OFFICIAL STATEMENT

NEW ISSUE
Book-Entry Only

Rating: Standard & Poor's "AAA"

In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the District, interest on the Series 2013 Bonds will be excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings of certain corporations for purposes of alternative minimum tax on corporations. For an explanation of certain tax consequences under federal law which may result from the ownership of the Series 2013 Bonds, see the discussion under the heading "Tax Matters" herein. Under existing law, the Series 2013 Bonds and the income therefrom will be exempt from all state, county and municipal taxation in the State of Tennessee, except inheritance, transfer and estate taxes, and Tennessee franchise and excise taxes. (See "Tax Matters" herein).

$33,140,000
CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
Waterworks Revenue Refunding Bonds, Series 2013

Dated: April 11, 2013

Due: February 1, as shown below

Consolidated Utility District of Rutherford County, Tennessee (the "District") will issue its Waterworks Revenue Refunding Bonds, Series 2013 (the "Series 2013 Bonds") as fully registered bonds, without coupons, in denominations of $5,000 or any integral multiple thereof and will bear interest at the annual rates shown below. Interest on the Series 2013 Bonds will be payable semi-annually on February 1 and August 1, commencing August 1, 2013. Principal of and interest on the Series 2013 Bonds will be payable at the corporate trust office of Regions Bank, Nashville, Tennessee, as Paying Agent and Registration Agent, provided that interest may be paid by check or draft mailed by the Registration Agent to each registered owner as of the record date.

The Series 2013 Bonds are payable solely from and secured by a lien upon and pledge of the Net Revenues (as herein defined) of the System (as herein defined) pursuant to the provisions of the Resolution (as herein defined), subject to a prior lien of such Net Revenues in favor of the District's Prior Lien Obligations (as defined herein). The Series 2013 Bonds are not obligations of the State of Tennessee, or any of its political subdivisions, other than the District, nor is the State of Tennessee, or any of its political subdivisions, other than the District, liable for the payment of the principal of or interest on the Series 2013 Bonds. The Resolution does not grant to owners of the Series 2013 Bonds any mortgage on or security interest in any real or personal property of the District other than the lien on the Net Revenues of the System and the statutory mortgage lien on the System as described more fully herein. The District has no taxing power.

The Series 2013 Bonds are subject to optional redemption on February 1, 2023 and thereafter as set forth herein. The Series 2013 Bonds are payable on February 1 of each year as follows:

Maturity Date	Amount	Rate	Yield	Maturity Date	Amount	Rate	Yield
2014	$1,120,000	2.000%	0.250%	2024	$1,600,000	4.000%	2.280%*
2015	1,165,000	2.000	0.360	2025	1,670,000	4.000	2.420*
2016	1,200,000	3.000	0.510	2026	1,730,000	4.000	2.580*
2017	1,230,000	3.000	0.670	2027	1,805,000	4.000	2.700*
2018	1,275,000	4.000	0.930	2028	1,365,000	3.000	3.000
2019	1,335,000	4.000	1.200	2029	1,410,000	3.000	3.080
2020	1,390,000	4.000	1.440	2030	1,455,000	3.000	3.130
2021	1,405,000	4.000	1.670	2031	1,510,000	3.125	3.180
2022	1,470,000	4.000	1.880	2032	1,565,000	3.125	3.220
2023	1,530,000	4.000	2.130	2033	1,610,000	3.125	3.260

$4,300,000 3.375%, Term Bond due February 1, 2036, Yield 3.375%

*Yield to first optional redemption date of February 1, 2023

The Series 2013 Bonds are offered when, as and if issued and received by the Underwriter, subject to the approval of legality by Bass, Berry & Sims PLC, Nashville, Tennessee, Bond Counsel. Certain legal matters will be passed upon for the District by Cope, Hudson Reed & McCreary, Murfreesboro, Tennessee, Counsel to the District. It is expected that the Series 2013 Bonds in book-entry form will be available for delivery through The Depository Trust Company on or about April 11, 2013.

Stephens Inc.
Nashville, Tennessee
Financial Advisor

March 19, 2013

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement in connection with the offering contained herein, and if given or made, such other information or representations must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2013 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information contained in this Official Statement has been obtained from representatives of the District, public documents, records and other sources considered reliable. The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guaranty the accuracy or completeness of such information.

The delivery of this Official Statement at any time does not imply that any information herein is correct as of any time subsequent to its date. Any statements in this Official Statement involving estimates, assumptions and matters of opinion, whether or not so expressly stated, are intended as such and not representations of fact.

NO REGISTRATION STATEMENT RELATING TO THE SERIES 2013 BONDS HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ("SEC") OR ANY STATE SECURITIES AGENCY. THE SERIES 2013 BONDS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SEC OR ANY STATE SECURITIES AGENCY, NOR HAS THE SEC OR ANY STATE SECURITIES AGENCY PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

In making an investment decision, investors must rely on their own examination of the District, the System, and the terms of the offering, including the merits and risks involved. The Series 2013 Bonds have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Official Statement. Any representation to the contrary is a criminal offense.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2013 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Consolidated Utility District of Rutherford County, Tennessee
Waterworks Revenue Refunding Bonds, Series 2013

Dated April 11, 2013

Maturity (February 1)	Amount	Rate	Yield	CUSIP No.***
2014	$1,120,000	2.000%	0.250%	783245JT1
2015	1,165,000	2.000	0.360	783245JU8
2016	1,200,000	3.000	0.510	783245JV6
2017	1,230,000	3.000	0.670	783245JW4
2018	1,275,000	4.000	0.930	783245JX2
2019	1,335,000	4.000	1.200	783245JY0
2020	1,390,000	4.000	1.440	783245JZ7
2021	1,405,000	4.000	1.670	783245KA0
2022	1,470,000	4.000	1.880	783245KB8
2023	1,530,000	4.000	2.130	783245KC6
2024	1,600,000	4.000	2.280*	783245KD4
2025	1,670,000	4.000	2.420*	783245KE2
2026	1,730,000	4.000	2.580*	783245KF9
2027	1,805,000	4.000	2.700*	783245KG7
2028	1,365,000	3.000	3.000	783245KH5
2029	1,410,000	3.000	3.080	783245KJ1
2030	1,455,000	3.000	3.130	783245KK8
2031	1,510,000	3.125	3.180	783245KL6
2032	1,565,000	3.125	3.220	783245KM4
2033	1,610,000	3.125	3.260	783245KN2
2036**	4,300,000	3.375	3.375	783245KP7

* yield to first optional redemption date of February 1, 2023

** Term Bond

*** These CUSIP numbers have been assigned by Standard & Poor's CUSIP Service Bureau, a Division of The McGraw Hill Companies, Inc., and are included solely for the convenience of the Bondholders. Neither the Underwriter nor the District is responsible for the selection or use of these CUSIP numbers, nor is any representation made as to their correctness on the Series 2013 Bonds or as indicated herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2013 Bonds as a result of various subsequent actions, including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2013 Bonds.

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OFFICIALS

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE

BOARD OF COMMISSIONERS
John L. Batey, Jr., President
Craig Lynch, Secretary
William Waite, Commissioner
Dr. Rosemary Owens, Commissioner
Carter Woodruff, Commissioner

ADMINISTRATION
William Dunnill, P.E., General Manager
E. Paul Long, CPA, Comptroller

DISTRICT'S COUNSEL
Cope, Hudson Reed & McCreary
Murfreesboro, Tennessee

AUDITOR
Edmondson, Betzler & Montgomery, PLLC
Murfreesboro, Tennessee

BOND COUNSEL
Bass, Berry & Sims PLC
Nashville, Tennessee

REGISTRATION AND PAYING AGENT AND ESCROW AGENT
Regions Bank
Nashville, Tennessee

FINANCIAL ADVISOR
Stephens Inc.
Nashville, Tennessee

UNDERWRITER
Raymond James & Associates, Inc.
Memphis, Tennessee

SUMMARY STATEMENT

This Summary is expressly qualified by the entire Official Statement, which should be viewed in its entirety by potential investors.

ISSUER	Consolidated Utility District of Rutherford County, Tennessee (the "District").
ISSUE	$33,140,000 Waterworks Revenue Refunding Bonds, Series 2013 (the "Series 2013 Bonds").
PURPOSE*	(ii) Refund all or a portion of the District's outstanding Waterworks Revenue Refunding Bonds, Series 2004, Waterworks Revenue Bonds, Series 2005 and Waterworks Revenue Bonds, Series 2006; and (ii) pay costs incident to the issuance and sale of the Series 2013 Bonds.
DATED DATE......................................	April 11, 2013.
INTEREST DUE	Each February 1 and August 1, commencing August 1, 2013.
PRINCIPAL DUE	February 1, 2014 through February 1, 2033, inclusive and February 1, 2036.
SETTLEMENT DATE	April 11, 2013.
OPTIONAL REDEMPTION	The Bonds maturing on or after February 1, 2024 shall be subject to redemption at the option of the District on and after February 1, 2023 at the price of par.
MANDATORY REDEMPTION..........	The Bonds maturing February 1, 2036 are subject to mandatory redemption on the dates and in the amounts described in "Description of the Series 2013 Bonds – Mandatory Sinking Fund Redemption."
SECURITY	The Series 2013 Bonds are payable solely from and secured by a lien upon and pledge of the Net Revenues (as herein defined) of the System (as herein defined) pursuant to the provisions of the Resolution (as herein defined), subject to a prior lien of such Net Revenues in favor of the District's Prior Lien Obligations (as defined herein). The Series 2013 Bonds are not obligations of the State of Tennessee, or any of its political subdivisions, other than the District, nor is the State of Tennessee, or any of its political subdivisions, other than the District, liable for the payment of the principal of or interest on the Series 2013 Bonds. The Resolution does not grant to owners of the Series 2013 Bonds any mortgage on or security interest in any real or personal property of the District other than the lien on the Net Revenues of the System and the statutory mortgage lien on the System as described more fully herein. The District has no taxing power.
RATING..	"AAA" by Standard & Poor's Ratings Services, a Division of McGraw-Hill Companies ("S&P") based on documents and other information provided by the District. The rating reflects only the view of S&P and neither the District, the Financial Advisor nor the Underwriter make any representations as to the appropriateness of such rating.

	There is no assurance that such rating will continue for any given period of time or that it will not be lowered or withdrawn. Any such downward change in or withdrawal of the rating may have an adverse effect on the secondary market price of the Series 2013 Bonds. Any explanation of the significance of the rating may be obtained from S&P. See "Rating" herein.
TAX MATTERS....................................	In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the District, interest on the Series 2013 Bonds will be excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining the adjusted current earnings of certain corporations for purposes of the alternative minimum tax on corporations. (See "Tax Matters" herein).
REGISTRATION AND PAYING AGENT AND ESCROW AGENT	Regions Bank, Nashville, Tennessee.
VERIFICATION AGENT....................	Grant Thornton LLP, Minneapolis, Minnesota.
FINANCIAL ADVISOR.......................	Stephens Inc., Nashville, Tennessee.
UNDERWRITER..................................	Raymond James & Associates, Inc., Memphis, Tennessee.

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$33,140,000

Consolidated Utility District of Rutherford County, Tennessee

Waterworks Revenue Refunding Bonds, Series 2013

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and the Appendices hereto, is to furnish certain information in connection with the sale by Consolidated Utility District of Rutherford County, Tennessee (the "District") of $33,140,000 in aggregate principal amount of its Waterworks Revenue Refunding Bonds, Series 2013 (the "Series 2013 Bonds"). Capitalized terms used but not defined herein shall have the meanings assigned to them in the Resolution (hereinafter defined). (See Appendix A - Summary of Certain Provisions of the Resolution.)

This introduction is not a summary of this Official Statement and is intended only for quick reference. It is only a brief description of and guide to, and is qualified in its entirety by reference to, more complete and detailed information contained in the entire Official Statement, including the cover page and the Appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement and of the documents summarized or described herein, if necessary. The offering of the Series 2013 Bonds to potential investors is made only by means of the entire Official Statement, including the Appendices hereto. No person is authorized to detach this Introduction from the Official Statement or to otherwise use it without the entire Official Statement, including the Appendices hereto.

The District, the issuer of the Series 2013 Bonds, is a municipal corporation of the State of Tennessee created by the laws of the State of Tennessee, including the Utility District Law of 1937, codified as Section 7-82-101 et seq., Tennessee Code Annotated (the "District Act"). The District owns and operates a waterworks system (the "System"), serving portions of Rutherford, Tennessee. See Appendix C.

The Series 2013 Bonds are being issued in accordance with the Constitution of the State of Tennessee and laws of the State of Tennessee, including, but not limited to the District Act, and pursuant to a resolution of the Board of Commissioners (the "Governing Body") of the District adopted on February 26, 2013 (the "Resolution"). A summary of certain provisions of the resolution is attached hereto as Appendix A.

Audited financial statements for the District's fiscal year ended September 30, 2012 are attached hereto as Appendix B and certain statistical and demographic information regarding the District is attached hereto as Appendix C.

This Official Statement and the Appendices hereto contain brief descriptions of, among other matters, the District, the Series 2013 Bonds, and the security and sources of payment for the Series 2013 Bonds. Such descriptions and information do not purport to be comprehensive or definitive. The summaries of various constitutional provisions, statutes, the Resolution, and other documents are intended as summaries only and are qualified in their entirety by reference to such documents, and references herein to the Series 2013 Bonds are qualified in their entirety to the form thereof included in the Resolution. Copies of the Resolution and other documents and information are available, upon request and upon payment to the District of a charge for copying, mailing and handling, from William Dunnill, P.E., General Manager, Consolidated Utility District of Rutherford County, Tennessee, 709 New Salem Highway, Murfreesboro, Tennessee 37133; telephone (615) 893-7225.

PLAN OF FINANCING

The Series 2013 Bonds are being issued for the purpose of refunding $3,760,000 of the District's outstanding Waterworks Revenue Refunding Bonds, Series 2004, all of its outstanding Waterworks Revenue Bonds, Series 2005 and all of its outstanding Waterworks Revenue Bonds, Series 2006 (the "Refunded Bonds"); and paying the costs of issuing the Series 2013 Bonds.

Estimated Sources and Uses of Funds

The sources and uses of funds in connection with the issuance of the Series 2013 Bonds are estimated below.

Sources of Funds:	
Par Amount of Series 2013 Bonds	$33,140,000.00
Original Issue Premium	2,384,984.90
District Contribution	429,893.19
Total Sources of Funds	$35,954,878.09
Uses of Funds:	
Refunding Proceeds	$35,577,439.09
Costs of Issuance[1]	377,439.00
Total Uses of Funds	$35,954,878.09

[1] Includes legal and accounting fees, underwriter's fees, financial advisory fees, rating agency fees, printing, and other costs of issuance.

Plan of Refunding

Pursuant to a Refunding Escrow Agreement (the "Escrow Agreement") between the District and Regions Bank (the "Escrow Agent"), the portion of the proceeds of the Series 2013 Bonds and the District's contribution described above will be used to purchase United States Treasury Obligations – State and Local Government Series (the "Escrow Investments"). The Escrow Investments purchased with the proceeds of the Bond will be held in a separate fund established by the Escrow Agent with the interest earned and the principal amount of the Escrow Investments being sufficient to pay principal of and interest on the Refunded Bonds. Neither the principal of nor the interest on the Escrow Investments will be available for payment of the Series 2013 Bonds. The Escrow Agent will give irrevocable directions to the paying agent banks for the Refunded Bonds as and when directed in the Escrow Agreement.

Simultaneous with the issuance of the Series 2013 Bonds, the District will deposit an amount of its funds sufficient to defease the portion of the Series 2004 Bonds not being refunded by the Series 2013 Bonds ($5,075,000).

Verification of Defeasance

Grant Thornton LLP, Minneapolis, Minnesota, a firm of independent public accountants, will deliver to the District, on or before the settlement date of the Series 2013 Bonds, its attestation report indicating that it has examined, in accordance with standards established by the American Institute of Certified Public Accountants, the information and assertions provided by the District and its representatives. Included in the scope of its examination will be a verification of the mathematical accuracy of (a) the mathematical computations of the adequacy of the cash and the maturing principal of and interest on, the Escrow Investments in the Escrow Fund to pay, when due, the maturing principal of, interest and related call premium requirements of the Series 2004 Bonds (including the Refunded Bonds and the cash-defeased portion of the Series 2004 Bonds) to their first optional redemption date following delivery of the Series 2013 Bonds; and (b) the mathematical computations supporting the conclusion of Bond Counsel that the Series 2013 Bonds are not "arbitrage bonds" under the Code and the regulations promulgated thereunder.

The examination performed by Grant Thornton LLP will be solely based upon data, information and documents provided to Grant Thornton LLP by the District and its representatives. The Grant Thornton LLP report of its examination will state that Grant Thornton LLP has no obligation to update such report because of events occurring, or data or information coming to their attention, subsequent to the date of the report.

DESCRIPTION OF THE SERIES 2013 BONDS

General

The Series 2013 Bonds are dated as of the date of their delivery, and bear interest from such date at the rates per annum set forth on the cover page of this Official Statement (computed on the basis of a 360-day year of twelve 30-day months). Interest on the Series 2013 Bonds is payable on each February 1 and August 1, commencing August 1, 2013.

Payment of the principal of and interest on the Series 2013 Bonds will be made by the Registration Agent directly to Cede & Co., as nominee of DTC, and will subsequently be disbursed to DTC Participants and thereafter to Beneficial Owners of the Series 2013 Bonds. See "Book-Entry Only Bonds."

When not in book-entry form, interest on the Series 2013 Bonds will be paid by check or draft on the Registration Agent, and will be mailed on the date due by first class mail to the registered owners of record as of the 15th day of the calendar month (the "Regular Record Date") immediately preceding the applicable Interest Payment Date, at the address shown on the registration books of the District maintained by the Registration Agent. When not in book-entry form, the principal of and redemption premium (if any) on the Series 2013 Bonds will be paid upon the presentation and surrender of the Series 2013 Bonds at the principal corporate trust office of the Registration Agent.

Any interest on any Series 2013 Bond that is payable but is not punctually paid or duly provided for on an Interest Payment Date (the "Defaulted Interest") will cease to be payable to the registered owner on the relevant Regular Record Date; and, in lieu thereof, such Defaulted Interest will be paid by the District to the persons in whose names the Series 2013 Bonds are registered at the close of business on a date (the "Special Record Date") for the payment of such Defaulted Interest, which date will be fixed in the following manner: the District will notify the Registration Agent of the amount of Defaulted Interest proposed to be paid on each Series 2013 Bond and the date of the proposed payment. Thereupon, not less than ten days after the receipt by the Registration Agent of the notice of the proposed payment, the Registration Agent will fix a Special Record Date for the payment of such Defaulted Interest, which date will be not more than 15 nor less than 10 days prior to the date of the proposed payment to the registered owners. The Registration Agent will promptly notify the District of such Special Record Date, and in the manner and at the expense of the District, not less than ten days prior to such Special Record Date, will cause notice of the proposed payment of such Defaulted Interest and the Special Record Date to be mailed, first-class postage prepaid, to each registered owner at the address thereof as it appears in the registration records maintained by the Registration Agent as to the date of such notice.

Denominations, Registration, Transfers and Exchanges

The Series 2013 Bonds will be issued in fully registered form in the denomination of $5,000 each or integral multiples thereof. The Series 2013 Bonds will be registered as to principal and interest on the registration books kept by the Registration Agent. The registered owner thereof shall be treated as the absolute owner thereof for all purposes, including payment, and payment to the registered owner thereof shall satisfy all liability thereon to the extent of sums so paid.

When in book-entry form, Series 2013 Bonds held by DTC or Cede & Co., as its nominee, on behalf of the Beneficial Owners thereof, are transferable upon delivery to DTC or Cede & Co., as its nominee, of an assignment executed by the Beneficial Owner or the Beneficial Owner's duly authorized attorney. See "Book-Entry Only Bonds."

When not in book-entry form, ownership of any Series 2013 Bond will be transferable upon surrender thereof to the Registration Agent, together with an assignment duly executed by the registered owner or his attorney, in such form as shall be satisfactory to the Registration Agent. Upon any such transfer of ownership, the Registration Agent will cause to be authenticated and delivered a new Series 2013 Bond or Series 2013 Bonds registered in the name of the transferee in the authorized denomination in the same aggregate principal amount and interest rate as the Series 2013 Bonds surrendered for such transfer. When not in book-entry form, the Series 2013 Bonds may be exchanged for a like principal amount of Series 2013 Bonds of the same interest rate of other authorized denominations. For every exchange or registration of transfer, the Registration Agent, may charge an amount sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or registration or transfer, but no other charge may be made to the owner for any exchange or registration of transfer of the Series 2013 Bonds.

Optional Redemption

The Series 2013 Bonds maturing on or after February 1, 2024 are subject to redemption prior to maturity at the option of the District on or after February 1, 2023, in whole or in part (with less than all such Series 2013 Bonds of a single maturity to be selected by lot within a maturity in such manner as may be designated by the Registration Agent) at any time, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date.

Mandatory Sinking Fund Redemption

The Series 2013 Bonds maturing on February 1, 2036 are subject to scheduled mandatory redemption prior to maturity in part (by lot in such manner as may be designated by the Registration Agent) at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date, in the following principal amounts and on the dates set forth below (the February 1, 2036 amount to be paid rather than redeemed):

Date (February 1)	Principal Amount
2034	$1,690,000
2035	1,760,000
2036	850,000

At its option, to be exercised on or before the 45th day next preceding such scheduled mandatory redemption date, the District, may (a) receive a credit with respect to its scheduled mandatory redemption obligation for any Series 2013 Bonds of the same maturity subject to scheduled mandatory redemption which are delivered to the Paying Agent for cancellation and not theretofore applied as a credit against a scheduled mandatory redemption obligation or (b) receive a credit with respect to its scheduled mandatory redemption obligation for any Series 2013 Bonds of the same maturity which prior to said date have been redeemed (otherwise than through scheduled mandatory redemption) and canceled by the Paying Agent and not theretofore applied as a credit against said scheduled mandatory redemption obligation. Each Series 2013 Bond so delivered or previously redeemed shall be credited by the Registration Agent, at the principal amount thereof to the obligation of the District on such scheduled mandatory redemption date and the principal amount of the Series 2013 Bonds to be redeemed by operation of such scheduled mandatory redemption on such date shall be accordingly reduced.

Notice of Redemption

Notice of redemption, whether optional or mandatory, will be given by first class mail at least thirty (30) days and not more than sixty (60) days prior to the redemption date, to all registered owners of Series 2013 Bonds to be redeemed at their addresses of record as they appear on the books of the Registration Agent. Failure to mail any such notice, or any defect therein, will not affect the validity of the proceedings for the redemption of any other Series 2013 Bond. Failure of any bondholder to receive such notice if mailed as aforesaid will not affect the validity of the proceedings for the redemption of such Series 2013 Bond. Interest shall cease to accrue on any Series 2013 Bonds duly called for redemption on the redemption date if payment thereof has been duly provided for.

Book-Entry Only Bonds

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2013 Bonds. The Series 2013 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Series 2013 Bond Agreement will be issued for each maturity of the Series 2013 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with or on behalf of DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book- entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities Agreements. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American

Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of Series 2013 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2013 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2013 Bond ("Beneficial Owner") is in tum to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2013 Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Agreements representing their ownership interests in Series 2013 Bonds, except in the event that use of the book- entry system for the Series 2013 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2013 Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Series 2013 Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2013 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2013 Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory, or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. if less than all of the Series 2013 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to Series 2013 Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2013 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2013 Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Registration Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the District or the Registration Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2013 Bonds at any time by giving reasonable notice to the District or the Registration Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2013 Bonds Agreements are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2013 Bonds Agreements will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

NEITHER THE DISTRICT, NOR THE REGISTRATION AGENT HAS ANY RESPONSIBILITY OR OBLIGATION TO THE DTC PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; (B) THE PAYMENT BY DTC

OR ANY DTC PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OF AND INTEREST ON THE SERIES 2013 BONDS; (C) THE DELIVERY OR TIMELINESS OF DELIVERY BY DTC OR ANY DTC PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE GIVEN TO BONDHOLDERS; (D) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENTS IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2013 BONDS; OR (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC, OR ITS NOMINEE, CEDE & CO., AS REGISTERED BONDHOLDER.

SECURITY AND SOURCES OF PAYMENT OF THE SERIES 2013 BONDS

Neither the full faith and credit nor the taxing power of the State of Tennessee or any political subdivision thereof, including the District, is pledged to the payment of the Series 2013 Bonds. The Series 2013 Bonds are limited obligations of the District and are payable solely from the Net Revenues (as defined in Appendix A hereto) of the System on a parity and equality of lien with any bonds of the District hereafter issued on a parity therewith (the “Parity Bonds”), subject to a prior pledge of such Net Revenues in favor of the District’s outstanding Waterworks Revenue Bond, Series 1976, dated September 1, 1976, Waterworks Revenue Bond, Series 1978, dated September 5, 1978, Waterworks Revenue Bond, Series 2000, dated May 28, 2002, Waterworks Revenue Bond, Series 2008, dated May 26, 2009 and Waterworks Revenue Bonds, Series 2009, dated November 19, 2009 (the “Prior Lien Obligations”). Except as described below (see- Statutory Mortgage Lien), the Series 2013 Bonds do not constitute a charge, lien or encumbrance upon any other property of the District.

Pledge of Net Revenues

Under the terms of the Resolution, the Series 2013 Bonds are secured by a pledge of and lien on the Net Revenues. Generally, Net Revenues means all revenues of the System, from whatever source, minus System operating expenses other than depreciation, amortization and interest expense. See Appendix A for a more detailed definition of Net Revenues. See Appendix C for information regarding the District, the District's service area and the System, and “DEBT SERVICE SCHEDULE” for information regarding the District's debt service obligations.

Flow of Funds

Pursuant to the Resolution, the District has agreed to deposit all revenues derived from the operation of the System into the Revenue Fund and to apply such moneys as follows:

First, to pay operating expenses
Next, to pay debt service on the Prior Lien Obligations
Next, to fund debt service reserves for the Prior Lien Obligations
Next, to pay debt service on the Series 2013 Bonds and any Parity Bonds
Next, to fund debt service reserves for the Series 2013 Bonds and any Parity Bonds, if applicable
Last, to pay debt service on Subordinate Lien Bonds and any other legal purpose

See Appendix A for a more detailed description of the flow of funds.

Rate Covenant

Under the terms of the Resolution, prior to the commencement of each Fiscal Year, the Governing Body must estimate the revenues and expenditures for the upcoming Fiscal Year, based on rates then in effect, and, based on such estimate, adjust rates to the extent necessary to produce Net Revenues for the upcoming Fiscal Year (i) equal to not less than 1.25 times the debt service payable during the upcoming Fiscal Year on the Series 2013 Bonds, the Prior Lien Obligations and any Parity Bonds, (ii) sufficient, in addition, to provide for any required deposits during the upcoming Fiscal Year to the Reserve Fund and any other funds established by the District pursuant to the Resolution and the resolutions authorizing any Subordinate Lien Bonds or pursuant to sound and prudent operating practices as determined by the Governing Body, (iii) sufficient to pay debt service on any Subordinate Lien Bonds, and (iv) sufficient to pay any amounts payable during such Fiscal Year under any Financial Guaranty Agreement, with respect to any Reserve Fund Credit Facility or under any financial guaranty agreement entered into pursuant to the resolutions authorizing the Series 2013 Bonds, the Prior Lien Obligations, Parity Bonds or any Subordinate Lien Bonds.

Bond Fund and Reserve Fund

The District has established the Bond Fund. The money on deposit in the Bond Fund will be used to pay the principal of and interest on the Series 2013 Bonds and any Parity Bonds as the same become due. The Board of Commissioners has elected to not establish a Reserve Fund for the Series 2013 Bonds until such time as the District shall have failed, for two consecutive Fiscal Years, to produce Net Revenues sufficient to satisfy the rate covenant set forth in the Resolution, but assuming solely for this purpose that the rate covenant requires 1.5 times coverage of debt service on the Prior Lien Obligations, Series 2013 Bonds and any Parity Bonds. At such time and from time to time thereafter, the Reserve Fund Requirement with respect to the Series 2013 Bonds shall be the least of (a) 10% of the original stated principal amount of the Series 2013 Bonds; (b) the remaining Maximum Annual Debt Service Requirement (as defined in Appendix A hereto-Summary of Certain provisions of the Resolution) on the Series 2013 Bonds on a Fiscal Year basis, or (c) 125% of the remaining Average Debt Service Requirement on the Series 2013 Bonds, on a Fiscal Year basis; and shall be funded in equal installments over a 24-month period. The money on deposit in the Reserve Fund will be used to pay the principal of and interest on the Series 2013 Bonds and any Parity Bonds in the event that amounts on deposit in the Bond Fund are insufficient. The Reserve Fund must be funded with cash or a Reserve Fund Credit Facility (as defined in Appendix A hereto – Summary of Certain Provisions of the Resolution) in an amount equal to the Debt Service Reserve Fund Requirement.

Parity Bonds

The District may, from time to time, issue Parity Bonds under the terms of the Resolution. Parity Bonds will have a lien on the Net Revenues of the System on a parity with the lien on the Net Revenues of the System securing the Series 2013 Bonds. See Appendix A for the conditions under which such Parity Bonds may be issued. The District may not issue bonds payable from or secured by a lien on the Net Revenues senior to that securing the payment of the Series 2013 Bonds except that under the terms of the Resolution, the District may also issue up to $1,650,000 in par amount of bonds, notes or other debt obligations on a senior basis to the Series 2013 Bonds for the purpose of financing projects through the United States Department of Agriculture, acting through Rural Development.

Statutory Mortgage Lien

A statutory lien in the nature of a mortgage lien upon the System in favor of the Series 2013 Bonds is granted and created by the District Act, which mortgage lien is valid and binding upon the District subject only to the statutory mortgage lien in favor of the Prior Lien Obligations. The System will remain subject to such statutory mortgage lien until payment in full of principal of and interest on the Series 2013 Bonds. See Appendix A.

Additional Borrowing Plans

The District is located in a rapidly growing area of Tennessee. The growth continues to require additional expansion on the part of the District. The District anticipates approximately $77 million in capital improvements over the next seven years. The District has a history of financing a significant portion of capital improvements from internally generated funds. The District has determined that it may finance future expansions and improvements with a combination of internally generated funds and bond financings. This financing approach is subject to change at any time. The District does not currently have any specific plans for future bond financings after the 2013 Refunding Bonds are issued. The District has accumulated a strong cash position in order to accommodate the planned capital expenditures. To the extent that the District relies more heavily on internal cash for current and future projects, it is anticipated that the District's cash position may decline.

DEBT SERVICE SCHEDULE

Consolidated Utility District Debt Service Schedule
(As of September 30, 2012, but including 2013 Bonds)

Fiscal Year	Prior Lien Bonds[1]			Series 2013 Bonds			Total		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2013	$ 20,367	$ 318,353	$ 338,719	$ -	$ 349,993	$ 349,993	$ 20,367	$ 668,345	$ 688,712
2014	646,529	611,897	1,258,426	1,120,000	1,134,231	2,254,231	1,766,529	1,746,128	3,512,657
2015	659,089	594,337	1,253,426	1,165,000	1,111,381	2,276,381	1,824,089	1,705,719	3,529,807
2016	681,719	574,732	1,256,451	1,200,000	1,081,731	2,281,731	1,881,719	1,656,464	3,538,182
2017	704,423	553,003	1,257,426	1,230,000	1,045,281	2,275,281	1,934,423	1,598,284	3,532,707
2018	726,204	529,834	1,256,038	1,275,000	1,001,331	2,276,331	2,001,204	1,531,165	3,532,370
2019	743,067	502,709	1,245,776	1,335,000	949,131	2,284,131	2,078,067	1,451,841	3,529,907
2020	745,014	474,512	1,219,526	1,390,000	894,631	2,284,631	2,135,014	1,369,144	3,504,157
2021	777,049	445,627	1,222,676	1,405,000	838,731	2,243,731	2,182,049	1,284,358	3,466,407
2022	809,177	413,699	1,222,876	1,470,000	781,231	2,251,231	2,279,177	1,194,930	3,474,107
2023	851,402	379,274	1,230,676	1,530,000	721,231	2,251,231	2,381,402	1,100,505	3,481,907
2024	873,728	342,523	1,216,251	1,600,000	658,631	2,258,631	2,473,728	1,001,155	3,474,882
2025	906,159	305,667	1,211,826	1,670,000	593,231	2,263,231	2,576,159	898,898	3,475,057
2026	958,702	265,874	1,224,576	1,730,000	525,231	2,255,231	2,688,702	791,106	3,479,807
2027	991,360	222,041	1,213,401	1,805,000	454,531	2,259,531	2,796,360	676,573	3,472,932
2028	1,014,139	176,962	1,191,101	1,365,000	397,956	1,762,956	2,379,139	574,919	2,954,057
2029	1,067,044	130,182	1,197,226	1,410,000	356,331	1,766,331	2,477,044	486,513	2,963,557
2030	1,120,082	81,019	1,201,101	1,455,000	313,356	1,768,356	2,575,082	394,375	2,969,457
2031	73,258	54,218	127,476	1,510,000	267,938	1,777,938	1,583,258	322,155	1,905,413
2032	76,579	50,897	127,476	1,565,000	219,891	1,784,891	1,641,579	270,788	1,912,367
2033	80,051	47,425	127,476	1,610,000	170,281	1,780,281	1,690,051	217,706	1,907,757
2034	83,681	43,795	127,476	1,690,000	116,606	1,806,606	1,773,681	160,401	1,934,082
2035	87,477	39,999	127,476	1,760,000	58,388	1,818,388	1,847,477	98,386	1,945,863
2036	91,446	36,030	127,476	850,000	14,344	864,344	941,446	50,374	991,820
2037	95,596	31,880	127,476	-	-	-	95,596	31,880	127,476
2038	99,935	27,541	127,476	-	-	-	99,935	27,541	127,476
2039	104,472	23,004	127,476	-	-	-	104,472	23,004	127,476
2040	83,334	18,475	101,809	-	-	-	83,334	18,475	101,809
2041	54,663	15,813	70,476	-	-	-	54,663	15,813	70,476
2042	56,961	13,515	70,476	-	-	-	56,961	13,515	70,476
2043	59,356	11,120	70,476	-	-	-	59,356	11,120	70,476
2044	61,851	8,625	70,476	-	-	-	61,851	8,625	70,476
2045	64,451	6,025	70,476	-	-	-	64,451	6,025	70,476
2046	67,161	3,315	70,476	-	-	-	67,161	3,315	70,476
2047	43,759	606	44,365	-	-	-	43,759	606	44,365
	$15,579,282	$ 7,354,527	$22,933,809	$33,140,000	$14,055,621	$47,195,621	$48,719,282	$21,410,148	$70,129,431

(1) Includes $2,259,282 Rural Development Loans and $13,320,000 Series 2009 Bonds. Excludes bonds being refunded.

LEGAL MATTERS

Pending Litigation

The District, like other similar bodies, is subject to a variety of suits and proceedings arising in the ordinary conduct of its affairs. The District, after reviewing the current status of all pending and threatened litigation with its counsel believes that, while the outcome of litigation cannot be predicted, the final settlement of all lawsuits which have been filed and of any actions or claims pending or threatened against the District or its officials in such capacity are adequately covered by insurance or sovereign immunity or will not have a material adverse effect upon the financial position or results of operations of the District.

There is no litigation now pending or, to the knowledge of the District, threatened which restrains or enjoins the issuance or delivery of the Series 2013 Bonds, the use of Net Revenues for the payment of the Series 2013 Bonds, or the use of the proceeds of the Series 2013 Bonds or which questions or contests the validity of the Series 2013 Bonds or the proceedings and authority under which they are to be issued. Neither the creation, organization, or existence of the District, nor the title of the present members or other officials of the District to their respective offices, is being contested or questioned.

Opinions of Bond Counsel

Legal matters incident to the authorization, validity, and issuance of the Series 2013 Bonds are subject to the approving opinion of Bass, Berry & Sims PLC, Nashville, Tennessee, Bond Counsel. The form of opinion of Bond Counsel is attached to this Official Statement as Appendix D. Copies of the opinion will be available at the time of the initial delivery of the Series 2013 Bonds. Certain legal matters will be passed upon for the District by Cope, Hudson Reed & McCreary, counsel to the District.

TAX MATTERS

Federal Taxes

General. Bass, Berry & Sims PLC, Nashville, Tennessee, is Bond Counsel for the Series 2013 Bonds. A form of their opinion is attached as Appendix D. Their opinion under existing law, relying on certain statements by the District and assuming compliance by the District with certain covenants, is that interest on the Series 2013 Bonds:

- is excluded from a bondholder's federal gross income under the Internal Revenue Code of 1986,
- is not a preference item for a bondholder under the federal alternative minimum tax, and
- is taken into account in determining the adjusted current earnings of a corporation under the federal corporate alternative minimum tax.

The "Code" imposes requirements on the Series 2013 Bonds that the District must continue to meet after the Series 2013 Bonds are issued. These requirements generally involve the way that Series 2013 Bond proceeds must be invested and ultimately used. If the District does not meet these requirements, it is possible that a bondholder may have to include interest on the Series 2013 Bonds in its federal gross income on a retroactive basis to the date of issue. The District has covenanted to do everything necessary to meet these requirements of the Code.

A bondholder who is a particular kind of taxpayer may also have additional tax consequences from owning the Series 2013 Bonds. This is possible if a bondholder is:

- an S corporation,
- a United States branch of a foreign corporation,
- a financial institution,
- a property and casualty or a life insurance company,
- an individual receiving Social Security or railroad retirement benefits,
- an individual claiming the earned income credit or
- a borrower of money to purchase or carry the Series 2013 Bonds.

If a bondholder is in any of these categories, it should consult its tax advisor.

Bond Counsel is not responsible for updating its opinion in the future. It is possible that future events or changes in applicable law could change the tax treatment of the interest on the Series 2013 Bonds or affect the market price of the Series 2013 Bonds. See also "Miscellaneous" below in this heading.

Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel on the federal income tax treatment of interest on the Series 2013 Bonds, or under State, local or foreign tax law.

Original Issue Discount. A Series 2013 Bond will have "original issue discount" if the price paid by the original purchaser of such Bond is less than the principal amount of such Series 2013 Bond. Bond Counsel's opinion is that any original issue discount on these Series 2013 Bonds as it accrues is excluded from a bondholder's federal gross income under the Internal Revenue Code. The tax accounting treatment of original issue discount is complex. It accrues on an actuarial basis and as it accrues a bondholder's tax basis in these Series 2013 Bonds will be increased. If a bondholder owns one of these Series 2013 Bonds, it should consult its tax advisor regarding the tax treatment of original issue discount.

Bond Premium. If a bondholder purchases a Series 2013 Bond for a price that is more than the principal amount, generally the excess is "bond premium" on that Series 2013 Bond. The tax accounting treatment of bond premium is complex. It is amortized over time and as it is amortized a bondholder's tax basis in that Bond will be reduced. The holder of a Series 2013 Bond that is callable before its stated maturity date may be required to amortize the premium over a shorter period, resulting in a lower yield on such Series 2013 Bonds. A bondholder in certain circumstances may realize a taxable gain upon the sale of a Series 2013 Bond with bond premium, even though the Series 2013 Bond is sold for an amount less than or equal to the owner's original cost. If a bondholder owns any Series 2013 Bonds with bond premium, it should consult its tax advisor regarding the tax accounting treatment of bond premium.

Information Reporting and Backup Withholding. Information reporting requirements apply to interest on tax-exempt obligations, including the Series 2013 Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Series 2013 Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Series 2013 Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

Prospective bondholders should consult their own tax advisors regarding the foregoing matters.

State Taxes

Under existing law, the Series 2013 Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) inheritance, transfer and estate taxes, (b) Tennessee excise taxes on interest on the Series 2013 Bonds during the period the Series 2013 Bonds are held or beneficially owned by any organization or entity, or other than a sole proprietorship or general partnership doing business in the State of Tennessee, and (c) Tennessee franchise taxes by reason of the inclusion of the book value of the Series 2013 Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee.

Changes in Federal and State Tax Law

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Series 2013 Bonds or otherwise prevent holders of the Series 2013 Bonds from realizing the full benefit of the tax exemption of interest on the Series 2013 Bonds. Further, such proposals may impact the marketability or market value of the Series 2013 Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to Series 2013 Bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Series 2013 Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series 2013 Bonds would be impacted thereby. Purchasers of the Series 2013 Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series 2013 Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

Prospective purchasers of the Series 2013 Bonds should consult their own tax advisors regarding the foregoing matters.

CONTINUING DISCLOSURE

General

The District will at the time the Series 2013 Bonds are delivered execute a Continuing Disclosure Certificate under which it will covenant for the benefit of holders and beneficial owners of the Series 2013 Bonds to provide certain financial information and operating data relating to the District by not later than twelve months after the end of each fiscal year commencing with the fiscal year ending September 30 (the "Annual Report"), and to provide notice of the occurrence of certain enumerated events and notice of failure to provide any required financial information of the District. The Annual Report (and audited financial statements if filed separately) and notices described above will be filed by the District with the Municipal Securities Rulemaking Board ("MSRB") at www.emma.msrb.com and with any State Information Depository which may be established in Tennessee (the "SID"). The specific nature of the information to be contained in the Annual Report or the notices of events is summarized below. These covenants have been made in order to assist the Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b), as it may be amended from time to time (the "Rule"). The District is in compliance with the undertakings required under the Rule.

Compliance With Previous Continuing Disclosure Undertakings

In the previous five years, the District has never failed to comply with its continuing disclosure undertakings.

Annual Report

The District's Annual Report shall contain or incorporate by reference the General Purpose Financial Statements of the District for the fiscal year, prepared in accordance with generally accepted accounting principles; provided, however, if the District's audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained herein, and the audited financial statements shall be filed when available. The Annual Report shall also include in a similar format the following information included in Appendix C to this Official Statement as follows.

1. Number of Customers;

2. Historical Water Demand;

3. Water and Sewer Rates;

4. Ten Largest Customers;

5. Summary of Operating Results;

6. Summary of Assets, Liabilities and Retained Earnings; and

7. Historical Debt Service Coverage.

Any or all of the items above may be incorporated by reference from other documents, including Official Statements in final form for debt issues of the District or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document incorporated by reference is a final Official Statement, in final form, it will be available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so incorporated by reference.

Reporting of Significant Events

The District will file notice regarding certain significant events with the MSRB and SID, if any, as follows:

1. Upon the occurrence of a Listed Event (as defined in (3) below), the District shall in a timely manner, but in no event more than ten (10) business days after the occurrence of such event, file a notice of such occurrence with the MSRB and SID, if any. Notwithstanding the foregoing, notice of Listed Events described in subsection (3)(h) and (i) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Series 2013 Bonds pursuant to the Resolution.

2. For Listed Events where notice is only required upon a determination that such event would be material under applicable Federal securities laws, the District shall determine the materiality of such event as soon as possible after learning of its occurrence.

3. The following are the Listed Events:

a. Principal and interest payment delinquencies;

b. Non-payment related defaults, if material;

c. Unscheduled draws on debt service reserves reflecting financial difficulties;

d. Unscheduled draws on credit enhancements reflecting financial difficulties;

e. Substitution of credit or liquidity providers, or their failure to perform;

f. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2013 Bonds or other material events affecting the tax status of the Series 2013 Bonds;

g. Modifications to rights of Series 2013 Bondholders, if material;

h. Series 2013 Bond calls, if material, and tender offers;

i. Defeasances;

j. Release, substitution, or sale of property securing repayment of the securities, if material;

k. Rating changes;

l. Bankruptcy, insolvency, receivership or similar event of the obligated person;

m. The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

n. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

Termination of Reporting Obligation

The District's obligations under the Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2013 Bonds.

Amendment/Waiver

Notwithstanding any other provision of the Disclosure Certificate, the District may amend the Disclosure Certificate, and any provision of the Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions concerning the Annual Report and Reporting of Significant Events it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Series 2013 Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized Bond Counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2013 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Series 2013 Bonds in the same manner as provided in the Resolution for amendments to the Resolution with the consent of the respective Holders, or (ii) does not, in the opinion of nationally recognized Bond Counsel, materially impair the interests of the Holders or beneficial owners of the Series 2013 Bonds.

In the event of any amendment or waiver of a provision of the Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Default

In the event of a failure of the District to comply with any provision of the Disclosure Certificate, any Series 2013 Bondholder or any Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its

Default

In the event of a failure of the District to comply with any provision of the Disclosure Certificate, any Series 2013 Bondholder or any Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under the Disclosure Certificate. A default under the Disclosure Certificate shall not be deemed an event of default, if any, under the Resolution, and the sole remedy under the Disclosure Certificate in the event of any failure of the District to comply with the Disclosure Certificate shall be an action to compel performance.
History of Compliance with Continuing Disclosure Undertakings

RATING

Standard & Poor's (the "Rating Agency") has assigned the Series 2013 Bonds a rating of "AAA". An explanation of the significance of such rating may be obtained from the Rating Agency. This rating is not a recommendation to buy, sell or hold the Series 2013 Bonds. Generally, rating agencies base their ratings on information and materials furnished to the agencies and on investigations, studies and assumptions by the agencies. There is no assurance that this rating will be maintained for any given period of time or that this rating will not be revised downward or withdrawn entirely by the Rating Agency if, in such agency's judgment, circumstances so warrant. Any such downward revision or withdrawal of this rating may have an adverse effect on the market price of the Series 2013 Bonds. Neither the District nor the Underwriter has undertaken any responsibility to oppose any revision or withdrawal of the rating.

FINANCIAL ADVISOR

The District has engaged Stephens Inc. as its Financial Advisor in connection with the issuance of the Series 2013 Bonds. The Financial Advisor's fees for services rendered with respect to the sale of the Series 2013 Bonds are contingent upon the issuance and delivery of the Series 2013 Bonds. Stephens Inc., in its capacity as Financial Advisor, has relied on the opinion of Bond Counsel and has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Series 2013 Bonds or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor has provided the following sentence for inclusion in this Official Statement: The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

UNDERWRITING

Raymond James & Associates, Inc., Memphis, Tennessee, acting for and on behalf of itself and such other securities dealers as it may designate, will purchase the Series 2013 Bonds for an aggregate purchase price of $35,314,545.90, which is par, less $210,439.00 underwriter's discount, plus net original issue premium of $2,384,984.90.

The Underwriter may offer and sell the Series 2013 Bonds to certain dealers (including dealer banks and dealers depositing the Series 2013 Bonds into investment trusts) and others at prices different from the public offering prices stated on the cover page of this Official Statement. Such initial public offering prices may be changed from time to time by the Underwriter.

INDEPENDENT AUDITORS

The financial statements of the District as of September 30, 2012 and for the year then ended, attached hereto as Appendix C, have been audited by Edmondson, Betzler & Montgomery, PLLC, Murfreesboro, Tennessee, independent auditors, as stated in their report thereon and are included in reliance upon the authority of such firm as independent auditors. Edmondson, Betzler & Montgomery, PLLC has not been engaged to perform and has not

MISCELLANEOUS

Use of the words “shall” or “will” in this Official Statement in summaries of documents to describe future events or continuing obligations is not intended as a representation that such event or obligation will occur but only that the document contemplates or requires such event to occur or obligation to be fulfilled.

Any statements made in this Official Statement involving estimates or matters of opinion, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates or matters of opinion will be realized. Neither this Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the owners of the Series 2013 Bonds.

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AUTHORIZATION OF AND CERTIFICATION CONCERNING OFFICIAL STATEMENT

The Official Statement has been authorized by the Board of Commissioners of the District. Concurrently with the delivery of the Series 2013 Bonds, the undersigned will furnish an Agreement to the effect that nothing has come to the undersigned's attention which would lead the undersigned to believe that this Official Statement contained, as of the date of delivery of the Series 2013 Bonds, any untrue statement of a material fact or omitted to state a material fact which should be included herein for the purposes for which this Official Statement is intended to be used or which is necessary to make the statements contained herein, in light of the circumstances under which they were made, not misleading.

/s/ John L. Batey, Jr. .
John L. Batey, Jr., President

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APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

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SUMMARY OF RESOLUTION

The following information is a brief summary of certain provisions of the Resolution, as hereinafter defined, copies of which are available at the offices of the District. This summary is not to be considered a complete statement of the Resolution, and, accordingly, is qualified by reference thereto and is subject to the full text thereof.

Definitions of Certain Terms

The following are definitions of certain terms used in the Resolution and in this Official Statement.

"Acquired System" shall mean any water procurement, treatment, storage or distribution system acquired by the District pursuant to the Act, any sewer treatment and/or transmission facilities hereafter constructed, acquired or otherwise established by the District pursuant to the Act and/or any natural gas distribution system or facilities hereafter constructed, acquired or otherwise established by the District pursuant to the Act.

"Act" shall mean Sections 7-82-101, Tennessee Code Annotated.

"Balloon Indebtedness" shall mean any bonds, notes or other indebtedness, other than Short-Term Indebtedness, 25% or more of the initial principal amount of which matures (or must be redeemed at the option of the holder) during any twelve-month period, if such 25% or more is not to be amortized to below 25% by mandatory redemption prior to the beginning of such twelve-month period.

"Bond Fund" shall mean the Principal and Interest Sinking Fund established by the Resolution; "Bonds" means the Series 2013 Bonds and any Parity Bonds.

"Capital Appreciation Bonds" shall mean bonds which bear interest at a stated interest rate of 0.0% per annum, have a value on any applicable date equal to the Compound Accreted Value thereof on that date, and are payable only at maturity or earlier redemption.

"Compound Accreted Value" shall mean the value at any applicable date of any Capital Appreciation Bonds computed as the original principal amount thereof for each maturity date plus an amount equal to interest on said principal amount (computed on the basis of a 360-day year of twelve 30-day months) compounded semiannually on such dates as shall be established by the resolution authorizing Capital Appreciation Bonds, from the dated date to said applicable date at an interest rate which will produce at maturity the Maturity Amount for such maturity date.

"Credit Facility" means any municipal bond insurance policy, letter of credit, surety bond, line of credit, guarantee, or other agreement under which any person other than the District provides additional security for any Bonds and guarantees timely payment of or purchase price equal to the principal of and interest on all or a portion of any Bond and shall include any Reserve Fund Credit Facility.

"Current Expenses" means expenses incurred by the District in the operation of the System, determined in accordance with generally accepted accounting principles; provided however that depreciation, amortization and interest on any bonds, notes or other obligations of the District shall be excluded from the definition of Current Expenses.

"Debt Service Requirement" means the total principal, Maturity Amounts and interest coming due, whether at maturity or upon mandatory redemption (less any amount of interest that is capitalized and payable with the proceeds of debt on deposit with the District or any paying agent for the Bonds or other obligations of the District), for any period of 12 consecutive calendar months for which such a determination is made, provided:

(a) The Debt Service Requirement with respect to Variable Rate Indebtedness shall be determined as if the variable rate in effect at all times during future periods equaled, at the option of the District, either (A) the average of the actual variable rate which was in effect (weighted according to the length of the period during which each such variable rate was in effect) for the most recent 12-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a 12-month period), or (B) the current average annual fixed rate of interest on securities of similar quality having a similar maturity date, as certified by a Financial Advisor.

(b) For the purpose of calculating the Debt Service Requirement on Balloon Indebtedness and Short Term Indebtedness, at the option of the District, (i) the actual principal and interest on such Balloon Indebtedness and Short Term Indebtedness shall be included in the Debt Service Requirement, subject to the other assumptions contained herein, or (ii) such Balloon Indebtedness and Short Term Indebtedness shall be assumed to be amortized in substantially equal annual amounts to be paid for principal and interest over an assumed amortization period of 20 years at an assumed interest rate (which shall be the interest rate certified by a Financial Advisor to be the interest rate at which the District could reasonably expect to borrow the same amount by issuing bonds with the same priority of lien as such Balloon Indebtedness and Short Term Indebtedness and with a 20-year term); provided, however, that if the maturity of such Balloon Indebtedness is in excess of 20 years from the date of issuance, then such Balloon Indebtedness shall be assumed to be amortized in substantially equal annual amounts to be paid for principal and interest over an assumed amortization period of years equal to the number of years from the date of issuance of such Balloon Indebtedness to maturity and at the interest rate applicable to such Balloon Indebtedness; provided further that this paragraph (b) shall not be applicable for purposes of determining the District's Debt Service Requirement for purposes of the provisions of this resolution related to the rate covenant unless the District has set aside sufficient funds for the retirement of or the District's Board of Commissioner has adopted a resolution directing the refinancing of at least 90% of the principal amount of such Balloon Indebtedness or Short Term Indebtedness coming due in the relevant Fiscal Year.

"Defeasance Obligations" shall mean any obligations which at the time of the purchase thereof are permitted investments under the Act or other applicable Tennessee law for the purpose of defeasing Bonds.

"Financial Advisor" means an investment banking or financial advisory firm, commercial bank, or any other person who or which is retained by the District for the purpose of passing on questions relating to the availability and terms of specified types of debt obligations or the financial condition or operation of the System and is actively engaged in and, in the good faith opinion of the District, has a favorable reputation for skill and experience in providing financial advisory services of the type with respect to which the Financial Advisor has been retained.

"Financial Guaranty Agreement" shall mean any Financial Guaranty Agreement authorized herein to be executed in connection with a Reserve Fund Credit Facility.

"Fiscal Year" means the fiscal year adopted by the District from time to time; "Governing Body" means the Board of Commissioners of the District.

"Governing Body" means Board of Commissioners of the District;

"Gross Earnings" means all revenues, rentals, earnings and income of the District from whatever source, determined in accordance with generally accepted accounting principles, including all revenues derived from the operation of the System and all amounts realized from the investment of funds of the System (excluding any investment earnings from construction or improvement funds created for the deposit of bond proceeds pending use, to the extent such income is applied to the purposes for which the bonds were issued, and funds created to defease any outstanding obligations of the District); provided, however, at the election of the Governing Body, the term "Gross Earnings" as used herein shall not include any revenues, rentals, earnings or other income received by the District from the operation of an Acquired System, and any bonds or other obligations issued in connection with such Acquired System shall not be payable from or secured by Net Revenues or be deemed to be Parity Bonds.

"Loan Agreement" shall mean any agreement or contract entered into by the District whereby a third party agrees to advance funds to the District and the District agrees to repay those funds with interest.

"Maturity Amount" shall mean the Compound Accreted Value on the stated maturity date of a Capital Appreciation Bond.

“Maximum Annual Debt Service Requirement” means the maximum annual Debt Service Requirement for any Fiscal Year of the District.

"Net Revenues” shall mean Gross Earnings, excluding any profits or losses on the sale or other disposition, not in the ordinary course of business, of investments or fixed or capital assets, less Current Expenses.

“Parity Bonds” means bonds, notes, Loan Agreements, and other debt obligations, including Balloon Indebtedness, Short-Term Indebtedness and Variable Rate Indebtedness, issued or entered into by the District on a parity with the Series 2013 Bonds in accordance with the restrictive provisions of the Resolution, including any bonds or other obligations secured by a pledge of and/or lien on an Acquired System and the revenues derived from the operation of such Acquired System (provided such pledge and lien are subject only to normal and customary expenses of operating, maintaining, repairing and insuring any such System), so long as the Acquired System is not being operated separately from the System as is permitted herein or the revenues from such Acquired System are not excluded from Gross Earnings.

”Prior Lien Obligations” means the District’s outstanding Waterworks Revenue Bond, Series 1976, dated September 1, 1976, Waterworks Revenue Bond, Series 1978, dated September 5, 1978, Waterworks Revenue Bond, Series 2000, dated May 28, 2002, Waterworks Revenue Bond, Series 2008, dated May 26, 2009 and Waterworks Revenue Bonds, Series 2009, dated November 19, 2009.

“Rating” means a rating in one of the categories by a Rating Agency, disregarding pluses, minuses, and numerical gradations.

“Rating Agencies” or “Rating Agency" means Fitch, Moody's, and Standard & Poor's or any successors thereto and any other nationally recognized credit rating agency.

“Reserve Fund” shall mean the Debt Service Reserve Fund established in the Resolution.

“Reserve Fund Credit Facility” means a municipal bond insurance policy, surety bond, letter of credit, line of credit, guarantee or other agreement provided by a Reserve Fund Credit Facility Issuer which provides for payment of amounts equal to all or any portion of the Reserve Fund Requirement in the event of an insufficiency of moneys in the Bond Fund to pay when due principal of and interest on all or a portion of the Bonds.

“Reserve Fund Credit Facility Issuer” means the issuer of a Reserve Fund Credit Facility rated, at the time at which such Reserve Fund Credit Facility is purchased, not less than the second-highest rating category (without regard to gradations within such category) by each Rating Agency that rates such Reserve Fund Credit Facility Issuer and which also rates any Bonds secured by such Reserve Fund Credit Facility.

“Reserve Fund Requirement” means an amount determined from time to time by the District as a reasonable reserve, if any, for the payment of principal of and interest on a series of Bonds pursuant to the resolution authorizing such Bonds. With respect to the Series 2013 Bonds authorized herein, there shall be no Reserve Fund Requirement until such time as the District shall have failed, for two consecutive Fiscal Years, to produce Net Revenues sufficient to satisfy the rate covenant test set forth in Section 14(e), but assuming solely for this purpose that the 125% coverage requirement of Section 14(e)(2)(a) is instead read as a 150% coverage requirement. At such time and from time to time thereafter, the Reserve Fund Requirement with respect to the Series 2013 Bonds shall be the least of (a) 10% of the original stated principal amount of the Series 2013 Bonds; (b) the remaining Maximum Annual Debt Service Requirement on the Series 2013 Bonds, on a Fiscal Year basis; or (c) 125% of the remaining average Debt Service Requirement on the Series 2013 Bonds, on a Fiscal Year basis; and shall be funded as set forth in Section 13(b)(4) of the Resolution.

“Revenue Fund” shall have the Revenue Fund established in the Resolution;

“Series 2013 Bonds” means the District's $33,140,000 Waterworks Revenue Refunding Bonds, Series 2013.

"Short Term Indebtedness" means bonds, notes, Loan Agreements or other debt obligations maturing five years or less from their date of issuance, issued by the District as Parity Bonds pursuant to the terms hereof.

"State" means the State of Tennessee.

"Subordinate Lien Bonds" means bonds, notes, Loan Agreement or other debt obligations issued by the District with a lien subordinate to the Bonds.

"System" shall mean the District's water system, and shall include all facilities hereafter acquired, constructed or otherwise established, together with and including all properties of every nature hereafter owned by the District, including all improvements and extensions made by the District while the Bonds remain outstanding, and including all real and personal property of every nature comprising part of or used or useful in connection with the foregoing, and including all appurtenances, contracts, leases, franchises, and other intangibles; provided, however, at the election of the Governing Body, an Acquired System may be included within the System as defined herein and become a part thereof or, at the election of the Governing Body, not become a part of the System but be operated as a separate and independent system by the Governing Body with the continuing right, upon the election of the Governing Body, to incorporate such separately Acquired System within the System.

"Variable Rate Indebtedness" means any Parity Bonds, the interest rate on which is subject to periodic adjustment, at intervals, at such times and in such manner as shall be determined by resolution authorizing such Parity Bonds; provided that if the interest rate shall have been fixed for the remainder of the term thereof, it shall no longer be Variable Rate Indebtedness.

Application of Revenues

The following funds, accounts and subaccounts are established by the Resolution, and the money deposited in such funds, accounts and subaccounts shall be held in trust for the purposes set forth in the Resolution:

1) System Revenue Fund (the "Revenue Fund") to be held by the District.

2) Principal and Interest Sinking Fund (the "Bond Fund") to be held by the District, and within the Bond Fund:

a) Interest Account, with further subaccounts therein for each series of Bonds; provided a subaccount therein may be utilized for more than one series of Bonds if all such series of Bonds share exactly the same lien status on the Net Revenues.

b) Principal Account, with further subaccounts therein for each series of Bonds; provided a subaccount therein may be utilized for more than one series of Bonds if all such series of Bonds share exactly the same lien status on the Net Revenues.

3) Debt Service Reserve Fund (the "Reserve Fund"), with an account for each series of Bonds which has a Reserve Fund Requirement; provided an account therein may be utilized for more than one series of Bonds if all such series of Bonds are specified in the resolution authorizing such Bonds to share a pledge of such account and have a combined Reserve Fund Requirement. Nothing herein shall prohibit the District from issuing one or more series of Bonds without a Reserve Fund Requirement and no deposit to the Reserve Fund and no Reserve Fund Credit Facility shall be required in connection therewith.

As long as any of the Bonds shall be outstanding and unpaid either as to principal or as to interest, or until the discharge and satisfaction of all the Bonds, the Gross Earnings of the System shall be deposited as collected by the District to the Revenue Fund hereby established (the "Revenue Fund"), administered and controlled by the District; provided that the Gross Earnings shall be first applied as required by the resolutions authorizing any Prior Lien Obligations. The funds so deposited in the Revenue Fund created under the Resolution shall be used only as follows:

1) The money in the Revenue Fund shall be used first from month to month for the payment of Current Expenses.

2) The money thereafter remaining in the Revenue Fund shall next be used to make deposits into the Sinking Fund to be further deposited in the Interest Account and the Principal Account as set forth in the Resolution and used to pay principal of and interest on the Bonds as the same become due, either by maturity or mandatory redemption. Such deposits shall be made monthly until the Bonds are paid in full or discharged and satisfied pursuant to the defeasance provisions of the Resolution. Each monthly deposit as to interest for the Bonds shall be an equal to not less than one-sixth (1/6th) of the interest coming due on the Bonds on the next interest payment date net of any interest earnings on such amounts; provided that proportionately greater monthly amounts shall be deposited to account for any initial period of less than six months following the issuance of Bonds. Each monthly deposit as to principal for the Bonds shall be an amount equal to not less than one-twelfth (1/12th) of the principal amount and/or Maturity Amount coming due on the Bonds, whether by maturity or mandatory redemption, on the next principal payment date net of any interest earnings on such amounts; provided that proportionately greater monthly amounts shall be deposited to account for any initial period of less than 12 months following the issuance of Bonds. No further deposit shall be required as to any Bonds when the Sinking Fund balance is equal to or greater than the amount needed to pay interest on the next interest payment date and the total of the principal amounts payable, either by maturity or mandatory redemption, during the applicable twelve-month period. Notwithstanding the foregoing, deposits for payment of interest and principal on Variable Rate Indebtedness shall be made as set forth in the resolution authorizing such Variable Rate Indebtedness, and if interest is not paid semi-annually and/or principal is not paid annually with respect to any Bonds, the deposits may be adjusted by the District as provided in the resolution authorizing the issuance of such Bonds. Money in the Bond Fund shall be used and is expressly pledged for the purpose of paying principal of and interest on the Bonds.

3) The next available money in the Revenue Fund shall be paid to any Reserve Fund Credit Facility Issuer or Issuers (pro rata, if more than one) to the extent needed to reimburse the Reserve Fund Credit Facility Issuer for amounts advanced by the Reserve Fund Credit Facility Issuer or Issuers under the Reserve Fund Credit Facility, including any amounts payable under any Financial Guaranty Agreement, together with reasonable related expenses incurred by the Reserve Fund Credit Facility Issuer and interest as provided in the Financial Guaranty Agreement.

4) To the extent any series of the Bonds has a Reserve Fund Requirement and such Reserve Fund Requirement is not fully satisfied by a Reserve Fund Credit Facility or Facilities or funds of the District, or a combination thereof, the next available money in the Revenue Fund shall be used to make deposits into the applicable subaccount of the Reserve Fund. No deposit shall be required to be made to the Reserve Fund unless the amount in the Reserve Fund, together with the Reserve Fund Credit Facility or Facilities, if any, becomes less than the applicable Reserve Fund Requirement. In the event deposits to the Reserve Fund shall be required pursuant to the preceding sentence, said deposits shall be payable monthly as hereafter provided and each deposit shall be in a minimum amount equal to 1/24th of the difference between the Reserve Fund Requirement and the amount in each subaccount of said Fund, together with the Reserve Fund Credit Facility or Facilities, if any, immediately following the occurrence of such deficiency, so that any deficiency in any subaccount of said Fund shall be replenished over a period of not greater than twenty-four (24) consecutive months; provided, any monthly payments in excess of said minimum payments shall be a credit against the next ensuing payment or payments. Any deposits required to be made hereunder shall be made monthly at the same time as deposits are made to the Bond Fund, commencing the first month in which the amount in the Fund, together with the Reserve Fund Credit Facility or Facilities, if any, is less than the Reserve Fund Requirement. All deposits to the Reserve Fund shall be made from the first money in the Revenue Fund thereafter received which shall not then be required to pay Current Expenses, satisfy the contractual obligations set forth in the Prior Bond Resolution, be transferred into the Bond Fund, or to be paid to the Reserve Fund Credit Facility Issuer or Issuers as above provided. Money in the Reserve Fund shall be used solely for the purpose of paying principal of or interest on the Bonds for the payment of which funds are not available in the Bond Fund. Funds in excess of the Reserve Fund Requirement may be released to be used by the District for legally permissible purposes.

At the option of the District, the District may satisfy the Reserve Fund Requirement applicable to a series of Bonds, or a portion thereof, by providing for the benefit of owners of such series of Bonds a Reserve Fund Credit Facility or Facilities, at any time, in an amount not greater than the Reserve Fund Requirement applicable to such series of Bonds and release an equal amount of funds on deposit in the corresponding subaccount of the Reserve Fund to be used by the District for legally permissible purposes. At any time during the term hereof, the District shall have the right and option to substitute a new Reserve Fund Credit Facility or Facilities for any Reserve Fund Credit Facility or Facilities previously delivered, upon notice to the Registration Agent and the Reserve Fund Credit Facility Issuer or Issuers and delivery of a Reserve Fund Credit Facility or Facilities in substitution therefor. In the event of the issuance of Parity Bonds pursuant to the restrictive provisions hereof with a Reserve Fund Requirement or the substitution of a Reserve Fund Credit Facility or Facilities for less than the full amount of the Reserve Fund Requirement, the District shall satisfy the applicable Reserve Fund Requirement by depositing funds to the Reserve Fund or obtaining a Reserve Fund Credit Facility or Facilities, or any combination thereof, in an aggregate amount equal to the applicable Reserve Fund Requirement for the series of Bonds taking into account any funds then held therein or the amount of any Reserve Fund Credit Facility or Facilities then in effect.

In the event of the necessity of a withdrawal of funds from the Reserve Fund during a time when the Reserve Fund Requirement is being satisfied by a Reserve Fund Credit Facility or Facilities and funds of the District, the funds shall be disbursed completely before any demand is made on the Reserve Fund Credit Facility. In the event all or a portion of the Reserve Fund Requirement is satisfied by more than one Reserve Fund Credit Facility, any demand for payment shall be pro rata between or among the Reserve Fund Credit Facilities. If a disbursement is made by demand on a Reserve Fund Credit Facility, the District, from Revenues after payment of Current Expenses, satisfaction of the contractual obligations set forth in the Prior Bond Resolutions and required deposits to the Bond Fund, shall reimburse the Reserve Fund Credit Facility Issuer for all amounts advanced under the Reserve Fund Credit Facility (pro rata, if more than one Reserve Fund Credit Facility), including all amounts payable under any Financial Guaranty Agreement or Agreements, and then replenish the Reserve Fund as provided herein.

In the event the Reserve Fund Requirement, or any part thereof, shall be satisfied with a Reserve Fund Credit Facility or Facilities, notwithstanding the terms of the Resolution, the terms, covenants, liability and liens provided or created herein or in any resolution supplemental hereto shall remain in full force and effect and said terms, covenants, liability and liens shall not terminate until all amounts payable under any Financial Guaranty Agreement have been paid in full and all obligations thereunder performed in full. If the District shall fail to pay when due all amounts payable under any Financial Guaranty Agreement, the Reserve Fund Credit Facility Issuer shall be entitled to exercise any and all remedies available at law or under this Resolution other than remedies that would adversely affect owners of Bonds.

It shall be the responsibility of the Registration Agent to maintain adequate records, verified with the Reserve Fund Credit Facility Issuer or Issuers, as to the amount available to be drawn at any given time under the Reserve Fund Credit Facility or Facilities and as to the amounts paid and owing to the Reserve Fund Credit Facility or Facilities and as to the amounts paid and owing to the Reserve Fund Credit Facility Issuer or Issuers under the terms of any Financial Guaranty Agreement and to provide notice to the Reserve Fund Credit Facility Issuer at least two days before any payment is due. The Reserve Fund Credit Facility Issuer shall receive notice of the resignation or removal of the Registration Agent and the appointment of a successor thereto.

Parity Bonds pursuant to the restrictive provisions of the Resolution with a Reserve Fund Requirement or the substitution of a Reserve Fund Credit Facility or Facilities for less than the full amount of the Reserve Fund Requirement, the District shall satisfy the applicable Reserve Fund Requirement by depositing funds to the Reserve Fund or obtaining a Reserve Fund Credit Facility or Facilities, or any combination thereof, in an aggregate amount equal to the applicable Reserve Fund Requirement for the series of Bonds taking into account any funds then held therein or the amount of any Reserve Fund Credit Facility or Facilities then in effect.

In the event of the necessity of a withdrawal of funds from the Reserve Fund during a time when the Reserve Fund Requirement is being satisfied by a Reserve Fund Credit Facility or Facilities and funds of the District, the funds shall be disbursed completely before any demand is made on the Reserve Fund Credit Facility. In the event all or a portion of the Reserve Fund Requirement is satisfied by more than one Reserve Fund Credit Facility, any demand for payment shall be pro rata between or among the Reserve Fund Credit Facilities. If a disbursement is made by demand on a Reserve Fund Credit Facility, the District, from Revenues after payment of Current Expenses, satisfaction of the contractual obligations set forth in the Prior Bond Resolution and required deposits to the Bond Fund, shall reimburse the Reserve Fund Credit Facility Issuer for all amounts advanced under the Reserve Fund Credit Facility (pro rata, if more than one Reserve Fund Credit Facility), including all amounts payable under any Financial Guaranty Agreement or Agreements, and then replenish the Reserve Fund as provided herein.

In the event the Reserve Fund Requirement, or any part thereof, shall be satisfied with a Reserve Fund Credit Facility or Facilities, notwithstanding the terms of defeasance provisions of the Resolution, the terms, covenants, liability and liens provided or created herein or in any resolution supplemental hereto shall remain in full force and effect and said terms, covenants, liability and liens shall not terminate until all amounts payable under any Financial Guaranty Agreement have been paid in full and all obligations thereunder performed in full. If the District shall fail to pay when due all amounts payable under any Financial Guaranty Agreement, the Reserve Fund Credit Facility Issuer shall be entitled to exercise any and all remedies available at law or under this Resolution other than remedies that would adversely affect owners of Bonds.

It shall be the responsibility of the Registration Agent to maintain adequate records, verified with the Reserve Fund Credit Facility Issuer or Issuers, as to the amount available to be drawn at any given time under the Reserve Fund Credit Facility or Facilities and as to the amounts paid and owing to the Reserve Fund Credit Facility Issuer or Issuers under the terms of any Financial Guaranty Agreement and to provide notice to the Reserve Fund Credit Facility Issuer at least two days before any payment is due. The Reserve Fund Credit Facility Issuer shall receive notice of the resignation or removal of the Registration Agent and the appointment of a successor thereto.

Notwithstanding anything herein to the contrary, the District may issue Parity Bonds without a Reserve Fund Requirement, as shall be specified in the bond resolution authorizing such Parity Bonds.

5) The next available money in the Revenue Fund shall be used for the purpose of the payment of principal of and interest on (including reasonable reserves therefor) any Subordinate Lien Bonds or other obligations payable from revenues of the System, but junior and subordinate to the Bonds, and may thereafter be used by the District for any legally permissible purpose, as the Governing Body shall determine.

Money on deposit in the Funds described in this section may be invested by the District in such investments as shall be permitted by applicable law, as determined by an authorized representative of the District, all such investments to mature not later than the date on which the money so invested shall be required for the purpose for which the respective Fund was created. All income derived from such investments shall be regarded as revenues of the System and shall be deposited in the Revenue Fund. Such investments shall at any time necessary be liquidated and the proceeds thereof applied to the purpose for which the respective Fund was created; provided, however, that in no event shall moneys in the Reserve Fund be invested in instruments that mature more than two years from the date the money is so invested. The District is authorized to enter into contracts with third parties for the investment of funds in any of the Funds described in this section.

The Revenue Fund, the Bond Fund, and the Reserve Fund (except to the extent funded with a Reserve Fund Credit Facility or Facilities) shall be held and maintained by the District and, when not invested, kept on deposit with a bank or financial institution regulated by and the deposits of which are insured by the Federal Deposit Insurance Corporation or similar federal agency. All moneys in such Funds so deposited shall at all times be secured to the extent and in the manner required by applicable State law.

Covenants Regarding the Operation of System

The District covenants and agrees with the owners of the Bonds so long as any of the Bonds shall remain outstanding:

a. The District shall maintain the System in good condition and operate the System in an efficient manner and at reasonable cost and conduct all activities associated therewith or incident thereto.

b. The District shall maintain insurance on the properties of the System of a kind and in an amount which would normally be carried by private companies engaged in a similar type and size of business, provided, the District shall not be required to insure beyond the limits of immunity provided by Sections 29-20-101 et seq., Tennessee Code Annotated, or other applicable law. The proceeds of any such insurance, except public liability insurance, shall be used to replace the part or parts of the System damaged or destroyed, or, if not so used, shall be placed in the Revenue Fund.

c. The District will cause to be kept proper books and accounts adapted to the System, will cause the books and accounts to be audited at the end of each Fiscal Year by a recognized independent certified public accountant or a firm of such accountant or accountants and, upon written request, will make available to any registered owner of the Bonds the balance sheet and the profit and loss statement of the District as certified by such accountant or accountants. Each such audit, in addition to whatever matters may be thought proper by the accountant or accountants to be included therein, shall include the following:

1) A statement in detail of the revenues and expenditures of the System and the excess of revenues over expenditures for the Fiscal Year;

2) A statement showing beginning and ending balances of each Fund described herein;

3) A balance sheet as of the end of the Fiscal Year;

4) The accountant's comments regarding the manner in which the District has carried out the requirements of the Resolution and the accountant's recommendations with respect to any change or improvement in the operation of the System;

5) A list of insurance policies in force at the end of the Fiscal Year, setting out as to each policy the amount of the policy, the risks covered, the name of the insurer and the expiration date of the policy;

6) The number and classifications of customer service connections to the System as of the end of the Fiscal Year;

7) The disposition of any Bond proceeds during the Fiscal Year;

8) A statement as to all breaches or defaults hereunder by the District of which the accountant or accountants have knowledge or, in the alternative, a statement that they have no knowledge of any such breach or default.

All expenses incurred in the making of the audits required by this subsection shall be regarded and paid as Current Expenses. The District further agrees to cause copies of such audits to be furnished to the registered owner of any of the Bonds, at the written request thereof, within one year after the close of each Fiscal Year. The registered owner of any of the Bonds shall have at all reasonable times the right to inspect the System and the records, accounts and data of the District relating thereto. If the District fails to provide the audits and reports required by this subsection, the registered owner or owners of twenty-five percent (25%) in principal amount of the Bonds may cause such audits and reports to be prepared at the expense of the District.

d. The District will faithfully and punctually perform all duties with reference to the System required by the constitution and laws of the State, including the making and collecting of reasonable and sufficient rates for services rendered by the System, and will apply the revenues of the System to the purposes and Funds specified in the Resolution.

e. The District shall continuously own, control, operate, and maintain the System in an efficient and economical manner and on a revenue producing basis and shall at all times prescribe, fix, maintain, and collect rates, fees, and other charges for the services and facilities furnished by the System fully sufficient at all times:

1) for 100% of the Current Expenses and for the accumulation in the Revenue Fund of a reasonable reserve therefor, in an amount, if any, as shall be determined from time to time by the District; and

2) such that Net Revenues in each Fiscal Year:

a) will equal at least 125% of the Debt Service Requirement on all Bonds and Prior Lien Obligations, and 100% of the debt service requirement on any Subordinate Lien Bonds or other obligations then outstanding for such Fiscal Year; provided that the District may calculate the debt service requirement on Subordinate Lien Bonds in the manner prescribed for the Bonds in the definition of "Debt Service Requirement";

b) will enable the District to make all required payments, if any, into the Reserve Fund and on any Credit Facility Agreement;

c) will enable the District to accumulate an amount, which, in the judgment of the District, is adequate to meet the costs of major renewals, replacements, repairs, additions, betterments, and improvements to the System, necessary to keep the same in good operating condition or as is required by any governmental agency having jurisdiction over the System;

d) will remedy all deficiencies in required payments into any of the funds and accounts mentioned in this Resolution from prior Fiscal Years; and

e) will permit the District to comply with the terms of any agreement that the District has entered into to purchase water.

f. The District will not sell, lease, mortgage, or in any manner dispose of the System, or any part thereof, including any and all extensions and additions that may be made thereto, or any facility necessary for the operation thereof; provided, however, the use of any of the System facilities may at any time be permanently abandoned or any of the System facilities sold at fair market value, provided that:

1) The District is in full compliance with all covenants and undertakings in connection with all bonds, notes and other obligations then outstanding and payable from the revenues of the System and any required reserve funds for such bonds, notes and other obligations have been fully established and contributions thereto are current;

2) Any sale proceeds will be applied either (A) to redemption of Bonds or Prior Lien Obligations in accordance with the provisions governing repayment thereof in advance of maturity, or (B) to the purchase of Bonds or Prior Lien Obligations at the market price thereof so long as such price does not exceed the amount at which they could be redeemed on such date or the next optional redemption date as set forth herein or in their authorizing resolutions, or (C) to the construction or acquisition of facilities in replacement of the facilities so disposed of or other facilities constituting capital improvements to the System, or (D) the deposit to a replacement fund to be used to make capital improvements to the System;

3) The abandonment, sale or disposition is for the purpose of disposing of facilities which are no longer necessary or no longer useful to the operation of the System and the operation of the System or revenue producing capacity of the System is not materially impaired by such abandonment, sale or disposition or any facilities acquired in replacement thereof are of equivalent or greater value; and

4) The District shall have received an opinion of nationally recognized bond counsel to the effect that such sale, lease, mortgage or other disposition will not jeopardize the exclusion from federal income taxation of interest on any Bonds then outstanding intended to be excludable from gross income for federal income tax purposes.

Nothing herein is intended to prohibit the lease purchase of equipment or facilities of the System hereafter to be put in service or to prohibit the transfer or exchange of service areas to provide for more efficient operation of the System so long as the District is in full compliance with the covenants set forth herein immediately following such transfer or exchange.

g. Prior to the beginning of each Fiscal Year, the Governing Body shall prepare, or cause to be prepared, and adopted an annual budget of estimated revenues, Current Expenses, and capital expenditures for the System for the ensuing Fiscal Year in compliance with the rate covenant set forth in subsection (e) above, and will undertake to operate the System within such budget to the best of its ability. Copies of such budgets and amendments thereto will be made available to any registered owner of a Bond upon written request. The District covenants that Current Expenses and capital expenditures incurred in any Fiscal Year will not exceed the reasonable and necessary amounts therefor and that the District will not expend any amounts or incur any obligations therefor in excess of the amounts provided for Current Expenses and capital expenditures in the budget except upon resolution of the Governing Body.

h. The District will not construct, finance or grant a franchise for the development or operation of facilities that compete for service with the services to be provided by the System or consent to the provision of any such services in the area currently served by the District by any other public or private entity and will take all steps necessary and proper, including appropriate legal action to prevent any such entity from providing such service; provided, nothing herein contained shall prohibit the transfer or exchange of service areas to provide for more efficient operation of the System so long as the District is in full compliance with the covenants set forth herein immediately following such transfer or exchange.

i. For the purpose of assuring the efficient, impartial and non-political operation of the System for the benefit of the District and the owners of the Bonds from time to time outstanding, the complete and independent control and operation of the System shall continue to be vested in the Governing Body, subject, however, to the obligation and duty on the part of the Governing Body to carry out and perform faithfully all of the covenants and agreements contained herein. It is agreed with the owners from time to time of the Bonds and made a part of the contract rights which will vest in such owners at the time of delivery of the Bonds that the System will be so operated by the Governing Body.

Prior Lien and Additional Parity Bonds

Except as described in the following sentence, the District will issue no other bonds or obligations of any kind or nature payable from or enjoying a lien on the revenues of the System having priority over the Series 2013 Bonds, including debt obligations issued on parity with the Prior Lien Obligations. The District may issue up to $1,650,000 in par amount of bonds, notes or other debt obligations on parity of lien with the District's Waterworks Revenue Bond, Series 2000 and Waterworks Revenue Bond, Series 2008 for the purpose of financing projects through the United States Department of Agriculture, acting through Rural Development; provided that once the long-term debt obligation for any such project has been issued by the District, the par amount of any interim or construction financing retired with the proceeds of such long-term debt obligation shall not count against such $1,650,000 limit. Additional bonds, notes, Loan Agreements or obligations may hereafter be issued on parity with the Series 2013 Bonds under the following conditions but not otherwise:

a. Any portion (including any maturities or portions thereof whether or not in chronological order and any amounts subject to mandatory redemption) of a series of the Bonds may be refunded at maturity, upon redemption in accordance with their terms, or upon payment, prepayment or redemption with the consent of the owners of such Bonds, and the refunding bonds so issued shall constitute Parity Bonds secured on a parity with the Bonds thereafter outstanding, if all of the following conditions are satisfied:

1) the District shall have obtained a report from a Financial Advisor demonstrating that the refunding is expected to reduce the total debt service payments on the Bonds, as applicable; and

2) the requirements of subsections (b)(2) and (4) below are met with respect to such refunding.

b. Parity Bonds (including refunding Parity Bonds which do not meet the requirements of (a)) may also be issued on a parity with outstanding Bonds, and the Parity Bonds so issued shall be secured on a parity with such outstanding Bonds, if all of the following conditions are satisfied:

1) There shall have been procured and filed with the District a report by a Financial Advisor or a certificate by the General Manager of the District, or his or her designee, to the effect that the historical Net Revenues for either (i) a period of 12 consecutive months of the most recent 18 consecutive months prior to the issuance of the proposed Parity Bonds or (ii) the most recent audited Fiscal Year, were equal to at least 125% of Maximum Annual Debt Service Requirement on all Bonds and Prior Lien Obligations which will be outstanding

immediately after the issuance of the proposed Parity Bonds, in the then current and each succeeding Fiscal Year, provided, however, the report or certificate may contain pro forma adjustments to historical related Net Revenues equal to l00% of the increased annual amount attributable to any revision in the schedule of rates, fees, and charges for the services and facilities furnished by the System, imposed prior to the date of delivery of the proposed Parity Bonds and not fully reflected in the historical related Net Revenues actually received during such historical period used.

2) The District shall have received, at or before issuance of the Parity Bonds, a report from a Financial Advisor or a certificate of the General Manager of the District, or his or her designee, to the effect that (x) the payments required to be made into the Bond Fund have been made and the balance in the Bond Fund is not less than the balance required hereby as of the date of issuance of the proposed Parity Bonds; and (y) the Reserve Fund is funded to the extent required under the resolutions authorizing Bonds with a Reserve Fund Requirement, if any, and any Reserve Fund Requirement applicable to the Parity Bonds will be funded to the extent required under the applicable resolution immediately following the issuance of the proposed Parity Bonds.

3) The resolution authorizing the proposed Parity Bonds must require the proceeds of such proposed Parity Bonds to be used to make capital improvements to or capital acquisitions for the System, to fund interest on the proposed Parity Bonds, to refund other obligations issued for such purposes (whether or not such refunding Parity Bonds satisfy the requirements of (a)), for any other legal purpose under applicable law as evidenced by an opinion of nationally recognized bond counsel, and/or to pay expenses incidental thereto and to the issuance of the proposed Parity Bonds.

4) The Secretary shall have certified, by written certificate dated as of the date of issuance of the Parity Bonds, that the District is in compliance with all requirements of the Resolution.

c. All the provisions and covenants of this Resolution relating to negotiability and registration of Bonds, creation and investment of funds and the application of revenues, the operation of the System and charges for services of the System, the remedies of owners of the Bonds, the issuance of additional bonds, modification of this Resolution, the defeasance of Bonds, and such other provisions hereof as are appropriate may be incorporated by reference into supplemental resolutions authorizing additional bonds, and said provisions, when so incorporated, shall be equally applicable to the additional bonds issued pursuant to the terms of this section in all respects and with like force and effect as though said provisions were recited in full in said supplemental resolutions and shall continue to be applicable so long as any such bonds remain outstanding.

d. Notwithstanding anything herein to the contrary, each series of Parity Bonds may be issued with or without a Reserve Fund Requirement, may require cash funding of the Reserve Fund, if any, and may provide for the funding of the Reserve Fund, if any, over such period of time as is acceptable to the purchaser of such Parity Bonds all as specified in the resolution authorizing such Parity Bonds. Any such Parity Bonds shall be secured only by the Reserve Fund specified in the resolution authorizing such series of Parity Bonds and shall have no right to receive any payment from the Reserve Fund established for the Series 2013 Bonds or any other series of bonds, whether such additional bonds are issued as Parity Bonds or Subordinate Lien Bonds. Any series of Parity Bonds may be issued in Book-Entry Form and may be registered in the name of DTC or such other Depository as may be determined by the District, all to be specified in the resolution authorizing such Parity Bonds.

e. In addition to Parity Bonds issued in accordance with the foregoing, the District may issue Subordinate Lien Bonds, subject to the terms to the Resolution or otherwise, provided that the security for such Subordinate Lien Bonds shall be subject in all respects to the lien in favor of the Bonds.

f. The punctual payment of principal of, premium, if any, and interest on the Series 2013 Bonds and any Parity Bonds shall be secured equally and ratably by the Net Revenues, without priority by reason of number or time of sale or execution or delivery. Parity Bonds shall benefit on an equal and parity basis from the statutory mortgage lien on the System established in favor of the Series 2013 Bonds.

Amendment of Resolution

The Resolution may be amended without the consent of or notice to the registered owners of the Bonds for the purpose of curing any ambiguity or formal defect or omission herein; provided such amendment shall not adversely affect the registered owners, without taking into account any bond insurance policy.

In addition to the amendments to the Resolution without the consent of registered owners as referred to in subsection (a) above, the registered owners of a majority in aggregate principal amount of the Bonds at any time outstanding (not including in any case any Bonds which may then be held or owned by or for the account of the District but including such refunding bonds as may have been issued for the purpose of refunding any of such Bonds if such refunding bonds shall not then be owned by the District) shall have the right from time to time to consent to and approve the adoption by the Governing Body of a resolution or resolutions modifying any of the terms or provisions contained in the Resolution; provided, however, that the Resolution may not be so modified or amended in such manner, without the consent of 100% of the registered owners of the Bonds, as to:

1) Make any change in the maturities or redemption dates of the Bonds;

2) Make any change in the rates of interest borne by the Bonds;

3) Reduce the amount of the principal payments or redemption premiums payable on the Bonds;

4) Modify the terms of payment of principal of or interest on the Bonds or impose any conditions with respect to such payments;

5) Affect the rights of the registered owners of less than all of the Bonds then outstanding;

6) Reduce the percentage of the principal amount of the Bonds the consent of the registered owners of which is required to effect a further modification.

Whenever the District shall propose to amend or modify the Resolution under the provisions of this section, it shall cause notice of the proposed amendment to be mailed by first-class mail, postage prepaid, to the owner of each Bond then outstanding. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy of the proposed amendatory resolution is on file in the office of the District for public inspection.

Whenever at any time within one year from the date of mailing of said notice there shall be filed with the District an instrument or instruments executed by the registered owners of at least a majority in aggregate principal amount of the Bonds then outstanding as in this section defined, which instrument or instruments shall refer to the proposed amendatory resolution described in said notice and shall specifically consent to and approve the adoption thereof, thereupon, but not otherwise, the District may adopt such amendatory resolution and such resolution shall become effective and binding upon the owners of all Bonds.

If the registered owners of at least a majority in aggregate principal amount of the Bonds outstanding as in this section defined, at the time of the adoption of such amendatory resolution, or the predecessors in title of such owners, shall have consented to and approved the adoption thereof as herein provided, no registered owner of any Bonds, whether or not such owner shall have consented to or shall have revoked any consent as in this Section provided, shall have any right or interest to object to the adoption of such amendatory resolution or to object to any of the terms or provisions therein contained or to the operation thereof or to enjoin or restrain the District from taking any action pursuant to the provisions thereof.

Any consent given by the registered owner of a Bond pursuant to the provisions of this section shall be irrevocable for a period of six months from the date of the publication of the notice above provided for and shall be conclusive and binding upon all future registered owners of the same Bond during such period. Such consent may be revoked at any time after six months from the date of publication of such notice by the registered owner who gave such consent or by a successor in title by filing notice of such revocation at the District office, but such revocation shall not be effective if the registered owners of a majority in aggregate principal amount of the Bonds outstanding as in this Section defined shall have, prior to the attempted revocation, consented to and approved the amendatory resolution referred to in such revocation.

The fact and date of the execution of any instrument under the provisions of this section may be proved by the certificate of any officer in any jurisdiction who by the laws thereof is authorized to take acknowledgments of deeds within such jurisdiction, that the person signing such instrument acknowledged before him or her the execution thereof, or may be proved by an affidavit of a witness to such execution sworn to before such officer.

The amount (number(s)) of the Bonds owned by any person executing such instrument and the date of the ownership of the same shall be proved by reference to the Bond registration records maintained by the Registration Agent, which records shall constitute conclusive proof of the ownership thereof.

Discharge and Satisfaction of Bonds

If the District shall pay and discharge the indebtedness evidenced by all or any portion of the Bonds in any one or more of the following ways:

a. By paying or causing to be paid, by deposit of sufficient funds as and when required with the Registration Agent, the principal of and interest on such Bonds as and when the same become due and payable;

b. By depositing or causing to be deposited with any trust company or financial institution whose deposits are insured by the Federal Deposit Insurance Corporation or similar federal agency and which has trust powers ("an Agent"; which Agent may be the Registration Agent) in trust or escrow, on or before the date of maturity or redemption, sufficient money or Defeasance Obligations, the principal of and interest on which, when due and payable, will provide sufficient moneys to pay or redeem such Bonds and to pay premium, if any, and interest thereon when due until the maturity or redemption date (provided, if such Bonds are to be redeemed prior to maturity thereof, proper notice of such redemption shall have been given or adequate provision shall have been made for the giving of such notice);

c. By delivering such Bonds to the Registration Agent, for cancellation by it;

and if the District shall also pay or cause to be paid all other sums payable hereunder by the District with respect to such Bonds, or make adequate provision therefor, and by resolution of the Governing Body instruct any such Escrow Agent to pay amounts when and as required to the Registration Agent for the payment of principal of and interest and redemption premiums, if any, on such Bonds when due, then and in that case the indebtedness evidenced by such Bonds shall be discharged and satisfied and all covenants, agreements and obligations of the District to the holders of such Bonds shall be fully discharged and satisfied and shall thereupon cease, terminate and become void.

If the District shall pay and discharge the indebtedness evidenced by any of the Bonds in the manner provided in either clause (a) or clause (b) above, then the registered owners thereof shall thereafter be entitled only to payment out of the money or Defeasance Obligations deposited as aforesaid.

Except as otherwise provided in this section, neither Defeasance Obligations nor moneys deposited with the Registration Agent pursuant to this section nor principal or interest payments on any such Defeasance Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal and interest on said Bonds; provided that any cash received from such principal or interest payments on such Defeasance Obligations deposited with the Registration Agent, (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to the District as received by the Registration Agent and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Defeasance Obligations maturing at times and in amounts sufficient to pay when due the principal and interest to become due on said Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the District, as received by the Registration Agent.

Notwithstanding the foregoing, the District may restrict its right to discharge and satisfy prior to maturity any series of Parity Bonds as may be set forth in the resolution authorizing such series of Parity Bonds.

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APPENDIX B

AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED SEPTEMBER 30, 2012

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CONSOLIDATED UTILITY DISTRICT
OF RUTHERFORD COUNTY, TENNESSEE
FINANCIAL STATEMENTS,
SUPPLEMENTAL INFORMATION
AND
INDEPENDENT AUDITORS' REPORTS
YEARS ENDED SEPTEMBER 30, 2012 AND 2011

CONSOLIDATED UTILITY DISTRICT
OF RUTHERFORD COUNTY, TENNESSEE
FINANCIAL STATEMENTS,
SUPPLEMENTAL INFORMATION
AND
INDEPENDENT AUDITORS' REPORTS
YEARS ENDED SEPTEMBER 30, 2012 AND 2011

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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying basic financial statements of Consolidated Utility District of Rutherford County, Tennessee (the "District") as of and for the years ended September 30, 2012 and 2011, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the District as of September 30, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, pension trend data, and post-employment data on pages 2 through 7 and pages 26 through 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Edmondson, Betzler & Montgomery, PLLC

November 21, 2012

Brentwood Location: 12 Cadillac Drive • Suite 210 • Brentwood, Tennessee 37027
Murfreesboro Location: 1535 W. Northfield Boulevard • 14 Lincoln Square • Murfreesboro, Tennessee 37129
Phone: (615) 916-3100 • Facsimilies: Brentwood • (615) 916-3161 • Murfreesboro • (615) 907-3393

Consolidated Utility District of Rutherford County

Management's Discussion and Analysis

Year ended September 30, 2012

The management of Consolidated Utility District of Rutherford County (CUDRC) offers the readers of CUDRC's financial statements this narrative overview and analysis of the financial activities for the fiscal year ending September 30, 2012. We encourage readers to consider the information presented here in conjunction with the additional information furnished in this report.

Financial Highlights

- The assets of CUDRC exceeded its liabilities at the close of the most recent fiscal year by $214,867,652(*net assets*). This includes Unrestricted Net Assets in the amount of $30,843,167 which may be used to meet CUDRC's ongoing obligations to customers, employees and creditors.
- CUDRC's total net assets increased by $7,439,228. This increase is substantially attributable to a one-time infusion of resources from contributions and tap fees.
- Net operating income for the fiscal year was $5,800,974.

Financial Statement Overview

This discussion and analysis is intended to serve as an introduction to CUDRC's financial statements. CUDRC adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – Managements Discussion and Analysis – for State and Local Governments* as of October 1, 2002. Governmental Accounting Standards Board Statement No. 33 – *Accounting and Financial Reporting for Nonexchange Transactions,* was implemented as of October 1, 2001. Comparative data for the years 2011 and 2010 are also available in this year's MD&A.

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

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

Financial Analysis

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

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

	2012	2011	2010
Current and other assets	$46,454	$46,212	$42,000
Capital assets	229,753	222,528	222,051
Total Assets	$276,207	$268,740	$264,051
Other liabilities	$5,907	$4,156	$4,177
Long-term liabilities outstanding	55,433	57,156	58,901
Total Liabilities	$61,340	$61,312	$63,078
Net assets:			
Invested in capital assets	$174,010	$164,716	$162,765
Restricted for bond provisions	10,015	9,790	8,036
Unrestricted	30,843	32,922	30,172
Total net assets	$214,868	$207,428	$200,973

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

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

	2012	***2011***	***2010***
Revenues:			
Operating revenue	$26,014	$23,782	$22,125
Non-operating revenue	514	528	402
Total Revenue	$26,528	$24,310	$22,527
Expenses:			
Depreciation	$7,132	$7,000	$6,814
Other operating expense	13,080	12,868	12,233
Non-operating expense	2,894	2,531	2,548
Total expenses	$23,106	$22,399	$21,595
Income before contributions	$3,422	$1,911	$932
Other Contributions	4,018	4,544	3,355
Change in net assets	$7,440	$6,455	$4,287
Beginning net assets	207,428	200,973	196,686
Ending net assets	$214,868	$207,428	$200,973

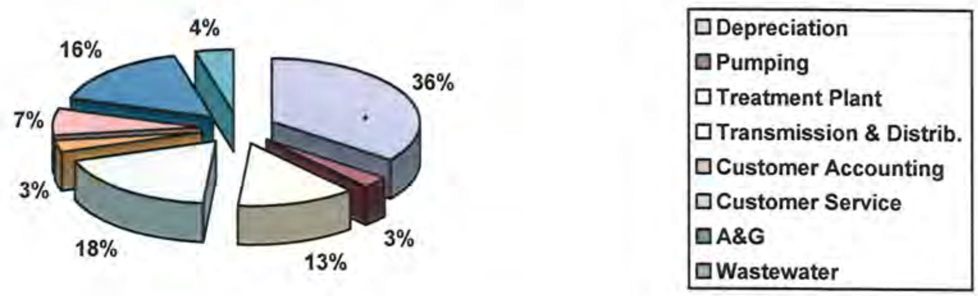
Operating revenues in 2012 totaling more than $25 million and as shown in Figure 1, were derived principally from retail sales of water to an average of more than 43,500 customers during the fiscal year. The number of total active customers at year end was 44,029, indicating slight growth in customers served. Operating revenues increased by approximately 8.8 percent over the previous year, due primarily to a reduction of the minimum gallons allowed in the customer charge from 1,500 to 1,000 gallons, and serious drought conditions during the fiscal year.

Revenue from sewer sales increased by nearly 8 percent over the previous year, as the number of customers in these sewer systems increased from 3,129 to 3,344. Additional systems are nearing completion by developers, and others are in some stage of planning or construction. The 47 existing systems are designed to accommodate nearly 6,500 homes.

Figure 1
Operating Revenues

Slight increases in depreciation, chemicals, employee wages and benefits, contributed to an increase in operating expenses of just under 2 percent over the previous year. Operating expenses totaled $20.1 million, but increased revenue due to the reduction in the minimum allowance resulted in an increase in net assets of more than $7.4 million, an increase of 15 percent over the previous year. The table below presents each component of operating expenses as a percentage of the total.

Figure 2
Operating Expenses



Changes in Capital Assets

As shown in Table 3, CUDRC's investment in capital assets net of depreciation as of September 30, 2012 was more than $229 million, and increased by just under $7.3 million. Capital assets totaling $2.4 million were installed and paid for by developers and others, then contributed to CUDRC.

Table 3
Capital Assets
Net of Accumulated Depreciation
For the Years Ended September 30,
(In Thousands)

	2012	*2011*	*2010*
Land and land rights	$2,400	$2,191	$1,527
Pumping stations	2,356	2,395	2,495
Reservoirs	6,762	6,964	7,230
Trans & Dist Mains	158,723	157,939	149,684
Services & Meters	3,039	3,348	3,657
Buildings	9,555	9,932	10,299
Land Improvements	7	9	12
Water plant structures	12,748	13,166	13,584
Water plant equipment	412	461	527
Decentralized sewer systems	21,842	22,099	20,612
Office Equipment	738	942	1,119
Transportation Equipment	321	216	302
Tools and Garage Equipment	87	110	106
Heavy Equipment	825	806	770
Work in process, CUDRC	329	873	847
Work in process, subcontract	8,832	255	8,413
Total	$228,976	$221,706	$221,184

CUDRC has several major projects on-going and scheduled through 2018 that are projected to cost an additional $30-$40 million. The District currently anticipates that additional funds may be borrowed at some point in the future to fund portions of these projects.

Long-term Debt

CUDRC had $53,629,000 in net long-term debt outstanding at year-end compared with $55,757,000 in the prior year. Annual principal and interest requirements will remain at approximately $4.5 million through fiscal 2015, and gradually decline thereafter.

Economic Factors

Rutherford County, a part of the Nashville Metropolitan Statistical Area, reports an average unemployment rate of 6.4% in September 2012, compared with Tennessee's unemployment rate of 8.3% and the U.S. rate of 7.8%.

Request for Information

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

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

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
BALANCE SHEETS
SEPTEMBER 30, 2012 AND 2011

ASSETS

	2012	2011
Current Assets:		
Cash and cash equivalents	$ 6,183,069	$ 6,670,773
Investments, at fair value	26,686,543	26,187,927
Accounts receivable, net of allowance for doubtful accounts, $230,000 and $201,664 for 2012 and 2011, respectively	2,832,268	2,781,901
Inventory	448,050	528,670
Interest receivable	98,667	70,645
Prepaid expenses	190,548	181,346
Total current assets	36,439,145	36,421,262
Restricted Assets:		
Investments for debt service	10,014,868	9,790,439
Capital Assets:		
Utility plant and equipment, net	228,976,488	221,706,262
Other Assets:		
Deferred bond issuance cost	776,795	822,217
Total assets	$ 276,207,296	$ 268,740,180

LIABILITIES AND NET ASSETS

	2012	2011
Current Liabilities:		
Current portion of long-term debt	$ 2,114,120	$ 2,055,433
Trade accounts payable	2,746,322	1,088,149
Retainage payable	-	13,061
Accrued interest payable	393,951	404,985
Accrued wages and payroll taxes	124,952	94,969
Accrued vacation	284,255	272,763
Other accrued liabilities	243,477	226,369
Total current liabilities	5,907,077	4,155,729
Long-term Liabilities:		
Waterworks revenue bonds	53,629,546	55,757,045
Accrued sick leave	583,299	559,230
Post employment benefits	1,219,722	839,752
Total liabilities	61,339,644	61,311,756
Net Assets:		
Invested in capital assets, net of related debt	174,009,617	164,716,001
Restricted to meet bond indenture provisions	10,014,868	9,790,439
Unrestricted	30,843,167	32,921,984
Total net assets	214,867,652	207,428,424
Total liabilities and net assets	$ 276,207,296	$ 268,740,180

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

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED SEPTEMBER 30, 2012 AND 2011

	2012	2011
Operating revenues:		
Water and sewer revenues	$ 24,176,883	$ 22,002,319
Connection and other fees	1,836,656	1,780,158
Total operating revenues	26,013,539	23,782,477
Operating expenses:		
Pumping	524,383	539,637
Water treatment	2,672,633	2,373,326
Transmission and distribution	3,557,322	3,719,092
Customer accounting	595,373	588,693
Customer service	1,515,270	1,516,675
Wastewater (step sewer)	876,686	935,688
General and administrative	3,339,019	3,195,185
Depreciation and amortization	7,131,879	7,000,088
Total operating expenses	20,212,565	19,868,384
Net operating income	5,800,974	3,914,093
Non-operating revenues (expenses):		
Interest earned	389,421	433,120
Interest expense	(2,465,200)	(2,528,750)
Gain on sale of capital assets	111,857	68,461
Loss on abandonment of capital assets	(426,087)	-
Other income	13,171	26,454
Other non-operating expenses	(2,466)	(2,458)
Total non-operating revenues (expenses)	(2,379,304)	(2,003,173)
Net income before contributions	3,421,670	1,910,920
Capital contributions:		
Contributions in aid of construction	4,017,558	4,543,637
Change in net assets	7,439,228	6,454,557
Net assets, beginning of year	207,428,424	200,973,867
Net assets, end of year	$ 214,867,652	$ 207,428,424

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

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2012 AND 2011

	2012	2011
Cash flows from operating activities:		
Receipts from customers	$ 25,963,172	$ 23,961,945
Payments to suppliers and others	(7,989,703)	(7,966,628)
Payments to employees	(4,360,286)	(4,521,149)
Net cash provided by operating activities	13,613,183	11,474,168
Cash flows from capital and related financing activities:		
Contributions in aid of construction	1,583,197	864,980
Contributions from grants received	48,470	50,425
Acquisition and construction of capital assets	(10,959,339)	(4,630,797)
Proceeds from sale of capital equipment	122,772	77,761
Principal paid on revenue bonds	(2,055,433)	(1,464,333)
Interest paid on revenue bonds	(2,489,613)	(2,546,879)
Other income	13,171	26,454
Other non-operating expenses	(2,466)	(2,458)
Net cash used in capital and related financing activities	(13,739,241)	(7,624,847)
Cash flows from investing activities:		
Interest received on investments	361,399	536,426
Proceeds from maturity of investments	43,417,098	56,989,921
Purchases of investments	(44,140,143)	(60,803,293)
Net cash used in investing activities	(361,646)	(3,276,946)
Net increase (decrease) in cash and cash equivalents	(487,704)	572,375
Cash and cash equivalents, beginning of year	6,670,773	6,098,398
Cash and cash equivalents, end of year	$ 6,183,069	$ 6,670,773
Non-cash capital and related financing activities:		
Developer contributions of utility plant	$ 2,385,891	$ 3,469,481
Capital additions included in accounts payable	$ 1,467,059	$ 18,604

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

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2012 AND 2011

	2012	2011
Reconciliation of operating income to net cash provided by operating activities:		
Net income from operations	$ 5,800,974	$ 3,914,093
Adjustments to reconcile net income from operations to net cash		
Depreciation and amortization	7,131,879	7,000,088
Bad debt expense	132,978	137,994
(Increase) decrease in accounts receivable	(183,345)	41,474
Decrease in inventories	80,620	55,729
Increase in prepaid expenses	(9,202)	(5,973)
Increase in trade accounts payable	196,657	25,493
Increase in accrued wages and payroll taxes	29,983	13,566
Increase in accrued compensated absences	35,561	24,340
Increase in post retirement benefits payable	379,970	294,917
Increase (decrease) in other accrued liabilities	17,108	(27,553)
Net cash provided by operating activities	$ 13,613,183	$ 11,474,168

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidated Utility District of Rutherford County, Tennessee, was created in 1968 pursuant to the public laws of the State of Tennessee and under the order of the County Judge of Rutherford County, Tennessee. The District includes those districts originally known as Double Springs Utility District, Stones River Utility District, Florence Utility District, and Rockvale Utility District of Rutherford County. The District was established under Tennessee Code Annotated § 7-82, also known as the Utility District law of 1937, and received its charter from the State of Tennessee in April, 1970. The District was created to provide water to areas of Rutherford County; however the District amended its charter on December 31, 1997, to include 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:

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

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

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

Cash and Cash Equivalents

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Inventory

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

Investments

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

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

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

Depreciation expense aggregated $7,086,457 and $6,953,446 for the years ended September 30, 2012 and 2011, respectively, and is included with depreciation and amortization expense.

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

Bond Premiums and Issuance Costs

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

Compensated Absences

Employees of the District are entitled to paid vacation and sick days depending on the length of service and other factors. District employees who meet certain eligibility criteria are compensated for accrued sick leave upon retirement. The vested and earned vacation leave is recognized as current liability of the District at September 30, 2012 and 2011. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Risk Management

The District is subject to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance for these claims and for all other risks of loss. Settled claims have not exceeded the commercial coverage for the years ended September 30, 2012 and 2011.

NOTE 2 - CASH AND INVESTMENTS

Cash and investments as of September 30, 2012 and 2011 are classified in the Balance Sheets as follows:

	2012	2011
Cash and cash equivalents	$ 6,183,069	$ 6,670,773
Investments	26,686,543	26,187,927
Restricted for debt service	10,014,868	9,790,439
	$ 42,884,480	$ 42,649,139

Cash and investments as September 30, 2012 and 2011 consist of the following:

	2012	2011
Cash on hand	$ 1,350	$ 1,350
Deposits with financial institutions	6,181,719	11,669,423
Investments - marketable securities	26,592,437	12,570,940
Local governmental investment pool	10,108,974	18,407,426
	$ 42,884,480	$ 42,649,139

Authorized Investments

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

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Disclosures Relating to Interest Rate Risk and Credit Risk

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

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

As of September 30, 2012, the District had the following investments in marketable securities.

	Market Value	Maturity Date	Call Date	Rating as of Year End
Federal Farm Credit Bank	$ 2,033,600	10/6/2014	Non Call	AAA
Federal National Mortgage Assn.	4,545,897	10/14/2014	Non Call	AAA
Federal Home Loan Bank	5,001,850	10/26/2015	10/26/2012	AAA
Fannie Mae	6,001,320	11/14/2014	11/14/2012	AAA
Fannie Mae	6,007,080	4/26/2016	4/26/2013	AAA
Fannie Mae	2,001,600	6/6/2016	6/6/2013	AAA
Fannie Mae	1,001,090	8/16/2016	8/16/2013	AAA
	$ 26,592,437			

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	$ 2,033,600
Federal National Mortgage Assn.	Federal Agency Securities	$ 4,545,897
Federal Home Loan Bank	Federal Agency Securities	$ 5,001,850
Fannie Mae	Federal Agency Securities	$ 15,011,090

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a depositor will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, an investor will not be able to recover the value of its investment or collateral securities that regain the possession of another party. Tennessee Code Annotated requires that a financial institution secure deposits made by a state or local government unit by pledging securities in a collateral pool maintained by the State Treasurer, or by placing securities in an amount of 105% of the uninsured amount of the deposits in an escrow account in a second bank for the benefit of the government agency. Rules adopted by the Tennessee State Funding Board also require that investments must be held by a separate custodian (not the broker-dealer) in an account in the name of the government agency. At September 30, 2012 and 2011, and throughout the fiscal years, the District was in compliance with these requirements.

NOTE 3 - CAPITAL ASSETS

Components of utility plant and equipment for the year ended September 30, 2012 are as follows:

	Balance September 30, 2011	Additions	Retires	Transfers	Balance September 30, 2012
Capital assets not being depreciated					
Land and improvements	$ 2,190,840	$ 209,386	$ -	$ -	$ 2,400,226
Construction in progress	1,127,771	10,965,225	-	(2,932,723)	9,160,273
	3,318,611	11,174,611	-	(2,932,723)	11,560,499
Capital assets being depreciated					
Structures and improvements	51,327,609	-	-	211,725	51,539,334
Transmission and distribution mains	202,267,495	3,182,345	(559,081)	2,720,998	207,611,757
STEP sewer systems	23,776,375	61,000	-	-	23,837,375
Equipment	8,357,988	409,653	(446,033)	-	8,321,608
	285,729,467	3,652,998	(1,005,114)	2,932,723	291,310,074
Total plant in service	289,048,078	14,827,609	(1,005,114)	-	302,870,573
Less accumulated depreciation	(67,341,816)	(7,086,457)	534,188	-	(73,894,085)
Net capital assets	$ 221,706,262	$ 7,741,152	$ (470,926)	$ -	$ 228,976,488

NOTE 4 - LONG-TERM DEBT

The long-term debt at September 30, 2012 and 2011 consisted of the following:

	2012	2011
Series 1976 revenue bonds; interest payable semi-annually at 5%, maturing in annual installments through 2016.	$ 38,000	$ 46,000
Series 1978 revenue bonds; interest payable semi-annually at 5%, maturing in annual installments through 2018.	82,000	93,000
Series 2000 revenue bonds; interest payable monthly at 4.75%, maturing in monthly installments through 2040.	873,722	888,720
Series 2004 revenue refunding bonds; interest payable semi-annually at 2% to 5%, maturing in annual installments through 2027.	9,635,000	10,415,000
Series 2005 revenue bonds; interest payable semi-annually at 3% to 5.5%, maturing in annual installments through 2035.	13,015,000	13,325,000
Series 2006 revenue bonds; interest payable semi-annually at 4% to 5%, maturing in annual installments through 2036.	16,075,000	16,430,000
Series 2009 revenue bonds; interest payable monthly at 4.125%, maturing in monthly installments through 2047.	1,297,622	1,314,057
Series 2009 revenue bonds; interest payable semi-annually at 2.5% to 4.5%, maturing in annual installments through 2030.	13,890,000	14,450,000
Total debt	54,906,344	56,961,777
Less current portion	2,114,120	2,055,433
Long-term portion (carried forward)	$ 52,792,224	$ 54,906,344

NOTE 4 - LONG-TERM DEBT (CONTINUED)

	2012	2011
Long-term portion (brought forward)	$ 52,792,224	$ 54,906,344
Plus: unamortized premiums	1,235,094	1,321,480
Less: deferred interest	(397,772)	(470,779)
Long-term portion, net	$ 53,629,546	$ 55,757,045

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

Year Ending September 30,	Principal	Interest	Total
2013	$ 2,114,120	$ 2,420,010	$ 4,534,130
2014	2,186,616	2,345,289	4,531,905
2015	2,264,179	2,258,215	4,522,394
2016	2,156,562	2,161,818	4,318,380
2017	2,249,511	2,064,176	4,313,687
2018-2022	11,905,766	8,814,878	20,720,644
2023-2027	12,991,692	6,038,592	19,030,284
2028-2032	11,111,416	3,087,890	14,199,306
2033-2037	7,233,929	808,751	8,042,680
2038-2042	396,101	98,104	494,205
2043-2047	296,452	29,716	326,168
	$ 54,906,344	$ 30,127,439	$ 85,033,783

Long-term transactions for the year ended September 30, 2012 are as follows:

	Balance September 30, 2011	Proceeds	Payments	Balance September 30, 2012
Revenue bonds	$ 46,546,777	$ -	$ 1,275,433	$ 45,271,344
Refunding bonds	10,415,000	-	780,000	9,635,000
Total long-term debt	$ 56,961,777	$ -	$ 2,055,433	$ 54,906,344

NOTE 5 - EMPLOYEE BENEFIT PLAN

Tennessee Consolidated Retirement System (TCRS)

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

Plan Description

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

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

Funding Policy

CUD requires employees to contribute 5.0% of earnable compensation. CUD is required to contribute at an actuarially determined rate; the rate for the year ending June 30, 2012 was 12.04% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for CUD is established and may be amended by the TCRS Board of Trustees.

NOTE 5 - EMPLOYEE BENEFIT PLAN (CONTINUED)

Annual Pension Cost

For the year ending June 30, 2012, CUD's annual pension cost of $393,367 to TCRS was equal to CUD's required and actual contributions. The required contribution was determined as part of the July 1, 2009 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5% a year compounded annually, (b) projected 3.0 percent annual rate of inflation (c) projected salary increases of 4.75% (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5% annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5% annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten year period. CUD's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009 was 18 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2012	$ 393,367	100%	$ -
6/30/2011	$ 378,976	100%	$ -
6/30/2010	$ 370,482	100%	$ -

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 63.03% funded. The actuarial accrued liability for benefits was $6.59 million, and the actuarial value of assets was $4.15 million, resulting in an unfunded actuarial liability (UAAL) of $2.44 million. The covered payroll (annual payroll of active employees covered by the plan) was $3.13 million, and the ratio of the UAAL to the covered payroll was 77.81%.

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

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

NOTE 5 - EMPLOYEE BENEFIT PLAN (CONTINUED)

Deferred Compensation Plan

The District offers its employees a deferred compensation plan created in accordance with the Internal Revenue Service Code Section 457. The Plan, available to all District Employees, permits employees to defer a portion of their salary until future years. Compensation deferred under this plan is not available to employees or their beneficiaries until termination, retirement, death, or unforeseeable emergency. Prior to the adoption of the TCRS plan, the District provided a matching contribution of up to 4% of total wages to all participating employees. Subsequent to July 1, 2007 no employer match is available to employees participating in TCRS. For those employees who elected not to participate in TCRS the District provides a contribution of 11.5% for all employees who elect to contribute at least 5% to this program. Employer contributions under this program for the years ended September 30, 2012 and 2011 were $107,652 and $105,941, respectively.

NOTE 6 - POST EMPLOYMENT HEALTH BENEFITS

Plan Description

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

Funding Policy

The District pays 100% of the cost of current-year premiums for eligible retired plan members and their spouses. The District's contributions for retirees for the years ended September 30, 2012 and 2011 were $16,862 and $16,113, respectively.

NOTE 6 - POST EMPLOYMENT HEALTH BENEFITS (CONTINUED)

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	$ 372,124
Interest on net OPEB obligation	46,186
Adjustment to annual required contribution	(38,791)
Annual OPEB cost (expense)	379,519
Contributions made	(16,862)
Increase in net OPEB obligation	362,657
Net OPEB obligation, beginning of year	857,065
Net OPEB obligation, end of year	$ 1,219,722

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2012, 2011 and 2010 is as follows:

Ended	Cost	Cost Contributed	Obligation
9/30/2012	$ 379,519	$16,862	$ 1,219,722
9/30/2011	$ 327,144	$16,113	$ 839,752
9/30/2010	$ 295,695	$2,400	$ 544,835

Funded Status and Funding Progress

As of September 30, 2012 and 2011, the actuarial accrued liability for benefits was $3,272,566 and $2,781,756, respectively, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $4,676,255 and $4,722,590, respectively, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 70.0 and 58.9 percent, respectively.

NOTE 6 - POST EMPLOYMENT HEALTH BENEFITS (CONTINUED)

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

Methods and Assumptions

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

The following simplifying assumptions were made:

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

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

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

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

Healthcare cost trend rate – The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services. A rate of 7.1 percent initially, reduced to an ultimate rate of 6.1 percent after five years, was used.

NOTE 6 - POST EMPLOYMENT HEALTH BENEFITS (CONTINUED)

Health insurance premiums – 2012 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Inflation rate – The expected long-term inflation assumption of 3.0 percent was based on projected changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) in the *2010 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds* for an intermediate growth scenario.

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

Based on the historical and expected returns of the District's short-term investment portfolio, a discount rate of 5.5 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at September 30, 2012, was thirty years.

NOTE 7 - ABANDONMENT OF CAPITAL ASSETS

During the 2012 fiscal year, CUD and the City of Murfreesboro completed a project to relocate a significant portion of waterline, due to the relocation of a roadway. Each entity funded half the cost of this project, with the portion from the City of Murfreesboro being reflected as a contribution of capital. As a result of this project, a portion of existing line was abandoned, and the current fair value of this line has been reflected as a non-operating expense in the Statement of Changes in Net Assets in the amount of $426,087.

NOTE 8 - CONTINGENCIES

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

NOTE 9 - DATE OF MANAGEMENT'S REVIEW

Management of CUD has evaluated events and transactions that occurred after September 30, 2012, through the date of the issued financial statements. During this period there were no material recognizable subsequent events that required recognition in the disclosures to the September 30, 2012 financial statements.

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
PENSION TRUST FUNDS
SCHEDULE OF FUNDING PROGRESS
SEPTEMBER 30, 2012

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
7/1/2011	$ 4,155,000	$ 6,592,000	$ 2,437,000	63.03%	$ 3,133,000	77.81%
7/1/2009	$ 2,438,000	$ 5,026,000	$ 2,588,000	48.51%	$ 2,870,000	90.18%
7/1/2007	$ -	$ -	$ -	0.00%	$ -	0.00%

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

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
POST-EMPLOYMENT BENEFITS
SCHEDULE OF FUNDING PROGRESS
SEPTEMBER 30, 2012

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
9/30/2012	$ -	$ 3,272,566	$ 3,272,566	0%	$ 4,676,255	69.98%
9/30/2011	$ -	$ 2,781,756	$ 2,781,756	0%	$ 4,722,590	58.90%
9/30/2010	$ -	$ 2,378,239	$ 2,378,239	0%	$ 4,525,958	52.55%

SUPPLEMENTAL INFORMATION

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

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

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

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole of the Consolidated Utility District of Rutherford County, Tennessee. The supplemental information contained in the following pages is presented for the purpose of additional analysis and is not 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.

Edmondson, Betzler & Montgomery, PLLC

November 21, 2012

Brentwood Location: 12 Cadillac Drive • Suite 210 • Brentwood, Tennessee 37027
Murfreesboro Location: 1535 W. Northfield Boulevard • 14 Lincoln Square • Murfreesboro, Tennessee 37129
Phone: (615) 916-3100 • Facsimilies: Brentwood • (615) 916-3161 • Murfreesboro • (615) 907-3393

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE

SCHEDULE OF NET ASSETS BY COMPONENT

LAST TEN FISCAL YEARS

(amounts expressed in thousands)

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Invested in Capital Assets, net of related debt	$ 174,010	$ 164,716	$ 162,765	$ 174,757	$ 165,887	$ 133,266	$ 116,250	$ 110,830	$ 89,159	$ 67,632
Restricted to Meet Bond Indenture Provisions	10,015	9,790	8,036	7,310	6,919	6,149	5,667	4,865	3,669	5,936
Restricted for Capital Investments	-	-	-	-	-	5,413	9,915	1,833	-	-
Unrestricted	30,843	32,922	30,173	14,619	19,167	28,596	21,543	19,002	26,414	33,272
Total Net Assets	$ 214,868	$ 207,428	$ 200,974	$ 196,686	$ 191,973	$ 173,424	$ 153,375	$ 136,530	$ 119,242	$ 106,840

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
SCHEDULE OF CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS
(amounts expressed in thousands)

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Operating Revenue:										
Water Sales	$22,895	$20,873	$19,248	$18,542	$19,001	$17,925	$15,753	$14,583	$13,037	$12,415
Sewer (Step) Sales	1,463	1,358	1,114	873	791	639	503	322	200	133
Late Payment Fees	608	583	563	546	566	555	496	463	390	344
Service Charges	1,063	1,016	1,105	926	947	1,009	988	771	702	554
Other	166	180	354	158	176	86	129	63	52	48
Less: Adjustments and Allowances	(181)	(228)	(259)	(322)	(336)	(238)	(259)	(167)	(165)	(201)
Total Operating Revenue	26,014	23,782	22,125	20,723	21,145	19,976	17,610	16,035	14,216	13,293
Operating Expenses:										
Pumping	525	540	524	539	514	450	412	389	541	614
Water Plant & Treatment	2,673	2,373	2,233	2,488	2,525	2,339	1,921	1,669	1,368	1,175
Transmission & Distribution	3,557	3,719	3,430	3,665	3,448	3,230	2,974	2,849	2,765	2,589
Customer Accounting	595	589	588	731	966	882	721	676	681	608
Customer Service	1,515	1,516	1,528	1,701	1,711	1,439	1,112	889	760	667
Wastewater (Step Systems)	877	936	925	830	724	518	441	311	-	-
Administrative & General	3,339	3,195	3,006	3,422	2,715	2,687	2,564	2,259	2,088	1,465
Depreciation & Amortization	7,132	7,000	6,814	6,550	6,041	5,051	4,326	3,468	2,897	2,574
Total Operating Expenses	20,213	19,868	19,048	19,926	18,644	16,596	14,471	12,510	11,100	9,692
Net Operating Revenue	5,801	3,914	3,077	797	2,501	3,380	3,139	3,525	3,116	3,601
Non-operating Revenue (Expenses)	(2,379)	(2,003)	(2,145)	(1,508)	(885)	(195)	(346)	(467)	(410)	(237)
Net Income before Contributions	3,422	1,911	932	(711)	1,616	3,185	2,793	3,058	2,706	3,364
Contributions:										
Growth Fees	-	-	-	-	709	1,454	1,773	1,514	1,150	1,106
Tap Fees - Net of Costs	1,582	808	1,197	839	708	1,145	1,420	1,849	1,479	1,116
Developer Contributions	1,550	3,470	2,112	3,991	9,713	13,141	10,813	10,866	6,134	4,168
Contributions - Others	885	266	46	594	5,803	1,125	46	-	284	-
Total Contributions	4,017	4,544	3,355	5,424	16,933	16,865	14,052	14,229	9,047	6,390
Change in Accounting Methods	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	649	n/a
Change in Net Assets	$ 7,439	$ 6,455	$ 4,287	$ 4,713	$18,549	$20,050	$16,845	$17,287	$12,402	$ 9,754

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
SCHEDULE OF OPERATING REVENUES
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Actual	(Unaudited) Budget	Variance Favorable (Unfavorable)
Operating Revenues			
Water Sales	$ 22,895,090	$ 22,398,000	$ 497,090
Sewer (Step) Sales	1,463,235	1,380,000	83,235
Late Payment Fees	607,923	570,000	37,923
Service Charges	1,063,052	1,021,000	42,052
Fire Protection	142,776	155,000	(12,224)
Miscellaneous Income	22,897	15,000	7,897
	26,194,973	25,539,000	655,973
Less: Adjustments and Allowances	(181,434)	(270,000)	88,566
Total Operating Revenues	$ 26,013,539	$ 25,269,000	$ 744,539

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Actual	(Unaudited) Budget	Budget Remaining	% of Budget Used
Pumping				
Building and grounds	$ 17,227	$ 15,000	$ (2,227)	114.85%
Contract services, maintenance	9,500	18,740	9,240	50.69%
Electricity	256,658	265,000	8,342	96.85%
Employee regular wages	99,319	102,071	2,752	97.30%
Employee overtime pay	10,397	12,000	1,603	86.64%
Employee bonus pay	865	1,040	175	83.17%
Employee vacation pay	8,517	7,566	(951)	112.57%
Employee sick pay	5,934	3,935	(1,999)	150.80%
Employee benefits, allocated	35,740	37,500	1,760	95.31%
Employee section 457	-	7,690	7,690	0.00%
Retirement contribution	6,962	7,071	109	98.46%
Employer payroll taxes	9,442	10,275	833	91.89%
Equipment/vehicle repair	624	1,000	376	62.40%
Insurance, workers comp	3,431	3,500	69	98.03%
Materials and supplies	1,928	2,000	72	96.40%
Outside services employed	800	2,000	1,200	40.00%
Postage/freight	233	1,000	767	23.30%
Rental expense	810	1,000	190	81.00%
Repair and maintenance	48,058	40,000	(8,058)	120.15%
School and education	210	1,000	790	21.00%
Telephone, data & fax	1,176	1,500	324	78.40%
Tools and equipment	282	3,000	2,718	9.40%
Transportation	11,096	19,000	7,904	58.40%
Uniforms	1,813	2,000	187	90.65%
	531,022	564,888	33,866	94.00%
Less: Indirect costs allocated	(6,639)	-	6,639	0.00%
Total Pumping	524,383	564,888	40,505	92.83%
Water Treatment Plant				
Building and grounds	17,544	8,400	(9,144)	208.86%
Chemicals	683,653	456,000	(227,653)	149.92%
Computers and software	30	2,400	2,370	1.25%
Contract services, administrative	418,686	436,800	18,114	95.85%
Contract services,direct projects	5,491	6,000	509	91.52%
Contract services, maintenance	-	4,800	4,800	0.00%
Contract services, management	54,651	57,600	2,949	94.88%
Contract services, operations	668,840	680,400	11,560	98.30%
Dues and subscriptions	335	1,200	865	27.92%
Electricity	630,801	703,200	72,399	89.70%
Equipment/vehicle repair	-	2,400	2,400	0.00%
Materials and supplies	33,182	24,000	(9,182)	138.26%
Miscellaneous expenses	-	1,200	1,200	0.00%
Office furniture/fixtures	909	-	(909)	0.00%
Outside services employed	72,531	60,000	(12,531)	120.89%
Postage/freight	6,801	6,000	(801)	113.35%

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
SCHEDULE OF OPERATING EXPENSES (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Actual	(Unaudited) Budget	Budget Remaining	% of Budget Used
Promotion & entertainment	110	600	490	18.33%
Rental expense	73	600	527	12.17%
Repair and maintenance	54,770	70,800	16,030	77.36%
School and education	2,144	1,200	(944)	178.67%
Telephone, data & fax	7,040	8,400	1,360	83.81%
Tools and equipment	7,460	8,400	940	88.81%
Transportation	4,216	3,600	(616)	117.11%
Travel	2,327	1,200	(1,127)	193.92%
Uniforms	1,039	2,400	1,361	43.29%
Total Water Treatment Plant	2,672,633	2,547,600	(125,033)	104.91%
Transmission and Distribution				
Computers and software	949	-	(949)	0.00%
Contract services, maintenance	2,143	2,500	357	85.72%
Dues and subscriptions	312	500	188	62.40%
Employee regular wages	1,548,234	1,678,383	130,149	92.25%
Employee overtime pay	116,978	107,800	(9,178)	108.51%
Employee bonus pay	30,235	21,840	(8,395)	138.44%
Temporary employees	3,180	46,000	42,820	6.91%
Employee vacation pay	131,835	127,670	(4,165)	103.26%
Employee sick pay	80,173	69,405	(10,768)	115.51%
Employee benefits, allocated	668,093	711,250	43,157	93.93%
Employee section 457	30,908	44,257	13,349	69.84%
Retirement contribution	216,882	209,184	(7,698)	103.68%
Employer payroll taxes	163,692	171,537	7,845	95.43%
Equipment/vehicle repair	69,858	95,250	25,392	73.34%
Insurance, workers comp	53,037	66,550	13,513	79.69%
Lab supplies	1,432	-	(1,432)	0.00%
Licenses & permits	2,150	4,500	2,350	47.78%
Materials and supplies	34,217	65,150	30,933	52.52%
Miscellaneous expenses	4	2,600	2,596	0.15%
Office furniture/fixtures	-	5,000	5,000	0.00%
Outside services employed	21,103	35,750	14,647	59.03%
Postage/freight	2,666	5,225	2,559	51.02%
Promotion & entertainment	-	2,250	2,250	0.00%
Rental expense	3,172	12,500	9,328	25.38%
Repair and maintenance	520,856	383,000	(137,856)	135.99%
School and education	8,990	14,250	5,260	63.09%
Telephone, data & fax	12,400	16,700	4,300	74.25%
Tools and equipment	65,796	59,500	(6,296)	110.58%
Transportation	250,744	211,000	(39,744)	118.84%
Travel	10,104	16,500	6,396	61.24%
Uniforms	34,267	40,900	6,633	83.78%
	4,084,410	4,226,951	142,541	96.63%
Less: Indirect costs allocated	(527,088)	(280,000)	247,088	188.25%
Total Transmission and Distribution	3,557,322	3,946,951	389,629	90.13%

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
SCHEDULE OF OPERATING EXPENSES (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Actual	(Unaudited) Budget	Budget Remaining	% of Budget Used
Customer Accounting				
Computers and software	192	-	(192)	0.00%
Contract services, maintenance	2,700	11,000	8,300	24.55%
Dues and subscriptions	-	750	750	0.00%
Employee regular wages	254,426	277,770	23,344	91.60%
Employee overtime pay	16,721	12,000	(4,721)	139.34%
Employee bonus pay	6,921	3,640	(3,281)	190.14%
Employee vacation pay	19,607	18,620	(987)	105.30%
Employee sick pay	12,478	10,630	(1,848)	117.38%
Employee benefits, allocated	102,335	120,000	17,665	85.28%
Employee section 457	5,381	5,345	(36)	100.67%
Retirement contribution	30,721	32,815	2,094	93.62%
Employer payroll taxes	23,792	25,095	1,303	94.81%
Equipment/vehicle repair	-	500	500	0.00%
Insurance, workers comp	8,627	9,700	1,073	88.94%
Materials and supplies	2,381	4,000	1,619	59.53%
Miscellaneous expenses	-	250	250	0.00%
Office furniture/fixtures	123	1,100	977	11.18%
Outside services employed	47,875	4,000	(43,875)	1196.88%
Postage/freight	220	1,200	980	18.33%
Promotion & entertainment	-	900	900	0.00%
Rental expense	-	200	200	0.00%
Repair and maintenance	4,184	900	(3,284)	464.89%
School and education	2,210	4,000	1,790	55.25%
Telephone, data & fax	1,512	1,500	(12)	100.80%
Tools and equipment	2,051	3,000	949	68.37%
Transportation	40,375	70,000	29,625	57.68%
Travel	4,484	6,500	2,016	68.98%
Uniforms	6,057	8,000	1,943	75.71%
Total Customer Accounting	595,373	633,415	38,042	93.99%
Customer Service				
Computers and software	350	-	(350)	0.00%
Dues and subscriptions	-	50	50	0.00%
Employee regular wages	679,255	689,130	9,875	98.57%
Employee overtime pay	5,160	10,000	4,840	51.60%
Employee bonus pay	16,851	10,400	(6,451)	162.03%
Employee vacation pay	49,273	44,210	(5,063)	111.45%
Employee sick pay	46,119	25,650	(20,469)	179.80%
Employee benefits, allocated	284,150	299,000	14,850	95.03%
Employee section 457	10,603	26,150	15,547	40.55%
Retirement contribution	69,464	61,945	(7,519)	112.14%
Employer payroll taxes	59,394	61,625	2,231	96.38%
Insurance, workers comp	1,428	2,000	572	71.40%
Materials and supplies	1,559	8,000	6,441	19.49%
Miscellaneous expenses	-	250	250	0.00%

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
SCHEDULE OF OPERATING EXPENSES (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Actual	(Unaudited) Budget	Budget Remaining	% of Budget Used
Office furniture/fixtures	579	1,000	421	57.90%
Outside services employed	78,853	142,000	63,147	55.53%
Postage/freight	188,700	184,900	(3,800)	102.06%
Promotion & entertainment	180	1,000	820	18.00%
Rental expense	260	250	(10)	104.00%
Repair and maintenance	-	500	500	0.00%
School and education	5,938	8,200	2,262	72.41%
Telephone, data & fax	970	1,200	230	80.83%
Tools and equipment	94	500	406	18.80%
Transportation	28	-	(28)	0.00%
Travel	6,848	13,250	6,402	51.68%
Uniforms	9,214	9,500	286	96.99%
Total Customer Service	1,515,270	1,600,710	85,440	94.66%
Wasterwater (Step Systems)				
Building and grounds	64,847	92,899	28,052	69.80%
Contract services, maintenance	-	16,200	16,200	0.00%
Dues and subscriptions	-	500	500	0.00%
Electricity	82,984	111,800	28,816	74.23%
Employee regular wages	287,046	277,915	(9,131)	103.29%
Employee overtime pay	30,420	29,500	(920)	103.12%
Employee bonus pay	3,868	3,120	(748)	123.97%
Employee vacation pay	18,820	18,800	(20)	100.11%
Employee sick pay	11,578	10,640	(938)	108.82%
Employee benefits, allocated	106,947	112,200	5,253	95.32%
Employee section 457	26,942	27,320	378	98.62%
Retirement contribution	12,640	11,960	(680)	105.69%
Employer payroll taxes	28,059	28,100	41	99.85%
Equipment/vehicle repair	4,952	4,000	(952)	123.80%
Insurance, workers comp	9,163	9,700	537	94.46%
Licenses & permits	29,260	32,000	2,740	91.44%
Materials and supplies	13,824	18,000	4,176	76.80%
Miscellaneous expenses	46	1,000	954	4.60%
Office furniture/fixtures	-	1,000	1,000	0.00%
Outside services employed	34,240	15,000	(19,240)	228.27%
Postage/freight	450	1,500	1,050	30.00%
Promotion & entertainment	-	1,500	1,500	0.00%
Professional fees: sewer	4,101	19,200	15,099	21.36%
Rental expense	175	-	(175)	0.00%
Repair and maintenance	60,008	62,800	2,792	95.55%
School and education	1,520	2,500	980	60.80%
Telephone, data & fax	3,229	33,860	30,631	9.54%
Tools and equipment	963	10,000	9,037	9.63%
Transportation	34,542	29,810	(4,732)	115.87%

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
SCHEDULE OF OPERATING EXPENSES (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Actual	(Unaudited) Budget	Budget Remaining	% of Budget Used
Travel	1,613	1,000	(613)	161.30%
Uniforms	4,449	5,000	551	88.98%
Total Wastewater (Step Systems)	876,686	988,824	112,138	88.66%
Administration and General				
Bad Debts, net of recoveries	132,978	179,000	46,022	74.29%
Banking services, retail	16,612	24,000	7,388	69.22%
Banking services, investment	8,019	8,000	(19)	100.24%
Building and grounds	113,612	150,000	36,388	75.74%
Computers and software	155,204	179,500	24,296	86.46%
Contract services, maintenance	209,879	225,000	15,121	93.28%
Dues and subscriptions	82,746	90,250	7,504	91.69%
Employee regular wages	729,057	759,965	30,908	95.93%
Employee regular wages: Board	24,600	25,200	600	97.62%
Employee overtime pay	7,788	5,800	(1,988)	134.28%
Employee bonus pay	16,450	6,240	(10,210)	263.62%
Employee vacation pay	43,517	48,605	5,088	89.53%
Employee sick pay	26,115	28,715	2,600	90.95%
Employe benefits, allocated	192,313	222,000	29,687	86.63%
Employee benefits, allocated: Board	66,535	73,350	6,815	90.71%
Employee section 457	33,818	33,530	(288)	100.86%
Retirement contribution	61,766	66,410	4,644	93.01%
Employer payroll taxes	66,751	67,540	789	98.83%
Employer payroll taxes: Board	3,217	3,400	183	94.62%
Post-employment health care - ARC	396,832	310,000	(86,832)	128.01%
Equipment/vehicle repair	1,329	2,000	671	66.45%
Insurance, general	150,032	155,000	4,968	96.79%
Insurance, workers comp	1,413	2,400	987	58.88%
Inventory adjustments	7,349	-	(7,349)	0.00%
Licenses & permits	750	-	(750)	0.00%
Materials and supplies	81,440	77,500	(3,940)	105.08%
Miscellaneous expenses	11,106	61,000	49,894	18.21%
Office furniture/fixtures	294	3,500	3,206	8.40%
Outside services employed	91,412	130,000	38,588	70.32%
Postage/freight	5,222	5,500	278	94.95%
Promotion & entertainment	11,748	12,300	552	95.51%
Promotion & entertainment: Board	257	750	493	34.27%
Professional fees, accounting	33,838	32,000	(1,838)	105.74%
Professional fees, engineering	34,245	35,000	755	97.84%
Professional fees, legal	124,510	230,000	105,490	54.13%
Rental expense	2,664	3,500	836	76.11%
Repair and maintenance	1,435	11,000	9,565	13.05%
School and education	24,913	17,500	(7,413)	142.36%
School and education: Board	6,322	7,000	678	90.31%
Telephone, data & fax	68,557	76,600	8,043	89.50%
Tools and equipment	26,297	12,500	(13,797)	210.38%

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
SCHEDULE OF OPERATING EXPENSES (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Actual	(Unaudited) Budget	Budget Remaining	% of Budget Used
Transportation	19,912	7,000	(12,912)	284.46%
Travel	8,106	19,000	10,894	42.66%
Travel: Board	12,259	10,000	(2,259)	122.59%
Unemployment tax	1,570	6,000	4,430	26.17%
Uniforms	19,368	7,500	(11,868)	258.24%
Utilities	109,033	120,000	10,967	90.86%
Vehicles - non-capital	95,829	176,000	80,171	54.45%
Total Administration and General	3,339,019	3,727,055	388,036	89.59%
Depreciation and Amortization				
Depreciation	7,086,458	7,412,200	325,742	95.61%
Amortization	45,421	45,450	29	99.94%
Total Depreciation and Amortization	7,131,879	7,457,650	325,771	95.63%
Total Operating Expense	$ 20,212,565	$ 21,467,093	$ 1,254,528	94.16%

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE

SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY

AS OF SEPTEMBER 30, 2012

	All Bond Issues			2009 Water Revenue 2.50%-4.50%		2008 Rural Development 4.125%	
Fiscal Year	Total	Principal	Interest	Principal	Interest	Principal	Interest
2013	$ 4,534,130	$ 2,114,120	$ 2,420,010	$ 570,000	$ 529,050	$ 17,276	$ 53,199
2014	4,531,905	2,186,616	2,345,289	590,000	514,550	18,003	52,473
2015	4,522,394	2,264,179	2,258,215	600,000	499,675	18,760	51,716
2016	4,318,380	2,156,562	2,161,818	620,000	482,875	19,406	51,070
2017	4,313,687	2,249,511	2,064,176	650,000	463,825	20,365	50,111
2018	4,327,250	2,361,297	1,965,953	670,000	443,188	21,221	49,255
2019	4,203,287	2,338,164	1,865,123	700,000	418,300	22,113	48,363
2020	4,055,372	2,289,884	1,765,488	700,000	392,050	22,910	47,566
2021	4,065,825	2,402,144	1,663,681	730,000	365,200	24,005	46,471
2022	4,068,910	2,514,277	1,554,633	760,000	335,400	25,014	45,462
2023	3,918,139	2,476,507	1,441,632	800,000	303,200	26,066	44,410
2024	3,772,104	2,443,631	1,328,473	820,000	268,775	27,041	43,435
2025	3,775,139	2,561,266	1,213,873	850,000	234,350	28,299	42,177
2026	3,786,026	2,693,812	1,092,214	900,000	197,100	29,488	40,988
2027	3,778,876	2,816,476	962,400	930,000	155,925	30,728	39,748
2028	3,254,139	2,414,083	840,056	950,000	113,625	31,912	38,564
2029	3,261,864	2,537,163	724,701	1,000,000	69,750	33,361	37,115
2030	3,268,876	2,665,207	603,669	1,050,000	23,625	34,764	35,712
2031	2,204,576	1,703,389	501,187	-	-	36,225	34,251
2032	2,209,851	1,791,574	418,277	-	-	37,656	32,820
2033	2,211,076	1,880,189	330,887	-	-	39,331	31,145
2034	2,213,126	1,973,826	239,300	-	-	40,985	29,491
2035	2,220,651	2,077,629	143,022	-	-	42,708	27,768
2036	1,270,351	1,206,526	63,825	-	-	44,430	26,046
2037	127,476	95,759	31,717	-	-	46,371	24,105
2038	127,476	100,106	27,370	-	-	48,320	22,156
2039	127,476	104,652	22,824	-	-	50,352	20,124
2040	98,301	79,701	18,600	-	-	52,418	18,058
2041	70,476	54,672	15,804	-	-	54,672	15,804
2042	70,476	56,970	13,506	-	-	56,970	13,506
2043	70,476	59,365	11,111	-	-	59,365	11,111
2044	70,476	61,836	8,640	-	-	61,836	8,640
2045	70,476	64,460	6,016	-	-	64,460	6,016
2046	70,476	67,170	3,306	-	-	67,170	3,306
2047	44,264	43,621	643	-	-	43,621	643
Totals	$ 85,033,783	$ 54,906,344	$ 30,127,439	$ 13,890,000	$ 5,810,463	$ 1,297,622	$ 1,142,825

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE

SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY (CONTINUED)

AS OF SEPTEMBER 30, 2012

	2006 Water Revenue 4.00%-5.00%		2005 Water Revenue 3.00%-5.50%		2004 Refunding 2.00%-5.00%	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest
2013	$ 370,000	$ 774,213	$ 320,000	$ 574,767	$ 800,000	$ 442,150
2014	385,000	757,187	330,000	561,767	825,000	414,525
2015	405,000	737,438	345,000	547,405	855,000	379,125
2016	425,000	716,687	360,000	529,742	690,000	340,500
2017	445,000	696,606	375,000	509,530	725,000	305,125
2018	465,000	677,269	395,000	491,317	775,000	267,625
2019	485,000	656,778	415,000	474,858	695,000	230,875
2020	505,000	635,122	440,000	457,224	600,000	198,500
2021	530,000	612,150	460,000	438,374	635,000	167,625
2022	555,000	587,738	485,000	418,171	665,000	135,125
2023	580,000	560,750	510,000	396,588	535,000	105,125
2024	610,000	531,000	535,000	373,728	425,000	81,125
2025	645,000	499,625	565,000	349,313	445,000	59,375
2026	675,000	466,625	590,000	323,325	470,000	36,500
2027	710,000	432,000	620,000	296,100	495,000	12,375
2028	745,000	395,625	655,000	267,413	-	-
2029	785,000	357,375	685,000	237,263	-	-
2030	825,000	317,125	720,000	205,650	-	-
2031	870,000	274,750	760,000	172,350	-	-
2032	915,000	230,125	800,000	137,250	-	-
2033	960,000	183,250	840,000	100,350	-	-
2034	1,010,000	134,000	880,000	61,650	-	-
2035	1,060,000	82,250	930,000	20,925	-	-
2036	1,115,000	27,875	-	-	-	-
2037	-	-	-	-	-	-
2038	-	-	-	-	-	-
2039	-	-	-	-	-	-
2040	-	-	-	-	-	-
2041	-	-	-	-	-	-
2042	-	-	-	-	-	-
2043	-	-	-	-	-	-
2044	-	-	-	-	-	-
2045	-	-	-	-	-	-
2046	-	-	-	-	-	-
2047	-	-	-	-	-	-
Totals	$ 16,075,000	$ 11,343,563	$ 13,015,000	$7,945,060	$9,635,000	$3,175,675

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE

SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY (CONTINUED)

AS OF SEPTEMBER 30, 2012

	2000 Rural Development 4.75%		1978 Rural Development 5.00%		1976 Rural Development 5.00%	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest
2013	$ 15,844	$ 41,156	$ 12,000	$ 3,800	$ 9,000	$ 1,675
2014	16,613	40,387	13,000	3,175	9,000	1,225
2015	17,419	39,581	13,000	2,525	10,000	750
2016	18,156	38,844	14,000	1,850	10,000	250
2017	19,146	37,854	15,000	1,125	-	-
2018	20,076	36,924	15,000	375	-	-
2019	21,051	35,949	-	-	-	-
2020	21,974	35,026	-	-	-	-
2021	23,139	33,861	-	-	-	-
2022	24,263	32,737	-	-	-	-
2023	25,441	31,559	-	-	-	-
2024	26,590	30,410	-	-	-	-
2025	27,967	29,033	-	-	-	-
2026	29,324	27,676	-	-	-	-
2027	30,748	26,252	-	-	-	-
2028	32,171	24,829	-	-	-	-
2029	33,802	23,198	-	-	-	-
2030	35,443	21,557	-	-	-	-
2031	37,164	19,836	-	-	-	-
2032	38,918	18,082	-	-	-	-
2033	40,858	16,142	-	-	-	-
2034	42,841	14,159	-	-	-	-
2035	44,921	12,079	-	-	-	-
2036	47,096	9,904	-	-	-	-
2037	49,388	7,612	-	-	-	-
2038	51,786	5,214	-	-	-	-
2039	54,300	2,700	-	-	-	-
2040	27,283	542	-	-	-	-
2041	-	-	-	-	-	-
2042	-	-	-	-	-	-
2043	-	-	-	-	-	-
2044	-	-	-	-	-	-
2045	-	-	-	-	-	-
2046	-	-	-	-	-	-
2047	-	-	-	-	-	-
Totals	$ 873,722	$ 693,103	$ 82,000	$ 12,850	$ 38,000	$ 3,900

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE

SCHEDULE OF HISTORICAL DEBT SERVICE COVERAGE

(Unaudited)

(dollar amounts expressed in thousands)

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Operating Revenues	$26,014	$23,782	$22,125	$20,723	$21,145	$19,976	$17,610	$16,035	$14,166	$13,294
Operating Expenses	20,213	19,868	19,048	19,927	18,643	16,596	14,471	12,510	11,050	9,692
Net Operating Income	5,801	3,914	3,077	796	2,502	3,380	3,139	3,525	3,116	3,602
Non-Operating Income(Expense)	(2,379)	(2,003)	(2,145)	(1,508)	(886)	(195)	(346)	(467)	(410)	(237)
Net Income Before Contributions	3,422	1,911	932	(712)	1,616	3,185	2,793	3,058	2,706	3,365
Add: Contributed Capital - Cash	1,632	1,074	1,243	1,434	1,417	3,724	3,239	3,363	2,629	1,222
Depreciation	7,132	7,000	6,814	6,550	6,041	5,051	4,326	3,468	2,897	2,575
Interest Expense	2,465	2,529	2,544	2,295	2,143	2,189	1,751	1,123	900	1,053
Net Available for Debt Service	$14,651	$12,514	$11,533	$ 9,567	$11,217	$14,149	$12,109	$11,012	$ 9,132	$ 8,215
Annual Debt Requirements	$ 4,545	$ 4,011	$ 3,437	$ 3,525	$ 3,445	$ 3,385	$ 2,470	$ 1,610	$ 1,869	$ 2,258
Debt Service Coverage (times)	3.22	3.12	3.36	2.71	3.26	4.18	4.90	6.84	4.89	3.64

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
CUSTOMERS AND RATE SCHEDULE
YEAR ENDED SEPTEMBER 30, 2012
(Unaudited)

As of Sepember 30, 2012, Consolidated Utility District served approximately 44,023 water customers and had approved the following rate structure for the coming year:

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

As of Sepember 30, 2012, Consolidated Utility District served approximately 3,304 customers on STEP sewer systems and had approved the following rate structure for the coming year:

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

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
TOP TEN CUSTOMERS BY REVENUE
(Unaudited)
For the Years Ended September 30

	2012			2004		
Customer	Annual Water Sales	Rank	Percentage of Total Water Sales	Annual Water Sales	Rank	Percentage of Total Water Sales
Rutherford County Board of Education	$ 157,962	1	0.70%			
Embassy Suites Hotel	119,043	2	0.52%			
University Gables Apts.	109,345	3	0.48%			
Browning Ferris	103,492	4	0.46%			
Vintage @ the Park Apts.	90,360	5	0.40%	79,956	1	0.61%
Indian Park Apts.	90,093	6	0.40%	78,108	2	0.60%
Flournoy Construction	79,963	7	0.35%			
Cason Estates	79,111	8	0.35%			
Campus Crest Construction	77,505	9	0.34%			
Westbury Farms, LLC	77,426	10	0.34%			
The Paddock Club Apts.				53,316	4	0.41%
Summerlake Apts.				55,248	3	0.42%
Bill Rice Ranch				38,268	5	0.29%
Holly Park Apts.				35,952	6	0.28%
Waterford Place Apts.				32,160	7	0.25%
National Car Wash				27,492	8	0.21%
Blackman High School				24,528	9	0.19%
Alvin C. York Medical Center				18,948	10	0.15%

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

	Fiscal Year				
	2012	**2011**	**2010**	**2009**	**2008**
Average Daily Demand	10.10	10.11	9.69	10.12	10.68
Maximum Daily Demand	16.73	15.47	13.21	14.07	15.25
Average Active Customers	43,511	43,110	42,602	41,889	40,992

	Fiscal Year				
	2007	**2006**	**2005**	**2004**	**2003**
Average Daily Demand	9.96	9.39	8.54	7.33	7.03
Maximum Daily Demand	15.51	14.32	10.45	9.11	8.67
Average Active Customers	38,976	36,238	33,279	30,706	28,780

NOTE: Demand numbers are in million gallons per day

AVERAGE MONTHLY WATER USAGE (gals)	Fiscal Year				
	2012	**2011**	**2010**	**2009**	**2008**
Sold to Customers	234,406,261	228,270,341	228,417,585	224,684,150	233,962,207
percent sold	*76%*	*74%*	*77%*	*73%*	*74%*
Non-Metered Consumption (Fire, flushing,	9,175,919	8,755,512	13,726,579	18,133,181	24,882,254
percent non-metered	*3%*	*3%*	*5%*	*6%*	*8%*
Unaccounted for	64,499,487	70,762,480	52,647,987	64,953,244	59,076,083
percent unaccounted for	*21%*	*23%*	*18%*	*21%*	*19%*
Average Monthly Water Pumped	308,081,667	307,788,333	294,792,151	307,770,575	317,920,544

AVERAGE MONTHLY WATER USAGE (gals)	Fiscal Year				
	2007	**2006**	**2005**	**2004**	**2003**
Sold to Customers	224,530,620	202,094,382	191,710,836	166,391,977	157,262,647
percent sold	*73%*	*71%*	*73%*	*76%*	*73%*
Non-Metered Consumption (Fire, flushing, etc.)	22,274,060	19,468,637	16,346,406	15,864,922	21,233,834
percent non-metered	*7%*	*7%*	*6%*	*7%*	*10%*
Unaccounted for	56,181,624	63,242,007	53,670,336	37,844,329	35,783,575
percent unaccounted for	*18%*	*22%*	*21%*	*17%*	*17%*
Average Monthly Water Pumped	302,986,304	284,805,026	261,727,578	220,101,228	214,280,056

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
SCHEDULE OF UNACCOUNTED FOR WATER
YEAR ENDED SEPTEMBER 30, 2012
(Unaudited)

(All amounts in gallons)

A	**Water Treated and Purchased:**		
B	Water Pumped (potable)	3,696,980,000	
C	Water Purchased	0	
D	**Total Water Treated and Purchased (Sum Lines B and C)**		3,696,980,000
E	**Accounted for Water:**		
F	Water Sold	2,812,875,130	
G	Metered for Consumption (in house usage)	2,996,011	
H	Fire Department(s) Usage	2,345,803	
I	Flushing	86,597,559	
J	Tank Cleaning/Filling	7,318,216	
K	Street Cleaning	0	
L	Bulk Sales	10,853,437	
M	Water Bill Adjustments	0	
N	**Total Accounted for Water (Sum Lines F thru M)**		2,922,986,156
O	**Unaccounted for Water (Line D minus Line N)**		773,993,844
P	**Percent Unaccounted for Water (Line O divided by Line D times 100)**		20.936%
Q	**Other (explain)**	See Below	

Explain Other: Not applicable for this report.

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

Revised 04/09

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
DISTRICT OFFICIALS AND MANAGEMENT
YEAR ENDED SEPTEMBER 30, 2012
(Unaudited)

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

Edmondson, Betzler & Montgomery, PLLC

(Certified Public Accountants)

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited the financial statements of Consolidated Utility District of Rutherford County, Tennessee as of and for the year ended September 30, 2012, and have issued our report thereon dated November 21, 2012. We conducted our audit in accordance with auditing standards generally accepted in the Untied States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Consolidated Utility District of Rutherford County, Tennessee is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Edmondson, Betzler & Montgomery, PLLC

November 21, 2012

Brentwood Location: 12 Cadillac Drive • Suite 210 • Brentwood, Tennessee 37027
Murfreesboro Location: 1535 W. Northfield Boulevard • 14 Lincoln Square • Murfreesboro, Tennessee 37129
Phone: (615) 916-3100 • Facsimilies: Brentwood • (615) 916-3161 • Murfreesboro • (615) 907-3393

APPENDIX C

SUPPLEMENTAL INFORMATION

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The information contained in this section is included only for purposes of supplying general information regarding the District and Rutherford County, Tennessee ("Rutherford County"). The Series 2013 Bonds are payable solely from the sources described in this Official Statement under the heading "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2013 BONDS." Neither the full faith and credit nor the taxing power of the State of Tennessee or any political subdivision thereof, including Rutherford County, is pledged to the payment of the Series 2013 Bonds. The Series 2013 Bonds are limited obligations and are payable solely from the Net Revenues of the System. The District has no taxing powers.

THE SYSTEM

Organization

The District was created pursuant to Order of the County Court of Rutherford County entered as of April 24, 1970, consolidating the Double Springs Utility District of Rutherford County and the Stones River Utility District of Rutherford County into which there was merged on November 14, 1978, the Florence Water Utility District of Rutherford County, and by Order of November 14, 1978, the Rockvale Utility District of Rutherford County (collectively, the "Order of Incorporation"), and pursuant to the provisions of the District Act, which provides that any utility district incorporated thereunder shall be a District or public corporation in perpetuity and be a body politic and corporate with power of perpetual succession, but without any power to levy or collect taxes. The District is authorized to issue the Series 2013 Bonds in furtherance of the purposes for which it is organized.

The District Act provides that, except as set forth in the Municipal Property and Services Act (as described under the heading "Service Area"), as long as the District continues to furnish any of the services which it is authorized to furnish, it shall continue to be the sole public corporation having the power to furnish such services within the boundaries of the District, and no other person, firm or corporation shall furnish or attempt to furnish any of such services in the District, unless and until it shall have been established that the public convenience and necessity require other or additional services.

Powers

The District Act provides that the District is empowered, among other things, to conduct, operate and maintain a system or systems for the furnishing of water and water storage and related facilities. Additionally, the system has sought and obtained permission from the State of Tennessee to oversee construction of, and to operate decentralized sewer systems throughout its service area. To carry out such purposes, the District has the power and authority to acquire, construct, reconstruct, improve, better, extend, consolidate, maintain and operate such system or systems within or without the District, and to purchase from, furnish, deliver and sell to any municipality, the State, any public institution and the public, generally, any of its services. The District has the power of eminent domain and has the power to issue its negotiable bonds for the purpose of construction, acquiring, reconstructing, improving, bettering or extending any of its facilities or system or systems and to pledge to the payment of such negotiable bonds all or any part of the revenues derived from the operation of such facilities, system or systems or combination thereof. The District has no power to levy or collect taxes.

Governing Body

All corporate powers of the District are vested in and exercised by the Board of Commissioners. The Board consists of five members, each of which must reside or own property within the boundaries of the District, serving staggered four-year terms. The Commissioners are appointed by the County Mayor of Rutherford County from a list of three nominees submitted by the other members of the Board then in office. Each member of the Board of Commissioners, upon expiration of his or her term, shall continue to hold office until the successor shall have been appointed. A Board member may succeed himself or herself in office.

Pursuant to the District Act, the Board acts by a majority of its members and must meet at least once each quarter. The Board is authorized by the District Act, among other things, to exercise by vote, ordinance or resolution all of the general and specific powers of the District, to make all necessary rules, regulations and bylaws for the management and conduct the affairs of the District and to issue bonds of the District by resolution of the Board.

The individual commissioners receive compensation for their services on a per diem basis in the maximum amount allowable by the District Act for each day's attendance of the meetings of the Board in the performance of their official duties. Pursuant to the District Act, no member of the Board shall draw compensation in excess of $1,200 for such service during any one calendar year. In addition, Board members are eligible for group medical insurance coverage as may be provided other employees, or payment of premiums for any equivalent or similar group coverage under the terms of Section 7-82-308, Tennessee Code Annotated.

The Board of Commissioners

The following are the current members of the Board of Commissioners, their principal occupation and the expiration of their term of office:

	Principal Occupation	**Expiration of Term**
John L. Batey, Jr. President	Farmer/Realtor	November 15, 2014
William Waite, Vice President	Developer/Builder	November 15, 2015
Craig Lynch, Secretary-Treasurer	Postmaster	November 15, 2013
Dr. Rosemary Owens	Retired Dean, MTSU	November 15, 2016
Carter Woodruff	Financial Services Officer	November 15, 2013

Management

General Manager - The General Manager of the District is employed by the Board. The General Manager is the chief executive and administrative officer of the District with the responsibility of administering the day-to-day operations of the District. The General Manager is William Dunnill. Mr. Dunnill joined the District as the Assistant Manager in 2004. Prior to joining the District, Mr. Dunnill served as an independent technical representative in the private sector. He also served as General Manager of the Lenoir City Utilities Board. Mr. Dunnill has also served as a City Administrator. He is a registered professional engineer

Comptroller - E. Paul Long accepted the position of Comptroller of the District in 2004. Mr. Long has over 39 years of experience as a government auditor/financial manager. He served for 22 years as a member of the State of Tennessee Department of Audit. Additionally, he served 7 years as the Finance Director of Rutherford County. Mr. Long also has experience as an investment banker.

General System Description

The System consists primarily of office and warehouse facilities, a water treatment plant, storage facilities, water distribution and transmission lines, and pumping stations.

Office and Warehouse Facilities

The District offices are located in a 29,580 square foot administrative facility. Additionally, the District completed a new 16,481 square foot warehouse in May 2003. These facilities have improved the ability of the District to service a steadily growing customer base.

Water Treatment Plant and Storage Facilities

The District purchased its water supply from the municipal water systems of Murfreesboro and Smyrna until 1983 when a 4.0 MGD water treatment plant was placed into service. The capacity of the water plant was doubled in 1989 to 8.0 MGD to accommodate increased demand. The District has signed an agreement with the U.S. Army Corps of Engineers (Corps) for the storage of 16 MGD at the Percy Priest Reservoir. This agreement was a prerequisite to the most recent water treatment plant expansion which was completed in 2008, designed to increase capacity to 16 MGD. The water treatment plant has traditionally been a conventional rapid sand filtration facility, but the recent expansion has added membrane filtration technology for the filtration of backwash water.

The District has requested an additional 14 MGD of water storage from the Corps. This request is in anticipation of additional customer demand which will require another project to increase treatment and distribution capacity.

The District has been notified by the Corps that it is reevaluating the methodology and modeling processes that have been used to determine the number of gallons that are yielded from the contract storage area. To the extent that the Corps changes the methodologies, the dependable yield may be affected. The District has received a preliminary indication from the Corps that the current full water yield may still be available at an additional cost. The District is evaluating all options for this storage source and alternative sources at this time.

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The District's storage facilities consist of fourteen water storage reservoirs constructed of steel and restressed concrete. The reservoirs were constructed at ground level with a total storage capacity of 22.75 million gallons. The locations, capacity, and overflow elevations of the storage reservoirs are as follows:

Location	Capacity (Expressed in Gallons)	Overflow Elevations (Expressed in Feet)
Baker Road	2,000,000	756
Fosterville	400,000	1,024
Halls Hill Pike	3,000,000	887
Milton	500,000	954
Rocky Fork	500,000	908
Tiger Hill (2)	5,000,000	887
Two Hills (2)	6,000,000	756
Mooreland Lane	3,000,000	756
Whitus Road	100,000	960
Bill Rice Ranch	1,000,000	980
Big Springs	1,000,000	1100
Eagleville	250,000	960
Total	22,750,000	

Source: Consolidated Utility System.

Water Distribution and Transmission System

The District's water distribution and transmission system consists of 1,300 miles of lines throughout various areas and communities of Rutherford County. The distribution and transmission system consists of booster pumping stations and system lines. Raw water is conveyed from the source to the processing facilities for treatment. Potable water is then pumped to the District's storage facilities and held before eventual transmission to water customers. Existing system lines consist of 48", 36", 30", 24", 20", and 16" main lines which are constructed of ductile iron. The District's 12", 10" and 8" lines are constructed of either ductile iron or PVC. The 6" and smaller lines are predominantly PVC, with a small amount of cast iron, asbestos cement, galvanized and copper.

Sewer System

The District also operates a small sewer system that currently makes up less than 6% of total operating revenues. Developers are allowed to install sand-filtration systems for the treatment of wastewater in rural areas. These systems are typically installed for newer subdivisions where municipal sewer service is unavailable. The sand-filtration systems are turned over to the District upon completion. The District assumes the responsibility for maintaining the systems. The number of customers using these systems increased from 2,509 in 2008 to 3,304 in 2012. The existing systems are designed to accommodate in excess of 6,700 homes.

Number of Customers

The following table sets forth the number of water customers since 2000.

Year	Customers
2000	25,000
2001	26,300
2002	27,900
2003	29,500
2004	31,835
2005	34,789
2006	37,492
2007	40,262
2008	41,584
2009	41,889
2010	43,002
2011	43,250
2012	44,023

Historical Water Demand

Calendar Year	Average Daily Water Demand (Million Gallons per Day)	Maximum Water Demand (Million Gallons per Day)
1997	5.80	8.35
1998	5.93	8.62
1999	6.31	8.13
2000	6.75	8.82
2001	6.59	8.37
2002	6.99	9.02
2003	7.03	8.67
2004	7.33	9.11
2005	8.54	10.45
2006	9.39	14.32
2007	9.96	15.51
2008	10.68	15.25
2009	10.12	14.07
2010	9.69	13.21
2011	10.11	15.47
2012	10.10	16.73

Regulation

State and Local Regulation. The District is required by law to establish and maintain a set of rules and regulations regarding an adjustment of all complaints which may be made to the District concerning the availability of utility services to persons in need thereof, the quality of service performed, the adjustment of bills and all other complaints of any nature, with provisions relating to the manner of resolution of individual complaints, the types of complaints which may be resolved by salaried employees of the District, and those which may be resolved only by the Board. Such rules must be posted or otherwise available in the offices of the District for inspection by customers and members of the public. The District Act provides that the District may not contractually bind itself to issue bonds which would require a rate increase until the users of the system are given notice thereof. Pursuant to the District Act, rates charged and services provided by the District may be reviewed by the Utility Management Review Board of the State (the "Review Board") upon the filing with the Review Board of a petition signed by a least ten percent of the users within the authorized area of the District. In addition, the District is required to have its books and records audited annually by a certified public accountant, a public accountant, or by the Department of Audit of the Comptroller of the Treasury of the State. The Comptroller of the Treasury of the State, through the Department of Audit, makes a determination as to whether the annual audit of the District has been prepared in accordance with generally accepted governmental auditing standards and whether the audits meet the minimum standards prescribed by the Comptroller. The Comptroller has promulgated rules and regulations to assure that the books and records of utility districts are kept in accordance with generally accepted accounting procedures and that audit standards prescribed by the Comptroller are met. The District must file a copy of the audit with the Comptroller and with the County Mayor of Rutherford County.

Rate Regulation. The District is required by the District Act to charge such rates as shall be sufficient to pay operation and maintenance expenses and to pay principal of and interest on all bonds or notes secured by revenues of the System. The Board determines the rates paid by the District's customers. The District is required to publish within ninety days after the close of its fiscal year a statement showing the financial condition of the District, the earnings of the District, the water rates then being charged by the District and the method used in arriving at such rates for such fiscal year. Within thirty days of the date such statement is published, any water or sewer customer of the District may file with the Board a protest concerning the rates. The Board must then give notice of a hearing to determine the validity of the protest and whether the published rates are reasonable. After the Board makes its determination, the customer may seek review of the Board's action by the Review Board.

Review Board. The Review Board was established in 1987 to provide state oversight in utility management. The Review Board promulgated its rules and regulations and began hearing cases in 1989. The Review Board's primary function has been financial oversight of distressed utility districts. A utility district is considered to be financially distressed if it is in default of any outstanding indebtedness, it has operated with net losses for three consecutive years, and/or it has a retained earnings deficit. The Review Board has the authority to study the possibility of consolidating a distressed utility district with another utility provider, and, if it concludes that consolidation is in the public interest, it may negotiate a merger under the auspices of the Chancery Court. However, the most common actions taken by the Review Board are proposing rate restructuring and accounting improvements. The District has never been required to appear before the Review Board as a financially distressed utility district.

Licenses, Permits and Approvals. In the opinions of the General Manager and Counsel to the District, the District has received all licenses, permits and approvals necessary for the operation of the System. The District is subject to regulation with regard to water quality and other environmental matters by various Federal, state and local authorities.

Water and Sewer Rates

Set forth below is the water rate schedule presently in effect for the System.

Water Rates

First 500 gallons (minimum bill)	$ 12.78
Each additional 1,000 gallons - from 501 to 5,000 gallons	6.29
Each additional 1,000 gallons from 5,001 to 10,000 gallons	6.79
Each additional 1,000 gallons from 10,001 to 20,000 gallons	7.29
Each additional 1,000 gallons in excess of 20,000 gallons	7.79

Sewer Rates

Flat Rate	$28.00/month
All consumption, per 1,000 gallons	$2.00

Rate Comparison

The following table illustrates the average bill of customers of the Consolidated Utility District as well as the average bill of customers of adjacent water districts.

Utility Name	**3,000 Gallons**	**6,000 Gallons**
Consolidated Utility District of Rutherford Co.	$28.51	$47.88
Gladeville Utility District (Wilson County)	28.04	54.76
Cannon County Utility District (Woodbury)	21.00	39.75
Marshall County Board of Public Utilities	31.60	55.00
Wilson County Water and Wastewater Authority	37.21	65.11
Bedford County Utility District	22.63	39.88
Hillsville Utility District (Coffee County)	21.40	43.00

Source: Consolidated Utility District of Rutherford County

Contributions

Developers are required by the District to install water lines in new developments in accordance to District specifications and subject to inspection by its engineer. Developers bear the cost of laying the water lines, which become property of the District. The engineer's estimate of the cost of these lines is capitalized as utility plant and recorded as contributions by the District.

A fee is charged by the District for the physical connection to the water system. The District records income from the fee in an amount equal to the cost of making the tap and meter installation. Fees received in excess of costs are recorded as contributions.

The District charges a tap fee of $2,800 for all residential water and fire services up to 1 inch. All other tap fees (multi-family, commercial, industrial, etc.) are calculated based on the total fixtures count of the facility, divided by the fixture count for a single family residence, multiplied by the residential tap fee above.

Billing and Collection

Customers receive a bill once a month. A ten percent penalty is assessed if the bill is not paid within ten days of its receipt. Water service may be disconnected if the bill is not paid within ten days of receipt. A $50 disconnect fee is charged.

Ten Largest Customers

The following table sets forth the ten largest customers and the revenues attributable to such customers for the period ending September 30, 2012. As a group, the top ten customers account for less than 5% of the total revenues.

Customer	Annual Usage Gallons	Annual Water Revenue	% of Water Sales[1]
Rutherford County Board of Education	19,956,220	$157,962	0.69%
Embassy Suites Hotel	15,047,800	119,043	0.52%
University Gables Apts.	13,801,800	109,345	0.48%
Browning Ferris	13,092,220	103,492	0.45%
Vintage at the Park Apartments	11,519,790	90,360	0.39%
Indian Park Apartments	11,805,890	90,093	0.39%
Flournoy Construction	10,192,970	79,963	0.35%
Cason Estates Apartments	10,080,630	79,111	0.35%
Campus Crest Construction	9,846,750	77,505	0.34%
Westbury Farms, LLC	9,870,090	77,426	0.34%
	125,214,160	$984,300	4.30%

(1) Total water sales for 2012 were approximately $22.792 million.

Sources: Audited Financial Reports prepared by Edmondson, Betzler & Montgomery, PLLC, Brentwood, Tennessee for FY 2012 and District Officials

SUMMARY OF OPERATING RESULTS

The following table sets forth a summary of the operating results of the System for the past five fiscal years. The information has been extracted from the audited financial statements of the District for the fiscal years 2008 through 2012. For more detailed information regarding the financial results and condition of the System, see Appendix B.

	Fiscal Years Ended September 30				
	2012	**2011**	**2010**	**2009**	**2008**
Operating Revenues					
Water Revenues	$ 22,713,656	$ 20,644,785	$ 18,988,623	$ 18,219,669	$18,665,460
Sewer Revenues	1,463,235	1,357,534	1,114,312	873,174	791,434
Other Operating Revenues	1,836,648	1,780,158	2,020,908	1,630,368	1,688,642
Total Operating Revenues	$26,013,539	$23,782,477	$22,123,843	$20,723,211	$21,145,536
Operating Expenses					
Pumping	$524,383	$539,637	$524,068	$539,439	$513,020
Water Plant and Treatment	2,672,633	2,373,326	2,233,026	2,487,968	2,525,067
Transmission and Distribution	3,557,322	3,719,092	3,436,312	3,665,343	3,448,773
Customer Accounting and Service	2,110,643	2,105,368	2,115,139	2,431,956	2,676,904
Wastewater (step sewer)	876,686	935,688	924,604	830,116	725,355
Administrative and General	3,339,019	3,195,185	2,999,796	3,421,863	2,713,857
Depreciation and Amortization	7,131,879	7,000,088	6,813,829	6,550,075	6,040,510
Other	0	0	0	0	0
Total Operating Expenses	$20,212,565	$19,868,384	$19,046,774	$19,926,760	$18,643,486
Operating Income	$5,800,974	$3,914,093	$3,077,069	$796,451	$2,502,050
Non-Operating Income (expense)					
Interest Income	389,421	433,120	400,101	714,656	$1,263,119
Interest Expense	(2,465,200)	(2,528,750)	(2,544,501)	(2,295,136)	(2,143,335)
Gain (loss) on Disposal of Property	111,857	68,461	249	0	0
Gain on Sale of Capital Assets	(426,087)	26,454	2,525	146,854	3,694
Other	10,705	(2,458)	(3,521)	(73,888)	(9,053)
Non-Operating Income (expense)	($2,379,304)	($2,003,173)	($2,145,147)	($1,507,514)	($885,575)
Net Income Before Contributions	$3,421,670	$1,910,920	$931,922	($711,063)	$1,616,475
Contributions in Aid of Construction	$4,017,558	$4,543,637	$3,355,473	$5,424,332	$16,932,819
Change in Net Assets	$7,439,228	$6,454,557	$4,287,395	$4,713,269	$18,549,294

Sources: Audited Financial Reports prepared by Edmondson, Betzler & Montgomery, PLLC, Brentwood, Tennessee for the fiscal year ending September 30, 2009-2012 and Audited Financial Reports prepared by Dempsey Vatrease & Follis PLLC, Murfreesboro, Tennessee for the fiscal years ending September 30, 2008.

Summary of Assets, Liabilities and Retained Earnings

	Fiscal Years Ended September 30				
ASSETS:	**2012**	**2011**	**2010**	**2009**	**2008**
Utility Plant and Equipment	$228,976,488	$221,706,262	$221,183,121	$218,578,064	$210,658,180
Restricted Assets (Investments)	$10,014,868	$9,790,439	$8,036,425	$7,310,159	$6,919,381
Current Assets					
Cash and Cash Equivalents	$6,183,069	$6,670,773	$6,098,398	$2,481,534	$2,568,492
Investments	26,686,543	26,187,927	24,128,569	21,305,513	16,700,539
Accounts Receivables Less Doubtful	2,832,268	2,781,901	2,802,617	2,524,685	2,743,296
Grant Receivable	0	0	0	353,613	0
Accrued Interest Receivable	98,667	70,645	173,951	184,031	172,695
Material and Supplies Inventories	638,598	710,016	759,772	1,723,104	1,615,698
Total Current Assets	$36,439,145	$36,421,262	$33,963,307	$28,572,480	$23,800,720
Unamortized Debt Issuance Costs	776,795	822,217	868,621	702,312	714,677
TOTAL ASSETS	$276,207,296	$268,740,180	$264,051,474	$255,163,015	$242,092,958
LIABILITIES:					
Long-Term Liabilities					
Long-Term Debt	$53,629,546	$55,757,045	$57,822,523	$43,636,120	$44,165,811
Accrued Sick Leave	$583,299	$559,230	$533,646	$355,261	$41,206
Post Retirement Benefits	$1,219,722	$839,752	$544,835	$251,540	
Long-Term Liabilities	$55,432,567	$57,156,027	$58,901,004	$44,242,921	$44,207,017
Current Liabilities					
Current Maturities of Long-term Debt	$2,114,120	$2,055,433	$1,464,333	$10,886,955	$1,319,819
Accrued Interest Payable	393,951	404,985	412,831	417,319	346,092
Trade Accounts Payable	2,746,322	1,088,149	1,313,090	1,571,232	2,650,540
Estimated Health Insurance Claims Liability	0	0	0	308,283	209,789
Retainage Payable	0	13,061	377,017	379,795	764,366
Accrued Employee Compensation & Benefits	409,207	367,732	355,410	384,531	385,308
Other Accrued Liabilities	243,477	226,369	253,922	285,508	236,825
Current Liabilities	$5,907,077	$4,155,729	$4,176,603	$14,233,623	$5,912,739
TOTAL LIABILITIES	$61,339,644	$61,311,756	$63,077,607	$58,476,544	$50,119,756
Retained Earnings					
NET ASSETS:					
Invested in Capital Assets, Net of Debt	$174,009,617	$164,716,001	$162,764,886	$174,757,301	$165,887,227
Restricted for Bond Provisions	10,014,868	9,790,439	8,036,425	7,310,159	6,919,381
Restricted for capital investments	0	0	0	0	0
Unrestricted	30,843,167	32,921,984	30,172,556	14,619,011	19,166,594
TOTAL NET ASSETS	$214,867,652	$207,428,424	$200,973,867	$196,686,471	$191,973,202
TOTAL LIABILITIES AND NET ASSETS	$276,207,296	$268,740,180	$264,051,474	$255,163,015	$242,092,958

Note: Pursuant to GASB 34, "Fund Equity" has been replaced by "Net Assets" beginning in 2003.

Sources: Audited Financial Reports prepared by Edmondson, Betzler & Montgomery, PLLC, Brentwood, Tennessee for the fiscal year ending September 30, 2009-2012 and Audited Financial Reports prepared by Dempsey Vatrease & Follis PLLC, Murfreesboro, Tennessee for the fiscal years ending September 30, 2008.

Historical Debt Service Coverage

	2012	2011	2010	2009	2008
Total Operating Revenues	$26,013,539	$23,782,477	$22,123,843	$20,723,211	$21,145,536
Total Operating Expenses	20,212,565	19,868,384	19,046,774	19,926,760	18,643,486
Operating Income	5,800,974	3,914,093	3,077,069	796,451	2,502,050
Non-Operating Income (expense)	(2,379,304)	(2,003,173)	(2,145,147)	(1,507,514)	(885,575)
Net Income Before Contributions	$3,421,670	$1,910,920	$931,922	($711,063)	$1,616,475
Contributed Capital					
Tap Fees	$1,583,197	$807,980	$1,197,179	$839,458	$707,914
Growth Fees	0	0	0	0	709,239
Developer Contributions (Non-Cash)	1,550,166	3,469,481	2,111,908	3,990,543	15,516,665
Other Contributions	884,195	266,177	46,387	594,328	0
Net Income After Contributions	$7,439,228	$6,454,557	$4,287,395	$4,713,266	$18,550,293
Coverage Adjustments:					
Depreciation and Amortization	$7,131,879	$7,000,088	$6,813,829	$6,550,075	$6,040,510
Interest Expense	2,465,200	2,528,750	2,544,501	2,295,136	2,143,335
Developer Contributions	(2,385,891)	(3,469,481)	(2,111,908)	(3,990,543)	(15,516,665)
Income Available for Debt Service:	$14,650,416	$12,513,915	$11,533,818	$9,567,934	$11,217,473
Prior Lien Debt Service	$1,400,411	$861,868	$867,816	$1,331,156	$1,329,611
Parity Debt Service	3,144,255	3,149,230	2,564,597	2,178,155	2,051,580
Total Debt Service	$4,544,666	$4,011,098	$3,432,413	$3,509,311	$3,381,191
Debt Service Coverage Ratio	3.22	3.12	3.36	2.73	3.32

Sources: Audited Financial Reports prepared by Edmondson, Betzler & Montgomery, PLLC, Brentwood, Tennessee for the fiscal year ending September 30, 2009-2012 and Audited Financial Reports prepared by Dempsey Vatrease & Follis PLLC, Murfreesboro, Tennessee for the fiscal years ending September 30, 2008.

Water Usage and Water Loss

Set forth below is the percentage of water produced by the water treatment plant that is actually sold to customers, the percentage lost or unaccounted for, and the percentage otherwise used but not sold to customers.

	2012	2011	2010	2009	2008
Sold to Customers	76%	74%	77%	73%	74%
Fire Dept., Flushing Lines, Contractor Use	3%	3%	5%	6%	8%
Unaccounted for Water	21%	23%	18%	21%	18%
Total	100%	100%	100%	100%	100%

Consolidated Utility District of Rutherford County, Tennessee
Debt Service Statement
(As of September 30, 2012, but including Series 2013 Bonds)

Fiscal Year	Prior Lien Bonds[1] Principal	Interest	Total	Series 2013 Bonds[2] Principal	Interest	Total	Total Principal	Interest	Total
2013	$ 20,367	$ 318,353	$ 338,719	$ -	$ 349,993	$ 349,993	$ 20,367	$ 668,345	$ 688,712
2014	646,529	611,897	1,258,426	1,120,000	1,134,231	2,254,231	1,766,529	1,746,128	3,512,657
2015	659,089	594,337	1,253,426	1,165,000	1,111,381	2,276,381	1,824,089	1,705,719	3,529,807
2016	681,719	574,732	1,256,451	1,200,000	1,081,731	2,281,731	1,881,719	1,656,464	3,538,182
2017	704,423	553,003	1,257,426	1,230,000	1,045,281	2,275,281	1,934,423	1,598,284	3,532,707
2018	726,204	529,834	1,256,038	1,275,000	1,001,331	2,276,331	2,001,204	1,531,165	3,532,370
2019	743,067	502,709	1,245,776	1,335,000	949,131	2,284,131	2,078,067	1,451,841	3,529,907
2020	745,014	474,512	1,219,526	1,390,000	894,631	2,284,631	2,135,014	1,369,144	3,504,157
2021	777,049	445,627	1,222,676	1,405,000	838,731	2,243,731	2,182,049	1,284,358	3,466,407
2022	809,177	413,699	1,222,876	1,470,000	781,231	2,251,231	2,279,177	1,194,930	3,474,107
2023	851,402	379,274	1,230,676	1,530,000	721,231	2,251,231	2,381,402	1,100,505	3,481,907
2024	873,728	342,523	1,216,251	1,600,000	658,631	2,258,631	2,473,728	1,001,155	3,474,882
2025	906,159	305,667	1,211,826	1,670,000	593,231	2,263,231	2,576,159	898,898	3,475,057
2026	958,702	265,874	1,224,576	1,730,000	525,231	2,255,231	2,688,702	791,106	3,479,807
2027	991,360	222,041	1,213,401	1,805,000	454,531	2,259,531	2,796,360	676,573	3,472,932
2028	1,014,139	176,962	1,191,101	1,365,000	397,956	1,762,956	2,379,139	574,919	2,954,057
2029	1,067,044	130,182	1,197,226	1,410,000	356,331	1,766,331	2,477,044	486,513	2,963,557
2030	1,120,082	81,019	1,201,101	1,455,000	313,356	1,768,356	2,575,082	394,375	2,969,457
2031	73,258	54,218	127,476	1,510,000	267,938	1,777,938	1,583,258	322,155	1,905,413
2032	76,579	50,897	127,476	1,565,000	219,891	1,784,891	1,641,579	270,788	1,912,367
2033	80,051	47,425	127,476	1,610,000	170,281	1,780,281	1,690,051	217,706	1,907,757
2034	83,681	43,795	127,476	1,690,000	116,606	1,806,606	1,773,681	160,401	1,934,082
2035	87,477	39,999	127,476	1,760,000	58,388	1,818,388	1,847,477	98,386	1,945,863
2036	91,446	36,030	127,476	850,000	14,344	864,344	941,446	50,374	991,820
2037	95,596	31,880	127,476	-	-	-	95,596	31,880	127,476
2038	99,935	27,541	127,476	-	-	-	99,935	27,541	127,476
2039	104,472	23,004	127,476	-	-	-	104,472	23,004	127,476
2040	83,334	18,475	101,809	-	-	-	83,334	18,475	101,809
2041	54,663	15,813	70,476	-	-	-	54,663	15,813	70,476
2042	56,961	13,515	70,476	-	-	-	56,961	13,515	70,476
2043	59,356	11,120	70,476	-	-	-	59,356	11,120	70,476
2044	61,851	8,625	70,476	-	-	-	61,851	8,625	70,476
2045	64,451	6,025	70,476	-	-	-	64,451	6,025	70,476
2046	67,161	3,315	70,476	-	-	-	67,161	3,315	70,476
2047	43,759	606	44,365	-	-	-	43,759	606	44,365
	$15,579,282	$ 7,354,527	$22,933,809	$33,140,000	$14,055,621	$47,195,621	$48,719,282	$21,410,148	$70,129,431

[1] Includes $2,259,282 Rural Development Loans and $13,320,000 Series 2009 Bonds. Excludes bonds being refunded.

[2] The Series 2013 Bonds are subordinate to the Prior Lien Bonds.

Employees

The District currently employs 94 individuals, including the Board. At the present time, no employees of the District are represented by unions. Officials of the District are unaware of any attempts by any union to organize employees of the District, and the District characterizes its relationship with its employees as satisfactory. The System employees are provided health, dental, disability and life insurance. The employees have a nonqualified deferred compensation retirement plan. The employees receive paid vacation and sick leave.

Employee Benefit Plan

The Consolidated Utility District of Rutherford County joined the Tennessee Consolidated Retirement System in 2007. Upon making this program available, approximately 70 percent of the employees elected to participate. All new employees are required to participate in this retirement program.

For details on the plan, the funding policy, the annual pension cost, the funded status and funding progress and the deferred compensation plan, please see Exhibit B - Consolidated Utility District of Rutherford County, Tennessee Financial Statements, Supplemental Information and Independent Auditors' Reports for Years Ended September 30, 2012 and 2011 (Note 5: Employee Benefit Plan).

Other Post-Employment Benefits ("OPEB") Disclosure Statement

The District offers employees post-retirement health benefits under its self-insured plan until a retiree reaches age 65. The plan is unfunded and obligations under the plan are paid as the expense is incurred. The District currently only has one employee receiving benefits under this plan. The District implemented the provisions of GASB45, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB) during the year ended September 30, 2009. Under GASB 45, the District estimates that its September 30, 2012 actuarially accrued liability was $3,272,566, and the annual required contribution that will fund this liability and current costs was $372,124. A long-term liability has been reflected on the balance sheet in the amount of $1,219,722 representing the cumulative annual required contributions since implementation, less any amounts paid on behalf of eligible retirees.

For details on the plan, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress, please see Exhibit B - Consolidated Utility District of Rutherford County, Tennessee Financial Statements, Supplemental Information and Independent Auditors' Reports for Years Ended September 30, 2012 and 2011 (Note 6: Post Employment Health Benefits).

Capital Improvements and Future Borrowing

The District is located in a rapidly growing area of Tennessee. The growth continues to require additional expansion on the part of the District. The District anticipates approximately $77 million in capital improvements over the next seven years. The District historically financed a significant portion of capital improvements from internally generated funds. The District has determined that it may finance future expansions and improvements with a combination of internally generated funds and bond financings. This financing approach is subject to change at any time. The District does not currently have any specific plans for future bond financings after the 2013 Refunding Bonds are issued. The District has accumulated a strong cash position in order to accommodate the planned capital expenditures. To the extent that the District relies more heavily on internal cash for current and future projects, it is anticipated that the District's cash position may decline.

Debt Record

There is no record of a default on principal and interest payments by the District from information available.

Competition and Franchise Rights

The District Act provides that as long as the District continues to furnish any of the services which it is authorized to furnish, it shall continue to be the sole public corporation having the power to furnish such services within the boundaries of the District, and no other person, firm or corporation shall furnish or attempt to furnish any of such services within said boundaries. The District Act provides certain limited exceptions to the exclusive service right. The District Act provides that the exclusive right to serve may be lost if it can be established that the public convenience and necessity requires other or additional services. The District's right to serve also is subject to prior rights of a municipality to serve newly annexed territories pursuant to the Municipal Property and Services Act (see "Service Area" below).

Method of Accounting

A summary of significant accounting policies is set forth as footnote A of the audited financial statements. (See Appendix C)

Investment and Cash Management Practices

Pursuant to Section 7-82-108 of Tennessee Code Annotated:

(a) Utility districts are authorized to invest in the following:

(1) Bonds, notes or treasury bills of the United States;

(2) Nonconvertible debt securities of the following issuers:

(A) The federal home loan bank;

(B) The federal national mortgage association;

(C) The federal farm credit bank; and

(D) The student loan marketing association;

(3) Any other obligations not listed above which are guaranteed as to principal and interest by the United States or any of its agencies;

(4) Certificates of deposit and other evidences of deposit at state and federally chartered banks, and savings and loan associations. All investments made pursuant to this subdivision shall be secured in the manner set forth in § 9-1-107 or title 9, chapter 4, parts 1 and 4 of Tennessee Code Annotated;

(5) Obligations of the United States or its agencies under a repurchase agreement for a shorter time than the maturity date of the security itself if

the market value of the security itself is more than the amount of funds invested; provided, that municipalities may invest in repurchase agreements only if the state director of local finance approves repurchase agreements as an authorized investment and if such investments are made in accordance with procedures established by the state funding board;

(6) Money market funds whose portfolios consist of any of the foregoing investments; provided, that utility districts may invest in money market funds only if the state director of local finance approves money market funds as an authorized investment and if such investments are made in accordance with procedures established by the state funding board;

(7) The investments listed in subdivisions (a)(1)-(4) and in money market funds may have a maturity of not greater than four (4) years from the date of investment; however, such investments may have a maturity of greater than four (4) years from the date of investment if such maturity is approved by the state director of local finance; and

(8) The local government investment pool created by title 9, chapter 4, part 7 of Tennessee Code Annotated;

(b) Proceeds of bonds, notes and other obligations issued by utility districts, reserves held in connection therewith and the investment income therefrom, may be invested in obligations which:

(1) (A) Are rated in either of the two (2) highest rated categories by a nationally recognized rating agency of such obligation;

(B) Are direct general obligations of a state of the United States, or a political subdivision or instrumentality thereof, having general taxing powers; and

(C) Have a final maturity on the date of investment of not to exceed twenty-four (24) months or which may be tendered by the holder to the issuer thereof, or an agent of the issuer, at not less than twenty-four (24) month intervals; or

(2) (A) Are rated in the two (2) highest rating categories by a nationally recognized rating agency of such obligations;

(B) Are obligations of a state of the United States, or a political subdivision or instrumentality thereof, secured solely by revenues received by or on behalf of the state or political subdivision or instrumentality thereof which revenues are irrevocably pledged to the payment of the principal of and interest on such obligations; and

(C) Have a final maturity on the date of investment of not to exceed twenty-four (24) months, or which may be tendered by the holder to the issuer thereof, or an agent of the issuer, at not less than twenty-four (24) month intervals.

Such proceeds and the investment income thereon may also be invested as otherwise set forth in Section 7-82-108 of Tennessee Code Annotated.

SERVICE AREA

The District is located in Rutherford County, Tennessee approximately 30 miles southeast of Nashville and adjacent to the cities of LaVergne, Murfreesboro, and Smyrna. The District serves most of rural Rutherford County. Between 1964 and 1972, the original systems, as described under the heading "Organization" herein, were financed with loans from the Farmer Home Administration, contributions from developers, and tap fees for service along the constructed water lines. The District served approximately 1,911 customers in 1972 and is now serving over 44,000 customers.

Interstate Highway 24 passes through the District and affords ready access to Nashville with major interchanges at Murfreesboro and Smyrna. The construction of Interstate 840 has also had a positive impact on the growth in Rutherford County.

Under Section 6-51-101 et seq., Tennessee Code Annotated (the "Municipal Property and Services Act"), a city or town which annexes territory lying within the boundaries of a utility district has an exclusive right to perform or provide municipal and utility functions and services in any territory which it annexes, including territory lying within the boundaries of a utility district. The annexing city or town and the utility district must attempt to reach an agreement in writing for the allocation and conveyance to the annexing city or town of any or all public functions, rights, duties and property, assets and liabilities of such utility district that justice and reason may require. If such parties fail to agree upon any such matter within 60 days after the operative date of such annexation, such matters shall be settled by arbitration under the laws of the State of Tennessee. If the annexed territory is being served by a utility district which has outstanding bonds payable from the revenues derived from the sale of such utility service, any agreement or arbitration award shall also provide that the city or town shall operate the utility property in such territory and account for revenues there from in such manner as not to impair the obligations of contract with reference to such bonds, or the city or town shall assume the operation of the entire utility system and the payment of such bonds in accordance with their terms. Accordingly, each utility and town lying within the District's service area has the right to provide water and sewer services to the residents within its corporate limits, provide that it complies with the terms and conditions of the Municipal Property and Services Act.

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Rutherford County, Tennessee

Located in the "Heart of Tennessee" with 615 square miles of land area, Rutherford County is the geographic center of the state. Rutherford County was incorporated in 1834 and is governed by an elected County Mayor and a 21-member County Commission. Elections are held every four years. The most recent election was held in August 2010. This election resulted in seven new Commissioners, a new County Clerk, Register of Deeds, and Sheriff. The new officials took office on September 1, 2010. The next major election will be held in August 2014. Virtually all of the County Commission's business is conducted through the committee system before moving to the full County Commission for a final vote. The County provides a full range of services, including elementary and secondary education, law enforcement and corrections, judicial, solid waste collection, public health and welfare, and the construction and maintenance of highways and related infrastructure. Counties in Tennessee are political subdivisions of the State of Tennessee (the "State"). As a political subdivision of the State, a county only has authority delegated to it by the State. The State delegates authority and powers to counties through legislative action of the State's General Assembly, either through its Public or Private Acts. Public Acts apply to all counties in the State and are codified in the Tennessee Code Annotated which is revised and published on an annual basis and is widely available. Private Acts apply only to the counties named in the particular Private Act. Private Acts are available from the Secretary of State. Rutherford County operates under both Public and Private Acts. The majority of the Public Acts applicable to Rutherford County are found in Title 5 of the Tennessee Code Annotated, except to the extent such provisions have been modified by Private Acts specific to Rutherford County.

The Rutherford County Finance Department operates under Chapter 49, Private Acts of 1979, as amended. This legislation is specific only to Rutherford County and governs the authorities, responsibilities, and day-to-day operations of the Finance Department. The finance director reports directly to the County Commission and is responsible for establishing and maintaining an accounting system for all funds of the County in accordance with generally accepted accounting principles. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., sheriff). A formal budget is adopted annually by the County Commission and is reviewed daily by the Finance Department for compliance. No appropriation made by the County Commission may be legally exceeded, except by resolution of the full commission.

DEMOGRAPHIC DATA

Population

The Bureau of Census for 2010 reported a 262,604 population reflecting over 120 percent increase from the 1990 Census reported as 118,570 and over 44 percent increase from 2000 to 2010.

	County	Tennessee
1970 U. S. Census	58,428	3,926,018
1980 U. S. Census	84,058	4,591,023
1990 U. S. Census	118,570	4,877,203
2000 U. S. Census	182,023	5,689,283
2010 U. S. Census	262,604	6,346,105
2011 U.S. Census Estimate	268,921	6,403,353

Source: U.S. Bureau of Census

Income and Housing

In 2011, the County had a per capita personal income of $32,404, which was 88.6% of the State average of $36,567.

	Rutherford County	Tennessee	% of State
2001 Per Capita Personal Income	26,464	27,551	96.1%
2002 Per Capita Personal Income	26,594	28,162	94.4%
2003 Per Capita Personal Income	27,488	29,041	94.7%
2004 Per Capita Personal Income	28,543	30,285	94.2%
2005 Per Capita Personal Income	29,483	31,327	94.1%
2006 Per Capita Personal Income	30,162	32,885	91.7%
2007 Per Capita Personal Income	31,040	34,221	90.7%
2008 Per Capita Personal Income	31,462	35,112	89.6%
2009 Per Capita Personal Income	29,806	33,711	88.4%
2010 Per Capita Personal Income	31,197	35,103	88.9%
2011 Per Capita Personal Income	32,404	36,567	88.6%

Source: Bureau of Economic Analysis

2011 Median Household Income	54,433	43,989	123.7%
2011 Median Value of Housing Units	159,600	137,200	116.3%
2011 Housing Units	103,913	2,829,025	

U.S. Census Bureau

2011 Home Sales	1,980	45,470	
2011 Median Value of Home Sales	157,000	150,925	104.0%
2011 Average Value of Home Sales	177,790	187,242	95.0%

Source: Tennessee Housing Development Agency

Local Economy

The strength of the Rutherford County economy can be attributed to its diversity of manufacturing, retail establishments, warehouse facilities, higher education institutions, medical services and corporate call centers. Rutherford County has been recognized as one of the fastest growing counties in America. The citizenry grew from a population of 182,023 noted in the 2000 federal census to one of 262,604 noted in the 2010 federal census - a rapid growth rate of over 44 percent during the past ten years.

The County's largest manufacturing employers include Nissan USA, Ingram Book Co., Asurion, and General Mills. While manufacturing is the County's strongest economic segment, distribution, transportation, and other service-related industries are also contributors to the strength of the economy. Tennessee's second largest state university with an enrollment exceeding 26,000; a regional veteran's facility with 510 hospital beds, 166 nursing home beds, the south central regional office for State Farm Insurance, and numerous other companies including a call center for Verizon Wireless are all located in Rutherford County.

Rutherford County is within a day's drive of 75 percent of the nation's markets and only minutes from three major interstates.

Investment for major manufacturing activity continues in Rutherford County. The construction of a battery plant and modification of the Nissan manufacturing facility represents an investment of up to $1.7 billion and positions Nissan as a leader in producing electric vehicles. In September, 2010, General Mills, Inc. of Minneapolis, MN announced its decision to invest $100 million in the expansion of the company's production facility in Murfreesboro, the County seat of Rutherford County. NHK Seating of America Inc., broke ground in November, 2010 to build a $54 million manufacturing facility in Murfreesboro, which when completed is expected to employ up to 224 hourly and salary workers when all phases of production are implemented in 2015. Additionally, local leaders expect Amazon.Com, Inc. to employ over 1,000 people at a new fulfillment center in Rutherford County.

MAJOR EMPLOYERS

Employer	Employees	Product/Service
Nissan Motor Manufacturing Corp. USA	6,050	Automobile Manufacturing
Rutherford County Government and Board of Education	5,665	Government / Education
Middle Tennessee State University	2,225	Higher Education
Ingram Content Group	2,200	Books, Multimedia
City of Murfreesboro and Board of Education	1,913	Government / Education
State Farm Insurance	1,662	Insurance
Alvin York Veterans Administrative Medical Center	1,461	Healthcare
Middle Tennessee Medical Center	1,100	Healthcare
Verizon	1,079	Wireless Communications
Asurion	1,050	Wireless Devices - Refurbishing
Amazon.com	1,050	Distribution Center
Bridgestone/Firestone	900	Tires
SquareD/ Schneider Electric	900	Electrical Distribution and Control Products
Johnson Controls	885	Automobile Seats
Vi-Jon / Cumberland Swann	738	Plastic Bottles, Personal Care Products
General Mills (Pillsbury)	700	Food Products
Taylor Farms	650	Produce

Sources : Annual Financial Reports and Auditor's Report Prepared by State Comptroller of the Treasury for the fiscal year ending June 30, 2012 and Rutherford County Chamber of Commerce.

LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT DATA

The County's labor market area is within the Nashville-Davidson-Murfreesboro-Franklin metropolitan statistical area. This area in middle Tennessee consists of thirteen counties. The estimated size of the total labor force for this area in November 2012 was 835,780.

The following table shows the recent labor force statistics for Rutherford County:

Year	Employment	Unemployment	Total Labor Force	Unemployment County	Unemployment Tennessee	Unemployment U.S.
1990	61,480	2,740	64,220	4.3%	5.3%	5.6%
2000	95,330	2,860	98,190	2.9%	3.9%	4.0%
2005	110,630	4,540	115,160	3.9%	5.6%	5.1%
2010	125,080	11,880	136,960	8.7%	9.7%	9.6%
Nov. 2012	134,760	7,560	142,320	5.3%	6.9%	7.4%

Source: Tennessee Department of Labor and Workforce Development.

EDUCATION

Two accredited public school systems—the Rutherford County Schools and the Murfreesboro City Schools—educate the majority of children in the County. The County school system served 38,645 students in 2011-2012 from preschool through secondary education, an increase of 44% from the 2001-2002 school year, and the city schools served 7,069 students in 2011-2012 from preschool through sixth grade, an increase of 23% from the 2001-2002 school year.

Rutherford County Schools

School Year	Enrollment
2001-2002	26,824
2002-2003	28,012
2003-2004	29,422
2004-2005	31,002
2005-2006	32,704
2006-2007	34,384
2007-2008	35,706
2008-2009	36,497
2009-2010	37,238
2010-2011	38,122
2011-2012	38,645

Source: State of Tennessee, Department of Education Annual Statistical Report, Average Daily Membership

MAJOR INITIATIVES

Major financial pressures continue as a result of the population growth rate experienced by Rutherford County. The most significant impact of this growth is the demand for additional capital investment. Tennessee statutes mandate to counties the primary responsibility for elementary and secondary education. Education is the largest single major expenditure function of the county.

During the 2011-12 Fiscal Year, the Rutherford County Board of Education began construction of a high school located near Smyrna. The school is expected to open in the fall of 2013. In addition to the high school, the Board also began an expansion project to add ten classrooms at the Eagleville K-12 school. This was done to eliminate reliance on portable classroom buildings. Even with those two projects, the Board of Education determined it will need an additional elementary school and significant additions to existing schools within the next five years if growth continues.

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APPENDIX D

BOND COUNSEL OPINION

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(Form of Bond Counsel Opinion)

(Closing Date)

Consolidated Utility District of Rutherford County, Tennessee
Murfreesboro, Tennessee

Raymond James & Associates, Inc.
Memphis, Tennessee

Re: Consolidated Utility District of Rutherford County, Tennessee Waterworks Revenue Refunding Bonds, Series 2013

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by Consolidated Utility District of Rutherford County, Tennessee (the "Issuer") of $33,140,000 Waterworks Revenue Refunding Bonds, Series 2013, dated the date hereof (the "Bonds"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify such facts by independent investigation.

Based on our examination, we are of the opinion, as of the date hereof, as follows:

1. The Bonds have been duly authorized, executed and issued in accordance with the constitution and laws of the State of Tennessee and constitute valid and binding obligations of the Issuer.

2. The resolution of the Board of Commissioners of the Issuer authorizing the Bonds has been duly and lawfully adopted, is in full force and effect and is a valid and binding agreement of the Issuer enforceable in accordance with its terms.

3. The principal of and interest on the Series 2013 Bonds are payable solely from and secured by a pledge of revenues to be derived from the operation of the water system of the Issuer, subject only to the payment of the reasonable and necessary costs of operating, maintaining, repairing and insuring said system and to the prior pledge of such revenues in favor of the District's outstanding Waterworks Revenue Bond, Series 1976, dated September 1, 1976, Waterworks Revenue Bond, Series 1978, dated September 5, 1978, Waterworks Revenue Bond, Series 2000, dated May 28, 2002, Waterworks Revenue Bond, Series 2008, dated May 26, 2009 and Waterworks Revenue Bonds, Series 2009, dated November 19, 2009. We express no opinion as to the sufficiency of such revenues for the payment of principal of and interest on the Series 2013 Bonds.

4. Interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, for purposes of computing the alternative minimum tax imposed on certain corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The Issuer has covenanted to comply with all such requirements. Except as set forth in this Paragraph 4, we express no opinion regarding other federal tax consequences arising with respect to the Bonds.

5. Under existing law, the Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) inheritance, transfer and estate taxes, (b) Tennessee excise taxes on all or a portion of the interest on any of the Bonds during the period such Bonds are held or beneficially owned by any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee, and (c) Tennessee franchise taxes by reason of the inclusion of the book value of the Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership doing business in the State of Tennessee.

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds and the resolution authorizing the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

This opinion is given as of the date hereof, and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Yours truly,

Bass, Berry & Sims PLC

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