter positive value):	<input type="text" value="3"/>	<input type="text" value="0.315"/>	under-registered MG/Yr
Water imported:	<input type="text" value="n/a"/>	<input type="text" value="0.000"/>	MG/Yr
Water exported:	<input type="text" value="n/a"/>	<input type="text" value="0.000"/>	MG/Yr
<b>WATER SUPPLIED:</b>		<b>30.469</b>	MG/Yr

**AUTHORIZED CONSUMPTION**

Billed metered:	<input type="text" value="6"/>	<input type="text" value="5.984"/>	MG/Yr
Billed unmetered:	<input type="text" value="7"/>	<input type="text" value="2.763"/>	MG/Yr
Unbilled metered:	<input type="text" value="n/a"/>	<input type="text" value="0.000"/>	MG/Yr
Unbilled unmetered:	<input type="text" value="9"/>	<input type="text" value="0.679"/>	MG/Yr
<b>AUTHORIZED CONSUMPTION:</b>		<b>9.426</b>	MG/Yr

Click here: [?](#) for help using option buttons below

Pcnt:  Value:

Use buttons to select percentage of water supplied OR value

**WATER LOSSES (Water Supplied - Authorized Consumption)**  MG/Yr

**Apparent Losses**

Unauthorized consumption:	<input type="text" value="5"/>	<input type="text" value="0.076"/>	MG/Yr
Customer metering inaccuracies:	<input type="text" value="10"/>	<input type="text" value="0.060"/>	MG/Yr
Systematic data handling errors:	<input type="text" value="5"/>	<input type="text" value="2.373"/>	MG/Yr
<b>Apparent Losses:</b>		<b>2.510</b>	

Pcnt:  Value:

Choose this option to enter a percentage of billed metered consumption. This is NOT a default value

**Real Losses (Current Annual Real Losses or CARL)**

Real Losses = Water Losses - Apparent Losses:	<input type="text" value="21.043"/>	<input type="text" value="2.510"/>	<input type="text" value="18.533"/> MG/Yr
<b>WATER LOSSES:</b>		<b>21.043</b>	MG/Yr

**NON-REVENUE WATER**

<b>NON-REVENUE WATER:</b>	<input type="text" value="21.722"/>	MG/Yr
= Total Water Loss + Unbilled Metered + Unbilled Unmetered		

**SYSTEM DATA**

Length of mains:	<input type="text" value="3"/>	<input type="text" value="50.0"/>	miles
Number of active AND inactive service connections:	<input type="text" value="7"/>	<input type="text" value="267"/>	
Connection density:	<input type="text" value="5"/>		conn./mile main
Average length of customer service line:	<input type="text" value="10"/>	<input type="text" value="0.0"/>	ft (pipe length between curbstop and customer meter or property boundary)
Average operating pressure:	<input type="text" value="3"/>	<input type="text" value="80.0"/>	psi

**COST DATA**

Total annual cost of operating water system:	<input type="text" value="9"/>	<input type="text" value="\$176,636"/>	\$/Year
Customer retail unit cost (applied to Apparent Losses):	<input type="text" value="8"/>	<input type="text" value="\$28.98"/>	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	<input type="text" value="8"/>	<input type="text" value="\$1,043.54"/>	\$/Million gallons

**PERFORMANCE INDICATORS**

**Financial Indicators**

Non-revenue water as percent by volume of Water Supplied:	<input type="text" value="71.3%"/>
Non-revenue water as percent by cost of operating system:	<input type="text" value="52.5%"/>
Annual cost of Apparent Losses:	<input type="text" value="\$72,729"/>
Annual cost of Real Losses:	<input type="text" value="\$19,340"/>

**Operational Efficiency Indicators**

Apparent Losses per service connection per day:	<input type="text" value="25.75"/>	gallons/connection/day
Real Losses per service connection per day*:	<input type="text" value="N/A"/>	gallons/connection/day
Real Losses per length of main per day*:	<input type="text" value="1,015.53"/>	gallons/mile/day
Real Losses per service connection per day per psi pressure:	<input type="text" value="0.000"/>	gallons/connection/day/psi
<input type="text" value="3"/> Unavoidable Annual Real Losses (UARL):	<input type="text" value="Not Valid"/>	
*** UARL cannot be calculated as either average pressure, number of connections or length of mains is too small: SEE UARL DEFINITION ***		
From Above, Real Losses = Current Annual Real Losses (CARL):	<input type="text" value="18.53"/>	
<input type="text" value="3"/> Infrastructure Leakage Index (ILI) [CARL/UARL]:	<input type="text" value="0.000"/>	

\* only the most applicable of these two indicators will be calculated

**WATER AUDIT DATA VALIDITY SCORE:**

**\*\*\* YOUR SCORE IS: 58 out of 100 \*\*\***

A weighted scale 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: Volume from own sources
- 2: Master meter error adjustment
- 3: Billed metered

[For more information, click here to see the Grading Matrix worksheet](#)



EAST SEVIER COUNTY UTILITY DISTRICT

**BOARD OF COMMISSIONERS**

June 30, 2012

Roy Ivey

Barbara Darby

Tony Ortiz

See the accompanying independent accountants' audit report.

INTERNAL CONTROL

AND

COMPLIANCE

INDEPENDENT ACCOUNTANTS' 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*

Board of Commissioners  
East Sevier County Utility District  
Sevierville, Tennessee

We have audited the financial statements of East Sevier County Utility District as of and for the year ended June 30, 2012 and have issued our report thereon dated August 23, 2013. In our report, our opinion was qualified because certain plant in service assets had been omitted from the statement of net assets. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of East Sevier County Utility District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered East Sevier County Utility District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of East Sevier County Utility District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of East Sevier County Utility District's internal control over financial reporting.

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 over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurances that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of finding, recommendation and management response, we identified a deficiency in internal control over financial reporting described as item 2012-A-1 that we consider to be a material weakness.

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 East Sevier County Utility District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of finding, recommendation and management response to be a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether East Sevier County Utility District'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*.

We noted certain matters that we reported to the management of East Sevier County Utility District in a separate letter dated August 23, 2013.

East Sevier County Utility District's response to the finding identified in our audit is described in the accompanying schedule of finding, recommendation and management response. We did not audit East Sevier County Utility District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management and government regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Mitchell Emert + Hill". The signature is written in a cursive, flowing style.

August 23, 2013

EAST SEVIER COUNTY UTILITY DISTRICT

**FINDING, RECOMMENDATION AND MANAGEMENT RESPONSE**

Year Ended June 30, 2012

Finding Number 2012-A-1 - Plant in Service Records

*Finding:* East Sevier County Utility District (the District) did not have adequate accounting records relating to its plant in service. Specifically, it did not keep copies of contracts with homeowner associations for the operation of their sewer system. As a result, management could not determine if ownership of the sewer systems was transferred to the District or if the homeowner associations retained ownership of the assets. If the homeowner associations gave the sewer systems to the District, the fair value of the systems at the date of donation should have been recorded as assets and depreciated over the estimated useful life of the systems. The accompanying financial statements do not include any assets and related depreciation expense related to these sewer systems.

*Recommendation:* Management should obtain copies of all contracts with homeowner associations and determine if the underlying sewer system was transferred to the District. If so, they should determine the fair value at the date of donation and record the asset (and related depreciation) in the general ledger.

*Management's Response:* We concur. We are searching for the contracts and will contact the associations if we are unable to locate them. If we determine that the plant in service should be recorded as an asset of the District, we will determine the value and record the asset and related depreciation.