

MAURY COUNTY BOARD OF PUBLIC UTILITIES
WATER SYSTEM
(A DISCRETE COMPONENT UNIT OF
MAURY COUNTY, TENNESSEE)

FINANCIAL STATEMENTS,
SUPPLEMENTAL INFORMATION,
AND INDEPENDENT AUDITORS' REPORT

JUNE 30, 2009

MAURY COUNTY BOARD OF PUBLIC UTILITIES WATER SYSTEM
(A DISCRETE COMPONENT UNIT OF MAURY COUNTY, TENNESSEE)
FINANCIAL STATEMENTS, SUPPLEMENTAL INFORMATION,
AND INDEPENDENT AUDITORS' REPORT
JUNE 30, 2009
CONTENTS

Maury County Board of Public Utilities Water System Officials	1
Independent Auditors' Report	2
Financial Statements	
Statement of Net Assets	3
Statement of Revenues, Expenses and Change in Fund Net Assets.	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 10
Supplemental Information	
Schedule of Additions and Retirements to Utility Plant	11
Schedule of Water Rates in Force	12
Schedule of Insurance Coverage	12
Schedule of Investments	13
Schedule of Unaccounted for Water	14
Other Auditors' Report	
Report on Compliance and on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i>	15 - 16
Schedule of Prior Year Audit Findings	17

MAURY COUNTY BOARD OF PUBLIC UTILITIES WATER SYSTEM
(A DISCRETE COMPONENT UNIT OF MAURY COUNTY, TENNESSEE)
OFFICIALS
JUNE 30, 2009

Officials

Larry Chunn, Superintendent

Board Members

Jerry Attkisson

James W. Jones

Robert Farmer

Williams C. Pilkinton

Glen Stewart

YORK, DILLINGHAM & COMPANY, P.L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

LARRY W. YORK

J. MICHAEL DILLINGHAM

ANGIE L. DILLINGHAM

P.O. BOX 551
1708 ALPINE DRIVE
COLUMBIA, TENNESSEE 38402-0551
TELEPHONE (931) 388-0517
FAX (931) 381-3440

BRANCH OFFICES:

LAWRENCEBURG, TN
TELEPHONE (931) 762-6877

CENTERVILLE, TN
TELEPHONE (931) 729-3229

PULASKI, TN
TELEPHONE (931) 424-9063

MEMBERS:

AMERICAN INSTITUTE OF C.P.A.'S
TENNESSEE SOCIETY OF C.P.A.'S

INDEPENDENT AUDITORS' REPORT

Maury County Board of Public
Utilities Water System
Maury County, Tennessee

We have audited the accompanying financial statements of the Maury County Board of Public Utilities Water System (the "System"), a discrete component unit of Maury County, Tennessee, as of and for the year ended June 30, 2009, as listed in the table of contents as pages 3 through 10. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Maury County Board of Public Utilities Water System, as of June 30, 2009, and the results of its operations and the cash flows for the year 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 a report dated September 14, 2009, on our consideration of the System'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.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying financial information listed in the table of contents as supporting schedules, pages 11 through 14, is presented for purposes of additional analysis and is not a required part of the financial statements of the Maury County Board of Public Utilities Water System. Such information, except for that portion marked "unaudited", on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Maury County Board of Public Utilities Water System has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.


York, Dillingham & Company, P.L.L.C.
Columbia, Tennessee

September 14, 2009

MAURY COUNTY BOARD OF PUBLIC UTILITIES WATER SYSTEM
(A DISCRETE COMPONENT UNIT OF MAURY COUNTY, TENNESSEE)
STATEMENT OF NET ASSETS
JUNE 30, 2009

ASSETS

Current Assets	
Cash	\$ 1,704,231
Investments	3,840,967
Accounts receivable - trade	281,221
Inventory	72,096
Interest receivable	27,296
Prepaid expenses	<u>117</u>
Total Current Assets	<u>5,925,928</u>
Utility Plant, Property, and Equipment	
Land	287,025
Building	225,077
Water grid and improvements	28,504,053
Equipment	<u>653,243</u>
	29,669,398
Less accumulated depreciation	<u>(4,785,043)</u>
Net Utility Plant	<u>24,884,355</u>
Restricted Investments	
Customer deposits (contra)	<u>18,050</u>
	<u>\$ 30,828,333</u>

LIABILITIES AND NET ASSETS

Current Liabilities	
Accrued annual leave	\$ 25,499
Accrued salaries	19,970
Other accrued liabilities	12,451
Current portion long-term debt	<u>268,639</u>
Total Current Liabilities	<u>326,559</u>
Other Liabilities	
Customer deposits - (contra)	<u>18,050</u>
Long-Term Debt	
SRF loan - 2005-065	3,656,161
SRF loan - 2007-072	1,529,748
Rural Development loan	<u>2,836,926</u>
Total Long-Term Debt	<u>8,022,835</u>
Net Assets	
Invested in capital assets - net of related debt	16,592,881
Reserved for bond repayment	1,650,000
Unrestricted	<u>4,218,008</u>
Total Net Assets	<u>22,460,889</u>
	<u>\$ 30,828,333</u>

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

MAURY COUNTY BOARD OF PUBLIC UTILITIES WATER SYSTEM
(A DISCRETE COMPONENT UNIT OF MAURY COUNTY, TENNESSEE)
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS
YEAR ENDED JUNE 30, 2009

Operating Revenue	
Water sales	\$ 2,773,322
New tap sales	141,911
Penalties	54,671
Unmetered dry tap fees	14,104
Other fees and revenue	<u>73,410</u>
Total Operating Revenue	<u>3,057,418</u>
Operating Expenses	
Water purchases	977,431
Operation salaries	357,931
Office salaries	130,241
Advertising	951
Continuing education	4,003
Contract services	32,663
Credit card fees	12,638
Depreciation	607,305
Dues and fees	14,171
Employee insurance and benefits	102,859
Engineering fees	62,260
Insurance	41,478
Legal and professional fees	27,657
Miscellaneous	8,768
Office expense	42,156
Repairs and maintenance	31,101
Supplies	35,784
Taxes	38,006
Telephone and office utilities	12,883
Travel reimbursement	1,960
Truck expense	42,985
Utilities - pump stations	55,983
Uniforms	<u>3,475</u>
Total Operating Expenses	<u>2,644,689</u>
Net Operating Income	<u>412,729</u>
Nonoperating Revenue/(Expenses)	
Interest income	110,956
Interest expense	(312,294)
Gain on disposal of assets	<u>4,206</u>
Total Nonoperating Revenue/(Expenses)	<u>(197,132)</u>
Net Income Before Contributions	215,597
Capital Contributions	<u>150,000</u>
Change in Net Assets	365,597
Net Assets - Beginning of Year	<u>22,095,292</u>
Net Assets - End of Year	<u>\$ 22,460,889</u>

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

MAURY COUNTY BOARD OF PUBLIC UTILITIES WATER SYSTEM
(A DISCRETE COMPONENT UNIT OF MAURY COUNTY, TENNESSEE)

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2009

Cash Flows From Operating Activities	
Receipts from customers	\$ 2,962,403
Payments to suppliers	(977,431)
Payments to employees	(488,447)
Other operating receipts	72,131
Other operating expenses	<u>(570,450)</u>
Net cash provided by operating activities	<u>998,206</u>
Cash Flows From Capital and Related Financing Activities	
Proceeds from issuance of long-term debt	886,030
Principal payments on long-term debt	(209,253)
Interest paid on long-term debt	(312,295)
Cash payments for the purchase of plant assets	(610,297)
Cash received on sale of vehicles	<u>6,720</u>
Net cash used in capital and related financing activities	<u>(239,095)</u>
Cash Flows From Investing Activities	
Interest received on cash deposits	116,860
Proceeds from sale of investments	<u>(112,392)</u>
Net cash provided by investing activities	<u>4,468</u>
Net increase in cash	763,579
Cash, Beginning of Year	<u>940,652</u>
Cash, End of Year	<u>\$ 1,704,231</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income	\$ 412,729
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	607,305
Changes in assets and liabilities:	
Receivables, trade	(22,665)
Other accrued liabilities	(5,185)
Inventory	<u>6,022</u>
Net cash provided by operating activities	<u>\$ 998,206</u>

The total difference in additions to capital assets of \$133,279 and the amount reported in the Statement of Cash Flows as "Cash payments for purchase of plant assets" is the decrease in amounts of contracts and retainage payable related to water grid and improvements of \$627,018 and reduction from capital contributions of \$150,000.

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

MAURY COUNTY BOARD OF PUBLIC UTILITIES WATER SYSTEM
(A DISCRETE COMPONENT UNIT OF MAURY COUNTY, TENNESSEE)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The Maury County Board of Public Utilities Water System (the "System") is a discrete component unit of Maury County, Tennessee. The system is governed by a board of directors appointed by the Maury County Executive and ratified by the commissioners of Maury County. In addition, the Maury County commissioners approve the annual budget of the System.

Accounting Method

The System generally uses the accrual basis of accounting, except that revenue from water sales is recognized when billed.

The System applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

Organization

The System is operated as an enterprise fund with self-balancing accounting records. The System does not receive any operating revenues from Maury County, Tennessee.

Utility Plant and Equipment

The utility plant and equipment are recorded at cost. Depreciation is provided on the straight-line method over the estimated useful lives of the respective assets. Maintenance and repairs are charged to expense as incurred; major renewals and improvements are capitalized. When items of property or equipment are sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is included in income.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the System considers all investment instruments purchased with an original maturity of three months or less to be cash equivalents. There were no cash equivalents at June 30, 2009. Restricted assets are not treated as part of the entity's cash and cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory

The Water System's inventory of supplies is stated at cost using the first in, first out method. The costs of inventory items are recognized as expenditures in governmental funds when purchased, since they are not of a material nature, and as expenses in the enterprise fund when used.

NOTE B - ACCOUNTS RECEIVABLE

Customer receivables are composed of the following aged categories:

Current billings	\$ 241,477
30 days past due	29,090
60 days past due	2,826
90 days past due	<u>7,828</u>
	<u>\$ 281,221</u>

Bad debts are determined and written off only by direct action of the System's Board. The amount of \$17,335 was written off for 2009.

NOTE C - DEPOSITS AND INVESTMENTS

Deposits

The System is subject to the Tennessee statute which requires deposits in financial institutions be secured and collateralized by such institutions. The collateral must meet certain requirements and must have a total minimum market value of 105% of the value of the deposits placed in the institutions, less the amount protected by federal depository insurance. Collateral requirements are not applicable for financial institutions that participate in the State of Tennessee's collateral pool.

Custodial credit risk is the risk that in the event of a bank failure, the System's deposits may not be returned to it. As of June 30, 2009, all deposits were insured or collateralized.

Investments consist of certificates of deposit with financial institutions with original maturities of over three months and not over one year. The System's policy is to hold these investments to maturity and therefore there is no interest rate risk that will adversely affect the fair value of the investments.

NOTE D - RESTRICTED ASSETS

The restricted assets represent investment of construction reserves and customer deposits. The customer deposits are not available for operation of the System and are held in trust. The deposits at June 30, 2009, included \$18,050 for meter deposits of current customers.

NOTE E - UTILITY PLANT, PROPERTY, AND EQUIPMENT

Major classifications of the utility plant and equipment and their respective depreciable lives are summarized below:

Depreciable Lives (In Years)	
Water grid and improvements:	50-100
Water mains	40
Water towers and stations	40
Water meters	10-40
Casting and valves	20-50
Other capitalized costs	40
Equipment and fixtures:	
Trucks	5
Small tools and equipment	3-5-10
Office furniture and equipment	5-10

NOTE F - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009 was as follows:

	Balance July 1, 2008	Additions	Retirements	Balance June 30, 2009
Capital assets, not being depreciated:				
Land	\$ 287,025	\$ -	\$ -	\$ 287,025
Capital assets, being depreciated:				
Building	225,077	-	-	225,077
Water Grid & Improvements	28,424,673	79,380	-	28,504,053
Equipment & Fixtures	619,801	53,899	20,457	653,243
Total capital assets, being depreciated	<u>29,269,551</u>	<u>133,279</u>	<u>20,457</u>	<u>29,382,373</u>
Less accumulated depreciation:				
Building	60,412	6,548	-	66,960
Water Grid & Improvements	3,700,534	540,406	-	4,240,940
Equipment & Fixtures	434,735	60,351	17,943	477,143
Total accumulated depreciation	<u>4,195,681</u>	<u>607,305</u>	<u>17,943</u>	<u>4,785,043</u>
Total capital assets, being depreciated, net	<u>25,073,870</u>	<u>(474,026)</u>	<u>2,514</u>	<u>24,597,330</u>
Total capital assets, net	<u>\$ 25,360,895</u>	<u>\$ (474,026)</u>	<u>\$ 2,514</u>	<u>\$ 24,884,355</u>

NOTE G - ACCRUED LEAVE

Accumulated annual leave at June 30, 2009, amounts to \$25,499. It is the System's policy to accrue vacation annually for full-time personnel and charge employee benefits. The policy provides two weeks annual leave for personnel with one to five years continuous County service, three weeks for six to eleven years of service and increasing amounts up to five weeks for service up to twenty-five years.

NOTE H - RISK MANAGEMENT

The System is exposed to losses that could arise from torts; asset theft, damage, or destruction; business interruption; errors or omissions; job-related illnesses or injuries to employees; acts of nature; accident, health, dental, and other medical benefits to employees. Potential losses are covered by commercial insurance.

The System has not been involved in any significant litigation during the last four fiscal years.

NOTE I - LONG-TERM DEBT

During 2006, the System entered into a contact for State Revolving Loan Funds - DWSRF 05-065 for \$4,200,000 to finance water line upgrades and improvements. In 2008, principal payments began within 90 days after the project was completed. The principal will be amortized over 20 years with monthly payments of \$21,623 and an interest rate of 2.42%.

Maturities of long-term debt are as follows:

<u>Maturities</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 168,780	\$ 90,696	\$ 259,476
2011	172,908	86,568	259,476
2012	177,132	82,344	259,476
2013	181,476	78,000	259,476
2014	185,916	73,560	259,476
2015-2027	<u>2,938,729</u>	<u>499,240</u>	<u>3,437,969</u>
	<u>\$ 3,824,941</u>	<u>\$ 910,408</u>	<u>\$ 4,735,349</u>

During 2008, the System entered into a contact for State Revolving Loan Funds - DWSRF 07-072 for \$1,650,000 to finance water line upgrades and improvements. In 2009, principal payments began within 90 days after the project was completed. The principal will be amortized over 20 years with monthly payments of \$8,679 and an interest rate of 2.42%.

NOTE I - LONG-TERM DEBT (CONTINUED)

Maturities of long-term debt are as follows:

<u>Maturities</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 66,252	\$ 37,896	\$ 104,148
2011	67,884	36,264	104,148
2012	69,540	34,608	104,148
2013	71,244	32,904	104,148
2014	72,984	31,164	104,148
2015-2028	<u>1,248,096</u>	<u>227,390</u>	<u>1,475,486</u>
	<u>\$ 1,596,000</u>	<u>\$ 400,226</u>	<u>\$ 1,996,226</u>

During 2006, Rural Development obligated a \$2,900,000 loan for Maury County Water System to finance water line upgrades and extensions. During the year interim financing was converted to permanent financing upon project completion by the issuance of 4.125% bonds with maturities over 38 years with a monthly payment of \$12,615.

Maturities of long-term debt are as follows:

<u>Maturities</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 33,607	\$ 117,773	\$ 151,380
2011	35,020	116,360	151,380
2012	36,492	114,888	151,380
2013	38,026	113,354	151,380
2014	39,625	111,755	151,380
2015 and thereafter	<u>2,687,763</u>	<u>2,098,126</u>	<u>4,785,889</u>
	<u>\$ 2,870,533</u>	<u>\$ 2,672,256</u>	<u>\$ 5,542,789</u>

SUPPLEMENTAL INFORMATION

MAURY COUNTY BOARD OF PUBLIC UTILITIES WATER SYSTEM
(A DISCRETE COMPONENT UNIT OF MAURY COUNTY, TENNESSEE)
SCHEDULE OF ADDITIONS AND RETIREMENTS TO UTILITY PLANT
YEAR ENDED JUNE 30, 2009

	Balance July 1, 2008	Additions	Completion or Retirements	Balance June 30, 2009
Land	\$ 287,025	\$ -	\$ -	\$ 287,025
Building	225,077	-	-	225,077
Water Grid and Improvements:				
Water mains	21,554,538	-	-	21,554,538
Water towers and stations	3,200,854	20,219	-	3,221,073
Water meters	2,028,729	51,610	-	2,080,339
Casting and valves	722,639	-	-	722,639
Other capitalized costs	917,913	7,551	-	925,464
Total Water Grid and Improvements	28,424,673	79,380	-	28,504,053
Equipment and Fixtures:				
Equipment	476,460	48,233	20,457	504,236
Office equipment	60,428	5,666	-	66,094
Office furniture	82,913	-	-	82,913
Total Equipment and Fixtures	619,801	53,899	20,457	653,243
Total	\$ 29,556,576	\$ 133,279	\$ 20,457	\$ 29,669,398

See auditors' report.

MAURY COUNTY BOARD OF PUBLIC UTILITIES WATER SYSTEM
(A DISCRETE COMPONENT UNIT OF MAURY COUNTY, TENNESSEE)
SCHEDULE OF WATER RATES IN FORCE
JUNE 30, 2009

Dry Tap	\$ 5.00 (Before 9/1/87)
New Dry Tap	12.50 (Effective 9/1/87)
New Dry Tap	21.00 (Effective 5/1/05)
New Dry Tap	23.00 (Effective 11/1/07)
0 - 1,000 gallons	12.00 + Tax & TVA Surcharge
1,001 - 3,000 gallons	6.89 + Tax & TVA Surcharge
3,001 - over	4.60 + Tax & TVA Surcharge

The TVA surcharge is \$0.05 per 1,000 gallons imposed by the Tennessee Valley Authority to partially fund construction of the Columbia Dam on Duck River.

Number of customers at year end: 6,546

SCHEDULE OF INSURANCE COVERAGE
JUNE 30, 2009

<u>Company</u>	<u>Policy Number</u>	<u>Coverage</u>
Accident Fund Ins. Co. of America	WCV 60316320101	Workmen's Compensation
Frost Insurance Service Inc.	SDIS-SA-8053280-01/000	Vehicles
Frost Insurance Service Inc.	SDISSP 9152131-1/0	General Liability
Frost Insurance Service Inc.	SDISSP 9152131-1/0	Fidelity bond on all employees
Frost Insurance Service Inc.	SDAIIP-9152131-1/0	Buildings & Contents

See auditors' report.

MAURY COUNTY BOARD OF PUBLIC UTILITIES WATER SYSTEM
 (A DISCRETE COMPONENT UNIT OF MAURY COUNTY, TENNESSEE)

SCHEDULE OF INVESTMENTS

JUNE 30, 2009

<u>Investment Description</u>	<u>Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Costs</u>
Unrestricted				
Certificate of Deposit				
First Farmers & Merchants Bank	160125	1.55%	03/18/10	\$ 905,857
First Farmers & Merchants Bank	160031	3.00%	08/25/09	980,434
Total Unrestricted				<u>1,886,291</u>
Partially Restricted				
Certificate of Deposit				
Community First Bank	12049	1.76%	08/11/09	<u>1,972,726</u>
Total Investments				<u>\$ 3,859,017</u>
Shown on Balance Sheet As:				
Investments				\$ 3,840,967
Restricted Investments				<u>18,050</u>
				<u>\$ 3,859,017</u>

See auditors' report.

MAURY COUNTY BOARD OF PUBLIC UTILITIES WATER SYSTEM
(A DISCRETE COMPONENT UNIT OF MAURY COUNTY, TENNESSEE)
SCHEDULE OF UNACCOUNTED FOR WATER - UNAUDITED
JULY 1, 2008 - JUNE 30, 2009

(All amounts in gallons)

A	Water Treated and Purchased		
B	Water Pumped (potable)	0	
C	Water Purchased	<u>511,491,500</u>	
D	Total Water Treated and Purchased		<u>511,491,500</u>
	(Sum Lines B and C)		
E	Accounted for Water:		
F	Water Sold	<u>417,284,630</u>	
G	Metered for Consumption (in house usage)	<u>0</u>	
H	Fire Department(s) Usage	<u>0</u>	
I	Flushing	<u>4,272,840</u>	
J	Tank Cleaning/Filling	<u>977,730</u>	
K	Street Cleaning	<u>0</u>	
L	Bulk Sales	<u>0</u>	
M	Water Bill Adjustments	<u>388,770</u>	
N	Total Accounted for Water		<u>422,923,970</u>
	(Sum Lines F thru M)		
O	Unaccounted for Water		<u>88,567,530</u>
	(Line D minus Line N)		
P	Percent Unaccounted for Water		<u>17.32%</u>
	(Line O divided by Line D times 100)		
Q	Other (explain)	See Below	

Explain Other:

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

See auditors' report.

OTHER AUDITORS' REPORT

YORK, DILLINGHAM & COMPANY, P.L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

LARRY W. YORK

J. MICHAEL DILLINGHAM

ANGIE L. DILLINGHAM

P.O. BOX 551
1708 ALPINE DRIVE
COLUMBIA, TENNESSEE 38402-0551
TELEPHONE (931) 388-0517
FAX (931) 381-3440

BRANCH OFFICES:

LAWRENCEBURG, TN
TELEPHONE (931) 762-6877

CENTERVILLE, TN
TELEPHONE (931) 729-3229

PULASKI, TN
TELEPHONE (931) 424-9063

MEMBERS:

AMERICAN INSTITUTE OF C.P.A.'S
TENNESSEE SOCIETY OF C.P.A.'S

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

Maury County Board of Public Utilities Water System
Maury County, Tennessee

We have audited the accompanying financial statements of Maury County Board of Public Utilities Water System as of and for the year ended June 30, 2009, and have issued our report thereon dated September 14, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Maury County Board of Public Utilities Water System's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Maury County Board of Public Utilities Water System's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the System's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the System's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the System's financial statements that is more than inconsequential will not be prevented or detected by the System's internal control.

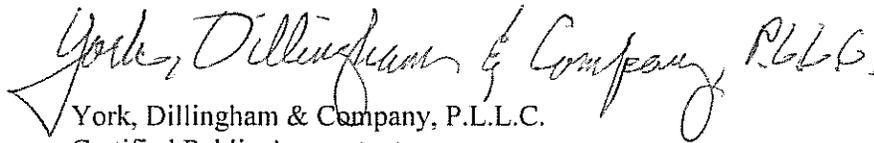
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the System's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System'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 no disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of directors, management, the Maury County commissioners, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



York, Dillingham & Company, P.L.L.C.

Certified Public Accountants

Columbia, Tennessee

September 14, 2009

MAURY COUNTY BOARD OF PUBLIC UTILITIES WATER SYSTEM
(A DISCRETE COMPONENT UNIT OF MAURY COUNTY, TENNESSEE)
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

Finding 2008-1 Lack of periodic Internal Review of Account Activity

Finding 2008-1 for the prior year has been corrected.