

CONSOLIDATED UTILITY DISTRICT
OF RUTHERFORD COUNTY, TENNESSEE
FINANCIAL STATEMENTS,
SUPPLEMENTAL INFORMATION
AND
INDEPENDENT AUDITORS' REPORTS
YEARS ENDED SEPTEMBER 30, 2015 AND 2014

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

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Consolidated Utility District of Rutherford County, Tennessee (the "District") as of and for the years ended September 30, 2015 and 2014, and the related notes to the financial statements, which comprise the District's financial statements as listed in the table of contents.

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.

Auditor's Responsibility

Our responsibility is to express opinions 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 *Governmental 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 from 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 auditor's 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of September 30, 2015 and 2014, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Emphasis-of-Matter

As discussed in Note 5 to the basic financial statements, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, during the year ended September 30, 2015. Due to the implementation of these Statements, the District recognized deferred outflows of resources, a pension liability and deferred inflows of resources for its cost-sharing pension plans in the financial statements as of October 1, 2013. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 8 and the pension trend data and post-employment data on pages 33 through 35 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.

Other Information

Our audits were conducted for the purpose of forming opinions on the District's financial statements as a whole. The supplemental information section is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, 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* in considering the District's internal control over financial reporting and compliance.

Edmondson, Betyer & Dame, PLLC

December 7, 2015

Consolidated Utility District of Rutherford County

Management's Discussion and Analysis

Year ended September 30, 2015

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, 2015. We encourage readers to consider the information presented here in conjunction with the additional information furnished in this report.

Financial Highlights

- The assets plus deferred outflows of CUDRC exceeded its liabilities plus deferred inflows at the close of the most recent fiscal year by \$250,028,191 (*net position*). This includes Unrestricted Net Position in the amount of \$43,729,823 which may be used to meet CUDRC's ongoing obligations to customers, employees and creditors.
- CUDRC's total net position increased by \$14,299,266. This increase is substantially attributable to an infusion of resources from contributions and tap fees.
- Net operating income for the fiscal year was \$6,723,523.

Financial Statement Overview

This discussion and analysis is intended to serve as an introduction to CUDRC's financial statements. Comparative data (not restated for the effects of changes in pension reporting) for the years 2014 & 2013 are also available in this year's MD&A. This report also contains other supplementary information in addition to the basic financial statements themselves.

The basic financial statements herein are comprised of the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, the Statement of Cash Flows, and the accompanying notes. The Statement of Net Position presents information on all of CUDRC's assets and deferred outflows, liabilities and deferred inflows, with the difference being reported as net position.

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 Position may serve over time as a useful indicator of CUDRC's financial position. By far the largest portion of CUDRC's net position (80 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 Position
As of September 30
(In Thousands)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Current and other assets	\$57,638	\$49,113	\$42,587
Capital assets	243,973	239,841	233,583
Total Assets	<u>\$301,611</u>	<u>\$288,954</u>	<u>\$276,170</u>
Deferred Outflows	<u>\$3,155</u>	<u>\$3,301</u>	<u>\$3,069</u>
Other liabilities	\$4,738	\$4,641	\$4,056
Long-term liabilities	46,805	49,163	49,055
Total Liabilities	<u>\$51,543</u>	<u>\$53,804</u>	<u>\$53,111</u>
Deferred Inflows	<u>\$3,195</u>	<u>\$2,723</u>	<u>\$2,856</u>
Net position:			
Net Investment in capital assets	\$199,078	\$193,165	\$185,099
Restricted for bond provisions	7,220	6,902	6,538
Unrestricted	43,730	35,662	31,635
Total net position	<u>\$250,028</u>	<u>\$235,729</u>	<u>\$223,272</u>

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 Position
For the Years ended September 30
(In Thousands)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Revenues:			
Operating revenue	\$28,572	\$27,525	\$26,133
Non-operating revenue	716	374	214
Total Revenue	<u>\$29,288</u>	<u>\$27,899</u>	<u>\$26,347</u>
Expenses:			
Depreciation	\$8,065	\$7,347	\$7,214
Other operating expense	13,783	13,322	13,046
Non-operating expense	2,143	1,793	2,469
Total expenses	<u>\$23,991</u>	<u>\$22,462</u>	<u>\$22,729</u>
Income before contributions	\$5,297	\$5,437	\$3,618
Other Contributions	9,002	8,632	5,563
Change in net position	<u>\$14,299</u>	<u>\$14,069</u>	<u>\$9,181</u>
Beginning net position	<u>235,729</u>	<u>221,660</u>	<u>212,479</u>
Ending net position	<u>\$250,028</u>	<u>\$235,729</u>	<u>\$221,660</u>

Operating revenues in 2015 totaling more than \$28 million and as shown in Figure 1, were derived principally from retail sales of water to an average of more than 47,500 customers during the fiscal year. The number of total active customers at year end was 48,290, indicating continued growth in customers served. Operating revenues increased by more than 4 percent over the previous year. This revenue growth is primarily attributed to growth in active customers served.

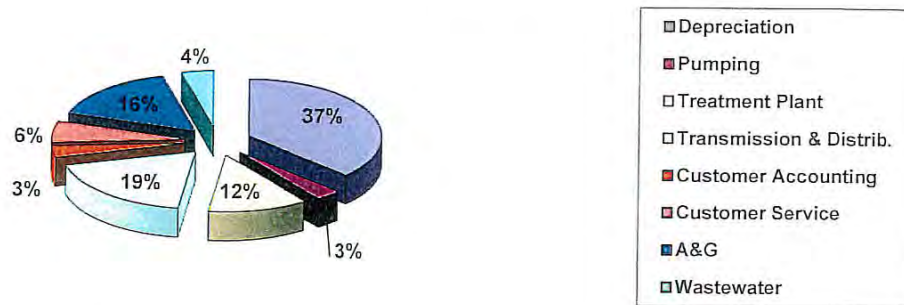
Revenue from sewer sales increased by more than 10 percent over the previous year, as the number of customers in these sewer systems increased from 4,058 to 4,452. Additional systems are nearing completion by developers, and others are in some stage of planning or construction. The 50 existing systems are designed to accommodate 6,857 homes.

Figure 1
Operating Revenues



Increases in depreciation and chemicals, among others, contributed to an increase in operating expenses of just under 4 percent over the previous year. Operating expenses totaled \$21.8 million, but increased revenue and developer contributions resulted in an increase in net position of nearly \$13.7 million, which was approximately the same as the previous year. The table below presents each component of operating expenses as a percentage of the total.

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, 2015 was nearly \$244 million, and increased by just over \$4 million. Capital assets totaling \$5.1 million were installed and paid for by developers, then contributed to CUDRC.

Table 3
Capital Assets
Net of Accumulated Depreciation
Year ended September 30, 2015
(In Thousands)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Land and land rights	\$3,124	\$2,786	\$2,720
Pumping stations	4,925	5,686	2,168
Reservoirs	6,440	6,405	6,495
Trans & Dist Mains	165,369	162,627	157,030
Services & Meters	2,111	2,421	2,730
Buildings	8,439	8,803	9,179
Land Improvements	1	4	5
Water plant structures	16,989	11,913	12,331
Water plant equipment	2,178	399	374
Decentralized sewer systems	22,482	22,409	22,170
Office Equipment	503	532	540
Transportation Equipment	597	225	276
Tools and Garage Equipment	83	65	81
Heavy Equipment	567	475	824
Work in process, CUDRC	0	40	1,717
Work in process, subcontract	10,165	15,051	14,943
Total	<u>\$243,973</u>	<u>\$239,841</u>	<u>\$233,583</u>

CUDRC has several major projects on-going and scheduled through 202 that are projected to cost an approximately \$86 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 \$43,195,000 in long-term debt outstanding at year-end compared with \$45,052,000 in the prior year. Annual principal and interest requirements will remain at approximately \$3.5 million through fiscal 2020, and gradually decline thereafter.

Economic Factors

Rutherford County, a part of the Nashville Metropolitan Statistical Area, reports an average unemployment rate of 4.6% in September 2015, compared with Tennessee's unemployment rate of 5.7% and the U.S. rate of 5.1%. We continue to see an substantial increase in multi-family housing construction, and have seen a significant resumption of single-family residential development throughout our service territory.

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
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2015 AND 2014

	2015	(Restated) 2014
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Assets		
Current assets:		
Cash and cash equivalents	\$ 15,892,226	\$ 6,505,278
Investments, at fair value	29,840,076	31,757,982
Accounts receivable, net of allowance for doubtful accounts, \$189,000 and \$199,994 for 2015 and 2014, respectively	3,266,644	2,948,458
Inventory	987,270	694,913
Interest receivable	61,662	67,529
Prepaid expenses	369,821	236,572
Total current assets	<u>50,417,699</u>	<u>42,210,732</u>
Restricted assets:		
Investments for debt service	7,220,283	6,902,018
Capital assets:		
Utility plant and equipment, net	243,972,993	239,841,245
Total assets	<u>301,610,975</u>	<u>288,953,995</u>
Deferred outflows of resources		
Deferred amount related to pensions	408,726	401,527
Deferred amount from debt refunding	2,745,946	2,899,638
Total deferred outflows of resources	<u>3,154,672</u>	<u>3,301,165</u>
Total assets and deferred outflows of resources	<u>\$ 304,765,647</u>	<u>\$ 292,255,160</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current liabilities:		
Current portion of long-term debt	\$ 1,857,577	\$ 1,801,193
Trade accounts payable	1,891,132	1,786,098
Retainage payable	14,551	16,365
Accrued interest payable	265,318	271,701
Accrued wages and payroll taxes	176,065	191,935
Accrued vacation	272,601	311,074
Other accrued liabilities	260,641	262,563
Total current liabilities	<u>4,737,885</u>	<u>4,640,929</u>
Long-term liabilities:		
Waterworks revenue bonds	43,194,546	45,052,122
Accrued sick leave	742,572	688,403
Net pension liability	726,962	1,611,407
Post employment benefits	2,140,917	1,810,863
Total liabilities	<u>51,542,882</u>	<u>53,803,724</u>
Deferred inflows of resources		
Deferred amount related to pensions	605,843	-
Deferred amount from debt refunding	2,588,731	2,722,511
Total deferred inflows of resources	<u>3,194,574</u>	<u>2,722,511</u>
Net position:		
Net investment in capital assets	199,078,085	193,165,057
Restricted to meet bond indenture provisions	7,220,283	6,902,018
Unrestricted	43,729,823	35,661,850
Total net position	<u>250,028,191</u>	<u>235,728,925</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 304,765,647</u>	<u>\$ 292,255,160</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 POSITIONS
YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	2015	(Restated) 2014
Operating revenues:		
Water and sewer revenues	\$ 26,338,376	\$ 25,292,678
Connection and other fees	<u>2,233,517</u>	<u>2,232,185</u>
Total operating revenues	<u>28,571,893</u>	<u>27,524,863</u>
Operating expenses:		
Source of supply	2,325	-
Pumping	596,218	547,163
Water treatment	2,711,622	2,789,137
Transmission and distribution	4,115,606	3,797,614
Customer accounting	613,674	638,771
Customer service	1,350,315	1,252,009
Wastewater (step sewer)	943,656	932,056
General and administrative	3,449,431	3,366,146
Depreciation and amortization	<u>8,065,523</u>	<u>7,346,734</u>
Total operating expenses	<u>21,848,370</u>	<u>20,669,630</u>
Net operating income	<u>6,723,523</u>	<u>6,855,233</u>
Non-operating revenues (expenses):		
Interest earned	464,968	340,480
Interest expense	(1,715,868)	(1,773,261)
Gain on sale of capital assets	231,202	15,191
Loss on abandoned inventory	-	(17,380)
Loss on abandonment of capital assets	(425,169)	-
Other income	20,148	18,649
Other non-operating expenses	<u>(1,835)</u>	<u>(2,200)</u>
Total non-operating revenues (expenses)	<u>(1,426,554)</u>	<u>(1,418,521)</u>
Net income before contributions	5,296,969	5,436,712
Capital contributions:		
Contributions in aid of construction	<u>9,002,297</u>	<u>8,632,158</u>
Change in net position	<u>14,299,266</u>	<u>14,068,870</u>
Net position, beginning as previously reported	235,728,925	223,271,462
Restatement	<u>-</u>	<u>(1,611,407)</u>
Net position, beginning as restated	<u>235,728,925</u>	<u>221,660,055</u>
Net position, end of year	<u><u>\$ 250,028,191</u></u>	<u><u>\$ 235,728,925</u></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, 2015 AND 2014

	2015	(Restated) 2014
Cash flows from operating activities:		
Receipts from customers	\$ 28,253,707	\$ 27,453,061
Payments to suppliers and others	(8,951,336)	(8,872,619)
Payments to employees	<u>(4,839,291)</u>	<u>(4,443,718)</u>
Net cash provided by operating activities	<u>14,463,080</u>	<u>14,136,724</u>
Cash flows from noncapital financial activities:		
Other income	20,148	18,649
Other non-operating expenses	<u>(1,834)</u>	<u>(2,200)</u>
Net cash provided by noncapital financing activities	<u>18,314</u>	<u>16,449</u>
Cash flows from capital and related financing activities:		
Contributions in aid of construction	3,843,853	2,743,822
Acquisition and construction of capital assets	(7,802,504)	(7,715,059)
Proceeds from sale of capital equipment	297,261	436,976
Principal paid on revenue bonds	(1,801,192)	(1,843,628)
Interest paid on revenue bonds	<u>(1,702,339)</u>	<u>(1,745,396)</u>
Net cash used in capital and related financing activities	<u>(7,164,921)</u>	<u>(8,123,285)</u>
Cash flows from investing activities:		
Interest received on investments	470,835	318,048
Proceeds from maturity of investments	79,066,222	17,709,966
Purchases of investments and certificates of deposit	<u>(77,466,582)</u>	<u>(23,522,206)</u>
Net cash provided by (used in) investing activities	<u>2,070,475</u>	<u>(5,494,192)</u>
Net increase in cash and cash equivalents	9,386,948	535,696
Cash and cash equivalents, beginning of year	<u>6,505,278</u>	<u>5,969,582</u>
Cash and cash equivalents, end of year	<u>\$ 15,892,226</u>	<u>\$ 6,505,278</u>
Non-cash capital and related financing activities:		
Developer contributions of utility plant	<u>\$ 5,158,444</u>	<u>\$ 5,888,336</u>
Capital additions included in accounts payable	<u>\$ 357,873</u>	<u>\$ 630,322</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, 2015 AND 2014

	2015	(Restated) 2014
Reconciliation of operating income to net cash provided by operating activities:		
Net income from operations	\$ 6,723,523	\$ 6,855,233
Adjustments to reconcile net income from operations to net cash provided by operating activities:		
Depreciation and amortization	8,065,523	7,346,734
Pension expense	(408,726)	(401,527)
Bad debt expense	66,859	85,038
Increase in accounts receivable	(385,045)	(156,840)
Increase in inventories	(292,357)	(78,720)
Increase in prepaid expenses	(133,249)	(22,650)
Increase in trade accounts payable	375,669	2,856
Increase (decrease) in accrued wages and payroll taxes	(15,870)	58,754
Increase in accrued compensated absences	15,696	112,535
Decrease in net pension liability	(482,918)	-
Increase in post employment benefits payable	330,054	311,265
Increase (decrease) in other accrued liabilities	(1,922)	24,046
Increase in deferred amounts related to pensions	605,843	-
	<u>\$ 14,463,080</u>	<u>\$ 14,136,724</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, 2015 AND 2014

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 limited 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:

Basis of Accounting and Presentation

The District's financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

All activities of the District are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges; or (b) 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 purposes.

The District makes a distinction between operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with its principal ongoing operations. The principal operating revenues of the District are water and wastewater charges to customers. Operating expenses consist of salaries, benefits, utilities, operating contracts for maintenance, insurance and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the Statement of Net Position. Net position (i.e., total assets plus deferred outflows, net of total liabilities plus deferred inflows) are segmented into net investment in capital assets; restricted for capital assets activity and debt service; and unrestricted components. 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.

**CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments

Unless otherwise indicated, the fair values of all reported assets and liabilities which represent financial instruments approximate the carrying values of such amounts.

Cash, Cash Equivalents, Deposits and Investments

Cash and cash equivalents, for purposes of the statement of cash flows, include restricted and unrestricted cash on hand or on deposit and debt security investments with a maturity at purchase of three months or less.

Investments are reported at their fair value. Fair value is based upon quoted market prices. Realized gains and losses from the sale of investments are calculated separately from the change in the fair value. Realized gains or losses in the current period include unrealized amounts from prior periods. All investment income, including changes in the fair value of investments, is to be recognized in the operating statement.

Receivables

Accounts receivable are stated at the amount management expects to collect from outstanding balances. The District provides for estimated uncollectible receivables through bad debt expense and a credit to an allowance based on its assessment of the current status of individual accounts and historical write-off experience. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

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.

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

**CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

Depreciation expense aggregated \$8,065,523 and \$7,346,734 for the years ended September 30, 2015 and 2014, 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 Statement of Net Position in the year of sale or retirement, and the resulting gain or loss is recognized in operations.

Abandonment of Capital Assets

In accordance with GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries," management evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both the decline in service utility of the capital asset is large in magnitude and the event or change in circumstance is outside the normal life cycle of the capital asset. Abandonment losses of \$425,169 were recognized in the year ended September 30, 2015. No abandonment loss was recognized in the year ended September 30, 2014.

Contributed Systems

Construction and acquisition of water systems and step sewer systems are financed in part by contributions in aid of construction from property owners and developers. Contributed capital represents the total value of donated water systems and tap fees in excess of cost collected for installed taps.

Deferred outflows/inflows of resources

Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources until then. The District has deferred charges on refunding resulting from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the life of the refunding debt. The District also has contributions made to its pension plan subsequent to the measurement date of the plan which will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

Deferred inflows of resources represent the acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources until that time. The District has deferred premiums on bond issuances. This amount is deferred and amortized over the life of the bonds and recorded in interest expense. The District also has deferrals of pension expense that resulted from the implementation of GASB Statement No. 68. These amounts are deferred and recognized in pension expense in subsequent fiscal years.

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2015 AND 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Presentation of certain taxes

The District collects various taxes from customers and remits these amounts to applicable taxing authorities. The District's accounting policy is to exclude these taxes from revenues and cost of sales.

Net Position

Equity is classified as net position and displayed in the following three components:

Net investment in capital assets – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds that are attributable to the acquisition, construction, or improvement of those assets.

Restricted for debt service – Consists of restricted cash and investments.

Unrestricted – All other net position that do not meet the description of the above categories.

Revenues and Expenses

As a proprietary fund, the District was organized to be self-supporting through user charges. All proprietary funds are accounted for using the accrual basis of accounting. The District utilizes cycle billing and records revenue billed to its customers when the meters are read, and expenses are recorded as they are incurred. Recognition has been given to unbilled revenue in the financial statements.

Operating revenue consist of sales of water and other services related to water distribution. Non-operating revenues consist of investment income and special charges that can be used for either operating or capital purposes. Operating income reported in the financial statements includes revenues and expenses related to the primary continuing operations of the District. Principal operating expenses are the cost of providing goods or services and include administrative expenses and depreciation of capital assets.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from CUD's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2015 AND 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2015 and 2014. 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.

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.

Recently Adopted Accounting Standards

In June 2012, the GASB approved Statement No. 68, *Accounting and Financial Reporting for Pensions*. This statement requires governments providing defined benefit pension plans to recognize their long-term obligation for pension benefits as a liability on the statement of net position and to more comprehensively and comparably measure the annual costs of pension benefits. This Statement also requires revised and net not disclosures and required supplementary information (RSI) to be reported by employers. The implementation of this GASB statement will have a significant impact on the District's financial statements and is effective for the District's September 30, 2015 financial statements. As a result of implementing Statement Nos. 68 and 71, the District's liabilities were increased by \$1,611,407 as of October 1, 2013, the effective date of these financial statements.

In November 2014, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. This statement amends Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pension be reported at transition only if it is practical to determine all such amounts. The provisions of Statement No. 68 are required to be applied simultaneously with the provisions of Statement No. 68. As a result of implementing Statement Nos. 68 and 71, the District's liabilities were increased by \$1,611,407 as of October 1, 2013, the effective date of these financial statements.

**CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Adopted Accounting Standards (Continued)

In February 2015, the GASB approved Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements and will require additional disclosures about assets and liabilities measured at fair value. This Statement is effective for periods beginning after June 15, 2015. The District will fully analyze the impact of this new Statement prior to the effective date above.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*, which supersedes the requirements of GASB Statement No. 45 and requires governments that are responsible only for OPEB liabilities related to their own employees and that provide OPEB through a defined benefit OPEB plan administered through a trust that meets specified criteria to report a net OPEB liability, which is the difference between the total OPEB liability and assets accumulated in the trust and restricted to making benefit payments, on the face of the financial statements. Governments that participate in a cost-sharing OPEB plan that is administered through a trust that meets the specified criteria will report a liability equal to their proportionate share of the collective OPEB liability for all entities participating in the cost-sharing plan. Governments that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability related to their employees. This Statement also requires governments to present more extensive note disclosures and required supplementary information about their OPEB liabilities. This Statement is effective for fiscal years beginning after June 15, 2017. The District will fully analyze the impact of this new Statement prior to the effective date above.

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, 2015 and 2014.

NOTE 2 - CASH AND INVESTMENTS

Cash and investments as of September 30, 2015 and 2014 are classified in the Statements of Net Position as follows:

	2015	2014
Cash and cash equivalents	\$ 15,892,226	\$ 6,505,278
Investments	29,840,076	31,757,982
Restricted for debt service	<u>7,220,283</u>	<u>6,902,018</u>
	<u><u>\$ 52,952,585</u></u>	<u><u>\$ 45,165,278</u></u>

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2015 AND 2014

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Cash and investments as September 30, 2015 and 2014 consist of the following:

	2015	2014
Cash on hand	\$ 1,350	\$ 1,350
Deposits with financial institutions	15,890,876	6,503,928
Certificates of deposit	6,000,000	-
Investments - marketable securities	27,773,582	29,438,400
Local governmental investment pool	<u>3,286,777</u>	<u>9,221,600</u>
	<u>\$ 52,952,585</u>	<u>\$ 45,165,278</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.

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 is. 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.

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2015 AND 2014

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Disclosures Relating to Interest Rate Risk and Credit Risk (Continued)

As of September 30, 2015, the District had the following investments in marketable securities.

	Market Value	Maturity Date	Call Date	Rating as of Year End
Fannie Mae	\$ 748,162	10/15/2018	Quarterly	AAA
Fannie Mae	500,185	4/11/2019	Quarterly	AAA
Federal Farm Credit Bank	500,055	4/23/2018	Quarterly	AAA
Federal Farm Credit Bank	498,520	2/14/2019	Quarterly	AAA
Federal Farm Credit Bank	1,000,160	2/28/2019	Quarterly	AAA
Federal Home Loan Bank	1,001,540	12/15/2017	Quarterly	AAA
Federal Home Loan Bank	1,002,120	1/29/2018	Quarterly	AAA
Federal Home Loan Bank	1,002,750	6/24/2019	Quarterly	AAA
Federal Home Loan Bank	2,001,000	7/22/2019	Quarterly	AAA
Federal Home Loan Bank	2,001,120	7/30/2019	Quarterly	AAA
Federal Home Loan Mortgage	1,000,590	7/28/2017	Quarterly	AAA
Federal Home Loan Mortgage	1,001,080	8/18/2017	Quarterly	AAA
Federal Home Loan Mortgage	1,000,390	10/20/2017	Quarterly	AAA
Federal Home Loan Mortgage	1,001,090	11/20/2017	Quarterly	AAA
Federal Home Loan Mortgage	1,003,130	12/15/2017	Quarterly	AAA
Federal Home Loan Mortgage	1,001,490	5/25/2018	Quarterly	AAA
Federal Home Loan Mortgage	1,000,550	6/15/2018	Quarterly	AAA
Federal Home Loan Mortgage	1,002,670	7/20/2018	Quarterly	AAA
Federal Home Loan Mortgage	1,000,630	10/30/2018	Quarterly	AAA
Federal Home Loan Mortgage	1,003,870	2/26/2019	Quarterly	AAA
Federal Home Loan Mortgage	501,050	2/27/2019	Quarterly	AAA
Federal Home Loan Mortgage	1,998,980	3/29/2019	Quarterly	AAA
Federal Home Loan Mortgage	2,001,560	6/18/2019	Quarterly	AAA
Federal Home Loan Mortgage	1,000,690	7/22/2019	Quarterly	AAA
Federal Home Loan Mortgage	1,000,940	8/13/2019	Quarterly	AAA
Federal National Mortgage Assn.	999,260	2/27/2017	Quarterly	AAA
	<u>\$ 27,773,582</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:

Federal Farm Credit Bank	Federal Agency Securities	\$ 1,998,735
Federal Home Loan Bank	Federal Agency Securities	\$ 7,008,530
Federal Home Loan Mtg. Corp.	Federal Agency Securities	\$ 16,518,710

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2015 AND 2014

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, 2015 and 2014, 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, 2015 are as follows:

	Balance September 30, 2014	Additions	Retires	Transfers	Balance September 30, 2015
Capital assets not being depreciated					
Land and improvements	\$ 2,785,651	\$ 338,252	\$ (400)	\$ -	\$ 3,123,503
Construction in progress	15,091,855	6,138,392	-	(11,065,573)	10,164,674
	<u>17,877,506</u>	<u>6,476,644</u>	<u>(400)</u>	<u>(11,065,573)</u>	<u>13,288,177</u>
Capital assets being depreciated					
Structures and improvements	55,518,014	12,057	(689,465)	5,942,991	60,783,597
Transmission and distribution mains	221,295,391	4,819,631	-	3,167,957	229,282,979
STEP sewer systems	25,146,981	507,672	-	-	25,654,653
Equipment	6,766,226	874,212	(614,013)	1,954,625	8,981,050
	<u>308,726,612</u>	<u>6,213,572</u>	<u>(1,303,478)</u>	<u>11,065,573</u>	<u>324,702,279</u>
Total plant in service	326,604,118	12,690,216	(1,303,878)	-	337,990,456
Less accumulated depreciation	<u>(86,762,873)</u>	<u>(8,065,523)</u>	<u>810,933</u>	<u>-</u>	<u>(94,017,463)</u>
Net capital assets	<u>\$ 239,841,245</u>	<u>\$ 4,624,693</u>	<u>\$ (492,945)</u>	<u>\$ -</u>	<u>\$ 243,972,993</u>

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2015 AND 2014

NOTE 4 - LONG-TERM DEBT

The long-term debt at September 30, 2015 and 2014 consisted of the following:

	2015	2014
Series 2000 revenue bonds; interest payable monthly at 4.75%, maturing in monthly installments through 2040.	\$ 823,712	\$ 841,137
Series 2009 revenue bonds; interest payable monthly at 4.125%, maturing in monthly installments through 2047.	1,243,411	1,262,178
Series 2009 revenue bonds; interest payable semi-annually at 2.5% to 4.5%, maturing in annual installments through 2030.	12,130,000	12,730,000
Series 2013 revenue refunding bonds; interest payable semi-annually at 2% to 4%, maturing in annual installments through 2036.	<u>30,855,000</u>	<u>32,020,000</u>
Total debt	45,052,123	46,853,315
Less current portion	<u>1,857,577</u>	<u>1,801,193</u>
Long-term portion, net	<u>\$ 43,194,546</u>	<u>\$ 45,052,122</u>

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

Year Ending September 30,	Principal	Interest	Total
2016	\$ 1,857,577	\$ 1,654,506	\$ 3,512,083
2017	1,919,518	1,597,064	3,516,582
2018	1,986,305	1,530,690	3,516,995
2019	2,078,172	1,451,736	3,529,908
2020	2,134,892	1,369,265	3,504,157
2021-2025	11,892,874	5,479,489	17,372,363
2026-2030	12,916,799	2,923,011	15,839,810
2031-2035	8,536,680	1,068,803	9,605,483
2036-2040	1,321,690	150,434	1,472,124
2041-2045	297,413	54,967	352,380
2046-2047	110,203	3,923	114,126
	<u>\$ 45,052,123</u>	<u>\$ 17,283,888</u>	<u>\$ 62,336,011</u>

As of September 30, 2015, the District was in compliance with all bond covenants.

**CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

NOTE 4 - LONG-TERM DEBT (CONTINUED)

Long-term transactions for the year ended September 30, 2015 are as follows:

	Balance September 30, 2014	Proceeds	Payments	Balance September 30, 2015
Revenue bonds	\$ 14,833,315	\$ -	\$ 636,192	\$ 14,197,123
Refunding bonds	32,020,000	-	1,165,000	30,855,000
Total long-term debt	<u>\$ 46,853,315</u>	<u>\$ -</u>	<u>\$ 1,801,192</u>	<u>\$ 45,052,123</u>

Advance Refunding

On April 11, 2013, the District issued \$33,140,000 in Revenue Refunding Bonds at interest rates ranging from 2.0% to 4.0% to advance refund \$37,235,000 of outstanding Series 2004, 2005, and 2006 Revenue Bonds with interest rates ranging from 3.4% to 5.5%. The net proceeds of \$35,147,546 (including a premium of \$2,384,985 and after payment of \$377,439 in underwriting fees and other issue costs), along with \$3,332,356 of prior issue debt service reserve funds, \$550,085 of prior issue sinking funds, and \$1,955,440 of issuer funds was deposited in an irrevocable trust with an escrow agent and invested in Treasury Securities – State and Local Government Series in an amount sufficient to provide funds for the future debt service payments on the refunded bonds until the respective redemption dates. As a result, the Series 2004, 2005, and 2006 Revenue Bonds are considered defeased and the liability for those bonds has been removed from the statement of net position.

The reacquisition price exceeded the net carrying amount of the old debt by \$2,802,068. This amount is being amortized over the remaining life of the refunding debt. The District refunded the Series 2004, 2005, and 2006 revenue bonds to reduce its total net debt service payments over 23 years by \$5,429,206 and to obtain an economic gain (difference between the present values of the net debt service payments on the old and new debt, adjusted for issuer contributions) of \$4,602,731.

NOTE 5 - PENSION PLAN

Plan description

Employees of Consolidated Utility District Of Rutherford County are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2015 AND 2014

NOTE 5 - PENSION PLAN (CONTINUED)

Benefits provided

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees covered by benefit terms

At the measurement date of June 30, 2014 the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	19
Active employees	<u>64</u>
	<u>88</u>

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2015 AND 2014

NOTE 5 - PENSION PLAN (CONTINUED)

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. The District makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended September 30, 2015, employer contributions for the District were \$408,726 based on a rate of 12.25 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the District's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability

The District's net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate net pension liability was determined by an actuarial valuation as of that date. Management has determined there is no material difference in the pension liability from June 30, 2014 to September 30, 2014, therefore, June 30, 2014 was used as the measurement date.

Actuarial assumptions. The total pension liability as of June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent.
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation.
Cost-of-Living Adjustment	2.5 percent

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2015 AND 2014

NOTE 5 - PENSION PLAN (CONTINUED)

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the District will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2015 AND 2014

NOTE 5 - PENSION PLAN (CONTINUED)

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balance at 6/30/13	\$ 6,972,784	\$ 5,361,377	\$ 1,611,407
Changes for the year:			
Service cost	288,991	-	288,991
Interest	538,160	-	538,160
Difference between expected and actual experience	(227,605)	-	(227,605)
Contributions-employer	-	401,527	(401,527)
Contributions-employees	-	163,889	(163,889)
Net investment income	-	921,146	(921,146)
Benefit payments, including refunds of employee contributions	(172,602)	(172,602)	-
Administrative expense	-	(2,571)	2,571
Net changes	426,944	1,311,389	(884,445)
Balance at 6/30/14	\$ 7,399,728	\$ 6,672,766	\$ 726,962

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the District calculated using the discount rate of 7.5 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Consolidated Utility District of Rutherford County's net pension liability (asset)	\$ 1,943,507	\$ 726,962	\$ (250,528)

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2015 AND 2014

NOTE 5 - PENSION PLAN (CONTINUED)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension expense

For the year ended September 30, 2015, the District recognized pension expense of \$122,925.

Deferred outflows of resources and deferred inflows of resources

For the year ended September 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 202,316
Net difference between projected and actual earnings on pension plan investments	-	403,527
Contributions subsequent to the measurement date of September 30, 2014	408,726	-
Total	<u>\$ 408,726</u>	<u>\$ 605,843</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended
September 30:

2016	\$ (126,171)
2017	(126,171)
2018	(126,171)
2019	(126,171)
2020	(25,289)
Thereafter	(75,870)

Payable to the Pension Plan

At September 30, 2015, the District reported no outstanding amount of contributions to the pension plan required at the year ended September 30, 2015.

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2015 AND 2014

NOTE 6 - RETIREMENT PLANS

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. Effective May 2, 2015, the District's contribution of 11.5% is being made to the defined contribution plan as described below. Employer contributions under this program for the years ended September 30, 2015 and 2014 were \$56,014 and \$95,732, respectively.

Defined Contribution Plan

Beginning May 2, 2015, the District began offering its employees a deferred contribution retirement plan created in accordance with the Internal Revenue Service Code Section 401(a). This plan covers employees that were employed on July 1, 2007 and before who elected not to participate in the TCRS plan. Under the terms of the plan, the employee must contribute at least 5% to the deferred compensation plan. The District contributes 11.5% of employee-eligible plan compensation subject to annual limitations imposed by the Internal Revenue Code. Employees are immediately vested in employer contributions. For the year ended September 30, 2015, employer contributions to the 401(a) retirement plan totaled \$39,768.

NOTE 7 - 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 96% of the cost of current-year premiums for eligible retired plan members and their spouses. The District's contributions for retirees for the years ended September 30, 2015 and 2014 were \$2,752 and \$15,092, respectively.

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2015 AND 2014

NOTE 7 - 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	\$ 330,626
Interest on net OPEB obligation	48,789
Adjustment to annual required contribution	(46,609)
Annual OPEB cost (expense)	332,806
Contributions made	(2,752)
Increase in net OPEB obligation	330,054
Net OPEB obligation, beginning of year	1,810,863
Net OPEB obligation, end of year	<u>\$ 2,140,917</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 2015, 2014 and 2013 is as follows:

<u>Ended</u>	<u>Cost</u>	<u>Cost Contributed</u>	<u>Obligation</u>
9/30/2015	\$ 332,806	\$2,752	\$ 2,140,917
9/30/2014	\$ 326,357	\$15,092	\$ 1,810,863
9/30/2013	\$ 297,393	\$17,517	\$ 1,499,598

Funded Status and Funding Progress

As of September 30, 2015 and 2014, the actuarial accrued liability for benefits was \$2,335,121 and \$2,748,434, respectively, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$4,822,592 and \$4,485,119, respectively, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 48.4 and 61.3 percent, respectively.

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2015 AND 2014

NOTE 7 - 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 7.1 percent initially, reduced to an ultimate rate of 6.1 percent after five years, was used.

Health insurance premiums – 2015 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2015 AND 2014

NOTE 7 - POST EMPLOYMENT HEALTH BENEFITS (CONTINUED)

Inflation rate – The expected long-term inflation assumption of 3.0 percent was based on projected changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) in the *2010 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, 2015, was thirty years.

NOTE 8 - 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.

NOTE 9 - DATE OF MANAGEMENT'S REVIEW

Subsequent events have been evaluated by the District's management through December 7, 2015, which is the date the financial statements were available to be issued.

NOTE 10 - RESTATEMENT OF FINANCIAL STATEMENTS

During the year ended September 30, 2015, the District adopted GASB Statements No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement 68*. These statements required the District to recognize in its accrual basis financial statements the net pension liability, deferred outflows of resources and deferred inflows of resources for the District's pension plan. These GASB Statements also required contributions made after the June 30, 2014 measurement date used in the actuarial valuation for the pension plan to be reported as deferred outflows of resources.

Due to the implementation of these statements, the District recorded a pension liability of \$1,611,407 and deferred outflows of resources of \$401,527 as of September 30, 2014. Total net position as of October 1, 2013 was restated compared to the amounts reported in the September 30, 2014 financial statements, resulting in a decrease in net position of \$1,611,407. Additionally, operating expenses reported a decrease of \$401,527 as of September 30, 2014.

SUPPLEMENTAL INFORMATION

**CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS
FOR FISCAL YEAR ENDED SEPTEMBER 30, 2015**

Total pension liability:	
Service cost	\$ 288,991
Interest	538,160
Changes in benefit terms	-
Differences between actual & expected experience	(227,605)
Change of assumptions	-
Benefit payments, including refunds of employee contributions	(172,602)
Net change in total pension liability	426,944
Total pension liability - beginning	6,972,784
Total pension liability- ending (a)	<u>\$ 7,399,728</u>
Plan fiduciary net position:	
Contributions - employer	\$ 401,527
Contributions - employee	163,889
Net investment income	921,146
Benefit payments, including refunds of employee contributions	(172,602)
Administrative expense	(2,571)
Net change in plan fiduciary net position	1,311,389
Plan fiduciary net position - beginning	5,361,377
Plan fiduciary net position - ending (b)	<u>\$ 6,672,766</u>
Net Pension Liability - ending (a) - (b)	<u>\$ 726,962</u>
Plan fiduciary net position as a percentage of total pension liability	90.18%
Covered-employee payroll	\$ 3,277,774
Net pension liability as a percentage of covered-employee payroll	22.18%

**CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
SCHEDULE OF CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD
COUNTY'S CONTRIBUTIONS BASED ON PARTICIPATION IN THE PUBLIC
EMPLOYEE PENSION PLAN OF TCRS
FOR FISCAL YEARS ENDING SEPTEMBER 30, 2015 AND 2014**

	2015	2014
Actuarially determined contribution	\$ 408,726	\$ 401,527
Contributions in relation to the actuarially determined contribution	<u>408,726</u>	<u>401,527</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
 Covered-employee payroll	 \$ 3,336,539	 \$ 3,277,774
Contributions as a percentage covered-employee payroll	12.25%	12.25%

Valuation date

Actuarially determined contribution rates for 2015 were calculated based on the July 1, 2013 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	7 years
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment Rate of Return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.5 percent

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
 REQUIRED SUPPLEMENTARY INFORMATION
 POST-EMPLOYMENT BENEFITS
 SCHEDULE OF FUNDING PROGRESS
 SEPTEMBER 30, 2015

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)
9/30/2015	\$ -	\$ 2,335,121	\$ 2,335,121	0%	\$ 4,822,592	48.42%
9/30/2014	\$ -	\$ 2,748,434	\$ 2,748,434	0%	\$ 4,485,119	61.28%
9/30/2013	\$ -	\$ 2,510,000	\$ 2,510,000	0%	\$ 4,693,563	53.48%

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
SCHEDULE OF NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS

(amounts expressed in thousands)

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Invested in Capital Assets, net of related debt	\$ 199,078	\$ 193,165	\$ 185,099	\$ 173,233	\$ 163,894	\$ 161,897	\$ 174,056	\$ 165,173	\$ 132,515	\$ 115,449
Restricted to Meet Bond Indenture Provisions	7,220	6,902	6,538	10,015	9,790	8,036	7,310	6,919	6,149	5,667
Restricted for Capital Investments	-	-	-	-	-	-	-	-	5,413	9,915
Unrestricted	43,730	35,662	31,634	30,843	32,922	30,173	14,619	19,167	28,596	21,543
Total Net Position	\$ 250,028	\$ 235,729	\$ 223,271	\$ 214,091	\$ 206,606	\$ 200,106	\$ 195,985	\$ 191,259	\$ 172,673	\$ 152,574

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE

SCHEDULE OF CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

(amounts expressed in thousands)

	Fiscal Year									
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Operating Revenue:										
Water Sales	\$ 24,635	\$ 23,794	\$ 22,793	\$ 22,895	\$ 20,873	\$ 19,248	\$ 18,542	\$ 19,001	\$ 17,925	\$ 15,753
Sewer (Step) Sales	1,851	1,676	1,513	1,463	1,358	1,114	873	791	639	503
Late Payment Fees	557	677	622	608	583	563	546	566	555	496
Service Charges	1,447	1,344	1,147	1,063	1,016	1,105	926	947	1,009	988
Other	229	211	197	166	180	354	158	176	86	129
Less: Adjustments and Allowances	(147)	(177)	(139)	(181)	(228)	(259)	(322)	(336)	(238)	(259)
Total Operating Revenue	28,572	27,525	26,133	26,014	23,782	22,125	20,723	21,145	19,976	17,610
Operating Expenses:										
Source of Supply	2	-	-	-	-	-	-	-	-	-
Pumping	596	547	527	525	540	524	539	514	450	412
Water Plant & Treatment	2,712	2,789	2,534	2,673	2,373	2,233	2,488	2,525	2,339	1,921
Transmission & Distribution	4,116	3,798	3,945	3,557	3,719	3,430	3,665	3,448	3,230	2,974
Customer Accounting	614	639	587	595	589	588	731	966	882	721
Customer Service	1,350	1,252	1,344	1,515	1,516	1,528	1,701	1,711	1,439	1,112
Wastewater (Step Systems)	944	932	905	877	936	925	830	724	518	441
Administrative & General	3,449	3,366	3,204	3,339	3,195	3,006	3,422	2,715	2,687	2,564
Depreciation & Amortization	8,065	7,347	7,214	7,087	6,954	6,766	6,512	6,004	5,001	4,275
Total Operating Expenses	21,848	20,670	20,260	20,168	19,822	19,000	19,888	18,607	16,546	14,420
Net Operating Revenue	6,724	6,855	5,873	5,846	3,960	3,125	835	2,538	3,430	3,190
Non-operating Revenue (Expenses)	(1,427)	(1,418)	(2,255)	(2,379)	(2,003)	(2,360)	(1,533)	(885)	(195)	(638)
Net Income before Contributions	5,297	5,437	3,618	3,467	1,957	765	(698)	1,653	3,235	2,552
Contributions:										
Growth Fees	-	-	-	-	-	-	-	709	1,454	1,773
Tap Fees - Net of Costs	3,844	2,744	1,856	1,582	808	1,197	839	708	1,145	1,420
Developer Contributions	5,158	5,888	3,129	1,551	3,470	2,112	3,991	9,713	13,141	10,813
Contributions - Others	-	-	578	885	266	46	594	5,803	1,125	46
Total Contributions	9,002	8,632	5,563	4,018	4,544	3,355	5,424	16,933	16,865	14,052
Change in Accounting Methods	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Change in Net Position	\$ 14,299	\$ 14,069	\$ 9,181	\$ 7,485	\$ 6,501	\$ 4,120	\$ 4,726	\$ 18,586	\$ 20,100	\$ 16,604

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
SCHEDULE OF OPERATING REVENUES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Actual	(Unaudited) Budget	Variance Favorable (Unfavorable)
Operating Revenues			
Water Sales	\$ 24,634,101	\$ 24,244,000	\$ 390,101
Sewer (Step) Sales	1,850,787	1,750,000	100,787
Late Payment Fees	556,543	640,000	(83,457)
Service Charges	1,448,166	1,251,200	196,966
Fire Protection	175,647	150,000	25,647
Miscellaneous Income	53,161	33,000	20,161
	<u>28,718,405</u>	<u>28,068,200</u>	<u>650,205</u>
Less: Adjustments and Allowances	<u>(146,512)</u>	<u>(225,000)</u>	<u>78,488</u>
Total Operating Revenues	<u><u>\$ 28,571,893</u></u>	<u><u>\$ 27,843,200</u></u>	<u><u>\$ 728,693</u></u>

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>Actual</u>	<u>(Unaudited) Budget</u>	<u>Budget Remaining</u>	<u>% of Budget Used</u>
Source of Supply				
Purchased water	<u>2,325</u>	<u>1,005,000</u>	<u>(1,002,675)</u>	<u>0.23%</u>
Pumping				
Building and grounds	\$ 27,354	\$ 16,500	\$ (10,854)	165.78%
Chemicals	4,736	-	(4,736)	0.00%
Contract services, maintenance	23,508	-	(23,508)	0.00%
Electricity	259,817	355,000	95,183	73.19%
Employee regular wages	103,171	112,624	9,453	91.61%
Employee overtime pay	16,400	18,000	1,600	91.11%
Employee bonus pay	9,521	4,445	(5,076)	214.20%
Employee vacation pay	4,380	9,643	5,263	45.42%
Employee sick pay	13,020	4,339	(8,681)	300.07%
Employee benefits, allocated	37,363	40,200	2,837	92.94%
Employee section 457	3,185	8,836	5,651	36.05%
Retirement contribution	2,420	8,132	5,712	29.76%
Employer payroll taxes	12,438	12,078	(360)	102.98%
Equipment/vehicle repair	1,429	10,000	8,571	14.29%
Insurance, workers comp	3,966	5,180	1,214	76.56%
Materials and supplies	1,301	2,200	899	59.14%
Miscellaneous	-	500	500	0.00%
Office furniture and fixtures	-	500	500	0.00%
Outside services employed	-	11,000	11,000	0.00%
Postage/freight	847	800	(47)	105.88%
Rental expense	1,506	1,500	(6)	100.40%
Repair and maintenance	25,204	60,000	34,796	42.01%
School and education	3,070	4,900	1,830	62.65%
Telephone, data & fax	1,126	1,518	392	74.18%
Tools and equipment	16,725	11,000	(5,725)	152.05%
Transportation	22,423	19,820	(2,603)	113.13%
Travel	358	2,700	2,342	13.26%
Uniforms	950	2,200	1,250	43.18%
Total Pumping	<u>596,218</u>	<u>723,615</u>	<u>127,397</u>	<u>82.39%</u>
Water Treatment Plant				
Building and grounds	16,411	19,500	3,089	84.16%
Chemicals	731,289	690,000	(41,289)	105.98%
Computers and software	-	8,100	8,100	0.00%
Contract services, administrative	423,933	430,800	6,867	98.41%
Contract services, direct projects	6,559	4,200	(2,359)	156.17%
Contract services, maintenance	6,563	6,900	337	95.12%
Contract services, management	29,118	51,000	21,882	57.09%
Contract services, operations	733,448	718,500	(14,948)	102.08%
Dues and subscriptions	-	600	600	0.00%
Electricity	628,704	733,500	104,796	85.71%

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
SCHEDULE OF OPERATING EXPENSES (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Actual	(Unaudited) Budget	Budget Remaining	% of Budget Used
Equipment/vehicle repair	3,258	300	(2,958)	1086.00%
Lab supplies	25,647	29,100	3,453	100.00%
Licenses and permits	1,000	600	(400)	100.00%
Materials and supplies	12,455	34,500	22,045	36.10%
Office furniture and fixtures	1,200	-	(1,200)	0.00%
Outside services employed	14,412	162,400	147,988	8.87%
Postage/freight	2,028	3,900	1,872	52.00%
Promotion & entertainment	29	300	271	9.67%
Professional fees	793	-	(793)	0.00%
Rental expense	399	-	(399)	0.00%
Repair and maintenance	58,487	29,700	(28,787)	196.93%
School and education	2,930	3,000	70	97.67%
Telephone, data & fax	888	6,900	6,012	12.87%
Tools and equipment	6,654	18,000	11,346	36.97%
Transportation	4,027	2,700	(1,327)	149.15%
Travel	438	-	(438)	0.00%
Uniforms	952	600	(352)	158.67%
Total Water Treatment Plant	2,711,622	2,955,100	243,478	91.76%
Transmission and Distribution				
Chemicals	370	-	(370)	0.00%
Computers and software	13,830	4,958	(8,872)	278.94%
Contract services, maintenance	2,051	2,772	721	73.99%
Dues and subscriptions	1,008	638	(370)	157.99%
Employee regular wages	1,991,740	2,004,467	12,727	99.37%
Employee overtime pay	105,318	137,600	32,282	76.54%
Employee supplemental pay	74,269	70,330	(3,939)	105.60%
Employee vacation pay	142,729	134,586	(8,143)	106.05%
Employee sick pay	101,660	75,676	(25,984)	134.34%
Employee - temporary	-	87,500	87,500	0.00%
Employee benefits, allocated	653,124	673,000	19,876	97.05%
Employee section 401(a)/457	27,339	44,209	16,870	61.84%
Retirement contribution	76,788	236,149	159,361	32.52%
Employer payroll taxes	177,803	195,410	17,607	90.99%
Equipment/vehicle repair	44,579	66,490	21,911	67.05%
Insurance, workers comp	69,215	81,990	12,775	84.42%
Lab supplies	4,329	4,752	423	91.10%
Licenses & permits	1,800	4,500	2,700	40.00%
Materials and supplies	24,430	48,392	23,962	50.48%
Miscellaneous expenses	71	2,475	2,404	2.87%
Office furniture/fixtures	5,518	54,410	48,892	10.14%
Outside services employed	5,132	54,942	49,810	9.34%
Postage/freight	2,253	4,825	2,572	46.69%
Promotion & entertainment	318	1,575	1,257	20.19%
Rental expense	5,229	5,525	296	94.64%
Repair and maintenance	333,717	502,250	168,533	66.44%
School and education	11,089	17,060	5,971	65.00%

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
SCHEDULE OF OPERATING EXPENSES (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Actual	(Unaudited) Budget	Budget Remaining	% of Budget Used
Telephone, data & fax	22,657	25,513	2,856	88.81%
Tools and equipment	59,369	110,504	51,135	53.73%
Transportation	139,423	195,300	55,877	71.39%
Travel	4,411	19,689	15,278	22.40%
Uniforms	14,037	38,978	24,941	36.01%
Total Transmission and Distribution	4,115,606	4,906,465	791,229	83.88%
Customer Accounting				
Contract services, maintenance	3,395	-	(3,395)	100.00%
Dues and subscriptions	10	-	(10)	0.00%
Employee regular wages	294,137	290,419	(3,718)	101.28%
Employee overtime pay	20,862	12,000	(8,862)	173.85%
Employee supplemental pay	17,886	13,155	(4,731)	135.96%
Employee vacation pay	13,998	20,510	6,512	68.25%
Employee sick pay	17,002	11,065	(5,937)	153.66%
Employee benefits, allocated	90,540	108,000	17,460	83.83%
Employee section 401(a)/457	5,740	5,878	138	97.65%
Retirement contribution	11,077	33,946	22,869	32.63%
Employer payroll taxes	27,113	27,007	(106)	100.39%
Equipment/vehicle repair	134	500	366	26.80%
Insurance, workers comp	9,774	11,500	1,726	84.99%
Materials and supplies	106	4,000	3,894	2.65%
Miscellaneous expenses	-	250	250	0.00%
Office furniture/fixtures	202	1,100	898	18.36%
Outside services employed	49,848	90,000	40,152	55.39%
Postage/freight	42	1,200	1,158	3.50%
Promotion & entertainment	-	900	900	0.00%
Rental expense	-	200	200	0.00%
Repair and maintenance	-	900	900	0.00%
School and education	3,702	4,000	298	92.55%
Telephone, data & fax	5,129	4,000	(1,129)	128.23%
Tools and equipment	-	3,000	3,000	0.00%
Transportation	36,737	60,000	23,263	61.23%
Travel	3,344	6,500	3,156	51.45%
Uniforms	2,896	8,000	5,104	36.20%
Total Customer Accounting	613,674	718,030	104,356	85.47%
Customer Service				
Computers and software	-	400	400	100.00%
Contract services, maintenance	354	400	46	100.00%
Dues and subscriptions	50	50	-	100.00%
Employee regular wages	620,981	603,575	(17,406)	102.88%
Employee overtime pay	1,922	8,000	6,078	24.03%
Employee supplemental pay	32,280	28,505	(3,775)	113.24%
Employee vacation pay	28,124	37,324	9,200	75.35%
Employee sick pay	13,196	23,153	9,957	56.99%
Employee benefits, allocated	243,086	250,000	6,914	97.23%

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
SCHEDULE OF OPERATING EXPENSES (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Actual	(Unaudited) Budget	Budget Remaining	% of Budget Used
Employee section 401(a)/457	9,745	18,484	8,739	52.72%
Retirement contribution	21,151	61,359	40,208	34.47%
Employer payroll taxes	52,978	55,007	2,029	96.31%
Insurance, workers comp	1,526	1,150	(376)	132.70%
Materials and supplies	3,913	7,000	3,087	55.90%
Miscellaneous expenses	-	250	250	0.00%
Office furniture/fixtures	1,144	600	(544)	190.67%
Outside services employed	93,435	132,000	38,565	70.78%
Postage/freight	214,428	210,000	(4,428)	102.11%
Promotion & entertainment	580	1,000	420	58.00%
Repair and maintenance	-	500	500	0.00%
School and education	2,819	6,200	3,381	45.47%
Telephone, data & fax	408	1,800	1,392	22.67%
Tools and equipment	3,883	8,750	4,867	44.38%
Transportation	207	500	293	41.40%
Travel	4,072	8,000	3,928	50.90%
Uniforms	33	8,000	7,967	0.41%
Total Customer Service	1,350,315	1,472,007	121,692	91.73%
Wasterwater (Step Systems)				
Building and grounds	77,691	115,880	38,189	67.04%
Contract services, maintenance	-	10,000	10,000	0.00%
Dues and subscriptions	10	500	490	2.00%
Electricity	120,960	124,000	3,040	97.55%
Employee regular wages	280,441	290,124	9,683	96.66%
Employee overtime pay	31,362	34,000	2,638	92.24%
Employee supplemental pay	8,459	9,990	1,531	84.67%
Employee vacation pay	10,755	17,055	6,300	63.06%
Employee sick pay	14,618	10,929	(3,689)	133.75%
Employee benefits, allocated	112,035	110,000	(2,035)	101.85%
Employee section 401(a)/457	19,030	23,565	4,535	80.76%
Retirement contribution	6,815	17,663	10,848	38.58%
Employer payroll taxes	27,129	29,503	2,374	91.95%
Equipment/vehicle repair	676	3,500	2,824	19.31%
Insurance, workers comp	9,882	12,650	2,768	78.12%
Lab supplies	3,133	4,000	867	78.33%
Licenses & permits	39,410	32,000	(7,410)	123.16%
Materials and supplies	7,982	25,000	17,018	31.93%
Miscellaneous expenses	-	1,000	1,000	0.00%
Office furniture/fixtures	-	1,000	1,000	0.00%
Outside services employed	2,076	2,500	424	83.04%
Postage/freight	410	800	390	51.25%
Promotion & entertainment	-	1,500	1,500	0.00%
Professional fees: sewer	8,611	5,000	(3,611)	172.22%
Rental expense	75	1,500	1,425	5.00%
Repair and maintenance	87,668	90,000	2,332	97.41%
School and education	865	3,500	2,635	24.71%

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
SCHEDULE OF OPERATING EXPENSES (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Actual	(Unaudited) Budget	Budget Remaining	% of Budget Used
Telephone, data & fax	43,745	35,000	(8,745)	124.99%
Tools and equipment	3,322	14,000	10,678	23.73%
Transportation	22,997	35,000	12,003	65.71%
Travel	594	2,500	1,906	23.76%
Uniforms	2,905	4,500	1,595	64.56%
Total Wastewater (Step Systems)	943,656	1,068,159	124,503	88.34%
Administration and General				
Bad Debts, net of recoveries	66,859	172,000	105,141	38.87%
Banking services, retail	30,459	28,000	(2,459)	108.78%
Banking services, investment	7,767	7,000	(767)	110.96%
Building and grounds	125,935	145,000	19,065	86.85%
Computers and software	150,821	125,700	(25,121)	119.98%
Contract services, maintenance	257,095	258,500	1,405	99.46%
Dues and subscriptions	90,829	95,250	4,421	95.36%
Employee regular wages	714,063	879,250	165,187	81.21%
Employee regular wages: Board	24,600	25,200	600	97.62%
Employee overtime pay	14,629	18,500	3,871	79.08%
Employee supplemental pay	17,954	17,750	(204)	101.15%
Employee vacation pay	40,128	42,805	2,677	93.75%
Employee sick pay	-	28,257	28,257	0.00%
Employee - temporary	-	42,500	42,500	0.00%
Employee benefits, allocated	200,195	187,000	(13,195)	107.06%
Employee benefits, allocated: Board	68,213	65,000	(3,213)	104.94%
Employee section 401(a)/457	30,743	33,234	2,491	92.50%
Retirement contribution	16,643	75,889	59,246	21.93%
Employer payroll taxes	60,514	81,165	20,651	74.56%
Employer payroll taxes: Board	2,943	3,000	57	98.10%
Post-employment health care - ARC	332,807	375,000	42,193	88.75%
Equipment/vehicle repair	1,786	4,000	2,214	44.65%
Insurance, general	178,155	180,000	1,845	98.98%
Insurance, workers comp	2,213	2,530	317	87.47%
Inventory adjustments	9,332	3,000	(6,332)	311.07%
Licenses & permits	375	8,000	7,625	4.69%
Materials and supplies	70,526	71,200	674	99.05%
Miscellaneous expenses	6,862	12,500	5,638	54.90%
Office furniture/fixtures	9,487	5,000	(4,487)	189.74%
Outside services employed	96,547	260,000	163,453	37.13%
Postage/freight	1,869	9,400	7,531	19.88%
Promotion & entertainment	25,335	17,750	(7,585)	142.73%
Promotion & entertainment: Board	671	500	(171)	134.20%
Professional fees, accounting	21,750	36,000	14,250	60.42%
Professional fees, engineering	102,666	65,000	(37,666)	157.95%
Professional fees, legal	192,389	240,000	47,611	80.16%
Rental expense	2,357	3,000	643	78.57%
Repair and maintenance	3,514	20,000	16,486	17.57%
School and education	7,452	11,350	3,898	65.66%

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
SCHEDULE OF OPERATING EXPENSES (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Actual	(Unaudited) Budget	Budget Remaining	% of Budget Used
School and education: Board	2,045	8,000	5,955	25.56%
Telephone, data & fax	53,699	72,100	18,401	74.48%
Transportation	3,285	8,000	4,715	41.06%
Travel	7,996	15,500	7,504	51.59%
Travel: Board	6,198	10,000	3,802	61.98%
Tuition assistance	26,080	28,000	1,920	93.14%
Unemployment tax	3,345	12,000	8,655	27.88%
Uniforms	30,228	9,500	(20,728)	318.19%
Utilities	109,723	130,000	20,277	84.40%
Vehicles - non-capital	203,984	200,000	(3,984)	101.99%
Total Administration and General	<u>3,433,066</u>	<u>4,148,330</u>	<u>715,264</u>	<u>82.76%</u>
Depreciation and Amortization				
Depreciation	8,065,523	8,029,200	(36,323)	100.45%
Amortization	-	12,000	12,000	0.00%
Total Depreciation and Amortization	<u>8,065,523</u>	<u>8,041,200</u>	<u>(24,323)</u>	<u>100.30%</u>
Total Operating Expense	<u>\$ 21,829,680</u>	<u>\$ 24,032,906</u>	<u>\$ 2,203,596</u>	<u>90.83%</u>

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE

SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY

AS OF SEPTEMBER 30, 2015

Fiscal Year	All Bond Issues			2013 Refunding Revenue 2%-4%		2009 Water Revenue 2.50%-4.50%	
	Total	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 3,512,082	\$ 1,857,577	\$ 1,654,505	\$ 1,200,000	\$ 1,081,731	\$ 620,000	\$ 482,875
2017	3,516,582	1,919,518	1,597,064	1,230,000	1,045,281	650,000	463,825
2018	3,516,996	1,986,305	1,530,691	1,275,000	1,001,332	670,000	443,188
2019	3,529,907	2,078,172	1,451,735	1,335,000	949,131	700,000	418,300
2020	3,504,157	2,134,892	1,369,265	1,390,000	894,631	700,000	392,050
2021	3,466,408	2,182,153	1,284,255	1,405,000	838,732	730,000	365,200
2022	3,474,107	2,279,287	1,194,820	1,470,000	781,231	760,000	335,400
2023	3,481,907	2,381,517	1,100,390	1,530,000	721,231	800,000	303,200
2024	3,474,882	2,473,641	1,001,241	1,600,000	658,631	820,000	268,775
2025	3,475,059	2,576,276	898,783	1,670,000	593,232	850,000	234,350
2026	3,479,807	2,688,823	790,984	1,730,000	525,231	900,000	197,100
2027	3,472,932	2,796,487	676,445	1,805,000	454,531	930,000	155,925
2028	2,954,057	2,379,095	574,962	1,365,000	397,956	950,000	113,625
2029	2,963,557	2,477,176	486,381	1,410,000	356,331	1,000,000	69,750
2030	2,969,457	2,575,218	394,239	1,455,000	313,356	1,050,000	23,625
2031	1,905,414	1,583,403	322,011	1,510,000	267,938	-	-
2032	1,912,367	1,641,588	270,779	1,565,000	219,891	-	-
2033	1,907,757	1,690,204	217,553	1,610,000	170,281	-	-
2034	1,934,082	1,773,841	160,241	1,690,000	116,606	-	-
2035	1,945,863	1,847,644	98,219	1,760,000	58,387	-	-
2036	991,820	941,543	50,277	850,000	14,344	-	-
2037	127,475	95,776	31,699	-	-	-	-
2038	127,476	100,124	27,352	-	-	-	-
2039	127,476	104,951	22,525	-	-	-	-
2040	97,879	79,298	18,581	-	-	-	-
2041	70,476	54,692	15,784	-	-	-	-
2042	70,476	56,991	13,485	-	-	-	-
2043	70,476	59,387	11,089	-	-	-	-
2044	70,476	61,859	8,617	-	-	-	-
2045	70,476	64,484	5,992	-	-	-	-
2046	70,476	67,195	3,281	-	-	-	-
2047	43,649	43,006	643	-	-	-	-
Totals	\$ 62,336,011	\$ 45,052,123	\$ 17,283,888	\$ 30,855,000	\$ 11,460,015	\$ 12,130,000	\$ 4,267,188

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE

SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY (CONTINUED)

AS OF SEPTEMBER 30, 2015

Fiscal Year	2008 Rural Development 4.125%		2000 Rural Development 4.75%	
	Principal	Interest	Principal	Interest
2016	\$ 19,414	\$ 51,062	\$ 18,163	\$ 38,837
2017	20,372	50,104	19,146	37,854
2018	21,229	49,247	20,076	36,924
2019	22,121	48,355	21,051	35,949
2020	22,918	47,558	21,974	35,026
2021	24,014	46,462	23,139	33,861
2022	25,024	45,452	24,263	32,737
2023	26,076	44,400	25,441	31,559
2024	27,051	43,425	26,590	30,410
2025	28,309	42,167	27,967	29,034
2026	29,499	40,977	29,324	27,676
2027	30,739	39,737	30,748	26,252
2028	31,924	38,552	32,171	24,829
2029	33,374	37,102	33,802	23,198
2030	34,775	35,701	35,443	21,557
2031	36,239	34,237	37,164	19,836
2032	37,670	32,806	38,918	18,082
2033	39,346	31,130	40,858	16,142
2034	41,000	29,476	42,841	14,159
2035	42,723	27,753	44,921	12,079
2036	44,447	26,029	47,096	9,904
2037	46,388	24,088	49,388	7,611
2038	48,338	22,138	51,786	5,214
2039	50,370	20,106	54,581	2,419
2040	52,437	18,039	26,861	542
2041	54,692	15,784	-	-
2042	56,991	13,485	-	-
2043	59,387	11,089	-	-
2044	61,859	8,617	-	-
2045	64,484	5,992	-	-
2046	67,195	3,281	-	-
2047	43,006	643	-	-
Totals	\$ 1,243,411	\$ 984,994	\$ 823,712	\$ 571,691

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

(Unaudited)

(dollar amounts expressed in thousands)

	Fiscal Year										
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	
Operating Revenues	\$28,572	\$27,525	\$26,133	\$26,014	\$23,782	\$22,125	\$20,723	\$21,145	\$19,976	\$17,610	
Operating Expenses	21,848	20,670	20,260	20,168	19,822	19,000	19,888	18,607	16,546	14,420	
Net Operating Income	6,724	6,855	5,873	5,846	3,960	3,125	835	2,538	3,430	3,190	
Non-Operating Income(Expense)	(1,427)	(1,418)	(2,255)	(2,379)	(2,003)	(2,360)	(1,533)	(885)	(195)	(638)	
Net Income Before Contributions	5,297	5,437	3,618	3,467	1,957	765	(698)	1,653	3,235	2,552	
Add: Contributed Capital - Cash	3,844	2,744	1,863	1,632	1,074	1,243	1,434	1,417	3,724	3,239	
Depreciation	8,065	7,347	7,214	7,087	6,954	6,766	6,512	6,004	5,001	4,275	
Interest Expense	1,716	1,773	2,089	2,465	2,529	2,544	2,295	2,143	2,189	1,751	
Net Available for Debt Service	\$18,922	\$17,301	\$14,784	\$14,651	\$12,514	\$11,318	\$9,543	\$11,217	\$14,149	\$11,817	
Annual Debt Requirements	\$3,512	\$3,512	\$3,513	\$4,545	\$4,011	\$3,437	\$3,525	\$3,445	\$3,385	\$2,470	
Debt Service Coverage (times)	5.39	4.93	4.21	3.22	3.12	3.29	2.71	3.26	4.18	4.78	

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
CUSTOMERS AND RATE SCHEDULE
YEAR ENDED SEPTEMBER 30, 2015
(Unaudited)

As of September 30, 2015, Consolidated Utility District served approximately 48,290 water customers and had approved the following rate structure for the coming year:

Water Rates	
First 500 gallons	\$12.78
Each additional 1,000 gallons from 501 - 5,000	\$6.29
Each additional 1,000 gallons from 5,001 - 10,000	\$6.79
Each additional 1,000 gallons from 10,001 - 20,000	\$7.29
Each additional 1,000 gallons from 20,001 - 100,000	\$7.79
Each additional 1,000 gallons in excess of 100,000 gallons	\$6.79

As of September 30, 2015, Consolidated Utility District served approximately 4,452 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>2015</u>			<u>2005</u>		
	<u>Annual</u> <u>Water Sales</u>	<u>Rank</u>	<u>Percentage</u> <u>of Total</u> <u>Water Sales</u>	<u>Annual</u> <u>Water Sales</u>	<u>Rank</u>	<u>Percentage</u> <u>of Total</u> <u>Water Sales</u>
Rutherford County Board of Education	\$ 171,788	1	0.70%			
Embassy Suites Hotel	122,211	2	0.50%			
Hawthorne Park South Apartments	112,691	3	0.46%			
Stoneridge Farms at Hillwood	103,122	4	0.42%			
Cason Estates CCPM	94,450	5	0.39%			
Bell Murfreesboro, LLC	94,449	6	0.39%			
Westbury Farms, LLC	85,609	7	0.35%			
Woodgate Farms, LLC	85,491	8	0.35%			
BFI Waste Systems	85,127	9	0.35%			
Arium Parkside, LLC	84,185	10	0.34%			
University Gables College Park				79,704	1	0.55%
Alvin C. York Medical Center				41,764	2	0.29%
National Car Wash				39,964	3	0.27%
Town of Smyrna				33,700	4	0.23%
South Park Corporation				32,016	5	0.22%
Blackman High School				29,543	6	0.20%
Holly Park Apartments				18,307	7	0.13%
Prestige Car Wash				15,078	8	0.10%
Community Care of Rutherford County				14,370	9	0.10%
Applebee's Restaurant				9,967	10	0.07%

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

	Fiscal Year				
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Average Daily Demand	9.98	10.17	9.79	10.10	10.11
Maximum Daily Demand	13.88	14.16	12.72	16.76	15.47
Average Active Customers	47,533	45,944	44,639	43,527	43,110

	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

NOTE: Demand numbers are in million gallons per day

AVERAGE MONTHLY WATER USAGE (gals)		Fiscal Year				
		<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Sold to Customers		240,849,913	233,355,934	221,244,772	234,406,261	228,270,341
	<i>percent sold</i>	79%	77%	74%	76%	74%
Non-Metered Consumption (Fire, flushing, etc.)		10,870,141	11,348,818	15,428,754	9,175,919	8,755,512
	<i>percent non-metered</i>	4%	4%	5%	3%	3%
Unaccounted for		51,987,287	58,686,626	60,615,378	64,499,487	70,762,480
	<i>percent unaccounted for</i>	17%	19%	20%	21%	23%
Average Monthly Water Pumped		<u>303,707,341</u>	<u>303,391,378</u>	<u>297,288,904</u>	<u>308,081,667</u>	<u>307,788,333</u>

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>	75%	73%	74%	74%	71%
Non-Metered Consumption (Fire, flushing, etc.)		26,705,003	18,133,181	24,882,254	22,274,060	19,468,637
	<i>percent non-metered</i>	9%	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>	17%	21%	19%	19%	22%
Average Monthly Water Pumped		<u>307,770,575</u>	<u>307,770,575</u>	<u>317,920,544</u>	<u>302,986,304</u>	<u>284,805,026</u>



AWWA Free Water Audit Software Reporting Worksheet

WAS v8.0

American Water Works Association
Copyright 2004 AWWA

Click to access definition
 Click to add a comment

Water Audit Report for: **Consolidated Utility District** (September 2015) (791)
Reporting Year: **2015** 10/2014 - 9/2015

Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (n/a or 1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades

All volumes to be entered as: MILLION GALLONS (US) PER YEAR

To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds all criteria for that grade and all grades below it.

Master Meter and Supply Error Adjustments

WATER SUPPLIED

Volume from own sources: 7 3,644.488 MG/Yr
Water imported: 7 0.312 MG/Yr
Water exported: 10 20.295 MG/Yr

Enter grading in column 'E' and 'J' ----->

Pcnt: Value:
 9 1.448 MG/Yr
 5 0.161 MG/Yr
 5 -0.002 MG/Yr

Enter negative % or value for under-registration
Enter positive % or value for over-registration

WATER SUPPLIED: 3,622.894 MG/Yr

AUTHORIZED CONSUMPTION

Billed metered: 7 2,869.903 MG/Yr
Billed unmetered: n/a 0.000 MG/Yr
Unbilled metered: 10 13.241 MG/Yr
Unbilled unmetered: 9 49.378 MG/Yr

Unbilled Unmetered volume entered is greater than the recommended default value

AUTHORIZED CONSUMPTION: 2,932.522 MG/Yr

Click here: for help using option buttons below

Pcnt: Value:
 0.25% 49.378 MG/Yr

Use buttons to select percentage of water supplied OR value

WATER LOSSES (Water Supplied - Authorized Consumption)

690.372 MG/Yr

Apparent Losses

Unauthorized consumption: 6 9.057 MG/Yr
Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed

Customer metering inaccuracies: 6 12.311 MG/Yr
Systematic data handling errors: 5 7.175 MG/Yr
Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed

Apparent Losses: 28.543 MG/Yr

Pcnt: Value:
 0.25% 12.311 MG/Yr
 0.25% 7.175 MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: 661.829 MG/Yr

WATER LOSSES: 690.372 MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: 752.991 MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains: 10 1,314.1 miles
Number of active AND inactive service connections: 10 51,507
Service connection density: 10 39 conn./mile main

Are customer meters typically located at the curbside or property line? ☒ Yes (length of service line, beyond the property boundary, that is the responsibility of the utility)

Average length of customer service line: 6 83.5 psi

Average length of customer service line has been set to zero and a data grading score of 10 has been applied

Average operating pressure: 6 83.5 psi

COST DATA

Total annual cost of operating water system: 10 \$23,239.902 \$/Year
Customer retail unit cost (applied to Apparent Losses): 10 \$8.57 \$/1000 gallons (US)
Variable production cost (applied to Real Losses): 10 \$498.77 \$/Million gallons ☐ Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

*** YOUR SCORE IS: 78 out of 100 ***

A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score

PRIORITY AREAS FOR ATTENTION:

Based on the information provided, audit accuracy can be improved by addressing the following components:

1: Volume from own sources

2: Billed metered

3: Customer metering inaccuracies

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
DISTRICT OFFICIALS AND MANAGEMENT
YEAR ENDED SEPTEMBER 30, 2015
(Unaudited)

John L. Batey, Jr.	Commissioner, President
William A. Waite	Commissioner, Vice President
Craig Lynch	Commissioner, Secretary-Treasurer
Rosemary Owens	Commissioner
Carter Woodruff	Commissioner
Lynnisse Patrick	Advisor
Hassel B. Smith, III	Advisor
William Dunnill, P.E.	General Manager
Mark Elgin	Assistant Manager Maintenance
Kevin Hickerson	Assistant Manager Customer Accounting
E. Paul Long, CPA	Comptroller
Judy Bowling	Office Manager
Cindy Judkins	Administrative Assistant
David Jones	Wastewater Manager
Bryant Bradley	Project Manager
Jennifer Wood, P.E.	Engineering Manager
James C. Cope	Attorney
James C. Hailey, Jr., P.E.	Consultant Engineer



Edmondson, Betzler & Dame, 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, in accordance with the 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, the financial statements of Consolidated Utility District of Rutherford County, Tennessee as of and for the year ended September 30, 2015, and the related notes to the financial statements and have issued our report thereon dated December 7, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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*.

**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 (CONTINUED)**

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ermonson, Betyler, Dame, Pkbc

December 7, 2015