

WATER & WASTEWATER AUTHORITY OF WILSON COUNTY
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED JUNE 30, 2013

WATER & WASTEWATER AUTHORITY OF WILSON COUNTY
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WATER & WASTEWATER AUTHORITY OF WILSON COUNTY
BOARD OF COMMISSIONERS AND MANAGEMENT OFFICIALS

YEARS ENDED JUNE 30, 2013 AND 2012

Board of Commissioners

Chairman.....Donald Chambers
Vice Chairman.....Charles Albert Bell
Board Member.....Brody Kane
Board Member.....David E Swindell
Board Member.....Hale Moss

Management Officials

Executive Director.....Chris Leauber
Treasurer.....Robert Boyd
Secretary.....Robert Rochelle

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Water & Wastewater Authority of Wilson County

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Water & Wastewater Authority of Wilson County as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Water & Wastewater Authority of Wilson County, as of June 30, 2013 and 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion on pages 5–13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Water & Wastewater Authority of Wilson County's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information has not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 06, 2014, on our consideration of the Water & Wastewater Authority of Wilson County'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Water & Wastewater Authority of Wilson County's internal control over financial reporting and compliance.

Dempsey Vantase & Follis PLLC

Lebanon, TN
February 06, 2014

Water & Wastewater Authority of Wilson County Management's Discussion and Analysis

This section of the Water & Wastewater Authority of Wilson County's annual financial report presents an analysis of the Authority's financial performance during the fiscal years ended June 30, 2013 and 2012. This information is presented in conjunction with the audited basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR ENDING JUNE 30, 2013

- The Authority's net position increased by \$731 thousand or 2.4 percent from \$30,629 thousand to \$31,360 thousand.
- Operating revenues increased by \$66 thousand or 1.3 percent from \$4,950 thousand to \$5,016 thousand.
- Operating expenses increased by \$123 thousand or 2.9 percent from \$4,176 thousand to \$4,299 thousand.
- Capital contributions to the Authority decreased by \$194 thousand or 25.1 percent from \$773 thousand to \$579 thousand.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of the following three parts: management's discussion and analysis, summaries of the Authority's net position and condensed statement of revenues, expenses and changes in net position.

REQUIRED FINANCIAL STATEMENTS

The financial statements of the Authority report information utilizing the full accrual basis of accounting. The financial statements conform to accounting principles which are generally accepted in the United States of America. The statements of net position include information on the Authority's assets and liabilities and provide information about the nature and amounts of investments in resources and the obligations to the Authority's creditors. The statements of revenues, expenses and changes in net position identify the Authority's revenues, and expenses for the fiscal years ended June 30, 2013 and 2012. These statements provide information on the Authority's operation over the past two fiscal years.

FINANCIAL ANALYSIS OF THE DISTRICT

The statement of net position and the statement of revenues, expenses, and changes in net position provide an indication of the Authority's financial condition and also indicate that the financial condition of the Authority improved during the last fiscal year. The Authority's net assets reflect the difference between assets and liabilities. An increase in net position over time typically indicates an improvement in financial condition.

NET ASSETS

A summary of the Authority's statement of net position is presented below.

Table 1
Condensed Statement of Net Position
(in thousands of dollars)

	<u>2013</u>	<u>2012</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>
Current and Other Assets	\$ 5,461	\$ 4,989	\$ 472	9.5%
Restricted Assets	9,562	2,786	6,776	243.2%
Capital Assets, net	<u>36,107</u>	<u>36,363</u>	<u>(256)</u>	(.7)%
Total Assets	51,130	44,138	6,992	15.8%
Long-Term Debt	17,706	11,570	6,136	53%
Current Liabilities	<u>2,064</u>	<u>1,939</u>	<u>125</u>	6.5%
Total Liabilities	19,770	13,509	6,261	46.3%
Invested in Capital Assets, Net of Related Debt	24,496	24,548	(52)	(.2)%
Restricted for Debt Service	2,877	2,294	583	25.4%
Unrestricted	3,987	3,787	200	5.3%
Total Net Position	<u>\$31,360</u>	<u>\$30,629</u>	<u>\$ 731</u>	2.4%

As the above table indicates total assets increased by \$6,992 thousand, or 15.8%, from \$44,138 thousand to \$51,130 thousand in the fiscal year ending June 30, 2013. This is primarily due to the new funds received from the 2013 bond issue, which significantly increased restricted assets.

Total liabilities increased by \$6,261 thousand, or 46.3%. This is due to the increased long-term debt incurred from the 2013 bond issue. While current liabilities only increased by \$125 thousand, long-term debt increased by \$6,136 thousand.

In summary, net position increased by 2.4%, or \$731 thousand, from \$30,629 thousand to \$31,360 thousand. A \$52 thousand decrease in invested in capital assets, net of related debt was outpaced by increases in unrestricted (\$200 thousand) and restricted for debt service (\$583 thousand).

Table 2
Condensed Statement of Net Position
(in thousands of dollars)

	<u>2012</u>	<u>2011</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>
Current and Other Assets	\$ 4,989	\$ 4,343	\$ 646	14.9%
Restricted Assets	2,786	2,786	0	0%
Capital Assets, net	<u>36,363</u>	<u>35,956</u>	<u>407</u>	1.1%
Total Assets	44,138	43,085	1,053	2.4%
Long-Term Debt	11,570	11,509	61	.5%
Current Liabilities	<u>1,939</u>	<u>2,007</u>	<u>(68)</u>	(3.4)%
Total Liabilities	13,509	13,516	(7)	(0.1)%
Invested in Capital Assets, Net of Related Debt	24,548	24,253	295	1.2%
Restricted for Debt Service	2,294	2,417	(123)	(5.1)%
Unrestricted	3,787	2,899	888	30.6%
Total Net Position	<u>\$30,629</u>	<u>\$29,569</u>	<u>\$ 1,060</u>	3.6%

As the above table indicates total assets increased by \$1,053 thousand, or 2.4%, from \$43,085 thousand to \$44,138 thousand in the fiscal year ending June 30, 2012. This is the result of increases in both current & other assets (\$646 thousand) and net capital assets (\$407 thousand).

During this period, total liabilities decreased by \$7 thousand, or .1%. While long-term debt increased by \$61 thousand, current liabilities decreased by \$68 thousand.

Total net position increased by 3.6%, or \$1,060 thousand, from \$29,569 thousand to \$30,629 thousand. A \$123 thousand decrease in net assets restricted for debt service was outpaced by significant increases in unrestricted (\$888 thousand) and invested in capital assets, net of related debt (\$295 thousand).

Table 3
Condensed Statement of Revenues, Expenses and Changes in Net Position
(in thousands of dollars)

	<u>2013</u>	<u>2012</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating Revenue	\$ 5,016	\$ 4,950	\$ 66	1.3%
Nonoperating Revenue	<u>50</u>	<u>73</u>	<u>(23)</u>	(31.5)%
Total Revenue	5,066	5,023	43	.9%
Depreciation Expense	1,220	1,200	20	1.7%
Other Operating Expenses	3,079	2,977	102	3.4%
Nonoperating Expenses	<u>614</u>	<u>559</u>	<u>55</u>	9.8%
Total Expenses	4,913	4,736	177	3.7%
Income Before Capital Contributions	153	287	(134)	(46.7)%
Capital Contributions	579	773	(194)	(25.1)%
Change in Net Position	731	1,060	(329)	(31)%
Beginning Net Position	<u>30,629</u>	<u>29,569</u>	<u>1,060</u>	3.6%
Ending Net Position	<u>\$31,360</u>	<u>\$30,629</u>	<u>\$ 731</u>	2.4%

The Statement of Revenues, Expenses and Change in Net Position identifies the various revenue and expense items which affect the change in net position for the fiscal year ending June 30, 2013.

As the information in this table indicates, the Authority's total revenue increased by \$43 thousand, or .9 percent, from \$5,023 thousand to \$5,066 thousand. A 1.4% increase in water sales was the major factor in the \$66 thousand increase in operating revenue. Nonoperating income decreased in fiscal year 2013 by 31.5% due to the lack of TDOT reimbursements or state grants received during the year.

The Authority's total expenses increased by 3.7%, or \$177 thousand, this year. Modest increases were experienced in nonoperating, other operating, and depreciation expenses.

Despite the fact that total expenses increased more than total revenue, the Authority still experienced income before capital contributions of \$153 thousand. The Authority also received \$579 thousand capital contributions during the year, which is down by 25.1%, or \$194 thousand, from the previous year. Nevertheless, these two factors result in a \$731 thousand, or 2.4%, increase in the Authority's ending net position for the year.

Table 4
Condensed Statement of Revenues, Expenses and Changes in Net Position
(in thousands of dollars)

	<u>2012</u>	<u>2011</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>
Operating Revenue	\$ 4,950	\$ 4,355	\$ 595	13.7%
Nonoperating Revenue	<u>73</u>	<u>110</u>	<u>(37)</u>	(33.6)%
Total Revenue	5,023	4,465	558	12.5%
Depreciation Expense	1,200	1,171	29	2.5%
Other Operating Expenses	2,977	2,788	189	6.8%
Nonoperating Expenses	<u>559</u>	<u>581</u>	<u>(22)</u>	(3.8)%
Total Expenses	4,736	4,540	196	4.3%
Income Before Capital Contributions	287	(75)	362	483%
Capital Contributions	773	727	46	6.3%
Extraordinary Expense	0	0	0	0%
Changes in Net Position	1,060	652	408	62.6%
Beginning Net Position	<u>29,569</u>	<u>28,916</u>	<u>653</u>	2.3%
Ending Net Position	<u>\$30,629</u>	<u>\$29,569</u>	<u>\$ 1,060</u>	3.6%

The Statement of Revenues, Expenses and Change in Net Position identifies the various revenue and expense items which affect the change in net position.

As the information in this table indicates, the Authority's total revenue increased by \$558 thousand in fiscal year 2012, or 12.5 percent, from \$4,465 thousand to \$5,023 thousand. Increases in both water sales and wastewater income were the primary reasons that operating income increased by \$595 thousand. Nonoperating income decreased in fiscal year 2012 by 33.6% due to significant decreases in FEMA grant income and TDOT reimbursements.

The Authority's total expenses increased by 4.3%, or \$196 thousand, this year. While depreciation and other operating expenses increased slightly, nonoperating expenses (interest and amortization costs) decreased.

Table 3 also reveals \$287 thousand income before capital contributions. This is \$362 thousand more than the previous year. Despite the lagging economic climate, capital contributions also increased from \$727 thousand to \$773 thousand. These two factors result in a \$1,060 thousand increase in ending net position for the 2012 fiscal year.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

Table 5
Capital Assets at Year-end
(Net of Depreciation, in thousands of dollars)

	<u>2013</u>	<u>2012</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>
Land	\$ 570	\$ 570	\$ 0	0%
Rights of Way	143	143	0	0%
Construction in Progress	1,232	989	243	24.6%
Water Distribution System	14,287	14,697	(410)	(2.8)%
Wastewater System	18,869	19,063	(194)	(1)%
Building	790	812	(22)	(2.7)%
Office Equipment	29	27	2	7.4%
Equipment	<u>188</u>	<u>62</u>	<u>126</u>	203.2%
Total Capital Assets	<u>\$36,108</u>	<u>\$36,363</u>	<u>\$ (255)</u>	(.7)%

At the end of June 2013 budget year, the Authority had \$36,108 thousand invested in capital assets net of depreciation, including water and sewer infrastructure, land, rights of way, building, office equipment, equipment and construction in progress. This amount represents a \$255 thousand, or .7%, decrease, from the previous year.

The Authority added \$722 thousand of new depreciable capital assets during the year. The largest additions were \$362 thousand of wastewater infrastructure, \$196 thousand of water infrastructure and \$145 thousand of equipment. However, total capital asset values decreased for the year due to total depreciation of \$1,220 thousand.

In the next fiscal year the Authority anticipates a new loan from the Rural Development Administration for the construction of an interconnection between two existing wastewater treatment facilities. This interconnect, valued at approximately \$750 thousand, will enhance future wastewater earning potential by increasing the capacity of our wastewater infrastructure. Other wastewater projects will be developer-paid and the associated assets transferred to the Authority as developer contributions.

Approximately \$1,000 thousand of new water line projects currently in process should be completed and added as depreciable assets during the next year. An additional \$2,000 thousand should be in operation by the end of the 2015 budget year. These projects are being financed from the recent 2013 bond funds.

The Authority continues to investigate enhancements that will result in the purchase of additional capital assets over the next couple of years. The major enhancements include:

- Advanced Metering Infrastructure (AMI) for all customer accounts and system input meters to free up man-hours to focus on distribution system maintenance, increase metering accuracy and reduce leakage to maintain compliance with the new Tennessee water loss regulations.
- Distribution system upgrades to maintain and improve our level of service.
- Distribution system expansions to provide water to areas of the county presently without access to a public water supply.

It should be noted the Authority will experience financial gains from these enhancements in the form of reduced losses, both real (leakage) and apparent (inaccurate metering). There will also be increased revenue from the addition of new customers.

Table 6
Capital Assets at Year-end
(Net of Depreciation, in thousands of dollars)

	<u>2012</u>	<u>2011</u>	Dollar Change	Percent Change
Land	\$ 570	\$ 570	\$ 0	0%
Rights of Way	143	142	1	.7%
Construction in Progress	989	485	504	103.9%
Water Distribution System	14,697	15,258	(561)	(3.7)%
Wastewater System	19,063	18,552	511	2.8%
Building	812	844	(32)	(3.8)%
Office Equipment	27	23	4	17.4%
Equipment	62	82	(20)	(24.4)%
Total Capital Assets	<u>\$36,363</u>	<u>\$35,956</u>	<u>\$ 407</u>	1.1%

At the end of June 2012 budget year, the Authority had \$36,363 thousand invested in capital assets, including water and sewer infrastructure, land, rights of way, building, office equipment, equipment and construction in progress. This amount represents a \$407 thousand, or 1.1%, increase over the previous year.

The largest additions to capital assets this year were \$1,048 thousand of wastewater infrastructure and \$43 thousand of water infrastructure. Accumulated depreciation for the year reduced the value of capital assets by \$1,200 thousand.

DEBT

Table 7
Outstanding Debt at Year-end
(in thousands of dollars)

	<u>2013</u>	<u>2012</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Revenue Bonds & Notes	\$18,620	\$12,416	\$ 6,204	50%
Other Notes	0	147	(147)	(100)%
Total Debt	<u>\$18,620</u>	<u>\$12,563</u>	<u>\$ 6,057</u>	48.2%

As shown in table 7, the Authority had \$18,620 thousand in total debt at the end of the fiscal year ending June 30, 2013. This is \$6,057 thousand, or 48.2%, more than the previous year.

Total debt increased due to the 2013 bond issue in the amount of \$8,873 thousand. The Authority did retire \$2,727 thousand of previous debt from the 1993 bonds, the State Revolving Fund loan and the note from Wilson Bank & Trust. All bond and interest payments were completed in a timely manner as scheduled.

As previously stated, the Authority anticipates an additional \$750 thousand loan from the Rural Development Administration for enhancements to our wastewater infrastructure during the next fiscal year. Water projects will be financed by existing bond funds.

Table 8
Outstanding Debt at Year-end
(in thousands of dollars)

	<u>2012</u>	<u>2011</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Revenue Bonds & Notes	\$12,416	\$12,160	\$ 256	2.1%
Other Notes	147	193	(46)	(23.8)%
Total Debt	<u>\$12,563</u>	<u>\$12,353</u>	<u>\$ 210</u>	1.7%

As shown in table 8, the Authority had \$12,563 thousand in bonds and notes outstanding at the end of the fiscal year ending June 30, 2012. This is \$210 thousand, or 1.7%, more than the previous year.

Total debt increased due to an additional \$764 thousand withdrawn from the State Revolving Fund to finance the Vastola and Windover wastewater infrastructure projects. Monthly interest payments on the funds withdrawn are currently being paid at 3.67%. Principle payments will begin within 90 days after the project completion, which will likely be in the next fiscal year. Otherwise, indebtedness decreased as all bond and interest payments were completed as scheduled.

The Authority anticipates drawing an additional \$400 thousand from the State Revolving Fund to finance the Windover and Vastola wastewater infrastructure projects during the next fiscal year. Water projects will be financed by both existing bond funds and new issues currently under consideration.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Authority's 2013/2014 budget reflects minimal increases to its customer base and the associated streams of revenue. Keeping this in mind, management will continue to make every effort possible to keep controllable operating expenses at a minimum.

Despite a 3% increase in rates from the Authority's primary water supplier, the City of Lebanon, it is not anticipated the Authority's Board of Commissioners will increase water rates until the 2014/2015 budget year.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our customers, investors and creditors with a general overview of the Authority's finances and accountability for the money it receives. If you have any questions about this report or need additional information, contact the Authority office at 680 Maddox Simpson Parkway in Lebanon, TN.

WATER & WASTEWATER AUTHORITY OF WILSON COUNTY
STATEMENTS OF NET POSITION
JUNE 30, 2013 AND 2012

ASSETS	2013	2012
Current Assets		
Cash & Cash Equivalents - Unrestricted/Undesignated	\$ 2,196,655	\$ 1,766,725
Cash & Cash Equivalents - Unrestricted/Designated	462,388	1,076,363
Investments in Interest Bearing Deposits - Unrestricted/Undesignated	715,635	171,000
Investments in Interest Bearing Deposits - Unrestricted/Designated	1,000,000	850,000
Accounts Receivable Net of Allowance for Doubtful Accounts of \$10,000 and \$10,000 as of June 30, 2013 and June 30, 2012, respectively.	543,836	618,005
Due From Tennessee Department of Transportation	-	50,788
Accrued Interest Receivable	13,189	12,730
Inventory of Supplies	152,112	163,912
Prepaid Expenses	24,076	22,899
Total Current Assets	5,107,891	4,732,422
Restricted Assets		
Restricted Cash & Cash Equivalents	6,369,443	32,548
Restricted Investments in Interest Bearing Deposits	3,192,165	2,753,023
Total Restricted Assets	9,561,608	2,785,571
Utility Plant & Equipment		
Land	569,532	569,532
Rights of Way	143,216	143,216
Water Distribution System	24,220,666	24,024,449
Wastewater System	22,479,738	22,117,413
Building	1,243,579	1,234,248
Office Equipment	227,973	218,686
Equipment	715,421	647,489
Construction in Progress	1,231,912	989,055
Total Utility Plant & Equipment	50,832,037	49,944,088
Less Accumulated Depreciation	(14,724,459)	(13,581,456)
Utility Plant & Equipment Net of Accumulated Depreciation	36,107,578	36,362,632
Other Assets		
Deferred Bond Issue Costs Less Accumulated Amortization	352,750	257,134
Total Assets	\$ 51,129,827	\$ 44,137,759

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

WATER & WASTEWATER AUTHORITY OF WILSON COUNTY
 STATEMENTS OF NET POSITION
 JUNE 30, 2013 AND 2012

	2013	2012
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 119,874	\$ 150,993
Accrued Interest Payable	168,486	100,371
Customer Deposits	799,904	630,706
Sales Tax Payable	28,328	33,683
Accrued Payroll & Related Items	33,266	30,175
Current Portion of Long-Term Debt	913,778	992,603
Total Current Liabilities	2,063,636	1,938,531
Long-Term Debt	17,705,918	11,570,275
Total Liabilities	19,769,554	13,508,806
NET POSITION		
Invested In Capital Assets Net Of Related Debt	24,496,465	24,548,162
Restricted For Debt Service	2,877,000	2,294,297
Unrestricted	3,986,808	3,786,494
	31,360,273	30,628,953
Total Liabilities & Net Position	\$ 51,129,827	\$ 44,137,759

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

WATER & WASTEWATER AUTHORITY OF WILSON COUNTY
 STATEMENTS OF REVENUES, EXPENSES, & CHANGES IN NET POSITION
 FOR THE YEARS ENDING JUNE 30, 2013 AND 2012

	2013	2012
Operating Sales		
Water Sales	\$ 3,623,416	\$ 3,573,329
Wastewater Income	1,187,103	1,187,747
Other Charges	205,160	188,621
	5,015,679	4,949,697
Less: Bad Debt Expense	(2,438)	(8,478)
Net Operating Revenue	5,013,241	4,941,219
Operating Expenses		
Depreciation Expense	1,219,975	1,200,041
Water Purchased	854,328	888,806
Wastewater Service Costs	918,142	844,735
Repairs & Maintenance Expense	158,339	177,488
Management Salaries	220,145	188,459
Plant Salaries	213,913	220,067
Office Salaries	103,148	99,012
Legal Expense	96,196	38,633
Health Insurance Expense	86,060	82,304
Engineering Fees	24,180	20,044
Retirement Expense	67,493	64,503
Office Supplies & Expense	27,005	28,950
Plant Utilities Expense	52,861	57,558
Payroll Tax Expense	44,036	41,954
Miscellaneous Expense	39,492	39,744
Other Insurance Expense	46,261	41,847
Postage	35,391	34,769
Audit & Accounting	18,000	30,953
Telephone & Office Utilities	15,561	14,801
Legal Salary	25,963	25,207
Data Processing	8,731	8,645
Uniforms Expense	6,385	7,121
Seminar Expense	7,681	5,181
Dues Expense	4,855	5,584
Director Fees	2,300	1,600
Total Operating Expenses	4,296,441	4,168,006
Operating Income	716,800	773,213

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

WATER & WASTEWATER AUTHORITY OF WILSON COUNTY
 STATEMENTS OF REVENUES, EXPENSES, & CHANGES IN NET POSITION
 FOR THE YEARS ENDING JUNE 30, 2013 AND 2012

	2013	2012
Operating Income (From Prior Page)	\$ 716,800	\$ 773,213
Nonoperating Revenues (Expenses)		
Interest Income	45,460	48,059
State Reimbursement, net of expenses	-	14,800
Grant Income	-	10,295
Interest & Amortization Expense	(614,109)	(558,974)
Gain On Sale Of Asset	4,469	
Total Nonoperating Revenues (Expenses)	(564,180)	(485,820)
Income Before Contributions	152,620	287,393
Contributions		
Contributions In Aid Of Construction	578,700	772,850
	578,700	772,850
Increase In Net Position	731,320	1,060,243
Net Position, Beginning of Year	30,628,953	29,568,710
Net Position, End of Year	\$ 31,360,273	\$ 30,628,953

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

WATER & WASTEWATER AUTHORITY OF WILSON COUNTY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
Cash Flows From Operating Activities		
Cash Receipts From Customers	\$ 5,289,337	\$ 4,810,217
Cash Payments to Suppliers for Goods and Services	(2,341,559)	(2,442,267)
Cash Payments to or on Behalf of Employees	(757,667)	(717,369)
Other Operating Revenue	18,059	16,958
Net Cash Provided By Operating Activities	2,208,170	1,667,539
 Cash Flows From Capital & Related Financing Activities		
Capital Contributions	125,500	59,500
Proceeds From State Revolving Fund	119,011	763,781
Deferred Loss on Refunding	234,123	-
Bond Issue Costs - 2013 Bond	(123,615)	-
Proceeds From 2013 Bond Series	8,645,000	-
Purchase & Construction of Utility Plant & Equipment	(511,721)	(893,555)
Proceeds on Sale of Assets	4,469	-
Capital Reimbursement - State of Tennessee	-	14,800
Principal Payments on Revenue Bonds	(1,520,697)	(844,187)
Principal Payments on State Revolving Fund	(1,720,508)	-
Interest Paid on Revenue Bonds	(218,107)	(257,947)
Net Cash Provided By (Used In) Capital & Related Financing Activities	5,033,455	(1,157,608)
 Cash Flows From Investing Activities		
Net Proceeds From (Purchases Of) Investments in Interest Bearing Deposits	(1,133,777)	(219,737)
Interest Income	45,002	65,117
Net Cash Used In Investing Activities	(1,088,775)	(154,620)
Net Increase in Cash & Cash Equivalents	6,152,850	355,311
Cash & Cash Equivalents, Beginning of Year	2,875,636	2,520,325
Cash & Cash Equivalents, End of Year	\$ 9,028,486	\$ 2,875,636

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

WATER & WASTEWATER AUTHORITY OF WILSON COUNTY
 STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
Adjustments to Reconcile Operating Income To Net Cash Provided By (Used) By Operating Activities		
Operating Income	\$ 716,800	\$ 773,213
Depreciation	1,219,975	1,200,041
Provision for Bad Debt	-	-
Grant Income - Flood	-	10,295
Decrease/(Increase) in Accounts Receivable	74,169	(90,328)
Decrease/(Increase) in Receivable From TDOT	50,788	(37,513)
Decrease in Inventory	11,800	14,803
(Increase)Decrease in Prepaid Expenses	(1,177)	192
Increase/(Decrease) in Accounts Payable	(31,119)	24,698
Decrease in Construction Advances	-	(250,000)
Increase in Customer Deposits	169,198	13,797
(Decrease)/Increase in Sales Tax Payable	(5,355)	4,204
Increase in Accrued Payroll & Related Items	3,091	4,137
Net Cash Provided By Operating Activities	\$ 2,208,170	\$ 1,667,539
 Non-Cash Transactions		
Noncash Capital Contributions From Developers Consisting of Water Infrastructure	\$ 170,700	\$ -
Noncash Capital Contributions From Developers Consisting of Wastewater Infrastructure	282,500	713,350
Interest Capitalized to Utility Plant & Equipment	\$ 97,051	\$ 101,752

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

WATER & WASTEWATER AUTHORITY
OF WILSON COUNTY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2013 AND 2012

Note A – Summary of Significant Accounting Policies

General Information – The Water & Wastewater Authority of Wilson County, Tennessee, (“the Authority”) was established July 21, 1975, under Tennessee Code Annotated section 68-221-601. The Authority is governed by a Board of Commissioners appointed by the County Mayor and approved by the County commissioners and does not have any power to levy or collect a tax. In 1977, the Board of Commissioners changed the name to the Water & Wastewater Authority of Wilson County, Tennessee. The Authority operates a water system and supply for customers in specified areas of Wilson County. In the fiscal year ended June 30, 2000, the Authority began providing wastewater treatment for a limited number of customers.

Reporting Entity – Because of the lack of significance of its operational and financial relationship with Wilson County, the Authority is not a component unit of Wilson County, Tennessee.

Basis of Presentation and Accounting – The economic resources measurement focus and the accrual basis of accounting is used, in conformity with generally accepted governmental accounting principles applicable to water utility districts. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. Unbilled utility service receivables are recorded at year end. The Authority is a proprietary fund because it is required by law to recover its costs of operation with fees and charges for services rather than with taxes or similar revenues. The Authority applies all applicable Governmental Accounting Standards Board (GASB).

Budget – An annual budget is adopted by the Board of Commissioners as a management control device on a basis consistent with generally accepted accounting principles (GAAP).

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

WATER & WASTEWATER AUTHORITY
OF WILSON COUNTY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2013 AND 2012

Note A – Summary of Significant Accounting Policies (continued)

Utility Plant, Building, Wastewater System, & Equipment – Land, utility plant, building, wastewater system, and equipment are recorded at cost or, if contributed, at the estimated fair market value of the contribution. The Authority defines capital assets as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Repairs and maintenance are recorded as expenses; renewals and improvements are capitalized. When items of property and equipment are sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is included as non-operating revenue or loss.

Depreciation of the utility plant, building, wastewater system, and equipment is computed using the straight line method as follows:

<u>Asset</u>	<u>Estimated Useful Life</u>
Cost of Water System	25 – 40 years
Wastewater System	40 years
Building	10 – 40 years
Equipment	3 – 10 years

Restricted Assets – Bond covenants of the various bond issues require the establishment of bond interest and sinking funds to provide for the timely retirement of bond principal and interest. At June 30, 2013 and 2012, these reserves have been adequately funded and have been presented in the financial statements as restricted assets.

Cash & Cash Equivalents – Cash consists principally of checking accounts and certificates of deposit with financial institutions. For the purpose of the statement of cash flows, the Authority considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Receivables – The Authority uses the reserve method in determining bad debt expense.

Inventory – The Authority maintains an inventory of materials and supplies for repairs to the utility system. The inventory is carried at the lower of cost or market value using the “first in – first out” method.

Capitalized Interest – The Authority capitalizes net interest costs and related interest earned as part of constructing water projects.

WATER & WASTEWATER AUTHORITY
OF WILSON COUNTY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2013 AND 2012

Note A – Summary of Significant Accounting Policies (continued)

Bond Issue Costs – The costs of the issuance of bonds are amortized on the straight line method over the life of the bonds.

Discounts on Bonds – The discount on bonds issued are being amortized on the straight line method, over the life of the bonds.

Deferred Loss on Refinancing of Bonds – The refunding of debt in 1993 and 2006 resulted in a deferred amount which is being amortized over the remaining life of the old debt in accordance with GASB 23.

Operating Revenues and Expenses – Operating revenues and expenses consist of those revenues that result from the ongoing principal operations of the Authority. Operating revenues consist primarily of charges for water services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing type activities. When an expense is incurred for purposes for which there are both restricted and unrestricted net assets available, it is the Authority's policy to apply those expenses to restricted net assets first, the extent such are available, and then to unrestricted net assets.

Contributions In Aid of Construction – Developers are required by the Authority to install water lines in new developments according to the Authority's specifications and subject to inspection by the engineer. Developers bear the cost of laying the water lines, which become the property of the Authority. The engineer's estimate of the cost of these lines is capitalized as utility plant and recorded as contributed capital by the Authority prior to July 1, 2000. After June 30, 2000, the Authority records the cost as revenue.

A fee is charged by the Authority for the physical connection to the water system. Prior to July 1, 2000, the fee was recorded as contributed capital and the cost of the installation of the tap was capitalized as utility plant. Beginning July 1, 2000, tap fees are recorded as revenue.

In accordance with GASB 33, contributions from contractors are recorded as revenue in the statement of earnings rather than as a component of equity effective July 1, 2000.

WATER & WASTEWATER AUTHORITY
OF WILSON COUNTY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2013 AND 2012

Note A – Summary of Significant Accounting Policies (continued)

Compensated Absences – Full time employees are given one day of vacation each month during the first six years of continuous employment. Employees with more than six years of continuous employment are granted fifteen days annual vacation with the additional days being granted in the months of March, June, and September.

Vacation days earned and not used may be carried forward, however, accumulated vacation days may not exceed 30 days per employee. The Authority has accrued the amount of vacation time carried forward as of June 30, 2013 and 2012.

Each employee accumulates one day of sick leave each month. Sick leave not used during the year may be carried forward. Upon termination or voluntary resignation, all accrued sick leave is forfeited. Therefore, no amounts have been recorded for accrued sick pay in the financial statements.

Net Position – Net position comprises the various net earnings from operating income, non-operating revenues and expenses, and capital contributions. Net position is classified in the following three components:

Invested in capital assets, net of related debt – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted – This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component of net position consists of net positions that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

It is the Authority’s policy to first apply restricted resources when an expense is incurred for which both restricted and unrestricted net position are available.

WATER & WASTEWATER AUTHORITY
OF WILSON COUNTY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2013 AND 2012

Note B – Cash & Cash Equivalents

Interest Rate Risk and Concentration of Credit Risk – The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates. The Authority places no limit on the amount it may invest in any one issuer.

Credit Risk – The Authority is authorized to make investments in certificates of deposit, bonds, notes or treasury bills of the United States or any of its other agencies, or obligations guaranteed as to principal and interest by the United States or any of its agencies with a maturity not greater than one year, or in the pooled investment fund established under Tennessee law.

At June 30, 2013 and 2012, the entire bank balances were covered by federal depository insurance or by collateral held in the Tennessee Bank Collateral Pool. The Tennessee Bank Collateral Pool is a multiple financial institution collateral pool to which member financial institutions holding public funds pledge collateral securities. In the event any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. The pool also has the ability to make additional assessments on a pro rata basis to the members of the pool if the value of collateral is inadequate to cover a loss.

Note C – Commitments & Contingencies

The majority of the water supplied to customers of the Authority is purchased from the City of Lebanon pursuant to a contractual agreement.

On approximately May 6, 1999, the Authority entered into a master provider agreement with a company to build, operate, and maintain wastewater systems. This agreement contains a provision that would subject the Authority to contract cancellation fees if the Authority were to take control of the operation and maintenance services through no fault of the contracting company. The Authority has no intention of assuming these operation and maintenance services, however, the cancellation fees would be material to the financial statements if they were to occur.

Note D – Risk Management

The Authority is exposed 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.

WATER & WASTEWATER AUTHORITY
OF WILSON COUNTY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2013 AND 2012

Note D – Risk Management (continued)

The Authority purchases commercial insurance for claims and for all other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Note E – Capital Assets

Capital asset activity for the years ended June 30, 2013 and 2012 was as follows:

	Balance July 1, 2012	Transfers In And Additions	Tranfers Out And Retirements	Balance June 30, 2013
Capital Assets Not Being Depreciated				
Land	\$ 569,532	\$ -	\$ -	\$ 569,532
Rights of Way	143,216	-	-	143,216
Construction In Progress	989,055	322,682	(79,825)	1,231,912
Total Capital Assets Not Being Depreciated	<u>1,701,803</u>	<u>322,682</u>	<u>(79,825)</u>	<u>1,944,660</u>
Capital Assets Being Depreciated				
Water Distribution System	24,024,449	196,218	-	24,220,666
Wastewater System	22,117,413	362,325	-	22,479,738
Building	1,234,248	9,331	-	1,243,579
Office Equipment	218,686	9,287	-	227,973
Equipment	647,489	144,904	(76,972)	715,421
Total Capital Assets Being Depreciated	<u>48,242,285</u>	<u>722,065</u>	<u>(76,972)</u>	<u>48,887,377</u>
Less Accumulated Depreciation				
Water Distribution System	(9,327,785)	(605,865)		(9,933,650)
Wastewater System	(3,054,264)	(556,688)		(3,610,952)
Building	(421,608)	(31,385)		(452,993)
Office Equipment	(192,010)	(7,177)		(199,187)
Equipment	(585,789)	(18,860)	76,972	(527,677)
Total Accumulated Depreciation	<u>(13,581,456)</u>	<u>(1,219,975)</u>	<u>76,972</u>	<u>(14,724,459)</u>
Total Capital Assets Being Depreciated Net of Accumulated Depreciation	<u>34,660,829</u>	<u>(497,910)</u>	<u>-</u>	<u>34,162,918</u>
Total Capital Assets Net of Accumulated Depreciation	<u>\$ 36,362,632</u>	<u>\$ (175,228)</u>	<u>\$ (79,825)</u>	<u>\$ 36,107,578</u>

WATER & WASTEWATER AUTHORITY
OF WILSON COUNTY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2013 AND 2012

Note E – Capital Assets (continued)

	Balance July 1, 2011	Transfers In And Additions	Tranfers Out And Retirements	Balance June 30, 2012
Capital Assets Not Being Depreciated				
Land	\$ 569,532	\$ -	\$ -	\$ 569,532
Rights of Way	142,454	762	-	143,216
Construction In Progress	484,528	859,455	(354,928)	989,055
Total Capital Assets Not Being Depreciated	<u>1,196,514</u>	<u>860,217</u>	<u>(354,928)</u>	<u>1,701,803</u>
Capital Assets Being Depreciated				
Water Distribution System	23,981,916	42,533	-	24,024,449
Wastewater System	21,069,284	1,048,128	-	22,117,413
Building	1,234,248	-	-	1,234,248
Office Equipment	207,731	10,954	-	218,686
Equipment	647,489	-	-	647,489
Total Capital Assets Being Depreciated	<u>47,140,668</u>	<u>1,101,616</u>	<u>-</u>	<u>48,242,285</u>
Less Accumulated Depreciation				
Water Distribution System	(8,723,476)	(604,309)	-	(9,327,785)
Wastewater System	(2,517,703)	(536,561)	-	(3,054,264)
Building	(390,224)	(31,385)	-	(421,608)
Office Equipment	(184,965)	(7,045)	-	(192,010)
Equipment	(565,047)	(20,742)	-	(585,789)
Total Accumulated Depreciation	<u>(12,381,415)</u>	<u>(1,200,041)</u>	<u>-</u>	<u>(13,581,456)</u>
Total Capital Assets Being Depreciated Net of Accumulated Depreciation	<u>34,759,253</u>	<u>(98,426)</u>	<u>-</u>	<u>34,660,829</u>
Total Capital Assets Net of Accumulated Depreciation	<u>\$ 35,955,767</u>	<u>\$ 761,792</u>	<u>\$ (354,928)</u>	<u>\$ 36,362,632</u>

WATER & WASTEWATER AUTHORITY
OF WILSON COUNTY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2013 AND 2012

Note F – Bonds & Notes Payable

Bonds and notes payable as of June 30, 2013 and 2012 are as follows:

Series, Rates of Interest, & Maturity Dates	2013	2012
Waterworks Revenue Refunding and Improvement Bonds Series 1993, dated 5/1/93. Interest of 4.625% - 6% less unamortized bond discount of \$7,733 at June 30, 2012, and deferred loss on refinancing of \$33,405 at June 30, 2012.	\$ -	\$ 998,862
Waterworks Revenue Improvement Bonds, Series 2000 Capital Appreciation Bonds, (zero coupon bonds) dated 10/5/00. Interest of 6.1% - 6.4%, principal and accreted interest due serially starting in 2018 through 2025.	4,396,198	4,132,762
Waterworks Revenue Bonds, Series 2002, numbered R-1 (Rural Development), dated 12/29/04, interest not greater than 4.5%, due in monthly installments through 2043	223,904	227,515
Local Government Public Improvement Bonds Series IV-E-1, dated 10/24/06. Interest at 4% - 5%.	5,146,893	5,455,157
Amount drawn on \$2,751,769 State Revolving Fund loan secured by funds due to Water & Wastewater Authority of Wilson County by the State of Tennessee. Payable in monthly installments of interest only at 3.67% starting with the first drawdown of funds and monthly payments of principal and interest starting with the earlier of 90 days after project completion or 120 days after 90% of loan funds are disbursed.	-	1,601,497
Note Payable to Wilson Bank & Trust secured by real property, payable at \$52,498 per year at 3.45% fixed annual rate - matures June 2015.	-	147,085
Water and Wastewater Revenue Refunding and Improvement Bonds, Series 2013, dated 1/30/13, interest not greater than 3.5%, due in monthly installments through 2033.	8,852,701	-
Total Bonds & Notes Payable	\$ 18,619,696	\$ 12,562,878
Less Current Portion	(913,778)	(992,603)
Long-Term Debt	<u>\$ 17,705,918</u>	<u>\$ 11,570,275</u>

WATER & WASTEWATER AUTHORITY
OF WILSON COUNTY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2013 AND 2012

Note F – Bonds & Notes Payable (Continued)

Changes to the Authority's long-term debt are as follows:

	<u>2013</u>	<u>2012</u>
Total Long-Term Debt At Beginning of Year	\$ 12,538,861	\$ 12,371,619
Notes Payable Proceeds	119,011	763,781
Accreted Interest On Capital Appreciation Bonds	263,436	247,648
Notes Payable Principal Paid	(1,867,593)	(45,734)
Bond Retirements Paid	(1,373,612)	(798,453)
Bond Proceeds	<u>8,645,000</u>	<u>-</u>
Total Long-Term Debt At End of Year	18,325,103	12,538,861
Refunding Revenue Bond Unamortized Discount	(3,867)	(7,733)
Unamortized Deferred Loss on Refundings	<u>298,460</u>	<u>31,751</u>
Total Long-Term Debt At End of Year Net of Unamortized Discount & Deferred Loss	18,619,696	12,562,879
Less Current Portion	<u>(913,778)</u>	<u>(992,603)</u>
Non-Current Portion	<u>\$ 17,705,918</u>	<u>\$ 11,570,276</u>

Annual debt service requirements for bonds outstanding to maturity are as follows:

Fiscal Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 913,778	\$ 556,734	\$ 1,470,511
2015	963,951	476,637	1,440,589
2016	1,009,133	429,656	1,438,789
2017	1,064,323	380,266	1,444,589
2018	1,089,521	352,467	1,441,989
2019-2023	5,570,919	1,649,324	7,220,243
2024-2028	5,217,445	1,282,173	6,499,618
2029-2033	5,000,614	546,016	5,546,630
2034-2038	50,841	18,039	68,880
2039-2043	53,381	5,364	58,745
	<u>20,933,904</u>	<u>\$ 5,696,677</u>	<u>\$ 26,630,580</u>
Less: Accumulated Accreted Interest	<u>(2,608,801)</u>		
	<u>\$ 18,325,103</u>		

WATER & WASTEWATER AUTHORITY
OF WILSON COUNTY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2013 AND 2012

Note F – Bonds & Notes Payable (Continued)

The Authority pays its bond liability by semi-annual installments for all issues except for the Series 2002 liability that is paid monthly. The bonds are secured by the revenue of the Authority. In addition, the Authority has complied with the bond resolution requirements adopted by the Board.

Deferred Loss – The refunding of debt in 1993 and 2006 resulted in a deferred loss of \$949,152 and \$164,035, respectively, to be amortized over the remaining life of the old debt in accordance with GASB 23.

Note G – Pension Plan

The Authority's employees participate in the Tennessee Consolidated Retirement System under the Wilson County membership. All information related to the plan is reported in the general fund of the County. The county has been funding all employee contributions prior to the fiscal year ended June 30, 1993.

Total contributions to the plan by the Authority for the years ended June 30, 2013 and 2012, amounted to \$67,493 and \$64,503.

Note H – Related Party Transactions

The Authority's attorney is on the payroll of the Water & Wastewater Authority of Wilson County. The law firm he represents does legal work for the Authority including closings on new water and sewer taps installed and receives a fee (usually 50% of the tap fee) for their work. Total fees paid to the law firm totaled \$18,075 and \$13,200 for the fiscal years ended June 30, 2013 and 2012, respectively.

Note I – Designated Net Position

The Board of Commissioners of the Water & Wastewater Authority of Wilson County has designated some cash accounts and certificates of deposit for operation of the sewer system should its master provider agreement described in Note C for sewer services be cancelled. In addition, certain amounts have been designated for facility improvements and sewer construction. The accounts that have been designated for these purposes are presented separately in the statement of net position with the suffix – Unrestricted/Designated.

WATER & WASTEWATER AUTHORITY
OF WILSON COUNTY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2013 AND 2012

Note J – Invested in Capital Assets, Net of Related Debt

Net positions invested in capital assets, net of related debt at June 30, 2013 and 2012 consists of the following:

	2013	2012
Utility Plant & Equipment, net of Accumulated Depreciation	\$ 36,107,578	\$ 36,362,632
Restricted Investments - Unspent Debt Proceeds	315,165	491,274
Restricted Cash - Unspent Debt Proceeds	6,340,667	0
Deferred Bond Issue Costs, net of Amortization	352,750	257,134
Current Portion of Long-Term Debt	(913,778)	(992,603)
Long-Term Debt, net of Unamortized Discount and Loss	(17,705,917)	(11,570,275)
	\$ 24,496,465	\$ 24,548,162

Restricted Investments – Unspent Debt Proceeds is included in “Restricted Investments in Interest Bearing Deposits” on the Statements of Net Position.

SUPPLEMENTARY INFORMATION

WATER & WASTEWATER AUTHORITY OF WILSON COUNTY
 FIVE YEAR SUMMARY OF REVENUE & EXPENSES
 (UNAUDITED)

	2009	2010	2011	2012	2013
Operating Revenues					
Water Sales	\$ 3,223,337	\$ 3,244,719	\$ 3,233,271	\$ 3,573,329	\$ 3,623,416
Wastewater Income	753,448	946,279	942,636	1,187,747	1,187,103
Other Charges	191,543	179,885	179,528	188,621	205,160
Total Operating Revenues	<u>4,168,328</u>	<u>4,370,883</u>	<u>4,355,435</u>	<u>4,949,697</u>	<u>5,015,679</u>
Operating Expenses					
Operations, Administration, & General	2,610,219	2,778,749	2,788,125	2,976,443	3,078,904
Depreciation	1,082,363	1,130,250	1,171,177	1,200,041	1,219,975
Total Operating Expenses	<u>3,692,582</u>	<u>3,908,999</u>	<u>3,959,302</u>	<u>4,176,484</u>	<u>4,298,879</u>
Non-Operating Revenues (Expenses)					
Interest Income	133,142	84,062	61,342	48,059	45,460
Gain (Loss) On Sale Of Assets	-	-	-	-	4,469
Reimbursement Revenue, net of expenses	-	-	17,807	14,800	-
Grant Income	-	-	30,884	10,295	-
Interest & Amortization Expense	(624,620)	(602,455)	(581,140)	(558,974)	(614,109)
Flood Damages	-	(46,721)	-	-	-
Total Non-Operating Expenses	<u>(491,478)</u>	<u>(565,114)</u>	<u>(471,107)</u>	<u>(485,820)</u>	<u>(564,180)</u>
Income (Loss) Before Contributions	(15,732)	(103,230)	(74,974)	287,393	152,620
Capital Contributions					
Capital Reimbursement	111,428	-	-	-	-
Tap Fees & Fire Hydrant	192,500	115,000	41,500	59,500	125,500
Developer Contributions of Transmission Lines	1,009,300	1,476,700	685,700	713,350	453,200
Total Capital Contributions	<u>1,313,228</u>	<u>1,591,700</u>	<u>727,200</u>	<u>772,850</u>	<u>578,700</u>
Increase In Net Assets	<u>\$ 1,297,496</u>	<u>\$ 1,488,470</u>	<u>\$ 652,226</u>	<u>\$ 1,060,243</u>	<u>\$ 731,320</u>

WATER & WASTEWATER AUTHORITY OF WILSON COUNTY
SCHEDULE OF DEBT SERVICE TO MATURITY
(UNAUDITED)
JUNE 30, 2013

Fiscal Year Ended June 30,	2013		2000 Series Capital Appreciation Bonds		2002 Series Revenue Bonds		2006 Series "Refunding" Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 575,000.00	\$ 289,122.78			3,777.61	9,998.39	205,000.00	131,400.00
2015	40,000.00	254,700.00			3,951.16	9,824.84	785,000.00	123,200.00
2016	35,000.00	253,900.00			4,132.67	9,643.33	825,000.00	83,950.00
2017	50,000.00	253,200.00	345,000.00		4,322.52	9,453.48	515,000.00	42,700.00
2018	25,000.00	252,200.00	905,000.00		4,521.09	9,254.91		22,100.00
2019	40,000.00	251,700.00	900,000.00		4,728.80	9,047.20		22,100.00
2020	35,000.00	250,900.00	900,000.00		4,946.05	8,829.95		22,100.00
2021	30,000.00	250,200.00	900,000.00		5,173.26	8,602.74		22,100.00
2022	35,000.00	249,450.00	900,000.00		5,410.92	8,365.08		22,100.00
2023	35,000.00	248,575.00	895,000.00		5,659.49	8,116.51		22,100.00
2024	35,000.00	247,700.00	900,000.00		5,919.50	7,856.50		22,100.00
2025	60,000.00	246,650.00	360,000.00		6,191.41	7,584.59	520,000.00	22,100.00
2026	905,000.00	244,850.00			6,475.87	7,300.13		
2027	880,000.00	217,700.00			6,773.36	7,002.64		
2028	905,000.00	191,300.00			7,084.53	6,691.47		
2029	930,000.00	164,150.00			7,409.98	6,366.02		
2030	960,000.00	136,250.00			7,750.41	6,025.59		
2031	990,000.00	107,450.00			8,106.46	5,669.54		
2032	1,020,000.00	72,800.00			8,478.87	5,297.13		
2033	1,060,000.00	37,100.00			8,868.37	4,907.63		
2034					9,275.79	4,500.21		
2035					9,701.92	4,074.08		
2036					10,147.63	3,628.37		
2037					10,613.81	3,162.19		
2038					11,101.40	2,674.60		
2039					11,611.39	2,164.61		
2040					12,144.81	1,631.19		
2041					12,702.77	1,073.23		
2042					13,286.31	489.69		
2043					3,635.64	5.55		
	<u>\$ 8,645,000.00</u>	<u>\$ 4,219,897.78</u>	<u>\$ 7,005,000.00</u>	<u>\$ -</u>	<u>\$ 223,903.80</u>	<u>\$ 179,241.39</u>	<u>\$ 2,850,000.00</u>	<u>\$ 558,050.00</u>

WATER & WASTEWATER AUTHORITY OF WILSON COUNTY
SCHEDULE OF DEBT SERVICE TO MATURITY
(UNAUDITED)
JUNE 30, 2013

Fiscal Year Ended June 30,	2006 Series "Construction" Revenue Bonds		1993 Bonds Refunded 2013		Total	
	Principal	Interest			Principal	Interest
2014	130,000.00	94,112.50	\$ -	\$ 32,100.00	\$ 913,777.61	\$ 556,733.67
2015	135,000.00	88,912.50			963,951.16	476,637.34
2016	145,000.00	82,162.50			1,009,132.67	429,655.83
2017	150,000.00	74,912.50			1,064,322.52	380,265.98
2018	155,000.00	68,912.50			1,089,521.09	352,467.41
2019	160,000.00	62,712.50			1,104,728.80	345,559.70
2020	170,000.00	56,312.50			1,109,946.05	338,142.45
2021	175,000.00	49,512.50			1,110,173.26	330,415.24
2022	180,000.00	42,075.00			1,120,410.92	321,990.08
2023	190,000.00	34,425.00			1,125,659.49	313,216.51
2024	200,000.00	26,350.00			1,140,919.50	304,006.50
2025	205,000.00	17,850.00			1,151,191.41	294,184.59
2026	215,000.00	9,137.50			1,126,475.87	261,287.63
2027					886,773.36	224,702.64
2028					912,084.53	197,991.47
2029					937,409.98	170,516.02
2030					967,750.41	142,275.59
2031					998,106.46	113,119.54
2032					1,028,478.87	78,097.13
2033					1,068,868.37	42,007.63
2034					9,275.79	4,500.21
2035					9,701.92	4,074.08
2036					10,147.63	3,628.37
2037					10,613.81	3,162.19
2038					11,101.40	2,674.60
2039					11,611.39	2,164.61
2040					12,144.81	1,631.19
2041					12,702.77	1,073.23
2042					13,286.31	489.69
2043					3,635.64	5.55
	<u>\$ 2,210,000.00</u>	<u>\$ 707,387.50</u>	<u>\$ -</u>	<u>\$ 32,100.00</u>	<u>\$ 20,933,903.80</u>	<u>\$ 5,696,676.67</u>

WATER & WASTEWATER AUTHORITY OF WILSON COUNTY
SCHEDULE OF INSURANCE COVERAGE
(UNAUDITED)
JUNE 30, 2013

<u>Name of Company</u>	<u>Period Of Coverage</u>	<u>Coverage</u>	<u>Liability</u>
Utica	1/31/13 - 1/31/14	General Liability	\$3,000,000/\$2,000,000/ \$1,000,000/\$500,000
Utica	1/31/13 - 1/31/14	Automobile Liability & Damage	\$1,000,000/\$1,000,000
Utica	1/31/13 - 1/31/14	Property	\$4,087,336
Utica	1/31/13 - 1/31/14	Employment Practices Liability	\$2,000,000/\$2,000,000
Utica	1/31/13 - 1/31/14	Worker's Compensation	\$500,000/\$500,000/\$500,000
Utica	1/31/13 - 1/31/14	Employee Benefits	\$2,000,000/\$2,000,000
Utica	1/31/13 - 1/31/14	Crime	\$100,000
Utica	1/31/13 - 1/31/14	Umbrella	\$1,000,000
Utica	1/31/13 - 1/31/14	Earthquake	\$1,000,000
St. Paul Travelers	7/19/12-7/19/13	Highway Replacement Bond	\$100,000
St. Paul Travelers	4/8/32 - 4/8/14	Fidelity Bond/Chairman	\$50,000
St. Paul Travelers	1/3/13 - 1/3/14	Fidelity Bond/Executive Director	\$50,000
St. Paul Travelers	2/4/13 - 2/4/14	Fidelity Bond/Treasurer	\$50,000
St. Paul Travelers	9/9/12 - 9/9/13	Fidelity Bond/Customer Service Rep	\$50,000
St. Paul Travelers	10/13/12-10/13/13	Fidelity Bond/Customer Service Rep	\$50,000
St. Paul Travelers	11/19/12 - 11/19/13	Fidelity Bond/Customer Service Rep	\$50,000
RLI	3/7/12 - 3/7/16	Notary Bond/Treasurer	\$10,000
RLI	6/6/11 - 6/6/15	Notary Bond/Executive Director	\$10,000

WATER & WASTEWATER AUTHORITY OF WILSON COUNTY
 SCHEDULE OF GENERAL INFORMATION
 (UNAUDITED)
 JUNE 30, 2013

<u>Water Rate Schedule</u>	<u>Rate</u>
First 2,000 gallons	\$27.49 per month minimum
Next 3,000 gallons	\$ 9.72 per 1,000 gallons
Next 5,000 gallons	\$ 8.46 per 1,000 gallons
Over 10,000 gallons	\$ 7.61 per 1,000 gallons

<u>Year Ended June 30,</u>	<u>Number of Customers</u>
2013	7,759
2012	7,560
2011	7,442
2010	7,352
2009	7,320
2008	7,156
2007	6,642
2006	6,409
2005	5,907
2004	5,504
2003	5,241
2002	4,971
2001	4,743
2000	4,583

<u>Customers</u>	<u>Estimated Gallons/Year</u>
Peyton Park Apartments	4,592,500
Spring Hill Townhomes	3,580,031
Bellwood Assisted Living	1,101,800
Roy Major	749,100
Wilson County Schools	723,900
Earl Watson	537,900
City of Watertown	400,200
Linda Yearwood	365,800
Jalisco Mexican Restaurant	364,700
Tyler Allen	347,900

AWWA WLCC Free Water Audit Software: Reporting Worksheet

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WAS v4.2

[Back to Instructions](#)

Water Audit Report for: **Water & Wastewater Authority of Wilson County**
 Reporting Year: **FY12/13** 7/2012 - 6/2013

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

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

WATER SUPPLIED

<< Enter grading in column 'B'

Volume from own sources:	<input type="text" value="7"/>	<input type="text" value="n/a"/>	<input type="text" value="0.000"/>	Million gallons (US)/yr (MG/Yr)
Master meter error adjustment (enter positive value):	<input type="text" value="7"/>	<input type="text" value="n/a"/>	<input type="text" value="0.000"/>	MG/Yr
Water imported:	<input type="text" value="7"/>	<input type="text" value="8"/>	<input type="text" value="368.798"/>	MG/Yr
Water exported:	<input type="text" value="7"/>	<input type="text" value="n/a"/>	<input type="text" value="0.000"/>	MG/Yr
WATER SUPPLIED:			368.798	MG/Yr

AUTHORIZED CONSUMPTION

Billed metered:	<input type="text" value="7"/>	<input type="text" value="9"/>	<input type="text" value="302.304"/>	MG/Yr
Billed unmetered:	<input type="text" value="7"/>	<input type="text" value="n/a"/>	<input type="text" value="0.000"/>	MG/Yr
Unbilled metered:	<input type="text" value="7"/>	<input type="text" value="n/a"/>	<input type="text" value="0.000"/>	MG/Yr
Unbilled unmetered:	<input type="text" value="7"/>	<input type="text" value="9"/>	<input type="text" value="1.380"/>	MG/Yr
AUTHORIZED CONSUMPTION:	<input type="text" value="7"/>		303.684	MG/Yr

Click here: for help using option buttons below

Pcnt: Value:

Use buttons to select percentage of water supplied OR value

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

Apparent Losses

Unauthorized consumption:	<input type="text" value="7"/>	<input type="text" value="0.922"/>	MG/Yr
Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed			
Customer metering inaccuracies:	<input type="text" value="7"/>	<input type="text" value="7"/>	<input type="text" value="5.228"/> MG/Yr
Systematic data handling errors:	<input type="text" value="7"/>	<input type="text" value="6"/>	<input type="text" value="0.020"/> MG/Yr
Apparent Losses:	<input type="text" value="7"/>		6.170

Pcnt: Value:

Value:

Choose this option to enter a percentage of billed metered consumption. This is NOT a default value

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses:	<input type="text" value="7"/>	<input type="text" value="58.944"/>	MG/Yr
WATER LOSSES:		65.114	MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER:	<input type="text" value="7"/>	<input type="text" value="66.494"/>	MG/Yr
* Total Water Loss + Unbilled Metered + Unbilled Unmetered			

SYSTEM DATA

Length of mains:	<input type="text" value="7"/>	<input type="text" value="10"/>	<input type="text" value="326.5"/>	miles
Number of active AND inactive service connections:	<input type="text" value="7"/>	<input type="text" value="10"/>	<input type="text" value="7,052"/>	
Connection density:			<input type="text" value="22"/>	conn./mile main
Average length of customer service line:	<input type="text" value="7"/>	<input type="text" value="10"/>	<input type="text" value="0.0"/>	ft (pipe length between curbstop and customer meter or property boundary)
Average operating pressure:	<input type="text" value="7"/>	<input type="text" value="6"/>	<input type="text" value="80.0"/>	psi

COST DATA

Total annual cost of operating water system:	<input type="text" value="7"/>	<input type="text" value="10"/>	<input type="text" value="\$4,150,653"/>	\$/Year
Customer retail unit cost (applied to Apparent Losses):	<input type="text" value="7"/>	<input type="text" value="9"/>	<input type="text" value="\$7.51"/>	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	<input type="text" value="7"/>	<input type="text" value="10"/>	<input type="text" value="\$2,531.18"/>	\$/Million gallons

PERFORMANCE INDICATORS

Financial Indicators

Non-revenue water as percent by volume of Water Supplied:	<input type="text" value="18.0%"/>
Non-revenue water as percent by cost of operating system:	<input type="text" value="4.8%"/>
Annual cost of Apparent Losses:	<input type="text" value="\$46,337"/>
Annual cost of Real Losses:	<input type="text" value="\$149,198"/>

Operational Efficiency Indicators

Apparent Losses per service connection per day:	<input type="text" value="2.40"/>	gallons/connection/day
Real Losses per service connection per day*:	<input type="text" value="N/A"/>	gallons/connection/day
Real Losses per length of main per day*:	<input type="text" value="494.61"/>	gallons/mile/day
Real Losses per service connection per day per psi pressure:	<input type="text" value=""/>	gallons/connection/day/psi
<input type="text" value="7"/> Unavoidable Annual Real Losses (UARL):	<input type="text" value="82.47"/>	million gallons/year
From Above, Real Losses = Current Annual Real Losses (CARL):	<input type="text" value="58.94"/>	million gallons/year
<input type="text" value="7"/> Infrastructure Leakage Index (ILI) [CARL/UARL]:	<input type="text" value="0.71"/>	

* only the most applicable of these two indicators will be calculated

WATER AUDIT DATA VALIDITY SCORE:

***** YOUR SCORE IS: 83 out of 100 *****

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

PRIORITY AREAS FOR ATTENTION:

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

- Water Imported**
- Unauthorized consumption**
- Customer metering inaccuracies**

[For more information, click here to see the Grading Matrix worksheet](#)

WATER & WASTEWATER AUTHORITY OF WILSON COUNTY
 SCHEDULE OF CHANGES IN BOND FUNDS
 (UNAUDITED)
 FOR THE YEAR ENDED JUNE 30, 2013

	<u>Bond & Interest Sinking Fund</u>	<u>Debt Service Reserve Fund</u>
Balance, June 30, 2012	\$ 1,167,548	\$ 582,500
Deposits & Transfers	441,644	868,500
Disbursements & Transfers	<u>(154,416)</u>	<u>-</u>
Balance, June 30, 2013	<u>\$ 1,454,776</u>	<u>\$ 1,451,000</u>

WATER & WASTEWATER AUTHORITY OF WILSON COUNTY
SCHEDULE OF DEBT SERVICE COVERAGE
(UNAUDITED)
JUNE 30, 2013

Net Earnings From Operations	\$ 716,800
Add:	
Depreciation	1,219,975
Interest Income	45,460
Cash Contributions - Tap & Fire Hydrant Revenue	125,500
Cash Contributions - Utility Plant	<u>-</u>
Amount Available For Debt Service	<u>\$ 2,107,735</u>
Annual Debt Service	<u>\$ 1,470,511</u>
Coverage	1.43

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
Water & Wastewater Authority of Wilson County
Lebanon, TN

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Water & Wastewater Authority of Wilson County, as of and for the year ended June 30, 2013, which collectively comprise the Water & Wastewater Authority of Wilson County's basic financial statements and have issued our report thereon dated February 06, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Water & Wastewater Authority of Wilson County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Water & Wastewater Authority of Wilson County's internal control. Accordingly, we do not express an opinion on the effectiveness of the Water & Wastewater Authority of Wilson County's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting.

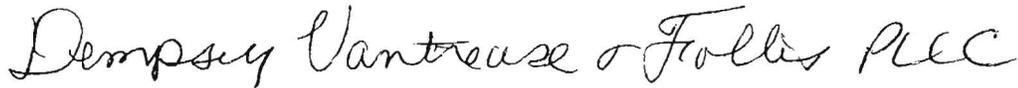
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Water & Wastewater Authority of Wilson County'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*.

We noted certain matters that we reported to the management of Water & Wastewater Authority of Wilson County, in a separate letter dated February 06, 2014.

Water & Wastewater Authority of Wilson County's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Water & Wastewater Authority of Wilson County's response and, accordingly, we express no opinion on it.

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



Lebanon, Tennessee
February 06, 2014

WATER & WASTEWATER AUTHORITY OF WILSON COUNTY
SCHEDULE OF FINDINGS & RESPONSES
JUNE 30, 2013

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of Water & Wastewater Authority of Wilson County.
2. One significant deficiency disclosed during the audit of the financial statements is reported in the Report on Internal Control Over Financial Reporting & on Compliance & Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.

B. SIGNIFICANT DEFICIENCIES

R-1. Segregation of Duties

Condition: Due to the limited number of financial personnel employed by the Authority, the same individuals regularly perform several functions, which, ideally, should be performed by different individuals. Such functions include preparation of bank reconciliations, issuing checks, signing checks, handling cash receipts, processing customer billings and accounts receivable, and recording of transactions.

Criteria: Proper segregation of duties requires that no one employee be responsible for an entire transaction cycle from beginning to end.

Effect: Inadequate separation of duties allows the possibility of the occurrence of unauthorized cash transactions, which may not be properly detected by Management.

Recommendation: To the extent possible, Management should separate the duties of preparing bank reconciliations, issuing checks, signing checks, handling cash receipts, processing customer billings and accounts receivable, and recording transactions to the accounting system.

Response: Management believes the cost of maintaining this control would exceed its benefits.