



THE WEST WILSON UTILITY DISTRICT
of Wilson County, Tennessee
May 31, 2011 and 2010

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Independent Auditor's Report

The Board of Commissioners
West Wilson Utility District
of Wilson County, Tennessee
Mount Juliet, Tennessee

We have audited the accompanying balance sheets of the West Wilson Utility District of Wilson County, Tennessee as of May 31, 2011 and 2010 and the related statements of revenues, expenses, and changes in fund net assets, and cash flows for the years then ended, which collectively comprise the District's basic financial statements. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.


We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of West Wilson Utility District of Wilson County, Tennessee as of May 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated August 31, 2011, on our consideration of West Wilson Utility District of Wilson County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages i through ix, 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.

Our audits were conducted for the purpose of forming an opinion on the District's basic financial statements taken as a whole. The information included in the accompanying schedules on pages 20-22 and pages 24-27 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 financial statements taken as a whole. The information in the accompanying schedule on page 23 is also presented for purposes of additional analysis, but has not been subjected to auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

A handwritten signature in blue ink that reads "Price CPAs". The signature is stylized and cursive.

Price CPAs, PLLC
August 31, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the District's annual financial report presents our narrative overview and analysis of the District's financial performance during the Fiscal Year that ended on May 31, 2011. Please read and consider the information presented in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- During FYE 2011, the District delivered 1.6 billion gallons of water.
- The District's net assets increased by \$1.7 million or 3.49 percent.
- During the year the District's revenues increased to \$15.1 million or 20.8 percent over the prior year, while operating expenses decreased to \$10.6 million or .93 percent from the prior year.
- Capital contributions to the District decreased to \$.2 million or 40 percent less than the prior year.
- During the Fiscal Year, construction projects dealing with roadway widenings and relocations, storage tank construction and water line extension projects were completed and put into operation leading the way in capital expenditures totaling \$7.8 million, which includes \$.2 million in capital contributions from developer lines.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: Management's Discussion and Analysis, Financial Statements, and Supplementary Information. The Financial Statements also include notes that explain in more detail some of the information in the financial statements.

REQUIRED FINANCIAL STATEMENTS

The Financial Statements of the District report information about the District using accounting methods similar to those used by private sector companies. These statements offer short-and long-term financial information about its activities. The Balance Sheet includes all of the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenues and expenses are accounted for in the Statement of Operations and Changes in Net Assets. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through its user fees and other charges, profitability, and credit worthiness. The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the District's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and

financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

FINANCIAL ANALYSIS OF THE AUTHORITY

Our analysis of the District begins on page 2 of the Financial Statements. One of the most important questions asked about the District's finances is "Is the District as a whole better off or worse off as a result of the year's activities?" The Balance Sheet, and the Statement of Operations and Changes in Net Assets report information about the District's activities in a way that will help answer this question. These two statements report the net assets of the District and changes in them. You can think of the District's net assets - the difference between assets and liabilities - as one way to measure financial health or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. However, you will need to consider other non-financial factors such as changes in economic conditions, population growth, zoning and new or changed government legislation.

The District receives no financial support from the Federal Government, the State of Tennessee or Wilson County, Tennessee and has no taxing authority. The District's revenues are derived from water charges based upon metered water consumption of customers and fees. The water rates are established by the Board of Commissioners.

NET ASSETS

To begin our analysis, a summary of the District's Balance Sheets is presented in Table A-1.

TABLE A-1
Condensed Statements of Net Assets (Balance Sheets)
(In millions of dollars)

	FY 2010	FY 2011	Dollar Change
Current and Other Assets	\$ 17.9	\$ 34.5	\$ 16.6
Capital Assets	93.1	94.2	1.1
Total Assets	<u>111.0</u>	<u>128.7</u>	<u>17.8</u>
Long-term Debt Outstanding	61.1	76.9	15.8
Other Liabilities	1.1	1.4	0.3
Total Liabilities	<u>62.2</u>	<u>78.3</u>	<u>16.1</u>
Invested in Capital Assets, Net of Related Debt	40.7	41.9	1.2
-Restricted	5.0	4.9	(.1)
-Unrestricted	3.0	3.6	.6
Total Net Assets	<u>\$ 48.7</u>	<u>\$ 50.4</u>	<u>\$ 1.7</u>

As can be seen from the table above, net assets increased \$1.7 million to \$50.4 million in Fiscal 2011 up from \$48.7 million in Fiscal 2010. A further review of Net Assets shows that Restricted Net Assets (those established by debt covenants, enabling legislation, or other legal requirements) decreased to \$4.9 million. Unrestricted Net Assets (those that can be used to finance day-to-day operations) increased \$.6 million to \$3.6 million.

TABLE A-2
Condensed Statements of Operations
and Changes in Net Assets
(In millions of dollars)

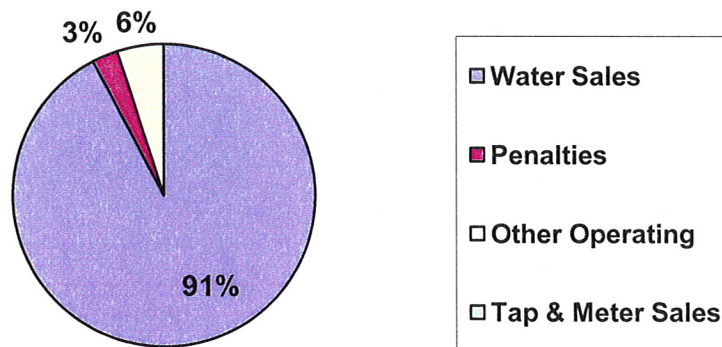
	<u>FY 2010</u>	<u>FY 2011</u>	<u>Dollar Change</u>
Operating Revenues	\$ 12.5	\$ 15.1	\$ 2.6
Nonoperating Revenues	0.2	0.1	(0.1)
Total Revenues	<u>12.7</u>	<u>15.2</u>	<u>2.5</u>
Depreciation Expense	3.5	3.5	0.0
Other Operating Expense	7.2	7.1	(.1)
Nonoperating Expense	2.9	3.1	0.2
Total Expenses	<u>13.6</u>	<u>13.7</u>	<u>.1</u>
Income Before Capital Contributions	(0.9)	1.5	2.4
Capital Contributions	0.5	0.2	(.3)
Change in Net Assets	<u>(0.4)</u>	<u>1.7</u>	<u>2.1</u>
Beginning Net Assets	49.1	48.7	(.4)
Ending Net Assets	<u>\$ 48.7</u>	<u>\$ 50.4</u>	<u>\$ 1.7</u>

While the Balance Sheets show the change in financial position of net assets, the Statements of Operations and Changes in Net Assets provides answers as to the nature and source of these changes. As can be seen in Table A-2 above, income before contributions of \$ 1.5 million and capital contributions of \$.2 million resulted in an increase in net assets of \$1.7 million in Fiscal 2011.

A closer examination of the source of changes in net assets reveals that the District's revenues increased to \$15.2 million in Fiscal 2011. In addition, sale of water taps, and developer contributions reported as capital contributions, were down \$.3 million to \$.2 million in Fiscal 2011 from \$.5 million in Fiscal 2010. Total expenses were up by \$.1 million to \$13.7 million in Fiscal 2011 from \$13.6 million in Fiscal 2010.

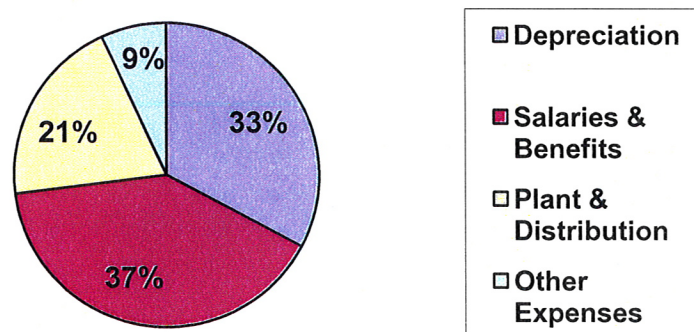
A further breakdown of operating revenues is shown below in Figure 1.

Figure 1
Operating Revenues



A further breakdown of operating expenses and depreciation is shown below in Figure 2.

Figure 2
Operating Expenses



BUDGETARY HIGHLIGHTS

As required by State law, the District adopts an Operating budget prior to the start of its Fiscal Year. The budget remains in effect the entire year and is not revised, as is the case in many governments. A Fiscal 2011 budget comparison and analysis is presented in the interim financial statements; however, they are not reported on nor shown in the financial statement section of this report.

TABLE A-3
Budget vs. Actual
(In millions of dollars)

	<u>FY 2011 Budget</u>	<u>FY 2011 Actual</u>	<u>Variance</u>
Revenues:			
From Operations	\$ 14.1	\$ 15.1	\$ 1.0
Non Operating Revenues	0.1	0.1	0.0
Total	<u>14.2</u>	<u>15.2</u>	<u>1.0</u>
Operating Expenses:			
Employment Costs	3.9	3.9	0.0
Repairs & Maintenance	1.1	1.1	0.0
Supplies & Materials	1.2	1.1	(0.1)
Depreciation	3.7	3.5	(0.2)
Utilities	0.5	0.5	0.0
Purchased Services	0.1	0.1	0.0
Administration	0.4	0.4	0.0
Non Operating	2.9	3.1	0.2
Total Expenses	<u>13.8</u>	<u>13.7</u>	<u>(0.1)</u>
Income (Loss) Before			
Capital Contributions	0.4	1.5	1.1
Capital Contributions	<u>0.0</u>	<u>0.2</u>	<u>0.2</u>
Change in Net Assets	<u>\$ 0.4</u>	<u>\$ 1.7</u>	<u>\$ 1.3</u>

As can be seen from Table A-3, the District's revenues increased to \$15.2 million, closing the year \$1.0 million above budgeted revenues. During this same time, expenses decreased to \$13.7 million, \$1 million below budget. The net result of these factors was that the District over-performed its Fiscal 2011 budget by an increase in net assets of \$1.3 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

At the end of 2011, the District had invested \$134.1 million in a broad range of infrastructure including water plant, water lines, tank reservoirs, maintenance & administration facilities, vehicles and equipment as shown in Table A-4.

Table A-4
Capital Assets
(In millions of dollars)

	<u>FY 2010</u>	<u>FY 2011</u>	<u>Dollar Change</u>
Land	\$ 6.3	\$ 6.3	\$ 0.0
Buildings	5.0	5.1	0.1
Machinery & Equipment	8.4	8.8	0.4
Improvements	106.1	112.4	6.3
Construction in Progress	3.9	1.5	(2.4)
Subtotal	<u>129.7</u>	<u>134.1</u>	<u>4.4</u>
Less Accumulated Depreciation	<u>36.7</u>	<u>39.9</u>	<u>3.2</u>
Net Property Plant Equipment	<u>\$ 93.0</u>	<u>\$ 94.2</u>	<u>\$ 1.2</u>

The following is a summary of some of the major improvements to the system during Fiscal Year 2011.

This year's major capital assets additions include (dollars in millions):

- \$6.3 million to construct the expansion of the District Water Distribution System
- \$.4 million to purchase operating equipment and vehicles
- \$.1 million in building expansions

In Table A-5, the District's FY 2012 Capital Budget projects spending \$6.9 million for capital projects, principally for line relocations, replacement and extensions. The District believes these projects will be financed from available resources. More information about the District's Capital Assets is presented on page 12 in the Notes to the Financial Statements.

Table A-5
Fiscal Year 2012 Capital Budget
(In millions of dollars)

	<u>FY 2012</u>
Water Line Relocations and Extensions	\$ 6.0
Fire Hydrant Project	0.3
Minor Capital Items	0.6
Total	<u>\$ 6.9</u>

LONG TERM DEBT

At year-end, the District had \$77.2 million in long and short-term debt, up from \$61.4 million in Fiscal 2010 for an increase of \$15.8 million, which was the result of the issuance of the 2010 Series Bonds in the amount of \$19.3 million less the amount of the fiscal year 2011 principal

payments on outstanding debt. More detailed information about the District's long-term liabilities is presented on pages 14 through 17 in the Notes to the Financial Statements. The District does not expect to issue new debt in the near future.

BOND RATINGS

All outstanding bonds carry an Aaa rating from Moody's, based upon a Municipal Bond Insurance Policy.

LIMITATIONS ON DEBT

Bond covenants allow for the issuance of additional debt, on a parity, as to lien on the net revenues of the System provided certain net earning ratio(s) conditions are met. The major criteria is that all estimated future net earnings of the System must be at least 1.2 times the highest combined debt service requirement.

One area that demonstrates the District's financial strength and future borrowing capability is seen in its debt coverage ratio, which is currently 2.3. The impact of this is that the District has the ability and the capacity to finance, at current market conditions, additional debt from current earnings (as shown in Table A-6).

**Table A-6
Debt Coverage Ratio
(In millions of dollars)**

	<u>FY 2010</u>	<u>FY 2011</u>
Revenues		
Revenues from Operations	\$ 12.5	\$ 15.1
Interest Income (excludes construction fund)	0.2	0.1
Total Revenue	<u>12.7</u>	<u>15.2</u>
Total Operating Expenses (less depreciation)	<u>7.2</u>	<u>7.1</u>
Net Earnings	<u>\$ 5.5</u>	<u>\$ 8.1</u>
Annual Debt Service	<u>\$ 3.0</u>	<u>\$ 3.6</u>
Debt Coverage Ratio	<u>1.8</u>	<u>2.3</u>

The District has been successful in taking advantage of available low financing in recent years. As can be seen in Table A-7, the District's current average cost of capital is 4.29 percent of outstanding debt.

**Table A-7
Cost of Capital**

	<u>Debt Balance</u>	<u>Average Coupon Rate</u>
FHA Notes	\$ 2.1	4.90%
2004 Bonds	1.0	4.84%
2005 Bonds	17.3	4.04%
2006 Bonds	39.3	4.20%
2010 Bonds	18.9	4.60%
Total	<u>\$ 78.6</u>	<u>4.29%</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The District's Board of Commissioners and management considered many factors when setting the Fiscal Year 2012 budget, user fees, and charges. One of those factors is the economy. The District's customer base has mirrored the city and county population growth during 1995-2011. Inflation in the Metro Nashville area continues to be somewhat lower than the National Consumer Price Index (CPI) increase.

These indicators were taken into consideration when adopting the District budget for FY 2012.

**Table A-8
FY 2011 Actual vs FY 2012 Budget
(In millions of dollars)**

	<u>Actual FY 2011</u>	<u>Budget FY 2012</u>	<u>Dollar Change</u>
Operating Revenues	\$ 15.1	\$ 14.4	\$ (.7)
Non-operating Revenues	0.1	0.1	0.0
Total Revenues	<u>15.2</u>	<u>14.5</u>	<u>(.7)</u>
Depreciation Expense	3.5	3.8	0.3
Other Operating Expense	7.1	7.5	0.4
Non-operating Expense	3.1	2.6	(0.5)
Total Expenses	<u>13.7</u>	<u>13.9</u>	<u>0.2</u>
Income (Loss) Before Capital Contributions	1.5	0.6	(.9)
Capital Contributions	0.2	0.0	(0.2)
Change in Net Assets	1.7	0.6	(1.1)
Beginning Net Assets	48.7	50.4	1.7
Ending Net Assets	<u>\$ 50.4</u>	<u>\$ 51.0</u>	<u>\$ 0.6</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES (CONTINUED)

As shown in Table A-8 above, operating revenues available for recovering operating costs are projected to be \$14.4 million, a decrease of \$.7 million below the FY 2011 revenues of \$15.1 million. The Fiscal 2012 water rate increase is expected to lead these projections and projected level tap fees and capacity fees bring the total expectation below FY 2011. No additional rate increases have been budgeted. The District will use this increase to finance services we currently offer and offset any effect we expect inflation to have on operating costs. Budgeted expenses are expected to increase approximately \$0.2 million to \$13.9 million in FY 2012 while increases in depreciation, personnel, group health and administrative costs are expected to continue.

Income realized through developer contributions is not budgeted for Fiscal 2012, continuing to budget conservatively. If these estimates are realized, the District expects to increase Net Assets from income before contributions in FY 2012.

CONTACTING THE DISTRICT'S FINANCIAL MANAGER

This financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the West Wilson Utility District, Manager, 10960 Lebanon Road, Post Office Box 97, Mount Juliet, Tennessee 37122.

THE WEST WILSON UTILITY DISTRICT
of Wilson County, Tennessee
Balance Sheets
May 31, 2011 and 2010

ASSETS

	2011	2010
CURRENT ASSETS		
Cash	\$ 5,023,393	\$ 7,597,265
Investments	1,491,808	1,367,142
Water customer accounts receivable (net of allowance for bad debts of \$2,700 and \$3,894 as of May 31, 2011 and 2010, respectively)	617,919	686,442
Accrued interest receivable	90,750	23,218
Other receivables	388,130	1,508,589
Inventory-materials and supplies	851,108	816,514
Prepaid expenses	204,342	56,262
	8,667,450	12,055,432
 RESTRICTED ASSETS		
Cash	7,065,976	2,674,558
Investments	17,813,490	2,270,666
	24,879,466	4,945,224
 CAPITAL ASSETS	94,248,595	93,083,713
 OTHER ASSETS AND DEFERRED CHARGES		
Defeasance costs - 1992 bond refunding, net	66,357	92,043
Bond issuance costs less accumulated amortization of \$422,085 in 2011 and \$402,680 in 2010	897,647	804,971
	964,004	897,014
 TOTAL ASSETS	 \$128,759,515	 \$110,981,383

See Independent Auditor's Report and Notes to Financial Statements

LIABILITIES AND NET ASSETS

	2011	2010
CURRENT LIABILITIES		
Accounts payable	\$ 348,998	\$ 291,869
Accrued interest payable	45,128	48,934
Accrued wages	203,015	183,170
Accrued compensation absences	238,212	223,538
Loans payable, due within one year	243,068	233,056
Other accrued liabilities	284,180	161,892
	1,362,601	1,142,459
 LONG-TERM DEBT		
Bonds payable, due after one year	75,059,450	58,955,889
Loans payable, due after one year	1,923,576	2,162,656
	76,983,026	61,118,545
	78,345,627	62,261,004
 NET ASSETS		
Invested in capital assets, net of related debt	41,908,973	40,701,547
Restricted	4,944,309	4,945,224
Unrestricted	3,560,606	3,073,608
	50,413,888	48,720,379
 TOTAL LIABILITIES AND NET ASSETS	 \$128,759,515	 \$110,981,383

THE WEST WILSON UTILITY DISTRICT
of Wilson County, Tennessee
Statements of Revenues, Expenses, and Changes in Fund Net Assets
For the Years Ended May 31, 2011 and 2010

	2011	2010
OPERATING REVENUE		
Metered water sales	\$ 13,733,942	\$ 11,573,587
Penalties	378,117	346,488
Other operating revenues	999,522	624,449
Tap and meter sales	34,302	1,000
	15,145,883	12,545,524
 OPERATING EXPENSES		
Salaries and wages	2,831,858	3,006,398
Employee benefits and payroll taxes	1,076,750	1,301,350
Pumping expense-electricity	491,446	417,067
Pumping expense-chemicals	492,474	458,504
Plant expense	50,523	62,605
Plant by-product disposal	63,983	115,062
Water distribution system-repairs and maintenance	1,104,133	969,182
Security	50,915	41,165
Insurance	171,665	169,786
Office expense	372,641	299,176
Professional fees	105,859	127,793
Truck expense	38,741	41,463
Diesel fuel	92,625	73,356
Travel	17,892	5,545
GPS expense	3,926	5,665
Materials cost	14,365	8,410
Miscellaneous	91,444	96,773
Depreciation expense	3,540,263	3,507,773
	10,611,503	10,707,073
 Net Operating Income	 4,534,380	 1,838,451

See Independent Auditor's Report and Notes to Financial Statements

THE WEST WILSON UTILITY DISTRICT
of Wilson County, Tennessee
Statements of Revenues, Expenses, and Changes in Fund Net Assets (continued)
For the Years Ended May 31, 2011 and 2010

	2011	2010
NON-OPERATING REVENUES AND (EXPENSES)		
Interest income	\$ 115,259	\$ 195,943
Interest expense	(2,797,681)	(2,838,103)
Unrealized gain (loss) on investments	(24,485)	(23,031)
Gain (loss) on disposal of assets	(202,927)	6,446
Amortization expense	(150,162)	(93,083)
	(3,059,996)	(2,751,828)
Income (Loss) Before Capital Contributions	1,474,384	(913,377)
Capital contributions	219,125	494,257
Increase (Decrease) in Net Assets	1,693,509	(419,120)
Total Net Assets - Beginning	48,720,379	49,139,499
TOTAL NET ASSETS - ENDING	\$ 50,413,888	\$ 48,720,379

See Independent Auditor's Report and Notes to Financial Statements

THE WEST WILSON UTILITY DISTRICT
of Wilson County, Tennessee
Statements of Cash Flows
For the Years Ended May 31, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 14,214,884	\$ 11,666,468
Cash payments to suppliers of goods and services	(2,045,430)	(3,759,674)
Cash payments to employees for services	(3,874,089)	(4,302,354)
Other operating revenues	999,522	624,449
Net Cash Provided by Operating Activities	9,294,887	4,228,889
 CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income received	23,243	201,407
Proceeds from sale of investments	6,397,174	5,661,919
Purchase of investments	(22,354,704)	(2,317,637)
Net Cash Provided (Used) by Investing Activities	(15,934,287)	3,545,689
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal paid on bonds and notes	(3,533,056)	(1,681,902)
Interest paid on bonds and notes	(2,665,839)	(2,703,883)
Acquisition and construction of capital assets	(4,719,248)	(878,320)
Proceeds from sale of capital assets	29,300	6,500
(Gain) Loss on sale of capital assets	202,927	(6,446)
Proceeds from bond issuance	19,273,773	-
Payment of bond issuance costs	(231,350)	-
Tap and meter fees collected	100,439	105,106
Net Cash Provided (Used) by Capital and Related Financing Activities	8,456,946	(5,158,945)
 Net Increase in Cash	1,817,546	2,615,633
 Cash at Beginning of Year	10,271,823	7,656,190
 Cash at End of Year	\$ 12,089,369	\$ 10,271,823

See Independent Auditor's Report and Notes to Financial Statements

	<u>2011</u>	<u>2010</u>
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net operating income	\$ 4,534,380	\$ 1,838,451
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities		
Depreciation	3,540,263	3,507,773
Bad debt expense	58,714	67,523
<i>Changes in Operating Assets and Liabilities:</i>		
Water customer accounts receivable	9,809	(254,607)
Other receivables	1,120,459	(1,161,042)
Inventory - materials and supplies	(34,594)	122,059
Prepaid expenses	(148,080)	(22,175)
Accounts payable	57,129	91,163
Accrued wages	19,845	(531)
Accrued compensated absences	14,674	5,925
Other accrued liabilities	122,288	34,350
	<u>\$ 9,294,887</u>	<u>\$ 4,228,889</u>

NON-CASH CAPITAL AND FINANCING ACTIVITIES

Construction in progress transferred to utility plant in service	<u>\$ 6,968,358</u>	<u>\$ 2,572,406</u>
--	---------------------	---------------------

Developers and subdividers contributed system additions to the Utility District which were capitalized at a value of \$118,685 and \$494,256 for the years ended May 31, 2011 and 2010, respectively.

See Independent Auditor's Report and Notes to Financial Statements

THE WEST WILSON UTILITY DISTRICT
of Wilson County, Tennessee
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

West Wilson Utility District (the District) of Wilson County, Tennessee, is a public corporation created in 1957 under the Tennessee Utility Law of 1937 to provide treatment and distribution of water in the western portion of Wilson County, Tennessee, including the city of Mount Juliet. The district is governed by a Board of Commissioners and does not have any power to levy or collect a tax. As a public corporation, the district is exempt from federal income tax.

Basis of Accounting and Financial Statement Presentation

The District's financial statements apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Statements and Interpretations of the Financial Accounting Standards Board (FASB), Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedure.

In addition to applying FASB Statements and Interpretations, APB Opinions, and ARBs issued on or before November 30, 1989, the District's financial statements also apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements.

The District also utilizes the provisions of Statement No. 34 ("Statement 34") of the Governmental Accounting Standards Board "*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.*" Statement 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, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

THE WEST WILSON UTILITY DISTRICT
of Wilson County, Tennessee
Notes to Financial Statements (Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting and Financial Statement Presentation (continued)

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”.

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. When an expense is incurred for purposes for which there are both restricted and unrestricted net assets available, it is the District’s policy to apply those expenses to restricted net assets to the extent such are available and then to unrestricted net assets.

Operating revenues 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 costs of providing goods or services and include administrative expenses and depreciation of capital assets.

Cash and Cash Equivalents

The District considers certain restricted and unrestricted demand deposits and money market accounts to be cash equivalents. See Note 2.

Investments

Utility District investments consist of certain money market accounts, certificates of deposit, and government bonds. Investments are reported at fair value based on quoted market value. Investment income consists of interest income and the change in fair value of investments. See Note 2.

Accounts Receivable

Accounts receivable are uncollateralized customer obligations due under normal terms requiring payment within 30 days of the billing date. Credit is extended to customers generally without collateral requirements, however, formal shut-off procedures are in place. Late charges on delinquent accounts are recorded if the bill is not paid by the due date. Bad debts are expensed by the District using the allowance method. Revenues are reported net of discounts and allowances. The District’s allowance for doubtful accounts was \$2,700 and \$3,894 as of May 31, 2011 and 2010, respectively.

THE WEST WILSON UTILITY DISTRICT
of Wilson County, Tennessee
Notes to Financial Statements (Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory

Inventory is valued at the lower of cost or market on a "first-in, first-out" basis. It consists of materials used for operations, capital expenditures, expansion and repair and replacement parts on hand.

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.

Contributed Systems

Construction and acquisition of water systems are financed in part by governmental grants and 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. Governmental grants in aid of construction represent the estimated portion of construction costs incurred for which grants are expected to be paid to the District by the government grantor. These amounts are recorded as receivable and revenues from contributions at the time the related expenditures are incurred. The revenues from contributions are then added to net assets.

Capital Assets

Capital assets are defined by the District as assets with initial individual cost of more than \$1,000 and an estimated useful life in excess of 3 years. Capital assets consist of property, plant and equipment and include assets which have been contributed to the District. These assets, consisting primarily of donated water systems constructed by private developers and dedicated to the District, are recorded at the donor's cost (which approximates fair market value at the transfer date for those assets). Depreciation of the capital assets is computed on the accelerated and straight-line methods over the estimated useful lives as follows:

Water Plant and Distribution Systems	33 years
Buildings	15-39 years
Equipment	5-10 years

Costs incurred for capital construction and acquisition are carried in construction in progress until disposition or completion of the related projects. The major components of construction in progress consist of water systems.

Capitalized Interest

Interest capitalized on projects funded from bonded proceeds is recorded as the difference between the interest cost of the borrowing less interest earned on undisbursed invested proceeds during the construction period. Interest is not capitalized on projects that are reimbursed by contributions for government, property owners and developers.

THE WEST WILSON UTILITY DISTRICT
of Wilson County, Tennessee
Notes to Financial Statements (Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment 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. Impairment losses of \$216,996 and \$0 were recognized in the years ended May 31, 2011 and 2010, respectively.

Bonds Payable

Bonds outstanding that have been refunded and economically defeased are not included in long-term debt. The related assets are not included in investments. The loss on refunding, which is the difference between the reacquisition price and the net carrying amount of the old debt, is deferred and amortized as a component of interest expense over the average remaining life of the old debt. The unamortized loss on refunding is reported as a deduction from the new debt liability.

Bond Issuance Costs

Bond issuance costs and bond discounts are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

Compensated Absences

Vacation and personal pay benefits are accrued as vested by District employees.

Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, 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.

Reclassifications

Certain reclassifications have been made to the 2010 financial statements to conform to those used in 2011.

THE WEST WILSON UTILITY DISTRICT
of Wilson County, Tennessee
Notes to Financial Statements (Continued)

NOTE 2 – CASH ON DEPOSIT AND INVESTMENTS

Investment of the District’s funds is restricted to those authorized investments as prescribed by Tennessee Code Annotated 7-82-108.

The carrying amounts of the cash and investments at May 31 consist of the following:

	<u>2011</u>	<u>2010</u>
Demand deposit accounts	\$ 3,676,805	\$ 4,156,623
Money market accounts	8,412,564	6,115,200
Certificates of deposit	4,575,929	2,723,546
Government Bonds	14,729,369	914,262
	<u>\$ 31,394,667</u>	<u>\$ 13,909,631</u>

Classification per balance sheet:

	<u>2011</u>	<u>2010</u>
Current Assets:		
Cash	\$ 5,023,393	\$ 7,597,265
Investments	1,491,808	1,367,142
Restricted Assets:		
Cash	7,065,976	2,674,558
Investments	17,813,490	2,270,666
Total Cash and Investments	<u>\$ 31,394,667</u>	<u>\$ 13,909,631</u>

Investment maturities are as follows:

Investment Type	Fair Value	Less than 1	1-5
Certificate of Deposits	\$ 4,575,929	\$ 1,948,935	\$ 2,626,994
Government Bonds	14,729,369	2,766,382	11,962,987
Total	<u>\$ 19,305,298</u>	<u>\$ 4,715,317</u>	<u>\$ 14,589,981</u>

THE WEST WILSON UTILITY DISTRICT
of Wilson County, Tennessee
Notes to Financial Statements (Continued)

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended May 31, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land & Right-of-Way	\$ 5,433,619	\$ 10,917	\$ -	\$ 5,444,536
Construction in progress	<u>3,938,599</u>	<u>4,532,379</u>	<u>6,968,358</u>	<u>1,502,620</u>
Total capital assets not being depreciated	9,372,218	4,543,296	6,968,358	6,947,156
Other capital assets:				
Water Plant and Distribution System	106,052,834	7,085,350	699,145	112,439,039
Buildings	5,048,660	21,557	-	5,070,217
Right-of-Way	904,485	-	-	904,485
Equipment	<u>8,382,151</u>	<u>725,711</u>	<u>311,319</u>	<u>8,796,543</u>
Other capital assets	120,388,130	7,832,618	1,010,464	127,210,284
Less: Accumulated Depreciation for:				
Water Plant & Distribution System	29,870,402	3,081,416	482,149	32,469,669
Buildings	1,104,296	156,252	-	1,260,548
Right-of-Way	142,487	23,721	-	166,208
Equipment	<u>5,559,450</u>	<u>751,307</u>	<u>298,337</u>	<u>6,012,420</u>
Total Accumulated Depreciation	<u>(36,676,635)</u>	<u>(4,012,696)</u>	<u>(780,486)</u>	<u>(39,908,845)</u>
Other capital assets, net	<u>83,711,495</u>	<u>(3,819,922)</u>	<u>229,978</u>	<u>87,301,439</u>
Total capital assets, net	<u>\$93,083,713</u>	<u>\$ 8,363,218</u>	<u>\$ 7,198,336</u>	<u>\$94,248,595</u>

The District follows the practice of capitalizing interest as a component of construction cost. During May 31, 2011 and 2010, total interest cost incurred was \$3,321,654 and \$2,943,103, respectively, of which \$523,973 and \$77,185 was capitalized.

Depreciation expense for the years ended May 31, 2011 and 2010 was \$3,540,263 and \$3,507,773, respectively.

THE WEST WILSON UTILITY DISTRICT
of Wilson County, Tennessee
Notes to Financial Statements (Continued)

NOTE 4 – RESTRICTED ASSETS

The District’s revenue bond resolution provides that the District shall maintain a debt service reserve account with a balance equal to the maximum annual principal and interest requirement on the bonds. Construction funds are restricted for various improvements and extensions to the System including the line extensions and relocation and construction of a water storage tank. Restricted assets consist of cash and short term investments restricted by the Commissioners for the purpose and amount as listed below:

	2011	2010
Debt Service	\$ 545,199	\$ 530,471
Debt Service Reserve Fund	5,641,738	4,414,753
Construction Funds	18,692,529	-
Total Restricted Assets	\$ 24,879,466	\$ 4,945,224

NOTE 5 – LONG-TERM DEBT

Water Revenue Refunding and Improvement Bonds, Series 2010

On November 23, 2010, the District issued Water Revenue Improvement Bonds in the amount of \$18,975,000 with an average coupon rate of 4.60%, maturing in varying amounts annually on June 1, commencing 2011 through 2036. The proceeds from the bonds are being used to acquire, construct, and install certain additions, extensions and improvements to the system.

Water Revenue Refunding and Improvement Bonds, Series 2006

On December 13, 2006, the District issued Water Revenue Refunding and Improvement Bonds in the amount of \$39,555,000 with an average coupon rate of 4.20%, maturing in varying amounts annually on June 1, commencing 2007 through 2036. The proceeds from the bonds went to refund a portion (\$17,495,000) of the 2004 Water Revenue Refunding and Improvement Bonds. The remaining portion of the bond proceeds are being used to acquire, construct, and install certain additions, extensions, and improvements to the system.

Water Revenue Refunding Bonds, Series 2005

On March 15, 2005, the District issued Water Revenue Refunding Bonds in the amount of \$20,415,000 with an average coupon rate of 4.04%, maturing in varying amounts annually on June 1, commencing 2005 through 2023. The proceeds from the bonds went to refund all (\$10,000,000) of the 1998 Water Revenue Improvement Bonds and a portion (\$9,400,000) of the 2001 Water Revenue Refunding and Improvement Bonds.

THE WEST WILSON UTILITY DISTRICT
of Wilson County, Tennessee
Notes to Financial Statements (Continued)

NOTE 5 – LONG-TERM DEBT (Continued)

Water Revenue Improvement Bonds, Series 2004

On August 18, 2004, the District issued Water Revenue Improvement Bonds in the amount of \$20,360,000 with an average coupon rate of 4.84%, maturing in varying amounts annually on June 1, commencing 2005 through 2035. A portion of the proceeds from the bonds went to refund the Water Revenue Bond Anticipation Notes, with an aggregate outstanding principal of \$2,500,000. The remaining portion of the bond proceeds are being used to acquire, construct, and install certain additions, extensions, and improvements to the system. On December 13, 2006, the District issued Water Revenue Refunding Bonds, Series 2006, which was used to refund a portion (\$17,495,000) of the Series 2004 Bonds.

Water Revenue Refunding and Improvement Bonds, Series 2001

On May 31, 2001, the District issued Water Revenue Refunding and Improvement Bonds in the amount of \$16,305,000 with an average coupon rate of 5.03%. A portion of the proceeds from the bonds went to prepay the 1993 Water Revenue Bonds, with an aggregate outstanding principal of \$2,615,000. The remaining portion of the bond proceeds are being used to acquire, construct, and install certain additions, extensions, and improvements to the system. On March 15, 2005, the District issued Water Revenue Refunding Bonds, Series 2005, which was used to refund a portion (\$9,400,000) of the Series 2001 Bonds. The District paid from operating funds \$1,780,000 on November 23, 2010 to refund the remainder of these bonds.

The District has funded the debt service reserve fund on a monthly basis as required. As of May 31, 2011, the District was in compliance with all bond covenants. Long-term debt consists of revenue bonds and installment notes. The activity in long-term debt during the year ended May 31, 2011 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Series 2010 Bonds	\$ -	\$ 19,267,915	\$ -	\$ 19,267,915
Series 2006 Bonds	38,601,253	-	(10,626)	38,590,627
Series 2005 Bonds	18,186,197	-	(547,909)	17,638,288
Series 2004 Bonds	1,299,223	-	(299,806)	999,417
Series 2001 Bonds	2,450,000	-	(2,450,000)	-
Notes and Loans Payable	2,395,712	-	(229,068)	2,166,644
	<u>62,932,385</u>	<u>19,267,915</u>	<u>(3,537,409)</u>	<u>78,662,891</u>
Less: Deferred Amount on Refunding	<u>(1,580,784)</u>	<u>-</u>	<u>143,987</u>	<u>(1,436,797)</u>
Total Long-Term Debt	<u>\$ 61,351,601</u>	<u>\$ 19,267,915</u>	<u>(\$3,393,422)</u>	<u>\$ 77,226,094</u>

THE WEST WILSON UTILITY DISTRICT
of Wilson County, Tennessee
Notes to Financial Statements (Continued)

NOTE 5 – LONG-TERM DEBT (Continued)

Long-term debt at May 31, 2011, consists of:

	Principal	Unamortized Economic Gain – Advanced Refunding of Debt	Total
Water Revenue Refunding and Improvement Bonds, Series 2010, which mature in 2036, average coupon rate 4.60%, with a face amount of \$18,975,000 (plus unamortized premium of \$292,915 based on effective rate of 4.54%)	\$ 19,267,915	\$ -	\$ 19,267,915
Water Revenue Refunding and Improvement Bonds, Series 2006, which mature in 2036, average coupon 4.20%, with a face amount of \$39,555,000 (less unamortized discount of \$734,373, based on effective rate of 4.34%)	38,590,627	735,724	37,854,903
Water Revenue Refunding and Improvement Bonds, Series 2005, which mature in 2023, average coupon 4.04%, with a face amount of \$20,415,000 (plus unamortized premium of \$333,288, based on effective rate of 4.03%)	17,638,288	701,073	16,937,215
Water Revenue Refunding and Improvement Bonds, Series 2004, which mature in 2035, average coupon 4.84%	999,417	-	999,417
Loans payable at 5.00% interest, maturing at various times through 2021	2,166,644	-	2,166,644
	78,662,891	1,436,797	77,226,094
Less: Current Portion	(243,068)	-	(243,068)
Long-Term Portion	\$ 78,419,823	\$ 1,436,797	\$ 76,983,026

THE WEST WILSON UTILITY DISTRICT
of Wilson County, Tennessee
Notes to Financial Statements (Continued)

NOTE 5 – LONG-TERM DEBT (Continued)

All debt is secured by the revenues and rate setting power of the District. Maturities of debt service, including interest, are as follows:

<u>Year Ending May 31,</u>	<u>Principal Amount</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 243,068	\$ 2,968,998	\$ 3,212,066
2013	1,953,264	3,356,436	5,309,700
2014	2,027,261	3,278,692	5,305,953
2015	2,114,145	3,191,820	5,305,965
2016	2,204,318	3,107,234	5,311,552
2017-2021	12,498,624	14,065,716	26,564,340
2022-2026	14,972,885	11,212,572	26,185,457
2027-2031	18,359,745	7,733,048	26,092,793
2032-2036	20,196,261	3,250,608	23,446,869
2037	2,656,523	138,804	2,795,327
	<u>\$ 77,226,094</u>	<u>\$ 52,303,928</u>	<u>\$129,530,022</u>

NOTE 6 – DEFEASED DEBT

On November 23, 2010, the District paid from operating funds \$1,780,000 to refund the remainder of the 2001 Water Revenue Improvement Bonds. These funds were deposited with Regions Bank, as escrow agent under that certain Refunding Escrow Agreement, whereby the funds are to be used to service the future debt requirements of the old debt.

On December 13, 2006, Water Revenue Refunding Bonds and Improvement, Series 2006 were issued to refund a portion of the 2004 Water Revenue Improvement Bonds. Proceeds from the sale were deposited with Regions Bank, as escrow agent under that certain Refunding Escrow Agreement, whereby the funds are to be used to service the future debt requirements of the old debt.

On March 15, 2005, Water Revenue Refunding Bonds, Series 2005 were issued to refund the 1998 Water Revenue Improvement Bonds and a portion of the 2001 Water Revenue Refunding and Improvement Bonds. Proceeds from the sale were deposited with US Bank, as escrow agent under that certain Refunding Escrow Agreement, whereby the funds are to be used to service the future debt requirements of the old debt.

In addition, the District placed funds with US Bank, as escrow agent under that certain Refunding Escrow Agreement, whereby the funds are to be used to service the future debt requirements of the Series 1992 Cumberland Utility District bonds.

THE WEST WILSON UTILITY DISTRICT
of Wilson County, Tennessee
Notes to Financial Statements (Continued)

NOTE 6 – DEFEASED DEBT (Continued)

By placing proceeds with an escrow agent under formal refunding escrow agreements to provide for a portion of the future debt service payments of certain bonds, the District has partially defeased those bonds. Accordingly, the related trust account assets and the liabilities for the partially defeased bonds are not included in the District's financial statements. Bonds outstanding that are considered defeased totaled \$38,300,000 and \$36,560,000 as of May 31, 2011 and 2010, respectively.

NOTE 7 – RETIREMENT PLANS

457 Plan

During 2006, the District established a 457 retirement plan for substantially all employees with more than one year of service. Employees can make contributions to the plan up to the guidelines set forth by the Internal Revenue Code. There are no matching contributions made by the employer to this plan.

Profit Sharing Plan

The District maintains a profit sharing plan that covers all eligible full-time and part-time employees. Contributions to the plan are determined by The District. Employees cannot contribute to this plan. The expense related to the profit sharing plan for the year ended May 31, 2011 and 2010 was \$142,784 and \$0, respectively.

NOTE 8 – COMPENSATION PAID TO COMMISSIONERS

Compensation of \$9,900 and \$9,600 was paid to the District commissioners during the years ended May 31, 2011 and 2010, respectively.

NOTE 9 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance in amounts in an attempt to cover these risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

THE WEST WILSON UTILITY DISTRICT
of Wilson County, Tennessee
Notes to Financial Statements (Continued)

NOTE 10 – CHANGES IN AMOUNTS INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT

The change in amounts invested in capital assets, net of related debt can be summarized as follows:

	2011	2010
Balance – Beginning	\$ 40,701,547	\$ 42,458,720
Changes in Capital Assets	1,164,882	(2,080,879)
Changes in Related Debt	42,544	323,706
Balance – Ending	\$ 41,908,973	\$ 40,701,547

NOTE 11 – DATE OF MANAGEMENT’S REVIEW

Subsequent events have been evaluated through August 31, 2011, which is the date the financial statements were available to be issued.



Supplemental Information

WEST WILSON UTILITY DISTRICT
of Wilson County, Tennessee
Capital Assets
May 31, 2011

	Balance June 1, 2010	Additions	Disposals	Balance May 31, 2011	Accumulated Depreciation June 1, 2010	Depreciation	Disposals	Accumulated Depreciation May 31, 2011	Unrecovered May 31, 2011
Water Distribution	\$ 88,918,172	\$ 7,065,089	\$ 699,145	\$ 95,284,116	\$ 22,753,265	\$ 2,579,741	\$ 482,149	\$ 24,850,857	\$ 70,433,259
Pumping Station and Purification Plant	14,761,057	-	-	14,761,057	6,004,676	433,676	-	6,438,352	8,322,705
Storage Tanks	2,373,604	20,261	-	2,393,865	1,112,462	67,999	-	1,180,461	1,213,404
Buildings	5,048,660	21,557	-	5,070,217	1,104,296	156,252	-	1,260,548	3,809,669
Trucks	1,105,360	105,919	42,741	1,168,538	915,162	79,602	42,741	952,023	216,515
Trucks - Construction	438,379	48,572	9,533	477,418	289,125	71,407	9,532	351,000	126,418
Operating Equipment	1,534,396	119,259	33,655	1,620,000	968,204	156,653	21,762	1,103,095	516,905
Operating Equipment - Construction	4,838,001	125,108	70,100	4,893,009	3,049,925	395,334	69,011	3,376,248	1,516,761
Equipment and Fixtures	466,016	326,852	155,289	637,579	337,034	48,310	155,289	230,055	407,524
Land Rights of Way	6,338,104	10,917	-	6,349,021	142,487	23,721	-	166,208	6,182,813
	<u>\$ 125,821,749</u>	<u>\$ 7,843,534</u>	<u>\$ 1,010,463</u>	<u>\$ 132,654,820</u>	<u>\$ 36,676,636</u>	<u>\$ 4,012,695</u>	<u>\$ 780,484</u>	<u>\$ 39,908,847</u>	<u>\$ 92,745,973</u>

See Independent Auditor's Report

THE WEST WILSON UTILITY DISTRICT
of Wilson County, Tennessee
Schedule of Insurance Coverage
May 31, 2011

<u>Policy</u>	<u>Type of Coverage</u>	<u>Limits of Liability</u>	<u>Coverage Amount</u>
Tennessee School Board Liability Trust RMP			
#TSB-RMT	General Liability	Each Occurrence Products - Comp. OP Agg Personal and Adv. Injury	\$ 1,000,000 No Aggregate Limit No Aggregate Limit
#TSB-RMT	Extra Expense and Business Income	Pool Limit Each Occurrence	5,000,000 100,000
#TSB-RMT	Valuable Papers and Accounts Receivable	Pool Limit Each Occurrence	1,000,000 100,000
#TSB-RMT	Loss of Money – Inside and Outside	Each and Every Loss	150,000
#TSB-RMT	Money Orders and Counterfeit Papers	Each and Every Loss	150,000
#TSB-RMT	Electronic Data Processing	Each Occurrence	500,000
#TSB-RMT	Miscellaneous Equipment	Each Occurrence	500,000
#TSB-RMT	Automobile Liability	Combined Single Limit Medical – Any One Person Medical – Any One Claim	1,000,000 5,000 100,000
#TSB-RMT	Excess Liability	Aggregate Each Occurrence	2,000,000 2,000,000
#TSB-RMT	Property	Buildings, Contents and Equipment	Up to Scheduled Amt
#TSB-RMT	Crime	Employee Dishonesty Forgery/Alteration	150,000 150,000
#TSB-RMT	Liability	Directors and Officers Each Occurrence	1,000,000 1,000,000
#TSB-RMT Pool	Workers Compensation and Employers' Liability	Each Accident Disease-Policy Limit Disease-Each Employee	1,000,000 1,000,000 1,000,000

See Independent Auditor's Report

THE WEST WILSON UTILITY DISTRICT
of Wilson County, Tennessee
Schedule of Utility Rates in Force
For the Year Ended May 31, 2011

Customers Served By The District

Commercial	921
Residential	17,614

Water Rates

First 3,000 gallons	\$ 30.07 minimum charge
Next 2,000 gallons	\$ 10.40/1,000 gals.
Next 5,000 gallons	\$ 6.43/1,000 gals.
Next 490,000 gallons	\$ 5.40/1,000 gals.
All over 500,000 gallons	\$ 3.03/1,000 gals.

See Independent Auditor's Report

THE WEST WILSON UTILITY DISTRICT
of Wilson County, Tennessee
Schedule of Unaccounted For Water
For the Year Ended May 31, 2011

(All amounts in gallons)

A	Water Treated and Purchased:		
B	Water Pumped (potable)	2,183,537,000	
C	Water Purchased	0	
D	Total Water Treated and Purchased	0	2,183,537,000
	(Sum Lines B and C)		
E	Accounted for Water:		
F	Water Sold	1,603,462,300	
G	Metered for Consumption (in house usage)	23,234,436	
H	Fire Department Usage	82,600	
I	Flushing	244,208,071	
J	Tank Cleaning/Filling	9,991,000	
K	Street Cleaning	0	
L	Bulk Sales	0	
M	Water Bill Adjustments	0	
N	Total Accounted for Water	0	1,880,978,407
	(Sum Lines F thru M)		
O	Unaccounted for Water		302,558,593
	(Line D minus Line N)		
P	Percent Unaccounted for Water		13.86%
	(Line O divided by Line D times 100)		
Q	Other (Explain)	See Below	

Explain Other:

0

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

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THE WEST WILSON UTILITY DISTRICT
of Wilson County, Tennessee
Schedule of Cash and Investments
May 31, 2011

	<u>Amount</u>	<u>Rate</u>	<u>Financial Institution</u>
DEBT SERVICE FUNDS			
Revenue Bond Funds			
Bond and Interest Sinking Fund Reserve	\$ 545,199	9% to 0.8%	Pinnacle Bank
Debt Service Reserve Certificate of Deposit	50,000	1.20%	Pinnacle Bank
Debt Service Reserve Money Fund	557,662	0.016%	Morgan Stanley Smith Barney
Debt Service Reserve Government Bonds	2,122,948	0.375% to 1.9%	Morgan Stanley Smith Barney
Debt Service Reserve Certificates of Deposit	2,911,128	0.30% to 1.20%	Morgan Stanley Smith Barney
2006 Bond Fund Demand Deposit Account	866,195	0.8%	Morgan Stanley Smith Barney
2010 Bond Fund Money Fund	5,096,920	0.01%	Morgan Stanley Smith Barney
2010 Bond Fund Government Bonds	11,863,290	0.375% to 4.75%	Morgan Stanley Smith Barney
2010 Bond Fund Certificates of Deposit	<u>866,124</u>	0.25% to 0.70%	Morgan Stanley Smith Barney
Total Revenue Bond Funds	<u>24,879,466</u>		
Total Debt Service Funds	<u>24,879,466</u>		
Total Restricted Funds	24,879,466		
UNRESTRICTED FUNDS			
Certificates of Deposit	748,676	0.20% to 4.65%	Various Banks
Government Bonds	743,132	4.00% to 5.38%	Morgan Stanley Smith Barney
Money Market	1,325,943	0.50% to 1.15%	Various Banks
Money Fund	1,434,310	0.01%	Morgan Stanley Smith Barney
Demand Deposits	2,262,005	0.49% to 0.90%	Pinnacle Bank
Petty Cash	<u>1,135</u>		
Total Unrestricted Funds	<u>6,515,201</u>		
Total Cash and Investments	<u>\$ 31,394,667</u>		

The credit ratings of the District's money market funds were unavailable as of May 31, 2011 and 2010, as they are not rated by Moody's Investor Service. The District has not experienced any losses in such accounts, therefore management believes it is not exposed to any significant credit risk related to cash and cash equivalents.

See Independent Auditor's Report

WEST WILSON UTILITY DISTRICT
of Wilson County, Tennessee
Schedules of Long-Term Debt, Principal and Interest
Requirements by Fiscal Year - Revenue Bonds
May 31, 2011

Fiscal Year Ended May 31	Revenue Bonds Series 2004		Revenue Bonds Series 2005		Revenue Bonds Series 2006		Revenue Bonds Series 2010	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ -	\$ 44,438	\$ -	\$ 753,287	\$ -	\$ 1,651,274	\$ -	\$ 416,688
2013	325,000	33,094	1,149,147	703,534	39,139	1,649,674	236,717	830,563
2014	325,000	20,500	1,200,678	656,403	44,031	1,648,082	236,717	824,938
2015	349,417	7,971	1,252,209	601,197	44,031	1,646,282	236,717	819,313
2016	-	-	1,314,047	537,109	391,385	1,645,028	286,717	813,063
2017	-	-	1,381,038	478,118	494,124	1,629,189	286,717	806,188
2018	-	-	1,432,569	416,712	518,586	1,609,027	311,717	798,250
2019	-	-	1,499,559	343,597	538,155	1,588,545	311,717	789,250
2020	-	-	1,597,469	273,312	655,571	1,566,579	311,717	779,500
2021	-	-	1,649,000	208,781	704,494	1,538,119	336,717	768,563
2022	-	-	1,715,991	140,450	792,556	1,508,557	401,717	755,075
2023	-	-	1,782,981	13,159	826,802	1,476,211	411,717	740,275
2024	-	-	1,663,600	-	865,940	1,442,473	426,717	726,013
2025	-	-	-	-	2,079,235	1,408,978	1,066,717	695,013
2026	-	-	-	-	2,167,297	1,321,347	1,106,717	646,638
2027	-	-	-	-	2,265,143	1,227,238	1,141,717	599,400

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WEST WILSON UTILITY DISTRICT
of Wilson County, Tennessee
Schedules of Long-Term Debt, Principal and Interest
Requirements by Fiscal Year - Revenue Bonds
May 31, 2011

Fiscal Year Ended May 31	Revenue Bonds Series 2004		Revenue Bonds Series 2005		Revenue Bonds Series 2006		Revenue Bonds Series 2010	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2028	-	-	-	-	2,367,882	1,122,831	1,181,717	553,400
2029	-	-	-	-	2,485,298	1,007,615	1,226,717	499,625
2030	-	-	-	-	2,597,821	896,667	1,281,717	437,500
2031	-	-	-	-	2,695,667	790,621	1,341,717	372,500
2032	-	-	-	-	2,808,191	680,597	1,401,717	304,500
2033	-	-	-	-	2,925,606	565,982	1,461,717	233,500
2034	-	-	-	-	3,052,806	442,682	1,526,717	159,375
2035	-	-	-	-	3,180,007	310,118	1,511,717	87,750
2036	-	-	-	-	1,984,707	171,627	596,717	40,838
2037	-	-	-	-	2,066,153	87,926	626,706	13,833
	<u>999,417</u>	<u>106,003</u>	<u>17,638,288</u>	<u>5,125,659</u>	<u>38,590,627</u>	<u>30,633,269</u>	<u>19,267,914</u>	<u>14,511,551</u>
Less: Unamortized Economic Gain - Advanced Refunding of Debt	<u>-</u>	<u>-</u>	<u>(701,073)</u>	<u>701,073</u>	<u>(735,724)</u>	<u>735,724</u>	<u>-</u>	<u>-</u>
	<u><u>\$ 999,417</u></u>	<u><u>\$ 106,003</u></u>	<u><u>\$16,937,215</u></u>	<u><u>\$ 5,826,732</u></u>	<u><u>\$37,854,903</u></u>	<u><u>\$31,368,993</u></u>	<u><u>\$19,267,914</u></u>	<u><u>\$14,511,551</u></u>

See Independent Auditor's Report

THE WEST WILSON UTILITY DISTRICT
of Wilson County, Tennessee
Schedule of Long-Term Debt, Principal and Interest-Loans Payable
Requirements by Fiscal Year

<u>May 31</u>	<u>Farmers Home Administration 91-1</u>		<u>Farmers Home Administration 91-2</u>		<u>Farmers Home Administration 91-3</u>		<u>Farmers Home Administration 91-4</u>		<u>Farmers Home Administration 91-5</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 25,000	\$ 4,675	\$ 45,000	\$ 11,875	\$ 20,000	\$ 5,250	\$ 73,068	\$ 45,011	\$ 80,000	\$ 36,500
2013	25,000	3,425	50,000	9,500	20,000	4,250	76,845	41,312	80,000	32,500
2014	26,000	2,150	50,000	7,000	25,000	3,125	80,654	37,425	90,000	28,250
2015	30,000	750	55,000	4,375	25,000	1,875	84,737	33,342	90,000	23,750
2016	-	-	60,000	1,500	25,000	625	89,027	29,052	100,000	19,000
2017	-	-	-	-	-	-	93,132	24,545	100,000	14,000
2018	-	-	-	-	-	-	98,269	19,810	110,000	8,750
2019	-	-	-	-	-	-	103,244	14,835	120,000	3,000
2020	-	-	-	-	-	-	108,470	9,609	-	-
2021	-	-	-	-	-	-	108,198	9,588	-	-
	<u>\$ 106,000</u>	<u>\$ 11,000</u>	<u>\$ 260,000</u>	<u>\$ 34,250</u>	<u>\$ 115,000</u>	<u>\$ 15,125</u>	<u>\$ 915,644</u>	<u>\$ 264,529</u>	<u>\$ 770,000</u>	<u>\$ 165,750</u>

See Independent Auditor's Report



**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**

The Board of Commissioners
West Wilson Utility District
of Wilson County, Tennessee
Mount Juliet, Tennessee

We have audited the financial statements of the West Wilson Utility District of Wilson County, Tennessee (the District) as of and for the year ended May 31, 2011, and have issued our report thereon dated August 31, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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 misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting regarding the accounting for contributed water systems, which resulted in the need for an adjustment to decrease the asset water plant and distribution system and the related contributed systems revenue by \$1,239,130 as of May 31, 2011 for contributed water system developments not yet completed.

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Internal Control Over Financial Reporting (continued)

We consider this to be a significant deficiency in internal control over financial reporting. 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.

We noted the matter above in a report to the management of the District, in a separate letter dated August 31, 2011, which includes management's response. We did not audit the District's response and, accordingly, we express no opinion on it.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatements, 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.

This report is intended for the information and use of the audit committee, management, the Board of Commissioners, specified legislative or regulatory bodies, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Price CPAs, PLLC
August 31, 2011