

**CONSOLIDATED UTILITY DISTRICT
OF RUTHERFORD COUNTY, TENNESSEE
FINANCIAL STATEMENTS,
SUPPLEMENTAL INFORMATION
AND
INDEPENDENT AUDITORS' REPORTS
YEARS ENDED JUNE 30, 2023 AND 2022**

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YEARS ENDED JUNE 30, 2023 AND 2022**

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Edmondson, Betzler & Dame
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of Consolidated Utility District of Rutherford County, Tennessee (the "District") as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which comprise the District's financial statements as listed in the table of contents.

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, 2023 and 2022, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 9 and the pension trend data and post-employment data on pages 36 through 38 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Required Supplementary Information (Continued)

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.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the District's financial statements that collectively comprise the District's basic financial statements. 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 Information

Management is responsible for the other information included in the annual report. The other information comprises the Customers and Rate Schedule, Top Ten Customers by Revenue, Operating Information and District Officials and Management but does not include the basic financial statements and our auditors' report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2023, 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 solely 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 effectiveness of the District's 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.

Forrest W. Betyer, Jr., CPA

October 30, 2023
Murfreesboro, TN

Consolidated Utility District of Rutherford County

Management's Discussion and Analysis

For the Fiscal Year ended June 30, 2023

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, 2023. 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 \$463,798,065 (*net position*). This includes Unrestricted Net Position in the amount of \$91,236,978 which may be used to meet CUDRC's ongoing obligations to customers, employees and creditors.
- CUDRC's total net position increased by \$38,414,068. This increase is substantially attributable to an infusion of resources from contributions and tap fees.
- Net income before contributions for the period was \$6,820,889.

Financial Statement Overview

This discussion and analysis are intended to serve as an introduction to CUDRC's financial statements. Comparative data for fiscal years 2022 & 2021 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 (78 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.

Table 1
Consolidated Utility District of Rutherford County
Comparative Statement of Net Position
As of June 30, 2023, 2022 and 2021
(In Thousands)

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Current and Other Assets	\$109,296	\$120,824	\$97,782
Capital Assets	397,554	372,868	359,934
Total Assets	<u>\$506,850</u>	<u>\$493,692</u>	<u>\$457,716</u>
Deferred Outflows	<u>\$2,863</u>	<u>\$4,624</u>	<u>\$4,924</u>
Other Liabilities	\$6,731	\$8,255	\$8,327
Long-term Liabilities	33,954	55,234	49,236
Total Liabilities	<u>\$40,685</u>	<u>\$63,489</u>	<u>\$57,563</u>
Deferred Inflows	<u>\$5,230</u>	<u>\$9,443</u>	<u>\$4,017</u>
Net Position:			
Net Investment in Capital Assets	\$363,186	\$315,446	\$312,679
Restricted	9,375	11,934	8,709
Unrestricted	91,237	98,004	79,672
Total Net Position	<u>\$463,798</u>	<u>\$425,384</u>	<u>\$401,060</u>

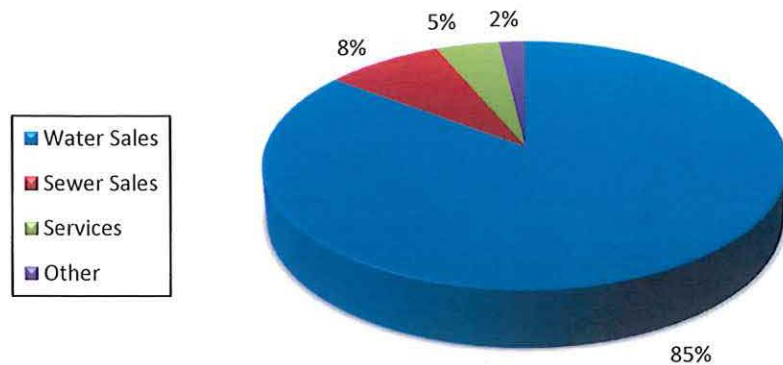
Table 2
Consolidated Utility District of Rutherford County
Condensed Statement of Revenues, Expenses, and Changes in Net
Position
For the Years ended June 30, 2023, 2022 and 2021
(In Thousands)

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Revenues:			
Operating revenue	\$43,696	\$41,769	\$39,298
Non-operating revenue	2,617	366	662
Total revenue	<u>\$46,313</u>	<u>\$42,134</u>	<u>\$39,960</u>
Expenses:			
Depreciation	\$13,019	\$12,355	\$11,468
Other operating expense	24,814	21,158	21,397
Non-operating expense	1,659	2,258	1,635
Total Expenses	<u>\$39,492</u>	<u>\$35,772</u>	<u>\$34,500</u>
Income before contributions	\$6,821	\$6,362	\$5,410
Other contributions	31,593	17,962	20,690
Change in net position	\$38,414	\$24,324	\$26,100
Beginning net position	425,384	401,060	374,960
Ending net position	<u>\$463,798</u>	<u>\$425,384</u>	<u>\$401,060</u>

Operating revenues in 2023 totaling \$43,696,440 as shown in Figure 1, an increase of 4.6% over the prior year, were derived principally from retail sales of water to an average of more than 65,000 customers during the fiscal year. The number of total active customers at year end was 67,005, indicating continued growth in customers served.

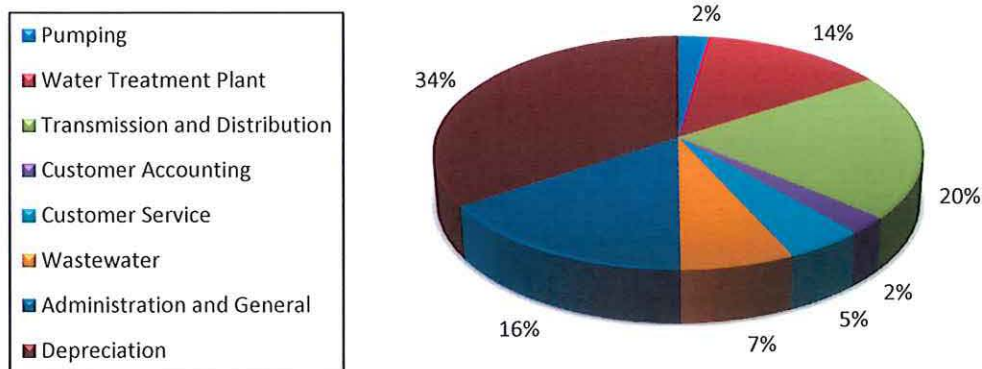
Revenue from sewer sales increased each month over the same period in the previous year, as the number of customers in these sewer systems increased from 7,637 to 8,326. Additional systems are nearing completion by developers, and others are in some stage of planning or construction. The 71 existing systems are designed to accommodate 10,713 homes.

Figure 1
Operating Revenues



Transmission and Distribution showed the largest increase in expenses from the previous year as the District continues to invest in resources to support the strong growth in our service area. Investments in Operating Expense are higher year-over-year due to service growth and economics (inflation). Operating expenses totaled \$37,833,140, an increase of 13% over the prior year. Increased revenue and developer contributions resulted in a change in net position of \$38,414,068 which was significantly higher than the prior year. The table below presents each component of operating expenses as a percentage of the total.

Figure 2
Operating Expenses



Changes in Capital Assets

As shown in Table 3, CUDRC's investment in capital assets net of depreciation as of June 30, 2023, was approximately \$398 million and increased by more than \$24 million. Capital assets totaling \$31.6 million were installed and paid for by developers, then contributed to CUDRC.

Table 3
Capital Assets
Net of Accumulated Depreciation
As of June 30, 2023

	<i>(In Thousands)</i>		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
Land & land rights	\$8,460	\$7,170	\$6,721
Pumping stations	8,700	\$8,321	7,019
Reservoirs	7,694	\$8,093	8,503
Transmission & distrib. mains	259,904	\$250,692	239,649
Services & meters	47	\$201	431
Buildings	8,819	\$9,358	9,893
Land improvements	237	\$277	318
Water plant structures	34,792	\$35,915	36,973
Water plant equipment	6,271	\$6,578	7,153
Decentralized Sewer System	42,608	\$36,824	35,044
Office equipment	61	\$87	119
Transportation equipment	674	\$862	828
Tools & garage equipment	89	\$121	159
Heavy equipment	575	\$735	772
Work in progress, subcontract	18,624	\$7,634	6,351
Total	<u>\$397,554</u>	<u>\$372,868</u>	<u>\$359,933</u>

CUDRC has several major projects on-going and scheduled through 2028 that are projected to cost nearly \$88.4 million. The District currently anticipates system development fees, internally funded capital and non-competitive (ARP) grants, when available, to fund our future projects. However, additional funds may be borrowed at some point in the future to fund portions of these projects.

Long-term Debt

CUDRC had \$30,007,181 in long-term debt outstanding at year-end compared with \$51,680,251 in the prior period. This decrease is due to paying off our 2013 Refunding Bond at its first redemption date. Annual principal and interest requirements are \$2.8 million through fiscal 2036 and will decline significantly thereafter.

Economic Factors

Rutherford County, a part of the Nashville Metropolitan Statistical Area, reports an average unemployment rate of 2.7% in August 2023, compared with Tennessee's unemployment rate of 3.2% and the U.S. rate of 3.8%. We continue to see substantial 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, 2023 AND 2022

	2023	2022
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Assets		
Current assets:		
Cash and cash equivalents	\$ 44,804,093	\$ 63,122,736
Investments, at fair value	44,388,711	36,131,129
Accounts receivable, net of allowance for doubtful accounts, \$175,656 and \$161,964 for 2023 and 2022, respectively	5,181,418	5,149,665
Inventory	4,791,370	4,179,720
Interest receivable	530,248	107,854
Prepaid expenses	224,608	199,346
Total current assets	<u>99,920,448</u>	<u>108,890,450</u>
Restricted assets:		
Investments for debt service	8,420,198	8,893,641
Capital assets:		
Utility plant and equipment, net	397,553,694	372,868,455
Long-term assets:		
Net pension asset	<u>955,158</u>	<u>3,039,867</u>
Total assets	<u>506,849,498</u>	<u>493,692,413</u>
Deferred outflows of resources		
Deferred amount related to pensions	2,036,712	1,810,032
Deferred amount related to OPEB	776,213	1,048,672
Deferred amount from debt refunding	50,452	1,764,773
Total deferred outflows of resources	<u>2,863,377</u>	<u>4,623,477</u>
Total assets and deferred outflows of resources	<u>\$ 509,712,875</u>	<u>\$ 498,315,890</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current liabilities:		
Current portion of long-term debt	\$ 1,653,071	\$ 3,095,969
Trade accounts payable	3,284,859	3,090,431
Accrued interest payable	429,620	774,435
Accrued wages and payroll taxes	408,240	386,701
Accrued vacation	439,721	408,986
Other accrued liabilities	515,099	499,187
Total current liabilities	<u>6,730,610</u>	<u>8,255,709</u>
Long-term liabilities:		
Waterworks revenue bonds	30,007,181	51,680,251
Accrued sick leave	1,573,434	1,383,020
Post employment benefits	2,373,592	2,170,401
Total liabilities	<u>40,684,817</u>	<u>63,489,381</u>
Deferred inflows of resources		
Deferred amount related to pensions	544,792	2,632,217
Deferred amount related to OPEB	1,927,038	2,399,563
Deferred amount from debt refunding	2,758,163	4,410,732
Total deferred inflows of resources	<u>5,229,993</u>	<u>9,442,512</u>
Net position:		
Net investment in capital assets	363,185,731	315,446,276
Restricted	9,375,356	11,933,508
Unrestricted	91,236,978	98,004,213
Total net position	<u>463,798,065</u>	<u>425,383,997</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 509,712,875</u>	<u>\$ 498,315,890</u>

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

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Operating revenues:		
Water and sewer revenues	\$ 40,567,473	\$ 38,592,352
Connection and other fees	<u>3,128,967</u>	<u>3,176,294</u>
Total operating revenues	<u>43,696,440</u>	<u>41,768,646</u>
Operating expenses:		
Pumping	855,900	817,701
Water treatment plant	5,181,987	4,314,313
Transmission and distribution	7,641,261	6,621,015
Customer accounting	935,550	1,033,756
Customer service	1,729,680	1,282,538
Wastewater (step sewer)	2,519,931	2,121,542
General and administrative	5,949,495	4,967,494
Depreciation and amortization	<u>13,019,336</u>	<u>12,354,837</u>
Total operating expenses	<u>37,833,140</u>	<u>33,513,196</u>
Net operating income	<u>5,863,300</u>	<u>8,255,450</u>
Non-operating revenues (expenses):		
Interest earned	2,500,179	132,034
Interest expense	(1,652,113)	(2,134,118)
Gain on sale of capital assets	29,831	133,455
Other income	86,986	100,106
Other non-operating expenses	<u>(7,294)</u>	<u>(125,370)</u>
Total non-operating revenues (expenses)	<u>957,589</u>	<u>(1,893,893)</u>
Net income before contributions	6,820,889	6,361,557
Capital contributions:		
Contributions in aid of construction	<u>31,593,179</u>	<u>17,962,842</u>
Change in net position	<u>38,414,068</u>	<u>24,324,399</u>
Net position, beginning of year	<u>425,383,997</u>	<u>401,059,598</u>
Net position, end of year	<u><u>\$ 463,798,065</u></u>	<u><u>\$ 425,383,997</u></u>

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

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Cash flows from operating activities:		
Receipts from customers	\$ 43,664,687	\$ 41,613,664
Payments to suppliers and others	(15,073,061)	(14,627,001)
Payments to employees	<u>(10,118,578)</u>	<u>(8,675,111)</u>
Net cash provided by operating activities	<u>18,473,048</u>	<u>18,311,552</u>
Cash flows from noncapital financing activities:		
Other income	86,986	100,106
Other non-operating expenses	<u>(2,973)</u>	<u>(125,370)</u>
Net cash provided by (used in) noncapital financing activities	<u>84,013</u>	<u>(25,264)</u>
Cash flows from capital and related financing activities:		
Contributions in aid of construction	4,873,417	6,340,416
Acquisition and construction of capital assets	(11,021,454)	(13,499,918)
Proceeds from sale of capital equipment	29,831	133,455
Principal paid on revenue bonds	(23,115,968)	(10,365,847)
Proceeds from issuance of revenue bonds	-	18,000,000
Premium on issuance of debt	-	2,147,852
Interest paid on revenue bonds	<u>(1,935,176)</u>	<u>(1,579,066)</u>
Net cash provided by (used in) capital and related financing activities	<u>(31,169,350)</u>	<u>1,176,892</u>
Cash flows from investing activities:		
Interest received on investments	2,077,785	205,429
Proceeds from maturity of investments and certificates of deposit	31,578,406	13,963,148
Purchases of investments and certificates of deposit	<u>(39,362,545)</u>	<u>(32,964,174)</u>
Net cash used in investing activities	<u>(5,706,354)</u>	<u>(18,795,597)</u>
Net increase (decrease) in cash and cash equivalents	(18,318,643)	667,583
Cash and cash equivalents, beginning of period	<u>63,122,736</u>	<u>62,455,153</u>
Cash and cash equivalents, end of period	<u><u>\$ 44,804,093</u></u>	<u><u>\$ 63,122,736</u></u>
Non-cash capital and related financing activities:		
Developer contributions of utility plant	<u>\$ 26,719,762</u>	<u>\$ 11,456,931</u>
Capital additions included in accounts payable	<u><u>\$ 1,050,399</u></u>	<u><u>\$ 1,087,040</u></u>

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

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Reconciliation of operating income to net cash provided by operating activities:		
Net income from operations	\$ 5,863,300	\$ 8,255,450
Adjustments to reconcile net income from operations to net cash provided by operating activities:		
Depreciation and amortization	13,019,336	12,354,837
Pension expense	239,408	232,475
Bad debt expense	78,588	28,468
Loss on abandonment of asset	(4,321)	-
Increase in accounts receivable	(110,341)	(183,450)
Increase in inventories	(611,650)	(986,953)
Increase in prepaid expenses	(25,262)	(3,907)
(Increase) decrease in net pension asset	2,084,709	(2,300,943)
Increase (decrease) in trade accounts payable	231,069	(781,975)
Increase in accrued wages and payroll taxes	21,539	126,902
Increase in accrued compensated absences	221,149	106,177
Increase (decrease) in post employment benefits payable	203,191	(1,523,121)
Increase in other accrued liabilities	15,912	27,104
(Increase) decrease in deferred amounts related to OPEB	(200,066)	1,515,126
(Increase) decrease in deferred amounts related to pensions	<u>(2,553,513)</u>	<u>1,445,362</u>
Net cash provided by operating activities	<u>\$ 18,473,048</u>	<u>\$ 18,311,552</u>

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

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of Accounting and Presentation

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

All activities of the District are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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

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

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments

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

Cash, Cash Equivalents, Deposits and Investments

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

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

Receivables

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

Inventory

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

Capital Assets

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

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

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

Depreciation expense aggregated \$13,019,336 and \$12,354,837 for the years ended June 30, 2023 and 2022, 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. No abandonment loss was recognized for the years ended June 30, 2023 and 2022.

Contributed Systems

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

Deferred outflows/inflows of resources

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

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

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2023 AND 2022

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 the District's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2023 AND 2022

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, 2023 and 2022. 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.

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 years ended June 30, 2023, 2022 and 2021.

NOTE 2 - CASH AND INVESTMENTS

Cash and investments as of June 30, 2023 and 2022 are classified in the Statements of Net Position as follows:

	2023	2022
Cash and cash equivalents	\$ 44,804,093	\$ 63,122,736
Investments	44,388,711	36,131,129
Restricted for debt service	<u>8,420,198</u>	<u>8,893,641</u>
	<u><u>\$ 97,613,002</u></u>	<u><u>\$ 108,147,506</u></u>

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Cash and investments as of June 30, 2023 and 2022 consist of the following:

	2023	2022
Cash on hand	\$ 1,350	\$ 1,350
Deposits with financial institutions	44,802,743	63,121,386
Certificates of deposit	2,000,000	4,000,000
Investments - marketable securities	42,984,059	17,791,382
Investments - treasury bills	4,967,750	21,957,535
Investments - state and local obligations	-	476,174
Local governmental investment pool	<u>2,857,100</u>	<u>799,679</u>
	<u><u>\$ 97,613,002</u></u>	<u><u>\$ 108,147,506</u></u>

Authorized Investments

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

Disclosures Relating to Interest Rate Risk and Credit Risk

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

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

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

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

As of June 30, 2023, the District had the following investments in marketable securities:

	Market Value	Maturity Date	Call Date	Rating as of Year End
Federal Agricultural Mortgage	\$ 1,960,840	4/11/2025	Non-callable	AAA
Federal Farm Credit Bank	1,948,680	1/25/2024	Non-callable	AAA
Federal Farm Credit Bank	1,940,180	6/20/2025	Non-callable	AAA
Federal Home Loan Bank	1,246,025	8/28/2023	Non-callable	AAA
Federal Home Loan Bank	2,286,210	9/8/2023	Non-callable	AAA
Federal Home Loan Bank	1,984,560	10/27/2023	Non-callable	AAA
Federal Home Loan Bank	992,310	12/28/2023	Non-callable	AAA
Federal Home Loan Bank	994,220	6/14/2024	Non-callable	AAA
Federal Home Loan Bank	1,885,440	10/28/2024	Non-callable	AAA
Federal Home Loan Bank	2,973,780	11/21/2024	Non-callable	AAA
Federal Home Loan Bank	1,880,840	12/17/2024	Non-callable	AAA
Federal Home Loan Bank	1,985,500	2/14/2025	Non-callable	AAA
Federal Home Loan Bank	1,869,660	7/25/2025	Non-callable	AAA
Federal Home Loan Bank	5,902,604	3/13/2026	Non-callable	AAA
Federal Home Loan Mortgage	1,956,440	5/23/2024	Non-callable	AAA
Federal Home Loan Mortgage	1,982,720	11/15/2024	Non-callable	AAA
Federal Home Loan Mortgage	1,485,345	11/22/2024	Non-callable	AAA
Federal Home Loan Mortgage	2,781,675	2/10/2025	Non-callable	AAA
Federal Home Loan Mortgage	975,050	3/13/2025	Non-callable	AAA
Federal National Mortgage Assn.	1,989,740	9/12/2023	Non-callable	AAA
Federal National Mortgage Assn.	1,962,240	8/28/2024	Non-callable	AAA
	<u>\$ 42,984,059</u>			

Concentration of Credit Risk

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

Federal Farm Credit Bank	Federal Agency Securities	\$ 3,888,860
Federal Home Loan Bank	Federal Agency Securities	\$ 24,001,149
Federal Home Loan Mortgage	Federal Agency Securities	\$ 9,181,230
Federal National Mortgage Assn.	Federal Agency Securities	\$ 3,951,980

Custodial Credit Risk

The District's investment policy limits exposure to custodial credit risk by restricting investments to a standard set forth by state law. All deposits in excess of federal depository insurance limits are collateralized with government securities held in the District's name by a third-party custodian acting as the District's agent or through the State of Tennessee's collateral pool.

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk (Continued)

Financial institutions that participate in the collateral pool are subject to special assessment; therefore, the deposits are considered insured. A portion of the District's investments is generally held in the State of Tennessee Local Government Investment Pool (LGIP). The LGIP is a part of the State Pooled Investment Fund and is sponsored by the State of Tennessee Treasury Department. Tennessee Code Annotated 9-4-701 et seq. authorizes local governments to invest in the LGIP.

The 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 are held in the possession of another party. All marketable securities are placed in the custody of a third-party bank in the name of the District. None of the District's investments are exposed to custodial credit risk.

NOTE 3 - CAPITAL ASSETS

Components of utility plant and equipment for the year ended June 30, 2023 are as follows:

	Balance June 30, 2022	Additions	Retires	Transfers	Balance June 30, 2023
Capital assets not being depreciated					
Land and improvements	\$ 7,170,035	\$ 1,289,645	\$ -	\$ -	\$ 8,459,680
Construction in progress	7,633,969	12,000,561	-	(1,010,146)	18,624,384
	<u>14,804,004</u>	<u>13,290,206</u>	<u>-</u>	<u>(1,010,146)</u>	<u>27,084,064</u>
Capital assets being depreciated					
Structures and improvements	98,807,612	-	-	930,711	99,738,323
Transmission and distribution mains	357,751,410	17,101,502	-	79,435	374,932,347
STEP sewer systems	44,826,339	7,010,972	-	-	51,837,311
Equipment	17,574,022	301,895	(4,325)	-	17,871,592
	<u>518,959,383</u>	<u>24,414,369</u>	<u>(4,325)</u>	<u>1,010,146</u>	<u>544,379,573</u>
Total plant in service	533,763,387	37,704,575	(4,325)	-	571,463,637
Less accumulated depreciation	<u>(160,894,932)</u>	<u>(13,019,336)</u>	<u>4,325</u>	<u>-</u>	<u>(173,909,943)</u>
Net capital assets	<u>\$ 372,868,455</u>	<u>\$ 24,685,239</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 397,553,694</u>

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 4 - LONG-TERM DEBT

The long-term debt at June 30, 2023 and 2022 consisted of the following:

	2023	2022
Series 2000 revenue bonds; interest payable monthly at 4.75%, maturing in monthly installments through 2040.	\$ 656,667	\$ 681,820
Series 2009 revenue bonds; interest payable monthly at 4.125%, maturing in monthly installments through 2047.	1,068,585	1,094,400
Series 2019 revenue bonds; interest payable semi-annually at 2% to 5%, maturing in annual installments through 2039.	12,885,000	13,450,000
Series 2021 revenue refunding bonds; interest payable semi-annually at 1.625% to 5%, maturing in annual installments through 2036.	17,050,000	18,000,000
Prior bond issues paid off	<u>-</u>	<u>21,550,000</u>
Total debt	31,660,252	54,776,220
Less current portion	<u>1,653,071</u>	<u>3,095,969</u>
Long-term portion, net	<u><u>\$ 30,007,181</u></u>	<u><u>\$ 51,680,251</u></u>

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

Year Ending June 30,	Principal	Interest	Total
2024	\$ 1,653,071	\$ 1,105,474	\$ 2,758,545
2025	1,715,677	1,022,867	2,738,544
2026	1,808,197	937,347	2,745,544
2027	1,895,833	847,211	2,743,044
2028	1,993,413	752,880	2,746,293
2029-2033	11,338,676	2,389,603	13,728,279
2034-2038	9,639,011	911,041	10,550,052
2039-2043	1,365,202	115,244	1,480,446
2044-2047	<u>251,172</u>	<u>20,945</u>	<u>272,117</u>
	<u><u>\$ 31,660,252</u></u>	<u><u>\$ 8,102,612</u></u>	<u><u>\$ 39,762,864</u></u>

As of June 30, 2023, the District was in compliance with all bond covenants.

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 4 - LONG-TERM DEBT (CONTINUED)

Long-term transactions for the year ended June 30, 2023 are as follows:

	Balance June 30, 2022	Proceeds	Payments	Balance June 30, 2023
Revenue bonds	\$ 33,226,220	\$ -	\$ 1,565,968	\$ 31,660,252
Refunding bonds	21,550,000	-	21,550,000	-
Total long-term debt	<u>\$ 54,776,220</u>	<u>\$ -</u>	<u>\$ 23,115,968</u>	<u>\$ 31,660,252</u>

Revenue Bond Issuance

During fiscal year 2022, the District issued Waterworks Revenue Bonds, Series 2021 to fund water system capital improvements and to retire outstanding Revenue Refunding Bond, Series 2016. On December 15, 2021, \$18,000,000 in revenue bonds at interest rates ranging from 1.625% to 5% were issued. Net proceeds of \$20,018,505 were received which included a premium of \$2,147,852 and payments of \$129,347 in underwriting fees and other issue costs. The proceeds from the bonds were used to refund the Series 2016 outstanding bonds with the liability for those bonds being removed from the financial statements. The remaining balance of funds will be used for capital improvement projects to the system.

NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS

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.

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.

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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, 2023 and 2022.

June 30, 2023				
	Total Value	Value Level 1	Value Level 2	Value Level 3
Certificates of deposit	\$ 2,000,000	\$ 2,000,000	\$ -	\$ -
Mortgage-backed securities	42,984,059	-	42,984,059	-
Fixed income	4,967,750	-	4,967,750	-
Local government investment pool	2,857,100	2,857,100	-	-
Total assets at fair value	<u>\$ 52,808,909</u>	<u>\$ 4,857,100</u>	<u>\$ 47,951,809</u>	<u>\$ -</u>
Total liabilities at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
June 30, 2022				
	Total Value	Value Level 1	Value Level 2	Value Level 3
Certificates of deposit	\$ 4,000,000	\$ 4,000,000	\$ -	\$ -
Mortgage-backed securities	17,791,382	-	17,791,382	-
Fixed income	22,433,709	-	22,433,709	-
Local government investment pool	799,679	799,679	-	-
Total assets at fair value	<u>\$ 45,024,770</u>	<u>\$ 4,799,679</u>	<u>\$ 40,225,091</u>	<u>\$ -</u>
Total liabilities at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2023 and 2022.

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 publicly available financial report that can be obtained at <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 6 - PENSION PLAN (CONTINUED)

Benefits provided

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

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

Employees covered by benefit terms

At the measurement date of June 30, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	11
Inactive employees entitled to but not yet receiving benefits	54
Active employees	<u>122</u>
	<u>187</u>

**CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2023 AND 2022**

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, 2023, the employer contributions for the District were \$468,880 based on a rate of 5 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 (Asset)

Pension liabilities (assets). The District's net pension liability (asset) was measured as of June 30, 2022, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total pension liability as of June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent.
Investment rate of return	6.75 percent, net of pension plan investment expenses, including inflation.
Cost-of-Living Adjustment	2.125 percent

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2022 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2023 AND 2022

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, 2020 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce 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 expected inflation of 2.25 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	4.88%	31%
Developed market international equity	5.37%	14%
Emerging market international equity	6.09%	4%
Private equity and strategic lending	6.57%	20%
U.S. fixed income	1.20%	20%
Real estate	4.38%	10%
Short-term securities	0.00%	1%
		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75 percent based on a blending of the factors described above.

Discount rate. The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the District will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 6 - PENSION PLAN (CONTINUED)

Changes in Net Pension Liability

	Total Pension Liability	Increase (Decrease) Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balance at 6/30/21	<u>\$14,910,212</u>	<u>\$ 17,950,079</u>	<u>\$ (3,039,867)</u>
Changes for the year:			
Service cost	745,834	-	745,834
Interest	1,042,274	-	1,042,274
Difference between expected and actual experience	372,788	-	372,788
Changes in assumptions	-	-	-
Contributions-employer	-	390,631	(390,631)
Contributions-employees	-	390,631	(390,631)
Net investment income	-	(693,195)	693,195
Benefit payments, including refunds of employee contributions	(429,895)	(429,895)	-
Administrative expense	-	(11,880)	11,880
Net changes	<u>1,731,001</u>	<u>(353,708)</u>	<u>2,084,709</u>
Balance at 6/30/22	<u>\$16,641,213</u>	<u>\$ 17,596,371</u>	<u>\$ (955,158)</u>

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

The following presents the net pension liability (asset) of the District calculated using the discount rate of 6.75 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 (5.75 percent) or 1-percentage-point higher (7.75 percent) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Consolidated Utility District of Rutherford County's net pension liability (asset)	\$ 1,798,173	\$ (955,158)	\$ 3,195,266

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2023 AND 2022

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, 2023, the District recognized pension expense of \$239,408.

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 707,246	\$ 544,792
Net difference between projected and actual earnings on pension plan investments	75,804	-
Changes in assumptions	784,782	-
Contributions subsequent to the measurement date of June 30, 2022	<u>468,880</u>	<u>N/A</u>
Total	<u><u>\$ 2,036,712</u></u>	<u><u>\$ 544,792</u></u>

Note to schedule: The amount shown above for "Contributions subsequent to the measurement date of June 30, 2022," will be recognized as a reduction (increase) to net pension liability (asset) 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:

2024	\$ 98,406
2025	103,034
2026	(8,077)
2027	517,135
2028	160,841
Thereafter	151,701

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

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 6 - PENSION PLAN (CONTINUED)

Payable to the Pension Plan

At June 30, 2023, the District reported no outstanding amounts of contributions to the pension plan required at the year ended June 30, 2023.

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 assets of the plan are held by State Street Corporation. The General Manager of the District serves as the administrator of the Plan. 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 years ended June 30, 2023 and 2022.

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). The assets of the plan are maintained by Great-West Life & Annuity Insurance Company. The General Manager of the District serves as the administrator of the plan. 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 years ended June 30, 2023 and 2022, employer contributions to the 401(a) retirement plan totaled \$24,393 and \$61,951, respectively.

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 8 - POST EMPLOYMENT HEALTH BENEFITS

Plan Description

Consolidated Utility District of Rutherford County, Tennessee Retiree Health Benefit Program (the "Program") is currently funded on a pay-as-you go basis with no assets accumulated in a trust for the program. The Program is administered by the District itself.

GASB Statement 75, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions, requires governments to account for other post-employment benefits (OPEB) on an accrual basis, rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially determined expense on the Statements of Revenues, Expenses and Changes in Net Position when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. The post-employment benefit liability is recognized on the Statements of Net Position.

GASB Statement 75 requires that employers recognize the expected claims of the retiree population less the expected contributions by those retirees. This is not necessarily the same determination as the expected cash payments of the employer for retiree health benefits. The difference is that many post-employment health plans (including the District's program) charge the same premium rates for all participants in a non-Medicare plan regardless of their age. This single premium rate is called a blended premium rate because it blends the expected claims of both active and retired participants. Retirees are generally older than the average participant of the plan; therefore, they are receiving a subsidy even if they pay 100% of the blended premium rate because they would be paying less in premiums than their claims cost. This subsidy is referred to as the "Implicit Rate Subsidy."

GASB 75 reports are required to value both the Implicit Rate Subsidy and the Explicit Rate Subsidy. This report values the Implicit Rate Subsidy only.

Benefits Provided

The District offers medical benefits to its retired employees that meet the specified eligibility requirements. Employees are required to reach age 59.5 and have 15 years of service to qualify for the OPEB plan. The retiree pays 4 percent of the premiums for medical, dental and vision coverage for the retirees and covered spouse. Benefits end at age 65.

Employees Covered by Benefit Terms

As of July 1, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>106</u>
Total participants covered by OPEB plan	<u>108</u>

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 8 - POST EMPLOYMENT HEALTH BENEFITS (CONTINUED)

Total OPEB Liability

The District's total OPEB liability of \$2,373,592 was measured as of June 30, 2023, and was determined by an actuarial valuation as of July 1, 2021.

Actuarial Assumptions and Other Inputs

Discount Rate	3.54%
Healthcare Cost Trend Rates:	
2021 trend	12.00%
2022 trend	7.00%
Ultimate trend	4.24%
Year ultimate trend is reached	2090
Salary Increases	3.00%

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 June 30, 2022.

Mortality rates: Pub-2010 General Employees Headcount-Weighted Mortality fully generational using Scale MP-2021, and Pub-2010 General Retirees Headcount-Weighted Mortality fully generational using Scale MP-2021 fully generational.

Significant Changes from the Previous Actuarial Valuation

- Increasing the discount rate from 2.21% to 3.54%
- Initial trend rates were advanced, the model for trends in subsequent years is based on the Getzen Model as updated through September 2021.
- Mortality assumption changed from SOA RP-2014 Total Dataset Mortality with Scale MP-2019 (Base Rate 2006) to Pub-2010 General Employees Headcount-Weighted Mortality fully generational using Scale MP-2021, and Pub-2010 General Retirees Headcount-Weighted Mortality fully generational using Scale MP-2021.
- The morbidity assumptions were updated to use the Dale Yamamoto model published by the Society of Actuaries to give a better projection of anticipated costs as adjusted for age.

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 8 - POST EMPLOYMENT HEALTH BENEFITS (CONTINUED)

Changes in the Total OPEB Liability

	2023	2022
OPEB liability, beginning of year	\$ 2,170,401	\$ 3,693,522
Changes for the year:		
Service cost	155,721	150,397
Interest	76,322	69,540
Assumption changes	-	(929,222)
Difference between actual and expected experience	-	(785,970)
Benefit payments	<u>(28,852)</u>	<u>(27,866)</u>
OPEB liability, end of year	<u>\$ 2,373,592</u>	<u>\$ 2,170,401</u>

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

The following presents the total OPEB liability calculated using a discount rate of 3.54%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	Discount Rate		
	1% Decrease	Current Discount Rate	1% Increase
Consolidated Utility District of Rutherford County's Total OPEB Liability	\$ 2,602,485	\$ 2,373,592	\$ 2,159,940

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

The following presents the total OPEB liability calculated using the trend rate starting at 12.00%, as well as what the total OPEB liability would be if it were calculated using a trend rate that is 1% lower or 1% higher than the current rate:

	Healthcare Cost Trend Rates		
	1% Decrease	Current Discount Rate	1% Increase
Consolidated Utility District of Rutherford County's Total OPEB Liability	\$ 2,024,971	\$ 2,373,592	\$ 2,797,876

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 8 - POST EMPLOYMENT HEALTH BENEFITS (CONTINUED)

OPEB Expense

	2023	2022
Service cost	\$ 155,721	\$ 150,397
Interest	76,322	69,540
Amortization of deferred charges:		
Difference between expected and actual experience	(297,902)	(297,902)
Changes of assumptions or other inputs	97,836	97,836
Net OPEB expense	<u>\$ 31,977</u>	<u>\$ 19,871</u>

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

Fiscal year ending differences between expected and actual experience	Initial Amount	Initial Amortization Period	Annual Recognition	Unamortized Balance as of June 30, 2023
June 30, 2017	\$ (924,115)	8.72	\$ (121,921)	\$ (192,589)
June 30, 2018	\$ (1,001,543)	8.30	\$ (120,668)	\$ (398,203)
June 30, 2020	\$ 345,307	8.02	\$ 43,056	\$ 173,083
June 30, 2022	\$ (785,970)	7.99	\$ (98,369)	\$ (589,232)

Fiscal year ending changes in assumptions	Initial Amount	Initial Amortization Period	Annual Recognition	Unamortized Balance as of June 30, 2023
June 30, 2017	\$ 1,067,947	8.72	\$ 138,425	\$ 237,397
June 30, 2018	\$ (126,733)	8.30	\$ (15,269)	\$ (50,388)
June 30, 2020	\$ 729,645	8.02	\$ 90,978	\$ 365,733
June 30, 2022	\$ (929,222)	7.99	\$ (116,298)	\$ (696,626)

	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 173,083	\$ (1,180,024)
Changes in assumptions	603,130	(747,014)
Total	<u>\$ 776,213</u>	<u>\$ (1,927,038)</u>

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 8 - POST EMPLOYMENT HEALTH BENEFITS (CONTINUED)

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

Annual amortization of Deferred Outflows/(Inflows)

Year Ended June 30:

2024	\$ (200,066)
2025	(188,266)
2026	(216,570)
2027	(121,413)
2028	(80,633)
Thereafter	(343,877)
	<u>\$ (1,150,825)</u>

NOTE 9 - 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 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 10 - DATE OF MANAGEMENT'S REVIEW

Subsequent events have been evaluated by the District's management through October 30, 2023, 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, 2023 financial statements.

SUPPLEMENTAL INFORMATION

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS
LAST FISCAL YEAR ENDING JUNE 30

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability:									
Service cost	\$ 745,834	\$ 594,567	\$ 474,632	\$ 407,720	\$ 363,244	\$ 323,452	\$ 281,097	\$ 271,048	\$ 288,991
Interest	1,042,274	988,382	871,601	808,850	739,158	697,718	614,284	570,337	538,160
Changes in benefit terms	-	-	-	-	-	-	-	-	-
Differences between actual & expected experience	372,788	(470,580)	445,929	(208,717)	(7,853)	(252,037)	460,576	18,413	(227,605)
Change of assumptions	-	938,590	-	-	-	242,522	-	-	-
Benefit payments, including refunds of employee contributions	(429,895)	(358,065)	(244,589)	(173,869)	(181,662)	(136,479)	(435,223)	(132,562)	(172,602)
Net change in total pension liability	1,731,001	1,692,894	1,547,573	833,984	912,887	875,176	920,734	727,236	426,944
Total pension liability - beginning	14,910,212	13,217,318	11,669,745	10,835,761	9,922,874	9,047,698	8,126,964	7,399,728	6,972,784
Total pension liability- ending (a)	<u>\$ 16,641,213</u>	<u>\$ 14,910,212</u>	<u>\$ 13,217,318</u>	<u>\$ 11,669,745</u>	<u>\$ 10,835,761</u>	<u>\$ 9,922,874</u>	<u>\$ 9,047,698</u>	<u>\$ 8,126,964</u>	<u>\$ 7,399,728</u>
Plan fiduciary net position:									
Contributions - employer	\$ 390,631	\$ 358,463	\$ 347,430	\$ 270,085	\$ 244,189	\$ 1,640,225	\$ 473,421	\$ 408,725	\$ 401,527
Contributions - employee	390,631	358,463	347,430	270,085	244,189	217,908	200,094	172,750	163,889
Net investment income	(693,195)	3,645,240	649,126	879,271	879,923	976,584	197,533	212,375	921,146
Benefit payments, including refunds of employee contributions	(429,895)	(358,065)	(244,589)	(173,869)	(181,662)	(136,479)	(435,223)	(132,562)	(172,602)
Administrative expense	(11,880)	(10,264)	(10,026)	(8,476)	(8,501)	(7,341)	(5,668)	(3,471)	(2,571)
Net change in plan fiduciary net position	(353,708)	3,993,837	1,089,371	1,237,096	1,178,138	2,690,897	430,157	657,817	1,311,389
Plan fiduciary net position - beginning	17,950,079	13,956,242	12,866,871	11,629,775	10,451,637	7,760,740	7,330,583	6,672,766	5,361,377
Plan fiduciary net position - ending (b)	<u>\$ 17,596,371</u>	<u>\$ 17,950,079</u>	<u>\$ 13,956,242</u>	<u>\$ 12,866,871</u>	<u>\$ 11,629,775</u>	<u>\$ 10,451,637</u>	<u>\$ 7,760,740</u>	<u>\$ 7,330,583</u>	<u>\$ 6,672,766</u>
Net Pension Liability - ending (a) - (b)	<u>\$ (955,156)</u>	<u>\$ (3,039,867)</u>	<u>\$ (738,924)</u>	<u>\$ (1,197,126)</u>	<u>\$ (794,014)</u>	<u>\$ (528,763)</u>	<u>\$ 1,286,958</u>	<u>\$ 796,381</u>	<u>\$ 726,962</u>
Plan fiduciary net position as a percentage of total pension liability	105.74%	120.39%	105.59%	110.26%	107.33%	105.33%	85.78%	90.20%	90.18%
Covered-employee payroll	\$ 7,812,616	\$ 7,169,246	\$ 6,948,589	\$ 5,401,700	\$ 4,883,772	\$ 4,358,148	\$ 4,001,873	\$ 3,454,991	\$ 3,277,774
Net pension liability as a percentage of covered-employee payroll	-12.23%	-42.40%	-10.63%	-22.16%	-16.26%	-12.13%	32.16%	23.05%	22.18%

Notes to Schedule

Changes of assumptions. In 2021, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment and mortality improvements. In 2017, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, salary growth and mortality improvements.

GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from the TCRS GASB website for prior years' data, if needed.

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
SCHEDULE OF CONTRIBUTIONS
BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS
LAST FISCAL YEARS ENDING JUNE 30

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 473,569	\$ 197,659	\$ 166,327	\$ 195,256	\$ 152,328	\$ 154,816	\$ 515,569	\$ 473,421	\$ 408,725	\$ 401,527
Contributions in relation to the actuarially determined contribution	468,880	390,631	358,539	347,430	270,086	244,189	1,640,225	473,421	408,725	401,527
Contribution deficiency (excess)	<u>\$ 4,689</u>	<u>\$ (192,972)</u>	<u>\$ (192,212)</u>	<u>\$ (152,174)</u>	<u>\$ (117,758)</u>	<u>\$ (89,373)</u>	<u>\$ (1,124,656)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 9,377,600	\$ 7,812,616	\$ 7,169,246	\$ 6,948,589	\$ 5,401,700	\$ 4,883,772	\$ 4,358,148	\$ 4,001,873	\$ 3,454,991	\$ 3,277,774
Contributions as a percentage of covered payroll	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	37.64%	11.83%	11.83%	12.25%

Notes to Schedule

Valuation date

Actuarially determined contribution rates for fiscal year 2023 were calculated based on the June 30, 2021 actuarial valuation.

Methods and assumptions used to determine contribution rates

Actuarial cost method	Entry age normal
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	2.25 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	6.75 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	2.125 percent

Changes of assumptions. In 2021, the following assumptions were changed: decreased inflation rate from 2.50 percent to 2.25 percent; decreased the investment rate of return from 7.25 percent to 6.75 percent; decreased the cost-of-living adjustment from 2.25 percent to 2.125 percent; and modified mortality assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decrease the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decrease salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from the TCRS GASB website for prior years' data, if needed.

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST FISCAL YEARS ENDING JUNE 30

	2023	2022	2021	2020	2019
OPEB liability, beginning of year	\$ 2,170,401	\$ 3,893,522	\$ 3,408,455	\$ 2,059,037	\$ 3,033,594
Changes for the year:					
Service cost	155,721	150,397	256,379	250,836	109,357
Interest	76,322	69,540	74,817	68,762	66,302
Assumption changes	-	(929,222)	-	729,645	(126,733)
Difference between actual and expected experience	-	(785,970)	-	345,307	(1,001,543)
Benefit payments	<u>(28,852)</u>	<u>(27,866)</u>	<u>(46,129)</u>	<u>(45,132)</u>	<u>(21,940)</u>
OPEB liability, end of year	<u>\$ 2,373,592</u>	<u>\$ 2,170,401</u>	<u>\$ 3,693,522</u>	<u>\$ 3,408,455</u>	<u>\$ 2,059,037</u>
Covered-employee payroll	\$ 7,335,678	\$ 6,986,360	\$ 6,176,012	\$ 6,054,914	\$ 4,883,772
Total OPEB liability as a percentage of covered payroll	32.36%	31.07%	59.80%	56.29%	42.16%

Notes to Schedule:

Benefit changes: There were no changes in benefit terms for the year ended June 30, 2023.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
JUNE 30, 2023

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Final Maturity Date	Outstanding July 1, 2022	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding June 30, 2022
<u>Bonds Payable</u>									
Revenue Bonds, Series 2000	\$ 1,000,000	4.75%	5/28/2000	5/28/2040	\$ 681,820	\$ -	\$ 25,155	\$ -	\$ 656,665
Revenue Bonds, Series 2009	1,350,000	4.125%	5/26/2009	5/26/2047	1,094,400	-	25,813	-	1,068,587
Revenue Refunding Bonds, Series 2013	33,140,000	2.0% to 4.0%	4/11/2013	2/1/2036	21,550,000	-	21,550,000	-	-
Revenue Bonds, Series 2019	15,000,000	2.0% to 5.0%	5/30/2019	2/1/2039	13,450,000	-	565,000	-	12,885,000
Revenue Refunding Bonds, Series 2021	18,000,000	1.625% to 5.0%		2/1/2036	18,000,000	-	950,000	-	17,050,000
Total Bonds Payable					<u>\$ 54,776,220</u>	<u>\$ -</u>	<u>\$ 23,115,968</u>	<u>\$ -</u>	<u>\$ 31,660,252</u>

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE

SCHEDULE OF NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS

(amounts expressed in thousands)

	Fiscal Year									
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Invested in Capital Assets, net of related debt	\$ 363,186	\$ 315,446	\$ 312,679	\$ 298,851	\$ 276,720	\$ 259,677	\$ 232,562	\$ 210,445	\$ 199,078	\$ 193,165
Restricted	9,375	11,934	8,709	8,961	7,919	6,635	6,332	7,170	7,220	6,902
Unrestricted	91,237	98,004	79,672	67,148	61,334	48,437	49,065	46,281	43,730	35,662
Total Net Position	<u>\$ 463,798</u>	<u>\$ 425,384</u>	<u>\$ 401,060</u>	<u>\$ 374,960</u>	<u>\$ 345,973</u>	<u>\$ 314,749</u>	<u>\$ 287,959</u>	<u>\$ 263,896</u>	<u>\$ 250,028</u>	<u>\$ 235,729</u>

Note: FY 2023 through 2017 are full years ended June 30. FY 2016 was for the nine months ended June 30. Prior full years were as of September 30.

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE

SCHEDULE OF CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

(amounts expressed in thousands)

	Fiscal Year									
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Operating Revenue:										
Water Sales	\$ 37,169	\$ 35,589	\$ 33,666	\$ 31,773	\$ 29,306	\$ 28,143	\$ 27,267	\$ 18,866	\$ 24,635	\$ 23,794
Sewer (Step) Sales	3,631	3,329	3,041	2,767	2,517	2,318	2,138	1,487	1,851	1,676
Late Payment Fees	794	766	746	670	672	652	637	415	557	677
Service Charges	2,079	2,014	1,807	1,665	1,801	1,672	1,554	997	1,447	1,344
Other	255	305	248	241	234	64	310	150	229	211
Less: Adjustments and Allowances	(232)	(234)	(210)	(202)	(155)	(166)	(161)	(109)	(147)	(177)
Total Operating Revenue	<u>43,696</u>	<u>41,769</u>	<u>39,298</u>	<u>36,914</u>	<u>34,375</u>	<u>32,683</u>	<u>31,745</u>	<u>21,806</u>	<u>28,572</u>	<u>27,525</u>
Operating Expenses:										
Source of Supply	-	-	522	1,028	1,027	1,023	501	1	-	-
Pumping	856	818	836	871	738	743	745	390	596	547
Water Plant & Treatment	5,182	4,314	3,940	3,436	2,958	2,771	2,662	1,985	2,714	2,789
Transmission & Distribution	7,641	6,621	6,909	6,652	6,126	5,655	5,128	3,290	4,116	3,798
Customer Accounting	936	1,034	840	1,040	801	755	631	463	614	639
Customer Service	1,730	1,282	1,645	1,441	1,620	1,542	1,482	1,045	1,350	1,252
Wastewater (Step Systems)	2,520	2,122	1,829	1,686	1,337	1,217	1,013	712	944	932
Administrative & General	5,949	4,967	4,875	4,572	3,670	4,220	3,355	2,856	3,449	3,366
Depreciation & Amortization	13,019	12,355	11,468	10,258	9,618	9,103	8,649	6,290	8,065	7,347
Total Operating Expenses	<u>37,833</u>	<u>33,513</u>	<u>32,864</u>	<u>30,984</u>	<u>27,895</u>	<u>27,029</u>	<u>24,166</u>	<u>17,031</u>	<u>21,848</u>	<u>20,670</u>
Net Operating Revenue	5,863	8,256	6,434	5,930	6,480	5,654	7,579	4,775	6,724	6,855
Non-operating Revenue (Expenses)	958	(1,894)	(1,024)	34	(190)	(623)	(1,051)	(1,087)	(1,427)	(1,418)
Net Income before Contributions	<u>6,821</u>	<u>6,362</u>	<u>5,410</u>	<u>5,964</u>	<u>6,290</u>	<u>5,031</u>	<u>6,528</u>	<u>3,688</u>	<u>5,297</u>	<u>5,437</u>
Contributions:										
Tap Fees - Net of Costs	4,873	6,340	7,315	7,016	5,479	5,547	5,732	3,792	3,844	2,744
Developer Contributions	26,720	11,457	13,375	15,248	19,455	16,213	11,803	6,388	5,158	5,888
Contributions - Others	-	165	-	759	-	-	-	-	-	-
Total Contributions	<u>31,593</u>	<u>17,962</u>	<u>20,690</u>	<u>23,023</u>	<u>24,934</u>	<u>21,760</u>	<u>17,535</u>	<u>10,180</u>	<u>9,002</u>	<u>8,632</u>
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	<u>\$ 38,414</u>	<u>\$ 24,324</u>	<u>\$ 26,100</u>	<u>\$ 28,987</u>	<u>\$ 31,224</u>	<u>\$ 26,791</u>	<u>\$ 24,063</u>	<u>\$ 13,868</u>	<u>\$ 14,299</u>	<u>\$ 14,069</u>

* - Changes in net position for 2023, 2022, 2021, 2020, 2019, 2018 and 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, 2023

	Actual	(Unaudited) Budget	Variance Favorable (Unfavorable)
Operating Revenues			
Water Sales	\$ 37,168,673	\$ 34,896,000	\$ 2,272,673
Sewer (Step) Sales	3,631,027	3,400,000	231,027
Late Payment Fees	793,814	690,000	103,814
Service Charges	2,080,431	2,822,000	(741,569)
Fire Protection	221,967	233,000	(11,033)
Miscellaneous Income	32,754	50,000	(17,246)
	<u>43,928,666</u>	<u>42,091,000</u>	<u>1,837,666</u>
Less: Adjustments and Allowances	<u>(232,226)</u>	<u>(228,000)</u>	<u>(4,226)</u>
Total Operating Revenues	<u>\$ 43,696,440</u>	<u>\$ 41,863,000</u>	<u>\$ 1,833,440</u>

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

	Actual	(Unaudited) Budget	Budget Remaining	% of Budget Used
Pumping				
Building and grounds	\$ 34,195	\$ 22,000	\$ (12,195)	155.43%
Chemicals	2,822	3,000	178	94.07%
Computers and software	-	32,000	32,000	0.00%
Contract services, maintenance	32,650	28,000	(4,650)	116.61%
Dues and subscriptions	150	-	(150)	0.00%
Electricity	333,491	350,000	16,509	95.28%
Employee regular wages	200,343	222,000	21,657	90.24%
Employee overtime pay	24,951	26,000	1,049	95.97%
Employee vacation pay	9,202	16,000	6,798	57.51%
Employee supplemental pay	3,271	2,000	(1,271)	163.55%
Employee sick pay	12,345	8,000	(4,345)	154.31%
Employee benefits, allocated	45,788	61,000	15,212	75.06%
Employee section 401(a)	5,624	13,000	7,376	43.26%
Retirement contribution	3,585	8,000	4,415	44.81%
Employer payroll taxes	18,906	21,000	2,094	90.03%
Equipment/vehicle repair	4,097	5,000	903	81.94%
Insurance, workers comp	1,839	1,500	(339)	122.60%
Licenses and permits	-	500	500	0.00%
Materials and supplies	3,151	6,000	2,849	52.52%
Miscellaneous	-	500	500	0.00%
Office furniture and fixtures	-	200	200	0.00%
Outside services employed	6,122	6,000	(122)	102.03%
Postage/freight	1,059	1,400	341	75.64%
Rental expense	1,558	2,000	442	77.90%
Repair and maintenance	82,459	90,000	7,541	91.62%
School and education	375	500	125	75.00%
Telephone, data & fax	8,109	5,500	(2,609)	147.44%
Tools and equipment	1,046	5,000	3,954	20.92%
Transportation	18,264	15,000	(3,264)	121.76%
Travel	-	1,000	1,000	0.00%
Uniforms	498	500	2	99.60%
Total Pumping	855,900	952,600	96,700	89.85%
Water Treatment Plant				
Building and grounds	47,194	48,000	806	98.32%
Chemicals	1,697,227	1,547,000	(150,227)	109.71%
Computers and software	15,657	22,000	6,343	71.17%
Contract services, maintenance	6,850	20,000	13,150	34.25%
Electricity	912,552	850,000	(62,552)	107.36%
Employee regular wages	1,321,506	1,334,000	12,494	99.06%
Employee overtime pay	83,351	83,000	(351)	100.42%
Employee vacation pay	81,027	62,000	(19,027)	130.69%
Employee supplemental pay	24,495	18,000	(6,495)	136.08%
Employee sick pay	48,060	49,000	940	98.08%
Employee benefits, allocated	416,828	441,000	24,172	94.52%
Retirement contribution	154,878	194,000	39,122	79.83%
Employer payroll taxes	13,128	2,500	(10,628)	525.12%
Equipment/vehicle repair	9,565	8,000	(1,565)	119.56%
Insurance, workers comp	59,296	50,000	(9,296)	118.59%
Licenses and permits	360	2,000	1,640	18.00%
Materials and supplies	36,521	54,000	17,479	67.63%
Miscellaneous	221	2,000	1,779	11.05%

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
SCHEDULE OF OPERATING EXPENSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023

	Actual	(Unaudited) Budget	Budget Remaining	% of Budget Used
Office furniture and fixtures	2,601	3,000	399	86.70%
Outside services employed	24,387	30,000	5,613	81.29%
Postage/freight	11,431	16,500	5,069	69.28%
Promotion & entertainment	327	1,000	673	32.70%
Rental expense	730	2,000	1,270	36.50%
Repair and maintenance	165,610	157,000	(8,610)	105.48%
School and education	7,418	12,000	4,582	61.82%
Telephone, data & fax	9,758	8,500	(1,258)	114.80%
Tools and equipment	12,113	7,000	(5,113)	173.04%
Transportation	8,639	5,200	(3,439)	166.13%
Travel	7,543	3,000	(4,543)	251.43%
Uniforms	2,714	5,000	2,286	54.28%
Total Water Treatment Plant	5,181,987	5,036,700	(145,287)	102.88%
Transmission and Distribution				
Building and grounds	25,082	12,500	(12,582)	200.66%
Computers and software	16,278	28,000	11,722	58.14%
Contract services, maintenance	42,983	13,000	(29,983)	330.64%
Dues and subscriptions	1,600	7,000	5,400	22.86%
Employee regular wages	3,510,390	3,770,000	259,610	93.11%
Employee overtime pay	136,079	189,000	52,921	72.00%
Employee supplemental pay	107,307	57,000	(50,307)	188.26%
Employee vacation pay	258,372	257,000	(1,372)	100.53%
Employee sick pay	249,060	145,000	(104,060)	171.77%
Employee - temporary	-	25,000	25,000	0.00%
Employee benefits, allocated	1,085,551	1,606,000	540,449	66.35%
Employee section 401(a)	15,813	30,000	14,187	52.71%
Retirement contribution	95,555	206,000	110,445	46.39%
Employer payroll taxes	314,111	338,000	23,889	92.93%
Equipment/vehicle repair	108,078	101,500	(6,578)	106.48%
Insurance, workers comp	24,734	20,200	(4,534)	122.45%
Licenses and permits	3,154	11,000	7,846	28.67%
Materials and supplies	26,735	38,000	11,265	70.36%
Miscellaneous expenses	-	5,000	5,000	0.00%
Office furniture/fixtures	10,169	20,800	10,631	48.89%
Outside services employed	106,144	204,000	97,856	52.03%
Postage/freight	1,685	6,000	4,315	28.08%
Promotion and entertainment	3,388	9,000	5,612	37.64%
Rental expense	88,252	10,000	(78,252)	882.52%
Repair and maintenance	1,077,239	807,500	(269,739)	133.40%
School and education	20,843	32,500	11,657	64.13%
Telephone, data & fax	39,333	47,000	7,667	83.69%
Tools and equipment	40,310	97,000	56,690	41.56%
Transportation	185,315	180,000	(5,315)	102.95%
Travel	41,363	61,000	19,637	67.81%
Uniforms	26,338	28,500	2,162	92.41%
Total Transmission and Distribution	7,641,261	8,362,500	721,239	91.38%
Customer Accounting				
Computers and software	26,265	20,000	(6,265)	131.33%
Contract services, maintenance	-	10,000	10,000	0.00%
Employee regular wages	420,202	430,000	9,798	97.72%
Employee overtime pay	23,991	23,000	(991)	104.31%
Employee supplemental pay	11,443	9,000	(2,443)	127.14%
Employee vacation pay	24,605	28,000	3,395	87.88%

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
SCHEDULE OF OPERATING EXPENSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023

	Actual	(Unaudited) Budget	Budget Remaining	% of Budget Used
Employee sick pay	23,243	16,000	(7,243)	145.27%
Employee benefits, allocated	178,798	197,000	18,202	90.76%
Employee section 401(a)	-	8,000	8,000	0.00%
Retirement contribution	12,116	21,000	8,884	57.70%
Employer payroll taxes	36,875	39,000	2,125	94.55%
Equipment/vehicle repair	2,722	-	(2,722)	0.00%
Insurance, workers comp	2,779	2,000	(779)	138.95%
Materials and supplies	2,819	3,000	181	93.97%
Outside services employed	91,175	70,000	(21,175)	130.25%
Postage/freight	1,060	3,000	1,940	35.33%
Promotion and entertainment	57	1,000	943	5.70%
Repairs and maintenance	10,063	-	(10,063)	0.00%
School and education	4,809	5,000	191	96.18%
Telephone, data & fax	8,707	232,000	223,293	3.75%
Tools and equipment	6,561	8,000	1,439	82.01%
Transportation	36,399	45,000	8,601	80.89%
Travel	9,596	-	(9,596)	0.00%
Uniforms	1,265	3,000	1,735	42.17%
Total Customer Accounting	935,550	1,173,000	237,450	79.76%
Customer Service				
Computers and software	18,431	1,000	(17,431)	1843.10%
Contract services, maintenance	101,681	109,500	7,819	92.86%
Employee regular wages	709,643	787,000	77,357	90.17%
Employee overtime pay	1,153	7,000	5,847	16.47%
Employee supplemental pay	16,805	12,000	(4,805)	140.04%
Employee vacation pay	39,781	47,000	7,219	84.64%
Employee sick pay	64,002	30,000	(34,002)	213.34%
Employee benefits, allocated	319,165	457,000	137,835	69.84%
Retirement contribution	20,386	44,000	23,614	46.33%
Employer payroll taxes	60,331	68,000	7,669	88.72%
Insurance, workers comp	1,058	300	(758)	352.67%
Materials and supplies	6,230	1,500	(4,730)	415.33%
Office furniture/fixtures	532	1,000	468	53.20%
Outside services employed	128,679	143,500	14,821	89.67%
Postage/freight	239,233	218,100	(21,133)	109.69%
Promotion & entertainment	1,282	-	(1,282)	0.00%
School and education	8	1,500	1,492	0.53%
Telephone, data & fax	-	1,000	1,000	0.00%
Tools and equipment	-	1,000	1,000	0.00%
Transportation	-	1,000	1,000	0.00%
Travel	1,280	6,000	4,720	21.33%
Total Customer Service	1,729,680	1,937,400	207,720	89.28%
Wastewater (Step Systems)				
Building and grounds	509,478	229,500	(279,978)	221.99%
Computers and software	1,297	4,000	2,703	32.43%
Dues and subscriptions	-	1,000	1,000	0.00%
Electricity	272,565	300,000	27,435	90.86%
Employee regular wages	457,505	429,000	(28,505)	106.64%
Employee overtime pay	63,000	53,000	(10,000)	118.87%
Employee supplemental pay	12,984	6,000	(6,984)	216.40%
Employee vacation pay	29,558	30,000	442	98.53%
Employee sick pay	25,028	16,000	(9,028)	156.43%

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
SCHEDULE OF OPERATING EXPENSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023

	Actual	(Unaudited) Budget	Budget Remaining	% of Budget Used
Employee benefits, allocated	191,781	171,000	(20,781)	112.15%
Employee section 401(a)	2,956	12,000	9,044	24.63%
Retirement contribution	12,844	21,000	8,156	61.16%
Employer payroll taxes	42,867	41,000	(1,867)	104.55%
Equipment/vehicle repair	2,260	8,000	5,740	28.25%
Insurance, workers comp	3,205	2,500	(705)	128.20%
Lab supplies	-	2,000	2,000	0.00%
Licenses & permits	38,480	85,000	46,520	45.27%
Materials and supplies	23,874	40,000	16,126	59.69%
Miscellaneous expenses	-	1,000	1,000	0.00%
Office furniture/fixtures	4,705	4,000	(705)	117.63%
Outside services employed	86,579	80,000	13,421	83.22%
Postage/freight	3,794	4,000	206	94.85%
Promotion and entertainment	170	1,000	830	17.00%
Professional fees	2,810	5,000	2,190	56.20%
Rental expense	-	5,000	5,000	0.00%
Repair and maintenance	577,407	561,500	(15,907)	102.83%
School and education	5,512	7,500	1,988	73.49%
Telephone, data & fax	114,391	140,000	25,609	81.71%
Tools and equipment	2,861	10,000	7,139	28.61%
Transportation	24,544	35,000	10,456	70.13%
Travel	7,726	8,000	274	96.58%
Uniforms	2,853	3,000	147	95.10%
Utilities	16,897	20,000	3,103	84.49%
Total Wastewater (Step Systems)	2,519,931	2,336,000	(183,931)	107.87%
General and administrative				
Bad Debts, net of recoveries	78,589	131,000	52,411	59.99%
Banking services, retail	27,689	30,000	2,311	92.30%
Banking services, investment	12,369	5,000	(7,369)	247.38%
Building and grounds	110,292	108,000	(2,292)	102.12%
Computers and software	352,970	393,000	40,030	89.81%
Contract services, maintenance	277,677	259,500	(18,177)	107.00%
Dues and subscriptions	157,349	117,000	(40,349)	134.49%
Employee regular wages	2,044,407	1,986,000	(58,407)	102.94%
Employee regular wages: Board	28,800	30,000	1,200	96.00%
Employee overtime pay	30,458	85,400	54,942	35.67%
Employee supplemental pay	28,618	21,000	(7,618)	136.28%
Employee vacation pay	129,476	119,000	(10,476)	108.80%
Employee sick pay	101,396	76,000	(25,396)	133.42%
Employee benefits, allocated	492,306	377,000	(115,306)	130.59%
Employee benefits, allocated: Board	86,955	81,000	(5,955)	107.35%
Retirement contribution	56,374	113,000	56,626	49.89%
Employer payroll taxes	169,393	175,800	6,207	96.47%
Employer payroll taxes: Board	3,847	7,000	3,153	54.96%
Post-employment health care	-	375,000	375,000	0.00%
Equipment/vehicle repair	16,984	43,000	26,016	39.50%
Insurance, general	362,381	335,000	(27,381)	108.17%
Insurance, workers comp	7,226	5,500	(1,726)	131.38%
Inventory adjustments	(3,530)	-	3,530	0.00%
Licenses & permits	61,649	71,500	9,851	86.22%
Materials and supplies	121,643	103,000	(18,643)	118.10%
Miscellaneous expenses	8,094	10,000	1,906	80.94%
Office furniture/fixtures	12,811	6,000	(6,811)	213.52%

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
SCHEDULE OF OPERATING EXPENSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2023

	Actual	(Unaudited) Budget	Budget Remaining	% of Budget Used
Outside services employed	359,450	296,500	(62,950)	121.23%
Postage/freight	5,030	6,000	970	83.83%
Promotion and entertainment	45,559	43,000	(2,559)	105.95%
Promotion and entertainment: Board	-	1,000	1,000	0.00%
Professional fees, accounting	37,200	22,000	(15,200)	169.09%
Professional fees, engineering	148,146	158,000	9,854	93.76%
Professional fees, legal	196,937	175,000	(21,937)	112.54%
Rental expense	1,978	1,000	(978)	197.80%
Repair and maintenance	31,481	34,000	2,519	92.59%
School and education	18,677	21,000	2,323	88.94%
School and education: Board	3,545	8,000	4,455	44.31%
Telephone, data & fax	79,638	98,000	18,362	81.26%
Telephone, data & fax: Board	3,264	3,000	(264)	108.80%
Tools and equipment	41,954	7,000	(34,954)	599.34%
Transportation	8,885	31,000	22,115	28.66%
Travel	28,158	21,000	(7,158)	134.09%
Travel: Board	30,386	30,000	(386)	101.29%
Tuition assistance	3,140	9,000	5,860	34.89%
Uniforms	13,233	10,000	(3,233)	132.33%
Utilities	116,611	110,000	(6,611)	106.01%
Total Administration and General	<u>5,949,495</u>	<u>6,148,000</u>	<u>198,505</u>	<u>96.77%</u>
Depreciation and amortization	<u>13,019,336</u>	<u>12,800,000</u>	<u>(219,336)</u>	<u>101.71%</u>
Total Operating Expense	<u>\$ 37,833,140</u>	<u>\$ 38,746,200</u>	<u>\$ 913,060</u>	<u>97.64%</u>

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE

SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY

AS OF JUNE 30, 2023

Fiscal Year	All Bond Issues			2021 Revenue Bond 1.625% - 5%		2019 Refunding Revenue 2% - 5%	
	Total	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 2,758,545	\$ 1,653,071	\$ 1,105,474	\$ 1,000,000	\$ 594,925	\$ 600,000	\$ 436,163
2025	2,738,544	1,715,677	1,022,867	1,040,000	544,925	620,000	406,163
2026	2,745,544	1,808,197	937,347	1,100,000	492,925	650,000	375,163
2027	2,743,044	1,895,833	847,211	1,150,000	437,925	685,000	342,663
2028	2,746,293	1,993,413	752,880	1,210,000	380,425	720,000	308,412
2029	2,739,793	2,086,461	653,332	1,270,000	319,925	750,000	272,412
2030	2,748,793	2,199,473	549,320	1,330,000	256,425	800,000	234,912
2031	2,746,293	2,282,621	463,672	1,400,000	189,925	810,000	218,912
2032	2,748,081	2,360,772	387,309	1,460,000	133,925	825,000	201,700
2033	2,745,319	2,409,349	335,970	1,480,000	104,725	850,000	183,138
2034	2,741,080	2,452,946	288,134	1,510,000	80,675	860,000	162,950
2035	2,753,155	2,516,710	236,445	1,540,000	54,250	890,000	141,450
2036	2,744,506	2,565,546	178,960	1,560,000	27,300	915,000	114,750
2037	1,154,755	1,034,754	120,001	-	-	940,000	87,300
2038	1,156,556	1,069,055	87,501	-	-	970,000	59,100
2039	1,157,456	1,103,553	53,903	-	-	1,000,000	30,000
2040	111,622	92,296	19,326	-	-	-	-
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	\$ 39,762,864	\$ 31,660,252	\$ 8,102,612	\$ 17,050,000	\$ 3,618,275	\$ 12,885,000	\$ 3,575,188

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE

SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY

AS OF JUNE 30, 2023

Fiscal Year	2009 Rural Development 4.125%		2000 Rural Development 4.75%	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 26,779	\$ 43,677	\$ 26,292	\$ 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	42,358	14,641
2035	42,295	28,161	44,415	12,584
2036	44,001	26,455	46,545	10,455
2037	45,922	24,534	48,832	8,167
2038	47,853	22,603	51,202	5,798
2039	49,865	20,591	53,688	3,312
2040	51,911	18,545	40,385	781
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	<u>\$ 1,068,587</u>	<u>\$ 612,650</u>	<u>\$ 656,665</u>	<u>\$ 296,499</u>

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

(Unaudited)

(dollar amounts expressed in thousands)

	*									
	Fiscal Year									
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Operating Revenues	\$ 43,696	\$ 41,769	\$ 39,298	\$ 36,914	\$ 34,375	\$ 32,683	\$ 31,745	\$ 21,806	\$ 28,572	\$ 27,525
Operating Expenses	37,833	33,513	32,864	30,984	27,895	27,029	24,166	17,031	21,848	20,670
Net Operating Income	5,863	8,256	6,434	5,930	6,480	5,654	7,579	4,775	6,724	6,855
Non-Operating Income(Expense)	958	(1,894)	(1,024)	34	(190)	(623)	(1,051)	(1,087)	(1,427)	(1,418)
Net Income Before Contributions	6,821	6,362	5,410	5,964	6,290	5,031	6,528	3,688	5,297	5,437
Add: Contributed Capital - Cash	4,873	6,340	7,315	7,775	5,479	5,547	7,200	4,717	3,844	2,744
Depreciation and Amortization	13,019	12,355	11,468	10,258	9,618	9,103	8,649	6,290	8,065	7,347
Interest Expense	1,652	2,134	1,633	1,725	1,347	1,366	1,411	1,252	1,716	1,773
Net Available for Debt Service	<u>\$26,365</u>	<u>\$27,191</u>	<u>\$25,826</u>	<u>\$25,722</u>	<u>\$ 22,734</u>	<u>\$ 21,047</u>	<u>\$23,788</u>	<u>\$ 15,947</u>	<u>\$18,922</u>	<u>\$ 17,301</u>
Annual Debt Requirements	\$5,031	\$3,522	\$4,440	\$ 3,587	\$ 3,733	\$ 2,713	\$ 3,553	\$ 3,455	\$ 3,512	\$ 3,512
Debt Service Coverage (times)	5.24	7.72	5.82	7.17	6.09	7.76	6.70	4.62	5.39	4.93

* - Operating results for 2023, 2022, 2021, 2020, 2019, 2018 and 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, 2023
(Unaudited)

As of June 30, 2023, Consolidated Utility District served approximately 67,011 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	\$5.60
Each additional 1,000 gallons from 5,001 - 10,000	\$6.10
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, 2023, Consolidated Utility District served approximately 8,751 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, 2023 and Year Ended September 30, 2013

<u>Customer</u>	<u>2023</u>			<u>2013</u>		
	<u>Water Sales</u>	<u>Rank</u>	<u>Percentage of Total Water Sales</u>	<u>Annual Water Sales</u>	<u>Rank</u>	<u>Percentage of Total Water Sales</u>
Rutherford County Board of Education	\$ 363,740	1	1.02%	\$ 128,910	1	0.57%
American Homes 4 Rent LLC	198,723	2	0.56%			
Lifestyle Communities	185,561	3	0.52%			
Republic Services	179,053	4	0.50%			
Embassy Suites	175,407	5	0.49%	101,441	2	0.45%
Scout Landing LP	152,488	6	0.43%			
FREO Tennessee, LLC	148,285	7	0.42%			
Westbury Farms, LLC	138,485	8	0.39%	77,537	7	0.34%
W W Stonebridge Farms LP	127,333	9	0.36%			
Woodgate Farms, LLC	108,461	10	0.30%	73,107	8	0.32%
University Gables Apts				101,813	3	0.45%
Bell Murfreesboro, LLC				85,436	4	0.37%
Integra Creek Apartments				80,869	5	0.35%
Cross Creek Murfreesboro				80,293	6	0.35%
Cason Estates				73,097	9	0.32%
Campus Crest Construction				71,058	10	0.31%

Note: Customer water sales for 2023 are for the year ended June 30. Customer water sales for 2013 are for the year ended September 30, 2013.

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
OPERATING INFORMATION
LAST TEN FISCAL YEARS
(Unaudited)

	Fiscal Year				
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Average Daily Demand	13.88	13.57	13.02	12.81	10.41
Maximum Daily Demand	20.00	19.77	17.76	17.31	16.73
Average Active Customers	65,784	63,678	60,870	57,900	55,535

	Fiscal Year				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Average Daily Demand	9.27	9.81	9.89	9.98	10.17
Maximum Daily Demand	12.86	14.20	13.92	13.88	14.16
Average Active Customers	53,027	51,085	49,085	47,533	45,944

NOTE: Demand numbers are in million gallons per day

AVERAGE MONTHLY WATER USAGE (gals)	Fiscal Year				
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Sold to Customers	375,506,169	355,337,936	337,161,406	308,649,867	288,709,478
<i>percent sold</i>	88%	85%	85%	77%	87%
Non-Metered Consumption (Fire, flushing, etc.)	12,074,010	14,927,491	13,971,653	11,442,172	5,642,118
<i>percent non-metered</i>	3%	4%	4%	3%	2%
Unaccounted for	40,602,030	48,747,936	45,517,550	78,289,886	38,852,892
<i>percent unaccounted for</i>	9%	12%	11%	20%	12%
Average Monthly Water Pumped	<u>428,182,209</u>	<u>419,013,363</u>	<u>396,650,609</u>	<u>398,381,925</u>	<u>333,204,488</u>

AVERAGE MONTHLY WATER USAGE (gals)	Fiscal Year				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Sold to Customers	273,521,153	269,366,815	250,795,268	240,849,913	233,355,934
<i>percent sold</i>	64%	64%	87%	60%	70%
Non-Metered Consumption (Fire, flushing, etc.)	7,150,482	10,957,971	(8,790,087)	924,786	3,854,839
<i>percent non-metered</i>	2%	3%	-3%	0%	1%
Unaccounted for	32,259,146	35,295,441	47,639,498	51,987,287	58,686,326
<i>percent unaccounted for</i>	10%	11%	16%	18%	20%
Average Monthly Water Pumped	<u>312,930,781</u>	<u>315,620,227</u>	<u>289,644,679</u>	<u>293,761,986</u>	<u>295,897,099</u>

* - Changes in net position for 2023,2022, 2021, 2020, 2019, 2018 and 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
DISTRICT OFFICIALS AND MANAGEMENT
YEAR ENDED JUNE 30, 2023
(Unaudited)

Carter Woodruff	Commissioner, President
Rosemary Owens	Commissioner, Vice President
Craig Lynch	Commissioner, Secretary-Treasurer
Lynnisse Patrick	Commissioner
Hassel B. Smith, III	Commissioner
Phillip E. Pinion II	Advisor
Allen Swader	Advisor
Robin Blackman	Advisor
Roger Goodson	General Manager
Bryant Bradley	Director of Operations
Michael Sumner	Director of IT
Alan Stuemke, P.E.	Director of Engineering
Cindy Judkins	Human Resources Manager
Michael Craig	Comptroller
Chris Forte	Director of Water Production
Roger Hudson	Attorney
Jeffrey Reed	Attorney
James C. Hailey, Jr., P.E.	Consultant Engineer



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 Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position and Statement of Cash Flows of Consolidated Utility District of Rutherford County, Tennessee as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Consolidated Utility District of Rutherford County, Tennessee's basic financial statements and have issued our report thereon dated October 30, 2023.

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) as a basis for designing 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. 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 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 or significant deficiencies may exist that have not been identified.

**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)**

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*.

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.

Thomas, Bettye & Dan, Ph.D.

October 30, 2023
Murfreesboro, TN

**CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023**

Financial statement findings

No prior year findings reported.