

South Blount County Utility District
808 West Lamar Alexander Parkway
Ph. 865-982-3560 Fax. 865-984-8330
www.southblountutility.org



September 18, 2017

Mayor Ed Mitchell
Blount County Court House
341 Court St
Maryville, TN 37804

Dear Mayor Mitchell,

Enclosed please find a copy of the financial statement for FY 2016-2017 for South Blount County Utility District. If you have any questions please feel free to call our office at 982-3560.

Sincerely,

A handwritten signature in blue ink that reads 'Carol Durant'. The signature is fluid and cursive, with the first name 'Carol' being more prominent.

Carol Durant
Office Manager

SOUTH BLOUNT COUNTY UTILITY DISTRICT
Maryville, Tennessee

FINANCIAL STATEMENTS

June 30, 2017 and 2016

SOUTH BLOUNT COUNTY UTILITY DISTRICT

Maryville, Tennessee
June 30, 2017 and 2016

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SOUTH BLOUNT COUNTY UTILITY DISTRICT
Maryville, Tennessee

INTRODUCTORY SECTION

June 30, 2017 and 2016

SOUTH BLOUNT COUNTY UTILITY DISTRICT

Maryville, Tennessee

Schedule of Board of Commissioners

June 30, 2016

President
Vice President
Secretary/Treasurer

Virginia Morton
Ray Evans
Tom Abbott

SOUTH BLOUNT COUNTY UTILITY DISTRICT

Maryville, Tennessee

FINANCIAL SECTION

June 30, 2017 and 2016



Joe S. Ingram, CPA (1948 - 2011)
Lonas D. Overholt, CPA
Robert L. Bean, CPA

428 Marilyn Lane
Alcoa, Tennessee 37701

Telephone
865-984-1040
Facsimile
865-982-1665

INDEPENDENT AUDITORS' REPORT

To the Commissioners of
South Blount County Utility District
Maryville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of South Blount County Utility District as of and for the years ended June 30, 2017 and 2016 which comprise the District's basic financial statements as listed in the Table of Contents and the related notes to the financial statements.

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 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. 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 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 South Blount County Utility District as of June 30, 2017 and 2016 and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 6 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the South Blount County Utility District's financial statements as a whole. The Schedule of Board of Commissioners on page 1 and the supplemental information section on pages 24 through 30 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2017, on our consideration of the South Blount County Utility District'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 the South Blount County Utility District's internal control over financial reporting and compliance.

Ingram, Overholt & Bean, PC

Alcoa, Tennessee

August 21, 2017

Telephone
(865) 982-3560
Fax
(865) 984-8330

SOUTH BLOUNT COUNTY UTILITY DISTRICT

808 W. Lamar Alexander Pkwy.
Maryville, TN 37801



August 21, 2017

Our discussion and analysis of South Blount County Utility District's financial performance provides an overview of the District's activities for the years ended June 30, 2017 and 2016. Please read it in conjunction with the District's financial statements, as listed in the Table of Contents.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position provide information about the District as a whole and present a long-term view of the District's finances.

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

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 Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District and about its activities that help answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. You can think of the District's net position – the difference between assets and liabilities – as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating.

FINANCIAL HIGHLIGHTS

The operations of the South Blount County Utility District are primarily funded as follows:

	<u>6-30-17</u>	<u>6-30-16</u>	<u>6-30-15</u>
Sewer revenues	.8%	.9%	.9%
Water revenues	88.0%	86.4%	89.2%
Water tap fees	4.5%	4.0%	3.9%
Sewer tap fees	.1%	.1%	.1%
Forfeited discounts	2.5%	2.2%	2.3%
Service charges and miscellaneous income	1.4%	3.7%	1.0%
Service connection fees	1.0%	.9%	1.0%
Sewer collection fees	1.0%	1.1%	.9%
Interest income	.7%	.7%	.7%
Total funding	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Operational costs (excluding depreciation and amortization) for the District were \$4,756,732 and \$4,877,344 for the fiscal years ended June 30, 2017 and 2016, respectively.

ASSETS, LIABILITIES, AND NET POSITION

The analysis below focuses on the net position and changes in net position of the District.

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Current Assets	\$ 12,118,031	\$ 11,470,068	\$ 10,869,359
Non-Current Assets	<u>42,773,825</u>	<u>42,446,358</u>	<u>43,825,053</u>
Total Assets	<u>54,891,856</u>	<u>53,916,426</u>	<u>54,694,412</u>
Deferred Outflows of Resources	<u>1,062,052</u>	<u>1,106,304</u>	-
Current Liabilities	1,366,883	1,289,525	1,322,359
Non-Current Liabilities	<u>28,551,098</u>	<u>29,365,308</u>	<u>29,094,439</u>
Total Liabilities	<u>29,917,981</u>	<u>30,654,833</u>	<u>30,416,798</u>
Deferred Inflows of Resources	-	-	-
Net Position			
Net Investment in Capital Assets	13,440,569	12,325,441	12,538,494
Unrestricted	<u>12,595,358</u>	<u>12,042,456</u>	<u>11,739,120</u>
Total Net Position	<u>\$ 26,035,927</u>	<u>\$ 24,367,897</u>	<u>\$ 24,277,614</u>
Total Revenues	\$ 9,188,234	\$ 9,044,025	\$ 8,626,716
Total Expenses	<u>7,520,204</u>	<u>7,479,951</u>	<u>7,629,767</u>
Change in Net Position	<u>\$ 1,668,030</u>	<u>\$ 1,564,074</u>	<u>\$ 996,949</u>

The assets of the District increased by 1.8% during the current year. Net Position of the District increased by 6.8%.

FINANCIAL RATIOS

The ratio of Working Capital demonstrates the continuing ability to finance operations with cash. The stability of the current ratio indicates the District's ability to meet short-term debt obligations. The higher the ratio, the more liquid the District is.

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Working Capital (the amount by which current assets exceed liabilities)	\$ 10,751,148	\$ 10,180,543	\$ 9,547,000
Current Ratio (compares current assets to liabilities – as an indicator of the ability to pay current obligations)	8.87	8.89	8.22
Return on Assets – illustrates to what extent there will be sufficient funds to replace assets in the future	3.0%	2.9%	1.8%

CAPITAL ASSETS

At the fiscal years ended June 30, 2017 and 2016, the District had \$63,860,247 and \$62,025,174 respectively, invested in capital assets (a 3.0% increase).

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Land and land rights	\$ 812,084	\$ 432,393	\$ 432,393
Building and improvements	1,495,626	1,416,858	1,416,858
Distribution facilities	58,999,960	57,071,204	56,430,353
Office, furniture and fixtures	462,392	462,392	462,392
Tools and equipment	460,083	410,553	386,682
Transportation equipment	612,798	584,235	479,917
Intangibles	306,945	306,945	306,945
Construction in progress	710,359	1,340,594	363,627
Totals	<u>\$ 63,860,247</u>	<u>\$ 62,025,174</u>	<u>\$ 60,279,167</u>

DEBT

The change in bonds payable for the fiscal year ended June 30, 2017, is as follows:

	<u>Balance 6-30-16</u>	<u>Bond Proceeds</u>	<u>Bonds Retired/Refunded</u>	<u>Balance 6-30-17</u>
Waterworks Revenue/ Refunding Bonds, Series 2016	\$ 8,680,000	\$ -	\$ (65,000)	\$ 8,615,000
Waterworks Revenue Bonds, Series 2009	20,300,000	-	(685,000)	19,615,000
Waterworks Revenue Bonds, Series 2011	<u>599,613</u>	<u>-</u>	<u>(16,009)</u>	<u>583,604</u>
Total	<u>\$ 29,579,613</u>	<u>\$ -</u>	<u>\$ (766,009)</u>	<u>\$ 28,813,604</u>

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens 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 about this report or need additional financial information, contact the District Manager, 808 West Lamar Alexander Parkway, Maryville, Tennessee 37801.

Respectively submitted,



A.L. Scott
District Manager

SOUTH BLOUNT COUNTY UTILITY DISTRICT
Maryville, Tennessee
STATEMENTS OF NET POSITION – BUSINESS-TYPE ACTIVITIES

	June 30,	
	<u>2017</u>	<u>2016</u>
ASSETS		
Current Assets:		
Cash on hand and in bank.....	\$ 8,431,913	\$ 10,797,787
Certificate of deposit	3,000,000	-
Accounts receivable – net of allowance for uncollectible accounts of \$46,448 (2017) and \$59,662 (2016)	414,816	383,295
Inventory – Materials and supplies.....	271,302	288,986
Total Current Assets	<u>12,118,031</u>	<u>11,470,068</u>
Non-Current Assets:		
Intangible Assets, net of accumulated amortization.....	70,847	97,645
Non-depreciable	812,084	432,393
Depreciable, net of accumulated depreciation	41,012,804	40,401,006
Construction in process	710,359	1,340,594
Unamortized bond discount	167,731	174,720
Total Non-Current Assets	<u>42,773,825</u>	<u>42,446,358</u>
Total Assets.....	<u>54,891,856</u>	<u>53,916,426</u>
DEFERRED OUTFLOWS OF RESOURCES.....	<u>1,062,052</u>	<u>1,106,304</u>
LIABILITIES		
Current Liabilities:		
Accrued HSA/FSA	\$ 18,668	\$ 15,042
Accounts payable.....	128,961	77,160
Accrued sales tax	69,976	65,261
PTO pay.....	281,986	274,512
Due to City of Maryville	75,734	91,541
Bonds and notes payable – current maturities	791,558	766,009
Total Current Liabilities.....	<u>1,366,883</u>	<u>1,289,525</u>
Non-Current Liabilities:		
Unamortized bond premium	519,652	541,304
Customer deposits	9,400	10,400
Bonds and notes payable	28,022,046	28,813,604
Total Non-Current Liabilities.....	<u>28,551,098</u>	<u>29,365,308</u>
Total Liabilities.....	<u>29,917,981</u>	<u>30,654,833</u>
DEFERRED INFLOWS OF RESOURCES	-	-
NET POSITION		
Net Investment in Capital Assets.....	13,440,569	12,325,441
Unrestricted	<u>12,595,358</u>	<u>12,042,456</u>
Total Net Position	<u>\$ 26,035,927</u>	<u>\$ 24,367,897</u>

See accompanying independent auditors' report and notes.

SOUTH BLOUNT COUNTY UTILITY DISTRICT
Maryville, Tennessee
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION

	<u>Fiscal Years Ended June 30,</u>	
	<u>2017</u>	<u>2016</u>
OPERATING REVENUES:		
Metered water sales (net of uncollectible accounts of \$48,000 in 2017 and \$46,169 in 2016)	\$ 8,081,238	\$ 7,816,052
Water tap fees	415,000	358,700
Customers' forfeited discounts	225,515	201,960
Miscellaneous, sale of materials, and reconnecting and service charges	194,870	193,343
Service connection fees	89,410	83,480
Sewer collection fees	90,083	99,782
Sewer tap fees	11,250	11,250
Total Operating Revenues	<u>9,107,366</u>	<u>8,764,567</u>
OPERATING EXPENSES:		
Bank charges	3,247	6,847
Maintenance of utility plant and equipment	543,170	357,401
Transportation expense	36,950	39,667
Salaries – Office and administrative	763,933	819,407
Salaries – Maintenance and meter reading	1,220,175	1,148,159
Uniforms	8,179	15,405
Insurance	653,307	652,051
Payroll taxes	149,269	152,355
Refunds	8,631	13,425
Telephone and mobile phone	43,131	35,442
Utilities	422,873	417,123
Memberships, fines, fees, dues	40,602	38,092
Legal and audit	12,420	17,247
Professional services	136,169	89,361
Office supplies and postage	192,151	243,440
Employee Benefit Program	189,989	199,328
Travel – Commissioners	2,302	1,870
Travel – Management	3,863	4,189
Travel – Employees	12,988	14,460
Miscellaneous expense	114,860	91,773
Bond issue cost	45,395	364,064
Chemicals	128,910	127,642
Treatment plant testing	11,425	9,964
Depreciation and amortization	1,529,605	1,523,614
Other water treatment plant expenses	12,793	18,632
Total Operating Expenses	<u>6,286,337</u>	<u>6,400,958</u>

See accompanying independent auditors' report and notes.

(Continued)

SOUTH BLOUNT COUNTY UTILITY DISTRICT
Maryville, Tennessee
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION (CONTINUED)

	<u>Fiscal Years Ended June 30,</u>	
	<u>2017</u>	<u>2016</u>
Operating Income.....	<u>2,821,029</u>	<u>2,363,609</u>
Other Income (Expenses):		
Interest income	63,170	66,095
Interest expense	(1,233,867)	(1,078,993)
Gain on disposal of fixed assets	<u>17,698</u>	<u>4,463</u>
Total Other Income (Expenses)	<u>(1,152,999)</u>	<u>(1,008,435)</u>
Income Before Contributions.....	1,668,030	1,355,174
Capital Contributions	<u>-</u>	<u>208,900</u>
CHANGE IN NET POSITION.....	1,668,030	1,564,074
Net Position, Beginning of Year, as previously reported	24,367,897	24,277,615
Prior Period Adjustment (Note 9)	<u>-</u>	<u>(1,473,792)</u>
Net Position, Beginning of Year, as restated	<u>24,367,897</u>	<u>22,803,823</u>
Net Position, End of Year	<u>\$ 26,035,927</u>	<u>\$ 24,367,897</u>

See accompanying independent auditors' report and notes.

SOUTH BLOUNT COUNTY UTILITY DISTRICT
Maryville, Tennessee
STATEMENTS OF CASH FLOWS

	<u>Fiscal Years Ended June 30,</u>	
	<u>2017</u>	<u>2016</u>
CASH FLOWS PROVIDED (USED) BY		
OPERATING ACTIVITIES:		
Collections from customers	\$ 9,093,529	\$ 8,707,875
Payments made to employees	(2,122,277)	(2,103,173)
Payments made to vendors.....	<u>(2,583,646)</u>	<u>(2,898,818)</u>
Net Cash Flows Provided		
By Operating Activities	<u>4,387,606</u>	<u>3,705,884</u>
CASH FLOWS PROVIDED (USED) BY CAPITAL		
AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets and changes to		
construction in progress	(1,864,061)	(1,753,860)
Bond and note principal payments and bond refunding ...	(766,009)	(8,795,479)
Proceeds from debt borrowing	-	8,680,000
Bond premium and discount.....	29,589	(786,114)
Payment to bond retention fund	-	293,121
Developer contributions	-	208,900
(Proceeds) loss from disposal of fixed assets	17,698	4,463
Interest paid on debt	<u>(1,233,867)</u>	<u>(1,078,993)</u>
Net Cash Flows Provided (Used) By		
Capital and Related Financing Activities.....	<u>(3,816,650)</u>	<u>(3,227,962)</u>
CASH FLOWS PROVIDED BY		
INVESTING ACTIVITIES:		
Interest received	63,170	66,095
Proceeds from (investment) in certificate of deposit.....	<u>(3,000,000)</u>	<u>-</u>
Net Cash Provided (Used) by Investing Activities	<u>(2,936,830)</u>	<u>66,095</u>
NET INCREASE (DECREASE) IN CASH AND		
CASH EQUIVALENTS.....	(2,365,874)	544,017
CASH AND CASH EQUIVALENTS –		
Beginning of Year	<u>10,797,787</u>	<u>10,253,770</u>
CASH AND CASH EQUIVALENTS –		
End of Year	<u>\$ 8,431,913</u>	<u>\$ 10,797,787</u>

(Continued)

See accompanying independent auditors' report and notes.

SOUTH BLOUNT COUNTY UTILITY DISTRICT
Maryville, Tennessee
STATEMENTS OF CASH FLOWS (Continued)

	<u>Fiscal Years Ended June 30,</u>	
	<u>2017</u>	<u>2016</u>
RECONCILIATION OF OPERATING INCOME		
TO CASH FLOWS PROVIDED (USED) BY		
OPERATING ACTIVITIES:		
Operating income	\$ 2,821,029	\$ 2,363,609
Add non-cash expenses:		
Depreciation and amortization	1,529,605	1,523,614
Changes in assets and liabilities:		
Accounts receivable	(31,521)	10,558
Inventory	17,684	(67,250)
Accounts payable	51,801	(28,608)
Due to City of Maryville	(15,807)	5,069
Accrued sales tax	4,715	(2,129)
PTO pay	7,474	13,175
Customer deposits	(1,000)	(1,283)
Accrued HSA/FSA	3,626	3,573
Accrued interest	-	(114,444)
 Cash Flows Provided By Operating Activities	 <u>\$ 4,387,606</u>	 <u>\$ 3,705,884</u>

See accompanying independent auditors' report and notes.

SOUTH BLOUNT COUNTY UTILITY DISTRICT
Maryville, Tennessee

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

SOUTH BLOUNT COUNTY UTILITY DISTRICT
Maryville, Tennessee
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 1 – REPORTING ENTITY:

South Blount County Utility District was chartered to provide water service to the residents of Blount County, Tennessee. The Board of Commissioners consists of three (3) individuals who serve four (4)-year terms. They are appointed by the Blount County Mayor.

Governmental Accounting Standards Board (GASB) Statement No. 14 - "The Financial Reporting Entity", as amended by GASB Statement No. 39 – "Determining Whether Certain Organizations are Component Units" defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of a component unit's Board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

In evaluating how to define the government for financial reporting purposes, management has considered the primary government and all potential component units by applying the definitions and the criteria set forth by GASB Statement No. 14, as amended by GASB Statement No. 39.

The financial statements of the Utility (primary government) provide an overview of the entity based on financial accountability. The primary government consists of all the organizations that make up its legal entity - all funds, departments, and offices that are not legally separate. The Utility meets all the criteria defined for a primary government in GASB No. 14, as amended by GASB Statement No. 39 as follows:

- a. Separate legal standing through legislation authorizing its creation
- b. Fiscally independent of other state and local governments

A component unit is defined as a legally separate organization for which the elected officials of the primary government are financially accountable. In addition, a component unit can be another organization for which the nature and significance of its relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Based on the criteria applicable to GASB No. 14, as amended by GASB Statement No. 39 for component units, the Utility has no financial accountability for any component units. Therefore, the financial reporting entity is limited to those funds, departments, and offices which comprise the Utility's legally adopted jurisdictions.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES:

A) Accounting Method:

South Blount County Utility District is accounted for as an enterprise fund type using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business and where the board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

(Continued)

SOUTH BLOUNT COUNTY UTILITY DISTRICT
Maryville, Tennessee
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued):

B) Accounts Receivable and Allowance for Uncollectible Accounts:

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is uncollectible. Allowance for uncollectible accounts are estimated at 5% of outstanding accounts receivable at June 30, 2017 and 2016.

C) Cash Equivalents:

Investments with an original maturity of three (3) months or less are considered cash equivalents. There were no cash equivalents at June 30, 2017 or 2016.

D) Investments:

In order to provide a safe temporary medium for investment of idle funds, utility districts are authorized by TCA 7-82-108 to invest in the following:

- (1) Bonds, notes, or treasury bills of the United States;
- (2) Non-convertible debt securities of certain issuers;
- (3) Other obligations which are guaranteed as to principal and interest by the United States or any of its agencies;
- (4) Certificates of Deposit at state and federal chartered banks and savings and loan associations;
- (5) Obligations of the United States or its agencies under a repurchase agreement if approved as an authorized investment by the State Director of Local Finance;
- (6) Money market funds whose portfolios consist of any of the foregoing investments if approved as an authorized investment by the State Director of Local Finance; and
- (7) The Local Government Investment Pool under which local monies are transferred to and invested with the State Treasurer's cash portfolio. Investments consist of amounts held in the Local Government Investment Pool and are stated at cost.

E) Inventory:

Inventories are valued at cost using the first-in, first-out inventory valuation method and consist of meters and repair parts.

(Continued)

SOUTH BLOUNT COUNTY UTILITY DISTRICT
Maryville, Tennessee
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued):

F) Utility Plant and Depreciation:

The cost of additions to utility plant and the cost of renewals and betterments are capitalized and carried at acquisition cost. During the year ended June 30, 1991, the District began maintaining a formal cost accumulation/allocation system for the internal acquisition/construction of new or major renovations of plant. Costs attributable to the internal acquisitions of new plant are capitalized at year-end. The cost of repairs and minor replacements is charged to current operations. Fixed assets acquired prior to June 30, 1991 are carried at cost.

Depreciation is calculated using the straight-line method, half-year convention, based on estimated useful lives. Depreciation rates vary from 2% to 20%.

G) Construction Period Interest:

It is the Utility's policy to capitalize interest on debt used to finance the acquisition of fixed assets during the construction period.

H) Bond Premiums and Discounts:

Bond premiums and discounts, are deferred and amortized over the lives of the applicable bond issues. Long-term debt is reported net of the applicable bond premium or discount.

I) Paid Time Off Policy:

All PTO hours will be accrued at the beginning of each calendar year and will be based on each employee's months of service as of January 1st. New employees will be eligible for PTO upon the successful completion of the initial introductory period. Upon successful completion of the initial introductory period a Regular employee will receive a prorated amount of PTO from the end of their introductory period to the end of the calendar year.

After their introductory period, all Regular employees will earn PTO hours based upon the total number of months in which the employee worked a full month as defined herein. The number of months worked is determined at each January 1st when PTO accruals are made.

<u>Regular Full Time Prior to 1/1/13</u>		<u>Regular Full Time After 1/1/13</u>	
<u>Months Worked</u>	<u>PTO Hours Accrued</u>	<u>Months Worked</u>	<u>PTO Hours Accrued</u>
3 mos. – 12 months	128 hours (prorated thru end of 1 st year)	3 months – 12 months	96 hours
13 months – 48 months	144 hours	13 months – 48 months	120 hours
49 months – 108 months	168 hours	49 months – 108 months	144 hours
109 months – 168 months	192 hours	109 months – 168 months	168 hours
169 months – 228 months	216 hours	169 months and beyond	208 hours
229 months – 288 months	240 hours		
289 months and beyond	264 hours		

(Continued)

SOUTH BLOUNT COUNTY UTILITY DISTRICT
Maryville, Tennessee
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES: (Continued)

I) Paid Time Off Policy (Continued):

Each employee must take off at least six (6) days per calendar year if available. P.T.O. may be accumulated by the employee not to exceed sixty (60) days. All amounts accumulated in the excess of 60 days shall be forfeited at the end of the year.

PTO pay is reflected in the financial statements, as is stated in accordance with the guidelines established by the Governmental Accounting Standards Board Statement No. 16.

J) Employee Pension Plans:

General - The 401(k) Profit Sharing Plan (the “Plan”) is a defined contribution plan covering all employees of South Blount Utility District (the “Company”) who have completed one year of service and are age twenty-one or older.

Contributions - Each year, participants may contribute up to 100% of pretax annual compensation to a maximum contribution amount permitted by tax regulations, as defined in the Plan. Participants who have attained age 50 before the end of the Plan year are eligible to make catch-up contributions. Participants may also contribute amounts representing distributions from other qualified defined benefit or contribution plans. The plan has adopted the safe-harbor CODA provisions funded through a 3% non-elective contribution. At its discretion, the Company may match a portion of the employee’s deferral or fund a profit sharing contribution. Contributions are subject to certain limitations.

Participant Accounts - Each participant’s account is credited with the participant’s contribution and allocations of (a) the Company’s contribution, and (b) Plan earnings, and charged with an allocation of administrative expenses. Allocations are based on participant earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant’s vested account.

Vesting - Participants are immediately vested in their contributions as well as the Company’s contribution portion of their accounts.

Investment Options - Participants direct the investment of their contribution into the various investment options offered by the Plan with American Funds as the investment custodian and recordkeeper.

Payment of Benefits - On termination of service due to death, disability or retirement, a participant (or a participant’s beneficiary in the event of the death of a participant) may elect to receive either a lump sum amount equal to the value of the participant’s vested interest in his or her account, or annual installments over the participant’s applicable life expectancy. Generally, withdrawals are available only from the vested portion of a participant’s account. Withdrawals from the accounts are not allowed for participants who are less than 59½ years of age, except under hardship withdrawal, direct rollover, and termination provisions. The amount of the contributions paid to the plan during the fiscal years ended June 30, 2017 and June 30, 2016 was \$189,989 and \$199,328, respectively.

(Continued)

SOUTH BLOUNT COUNTY UTILITY DISTRICT
Maryville, Tennessee
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES: (Continued)

K) Use of Estimates:

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

L) Revenues and Expenses:

The Utility distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal operations. The principal operating revenues of the South Blount Utility District consist of water sales and related activities. Non-operating revenues consist of interest, contributions and other ancillary activities. Operating expenses include water production costs, operation and maintenance expenses, and other costs related to water distribution. Expenses not meeting this definition are reported as non-operating expenses. When both restricted and unrestricted resources are available for use, it is the Utility's policy to use restricted resources first, then unrestricted resources as they are needed.

M) Net Position:

Net positions represent the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources on the district-wide financial statements. Net positions are classified in the following categories:

Net investment in capital assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted net position – This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted net position – This amount is the net position that does not meet the definition of "net investment in capital assets" or "restricted net position".

N) Implementation of New Accounting Standards:

The Governmental Accounting Standards Board (GASB) issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement establishes standards for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and also requires related disclosures. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011.

In addition the GASB has issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement specifies the items that were previously reported as assets and liabilities that should now be reported as deferred outflows of resources, deferred inflows of resources, outflows of resources, or inflows of resources. Since this Statement closely correlates to Statement No. 63, the Utility elected to early implement the provisions of this statement.

(Continued)

SOUTH BLOUNT COUNTY UTILITY DISTRICT

Maryville, Tennessee

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

NOTE 3 – CASH AND INVESTMENTS:

In order to provide a safe temporary medium for investment of idle funds, utilities are authorized by TCA 6-56-106 to invest in the following:

- (1) Bonds, notes, or treasury bills of the United States;
- (2) Non-convertible debt securities of certain issuers;
- (3) Other obligations which are guaranteed as to principal and interest by the United States or any of its agencies;
- (4) Certificates of Deposit at state and federal chartered banks and savings and loan associations;
- (5) Obligations of the United States or its agencies under a repurchase agreement if approved as an authorized investment by the State Director of Local Finance;
- (6) Money market funds whose portfolios consist of any of the foregoing investments if approved as an authorized investment by the State Director of Local Finance; and
- (7) The Local Government Investment Pool under which local monies are transferred to and invested with the State Treasurer's cash portfolio.

Cash and investments include bank balances and investments that at the balance sheet date were either entirely insured or collateralized with securities held by the Tennessee Investment Collateral Pool.

Total cash and investments at a carrying amount of \$11,431,913 and \$10,797,787 at June 30, 2017 and 2016, respectively, are classified as follows:

<u>Type</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Petty Cash.....	\$ 1,214	\$ 1,116
Local financial institutions -		
Checking accounts	339,885	545,308
Savings	8,090,814	10,251,363
Certificates of Deposit	<u>3,000,000</u>	<u>-</u>
Total.....	<u>\$11,431,913</u>	<u>\$10,797,787</u>

NOTE 4 – CAPITAL ASSETS:

In the basic financial statements, fixed assets are accounted for and capitalized as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation.

Depreciation of capital assets is recorded as an expense in the Statement of Revenues, Expenses, and Changes in Net Position, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

(Continued)

SOUTH BLOUNT COUNTY UTILITY DISTRICT
Maryville, Tennessee
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 4 – CAPITAL ASSETS (Continued):

The range of estimated useful lives by type of asset is as follows:

Land and land rights	0%
Building and improvements	3% to 10%
Distribution facilities	2% to 10%
Office furniture and fixtures	10% to 33%
Tools and equipment	6% to 20%
Transportation equipment	10% to 20%
Intangibles	10%

Activity for general fixed assets is summarized as follows:

	Balance <u>July 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2017</u>
Capital Assets, non depreciable:				
Land and land rights	\$ 432,393	\$ 379,691	\$ -	\$ 812,084
Capital Assets, depreciable:				
Power and pumping structure.....	3,317,587	1,513,806	-	4,831,393
Buildings and improvements.....	1,416,858	78,768	-	1,495,626
Distribution mains	28,288,138	149,881	-	28,438,019
Meters	3,716,585	170,526	-	3,887,111
Tools and work equipment	365,647	60,893	(11,364)	415,176
Transportation equipment.....	584,235	53,790	(25,227)	612,798
Office furniture and equipment	44,968	-	-	44,968
Intangibles.....	306,945	-	-	306,945
Computer systems and accessories	417,424	-	-	417,424
Miscellaneous equipment	44,907	-	-	44,907
Pump stations.....	542,195	-	-	542,195
Sewer systems & accessories	892,678	-	-	892,678
Water treatment plant	20,314,020	94,544	-	20,408,564
Total Capital Assets, depreciable	60,252,187	2,122,208	(36,591)	62,337,804
Accumulated depreciation.....	(19,753,536)	(1,529,605)	28,988	(21,254,153)
Capital Assets, net of accumulated depreciation.....	40,498,651	592,603	(7,603)	41,083,651
Construction in progress	1,340,594	1,082,829	(1,713,064)	710,359
Total Capital Assets	\$ 42,271,638	\$ 2,055,123	\$ (1,720,667)	\$ 42,606,094

(Continued)

SOUTH BLOUNT COUNTY UTILITY DISTRICT

Maryville, Tennessee

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

NOTE 5 – ACCOUNTS RECEIVABLE:

Accounts receivable consist of:

	<u>June 30,</u>	
	<u>2017</u>	<u>2016</u>
Customer accounts	\$ 461,264	\$ 442,957
Less: Allowance for uncollectible accounts	(46,448)	(59,662)
Total	<u>\$ 414,816</u>	<u>\$ 383,295</u>

NOTE 6 – BONDS AND NOTES PAYABLE:

- (A) South Blount County Utility District issued \$29,725,000 Waterworks Revenue Bonds, Series 2009, dated February 25, 2009 with a maturity date of February 25, 2039. The bonds bear interest at variable rates between 2 to 5%. The purpose of the bonds is to procure funds to finance acquisitions and construction of extensions and improvements to the waterworks system of the District. In May 2016, \$8,115,000 was refunded to a Water Revenue Refunding Bond, Series 2016 (C). The amount owed on the bonds at June 30, 2017 is \$19,615,000. Maturities are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 705,000	\$ 926,900	\$ 1,631,900
2019	730,000	901,788	1,631,788
2020	760,000	874,763	1,634,763
2021	540,000	849,713	1,389,713
2022	560,000	827,013	1,387,013
Subtotal	<u>3,295,000</u>	<u>4,380,177</u>	<u>7,675,177</u>
2023	585,000	803,413	1,388,413
2024	610,000	777,225	1,387,225
2025	635,000	749,244	1,384,244
2026	670,000	720,675	1,390,675
2027	700,000	689,850	1,389,850
Subtotal	<u>3,200,000</u>	<u>3,740,407</u>	<u>6,940,407</u>
2028	730,000	656,763	1,386,763
2029	765,000	620,300	1,385,300
2030	810,000	580,419	1,390,419
2031	850,000	537,881	1,387,881
2032	895,000	493,725	1,388,725
Subtotal	<u>4,050,000</u>	<u>2,889,088</u>	<u>6,939,088</u>
2033	940,000	447,850	1,387,850
2034	990,000	399,600	1,389,600
2035	1,040,000	347,550	1,387,550
2036	1,095,000	291,506	1,386,506
2037	1,155,000	232,444	1,387,444
Subtotal	<u>5,220,000</u>	<u>1,718,950</u>	<u>6,938,950</u>

(Continued)

SOUTH BLOUNT COUNTY UTILITY DISTRICT

Maryville, Tennessee

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

NOTE 6 – BONDS AND NOTES PAYABLE (Continued):

(A) Continued:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2038	1,215,000	170,231	1,385,231
2039	1,280,000	104,738	1,384,738
2040	1,355,000	35,569	1,390,569
Subtotal	<u>3,850,000</u>	<u>310,538</u>	<u>4,160,538</u>
Total	<u>\$ 19,615,000</u>	<u>\$ 13,039,160</u>	<u>\$ 32,654,160</u>

- (B) The District issued a \$769,000 Waterworks Revenue Bond Series 2011 sold to the United States of America, acting through Rural Development. The note in the original amount of \$769,000 dated June 20, 2012, bears interest at the rate of 3.375%. Remaining principal balance at June 30, 2017 was \$583,604. The bond calls for monthly payments of \$3,000.

Maturities are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 16,558	\$ 19,442	\$ 36,000
2019	17,126	18,874	36,000
2020	17,713	18,287	36,000
2021	18,320	17,680	36,000
2022	18,948	17,052	36,000
Subtotal	<u>88,665</u>	<u>91,335</u>	<u>180,000</u>
2023	19,597	16,403	36,000
2024	20,269	15,731	36,000
2025	20,964	15,036	36,000
2026	21,682	14,318	36,000
2027	22,425	13,575	36,000
Subtotal	<u>104,937</u>	<u>75,063</u>	<u>180,000</u>
2028	23,194	12,806	36,000
2029	23,989	12,011	36,000
2030	24,811	11,189	36,000
2031	25,662	10,338	36,000
2032	26,541	9,459	36,000
Subtotal	<u>124,197</u>	<u>55,803</u>	<u>180,000</u>
2033	27,451	8,549	36,000
2034	28,392	7,608	36,000
2035	29,365	6,635	36,000
2036	30,372	5,628	36,000
2037	31,413	4,587	36,000
Subtotal	<u>146,993</u>	<u>33,007</u>	<u>180,000</u>

(Continued)

SOUTH BLOUNT COUNTY UTILITY DISTRICT

Maryville, Tennessee

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

NOTE 6 – BONDS AND NOTES PAYABLE (Continued):

(B) (Continued):

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2038	32,490	3,510	36,000
2039	33,603	2,397	36,000
2040	34,755	1,245	36,000
2041	17,964	179	18,143
Subtotal	<u>118,812</u>	<u>7,331</u>	<u>126,143</u>
Totals	<u>\$ 583,604</u>	<u>\$ 262,539</u>	<u>\$ 846,143</u>

- (C) During 2016, the District issued \$8,115,000 of refunding bonds to provide resources for the partial refunding of \$8,115,000 of the Waterworks Revenue Bonds, Series 2009. The purpose of this transaction was to reduce the District's exposure to interest rate volatility in the insured bond market. As a result, \$8,115,000 bonds were redeemed, and the liability has been removed from the statement of net position. The government issued \$8,115,000 of general obligation refunding bonds to provide resources to purchase U.S. government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. The reacquisition price exceeded the net carrying amount of the old debt by \$565,000. This amount is being amortized over the remaining life of the new debt.

The District issued a \$8,680,000 Waterworks Revenue Refunding Bond, Series 2016, dated May 27, 2016 with a maturity date of June 1, 2040. The bond bears interest at 2.79%. The principal balance at June 30, 2016 was \$8,615,000. The bond calls for yearly payments ranging from \$65,000 to \$565,000.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 70,000	\$ 259,050	\$ 329,050
2019	70,000	257,650	327,650
2020	70,000	256,250	326,250
2021	320,000	252,350	572,350
2022	<u>325,000</u>	<u>245,900</u>	<u>570,900</u>
Subtotal	<u>855,000</u>	<u>1,271,200</u>	<u>2,126,200</u>
2023	330,000	239,350	569,350
2024	340,000	232,650	572,650
2025	345,000	225,800	570,800
2026	355,000	218,800	573,800
2027	<u>360,000</u>	<u>211,650</u>	<u>571,650</u>
Subtotal	<u>1,730,000</u>	<u>1,128,250</u>	<u>2,858,250</u>

(Continued)

SOUTH BLOUNT COUNTY UTILITY DISTRICT

Maryville, Tennessee

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

NOTE 6 – BONDS AND NOTES PAYABLE (Continued):

(C) (Continued):

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2028	370,000	202,500	572,500
2029	385,000	191,175	576,175
2030	395,000	179,475	574,475
2031	410,000	165,350	575,350
2032	<u>425,000</u>	<u>148,650</u>	<u>573,650</u>
Subtotal	<u>1,985,000</u>	<u>887,150</u>	<u>2,872,150</u>
2033	445,000	131,250	576,250
2034	460,000	113,150	573,150
2035	480,000	94,350	574,350
2036	495,000	74,850	569,850
2037	<u>520,000</u>	<u>57,150</u>	<u>577,150</u>
Subtotal	<u>2,400,000</u>	<u>470,750</u>	<u>2,870,750</u>
2038	530,000	41,400	571,400
2039	550,000	25,200	575,200
2040	<u>565,000</u>	<u>8,475</u>	<u>573,475</u>
Subtotal	<u>1,645,000</u>	<u>75,075</u>	<u>1,720,075</u>
Totals	<u>\$ 8,615,000</u>	<u>\$ 3,832,425</u>	<u>\$12,447,425</u>

A summary of Long-Term Debt is as follows:

Balance – June 30, 2016.....	\$ 29,579,613
Additions.....	-
Retirements	(766,009)
Refunded	-
Balance – June 30, 2017.....	<u>\$ 28,813,604</u>

NOTE 7 – RISK FINANCING ACTIVITIES:

It is the policy of the Utility to purchase commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property and casualty, workmen's compensation, and employee health and accident. Settled claims have not exceeded this commercial coverage in any of the past three (3) fiscal years.

(Continued)

SOUTH BLOUNT COUNTY UTILITY DISTRICT

Maryville, Tennessee

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

NOTE 8 – COMMITTED CONSTRUCTION:

As of June 30, 2017, the Utility had the following commitment with respect to unfinished construction in progress:

<u>Project Name</u>	<u>Total Contract or Estimated Amount</u>	<u>Costs Incurred Through June 30, 2016</u>	<u>Estimated Cost to Complete</u>
Raw water pump station improvement	\$ 650,100	\$ 427,924	\$ 222,176
Miser Station Road, Farmington View, Phase 2	41,700	1,900	39,800
Autumn Drive	38,000	9,097	28,903
Blockhouse Road – Water Transmission Main – Phase 1	<u>783,980</u>	<u>271,438</u>	<u>512,542</u>
	<u>\$ 1,513,780</u>	<u>\$ 710,359</u>	<u>\$ 803,421</u>

NOTE 9 – PRIOR PERIOD ADJUSTMENT:

For the fiscal year ended June 30, 2016, South Blount Utility District implemented Statement 63 of the Governmental Accounting Standards Board, which resulted in debt issuance costs and losses on the advance refunding of debt being expensed on the financial statements.

The beginning net position of the Statement of Activities for the fiscal year ended June 30, 2016, has been restated as follows:

Net Position – Beginning of Year	\$ 24,277,615
Prior Period Adjustment	<u>(1,473,792)</u>
Net Position – Beginning of Year, as restated	<u>\$ 22,803,823</u>

NOTE 10 – SUBSEQUENT EVENT:

The date to which events occurring after June 30, 2017, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is August 21, 2017, which is the date on which the financial statements were issued.

SOUTH BLOUNT COUNTY UTILITY DISTRICT
Maryville, Tennessee

SUPPLEMENTAL INFORMATION SECTION

June 30, 2017 and 2016

Maryville, Tennessee

WATER PLANT IN SERVICE

Capital Assets, non-depreciable:

Land and land rights.....

Capital Assets, depreciable:

Power and pumping structure.....

Buildings and improvements

Distribution mains.....

Meters.....

Tools and work equipment

Transportation equipment.....

Office furniture and equipment ..

Intangibles

Computer systems and

accessories.....

Miscellaneous equipment

Pump stations.....

Sewer Systems & accessories.....

Water treatment plant.....

Total Capital Assets,

depreciable.....

Total Capital Assets.....

SOUTH BLOUNT COUNTY UTILITY DISTRICT

Maryville, Tennessee

SCHEDULE OF BONDS PAYABLE

June 30, 2017

Year Ended June 30,	Waterworks Revenue Bonds, Series 2009 Bonds			Waterworks Revenue Bonds 3.375% Interest Rate, Series 2011		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 705,000	\$ 926,900	\$ 1,631,900	\$ 16,558	\$ 19,442	\$ 36,000
2019	730,000	901,788	1,631,788	17,126	18,874	36,000
2020	760,000	874,763	1,634,763	17,713	18,287	36,000
2021	540,000	849,713	1,389,713	18,320	17,680	36,000
2022	560,000	827,013	1,387,013	18,948	17,052	36,000
Subtotal	<u>3,295,000</u>	<u>4,380,177</u>	<u>7,675,177</u>	<u>88,665</u>	<u>91,335</u>	<u>180,000</u>
2023	585,000	803,413	1,388,413	19,597	16,403	36,000
2024	610,000	777,225	1,387,225	20,269	15,731	36,000
2025	635,000	749,244	1,384,244	20,964	15,036	36,000
2026	670,000	720,675	1,390,675	21,682	14,318	36,000
2027	700,000	689,850	1,389,850	22,425	13,575	36,000
Subtotal	<u>3,200,000</u>	<u>3,740,407</u>	<u>6,940,407</u>	<u>104,937</u>	<u>75,063</u>	<u>180,000</u>
2028	730,000	656,763	1,386,763	23,194	12,806	36,000
2029	765,000	620,300	1,385,300	23,989	12,011	36,000
2030	810,000	580,419	1,390,419	24,811	11,189	36,000
2031	850,000	537,881	1,387,881	25,662	10,338	36,000
2032	895,000	493,725	1,388,725	26,541	9,459	36,000
Subtotal	<u>4,050,000</u>	<u>2,889,088</u>	<u>6,939,088</u>	<u>124,197</u>	<u>55,803</u>	<u>180,000</u>
2033	940,000	447,850	1,387,850	27,451	8,549	36,000
2034	990,000	399,600	1,389,600	28,392	7,608	36,000
2035	1,040,000	347,550	1,387,550	29,365	6,635	36,000
2036	1,095,000	291,506	1,386,506	30,372	5,628	36,000
2037	1,155,000	232,444	1,387,444	31,413	4,587	36,000
Subtotal	<u>5,220,000</u>	<u>1,718,950</u>	<u>6,938,950</u>	<u>146,993</u>	<u>33,007</u>	<u>180,000</u>
2038	1,215,000	170,231	1,385,231	32,490	3,510	36,000
2039	1,280,000	104,738	1,384,738	33,603	2,397	36,000
2040	1,355,000	35,569	1,390,569	34,755	1,245	36,000
2041	-	-	-	17,964	179	18,143
Subtotal	<u>3,850,000</u>	<u>310,538</u>	<u>4,160,538</u>	<u>118,812</u>	<u>7,331</u>	<u>126,143</u>
Totals	<u>\$ 19,615,000</u>	<u>\$ 13,039,160</u>	<u>\$ 32,654,160</u>	<u>\$ 583,604</u>	<u>\$ 262,539</u>	<u>\$ 846,143</u>

(Continued)

SOUTH BLOUNT COUNTY UTILITY DISTRICT

Maryville, Tennessee

SCHEDULE OF BONDS PAYABLE (Continued)

June 30, 2017

Year Ended June 30,	Waterworks Revenue Refunding Bonds, 2.79% Interest Rate, Series 2016			Totals		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 70,000	259,050	329,050	791,558	1,205,392	1,996,950
2019	70,000	257,650	327,650	817,126	1,178,312	1,995,438
2020	70,000	256,250	326,250	847,713	1,149,300	1,997,013
2021	320,000	252,350	572,350	878,320	1,119,743	1,998,063
2022	325,000	245,900	570,900	903,948	1,089,965	1,993,913
Subtotal	855,000	1,271,200	2,126,200	4,238,665	5,742,712	9,981,377
2023	330,000	239,350	569,350	934,597	1,059,166	1,993,763
2024	340,000	232,650	572,650	970,269	1,025,606	1,995,875
2025	345,000	225,800	570,800	1,000,964	990,080	1,991,044
2026	355,000	218,800	573,800	1,046,682	953,793	2,000,475
2027	360,000	211,650	571,650	1,082,425	915,075	1,997,500
Subtotal	1,730,000	1,128,250	2,858,250	5,034,937	4,943,720	9,978,657
2028	370,000	202,500	572,500	1,123,194	872,069	1,995,263
2029	385,000	191,175	576,175	1,173,989	823,486	1,997,475
2030	395,000	179,475	574,475	1,229,811	771,083	2,000,894
2031	410,000	165,350	575,350	1,285,662	713,569	1,999,231
2032	425,000	148,650	573,650	1,346,541	651,834	1,998,375
Subtotal	1,985,000	887,150	2,872,150	6,159,197	3,832,041	9,991,238
2033	445,000	131,250	576,250	1,412,451	587,649	2,000,100
2034	460,000	113,150	573,150	1,478,392	520,358	1,998,750
2035	480,000	94,350	574,350	1,549,365	448,535	1,997,900
2036	495,000	74,850	569,850	1,620,372	371,984	1,992,356
2037	520,000	57,150	577,150	1,706,413	294,181	2,000,594
Subtotal	2,400,000	470,750	2,870,750	7,766,993	2,222,707	9,989,700
2038	530,000	41,400	571,400	1,777,490	215,141	1,992,631
2039	550,000	25,200	575,200	1,863,603	132,335	1,995,938
2040	565,000	8,475	573,475	1,954,755	45,289	2,000,044
Subtotal	1,645,000	75,075	1,720,075	5,595,848	392,765	5,988,613
Totals	\$ 8,615,000	\$ 3,832,425	\$ 12,447,425	\$ 28,795,640	\$ 17,133,945	\$ 45,929,585

(Continued)

SOUTH BLOUNT COUNTY UTILITY DISTRICT

Maryville, Tennessee

SCHEDULE OF INSURANCE IN FORCE

June 30, 2017

<u>Type</u>	<u>Company</u>	<u>Policy Number</u>	<u>Dates</u>		<u>Coverage</u>
			<u>From</u>	<u>To</u>	
Workmen's Compensation	Accident Funds Insurance	WC 7977273	7-1-16	6-30-17	Statutory \$1,000,000 Each accident Disease \$1,000,000 Policy limit & each employee \$1,000,000
Crime	Berkley Southeast Insurance		7-1-16	6-30-17	Money and Securities: \$150,000 loss inside and \$150,000 loss outside - \$1,000 Deductible Employee Dishonesty: \$150,000 each person - Commissioners not covered - \$1,000 Deductible
General Liability	Berkley Southeast Insurance		7-1-16	6-30-17	General Liability: General Aggregate Limit \$1,000,000 Products - Completed Operations Aggregate limit \$1,000,000 Personal & Advertising Injury Limit \$1,000,000 Each Occurrence Limit \$1,000,000 Fire Damage Limit (any one fire) \$1,000,000 Medical Expense Limit (any one person) \$1,000,000
Automobile	Berkley Southeast Insurance		7-1-16	6-30-17	Automobile Liability: Liability - \$1,000,000 Uninsured Motorists \$1,000,000 Physical Damage - Comprehensive & Collision Actual cash value or cost of repair, whichever is less, minus deductible
Commercial Property	Berkley Southeast Insurance		7-1-16	6-30-17	\$20,476,867 buildings - 90% co-insurance, \$1,000 Deductible \$70,120 contents - 90% co-insurance, \$1,000 Deductible
Equipment Coverage	Berkley Southeast Insurance		7-1-16	6-30-17	\$500,000 per occurrence
Cyber Coverage	Travelers Insurance		10-1-16	9-30-17	Liability - \$1,000,000

SOUTH BLOUNT COUNTY UTILITY DISTRICT

Maryville, Tennessee

AWWA FREE WATER AUDIT SOFTWARE

June 30, 2017

WAS v5.0
 American Water Works Association
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AWWA Free Water Audit Software: Reporting Worksheet

Click to access definition

Click to add a comment

Water Audit Report for: South Blount Utility District (0000643)

Reporting Year: 2017 7/2016 - 6/2017

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.

WATER SUPPLIED

Volume from own sources: * ? 10 1,050,000 MG/yr

Water imported: * ? n/a 0,000 MG/yr

Water exported: * ? 10 32,000 MG/yr

WATER SUPPLIED: 1,012,935 MG/yr

Master Meter and Supply Error Adjustments

Enter grading in column 'E' and 'J' →

Point	Value	MG/yr
* ? <u>9</u> <u>0.50%</u>	<u>0</u>	MG/yr
* ? <u>10</u> <u>0.50%</u>	<u>0</u>	MG/yr

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

AUTHORIZED CONSUMPTION

Billed metered: * ? 10 803,000 MG/yr

Billed unmetered: * ? n/a 0,000 MG/yr

Unbilled metered: * ? n/a 0,000 MG/yr

Unbilled unmetered: * ? 9 12,662 MG/yr

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

AUTHORIZED CONSUMPTION: * ? 815,662 MG/yr

Click here for help using option buttons below

Use buttons to select percentage of water supplied or value

Point	Value	MG/yr
* ? <u>1.25%</u>	<u>0</u>	MG/yr
* ? <u>0.25%</u>	<u>0</u>	MG/yr
* ? <u>1.25%</u>	<u>0</u>	MG/yr
* ? <u>0.25%</u>	<u>0</u>	MG/yr

WATER LOSSES (Water Supplied - Authorized Consumption)

197,274 MG/yr

Apparent Losses

Unauthorized consumption: * ? 2,532 MG/yr

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

Customer metering inaccuracies: * ? 10 10,165 MG/yr

Systematic data handling errors: * ? 10 2,008 MG/yr

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

Apparent Losses: * ? 14,704 MG/yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: * ? 182,569 MG/yr

WATER LOSSES: 197,274 MG/yr

NON-REVENUE WATER

NON-REVENUE WATER: * ? 209,935 MG/yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains: * ? 10 447.0 miles

Number of active AND inactive service connections: * ? 10 16,875

Service connection density: * ? 38 conn./mile main

Are customer meters typically located at the curbside or property line? Yes

Average length of customer service line: * ? 10 0.0 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: * ? 1 90.0 psi

COST DATA

Total annual cost of operating water system: * ? 10 \$8,347,759 \$/Year

Customer retail unit cost (applied to Apparent Losses): * ? 10 \$5.90 \$/1000 gallons (US)

Variable production cost (applied to Real Losses): * ? 8 \$504.00 \$/Million gallons

☐ Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

***** YOUR SCORE IS: 92 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: Unauthorized consumption
- 2: Systematic data handling errors
- 3: Variable production cost (applied to Real Losses)



AWWA Free Water Audit Software:
System Attributes and Performance Indicators

WIAS v5.0
American Water Works Association,
Copyright © 2014. All Rights Reserved.

Water Audit Report for: South Blount Utility District (0000643)
Reporting Year: 2017 7/2016 - 6/2017

*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 92 out of 100 ***

System Attributes:

Apparent Losses:	14,704	MG/Yr
+	182,569	MG/Yr
=	197,274	MG/Yr

? Unavoidable Annual Real Losses (UARL):	162,591	MG/Yr
Annual cost of Apparent Losses:	\$87,638	
Annual cost of Real Losses:	\$92,015	

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:	20.7%
Non-revenue water as percent by cost of operating system:	2.2%

Real Losses valued at Variable Production Cost

Operational Efficiency: {

Apparent Losses per service connection per day:	2.39	gallons/connection/day
Real Losses per service connection per day:	29.64	gallons/connection/day
Real Losses per length of main per day*:	N/A	
Real Losses per service connection per day per psi pressure:	0.33	gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL): 182.57 million gallons/year

? Infrastructure Leakage Index (ILI) [CARL/UARL]: 1.12

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

SOUTH BLOUNT COUNTY UTILITY DISTRICT
Maryville, Tennessee
SCHEDULE OF UTILITY RATES IN FORCE,
NUMBER OF CUSTOMERS AND WATER LOSS RATIO
For the Fiscal Year Ended June 30, 2017

UTILITY RATES IN FORCE

Retail:

Customer charge	\$ 17.92
First 100,000 gallons	\$ 5.96 per thousand
Over 100,000 gallons.....	\$ 4.96 per thousand

Wholesale:

City of Friendsville	\$ 3.20 per 1,000 gallons
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SYSTEM STATISTICS

The following is information about the Utility's users in the service areas as of June 30, 2017:

	<u>Number of Hook-ups</u>	<u>Number of Persons</u>	<u>Present Water Demand (GPD)</u>
Residential	15,053	36,127	2.3mgd
Commercial	95	-	.2mgd
Industrial	<u>2</u>	<u>-</u>	<u>.2mgd</u>
Total	<u>15,150</u>	<u> </u>	<u>2.7mgd</u>

SOUTH BLOUNT COUNTY UTILITY DISTRICT
Maryville, Tennessee

**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***

June 30, 2017



Joe S. Ingram, CPA (1948 – 2011)
Lonas D. Overholt, CPA
Robert L. Bean, CPA

428 Marilyn Lane
Alcoa, Tennessee 37701

Telephone
865-984-1040
Facsimile
865-982-1665

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

Board of Commissioners
South Blount County Utility District
Maryville, Tennessee

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 South Blount County Utility District, as of and for the year ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the South Blount County Utility District's basic financial statements and have issued our report thereon dated August 21, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the South Blount County Utility District'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the South Blount County Utility District's internal control. Accordingly, we do not express an opinion on the effectiveness of the South Blount County Utility District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the South Blount 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 instance 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 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.

Ingram, Overholt & Bean, PC

Alcoa, Tennessee

August 21, 2017

SOUTH BLOUNT COUNTY UTILITY DISTRICT
Maryville, Tennessee
SCHEDULE OF DISPOSITION OF PRIOR YEAR FINDINGS
June 30, 2017

<u>Finding Number</u>	<u>Finding Title</u>	<u>Status</u>
2016-001	Written Internal Control Policies and Procedures	Corrected