

SUPPLEMENTAL INFORMATION

SCHEDULE OF INSURANCE IN FORCE

TANSI SEWER UTILITY DISTRICT OF CUMBERLAND COUNTY, TENNESSEE
SCHEDULE OF INSURANCE IN FORCE
For the Period Beginning February 25, 2010 and Ending February 28, 2011

Company	Type of Coverage	Limits	Deductible	Period of Coverage
Selective Insurance Company	COMMERCIAL PROPERTY COVERAGE			09/01/2010 to 09/01/2011
	Office Building – 100% Coinsurance	\$ 104,000.00		
	Deductible		\$1,000.00	
	Business Personal Property – 90% Coinsurance	20,800.00		
	Deductible		1,000.00	
	Plant Building	1,000,000.00		
	GENERAL LIABILITY			
	General Aggregate Limit	2,000,000.00		
	Operations Aggregate Limit	2,000,000.00		
	Personal and Advertising – Injury Limit	1,000,000.00		
	Each Occurrence Limit	1,000,000.00		
	Fire Damage Limit – Any One (1) Fire	100,000.00		
	Medical Expense Limit	5,000.00		
	BUSINESS AUTOMOBILE COVERAGE			
	Hired and Non-Owned Auto	1,000,000.00		
	COMMERCIAL UMBRELLA LIABILITY COVERAGE			
	Each Occurrence Limit	2,000,000.00		
	Aggregate Limit	2,000,000.00		

**SCHEDULE OF UTILITY RATES IN FORCE
AND NUMBER OF CUSTOMERS**

TANSI SEWER UTILITY DISTRICT OF CUMBERLAND COUNTY, TENNESSEE
SCHEDULE OF UTILITY RATES IN FORCE AND NUMBER OF CUSTOMERS
For the Period Beginning February 25, 2010 and Ending February 28, 2011

<u>Gallons/Services</u>	<u>Rate</u>	<u>Increment</u>
<u>Residential</u>		
First 2,500 Gallons Per Month of Water Usage	\$ 50.00	Minimum Bill
Over 2,500 Gallons	15.00	Per 1,000 Gallons
Availability Fee	1,500	Per Single Family Unit
<u>Non-Residential</u>		
First 2,500 Gallons Per Month of Water Usage	70.00	Minimum Bill
Over 2,500 Gallons	22.50	Per 1,000 Gallons
Availability Fee	3,000	Per Connection
<u>Lake Tansi Property Owners' Association</u>		
Sewer Fee	3,036	Flat Monthly Fee
<u>Crown Resorts</u>		
First 3,500 Gallons Per Month of Water Usage	50.00	Minimum Bill
Over 3,500 Gallons	17.50	Per 1,000 Gallons
<u>All</u>		
New Account Set-up Fee	50.00	
Service Call Fee	50.00	Per Trip

Number of Active Customers Served at February 28, 2011 - 8 X 50 = 400 X 12 = 4800

*Availability Fee \$1200
620000 Crown
95000
27,000 Grinder Pumps*

*State Blue Book - (Gasb) states That any Thing over
Installation Cost will be considered Contribution by customer*

**INTERNAL CONTROL AND
COMPLIANCE SECTION**

**REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS**

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

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

We have audited the financial statements of the Tansi Sewer Utility District of Cumberland County, Tennessee, as of and for the period beginning February 25, 2010 and ending February 28, 2011, and have issued our report thereon dated October 20, 2011. 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

In planning and performing our audit, we considered Tansi Sewer Utility District of Cumberland County, Tennessee's internal control over financial reporting as a basis for designing our auditing procedures 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 Tansi Sewer Utility District of Cumberland County, Tennessee's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Tansi Sewer Utility District of Cumberland County, Tennessee's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph 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 assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, Recommendations, and Responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 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. We consider the deficiencies described in the accompanying Schedule of Findings, Recommendations, and Responses as items 11-01 through 11-07 to be material weaknesses.

Board of Commissioners
Tansi Sewer Utility District
of Cumberland County, Tennessee
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October 20, 2011

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. We consider the deficiencies described in the accompanying Schedule of Findings, Recommendations, and Responses as items 11-01 through 11-07 to be significant deficiencies.

Compliance and Other Matters

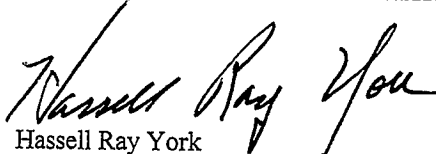
As part of obtaining reasonable assurance about whether Tansi Sewer Utility District of Cumberland County, Tennessee's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings, Recommendations, and Responses as items 11-01 through 11-07.

Tansi Sewer Utility District of Cumberland County, Tennessee's response to the findings identified in our audit is described in the accompanying Schedule of Findings, Recommendations, and Responses. We did not audit Tansi Sewer Utility District of Cumberland County, Tennessee's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Commissioners, others within the entity, and the Comptroller's Office of the State of Tennessee and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully,

HASSELL RAY YORK AND ASSOCIATES, P.C.



Hassell Ray York
Certified Public Accountant

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**SCHEDULE OF FINDINGS,
RECOMMENDATIONS,
AND RESPONSES**

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

FINANCIAL STATEMENT FINDINGS

FINDING 11-01: SEGREGATION OF DUTIES

The District has one part-time employee who handles all bookkeeping, clerical, and day to day operations of the office. Adequate separation of duties is not achievable under these circumstances.

Recommendation: It is our recommendation that the Board of Commissioners consider initiating additional involvement in the day to day operations of the District to compensate for the lack of segregation of duties.

Management's Response: The Board of Commissioners will need to study this item to try to find a solution to fix this situation.

FINDING 11-02: UNTIMELY DEPOSITS

There were instances where monies were held in excess of three (3) days of being received.

Recommendation: It is our recommendation that the Board of Commissioners review the *Uniform Accounting Manual for Tennessee Utility Districts Section 3* which states that receipts should be deposited promptly and intact daily. If daily deposits are not practical funds should not be held longer than three (3) days before depositing, using the bank's night depository if necessary.

Management's Response: We are drafting a procedure which will assure that all funds being transacted, from receipt to deposit, will be handled in seventy-two (72) hours or less. Currently received funds are being handled this way. We will send you a copy of the approved procedure when completed.

FINDING 11-03: GENERAL LEDGER POSTINGS

Certain items of revenues and expenses were not posted to the correct accounts. As a result, interim financial information was incorrectly presented.

Recommendation: It is our recommendation that management should review general ledger postings at least monthly to ensure that all items are accurately recorded. This should produce more complete and accurate monthly financial information.

Management's Response: Each month we will print out a statement of all posted entries to be reviewed by a Commissioner for proper posting. Any data incorrectly entered shall be corrected at that time.

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

FINANCIAL STATEMENT FINDINGS (continued)

FINDING 11-04: INADEQUATE RECORD MANAGEMENT

The District's system for maintaining its vendor invoices and related documents is not sufficient to make the records easily available for review.

Recommendation: To improve its record management, we recommend that the Board of Commissioners establish a filing system as outlined in Section 11 of the *Uniform Accounting Manual for Tennessee Utility Districts*.

Management's Response: We are establishing a filing system as outlined in the *Uniform Accounting Manual for Tennessee Utility Districts*.

FINDING 11-05: RECONCILIATION OF SUBSIDIARY JOURNALS TO THE GENERAL LEDGER

Throughout the fiscal year ended February, 2011, the accounts receivable journals were not reconciled to the general ledger account.

Recommendation: It is our recommendation that the Board of Commissioners review Section 1 of the *Uniform Accounting Manual for Tennessee Utility Districts* which states that accounts receivable journals should be reconciled on a monthly basis to ascertain that all items are properly posted in the system.

Management's Response: We are setting up a method of reconciling our accounts receivables and our general journal.

FINDING 11-06: INADEQUATE CAPITAL ASSETS DETAIL

The District is not recording plant and equipment in separate accounts required by the *Tennessee Utility Districts* guideline. In addition, the District does not maintain an adequate fixed asset detail to record monthly depreciation of plant and equipment.

Recommendation: It is our recommendation that the Board of Commissioners review Section 8 of the *Uniform Accounting Manual for Tennessee Utility Districts* which states the District should perform an annual inventory of fixed assets and maintain adequate detail to assist in calculating and recording depreciation and to record assets in separate accounts for collection and distribution system and equipment.

Management's Response: We are setting up our assets detail in accordance with the accounting manual, *Uniform Accounting Manual for Tennessee Utility Districts*.

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

FINANCIAL STATEMENT FINDINGS (continued)

FINDING 11-07: AUTHORIZATION OF EXPENDITURES

Members of the Board of Commissioners signs all checks, however, the invoice does not contain evidence that it was reviewed and authorized before payment.

Recommendation: It is our recommendation that the Board of Commissioners review the *Uniform Accounting Manual for Tennessee Utility Districts Section 5, Cash Disbursements and Expenditures*, which states that each invoice should have an initial and date approved.

Management's Response: All invoices currently contain the check number by which it was paid and the initials of the commissioner who reviewed and approved that expenditure. These are filed in the proper order within the current fiscal year.