

**TANSI SEWER UTILITY DISTRICT
OF CUMBERLAND COUNTY, TENNESSEE**

FINANCIAL STATEMENTS

**For the Period Beginning February 25, 2010
and Ending February 28, 2011**

HASSELL RAY YORK AND ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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Crossville, Tennessee 38557

TANSI SEWER UTILITY DISTRICT OF CUMBERLAND COUNTY, TENNESSEE

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INTRODUCTORY SECTION

ROSTER OF DISTRICT OFFICIALS

TANSI SEWER UTILITY DISTRICT OF CUMBERLAND COUNTY, TENNESSEE
ROSTER OF DISTRICT OFFICIALS
For the Period Beginning February 25, 2010 and Ending February 28, 2011

Herbert C. Pallat, President
1274 Arrowhead Drive
Crossville, Tennessee 38572

Michael Dalton, Vice President
2133 Ona Road
Crossville, Tennessee 38572

James Heath, Secretary, Treasury
18 Hayes Road
Crossville, Tennessee 38555

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Hassell Ray York and Associates, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 137 • Phone: 931-484-5570

Crossville, Tennessee 38557

October 20, 2011

Board of Commissioners
Tansi Sewer Utility District of Cumberland County, Tennessee
7004 Ute Lane
Crossville, Tennessee 38572

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statement of net assets of Tansi Sewer Utility District of Cumberland County, Tennessee, for the period beginning February 25, 2010 and ending February 28, 2011, and the related statements of revenues, expenses, and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the District'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. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tansi Sewer Utility District of Cumberland County, Tennessee for the period beginning February 25, 2010 and ending February 28, 2011, and the changes in financial position and cash flows for the period then ended in conformity with accounting principles generally accepted in the United States of America.

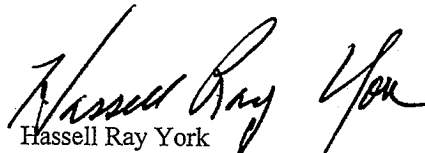
In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2011, on our consideration of Tansi Sewer Utility District of Cumberland County, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-7 be presented to supplement the 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 statement 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 taken as a whole. The financial information listed as supplementary information in the table of contents is presented for the purpose of additional analysis and is not a required part of the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on it.

Respectfully,

HASSELL RAY YORK AND ASSOCIATES, P.C.


Hassell Ray York
Certified Public Accountant

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**MANAGEMENT'S DISCUSSION
AND ANALYSIS REPORT**

TANSI SEWER UTILITY DISTRICT OF CUMBERLAND COUNTY, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Period Beginning February 25, 2010 and Ending February 28, 2011

Our discussion and analysis of the District's financial performance provide an overview of the District's financial activities for the period beginning February 25, 2010 and ending February 28, 2011. Please read it in conjunction with the transmittal letter of pages 2 and 3 and the District's financial statements that begin on page 8.

FINANCIAL HIGHLIGHTS

The District received \$1,771,211 in donated assets from Tansi Waste Management, Inc.

Operating Revenues were \$38,595.

USING THIS ANNUAL REPORT

This annual report consists of three parts; Management's Discussion and Analysis, Financial Statements, and Supplementary Information. The Financial Statements also includes notes that explain in more detail some of the information in the financial statements.

REQUIRED FINANCIAL STATEMENTS

The financial statements of the District are designed to provide readers with information of the District's finances, in a manner similar to a private sector company. The Statement of Net Assets includes all of the District's assets and liabilities, with the difference reported as Net Assets. All of the current period's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Assets. This statement measures the success of the District's operations over the period and can be used to determine the District's solvency. The Statement of Cash Flows provides information about the District's cash receipts and cash payments and changes in cash balance during the reporting period.

FINANCIAL ANALYSIS

The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets reports information about the District's activities to assess whether the District's financial condition is better or worse off as a result of the period's activities. The Statement of Net Assets presents information on the District's net assets, the difference between assets and liabilities. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Net assets increase when revenues exceed expenses. Increases to assets (without a corresponding increase to liabilities) results in increased net assets, which indicates an improved financial position. In addition, non-financial factors such as changes in economic conditions and an increase in customers should be considered.

TANSI SEWER UTILITY DISTRICT OF CUMBERLAND COUNTY, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Period Beginning February 25, 2010 and Ending February 28, 2011

FINANCIAL ANALYSIS (continued)

Our analysis below focuses on the District's Net Assets (Table 1) and Changes in Net Assets (Table 2) during the period. Comparative analysis will be provided in future years when prior year information is available.

Table 1

	<u>2011</u>
Capital Assets (Net of Depreciation)	\$1,623,035
Current and Other Assets	<u>201,689</u>
Total Assets	<u>\$1,824,724</u>
Current Liabilities	<u>\$ 25,617</u>
NET ASSETS:	
Invested in Capital Asset, Net of Debt	\$1,623,035
Unrestricted	<u>176,072</u>
Total Net Assets	<u>\$1,799,107</u>

The Capital Assets were transferred from a private entity (Tansi Waste Management, Inc.) which was established to provide sewer to the amenities of Lake Tansi Property Owners' Association. Tansi Sewer Utility District was created to allow sewer service to be extended to individual home owners as well as an improved ability to receive federal grants and/or low interest government loans.

The Current Assets consist of cash transferred from Tansi Waste Management, Inc., service revenues, customer capital contributions and receivables. We are currently operating with a cash surplus each month and adding additional customers.

Changes in the District's Net Assets can be determined by reviewing the following condensed Statement of Revenue, Expenses, and Changes in Net Assets for the period.

Table 2

	<u>2011</u>
Operating Revenue	\$ 38,595
Operating Expenses (Including Depreciation)	(108,874)
Capital Contributions	<u>1,869,386</u>
Change in Net Assets	\$1,799,107
Net Assets at Beginning of Period	<u>00</u>
Net Assets at End of Period	<u>\$1,799,107</u>

TANSI SEWER UTILITY DISTRICT OF CUMBERLAND COUNTY, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Period Beginning February 25, 2010 and Ending February 28, 2011

FINANCIAL ANALYSIS (continued)

Since this is our first year of operation we began with only one (1) customer. As the year progressed we added a timeshare facility with approximately seventy-two (72) units and eight (8) residential units raising our monthly revenue to approximately \$5,000.00 per month. \$160,000

Our operating expenses appear to be consistent with what our operating expenses are currently. We don't anticipate any significant increases going forward.

CAPITAL ASSETS

The following table summarizes the District's Capital Assets, Net of Accumulated Depreciation for the period beginning February 25, 2010 and ending February 28, 2011.

	2011
Land and Easements	\$ 1,075
Distribution and Collection System	1,622,933
Equipment	8,500
Office Furniture and Equipment	11,460
Total	\$1,643,968
Less: Accumulated Depreciation	(20,933)
Net Capital Assets	<u>\$1,623,035</u>

Our Capital Assets consist primarily of the treating plant and the collection lines. We do not anticipate any significant changes in the near future.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The District was created with the intent to receive federal grants or low interest federal loans. With the overall down economy these avenues of revenue have not been available. We have looked at municipal bonds but, with litigation pending, we have not been able to get the support to have bonds issued.

The majority of our operating funds in our first year came from hookup fees as we added new customers. With the additional customers our operating revenues rose to about \$5,000.00 per month late in the year. With adding additional customers, this year we anticipate that number to rise to approximately \$9,000.00 per month. We will have additional revenue from hookup fees that will also support our cash flow.

We believe our operating expenses, going forward, will remain constant with our first year expenses. With the additional operating revenues we believe our cash flow will allow us to be viable until we can receive grant money or bond funds that will allow expansion to increase our operating revenues.

TANSI SEWER UTILITY DISTRICT OF CUMBERLAND COUNTY, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Period Beginning February 25, 2010 and Ending February 28, 2011

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for needed additional financial information; contact the Tansi Sewer Utility District of Cumberland County at 7004 Ute Lane, Crossville, Tennessee 38572.

FINANCIAL STATEMENTS

TANSI SEWER UTILITY DISTRICT OF CUMBERLAND COUNTY, TENNESSEE
STATEMENT OF NET ASSETS
For the Period Beginning February 25, 2010 and Ending February 28, 2011

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 159,845.89
Accounts Receivable	39,282.52
Prepaid Insurance	<u>2,561.02</u>
Total Current Assets	<u>201,689.43</u>

NON-CURRENT ASSETS

Capital Assets:	
Distribution and Collection System	1,622,933.53
Office Equipment	11,460.08
Equipment	8,500.00
Accumulated Depreciation	<u>(20,933.31)</u>
Land and Easements	1,075.00
Total Non-Current Assets	<u>1,623,035.30</u>

TOTAL ASSETS

\$1,824,724.73

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	\$ 24,328.79
Accrued Payroll Taxes Payable	<u>1,288.25</u>
Total Current Liabilities	<u>25,617.04</u>

NET ASSETS

NET ASSETS

Invested in Capital Assets	1,623,035.30
Unrestricted	<u>176,072.39</u>
Total Net Assets	<u>1,799,107.69</u>

TOTAL LIABILITIES AND NET ASSETS

\$1,824,724.73

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

TANSI SEWER UTILITY DISTRICT OF CUMBERLAND COUNTY, TENNESSEE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Period Beginning February 25, 2010 and Ending February 28, 2011

OPERATING REVENUES	
Sewer Fees	\$ 38,395.08
Other Income	200.00
Total Operating Revenues	<u>38,595.08</u>
OPERATING EXPENSES	
Advertising Expense	1,910.65
Dues, Subscriptions, Fees	2,652.50
Office Expense	2,251.56
Payroll and Related Expense	14,285.70
Professional Fees	24,772.70
Insurance	1,947.98
Repairs and Maintenance	3,727.07
Utilities and Telephone	13,655.13
Management Fees	11,500.00
Other Contracted Services	8,397.50
Building Lease	2,840.00
Total Operating Expenses	<u>87,940.79</u>
OPERATING INCOME BEFORE DEPRECIATION	(49,345.71)
Depreciation Expense	<u>20,933.31</u>
OPERATING INCOME (LOSS)	<u>(70,279.02)</u>
CAPITAL CONTRIBUTIONS	
Tansi Waste Management, Inc.	1,771,211.71
Customers	98,175.00
Total Capital Contributions	<u>1,869,386.71</u>
CHANGE IN NET ASSETS	1,799,107.69
NET ASSETS, FEBRURAY 25, 2010	<u>.00</u>
NET ASSETS, FEBRUARY 28, 2011	<u>\$1,799,107.69</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

TANSI SEWER UTILITY DISTRICT OF CUMBERLAND COUNTY, TENNESSEE
STATEMENT OF CASH FLOWS
For the Period Beginning February 25, 2010 and Ending February 28, 2011

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts From Customers	\$ 33,436.70
Payments to Employees	(14,285.70)
Payments to Supplier for Goods and Services	<u>(50,599.07)</u>
Net Cash Provided (Used) by Operating Activities	<u>(31,448.07)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Capital Contributions	550,145.86
Additions to Capital Assets	<u>(358,851.90)</u>
Net Cash Provided (Used) by Investing Activities	<u>191,293.96</u>

NET CHANGE IN CASH AND CASH EQUIVALENTS 159,845.89

CASH AND CASH EQUIVALENTS – BEGINNING OF PERIOD .00

CASH AND CASH EQUIVALENTS – END OF PERIOD \$ 159,845.89

NON-CASH TRANSACTION

Contributed Capital Assets \$1,285,116.71

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

TANSI SEWER UTILITY DISTRICT OF CUMBERLAND COUNTY, TENNESSEE
STATEMENT OF CASH FLOWS (continued)
For the Period Beginning February 25, 2010 and Ending February 28, 2011

**RECONCILIATION OF OPERATING INCOME TO NET
CASH FLOWS FROM OPERATING ACTIVITIES:**

Operating Income	\$ (70,279.02)
Non-Cash Items Included in Operating Income:	
Depreciation	20,933.31
Changes in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	(5,158.38)
(Increase) Decrease in Prepaid Expenses	(2,561.02)
Increase (Decrease) in Accounts Payable	24,328.79
Increase (Decrease) in Accrued Payroll Taxes Payable	<u>1,288.25</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ (31,448.07)</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS