

**SOUTH CUMBERLAND UTILITY DISTRICT
OF CUMBERLAND COUNTY, TENNESSEE**

FINANCIAL SECTION

DECEMBER 31, 2011 AND 2010

ASSETS

	2011	2010
UTILITY PLANT		
Cost of Plant in Service	\$ 8,877,628	\$ 8,839,129
Land	156,607	128,604
Construction in Progress	1,146,782	12,350
Less: Accumulated Depreciation	(2,950,705)	(2,723,757)
Net Utility Plant	\$ 7,230,312	\$ 6,256,326
 CURRENT ASSETS		
Cash in Banks and On Hand	\$ 1,714,817	\$ 2,097,155
Accounts Receivable	170,834	201,054
Accrued Interest Receivable	3,125	3,718
Investment in Certificates of Deposit	163,956	159,790
Inventory	50,005	42,616
Prepaid Expenses	30,252	26,581
Total Current Assets	\$ 2,132,989	\$ 2,530,914
 RESTRICTED ASSETS		
Cash and Cash Equivalents	\$ 340,514	\$ 340,174
Debt Service Reserve	298,103	294,371
Certificates of Deposit	1,000,370	1,000,370
Total Restricted Assets	\$ 1,638,987	\$ 1,634,915
 OTHER ASSETS		
Bond Cost	\$ 167,226	\$ 167,226
Accumulated Amortization of Bond Costs	(45,523)	(39,949)
Total Other Assets	\$ 121,703	\$ 127,277
 TOTAL ASSETS	\$ 11,123,991	\$ 10,549,432

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

LIABILITIES AND NET ASSETS

	2011	2010
LONG-TERM DEBT		
Revenue Bonds Payable	\$ 3,224,363	\$ 3,302,836
Less: Current Maturities of Long-Term Debt	<u>(83,620)</u>	<u>(78,444)</u>
Total Long Term Debt	\$ <u>3,140,743</u>	\$ <u>3,224,392</u>
CURRENT LIABILITIES (Payable From Current Assets)		
Accounts Payable	\$ 255,544	\$ 99,358
Accrued Expenses	26,203	30,163
Customer Deposits	59,746	52,971
Deferred Revenue	<u>371,633</u>	<u>0</u>
Total Current Liabilities (Payable From Current Assets)	\$ <u>713,126</u>	\$ <u>182,492</u>
CURRENT LIABILITIES (Payable From Restricted Assets)		
Accrued Interest	\$ 14,877	\$ 12,327
Current Maturities of Long Term Debt (See Note L)	<u>83,620</u>	<u>78,444</u>
Total Current Liabilities (Payable From Restricted Assets)	\$ <u>98,497</u>	\$ <u>90,771</u>
Total Current Liabilities	\$ <u>811,623</u>	\$ <u>273,263</u>
TOTAL LIABILITIES	\$ <u>3,952,366</u>	\$ <u>3,497,655</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	\$ 5,468,536	\$ 4,421,311
Restricted	1,653,864	1,647,242
Unrestricted	<u>49,225</u>	<u>983,224</u>
Total Net Assets	\$ <u>7,171,625</u>	\$ <u>7,051,777</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u><u>11,123,991</u></u>	\$ <u><u>10,549,432</u></u>

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

	<u>2011</u>	<u>2010</u>
OPERATING REVENUE		
Metered Water Sales (Net of Bad Debts for 2011 \$2,937 & 2010 \$2,976)	\$ 1,710,905	\$ 1,701,162
Penalties	23,962	22,027
Other Income	70,862	67,941
Total Operating Revenue	\$ <u>1,805,729</u>	\$ <u>1,791,130</u>
OPERATING EXPENSES		
Water Purchased	\$ 633,853	\$ 633,429
Wages	314,204	303,276
Payroll Taxes	25,751	25,035
Employee Benefits	179,888	166,579
Supplies, Materials, Installations	24,299	23,438
Repairs and Maintenance	31,799	38,551
Office Supplies and Postage	28,223	28,543
Utilities and Telephone	45,141	44,046
Vehicle and Equipment Expense	31,434	22,824
Advertising, Dues and Fees	10,583	10,804
Insurance	25,286	26,182
Legal and Professional Fees	9,417	17,630
Meetings, Travel and Education	1,617	551
Miscellaneous	7,372	12,421
Total Operating Expenses	\$ <u>1,368,867</u>	\$ <u>1,353,309</u>
OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION	\$ 436,862	\$ 437,821
Depreciation and Amortization	(232,522)	(226,855)
Total Operating Income	\$ <u>204,340</u>	\$ <u>210,966</u>
NON OPERATING REVENUES (EXPENSES)		
Interest Income	\$ 22,259	\$ 32,036
Interest Expense	(151,851)	(151,987)
Tap Fees	45,100	66,200
Total Non Operating Revenues (Expenses)	\$ <u>(84,492)</u>	\$ <u>(53,751)</u>
CHANGE IN NET ASSETS	\$ 119,848	\$ 157,215
NET ASSETS, DECEMBER 31, 2010	<u>7,051,777</u>	<u>6,894,562</u>
NET ASSETS, DECEMBER 31, 2011	\$ <u>7,171,625</u>	\$ <u>7,051,777</u>

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

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 2,112,758	\$ 1,666,770
Payments for Operating Expenses	(913,497)	(1,066,470)
Payments to Employees	(314,204)	(303,276)
Receipts from Customers for Penalty Payments	23,962	22,027
Customer Deposits	6,775	9,126
Other Receipts (Payments)	<u>70,862</u>	<u>67,941</u>
<i>Net Cash Provided (Used) by Operating Activities</i>	<u>\$ 986,656</u>	<u>\$ 396,118</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal Paid on Revenue Bonds	\$ (78,473)	\$ (78,333)
Interest Paid on Revenue Bonds	(149,301)	(151,987)
Receipts from Customers for Tap Fees	45,100	66,200
Cash Paid for Acquisition and Construction of Capital Assets	<u>(1,200,934)</u>	<u>(218,153)</u>
<i>Net Cash Provided (Used) for Capital and Related Financing Activities</i>	<u>\$ (1,383,608)</u>	<u>\$ (382,273)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	\$ 22,852	\$ 36,067
Increase in Long-term Certificates of Deposit	(4,166)	(4,542)
Increase in Debt Service Reserve	<u>(3,732)</u>	<u>(9,455)</u>
<i>Net Cash Provided (Used) by Investing Activities</i>	<u>\$ 14,954</u>	<u>\$ 22,070</u>
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH EQUIVALENTS	<u>\$ (381,998)</u>	<u>\$ 35,915</u>
CASH AND RESTRICTED CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,437,329</u>	<u>2,401,414</u>
CASH AND RESTRICTED CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 2,055,331</u></u>	<u><u>\$ 2,437,329</u></u>
RECONCILIATION TO STATEMENT OF NET ASSETS (pg.12)		
TOTAL CASH (UNRESTRICTED)	\$ 1,714,817	\$ 2,097,155
TOTAL CASH (RESTRICTED)	340,514	340,174
CASH AND RESTRICTED CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 2,055,331</u></u>	<u><u>\$ 2,437,329</u></u>

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

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**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET
CASH PROVIDED BY OPERATING ACTIVITIES**

	<u>2011</u>	<u>2010</u>
Operating Income	\$ 204,340	\$ 210,966
<i>Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities</i>		
Depreciation and Amortization Expense	232,522	226,855
(Increase) Decrease in Accounts Receivable	30,220	(34,392)
(Increase) Decrease in Inventory	(7,389)	(6,054)
(Increase) Decrease in Prepaid Expenses	(3,671)	(1,838)
Increase (Decrease) in Accounts Payable	156,186	(13,656)
Increase (Decrease) in Accrued Expenses	(3,960)	5,111
Increase (Decrease) in Customer Deposits	6,775	9,126
Increase (Decrease) in Deferred Revenue	<u>371,633</u>	<u>0</u>
<i>Net Cash Provided (Used) by Operating Activities</i>	<u>\$ 986,656</u>	<u>\$ 396,118</u>

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

NOTE A - THE REPORTING ENTITY

The South Cumberland Utility District of Cumberland County, Tennessee (the "District") is a utility district incorporated under the State of Tennessee law "The Utility District Law of 1937" and the amendments and supplements thereto. It was incorporated on January 20, 1972. The District is engaged in the distribution of potable water to portions of the Cumberland County area. The District is managed by three District commissioners who are appointed for staggered four-year terms by the Cumberland County Mayor. The Board is ultimately responsible for all fiscal matters and management of the District.

The District, for financial purposes, includes only the South Cumberland Utility District of Cumberland County, Tennessee and is the only entity presented in these financial statements.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District's accounting policies conform to generally accepted accounting principles in the United States of America as applicable to governments. The following is a summary of the more significant policies:

1. Fund Accounting

PROPRIETARY FUND TYPES

Enterprise Fund

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (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.

2. Basis of Accounting

Basis of accounting refers to when revenue and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The District is required to use the accrual or proprietary fund basis of accounting. The revenues are recognized when they are earned, and the expenses are recognized when they are incurred (flow of economic measurement focus). Interest on revenue bonds, proceeds of which are used in financing the construction of certain assets, is capitalized during the construction period net of interest on the investment of unexpended bond proceeds.

Unbilled accounts receivable for the years ending December 31, 2011 and 2010 is estimated to be \$75,619 and \$78,489. Unbilled revenue is not reflected in the statement of net assets, which is consistent with prior years and industry standards.

3. Budget and Budgetary Accounting

Formal budgetary integration is employed by the District as a management control device during the year. The budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

4. Cash and Investments

1. Deposits

At December 31, 2011 and 2010, the carrying amount of the District's deposits, including restricted deposits and investments in certificates of deposit, was \$3,517,357 and \$3,891,401, respectively, and the bank balance was \$3,548,682 and 3,897,272, respectively. The District's deposits were covered by federal depository insurance of \$712,059 at December 31, 2011 and \$409,790 at December 31, 2010. The remaining \$2,836,623 at December 31, 2011 and \$3,487,482 at December 31, 2010 was category two collateralized. The three categories of credit risk are as follows:

- (1) Insured or collateralized with securities held by the entity or by its agent in the entity's name.
- (2) Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.
- (3) Uncollateralized. (This includes any bank balance that is collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the entity's name.)

2. Investments

The State of Tennessee limits the District to investments in the following investment types:

- (1) Bonds, notes, or treasury bills of the United States
- (2) Nonconvertible debt securities of the Federal Home Loan Bank, the Federal National Mortgage Association, the Federal Farm Credit Bank, and the Federal Home Mortgage Corporation
- (3) Any other obligations which are guaranteed as to principal and interest by the United States or any of its agencies
- (4) Certificates of Deposit and other evidence of deposit at state and federal chartered banks and savings and loan associations
- (5) Obligations of the United States or its agencies under a repurchase agreement, with certain conditions
- (6) The local government investment pool
- (7) Without the approval of the State Director of Local Finance, investments must have a maturity of not greater than (4) years from the date of investment.

At December 31, 2011 and 2010, the District was invested in Certificates of Deposit and demand deposit accounts with state and federal chartered banks only.

5. Restricted Assets

Restricted cash shown on the balance sheet is restricted because of requirements detailed in various bond documents. These restrictions are the result of monies borrowed in previous years on which debt is still outstanding.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

6. *Properties, Depreciation and Amortization*

The Water Utility Plant in Service and other related fixed assets are recorded at cost and include improvements that significantly add to productive capacity or extend useful life. Interest costs incurred to place an asset in its intended location and condition for use are recorded as a part of the cost of the asset. Interest costs capitalized for the years ending December 31, 2011 and 2010 were \$0. The cost of maintenance and repairs are charged to expense. Upon retirement or disposal of assets, the cost and related depreciation are removed from the accounts and gain or loss, if any, is reflected in the earnings for the period. Depreciation and amortization, for financial reporting purposes, is provided on the straight-line method over the period of estimated useful lives of the assets.

7. *Inventory*

Inventories are carried at cost using the first-in first-out method.

8. *Statement of Cash Flows*

For purposes of the statement of cash flows, the District considers all highly liquid investments (including restricted assets) with a maturity of three months or less and all certificates of deposits when purchased to be cash equivalents.

9. *GASB Statement No. 20*

For its proprietary activities, the District does not apply Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989. The District follows Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

10. *GASB Statement No. 34*

On June 1, 2003, the Utility adopted the provisions of Governmental Accounting Standards Board Statement No. 34, "*Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments.*" Statement No. 34 established standards for external financial reporting for all state and local governmental entities, which includes a statement of net assets, a statement of activities and changes in net assets, and a statement of cash flows. It requires the classification of net assets into three components-invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

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

Restricted - This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, laws, or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt." When both restricted and unrestricted

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

11. Capital Contributions

Distribution system assets, such as lines, contributed to the District by installers are capitalized at the installer's cost, which approximates fair value at the time of the District's acquisition, and are recorded as Capital Contributions when received.

12. Restricted and Unrestricted Cash

The District's unrestricted cash is used for operating and capital expenses. Restricted cash is used for payment of the indebtedness of the District.

13. Operating Revenues and Expenses

Operating revenue and expenses generally result from providing services in connection with the District's ongoing operations, water sales.

NOTE C - WORKING CAPITAL

Working capital as of December 31, 2011 and 2010 was \$1,419,863 and \$2,348,422, respectively.

NOTE D- INSURANCE

It is the policy of the District to purchase commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property and casualty, crime and employment practices, worker's compensation, officer's liability, employee health, accident and environmental. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE E- COMPENSATED ABSENCES

The District does not accrue any amounts for compensated absences. The District's policy does not allow vacation time to be accumulated from one year to the next. In addition, accumulated sick leave is forfeited upon termination or in the event of retirement, the time will be used as early retirement in lieu of pay.

NOTE F - RETIREMENT

The South Cumberland Utility District has established a Simplified Employee Pension (SEP) IRA Plan to which the District contributed to the IRA of each participating employee five (5.00%) percent of the employee's gross income. The District's contribution total for the years ended December 31, 2011 and 2010 was \$14,446 and \$12,909, respectively.

NOTE G - COSTS OF OPERATIONS

The costs of operations for the years ending December 31, 2011 and 2010 were \$1,753,240 and \$1,732,151, respectively. This includes operating expenses, interest expense, depreciation expense and amortization expense. This cost increased 1.2% over the prior year. The cost increased 7.4% in 2010 compared to 2009.

NOTE H - CAPITAL ASSETS

Capital assets purchased or acquired are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance is expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20-50 years
Water and sewer system	40-50 years
Machinery and equipment	3-10 years
Improvements	10-20 years
Other infrastructure	10-50 years

The following is a summary of the capital asset transactions of the District for the years ended December 31, 2011 and December 31, 2010:

	BALANCE				BALANCE
	JANUARY 1,	ADDITIONS	RETIREMENTS		DECEMBER 31,
COST	2011				2011
Land and Land Rights	\$ 128,604	\$ 28,003	\$ 0	\$ 0	\$ 156,607
Well System	251,858	0	0	0	251,858
Office Furniture and Equipment	186,121	0	0	0	186,121
Tanks	1,733,359	0	0	0	1,733,359
Transmission and Distribution	6,326,849	3,499	0	0	6,330,348
Roadways	23,457	0	0	0	23,457
Transportation Equipment	207,663	0	0	0	207,663
Buildings	109,822	35,000	0	0	144,822
Construction in Progress	12,350	1,134,432	0	0	1,146,782
TOTAL COST	\$ 8,980,083	\$ 1,200,934	\$ 0	\$ 0	\$ 10,181,017
DEPRECIATION					
Land and Land Rights	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Well System	0	0	0	0	0
Office Furniture and Equipment	138,532	14,792	0	0	153,324
Tanks	391,555	47,396	0	0	438,951
Transmission and Distribution	1,918,984	151,615	0	0	2,070,599
Roadways	23,420	38	0	0	23,458
Transportation Equipment	186,361	7,576	0	0	193,937
Buildings	64,905	5,531	0	0	70,436
TOTAL DEPRECIATION	\$ 2,723,757	\$ 226,948	\$ 0	\$ 0	\$ 2,950,705
NET UTILITY PLANT	\$ 6,256,326				\$ 7,230,312
BOND COSTS					
Bond Costs	\$ 167,226	\$ 0	\$ 0	\$ 0	\$ 167,226
TOTAL BOND COSTS	\$ 167,226	\$ 0	\$ 0	\$ 0	\$ 167,226
BOND AND LOAN COSTS AMORTIZATION					
Loan and Bond Costs Amortization	\$ 39,949	\$ 5,574	\$ 0	\$ 0	\$ 45,523
NET BOND AND LOAN COSTS	\$ 127,277				\$ 121,703

NOTE H - CAPITAL ASSETS - Continued

COST	BALANCE			BALANCE
	JANUARY 1, 2010	ADDITIONS	RETIREMENTS	DECEMBER 31, 2010
Land and Land Rights	\$ 128,604	\$ 0	\$ 0	\$ 128,604
Well System	251,858	0	0	251,858
Office Furniture and Equipment	177,766	8,355	0	186,121
Tanks	1,542,687	190,672	0	1,733,359
Transmission and Distribution	6,082,781	244,068	0	6,326,849
Roadways	23,457	0	0	23,457
Transportation Equipment	207,663	0	0	207,663
Buildings	109,822	0	0	109,822
Construction in Progress	237,297	12,350	237,297	12,350
TOTAL COST	\$ 8,761,935	\$ 455,445	\$ 237,297	\$ 8,980,083
DEPRECIATION				
Land and Land Rights	\$ 0	\$ 0	\$ 0	\$ 0
Well System	0	0	0	0
Office Furniture and Equipment	122,718	15,814	0	138,532
Tanks	350,515	41,040	0	391,555
Transmission and Distribution	1,767,873	151,111	0	1,918,984
Roadways	23,094	326	0	23,420
Transportation Equipment	178,786	7,575	0	186,361
Buildings	59,490	5,415	0	64,905
TOTAL DEPRECIATION	\$ 2,502,476	\$ 221,281	\$ 0	\$ 2,723,757
NET UTILITY PLANT	\$ 6,259,459			\$ 6,256,326
BOND COSTS				
Bond Costs	\$ 167,226	\$ 0	\$ 0	\$ 167,226
TOTAL BOND COSTS	\$ 167,226	\$ 0	\$ 0	\$ 167,226
BOND AND LOAN COSTS AMORTIZATION				
Loan and Bond Costs Amortization	\$ 34,375	\$ 5,574	\$ 0	\$ 39,949
NET BOND AND LOAN COSTS	\$ 132,851			\$ 127,277

The following schedule details the Net Assets Invested in Capital Assets, Net of Related Debt, at December 31, 2011 and 2010:

	2011	2010
Total Plant and Equipment	\$ 10,181,017	\$ 8,980,083
Accumulated Depreciation	(2,950,705)	(2,723,757)
	\$ 7,230,312	\$ 6,256,326
Less: Capital Related Debt		
Current Portion of Capital Related Debt	(83,620)	(78,444)
Long-term Portion of Capital Related Debt	(3,140,743)	(3,224,392)
Unspent Debt Proceeds - Construction Funds	1,340,884	1,340,544
Unamortized Bond Cost	121,703	127,277
	\$ (1,761,776)	\$ (1,835,015)
Total Net Assets Invested in Capital Assets, Net of Related Debt	\$ 5,468,536	\$ 4,421,311

NOTE I- LONG TERM DEBT

Long Term Debt - Bonds Payable

The District is liable for water revenue bonds payable to the various lenders. The bond issues are secured by the Net Revenues derived from the operations of the District. The following is a description of each issue and a summary of bond transactions for the twelve months ended December 31, 2011 and 2010.

<u>LENDER / DESCRIPTION</u>	<u>BALANCE JANUARY 1, 2011</u>	<u>SECURED BY</u>	<u>INTEREST RATE</u>	<u>YEAR OF MATURITY</u>	<u>PRINCIPAL PAYMENTS MADE</u>	<u>BALANCE DECEMBER 31, 2011</u>
Rural Development-2000 Cumberland Securities Regions - 2003 Series	\$ 197,836	Revenue	5.0000%	2038	\$ 3,473	\$ 194,363
	<u>3,105,000</u>	Revenue	Variable	2034	75,000	<u>3,030,000</u>
TOTAL BONDS	\$ <u>3,302,836</u>					\$ 3,224,363
Less: Current Portion						<u>(83,620)</u>
TOTAL LONG-TERM DEBT						\$ <u>3,140,743</u>

<u>LENDER / DESCRIPTION</u>	<u>BALANCE JANUARY 1, 2010</u>	<u>SECURED BY</u>	<u>INTEREST RATE</u>	<u>YEAR OF MATURITY</u>	<u>PRINCIPAL PAYMENTS MADE</u>	<u>BALANCE DECEMBER 31, 2010</u>
Rural Development-2000 Cumberland Securities Regions - 2003 Series	\$ 201,169	Revenue	5.0000%	2038	\$ 3,333	\$ 197,836
	<u>3,180,000</u>	Revenue	Variable	2034	75,000	<u>3,105,000</u>
TOTAL BONDS	\$ <u>3,381,169</u>					\$ 3,302,836
Less: Current Portion						<u>(78,444)</u>
TOTAL LONG-TERM DEBT						\$ <u>3,224,392</u>

NOTE I- LONG TERM DEBT – Continued

Debt service requirements for these notes and bonds for the next five years and thereafter are as follows:

<u>DECEMBER 31,</u>	BONDS PRINCIPAL PAYMENTS	INTEREST	TOTAL
2012	\$ 83,620	\$ 146,519	\$ 230,139
2013	83,806	143,473	227,279
2014	89,000	140,185	229,185
2015	89,205	136,793	225,998
2016	94,420	133,184	227,604
2017-2021	540,734	600,810	1,141,544
2022-2026	678,026	463,636	1,141,662
2027-2031	862,384	280,688	1,143,072
2032-2036	684,393	59,681	744,074
2037-2039	18,775	727	19,502
TOTAL	\$ 3,224,363	\$ 2,105,696	\$ 5,330,059

The revenue bond issues, which are described above, contain various restrictive covenants. The covenants restrict the use of revenue received, require establishment of restricted cash levels and accounts and prohibit and/or require other actions.

NOTE J- DEFERRED REVENUE

The District entered into an agreement with the Holiday Out RV Park (RV Park) to install taps for all 345 lots located inside the RV Park for \$396,750. As part of this agreement, the RV Park was required to pay the District \$371,633 in advance tap fees and the remaining approximately \$25,000 in \$5,000 increments. Revenue related to these payments will be recognized as the District pays invoices for the installation of the taps. At December 31, 2011, the deferred revenue associated with this agreement was \$371,633.

NOTE K- COMMITMENTS

The District entered into a ten (10) year contract with the City of Crossville to purchase water for resale. The contract began January 1, 2007 and ends December 31, 2017. The beginning water rate effective January 1, 2007 was \$2.67 per thousand gallons. The rate will be adjusted annually beginning January 1, 2008, at the same percentage increase as the City of Crossville charges to inside city customers. The rate at December 31, 2011 and 2010 was \$2.94 per thousand gallons and \$2.80 per thousand gallons, respectively.

NOTE L- SUBSEQUENT EVENTS

The District has evaluated subsequent events through May 23, 2012, which is the date the financial statements were issued. The District noted no items requiring disclosure in the financial statements.