

**RESOLUTION 18-225**

**A RESOLUTION AUTHORIZING A CONTRACT WITH CUMBERLAND VALLEY  
CONSTRUCTORS, INC. FOR THE WYNGATE ESTATES STORMWATER  
DRAINAGE IMPROVEMENT PROJECT**

**WHEREAS**, the City of Spring Hill desires to contract a company to install stormwater drainage improvements in Wyngate Estates subdivision as identified as a capital improvement project (CIP); and

**WHEREAS**, the city publicly advertised for bid quotes for such work with a bid opening on October 16, 2018; and

**WHEREAS**, Cumberland Valley Constructors, Inc. was the low bidder with a total cost of \$45,874.00; and

**WHEREAS**, funding for the CIP improvement project is budgeted in the 2018-2019 budget year in the Stormwater budget with additional funding incorporated in the Ordinance 18-29 budget amendment.

**NOW, THEREFORE BE IT RESOLVED**, that the City of Spring Hill Board of Mayor and Aldermen, authorize the Wyngate Estates stormwater drainage improvement project contract with Cumberland Valley Constructors, Inc., as recommended by the Budget and Finance Advisory Committee.

**Passed and Adopted by the Board of Mayor and Aldermen of the City of Spring Hill, Tennessee on the 17<sup>th</sup> day of December, 2018.**

  
\_\_\_\_\_  
Rick Graham, Mayor

ATTEST:

  
\_\_\_\_\_  
April Goad, City Recorder

LEGAL FORM APPROVED:

  
\_\_\_\_\_  
Patrick Carter, City Attorney

**SUBJECT:** Resolution to authorize a contract with Cumberland Valley Constructors, Inc. for the Wyngate Estates stormwater drainage improvement project

**DATE:** November 16, 2018

**ATTENTION:** Board of Mayor and Aldermen

**STAFF:** Missy Stahl, Senior Project Manager



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### **STAFF MEMORANDUM**

City staff has identified the need for stormwater drainage improvements in the Wyngate Estates subdivision to divert runoff water underground instead of flowing into homeowners' yards. In order to complete the job in-house, all city MS4 staff would need to be dedicated to this project only for approximately two weeks. On other MS4 CIP projects, the scope allowed for staff to stop mid-job and attend to other issues that would arise. This CIP project contains several utilities that will require ground disturbance between houses and staff does not want to leave utilities uncovered for an extended period of time.

Therefore, staff advertised for bids for outside contractors to perform the work necessary and bids were opened on October 16, 2018. Two bids were submitted with low bid being \$45,874.00 from Cumberland Valley Constructors, Inc. The Wyngate Estates stormwater drainage project is budgeted in the 2018-2019 year for \$35,000.00 (416-42425-961). The additional funds were added to this line item in the budget amendment passed in December 2018.

Staff recommends awarding the bid to Cumberland Valley Constructors, Inc. and authorizing a contract with same to complete the stormwater drainage improvement project.

**CITY OF SPRING HILL  
 BID OPENING RESULTS  
 Wyngate Stormwater Project  
 Tuesday, October 16, 2018  
 2:00 P.M.**

<b>Attendees:</b>			
<b>NAME</b>	<b>COMPANY</b>	<b>EMAIL ADDRESS</b>	
Patti Amorello	City of Spring Hill	<a href="mailto:pamorello@springhilltn.org">pamorello@springhilltn.org</a>	
Ryan Nelson	SBW Constructors	<a href="mailto:rnelson@sbwconstructors.com">rnelson@sbwconstructors.com</a>	
Randy Wiek	Cumberland Valley Constructors	<a href="mailto:rwiek@cvcbuilds.com">rwiek@cvcbuilds.com</a>	
April Goad	City of Spring Hill	<a href="mailto:agoad@springhilltn.org">agoad@springhilltn.org</a>	
<b>Bid Results:</b>			
<b>COMPANY</b>	<b>ADDRESS</b>	<b>BID AMOUNT</b>	
Cumberland Valley Constructors Inc.	2518 Plum St., Nashville, TN 37207	\$ 45,874.00	
SBW Constructors LLC	1314 Baptist World Cntr Dr., Nashville, TN 37207	\$ 51,000.00	

State of Tennessee  
 Maury County  
 City of Spring Hill

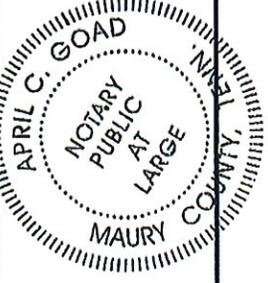
I hereby certify that this is a true copy of the original documents.

Description: Bid Results-Wyngate Stormwater Project 2018

This, the 16th day of October, 2018.

*April Goad*

April C. Goad, Notary Public  
 City Recorder, City of Spring Hill, Tennessee



My Commission Expires: June 28, 2020

WYNGATE ESTATES STORMWATER CAPITAL IMPROVEMENT PROJECT  
SPECIFICATIONS AND ADDITIONAL INFORMATION

**1.00 GENERAL**

The minimum requirements and the specification for the Services, as well as certain requests for information to be provided by Vendor as part of its proposal, are set forth below.

**2.00 MINIMUM REQUIREMENTS FOR THE PROJECT**

- 2.01 Bidder will provide all materials required per plans, diagramed in Exhibit A of the proposal, and city specifications and regulations
- 2.02 Bidder will perform all work to complete the project per plans
- 2.03 Bidder will be required to locate all utilities prior to start of construction and protect from damage during construction
- 2.04 Bidder will provide all erosion control measures per state and city regulations
- 2.05 Bidder will be responsible for any damage caused to private properties during construction and will repair or replace in-kind
- 2.06 Bidder will be responsible for removal and disposal of any demolished or discarded materials
- 2.07 Bidder will be responsible for all items detailed in General Notes, Layout Notes, Grading and Drainage Notes, and Erosion Prevention and Sediment Control Notes, as noted on the project plans Exhibit A of the proposal

**3.00 ADDITIONAL INFORMATION SPECIFIC TO THIS RFP**

This project will be completed by June 30, 2019, with a start date to be set by the City of Spring Hill. Bidder agrees to honor the bid price until June 30, 2019. Project shall be completed within fifteen (15) business days from start date.

Vendor must submit the following information as part of Vendor's proposal:

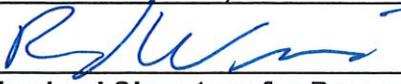
If Vendor takes exception to any terms or conditions set forth in this RFP, Vendor will submit a list of the exceptions.

**4.00 COST FOR THE WYNGATE ESTATES CAPITAL IMPROVEMENT PROJECT**

**MATERIALS COST** \$11,614<sup>00</sup> — (Eleven thousand six hundred fourteen and 00/100)  
**LABOR COST** \$34,260<sup>00</sup> — (Thirty four thousand two hundred sixty and 00/100)  
**TOTAL COST** \$45,874<sup>00</sup> — (Forty five thousand eight hundred seventy four and 00/100)

Respectfully submitted,

**Proposer:** Cumberland Valley Constructors

**By:**   
(Authorized Signature for Proposer)

**Name:** Randy Wiek

**Title:** President

**Date:** October 16, 2018

**[See next two pages for Exhibit A.]**



Cumberland Valley Constructors

CUMBERLAND VALLEY CONSTRUCTORS, INC.

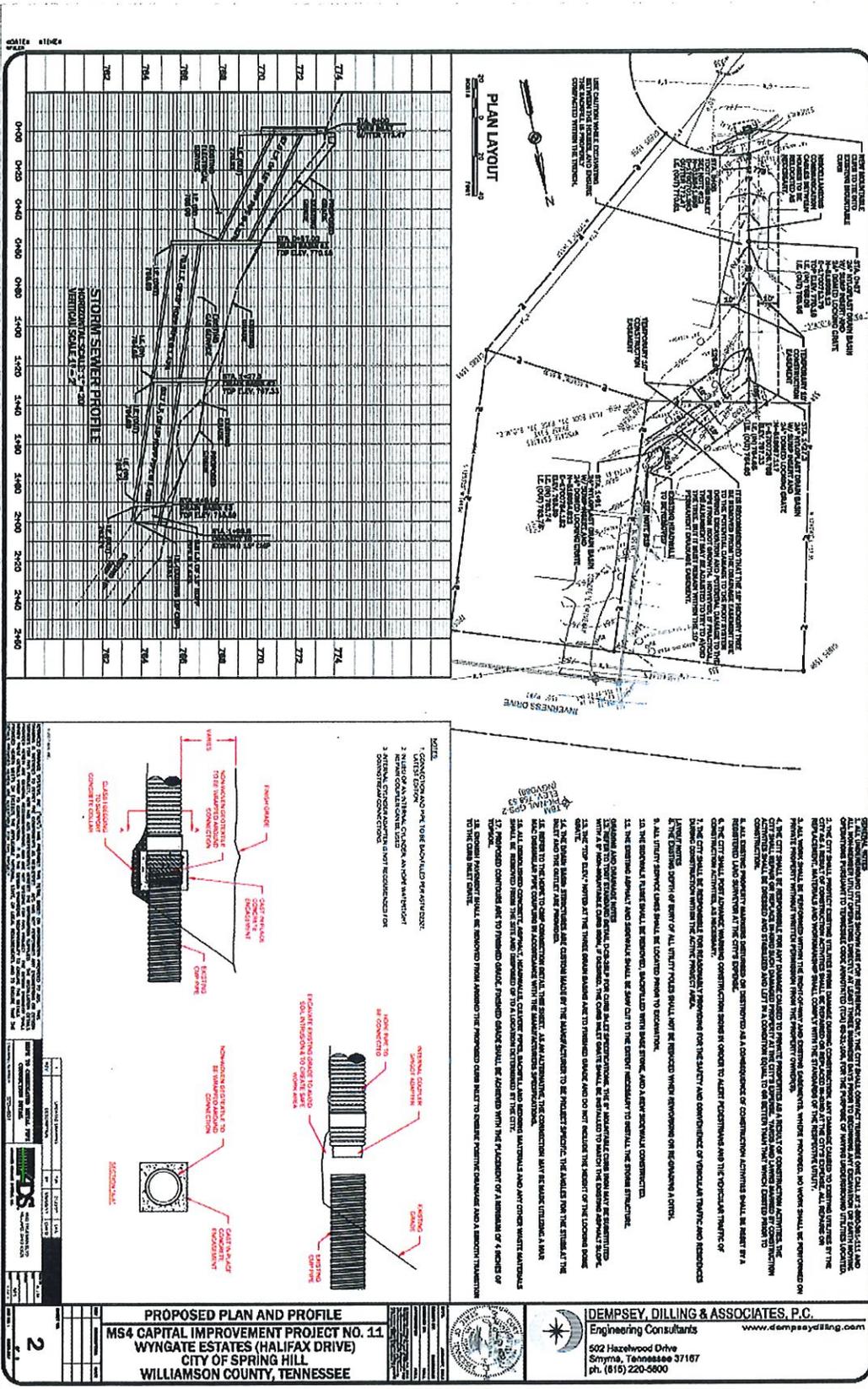
2518 Plum Street, Nashville, TN 37207

TN CONTRACTOR'S LICENSE #:63464

EXPIRATION: 03/31/2020

CLASSIFICATION: BC; MU; HC;HRA;CMC; unlimited

# EXHIBIT A (PAGE 1 OF 2)





## SPRING HILL VENDOR SERVICES AGREEMENT

THIS SERVICES AGREEMENT (“Agreement”) is made by and between THE CITY OF SPRING HILL, TENNESSEE (the “City”) and \_\_\_\_\_ (“Vendor”) (collectively as “Parties”), and is entered into on \_\_\_\_\_, 2018, and is effective as of the Effective Date set forth herein.

### RECITALS:

WHEREAS, the City requires services it cannot provide itself and desires to contract with a third-party independent contractor to provide said services for the City’s benefit; and

WHEREAS, pursuant to state law, the City issued published a Request for Proposal (RFP) and Vendor submitted a bid; and

WHEREAS, the City has selected Vendor to provide the services it desires.

NOW, THEREFORE, in consideration of the foregoing facts and circumstances, the mutual covenants and promises contained herein and other good and valuable consideration, the receipt and sufficiency of which is acknowledged by each of the Parties, the Parties do hereby agree to the following:

1. **EFFECTIVE DATE.** The Effective Date of this Agreement shall be \_\_\_\_\_, \_\_\_\_\_.
2. **TERM.** The term of this Agreement shall be from the Effective Date herein through June 30, 2019. The Parties may extend this Agreement in writing, with or without modification, as agreed upon by the Parties.
3. **INSURANCE.** Vendor shall maintain in full force and effect, during the entire term of this Agreement, liability insurance, along with commercial general liability, workers’ compensation and automobile insurance, in the minimum limits set forth below, naming City as an additional insured, and shall provide to the City certificates of insurance upon reasonable request.
  - a. Commercial general liability, including premises-operations, products/completed operations, broad form property damage, blanket contractual liability, independent contractors, personal injury or bodily injury with a policy limit of not less than One Million Dollars (\$1,000,000), combined single limit, per occurrence;
  - b. Business automobile liability for owned vehicles, hired, and non-owned vehicles, with a policy limit of not less than One Million Dollars

(\$1,000,000), combined single limit, per occurrence for bodily injury and property damage;

- c. Workers' compensation insurance as required by the State of Tennessee. The Provider agrees to waive, and to obtain endorsements from its workers' compensation insurer waiving subrogation rights under its workers' compensation insurance policy against the City, its officers, agents, employees, and volunteers arising from work performed by Provider for the City and to require each of its subcontractors, if any, to do likewise under their workers' compensation insurance policies.

4. **VENDOR RESPONSIBILITIES.**

- a. Provide and install all materials required per provided plans and city specifications and regulations.
- b. Locate all utilities prior to construction and protect from damage during construction.
- c. Provide all erosion control measures per city and state regulations.
- d. Will be responsible for any damage caused to private properties during construction and will repair or replace in-kind.
- e. Remove and dispose of any demolished or discarded materials.
- f. Will be responsible for all items detailed in General Notes, Layout Notes, Grading and Drainage Notes, and Erosion Prevention and Sediment Control Notes, as noted on the project plans.

5. **CITY'S RESPONSIBILITIES.**

- a. Provide detailed project plan to contractor.
- b. Obtain required easements necessary to complete the project.
- c. Provide inspections during construction by city staff

6. **INDEPENDENT CONTRACTOR.** It is expressly agreed and understood that Vendor is an independent contractor and shall not represent itself, its agents or employees as agents or employees of the City. Nothing herein is to be construed as to create any

employer-employee relationship between Vendor and the City; and neither Vendor nor any of its employees shall be deemed to be employees or agents of the City. At all times material to this Agreement, any subcontractors or agents employed by Vendor shall be considered acting under the supervision, direction and control of City.

7. **AMENDMENT AND TERMINATION.** This Agreement may be terminated without cause at any time by either Party through the issuance of a thirty (30) day written notice pursuant to this Agreement. Termination with cause shall not require advance notice.

9. **NO CONFLICT OF INTEREST.** No City official, employee or member of the governing body of the City shall be admitted to any share or part of this Agreement or to any benefit to arise from the same. Likewise, no officer, employee, or member of the governing body of Vendor or who exercises any function or responsibilities in connection with the carrying out of the project to which this Agreement pertains shall have any private interest, direct or indirect, in this Agreement.

10. **ASSIGNMENT; SUBCONTRACTING.** This Agreement may not be assigned by either Party. The Vendor shall not subcontract its responsibility pursuant to this Agreement to a third party.

11. **MODIFICATION.** This Agreement shall not be modified or amended except by an instrument in writing executed by or on behalf of Vendor and the City.

12. **NONDISCRIMINATION.** Consistent with the City's policy and state and federal law that harassment and discrimination are unacceptable conduct, the Vendor agrees that harassment or discrimination directed toward a permit applicant, a City employee, or a citizen by the Vendor or Vendor's employee or subconsultant on the basis of race, religious creed, color, national origin, ancestry, handicap, disability, marital status, sex, age, or sexual orientation will not be tolerated. The Vendor agrees that any and all violations of this provision shall constitute a material breach of this Agreement.

13. **EXECUTION IN COUNTERPARTS.** This Agreement may not be amended, changed, modified, altered or terminated except by instrument in writing signed by the Parties. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

14. **TIME.** The Contractor shall finish within the agreed upon time frame.

15. **VENUE AND JURISDICTION.** The venue and jurisdiction for any disputes arising pursuant to this Agreement shall be in the Circuit Court for Maury County, Tennessee.

16. **INDEMNITY.** Vendor shall provide a defense, indemnify and hold the City harmless from and against any and all claims arising from Vendor or from the conduct of its business or from any activity, work, or things, including all damages, costs, attorney's fees, expenses and liabilities incurred in the defense of any claim or action arising there from.

17. **APPLICABLE LAW.** This Agreement shall be governed by and construed in accordance with the laws of the State of Tennessee.

18. **FORCE MAJEURE.** The Parties shall not be liable to each other or be deemed to be in breach of this Agreement for any failure or delay in rendering performance arising out of causes beyond their respective reasonable control and without its fault or negligence. Such causes may include, but are not limited to, acts of God or the public enemy, terrorism, significant fires, floods, earthquakes, epidemics, quarantine restrictions, strikes, freight embargoes, or Governmental Authorities approval delays which are not caused by any act or omission by the parties, and unusually severe weather. The Parties agree to notify each other of the existence and nature of any delay.

19. **BINDING EFFECT.** This Agreement shall inure to the benefit of and shall be binding upon City and Vendor and their respective heirs, administrators, successors and assigns.

20. **SEVERABILITY.** In the event any provision of this Agreement or any instrument delivered in connection herewith shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provisions hereof or thereof.

21. **NOTICES.** All notices or other communications hereunder shall be deemed sufficiently given and shall be deemed given when delivered by hand-delivery or mailed by first class, postage prepaid, registered or certified mail and addressed as follows:

If to Vendor:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

If to City:

Mayor Rick Graham  
199 Town Center Parkway  
P.O. Box 789  
Spring Hill, TN 37174

Copy to:

Patrick M. Carter, Esq.  
Middle Tennessee Law Group, PLLC  
d/b/a Wolaver, Carter & Heffington

809 South Main Street, Suite 100  
Columbia, TN 38401

City and Vendor may, by notice given hereunder, designate from time to time any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

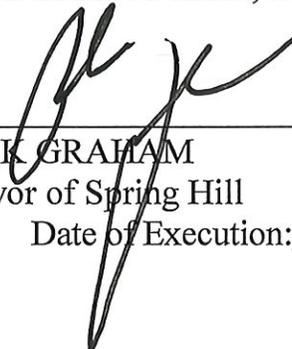
22. **CAPTIONS.** The paragraph headings in this Agreement are for convenience only, and they form no part of this Agreement and shall not affect its interpretation.

23. **ENTIRE AGREEMENT.** This Agreement represents the entire agreement between Vendor and the City and supersedes all prior negotiations, representations and agreements either written or oral, unless otherwise expressly stated herein.

24. **PAYMENT OF EXPENSES; BREACH.** Each of the Parties to this Agreement shall pay his/her/its own expenses, costs and attorney's fees associated with the negotiation, preparation, execution and delivery of this Agreement and the documents related thereto and the consummation of the transactions contemplated herein. In the event of a breach in the performance of any of the provisions of this Agreement or any of the documents related thereto, the breaching party shall pay the reasonable attorney's fees and court costs of the non-breaching party associated with the enforcement of any of the provisions of any such document or this Agreement.

IN WITNESS WHEREOF, Vendor and the City have caused their duly authorized representatives to execute and deliver this Agreement, all as of the day and year first written above.

CITY OF SPRING HILL, a Tennessee municipality

By:  \_\_\_\_\_  
RICK GRAHAM  
Mayor of Spring Hill  
Date of Execution: 12-17-2018

By: \_\_\_\_\_  
VENDOR REPRESENTATIVE  
Date of Execution: \_\_\_\_\_

CUMBERLAND VALLEY CONSTRUCTORS, INC.  
AUDITED FINANCIAL STATEMENTS  
DECEMBER 31, 2017

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TIMOTHY M. COOPER, MA, CPA\*  
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AUDREY W. McELHINEY, CPA  
D. MARK COLEMAN, CPA

## COOPER, TRAVIS & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

3008 POSTON AVENUE

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AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

TENNESSEE SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

STATE OF TENNESSEE LICENSE # 264

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HOLLYE K. HARRISON-GUY, CPA  
DANNY R. VANARSDALE, JD  
MARK J. HOFFMAN, CPA

### Independent Auditors' Report

The Board of Directors  
Cumberland Valley Constructors, Inc.  
Nashville, Tennessee

We have audited the accompanying balance sheet of Cumberland Valley Constructors, Inc. (a Tennessee Corporation) as of December 31, 2017, and the related statements of income, changes in stockholders' equity, and cash flows for the year then ended.

#### 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.

#### Auditors' Responsibility

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. 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 auditors' 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 opinion.

#### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cumberland Valley Constructors, Inc. as of December 31, 2017, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

  
Cooper, Travis & Company, PLC  
Certified Public Accountants

Nashville, Tennessee  
February 18, 2018

CUMBERLAND VALLEY CONSTRUCTORS, INC.  
BALANCE SHEET  
DECEMBER 31, 2017

ASSETS

Current Assets

Cash and cash equivalents	\$ 1,798,880
Accounts receivable:	
Estimates due on contracts	6,809,729
Retainage due on contracts	1,607,951
Employees	4,150
Costs and estimated earnings in excess of billings on uncompleted contracts	<u>68,889</u>
Total current assets	<u>10,289,599</u>

Property and Equipment

Trucks and trailers	521,190
Building and improvements	507,298
Construction equipment	380,045
Land	150,000
Office equipment	<u>50,251</u>
Total property and equipment, at cost	1,608,784
Less: accumulated depreciation	<u>(490,480)</u>
Total property and equipment, net	<u>1,118,304</u>

Other Assets

Advances to stockholders	85,000
Loan to related party	539,476
Cash surrender value of life insurance	<u>155,609</u>
Total other assets	<u>780,085</u>

Total assets \$ 12,187,988

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities

Accounts payable:	
Subcontractor estimates and others	\$ 5,884,453
Subcontractor retainage	942,225
Billings in excess of costs and estimated earnings on uncompleted contracts	1,844,981
Accrued expenses	<u>42,707</u>
Total current liabilities	<u>8,714,366</u>

Long-Term Liabilities

Deferred state income taxes	<u>33,115</u>
Total long-term liabilities	<u>33,115</u>
Total liabilities	<u>8,747,481</u>

Stockholders' Equity

Common stock (300,000 shares authorized, \$1 par value, 300,000 shares issued and outstanding)	300,000
Additional paid-in-capital	51,000
Treasury stock	(82,267)
Retained earnings	<u>3,171,774</u>
Total stockholders' equity	<u>3,440,507</u>

Total liabilities and stockholders' equity \$ 12,187,988

See accompanying notes to financial statements.

CUMBERLAND VALLEY CONSTRUCTORS, INC.  
STATEMENT OF INCOME  
YEAR ENDED DECEMBER 31, 2017

Construction revenue	\$ 25,867,938
Construction costs, including officers' salaries of \$282,528	<u>23,835,600</u>
Gross profit	2,032,338
General and administrative expenses, including officers' salaries of \$428,752	<u>1,126,541</u>
Income from operations	905,797
Other income, including interest of \$2,624	11,070
Other expenses, including officers' discretionary bonuses of \$448,684	<u>456,157</u>
Income before state income taxes	460,710
State income taxes:	
Current	47,709
Deferred benefit	<u>(16,531)</u>
	<u>31,178</u>
Net income	<u>\$ 429,532</u>

See accompanying notes to financial statements.

CUMBERLAND VALLEY CONSTRUCTORS, INC.  
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY  
YEAR ENDED DECEMBER 31, 2017

Common Stock

Common stock at January 1, 2017	\$ 300,000
Common stock at December 31, 2017	<u>\$ 300,000</u>

Additional Paid-in-Capital

Additional paid-in-capital at January 1, 2017	\$ -
Capital contribution during the year	<u>51,000</u>
Additional paid-in-capital at December 31, 2017	<u>\$ 51,000</u>

Treasury Stock

Treasury stock at January 1, 2017	\$ -
Stock redeemed during the year	<u>(82,267)</u>
Treasury stock at December 31, 2017	<u>\$ (82,267)</u>

Retained Earnings

Retained earnings at January 1, 2017	\$ 2,742,242
Net income for the year	<u>429,532</u>
Retained earnings at December 31, 2017	<u>\$ 3,171,774</u>

See accompanying notes to financial statements.

**CUMBERLAND VALLEY CONSTRUCTORS, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2017**

<b>Cash flows from operating activities:</b>	
Cash received from contract owners	\$ 19,270,750
Cash paid to suppliers, subcontractors and employees	(18,882,613)
State excise tax paid	(5,834)
Interest received	2,624
Interest paid	(1,373)
Net cash provided by operating activities	383,554
<b>Cash flows from investing activities:</b>	
Proceeds from sale of trucks	11,500
Payments for purchase of trucks and equipment	(174,716)
Investment in life insurance cash surrender value, net of cost	(58,100)
Net cash used for investing activities	(221,316)
<b>Cash flows from financing activities:</b>	
Advances to stockholders	5,000
Payments for repurchase of stock	(82,267)
Capital contribution	51,000
Loan to related party	43,679
Net cash provided by financing activities	17,412
Net increase in cash and cash equivalents	179,650
Cash and cash equivalents at January 1, 2017	1,619,230
Cash and cash equivalents at December 31, 2017	\$ 1,798,880
<b>Reconciliation of net income to net cash provided by operating activities:</b>	
Net income	\$ 429,532
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>	
Depreciation	130,262
Gain on sale of trucks	(8,446)
Deferred tax benefit	(16,531)
<b>Effect on cash from changes in assets and liabilities:</b>	
Accounts receivable	(6,681,982)
Other assets	200,383
Accounts payable	6,377,278
Other current liabilities	(46,942)
Total adjustments	(45,978)
Net cash provided by operating activities	\$ 383,554

Supplemental schedule of noncash investing and financing activities: None

See accompanying notes to financial statements.

CUMBERLAND VALLEY CONSTRUCTORS, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

Note 1 – Summary of Significant Accounting Policies

a. Business Activity

Cumberland Valley Constructors, Inc. (the "Company") is a utilities contractor primarily serving municipalities and private utilities throughout Tennessee.

b. Revenue Recognition

Revenues from long-term construction contracts are recognized on the percentage-of-completion method, measured by the percentage of total costs incurred to date to the estimated total costs for each contract. That method is used because management considers total cost to be the best available measure of progress on the contracts. Because of inherent uncertainties in estimating costs, it is at least reasonably possible that the estimates used will change within the near-term.

Contract costs include all direct job costs and those indirect costs related to contract performance, such as indirect labor, payroll taxes, supplies, insurance, equipment repairs and depreciation costs. General and administrative costs are charged to expense as incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which the losses are determined. Changes in job performance, job conditions, and estimated profitability, including those arising from final contract settlements, may result in revisions to costs and income and are recognized in the period in which the revisions are determined.

The asset, "Costs and estimated earnings in excess of billings on uncompleted contracts," represents revenues recognized in excess of amounts billed. The liability, "Billings in excess of costs and estimated earnings on uncompleted contracts," represents billings in excess of revenues recognized.

c. Cash Equivalents

The Company considers all highly liquid investments that are readily convertible to known amounts of cash to be cash equivalents.

d. Accounts Receivable

The Company grants credit, generally without collateral, but usually eligible for the filing of a contractor's lien against the property on which work is performed, to customers in the construction market throughout Tennessee. Consequently, the Company's ability to collect the amounts due from customers is affected by economic and market fluctuations in this geographic region.

The Company uses the allowance method to account for uncollectible estimates and retainage receivable. At December 31, 2017, the Company had not established an allowance for doubtful accounts.

CUMBERLAND VALLEY CONSTRUCTORS, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

Note 1 – Continued

e. Depreciation

Property and equipment are stated at cost less accumulated depreciation. The Company utilizes the straight-line method of depreciation. The following schedule reflects the estimated useful lives being used for the computation of depreciation expense:

	<u>Estimated Useful Lives</u>
Trucks and trailers	5 years
Building and leasehold improvements	39 years
Construction equipment	5 to 10 years
Office equipment	3 years

Depreciation expense for the year ended December 31, 2017 was \$130,262.

f. Income Taxes

The Company has elected to be taxed under Subchapter S of the Internal Revenue Code, whereby federal income taxes are payable by the stockholders on income earned by the Corporation. Therefore, no provision for current or deferred federal income taxes is included in the accompanying financial statements.

Beginning in 2014, the Company was required by the Internal Revenue Code to report for tax purposes on the percentage-of-completion method. The deferred taxable income associated with this required change will be included in the Company's taxable income in four equal installments over a four year period. Depreciation of property and equipment is computed in accordance with various accelerated methods allowable for income tax reporting purposes. Provision has been made for the deferred state income taxes arising from timing differences in the recognition of revenues and costs for financial reporting and tax reporting purposes.

Due to various timing differences, income is passed through to the stockholders in a different period for tax reporting purposes than for financial statement purposes. The deferred federal income taxes that would have been recognized if the Company were not considered a pass-through entity at December 31, 2017, are comprised of the following:

Depreciation	\$ 509,469
Estimated federal income tax rate	21.0%
Estimated deferred federal tax liability	\$ 106,988

CUMBERLAND VALLEY CONSTRUCTORS, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

Note 1 – Continued

g. Uncertain Tax Positions

The Company has adopted FASB ASC 740-10-25, *Accounting for Uncertainty in Income Taxes*. The Company will record a liability for uncertain tax positions when it is more likely than not that a tax position would not be sustained if examined by the taxing authority. The Company continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. The Company's evaluation on December 31, 2017, revealed no uncertain tax positions that would have a material impact on the financial statements. The income tax returns are subject to examination by the IRS, generally for three years after the due date of the return. The Company does not believe that any reasonably possible changes will occur within the next twelve months that will have a material impact on the financial statements.

h. Advertising and Marketing

The Company's advertising and marketing costs are expensed as incurred. Advertising and marketing costs totaled \$3,764 for the year ended December 31, 2017.

i. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 periods. The estimates involved in determining the recognition of gross profit under the percentage-of-completion method of accounting for long-term contracts are particularly subject to change in the near-term.

j. Date of Management Review

The Company's management has performed a review of subsequent events through the date of the audit report, which is the date the financial statements were available to be issued. There has been no material event noted in this period which would either impact the results reflected in these financial statements or the Company's results going forward.

Note 2 – Redemption of Stock

During the year ended December 31, 2017, the Company purchased 9,000 shares of voting common stock from its stockholders. The Company simultaneously reissued the shares at a premium to a key employee of the Company. The premium created \$51,000 of additional paid-in-capital, presented as a component of stockholders' equity on the accompanying balance sheet. The stock is held in treasury stock and recorded using the cost method.

CUMBERLAND VALLEY CONSTRUCTORS, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

Note 3 – Contract Receivables

Contract receivables at December 31, 2017 are summarized as follows:

Estimates due on contracts:	
Completed contracts	\$ 126,436
Uncompleted contracts	<u>6,683,293</u>
	<u>\$ 6,809,729</u>
Retainage due on contracts:	
Completed contracts	\$ 26,693
Uncompleted contracts	<u>1,581,258</u>
	<u>\$ 1,607,951</u>

Estimates receivable at December 31, 2017 are aged as follows:

	<u>Amount</u>	<u>Percentage</u>
Current	\$ 5,974,163	88%
31 – 60 days	835,566	12%
61 – 90 days	-	0%
Over 90 days	<u>-</u>	<u>0%</u>
	<u>\$ 6,809,729</u>	<u>100%</u>

Subsequent to December 31, 2017, the Company collected approximately 95% of outstanding estimates receivable.

*See Note 11 – Concentration of Credit Risk and Major Customer.*

Note 4 – Uncompleted Contracts

As outlined in Note 1(b), the Company recognizes income from long-term contracts on the percentage-of-completion method. Information concerning uncompleted contracts at December 31, 2017 is as follows:

Costs incurred on uncompleted contracts	\$29,764,961
Estimated earnings recognized	<u>2,418,587</u>
	32,183,548
Less: Billings to date	<u>(33,959,640)</u>
Percentage-of-completion adjustment	<u>\$(1,776,092)</u>

Included in the accompanying balance sheet as follows:

Costs and estimated earnings in excess of billings on uncompleted contracts	\$ 68,889
Billings in excess of costs and estimated earnings on uncompleted contracts	<u>1,844,981</u>
	<u>\$(1,776,092)</u>

CUMBERLAND VALLEY CONSTRUCTORS, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

Note 5 – Related Party Transactions

The Company has made uncollateralized advances to the stockholders totaling \$85,000 at December 31, 2017. The advances have been classified as long-term on the balance sheet as scheduled payments are not required. The Company does expect repayment of the advances with future net profits charged to officers' compensation.

At December 31, 2017, the Company had an outstanding loan receivable in the amount of \$539,476 from an entity related by common ownership. The loan was made for the purpose of purchasing commercial property. The loan has been classified as long-term on the accompanying balance sheet at December 31, 2017 as scheduled repayments are not required.

Note 6 – Bank Line-of-Credit

The Company maintains a \$2,250,000 line-of-credit with CapStar Bank, expiring April 2018, unless renewed. Outstanding borrowings are charged interest at prime plus 1%. The line is secured by substantially all assets of the Company and is personally guaranteed by the stockholders. There was no outstanding balance on the line at December 31, 2017.

Note 7 – Deferred Income Taxes

As outlined in Note 1(f), the Company has made a provision in the accompanying financial statements for the deferred state income taxes applicable to net income reported in the financial statements but deferred to future periods for tax purposes. In accordance with ASU No. 2015-17, all deferred taxes are presented as a long-term liability on the accompanying balance sheet. The following schedule summarizes the calculation of the liability for deferred state income taxes at December 31, 2017:

Depreciation	\$ 509,469
Estimated state income tax rate	<u>6.5%</u>
Estimated deferred state tax liability	<u>\$ 33,115</u>

Note 8 – Operating Leases

The Company leases equipment on a month-to-month basis as the need arises on projects. Total rent expense associated with this activity amounted to \$327,999 for the year ended December 31, 2017.

Note 9 – Retirement Plan

Employees of the Company may participate in a 401(k) savings plan, whereby the employees may elect to make contributions pursuant to a salary reduction agreement upon meeting age and length-of-service requirements. Eligible employees may elect to contribute an amount of their base compensation, subject to annual contribution limits. The Company may in its sole discretion make a basic matching contribution to the plan. The Company did not make matching contributions during the year ended December 31, 2017.

CUMBERLAND VALLEY CONSTRUCTORS, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

Note 10 – Compensated Absences

Compensated absences for sick pay and personal time have not been accrued since they cannot be reasonably estimated. The Company's policy is to recognize these costs when actually paid.

Note 11 – Concentration of Credit Risk and Major Customer

The Company's primary business is serving as a utilities contractor to municipalities and private utilities throughout Tennessee. Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash on deposit, accounts receivable from construction contracts and unsecured contract receivables. The Company's cash deposits may at times exceed federally insured amounts. Concentrations of credit risk with respect to contract receivables are limited to a few customers. The Company generally requires no collateral from its customers, other than normal lien rights.

During the year ended December 31, 2017, the Company performed approximately 99% of its contract revenue with Metro Water Services of Nashville and Davidson County Tennessee. Included in accounts receivable from the activity at December 31, 2017, is approximately \$4,372,401 and \$1,582,054 in estimates and retainage receivable, respectively. In addition, 90% of the backlog presented in Note 13 below, as of December 31, 2017, is related to contracts with the entity.

Note 12 – Contingencies

The Company may at times become contingently liable to sureties in respect of performance and payment bonds issued by the sureties in connection with certain contracts entered into by the Company in the normal course of business. The Company has agreed to indemnify the sureties for any payments made by them in respect of such bonds.

Note 13 – Backlog

The following schedule is a reconciliation of backlog representing signed contracts at December 31, 2017:

Balance at January 1, 2017	\$ 6,145,224
New contracts and contract adjustments	<u>57,853,858</u>
	63,999,082
Less: Contract revenue earned during the year	<u>(25,867,938)</u>
Balance at December 31, 2017	<u>\$38,131,144</u>



STATE OF TENNESSEE  
DEPARTMENT OF  
COMMERCE AND INSURANCE



342677

CUMBERLAND VALLEY CONSTRUCTORS, INC.

ID NUMBER: 63464

LIC STATUS: ACTIVE

EXPIRATION DATE: March 31, 2020

BOARD FOR LICENSING CONTRACTORS  
CONTRACTOR

THIS IS TO CERTIFY THAT ALL REQUIREMENTS  
OF THE STATE OF TENNESSEE HAVE BEEN MET

COPY

CUMBERLAND VALLEY CONSTRUCTORS, INC.  
PO BOX 78247  
NASHVILLE, TN 37207

State of Tennessee

342677 10971042

BOARD FOR LICENSING CONTRACTORS

CONTRACTOR

CUMBERLAND VALLEY CONSTRUCTORS, INC.

*This is to certify that all requirements of the State of Tennessee have been met.*

ID NUMBER: 63464  
LIC STATUS: ACTIVE  
EXPIRATION DATE: March 31, 2020  
AGLM UNLIMITED; BC ; CMC ; HC ; HRA ; MU



IN-1313  
DEPARTMENT OF  
COMMERCE AND INSURANCE

VOID VOID VOID VOID VOID VOID