CONSOLIDATED UTILITY DISTRICT
OF RUTHERFORD COUNTY, TENNESSEE
FINANCIAL STATEMENTS,
SUPPLEMENTAL INFORMATION
AND
INDEPENDENT AUDITORS' REPORTS
YEAR ENDED JUNE 30, 2017 AND
NINE MONTHS ENDED JUNE 30, 2016

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EBD
Edmondson, Betzler & Dame
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 year ended June 30, 2017 and nine months ended June 30, 2016, 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 June 30, 2017 and 2016, and the respective changes in financial position and cash flows for the year and nine months then ended in conformity with accounting principles generally accepted in the United States of America.

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Murfreesboro Location: 1535 W. Northfield Blvd., Suite 14 Lincoln Square • Murfreesboro, Tennessee 37129 • Phone: 615-916-3100 • Fax: 615-907-3393

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 35 through 37 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 November 1, 2017, 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.

Thornton, Betzler & Dame, PLLC

November 1, 2017

Consolidated Utility District of Rutherford County

Management's Discussion and Analysis

For the Fiscal Year ended June 30, 2017

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 year ended June 30, 2017. 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 $287,958,758 (*net position*). This includes Unrestricted Net Position in the amount of $49,065,210 which may be used to meet CUDRC's ongoing obligations to customers, employees and creditors.
- CUDRC's total net position increased by $24,062,808. This increase is substantially attributable to an infusion of resources from contributions and tap fees.
- Net operating income for the period was $7,579,647.

Financial Statement Overview

This discussion and analysis is intended to serve as an introduction to CUDRC's financial statements. Comparative data for the nine months ended June 30, 2016 & the 2015 fiscal year 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 (82 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 June 30, 2017 and 2016, and
September 30, 2015
(In Thousands)

	2017	2016	2015
Current and other assets	$ 61,059	$ 61,152	$ 57,638
Capital assets	271,237	253,505	243,973
Total assets	$ 332,296	$ 314,657	$ 301,611
Deferred Outflows	$ 5,675	$ 3,366	$ 3,155
Other liabilities	4,597	5,657	4,738
Long-term liabilities	43,313	45,502	46,805
Total liabilities	$ 47,910	$ 51,159	$ 51,543
Deferred Inflows	$ 2,103	$ 2,968	$ 3,195
Net position:			
Net investment in capital assets	$ 232,562	$ 210,445	$ 199,078
Restricted for bond provisions	6,332	7,170	7,220
Unrestricted	49,065	46,281	43,730
Total net position	$ 287,959	$ 263,896	$ 250,028

For all of the periods 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 year ended June 30, 2017,
Nine months ended June 30, 2016 and
Year ended September 30, 2015
(In Thousands)

	2017	2016	2015
Revenues:			
Operating revenue	$31,745	$21,806	$28,572
Non-operating revenue	415	463	716
Total Revenue	$32,160	$22,269	$29,288
Expenses:			
Depreciation	$8,649	$6,290	$8,065
Other operating expense	15,516	10,741	13,783
Non-operating expense	1,467	1,550	2,143
Total expenses	$25,632	$18,581	$23,991
Income before contributions	$6,528	$3,688	$5,297
Other Contributions	17,535	10,180	9,002
Change in net position	$24,063	$13,868	$14,299
Beginning net position	263,896	250,028	235,729
Ending net position	$287,959	$263,896	$250,028

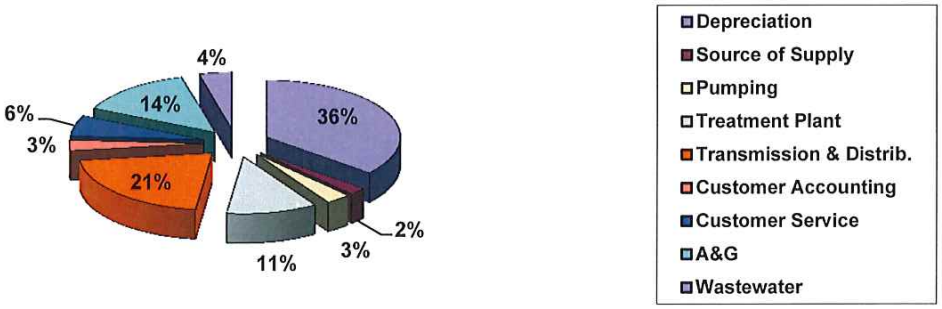
Operating revenues in 2017 totaling more than $31,745,000 as shown in Figure 1, were derived principally from retail sales of water to an average of more than 51,000 customers during the fiscal year. The number of total active customers at year end was 52,152, indicating continued growth in customers served.

Revenue from sewer sales increased each month over the same period in the previous year, as the number of customers in these sewer systems increased from 4,635 to 5,080. 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 6,889 homes.

Figure 1
Operating Revenues

Depreciation and system repairs were the areas of operation that showed the largest increase in expenses from the previous year. Operating expenses totaled $24,165,547, but increased revenue and developer contributions resulted in an increase in net position of nearly $24,063,000. 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 June 30, 2017 was approximately $271 million, and increased by more than $17 million. Capital assets totaling $17.5 million were installed and paid for by developers, then contributed to CUDRC.

Table 3
Capital Assets
Net of Accumulated Depreciation
As of June 30, 2017, 2016 and
September 30, 2015

(In Thousands)

	2017	2016	2015
Land and land rights	$4,227	$3,435	$3,124
Pumping stations	4,464	4,699	4,925
Reservoirs	5,973	6,221	6,440
Trans & Dist Mains	181,121	174,115	165,369
Services & Meters	1,570	1,880	2,111
Buildings	9,615	9,848	8,439
Land Improvements	0	0	1
Water plant structures	18,666	19,262	16,989
Water plant equipment	1,843	2,057	2,178
Decentralized sewer systems	24,985	22,807	22,482
Office Equipment	524	590	503
Transportation Equipment	515	515	597
Tools and Garage Equipment	105	114	83
Heavy Equipment	573	604	567
Work in process, CUDRC	0	60	0
Work in process, subcontract	17,056	7,298	10,165
Total	$271,237	$253,505	$243,973

CUDRC has several major projects on-going and scheduled through 2023 that are projected to cost nearly $95 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 $38,494,000 in long-term debt outstanding at year-end compared with $41,285,000 at the prior period end. Annual principal and interest requirements will remain at approximately $2.7 million through fiscal 2020, at which point they will increase to approximately $3.4 million, and decline thereafter.

Economic Factors

Rutherford County, a part of the Nashville Metropolitan Statistical Area, reports an average unemployment rate of 4.0% in June, 2017, compared with Tennessee's unemployment rate of 4.1% and the U.S. rate of 4.9%. We continue to see a 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
JUNE 30, 2017 AND 2016

	2017	2016
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Assets		
Current assets:		
Cash and cash equivalents	$ 9,597,743	$ 14,801,169
Investments, at fair value	39,125,496	34,438,921
Accounts receivable, net of allowance for doubtful accounts, $173,104 and $185,000 for 2017 and 2016, respectively	3,583,562	3,578,024
Inventory	2,147,709	962,586
Interest receivable	160,204	121,645
Prepaid expenses	112,987	79,927
Total current assets	54,727,701	53,982,272
Restricted assets:		
Investments for debt service	6,331,934	7,170,071
Capital assets:		
Utility plant and equipment, net	271,236,795	253,504,711
Total assets	332,296,430	314,657,054
Deferred outflows of resources		
Deferred amount related to pensions	1,216,084	733,362
Deferred amount related to OPEB	143,832	-
Deferred amount related to unfunded accrued liability	1,117,247	-
Deferred amount from debt refunding	3,197,706	2,632,710
Total deferred outflows of resources	5,674,869	3,366,072
Total assets and deferred outflows of resources	$ 337,971,299	$ 318,023,126
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current liabilities:		
Current portion of long-term debt	$ 1,427,840	$ 1,919,088
Trade accounts payable	2,000,664	2,451,058
Accrued interest payable	499,472	640,544
Accrued wages and payroll taxes	121,617	130,239
Accrued vacation	239,957	231,965
Other accrued liabilities	307,639	283,868
Total current liabilities	4,597,189	5,656,762
Long-term liabilities:		
Waterworks revenue bonds	38,494,081	41,284,887
Accrued sick leave	888,654	818,281
Net pension liability	1,286,958	796,381
Post employment benefits	2,642,955	2,602,797
Total liabilities	47,909,837	51,159,108
Deferred inflows of resources		
Deferred amount related to pensions	151,738	479,672
Deferred amount from debt refunding	1,950,966	2,488,396
Total deferred inflows of resources	2,102,704	2,968,068
Net position:		
Net investment in capital assets	232,561,614	210,445,050
Restricted to meet bond indenture provisions	6,331,934	7,170,071
Unrestricted	49,065,210	46,280,829
Total net position	287,958,758	263,895,950
Total liabilities, deferred inflows of resources and net position	$ 337,971,299	$ 318,023,126

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 POSITION
YEAR ENDED JUNE 30, 2017 AND NINE MONTHS ENDED JUNE 30, 2016

	2017	2016
Operating revenues:		
Water and sewer revenues	$ 29,244,932	$ 20,242,937
Connection and other fees	2,500,262	1,562,841
Total operating revenues	31,745,194	21,805,778
Operating expenses:		
Source of supply	500,791	1,340
Pumping	745,103	390,149
Water treatment plant	2,662,324	1,984,647
Transmission and distribution	5,127,837	3,289,521
Customer accounting	630,915	462,584
Customer service	1,481,577	1,044,824
Wastewater (step sewer)	1,012,806	713,154
General and administrative	3,354,883	2,854,979
Depreciation and amortization	8,649,311	6,290,370
Total operating expenses	24,165,547	17,031,568
Net operating income	7,579,647	4,774,210
Non-operating revenues (expenses):		
Interest earned	355,521	331,155
Interest expense	(1,411,370)	(1,251,540)
Gain on sale of capital assets	59,056	123,583
Loss on abandonment of capital assets	-	(297,110)
Other income	1,200	8,611
Other non-operating expenses	(55,950)	(1,418)
Total non-operating revenues (expenses)	(1,051,543)	(1,086,719)
Net income before contributions	6,528,104	3,687,491
Capital contributions:		
Contributions in aid of construction	17,534,704	10,180,268
Change in net position	24,062,808	13,867,759
Net position, beginning	263,895,950	250,028,191
Net position, end of year	$ 287,958,758	$ 263,895,950

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

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
STATEMENTS OF CASH FLOWS
YEAR ENDED JUNE 30, 2017 AND NINE MONTHS ENDED JUNE 30, 2016

	2017	2016
Cash flows from operating activities:		
Receipts from customers	$ 31,739,656	$ 21,494,398
Payments to suppliers and others	(13,121,580)	(6,294,905)
Payments to employees	(5,379,698)	(3,950,445)
Net cash provided by operating activities	13,238,378	11,249,048
Cash flows from noncapital financing activities:		
Other income	1,200	8,611
Other non-operating expenses	(1,165)	(1,418)
Net cash provided by noncapital financing activities	35	7,193
Cash flows from capital and related financing activities:		
Contributions in aid of construction	5,731,437	3,791,900
Acquisition and construction of capital assets	(14,709,149)	(9,383,841)
Proceeds from sale of capital equipment	59,056	233,565
Principal paid on revenue bonds	(12,801,054)	(1,848,148)
Proceeds from long-term borrowings	9,519,000	-
Deferred interest on issuance of debt	(763,393)	-
Debt issuance costs	(54,785)	-
Interest paid on revenue bonds	(1,891,475)	(863,413)
Net cash used in capital and related financing activities	(14,910,363)	(8,069,937)
Cash flows from investing activities:		
Interest received on investments	317,062	271,172
Proceeds from maturity of investments	25,129,245	39,046,721
Purchases of investments and certificates of deposit	(28,977,683)	(43,595,354)
Net cash used in investing activities	(3,531,376)	(4,277,461)
Net decrease in cash and cash equivalents	(5,203,326)	(1,091,157)
Cash and cash equivalents, beginning of period	14,801,069	15,892,226
Cash and cash equivalents, end of period	$ 9,597,743	$ 14,801,069
Non-cash capital and related financing activities:		
Developer contributions of utility plant	$ 11,803,267	$ 6,388,368
Capital additions included in accounts payable	$ 683,923	$ 814,944

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

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
STATEMENTS OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2017 AND NINE MONTHS ENDED JUNE 30, 2016

	2017	2016
Reconciliation of operating income to net cash provided by operating activities:		
Net income from operations	$ 7,579,647	$ 4,774,210
Adjustments to reconcile net income from operations to net cash provided by operating activities:		
Depreciation and amortization	8,649,311	6,290,370
Pension expense	202,898	(473,420)
Bad debt expense	58,451	74,965
Increase in accounts receivable	(63,989)	(386,345)
(Increase) decrease in inventories	(1,185,123)	24,684
(Increase) decrease in prepaid expenses	(33,060)	289,894
Increase (decrease) in trade accounts payable	(319,373)	88,304
Decrease in accrued wages and payroll taxes	(8,622)	(45,826)
Increase in accrued compensated absences	78,365	35,073
Increase in net pension liability	490,577	69,419
Increase in post employment benefits payable	40,158	461,880
Increase in other accrued liabilities	23,771	23,227
Increase in deferred amounts related to OPEB	(143,832)	-
(Increase) decrease in deferred amounts related to pensions	(1,013,554)	22,613
Increase in deferred amounts related to unfunded accrued liability	(1,117,247)	-
Net cash provided by operating activities	$ 13,238,378	$ 11,249,048

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

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.

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:

	Estimated Life
Buildings and Structures	33 – 40 years
Transmission and Distribution Mains	40 – 75 years
Equipment	4 – 20 years
STEP Sewer Systems	40 – 50 years

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

Depreciation expense aggregated $8,649,311 and $6,290,370 for the year ended June 30, 2017 and the nine months ended June 30, 2016, 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 loss of $297,110 was recognized in the nine months ended June 30, 2016. No abandonment loss was recognized for the year ended June 30, 2017.

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.

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.

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 a current liability of the District at June 30, 2017 and 2016. 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 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 has early implemented this statement for the fiscal year ended June 30, 2017.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 past year ended June 30, 2017, nine months ended June 30, 2016 and year ended September 30, 2015.

NOTE 2 - CASH AND INVESTMENTS

Cash and investments as of June 30, 2017 and 2016 are classified in the Statements of Net Position as follows:

	2017	2016
Cash and cash equivalents	$ 9,597,743	$ 14,801,169
Investments	39,125,496	34,438,921
Restricted for debt service	6,331,934	7,170,071
	$ 55,055,173	$ 56,410,161

Cash and investments as of June 30, 2017 and 2016 consist of the following:

	2017	2016
Cash on hand	$ 1,350	$ 1,350
Deposits with financial institutions	9,596,393	14,799,819
Certificates of deposit	17,000,000	12,000,000
Investments - marketable securities	25,811,970	27,266,894
Local governmental investment pool	2,645,460	2,342,098
	$ 55,055,173	$ 56,410,161

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 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.

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Disclosures Relating to Interest Rate Risk and Credit Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in interest rates 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.

As of June 30, 2017, the District had the following investments in marketable securities.

	Market Value	Maturity Date	Call Date	Rating as of Year End
Fannie Mae	$ 746,948	10/15/2018	Quarterly	AAA
Federal Farm Credit Bank	999,270	10/12/2017	Quarterly	AAA
Federal Farm Credit Bank	997,410	1/11/2018	Quarterly	AAA
Federal Farm Credit Bank	993,050	1/7/2019	Quarterly	AAA
Federal Farm Credit Bank	992,840	4/5/2019	Quarterly	AAA
Federal Home Loan Bank	500,355	11/15/2017	Quarterly	AAA
Federal Home Loan Bank	998,400	3/23/2018	Quarterly	AAA
Federal Home Loan Bank	1,991,480	5/25/2018	Quarterly	AAA
Federal Home Loan Bank	996,230	9/28/2018	Quarterly	AAA
Federal Home Loan Bank	991,600	3/1/2919	Quarterly	AAA
Federal Home Loan Mortgage	899,982	7/25/2017	Quarterly	AAA
Federal Home Loan Mortgage	999,420	8/25/2017	Quarterly	AAA
Federal Home Loan Mortgage	999,560	10/27/2017	Quarterly	AAA
Federal Home Loan Mortgage	748,095	5/25/2018	Quarterly	AAA
Federal Home Loan Mortgage	996,990	7/27/2018	Quarterly	AAA
Federal Home Loan Mortgage	995,220	8/24/2018	Quarterly	AAA
Federal Home Loan Mortgage	995,630	12/28/2018	Quarterly	AAA
Federal Home Loan Mortgage	998,420	2/26/2020	Quarterly	AAA
Federal Home Loan Mortgage	998,880	5/26/2020	Quarterly	AAA
Federal Home Loan Mortgage	998,680	6/15/2020	Quarterly	AAA
Federal National Mortgage Assn.	996,160	7/13/2018	Quarterly	AAA
Federal National Mortgage Assn.	996,200	10/29/2018	Quarterly	AAA
Federal National Mortgage Assn.	993,380	11/16/2018	Quarterly	AAA
Federal National Mortgage Assn.	992,070	6/28/2019	Quarterly	AAA
Federal National Mortgage Assn.	995,700	6/28/2019	Quarterly	AAA
Federal National Mortgage Assn.	1,000,000	10/29/2019	Quarterly	AAA
	$ 25,811,970			

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

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 Home Loan Bank	Federal Agency Securities	$ 5,478,065
Federal Home Loan Mtg. Corp.	Federal Agency Securities	$ 9,630,877
Federal National Mortgage Assn.	Federal Agency Securities	$ 5,973,510

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 June 30, 2017 and 2016, and throughout the periods then ended, the District was in compliance with these requirements.

NOTE 3 - CAPITAL ASSETS

Components of utility plant and equipment for the year ended June 30, 2017 are as follows:

	Balance June 30, 2016	Additions	Retires	Transfers	Balance June 30, 2017
Capital assets not being depreciated					
Land and improvements	$ 3,435,166	$ 791,732	$ -	$ -	$ 4,226,898
Construction in progress	7,357,832	13,251,242	-	(3,553,036)	17,056,038
	10,792,998	14,042,974	-	(3,553,036)	21,282,936
Capital assets being depreciated					
Structures and improvements	65,177,587	46,161	-	244,143	65,467,891
Transmission and distribution mains	242,121,883	9,249,889	-	3,308,893	254,680,665
STEP sewer systems	26,302,928	2,715,977	-	-	29,018,905
Equipment	9,234,725	326,394	(104,976)	-	9,456,143
	342,837,123	12,338,421	(104,976)	3,553,036	358,623,604
Total plant in service	353,630,121	26,381,395	(104,976)	-	379,906,540
Less accumulated depreciation	(100,125,410)	(8,649,311)	104,976	-	(108,669,745)
Net capital assets	$ 253,504,711	$ 17,732,084	$ -	$ -	$ 271,236,795

NOTE 4 - LONG-TERM DEBT

The long-term debt at June 30, 2017 and 2016 consisted of the following:

	2017	2016
Series 2000 revenue bonds; interest payable monthly at 4.75%, maturing in monthly installments through 2040.	$ 791,080	$ 810,011
Series 2009 revenue bonds; interest payable monthly at 4.125%, maturing in monthly installments through 2047.	1,208,549	1,228,964
Series 2013 revenue refunding bonds; interest payable semi-annually at 2% to 4%, maturing in annual installments through 2036.	28,425,000	29,655,000
Series 2016 revenue refunding bonds; interest payable semi-annually at 1.81%, maturing in annual installments through 2030.	9,497,292	-
Prior bond issues refunded	-	11,510,000
Total debt	39,921,921	43,203,975
Less current portion	1,427,840	1,919,088
Long-term portion, net	$ 38,494,081	$ 41,284,887

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

Year Ending June 30,	Principal	Interest	Total
2018	$ 1,427,840	$ 1,285,323	$ 2,713,163
2019	1,491,714	1,230,448	2,722,162
2020	1,550,480	1,173,284	2,723,764
2021	2,299,818	1,113,345	3,413,163
2022	2,383,081	1,039,682	3,422,763
2023-2027	13,174,943	3,989,523	17,164,466
2028-2032	10,534,310	2,061,666	12,595,976
2033-2037	6,344,306	664,310	7,008,616
2038-2042	405,466	101,981	507,447
2043-2047	309,963	32,611	342,574
	$ 39,921,921	$ 12,692,173	$ 52,614,094

As of June 30, 2017, the District was in compliance with all bond covenants.

NOTE 4 - LONG-TERM DEBT (CONTINUED)

Long-term transactions for the year ended June 30, 2017 are as follows:

	Balance June 30, 2016	Proceeds	Payments	Balance June 30, 2017
Revenue bonds	$ 13,548,975	$ -	$ 11,549,346	$ 1,999,629
Refunding bonds	29,655,000	9,519,000	1,251,708	37,922,292
Total long-term debt	$ 43,203,975	$ 9,519,000	$ 12,801,054	$ 39,921,921

Advance Refunding

On August 30, 2016, the District issued $9,519,000 in Revenue Refunding Bonds with an interest rate of 1.81% to advance refund $11,510,000 of outstanding Series 2009 Revenue Bonds with interest rates ranging from 2.5% to 4.5%. The net proceeds of $9,464,215 (after payment of $54,785 in underwriting fees and other issue costs), along with $1,443,300 of prior issue debt service reserve funds and $1,796,436 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 2009 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 $763,393. This amount is being amortized over the remaining life of the refunding debt. The District refunded the Series 2009 revenue bonds to reduce its total net debt service payments over 13 years by $1,342,938 resulting in an economic gain (difference between the present values of the debt service payments on the old and new debt) of $825,478.

NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

GASB Statement No. 72, *Fair Value Measurements and Application,* defines fair value as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity.

NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

GASB Statement No. 72 specifies a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (observable inputs). In accordance with GASB Statement No. 72, the following summarizes the fair value hierarchy:

Level 1 Inputs – Unadjusted quoted market prices for identical asset and liabilities in an active market the District has the ability to access.

Level 2 Inputs – Inputs other than quoted prices in active markets that are observable either directly or indirectly.

Level 3 Inputs – Inputs based on prices or valuation techniques that are both unobservable and significant to the overall fair value measurements.

The following table presents the District's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2017 and 2016.

	June 30, 2017			
	Total Value	Value Level 1	Value Level 2	Value Level 3
Certificates of deposit	$ 17,000,000	$ 17,000,000	$ -	$ -
Mortgage-backed securities	25,811,970	-	25,811,970	-
Local government investment pool	2,645,460	2,645,460	-	-
Total assets at fair value	$ 45,457,430	$ 19,645,460	$ 25,811,970	$ -
Total liabilities at fair value	$ -	$ -	$ -	$ -

	June 30, 2016			
	Total Value	Value Level 1	Value Level 2	Value Level 3
Certificates of deposit	$ 12,000,000	$ 12,000,000	$ -	$ -
Mortgage-backed securities	27,266,894	-	27,266,894	-
Local government investment pool	2,342,098	2,342,098	-	-
Total assets at fair value	$ 41,608,992	$ 14,342,098	$ 27,266,894	$ -
Total liabilities at fair value	$ -	$ -	$ -	$ -

Carrying values of non-derivative financial statement balances, including cash and cash equivalents, accounts payable, and accrued expenses, approximate fair values due to the short term nature of these financial statements. The carrying value of long-term debt, based on borrowing rates currently available to the District, approximates fair value. There are no changes in methods or assumptions during the periods ended June 30, 2017 and 2016.

NOTE 6 - 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.

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, 2016 the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	8
Inactive employees entitled to but not yet receiving benefits	17
Active employees	77
	102

NOTE 6 - 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 June 30, 2017, the employer contributions for the District were $522,978 based on a rate of 12 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, 2016, and the total pension liability used to calculate net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total pension liability as of June 30, 2016 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, 2016 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.

NOTE 6 - 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.

NOTE 6 - 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 6/30/15	$ 8,126,964	$ 7,330,583	$ 796,381
Changes for the year:			
Service cost	281,097	-	281,097
Interest	614,284	-	614,284
Difference between expected and actual experience	460,576	-	460,576
Contributions-employer	-	473,421	(473,421)
Contributions-employees	-	200,094	(200,094)
Net investment income	-	197,533	(197,533)
Benefit payments, including refunds of employee contributions	(435,223)	(435,223)	-
Administrative expense	-	(5,668)	5,668
Net changes	920,734	430,157	490,577
Balance at 6/30/16	$ 9,047,698	$ 7,760,740	$ 1,286,958

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 (asset) 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	$ 2,757,635	$ 1,286,958	$ 101,658

NOTE 6 - PENSION PLAN (CONTINUED)

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

Pension expense

For the year ended June 30, 2017, the District recognized pension expense of $202,898.

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2017, 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	$ 423,210	$ (151,738)
Net difference between projected and actual earnings on pension plan investments	269,897	-
Contributions subsequent to the measurement date of June 30, 2016	522,977	-
Total	$ 1,216,084	$ (151,738)

Note to schedule: The amount shown above for "Contributions subsequent to the measurement date of June 30, 2016," will be recognized as a reduction to net pension liability in the following measurement period.

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 June 30:	
2018	$ 60,460
2019	60,460
2020	161,342
2021	100,385
2022	28,188
Thereafter	130,538

Note to table: In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

NOTE 6 - PENSION PLAN (CONTINUED)

Payable to the Pension Plan

At June 30, 2017, the District reported no outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

NOTE 7 - 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. The plan assets are held in trust for the exclusive benefit of participating employees. The assets and liabilities associated with the plan are excluded from the District's statements of net position. There were no employer contributions under this program for the year ended June 30, 2017 and nine months ended June 30, 2016.

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 June 30, 2017 and nine months ended June 30, 2016, employer contributions to the 401(a) retirement plan totaled $96,349 and $80,832, respectively.

NOTE 8 - POST EMPLOYMENT HEALTH BENEFITS

Plan Description

The District's defined benefit OPEB plan provides OPEB for all full-time employees of the District. No assets are accumulated in a trust that meets the criteria in paragraph of Statement 75. The Retiree Health Plan does not issue a publicly available financial report.

NOTE 8 - POST EMPLOYMENT HEALTH BENEFITS (CONTINUED)

Benefits Provided

The District offers medical, dental and vision benefits to its retired employees that meet the specified eligibility requirements. The benefit terms provide for the retiree to pay 4 percent of medical, dental and vision insurance premiums for retirees and covered dependents from retirement to age 65.

Employees Covered by Benefit Terms

As of July 1, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	-
Inactive employees entitled to but not yet receiving benefits	-
Active employees	86
Total participants covered by OPEB plan	86

Total OPEB Liability

The District's total OPEB liability of $2,642,955 was measured as of July 1, 2016, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the $2,642,955 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	2.85%
Healthcare Cost Trend Rates:	
Current year trend	10.00%
Second year trend	9.00%
Decrement	0.50%
Ultimate trend	6.50%
Year ultimate trend is reached	2023
Salary Increases	2.00%

The discount rate was based on the index provided by *Bond Buyer 20-Bond General Obligation Index* based on the 20 year AA municipal bond rate as of July 1, 2016.

Mortality rates were based on the RP-2000 Combined Healthy Participant Table Projected 10 Years using Projection Scale AA.

NOTE 8 - POST EMPLOYMENT HEALTH BENEFITS (CONTINUED)

Changes in the Total OPEB Liability

OPEB liability, beginning of year	$ 2,602,797
Changes for the year:	
Service cost	334,453
Interest	110,088
Assumption changes and difference between actual and expected experience	(143,832)
Change in actuarial cost method	(260,551)
OPEB liability, end of year	$ 2,642,955

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The July 1, 2016 was prepared using a discount rate of 2.85%. If the discount rate were 1% higher than what was used in this valuation, the total OPEB liability would decrease to $2,344,199 or by 11.30%. If the discount rate were 1% lower than was used in this valuation, the total OPEB liability would increase to $2,975,731 or by 12.59%.

	1% Decrease	Discount Rate Baseline 2.85%	1% Increase
Consolidated Utility District of Rutherford County's OPEB Liability	$ 2,975,731	$ 2,642,955	$ 2,344,199

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The July 1, 2016 was prepared using an initial trend rate of 10.00%. If the trend rate were 1% higher than what was used in this valuation, the total OPEB liability would increase to $3,132,980 or by 18.54%. If the trend rate were 1% lower than was used in this valuation, the total OPEB liability would decrease to $2,245,079 or by 15.05%.

	Healthcare Cost Trend Rates		
	1% Decrease	Baseline 10.00%	1% Increase
Consolidated Utility District of Rutherford County's OPEB Liability	$ 2,245,079	$ 2,642,955	$ 3,132,980

NOTE 8 - POST EMPLOYMENT HEALTH BENEFITS (CONTINUED)

OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the year ended June 30, 2017, the District recognized an OPEB expense of $236,450. At June 30, 2017, the District reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources
Increase in July 1, 2016 OPEB liability due to actuarial experience different from expected and actuarial assumption changes	$ 143,832
Changes in assumptions or other inputs	-
Total	$ 143,832

Amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

June 30:	
2018	$ 16,504
2019	16,504
2020	16,504
2021	16,504
2022	16,504
Thereafter	61,312
	$ 143,832

NOTE 9 - DEFERRED AMOUNT RELATED TO UNFUNDED ACCRUED LIABILITY

On June 30, 2017, the District paid the Tennessee Consolidated Retirement System its current unfunded accrued liability as of June 30, 2016 actuarial valuation date in the amount of $1,117,247. The Tennessee Consolidated Retirement System served notice that the employer rate could be reduced to 3.17%. The District chose 5% as its employer contribution rate for an undetermined future amount of time until advised differently by the Tennessee Consolidated Retirement System.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

The District in its normal course of business has entered into construction contracts with various companies for the purpose of extension and improvements to its water system and sewer services.

The District entered into an agreement with the Town of Smyrna to purchase water for resale. The agreement has an initial water rate of $2.75 per thousand gallons effective as of July 1, 2016 for a period of five years. The rate may be adjusted annually effective July 1 of each year. The District agrees to purchase a minimum of one million gallons of water per day with a maximum amount of water to be provided per day of three million gallons. The District may purchase additional water above three million gallons per day from the Town of Smyrna without detriment to the Town of Smyrna at a rate of $5.50 per thousand gallons. The District intends to purchase a maximum of 365 million gallons of water over the course of the highest consumption months.

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 11 - DATE OF MANAGEMENT'S REVIEW

Subsequent events have been evaluated by the District's management through November 1, 2017, which is the date the financial statements were available to be issued. During this period, there were no material recognizable subsequent events that required recognition in our disclosures to the June 30, 2017 financial statements.

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
LAST FISCAL YEAR ENDING JUNE 30

	2016	2015	2014
Total pension liability:			
Service cost	$ 281,097	$ 271,048	$ 288,991
Interest	614,284	570,337	538,160
Changes in benefit terms	-	-	-
Differences between actual & expected experience	460,576	18,413	(227,605)
Change of assumptions	-	-	-
Benefit payments, including refunds of employee contributions	(435,223)	(132,562)	(172,602)
Net change in total pension liability	920,734	727,236	426,944
Total pension liability - beginning	8,126,964	7,399,728	6,972,784
Total pension liability- ending (a)	$ 9,047,698	$ 8,126,964	$ 7,399,728
Plan fiduciary net position:			
Contributions - employer	$ 473,421	$ 408,725	$ 401,527
Contributions - employee	200,094	172,750	163,889
Net investment income	197,533	212,375	921,146
Benefit payments, including refunds of employee contributions	(435,223)	(132,562)	(172,602)
Administrative expense	(5,668)	(3,471)	(2,571)
Net change in plan fiduciary net position	430,157	657,817	1,311,389
Plan fiduciary net position - beginning	7,330,583	6,672,766	5,361,377
Plan fiduciary net position - ending (b)	$ 7,760,740	$ 7,330,583	$ 6,672,766
Net Pension Liability - ending (a) - (b)	$ 1,286,958	$ 796,381	$ 726,962
Plan fiduciary net position as a percentage of total pension liability	85.78%	90.20%	90.18%
Covered-employee payroll	$ 4,001,873	$ 3,454,991	$ 3,277,774
Net pension liability as a percentage of covered-employee payroll	32.16%	23.05%	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
LAST FISCAL YEARS ENDING

	2017	2016	2015	2014
Actuarially determined contribution	$ 522,978	$ 473,421	$ 408,725	$ 401,527
Contributions in relation to the actuarially determined contribution	522,978	473,421	408,725	401,527
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 4,358,157	$ 4,001,868	$ 3,454,991	$ 3,277,774
Contributions as a percentage of covered payroll	12.00%	11.83%	11.83%	12.25%

Notes to Schedule

Valuation date

Actuarilly determined contribution rates for fiscal year 2017 were calculated based on the June 30, 2015 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	Varies by year
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
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 actuarial experience including an adjustment for some anticipated improvement
Cost of living adjustments	2.5 percent

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR YEAR ENDED JUNE 30, 2017

OPEB liability, beginning of year	$ 2,602,797
Changes for the year:	
Service cost	$ 334,453
Interest	110,088
Assumption changes and difference between actual and expected experience	(143,832)
Change in actuarial cost method	(260,551)
OPEB liability, end of year	$ 2,642,955
Covered-employee payroll	$ 4,524,998
Total OPEB liability as a percentage of covered payroll	58.41%

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Invested in Capital Assets, net of related debt	$ 232,562	$ 210,445	$ 199,078	$ 193,165	$ 185,099	$ 173,233	$ 163,894	$ 161,897	$ 174,056	$ 165,173
Restricted to Meet Bond Indenture Provisions	6,332	7,170	7,220	6,902	6,538	10,015	9,790	8,036	7,310	6,919
Unrestricted	49,065	46,280	43,730	35,662	31,634	30,843	32,922	30,173	14,619	19,167
Total Net Position	$ 287,959	$ 263,895	$ 250,028	$ 235,729	$ 223,271	$ 214,091	$ 206,606	$ 200,106	$ 195,985	$ 191,259

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE

SCHEDULE OF CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

(amounts expressed in thousands)

	Fiscal Year									
	2017 *	2016	2015	2014	2013	2012	2011	2010	2009	2008
Operating Revenue:										
Water Sales	$ 27,267	$ 18,866	$ 24,635	$ 23,794	$ 22,793	$ 22,895	$ 20,873	$ 19,248	$ 18,542	$ 19,001
Sewer (Step) Sales	2,138	1,487	1,851	1,676	1,513	1,463	1,358	1,114	873	791
Late Payment Fees	637	415	557	677	622	608	583	563	546	566
Service Charges	1,554	997	1,447	1,344	1,147	1,063	1,016	1,105	926	947
Other	310	150	229	211	197	166	180	354	158	176
Less: Adjustments and Allowances	(161)	(109)	(147)	(177)	(139)	(181)	(228)	(259)	(322)	(336)
Total Operating Revenue	31,745	21,806	28,572	27,525	26,133	26,014	23,782	22,125	20,723	21,145
Operating Expenses:										
Source of Supply	501	1	-	-	-	-	-	-	-	-
Pumping	745	390	596	547	527	525	540	524	539	514
Water Plant & Treatment	2,662	1,985	2,714	2,789	2,534	2,673	2,373	2,233	2,488	2,525
Transmission & Distribution	5,128	3,290	4,116	3,798	3,945	3,557	3,719	3,430	3,665	3,448
Customer Accounting	631	463	614	639	587	595	589	588	731	966
Customer Service	1,482	1,045	1,350	1,252	1,344	1,515	1,516	1,528	1,701	1,711
Wastewater (Step Systems)	1,013	712	944	932	905	877	936	925	830	724
Administrative & General	3,355	2,856	3,449	3,366	3,204	3,339	3,195	3,006	3,422	2,715
Depreciation & Amortization	8,649	6,290	8,065	7,347	7,214	7,087	6,954	6,766	6,512	6,004
Total Operating Expenses	24,166	17,032	21,848	20,670	20,260	20,168	19,822	19,000	19,888	18,607
Net Operating Revenue	7,579	4,774	6,724	6,855	5,873	5,846	3,960	3,125	835	2,538
Non-operating Revenue (Expenses)	(1,051)	(1,087)	(1,427)	(1,418)	(2,255)	(2,379)	(2,003)	(2,360)	(1,533)	(885)
Net Income before Contributions	6,528	3,687	5,297	5,437	3,618	3,467	1,957	765	(698)	1,653
Contributions:										
Growth Fees	-	-	-	-	-	-	-	-	-	709
Tap Fees - Net of Costs	5,732	3,792	3,844	2,744	1,856	1,582	808	1,197	839	708
Developer Contributions	11,803	6,388	5,158	5,888	3,129	1,551	3,470	2,112	3,991	9,713
Contributions - Others	-	-	-	-	578	885	266	46	594	5,803
Total Contributions	17,535	10,180	9,002	8,632	5,563	4,018	4,544	3,355	5,424	16,933
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	$ 24,063	$ 13,867	$ 14,299	$ 14,069	$ 9,181	$ 7,485	$ 6,501	$ 4,120	$ 4,726	$ 18,586

* - Changes in net position for 2017 are for the year ended June 30. Change in net position for 2016 are for the nine months ended June 30. Changes in net position for prior years are the years ended September 30.

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
SCHEDULE OF OPERATING REVENUES
FOR THE YEAR ENDED JUNE 30, 2017

	Actual	(Unaudited) Budget	Variance Favorable (Unfavorable)
Operating Revenues			
Water Sales	$ 27,267,197	$ 25,013,000	$ 2,254,197
Sewer (Step) Sales	2,138,313	2,125,000	13,313
Late Payment Fees	636,890	560,000	76,890
Service Charges	1,553,857	1,337,000	216,857
Fire Protection	180,141	170,000	10,141
Miscellaneous Income	129,374	29,000	100,374
	31,905,772	29,234,000	2,671,772
Less: Adjustments and Allowances	(160,578)	(150,000)	(10,578)
Total Operating Revenues	$ 31,745,194	$ 29,084,000	$ 2,661,194

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	Actual	(Unaudited) Budget	Budget Remaining	% of Budget Used
Source of Supply				
Purchased water	$ 500,791	$ 1,050,000	549,209	47.69%
Pumping				
Building and grounds	26,826	28,000	1,174	95.81%
Chemicals	-	11,000	11,000	0.00%
Computers and software	1,102	-	(1,102)	0.00%
Contract services, maintenance	27,041	27,000	(41)	100.15%
Electricity	277,402	360,000	82,598	77.06%
Employee regular wages	140,708	112,296	(28,412)	125.30%
Employee overtime pay	18,935	16,000	(2,935)	118.34%
Employee bonus pay	12,849	6,801	(6,048)	188.93%
Employee vacation pay	1,559	1,100	(459)	141.73%
Employee sick pay	4,461	4,184	(277)	106.62%
Employee benefits, allocated	42,680	25,722	(16,958)	165.93%
Employee section 401(a)	9,466	9,357	(109)	101.16%
Retirement contribution	3,970	6,950	2,980	57.12%
Employer payroll taxes	13,187	10,739	(2,448)	122.80%
Equipment/vehicle repair	14,275	12,000	(2,275)	118.96%
Insurance, workers comp	1,673	2,515	842	66.52%
Materials and supplies	6,325	2,500	(3,825)	253.00%
Miscellaneous	-	400	400	0.00%
Office furniture and fixtures	-	500	500	0.00%
Outside services employed	24,820	6,000	(18,820)	413.67%
Postage/freight	1,718	1,300	(418)	132.15%
Rental expense	2,254	3,000	746	75.13%
Repair and maintenance	92,010	50,000	(42,010)	184.02%
School and education	419	7,000	6,581	5.99%
Telephone, data & fax	1,395	1,300	(95)	107.31%
Tools and equipment	11,497	32,000	20,503	35.93%
Transportation	7,789	11,000	3,211	70.81%
Travel	-	3,000	3,000	0.00%
Uniforms	742	800	58	92.75%
Total Pumping	745,103	752,464	7,361	99.02%
Water Treatment Plant				
Building and grounds	25,757	32,000	6,243	80.49%
Chemicals	707,161	695,200	(11,961)	101.72%
Computers and software	399	6,000	5,601	6.65%
Contract services, administrative	349,200	450,400	101,200	77.53%
Contract services,direct projects	5,813	8,000	2,187	72.66%
Contract services, maintenance	8,365	14,700	6,335	56.90%
Contract services, management	45,600	46,400	800	98.28%
Contract services, operations	801,066	740,300	(60,766)	108.21%
Dues and subscriptions	-	400	400	0.00%

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
SCHEDULE OF OPERATING EXPENSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2017

	Actual	(Unaudited) Budget	Budget Remaining	% of Budget Used
Electricity	609,092	676,200	67,108	90.08%
Equipment/vehicle repair	2,030	1,200	(830)	169.17%
Lab supplies	28,169	40,400	12,231	69.73%
Licenses and permits	200	1,500	1,300	13.33%
Materials and supplies	13,779	9,100	(4,679)	151.42%
Miscellaneous	-	5,000	5,000	0.00%
Office furniture and fixtures	697	1,500	803	46.47%
Outside services employed	24,137	17,100	(7,037)	141.15%
Postage/freight	2,286	8,300	6,014	27.54%
Promotion & entertainment	58	500	442	11.60%
Professional fees	-	2,500	2,500	0.00%
Rental expense	-	600	600	0.00%
Repair and maintenance	15,862	42,700	26,838	37.15%
School and education	2,250	2,400	150	93.75%
Telephone, data & fax	1,079	1,400	321	77.07%
Tools and equipment	15,598	20,700	5,102	75.35%
Transportation	2,036	3,300	1,264	61.70%
Travel	-	800	800	0.00%
Uniforms	1,690	4,100	2,410	41.22%
Total Water Treatment Plant	2,662,324	2,832,700	170,376	93.99%
Transmission and Distribution				
Chemicals	-	150	150	0.00%
Computers and software	9,526	15,500	5,974	61.46%
Contract services, maintenance	8,084	1,800	(6,284)	449.11%
Dues and subscriptions	965	1,500	535	64.33%
Employee regular wages	2,397,601	2,542,227	144,626	94.31%
Employee overtime pay	150,962	153,850	2,888	98.12%
Employee supplemental pay	52,117	41,790	(10,327)	124.71%
Employee vacation pay	175,643	159,654	(15,989)	110.01%
Employee sick pay	119,856	91,697	(28,159)	130.71%
Employee - temporary	-	62,502	62,502	0.00%
Employee benefits, allocated	772,386	726,512	(45,874)	106.31%
Employee section 401(a)	21,884	32,684	10,800	66.96%
Retirement contribution	117,684	319,587	201,903	36.82%
Employer payroll taxes	211,494	238,239	26,745	88.77%
Equipment/vehicle repair	60,683	79,500	18,817	76.33%
Insurance, workers comp	37,911	45,710	7,799	82.94%
Lab supplies	5,884	7,500	1,616	78.45%
Licenses & permits	2,850	4,000	1,150	71.25%
Materials and supplies	19,489	53,250	33,761	36.60%
Miscellaneous expenses	-	4,000	4,000	0.00%
Office furniture/fixtures	4,008	17,950	13,942	22.33%
Outside services employed	23,818	63,500	39,682	37.51%
Postage/freight	1,655	4,250	2,595	38.94%
Promotion & entertainment	4,254	1,825	(2,429)	233.10%
Rental expense	3,651	15,800	12,149	23.11%

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
SCHEDULE OF OPERATING EXPENSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2017

	Actual	(Unaudited) Budget	Budget Remaining	% of Budget Used
Repair and maintenance	577,266	502,125	(75,141)	114.96%
School and education	22,582	21,500	(1,082)	105.03%
Telephone, data & fax	30,010	32,500	2,490	92.34%
Tools and equipment	128,903	181,500	52,597	71.02%
Transportation	129,149	159,100	29,951	81.17%
Travel	23,616	20,750	(2,866)	113.81%
Uniforms	13,906	21,350	7,444	65.13%
Total Transmission and Distribution	5,127,837	5,623,802	495,965	91.18%
Customer Accounting				
Computers and software	2,157	4,000	1,843	53.93%
Contract services, maintenance	9,950	10,000	50	99.50%
Employee regular wages	294,640	323,056	28,416	91.20%
Employee overtime pay	21,905	20,000	(1,905)	109.53%
Employee supplemental pay	7,364	5,142	(2,222)	143.21%
Employee vacation pay	21,756	21,408	(348)	101.63%
Employee sick pay	11,759	12,101	342	97.17%
Employee benefits, allocated	116,250	108,263	(7,987)	107.38%
Employee section 401(a)	5,943	6,167	224	96.37%
Retirement contribution	14,153	38,752	24,599	36.52%
Employer payroll taxes	26,978	29,201	2,223	92.39%
Equipment/vehicle repair	-	750	750	0.00%
Insurance, workers comp	4,839	6,395	1,556	75.67%
Materials and supplies	1,027	2,500	1,473	41.08%
Miscellaneous expenses	-	250	250	0.00%
Office furniture/fixtures	-	750	750	0.00%
Outside services employed	45,398	70,000	24,602	64.85%
Postage/freight	880	500	(380)	176.00%
Promotion & entertainment	40	900	860	4.44%
Rental expense	-	200	200	0.00%
Repair and maintenance	-	900	900	0.00%
School and education	4,250	4,000	(250)	106.25%
Telephone, data & fax	5,797	4,500	(1,297)	128.82%
Tools and equipment	524	2,000	1,476	26.20%
Transportation	25,197	35,000	9,803	71.99%
Travel	8,330	5,000	(3,330)	166.60%
Uniforms	1,778	3,500	1,722	50.80%
Total Customer Accounting	630,915	715,235	84,320	88.21%
Customer Service				
Computers and software	630	-	(630)	0.00%
Contract services, maintenance	357	700	343	51.00%
Dues and subscriptions	50	50	-	100.00%
Employee regular wages	675,532	684,422	8,890	98.70%
Employee overtime pay	1,659	4,000	2,341	41.48%
Employee supplemental pay	23,063	20,664	(2,399)	111.61%
Employee vacation pay	37,228	39,664	2,436	93.86%

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
SCHEDULE OF OPERATING EXPENSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2017

	Actual	(Unaudited) Budget	Budget Remaining	% of Budget Used
Employee sick pay	16,539	25,803	9,264	64.10%
Employee benefits, allocated	272,839	242,379	(30,460)	112.57%
Employee section 401(a)	8,060	10,293	2,233	78.31%
Retirement contribution	30,421	79,726	49,305	38.16%
Employer payroll taxes	56,754	59,253	2,499	95.78%
Equipment/vehicle repair	100	-	(100)	0.00%
Insurance, workers comp	10,176	1,080	(9,096)	942.22%
Materials and supplies	6,334	10,800	4,466	58.65%
Miscellaneous expenses	-	300	300	0.00%
Office furniture/fixtures	2,426	1,000	(1,426)	242.60%
Outside services employed	103,841	99,800	(4,041)	104.05%
Postage/freight	214,276	222,900	8,624	96.13%
Promotion & entertainment	709	700	(9)	101.29%
Repair and maintenance	-	555	555	0.00%
School and education	5,011	5,450	439	91.94%
Telephone, data & fax	408	420	12	97.14%
Tools and equipment	222	10,000	9,778	2.22%
Transportation	13	500	487	2.60%
Travel	6,072	8,300	2,228	73.16%
Uniforms	8,857	9,000	143	98.41%
Total Customer Service	1,481,577	1,537,759	56,812	96.35%
Wasterwater (Step Systems)				
Building and grounds	74,074	107,500	33,426	68.91%
Computers and software	810	800	(10)	101.25%
Contract services, maintenance	-	20,200	20,200	0.00%
Dues and subscriptions	-	500	500	0.00%
Electricity	138,970	135,000	(3,970)	102.94%
Employee regular wages	295,171	296,559	1,388	99.53%
Employee overtime pay	36,890	32,000	(4,890)	115.28%
Employee supplemental pay	19,098	16,440	(2,658)	116.17%
Employee vacation pay	8,218	4,784	(3,434)	171.78%
Employee sick pay	5,815	10,995	5,180	52.89%
Employee benefits, allocated	111,742	113,929	2,187	98.08%
Employee section 401(a)	16,948	17,948	1,000	94.43%
Retirement contribution	9,733	23,991	14,258	40.57%
Employer payroll taxes	27,501	27,600	99	99.64%
Equipment/vehicle repair	2,026	2,500	474	81.04%
Insurance, workers comp	4,397	6,320	1,923	69.57%
Lab supplies	3,262	4,000	738	81.55%
Licenses & permits	34,340	32,414	(1,926)	105.94%
Materials and supplies	6,092	21,000	14,908	29.01%
Miscellaneous expenses	218	1,000	782	21.80%
Office furniture/fixtures	-	1,000	1,000	0.00%
Outside services employed	555	2,500	1,945	22.20%
Postage/freight	789	1,800	1,011	43.83%
Promotion & entertainment	1,610	13,500	11,890	11.93%

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
SCHEDULE OF OPERATING EXPENSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2017

	Actual	(Unaudited) Budget	Budget Remaining	% of Budget Used
Professional fees	-	15,000	15,000	0.00%
Rental expense	79	2,000	1,921	3.95%
Repair and maintenance	96,582	92,500	(4,082)	104.41%
School and education	2,250	3,000	750	75.00%
Telephone, data & fax	72,730	74,800	2,070	97.23%
Tools and equipment	327	8,000	7,673	4.09%
Transportation	24,710	20,000	(4,710)	123.55%
Travel	4,037	2,000	(2,037)	201.85%
Uniforms	1,010	2,500	1,490	40.40%
Utilities	12,822	10,500	(2,322)	122.11%
Total Wastewater (Step Systems)	1,012,806	1,124,580	111,774	90.06%
General and administrative				
Bad Debts, net of recoveries	58,451	132,000	73,549	44.28%
Banking services, retail	43,426	48,000	4,574	90.47%
Banking services, investment	5,407	8,000	2,593	67.59%
Building and grounds	155,996	145,000	(10,996)	107.58%
Computers and software	157,902	152,000	(5,902)	103.88%
Contract services, maintenance	250,697	260,000	9,303	96.42%
Dues and subscriptions	84,705	120,250	35,545	70.44%
Employee regular wages	823,982	873,826	49,844	94.30%
Employee regular wages: Board	23,100	25,200	2,100	91.67%
Employee overtime pay	9,313	16,300	6,987	57.13%
Employee supplemental pay	16,575	12,724	(3,851)	130.27%
Employee vacation pay	61,435	48,680	(12,755)	126.20%
Employee sick pay	26,159	30,463	4,304	85.87%
Employee - temporary	-	30,000	30,000	0.00%
Employe benefits, allocated	93,321	177,554	84,233	52.56%
Employee benefits, allocated: Board	57,670	70,000	12,330	82.39%
Employee section 401(a)	34,049	34,053	4	99.99%
Retirement contribution	26,935	74,288	47,353	36.26%
Employer payroll taxes	69,342	79,713	10,371	86.99%
Employer payroll taxes: Board	2,945	3,000	55	98.17%
Post-employment health care - ARC	-	400,000	400,000	0.00%
Equipment/vehicle repair	7,714	3,000	(4,714)	257.13%
Insurance, general	186,599	185,000	(1,599)	100.86%
Insurance, workers comp	12,932	1,615	(11,317)	800.74%
Licenses & permits	1,865	4,000	2,135	46.63%
Materials and supplies	89,080	75,750	(13,330)	117.60%
Miscellaneous expenses	22,906	12,000	(10,906)	190.88%
Office furniture/fixtures	21,198	4,500	(16,698)	471.07%
Outside services employed	149,934	220,000	70,066	68.15%
Postage/freight	13,635	4,250	(9,385)	320.82%
Promotion & entertainment	36,115	20,000	(16,115)	180.58%
Promotion & entertainment: Board	1,234	3,000	1,766	41.13%
Professional fees, accounting	21,621	20,000	(1,621)	108.11%
Professional fees, engineering	166,867	100,000	(66,867)	166.87%

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
SCHEDULE OF OPERATING EXPENSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2017

	Actual	(Unaudited) Budget	Budget Remaining	% of Budget Used
Professional fees, legal	187,601	245,000	57,399	76.57%
Rental expense	4,266	3,000	(1,266)	142.20%
Repair and maintenance	3,057	15,000	11,943	20.38%
School and education	12,657	11,500	(1,157)	110.06%
School and education: Board	10,290	6,000	(4,290)	171.50%
Telephone, data & fax	61,423	68,500	7,077	89.67%
Telephone, data & fax: Board	2,856	3,800	944	75.16%
Tools and equipment	43,896	30,500	(13,396)	143.92%
Transportation	4,270	10,000	5,730	42.70%
Travel	12,510	15,500	2,990	80.71%
Travel: Board	10,246	10,000	(246)	102.46%
Tuition assistance	25,646	22,000	(3,646)	116.57%
Unemployment tax	1,869	9,000	7,131	20.77%
Uniforms	9,466	8,000	(1,466)	118.33%
Utilities	100,964	120,000	19,036	84.14%
Vehicles - non-capital	130,756	185,000	54,244	70.68%
Total Administration and General	3,354,883	4,156,966	802,083	80.71%
Depreciation and amortization	8,649,311	8,753,300	103,989	98.81%
Total Operating Expense	$ 24,165,547	$ 26,546,806	$ 2,381,889	91.03%

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE

SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY

AS OF JUNE 30, 2017

Fiscal Year	All Bond Issues			2016 Refunding Revenue 1.81%		2013 Refunding Revenue 2%-4%	
	Total	Principal	Interest	Principal	Interest	Principal	Interest
2018	$ 2,713,163	$ 1,427,840	$ 1,285,323	$ 111,975	$ 171,901	$ 1,275,000	$ 1,026,831
2019	2,722,162	1,491,714	1,230,448	114,001	169,874	1,335,000	975,831
2020	2,723,764	1,550,480	1,173,284	116,065	167,811	1,390,000	922,432
2021	3,413,163	2,299,818	1,113,345	848,166	165,710	1,405,000	866,831
2022	3,422,763	2,383,081	1,039,682	864,318	150,358	1,470,000	810,631
2023	3,433,564	2,470,530	963,034	889,562	134,714	1,530,000	751,832
2024	3,428,363	2,544,733	883,630	891,663	118,613	1,600,000	690,631
2025	3,429,513	2,628,629	800,884	902,952	102,474	1,670,000	626,631
2026	3,438,714	2,723,492	715,222	935,295	86,131	1,730,000	559,832
2027	3,434,313	2,807,557	626,756	941,724	69,202	1,805,000	490,931
2028	2,899,962	2,365,332	534,630	936,919	52,156	1,365,000	418,431
2029	2,911,263	2,437,589	473,674	961,128	35,198	1,410,000	377,481
2030	2,918,964	2,507,997	410,967	983,524	17,802	1,455,000	335,182
2031	1,928,987	1,582,621	346,366	-	-	1,510,000	291,531
2032	1,936,800	1,640,772	296,028	-	-	1,565,000	244,344
2033	1,932,894	1,689,349	243,545	-	-	1,610,000	195,438
2034	1,966,581	1,772,947	193,634	-	-	1,690,000	149,125
2035	1,975,543	1,846,711	128,832	-	-	1,760,000	88,087
2036	1,006,142	940,545	65,597	-	-	850,000	28,687
2037	127,456	94,754	32,702	-	-	-	-
2038	127,456	99,056	28,400	-	-	-	-
2039	127,456	103,553	23,903	-	-	-	-
2040	111,623	92,296	19,327	-	-	-	-
2041	70,456	54,143	16,313	-	-	-	-
2042	70,456	56,419	14,037	-	-	-	-
2043	70,456	58,791	11,665	-	-	-	-
2044	70,456	61,238	9,218	-	-	-	-
2045	70,456	63,837	6,619	-	-	-	-
2046	70,456	66,521	3,935	-	-	-	-
2047	60,749	59,576	1,173	-	-	-	-
Totals	$52,614,094	$39,921,921	$12,692,173	$ 9,497,292	$ 1,441,944	$28,425,000	$ 9,850,719

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE

SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY (CONTINUED)

AS OF JUNE 30, 2017

Fiscal Year	2009 Rural Development 4.125%		2000 Rural Development 4.75%	
	Principal	Interest	Principal	Interest
2018	$ 21,015	$ 49,441	$ 19,850	$ 37,150
2019	21,899	48,557	20,814	36,186
2020	22,688	47,768	21,727	35,273
2021	23,773	46,683	22,879	34,121
2022	24,773	45,683	23,990	33,010
2023	25,814	44,642	25,154	31,846
2024	26,779	43,677	26,291	30,709
2025	28,025	42,431	27,652	29,348
2026	29,203	41,253	28,994	28,006
2027	30,431	40,025	30,402	26,598
2028	31,604	38,852	31,809	25,191
2029	33,039	37,417	33,422	23,578
2030	34,428	36,028	35,045	21,955
2031	35,875	34,581	36,746	20,254
2032	37,292	33,164	38,480	18,520
2033	38,951	31,505	40,398	16,602
2034	40,588	29,868	42,359	14,641
2035	42,295	28,161	44,416	12,584
2036	44,001	26,455	46,544	10,455
2037	45,922	24,534	48,832	8,168
2038	47,853	22,603	51,203	5,797
2039	49,865	20,591	53,688	3,312
2040	51,911	18,545	40,385	782
2041	54,143	16,313	-	-
2042	56,419	14,037	-	-
2043	58,791	11,665	-	-
2044	61,238	9,218	-	-
2045	63,837	6,619	-	-
2046	66,521	3,935	-	-
2047	59,576	1,173	-	-
Totals	$ 1,208,549	$ 895,424	$ 791,080	$ 504,086

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
SCHEDULE OF HISTORICAL DEBT SERVICE COVERAGE
(Unaudited)
(dollar amounts expressed in thousands)

	Fiscal Year									
	2017 *	2016	2015	2014	2013	2012	2011	2010	2009	2008
Operating Revenues	$ 31,745	$21,806	$ 28,572	$ 27,525	$26,133	$ 26,014	$23,782	$ 22,125	$ 20,723	$ 21,145
Operating Expenses	24,166	17,031	21,848	20,670	20,260	20,168	19,822	19,000	19,888	18,607
Net Operating Income	7,579	4,775	6,724	6,855	5,873	5,846	3,960	3,125	835	2,538
Non-Operating Income(Expense)	(1,051)	(1,087)	(1,427)	(1,418)	(2,255)	(2,379)	(2,003)	(2,360)	(1,533)	(885)
Net Income Before Contributions	6,528	3,688	5,297	5,437	3,618	3,467	1,957	765	(698)	1,653
Add: Contributed Capital - Cash		-	3,844	2,744	1,863	1,632	1,074	1,243	1,434	1,417
Depreciation	8,649	6,290	8,065	7,347	7,214	7,087	6,954	6,766	6,512	6,004
Interest Expense	1,411	1,252	1,716	1,773	2,089	2,465	2,529	2,544	2,295	2,143
Net Available for Debt Service	$ 16,588	$11,230	$ 18,922	$ 17,301	$14,784	$ 14,651	$12,514	$ 11,318	$ 9,543	$ 11,217
Annual Debt Requirements	$ 2,713	$ 3,455	$ 3,512	$ 3,512	$ 3,513	$ 4,545	$ 4,011	$ 3,437	$ 3,525	$ 3,445
Debt Service Coverage (times)	6.11	3.25	5.39	4.93	4.21	3.22	3.12	3.29	2.71	3.26

* - Operating results for 2017 are for the year ended June 30. Operating results for 2016 are for the nine months ended June 30. Prior years are for twelve months ended September 30.

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
CUSTOMERS AND RATE SCHEDULE
YEAR ENDED JUNE 30, 2017
(Unaudited)

As of June 30, 2017, Consolidated Utility District served approximately 52,152 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 June 30, 2017, Consolidated Utility District served approximately 5,080 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 Year Ended June 30, 2017 and Year Ended September 30, 2007

	2017			2007		
Customer	Water Sales	Rank	Percentage of Total Water Sales	Annual Water Sales	Rank	Percentage of Total Water Sales
Embassy Suites Hotel	$ 133,319	1	0.49%			
Student Quarters on Rutherford	125,741	2	0.46%			
Hawthorne Park South Apartments	111,428	3	0.41%			
Rutherford County Board of Education	110,928	4	0.41%			
W W Stonebridge Farms LP	110,718	5	0.41%			
American Homes 4 Rent LLC	108,912	6	0.40%			
Bell Murfreesboro LLC	104,943	7	0.38%			
The Preserve at Kingdom Ridge	103,190	8	0.38%			
FREO Tennessee, LLC	91,354	9	0.34%			
Cason Estates Apartments	89,254	10	0.33%			
Rutherford County Board of Education				126,440	1	0.71%
Vintage @ The Park Apartments				85,391	2	0.48%
University Gables College Park				78,202	3	0.44%
Cason Estates Apartments				66,067	4	0.37%
Tippman Group				63,875	5	0.36%
Cross Creek Murfreesboro				62,919	6	0.35%
The Paddock Club Apartments				61,742	7	0.34%
Love's Travel Stop				61,393	8	0.34%
Summerlake Apartments				57,891	9	0.32%
Town of Smyrna				54,953	10	0.31%

Note: Customer water sales for 2017 are for the year ended June 30. Customer water sales for 2007 are for the year ended September 30, 2007.

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
OPERATING INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017, NINE MONTHS ENDED JUNE 30, 2016 AND YEARS ENDED SEPTEMBER 30, 2008 - 2015
(Unaudited)

	Fiscal Year				
	2017	2016	2015	2014	2013
Average Daily Demand	9.81	9.89	9.98	10.17	9.79
Maximum Daily Demand	14.20	13.92	13.88	14.16	12.72
Average Active Customers	51,085	49,085	47,533	45,944	44,639

	Fiscal Year				
	2012	2011	2010	2009	2008
Average Daily Demand	10.10	10.11	9.69	10.12	10.68
Maximum Daily Demand	16.76	15.47	13.21	14.07	15.25
Average Active Customers	43,527	43,110	42,602	41,889	40,992

NOTE: Demand numbers are in million gallons per day

AVERAGE MONTHLY WATER USAGE (gals)	Fiscal Year				
	2017	2016	2015	2014	2013
Sold to Customers	269,366,815	250,795,268	240,849,913	233,355,934	221,244,772
percent sold	*85%*	*81%*	*79%*	*77%*	*74%*
Non-Metered Consumption (Fire, flushing, etc.)	10,957,971	9,781,460	10,870,141	11,348,818	15,428,754
percent non-metered	*3%*	*3%*	*4%*	*4%*	*5%*
Unaccounted for	35,295,441	47,639,498	51,987,287	58,686,626	60,615,378
percent unaccounted for	*11%*	*15%*	*17%*	*19%*	*20%*
Average Monthly Water Pumped	315,620,227	308,216,226	303,707,341	303,391,378	297,288,904

AVERAGE MONTHLY WATER USAGE (gals)	Fiscal Year				
	2012	2011	2010	2009	2008
Sold to Customers	234,406,261	228,270,341	228,417,585	224,684,150	233,962,207
percent sold	*74%*	*74%*	*74%*	*73%*	*74%*
Non-Metered Consumption (Fire, flushing, etc.)	9,175,919	8,755,512	26,705,003	18,133,181	24,882,254
percent non-metered	*3%*	*3%*	*9%*	*6%*	*8%*
Unaccounted for	64,499,487	70,762,480	52,647,987	64,953,244	59,076,083
percent unaccounted for	*20%*	*23%*	*17%*	*21%*	*19%*
Average Monthly Water Pumped	308,081,667	307,788,333	307,770,575	307,770,575	317,920,544

AWWA Free Water Audit Software: Reporting Worksheet

WAS v5.0

American Water Works Association
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? Click to access definition
+ Click to add a comment

Water Audit Report for: Consolidated Utility District (May 2017) (791)
Reporting Year: 2017 6/2016 - 5/2017

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

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

					Pcnt:	Value:	
Volume from own sources:	7	3,665.174	MG/Yr	9		1.456	MG/Yr
Water imported:	7	137.237	MG/Yr	5		1.933	MG/Yr
Water exported:	10	28.211	MG/Yr	5		-0.199	MG/Yr

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

WATER SUPPLIED: 3,770.612 MG/Yr

AUTHORIZED CONSUMPTION

Click here: ? for help using option buttons below

			Pcnt:	Value:	
Billed metered:	9	3,207.540	MG/Yr			
Billed unmetered:	n/a	0.000	MG/Yr			
Unbilled metered:	10	17.770	MG/Yr			
Unbilled unmetered:	9	63.941	MG/Yr		63.941	MG/Yr

Unbilled Unmetered volume entered is greater than the recommended default value

Use buttons to select percentage of water supplied OR value

AUTHORIZED CONSUMPTION: 3,289.251 MG/Yr

WATER LOSSES (Water Supplied - Authorized Consumption) 481.361 MG/Yr

Apparent Losses

			Pcnt:	Value:	
Unauthorized consumption:		9.427	MG/Yr	0.25%		MG/Yr

Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed

Customer metering inaccuracies:	6	11.876	MG/Yr	11.876	MG/Yr
Systematic data handling errors:		8.019	MG/Yr	0.25%	MG/Yr

Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed

Apparent Losses: 29.321 MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: 452.040 MG/Yr

WATER LOSSES: 481.361 MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: 563.072 MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains:	10	1,327.3	miles
Number of active AND inactive service connections:	10	51,455	
Service connection density:		39	conn./mile main

Are customer meters typically located at the curbstop or property line? Yes

Average length of customer service line: (length of service line, beyond the property boundary, that is the responsibility of the utility)

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 85.3 psi

COST DATA

Total annual cost of operating water system:	10	$23,975,999	$/Year
Customer retail unit cost (applied to Apparent Losses):	10	$8.49	$/1000 gallons (US)
Variable production cost (applied to Real Losses):	10	$571.39	$/Million gallons

☐ Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

***** YOUR SCORE IS: 80 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: Customer metering inaccuracies
3: Unauthorized consumption

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
DISTRICT OFFICIALS AND MANAGEMENT
YEAR ENDED JUNE 30, 2017
(Unaudited)

John L. Batey, Jr.	Commissioner, President
Rosemary Owens	Commissioner, Vice President
Craig Lynch	Commissioner, Secretary-Treasurer
Lynnisse Patrick	Commissioner
Carter Woodruff	Commissioner
Phillip E. Pinion II	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	Human Resource Coordinator
David Jones	Wastewater Manager
Bryant Bradley	Project Manager
Alan Stuemke, P.E.	Engineering Manager
Amy Nolen	Administrative Assistant
Roger Hudson	Attorney
Jeffrey Reed	Attorney
James C. Hailey, Jr., P.E.	Consultant Engineer

EBD
Edmondson, Betzler & Dame
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 June 30, 2017, and the related notes to the financial statements and have issued our report thereon dated November 1, 2017.

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.

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*.

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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.

Tannenbaum, Betylwe & Dame, PLLC

November 1, 2017

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

Financial statement findings

No prior year findings reported.