

OFFICIAL STATEMENT

NEW ISSUE
Book-Entry Only

Rating: S&P “AAA”

In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the District, interest on the Series 2021 Bonds will be excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and interest on the Series 2021 Bonds is not treated as an item of tax preference in calculating the alternative minimum tax imposed on individuals under the Code. For an explanation of certain tax consequences under federal law which may result from the ownership of the Series 2021 Bonds, see the discussion under the heading “Tax Matters” herein. Under existing law, the Series 2021 Bonds and the income therefrom will be exempt from all state, county and municipal taxation in the State of Tennessee, except Tennessee franchise and excise taxes. (See “Tax Matters” herein).

\$18,000,000
CONSOLIDATED UTILITY DISTRICT OF
RUTHERFORD COUNTY, TENNESSEE
Waterworks Revenue Bonds, Series 2021

Dated: Date of Delivery

Due: February 1, as shown below

Consolidated Utility District of Rutherford County, Tennessee (the “District”) will issue its Waterworks Revenue Bonds, Series 2021 (the “Series 2021 Bonds”) as fully registered bonds, without coupons, in denominations of \$5,000 or any integral multiple thereof and will bear interest at the annual rates shown below. Interest on the Series 2021 Bonds will be payable semi-annually on February 1 and August 1, commencing February 1, 2022. Principal of and interest on the Series 2021 Bonds will be payable at the corporate trust office of U.S. Bank National Association, Nashville, Tennessee, as Paying Agent and Registration Agent, provided that interest may be paid by check or draft mailed by the Registration Agent to each registered owner as of the record date.

The Series 2021 Bonds are payable solely from and secured by a lien upon and pledge of the Net Revenues of the System pursuant to the provisions of the Resolution (capitalized terms having the meanings ascribed herein), on parity with the District’s outstanding Waterworks Revenue Refunding Bonds, Series 2013 and Waterworks Revenue Bonds, Series 2019, and subject to prior liens of the Net Revenues in favor of the District’s Waterworks Revenue Bond, Series 2000 and Waterworks Revenue Bond, Series 2009. The Series 2021 Bonds are not obligations of the State of Tennessee, or any of its political subdivisions, other than the District, nor is the State of Tennessee, or any of its political subdivisions, other than the District, liable for the payment of the principal of or interest on the Series 2021 Bonds. The Resolution does not grant to owners of the Series 2021 Bonds any mortgage on or security interest in any real or personal property of the District other than the lien on the Net Revenues of the System and the statutory mortgage lien on the System as described more fully herein. The District has no taxing power.

The Series 2021 Bonds are subject to optional redemption on February 1, 2030 and thereafter at a price of par, as set forth herein. The Series 2021 Bonds are payable on February 1 of each year as follows:

Maturity				Maturity			
<u>Date</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>Date</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>
2023	\$950,000	5.000%	0.230%	2030	\$1,330,000	5.000%	1.040%
2024	\$1,000,000	5.000%	0.330%	2031	\$1,400,000	4.000%	1.150% ^c
2025	\$1,040,000	5.000%	0.390%	2032	\$1,460,000	2.000%	1.350% ^c
2026	\$1,100,000	5.000%	0.540%	2033	\$1,480,000	1.625%	1.710%
2027	\$1,150,000	5.000%	0.650%	2034	\$1,510,000	1.750%	1.780%
2028	\$1,210,000	5.000%	0.860%	2035	\$1,540,000	1.750%	1.810%
2029	\$1,270,000	5.000%	0.950%	2036	\$1,560,000	1.750%	1.840%

^c Yield to February 1, 2030 Call Date

The Series 2021 Bonds are offered when, as and if issued and received by the Underwriter, subject to the approval of legality by Bass, Berry & Sims PLC, Nashville, Tennessee, Bond Counsel. Certain legal matters will be passed upon for the District by Hudson Reed & McCreary, PLLC, Murfreesboro, Tennessee, Counsel to the District. Stephens Inc. is serving as municipal advisor to the District. It is expected that the Series 2021 Bonds in book-entry form will be available for delivery through The Depository Trust Company on or about December 15, 2021.

November 30, 2021

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document, as the same may be supplemented or amended (collectively, the “Official Statement”) by the Consolidated Utility District of Rutherford County, Tennessee (the “District”), is an Official Statement with respect to the Series 2021 Bonds described herein that is deemed final by the District as of the date hereof (or of any such supplement or amendment). It is subject to completion with certain information to be established at the time of the sale of the Series 2021 Bonds as permitted by Rule 15c2-12 of the Securities and Exchange Commission.

No dealer, broker, salesman or other person has been authorized by the District or by Stephens Inc. (the “Municipal Advisor”) to give any information or make any representations other than those contained in this Official Statement and, if given or made, such information or representations with respect to the District or the Series 2021 Bonds must not be relied upon as having been authorized by the District or the Municipal Advisor. This Official Statement does not constitute an offer to sell, or solicitation of an offer to buy, any securities other than the securities offered hereby to any person in any jurisdiction where such offer or solicitation of such offer would be unlawful.

This Official Statement should be considered in its entirety and no one factor should be considered more or less important than any other by reason of its position in this Official Statement. Where statutes, reports or other documents are referred to herein, reference should be made to such statutes, reports or other documents for more complete information regarding the rights and obligations of parties thereto, facts and opinions contained therein and the subject matter thereof.

The information and expressions of opinion in this Official Statement are subject to change without notice and neither the delivery of this Official Statement nor any sale made under it shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date as of which information is given in this Official Statement.

In making an investment decision investors must rely on their own examination of the District and the terms of the offering, including the merits and risks involved. No registration statement relating to the Series 2021 Bonds has been filed with the Securities and Exchange Commission or with any state securities agency. The Series 2021 Bonds have not been approved or disapproved by the Commission or any state securities agency, nor has the Commission or any state securities agency passed upon the accuracy or adequacy of this Official Statement. Any representation to the contrary is a criminal offense.

Consolidated Utility District of Rutherford County, Tennessee
Waterworks Revenue Bonds, Series 2021

Dated December 15, 2021

<u>Maturity (February 1)</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>CUSIP No.*</u>
2023	\$950,000	5.000%	0.230%	783245LL5
2024	\$1,000,000	5.000%	0.330%	783245LM3
2025	\$1,040,000	5.000%	0.390%	783245LN1
2026	\$1,100,000	5.000%	0.540%	783245LP6
2027	\$1,150,000	5.000%	0.650%	783245LQ4
2028	\$1,210,000	5.000%	0.860%	783245LR2
2029	\$1,270,000	5.000%	0.950%	783245LS0
2030	\$1,330,000	5.000%	1.040%	783245LT8
2031	\$1,400,000	4.000%	1.150% ^C	783245LU5
2032	\$1,460,000	2.000%	1.350% ^C	783245LV3
2033	\$1,480,000	1.625%	1.710%	783245LW1
2034	\$1,510,000	1.750%	1.780%	783245LX9
2035	\$1,540,000	1.750%	1.810%	783245LY7
2036	\$1,560,000	1.750%	1.840%	783245LZ4

^C Yield to February 1, 2030 Call Date

* These CUSIP numbers have been assigned by Standard & Poor's CUSIP Service Bureau, a Division of The McGraw Hill Companies, Inc., and are included solely for the convenience of the Bondholders. Neither the Underwriter nor the District is responsible for the selection or use of these CUSIP numbers, nor is any representation made as to their correctness on the Series 2021 Bonds or as indicated herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2021 Bonds as a result of various subsequent actions, including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2021 Bonds.

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OFFICIALS

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE

BOARD OF COMMISSIONERS

John L. Batey, Jr., President
Carter Woodruff, Vice President
Craig Lynch, Secretary
Dr. Rosemary Owens, Commissioner
Lynnisse Roehrich-Patrick, Commissioner

ADMINISTRATION

Roger Goodson, General Manager
E. Mike Craig, Comptroller

DISTRICT'S COUNSEL

Hudson, Reed & McCreary, PLLC
Murfreesboro, Tennessee

AUDITOR

Edmondson, Betzler & Dame, PLLC
Murfreesboro, Tennessee

BOND COUNSEL

Bass, Berry & Sims PLC
Nashville, Tennessee

REGISTRATION AND PAYING AGENT

U.S. Bank National Association
Nashville, Tennessee

MUNICIPAL ADVISOR

Stephens Inc.
Nashville, Tennessee

UNDERWRITER

FHN Financial Capital Markets
Memphis, Tennessee

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Summary Statement

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

ISSUER	Consolidated Utility District of Rutherford County, Tennessee (the “District”).
ISSUE	\$18,000,000 Waterworks Revenue Bonds, Series 2021 (the “Series 2021 Bonds”).
PURPOSE	Finance the costs of capital improvements to the System (the “Projects”) and costs incident to the issuance and sale of the Series 2021 Bonds.
DATED DATE	December 15, 2021.
INTEREST DUE	Each February 1 and August 1, commencing February 1, 2022.
PRINCIPAL DUE	February 1, 2023 through February 1, 2036.
SETTLEMENT DATE	December 15, 2021.
OPTIONAL REDEMPTION	The Series 2021 Bonds maturing on or after February 1, 2031 shall be subject to redemption at the option of the District on and after February 1, 2030 at the price of par.
SECURITY	The Series 2021 Bonds are payable solely from and secured by a lien upon and pledge of the Net Revenues of the System pursuant to the provisions of the Resolution (capitalized terms having the meanings ascribed herein), on parity with the District’s outstanding Waterworks Revenue Refunding Bonds, Series 2013 and Waterworks Revenue Bonds, Series 2019, and subject to prior liens of the Net Revenues in favor of the District’s Waterworks Revenue Bond, Series 2000 and Waterworks Revenue Bond, Series 2009 (the “Prior Lien Bonds”).
RATING	"AAA" by S&P Global Ratings ("S&P") based on documents and other information provided by the District. The rating reflects only the view of S&P and neither the District, the Municipal Advisor nor the Underwriter make any representations as to the appropriateness of such rating. There is no assurance that such rating will continue for any given period of time or that it will not be lowered or withdrawn. Any such downward change in or withdrawal of the rating may have an adverse effect on the secondary market price of the Series 2021 Bonds. Any explanation of the significance of the rating may be obtained from S&P. See "Rating" herein.
TAX MATTERS	In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the District, interest on the Series 2021 Bonds will be excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and interest on the Series 2021 Bonds is not treated as an item of tax preference in calculating the alternative minimum tax imposed on individuals under the Code.

For an explanation of certain tax consequences under federal law which may result from the ownership of the Series 2021 Bonds, see the discussion under the heading "Tax Matters" herein. Under existing law, the Series 2021 Bonds and the income therefrom will be exempt from all state, county and municipal taxation in the State of Tennessee, except Tennessee franchise and excise taxes. (See "Tax Matters" herein).

REGISTRATION AND PAYING

AGENT U.S. Bank National Association, Nashville, Tennessee.

MUNICIPAL ADVISOR Stephens Inc., Nashville, Tennessee.

UNDERWRITER FHN Financial Capital Markets, Memphis, Tennessee

\$18,000,000

Consolidated Utility District of Rutherford County, Tennessee

Waterworks Revenue Bonds, Series 2021

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and the Appendices hereto, is to furnish certain information in connection with the sale by Consolidated Utility District of Rutherford County, Tennessee (the “District”) of \$18,000,000 in aggregate principal amount of its Waterworks Revenue Bonds, Series 2021 (the “Series 2021 Bonds”). Capitalized terms used but not defined herein shall have the meanings assigned to them in the Resolution (hereinafter defined). (See Appendix A - Summary of Certain Provisions of the Resolution.)

This introduction is not a summary of this Official Statement and is intended only for quick reference. It is only a brief description of and guide to, and is qualified in its entirety by reference to, more complete and detailed information contained in the entire Official Statement, including the cover page and the Appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement and of the documents summarized or described herein, if necessary. The offering of the Series 2021 Bonds to potential investors is made only by means of the entire Official Statement, including the Appendices hereto. No person is authorized to detach this Introduction from the Official Statement or to otherwise use it without the entire Official Statement, including the Appendices hereto.

The District, the issuer of the Series 2021 Bonds, is a municipal corporation of the State of Tennessee created by the laws of the State of Tennessee, including the Utility District Law of 1937, codified as Section 7-82-101 et seq., Tennessee Code Annotated (the “Act”). The District owns and operates a waterworks treatment and distribution system (the “System”), serving portions of Rutherford County, Tennessee. See Appendix B.

The Series 2021 Bonds are being issued in accordance with the Constitution of the State of Tennessee and laws of the State of Tennessee, including, but not limited to the District Act, and pursuant to a resolution of the Board of Commissioners (the “Governing Body”) of the District adopted on October 26, 2021 (the “Resolution”). A summary of certain provisions of the resolution is attached hereto as Appendix A.

Audited financial statements for the District’s fiscal year ended June 30, 2021 are attached hereto as Appendix C and certain statistical and demographic information regarding the District is attached hereto as Appendix B.

This Official Statement and the Appendices hereto contain brief descriptions of, among other matters, the District, the Series 2021 Bonds, and the security and sources of payment for the Series 2021 Bonds. Such descriptions and information do not purport to be comprehensive or definitive. The summaries of various constitutional provisions, statutes, the Resolution, and other documents are intended as summaries only and are qualified in their entirety by reference to such documents, and references herein to the Series 2021 Bonds are qualified in their entirety to the form thereof included in the Resolution. Copies of the Resolution and other documents and information are available, upon request and upon payment to the District of a charge for copying, mailing and handling, from Roger Goodson, General Manager, Consolidated Utility District of Rutherford County, Tennessee, 709 New Salem Highway, Murfreesboro, Tennessee 37133; telephone (615) 893-7225.

PLAN OF FINANCING

The Series 2021 Bonds are being issued for the purpose of financing the costs of capital improvements to the System (the “Projects”) and the costs of issuing the Series 2021 Bonds. Under the terms of the Resolution, all of the Series 2021 Bond proceeds will be deposited to the Construction Fund held by the District, and applied solely to the costs of the Projects and costs of issuing the Series 2021 Bonds.

Estimated Sources and Uses of Funds

The sources and uses of funds in connection with the issuance of the Series 2021 Bonds are estimated below.

Sources of Funds:

Par Amount of Series 2021 Bonds	\$18,000,000.00
Net Original Issue Premium	<u>2,147,852.00</u>
Total Sources of Funds	\$20,147,852.00

Uses of Funds:

Deposit to Construction Fund	\$20,018,504.56
Costs of Issuance ⁽¹⁾	<u>129,347.44</u>
Total Uses of Funds	\$20,147,852.00

⁽¹⁾ Includes legal and accounting fees, underwriter’s fees, municipal advisory fees, rating agency fees, printing, and other costs of issuance.

DESCRIPTION OF THE SERIES 2021 BONDS

General

The Series 2021 Bonds are dated as of the date of their delivery, and bear interest from such date at the rates per annum set forth on the cover page of this Official Statement (computed on the basis of a 360-day year of twelve 30-day months). Interest on the Series 2021 Bonds is payable on each February 1 and August 1, commencing February 1, 2022.

Payment of the principal of and interest on the Series 2021 Bonds will be made by the Registration Agent directly to Cede & Co., as nominee of DTC, and will subsequently be disbursed to DTC Participants and thereafter to Beneficial Owners of the Series 2021 Bonds. See “Book-Entry Only Bonds.”

When not in book-entry form, interest on the Series 2021 Bonds will be paid by check or draft on the Registration Agent, and will be mailed on the date due by first class mail to the registered owners of record as of the 15th day of the calendar month (the “Regular Record Date”) immediately preceding the applicable Interest Payment Date, at the address shown on the registration books of the District maintained by the Registration Agent. When not in book-entry form, the principal of and redemption premium (if any) on the Series 2021 Bonds will be paid upon the presentation and surrender of the Series 2021 Bonds at the principal corporate trust office of the Registration Agent.

Any interest on any Series 2021 Bond that is payable but is not punctually paid or duly provided for on an Interest Payment Date (the “Defaulted Interest”) will cease to be payable to the registered owner on the relevant Regular Record Date; and, in lieu thereof, such Defaulted Interest will be paid by the District to the persons in whose names the Series 2021 Bonds are registered at the close of business on a date (the “Special Record Date”) for the payment of such Defaulted Interest, which date will be fixed in the following manner: the District will notify the Registration Agent of the amount of Defaulted Interest proposed to be paid on each Series 2021 Bond and the date of the proposed payment. Thereupon, not less than ten days after the receipt by the Registration Agent of the notice

of the proposed payment, the Registration Agent will fix a Special Record Date for the payment of such Defaulted Interest, which date will be not more than 15 nor less than 10 days prior to the date of the proposed payment to the registered owners. The Registration Agent will promptly notify the District of such Special Record Date, and in the manner and at the expense of the District, not less than ten days prior to such Special Record Date, will cause notice of the proposed payment of such Defaulted Interest and the Special Record Date to be mailed, first-class postage prepaid, to each registered owner at the address thereof as it appears in the registration records maintained by the Registration Agent as to the date of such notice.

Denominations, Registration, Transfers and Exchanges

The Series 2021 Bonds will be issued in fully registered form in the denomination of \$5,000 each or integral multiples thereof. The Series 2021 Bonds will be registered as to principal and interest on the registration books kept by the Registration Agent. The registered owner thereof shall be treated as the absolute owner thereof for all purposes, including payment, and payment to the registered owner thereof shall satisfy all liability thereon to the extent of sums so paid.

When in book-entry form, Series 2021 Bonds held by DTC or Cede & Co., as its nominee, on behalf of the Beneficial Owners thereof, are transferable upon delivery to DTC or Cede & Co., as its nominee, of an assignment executed by the Beneficial Owner or the Beneficial Owner's duly authorized attorney. See "Book-Entry Only Bonds."

When not in book-entry form, ownership of any Series 2021 Bond will be transferable upon surrender thereof to the Registration Agent, together with an assignment duly executed by the registered owner or his attorney, in such form as shall be satisfactory to the Registration Agent. Upon any such transfer of ownership, the Registration Agent will cause to be authenticated and delivered a new Series 2021 Bond or Series 2021 Bonds registered in the name of the transferee in the authorized denomination in the same aggregate principal amount and interest rate as the Series 2021 Bonds surrendered for such transfer. When not in book-entry form, the Series 2021 Bonds may be exchanged for a like principal amount of Series 2021 Bonds of the same interest rate of other authorized denominations. For every exchange or registration of transfer, the Registration Agent, may charge an amount sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or registration or transfer, but no other charge may be made to the owner for any exchange or registration of transfer of the Series 2021 Bonds.

Optional Redemption

The Series 2021 Bonds maturing on or after February 1, 2031 are subject to redemption prior to maturity at the option of the District on or after February 1, 2030, in whole or in part at any time, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date.

If less than all the Series 2021 Bonds shall be called for redemption, the maturities to be redeemed shall be selected by the Board of Commissioners of the District in its discretion. If less than all of the Series 2021 Bonds within a single maturity shall be called for redemption, the interests within the maturity to be redeemed shall be selected as follows:

- (i) if the Series 2021 Bonds are being held under a Book-Entry System by DTC, or a successor Depository, the Series 2021 Bonds to be redeemed shall be determined by DTC, or such successor Depository, by lot or such other manner as DTC, or such successor Depository, shall determine; or
- (ii) if the Series 2021 Bonds are not being held under a Book-Entry System by DTC, or a successor Depository, the Series 2021 Bonds within the maturity to be redeemed shall be selected by the Registration Agent by lot or such other random manner as the Registration Agent in its discretion shall determine.

Notice of Redemption

Notice of call for redemption shall be given by the Registration Agent not less than thirty (30) nor more than sixty (60) days prior to the date fixed for redemption by sending an appropriate notice to the registered owners of the Series 2021 Bonds to be redeemed by first-class mail, postage prepaid, at the addresses shown on the registration records of the Registration Agent as of the date of the notice; but neither failure to mail such notice nor any defect in any such notice so mailed shall affect the sufficiency of the proceedings for the redemption of any of the Series 2021 Bonds for which proper notice was given. An optional redemption notice may state that it is conditioned upon the deposit of moneys in an amount equal to the amount necessary to affect the redemption with the Registration Agent no later than the redemption date (“Conditional Redemption”). As long as DTC, or a successor Depository, is the registered owner of the Series 2021 Bonds, all redemption notices shall be mailed by the Registration Agent to DTC, or such successor Depository, as the registered owner of the Series 2021 Bonds, as and when above provided, and neither the District nor the Registration Agent shall be responsible for mailing notices of redemption to DTC Participants or Beneficial Owners. Failure of DTC, or any successor Depository, to provide notice to any DTC Participant will not affect the validity of such redemption. From and after any redemption date, all Series 2021 Bonds called for redemption shall cease to bear interest if funds are available at the office of the Registration Agent for the payment thereof and if notice has been duly provided as set forth in the Resolution. In the case of a Conditional Redemption, the failure of the District to make funds available in part or in whole on or before the redemption date shall not constitute an event of default, and the Registration Agent shall give immediate notice to the Depository or the affected Bondholders that the redemption did not occur and that the Bonds called for redemption and not so paid remain outstanding.

Book-Entry Only System

Except as otherwise provided in the Detailed Notice of Sale, the Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Series 2021 Bonds. The Series 2021 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2021 Bond certificate will be issued for each maturity of the Series 2021 Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Series 2021 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2021 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners

are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2021 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Series 2021 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2021 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2021 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2021 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to DTC. If less than all of the Series 2021 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2021 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2021 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2021 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from Issuer or Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of County or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2021 Bonds at any time by giving reasonable notice to the District or Registration Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2021 Bond certificates are required to be printed and delivered.

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

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

THE DISTRICT AND THE REGISTRATION AGENT HAVE NO RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY PARTICIPANT; (II) THE PAYMENT BY DTC OR ANY PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF OR INTEREST ON THE BONDS; (III) THE DELIVERY OR TIMELINESS OF DELIVERY BY ANY PARTICIPANT OR ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE GIVEN TO BONDHOLDERS; OR (IV) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC OR CEDE & CO. AS BONDHOLDER.

SECURITY AND SOURCES OF PAYMENT OF THE SERIES 2021 BONDS

Neither the full faith and credit nor the taxing power of the State of Tennessee or any political subdivision thereof, including the District, is pledged to the payment of the Series 2021 Bonds. The Series 2021 Bonds are limited obligations of the District and are payable solely from the Net Revenues (as described below and as defined in Appendix A hereto) of the System on parity and equality of lien with the District's outstanding Waterworks Revenue Refunding Bonds, Series 2013 (the "Series 2013 Bonds") and Waterworks Revenue Bonds, Series 2019 (the "Series 2019 Bonds" and, collectively, the "Outstanding Parity Lien Bonds") and any bonds hereafter issued on parity therewith, and subject to prior liens of such Net Revenues in favor of the District's outstanding Waterworks Revenue Bond, Series 2000 and Waterworks Revenue Bond, Series 2009 (the "Prior Lien Bonds"). The lien in favor of the Prior Lien Bonds is closed, except as described below under "—Parity Bonds". Except as described below (see "—Statutory Mortgage Lien"), the Series 2021 Bonds do not constitute a charge, lien or encumbrance upon any other property of the District.

Pledge of Net Revenues

Under the terms of the Resolution, the Series 2021 Bonds are secured by a pledge of and lien on the Net Revenues. Generally, Net Revenues means all revenues of the System, from whatever source, minus System operating expenses other than depreciation, amortization and interest expense. See Appendix A for a more detailed definition of Net Revenues. See Appendix B for information regarding the District, the District's service area and the System, and "DEBT SERVICE SCHEDULE" for information regarding the District's debt service obligations.

Flow of Funds

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

- First, to pay operating expenses
- Next, to pay debt service on the Prior Lien Bonds
- Next, to fund debt service reserves for the Prior Lien Bonds
- Next, to pay debt service on the Series 2021 Bonds, the Outstanding Parity Lien Bonds and any Parity Bonds
- Next, to fund debt service reserves for the Series 2021 Bonds, the Outstanding Parity Lien Bonds and any Parity Bonds, if applicable
- Last, to pay debt service on Subordinate Lien Bonds and to pay any other legal purpose

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

Rate Covenant

Under the terms of the Resolution, prior to the commencement of each Fiscal Year, the Governing Body must estimate the revenues and expenditures for the upcoming Fiscal Year, based on rates then in effect, and, based on such estimate, adjust rates to the extent necessary to produce Net Revenues for the upcoming Fiscal Year (i) equal to not less than 1.25 times the debt service payable during the upcoming Fiscal Year on the Series 2021 Bonds, the Prior Lien Bonds, the Outstanding Parity Lien Bonds and any Parity Bonds, (ii) sufficient, in addition, to provide for any required deposits during the upcoming Fiscal Year to the Reserve Fund and any other funds established by the District pursuant to the Resolution and the resolutions authorizing any Subordinate Lien Bonds or pursuant to sound and prudent operating practices as determined by the Governing Body, (iii) sufficient to pay debt service on any Subordinate Lien Bonds, and (iv) sufficient to pay any amounts payable during such Fiscal Year under any Financial Guaranty Agreement, with respect to any Reserve Fund Credit Facility or under any financial guaranty agreement entered into pursuant to the resolutions authorizing the Series 2021 Bonds, the Prior Lien Bonds, Outstanding Parity Lien Bonds, Parity Bonds or any Subordinate Lien Bonds.

Bond Fund and Reserve Fund

The Resolution establishes a Bond Fund for the Outstanding Parity Lien Bonds, the Series 2021 Bonds and any Parity Bonds. The Resolution requires the District to make monthly deposits to the Bond Fund sufficient to accumulate funds necessary to pay scheduled debt service on the Outstanding Parity Lien Bonds, the Series 2021 Bonds and any Parity Bonds. The money on deposit in the Bond Fund will be used to pay the principal of and interest on the Outstanding Parity Lien Bonds, the Series 2021 Bonds and any Parity Bonds as the same become due.

The Resolution does not require that the District fund a Reserve Fund for the Series 2021 Bonds.

Parity Bonds

The District may, from time to time, issue Parity Bonds under the terms of the Resolution. Parity Bonds will have a lien on the Net Revenues of the System on a parity with the lien on the Net Revenues of the System securing the Series 2021 Bonds. See Appendix A for the conditions under which such Parity Bonds may be issued. The District may not issue bonds payable from or secured by a lien on the Net Revenues senior to that securing the payment of the Series 2021 Bonds, including on parity with the Prior Lien Bonds; provided that, under the terms of the Resolution, the District may issue up to \$1,650,000 in par amount of bonds, notes or other debt obligations on parity with the Prior Lien Bonds for the purpose of financing projects through the United States Department of Agriculture.

Statutory Mortgage Lien

A statutory lien in the nature of a mortgage lien upon the System in favor of the Series 2021 Bonds is granted and created by the District Act, which mortgage lien is valid and binding upon the District subject only to the statutory mortgage lien in favor of the Prior Lien Bonds. The System will remain subject to such statutory mortgage lien until payment in full of principal of and interest on the Series 2021 Bonds. See Appendix A.

Additional Borrowing Plans

The District is located in a rapidly growing area of Tennessee. The growth continues to require additional expansion on the part of the District. The District anticipates approximately \$75 million in capital improvements over the next five years. The District has a history of financing a significant portion of capital improvements from internally generated funds. The District has determined that it may finance future expansions and improvements with a combination of internally generated funds and bond financings. This financing approach is subject to change at any time. The District does not currently have any specific plans for future bond financings after the Series 2021 Bonds are issued. The District has accumulated a strong cash position in order to accommodate the planned capital expenditures. To the extent that the District relies more heavily on internal cash for current and future projects, it is anticipated that the District's cash position may decline.

DEBT SERVICE SCHEDULE

Fiscal Year	Prior Lien Bonds			Series 2013, 2019 and 2021 Bonds			Total Debt		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2022	\$48,763	\$78,693	\$127,456	\$2,010,000	\$1,384,131	\$3,394,131	\$2,058,763	\$1,462,824	\$3,521,587
2023	50,968	76,488	127,456	3,045,000	1,858,669	4,903,669	3,095,968	1,935,157	5,031,125
2024	53,070	74,386	127,456	3,200,000	1,721,719	4,921,719	3,253,070	1,796,105	5,049,175
2025	55,677	71,779	127,456	3,330,000	1,577,719	4,907,719	3,385,677	1,649,498	5,035,175
2026	58,197	69,259	127,456	3,480,000	1,427,919	4,907,919	3,538,197	1,497,178	5,035,375
2027	60,833	66,623	127,456	3,640,000	1,271,219	4,911,219	3,700,833	1,337,842	5,038,675
2028	63,413	64,043	127,456	3,295,000	1,107,269	4,402,269	3,358,413	1,171,312	4,529,725
2029	66,461	60,995	127,456	3,430,000	969,819	4,399,819	3,496,461	1,030,814	4,527,275
2030	69,473	57,983	127,456	3,585,000	826,519	4,411,519	3,654,473	884,502	4,538,975
2031	72,621	54,835	127,456	3,720,000	700,369	4,420,369	3,792,621	755,204	4,547,825
2032	75,772	51,684	127,456	3,850,000	579,969	4,429,969	3,925,772	631,653	4,557,425
2033	79,349	48,107	127,456	3,940,000	483,300	4,423,300	4,019,349	531,407	4,550,756
2034	82,947	44,509	127,456	4,060,000	388,750	4,448,750	4,142,947	433,259	4,576,206
2035	86,711	40,745	127,456	4,190,000	283,788	4,473,788	4,276,711	324,533	4,601,244
2036	90,545	36,910	127,455	3,325,000	170,738	3,495,738	3,415,545	207,648	3,623,193
2037	94,754	32,702	127,456	940,000	87,300	1,027,300	1,034,754	120,002	1,154,756
2038	99,056	28,400	127,456	970,000	59,100	1,029,100	1,069,056	87,500	1,156,556
2039	103,553	23,903	127,456	1,000,000	30,000	1,030,000	1,103,553	53,903	1,157,456
2040	92,296	19,327	111,623				92,296	19,327	111,623
2041	54,143	16,313	70,456				54,143	16,313	70,456
2042	56,419	14,037	70,456				56,419	14,037	70,456
2043	58,791	11,665	70,456				58,791	11,665	70,456
2044	61,238	9,218	70,456				61,238	9,218	70,456
2045	63,837	6,619	70,456				63,837	6,619	70,456
2046	66,521	3,935	70,456				66,521	3,935	70,456
2047	59,576	1,173	60,749				59,576	1,173	60,749
	<u>\$1,824,984</u>	<u>\$1,064,331</u>	<u>\$2,889,315</u>	<u>\$55,010,000</u>	<u>\$14,928,294</u>	<u>\$69,938,294</u>	<u>\$56,834,984</u>	<u>\$15,992,625</u>	<u>\$72,827,609</u>

LEGAL MATTERS

Pending Litigation

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

There is no litigation now pending or, to the knowledge of the District, threatened which restrains or enjoins the issuance or delivery of the Series 2021 Bonds, the use of Net Revenues for the payment of the Series 2021 Bonds, or the use of the proceeds of the Series 2021 Bonds or which questions or contests the validity of the Series 2021 Bonds or the proceedings and authority under which they are to be issued. Neither the creation, organization, nor existence of the District, nor the title of the present members or other officials of the District to their respective offices, is being contested or questioned.

Opinions of Bond Counsel

Legal matters incident to the authorization, validity, and issuance of the Series 2021 Bonds are subject to the approving opinion of Bass, Berry & Sims PLC, Nashville, Tennessee, Bond Counsel. The form of opinion of Bond Counsel is attached to this Official Statement as Appendix D. Copies of the opinion will be available at the time of the initial delivery of the Series 2021 Bonds. Certain legal matters will be passed upon for the District by Hudson Reed & McCreary, PLLC, counsel to the District.

TAX MATTERS

Federal

General. Bass, Berry & Sims PLC, Nashville, Tennessee, is Bond Counsel for the Series 2021 Bonds. Their opinion under existing law, relying on certain statements by the District and assuming compliance by the District with certain covenants, is that interest on the Series 2021 Bonds:

- is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and
- is not treated as an item of tax preference in calculating the alternative minimum tax imposed on individuals under the Code.

The Code imposes requirements on the Series 2021 Bonds that the District must continue to meet after the Series 2021 Bonds are issued. These requirements generally involve the way that the Series 2021 Bond proceeds must be invested and ultimately used. If the District does not meet these requirements, it is possible that a bondholder may have to include interest on the Series 2021 Bonds in its federal gross income on a retroactive basis to the date of issue. The District has covenanted to do everything necessary to meet these requirements of the Code.

A bondholder or who is a particular kind of taxpayer may also have additional tax consequences from owning the Series 2021 Bonds. This is possible if a bondholder is:

- an S corporation,
- a United States branch of a foreign corporation,
- a financial institution,
- a property and casualty or a life insurance company,
- an individual receiving Social Security or railroad retirement benefits,
- an individual claiming the earned income credit or
- a borrower of money to purchase or carry the Series 2021 Bonds.

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

Bond Counsel is not responsible for updating its opinion in the future. It is possible that future events or changes in applicable law could change the tax treatment of the interest on the Series 2021 Bonds or affect the market price of the Series 2021 Bonds. See also “Changes in Federal and State Tax Law” below in this heading.

Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel on the federal income tax treatment of interest on the Series 2021 Bonds, or under State, local or foreign tax law.

Bond Premium. If a bondholder purchases a Series 2021 Bond for a price that is more than the principal amount, generally the excess is “bond premium” on that Series 2021 Bond. The tax accounting treatment of bond premium is complex. It is amortized over time and as it is amortized a bondholder’s tax basis in that Series 2021 Bond will be reduced. The holder of a Series 2021 Bond that is callable before its stated maturity date may be required to amortize the premium over a shorter period, resulting in a lower yield on such Series 2021 Bonds. A bondholder in certain circumstances may realize a taxable gain upon the sale of a Series 2021 Bond with bond premium, even though the Series 2021 Bond is sold for an amount less than or equal to the owner’s original cost. If a bondholder owns any Series 2021 Bonds with bond premium, it should consult its tax advisor regarding the tax accounting treatment of bond premium.

Original Issue Discount. A Series 2021 Bond will have “original issue discount” if the price paid by the original purchaser of such Series 2021 Bond is less than the principal amount of such Series 2021 Bond. Bond Counsel’s opinion is that any original issue discount on these Series 2021 Bonds as it accrues is excluded from a bondholder’s federal gross income under the Internal Revenue Code. The tax accounting treatment of original issue discount is complex. It accrues on an actuarial basis and as it accrues a bondholder’s tax basis in these Series 2021 Bonds will be increased. If a bondholder owns one of these Series 2021 Bonds, it should consult its tax advisor regarding the tax treatment of original issue discount.

Information Reporting and Backup Withholding. Information reporting requirements apply to interest on tax-exempt obligations, including the Series 2021 Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with a Form W-9, “Request for Taxpayer Identification Number and Certification,” or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to “backup withholding,” which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a “payor” generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Series 2021 Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Series 2021 Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner’s Federal income tax once the required information is furnished to the Internal Revenue Service.

State Taxes

Under existing law, the Series 2021 Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) Tennessee excise taxes on interest on the Series 2021 Bonds during the period the Series 2021 Bonds are held or beneficially owned by any organization or entity, or other than a sole proprietorship or general partnership doing business in the State of Tennessee, and (b) Tennessee franchise taxes by reason of the inclusion of the book value of the Series 2021 Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee.

Changes in Federal and State Tax Law

From time to time, there are Presidential proposals, proposals of various federal and Congressional committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Series 2021 Bonds or otherwise prevent holders of the Series 2021 Bonds from realizing the full benefit of the tax exemption of interest on the Series 2021 Bonds. It cannot be predicted whether, or in what form, these proposals might be enacted or if enacted, whether they would apply to Series 2021 Bonds prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Series 2021 Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series 2021 Bonds would be impacted. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series 2021 Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

Prospective purchasers of the Series 2021 Bonds should consult their own tax advisors regarding the foregoing matters.

CONTINUING DISCLOSURE

The District will at the time the Series 2021 Bonds are delivered execute a Continuing Disclosure Agreement under which it will covenant for the benefit of holders and beneficial owners of the Series 2021 Bonds to provide certain financial information and operating data relating to the District and the System by not later than twelve months after the end of each fiscal year commencing with the fiscal year ending June 30, 2021 (the “Annual Report”), and to provide notice of the occurrence of certain enumerated events. All continuing disclosure filings will be made with the Municipal Securities Rulemaking Board (“MSRB”) at www.emma.msrb.org and any State Information Depository (“SID”). If the District is unable to provide the Annual Report to the MSRB and the SID, if any, by the date set forth above for the filing of the Annual Report, notice of such failure shall be sent to the MSRB and the SID, if any, on or before such date. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is set forth in the form of Continuing Disclosure Agreement attached hereto as Appendix E. These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b), as it may be amended from time to time (the “Rule”).

In the past five years, the District has not failed to comply in any material respect with any previous undertakings with regard to the Rule.

RATING

S&P Global Ratings (the “Rating Agency”) has assigned the Series 2021 Bonds a rating of “AAA”. An explanation of the significance of such rating may be obtained from the Rating Agency. This rating is not a recommendation to buy, sell or hold the Series 2021 Bonds. Generally, rating agencies base their ratings on information and materials furnished to the agencies and on investigations, studies and assumptions by the agencies. There is no assurance that this rating will be maintained for any given period of time or that this rating will not be revised downward or withdrawn entirely by the Rating Agency if, in such agency's judgment, circumstances so warrant. Any such downward revision or withdrawal of this rating may have an adverse effect on the market price of the Series 2021 Bonds. Neither the District nor the Underwriter has undertaken any responsibility to oppose any revision or withdrawal of the rating.

MUNICIPAL ADVISOR

The District has engaged Stephens Inc. as its Municipal Advisor in connection with the issuance of the Series 2021 Bonds. The Municipal Advisor's fees for services rendered with respect to the sale of the Series 2021 Bonds are contingent upon the issuance and delivery of the Series 2021 Bonds. Stephens Inc., in its capacity as Municipal Advisor, has relied on the opinion of Bond Counsel and has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Series 2021 Bonds or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

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

UNDERWRITING

FHN Financial Capital Markets, Memphis, Tennessee, acting for and on behalf of itself and such other securities dealers as it may designate, will purchase the Series 2021 Bonds for an aggregate purchase price of \$20,121,593.31, which is par, less \$26,258.69 underwriter's discount, plus net original issue premium of \$2,147,852.00.

The Underwriter may offer and sell the Series 2021 Bonds to certain dealers (including dealer banks and dealers depositing the Series 2021 Bonds into investment trusts) and others at prices different from the public offering prices stated on the cover page of this Official Statement. Such initial public offering prices may be changed from time to time by the Underwriter.

INDEPENDENT AUDITORS

The financial statements of the District as of June 30, 2021 and for the year then ended, attached hereto as Appendix C, have been audited by Edmondson, Betzler & Dame, PLLC, Murfreesboro, Tennessee, independent auditors, as stated in their report thereon and are included in reliance upon the authority of such firm as independent auditors.

MISCELLANEOUS

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

Any statements made in this Official Statement involving estimates or matters of opinion, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates or matters of opinion will be realized. Neither this Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the owners of the Series 2021 Bonds.

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AUTHORIZATION OF AND CERTIFICATION CONCERNING OFFICIAL STATEMENT

The Official Statement has been authorized by the Board of Commissioners of the District. Concurrently with the delivery of the Series 2021 Bonds, the undersigned will furnish an Agreement to the effect that nothing has come to the undersigned's attention which would lead the undersigned to believe that this Official Statement contained, as of the date of delivery of the Series 2021 Bonds, any untrue statement of a material fact or omitted to state a material fact which should be included herein for the purposes for which this Official Statement is intended to be used or which is necessary to make the statements contained herein, in light of the circumstances under which they were made, not misleading.

John L. Batey, Jr.
John L. Batey, Jr.,
President

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APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

SUMMARY OF RESOLUTION

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

Definitions of Certain Terms

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

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

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

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

“Bond Fund” shall mean the Principal and Interest Sinking Fund established by the Resolution;

“Bonds” means the Series 2013 Bonds, the Series 2019 Bonds, the Series 2021 Bonds and any Parity Bonds.

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

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

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

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

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

(a) The Debt Service Requirement with respect to Variable Rate Indebtedness shall be determined as if the variable rate in effect at all times during future periods equaled, at the option of the District, either (A) the average of the actual variable rate which was in effect (weighted according to the length of the period

during which each such variable rate was in effect) for the most recent 12-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a 12-month period), or (B) the current average annual fixed rate of interest on securities of similar quality having a similar maturity date, as certified by a Financial Advisor.

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

"Defeasance Obligations" shall mean any obligations which at the time of the purchase thereof are permitted investments under the Act or other applicable Tennessee law for the purpose of defeasing Bonds; provided however, with respect to the Series 2019 Bonds and the Series 2021 Bonds, "Defeasance Obligations" shall be limited to direct obligations of, or obligations, the principal of and interest on which are guaranteed by, the United States of America, which bonds or other obligations shall not be subject to redemption prior to their maturity other than at the option of the registered owner thereof.

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

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

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

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

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

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

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

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

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

“Parity Bonds” means bonds, notes, Loan Agreements, and other debt obligations, including Balloon Indebtedness, Short-Term Indebtedness and Variable Rate Indebtedness, issued or entered into by the District on a parity with the Series 2013 Bonds, the Series 2019 Bonds and the Series 2021 Bonds in accordance with the restrictive provisions of the Resolution, including any bonds or other obligations secured by a pledge of and/or lien on an Acquired System and the revenues derived from the operation of such Acquired System (provided such pledge and lien are subject only to normal and customary expenses of operating, maintaining, repairing and insuring any such System), so long as the Acquired System is not being operated separately from the System as is permitted herein or the revenues from such Acquired System are not excluded from Gross Earnings.

“Prior Lien Bonds” means the District’s outstanding Waterworks Revenue Bond, Series 2000, dated May 28, 2002, and Waterworks Revenue Bond, Series 2008, dated May 26, 2009.

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

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

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

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

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

“Reserve Fund Requirement” means an amount determined from time to time by the District as a reasonable reserve, if any, for the payment of principal of and interest on a series of Bonds pursuant to the resolution authorizing such Bonds. With respect to the Series 2013 Bonds, there shall be no Reserve Fund Requirement until such time as the District shall have failed, for two consecutive Fiscal Years, to produce Net Revenues sufficient to satisfy the rate covenant test set forth in the Resolution, but assuming solely for this purpose that the 125% coverage requirement of Section 14(e)(2)(a) is instead read as a 150% coverage requirement. At such time and from time to time thereafter, the Reserve Fund Requirement with respect to the Series 2013 Bonds shall be the least of (a) 10% of the original stated principal amount of the Series 2013 Bonds; (b) the remaining Maximum Annual Debt Service Requirement on the Series 2013 Bonds, on a Fiscal Year basis; or (c) 125% of the remaining average Debt Service Requirement on the Series 2013 Bonds, on a Fiscal Year basis; and shall be funded as set forth herein. With respect to the Series 2019 Bonds and the Series 2021 Bonds, there is no Reserve Fund Requirement.

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

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

“Series 2019 Bonds” means the District's \$15,000,000 Waterworks Revenue Bonds, Series 2019.

“Series 2021 Bonds” means the District's \$18,000,000 Waterworks Revenue Bonds, Series 2021.

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

“State” means the State of Tennessee.

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

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

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

Application of Revenues

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

- 1) System Revenue Fund (the “Revenue Fund”) to be held by the District.
- 2) Principal and Interest Sinking Fund (the “Bond Fund”) to be held by the District, and within the Bond Fund:
 - a) Interest Account, with further subaccounts therein for each series of Bonds; provided a subaccount therein may be utilized for more than one series of Bonds if all such series of Bonds share exactly the same lien status on the Net Revenues.
 - b) Principal Account, with further subaccounts therein for each series of Bonds; provided a subaccount therein may be utilized for more than one series of Bonds if all such series of Bonds share exactly the same lien status on the Net Revenues.
- 3) Debt Service Reserve Fund (the “Reserve Fund”), with an account for each series of Bonds which has a Reserve Fund Requirement; provided an account therein may be utilized for more than one series of Bonds if all such series of Bonds are specified in the resolution authorizing such Bonds to share a pledge of such account and have a combined Reserve Fund Requirement. Nothing herein shall prohibit the District from issuing one or more series of Bonds without a Reserve Fund Requirement and no deposit to the Reserve Fund and no Reserve Fund Credit Facility shall be required in connection therewith.

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

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

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

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

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

purpose of paying principal of or interest on the Bonds for the payment of which funds are not available in the Bond Fund. Funds in excess of the Reserve Fund Requirement may be released to be used by the District for legally permissible purposes.

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

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

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

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

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

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

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

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

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

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

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

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

Covenants Regarding the Operation of System

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2) such that Net Revenues in each Fiscal Year:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Prior Lien and Additional Parity Bonds

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

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

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

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

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

1) There shall have been procured and filed with the District a report by a Financial Advisor or a certificate by the General Manager of the District, or his or her designee, to the effect that the historical Net Revenues for either (i) a period of 12 consecutive months of the most recent 18 consecutive months prior to the issuance of the proposed Parity Bonds or (ii) the most recent audited Fiscal Year, were equal to at least 125% of Maximum Annual Debt Service Requirement on all Bonds and Prior Lien Bonds which will be outstanding immediately after the issuance of the proposed Parity Bonds, in the then current and each succeeding Fiscal Year, provided, however, the report or certificate may contain pro forma adjustments to historical related Net Revenues equal to 100% of the increased annual amount attributable to any revision in the schedule of rates, fees, and charges for the services and facilities furnished by the System, imposed prior to the date of delivery of the proposed Parity Bonds and not fully reflected in the historical related Net Revenues actually received during such historical period used.

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

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

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

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

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

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

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

Amendment of Resolution

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

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

- 1) Make any change in the maturities or redemption dates of the Bonds;
- 2) Make any change in the rates of interest borne by the Bonds;
- 3) Reduce the amount of the principal payments or redemption premiums payable on the Bonds;
- 4) Modify the terms of payment of principal of or interest on the Bonds or impose any conditions with respect to such payments;
- 5) Affect the rights of the registered owners of less than all of the Bonds then outstanding;
- 6) Reduce the percentage of the principal amount of the Bonds the consent of the registered owners of which is required to effect a further modification.

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

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

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

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

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

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

Discharge and Satisfaction of Bonds

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

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

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

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

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

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

Except as otherwise provided in this section, neither Defeasance Obligations nor moneys deposited with the Registration Agent pursuant to this section nor principal or interest payments on any such Defeasance Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal and interest on said Bonds; provided that any cash received from such principal or interest payments on such Defeasance Obligations deposited with the Registration Agent, (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to the District as received by the Registration Agent and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Defeasance

Obligations maturing at times and in amounts sufficient to pay when due the principal and interest to become due on said Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the District, as received by the Registration Agent.

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

APPENDIX B

STATISTICAL AND DEMOGRAPHIC INFORMATION REGARDING THE DISTRICT

The information contained in this section is included only for purposes of supplying general information regarding the District and Rutherford County, Tennessee (“Rutherford County”). The Series 2021 Bonds are payable solely from the sources described in this Official Statement under the heading “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS.” Neither the full faith and credit nor the taxing power of the State of Tennessee or any political subdivision thereof, including Rutherford County, is pledged to the payment of the Series 2021 Bonds. The Series 2021 Bonds are limited obligations and are payable solely from the Net Revenues of the System. The District has no taxing powers.

THE SYSTEM

Organization

The District was created pursuant to Order of the County Court of Rutherford County entered as of April 24, 1970, consolidating the Double Springs Utility District of Rutherford County and the Stones River Utility District of Rutherford County into which there was merged on November 14, 1978, the Florence Water Utility District of Rutherford County, and by Order of November 14, 1978, the Rockvale Utility District of Rutherford County (collectively, the “Order of Incorporation”), and pursuant to the provisions of the District Act, which provides that any utility district incorporated thereunder shall be a District or public corporation in perpetuity and be a body politic and corporate with power of perpetual succession, but without any power to levy or collect taxes. The District is authorized to issue the Series 2021 Bonds in furtherance of the purposes for which it is organized.

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

Powers

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

Governing Body

All corporate powers of the District are vested in and exercised by the Board of Commissioners. The Board consists of five members, each of which must reside or own property within the boundaries of the District, serving staggered four-year terms. The Commissioners are appointed by the County Mayor of Rutherford County from a list of three nominees submitted by the other members of the Board then in office. Each

member of the Board of Commissioners, upon expiration of his or her term, shall continue to hold office until the successor shall have been appointed. A Board member may succeed himself or herself in office.

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

The individual commissioners receive compensation for their services on a per diem basis in the maximum amount allowable by the District Act for each day's attendance of the meetings of the Board in the performance of their official duties. In addition, Board members are eligible for group medical insurance coverage as may be provided other employees, or payment of premiums for any equivalent or similar group coverage under the terms of Section 7-82-308, Tennessee Code Annotated.

The Board of Commissioners

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

	<u>Principal Occupation</u>	<u>Expiration of Term</u>
John L. Batey, Jr. President	Farmer/Realtor	November 15, 2022
Carter Woodruff, Vice President	Financial Services Officer	November 15, 2025
Dr. Rosemary Owens	Retired Dean, MTSU	November 15, 2024
Craig Lynch, Secretary-Treasurer	Postmaster	November 15, 2025
Lynnise Roehrich-Patrick	Public Policy Consultant	November 15, 2023

Management

General Manager – The General Manager of the District is employed by the Board. The General Manager is the chief executive and administrative officer of the District with the responsibility of administering the day-to-day operations of the District. Roger Goodson assumed the role of General Manager on May 17, 2021, making him the fifth General Manager in the history of Consolidated Utility District (CUD). Mr. Goodson formerly served as the senior operations manager for the Western Division of Illinois American Water. While with Illinois American Water, Mr. Goodson managed operations for seven districts in that state. He began his career in the water industry in 1992 with the City of Aurora, Illinois, where he worked for more than 14 years.

Comptroller - Mike Craig assumed the role of Comptroller in June 2019 while previously serving as the assistant Comptroller. He has over 30 years of experience in accounting, budgeting, forecasting, strategic planning and financial modeling. His experience includes responsibility for establishing and maintaining internal controls, statutory reporting, covenant reporting and tax matters. He has worked in a variety of industries including agriculture, tires, textiles, automotive and electronics. He previously worked as the Director of Finance for Bridgestone Agricultural Business. Prior to that, he worked as Finance Director for Fiberweb, Inc. Mr. Craig has a MBA from MTSU with a BBA in Accounting.

General System Description

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

Office and Warehouse Facilities

The District offices are located in a 29,580 square foot administrative facility, a newly renovated engineering building, an operations building/warehouse, and a maintenance shop. These facilities have improved the ability of the District to service a steadily growing customer base.

Water Treatment Plant and Storage Facilities

The District purchased its water supply from the municipal water systems of Murfreesboro and Smyrna until 1983 when a 4.0 MGD water treatment plant was placed into service. The capacity of the water treatment plant was doubled in 1989 to 8.0 MGD to accommodate increased demand. As growth continued, the District needed additional water supply and negotiated an agreement with the U.S. Army Corps of Engineers (Corps) for withdrawal of 16 MGD from the Percy Priest Reservoir. This agreement was a prerequisite for the next water treatment plant expansion, completed in 2008, that increased production capacity to 16 MGD. In 2020, the latest expansion to the water treatment plan was completed which increased production capacity to 32 MGD. The water treatment plant is a conventional dual media filtration facility.

Recent negotiations resulted in the U.S. Army Corps of Engineers (Corps) granting CUD rights to 27.24 MGD of water supply from the Percy Priest Reservoir, an increase of ~11 MGD over previous storage capacity. The District continues its discussions with the Corps for the remaining balance of just under 5 MGD, which will be needed to meet the additional demand forecast for the ever increasing customer base.

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The District's storage facilities consist of twelve water storage reservoirs constructed of steel and restressed concrete. The reservoirs were constructed at ground level with a total storage capacity of 22.40 million gallons. The locations, capacity, and overflow elevations of the storage reservoirs are as follows:

Location	Capacity (Expressed in Gallons)	Overflow Elevations (Expressed in Feet)
Baker Road	2,000,000	756
Fosterville	400,000	1,026.5
Halls Hill Pike	3,000,000	887
Milton	500,000	954
Rocky Fork	500,000	908
Tiger Hill	4,000,000	887
Two Hills	5,000,000	756
Mooreland Lane	3,000,000	756
Bill Rice Ranch	1,000,000	980
Big Springs	1,000,000	1100
Panther Creek	500,000	1026.5
Eagleville	<u>1,500,000</u>	985
Total	22,400,000	

Source: Consolidated Utility System.

Water Distribution and Transmission System

The District's water distribution and transmission system consists of 1,450 miles of lines throughout various areas and communities of Rutherford County. The distribution and transmission system consists of booster pumping stations and system lines. Raw water is conveyed from the source to the processing facilities for treatment. Potable water is then pumped to the District's storage facilities and held before eventual transmission to water customers. Existing system lines consist of 48", 36", 30", 24", 20", and 16" main lines which are constructed of ductile iron. The District's 12", 10" and 8" lines are constructed of either ductile iron or PVC. The district now requires that any pipe 6" or larger to be ductile iron. Lines smaller than 6" are predominantly PVC, with a small amount of cast iron, asbestos cement, galvanized and copper.

Sewer System

The District also operates a small sewer system that currently makes up approximately 7% of total operating revenues. Developers are allowed to install sand-filtration systems, built to District specifications, for the treatment of wastewater in rural areas. These systems are typically installed for newer subdivisions where municipal sewer service is unavailable. The sand-filtration systems are turned over to the District upon completion. The District assumes the responsibility for maintaining the systems. The number of customers using these systems increased from 5,905 in 2019 to 7,087 in 2021. The existing systems are designed to accommodate in excess of 9,943 homes.

Number of Customers

The following table sets forth the number of average active customers over the last 10 years.

<u>Year</u>	<u>Customers</u>
2012	43,527
2013	44,639
2014	45,944
2015	47,533
2016	49,085
2017	51,085
2018	53,027
2019	55,535
2020	57,900
2021	60,870

Sources: Consolidated Utility District of Rutherford County, Tennessee Financial Statements and Independent Auditors' Report for 2021, prepared by Edmondson, Betzler & Dame, PLLC, Certified Public Accountants, and District Officials.

Historical Water Demand

<u>Year</u>	<u>Average Daily Water Demand (Million Gallons per Day)</u>	<u>Maximum Water Demand (Million Gallons per Day)</u>
2012	10.10	16.73
2013	9.79	12.72
2014	10.17	14.16
2015	9.98	13.88
2016	9.89	13.92
2017	9.81	14.20
2018	9.27	12.86
2019	10.41	12.41
2020	12.81	17.31
2021	13.02	17.76

Sources: Consolidated Utility District of Rutherford County, Tennessee Financial Statements and Independent Auditors' Report for 2021, prepared by Edmondson, Betzler & Dame, PLLC, Certified Public Accountants, and District Officials.

Regulation

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

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

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

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

Water and Sewer Rates

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

Water Rates

First 500 gallons (minimum bill)	\$	12.78
Each additional 1,000 gallons from 501-5,000 gallons	\$	5.60
Each additional 1,000 gallons from 5,001-10,000 gallons	\$	6.10
Each additional 1,000 gallons from 10,001-20,000 gallons	\$	7.29
Each additional 1,000 gallons from 20,001-100,000 gallons	\$	7.79
Each additional 1,000 gallons in excess of 100,000 gallons	\$	6.79

Sewer Rates

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

Source: District Officials.

Rate Comparison

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

<u>Utility Name</u>	<u>3,000 Gallons</u>	<u>6,000 Gallons</u>
Consolidated Utility District of Rutherford Co.	\$29.58	\$46.88
Gladeville Utility District (Wilson County)	31.53	61.57
Cannon County Utility District (Woodbury)	44.32	62.23
Marshall County Board of Public Utilities	44.00	68.00
Wilson County Water and Wastewater Authority	48.07	78.11
Bedford County Utility District	27.50	48.50
Hillsville Utility District (Coffee County)	24.48	48.48

Source: Consolidated Utility District of Rutherford County

Contributions

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

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

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

Billing and Collection

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

Ten Largest Customers

The following table sets forth the ten largest customers and the revenues attributable to such customers for the period ending June 30, 2021. As a group, the top ten customers account for less than 5% of the total revenues.

Customer	Annual Water Revenue	% of Water Sales
American Homes 4 Rent LLC	\$179,900	0.53%
Lifestyle Communities	177,532	0.53%
FREO Tennessee, LLC	152,211	0.45%
Westbury Farms LLC	132,779	0.39%
W W Stonebridge Farms LP	121,396	0.36%
Rutherford County Board of Education	118,787	0.35%
Vintage @ The Park	109,207	0.32%
CR Murfreesboro	107,769	0.32%
Vantage at Murfreesboro LLC	107,248	0.32%
Hawthorne Park South Apartments	106,553	0.32%
	<u>\$1,313,382</u>	<u>3.89%</u>

Source: District Officials.

SUMMARY OF OPERATING RESULTS

The following table sets forth a summary of the operating results of the System for the past six fiscal years. The information has been extracted from the audited financial statements of the District for the fiscal years 2017 through 2021. For more detailed information regarding the financial results and condition of the System, see Appendix C.

	Fiscal Year				
	2021	2020	2019	2018	2017
Operating Revenues					
Water & Sewer Revenues	\$ 36,415,424	\$ 34,337,566	\$ 31,668,704	\$ 30,098,827	\$ 29,244,932
Connection and Other Fees	2,883,034	2,576,141	2,706,732	2,584,010	2,500,262
Total Operating Revenues	\$39,298,458	\$36,913,707	\$34,375,436	\$32,682,837	\$31,745,194
Operating Expenses					
Source of supply	\$522,354	\$1,027,738	\$1,027,332	\$1,023,533	\$500,791
Pumping	\$837,432	\$870,663	\$737,671	\$742,871	\$745,103
Water Treatment	3,939,818	3,436,249	2,958,528	2,771,242	2,662,324
Transmission & Distribution	6,909,198	6,652,251	6,125,745	5,655,186	5,127,837
Customer Accounting	839,551	1,039,603	800,575	754,733	630,915
Customer Service	1,645,221	1,441,424	1,619,869	1,542,294	1,481,577
Wastewater (Step Systems)	1,828,680	1,685,813	1,337,185	1,216,889	1,012,806
Administrative & General	4,874,958	4,572,066	3,670,066	4,219,741	3,354,883
Depreciation & Amortization	11,467,606	10,257,803	9,618,079	9,102,825	8,649,311
Total Operating Expenses	\$32,864,818	\$30,983,610	\$27,895,050	\$27,029,314	\$24,165,547
Net Operating Revenue	\$6,433,640	\$5,930,097	\$6,480,386	\$5,653,523	\$7,579,647
Non-Operating Income (expense)					
Interest Earned	\$452,798	\$1,391,858	\$1,047,590	\$627,713	\$355,521
Interest Expense	(1,632,582)	(1,724,807)	(1,346,688)	(1,366,287)	(1,411,370)
Gain on Sale of Capital Assets	209,790	280,264	109,953	103,208	59,056
Loss on Abandoned Inventory	0	0	0	0	0
Loss on Abandoned Capital Assets	0	0	0	0	0
Debt Issuance Costs	0	0	(211,440)	0	0
Other Income		88,495	211,293	13,526	1,200
Other Non-Operating Expenses	(53,749)	(1,552)	(1,152)	(1,091)	(55,950)
Non-Operating Income (expense)	(\$1,023,743)	\$34,258	(\$190,444)	(\$622,931)	(\$1,051,543)
Net Income Before Contributions	\$5,409,897	\$5,964,355	\$6,289,942	\$5,030,592	\$6,528,104
Contributions in Aid of Construction	\$20,689,304	\$23,022,584	\$24,934,426	\$21,759,740	\$17,534,704
Change in Net Assets	\$26,099,201	\$28,986,939	\$31,224,368	\$26,790,332	\$24,062,808
Net Position, beginning of year	\$374,960,397	\$345,973,458	\$314,749,090	\$287,958,758	\$263,895,950
Restatement	\$0	\$0	\$0	\$0	\$0
Net Position, end of year	\$401,059,598	\$374,960,397	\$345,973,458	\$314,749,090	\$287,958,758

Sources: Consolidated Utility District of Rutherford County, Tennessee Financial Statements and Independent Auditors' Report for 2017-2021, prepared by Edmondson, Betzler & Dame, PLLC, Certified Public Accountants, and District Officials.

Summary of Assets, Liabilities and Retained Earnings (Statement of Net Assets)

	Fiscal Year				
	2021	2020	2019	2018	2017
ASSETS:					
Utility Plant and Equipment	\$359,933,489	\$348,873,049	\$328,749,387	\$297,027,943	\$271,236,795
Restricted Assets (Investments)	\$7,969,698	\$7,763,684	\$7,125,162	\$6,634,693	\$6,331,934
Current Assets					
Cash and Cash Equivalents	\$62,455,153	\$27,193,099	\$28,053,705	\$12,177,139	\$9,597,743
Investments	18,054,046	40,201,817	35,724,658	38,960,361	39,125,496
Accounts Receivables Less Doubtful	4,994,683	5,590,893	4,382,595	3,817,483	3,583,562
Accrued Interest Receivable	181,249	165,535	156,826	125,664	160,204
Inventory	3,192,767	2,465,182	1,758,161	1,858,962	2,147,709
Prepaid Expenses	195,439	456,376	177,712	169,696	112,987
Total Current Assets	\$89,073,337	\$76,072,902	\$70,253,657	\$57,109,305	\$54,727,701
Unamortized Debt Issuance Costs		0	0	0	0
Net Pension Assets	738,924	1,197,126	794,014	528,763	0
TOTAL ASSETS	\$457,715,448	\$433,906,761	\$406,922,220	\$361,300,704	\$332,296,430
Deferred Outflows of Resources					
Deferred Amount related to Pensions	\$1,208,026	\$771,890	\$774,969	\$829,497	\$1,216,084
Deferred Amount related to OPEB	\$1,321,131	\$1,593,590	\$791,097	\$127,328	\$143,832
Deferred Amount related to unfunded accrued Liability	\$0	\$0	\$0	\$0	\$1,117,247
Deferred Amount from Debt Refunding	\$2,395,219	\$2,594,183	\$2,793,146	\$2,993,179	\$3,197,706
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$462,639,824	\$438,866,424	\$411,281,432	\$365,250,708	\$337,971,299
LIABILITIES:					
Long-Term Liabilities					
Long-Term Debt	\$44,218,987	\$47,142,067	\$49,951,887	\$37,002,367	\$38,494,081
Accrued Sick Leave	1,323,543	1,192,732	1,130,686	1,064,130	888,654
Net Pension Liability	0	0	0	0	1,286,958
Post Retirement Benefits	3,693,522	3,408,455	2,059,037	3,033,394	2,642,955
Long-Term Liabilities	\$49,236,052	\$51,743,254	\$53,141,610	\$41,100,091	\$43,312,648
Current Liabilities					
Current Maturities of Long-term Debt	\$2,923,080	\$2,809,818	\$2,050,479	\$1,491,714	\$1,427,840
Accrued Interest Payable	605,158	645,606	499,615	477,377	499,472
Trade Accounts Payable	3,704,947	2,765,185	3,855,849	4,444,770	2,000,664
Retainage Payable	0	0	0	0	0
Accrued Wages and Payroll Taxes	259,799	231,072	254,110	161,468	121,617
Accrued Vacation	362,286	359,940	234,878	246,460	239,957
Other Accrued Liabilities	472,083	694,753	392,751	353,209	307,639
Current Liabilities	\$8,327,353	\$7,506,374	\$7,287,682	\$7,174,998	\$4,597,189
TOTAL LIABILITIES	\$57,563,405	\$59,249,628	\$60,429,292	\$48,275,089	\$47,909,837
Deferred Inflows of Resources					
Deferred Amount related to Pensions	\$352,374	\$577,866	\$386,058	\$377,051	\$151,738
Deferred Amount related to OPEB	\$1,156,896	\$1,414,754	\$1,672,612		
Deferred Amount from Debt Refunding	\$2,507,551	\$2,663,781	\$2,820,012	\$1,849,478	\$1,950,966
NET ASSETS:					
Invested in Capital Assets, Net of Debt	\$312,679,090	\$298,851,566	\$276,720,155	\$259,677,563	\$232,561,614
Restricted for Bond Provisions	8,708,622	8,960,810	7,919,176	7,163,456	6,331,934
Unrestricted	79,671,886	67,148,021	61,334,127	47,908,071	49,065,210
TOTAL NET ASSETS	\$401,059,598	\$374,960,397	\$345,973,458	\$314,749,090	\$287,958,758
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$462,639,824	\$438,866,426	\$411,281,432	\$365,250,708	\$337,971,299

Sources: Consolidated Utility District of Rutherford County, Tennessee Financial Statements and Independent Auditors' Report for 2017-2021, prepared by Edmondson, Betzler & Dame, PLLC, Certified Public Accountants, and District Officials.

Management Discussion

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

For the 2021 fiscal year, the District had approximately \$39.298 million in operating revenues and \$32.865 million in operating expenses which resulted in a net operating income of \$6.4 million. For comparison, for fiscal year 2020, the District had approximately \$36.91 million in operating revenues and \$30.98 million in operating expenses which resulted in a net operating income of \$5.93 million. Management attributes the strength in operating income to customer growth and focusing on spending efficiencies.

The following tables provide historical and projected financial results for the District.

Historical Debt Service Coverage

	Fiscal Year				
	2017	2018	2019	2020	2021
Total Operating Revenues	\$31,745	\$32,683	\$34,375	\$36,914	\$39,298
Total Operating Expenses	24,166	27,029	27,895	30,984	32,864
Operating Income	7,579	5,654	6,480	5,930	6,434
Non-Operating Income (expense)	(1,051)	(623)	(190)	34	(1,024)
Net Income Before Contributions	\$6,528	\$5,031	\$6,290	\$5,964	\$5,410
Contributed Capital - Cash	\$7,200	\$5,547	\$5,479	\$7,775	\$7,315
Depreciation	8,649	9,103	9,618	10,258	11,468
Interest Expense	1,411	1,366	1,347	1,725	1,633
Net Available for Debt Service:	\$23,788	\$21,047	\$22,734	\$25,722	\$25,826
Annual Debt Requirements	\$3,553	\$2,713	\$3,733	\$3,587	\$4,440
Debt Service Coverage Ratio	6.70	7.76	6.09	7.17	5.82

Sources: Consolidated Utility District of Rutherford County, Tennessee Financial Statements and Independent Auditors' Report for 2017-2021, prepared by Edmondson, Betzler & Dame, PLLC, Certified Public Accountants, and District Officials.

Projected Debt Service Coverage

The management of the District has prepared the forecasted financial information set forth below to present the forecasted debt service coverage after issuance of the Series 2021 Bonds. The prospective financial information was not prepared with a view toward public disclosure or with a view towards complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information, but, in the view of the District's management, was prepared on a reasonable basis, reflects the best currently available estimates and judgments and presents, to the best of management's knowledge and belief, the expected course of action and the expected future financial performance of the District. However, this information is not fact and should not be relied upon as necessarily indicative of future results, and readers of this Official Statement are cautioned not to place undue reliance on the forecasted financial information. Neither the District's independent auditors, nor any other independent accountants or financial advisors, have compiled, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed

any opinion or any form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.

The assumptions and estimates underlying the prospective financial information are inherently uncertain and, though considered reasonable by the management of the District as of the date hereof, are subject to a wide variety of significant business, economic and competitive risks and uncertainties that could cause actual results to differ materially from those forecasted.

Accordingly, there can be no assurance that forecasted results are indicative of the future performance of the District or that actual results will not be materially higher or lower than those forecasted. Inclusion of the prospective financial information in this Official Statement should not be regarded as a representation by any person that the forecasted results will be achieved.

The District does not generally publish its business plans and strategies or make external forecasts of its anticipated financial position or results of operations. Accordingly, the District does not intend to update or otherwise revise the prospective financial information to reflect circumstances existing since its preparation or to reflect the occurrence of unanticipated events, even in the event that any or all of the underlying assumptions are shown to be in error. Furthermore, the District does not intend to update or revise the prospective financial information to reflect changes in general economic or industry conditions.

	Fiscal Year				
	2022 Est.	2023 Est.	2024 Est.	2025 Est.	2026 Est.
Total Operating Revenues	\$38,909	\$40,264	\$41,423	\$42,616	\$43,846
Total Operating Expenses	35,010	37,039	38,987	41,286	43,613
Operating Income	3,899	3,225	2,436	1,331	233
Non-Operating Income (expense)	(885)	(313)	60	47	26
Net Income Before Contributions	\$3,014	\$2,912	\$2,496	\$1,378	\$259
Contributed Capital - Cash	\$3,606	\$4,049	\$4,158	\$4,269	\$4,383
Depreciation	12,300	12,287	\$12,576	\$13,105	13,544
Interest Expense	1,491	1,386	1,276	1,162	1,043
Net Available for Debt Service:	\$20,412	\$20,634	\$20,506	\$19,914	\$19,230
Annual Debt Requirements	\$4,536	\$5,031	\$5,049	\$5,035	\$5,035
Debt Service Coverage Ratio	4.50	4.10	4.06	3.96	3.82

Sources: District Officials.

Water Usage and Water Loss

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Sold to Customers	85%	77%	87%	87%	85%	81%
Fire Dept., Flushing Lines, Contractor Use	4%	3%	2%	2%	3%	3%
Unaccounted for Water	11%	20%	12%	10%	11%	15%
Total	100%	100%	100%	100%	100%	100%

Cyber-Security

Consolidated Utility District (CUD) utilizes various computer systems and network technology to perform many of its vital operations. CUD's approach utilizes defense-in-depth. CUD uses various layers of technology in the defense-in-depth approach. Such operations often include the storage and transmission of sensitive information, and as a result, CUD may be the target of cyberattacks attempting to gain access to such information. In addition to intentional attacks, information breaches may occur due to unintentional employee error. A successful cyberattack or unintentional breach may require the expenditure of an unknown amount of money or time to resolve, substantially interrupt municipal services and operations and subject CUD to legal action. CUD has no knowledge of, nor historical record of any successful cyber-security breach or successful related attack. Attempted cyber-security attacks, whether anonymous or targeted, occur on a periodic frequency that is not uncommon to organizations or agencies of similar characteristics. To mitigate against such risks, CUD has instituted various policies and procedures to protect its network infrastructure, including a cyber-security training requirement for all departments, as well as general cyber-security training and awareness for all employees. CUD also maintains insurance against cyber-security incidents, up to a coverage maximum of \$5,000,000. Despite CUD's measures to safeguard its network infrastructure, there are no guarantees that such measures will be successful.

Consolidated Utility District of Rutherford County, Tennessee
Debt Service Statement
(As of June 30, 2021, adjusted for Series 2021 Bonds)

									Projected
Fiscal	Rural Development		Existing Bonds ⁽¹⁾⁽²⁾		Existing	2021 Bonds ⁽¹⁾			Grand
Year	Principal	Interest	Principal	Interest	Total	Principal	Interest	Total	Total
2022	48,763	78,693	2,010,000	1,302,044	3,439,500		82,088	82,088	3,521,587
2023	50,968	76,488	2,095,000	1,216,244	3,438,700	950,000	642,425	1,592,425	5,031,125
2024	53,070	74,386	2,200,000	1,126,794	3,454,250	1,000,000	594,925	1,594,925	5,049,175
2025	55,677	71,779	2,290,000	1,032,794	3,450,250	1,040,000	544,925	1,584,925	5,035,175
2026	58,197	69,259	2,380,000	934,994	3,442,450	1,100,000	492,925	1,592,925	5,035,375
2027	60,833	66,623	2,490,000	833,294	3,450,750	1,150,000	437,925	1,587,925	5,038,675
2028	63,413	64,043	2,085,000	726,844	2,939,300	1,210,000	380,425	1,590,425	4,529,725
2029	66,461	60,995	2,160,000	649,894	2,937,350	1,270,000	319,925	1,589,925	4,527,275
2030	69,473	57,983	2,255,000	570,094	2,952,550	1,330,000	256,425	1,586,425	4,538,975
2031	72,621	54,835	2,320,000	510,444	2,957,900	1,400,000	189,925	1,589,925	4,547,825
2032	75,772	51,684	2,390,000	446,044	2,963,500	1,460,000	133,925	1,593,925	4,557,425
2033	79,349	48,107	2,460,000	378,575	2,966,031	1,480,000	104,725	1,584,725	4,550,756
2034	82,947	44,509	2,550,000	308,075	2,985,531	1,510,000	80,675	1,590,675	4,576,206
2035	86,711	40,745	2,650,000	229,538	3,006,994	1,540,000	54,250	1,594,250	4,601,244
2036	90,545	36,910	1,765,000	143,438	2,035,893	1,560,000	27,300	1,587,300	3,623,193
2037	94,754	32,702	940,000	87,300	1,154,756				1,154,756
2038	99,056	28,400	970,000	59,100	1,156,556				1,156,556
2039	103,553	23,903	1,000,000	30,000	1,157,456				1,157,456
2040	92,296	19,327			111,623				111,623
2041	54,143	16,313			70,456				70,456
2042	56,419	14,037			70,456				70,456
2043	58,791	11,665			70,456				70,456
2044	61,238	9,218			70,456				70,456
2045	63,837	6,619			70,456				70,456
2046	66,521	3,935			70,456				70,456
2047	59,576	1,173			60,749				60,749
	1,824,984	1,064,331	37,010,000	10,585,506	50,484,821	18,000,000	4,342,788	22,342,788	72,827,609

⁽¹⁾ The Existing Bonds and Series 2021 Bonds are subordinate to the Prior Lien Rural Development Bonds.

⁽²⁾ Existing Bonds includes the Series 2013 and 2019 Bonds.

Employees

The District currently employs approximately 137 individuals, including the Board. At the present time, no employees of the District are represented by unions. Officials of the District are unaware of any attempts by any union to organize employees of the District, and the District characterizes its relationship with its employees as satisfactory. The System employees are provided health, dental, disability and life insurance. The employees have a nonqualified deferred compensation retirement plan. The employees receive paid vacation and sick leave.

Employee Benefit Plan

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

For details on the plan, the funding policy, the annual pension cost, the funded status and funding progress and the deferred compensation plan, please see Appendix C - Consolidated Utility District of Rutherford County, Tennessee Financial Statements, Supplemental Information and Independent Auditors' Reports for Years Ended June 30, 2021 and 2020 (Note 6: Pension Plan).

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

For details on the plan, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress, please see Appendix C - Consolidated Utility District of Rutherford County, Tennessee Financial Statements, Supplemental Information and Independent Auditors' Reports for Years Ended June 30, 2021 and 2020 (Note 8: Post Employment Health Benefits).

Covid-19

The world-wide outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has spread to counties and cities throughout the State of Tennessee, including the District, and is considered by the World Health Organization to be a Public Health Emergency of International Concern. The spread of COVID-19 led to quarantining and other "social distancing" measures in affected regions. While effects of COVID-19 on the District may be temporary, the virus affected travel, commerce and financial markets across the world.

As of November 15, 2021, Rutherford County had approximately 593 known active cases of COVID-19. The District is unable to predict: (i) the extent or duration of the COVID-19 outbreak, any recurrence thereof, or any other epidemic or pandemic; (ii) the extent or duration of existing and additional quarantines, travel restrictions or other measures relating to COVID-19 or any other epidemic or pandemic; or (iii) whether and to what extent the COVID-19 outbreak or any other epidemic or pandemic may disrupt the local or global economy, manufacturing or the supply chain; or (iv) the impact of, or the timing of, or the effectiveness, distribution and utilization of, COVID-19 vaccines. Given the evolving nature of the spread of the virus and the behavior of governments, businesses and individuals in response thereto, the District cannot accurately predict the magnitude of any future impact of COVID-19 on the District and its financial condition. The District has proactively taken steps to mitigate the spread of COVID-19 and to preserve effective staffing for all essential District operations.

From a financial perspective, the pandemic did not negatively impact the District. As the workplace shifted from centralized work environments to remote home-based offices the District experienced distribution

volume beyond their customer growth rate. Management believes this is due in part because of the District's proximity to Nashville / Davidson County. Many of their customers have traditionally commuted daily to Nashville for work. Travel restrictions may have also played a role in lifting volume as customers increased the demand for water for recreational purposes through the increased use and installation of pools and spas. In addition, the District did not experience an increase in bad debt or their customer's inability to pay. The District believe this is due to the diverse local economy and support programs and incentives instituted by Federal and State governments.

The District's current liquidity position is expected to be adequate to fund essential services and make timely debt service payments on debt of the District..

Various types of information regarding employment and income trends within the service area are described in this Appendix B. Some of this information may have been assembled prior to the COVID-19 outbreak and may not be reflective of current conditions. For example, the largest employers in the County are listed below in this Appendix B. The COVID-19 outbreak has affected businesses throughout the United States, including businesses in the County, and many of the employers listed below in this Appendix B may have changed their employment levels from the described levels. Given the fluidity of the current economic environment, the District is not able to provide sufficiently accurate updates to this information.

Capital Improvements and Future Borrowing

The District is located in a rapidly growing area of Tennessee. The growth continues to require additional expansion on the part of the District. The District anticipates approximately \$75 million in capital improvements over the next five years. The District historically financed a significant portion of capital improvements from internally generated funds. The District has determined that it may finance future expansions and improvements with a combination of internally generated funds and bond financings. This financing approach is subject to change at any time. The District does not currently have any specific plans for future bond financings after the 2021 Bonds are issued. The District has accumulated a strong cash position in order to accommodate the planned capital expenditures. To the extent that the District relies more heavily on internal cash for current and future projects, it is anticipated that the District's cash position may decline.

Debt Record

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

Competition and Franchise Rights

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

Method of Accounting

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

Investment and Cash Management Practices

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

- (a)(1) In order to provide a safe temporary medium for investment of idle funds, utility districts are authorized to invest in the following:
 - (A) Bonds, notes or treasury bills of the United States;
 - (B) Nonconvertible debt securities of the following federal government sponsored enterprises; provided, that the securities are rated in the highest category by at least two (2) nationally recognized rating services:
 - (i) The federal home loan bank;
 - (ii) The federal national mortgage association;
 - (iii) The federal farm credit bank; and
 - (iv) The student loan marketing association;
 - (C) Any other obligations not listed above which are guaranteed as to principal and interest by the United States or any of its agencies;
 - (D) Certificates of deposit and other evidences of deposit at state and federal chartered banks and savings and loan associations. All investments made pursuant to this subdivision (a)(1)(D) shall be secured in the manner set forth in § 9-1-107 or title 9, chapter 4, parts 1 and 4;
 - (E) Obligations of the United States or its agencies under a repurchase agreement for a shorter time than the maturity date of the security itself if the market value of the security itself is more than the amount of funds invested; provided, that municipalities may invest in repurchase agreements only if the state director of local finance approves repurchase agreements as an authorized investment and if such investments are made in accordance with procedures established by the state funding board;
 - (F) The local government investment pool created by title 9, chapter 4, part 7.
- (2) The investments listed in subdivisions (a)(1)(A)-(D) may have a maturity of not greater than four (4) years from the date of investment; however, such investments may have a maturity of greater than four (4) years from the date of investment, if the maturity is approved by the comptroller of the treasury or the comptroller's designee.

(3)(A) Investing in the instruments set forth in subdivision (a)(1)(B) or (a)(1)(E) shall require the following:

- (i) The utility district's governing board must authorize the investment; and
- (ii) The utility district's governing board shall adopt a written investment policy to govern the use of investments, with the policies being no less restrictive than those established by the state funding board to govern state investments in these types of instruments.

(B) Investment in instruments covered by subdivision (a)(3)(A) shall be prohibited until the utility district's governing board has adopted written policies to govern the use of the investments or has voted to authorize the investment.

(b)(1) Proceeds of bonds, notes and other obligations issued by utility districts, reserves held in connection with the bonds, notes or other obligations and the investment income from the bonds, notes or other obligations, may be invested in obligations that:

(A)

- (i) Are rated in either of the two (2) highest rated categories by a nationally recognized rating agency of such obligations;
- (ii) Are direct general obligations of a state of the United States, or a political subdivision or instrumentality of a state, having general taxing powers; and
- (iii) Have a final maturity on the date of investment of not to exceed forty-eight (48) months, or that may be tendered by the holder to the issuer of the bonds, notes or other obligations, or an agent of the issuer, at not less than forty-eight-month intervals; or

(B)

- (i) Are rated in the two (2) highest rating categories by a nationally recognized rating agency of such obligations;
- (ii) Are obligations of a state of the United States, or a political subdivision or instrumentality of a state, secured solely by revenues received by or on behalf of the state or political subdivision or instrumentality of the state, which revenues are irrevocably pledged to the payment of the principal of and interest on such obligations; and
- (iii) Have a final maturity on the date of investment of not to exceed forty-eight (48) months, or that may be tendered by the holder to the issuer of the bonds, notes and other obligations, or an agent of the issuer, at not less than forty-eight-month intervals.

(2) Such proceeds and the investment income on the proceeds may also be invested as otherwise set forth in this section.

- (c) The investments authorized by this section are in addition to those authorized in any other general law.

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

SERVICE AREA

The District is located in Rutherford County, Tennessee approximately 30 miles southeast of Nashville and adjacent to the cities of LaVergne, Murfreesboro, and Smyrna. The District services portions of Murfreesboro and Smyrna and most of rural Rutherford County. Between 1964 and 1972, the original systems, as described under the heading “Organization” herein, were financed with loans from the Farmer Home Administration, contributions from developers, and tap fees for service along the constructed water lines. The District served approximately 1,911 customers in 1972 and is now serving over 60,000 customers.

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

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

Notwithstanding the foregoing, federal law (7 USC 1926(b)) prohibits a city or town from annexing the territory of a utility provider which is indebted to the United States Government through one or more loans from the United States Department of Agriculture, acting through Rural Development. The District has two such loans, the more recent scheduled to mature in 2047.

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Rutherford County, Tennessee

Located in the middle of Tennessee with 615 square miles of land area, Rutherford County is the geographic center of the state and the 5th largest county in the state. The County is adjacent to the southern border of the Metropolitan Government of Nashville and Davidson County. Rutherford County was incorporated in 1834 and is governed by an elected County Mayor and a 21-member County Commission. Elections are held every four years. The most recent election was held in August 2018. The new officials took office in September 2018. The next major election will be held in August 2022. Virtually all of the County Commission's business is conducted through the committee system before moving to the full County Commission for a final vote.

The City of Murfreesboro is the County Seat of Rutherford County. Murfreesboro has an estimated population of 146,900. Murfreesboro is home to Middle Tennessee State University, the Saint Thomas Rutherford Hospital, and a large commercial and retail base. The Town of Smyrna is located in the northwestern part of the County. The Town of Smyrna is located near the Nashville – Davidson County border and has an estimated population of approximately 51,586. Smyrna is also notably the home to the TriStar Stonecrest Medical Center, a Motlow State Community College Campus and the large Nissan Assembly Plant. The City of La Vergne is adjacent to the Nashville-Davidson County border and has an estimated population of 35,716. La Vergne is known for its significant manufacturing, warehouse and distribution facilities. The County also includes the small City of Eagleville and numerous unincorporated areas.

The County provides a full range of services, including elementary and secondary education, law enforcement and corrections, judicial, solid waste collection, public health and welfare, and the construction and maintenance of highways and related infrastructure. Counties in Tennessee are political subdivisions of the State of Tennessee (the "State"). As a political subdivision of the State, a county only has authority delegated to it by the State. The State delegates authority and powers to counties through legislative action of the State's General Assembly, either through its Public or Private Acts. Public Acts apply to all counties in the State and are codified in the Tennessee Code Annotated which is revised and published on an annual basis and is widely available. Private Acts apply only to the counties named in the particular Private Act. Private Acts are available from the Secretary of State. Rutherford County operates under both Public and Private Acts. The majority of the Public Acts applicable to Rutherford County are found in Title 5 of the Tennessee Code Annotated, except to the extent such provisions have been modified by Private Acts specific to Rutherford County.

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

DEMOGRAPHIC DATA

Population

According to the 2020 U. S. Census, the County is the fifth largest county in the state with a population of 339,261 reflecting a 29% increase since the 2010 census

	<u>County</u>	<u>Tennessee</u>
1980 U.S. Census	84,058	4,600,252
1990 U.S. Census	119,847	4,890,626
2000 U.S. Census	183,596	5,703,719
2010 U.S. Census	263,721	6,355,518
2020 U.S. Census	339,261	6,886,834

Source: U.S. Bureau of Census

Income and Housing

In 2019, the County had a per capita personal income of \$42,712, which was 87.7% percent of the State average of \$48,676.

	<u>County</u>	<u>Tennessee</u>	<u>% of State</u>
2010 Per Capita Personal Income	\$31,265	\$35,652	87.7%
2011 Per Capita Personal Income	\$32,746	\$37,610	87.1%
2012 Per Capita Personal Income	\$34,809	\$39,285	88.6%
2013 Per Capita Personal Income	\$35,245	\$39,406	89.4%
2014 Per Capita Personal Income	\$36,400	\$40,778	89.3%
2015 Per Capita Personal Income	\$37,899	\$42,599	89.0%
2016 Per Capita Personal Income	\$38,797	\$43,591	89.0%
2017 Per Capita Personal Income	\$39,812	\$45,193	88.1%
2018 Per Capita Personal Income	\$41,302	\$47,165	87.6%
2019 Per Capita Personal Income	\$42,712	\$48,676	87.7%

Source: Bureau of Economic Analysis

	County	Tennessee	% of State
2010 Median Housing Value	150,000	149,900	100.1%
2011 Median Housing Value	157,000	150,925	104.0%
2012 Median Housing Value	162,500	160,000	101.6%
2013 Median Housing Value	162,500	165,000	98.5%
2014 Median Housing Value	163,000	166,000	98.2%
2015 Median Housing Value	182,250	175,000	104.1%
2016 Median Housing Value	199,000	185,000	107.6%
2017 Median Housing Value	230,000	196,800	116.9%
2018 Median Housing Value	247,000	210,000	117.6%
2019 Median Housing Value	264,990	226,000	117.3%

Source: Tennessee Housing Development Agency – This data reflects only the sales prices of new and existing homes that were sold in the respective years. This data may not be representative of the median value of all homes in the County or State.

LOCAL ECONOMY

The strength of Rutherford County's economy can be attributed to its diversity of manufacturing, retail establishments, warehouse facilities, higher education institutions, medical services and corporate call centers. The County's strong economy in turn attracts a growing population. Rutherford County has been recognized as one of the fastest growing counties in America. The citizenry has grown to 339,261 per the 2020 Census which is 29% above the 2010 Census and 85% above the 2000 Census.

The County's largest manufacturing employers include Nissan USA, Ingram Content Group, Asurion, Bridgestone, Johnson Controls, Schneider Electric, and General Mills. While manufacturing is one of the County's strongest economic segments, distribution, transportation, and other service-related industries are also large contributors to the strength of the economy. Tennessee's second largest state university with an enrollment of approximately 22,000, a regional veteran's facility with 347 hospital beds and 245 long-term care beds, a call center for Verizon Wireless, a call center for the Veteran's Administration, and numerous other companies are all located in Rutherford County. The employees of the south central regional office for State Farm Insurance are now working remotely. The County also benefits from being within a day's drive of 75 percent of the nation's markets and only minutes from three major interstates.

Nissan, with over 8,000 employees from throughout the region, is a major employer in the County. The Nissan Vehicle Assembly Plant in Smyrna was opened in 1983. Nissan has reportedly invested over \$6.4 billion in manufacturing facilities. The Smyrna plant is located on over 884 acres and the facility covers over 5.9 million square feet. The plant capacity is over 640,000 vehicles per year. Currently, the plant produces the Nissan Altima, Nissan Maxima, Nissan Pathfinder, Nissan Leaf, the Infiniti QX60 and the Nissan Rogue.

The economic base in the County continues to grow. Mahle, North America recently announced an investment of \$34 million and the addition of 345 new jobs at a facility in Rutherford County. Mahle provides products to Nissan, Volkswagen and General Motors, which all have automotive assembly plants in Tennessee. Amazon has recently announced an expansion in the LaVergne area of Rutherford County. They will be adding over 100 jobs in a "last mile" facility in the County. Additionally, Stevens Aerospace has announced that they are relocating to the Smyrna Airport in Rutherford County. Stevens Aerospace and Defense Systems provides MRO (maintenance, repair, and overhaul) services on a wide range of

aircraft produced by manufacturers such as Textron, Bombardier, Gulfstream, Pilatus, Dassault, and Embraer. This move is expected to create 80 new jobs in the County. The ICEE Company, a subsidiary of J&J Snack Foods, previously announced that they will be relocating their corporate headquarters to LaVergne. ICEE is reported to be a leader and innovator in the frozen beverage industry. The relocation is expected to add approximately 200 jobs in Rutherford County.

In December 2020, Gutterglove announced plans to invest \$5.4 million in a new manufacturing and distribution center in LaVergne. The company will be relocating certain machinery from their West Coast facility and adding manufacturing, shipping, receiving, and inventory spaces. The project is expected to create 80 new jobs.

In January 2021, Woods Air Movement announced plans to establish a North American headquarters and manufacturing facility in Murfreesboro. The company is investing \$3.6 million in a 25,000 square foot facility for the headquarters and for manufacturing industrial ventilation products used in road and rail tunnels, non-residential buildings, and underground parking garages. The project is expected to add 27 new jobs.

MAJOR RUTHERFORD COUNTY EMPLOYERS

Employer	Employees	Product/Service
Nissan North America	8,000	Automobile Manufacturing
Rutherford County Government and Board of Education	6,482	Government / Education
Middle Tennessee State University	2,205	Higher Education
National Healthcare Corp.	2,071	Healthcare
Ingram Content Group	2,000	Media Publishing and Distribution
State Farm Insurance ⁽¹⁾	1,650	Insurance
Amazon Fulfillment Center	1,550	Distribution Center
St. Thomas Rutherford Hospital	1,400	Healthcare
Alvin C. York Veterans Administration Medical Center	1,300	Healthcare
Asurion	1,250	Wireless Devices - Refurbishing

(1) State Farm announced in November 2020 that employees working at the Rutherford County office would be transitioned into a remote workforce. Although State Farm will continue to employ these individuals, the plans call for the building to be sold.

Sources : Annual Financial Reports and Auditor's Report Prepared by State Comptroller of the Treasury for the fiscal year ending June 30, 2020.

LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT DATA

Rutherford County's annual unemployment rate has remained below the State and National averages.

Year	Employment	Unemployment	Total Labor Force	Unemployment Percent		
				County	State	U.S.
2011	132,075	11,641	143,716	8.1%	9.1%	8.9%
2012	135,362	9,565	144,927	6.6%	8.0%	8.1%
2013	138,392	9,147	147,539	6.2%	7.7%	7.4%
2014	142,024	7,949	149,973	5.3%	6.6%	6.2%
2015	148,912	7,017	155,929	4.5%	5.6%	5.3%
2016	157,683	6,058	163,741	3.7%	4.8%	4.9%
2017	166,272	4,966	171,238	2.9%	3.7%	4.4%
2018	174,384	4,839	179,223	2.7%	3.5%	3.9%
2019	182,311	4,867	187,178	2.6%	3.4%	3.7%
2020	171,647	12,721	184,368	6.9%	7.5%	8.1%
Aug-21	180,501	6,353	186,854	3.4%	4.6%	5.2%

Source: Bureau of Labor Statistics and Tennessee Department of Labor and Workforce Development

EDUCATION

Two accredited public school systems—the Rutherford County Schools and the Murfreesboro City Schools—educate the majority of children in the County. In the 2019-2020 school year, the Rutherford County School System had an average daily membership of 46,879, an increase of 25.9% from the 2009-2010 school year. The Murfreesboro City School System had an average daily membership of 8,690 in the 2019-2020 school year, an increase of 25.9% from the 2009-2010 school year.

Rutherford			Rutherford		
	County	Murfreesboro		County	Murfreesboro
School Year	Schools	City Schools	School Year	Schools	City Schools
1999-2000	24,991	5,644	2010-2011	38,122	6,837
2000-2001	25,793	5,699	2011-2012	38,645	7,069
2001-2002	26,824	5,741	2012-2013	39,969	7,151
2002-2003	28,012	5,841	2013-2014	40,932	7,072
2003-2004	29,422	5,983	2014-2015	41,425	7,528
2004-2005	31,002	6,029	2015-2016	42,650	7,981
2005-2006	32,704	6,358	2016-2017	43,789	8,015
2006-2007	34,384	6,661	2017-2018	44,843	8,353
2007-2008	35,706	6,849	2018-2019	45,888	8,423
2008-2009	36,497	6,859	2019-2020	46,879	8,690
2009-2010	37,238	6,903			

Source: Tennessee Department of Education

Rutherford County is also the home to several institutions of higher education. Middle Tennessee State University, located in Murfreesboro, is the second largest university in Tennessee. MTSU has enrollment exceeding 22,000 students and faculty of approximately 900. Motlow Community College has four campuses including one in Rutherford County. The Rutherford County campus in Smyrna serves over 2,000 students.

APPENDIX C

AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2021

**CONSOLIDATED UTILITY DISTRICT
OF RUTHERFORD COUNTY, TENNESSEE
FINANCIAL STATEMENTS,
SUPPLEMENTAL INFORMATION
AND
INDEPENDENT AUDITORS' REPORTS
YEARS ENDED JUNE 30, 2021 AND 2020**

**CONSOLIDATED UTILITY DISTRICT
OF RUTHERFORD COUNTY, TENNESSEE
FINANCIAL STATEMENTS,
SUPPLEMENTAL INFORMATION
AND
INDEPENDENT AUDITORS' REPORTS
YEARS ENDED JUNE 30, 2021 AND 2020**

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Edmondson, Betzler & Dame
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Consolidated Utility District of Rutherford County, Tennessee (the "District") as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which comprise the District's 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 *Governmental 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2021 and 2020, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 8 and the pension trend data and post-employment data on pages 34 through 37 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 District's financial statements as a whole. The supplemental information section is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information, except for the portion marked "unaudited", on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



October 12, 2021
Murfreesboro, TN

Consolidated Utility District of Rutherford County

Management's Discussion and Analysis

For the Fiscal Year ended June 30, 2021

The management of Consolidated Utility District of Rutherford County (CUDRC) offers the readers of CUDRC's financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with the additional information furnished in this report.

Financial Highlights

- The assets plus deferred outflows of CUDRC exceeded its liabilities plus deferred inflows at the close of the most recent fiscal year by \$401,059,598 (*net position*). This includes Unrestricted Net Position in the amount of \$79,671,886 which may be used to meet CUDRC's ongoing obligations to customers, employees and creditors.
- CUDRC's total net position increased by \$26,099,201. This increase is substantially attributable to an infusion of resources from contributions and tap fees.
- Net income before contributions for the period was \$5,409,897.

Financial Statement Overview

This discussion and analysis are intended to serve as an introduction to CUDRC's financial statements. Comparative data for fiscal years 2020 and 2019 are also available in this year's MD&A. This report also contains other supplementary information in addition to the basic financial statements themselves.

The basic financial statements herein are comprised of the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, the Statement of Cash Flows, and the accompanying Notes. The Statement of Net Position presents information on all of CUDRC's assets and deferred outflows, liabilities and deferred inflows, with the difference being reported as net position.

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

Financial Analysis

Net Position may serve over time as a useful indicator of CUDRC's financial position. By far the largest portion of CUDRC's net position (78 percent) reflects both assets contributed by developers and the agency's own investment in capital assets (e.g., infrastructure, land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. CUDRC uses these assets to provide services to customers; consequently, these assets are not available for future spending. It should be noted that the resources needed to repay the long-term debt must be provided from operating revenues, since the capital assets themselves cannot be used to liquidate these liabilities.

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Current and Other Assets	\$97,782	\$85,034	\$78,173
Capital Assets	359,934	348,873	328,749
Total Assets	<u>\$457,716</u>	<u>\$433,907</u>	<u>\$406,922</u>
Deferred Outflows	<u>\$4,924</u>	<u>\$4,959</u>	<u>\$4,359</u>
Other Liabilities	\$8,327	\$7,506	\$7,288
Long-term Liabilities	49,236	51,743	53,141
Total Liabilities	<u>\$57,563</u>	<u>\$59,249</u>	<u>\$60,429</u>
Deferred Inflows	<u>\$4,017</u>	<u>\$4,657</u>	<u>\$4,879</u>
Net Position:			
Net Investment in Capital Assets	\$312,679	\$298,851	\$276,720
Restricted for bond provisions	8,709	8,961	7,919
Unrestricted	79,672	67,148	61,334
Total Net Position	<u>\$401,060</u>	<u>\$374,960</u>	<u>\$345,973</u>

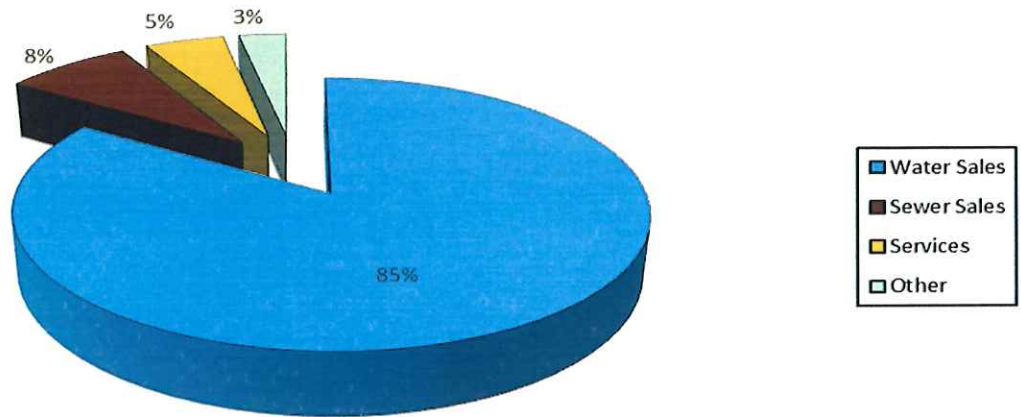
Table 2
Consolidated Utility District of Rutherford County
Condensed Statement of Revenues, Expenses, and Changes in Net
Position
For the Years ended June 30, 2021, 2020 and 2019
(In Thousands)

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Revenues:			
Operating revenue	\$39,298	\$36,914	\$34,375
Non-operating revenue	662	1,760	1,369
Total revenue	<u>\$39,960</u>	<u>\$38,674</u>	<u>\$35,744</u>
Expenses:			
Depreciation	\$11,468	\$10,258	\$9,618
Other operating expense	21,397	20,726	18,277
Non-operating expense	1,685	1,726	1,559
Total Expenses	<u>\$34,550</u>	<u>\$32,710</u>	<u>\$29,454</u>
Income before contributions	\$5,410	\$5,964	\$6,290
Other contributions	20,690	23,023	24,934
Change in net position	\$26,100	\$28,987	\$31,224
Beginning net position	374,960	345,973	314,749
Ending net position	<u>\$401,060</u>	<u>\$374,960</u>	<u>\$345,973</u>

Operating revenues in 2021 totaling \$39,298,458 as shown in Figure 1, an increase of 6% over the prior year, were derived principally from retail sales of water to an average of more than 60,000 customers during the fiscal year. The number of total active customers at year end was 62,277, indicating continued growth in customers served.

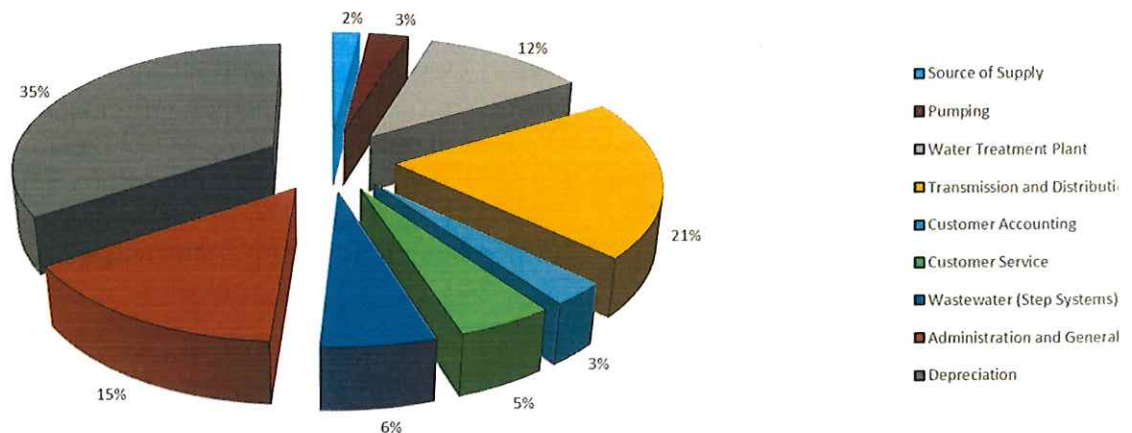
Revenue from sewer sales increased each month over the same period in the previous year, as the number of customers in these sewer systems increased from 6,452 to 7,033. Additional systems are nearing completion by developers, and others are in some stage of planning or construction. The 65 existing systems are designed to accommodate 9,943 homes.

Figure 1
Operating Revenues



Depreciation showed the largest increase in expenses from the previous year as the District continues to invest in distribution to support the strong growth in our service area. Investments in Operating Expense are higher year-over-year to service growth. Operating expenses totaled \$32,864,818, an increase of 6% over the prior year. Increased revenue and developer contributions resulted in a change in net position of \$26,099,201 which was slightly lower than the prior year. The table below presents each component of operating expenses as a percentage of the total.

Figure 2
Operating Expenses



Changes in Capital Assets

As shown in Table 3, CUDRC's investment in capital assets net of depreciation as of June 30, 2021, was approximately \$360 million and increased by more than \$11 million. Capital assets totaling \$20.7 million were installed and paid for by developers, then contributed to CUDRC.

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

(In Thousands)

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Land & land rights	\$6,721	\$6,293	\$6,000
Pumping stations	7,019	5,451	5,772
Reservoirs	8,503	8,736	7,124
Transmission & distrib. mains	239,649	222,521	209,579
Services & meters	431	703	1,017
Buildings	9,893	9,532	9,446
Land improvements	318	337	0
Water plant structures	36,973	20,175	20,840
Water plant equipment	7,153	4,940	5,250
Decentralized Sewer System	35,044	32,637	31,463
Office equipment	119	162	243
Transportation equipment	828	880	567
Tools & garage equipment	159	182	133
Heavy equipment	772	812	850
Work in progress, subcontract	6,351	35,512	30,4774
Total	<u>\$359,933</u>	<u>\$348,873</u>	<u>\$328,749</u>

CUDRC has several major projects on-going and scheduled through 2028 that are projected to cost nearly \$98 million. The District currently anticipates that additional funds may be borrowed at some point in the future to fund portions of these projects.

Long-term Debt

CUDRC had \$44,218,987 in long-term debt outstanding at year-end compared with \$47,142,067 in the prior period. Annual principal and interest requirements are \$4.5 million through fiscal 2027 and will decline steadily thereafter.

Economic Factors

Rutherford County, a part of the Nashville Metropolitan Statistical Area, reports an average unemployment rate of 4.5% in June 2021, compared with Tennessee's unemployment rate of 4.9% and the U.S. rate of 5.9%. We continue to see substantial multi-family housing construction and have seen a significant resumption of single-family residential development throughout our service territory.

Request for Information

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

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

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
STATEMENTS OF NET POSITION
JUNE 30, 2021 AND 2020

	2021	2020
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Assets		
Current assets:		
Cash and cash equivalents	\$ 62,455,153	\$ 27,193,099
Investments, at fair value	18,054,046	40,201,817
Accounts receivable, net of allowance for doubtful accounts, \$186,641 and \$201,774 for 2021 and 2020, respectively	4,994,683	5,590,893
Inventory	3,192,767	2,465,182
Interest receivable	181,249	165,535
Prepaid expenses	195,439	456,378
Total current assets	<u>89,073,337</u>	<u>76,072,904</u>
Restricted assets:		
Investments for debt service	7,969,698	7,763,684
Capital assets:		
Utility plant and equipment, net	359,933,489	348,873,049
Long-term assets:		
Net pension asset	738,924	1,197,126
Total assets	<u>457,715,448</u>	<u>433,906,763</u>
Deferred outflows of resources		
Deferred amount related to pensions	1,208,026	771,890
Deferred amount related to OPEB	1,321,131	1,593,590
Deferred amount from debt refunding	2,395,219	2,594,183
Total deferred outflows of resources	<u>4,924,376</u>	<u>4,959,663</u>
Total assets and deferred outflows of resources	<u>\$ 462,639,824</u>	<u>\$ 438,866,426</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current liabilities:		
Current portion of long-term debt	\$ 2,923,080	\$ 2,809,818
Trade accounts payable	3,704,947	2,765,185
Accrued interest payable	605,158	645,606
Accrued wages and payroll taxes	259,799	231,072
Accrued vacation	362,286	359,940
Other accrued liabilities	472,083	694,753
Total current liabilities	<u>8,327,353</u>	<u>7,506,374</u>
Long-term liabilities:		
Waterworks revenue bonds	44,218,987	47,142,067
Accrued sick leave	1,323,543	1,192,732
Post employment benefits	3,693,522	3,408,455
Total liabilities	<u>57,563,405</u>	<u>59,249,628</u>
Deferred inflows of resources		
Deferred amount related to pensions	352,374	577,866
Deferred amount related to OPEB	1,156,896	1,414,754
Deferred amount from debt refunding	2,507,551	2,663,781
Total deferred inflows of resources	<u>4,016,821</u>	<u>4,656,401</u>
Net position:		
Net investment in capital assets	312,679,090	298,851,566
Restricted	8,708,622	8,960,810
Unrestricted	79,671,886	67,148,021
Total net position	<u>401,059,598</u>	<u>374,960,397</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 462,639,824</u>	<u>\$ 438,866,426</u>

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

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
Operating revenues:		
Water and sewer revenues	\$ 36,415,424	\$ 34,337,566
Connection and other fees	<u>2,883,034</u>	<u>2,576,141</u>
Total operating revenues	<u>39,298,458</u>	<u>36,913,707</u>
Operating expenses:		
Source of supply	522,354	1,027,738
Pumping	837,432	870,663
Water treatment plant	3,939,818	3,436,249
Transmission and distribution	6,909,198	6,652,251
Customer accounting	839,551	1,039,603
Customer service	1,645,221	1,441,424
Wastewater (step sewer)	1,828,680	1,685,813
General and administrative	4,874,958	4,572,066
Depreciation and amortization	<u>11,467,606</u>	<u>10,257,803</u>
Total operating expenses	<u>32,864,818</u>	<u>30,983,610</u>
Net operating income	<u>6,433,640</u>	<u>5,930,097</u>
Non-operating revenues (expenses):		
Interest earned	452,798	1,391,858
Interest expense	(1,632,582)	(1,724,807)
Gain on sale of capital assets	209,790	280,264
Other income	-	88,495
Other non-operating expenses	<u>(53,749)</u>	<u>(1,552)</u>
Total non-operating revenues (expenses)	<u>(1,023,743)</u>	<u>34,258</u>
Net income before contributions	5,409,897	5,964,355
Capital contributions:		
Contributions in aid of construction	<u>20,689,304</u>	<u>23,022,584</u>
Change in net position	<u>26,099,201</u>	<u>28,986,939</u>
Net position, beginning of year	<u>374,960,397</u>	<u>345,973,458</u>
Net position, end of year	<u><u>\$ 401,059,598</u></u>	<u><u>\$ 374,960,397</u></u>

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

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
Cash flows from operating activities:		
Receipts from customers	\$ 39,894,668	\$ 35,705,409
Payments to suppliers and others	(12,818,534)	(13,016,899)
Payments to employees	(8,275,126)	(7,900,471)
Net cash provided by operating activities	<u>18,801,008</u>	<u>14,788,039</u>
Cash flows from noncapital financing activities:		
Other income	-	88,495
Other non-operating expenses	(53,749)	(1,552)
Net cash provided by (used in) noncapital financing activities	<u>(53,749)</u>	<u>86,943</u>
Cash flows from capital and related financing activities:		
Contributions in aid of construction	7,314,799	7,016,292
Acquisition and construction of capital assets	(8,948,519)	(15,713,047)
Proceeds from sale of capital equipment	209,790	280,264
Principal paid on revenue bonds	(2,809,818)	(2,050,481)
Interest paid on revenue bonds	(1,630,298)	(1,536,084)
Net cash used in capital and related financing activities	<u>(5,864,046)</u>	<u>(12,003,056)</u>
Cash flows from investing activities:		
Interest received on investments	437,084	1,383,149
Proceeds from maturity of investments and certificates of deposit	24,331,070	24,219,540
Purchases of investments and certificates of deposit	(2,389,313)	(29,335,221)
Net cash provided by (used in) investing activities	<u>22,378,841</u>	<u>(3,732,532)</u>
Net increase (decrease) in cash and cash equivalents	35,262,054	(860,606)
Cash and cash equivalents, beginning of period	<u>27,193,099</u>	<u>28,053,705</u>
Cash and cash equivalents, end of period	<u><u>\$ 62,455,153</u></u>	<u><u>\$ 27,193,099</u></u>
Non-cash capital and related financing activities:		
Developer contributions of utility plant	<u>\$ 13,374,505</u>	<u>\$ 16,006,292</u>
Capital additions included in accounts payable	<u>\$ 919,581</u>	<u>\$ 714,561</u>

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

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
Reconciliation of operating income to net cash provided by operating activities:		
Net income from operations	\$ 6,433,640	\$ 5,930,097
Adjustments to reconcile net income from operations to net cash provided by operating activities:		
Depreciation and amortization	11,467,606	10,257,803
Pension expense	155,113	139,205
Bad debt expense	48,108	142,686
(Increase) decrease in accounts receivable	548,102	(1,350,984)
Decrease in inventories	(727,585)	(707,021)
(Increase) decrease in prepaid expenses	260,939	(278,667)
Increase in net pension asset	458,202	(403,112)
Increase in trade accounts payable	734,742	247,210
Increase (decrease) in accrued wages and payroll taxes	28,727	(23,038)
Increase in accrued compensated absences	133,157	187,108
Increase in post employment benefits payable	285,067	1,349,418
Increase (decrease) in other accrued liabilities	(222,670)	302,002
(Increase) decrease in deferred amounts related to OPEB	14,601	(1,060,351)
(Increase) decrease in deferred amounts related to pensions	(816,741)	55,683
Net cash provided by operating activities	<u>\$ 18,801,008</u>	<u>\$ 14,788,039</u>

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

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of Accounting and Presentation

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

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

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

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

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments

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

Cash, Cash Equivalents, Deposits and Investments

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

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

Receivables

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

Inventory

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

Capital Assets

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

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

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

Depreciation expense aggregated \$11,467,606 and \$10,257,803 for the years ended June 30, 2021 and 2020, respectively, and is included with depreciation and amortization expense.

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

Abandonment of Capital Assets

In accordance with GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries," management evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both the decline in service utility of the capital asset is large in magnitude and the event or change in circumstance is outside the normal life cycle of the capital asset. No abandonment loss was recognized for the years ended June 30, 2021 and 2020.

Contributed Systems

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

Deferred outflows/inflows of resources

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

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

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Presentation of certain taxes

The District collects various taxes from customers and remits these amounts to applicable taxing authorities. The District's accounting policy is to exclude these taxes from revenues and cost of sales.

Net Position

Equity is classified as net position and displayed in the following three components:

Net investment in capital assets – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds that are attributable to the acquisition, construction, or improvement of those assets.

Restricted for debt service – Consists of restricted cash and investments.

Unrestricted – All other net position that do not meet the description of the above categories.

Revenues and Expenses

As a proprietary fund, the District was organized to be self-supporting through user charges. All proprietary funds are accounted for using the accrual basis of accounting. The District utilizes cycle billing and records revenue billed to its customers when the meters are read, and expenses are recorded as they are incurred. Recognition has been given to unbilled revenue in the financial statements.

Operating revenue consist of sales of water and other services related to water distribution. Non-operating revenues consist of investment income and special charges that can be used for either operating or capital purposes. Operating income reported in the financial statements includes revenues and expenses related to the primary continuing operations of the District. Principal operating expenses are the cost of providing goods or services and include administrative expenses and depreciation of capital assets.

Pensions

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

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

Employees of the District are entitled to paid vacation and sick days depending on the length of service and other factors. District employees who meet certain eligibility criteria are compensated for accrued sick leave upon retirement. The vested and earned vacation leave is recognized as a current liability of the District at June 30, 2021 and 2020. The estimated liability for sick leave has been reflected in this report as a long-term liability, as it will not be paid to employees until termination.

Use of Estimates

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

Risk Management

The District is subject to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance for these claims and for all other risks of loss. Settled claims have not exceeded the commercial coverage for the past years ended June 30, 2021, 2020 and 2019.

NOTE 2 - CASH AND INVESTMENTS

Cash and investments as of June 30, 2021 and 2020 are classified in the Statements of Net Position as follows:

	2021	2020
Cash and cash equivalents	\$ 62,455,153	\$ 27,193,099
Investments	18,054,046	40,201,817
Restricted for debt service	<u>7,969,698</u>	<u>7,763,684</u>
	<u><u>\$ 88,478,897</u></u>	<u><u>\$ 75,158,600</u></u>

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Cash and investments as of June 30, 2021 and 2020 consist of the following:

	2021	2020
Cash on hand	\$ 1,350	\$ 1,350
Deposits with financial institutions	62,453,803	27,191,749
Certificates of deposit	6,090,634	9,056,555
Investments - marketable securities	8,592,096	16,596,664
Investments - state and local obligations	1,545,366	543,905
Local governmental investment pool	9,795,648	21,768,377
	<u>\$ 88,478,897</u>	<u>\$ 75,158,600</u>

Authorized Investments

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

Disclosures Relating to Interest Rate Risk and Credit Risk

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

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

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

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

As of June 30, 2021, the District had the following investments in marketable securities:

	Market Value	Maturity Date	Call Date	Rating as of Year End
Fannie Mae	\$ 869,256	1/1/2023	Non-callable	AAA
Fannie Mae	649,044	3/1/2023	Non-callable	AAA
Federal Farm Credit Bank	2,016,905	1/13/2022	Non-callable	AAA
Federal Home Loan Bank	2,016,551	10/12/2021	Non-callable	AAA
Federal National Mortgage Assn.	3,040,340	1/11/2022	Non-callable	AAA
	<u>\$ 8,592,096</u>			

Concentration of Credit Risk

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

Fannie Mae	Federal Agency Securities	\$ 1,518,300
Federal Farm Credit Bank	Federal Agency Securities	\$ 2,016,905
Federal Home Loan Bank	Federal Agency Securities	\$ 2,016,551
Federal National Mortgage Assn.	Federal Agency Securities	\$ 3,040,340

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a depositor will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Tennessee Code Annotated requires that a financial institution secure deposits made by a state or local government unit by pledging securities in a collateral pool maintained by the State Treasurer, or by placing securities in an amount of 105% of the uninsured deposits in an escrow account in a second bank for the benefit of the government agency. Alternatively, banks may secure deposits by participating in an investment cash sweep program that is approved by the State Treasurer. The District began transitioning to a new retail bank in June 2020, and the new provider agreed to secure deposits through the Insured Cash Sweep (ICS), which operates through Promontory Interfinancial Network, LLC. However, the bank did not take the necessary steps to put this program in place, and consequently the District's balances in this depository in excess of the bank's FDIC limit were unsecured throughout the fiscal year. This was rectified on August 6, 2020 when the ICS program was properly executed. Unsecured balances totaled \$23,306,500 at June 30, 2020.

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk (Continued)

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, an investor will not be able to recover the value of its investment or collateral securities that are held in the possession of another party. All marketable securities are placed in the custody of a third-party bank in the name of the District.

NOTE 3 - CAPITAL ASSETS

Components of utility plant and equipment for the year ended June 30, 2021 are as follows:

	Balance June 30, 2020	Additions	Retires	Transfers	Balance June 30, 2021
Capital assets not being depreciated					
Land and improvements	\$ 6,292,713	\$ 428,429	\$ -	\$ -	\$ 6,721,142
Construction in progress	35,511,899	6,396,158	-	(35,556,471)	6,351,586
	<u>41,804,612</u>	<u>6,824,587</u>	<u>-</u>	<u>(35,556,471)</u>	<u>13,072,728</u>
Capital assets being depreciated					
Structures and improvements	76,311,812	2,083,096	-	3,081,068	81,475,976
Transmission and distribution mains	314,828,773	10,066,190	-	14,307,404	339,202,367
STEP sewer systems	38,719,553	3,252,196	-	50,593	42,022,342
Equipment	14,458,545	304,080	(104,071)	18,117,406	32,775,960
	<u>444,318,683</u>	<u>15,705,562</u>	<u>(104,071)</u>	<u>35,556,471</u>	<u>495,476,645</u>
Total plant in service	486,123,295	22,530,149	(104,071)	-	508,549,373
Less accumulated depreciation	<u>(137,250,246)</u>	<u>(11,467,606)</u>	<u>101,968</u>	<u>-</u>	<u>(148,615,884)</u>
Net capital assets	<u>\$ 348,873,049</u>	<u>\$ 11,062,543</u>	<u>\$ (2,103)</u>	<u>\$ -</u>	<u>\$ 359,933,489</u>

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 4 - LONG-TERM DEBT

The long-term debt at June 30, 2021 and 2020 consisted of the following:

	2021	2020
Series 2000 revenue bonds; interest payable monthly at 4.75%, maturing in monthly installments through 2040.	\$ 705,809	\$ 728,688
Series 2009 revenue bonds; interest payable monthly at 4.125%, maturing in monthly installments through 2047.	1,119,173	1,142,946
Series 2013 revenue refunding bonds; interest payable semi-annually at 2% to 4%, maturing in annual installments through 2036.	23,020,000	24,425,000
Series 2016 revenue refunding bonds; interest payable semi-annually at 1.81%, maturing in annual installments through 2030.	8,307,085	9,155,251
Series 2019 revenue bonds; interest payable semi-annually at 2% to 5%, maturing in annual installments through 2039.	<u>13,990,000</u>	<u>14,500,000</u>
Total debt	47,142,067	49,951,885
Less current portion	<u>2,923,080</u>	<u>2,809,818</u>
Long-term portion, net	<u><u>\$ 44,218,987</u></u>	<u><u>\$ 47,142,067</u></u>

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

Year Ending June 30,	Principal	Interest	Total
2022	\$ 2,923,080	\$ 1,531,096	\$ 4,454,176
2023	3,035,530	1,427,445	4,462,975
2024	3,144,734	1,319,792	4,464,526
2025	3,248,629	1,207,047	4,455,676
2026	3,373,493	1,090,383	4,463,876
2027-2031	15,466,095	3,769,707	19,235,802
2032-2036	12,230,324	1,722,342	13,952,666
2037-2041	3,353,801	297,046	3,650,847
2042-2046	306,806	45,474	352,280
2047	<u>59,575</u>	<u>1,174</u>	<u>60,749</u>
	<u><u>\$ 47,142,067</u></u>	<u><u>\$ 12,411,506</u></u>	<u><u>\$ 59,553,573</u></u>

As of June 30, 2021, the District was in compliance with all bond covenants.

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 4 - LONG-TERM DEBT (CONTINUED)

Long-term transactions for the year ended June 30, 2021 are as follows:

	Balance June 30, 2020	Proceeds	Payments	Balance June 30, 2021
Revenue bonds	\$ 16,371,635	\$ -	\$ 556,651	\$ 15,814,984
Refunding bonds	33,580,250	-	2,253,167	31,327,083
Total long-term debt	<u>\$ 49,951,885</u>	<u>\$ -</u>	<u>\$ 2,809,818</u>	<u>\$ 47,142,067</u>

Revenue Bond Issuance

On May 30, 2020, the District issued \$15,000,000 in revenue bonds at interest rates ranging from 2.0% to 5%. Net proceeds of \$15,865,114 were received which included a premium of \$1,076,584 and payments of \$211,470 in underwriting fees and other issue costs. The proceeds from the bonds were used to reimburse the District for four significant capital improvement projects to the system.

NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS

GASB Statement No. 72, *Fair Value Measurements and Application*, defines fair value as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity.

GASB Statement No. 72 specifies a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (observable inputs). In accordance with GASB Statement No. 72, the following summarizes the fair value hierarchy:

Level 1 Inputs – Unadjusted quoted market prices for identical asset and liabilities in an active market the District has the ability to access.

Level 2 Inputs – Inputs other than quoted prices in active markets that are observable either directly or indirectly.

Level 3 Inputs – Inputs based on prices or valuation techniques that are both unobservable and significant to the overall fair value measurements.

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following table presents the District's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2021 and 2020.

June 30, 2021				
	Total Value	Value Level 1	Value Level 2	Value Level 3
Certificates of deposit	\$ 6,090,634	\$ 6,090,634	\$ -	\$ -
Mortgage-backed securities	8,592,096	-	8,592,096	-
Fixed income	1,545,366	-	1,545,366	-
Local government investment pool	9,795,648	9,795,648	-	-
Total assets at fair value	<u>\$ 26,023,744</u>	<u>\$ 15,886,282</u>	<u>\$ 10,137,462</u>	<u>\$ -</u>
Total liabilities at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
June 30, 2020				
	Total Value	Value Level 1	Value Level 2	Value Level 3
Certificates of deposit	\$ 9,056,555	\$ 9,056,555	\$ -	\$ -
Mortgage-backed securities	16,596,664	-	16,596,664	-
Fixed income	543,905	-	543,905	-
Local government investment pool	21,768,377	21,768,377	-	-
Total assets at fair value	<u>\$ 47,965,501</u>	<u>\$ 30,824,932</u>	<u>\$ 17,140,569</u>	<u>\$ -</u>
Total liabilities at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Carrying values of non-derivative financial statement balances, including cash and cash equivalents, accounts payable, and accrued expenses, approximate fair values due to the short-term nature of these financial statements. The carrying value of long-term debt, based on borrowing rates currently available to the District, approximates fair value. There are no changes in methods or assumptions during the periods ended June 30, 2021 and 2020.

NOTE 6 - PENSION PLAN

Plan description

Employees of Consolidated Utility District of Rutherford County are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 6 - PENSION PLAN (CONTINUED)

Benefits provided

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

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

Employees covered by benefit terms

At the measurement date of June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	9
Inactive employees entitled to but not yet receiving benefits	43
Active employees	<u>116</u>
	<u>168</u>

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 6 - PENSION PLAN (CONTINUED)

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. The District makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2021, the employer contributions for the District were \$358,539 based on a rate of 5 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the District's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

Pension liabilities (assets). The District's net pension liability (asset) was measured as of June 30, 2020, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total pension liability as of June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent.
Investment rate of return	7.25 percent, net of pension plan investment expenses, including inflation.
Cost-of-Living Adjustment	2.25 percent

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

The actuarial assumptions used in the June 30, 2020 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 6 - PENSION PLAN (CONTINUED)

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	10%
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 7.25 percent based on a blending of the factors described above.

Discount rate. The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the District will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 6 - PENSION PLAN (CONTINUED)

Changes in Net Pension Liability

	Total Pension Liability	Increase (Decrease) Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balance at 6/30/19	<u>\$11,669,745</u>	<u>\$ 12,866,871</u>	<u>\$ (1,197,126)</u>
Changes for the year:			
Service cost	474,632	-	474,632
Interest	871,601	-	871,601
Difference between expected and actual experience	445,929	-	445,929
Contributions-employer	-	347,430	(347,430)
Contributions-employees	-	347,430	(347,430)
Net investment income	-	649,126	(649,126)
Benefit payments, including refunds of employee contributions	(244,589)	(244,589)	-
Administrative expense	-	(10,026)	10,026
Net changes	<u>1,547,573</u>	<u>1,089,371</u>	<u>458,202</u>
Balance at 6/30/20	<u><u>\$13,217,318</u></u>	<u><u>\$ 13,956,242</u></u>	<u><u>\$ (738,924)</u></u>

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

The following presents the net pension liability of the District calculated using the discount rate of 7.25 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Consolidated Utility District of Rutherford County's net pension liability (asset)	\$ 1,325,820	\$ (738,924)	\$ (2,419,028)

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 6 - PENSION PLAN (CONTINUED)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension expense

For the year ended June 30, 2021, the District recognized pension expense of \$155,113.

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 599,490	\$ 352,374
Net difference between projected and actual earnings on pension plan investments	115,263	-
Changes in assumptions	134,734	-
Contributions subsequent to the measurement date of June 30, 2020	358,539	N/A
Total	\$ 1,208,026	\$ 352,374

Note to schedule: The amount shown above for "Contributions subsequent to the measurement date of June 30, 2020," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

Year Ended June 30:

2022	\$ 22,895
2023	88,943
2024	134,204
2025	138,832
2026	27,721
Thereafter	84,819

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

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 6 - PENSION PLAN (CONTINUED)

Payable to the Pension Plan

At June 30, 2021, the District reported no outstanding amounts of contributions to the pension plan required at the year ended June 30, 2021.

NOTE 7 - RETIREMENT PLANS

Deferred Compensation Plan

The District offers its employees a deferred compensation plan created in accordance with the Internal Revenue Service Code Section 457. The Plan, available to all District employees, permits employees to defer a portion of their salary until future years. Compensation deferred under this plan is not available to employees or their beneficiaries until termination, retirement, death, or unforeseeable emergency. Prior to the adoption of the TCRS plan, the District provided a matching contribution of up to 4% of total wages to all participating employees. Subsequent to July 1, 2007 no employer match is available to employees participating in TCRS. For those employees who elected not to participate in TCRS the District provides a contribution of 11.5% for all employees who elect to contribute at least 5% to this program. Effective May 2, 2015, the District's contribution of 11.5% is being made to the defined contribution plan as described below. The plan assets are held in trust for the exclusive benefit of participating employees. The assets and liabilities associated with the plan are excluded from the District's statements of net position. There were no employer contributions under this program for the years ended June 30, 2021 and 2020.

Defined Contribution Plan

Beginning May 2, 2015, the District began offering its employees a deferred contribution retirement plan created in accordance with the Internal Revenue Service Code Section 401(a). This plan covers employees that were employed on July 1, 2007 and before who elected not to participate in the TCRS plan. Under the terms of the plan, the employee must contribute at least 5% to the deferred compensation plan. The District contributes 11.5% of employee-eligible plan compensation subject to annual limitations imposed by the Internal Revenue Code. Employees are immediately vested in employer contributions. For the years ended June 30, 2021 and 2020, employer contributions to the 401(a) retirement plan totaled \$75,557 and \$79,903, respectively.

NOTE 8 - POST EMPLOYMENT HEALTH BENEFITS

Plan Description

The District's defined benefit OPEB plan provides OPEB for all full-time employees of the District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75. The Retiree Health Plan does not issue a publicly available financial report.

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 8 - POST EMPLOYMENT HEALTH BENEFITS (CONTINUED)

Benefits Provided

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

Employees Covered by Benefit Terms

As of July 1, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>105</u>
Total participants covered by OPEB plan	<u>107</u>

Total OPEB Liability

The District's total OPEB liability of \$3,693,522 was measured as of June 30, 2021, and was determined by an actuarial valuation as of July 1, 2019.

Actuarial Assumptions and Other Inputs

Discount Rate	2.21%
Healthcare Cost Trend Rates:	
2020 – 2021 (single/two person)	22.73% / 23.25%
2021 - 2021 trend	9.50%
Decrement	0.50%
Ultimate trend	5.00%
Year ultimate trend is reached	2030
Salary Increases	2.00%

The discount rate was based on the index provided by *Bond Buyer 20-Bond General Obligation Index* based on the 20 year AA municipal bond rate as of June 30, 2020.

Mortality rates: SOA RP-2014 Total Dataset Mortality with Scale MP-2019 (Base year 2006).

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 8 - POST EMPLOYMENT HEALTH BENEFITS (CONTINUED)

Changes in the Total OPEB Liability

	2021	2020
OPEB liability, beginning of year	\$ 3,408,455	\$ 2,059,037
Changes for the year:		
Service cost	256,379	250,836
Interest	74,817	68,762
Assumption changes	-	729,645
Difference between actual and expected experience	-	345,307
Benefit payments	<u>(46,129)</u>	<u>(45,132)</u>
OPEB liability, end of year	<u>\$ 3,693,522</u>	<u>\$ 3,408,455</u>

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

The following presents the total OPEB liability calculated using a discount rate of 2.21%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	Discount Rate		
	1% Decrease	Current Discount Rate	1% Increase
Consolidated Utility District of Rutherford County's Total OPEB Liability	\$ 4,101,620	\$ 3,693,522	\$ 3,308,877

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

The following presents the total OPEB liability calculated using the trend rate of 22.73% / 23.25%, as well as what the total OPEB liability would be if it were calculated using a trend rate that is 1% lower or 1% higher than the current rate:

	Healthcare Cost Trend Rates		
	1% Decrease	Current Discount Rate	1% Increase
Consolidated Utility District of Rutherford County's Total OPEB Liability	\$ 3,101,977	\$ 3,693,522	\$ 4,415,247

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 8 - POST EMPLOYMENT HEALTH BENEFITS (CONTINUED)

OPEB Expense

	2021	2020
Service cost	\$ 256,379	\$ 250,836
Interest	74,817	68,762
Amortization of deferred charges:		
Difference between expected and actual experience	(199,533)	(199,533)
Changes of assumptions or other inputs	<u>214,134</u>	<u>214,134</u>
Net OPEB expense	<u>\$ 345,797</u>	<u>\$ 334,199</u>

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

Fiscal year ending differences between expected and actual experience	Initial Amount	Initial Amortization Period	Annual Recognition	Unamortized Balance as of June 30, 2021
June 30, 2017	\$ (924,115)	8.72	\$ (121,921)	\$ (436,431)
June 30, 2018	\$ (1,001,543)	7.72	\$ (120,668)	\$ (639,539)
June 30, 2019	N/A	6.72	N/A	N/A
June 30, 2020	\$ 345,307	8.02	\$ 43,056	\$ 259,195
Fiscal year ending changes in assumptions	Initial Amount	Initial Amortization Period	Annual Recognition	Unamortized Balance as of June 30, 2021
June 30, 2017	\$ 1,067,947	8.72	\$ 138,425	\$ 514,247
June 30, 2018	\$ (126,733)	7.72	\$ (15,269)	\$ (80,926)
June 30, 2019	N/A	6.72	N/A	N/A
June 30, 2020	\$ 729,645	8.02	\$ 90,978	\$ 547,689
			<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Differences between expected and actual experience			\$ 259,195	\$ (1,075,970)
Changes in assumptions			<u>1,061,936</u>	<u>(80,926)</u>
Total			<u>\$ 1,321,131</u>	<u>\$ (1,156,896)</u>

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 8 - POST EMPLOYMENT HEALTH BENEFITS (CONTINUED)

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

Annual amortization of Deferred Outflows/(Inflows)

Year Ended June 30:

2022	\$ 14,601
2023	14,601
2024	14,601
2025	(44,702)
2026	(44,702)
Thereafter	209,836
	<u>\$ 164,235</u>

NOTE 9 - COMMITMENTS AND CONTINGENCIES

The District in its normal course of business has entered into construction contracts with various companies for the purpose of extension and improvements to its water system and sewer services.

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

NOTE 10 - DATE OF MANAGEMENT'S REVIEW

Subsequent events have been evaluated by the District's management through October 12, 2021, which is the date the financial statements were available to be issued. During this period, there were no material recognizable subsequent events that required recognition in our disclosures to the June 30, 2021 financial statements.

SUPPLEMENTAL INFORMATION

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

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

Notes to Schedule

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

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

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

	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 358,539	\$ 195,256	\$ 152,328	\$ 154,816	\$ 515,569	\$ 473,421	\$ 408,725	\$ 401,527
Contributions in relation to the actuarially determined contribution	358,539	347,430	270,086	244,189	1,640,225	473,421	408,725	401,527
Contribution deficiency (excess)	\$ -	\$ (152,174)	\$ (117,758)	\$ (89,373)	\$ (1,124,656)	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 7,170,780	\$ 6,948,589	\$ 5,401,700	\$ 4,883,772	\$ 4,358,148	\$ 4,001,868	\$ 3,454,991	\$ 3,277,774
Contributions as a percentage of covered payroll	5.00%	5.00%	5.00%	5.00%	37.64%	11.83%	11.83%	12.25%

Notes to Schedule

Valuation date

Actuarially determined contribution rates for fiscal year 2021 were calculated based on the June 30, 2019 actuarial valuation.

Methods and assumptions used to determine contribution rates

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies by year
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	2.5 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	7.25 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actuarial experience including an adjustment for some anticipated improvement
Cost of living adjustments	2.25 percent

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

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

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

	2021	2020	2019
OPEB liability, beginning of year	\$ 3,408,455	\$ 2,059,037	\$ 3,033,594
Changes for the year:			
Service cost	256,379	250,836	109,357
Interest	74,817	68,762	66,302
Assumption changes	-	729,645	(126,733)
Change in actuarial cost method	-	345,307	(1,001,543)
Benefit payments	<u>(46,129)</u>	<u>(45,132)</u>	<u>(21,940)</u>
OPEB liability, end of year	<u>\$ 3,693,522</u>	<u>\$ 3,408,455</u>	<u>\$ 2,059,037</u>
 Covered-employee payroll	 \$ 6,176,012	 \$ 6,054,914	 \$ 4,883,772
Total OPEB liability as a percentage of covered payroll	59.80%	56.29%	42.16%

Notes to Schedule:

Benefit changes: There were no changes in benefit terms for the year ended June 30, 2021.

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

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
JUNE 30, 2021

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Final Maturity Date	Outstanding July 1, 2020	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding June 30, 2021
<u>Bonds Payable</u>									
Revenue Bonds, Series 2000	\$ 1,000,000	4.75%	5/28/2000	5/28/2040	\$ 728,688	\$ -	\$ 22,879	\$ -	\$ 705,809
Revenue Bonds, Series 2009	1,350,000	4.125%	5/26/2009	5/26/2047	1,142,946	-	23,773	-	1,119,173
Revenue Refunding Bonds, Series 2013	33,140,000	2.0% to 4.0%	4/11/2013	2/1/2036	24,425,000	-	1,405,000	-	23,020,000
Revenue Refunding Bonds, Series 2016	9,519,000	1.81%	8/30/2016	2/1/2030	9,155,251	-	848,166	-	8,307,085
Revenue Bonds, Series 2019	15,000,000	2.0% to 5.0%	5/30/2019	2/1/2039	14,500,000	-	510,000	-	13,990,000
Total Bonds Payable					<u>\$ 49,951,885</u>	<u>\$ -</u>	<u>\$ 2,809,818</u>	<u>\$ -</u>	<u>\$ 47,142,067</u>

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE

SCHEDULE OF NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS

(amounts expressed in thousands)

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Invested in Capital Assets, net of related debt	\$ 312,679	\$ 298,851	\$ 276,720	\$ 259,677	\$ 232,562	\$ 210,445	\$ 199,078	\$ 193,165	\$ 185,099	\$ 173,233
Restricted to Meet Bond Indenture Provisions	8,709	8,961	7,919	6,635	6,332	7,170	7,220	6,902	6,538	10,015
Unrestricted	79,672	67,148	61,334	48,437	49,065	46,281	43,730	35,662	31,634	30,843
Total Net Position	\$ 401,060	\$ 374,960	\$ 345,973	\$ 314,749	\$ 287,959	\$ 263,896	\$ 250,028	\$ 235,729	\$ 223,271	\$ 214,091

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE

SCHEDULE OF CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

(amounts expressed in thousands)

*

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Operating Revenue:										
Water Sales	\$ 33,666	\$ 31,773	\$ 29,306	\$ 28,143	\$ 27,267	\$ 18,866	\$ 24,635	\$ 23,794	\$ 22,793	\$ 22,895
Sewer (Step) Sales	3,041	2,767	2,517	2,318	2,138	1,487	1,851	1,676	1,513	1,463
Late Payment Fees	746	670	672	652	637	415	557	677	622	608
Service Charges	1,807	1,665	1,801	1,672	1,554	997	1,447	1,344	1,147	1,063
Other	248	241	234	64	310	150	229	211	197	166
Less: Adjustments and Allowances	(210)	(202)	(155)	(166)	(161)	(109)	(147)	(177)	(139)	(181)
Total Operating Revenue	39,298	36,914	34,375	32,683	31,745	21,806	28,572	27,525	26,133	26,014
Operating Expenses:										
Source of Supply	522	1,028	1,027	1,023	501	1	-	-	-	-
Pumping	836	871	738	743	745	390	596	547	527	525
Water Plant & Treatment	3,940	3,436	2,958	2,771	2,662	1,985	2,714	2,789	2,534	2,673
Transmission & Distribution	6,909	6,652	6,126	5,655	5,128	3,290	4,116	3,798	3,945	3,557
Customer Accounting	840	1,040	801	755	631	463	614	639	587	595
Customer Service	1,645	1,441	1,620	1,542	1,482	1,045	1,350	1,252	1,344	1,515
Wastewater (Step Systems)	1,829	1,686	1,337	1,217	1,013	712	944	932	905	877
Administrative & General	4,875	4,572	3,670	4,220	3,355	2,856	3,449	3,366	3,204	3,339
Depreciation & Amortization	11,468	10,258	9,618	9,103	8,649	6,290	8,065	7,347	7,214	7,087
Total Operating Expenses	32,864	30,984	27,895	27,029	24,166	17,031	21,848	20,670	20,260	20,168
Net Operating Revenue	6,434	5,930	6,480	5,654	7,579	4,775	6,724	6,855	5,873	5,846
Non-operating Revenue (Expenses)	(1,024)	34	(190)	(623)	(1,051)	(1,087)	(1,427)	(1,418)	(2,255)	(2,379)
Net Income before Contributions	5,410	5,964	6,290	5,031	6,528	3,688	5,297	5,437	3,618	3,467
Contributions:										
Tap Fees - Net of Costs	7,315	7,016	5,479	5,547	5,732	3,792	3,844	2,744	1,856	1,582
Developer Contributions	13,375	15,248	19,455	16,213	11,803	6,388	5,158	5,888	3,129	1,551
Contributions - Others	-	759	-	-	-	-	-	-	578	885
Total Contributions	20,690	23,023	24,934	21,760	17,535	10,180	9,002	8,632	5,563	4,018
Change in Accounting Methods	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Change in Net Position	\$ 26,100	\$ 28,987	\$ 31,224	\$ 26,791	\$ 24,063	\$ 13,868	\$ 14,299	\$ 14,069	\$ 9,181	\$ 7,485

* - Changes in net position for 2021, 2020, 2019, 2018 and 2017 are for the year ended June 30. Change in net position for 2016 are for the nine months ended June 30. Changes in net position for prior years are the years ended September 30.

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
SCHEDULE OF OPERATING REVENUES
FOR THE YEAR ENDED JUNE 30, 2021

	Actual	(Unaudited) Budget	Variance Favorable (Unfavorable)
Operating Revenues			
Water Sales	\$ 33,665,791	\$ 31,656,500	\$ 2,009,291
Sewer (Step) Sales	3,041,326	2,690,000	351,326
Late Payment Fees	745,340	650,000	95,340
Service Charges	1,807,078	1,394,000	413,078
Fire Protection	189,207	185,000	4,207
Miscellaneous Income	59,959	27,800	31,393
	<u>39,508,701</u>	<u>36,603,300</u>	<u>2,904,635</u>
Less: Adjustments and Allowances	<u>(210,243)</u>	<u>(210,000)</u>	<u>(243)</u>
Total Operating Revenues	<u>\$ 39,298,458</u>	<u>\$ 36,393,300</u>	<u>\$ 2,904,392</u>

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	Actual	(Unaudited) Budget	Budget Remaining	% of Budget Used
Source of Supply				
Purchased water	\$ 522,354	\$ 525,000	2,646	99.50%
Pumping				
Building and grounds	53,199	28,000	(25,199)	190.00%
Chemicals	1,367	-	(1,367)	0.00%
Computers and software	7,206	-	(7,206)	0.00%
Contract services, maintenance	29,635	40,000	10,365	74.09%
Electricity	287,197	380,000	92,803	75.58%
Employee regular wages	187,253	190,923	3,670	98.08%
Employee overtime pay	24,957	25,000	43	99.83%
Employee vacation pay	13,104	13,575	471	96.53%
Employee supplemental pay	6,574	1,710	(4,864)	384.44%
Employee sick pay	8,799	7,184	(1,615)	122.48%
Employee benefits, allocated	62,045	64,308	2,263	96.48%
Employee section 401(a)	10,936	10,807	(129)	101.19%
Retirement contribution	2,964	7,135	4,171	41.54%
Employer payroll taxes	17,858	18,237	379	97.92%
Equipment/vehicle repair	2,044	22,000	19,956	9.29%
Insurance, workers comp	1,460	1,100	(360)	132.73%
Licenses and permits	-	5,000	5,000	0.00%
Materials and supplies	1,554	10,000	8,446	15.54%
Miscellaneous	-	500	500	0.00%
Office furniture and fixtures	-	10,000	10,000	0.00%
Outside services employed	2,909	20,000	17,091	14.55%
Postage/freight	795	2,000	1,205	39.75%
Promotion and entertainment	94	-	(94)	0.00%
Rental expense	734	3,000	2,266	24.47%
Repair and maintenance	91,265	100,000	8,735	91.27%
School and education	413	20,000	19,587	2.07%
Telephone, data & fax	4,154	2,000	(2,154)	207.70%
Tools and equipment	7,283	20,000	12,717	36.42%
Transportation	11,191	15,000	3,809	74.61%
Travel	-	11,000	11,000	0.00%
Uniforms	442	1,500	1,058	29.47%
Total Pumping	837,432	1,029,979	192,547	81.31%
Water Treatment Plant				
Building and grounds	46,937	35,000	(11,937)	134.10%
Chemicals	1,164,115	910,000	(254,115)	127.92%
Computers and software	3,919	-	(3,919)	0.00%
Contract services, maintenance	26,529	9,000	(17,529)	294.77%
Dues and subscriptions	-	400	400	0.00%
Electricity	792,605	855,000	62,395	92.70%
Employee regular wages	930,704	934,500	3,796	99.59%
Employee overtime pay	67,266	46,000	(21,266)	146.23%
Employee vacation pay	66,865	58,328	(8,537)	114.64%
Employee supplemental pay	25,792	11,822	(13,970)	218.17%
Employee sick pay	28,711	34,815	6,104	82.47%

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
SCHEDULE OF OPERATING EXPENSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021

	Actual	(Unaudited) Budget	Budget Remaining	% of Budget Used
Employee benefits, allocated	367,284	357,763	(9,521)	102.66%
Retirement contribution	22,929	51,382	28,453	44.63%
Employer payroll taxes	83,070	83,038	(32)	100.04%
Equipment/vehicle repair	285	2,000	1,715	14.26%
Insurance, workers comp	7,099	9,000	1,901	78.88%
Lab supplies	42,205	35,000	(7,205)	120.59%
Licenses and permits	250	1,000	750	25.00%
Materials and supplies	34,655	25,000	(9,655)	138.62%
Miscellaneous	114	2,500	2,386	4.57%
Office furniture and fixtures	1,344	3,000	1,656	44.80%
Outside services employed	19,273	20,000	727	96.36%
Postage/freight	5,704	5,000	(704)	114.08%
Promotion & entertainment	347	500	153	69.48%
Rental expense	-	750	750	0.00%
Repair and maintenance	155,733	90,000	(65,733)	173.04%
School and education	9,243	4,000	(5,243)	231.06%
Telephone, data & fax	7,024	6,500	(524)	108.07%
Tools and equipment	22,054	15,000	(7,054)	147.03%
Transportation	3,734	4,500	766	82.98%
Travel	997	2,500	1,503	39.87%
Uniforms	3,030	3,000	(30)	101.01%
Total Water Treatment Plant	3,939,818	3,616,298	(323,520)	108.95%
Transmission and Distribution				
Building and grounds	1,343	15,000	13,657	8.95%
Computers and software	10,632	21,000	10,368	50.63%
Contract services, maintenance	17,761	3,000	(14,761)	592.03%
Dues and subscriptions	747	2,000	1,253	37.35%
Employee regular wages	2,935,667	3,133,953	198,286	93.67%
Employee overtime pay	119,070	183,700	64,630	64.82%
Employee supplemental pay	103,736	33,735	(70,001)	307.50%
Employee vacation pay	228,642	200,778	(27,864)	113.88%
Employee sick pay	236,484	116,011	(120,473)	203.85%
Employee - temporary	960	35,000	34,040	2.74%
Employee benefits, allocated	1,290,355	1,257,850	(32,505)	102.58%
Employee section 401(a)	23,736	24,690	954	96.14%
Retirement contribution	68,530	169,526	100,996	40.42%
Employer payroll taxes	267,267	283,293	16,026	94.34%
Equipment/vehicle repair	80,636	132,500	51,864	60.86%
Insurance, workers comp	23,850	27,400	3,550	87.04%
Lab supplies	1,357	6,000	4,643	22.62%
Licenses and permits	7,284	10,000	2,716	72.84%
Materials and supplies	28,971	29,700	729	97.55%
Miscellaneous expenses	-	4,650	4,650	0.00%
Office furniture/fixtures	5,374	15,000	9,626	35.83%
Outside services employed	92,711	140,000	47,289	66.22%
Postage/freight	6,499	4,500	(1,999)	144.42%
Promotion and entertainment	3,736	12,800	9,064	29.19%
Rental expense	4,427	18,000	13,573	24.59%
Repair and maintenance	999,658	905,000	(94,658)	110.46%
School and education	26,545	36,000	9,455	73.74%

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
SCHEDULE OF OPERATING EXPENSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021

	Actual	(Unaudited) Budget	Budget Remaining	% of Budget Used
Telephone, data & fax	41,557	56,000	14,443	74.21%
Tools and equipment	98,533	177,000	78,467	55.67%
Transportation	167,730	206,500	38,770	81.23%
Travel	205	45,500	45,295	0.45%
Uniforms	15,195	24,000	8,805	63.31%
Total Transmission and Distribution	6,909,198	7,330,086	420,888	94.26%
Customer Accounting				
Computers and software	6,242	4,000	(2,242)	156.05%
Contract services, maintenance	1,560	10,000	8,440	15.60%
Employee regular wages	357,971	363,483	5,512	98.48%
Employee overtime pay	22,795	43,500	20,705	52.40%
Employee supplemental pay	15,246	8,328	(6,918)	183.07%
Employee vacation pay	28,160	25,646	(2,514)	109.80%
Employee sick pay	26,373	13,670	(12,703)	192.93%
Employee benefits, allocated	201,426	196,423	(5,003)	102.55%
Employee section 401(a)	6,262	7,115	853	88.01%
Retirement contribution	7,900	19,221	11,321	41.10%
Employer payroll taxes	33,390	34,779	1,389	96.01%
Insurance, workers comp	2,784	3,800	1,016	73.26%
Materials and supplies	577	2,500	1,923	23.08%
Miscellaneous expenses	-	250	250	0.00%
Office furniture/fixtures	-	750	750	0.00%
Outside services employed	72,712	70,000	(2,712)	103.87%
Postage/freight	2,010	500	(1,510)	402.00%
Promotion and entertainment	50	750	700	6.67%
Rental expense	-	200	200	0.00%
Repair and maintenance	-	1,000	1,000	0.00%
School and education	1,480	4,000	2,520	37.00%
Telephone, data & fax	9,869	7,000	(2,869)	140.99%
Tools and equipment	2,445	8,000	5,555	30.56%
Transportation	39,508	35,000	(4,508)	112.88%
Travel	-	7,500	7,500	0.00%
Uniforms	791	3,500	2,709	22.60%
Total Customer Accounting	839,551	870,915	31,364	96.40%
Customer Service				
Computers and software	-	1,480	1,480	0.00%
Contract services, maintenance	90,093	120,000	29,907	75.08%
Dues and subscriptions	-	-	-	0.00%
Employee regular wages	682,047	736,941	54,894	92.55%
Employee overtime pay	2,079	4,500	2,421	46.20%
Employee supplemental pay	30,216	11,326	(18,890)	266.78%
Employee vacation pay	42,445	45,352	2,907	93.59%
Employee sick pay	30,924	27,430	(3,494)	112.74%
Employee benefits, allocated	338,735	326,868	(11,867)	103.63%
Employee section 401(a)	-	-	-	0.00%
Retirement contribution	16,047	40,711	24,664	39.42%
Employer payroll taxes	62,642	63,154	512	99.19%
Equipment/vehicle repair	-	2,500	2,500	0.00%

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
SCHEDULE OF OPERATING EXPENSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021

	Actual	(Unaudited) Budget	Budget Remaining	% of Budget Used
Insurance, workers comp	5,595	13,100	7,505	42.71%
Materials and supplies	490	4,000	3,510	12.25%
Miscellaneous expenses	-	5,000	5,000	0.00%
Office furniture/fixtures	266	2,000	1,734	13.30%
Outside services employed	138,466	105,550	(32,916)	131.19%
Postage/freight	204,651	210,300	5,649	97.31%
Promotion & entertainment	19	-	(19)	0.00%
Repair and maintenance	-	6,000	6,000	0.00%
School and education	-	10,000	10,000	0.00%
Telephone, data & fax	408	250	(158)	163.20%
Tools and equipment	98	1,000	902	9.80%
Transportation	-	500	500	0.00%
Travel	-	11,000	11,000	0.00%
Total Customer Service	1,645,221	1,748,962	103,741	94.07%
Wasterwater (Step Systems)				
Building and grounds	268,233	300,000	31,767	89.41%
Computers and software	26	1,500	1,474	1.75%
Dues and subscriptions	-	500	500	0.00%
Electricity	194,937	200,000	5,063	97.47%
Employee regular wages	347,142	354,702	7,560	97.87%
Employee overtime pay	48,013	47,000	(1,013)	102.16%
Employee supplemental pay	10,306	5,804	(4,502)	177.56%
Employee vacation pay	28,250	23,796	(4,454)	118.72%
Employee sick pay	47,761	13,296	(34,465)	359.21%
Employee benefits, allocated	157,116	177,809	20,693	88.36%
Employee section 401(a)	9,054	10,226	1,172	88.54%
Retirement contribution	7,680	17,493	9,813	43.90%
Employer payroll taxes	33,883	34,012	129	99.62%
Equipment/vehicle repair	1,949	8,000	6,051	24.36%
Insurance, workers comp	2,707	5,200	2,493	52.06%
Lab supplies	-	4,000	4,000	0.00%
Licenses & permits	59,270	65,000	5,730	91.18%
Materials and supplies	27,063	20,000	(7,063)	135.31%
Miscellaneous expenses	-	1,000	1,000	0.00%
Office furniture/fixtures	-	4,000	4,000	0.00%
Outside services employed	38,693	35,000	(3,693)	110.55%
Postage/freight	1,608	1,000	(608)	160.80%
Promotion and entertainment	50	1,000	950	5.01%
Professional fees	-	5,000	5,000	0.00%
Rental expense	1,373	5,000	3,627	27.46%
Repair and maintenance	386,589	250,000	(136,589)	154.64%
School and education	5,938	6,000	62	98.97%
Telephone, data & fax	89,860	85,000	(4,860)	105.72%
Tools and equipment	15,467	10,000	(5,467)	154.67%
Transportation	30,604	30,000	(604)	102.01%
Travel	-	7,500	7,500	0.00%
Uniforms	1,671	2,000	329	83.56%
Utilities	13,435	16,000	2,565	83.97%
Total Wastewater (Step Systems)	1,828,680	1,746,838	(81,842)	104.69%

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
SCHEDULE OF OPERATING EXPENSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021

	Actual	(Unaudited) Budget	Budget Remaining	% of Budget Used
General and administrative				
Bad Debts, net of recoveries	48,108	106,000	57,892	45.38%
Banking services, retail	328	5,000	4,672	6.56%
Banking services, investment	5,218	15,000	9,782	34.79%
Building and grounds	109,860	152,000	42,140	72.28%
Computers and software	340,025	537,020	196,995	63.32%
Contract services, maintenance	270,226	148,000	(122,226)	182.59%
Dues and subscriptions	148,498	142,100	(6,398)	104.50%
Employee regular wages	1,451,932	1,480,498	28,566	98.07%
Employee regular wages: Board	28,800	30,000	1,200	96.00%
Employee overtime pay	31,155	20,300	(10,855)	153.47%
Employee supplemental pay	43,098	12,275	(30,823)	351.10%
Employee vacation pay	107,525	87,526	(19,999)	122.85%
Employee sick pay	71,175	52,594	(18,581)	135.33%
Employee benefits, allocated	378,300	463,980	85,680	81.53%
Employee benefits, allocated: Board	84,708	70,000	(14,708)	121.01%
Employee section 401(a)	25,569	27,161	1,592	94.14%
Retirement contribution	29,063	69,530	40,467	41.80%
Employer payroll taxes	124,221	128,487	4,266	96.68%
Employer payroll taxes: Board	3,885	5,000	1,115	77.70%
Post-employment health care	-	330,000	330,000	0.00%
Equipment/vehicle repair	48	8,000	7,952	0.60%
Gas and Oil	14,934	-	(14,934)	0.00%
Insurance, general	307,360	270,000	(37,360)	113.84%
Insurance, workers comp	11,201	10,400	(801)	107.70%
Licenses & permits	53,887	4,000	(49,887)	1347.18%
Materials and supplies	88,200	118,800	30,600	74.24%
Miscellaneous expenses	3,624	26,100	22,476	13.89%
Office furniture/fixtures	8,778	15,250	6,472	57.56%
Outside services employed	325,939	209,450	(116,489)	155.62%
Postage/freight	3,942	6,700	2,758	58.84%
Promotion and entertainment	46,373	39,950	(6,423)	116.08%
Promotion and entertainment: Board	-	5,000	5,000	0.00%
Professional fees, accounting	20,000	60,000	40,000	33.33%
Professional fees, engineering	135,808	150,000	14,192	90.54%
Professional fees, legal	183,218	150,000	(33,218)	122.15%
Rental expense	751	3,050	2,299	24.62%
Repair and maintenance	3,235	13,000	9,765	24.88%
School and education	9,784	15,000	5,216	65.23%
School and education: Board	2,139	15,000	12,861	14.26%
Telephone, data & fax	132,451	73,250	(59,201)	180.82%
Telephone, data & fax: Board	2,992	5,000	2,008	59.84%
Tools and equipment	81,730	54,500	(27,230)	149.96%
Transportation	25,494	13,000	(12,494)	196.11%
Travel	700	20,000	19,300	3.50%
Travel: Board	632	50,000	49,368	1.26%
Tuition assistance	4,951	20,000	15,049	24.76%
Unemployment tax	1,008	5,000	3,992	20.16%
Uniforms	7,329	11,000	3,671	66.63%
Utilities	96,756	109,000	12,244	88.77%
Total Administration and General	4,874,958	5,362,921	487,963	90.90%

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
SCHEDULE OF OPERATING EXPENSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Actual</u>	<u>(Unaudited) Budget</u>	<u>Budget Remaining</u>	<u>% of Budget Used</u>
Depreciation and amortization	<u>11,467,606</u>	<u>11,320,000</u>	<u>(147,606)</u>	<u>101.30%</u>
Total Operating Expense	<u>\$ 32,864,818</u>	<u>\$ 33,550,999</u>	<u>\$ 686,181</u>	<u>97.95%</u>

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE

SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY

AS OF JUNE 30, 2021

Fiscal Year	All Bond Issues			2019 Refunding Revenue 2% - 5%		2016 Refunding Revenue 1.81%	
	Total	Principal	Interest	Principal	Interest	Principal	Interest
2022	4,454,176	2,923,080	1,531,096	540,000	491,413	864,318	150,358
2023	4,462,975	3,035,530	1,427,445	565,000	464,412	889,562	134,714
2024	4,464,525	3,144,733	1,319,792	600,000	436,162	891,663	118,613
2025	4,455,676	3,248,629	1,207,047	620,000	406,163	902,952	102,474
2026	4,463,875	3,373,492	1,090,383	650,000	375,162	935,295	86,131
2027	4,461,976	3,492,557	969,419	685,000	342,663	941,724	69,202
2028	3,928,375	3,085,332	843,043	720,000	308,413	936,919	52,156
2029	3,933,676	3,187,589	746,087	750,000	272,413	961,128	35,198
2030	3,953,876	3,307,997	645,879	800,000	234,913	983,524	17,802
2031	2,957,900	2,392,621	565,279	810,000	218,913	-	-
2032	2,954,218	2,465,772	488,446	825,000	192,418	-	-
2033	2,966,031	2,539,349	426,682	850,000	183,137	-	-
2034	2,989,530	2,632,947	356,583	860,000	162,949	-	-
2035	3,006,993	2,736,711	270,282	890,000	141,449	-	-
2036	2,035,894	1,855,545	180,349	915,000	114,750	-	-
2037	1,154,756	1,034,754	120,002	940,000	87,300	-	-
2038	1,156,556	1,069,055	87,501	970,000	59,100	-	-
2039	1,157,456	1,103,553	53,903	1,000,000	30,000	-	-
2040	111,623	92,296	19,327	-	-	-	-
2041	70,456	54,143	16,313	-	-	-	-
2042	70,456	56,419	14,037	-	-	-	-
2043	70,456	58,791	11,665	-	-	-	-
2044	70,456	61,238	9,218	-	-	-	-
2045	70,456	63,837	6,619	-	-	-	-
2046	70,456	66,521	3,935	-	-	-	-
2047	60,750	59,576	1,174	-	-	-	-
Totals	\$ 59,553,573	\$ 47,142,067	\$ 12,411,506	\$ 13,990,000	\$ 4,521,730	\$ 8,307,085	\$ 766,648

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE

SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY (CONTINUED)

AS OF JUNE 30, 2021

Fiscal Year	2013 Refunding Revenue 2%-4%		2009 Rural Development 4.125%		2000 Rural Development 4.75%	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	1,470,000	810,631	24,772	45,684	23,990	33,010
2023	1,530,000	751,831	25,814	44,642	25,154	31,846
2024	1,600,000	690,631	26,779	43,677	26,291	30,709
2025	1,670,000	626,631	28,025	42,431	27,652	29,348
2026	1,730,000	559,831	29,203	41,253	28,994	28,006
2027	1,805,000	490,931	30,431	40,025	30,402	26,598
2028	1,365,000	418,431	31,604	38,852	31,809	25,191
2029	1,410,000	377,481	33,039	37,417	33,422	23,578
2030	1,455,000	335,181	34,428	36,028	35,045	21,955
2031	1,510,000	291,531	35,875	34,581	36,746	20,254
2032	1,565,000	244,344	37,292	33,164	38,480	18,520
2033	1,610,000	195,438	38,951	31,505	40,398	16,602
2034	1,690,000	149,125	40,588	29,868	42,359	14,641
2035	1,760,000	88,088	42,295	28,161	44,416	12,584
2036	850,000	28,688	44,001	26,455	46,544	10,456
2037	-	-	45,922	24,534	48,832	8,168
2038	-	-	47,853	22,603	51,202	5,798
2039	-	-	49,865	20,591	53,688	3,312
2040	-	-	51,911	18,545	40,385	782
2041	-	-	54,143	16,313	-	-
2042	-	-	56,419	14,037	-	-
2043	-	-	58,791	11,665	-	-
2044	-	-	61,238	9,218	-	-
2045	-	-	63,837	6,619	-	-
2046	-	-	66,521	3,935	-	-
2047	-	-	59,576	1,174	-	-
Totals	<u>\$23,020,000</u>	<u>\$ 6,058,793</u>	<u>\$ 1,119,173</u>	<u>\$ 702,977</u>	<u>\$ 705,809</u>	<u>\$ 361,358</u>

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

(Unaudited)

(dollar amounts expressed in thousands)

*

	Fiscal Year										
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	
Operating Revenues	\$ 39,298	\$ 36,914	\$ 34,375	\$ 32,683	\$ 31,745	\$ 31,745	\$ 28,572	\$ 27,525	\$ 26,133	\$ 26,014	
Operating Expenses	32,864	30,984	27,895	27,029	24,166	24,166	21,848	20,670	20,260	20,168	
Net Operating Income	6,434	5,930	6,480	5,654	7,579	7,579	6,724	6,855	5,873	5,846	
Non-Operating Income(Expense)	(1,024)	34	(190)	(623)	(1,051)	(1,051)	(1,427)	(1,418)	(2,255)	(2,379)	
Net Income Before Contributions	5,410	5,964	6,290	5,031	6,528	6,528	5,297	5,437	3,618	3,467	
Add: Contributed Capital - Cash	7,315	7,775	5,479	5,547	7,200	4,717	3,844	2,744	1,863	1,632	
Depreciation	11,468	10,258	9,618	9,103	8,649	8,649	8,065	7,347	7,214	7,087	
Interest Expense	1,633	1,725	1,347	1,366	1,411	1,252	1,716	1,773	2,089	2,465	
Net Available for Debt Service	\$25,826	\$ 25,722	\$ 22,734	\$ 21,047	\$ 23,788	\$ 21,146	\$ 18,922	\$ 17,301	\$ 14,784	\$ 14,651	
Annual Debt Requirements	\$4,440	\$ 3,587	\$ 3,733	\$ 2,713	\$ 3,553	\$ 3,455	\$ 3,512	\$ 3,512	\$ 3,513	\$ 4,545	
Debt Service Coverage (times)	5.82	7.17	6.09	7.76	6.70	6.12	5.39	4.93	4.21	3.22	

* - Operating results for 2021, 2020, 2019, 2018 and 2017 are for the year ended June 30. Operating results for 2016 are for the nine months ended June 30. Prior years are for twelve months ended September 30.

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
CUSTOMERS AND RATE SCHEDULE
YEAR ENDED JUNE 30, 2021
(Unaudited)

As of June 30, 2021, Consolidated Utility District served approximately 60,870 water customers and had approved the following rate structure for the coming year:

Water Rates	
First 500 gallons	\$12.78
Each additional 1,000 gallons from 501 - 5,000	\$5.60
Each additional 1,000 gallons from 5,001 - 10,000	\$6.10
Each additional 1,000 gallons from 10,001 - 20,000	\$7.29
Each additional 1,000 gallons from 20,001 - 100,000	\$7.79
Each additional 1,000 gallons in excess of 100,000 gallons	\$6.79

As of June 30, 2021, Consolidated Utility District served approximately 7,033 customers on STEP sewer systems and had approved the following rate structure for the coming year:

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

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
TOP TEN CUSTOMERS BY REVENUE

(Unaudited)

For the Year Ended June 30, 2021 and Year Ended September 30, 2011

<u>Customer</u>	2021			2011		
	<u>Water Sales</u>	<u>Rank</u>	<u>Percentage of Total Water Sales</u>	<u>Annual Water Sales</u>	<u>Rank</u>	<u>Percentage of Total Water Sales</u>
American Homes 4 Rent LLC	\$ 179,900	1	0.53%			
Lifestyle Communities	177,532	2	0.53%			
FREO Tennessee, LLC	152,211	3	0.45%			
Westbury Farms LLC	132,779	4	0.39%			
W W Stonebridge Farms LP	121,396	5	0.36%			
Rutherford County Board of Education	118,787	6	0.35%	144,836	1	0.69%
Vintage @ The Park	109,207	7	0.32%	71,184	8	0.34%
CR Murfreesboro	107,769	8	0.32%			
Vantage At Murfreesboro LLC	107,248	9	0.32%			
Hawthorne Park South Apartments	106,553	10	0.32%			
University Gables APTS				131,281	2	0.63%
Embassy Suites				99,574	3	0.48%
Indian Park LTD				87,241	4	0.42%
Murfreesboro Gateway Properties LLC				82,018	5	0.39%
Browning Ferris 0531				81,763	6	0.39%
Woodgate Farms, LLC				71,615	7	0.34%
South Park Corporation				70,660	9	0.34%
Campus Crest Construction				66,387	10	0.32%

Note: Customer water sales for 2021 are for the year ended June 30. Customer water sales for 2011 are for the year ended September 30, 2011.

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

	Fiscal Year				
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Average Daily Demand	13.02	12.81	10.41	9.27	9.81
Maximum Daily Demand	17.76	17.31	16.73	12.86	14.20
Average Active Customers	60,870	57,900	55,535	53,027	51,085

	Fiscal Year				
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Average Daily Demand	9.89	9.98	10.17	9.79	10.10
Maximum Daily Demand	13.92	13.88	14.16	12.72	16.73
Average Active Customers	49,085	47,533	45,944	44,639	43,527

NOTE: Demand numbers are in million gallons per day

AVERAGE MONTHLY WATER USAGE (gals)	Fiscal Year				
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Sold to Customers	337,161,406	308,649,867	288,709,478	273,521,153	269,366,815
<i>percent sold</i>	85%	77%	87%	87%	85%
Non-Metered Consumption (Fire, flushing, etc.)	13,971,653	11,442,172	5,642,118	7,150,482	10,957,971
<i>percent non-metered</i>	4%	3%	2%	2%	3%
Unaccounted for	45,517,550	78,289,886	38,852,892	32,259,146	35,295,441
<i>percent unaccounted for</i>	11%	20%	12%	10%	11%
Average Monthly Water Pumped	<u>396,650,609</u>	<u>398,381,925</u>	<u>333,204,488</u>	<u>312,930,781</u>	<u>315,620,227</u>

AVERAGE MONTHLY WATER USAGE (gals)	Fiscal Year				
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Sold to Customers	250,795,268	240,849,913	233,355,934	221,244,772	234,406,261
<i>percent sold</i>	87%	60%	70%	71%	76%
Non-Metered Consumption (Fire, flushing, etc.)	(8,790,087)	924,786	3,854,839	15,428,754	9,175,919
<i>percent non-metered</i>	-3%	0%	1%	5%	3%
Unaccounted for	47,639,498	51,987,287	58,686,326	60,615,378	64,499,487
<i>percent unaccounted for</i>	16%	18%	20%	19%	21%
Average Monthly Water Pumped	<u>289,644,679</u>	<u>293,761,986</u>	<u>295,897,099</u>	<u>297,288,904</u>	<u>308,081,667</u>

* - Changes in net position for 2021, 2020, 2019, 2018 and 2017 are for the year ended June 30. Change in net position for 2016 are for the nine months ended June 30. Changes in net position for prior years are the years ended September 30.



AWWA Free Water Audit Software: Reporting Worksheet

WAS v5.0

American Water Works Association
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Click to access definition
 Click to add a comment

Water Audit Report for: **Consolidated Utility District** (June 2021) (791)
Reporting Year: **2020** 7/2020 - 6/2021

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: 8 4,506.276 MG/Yr 9 1.08% 5 0.27% 5 -1.71% MG/Yr
Water imported: 9 253.532 MG/Yr
Water exported: 10 88.859 MG/Yr

Master Meter and Supply Error Adjustments

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

WATER SUPPLIED: **4,620.573** MG/Yr

AUTHORIZED CONSUMPTION

Billed metered: 9 3,957.078 MG/Yr
Billed unmetered: n/a 0.000 MG/Yr
Unbilled metered: 10 14.826 MG/Yr
Unbilled unmetered: 5 57.757 MG/Yr

Default option selected for Unbilled unmetered - a grading of 5 is applied but not displayed

AUTHORIZED CONSUMPTION: **4,029.661** MG/Yr

WATER LOSSES (Water Supplied - Authorized Consumption)

Apparent Losses

Unauthorized consumption: 5 11.551 MG/Yr

Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed

Customer metering inaccuracies: 6 12.351 MG/Yr
Systematic data handling errors: 5 9.893 MG/Yr

Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed

Apparent Losses: **33.795** MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: **557.116** MG/Yr

WATER LOSSES: **590.911** MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: **663.495** MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains: 10 1,410.8 miles
Number of active AND inactive service connections: 10 58,282
Service connection density: 41 conn./mile main

Are customer meters typically located at the curbstop or property line? **Yes**

Average length of customer service line: 6 (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: 6 84.1 psi

COST DATA

Total annual cost of operating water system: 10 \$26,302,918 \$/Year
Customer retail unit cost (applied to Apparent Losses): 10 \$8.58 \$/1000 gallons (US)
Variable production cost (applied to Real Losses): 10 \$555.28 \$/Million gallons ☐ Use Customer Retail Unit Cost to value real losses

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:

1: Volume from own sources

2: Customer metering inaccuracies

3: Unauthorized consumption



AWWA Free Water Audit Software:

System Attributes and Performance Indicators

WAS v5.0

American Water Works Association
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Water Audit Report for: Consolidated Utility District (June 2021) (791)
Reporting Year: 2020 7/2020 - 6/2021

*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 83 out of 100 ***

System Attributes:

Apparent Losses:	33.795	MG/Yr
+ Real Losses:	557.116	MG/Yr
= Water Losses:	590.911	MG/Yr

? Unavoidable Annual Real Losses (UARL): 502.64 MG/Yr

Annual cost of Apparent Losses: \$289,964

Annual cost of Real Losses: \$309,355

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: 14.4%
Non-revenue water as percent by cost of operating system: 2.4% Real Losses valued at Variable Production Cost

Operational Efficiency: { Apparent Losses per service connection per day: 1.59 gallons/connection/day
Real Losses per service connection per day: 26.19 gallons/connection/day
Real Losses per length of main per day*: N/A
Real Losses per service connection per day per psi pressure: 0.31 gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL): 557.12 million gallons/year

? Infrastructure Leakage Index (ILI) [CARL/UARL]: 1.11

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

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
DISTRICT OFFICIALS AND MANAGEMENT
YEAR ENDED JUNE 30, 2021
(Unaudited)

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



Edmondson, Betzler & Dame
Certified Public Accountants

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Consolidated Utility District of Rutherford County, Tennessee as of and for the year ended June 30, 2021, and the related notes to the financial statements and have issued our report thereon dated October 12, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Purpose of this Report

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

A handwritten signature in black ink, appearing to read "Thomas, Taylor & Adams, PLLC". The signature is stylized and cursive.

October 12, 2021
Murfreesboro, TN

**CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021**

Financial statement findings

No prior year findings reported.

APPENDIX D
BOND COUNSEL OPINION

(Form of Bond Counsel Opinion)

December 15, 2021

Consolidated Utility District of Rutherford County, Tennessee
Murfreesboro, Tennessee

FHN Financial Capital Markets
Memphis, Tennessee

Re: Consolidated Utility District of Rutherford County, Tennessee Waterworks Revenue Bonds,
Series 2021

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by Consolidated Utility District of Rutherford County, Tennessee (the "Issuer") of \$18,000,000 Waterworks Revenue Bonds, Series 2021, dated the date hereof (the "Bonds"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

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

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

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

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

3. The principal of and interest on the Series 2021 Bonds are payable solely from and secured by a pledge of revenues to be derived from the operation of the water system of the Issuer, subject only to the payment of the reasonable and necessary costs of operating, maintaining, repairing and insuring said system, on parity and equality of lien with the District's outstanding Waterworks Revenue Refunding Bonds, Series 2013 and Waterworks Revenue Bonds, Series 2019, and any bonds hereafter issued on parity therewith, and subject to prior liens of such revenues in favor of the District's outstanding Waterworks Revenue Bond, Series 2000 and Waterworks Revenue Bond, Series 2009. We express no opinion as to the sufficiency of such revenues for the payment of principal of and interest on the Series 2021 Bonds.

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

5. Under existing law, the Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) Tennessee excise taxes on all or a portion of the interest on any of the

Bonds during the period such Bonds are held or beneficially owned by any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee, and (b) Tennessee franchise taxes by reason of the inclusion of the book value of the Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership doing business in the State of Tennessee.

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

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

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

Yours truly,

Bass Berry & Sims PLC

APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD COUNTY, TENNESSEE

\$18,000,000 WATERWORKS REVENUE BONDS, SERIES 2021

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this “Disclosure Agreement”) is executed and delivered this 15th day of December, 2021 by the Consolidated Utility District of Rutherford County, Tennessee (the “Issuer”) in connection with the issuance of its \$18,000,000 Waterworks Revenue Bonds, Series 2021 (the “Bonds”). The Issuer hereby covenants and agrees as follows:

SECTION 1. Purpose of and Authority for the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Issuer for the benefit of the Registered Owners and the Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with Rule 15c2-12(b)(5) (the “Rule”) of the Securities and Exchange Commission (the “SEC”). This Disclosure Agreement is being executed and delivered by the Issuer under the authority of the Resolution.

SECTION 2. Definitions. In addition to the terms otherwise defined herein, the following capitalized terms shall have the following meanings:

“Beneficial Owner” shall mean any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Fiscal Year” shall mean any period of twelve consecutive months adopted by the Issuer as its fiscal year for financial reporting purposes, and shall initially mean the period beginning on July 1 of each calendar year and ending June 30 of the following calendar year.

“MSRB” shall mean the Municipal Securities Rulemaking Board.

“Official Statement” shall mean the Official Statement of the Issuer, dated November 30, 2021, relating to the Bonds.

“Participating Underwriters” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Registered Owner” means any person who is identified as a holder of Bonds on the registration records maintained by or on behalf of the Issuer with respect to the Bonds.

“Resolution” shall mean the bond resolution adopted by the Board of Commissioners of the Issuer on October 26, 2021.

“State” shall mean the State of Tennessee.

“State Repository” shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule.

SECTION 3. Continuing Disclosure. The Issuer hereby agrees to provide or cause to be provided the information set forth below:

(a) *Annual Financial Information.* For Fiscal Years ending on or after June 30, 2021, the Issuer shall provide annual financial information and operating data within 12 months after the end of the Fiscal Year. The annual financial information and operating data shall include:

(i) The Issuer's audited financial statements, prepared in accordance with generally accepted accounting principles, or, if the Issuer's audited financial statements are not available, then the Issuer's unaudited financial statements; and

(ii) Operating data of the type included under the following headings of the Official Statement, which data may be presented in a manner other than as set in the Official Statement:

- Number of Customers
- Historical Water Demand
- Water and Sewer Rates
- Ten Largest Customers
- Summary of Operating Results
- Summary of Assets, Liabilities and Retained Earnings
- Historical Debt Service Coverage

(b) *Audited Financial Statements.* For Fiscal Years ending on or after June 30, 2021, the Issuer shall provide audited financial statements, prepared in accordance with generally accepted accounting principles, if and when available, if such audited financial statements are not included with the annual financial information described in subsection (a) above.

(c) *Event Notices.* The Issuer will provide notice of the following events relating to the Bonds in a timely manner, not in excess of ten business days after the occurrence of the event:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
- (vii) Modifications to rights of Bondholders, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) Defeasances (including disclosure as to whether the Bonds have been defeased to their maturity or to a preceding call date);
- (x) Release, substitution, or sale of property securing repayment of the securities, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar event of the obligated person;
- (xiii) The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake

such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

- (xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (xv) Incurrence of a financial obligation* of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Issuer, any of which affect security holders, if material; and
- (xvi) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Issuer, any of which reflect financial difficulties.

* As used in subsections (xv) and (xvi), the term “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “financial obligation” does not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

(d) *Notice of Failure to File Annual Financial Information.* The Issuer will provide timely notice of its failure to provide the annual financial information described in subsection (a) above within the time frame prescribed by subsection (a).

(e) *Notice of Amendment of Disclosure Agreement.* The Issuer will provide timely notice of an amendment to this Disclosure Agreement pursuant to the terms of Section 5(a) below.

SECTION 4. Methods of Providing Information.

(a) All disclosures required by Section 3 shall be transmitted to the MSRB using the MSRB's Electronic Municipal Market Access System ("EMMA") or by such other method as may be subsequently determined by the MSRB.

(b) Information shall be provided to the MSRB in an electronic format as prescribed by the MSRB, either directly, or indirectly through an indenture trustee or a designated dissemination agent.

(c) All transmissions to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

(d) Any required disclosure may be incorporated by reference to other documents filed with the MSRB in the manner required by subsection (a) above. The Issuer shall clearly identify each such other document so incorporated by reference.

(e) All disclosures transmitted to the MSRB hereunder shall be simultaneously transmitted to any State Repository.

SECTION 5. Amendment.

This Disclosure Agreement may be amended or modified so long as: (i) any such amendments are not violative of any rule or regulation of the SEC or MSRB, or other federal or state regulatory body; (ii) the amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the obligated person, or type of business conducted; (iii) this Disclosure Agreement, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (iv) the amendment does not materially impair the interests of Beneficial Owners

or Registered Owners, as determined either by parties unaffiliated with the Issuer (such as bond counsel), or by approving vote of the Beneficial Owners and Registered Owners pursuant to the terms of the Resolution at the time of the amendment.

(b) In the event of any amendment or modification to the financial information or operating data required to be filed pursuant to Section 3(a) above, the Issuer shall describe such amendment in the next filing pursuant to Section 3(a), and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, the next filing pursuant to Section 3(a) or 3(b), as applicable, shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 7. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, in addition to that which is required by this Disclosure Agreement. If the Issuer chooses to include any information in any disclosure required hereunder, in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future disclosure.

SECTION 8. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Registered Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 9. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Agreement, any Registered Owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed a default under the Resolution, and the sole remedy under this Disclosure Agreement in the event of any failure of any party to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 10. Governing Law. This Disclosure Agreement shall be governed by and construed in accordance with the laws of the State.

SECTION 11. Severability. In case any one or more of the provisions of this Disclosure Agreement shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of this Disclosure Agreement, but this Disclosure Agreement shall be construed and enforced as if such illegal or invalid provision had not been contained herein.

CONSOLIDATED UTILITY DISTRICT OF RUTHERFORD
COUNTY, TENNESSEE

By: _____
President of the Board of Commissioners