

WATER & WASTEWATER AUTHORITY OF WILSON COUNTY  
FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT  
FOR THE YEAR ENDED JUNE 30, 2015

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, 2015 AND 2014

Board of Commissioners

Chairman.....Donald Chambers  
Vice Chairman.....Charles Albert Bell  
Board Member.....Travenia Holden  
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 year ended June 30, 2015, 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 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 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, 2015, 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 and the schedules of changes in net pension liability (asset) and contributions on pages

34 and 35 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 audit was 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 December 28, 2015, 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 Vantrouse & Fellers, PLLC*

Lebanon, TN  
December 28, 2015

## **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, 2015 and 2014. This information is presented in conjunction with the audited basic financial statements, which follow this section.

### **FINANCIAL HIGHLIGHTS FOR FISCAL YEAR ENDING JUNE 30, 2015**

- The Authority's net position increased by \$1,315 thousand or 4.1 percent from \$32,469 thousand to \$33,784 thousand.
- Operating revenues increased by \$381 thousand or 7.2 percent from \$5,289 thousand to \$5,670 thousand.
- Operating expenses increased by \$216 thousand or 4.7 percent from \$4,588 thousand to \$4,804 thousand.
- Capital contributions to the Authority decreased by \$338 thousand or 27.8 percent from \$1,214 thousand to \$877 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. Please note that the 2013 and 2014 comparison numbers in this analysis have not been revised to reflect the GASB 68 requirements implemented for fiscal year end 6/30/15.

### **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, 2015 and 2014. 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>2015</u>	<u>2014</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current Assets	\$ 6,498	\$ 5,660	\$ 838	14.8%
Restricted Assets	7,286	8,640	(1,355)	(15.7)%
Capital Assets, net	38,515	37,432	1,083	2.9%
Pension Assets, net	<u>44</u>			
Total Assets	52,343	51,732	<u>611</u>	1.1%
Deferred Outflows	7	0	7	100%
Long-Term Debt	16,016	16,728	(711)	(4.3)%
Current Liabilities	<u>2,246</u>	<u>2,210</u>	<u>36</u>	1.6%
Total Liabilities	18,262	18,938	(675)	(3.6)%
Deferred Inflows	304	325	21	6.5%
Net Investment in Capital				
Assets	25,507	25,109	398	1.6%
Restricted for Debt				
Service	2,876	2,921	(45)	(1.5)%
Unrestricted	5,401	4,439	962	21.7%
Total Net Position	<u>\$33,784</u>	<u>\$32,469</u>	<u>\$ 1,315</u>	4.1%

As the above table indicates total assets increased by \$611 thousand, or 1.1%, in the fiscal year ending June 30, 2015. The most significant factor in the increase in total assets was the number of new projects in process. These projects currently valued at \$2,530 thousand caused net capital assets to increase by \$1,083 thousand for the period.

Total liabilities for the year decreased by \$675 thousand. This is primarily due to payments on outstanding bonds and bond interest, which decreased long-term debt by \$711 thousand. Current liabilities did experience a slight increase of 1.6%.

Net investment in capital assets increased by \$398 thousand. Combined with a \$962 increase in unrestricted net position, total net position increased by \$1,315 during the audit year ending June 30, 2015.

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

	<u>2014</u>	<u>2013</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>
Current Assets	\$ 5,660	\$ 5,108	\$ 552	10.8%
Restricted Assets	8,640	9,562	(922)	(9.6)%
Capital Assets, net	<u>37,432</u>	<u>36,108</u>	<u>1,324</u>	3.7%
Total Assets	51,732	50,778	954	1.9%
Long-Term Debt	16,728	17,706	(978)	(5.5)%
Current Liabilities	<u>2,210</u>	<u>2,064</u>	<u>146</u>	7.1%
Total Liabilities	18,938	19,770	(832)	(4.2)%
Deferred Inflows	325	0	325	100.0%
Net Investment in Capital				
Assets	25,109	24,144	965	4%
Restricted for Debt				
Service	2,921	2,877	44	1.5%
Unrestricted	4,439	3,987	452	11.3%
Total Net Position	<u>\$32,469</u>	<u>\$31,008</u>	<u>\$ 1,461</u>	4.7%

As the above table indicates total assets increased by \$954 thousand, or 1.9%, from \$50,778 thousand to \$51,732 thousand in the fiscal year ending June 30, 2014. The primary factors behind the increase in total assets were the wastewater developer contributions and the new water lines projects under construction. As a result, net capital asset values alone increased by \$1,324 thousand this period.

Total liabilities during the year decreased by \$832 thousand, or 4.2%. This is primarily due to payments on bonds and bond interest, which decreased long-term debt by \$978 thousand. This decrease more than offset a \$146 thousand increase in current liabilities.

Both restricted and unrestricted assets increased during the audit year, further adding to the increase in net position at year end. Total net position increased by 4.7%, or \$1,461 thousand during the year ending June 30, 2014.

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

	<u>2015</u>	<u>2014</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating Revenue	\$ 5,670	\$ 5,289	\$ 381	7.2%
Nonoperating Revenue	<u>44</u>	<u>54</u>	<u>(10)</u>	(18.5)%
Total Revenue	5,714	5,343	371	6.9%
Depreciation Expense	1,338	1,287	51	4%
Other Operating Expenses	3,465	3,301	164	5%
Nonoperating Expenses	<u>469</u>	<u>508</u>	<u>(39)</u>	(7.7)%
Total Expenses	5,272	5,096	176	3.5%
Income Before Capital Contributions	442	247	195	78.9%
Capital Contributions	877	1,214	(337)	(27.8)%
Change in Net Position	1,319 *	1,461	(142)	(9.7)%
Beginning Net Position	<u>32,465 *</u>	<u>31,008</u>	<u>1,461</u>	4.7%
Ending Net Position	<u>\$33,784</u>	<u>\$32,469</u>	<u>\$ 1,315</u>	4.1%

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, 2015.

As the information in this table indicates, the Authority's total revenue increased by \$371 thousand, or 6.9 percent this year. Both water and wastewater revenue increased, resulting in a \$381 thousand gain in operating revenue compared to the previous year. Declining interest income caused a \$10 thousand decrease in nonoperating income for the year.

The Authority's total expenses increased by 3.5%, or \$176 thousand, this year. Although nonoperating expenses decreased, modest increases were experienced in most operating expense categories during the year.

The Authority's income before capital contributions was \$442 thousand. The Authority also received \$877 thousand capital contributions during the year. Although contributions were less than the previous year, the Authority's net position increased by \$1,315 thousand during the period.

\*Restated due to implementation of GASB 68

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

	<u>2014</u>	<u>2013</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating Revenue	\$ 5,289	\$ 5,016	\$ 273	5.4%
Nonoperating Revenue	<u>54</u>	<u>50</u>	<u>4</u>	8%
Total Revenue	5,343	5,066	277	5.5%
Depreciation Expense	1,287	1,220	67	5.5%
Other Operating Expenses	3,301	3,079	222	7.2%
Nonoperating Expenses	<u>508</u>	<u>614</u>	<u>(106)</u>	(17.3)%
Total Expenses	5,096	4,913	183	3.7%
Income Before Capital Contributions	247	153	94	61.4%
Capital Contributions	1,214	579	635	109.7%
GASB 65 Restatement	0	(353)	353	100%
Change in Net Position	1,461	379	1,082	285.5%
Beginning Net Position	<u>31,008</u>	<u>30,629</u>	<u>379</u>	1.2%
Ending Net Position	<u>\$32,469</u>	<u>\$31,008</u>	<u>\$ 1,461</u>	4.7%

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, 2014.

As the information in this table indicates, the Authority's total revenue increased by \$277 thousand, or 5.5 percent this year. Both water and wastewater revenue increased, contributing to a \$273 gain in operating revenue compared to the previous year. Nonoperating income also increased by 8% during the year.

The Authority's total expenses increased by 3.7%, or \$183 thousand, this year. Although nonoperating expenses decreased, modest increases were experienced in most all operating expense categories during the year.

The Authority's income before capital contributions was \$247 thousand. The Authority also received \$1,214 thousand capital contributions during the year, which was \$635 thousand more than the previous year. As a result, the Authority's net position increased by \$1,461 thousand compared to the previous year. Ending net position on June 30, 2014 was \$32,469 thousand, which is up 4.7% from year end 2013.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### CAPITAL ASSETS

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

	2015	2014	Dollar Change	Percent Change
Land	\$ 570	\$ 570	\$ 0	0%
Rights of Way	143	143	0	0%
Construction in Progress	2,530	1,585	945	59.6%
Water Distribution System	14,188	14,082	106	.8%
Wastewater System	20,152	20,072	80	.4%
Building	739	765	(26)	(3.4)%
Office Equipment	45	31	14	45.1%
Equipment	148	184	(36)	(19.6)%
Total Capital Assets	<u>\$38,515</u>	<u>\$37,432</u>	<u>\$ 1,083</u>	2.9%

As of June 30, 2015 the Authority had \$38,515 thousand in capital assets net of accumulated depreciation. This is an overall 2.9% increase from the previous year. Significant increases were experienced in the Authority's construction projects in process. Office equipment also increased due to the new servers installed in advance of our billing system implementation.

Approximately \$670 thousand of new water lines were completed this year. An additional \$1,700 thousand of new water line projects currently under contract should be in operation by the end of the 2016 budget year. These projects are being financed from the 2013 bond funds.

In the next couple of years 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 \$981 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.

The Authority also continues to investigate enhancements that will result in the purchase of additional capital assets over the next few 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>2014</u>	<u>2013</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Land	\$ 570	\$ 570	\$ 0	0%
Rights of Way	143	143	0	0%
Construction in Progress	1,585	1,232	353	28.7%
Water Distribution System	14,082	14,287	(205)	(1.4)%
Wastewater System	20,072	18,869	1,203	6.4%
Building	765	790	(25)	(3.2)%
Office Equipment	31	29	2	6.9%
Equipment	184	188	(4)	(2.1)%
Total Capital Assets	<u>\$37,432</u>	<u>\$36,108</u>	<u>\$ 1,324</u>	3.7%

As of June 30, 2014 the Authority had \$37,432 thousand in capital assets net of accumulated depreciation. This is a 3.7% increase from the previous year. Significant increases were experienced in wastewater systems via increased developer contributions during the year. Water line constructions in progress also increased due to the new line construction projects currently underway.

Approximately \$412 thousand of new water lines were completed this year. An additional \$1,900 thousand of new water line projects currently under contract should be in operation by the end of the 2015 budget year. These projects are being financed from the 2013 bond funds.

## DEBT

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

	<u>2015</u>	<u>2014</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Revenue Bonds & Notes	<u>\$17,026</u>	<u>\$18,017</u>	<u>\$ (991)</u>	<u>(5.5)%</u>

As table 7 indicates, the Authority had \$17,026 thousand in total debt at the end of the fiscal year. This is \$991 thousand less than the previous year. This was achieved by making all scheduled bond and interest payments in a timely manner.

As previously stated, the Authority anticipates an additional \$981 thousand loan from the Rural Development Administration for enhancements to our wastewater infrastructure during the next fiscal year. Any new water projects will be financed by existing bond funds.

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

	<u>2014</u>	<u>2013</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Revenue Bonds & Notes	<u>\$18,017</u>	<u>\$18,620</u>	<u>\$ (603)</u>	<u>(3.2)%</u>

As table 8 indicates, the Authority had \$18,017 thousand in total debt at the end of the fiscal year. This is \$603 thousand less than the previous year. Although no individual debts were retired this fiscal year, all scheduled bond and interest payments were completed in a timely manner.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Authority's 2015/2016 budget does not reflect an increase in revenue during the next fiscal year. As a result, management will continue to make every effort possible to keep controllable operating expenses at a minimum.

Although the City of Lebanon increased wholesale water rates to the Authority in July 2015 by 3%, we do not anticipate increasing water rates for our customers during the next fiscal year. The Authority's last water rate increase was in July 2014.

## **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  
STATEMENT OF NET POSITION  
JUNE 30, 2015

	2015
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash & Cash Equivalents - Unrestricted/Undesignated	\$ 3,390,945
Cash & Cash Equivalents - Unrestricted/Designated	210,859
Investments in Interest Bearing Deposits - Unrestricted/Undesignated	765,751
Investments in Interest Bearing Deposits - Unrestricted/Designated	1,300,000
Accounts Receivable Net of Allowance for Doubtful Accounts of \$10,000	627,437
Accrued Interest Receivable	12,881
Inventory of Supplies	161,607
Prepaid Expenses	28,852
Total Current Assets	6,498,332
<b>Noncurrent Assets</b>	
Restricted Assets	
Restricted Cash & Cash Equivalents	4,290,391
Restricted Investments in Interest Bearing Deposits	2,995,038
Total Restricted Assets	7,285,429
Utility Plant & Equipment	
Land	569,532
Rights of Way	143,216
Water Distribution System	25,382,437
Wastewater System	24,973,265
Building	1,256,589
Office Equipment	158,485
Equipment	745,317
Construction in Progress	2,530,173
Total Utility Plant & Equipment	55,759,014
Less Accumulated Depreciation	(17,243,810)
Utility Plant & Equipment Net of Accumulated Depreciation	38,515,204
Net Pension Asset	44,295
Total Assets	52,343,260
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Net Deferred Outflows Related to Pension	7,224

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

WATER & WASTEWATER AUTHORITY OF WILSON COUNTY  
STATEMENT OF NET POSITION  
JUNE 30, 2015

	2015
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts Payable	\$ 208,262
Accrued Interest Payable	129,304
Customer Deposits	823,106
Sales Tax Payable	33,207
Accrued Payroll & Related Items	42,942
Current Portion of Long-Term Debt	1,009,133
Total Current Liabilities	2,245,954
<b>Noncurrent Liabilities</b>	
Long-Term Debt	16,016,572
Total Liabilities	18,262,526
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Loss on Bonds	304,433
<b>NET POSITION</b>	
Net Investment In Capital Assets	25,506,531
Restricted For Debt Service	2,876,013
Unrestricted	5,400,981
Total Net Position	\$ 33,783,525

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

WATER & WASTEWATER AUTHORITY OF WILSON COUNTY  
 STATEMENT OF REVENUES, EXPENSES, & CHANGES IN NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2015

	2015
Operating Sales	
Water Sales	\$ 4,067,968
Wastewater Income	1,402,549
Other Charges	199,136
	5,669,653
Less: Bad Debt Expense	(7,747)
Net Operating Revenue	5,661,906
Operating Expenses	
Depreciation Expense	1,338,163
Water Purchased	1,008,757
Wastewater Service Costs	1,092,386
Repairs & Maintenance Expense	143,836
Management Salaries	267,403
Plant Salaries	222,466
Office Salaries	111,998
Legal Expense	62,446
Health Insurance Expense	111,871
Engineering Fees	38,809
Retirement Expense	23,258
Office Supplies & Expense	27,366
Plant Utilities Expense	57,320
Payroll Tax Expense	49,720
Miscellaneous Expense	50,589
Other Insurance Expense	39,869
Postage	38,388
Audit & Accounting	20,400
Telephone & Office Utilities	21,090
Legal Salary	27,613
Data Processing	18,219
Uniforms Expense	5,431
Seminar Expense	10,763
Dues Expense	5,461
Director Fees	2,165
Total Operating Expenses	4,795,787
Operating Income	866,119

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

WATER & WASTEWATER AUTHORITY OF WILSON COUNTY  
 STATEMENT OF REVENUES, EXPENSES, & CHANGES IN NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2015

	2015
Operating Income (From Prior Page)	\$ 866,119
Nonoperating Revenues (Expenses)	
Interest Income	44,316
Interest & Amortization Expense	(468,644)
Total Nonoperating Revenues (Expenses)	(424,328)
Income Before Contributions	441,791
Contributions	
Contributions In Aid Of Construction	876,740
	876,740
Increase In Net Position	1,318,531
Net Position, Beginning of Year, Restated	32,464,994
Net Position, End of Year	\$ 33,783,525

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

WATER & WASTEWATER AUTHORITY OF WILSON COUNTY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2015

	2015
Cash Flows From Operating Activities	
Cash Receipts From Customers	\$ 5,649,049
Cash Payments to Suppliers for Goods and Services	(2,654,095)
Cash Payments to or on Behalf of Employees	(866,684)
Other Operating Revenue	8,966
Net Cash Provided By Operating Activities	2,137,236
 Cash Flows From Capital & Related Financing Activities	
Capital Contributions	131,500
Purchase & Construction of Utility Plant & Equipment	(1,675,663)
Principal Payments on Revenue Bonds	(963,951)
Interest Paid on Revenue Bonds	(206,903)
Net Cash Provided By (Used In) Capital & Related Financing Activities	(2,715,017)
 Cash Flows From Investing Activities	
Net Proceeds From (Purchases Of) Investments in Interest Bearing Deposits	(255,057)
Interest Income	44,267
Net Cash Provided By (Used In) Investing Activities	(210,790)
Net (Decrease) in Cash & Cash Equivalents	(788,571)
Cash & Cash Equivalents, Beginning of Year	8,680,766
Cash & Cash Equivalents, End of Year	\$ 7,892,195
 Reconciliation to Balance Sheet:	
Cash & Cash Equivalents - Unrestricted/Undesignated	\$ 3,390,945
Cash & Cash Equivalents - Unrestricted/Designated	210,859
Restricted Cash & Cash Equivalents	4,290,391
	\$ 7,892,195

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

WATER & WASTEWATER AUTHORITY OF WILSON COUNTY  
 STATEMENTS OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2015

	2015
Adjustments to Reconcile Operating Income To Net Cash Provided By (Used) By Operating Activities	
Operating Income	\$ 866,119
Depreciation	1,338,163
(Increase) in Accounts Receivable	(4,622)
(Increase) in Inventory	(7,190)
(Increase ) in Prepaid Expenses	(5,423)
(Increase) in Net Pension Asset	(48,705)
(Increase) in Deferred Outflows Related to Pensions	(7,224)
Increase in Accounts Payable	254
Increase in Customer Deposits	731
Increase in Sales Tax Payable	1,559
Increase in Accrued Payroll & Related Items	3,574
Net Cash Provided By Operating Activities	\$ 2,137,236
 Non-Cash Transactions	
Noncash Capital Contributions From Developers Consisting of Water Infrastructure	\$ 48,690
 Noncash Capital Contributions From Developers Consisting of Wastewater Infrastructure	696,550
 Interest Capitalized to Utility Plant & Equipment	\$ 269,734

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

WATER & WASTEWATER AUTHORITY  
OF WILSON COUNTY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

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

YEAR ENDED JUNE 30, 2015

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, 2015 and 2014, 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

YEAR ENDED JUNE 30, 2015

Note A – Summary of Significant Accounting Policies (continued)

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. In accordance with GASB 65, this is presented in the financial statements as “Deferred Inflows of Resources”.

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 positions available, it is the Authority’s policy to apply those expenses to restricted net position first, the extent such are available, and then to unrestricted net position.

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

YEAR ENDED JUNE 30, 2015

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, 2015 and 2014.

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:

Net investment in capital assets – 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 “net investment in capital assets.”

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

YEAR ENDED JUNE 30, 2015

Note A – Summary of Significant Accounting Policies (continued)

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Water & Wastewater Authority of Wilson County's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from Water & Wastewater Authority of Wilson County's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

Note 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, 2015, 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.

WATER & WASTEWATER AUTHORITY  
OF WILSON COUNTY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

Note C – Commitments & Contingencies, continued

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.

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, 2015 was as follows:

	Balance July 01, 2014	Transfers In And Additions	Transfers Out And Retirements	Balance June 30, 2015
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 569,532	\$ -	\$ -	\$ 569,532
Rights of Way	143,216	-	-	143,216
Construction In Progress	1,585,361	1,560,662	(615,849)	2,530,173
Total Capital Assets Not Being Depreciated	2,298,109	1,560,662	(615,849)	3,242,921
<b>Capital Assets Being Depreciated</b>				
Water Distribution System	24,633,333	749,104	-	25,382,437
Wastewater System	24,276,715	696,550	-	24,973,265
Building	1,250,596	5,993	-	1,256,589
Office Equipment	134,041	24,444	-	158,485
Equipment	745,317	-	-	745,317
Total Capital Assets Being Depreciated	51,040,002	1,476,091	-	52,516,093
<b>Less Accumulated Depreciation</b>				
Water Distribution System	(10,551,751)	(642,665)	-	(11,194,416)
Wastewater System	(4,204,760)	(616,037)	-	(4,820,797)
Building	(485,175)	(32,775)	-	(517,950)
Office Equipment	(102,658)	(10,923)	-	(113,581)
Equipment	(561,303)	(35,763)	-	(597,066)
Total Accumulated Depreciation	(15,905,647)	(1,338,163)	-	(17,243,810)
Total Capital Assets Being Depreciated Net of Accumulated Depreciation	35,134,355	137,928	-	35,272,283
Total Capital Assets Net of Accumulated Depreciation	\$ 37,422,464	\$ 1,698,590	\$ (615,849)	\$ 38,515,204

WATER & WASTEWATER AUTHORITY  
OF WILSON COUNTY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

Note F – Bonds & Notes Payable

Bonds and notes payable as of June 30, 2015 are as follows:

Series, Rates of Interest, & Maturity Dates	2015
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.	4,974,530
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	216,175
Local Government Public Improvement Bonds Series IV-E-1, dated 10/24/06. Interest at 4% - 5%.	3,805,000
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.	8,030,000
Total Bonds & Notes Payable	\$ 17,025,705
Less Current Portion	(1,009,133)
Long-Term Debt	\$ 16,016,572

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

Total Long-Term Debt At Beginning of Year	\$ 17,691,556
Accreted Interest On Capital Appreciation Bonds	298,100
Bond Retirements Paid	(963,951)
Total Long-Term Debt At End of Year	17,025,705
Less Current Portion	(1,009,133)
Non-Current Portion	\$ 16,016,572

WATER & WASTEWATER AUTHORITY  
OF WILSON COUNTY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

Note F – Bonds & Notes Payable, continued

Annual debt service payments to maturity are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
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	1,104,729	345,560	1,450,289
2020	1,109,946	338,142	1,448,089
2021-2025	5,648,355	1,563,813	7,212,168
2026-2030	4,830,494	996,773	5,827,268
2031-2035	3,114,431	241,799	3,356,230
2036-2040	55,619	13,261	68,880
2041-2045	29,625	1,568	31,193
	<u>19,056,175</u>	<u>\$ 4,663,306</u>	<u>\$ 23,719,481</u>
Less: Accumulated Accreted Interest	(2,030,470)		
	<u>\$ 17,025,705</u>		

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.

Note G – Pension Plan

Plan description

Employees of Water & Wastewater Authority of Wilson County are provided a defined benefit pension plan through the Public Employee Retirement Plan under Wilson County, Tennessee's account, which is considered a cost-sharing multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

Benefits provided

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an

WATER & WASTEWATER AUTHORITY  
OF WILSON COUNTY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

Note G – Pension Plan, continued

unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

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

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Water & Wastewater Authority of Wilson County makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for Water & Wastewater Authority of Wilson County were \$79,187 based on a rate of 13.72% percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Water & Wastewater Authority of Wilson County's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

WATER & WASTEWATER AUTHORITY  
OF WILSON COUNTY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

Note H - Net Pension Liability (Asset)

At June 30, 2015, the Authority reported an asset of \$44,295 for its proportionate share of the net pension asset. The net pension liability (asset) was measured as of June 30, 2014, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension asset was based on the percent of covered payroll compared to the covered payroll of all employees participating under Wilson County, Tennessee's plan. At June 30, 2014 (the actuarial valuation date), the Authority's proportion was 1.33%.

Actuarial assumptions. The total pension liability as of June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost of living adjustment	2.5 percent

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital

WATER & WASTEWATER AUTHORITY  
OF WILSON COUNTY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

Note H - Net Pension Liability (Asset), continued

market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Long Term Expected Real Rate of Return	Target Allocation
U.S. Equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from Water & Wastewater Authority of Wilson County will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

WATER & WASTEWATER AUTHORITY  
OF WILSON COUNTY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

Note H - Net Pension Liability (Asset), continued

Changes in the Net Pension Liability (Asset)

	Total Pension Liability	Increase (Decrease) Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balance at 6/30/13	\$ 1,089,833	\$ 1,014,632	\$ 75,201
Changes for the year:			
Service cost	34,914		34,914
Interest	83,106		83,106
Differences between expected and actual experience	3,121		3,121
Contributions-employer		70,791	(70,791)
Contributions-employees		-	-
Net investment income		170,477	(170,477)
Benefit payments, including refunds of employee contributions	(33,333)	(33,333)	-
Administrative expense		(631)	631
Net changes	87,808	207,304	(119,496)
Balance at 6/30/14	\$ 1,177,642	\$ 1,221,937	\$ (44,295)

Sensitivity of the net pension liability (asset) to changes in the discount rate

The following presents the net pension liability (asset) of Water & Wastewater Authority of Wilson County calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Water & Wastewater Authority's net pension liability (asset)	\$ 131,215	\$ (44,295)	\$ (174,730)

Note I -- Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Expense

For the year ended June 30, 2015, Water & Wastewater Authority of Wilson County recognized pension expense of \$23,258.

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2015, Water & Wastewater Authority of Wilson County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

WATER & WASTEWATER AUTHORITY  
OF WILSON COUNTY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

Note I – Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, continued

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,675	\$ -
Net difference between projected and actual earnings on pension plan investments	-	74,638
Contributions subsequent to the measurement date of June 30, 2014	79,187	-
Total	\$ 81,862	\$ 74,638

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2016	\$ (18,214)
2017	(18,214)
2018	(18,214)
2019	(18,214)
2020	446
Thereafter	446

Pension Plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued TCRS financial report.

Payable to the Pension Plan

At June 30, 2015, Water & Wastewater Authority of Wilson County reported a payable of \$0 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2015.

Note J – 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 \$37,350 for the fiscal year ended June 30, 2015, respectively.

WATER & WASTEWATER AUTHORITY  
OF WILSON COUNTY, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

Note K – 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 included in the unrestricted net position on the financial statements.

Note L – Net Investment In Capital Assets

Net investment in capital assets at June 30, 2015 and 2014 consists of the following:

	2015	2014
Utility Plant & Equipment, net of Accumulated Depreciation	\$ 38,515,204	\$ 37,432,462
Restricted Investments - Unspent Debt Proceeds	119,025	119,025
Restricted Cash - Unspent Debt Proceeds	4,202,440	5,574,718
Current Portion of Long-Term Debt	(1,009,133)	(963,951)
Long-Term Debt	(16,016,572)	(16,727,604)
Deferred Loss on Bonds	(304,433)	(325,192)
	\$ 25,506,531	\$ 25,109,458

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

Note M – Restatement of Net Position

For the fiscal year ended June 30, 2015, the Authority was required to implement GASB 68 “Accounting and Financial Reporting for Pensions”. As a result of the implementation, a net pension obligation was actuarially computed by the Tennessee Consolidated Retirement System. The Authority’s portion (see Note G) of the restatement was computed based on the Authority’s covered payroll as a percent of Wilson County’s covered payroll. The statement also requires restatement of the June 30, 2014 net position. As a result of the restatement, net position decreased by \$4,410 as follows:

Net Position, June 30, 2014, as previously reported	32,469,404
Restatement due to GASB 68	(4,410)
Net Position, July 1, 2014, as restated	\$ 32,464,994

**REQUIRED SUPPLEMENTARY INFORMATION**

WATER AND WASTEWATER AUTHORITY OF WILSON COUNTY  
 SCHEDULE OF THE AUTHORITY'S PROPRORTIONATE SHARE OF THE NET  
 PENSION LIABILITY (ASSET) OF THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS

LAST FISCAL YEAR ENDING JUNE 30

	2014
Authority's proportion of the net pension liability (asset)	1.33%
Authority's proportionate share of the net pension liability (asset)	\$ (44,295)
Authority's covered-employee payroll	\$ 606,750
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	7.30%
Plan fiduciary net postion as a percentage of the total pension liability (asset)	103.76%

WATER AND WASTEWATER AUTHORITY OF WILSON COUNTY  
 SCHEDULE OF CONTRIBUTIONS  
 BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS  
 LAST FISCAL YEAR ENDING JUNE 30

	<u>2014</u>	<u>2015</u>
Actuarially determined contribution	\$ 70,791	23,258
Contributions in relation to the actuarially determined contribution	<u>70,791</u>	<u>79,187</u>
Contribution deficiency (excess)	\$ -	\$ (55,929)
Covered employee payroll	\$ 606,750	629,480
Contributions as a percentage covered employee payroll	11.67%	12.58%

**SUPPLEMENTARY INFORMATION**

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

	2011	2012	2013	2014	2015
Operating Revenues					
Water Sales	3,233,271	3,573,329	3,623,416	3,731,850	4,067,968
Wastewater Income	942,636	1,187,747	1,187,103	1,363,680	1,402,549
Other Charges, net of bad debt expense	177,899	180,143	202,722	179,008	191,389
Net Operating Revenues	4,353,806	4,941,219	5,013,241	5,274,538	5,661,906
Operating Expenses					
Operations, Administration, & General	2,786,496	2,967,965	3,076,466	3,286,695	3,457,624
Depreciation	1,171,177	1,200,041	1,219,975	1,286,591	1,338,163
Total Operating Expenses	3,957,673	4,168,006	4,296,441	4,573,286	4,795,787
Non-Operating Revenues (Expenses)					
Interest Income	61,342	48,059	45,460	48,747	44,316
Gain (Loss) On Sale Of Assets	0	0	4,469	5,653	0
Reimbursement Revenue, net of expenses	17,807	14,800	0	0	0
Grant Income	30,884	10,295	0	0	0
Interest & Amortization Expense	(581,140)	(558,974)	(614,109)	(508,176)	(468,644)
Total Non-Operating Expenses	(471,107)	(485,820)	(564,180)	(453,776)	(424,328)
Income (Loss) Before Contributions	(74,974)	287,393	152,620	247,476	441,791
Capital Contributions					
Capital Reimbursement					
Tap Fees & Fire Hydrant	41,500	59,500	125,500	78,000	131,500
Developer Contributions of Transmission Lines	685,700	713,350	453,200	1,136,405	745,240
Total Capital Contributions	727,200	772,850	578,700	1,214,405	876,740
Increase In Net Position	\$ 652,226	\$ 1,060,243	\$ 731,320	\$ 1,461,881	\$ 1,318,531

WATER & WASTEWATER AUTHORITY OF WILSON COUNTY  
 SCHEDULE OF DEBT SERVICE TO MATURITY  
 (UNAUDITED)  
 JUNE 30, 2015

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
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		
2044								
	<u>\$ 8,030,000.00</u>	<u>\$ 3,676,075.00</u>	<u>\$ 7,005,000.00</u>	<u>\$ -</u>	<u>\$ 216,175.03</u>	<u>\$ 159,418.16</u>	<u>\$ 1,860,000.00</u>	<u>\$ 303,450.00</u>

WATER & WASTEWATER AUTHORITY OF WILSON COUNTY  
 SCHEDULE OF DEBT SERVICE TO MATURITY  
 (UNAUDITED)  
 JUNE 30, 2015

Fiscal Year Ended June 30,	2006 Series "Construction" Revenue Bonds		Total	
	Principal	Interest	Principal	Interest
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
2044				
			<u>\$ 1,945,000.00</u>	<u>\$ 524,362.50</u>
			<u>\$ 19,056,175.03</u>	<u>\$ 4,663,305.66</u>

WATER & WASTEWATER AUTHORITY OF WILSON COUNTY  
 SCHEDULE OF INSURANCE COVERAGE  
 (UNAUDITED)  
 JUNE 30, 2015

Name of Company	Period Of Coverage	Coverage	Liability
St. Paul Travelers	1/31/15 - 1/31/16	General Liability	\$3,000,000/\$3,000,000/ \$1,000,000/\$100,000
St. Paul Travelers	1/31/15 - 1/31/16	Automobile Liability & Damage	\$1,000,000/\$1,000,000
St. Paul Travelers	1/31/15 - 1/31/16	Property	\$4,383,774
St. Paul Travelers	1/31/15 - 1/31/16	Employment Practices Liability	\$1,000,000/\$1,000,000
St. Paul Travelers	1/31/15 - 1/31/16	Worker's Compensation	\$500,000/\$500,000/\$500,000
St. Paul Travelers	1/31/15 - 1/31/16	Employee Benefits	\$2,000,000/\$2,000,000
St. Paul Travelers	1/31/15 - 1/31/16	Crime	\$100,000
St. Paul Travelers	1/31/15 - 1/31/16	Umbrella	\$1,000,000
St. Paul Travelers	1/31/15 - 1/31/16	Earthquake	\$2,000,000
St. Paul Travelers	07/09/15-07/09/16	Highway Replacement Bond	\$100,000
St. Paul Travelers	04/08/15 - 04/08/16	Fidelity Bond/Chairman	\$50,000
St. Paul Travelers	1/31/15 - 1/31/16	Fidelity Bond/Executive Director	\$50,000
St. Paul Travelers	02/04/15 - 02/04/16	Fidelity Bond/Treasurer	\$50,000
St. Paul Travelers	09/09/15 - 09/09/16	Fidelity Bond/Customer Service Rep	\$50,000
St. Paul Travelers	03/13/15 - 03/13/16	Fidelity Bond/Customer Service Rep	\$50,000
St. Paul Travelers	09/09/15 - 09/09/16	Fidelity Bond/Customer Service Rep	\$50,000
St. Paul Travelers	11/19/15 - 11/19/16	Fidelity Bond/Customer Service Rep	\$50,000
St. Paul Travelers	09/01/15 - 09/01/16	Fidelity Bond/Project Manager	\$50,000
RLI	3/7/12 - 3/7/16	Notary Bond/Treasurer	\$10,000
RLI	6/16/11 - 6/16/15	Notary Bond/Executive Director	\$10,000
RLI	11/20/12 - 11/20/16	Notary Bond/Project Manager	\$10,000

WATER & WASTEWATER AUTHORITY OF WILSON COUNTY  
 SCHEDULE OF GENERAL INFORMATION  
 (UNAUDITED)  
 JUNE 30, 2015

<u>Water Rate Schedule</u>	<u>Rate</u>
First 2,000 gallons	\$29.96 per month minimum
Next 3,000 gallons	\$10.59 per 1,000 gallons
Next 5,000 gallons	\$9.22 per 1,000 gallons
Over 10,000 gallons	\$8.29 per 1,000 gallons

<u>Year Ended June 30,</u>	<u>Number of Customers</u>
2015	8,245
2014	7,983
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

- Customers
- Wilson County School System
  - Spring Hill Townhomes
  - Peyton Park Apartments
  - Bellwood Assisted Living
  - Peyton Manor
  - Michael Watkins
  - Jimmy's Bar & Grill
  - Jim Adams
  - Roy Majors
  - Nelson Lamberson

**AWWA Free Water Audit Software**  
Reporting Worksheet

WAS v5.0

Application: Water Loss Assessment  
Company: Wilson County  
City: Wilson

Water Audit Report for: **Water & Wastewater Authority of Wilson County (0000790)**  
Reporting Year: **2015** **7/2014 - 6/2015**

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

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

To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds all criteria for that grade and all grades below it.

**WATER SUPPLIED**

Volume from own sources:  MG/Yr  
Water imported:  MG/Yr  
Water exported:  MG/Yr

**Master Meter and Supply Error Adjustments**

Enter grading in column 'E' and 'J' Pcnt:  Value:  MG/Yr

**WATER SUPPLIED:**  MG/Yr

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

**AUTHORIZED CONSUMPTION**

Billed metered:  MG/Yr  
Billed unmetered:  MG/Yr  
Unbilled metered:  MG/Yr  
Unbilled unmetered:  MG/Yr

Click here:  for help using option buttons below

Pcnt:  Value:  MG/Yr

**AUTHORIZED CONSUMPTION:**  MG/Yr

Use buttons to select percentage of water supplied OR value

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

**Apparent Losses**

Unauthorized consumption:  MG/Yr  
Default option selected for unauthorized consumption: a grading of 5 is applied but not displayed  
Customer metering inaccuracies:  MG/Yr  
Systematic data handling errors:  MG/Yr

Pcnt:  Value:  MG/Yr

MG/Yr

**Apparent Losses:**  MG/Yr

**Real Losses (Current Annual Real Losses or CARL)**

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

**WATER LOSSES:**  MG/Yr

**NON-REVENUE WATER**

**NON-REVENUE WATER:**  MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

**SYSTEM DATA**

Length of mains:  miles  
Number of active AND inactive service connections:   
Service connection density:  conn./mile main

Are customer meters typically located at the curbside or property line?  (length of service line, beyond the property boundary, that is the responsibility of the utility)

Average length of customer service line has been set to zero and a data grading score of 10 has been applied  
Average operating pressure:  psi

**COST DATA**

Total annual cost of operating water system:  \$/Year  
Customer retail unit cost (applied to Apparent Losses):  \$/1000 gallons (US)  
Variable production cost (applied to Real Losses):  \$/Million gallons  Use Customer Retail Unit Cost to value real losses

**WATER AUDIT DATA VALIDITY SCORE:**

\*\*\* YOUR SCORE IS: 85 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 Audit Report for: **Water & Wastewater Authority of Wilson County (0000790)**  
 Reporting Year: **2015** | **7/2014 - 6/2015**

\*\*\* YOUR WATER AUDIT DATA VALIDITY SCORE IS: 86 out of 100 \*\*\*

**System Attributes:**

Apparent Losses:	6.708	MG/yr
+ Real Losses:	72.371	MG/yr
= <b>Water Losses:</b>	<b>79.078</b>	<b>MG/yr</b>
Unavoidable Annual Real Losses (UARL):	84.72	MG/yr
Annual cost of Apparent Losses:	\$52,253	
Annual cost of Real Losses:	\$192,563	

Valued at **Variable Production Cost**  
 Return to Reporting Worksheet to change this assumption

**Performance Indicators:**

Financial:	Non-revenue water as percent by volume of Water Supplied:	20.4%
	Non-revenue water as percent by cost of operating system:	5.7%
Operational Efficiency:	Apparent Losses per service connection per day:	2.55 gallons/connection/day
	Real Losses per service connection per day:	N/A gallons/connection/day
	Real Losses per length of main per day*:	589.58 gallons/mile/day
	Real Losses per service connection per day per psi pressure:	N/A gallons/connection/day/psi
From Above, Real Losses = Current Annual Real Losses (CARL):		72.37 million gallons/year
Infrastructure Leakage Index (ILI) [CARL/UARL]:		0.85

\* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline

WATER & WASTEWATER AUTHORITY OF WILSON COUNTY  
 SCHEDULE OF CHANGES IN BOND FUNDS  
 (UNAUDITED)  
 FOR THE YEAR ENDED JUNE 30, 2015

	<u>Bond &amp; Interest Sinking Fund</u>	<u>Debt Service Reserve Fund</u>
Balance, June 30, 2014	\$ 1,495,658	\$ 1,451,000
Deposits & Transfers	62,292	-
Disbursements & Transfers	<u>(44,987)</u>	<u>-</u>
Balance, June 30, 2015	<u>\$ 1,512,963</u>	<u>\$ 1,451,000</u>

WATER & WASTEWATER AUTHORITY OF WILSON COUNTY  
SCHEDULE OF DEBT SERVICE COVERAGE  
(UNAUDITED)  
JUNE 30, 2015

Net Earnings From Operations	\$ 866,119
Add:	
Depreciation	1,338,163
Interest Income	44,316
Cash Contributions - Tap & Fire Hydrant Revenue	131,500
Cash Contributions - Utility Plant	<u>48,690</u>
Amount Available For Debt Service	<u>\$ 2,428,788</u>
Annual Debt Service	<u>\$ 1,438,789</u>
Coverage	1.69

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

To the Board of Commissioners  
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, 2015, and the related notes to the financial statements, which collectively comprise the Water & Wastewater Authority of Wilson County's basic financial statements and have issued our report thereon dated December 28, 2015.

**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 or significant deficiencies 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.

## **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*.

## **Water & Wastewater Authority of Wilson County's Response to Findings**

The 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. The Water & Wastewater Authority of Wilson County's response was not subjected to the auditing procedures applied in the audit of the financial statement and accordingly, we express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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  
December 28, 2015

WATER & WASTEWATER AUTHORITY OF WILSON COUNTY  
SCHEDULE OF FINDINGS & RESPONSES  
JUNE 30, 2015

**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.