



November 6, 2014

Mr. Fred Houston, Finance Director  
City of Crossville  
392 N. Main Street  
Crossville, Tennessee 38555

Dear Mr. Houston:

The purpose of this letter is to document the obstacles encountered related to reporting certain capital assets of the Water and Sewer Department using the modified approach. After reviewing the requirements set forth by the Governmental Accounting Standards Board (GASB), we recommend that the City continue to record depreciation on these capital assets rather than using the modified approach. The reasons for this recommendation are as follows:

1. The City of Crossville does not have Asset Management Systems to meet the minimum requirements of GASB. This is an obstacle for almost all smaller governments, as the Asset Management Systems contemplated by GASB are those of larger governments that have established Asset Management Systems which are used to drive decisions about how resources should be used.
2. GASB's modified approach requires the City to provide detailed information regarding condition assessments, annual estimates, and preservation of the assets at a specified condition level. In addition, a government must be able to establish that the assessments are consistent and cover a sufficient time period to provide reasonable assurance that the assets are preserved at an established condition level. The City will incur substantial costs and effort to meet these requirements.
3. Capital assets eligible for the modified approach are all assets within a selected network or subsystem. Meeting GASB's requirements for all assets within a network or subsystem of the Water and Sewer Department will be very difficult and also very costly.
4. Informal discussions with the Tennessee Comptroller's Office indicate no other cities in Tennessee are currently utilizing the modified approach for water and sewer funds, and the reasons are likely related to the cumbersome and costly requirements of an adequate Asset Management System.

5. Our firm currently performs audit services for about 250 governments, many of which are similar in size to the City of Crossville. None of these governments have implemented the modified approach due to the costs and difficulties in meeting GASB's requirements.

We hope this information is helpful. If needed, we can be available to discuss this matter in more detail.

Very truly yours,

**MAULDIN & JENKINS, LLC**

A handwritten signature in cursive script that reads "Warren McEwen".

Warren McEwen, Partner