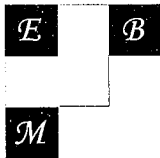


**CONSOLIDATED UTILITY DISTRICT
OF RUTHERFORD COUNTY, TENNESSEE
FINANCIAL STATEMENTS,
SUPPLEMENTAL INFORMATION
AND
INDEPENDENT AUDITORS' REPORTS
YEARS ENDED SEPTEMBER 30, 2010 AND 2009**

**CONSOLIDATED UTILITY DISTRICT
OF RUTHERFORD COUNTY, TENNESSEE
FINANCIAL STATEMENTS,
SUPPLEMENTAL INFORMATION
AND
INDEPENDENT AUDITORS' REPORTS
YEARS ENDED SEPTEMBER 30, 2010 AND 2009**

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Edmondson, Betzler & Montgomery, PLLC

(Certified Public Accountants)
INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Consolidated Utility District of Rutherford County, Tennessee

We have audited the accompanying basic financial statements of Consolidated Utility District of Rutherford County, Tennessee (the "District") as of and for the years ended September 30, 2010 and 2009, as listed in the table of contents. 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 audits.

We conducted our audits 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 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 audits provide a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the District as of September 30, 2010 and 2009, and the results of its operations and its cash flows for the years 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 November 16, 2010, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws and 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 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 management's discussion and analysis, pension trend data, and post-employment data on pages 2 through 7 and pages 26 through 27 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.

Edmondson, Betzler & Montgomery, PLLC

November 16, 2010

-1-

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Consolidated Utility District of Rutherford County

Management's Discussion and Analysis

Year ended September 30, 2010

The management of Consolidated Utility District of Rutherford County (CUDRC) offers the readers of CUDRC's financial statements this narrative overview and analysis of the financial activities for the fiscal year ending September 30, 2010. We encourage readers to consider the information presented here in conjunction with the additional information furnished in this report.

Financial Highlights

- The assets of CUDRC exceeded its liabilities at the close of the most recent fiscal year by \$200,973,867 (*net assets*). This includes Unrestricted Net Assets in the amount of \$30,172,556 which may be used to meet CUDRC's ongoing obligations to customers, employees and creditors.
- CUDRC's total net assets increased by \$4,287,396. This increase is primarily attributable to a one-time infusion of resources from contributions and tap fees.
- Net operating income for the fiscal year was \$3,077,070.

Financial Statement Overview

This discussion and analysis is intended to serve as an introduction to CUDRC's financial statements. CUDRC adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - Managements Discussion and Analysis - for State and Local Governments* as of October 1, 2002. Governmental Accounting Standards Board Statement No. 33 - *Accounting and Financial Reporting for Nonexchange Transactions*, was implemented as of October 1, 2001. Comparative data for the years 2009 & 2008 are also available in this year's MD&A.

The basic financial statements herein are comprised of the Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets, the Statement of Cash Flows, and the accompanying Notes.

CUDRC, one of the largest utility districts in the state, provides water and decentralized sewer services to residents within Rutherford County. Costs are allocated to the two services, but financial statements for each service are not independently presented.

Financial Analysis

Net Assets may serve over time as a useful indicator of CUDRC's financial position. By far the largest portion of CUDRC's net assets (81 percent) reflects both assets contributed by developers and the agency's own investment in capital assets (e.g., infrastructure, land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. CUDRC uses these assets to provide services to customers; consequently, these assets are not available for future spending. It should be noted that the resources needed to repay the long-term debt must be provided from operating revenues, since the capital assets themselves cannot be used to liquidate these liabilities.

Consolidated Utility District of Rutherford County
Comparative Statement of Net Assets
As of September 30
(In Thousands)

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Current and other assets	\$42,000	\$36,585	\$31,435
Capital assets	222,052	218,578	210,658
Total Assets	\$264,052	\$255,163	\$242,093
Other liabilities	\$4,177	\$14,589	\$5,954
Long-term liabilities outstanding	58,901	43,888	44,166
Total Liabilities	\$63,078	\$58,477	\$50,120
Net assets:			
Invested in capital assets	\$162,765	\$174,757	\$165,887
Restricted for bond provisions	8,036	7,310	6,919
Restricted for Capital Improvements	0	0	0
Unrestricted	30,173	14,619	19,167
Total net assets	\$200,974	\$196,686	\$191,973

For all of the fiscal years presented, CUDRC is able to report positive balances in all categories of net assets.

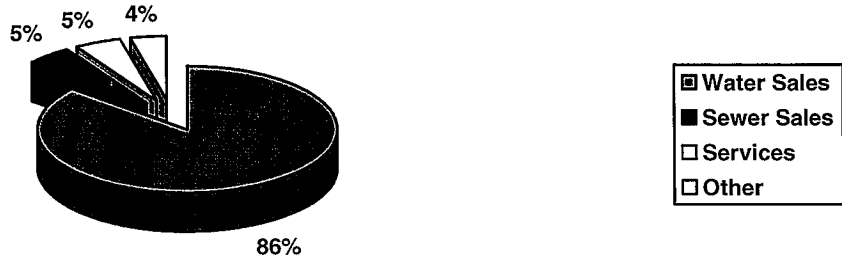
Table 2
Condensed Statement of Revenues, Expenses,
And Changes in Net Assets
For the Years ended September 30
(In Thousands)

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Revenues:			
Operating revenue	\$22,124	\$20,723	\$21,146
Non-operating revenue	403	862	1,267
Total Revenue	<u>\$22,527</u>	<u>\$21,585</u>	<u>\$22,413</u>
Expenses:			
Depreciation	\$6,814	\$6,550	\$6,041
Other operating expense	12,233	13,377	12,603
Non-operating expense	2,548	2,369	2,152
Total expenses	<u>\$21,595</u>	<u>\$22,296</u>	<u>\$20,796</u>
Income before contributions	\$932	(\$711)	\$1,617
Other Contributions	3,355	5,424	16,932
Change in net assets	<u>\$4,287</u>	<u>\$4,713</u>	<u>\$18,549</u>
Beginning net assets	196,686	191,973	173,424
Ending net assets	<u>\$200,973</u>	<u>\$196,686</u>	<u>\$191,973</u>

Operating revenues in 2010 totaling more than \$22 million and as shown in Figure 1, were derived principally from retail sales of water to an average of more than 42,000 customers during the fiscal year. The number of total active customers at year end was nearly 43,002, indicating continued growth in customers served. Operating revenues increased by nearly 7 percent over the previous year, due in part to an increase in our customer charge (minimum), and the addition of a consumption charge for decentralized sewer customers.

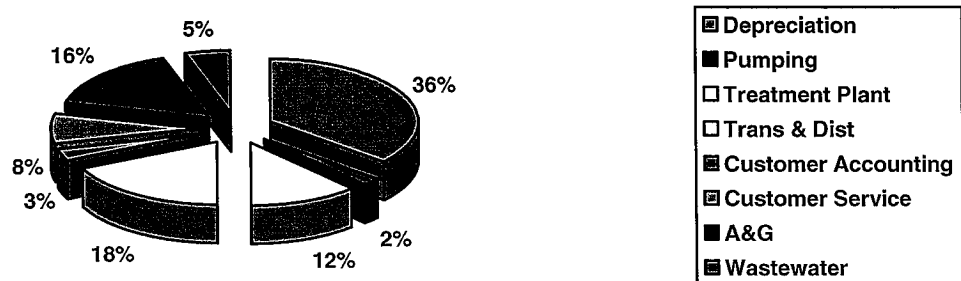
After the above consumption charge was added, revenue from sewer sales increased by nearly 28% over the previous year, as the number of developments with these sewer systems increased from 37 to 43. Additional systems are nearing completion by developers, and others are in some stage of planning or construction. The number of customers utilizing these systems increased from 2,664 to 2,964. The 43 existing systems are designed to accommodate nearly 6,100 homes.

Figure 1
Operating Revenues



Despite an increase in depreciation expense, total operating expenses were below the prior year by 4.5%. This savings resulted from conservative management practices, changes in the employee benefit plan (without significantly compromising benefit levels), and a cooperative agreement to reduce energy costs.

Figure 2
Operating Expenses



Changes in Capital Assets

As shown in Table 3, CUDRC's investment in capital assets net of depreciation as of September 30, 2010 was more than \$221 million, and increased by just over \$2 million or approximately 1%. Capital assets totaling \$2.1 million were installed and paid for by developers and others, then contributed to CUDRC.

Table 3
 Capital Assets
 Net of Accumulated Depreciation
 Year ended September 30, 2010
 (In Thousands)

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Land and land rights	\$1,527	\$1,312	\$1,112
Pumping stations	2,495	2,678	2,849
Reservoirs	7,230	2,408	2,532
Trans & Dist Mains	149,684	152,632	135,461
Services & Meters	3,657	3,967	4,276
Source of Supply	0	0	0
Buildings	10,299	10,673	11,047
Land Improvements	12	13	16
Water plant structures	13,584	14,002	14,420
Water plant equipment	527	574	420
Decentralized sewer systems	20,612	20,370	19,001
Office Equipment	1,119	1,321	1,320
Transportation Equipment	302	479	720
Tools and Garage Equipment	106	45	59
Heavy Equipment	770	792	698
Work in process, CUDRC	847	269	137
Work in process, subcontract	8,413	7,043	16,590
Total	<u>\$221,184</u>	<u>\$218,578</u>	<u>\$210,658</u>

CUDRC has several major projects on-going and scheduled through 2015 that are projected to cost an additional \$30-\$40 million. The District currently anticipates that additional funds may be borrowed at some point in the future to fund portions of these projects.

Long-term Debt

CUDRC had \$57,823,000 in net long-term debt outstanding at year-end compared with \$43,636,000 in the prior year. The increase resulted from the issuance of \$15 million Series 2009 Revenue Bonds during the fiscal year. After this debt issuance, annual principal and interest requirements will increase to approximately \$4.5 million through fiscal 2013, and gradually decline thereafter.

Economic Factors

Rutherford County, a part of the Nashville Metropolitan Statistical Area, reports an average unemployment rate of 8.3% in September 2010, compared with Tennessee's unemployment rate of 9.4% and the U.S. rate of 9.6%.

Request for Information

This financial report is designed to provide a general overview of CUDRC's finances for all those with an interest in the district's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Comptroller, CUDRC, 709 New Salem Hwy., P.O. Box 249, Murfreesboro, TN 37133-0249.

General information relating to CUDRC can be found at the utility's website, <http://www.cudrc.com>.

**CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
BALANCE SHEETS
SEPTEMBER 30, 2010 AND 2009**

ASSETS	2010	2009
Current Assets:		
Cash and cash equivalents	\$ 6,098,398	\$ 2,481,534
Investments, at fair value	24,128,569	21,305,513
Accounts receivable, net of allowance for doubtful accounts, \$173,031 and \$140,992 for 2010 and 2009, respectively	2,802,617	2,524,685
Grant receivable	-	353,613
Inventory	584,399	1,449,839
Interest receivable	173,951	184,031
Prepaid expenses	175,373	273,265
Total current assets	<u>33,963,307</u>	<u>28,572,480</u>
Restricted Assets:		
Investments for debt service	8,036,425	7,310,159
Capital Assets:		
Utility plant and equipment, net	221,183,121	218,578,064
Other Assets:		
Deferred bond issuance cost	868,621	702,312
Total assets	<u>\$ 264,051,474</u>	<u>\$ 255,163,015</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Current portion of long-term debt	\$ 1,464,333	\$ 886,955
Note payable	-	10,000,000
Trade accounts payable	1,313,090	1,571,232
Retainage payable	377,017	379,795
Accrued interest payable	412,831	417,319
Accrued wages and payroll taxes	81,403	130,558
Accrued health insurance claims reserve	-	308,283
Accrued vacation	274,007	253,973
Other accrued liabilities	253,922	285,508
Total current liabilities	<u>4,176,603</u>	<u>14,233,623</u>
Long-term Liabilities:		
Waterworks revenue bonds	57,822,523	43,636,120
Accrued sick leave	533,646	355,261
Post employment benefits	544,835	251,540
Total liabilities	<u>63,077,607</u>	<u>58,476,544</u>
Net Assets:		
Invested in capital assets, net of related debt	162,764,886	174,757,301
Restricted to meet bond indenture provisions	8,036,425	7,310,159
Unrestricted	30,172,556	14,619,011
Total net assets	<u>200,973,867</u>	<u>196,686,471</u>
Total liabilities and net assets	<u>\$ 264,051,474</u>	<u>\$ 255,163,015</u>

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED SEPTEMBER 30, 2010 AND 2009

	2010	2009
Operating revenues:		
Water and sewer revenues	\$ 20,102,931	\$ 19,092,843
Connection and other fees	<u>2,020,913</u>	<u>1,630,368</u>
Total operating revenues	<u>22,123,844</u>	<u>20,723,211</u>
Operating expenses:		
Pumping	524,068	539,439
Water treatment	2,233,026	2,487,968
Transmission and distribution	3,436,312	3,665,343
Customer accounting	587,551	731,140
Customer service	1,527,588	1,700,816
Wastewater (step sewer)	924,604	830,116
General and administrative	2,999,796	3,421,863
Depreciation and amortization	<u>6,813,829</u>	<u>6,550,075</u>
Total operating expenses	<u>19,046,774</u>	<u>19,926,760</u>
Net operating income	<u>3,077,070</u>	<u>796,451</u>
Non-operating revenues (expenses):		
Interest earned	400,101	714,656
Interest expense	(2,544,501)	(2,295,136)
Gain on sale of capital assets	249	146,854
Other income	2,525	-
Other non-operating expenses	<u>(3,521)</u>	<u>(73,888)</u>
Total non-operating revenues (expenses)	<u>(2,145,147)</u>	<u>(1,507,514)</u>
Net income (loss) before contributions	931,923	(711,063)
Capital contributions:		
Contributions in aid of construction	<u>3,355,473</u>	<u>5,424,332</u>
Change in net assets	4,287,396	4,713,269
Net assets, beginning of year	<u>196,686,471</u>	<u>191,973,202</u>
Net assets, end of year	<u>\$ 200,973,867</u>	<u>\$ 196,686,471</u>

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2010 AND 2009

	2010	2009
Cash flows from operating activities:		
Receipts from customers	\$ 22,114,092	\$ 20,941,822
Payments to suppliers and others	(6,907,164)	(8,510,757)
Payments to employees	<u>(4,354,130)</u>	<u>(4,441,416)</u>
Net cash provided by operating activities	<u>10,852,798</u>	<u>7,989,649</u>
Cash flows from capital and related financing activities:		
Contributions in aid of construction	1,197,179	1,080,173
Contributions from grant received	400,000	-
Acquisition and construction of capital assets	(7,736,243)	(11,775,081)
Proceeds from sale of capital equipment	43,152	196,085
Proceeds from short and long term borrowing	15,645,837	11,350,000
Payment of bond issuance costs	(214,812)	(25,000)
Principal paid on short term note	(10,000,000)	-
Principal paid on revenue bonds	(882,499)	(2,344,535)
Interest paid on revenue bonds	(2,548,989)	(2,191,929)
Other income	2,525	-
Other non-operating expenses	<u>(3,521)</u>	<u>(73,888)</u>
Net cash used in capital and related financing activities	<u>(4,097,371)</u>	<u>(3,784,175)</u>
Cash flows from investing activities:		
Interest received on investments	410,181	703,320
Proceeds from maturity of investments	29,152,187	30,868,035
Purchases of investments	<u>(32,700,931)</u>	<u>(35,863,787)</u>
Net cash used in investing activities	<u>(3,138,563)</u>	<u>(4,292,432)</u>
Net increase (decrease) in cash and cash equivalents	3,616,864	(86,958)
Cash and cash equivalents, beginning of year	<u>2,481,534</u>	<u>2,568,492</u>
Cash and cash equivalents, end of year	<u>\$ 6,098,398</u>	<u>\$ 2,481,534</u>
Non-cash capital and related financing activities:		
Developer contributions of utility plant	<u>\$ 2,111,907</u>	<u>\$ 3,990,543</u>
Capital additions included in accounts payable	<u>\$ 632,994</u>	<u>\$ 1,097,560</u>

The accompanying notes are an integral part of these financial statements.

**CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2010 AND 2009**

	2010	2009
Reconciliation of operating income to net cash provided by operating activities:		
Net income from operations	\$ 3,077,070	\$ 796,541
Adjustments to reconcile net income from operations to net cash		
Depreciation and amortization	6,813,829	6,550,075
Bad debt expense	181,742	160,475
(Increase) decrease in accounts receivable	(459,674)	58,136
Decrease in inventories	865,440	13,303
(Increase) decrease in prepaid expenses	97,892	(120,709)
Increase (decrease) in trade accounts payable	173,809	(180,077)
Decrease in accrued wages and payroll taxes	(49,155)	(2,703)
Increase in accrued compensated absences	198,419	315,981
Increase (decrease) in health insurance claims reserve	(308,283)	98,494
Increase in post retirement benefits payable	293,295	251,540
Increase (decrease) in other accrued liabilities	(31,586)	48,683
	<u>\$ 10,852,798</u>	<u>\$ 7,989,739</u>
Net cash provided by operating activities		

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2010 AND 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidated Utility District of Rutherford County, Tennessee, was created in 1968 pursuant to the public laws of the State of Tennessee and under the order of the County Judge of Rutherford County, Tennessee. The District includes those districts originally known as Double Springs Utility District, Stones River Utility District, Florence Utility District, and Rockvale Utility District of Rutherford County. The District was established under Tennessee Code Annotated § 7-82, also known as the Utility District law of 1937, and received its charter from the State of Tennessee in April, 1970. The District was created to provide water to areas of Rutherford County; however the District amended its charter on December 31, 1997, to include sewer service. The District is not a component unit of any other governmental entity, and it has no component units. The operation of the District is overseen by a five (5) member board of commissioners, each of whom serves a four (4) year term of office.

A summary of the District's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Presentation

The District's resources are allocated to and accounted for in these basic financial statements as an enterprise fund type of the proprietary fund group. The enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other policies. Net assets for the enterprise fund represent the amount available for future operations.

Basis of Accounting

The District is an enterprise fund and its records are maintained on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989 (when applicable), that do not conflict with or contradict GASB pronouncements. Additionally, the District has the option of following all FASB pronouncements issued after November 30, 1989 that do not conflict with or contradict GASB standards, however, the District has elected not to follow these additional standards. The more significant accounting policies established in GAAP and used by the District are discussed below.

Under the accrual basis of accounting revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Earned but unbilled water services are accrued as revenue. Water and sewer lines are constructed by private developers and then dedicated to the District, which is then responsible for their future maintenance. These lines are recorded as capital contributions when they pass inspection by the District and the estimated costs are capitalized as transmission and distribution.

**CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2010 AND 2009**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the District. Operating revenues consist primarily of charges for services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from non-exchange transactions or ancillary activities.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents, including restricted assets.

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 period. Actual results could differ from those estimates.

Inventory

Inventory consists primarily of materials used in the construction and maintenance of the distribution facilities and is valued at lower of cost (on the first-in, first-out basis) or market.

Investments

Investments are stated at fair value in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. This statement requires that investments be reported at fair value in the balance sheet, except for money market investments and participating interest-earning investment contracts that have a remaining maturity at the time of purchase of one year or less. Such investments may be reported at amortized costs. All investment income, including changes in the fair value of investments, is to be recognized in the operating statement.

**CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2010 AND 2009**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets are recorded at historical cost. Donated assets are valued at estimated fair value on the date received. Self constructed assets are recorded based on the amount of direct labor, material, and certain indirect costs charged to the asset construction. Depreciation is calculated using the straight-line method over the following estimated useful lives:

	<u>Estimated Life</u>
Buildings and Structures	33 – 40 years
Transmission and Distribution Mains	40 – 50 years
Equipment	4 – 20 years
STEP Sewer Systems	40 – 50 years

Depreciation expense aggregated \$6,764,612 and \$6,511,997 for the years ended September 30, 2010 and 2009, respectively, and is included with depreciation and amortization expense.

Maintenance and repairs are charged to operations when incurred. Costs of assets sold or retired (and the related amounts of accumulated depreciation) are eliminated from the balance sheet in the year of sale or retirement, and the resulting gain or loss is recognized in operations.

Bond Premiums and Issuance Costs

Bond premiums, as well as issuance costs, are deferred and amortized over the lives of the bonds. Bonds payable are reported net of the applicable bond premiums. Bond issuance costs are reported as a component of Other Assets in the accompanying Balance Sheets.

Compensated Absences

Employees of the District are entitled to paid vacation and sick days depending on the length of service and other factors. District employees who meet certain eligibility criteria are compensated for accrued sick leave upon retirement. The vested and earned vacation leave is recognized as current liability of the District at September 30, 2010 and 2009. The estimated liability for sick leave has been reflected in this report as a long-term liability, as it will not be paid to employees until termination.

Risk Management

The District is subject to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance for these claims and for all other risks of loss. Settled claims have not exceeded the commercial coverage for the years ended September 30, 2010 and 2009.

**CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2010 AND 2009**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prior Year Financial Statements

Certain reclassifications have been made to the prior year financial statements in order to conform to the current year presentation.

NOTE 2 - CASH AND INVESTMENTS

Cash and investments as of September 30, 2010 and 2009 are classified in the Balance Sheets as follows:

	2010	2009
Cash and cash equivalents	\$ 6,098,398	\$ 2,481,534
Investments	24,128,569	21,305,513
Restricted for debt service	<u>8,036,425</u>	<u>7,310,159</u>
	<u><u>\$ 38,263,392</u></u>	<u><u>\$ 31,097,206</u></u>

Cash and investments as September 30, 2010 and 2009 consist of the following:

	2010	2009
Cash on hand	\$ 1,350	\$ 1,350
Deposits with financial institutions	12,097,048	14,480,184
Investments - marketable securities	15,227,091	6,665,295
Local governmental investment pool	<u>10,937,903</u>	<u>9,950,377</u>
	<u><u>\$ 38,263,392</u></u>	<u><u>\$ 31,097,206</u></u>

Authorized Investments

The District is authorized by law to invest idle funds in various U.S. government or agency obligations as well as secured certificates of deposits at state and federal chartered banks and savings and loan associations. The District also may invest in repurchase agreements for U.S. Government or agency obligations and money market funds whose portfolio consist of any of the investments discussed above if those investments are approved by the state director of local finance. Finally, the District may invest in the local government investment pool established by Title 9, Chapter 4, Part 7, Tennessee Code Annotated. Authorized investments may not have a maturity of greater than four (4) years unless authorized by the state director of local finance. District regulations do not provide any further restrictions on investments.

**CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2010 AND 2009**

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Disclosures Relating to Interest Rate Risk and Credit Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in interest rates. One of the ways the District manages its exposure to interest rate risk is by purchasing a combination of shorter and longer term investments. By timing cash flows from maturities so that a portion of the portfolio is maturing evenly over time, this provides the cash flow and liquidity needed for operations and capital expenditures.

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

As of September 30, 2010, the District had the following investments.

	<u>Market Value</u>	<u>Maturity Date</u>	<u>Call Date</u>	<u>Rating as of Year End</u>
Farmers Home Loan Bank	\$ 300,939	7/6/2012	1/6/2011	AAA
Farmers Home Loan Bank	502,190	1/12/2012	1/12/2011	AAA
Farmers Home Loan Bank	405,876	4/7/2011	Non Call	AAA
Farmers Home Loan Bank	603,378	12/24/2012	12/24/2010	AAA
Farmers Home Loan Bank	5,012,500	9/15/2014	9/15/2011	AAA
Federal Home Loan Mortgage Corp.	401,504	12/30/2011	12/30/2010	AAA
Freddie Mac	8,000,704	10/5/2012	Non Call	AAA
	<u>\$ 15,227,091</u>			

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer that represents 5% or more of the total District investments are as follows:

Farmers Home Loan Bank	Federal Agency Securities	\$ 6,824,883
Freddie Mac	Federal Agency Securities	\$ 8,000,704

**CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2010 AND 2009**

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a depositor will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, an investor will not be able to recover the value of its investment or collateral securities that regain the possession of another party. Tennessee Code annotated requires that a financial institution secure deposits made by a state or local government unit by pledging securities in a collateral pool maintained by the State Treasurer, or by placing securities in an amount of 105% of the uninsured amount of the deposits in an escrow account in a second bank for the benefit of the government agency. Rules adopted by the Tennessee State Funding Board also require that investments must be held by a separate custodian (not the broker-dealer) in an account in the name of the government agency. At September 30, 2010 and 2009, and throughout the fiscal years, the District was in compliance with these requirements.

NOTE 3 - CAPITAL ASSETS

Components of utility plant and equipment for the year ended September 30, 2010 are as follows:

	Balance September 30, 2009	Additions	Retires	Transfers	Balance September 30, 2010
Capital assets not being depreciated					
Land and improvements	\$ 1,312,153	\$ 214,672	\$ -	\$ -	\$ 1,526,825
Construction in progress	7,312,404	6,573,835	-	(4,626,617)	9,259,622
	<u>8,624,557</u>	<u>6,788,507</u>	<u>-</u>	<u>(4,626,617)</u>	<u>10,786,447</u>
Capital assets being depreciated					
Structures and improvements	46,253,401	-	(173,119)	5,149,363	51,229,645
Transmission and distribution mains	188,135,765	1,871,704	-	(542,469)	189,465,000
STEP sewer systems	21,468,992	503,005	-	19,723	21,991,720
Equipment	8,185,236	249,356	(99,657)	-	8,334,935
	<u>264,043,394</u>	<u>2,624,065</u>	<u>(272,776)</u>	<u>4,626,617</u>	<u>271,021,300</u>
Total plant in service	272,667,951	9,412,572	(272,776)	-	281,807,747
Less accumulated depreciation	<u>(54,089,887)</u>	<u>(6,764,612)</u>	<u>229,873</u>	<u>-</u>	<u>(60,624,626)</u>
Net capital assets	<u>\$ 218,578,064</u>	<u>\$ 2,647,960</u>	<u>\$ (42,903)</u>	<u>\$ -</u>	<u>\$ 221,183,121</u>

**CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2010 AND 2009**

NOTE 4 - NOTE PAYABLE

In the prior fiscal year, the District had borrowed \$10,000,000 on a short-term basis in anticipation of repaying this note through a bond issuance. Effective November 19, 2009, Water Revenue Bonds, Series 2009, were issued for \$15,000,000 and subsequently this note was paid in full.

NOTE 5 - LONG-TERM DEBT

The long-term debt at September 30, 2010 and 2009 consisted of the following:

	2010	2009
Series 1976 revenue bonds; interest payable semi-annually at 5%, maturing in annual installments through 2016.	\$ 54,000	\$ 62,000
Series 1978 revenue bonds; interest payable semi-annually at 5%, maturing in annual installments through 2018.	104,000	114,000
Series 2000 revenue bonds; interest payable monthly at 4.75%, maturing in monthly installments through 2040.	903,136	917,016
Series 2004 revenue refunding bonds; interest payable semi-annually at 2% to 5%, maturing in annual installments through 2027.	10,640,000	10,865,000
Series 2005 revenue bonds; interest payable semi-annually at 3% to 5.5%, maturing in annual installments through 2035.	13,625,000	13,915,000
Series 2006 revenue bonds; interest payable semi-annually at 4% to 5%, maturing in annual installments through 2036.	16,770,000	17,095,000
Series 2009 revenue bonds; interest payable monthly at 4.125%, maturing in monthly installments through 2047.	1,329,974	1,345,249
Series 2009 revenue bonds; interest payable semi-annually at 2.5% to 4.5%, maturing in annual installments through 2030.	15,000,000	-
Total debt	58,426,110	44,313,265
Less current portion	1,464,333	886,955
Long-term portion (carried forward)	\$ 56,961,777	\$ 43,426,310

**CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2010 AND 2009**

NOTE 5 - LONG-TERM DEBT (CONTINUED)

	2010	2009
Long-term portion (brought forward)	\$ 56,961,777	\$ 43,426,310
Plus: unamortized premiums	1,407,866	843,033
Less: deferred interest	<u>(547,120)</u>	<u>(633,223)</u>
Long-term portion, net	<u><u>\$ 57,822,523</u></u>	<u><u>\$ 43,636,120</u></u>

Future debt service requirements of long-term debt are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 1,464,333	\$ 2,546,879	\$ 4,011,212
2012	2,055,433	2,489,613	4,545,046
2013	2,114,121	2,420,011	4,534,132
2014	2,186,616	2,345,290	4,531,906
2015	2,264,179	2,258,215	4,522,394
2016-2020	11,395,418	9,822,558	21,217,976
2021-2025	12,397,825	7,202,291	19,600,116
2026-2030	13,126,741	4,223,040	17,349,781
2031-2035	9,426,607	1,632,673	11,059,280
2036-2040	1,586,744	164,336	1,751,080
2041-2045	297,303	55,077	352,380
2046-2047	110,790	3,949	114,739
	<u><u>\$ 58,426,110</u></u>	<u><u>\$ 35,163,932</u></u>	<u><u>\$ 93,590,042</u></u>

Long-term transactions for the year ended September 30, 2010 are as follows:

	<u>Balance September 30, 2009</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance September 30, 2010</u>
Revenue bonds	\$ 33,448,265	\$ 15,000,000	\$ 662,155	\$ 47,786,110
Refunding bonds	10,865,000	-	225,000	10,640,000
Total long-term debt	<u><u>\$ 44,313,265</u></u>	<u><u>\$ 15,000,000</u></u>	<u><u>\$ 887,155</u></u>	<u><u>\$ 58,426,110</u></u>

NOTE 6 - MEDICAL/HEALTH SELF-INSURANCE PROGRAM

In January 1992, the District began providing medical insurance through a group self-insurance program. Effective September 30, 2009, the District began coverage under a fully insured plan through Cigna. The District was responsible for covering claims under the old self-insurance program through September 30, 2010. At September 30, 2009, the District accrued liabilities of \$308,283 for estimated claims that have been incurred but not reported and for claims that have been filed, but not paid. The District has no financial responsibility for claims incurred beyond September 30, 2010.

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2010 AND 2009

NOTE 7 - EMPLOYEE BENEFIT PLAN

Tennessee Consolidated Retirement System (TCRS)

In July, 2007 Consolidated Utility District of Rutherford County (CUD), Tennessee, joined the Tennessee Consolidated Retirement System (TCRS), and provided the opportunity for existing employees to become members of this public employees' retirement system. Upon making this program available, approximately 70 percent of the employees elected to participate. All new employees are required to participate in this retirement program.

Plan Description

Employees of CUD are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after 4 years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Consolidated Utility District participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs/PS/>.

Funding Policy

CUD requires employees to contribute 5.0% of earnable compensation. CUD is required to contribute at an actuarially determined rate; the rate for the year ending June 30, 2010 was 11.52% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for CUD is established and may be amended by the TCRS Board of Trustees.

**CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 YEARS ENDED SEPTEMBER 30, 2010 AND 2009**

NOTE 7 - EMPLOYEE BENEFIT PLAN (CONTINUED)

Annual Pension Cost

For the year ending June 30, 2010, CUD's annual pension cost of \$370,482 to TCRS was equal to CUD's required and actual contributions. The required contribution was determined as part of the July 1, 2007 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5% a year compounded annually, (b) projected salary increases of 4.75% (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5% annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0% annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five year period. CUD's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

Trend Information

Fiscal Year <u>Ending</u>	Annual Pension <u>Cost (APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
6/30/2010	\$ 370,482	100%	\$ -
6/30/2009	\$ 370,612	100%	\$ -
6/30/2008	\$ 363,129	100%	\$ -

Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was 48.51% funded. The actuarial accrued liability for benefits was \$5.03 million, and the actuarial value of assets was \$2.44 million, resulting in an unfunded actuarial liability (UAAL) of \$2.59 million. The covered payroll (annual payroll of active employees covered by the plan) was \$2.87 million, and the ratio of the UAAL to the covered payroll was 90.18%.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AAL's for benefits.

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

**CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2010 AND 2009**

NOTE 7 - EMPLOYEE BENEFIT PLAN (CONTINUED)

Deferred Compensation Plan

The District offers its employees a deferred compensation plan created in accordance with the Internal Revenue Service Code Section 457. The Plan, available to all District Employees, permits employees to defer a portion of their salary until future years. Compensation deferred under this plan is not available to employees or their beneficiaries until termination, retirement, death, or unforeseeable emergency. Prior to the adoption of the TCRS plan, the District provided a matching contribution of up to 4% of total wages to all participating employees. Subsequent to July 1, 2007 no employer match is available to employees participating in TCRS. For those employees who elected not to participate in TCRS the District provides a contribution of 11.5% for all employees who elect to contribute at least 5% to this program. Employer contributions under this program for the years ended September 30, 2010 and 2009 were \$105,751 and \$110,386, respectively.

NOTE 8 - POST EMPLOYMENT HEALTH BENEFITS

Plan Description

The District administers a single-employer defined benefit healthcare plan (the "Retiree Health Plan"). The plan provides healthcare insurance for eligible retirees and their spouses until a retiree reaches age 65 through the District's group health insurance plan, which covers both active and retired members. Benefit provisions are established through the District's current healthcare insurance provider, Cigna. The Retiree Health Plan does not issue a publicly available financial report.

Funding Policy

The District pays 100% of the cost of current-year premiums for eligible retired plan members and their spouses. The District made contributions for retirees of \$2,400 to the plan during the current fiscal year.

**CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2010 AND 2009**

NOTE 8 - POST EMPLOYMENT HEALTH BENEFITS (CONTINUED)

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The District has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than 100 total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB costs for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the Retiree Health Plan:

Annual required contribution	\$ 293,054
Interest on net OPEB obligation	13,835
Adjustment to annual required contribution	<u>(11,194)</u>
Annual OPEB cost (expense)	295,695
Contributions made	<u>(2,400)</u>
Increase in net OPEB obligation	293,295
Net OPEB obligation, beginning of year	<u>251,540</u>
Net OPEB obligation, end of year	<u><u>\$ 544,835</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2010 and 2009 (presentation of 2008 not applicable due to first year of implementation in 2009) is as follows:

<u>Year</u> <u>Ended</u>	<u>OPEB</u> <u>Cost</u>	<u>Annual OPEB</u> <u>Cost Contributed</u>	<u>OPEB</u> <u>Obligation</u>
9/30/2010	\$ 295,695	\$2,400	\$ 544,835
9/30/2009	\$ 251,540	\$0	\$ 251,540
9/30/2008	N/A	\$0	N/A

Funded Status and Funding Progress

As of September 30, 2010 and 2009, the actuarial accrued liability for benefits was \$2,378,239 and \$1,887,031, respectively, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$4,525,958 and \$4,453,754, respectively, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 52.5 and 42.4 percent, respectively.

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2010 AND 2009

NOTE 8 - POST EMPLOYMENT HEALTH BENEFITS (CONTINUED)

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

Retirement age for active employees – Based on the District's permitted retirement age, which is age 59 1/2, or at the first subsequent year in which the member would qualify for benefits.

Marital status – Marital status of members at the calculation date was assumed to continue throughout retirement.

Mortality – Not assumed to be a factor since member benefits end at age 65.

Turnover – Non-group-specific age-based turnover data from GASB 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Healthcare cost trend rate – The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services. A rate of 9.5 percent initially, reduced to an ultimate rate of 5.5 percent after six years, was used.

**CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2010 AND 2009**

NOTE 8 - POST EMPLOYMENT HEALTH BENEFITS (CONTINUED)

Health insurance premiums – 2010 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Inflation rate – The expected long-term inflation assumption of 3.3 percent was based on projected changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) in the *2009 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds* for an intermediate growth scenario.

Payroll growth rate – The expected long-term payroll growth rate was assumed to equal the rate of inflation.

Based on the historical and expected returns of the District's short-term investment portfolio, a discount rate of 5.5 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at September 30, 2010, was thirty years.

NOTE 9 - CONTINGENCIES

The District is involved in various lawsuits in the normal course of business operations. The District's management believes the outcome of these lawsuits will not have a material adverse effect on the District's financial statements.

**CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
PENSION TRUST FUNDS
SCHEDULE OF FUNDING PROGRESS
SEPTEMBER 30, 2010**

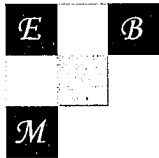
Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
7/1/2009	\$ 2,438,000	\$ 5,026,000	\$ 2,588,000	48.51%	\$ 2,870,000	90.18%
7/1/2007	\$ -	\$ -	\$ -	0.00%	\$ -	0.00%

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the Entry Age actuarial cost method went into affect during the year of the 2007 actuarial valuation, therefore only the two most recent valuations are presented.

**CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
 REQUIRED SUPPLEMENTARY INFORMATION
 POST-EMPLOYMENT BENEFITS
 SCHEDULE OF FUNDING PROGRESS
 SEPTEMBER 30, 2010**

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
9/30/2010	\$ -	\$ 2,378,239	\$ 2,378,239	0%	\$ 4,525,958	52.55%
9/30/2009	\$ -	\$ 1,887,031	\$ 1,887,031	0%	\$ 4,453,754	42.37%

SUPPLEMENTAL INFORMATION



Edmondson, Betzler & Montgomery, PLLC
(Certified Public Accountants)

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

To the Board of Commissioners
Consolidated Utility District of Rutherford County, Tennessee

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole of the Consolidated Utility District of Rutherford County, Tennessee. The supplemental information contained in the following pages is presented for the purpose of additional analysis and is not required for a fair presentation of the basic financial statements. Such information, except for the portion marked "unaudited", on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements; in our opinion, such information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Edmondson, Betzler & Montgomery, PLLC

November 16, 2010

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
SCHEDULE OF NET ASSETS BY COMPONENT
LAST EIGHT FISCAL YEARS
(amounts expressed in thousands)

	Fiscal Year							
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Invested in Capital Assets, net of related debt	\$162,765	\$174,757	\$165,887	\$133,266	\$116,250	\$110,830	\$89,159	\$67,632
Restricted to Meet Bond Indenture Provisions	8,036	7,310	6,919	6,149	5,667	4,865	3,669	5,936
Restricted for Capital Investments	-	-	-	5,413	9,915	1,833	-	-
Unrestricted	30,173	14,619	19,167	28,596	21,543	19,002	26,414	33,272
Total Net Assets	\$200,974	\$196,686	\$191,973	\$173,424	\$153,375	\$136,530	\$119,242	\$106,840

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
SCHEDULE OF CHANGES IN NET ASSETS
LAST EIGHT FISCAL YEARS

(amounts expressed in thousands)

	Fiscal Year							
	2010	2009	2008	2007	2006	2005	2004	2003
Operating Revenue:								
Water Sales	\$ 19,248	\$ 18,542	\$ 19,001	\$ 17,925	\$ 15,753	\$ 14,583	\$ 13,037	\$ 12,415
Sewer (Step) Sales	1,114	873	791	639	503	322	200	133
Late Payment Fees	563	546	566	555	496	463	390	344
Service Charges	1,105	926	947	1,009	988	771	702	554
Other	353	158	176	86	129	63	52	48
Less: Adjustments and Allowances	(259)	(322)	(336)	(238)	(259)	(167)	(165)	(201)
Total Operating Revenue	<u>22,124</u>	<u>20,723</u>	<u>21,145</u>	<u>19,976</u>	<u>17,610</u>	<u>16,035</u>	<u>14,216</u>	<u>13,293</u>
Operating Expenses:								
Pumping	524	539	514	450	412	389	541	614
Water Plant & Treatment	2,233	2,488	2,525	2,339	1,921	1,669	1,368	1,175
Transmission & Distribution	3,436	3,665	3,448	3,230	2,974	2,849	2,765	2,589
Customer Accounting	588	731	966	882	721	676	681	608
Customer Service	1,528	1,701	1,711	1,439	1,112	889	760	667
Wastewater (Step Systems)	924	830	724	518	441	311	n/a	n/a
Administrative & General	3,000	3,422	2,715	2,687	2,564	2,259	2,088	1,465
Depreciation & Amortization	6,814	6,550	6,041	5,051	4,326	3,468	2,897	2,574
Total Operating Expenses	<u>19,047</u>	<u>19,926</u>	<u>18,644</u>	<u>16,596</u>	<u>14,471</u>	<u>12,510</u>	<u>11,100</u>	<u>9,692</u>
Net Operating Revenue	3,077	797	2,501	3,380	3,139	3,525	3,116	3,601
Non-operating Revenue (Expenses)	<u>(2,145)</u>	<u>(1,508)</u>	<u>(885)</u>	<u>(195)</u>	<u>(346)</u>	<u>(467)</u>	<u>(410)</u>	<u>(237)</u>
Net Income before Contributions	932	(711)	1,616	3,185	2,793	3,058	2,706	3,364
Contributions:								
Growth Fees	-	-	709	1,454	1,773	1,514	1,150	1,106
Tap Fees - Net of Costs	1,197	839	708	1,145	1,420	1,849	1,479	1,116
Developer Contributions	2,112	3,991	9,713	13,141	10,813	10,866	6,134	4,168
Contributions - Others	46	594	5,803	1,125	46	-	284	-
Total Contributions	<u>3,355</u>	<u>5,424</u>	<u>16,933</u>	<u>16,865</u>	<u>14,052</u>	<u>14,229</u>	<u>9,047</u>	<u>6,390</u>
Change in Accounting Methods	n/a	n/a	n/a	n/a	n/a	n/a	649	n/a
Change in Net Assets	<u>\$ 4,287</u>	<u>\$ 4,713</u>	<u>\$ 18,549</u>	<u>\$ 20,050</u>	<u>\$ 16,845</u>	<u>\$ 17,287</u>	<u>\$ 12,402</u>	<u>\$ 9,754</u>

**CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
SCHEDULE OF OPERATING REVENUES
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<u>Actual</u>	<u>(Unaudited) Budget</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Revenues			
Water Sales	\$ 19,247,945	\$ 20,098,516	\$ (850,571)
Sewer (Step) Sales	1,114,312	1,065,720	48,592
Late Payment Fees	562,712	585,000	(22,288)
Service Charges	1,105,015	1,375,500	(270,485)
Fire Protection	123,373	132,000	(8,627)
Miscellaneous Income	229,808	40,000	189,808
	<u>22,383,166</u>	<u>23,296,736</u>	<u>(913,570)</u>
Less: Adjustments and Allowances	<u>(259,322)</u>	<u>(375,000)</u>	<u>115,679</u>
Total Operating Revenues	<u>\$ 22,123,844</u>	<u>\$ 22,921,736</u>	<u>\$ (797,892)</u>

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Actual	(Unaudited) Budget	Variance Favorable (Unfavorable)
Pumping			
Building and grounds	\$ 16,716	\$ 6,800	\$ (9,916)
Contract Services, maintenance	17,554	17,464	(90)
Electricity	256,418	280,000	23,582
Employee regular wages	100,604	98,625	(1,979)
Employee overtime pay	9,746	12,000	2,254
Employee vacation pay	6,890	7,308	418
Employee sick pay	2,588	3,799	1,211
Employee benefits, allocated	31,411	32,250	839
Employee Section 457	-	7,465	7,465
Retire Contribution - Employer	6,394	6,545	151
Employee payroll taxes	9,254	9,884	630
Equip./ Vehicle Repair	-	1,000	1,000
Insurance, workers comp	2,899	3,200	301
Materials and supplies	579	2,000	1,421
Outside services employed	-	2,000	2,000
Postage, freight	849	1,000	151
Promotion & entertainment	47	-	(47)
Rental expense	13	1,000	987
Repair and maintenance	50,035	40,000	(10,035)
School and education	55	1,000	945
Telephone, data & fax	1,011	1,250	239
Tools and equipment	790	3,000	2,210
Transportation	8,471	24,000	15,529
Uniforms	1,744	1,400	(344)
	<u>524,068</u>	<u>562,990</u>	<u>38,922</u>
Water Treatment Plant			
Building and grounds	11,679	22,800	11,121
Chemicals	436,416	507,600	71,184
Computers and software	3,517	9,600	6,083
Contract Services, admin	396,723	402,000	5,277
Contract Services, dir proj	6,064	8,400	2,336
Contract Services, mainte	636	1,200	564
Contract Services, mgmt	51,402	51,600	198
Contract Services, oper	625,244	621,600	(3,644)
Dues and Subscriptions	41	1,200	1,159
Electricity	515,609	720,000	204,391
Equip./ Vehicle Repair	-	3,600	3,600
Materials and supplies	47,428	60,000	12,572
Miscellaneous expenses	148	1,200	1,052
Office furn./ fixtures	1,808	1,200	(608)

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
SCHEDULE OF OPERATING EXPENSES (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Actual	(Unaudited) Budget	Variance Favorable (Unfavorable)
Outside services employed	81,874	124,800	42,926
Postage, freight	5,552	10,800	5,248
Promotion & Entertainment	154	600	446
Rental expense	617	1,200	583
Repair and maintenance	34,174	34,800	626
School and education	940	600	(340)
Telephone, data & fax	6,250	4,800	(1,450)
Tools and equipment	4,756	6,000	1,244
Transportation	1,882	4,800	2,918
Travel	-	1,200	1,200
Uniforms	112	2,400	2,288
	<u>2,233,026</u>	<u>2,604,000</u>	<u>370,974</u>
Transmission and Distribution			
Building and grounds	7	-	(7)
Chemicals	795	-	(795)
Computers and software	-	1,000	1,000
Contract Services, Maintenance	2,125	4,000	1,875
Dues and subscriptions	80	1,000	920
Employee regular wages	1,609,337	1,481,742	(127,595)
Employee overtime pay	91,338	154,150	62,812
Employee bonus pay	5,197	-	(5,197)
Temporary Employees	5,270	55,600	50,330
Employee vacation pay	122,183	113,198	(8,985)
Employee sick pay	63,659	66,943	3,284
Empl benefits, allocated	584,572	603,803	19,231
Employee Section 457	29,353	44,710	15,357
Retire Contrib - Employer	204,107	198,784	(5,323)
Employee payroll taxes	158,488	171,333	12,845
Equip./ Vehicle Repair	70,933	159,250	88,317
Gas and oil allocation	5,929	-	(5,929)
Insurance, workers comp	54,778	56,500	1,722
Licenses & Permits	4,050	2,200	(1,850)
Materials and supplies	39,027	97,000	57,973
Miscellaneous expenses	2	3,600	3,598
Office furn./ fixtures	1,604	5,500	3,896
Outside services	28,013	38,000	9,987
Postage, freight	2,453	5,225	2,772
Promotion & entertainment	615	4,500	3,885
Rental expense	4,106	6,500	2,394
Repair and maintenance	383,144	339,000	(44,144)
School and education	12,589	16,500	3,911

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
SCHEDULE OF OPERATING EXPENSES (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Actual	(Unaudited) Budget	Variance Favorable (Unfavorable)
Telephone,data&fax	11,732	18,300	6,568
Tools and equipment	30,960	73,000	42,040
Transportation	173,244	302,000	128,756
Travel	7,175	34,000	26,825
Uniforms	32,975	42,700	9,725
Vehicles - Non-capital	48,890	62,000	13,110
	<u>3,788,730</u>	<u>4,162,038</u>	<u>373,308</u>
Less: Indirect Cost Capitalized	(352,418)	(753,830)	(401,412)
	<u>3,436,312</u>	<u>3,408,208</u>	<u>(28,104)</u>
Customer Accounting			
Contract Services, mainte	4,352	11,000	6,648
Dues & Subscriptions	-	750	750
Employee regular wages	274,010	270,424	(3,586)
Employee overtime pay	9,228	14,000	4,772
Temporary Employees	-	5,000	5,000
Employee vacation pay	17,873	16,339	(1,534)
Employee sick pay	10,672	10,282	(390)
Employee benefits,allocated	100,413	95,250	(5,163)
Employee Section 457	5,105	5,267	162
Retire Contribution - Employer	31,409	30,556	(853)
Employee payroll taxes	24,108	24,580	472
Equipment/Vehicle Repair	-	500	500
Insurance,workers comp	8,615	11,500	2,885
Materials and supplies	3,841	8,500	4,659
Miscellaneous expenses	2	250	248
Office furn./fixtures	-	1,100	1,100
Outside services employed	390	6,000	5,610
Postage, freight	179	1,200	1,021
Promotion & entertainment	148	900	752
Rental expense	-	200	200
Repair and maintenance	-	900	900
School and education	3,240	4,000	760
Telephone,data&fax	909	1,500	591
Tools and equipment	602	12,000	11,398
Transportation	59,188	70,000	10,812
Travel	3,701	6,500	2,799
Uniforms	5,121	12,000	6,879
Vehicles - non capital	24,445	-	(24,445)
	<u>587,551</u>	<u>620,498</u>	<u>32,947</u>

**CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
SCHEDULE OF OPERATING EXPENSES (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Actual	(Unaudited) Budget	Variance Favorable (Unfavorable)
Customer Service			
Computers and software	2,150	-	(2,150)
Contract Services, mainte	36,693	45,000	8,307
Employee regular wages	732,944	730,569	(2,375)
Employee overtime pay	1,037	10,000	8,963
Employee vacation pay	44,794	41,810	(2,984)
Employee sick pay	26,001	27,205	1,204
Employee benefits, allocated	257,573	271,250	13,677
Employee Section 457	12,918	25,428	12,510
Retire Contribution - Employer	63,216	65,204	1,988
Employee payroll taxes	61,947	64,796	2,849
Equipment/Vehicle Repairs	-	5,000	5,000
Insurance, workers comp	1,754	3,600	1,846
Materials and supplies	4,922	26,000	21,078
Miscellaneous expenses	-	250	250
Office furn./fixtures	-	2,000	2,000
Outside services employed	86,582	141,200	54,618
Postage, freight	176,978	182,400	5,422
Promotion & entertainment	269	2,000	1,731
Rental Expense	220	250	30
School and education	3,683	5,000	1,317
Telephone, data&fax	1,177	500	(677)
Tools and equipment	256	2,000	1,744
Transportation	123	1,000	877
Travel	3,104	10,000	6,896
Uniforms	9,247	10,000	753
	<u>1,527,588</u>	<u>1,672,462</u>	<u>144,874</u>
Wastewater (Step Systems)			
Building and grounds	59,684	69,634	9,950
Contract Services, mainte	-	15,600	15,600
Dues and subscriptions	-	500	500
Electricity	88,456	100,000	11,544
Employee regular wages	281,846	265,213	(16,633)
Employee overtime pay	29,823	28,000	(1,823)
Employee vacation pay	16,788	14,497	(2,291)
Employee sick pay	2,721	10,029	7,308
Employee benefits, allocated	94,481	100,100	5,619
Employee Section 457	25,952	25,571	(381)
Retire Contribution - Employer	11,719	10,988	(731)
Employee payroll taxes	27,198	26,263	(935)

**CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
SCHEDULE OF OPERATING EXPENSES (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Actual	(Unaudited) Budget	Variance Favorable (Unfavorable)
Equip./ Vehicle Repair	1,435	4,000	2,565
Insurance, workers comp	7,798	6,000	(1,798)
Licenses & Permits	29,930	29,580	(350)
Materials and supplies	6,983	18,000	11,017
Miscellaneous Expense	-	1,000	1,000
Office furniture	-	1,000	1,000
Outside services	13,365	17,300	3,935
Postage, freight	717	2,000	1,283
Promotion & entertainment	164	1,500	1,336
Professional Fees	21,540	15,000	(6,540)
Repair and maintenance	122,362	50,000	(72,362)
School and education	1,500	2,500	1,000
Telephone, data&fax	19,887	35,100	15,213
Tools and equipment	2,426	12,000	9,574
Transportation	28,446	18,000	(10,446)
Travel	406	1,000	594
Uniforms	4,532	5,000	468
Vehicles - non capital	24,445	-	(24,445)
	<u>924,604</u>	<u>885,375</u>	<u>(39,229)</u>

Administration and General

Bad Debts, Net of Recoveries	181,742	161,000	(20,742)
Banking services, retail	23,836	34,000	10,164
Banking services, invest	15,814	24,000	8,186
Building and grounds	154,425	150,000	(4,425)
Computers and software	64,889	91,000	26,111
Contract Services, mainte	149,331	160,000	10,669
Dues and subscriptions	81,260	76,000	(5,260)
Employee regular wages	705,361	683,743	(21,618)
Employee regular wages, Board	22,457	21,600	(857)
Employee overtime pay	3,557	4,600	1,043
Employee bonus pay	8,333	-	(8,333)
Employee vacation pay	47,583	42,617	(4,966)
Employee sick pay	16,178	25,938	9,760
Employee benefits allocated	155,432	163,100	7,668
Employee benefits allocated, Board	50,147	56,000	5,853
Employee Section 457	32,423	32,357	(66)
Retire Contribution - Employer	55,240	54,781	(459)
Employee payroll taxes	60,348	60,378	30
Employee payroll taxes, Board	2,919	3,200	281
Post-Employment Health Care	294,495	252,000	(42,495)
Equip./ Vehicle Repair	2,108	1,000	(1,108)

**CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
SCHEDULE OF OPERATING EXPENSES (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Actual	(Unaudited) Budget	Variance Favorable (Unfavorable)
Insurance, general	144,001	150,000	5,999
Insurance, workers comp	1,642	3,300	1,658
Inventory adjustments	8,901	20,000	11,099
Materials and supplies	77,271	84,000	6,729
Miscellaneous expenses	14,797	14,000	(797)
Office furn./fixtures	13,992	5,500	(8,492)
Outside services employed	127,920	190,000	62,080
Postage, freight	3,380	9,500	6,120
Promotion & entertainment	9,009	20,300	11,291
Promotion & entertainment, Board	307	750	443
Professional fees, accounting	26,611	30,000	3,389
Professional fees, engineering	11,896	90,000	78,104
Professional fees, legal	158,710	450,000	291,290
Rental expense	4,276	2,500	(1,776)
Repair and maintenance	12,568	2,500	(10,068)
School and education	13,648	15,500	1,852
School and education, Board	5,755	10,000	4,245
Telephone, data&fax	64,688	65,600	912
Tools and equipment	15,918	25,500	9,582
Transportation	3,713	10,000	6,287
Travel	13,477	24,000	10,523
Travel, Board	9,144	12,000	2,856
Unemployment Expense	22,516	10,000	(12,516)
Uniforms	6,322	12,500	6,178
Utilities	101,456	115,000	13,544
	<u>2,999,796</u>	<u>3,469,764</u>	<u>469,968</u>
 Depreciation and Amortization			
Depreciation	6,764,612	6,504,068	(260,544)
Amortization	49,217	38,080	(11,137)
	<u>6,813,829</u>	<u>6,542,148</u>	<u>(271,681)</u>
 Total Operating Expense	<u><u>\$ 19,046,774</u></u>	<u><u>\$ 19,765,445</u></u>	<u><u>\$ 718,671</u></u>

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE

SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY

AS OF SEPTEMBER 30, 2010

Fiscal Year	All Bond Issues			2009 Water Revenue 2.50%-4.50%		2008 Rural Development 4.125%	
	Total	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 4,011,212	\$ 1,464,333	\$ 2,546,879	\$ 550,000	\$ 557,050	\$ 15,917	\$ 54,559
2012	4,545,046	2,055,433	2,489,613	560,000	543,175	16,435	54,041
2013	4,534,132	2,114,121	2,420,011	570,000	529,050	17,277	53,199
2014	4,531,906	2,186,616	2,345,290	590,000	514,550	18,003	52,473
2015	4,522,394	2,264,179	2,258,215	600,000	499,675	18,760	51,716
2016	4,318,380	2,156,562	2,161,818	620,000	482,875	19,406	51,070
2017	4,313,687	2,249,511	2,064,176	650,000	463,825	20,365	50,111
2018	4,327,251	2,361,297	1,965,954	670,000	443,188	21,221	49,255
2019	4,203,287	2,338,164	1,865,123	700,000	418,300	22,113	48,363
2020	4,055,371	2,289,884	1,765,487	700,000	392,050	22,910	47,566
2021	4,065,824	2,402,144	1,663,680	730,000	365,200	24,005	46,471
2022	4,068,910	2,514,277	1,554,633	760,000	335,400	25,014	45,462
2023	3,918,139	2,476,507	1,441,632	800,000	303,200	26,066	44,410
2024	3,772,104	2,443,631	1,328,473	820,000	268,775	27,041	43,435
2025	3,775,139	2,561,266	1,213,873	850,000	234,350	28,299	42,177
2026	3,786,026	2,693,812	1,092,214	900,000	197,100	29,488	40,988
2027	3,778,876	2,816,476	962,400	930,000	155,925	30,728	39,748
2028	3,254,139	2,414,083	840,056	950,000	113,625	31,912	38,564
2029	3,261,864	2,537,163	724,701	1,000,000	69,750	33,361	37,115
2030	3,268,876	2,665,207	603,669	1,050,000	23,625	34,764	35,712
2031	2,204,576	1,703,389	501,187	-	-	36,225	34,251
2032	2,209,851	1,791,574	418,277	-	-	37,656	32,820
2033	2,211,076	1,880,189	330,887	-	-	39,331	31,145
2034	2,213,126	1,973,826	239,300	-	-	40,985	29,491
2035	2,220,651	2,077,629	143,022	-	-	42,708	27,768
2036	1,270,351	1,206,526	63,825	-	-	44,430	26,046
2037	127,476	95,759	31,717	-	-	46,371	24,105
2038	127,476	100,106	27,370	-	-	48,320	22,156
2039	127,476	104,652	22,824	-	-	50,352	20,124
2040	98,301	79,701	18,600	-	-	52,418	18,058
2041	70,476	54,672	15,804	-	-	54,672	15,804
2042	70,476	56,970	13,506	-	-	56,970	13,506
2043	70,476	59,365	11,111	-	-	59,365	11,111
2044	70,476	61,836	8,640	-	-	61,836	8,640
2045	70,476	64,460	6,016	-	-	64,460	6,016
2046	70,476	67,170	3,306	-	-	67,170	3,306
2047	44,263	43,620	643	-	-	43,620	643
Totals	\$93,590,042	\$58,426,110	\$35,163,932	\$15,000,000	\$6,910,688	\$1,329,974	\$1,251,425

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE

SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY (CONTINUED)

AS OF SEPTEMBER 30, 2010

Fiscal Year	2006 Water Revenue 4.00%-5.00%		2005 Water Revenue 3.00%-5.50%		2004 Refunding 2.00%-5.00%	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 340,000	\$ 802,613	\$ 300,000	\$ 599,568	\$ 225,000	\$ 483,080
2012	355,000	788,712	310,000	587,368	780,000	467,840
2013	370,000	774,213	320,000	574,768	800,000	442,150
2014	385,000	757,187	330,000	561,768	825,000	414,525
2015	405,000	737,438	345,000	547,405	855,000	379,125
2016	425,000	716,687	360,000	529,742	690,000	340,500
2017	445,000	696,606	375,000	509,530	725,000	305,125
2018	465,000	677,269	395,000	491,318	775,000	267,625
2019	485,000	656,778	415,000	474,858	695,000	230,875
2020	505,000	635,122	440,000	457,223	600,000	198,500
2021	530,000	612,150	460,000	438,373	635,000	167,625
2022	555,000	587,738	485,000	418,171	665,000	135,125
2023	580,000	560,750	510,000	396,588	535,000	105,125
2024	610,000	531,000	535,000	373,728	425,000	81,125
2025	645,000	499,625	565,000	349,313	445,000	59,375
2026	675,000	466,625	590,000	323,325	470,000	36,500
2027	710,000	432,000	620,000	296,100	495,000	12,375
2028	745,000	395,625	655,000	267,413	-	-
2029	785,000	357,375	685,000	237,263	-	-
2030	825,000	317,125	720,000	205,650	-	-
2031	870,000	274,750	760,000	172,350	-	-
2032	915,000	230,125	800,000	137,250	-	-
2033	960,000	183,250	840,000	100,350	-	-
2034	1,010,000	134,000	880,000	61,650	-	-
2035	1,060,000	82,250	930,000	20,925	-	-
2036	1,115,000	27,875	-	-	-	-
2037	-	-	-	-	-	-
2038	-	-	-	-	-	-
2039	-	-	-	-	-	-
2040	-	-	-	-	-	-
2041	-	-	-	-	-	-
2042	-	-	-	-	-	-
2043	-	-	-	-	-	-
2044	-	-	-	-	-	-
2045	-	-	-	-	-	-
2046	-	-	-	-	-	-
2047	-	-	-	-	-	-
Totals	\$16,770,000	\$12,934,888	\$13,625,000	\$9,131,997	\$10,640,000	\$4,126,595

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE

SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY (CONTINUED)

AS OF SEPTEMBER 30, 2010

Fiscal Year	2000 Rural Development 4.75%		1978 Rural Development 5.00%		1976 Rural Development 5.00%	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 14,416	\$ 42,584	\$ 11,000	\$ 4,925	\$ 8,000	\$ 2,500
2012	14,998	42,002	11,000	4,375	8,000	2,100
2013	15,844	41,156	12,000	3,800	9,000	1,675
2014	16,613	40,387	13,000	3,175	9,000	1,225
2015	17,419	39,581	13,000	2,525	10,000	750
2016	18,156	38,844	14,000	1,850	10,000	250
2017	19,146	37,854	15,000	1,125	-	-
2018	20,076	36,924	15,000	375	-	-
2019	21,051	35,949	-	-	-	-
2020	21,974	35,026	-	-	-	-
2021	23,139	33,861	-	-	-	-
2022	24,263	32,737	-	-	-	-
2023	25,441	31,559	-	-	-	-
2024	26,590	30,410	-	-	-	-
2025	27,967	29,033	-	-	-	-
2026	29,324	27,676	-	-	-	-
2027	30,748	26,252	-	-	-	-
2028	32,171	24,829	-	-	-	-
2029	33,802	23,198	-	-	-	-
2030	35,443	21,557	-	-	-	-
2031	37,164	19,836	-	-	-	-
2032	38,918	18,082	-	-	-	-
2033	40,858	16,142	-	-	-	-
2034	42,841	14,159	-	-	-	-
2035	44,921	12,079	-	-	-	-
2036	47,096	9,904	-	-	-	-
2037	49,388	7,612	-	-	-	-
2038	51,786	5,214	-	-	-	-
2039	54,300	2,700	-	-	-	-
2040	27,283	542	-	-	-	-
2041	-	-	-	-	-	-
2042	-	-	-	-	-	-
2043	-	-	-	-	-	-
2044	-	-	-	-	-	-
2045	-	-	-	-	-	-
2046	-	-	-	-	-	-
2047	-	-	-	-	-	-
Totals	<u>\$903,136</u>	<u>\$777,689</u>	<u>\$104,000</u>	<u>\$22,150</u>	<u>\$54,000</u>	<u>\$8,500</u>

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
SCHEDULE OF HISTORICAL DEBT SERVICE COVERAGE

(Unaudited)

(dollar amounts expressed in thousands)

	Fiscal Year										
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	
Operating Revenues	\$ 22,124	\$ 20,723	\$ 21,145	\$ 19,976	\$ 17,610	\$ 16,035	\$ 14,166	\$ 13,294	\$ 12,865	\$ 12,044	
Operating Expenses	19,047	19,927	18,643	16,596	14,471	12,510	11,050	9,692	8,520	8,128	
Net Operating Income	\$ 3,077	\$ 796	\$ 2,502	\$ 3,380	\$ 3,139	\$ 3,525	\$ 3,116	\$ 3,602	\$ 4,345	\$ 3,916	
Non-Operating Income(Expense)	(2,145)	(1,508)	(886)	(195)	(346)	(467)	(410)	(237)	(86)	917	
Net Income Before Contributions	\$ 932	\$ (712)	\$ 1,616	\$ 3,185	\$ 2,793	\$ 3,058	\$ 2,706	\$ 3,365	\$ 4,259	\$ 4,833	
Add: Contributed Capital - Cash	1,243	1,434	1,417	3,724	3,239	3,363	2,629	1,222	1,621	2,393	
Depreciation	6,814	6,550	6,041	5,051	4,326	3,468	2,897	2,575	2,388	2,148	
Interest Expense	2,544	2,295	2,143	2,189	1,751	1,123	900	1,053	1,075	1,125	
Net Available for Debt Service	\$ 11,533	\$ 9,567	\$ 11,217	\$ 14,149	\$ 12,109	\$ 11,012	\$ 9,132	\$ 8,215	\$ 9,343	\$ 10,499	
Annual Debt Requirements	\$ 4,011	\$ 3,406	\$ 3,377	\$ 3,385	\$ 2,470	\$ 1,610	\$ 1,869	\$ 2,258	\$ 2,347	\$ 2,633	
Debt Service Coverage (times)	2.88	2.81	3.32	4.18	4.90	6.84	4.89	3.64	3.98	3.99	

**CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
CUSTOMERS AND RATE SCHEDULE
YEAR ENDED SEPTEMBER 30, 2010
(Unaudited)**

As of September 30, 2010, Consolidated Utility District served approximately 43,002 water customers and had approved the following rate structure for the coming year:

Water Rates	
First 1,500 gallons	\$ 13.78
Each additional 1,000 gallons from 1,501 - 5,000	\$ 6.39
Each additional 1,000 gallons from 5,001 - 10,000	\$ 6.89
Each additional 1,000 gallons from 10,001 - 20,000	\$ 7.39
Each additional 1,000 gallons in excess of 20,000 gallons	\$ 7.89

As of September 30, 2010, Consolidated Utility District served approximately 2,964 customers on STEP sewer systems and had approved the following rate structure for the coming year:

Sewer Rates	
Customer Charge	\$ 28.00
All consumption, per 1,000 gallons	\$ 2.00

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
TOP TEN CUSTOMERS BY REVENUE
(Unaudited)

For the Years Ended September 30

<u>Customer</u>	<u>2010</u>			<u>2004</u>		
	<u>Annual Water Sales</u>	<u>Rank</u>	<u>Percentage of Total Water Sales</u>	<u>Annual Water Sales</u>	<u>Rank</u>	<u>Percentage of Total Water Sales</u>
University Gables Apts.	\$135,212	1	0.70%			
Rutherford County Board of Education	122,532	2	0.64%			
Indian Park Apts.	87,972	3	0.46%	78,108	2	0.60%
Embassy Suites Hotel	84,271	4	0.44%			
Vintage @ the Park Apts.	83,683	5	0.43%	79,956	1	0.61%
Murfreesboro Gateway Properties, LLC	80,451	6	0.42%			
Woodgate Farms, LLC	71,773	7	0.37%			
Campus Crest Construction	70,200	8	0.36%			
Browning Ferris	69,882	9	0.36%			
The Paddock Club Apts.	66,369	10	0.34%	53,316	4	0.41%
Summerlake Apts.				55,248	3	0.42%
Bill Rice Ranch				38,268	5	0.29%
Holly Park Apts.				35,952	6	0.28%
Waterford Place Apts.				32,160	7	0.25%
National Car Wash				27,492	8	0.21%
Blackman High School				24,528	9	0.19%
Alvin C. York Medical Center				18,948	10	0.15%

NOTE: Rutherford County Schools were not aggregated for this report in previous years.

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
OPERATING INFORMATION
SEPTEMBER 30,
(Unaudited)

	Fiscal Year				
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Average Daily Demand	9.69	10.12	10.68	9.96	9.39
Maximum Daily Demand	13.21	14.07	15.25	15.51	14.32
Average Active Customers	42,602	41,889	40,992	38,976	36,238

	Fiscal Year				
	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Average Daily Demand	8.54	7.33	7.03	6.99	6.59
Maximum Daily Demand	10.45	9.11	8.67	9.02	8.37
Average Active Customers	33,279	30,706	28,780	27,118	25,474

NOTE: Demand numbers are in million gallons per day

AVERAGE MONTHLY WATER USAGE (gals)	Fiscal Year				
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Sold to Customers	228,417,585	224,684,150	233,962,207	224,530,620	202,094,382
<i>percent sold</i>	77%	73%	74%	74%	71%
Non-Metered Consumption (Fire, flushing, etc.)	13,726,579	18,133,181	24,882,254	22,274,060	19,468,637
<i>percent non-metered</i>	5%	6%	8%	7%	7%
Unaccounted for	52,647,987	64,953,244	59,076,083	56,181,624	63,242,007
<i>percent unaccounted for</i>	18%	21%	19%	19%	22%
Average Monthly Water Pumped	<u>294,792,151</u>	<u>307,770,575</u>	<u>317,920,544</u>	<u>302,986,304</u>	<u>284,805,026</u>

AVERAGE MONTHLY WATER USAGE (gals)	Fiscal Year				
	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Sold to Customers	191,710,836	166,391,977	157,262,647	155,328,185	144,515,745
<i>percent sold</i>	73%	76%	73%	72%	72%
Non-Metered Consumption (Fire, flushing, etc.)	16,346,406	15,864,922	21,233,834	20,336,055	25,096,995
<i>percent non-metered</i>	6%	7%	10%	9%	13%
Unaccounted for	53,670,336	37,844,329	35,783,575	41,406,045	30,505,610
<i>percent unaccounted for</i>	21%	17%	17%	19%	15%
Average Monthly Water Pumped	<u>261,727,578</u>	<u>220,101,228</u>	<u>214,280,056</u>	<u>217,070,285</u>	<u>200,118,350</u>

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
SCHEDULE OF UNACCOUNTED FOR WATER
YEAR ENDED SEPTEMBER 30, 2010
(Unaudited)

(All amounts in gallons)

A	Water Treated and Purchased:		
B	Water Pumped (potable)	3,536,440,000	
C	Water Purchased	<u>0</u>	
D	Total Water Treated and Purchased		<u>3,536,440,000</u>
	(Sum Lines B and C)		
E	Accounted for Water:		
F	Water Sold	2,709,985,470	
G	Metered for Consumption (in house usage)	11,785,237	
H	Fire Department(s) Usage	1,804,208	
I	Flushing	56,000,320	
J	Tank Cleaning/Filling	5,557,652	
K	Street Cleaning	0	
L	Bulk Sales	6,188,018	
M	Water Bill Adjustments	<u>0</u>	
N	Total Accounted for Water		<u>2,791,320,905</u>
	(Sum Lines F thru M)		
O	Unaccounted for Water		<u>745,119,095</u>
	(Line D minus Line N)		
P	Percent Unaccounted for Water		21.070%
	(Line O divided by Line D times 100)		

Q Other (explain)

See Below

Explain Other:

Not applicable for this report.

All amounts included in this schedule are supported by documentation on file at the water system. If no support is on file for a line item or if the line item is not applicable, a "0" is shown.

**CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
DISTRICT OFFICIALS AND MANAGEMENT
YEARS ENDED SEPTEMBER 30, 2010
(Unaudited)**

John L. Batey, Jr.	Commissioner, President
William A. Waite	Commissioner, Vice President
Craig Lynch	Commissioner, Secretary-Treasurer
Rosemary Owens	Commissioner
Carter Woodruff	Commissioner
Lynnissee Patrick	Advisor
Larry McElroy	General Manager
William Dunnill, P.E.	Assistant General Manager
Mark Elgin	Assistant Manager Maintenance
Kevin Hickerson	Assistant Manager Customer Accounting
E. Paul Long, CPA	Comptroller
Andy Koostra	Systems Manager
Judy Bowling	Office Manager
Cindy Judkins	Administrative Assistant
David Jones	Wastewater Manager
James C. Cope	Attorney
James C. Hailey, Jr., P.E.	Consultant Engineer



Edmondson, Betzler & Montgomery, PLLC

(Certified Public Accountants)

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

To the Board of Commissioners
Consolidated Utility District of Rutherford County, Tennessee

We have audited the financial statements of Consolidated Utility District of Rutherford County, Tennessee as of and for the year ended September 30, 2010, and have issued our report thereon dated November 16, 2010. 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 the District'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 District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the management, the Board of Commissioners, and supplemental lenders, and is not intended to be and should not be used by anyone other than these specified parties.

Edmondson, Betzler & Montgomery, PLLC

November 16, 2010

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