



JASON E. MUMPOWER
Comptroller

Agenda
Utility Management Review Board
October 28, 2021
10:00 AM

- I. Call to Order
- II. Conflict of Interest Statement
- III. Approval of Minutes
- IV. Update Cycle
 - a. Bon de Croft Utility District
 - b. Copper Basin Utility District
 - c. Jackson County Utility District
 - d. Milcrofton Utility District
 - e. Minor Hill Utility District
 - f. Spring Creek Utility District
 - g. Walden's Ridge Utility District
 - h. Woodlawn Utility District
- V. Financial Distress
 - a. Cold Springs Utility District
 - b. Crockett Mills Utility District
 - c. Intermont Utility District
 - d. Iron City Utility District
 - e. Mooresburg Utility District
 - f. Roan Mountain Utility District
- VI. Board Election Change
 - a. First Utility District of Carter County
- VII. 2022 Meeting Dates
- VIII. Board Discussion



JASON E. MUMPOWER
Comptroller

**MINUTES
of the
UTILITY MANAGEMENT REVIEW BOARD MEETING
March 11, 2021
10:00 am**

Greeting:

Chairman Knotts detected a quorum and called to order the meeting of the Utility Management Review Board (“UMRB”) in the IT Training Room on the 3rd Floor of the Cordell Hull Building in Nashville, TN at 10:00 a.m. (CDT).

Board Members Present and Constituting a Quorum:

Betsy Knotts, Chair, Comptroller Designee

Tom Moss, Vice-Chair, Department of Environment and Conservation (“TDEC”) Commissioner Designee

Pat Riley, former Gibson County Utility District Manager

Phillip Combs, Alpha-Talbott Utility District Manager

Rebecca Hunter, Hixson Utility District Commissioner

Bruce Giles, First Utility District of Knox County Manager

Board Members Absent:

Jason West, Utility District Commissioner

Dan Coley, Mallory Valley Utility District Commissioner

Kevin Botts, Consumer Interests

Staff Present:

John Greer, Comptroller’s Office

Ross Colona, Comptroller’s Office

Counsel Present:

Rachel Buckley, Comptroller’s Office

Others Present and Addressing the Board:

Benjamin Gastel, Attorney for Walden’s Ridge Utility District

Craig Brent, Attorney for Ladd Park

Michael Wall, Attorney for Milcrofton Utility District

Electronic Meeting Resolution

Chairman Knotts advised that Executive Order #60 signed by Governor Lee provides that a governing body may conduct essential business by electronic means without a quorum of members present in the same location, if the governing body determines that meeting electronically is necessary to protect the health, safety, and welfare of Tennesseans in light of the COVID-19 outbreak. Mr. Moss made a motion that the Board approve proceeding electronically without a quorum present at the same location. Ms. Hunter seconded the motion which passed with the following roll call vote:

Mr. Combs- Yes
Ms. Hunter- Yes
Mr. Riley- Yes
Vice-Chair Moss- Yes
Chairman Knotts- Yes

Conflict of Interest Statement:

Counsel Rachel Buckley read the following statement: “The Board was created to act for the public welfare and in furtherance of the legislature’s intent that utility systems be operated as self-sufficient enterprises. Board members are not authorized to participate in the discussion of or to vote on matters involving entities in which the Board member has a financial interest, with which the Board member has a conflict of interest, with which the Board member has a contract of employment, or if there is any appearance of impropriety.”

Approval of Minutes:

Chairman Knotts presented the approval of the October 22, 2020 minutes. Mr. Riley moved to approve the minutes as written. Mr. Moss seconded the motion, which passed unanimously with the following roll call vote:

Mr. Combs- Yes
Ms. Hunter- Yes
Mr. Riley- Yes
Vice-Chair Moss- Yes
Chairman Knotts- Yes

Financial:

At this point, Mr. Giles joined the meeting.

Cold Springs Utility District

Mr. Greer explained the staff recommendations. Mr. Combs made a motion to order the following:

1. The District shall have the Tennessee Association of Utility Districts, or another qualified expert as approved by Board staff, perform a rate study that includes the following:
 - a. a review of the debt management policy;
 - b. a review of the capitalization policy;

- c. a review of customer water rights to the spring and any related impact to water loss improvement;
 - d. a review of the leak adjustment policy; and
 - e. a review of connection, reconnection, and tap fees.
2. By April 15, 2021, the District shall send Board staff a copy of the contract between the District and the qualified expert who is to perform the tasks in paragraph 1.
3. By June 30, 2021, the District shall provide Board staff with the completed rate study, and either proof of implementation of the resulting recommendations or a proposed plan of implementation.
4. Board staff is given the authority to grant one extension of up to six months of the foregoing deadlines upon a showing of good cause by the District.

Mr. Giles seconded the motion which passed with the following roll call vote:

Mr. Combs- Yes
Mr. Giles- Yes
Ms. Hunter- Yes
Mr. Riley- Yes
Vice-Chair Moss- Yes
Chairman Knotts- Yes

Crockett Mills Utility District

Mr. Greer explained the staff recommendations. Ms. Hunter made a motion to order the following:

1. By April 15, 2021, the District shall send Board staff a copy of the contract between the District and the qualified expert who is to perform the tasks in paragraph 1 of the August 2020 order.
2. By April 15, 2021, the District shall ensure that its commissioners have met all training requirements and are thus eligible to serve pursuant to Tenn. Code Ann. §§ 7-82-307(b)(5) & 7-82-308(f). Otherwise, the District shall appoint eligible commissioners in accordance with the law.
3. By June 30, 2021, the District shall provide Board staff with the completed rate study, and either proof of implementation of the resulting recommendations or a proposed plan of implementation.
4. If the District fails to comply with the directives of the Board's August 6, 2020 order by June 30, 2021, Staff shall refer this matter to the Attorney General for enforcement through chancery court.

Mr. Riley seconded the motion which passed with the following roll call vote:

Mr. Combs- Yes
Mr. Giles- Yes
Ms. Hunter- Yes
Mr. Riley- Yes
Vice-Chair Moss- Yes

Chairman Knotts- Yes

Jackson County Utility District

Mr. Greer explained the staff recommendations. Ms. Hunter made a motion to order the following:

1. The District shall have the Tennessee Association of Utility Districts, or another qualified expert as approved by Board staff, perform a rate study that includes the following:
 - a. a review of the debt management policy;
 - b. a review of all tap connection and reconnection fees, and unlock fees;
 - c. a review of the capitalization policy; and
 - d. a review of the capital asset list.
2. By April 15, 2021, the District shall send Board staff a copy of the contract between the District and the qualified expert who is to perform the tasks in paragraph 1.
3. By April 15, 2021, the District shall ensure that its commissioners have met all training requirements and are thus eligible to serve pursuant to Tenn. Code Ann. §§ 7-82-307(b)(5) & 7-82-308(f). Otherwise, the District shall appoint eligible commissioners in accordance with the law.
4. By June 30, 2021, the District shall provide Board staff with the completed rate study, and either proof of implementation of the resulting recommendations or a proposed plan of implementation.
5. Board staff is given the authority to grant one extension of up to six months of the foregoing deadlines upon a showing of good cause by the District.

Mr. Moss seconded the motion which passed with the following roll call vote:

Mr. Combs- Yes

Mr. Giles- Yes

Ms. Hunter- Yes

Mr. Riley- Yes

Vice-Chair Moss- Yes

Chairman Knotts- Yes

Mooreburg Utility District

Mr. Greer explained the staff recommendations. Mr. Moss made a motion to order the following:

1. The District shall have the Tennessee Association of Utility Districts, or another qualified expert as approved by Board staff, perform a rate study that includes the following:
 - a. a review of the debt management policy;
 - b. a review of the capitalization policy; and
 - c. a review of connection, reconnection, and tap fees.
2. By April 15, 2021, the District shall send Board staff a copy of the contract between the District and the qualified expert who is to perform the tasks in paragraph 1.

3. By April 15, 2021, the District shall ensure that its commissioners have met all training requirements and are thus eligible to serve pursuant to Tenn. Code Ann. §§ 7-82-307(b)(5) & 7-82-308(f). Otherwise, the District shall appoint eligible commissioners in accordance with the law.
4. By June 30, 2021, the District shall provide Board staff with the completed rate study, and either proof of implementation of the resulting recommendations or a proposed plan of implementation.
5. Board staff is given the authority to grant one extension of up to six months of the foregoing deadlines upon a showing of good cause by the District.

Mr. Giles seconded the motion which passed with the following roll call vote:

Mr. Combs- Yes
Mr. Giles- Yes
Ms. Hunter- Yes
Mr. Riley- Yes
Vice-Chair Moss- Yes
Chairman Knotts- Yes

Roan Mountain Utility District

Mr. Greer explained the staff recommendations. Mr. Riley made a motion to order the following:

1. By June 30, 2021, the District shall provide Board staff with the completed rate study, and either proof of implementation of the resulting recommendations or a proposed plan of implementation.
2. Board staff is given the authority to grant one extension of up to six months of the foregoing deadlines upon a showing of good cause by the District.

Ms. Hunter seconded the motion which passed with the following roll call vote:

Mr. Combs- Yes
Mr. Giles- Yes
Ms. Hunter- Yes
Mr. Riley- Yes
Vice-Chair Moss- Yes
Chairman Knotts- Yes

Spring Creek Utility District

Mr. Greer explained the staff recommendations. Ms. Hunter made a motion to order the following:

1. The District shall have the Tennessee Association of Utility Districts, or another qualified expert as approved by Board staff, perform a rate study that includes the following:
 - a. a review of the debt management policy;

- b. a review of the capitalization policy; and
 - c. a review of connection, reconnection, and tap fees.
2. By April 15, 2021, the District shall send Board staff a copy of the contract between the District and the qualified expert who is to perform the tasks in paragraph 1.
3. By June 30, 2021, the District shall provide Board staff with the completed rate study, and either proof of implementation of the resulting recommendations or a proposed plan of implementation.
4. Board staff is given the authority to grant one extension of up to six months of the foregoing deadlines upon a showing of good cause by the District.

Mr. Combs seconded the motion which passed with the following roll call vote:

Mr. Combs- Yes
Mr. Giles- Yes
Ms. Hunter- Yes
Mr. Riley- Yes
Vice-Chair Moss- Yes
Chairman Knotts- Yes

Walden's Ridge Utility District Financial Distress

Ms. Hunter recused herself from any Board action involving Walden's Ridge due to a conflict of interest.

Mr. Greer explained that the Board need to discuss the District's financial distress and also the potential delinquency regarding training of the District's board members.

Regarding the District's financial distress, Mr. Giles made a motion to order the following:

1. By June 30, 2021, the District shall provide Board staff with either proof of implementation of the cost of service study's recommendations or a proposed plan of implementation.

Mr. Riley seconded the motion which passed with the following roll call vote:

Mr. Combs- Yes
Mr. Giles- Yes
Mr. Riley- Yes
Vice-Chair Moss- Yes
Chairman Knotts- Yes

Walden's Ridge Utility District Commissioner Training

Mr. Gastel, attorney for Walden's Ridge Utility District, addressed the Board regarding the training for the District's board members. Mr. Gastel made the argument that assuming that an

initial training period of a Commissioner holding office at the time the training laws went into effect concludes at the end of the first year following a commissioner's reappointment, all of Walden Ridge's Commissioners have satisfied the training requirements imposed by that statute. In fact, most of these commissioners completed more hours than they were required to complete. Interpreting the statute in this manner is also consistent with its plain language and the over-arching purpose of the legislation. Accordingly, Walden's Ridge hereby requests that the UMRB find that Walden's Ridge's Commissioners be declared compliant with their training requirements imposed by Tenn. Code Ann. § 7-82-308.

While this interpretation of the law is not consistent with how Board staff has typically interpreted it, Mr. Moss stated that he believes a contested case hearing is not necessary due to the ambiguity of the statute. Mr. Riley stated he appreciates the compliance that the Board members now show regarding the training requirements.

Mr. Giles moved to take no action on the matter. Mr. Moss seconded the motion which passed with the following roll call vote:

Mr. Combs- Yes
Mr. Giles- Yes
Mr. Riley- Yes
Vice-Chair Moss- Yes
Chairman Knotts- Yes

Complaints

Ladd Park vs. Milcrofton Utility District

Next, the Board conducted an informal hearing on the complaint filed by Ladd Park Homeowners Association ("Ladd Park") against Milcrofton Utility District ("the District") pursuant to Tenn. Code Ann. § 7-82-702(a)(9), wherein Ladd Park disputed the District's policy that customers place backflow preventers no more than five feet from their water meter. Michael Wall, attorney for the District, argued that Ladd Park lacked standing to pursue such a complaint because backflow preventers are not "utility systems" as listed in the statute, and because Ladd Park itself was not directly impacted by the policy. Craig Brent, attorney for Ladd Park, argued that Ladd Park was acting within the scope of its authority to represent its individual homeowners in filing the complaint.

After reviewing the relevant documents, hearing the testimony, and considering the arguments of the parties, Chairman Knotts made a motion for the Board to make the following factual findings and conclusions of law related to Ladd Park's complaint:

1. Ladd Park's complaint was filed pursuant to Tenn. Code Ann. § 7-82-702(a)(9), which allows the Board to review complaints related to a "utility district's requirement that the customer or the developer build utility systems to be dedicated to the utility district."
2. Backflow prevention devices are not transferred to the utility districts after their installation. Such devices are located on the customer's side of the meter, and a customer is not required to maintain one if the customer chooses not to have an irrigation system.

3. Therefore, a backflow prevention device is not a “utility system to be dedicated to the utility district” under the statute. Ladd Park has thus filed its complaint under an inappropriate statute.
4. The Board notes that it supports transparency between utility districts and its customers. Customers should be heard and utility districts should respond appropriately.
5. The complaint is therefore **DISMISSED** without prejudice.

Mr. Giles seconded the motion, with the following roll call vote:

Mr. Combs- Yes
Mr. Giles- Yes
Ms. Hunter- Yes
Mr. Riley- Yes
Vice-Chair Moss- Yes
Chairman Knotts- Yes

Board Discussion:

Chairman Knotts adjourned the meeting at 11: 15 am.

Respectfully submitted,

Betsy Knotts
Chair



JASON E. MUMPOWER
Comptroller

Entity Referred: **BonDeCroft Utility District**

Referral Reason: **Negative Change in Net Position**

Utility Type Referred: **Water**

Staff Summary:

The District engaged the Tennessee Association of Utility Districts (“TAUD”) to perform a rate study in accordance with the Board’s previous order. TAUD has completed the study and submitted its resulting report and recommendations to the District and to Board staff. The District has implemented TAUD’s recommendations. The District has complied with all directives of the Board, but the Board should continue to monitor its financial progress.

Staff Recommendation:

Order the following:

1. The District shall send financial updates to Board staff by March 1st and September 1st of each year, beginning March 1, 2022, until the Board releases the District from its oversight.

**Tennessee Association
of Utility Districts**

Vital for Tennessee's future



REPORT FOR BON DE CROFT UTILITY DISTRICT

UTILITY MANAGEMENT REVIEW BOARD ORDER DATED NOVEMBER 5, 2020

May 25, 2021

INTRODUCTION

Description of the Bon De Croft Utility District Water System

Bon de Croft Utility District (the District) is located in White County, Tennessee. The District's board of commissioners has three members who are appointed by the White County Mayor. The District gets its raw water supply from Billy's Branch Lake and operates a water treatment plant with a design capacity of 1.5 million gallons per day.

As of June 30, 2020, the District had 1,342 residential and small commercial customers. All of these customers are charged the same rates. The District has one large wholesale customer, West Cumberland Utility District. The District sells water to West Cumberland Utility District pursuant to a Water Sale and Purchase Contract dated March 15, 2007, which has a 20-year term. Approximately 33% of the District's water sales are to West Cumberland Utility District.

The District was referred to the Utility Management Review Board (UMRB) upon the submission of its audit for its fiscal year ending June 30, 2019, because it met the statutory definition for a financially distressed utility district. The District had a negative change in net position for two consecutive years without regard to any grants or capital contributions for its fiscal years ending June 30, 2018 and June 30, 2019.

The balance of the District's Cash and Cash Equivalents accounts as of July 1, 2020, was \$1,023,178. Of this amount, \$279,013 is restricted.

Utility Management Review Board Order

On November 5, 2020, the Utility Management Review Board (UMRB) issued an order directing the District to do the following.

- 1) The District shall have TAUD, or another qualified expert as approved by Board staff, to perform a rate study that includes the following:
 - A review of the debt management policy;
 - A review of the capitalization policy;
 - A justification of the wholesale rate charged to West Cumberland Utility District;
 - A justification for charging a lower per-thousand-gallon rate after a customer uses 60,000 gallons
 - The creation of a five-year capital asset budget to be taken from the current capital asset list and to include future anticipated needs; and
 - A review of connection, reconnection, and tap fees.
- 2) By November 30, 2020, the District shall send Board staff a copy of the contract between the District and the qualified expert who is to perform the tasks in paragraph 1.

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- 3) By March 31, 2021, the District shall provide Board staff with the completed rate study and either proof of implementation of the resulting recommendations or a proposed plan of implementation.
 - 4) Board staff is given the authority to grant one extension for up to six months of the foregoing deadlines upon a showing of good cause by the District.

The District was granted an extension to comply with the UMRB's order to May 30, 2021.

RECOMMENDATIONS

Recommendation #1

To address the District's projected negative changes in net position, TAUD recommended changes in water rates effective March 1, 2021 and annual water rate changes effective July 1 of 2022, 2023 and 2024. The District adopted these rate changes at its board meeting on January 19, 2021. See **Exhibit 4** attached to this Report.

Recommendation #2

TAUD recommended that the District incorporate the manner in which it is currently defining capital assets into a policy and to include the service lives recommended by the UMRB for water systems for utility districts. The District has adopted the capitalization policy recommended by TAUD. See **Exhibit 7** attached to this Report.

FIVE YEAR CAPITAL ASSET PLAN

The District developed and adopted the Five-Year Capital Improvement Plan attached to this Report as **Exhibit 1**.

RATE STUDY AND PROPOSED PLAN OF ACTION

To determine whether existing rates will produce sufficient revenues to make the District's water system self-supporting, TAUD first projected a Statement of Revenues and Expenses and Changes in Net Position for the District for its fiscal year ending June 30, 2021, to use as its test year. TAUD projected the revenues for the system using existing rates. TAUD projected operation and maintenance expenses and debt service payments by reviewing historical information from the five previous years, the District's budget for the fiscal year ending June 30, 2021, and any known and anticipated changes during the test year. See the Revenues and Expenses - Test Year Schedule attached as **Exhibit 2**.

Then, TAUD projected Statements of Revenues and Expenses and Changes in Net Position for the District for its fiscal years ending June 30 of 2022, 2023, 2024, and 2025. See **Exhibit 3** attached to this Report.

Revenue Projections:

- Revenue from water sales (Revenue billings) for the test year ending June 30, 2021, were projected by taking the District's actual water usage reports for all rate classes and West Cumberland Utility District as of June 30, 2020, and applying the District's water rates in effect on July 1, 2020, to this actual usage.
- Forfeited discounts for the test year were projected based upon the District's budget for its fiscal year ending June 30, 2021.
- Tap fees for the test year were based upon the average of tap fee revenue for the fiscal years ending June 30 of 2019 and 2020.
- Miscellaneous revenue for the test year was projected based upon the District's budget.
- Interest income for the test year was projected based upon the actual amount for the first nine months of the test year and an estimated amount for the remaining three months.
- Other income is based upon the average of other income for the fiscal years ending June 30 of 2019 and 2020.
- Since 2016 the District has experienced an annual customer growth rate of approximately 1%. Therefore, the revenue from water sales for the remaining four years of the five-year projection period includes a 1% annual increase.

Expense Projections:

- The following operating expenses for the test year were projected based upon the District's budget for its fiscal year ending June 30, 2021: salaries and wages; payroll taxes; liability insurance; truck expense; commissioner fees; office supplies and postage; utilities; service contracts; water samples, employee retirement; uniforms; school expenses; and water loss program.
- The following operating expenses for the test year were projected based upon the average for the District's fiscal years ending June 30, 2019 and 2020: chemical and supplies; materials and supplies; repairs and maintenance; and professional services.
- The following operating expenses for the test year were projected using the actual expenses for first nine months of the test year and an estimated amount for the remaining three months: employee insurance; and other expenses.
- TAUD included a line item in the test year for equipment purchases which are included in the District's Five-Year Capital Improvement Plan for the test year but which are less than the \$2,500 capitalization cost threshold.
- Depreciation for the test year is based upon the District's fixed asset schedule which includes the annual depreciation of its capital assets plus depreciation on the capital assets added during the fiscal year ending June 30, 2020 plus depreciation on new capital assets included in the Five Year Capital Improvement Plan for the test year.
- Except for depreciation, commissioner fees and water loss program expense, the remaining four years in the five-year projection period, are increased by 2% annually over the projected amount for the test year.
- Annual depreciation expenses for the remaining four years of the five-year projection period are projected based upon the District's existing fixed asset schedule and the service lives used on this schedule for depreciation. Depreciation on new capital assets included in the capital asset plan during the five-year projection period are based upon the District's new suggested capitalization policy.
- Interest expense is based on the debt amortization schedules of existing debt. The District has no plans to issue new debt to finance capital improvements to its water system during the five-year projection period.

Revenue Sufficiency and Rate Modifications Required

At the rates in effect when the District was referred to the UMRB, TAUD projected that the District would have a negative change in net position of (\$14,992) for the test year ending June 30, 2021, excluding the one-time insurance reimbursement the District received for lightning damage. TAUD projected the District would have a negative change in net position for the remaining four years in the five-year projection period. See **Exhibit 3** attached to this Report.

On January 19, 2021, the District adopted a series of rate increases beginning March 1, 2021 and annually on July 1 of 2022, 2023 and 2024 to address these annual negative changes in net position. See **Exhibit 4** attached to this Report. The District eliminated the rate tier for gallons over 60,000 which had a lower usage rate than the usage rate for the 1,000 – 60,000 gallons rate tier

These rate increases were based upon the additional revenue TAUD projected the District would need to have a positive change in net position for its fiscal years projected beginning July 1, 2021.

The annual rate recommendations of TAUD adopted by the District are based upon revenue and expense projections which are subject to change. Starting with its fiscal year which beginning July 1, 2023, the District should review its rates annually as a part of the budgetary process each year to ensure that the rates adopted will continue to produce sufficient revenues to give the District a positive change in net position in future fiscal years.

Projected Cash and Investments Schedule

Based upon the rate increases the District has adopted through July 1, 2024, the District should have a cash and investments balance of \$1,441,740 as of June 30, 2025, based upon the revenue and expense projections in **Exhibit 3**. The Projected Cash and Cash Equivalents Balance Schedule is attached as **Exhibit 5**.

DEBT MANAGEMENT POLICY

The District adopted a debt management policy on October 17, 2011, which is attached as **Exhibit 6** to this Report. This debt management policy includes all of the provisions recommended by the State Funding Board for public entities. Therefore, no action needs to be taken on the District's debt management policy.

DISTRICT'S CAPITALIZATION POLICY

On April 21, 2021, the District's adopted a new capitalization policy recommended by TAUD which includes the recommended service lives for water system assets adopted by the UMRB for utility districts. A copy of the new capitalization policy is attached as **Exhibit 7** to this Report.

TAP FEES

The District adopted the following tap fees effective March 1, 2021:

¾ inch	\$1,300
1 inch	\$1,700
2 inch	\$2,700
Over 2-inch	Actual cost of material and labor for installation

TAUD recommended that the District review the average material and labor costs it incurs in installing water taps to ensure the current tap fees are covering the cost of making taps. The District estimated the labor and material costs it incurs to install 3/4 inch, 1 inch and 2 inch taps. The current tap fees appear to cover their costs. See **Exhibit 8** attached to this Report. The District should annually evaluate the costs it incurs to install taps to determine whether tap fee modifications are needed.

CONNECTION FEES

When the District was referred to the UMRB, the District had the following customer fees:

Owner Connect Fee	\$50
Renter Connect Fee	\$100
Reconnect Fee	\$100
Field Connection Fee	\$20

At a minimum, connection fees should cover the cost of establishing new service for a customer. These costs should attempt to cover a customer service employee meeting with the applicant or talking with the applicant by phone, reviewing the application for service, and processing the connection fee payment and tap fee payment, if applicable. A field employee must travel to the service address to verify the initial meter reading for the new account and to turn on the meter. The \$50 owner connect fee appears to cover the labor costs incurred to sign up a new customer for service.

The City charges renter customers a \$100 connect fee. The District experiences higher uncollectibles from rental customers than owner customers for two reasons: (1) the District has a higher number of uncollectible accounts for rental customers than property owner customers; and (2) renter uncollectible accounts generally have higher balances than property owner uncollectible accounts. The District decided to use a higher renter connect fee to provide additional revenue to assist in covering the higher uncollectible amounts it experiences from renter customers. Therefore, the higher renter connect fee is justified, and TAUD does not recommend any change to the renter connect fee of \$100.

The District's reconnect fee is \$100. A District employee must make two trips to a customer's service address to turn off water for non-payment and to turn the water back on once payment is made. In addition, the administrative time required to prepare service termination lists, communicate with delinquent customers and record payments should be covered by the reconnect fee. Therefore, the \$100 reconnect fee is reasonable.

The District's field connection fee of \$20 is paid when a District employee collects payment on a delinquent account directly from the customer when the employee comes to the service address to terminate water service for nonpayment. While this \$20 fee does not quite cover the costs of this

service, the fee is not unreasonably low; therefore, TAUD does not recommend any change to it. The District may want to consider raising this fee in the future.

WHOLESALE RATE CHARGED TO WEST CUMBERLAND UTILITY DISTRICT

The rate which the District charges West Cumberland Utility District is established by the Water Sale and Purchase Contract dated March 15, 2007, as amended by the First Amendment to Water Sale and Purchase Contract dated October 17, 2008 (the Contract), which are attached as **Exhibit 9**. The original rate to West Cumberland Utility District was established in the First Amendment at \$3.00 per 1,000 gallons. Under Section 8 of the Contract, this initial rate is increased annually by the same percentage as the “percentage increase of the Consumer Price Index for All Urban Consumers (US), not seasonally adjusted, as published by the United States Department of Labor, Bureau of Labor Statistics during the preceding twelve (12) month period.”

The rate modification provision in the Water Sale and Purchase Contract governs the rate the District charges West Cumberland Utility District. Unless a rate provision in a water sales contract prevents a city or a utility district from recovering its cost of service or requires one class of customer to subsidize another, the rate provision is enforceable. *Maury Cty. Bd. of Pub. Utilities v. City of Columbia By & Through Bd. of Pub. Utilities of City of Columbia*, 854 S.W.2d 890, 892 (Tenn. Ct. App. 1993). “State laws permitting a municipality to contract in its proprietary capacity, suspend its powers to regulate rates during the contract period.” *Id.*

No evidence exists that Section 8 is preventing the District from recovering its full cost of service from its customers or is requiring the District’s residential and commercial customers to subsidize the rate being charged to West Cumberland Utility District. Therefore, TAUD does not believe any changes can be made to rate charged to West Cumberland Utility District other than what is required by the Contract.

**Bon De Croft Utility District
Five Year Capital Asset Plan**

	<u>6/30/2021</u>	<u>6/30/2022</u>	<u>6/30/2023</u>	<u>6/30/2024</u>	<u>6/30/2025</u>
Lab Equipment Upgrade	3,500	4,800	6,900	6,900	4,400
Pall Desktop	23,475	-	-	-	-
Pall Module Replacement	64,691	-	-	-	63,756
Pall T-2 Tank Replacement	-	16,000	-	-	-
Meters - Rt 4 Phase 1	24,563	37,500	37,500	37,500	37,500
Meter Reading System Upgrade	3,000	-	-	-	-
4" Pressure Reducer	-	13,910	-	13,910	-
8" Valve Insertion	5,000	-	-	-	-
MR Chestnut Mtn Tank	3,456	-	-	-	-
MR Winn 911 Upgrade	9,054	-	-	-	-
MAG Meter at Plant	4,434	-	-	-	-
Generator at Plant	11,353	-	-	-	-
Total	152,526	72,210	44,400	58,310	105,656
Cumulative Depreciation	20,502	29,594	34,724	42,636	52,579
Total Capital Outlay & Depreciation	173,028	101,804	79,124	100,946	158,235
Source of Funds					
Loans	-	-	-	-	-
Grants	-	-	-	-	-
Cash	152,526	72,210	44,400	58,310	105,656
Total Funding Sources	152,526	72,210	44,400	58,310	105,656

Bon De Croft Utility District - Test Year

	District	Last 2 Year	Test Year 20-21	Explanation
	Budget 20-21	Average	Test Year 20-21	
Operating Revenues:				
Revenue Billings	1,141,800	1,094,108	1,088,645	Used recalculated amounts from usage reports
Forfeited Discounts	9,000	8,827	9,000	Used budget
Tap Fees	10,000	11,009	11,000	Used 2 year average
Miscellaneous Revenues	17,700	26,669	18,000	Used budget, rounded up
Insurance Reimbursement	-	-	20,570	Claim from lightning damage
Total Operating Revenues	1,178,500	1,140,612	1,147,215	
Operating Expenses:				
Salaries & Wages	222,000	254,992	222,000	Used budget, less staff now
Payroll Taxes	20,000	19,248	20,000	Used budget
Chemicals & Supplies	30,000	33,023	33,000	Used 2 year average
Material & Supplies	61,700	69,551	70,000	Used 2 year average
Repairs & Maintenance	24,500	65,496	65,000	Used 2 year average
Liability Insurance	22,000	23,097	22,000	Used budget
Employee Insurance	107,500	128,602	113,000	Used actual 9 months plus estimated 3 months for FY 20-21
Truck Expense	15,000	14,553	15,000	Used budget
Commissioner Fees	9,000	5,100	9,000	Used budget
Office Supplies & Postage	13,000	12,714	13,000	Used budget
Utilities	80,000	76,449	80,000	Used budget
Professional Services	11,000	7,000	7,000	Used 2 year average
Service Contracts	35,000	-	35,000	Used budget
Depreciation	270,000	254,850	259,168	Used projected 21 depreciation schedule with new additions
Water Samples	5,000	4,263	5,000	Used budget
Employee Retirement	12,000	10,058	12,000	Used budget
Other Expenses	1,000	14,744	2,500	Used actual 9 months plus estimated 3 months for FY 20-21
Uniforms	6,500	-	6,500	Used budget
School Expenses	4,500	-	4,500	Used budget
Water Meters	37,500	-	-	N/A - meters are being depreciated
Water Loss Program	5,000	-	5,000	Used budget
Equipment under \$2,500 threshold			7,400	From capital asset listing - items under threshold
Total Operating Expenses	992,200	993,739	1,006,068	
Operating Income (Loss)	186,300	146,873	141,147	

Nonoperating Revenues (Expenses)

Interest Income	-	1,602	1,400	Used actual 9 months plus estimated 3 months for FY 20-21
Interest Expense	-	(142,520)	(138,469)	From amortization schedule
Other Income	-	1,556	1,500	Used 2 year average
Total Nonoperating Revenues (Expenses)	-	(139,362)	(135,569)	

Change in Net Position

186,300	7,512	5,578	-
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Capital Contributions & Grants

15,000	16,042	16,000
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Bon De Croft Utility District**Projected Statements of Revenues and Expenses and Changes in Net Position**

	Projected 6/30/2021	Projected 6/30/2022	Projected 6/30/2023	Projected 6/20/2024	Projected 6/30/2025
Operating Revenues:					
Revenue Billings	1,088,645	1,099,531	1,110,527	1,121,632	1,132,848
Forfeited Discounts	9,000	9,000	9,000	9,000	9,000
Tap Fees	11,000	11,000	11,000	11,000	11,000
Miscellaneous Revenues	18,000	18,000	18,000	18,000	18,000
Total Operating Revenues	1,126,645	1,137,531	1,148,527	1,159,632	1,170,848
Operating Expenses:					
Salaries & Wages	222,000	226,440	230,969	235,588	240,300
Payroll Taxes	20,000	20,400	20,808	21,224	21,649
Chemicals & Supplies	33,000	33,660	34,333	35,020	35,720
Material & Supplies	70,000	71,400	72,828	74,285	75,770
Repairs & Maintenance	65,000	66,300	67,626	68,979	70,358
Liability Insurance	22,000	22,440	22,889	23,347	23,814
Employee Insurance	113,000	115,260	117,565	119,917	122,315
Truck Expense	15,000	15,300	15,606	15,918	16,236
Commissioner Fees	9,000	9,000	9,000	9,000	9,000
Office Supplies & Postage	13,000	13,260	13,525	13,796	14,072
Utilities	80,000	81,600	83,232	84,897	86,595
Professional Services	7,000	7,140	7,283	7,428	7,577
Service Contracts	35,000	35,700	36,414	37,142	37,885
Depreciation	259,168	251,115	251,654	259,566	269,509
Water Samples	5,000	5,100	5,202	5,306	5,412
Employee Retirement	12,000	12,240	12,485	12,734	12,989
Other Expenses	2,500	2,550	2,601	2,653	2,706
Uniforms	6,500	6,630	6,763	6,898	7,036
School Expenses	4,500	4,590	4,682	4,775	4,871
Water Loss Program	5,000	5,000	5,000	5,000	5,000
Equipment under \$2,500 threshold	7,400	6,900	6,900	6,400	6,400
Total Operating Expenses	1,006,068	1,012,025	1,027,364	1,049,872	1,075,214
Operating Income (Loss)	120,577	125,506	121,163	109,760	95,635
Nonoperating Revenues (Expenses)					
Interest Income	1,400	1,400	1,400	1,400	1,400
Interest Expense	(138,469)	(134,981)	(131,307)	(127,446)	(123,847)
Insurance Reimbursement	20,570	-	-	-	-
Other Income	1,500	1,500	1,500	1,500	1,500
Total Nonoperating Revenues	(114,999)	(132,081)	(128,407)	(124,546)	(120,947)
Change in Net Position	5,578	(6,575)	(7,244)	(14,786)	(25,312)
Revenue Generated from Suggested Rate Increase	8,305	24,914	36,098	56,704	81,337
Change in Net Position after Suggested Rate Increase	13,883	18,339	28,853	41,918	56,025

NOTE: Estimated all expenses to increase by 2% every year, with the exception of depreciation and interest, Commissioner fees and water loss program. Depreciation expense increased each year by estimated depreciation schedules and new asset deprecation from 5 year plan. Interest expense is from the amortization schedule in the audit. Commissioner fees stayed at \$9,000 per year per state law. Water loss program is estimated to be \$5,000 per year per District.

WATER BOARD MEETING
January 19, 2021

Exhibit 4

PRESENT: Ryan Edmonds, Vanessa O'Neal, Dakota White, Tim Smith, Jason Bryant, Chad Selby, Becky Meadows

Ryan called the meeting to order at 5:30 pm.

The minutes from the previous meeting were presented to the commissioners. Dakota made a motion to approve the minutes of the December 15, 2020 meeting. Vanessa seconded the motion. All in favor. Motion passed.

- Lightning Claim – Closed
 - 1 deductible
 - \$20,569.64 insurance paid.
- Bill Changes – Everything looks good.
 - Update time for meetings
 - Update “Charge of \$100” to “Fee”
 - Add “We are NOT affiliated with DOXO.com”

Superintendents Report – Tim/Jason/Chad

- Melanie's Visit
 - Rate Study
 - Vanessa made a motion to accept Melanie's proposal as written. Dakota seconded the motion. All in favor. Motion passed.
- Pall Module Replacement
 - Dakota made a motion to replace 1 rack of filters - \$63,756.45. Vanessa seconded the motion. All in favor. Motion passed.

Commissioners Report

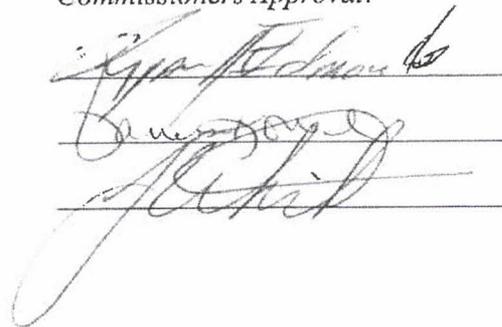
- Dakota was reappointed by county executive. All paperwork is complete.
- Dakota made a motion that board members remain in the same stations. Vanessa seconded the motion. All in favor. Motion passed.
 - Ryan Edmonds: Chairman, Vanessa O'Neal – Co-Chairman, Dakota White - Secretary

Dakota made a motion to adjourn the meeting. Vanessa seconded the motion. All in favor. Motion passed.

Meeting adjourned at 6:30 pm.

Minutes taken by Dakota White.

Commissioners Approval:



Three handwritten signatures are written over three horizontal lines. The first signature is Ryan Edmonds, the second is Vanessa O'Neal, and the third is Dakota White.

Bon De Croft Utility District - Projected Cash & Investments

	Projected <u>6/30/2021</u>	Projected <u>6/30/2022</u>	Projected <u>6/30/2023</u>	Projected <u>6/30/2024</u>	Projected <u>6/30/2025</u>
Beginning Balance	1,023,178	1,030,279	1,108,011	1,218,482	1,344,859
Sources of Funds					
Revenue Billings ***	1,096,950	1,124,445	1,146,624	1,178,336	1,214,185
Other Revenues	39,500	39,500	39,500	39,500	39,500
Insurance Reimbursements	20,570	-	-	-	-
Interest Revenue	1,400	1,400	1,400	1,400	1,400
Total Sources of Funds	1,158,420	1,165,345	1,187,524	1,219,236	1,255,085
Uses of Funds					
Operating Expenses	1,006,068	1,012,025	1,027,364	1,049,872	1,075,214
Depreciation	(259,168)	(251,115)	(251,654)	(259,566)	(269,509)
Capital Outlay	152,526	72,210	44,400	58,310	105,656
Interest Expense	138,469	134,981	131,307	127,446	123,847
Principle Paid on Debt	113,424	119,512	125,636	116,797	122,997
Total Uses of Funds	1,151,319	1,087,613	1,077,053	1,092,859	1,158,205
Ending Balance	1,030,279	1,108,011	1,218,482	1,344,859	1,441,740

NOTE: This synopsis from beginning funds to ending funds does not include accounts receivable, accounts payable, fixed asset or any other adjustments made to the balance sheet. This is a "cash basis" summary.



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
OFFICE OF STATE AND LOCAL FINANCE
SUITE 1600 JAMES K. POLK STATE OFFICE BUILDING
505 DEADERICK STREET
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7872
FAX (615) 741-5986**

January 10, 2012

Mr. Danny Brock
BonDeCroft Utility District
9100 Crossville Highway
Sparta, TN 38583-3126

Dear Mr. Brock:

This letter acknowledges receipt of a copy of the BonDeCroft Utility District's Debt Management Policy.

Thank you for sending the Utility District's policy to this Office. Future interactions with the Office will require a copy of the policy to be included with a submitted request for approval or report. Please review your policy periodically and before considering the issuance of debt. As a part of any transition for newly elected officials, we recommend that the debt policy be reviewed. If the District amends the policy, you may send a copy of the amended policy to this Office. Should there be any questions, please do not hesitate to call us.

Sincerely,

Ronald H. Queen
Manager of Local Finance

Debt Management Policy

BonDeCroft Utility District of White County, Tennessee

Adopted by the Board of Commissioners on 10-17-11, 2011

Effective January 1, 2012

DEBT MANAGEMENT POLICY

Introduction

Debt management policies provide written guidance about the amount and type of debt issued by local governments, the issuance process, and the management of the debt portfolio. A debt management policy tailored to the needs of the Board of Commissioners (the "Governing Body") of the BonDeCroft Utility District of White County, Tennessee (the "District") can improve the quality of decisions, identify and disclose parameters relating to the structure and issuance of debt, identify policy goals, and provide a foundation for long-term financial planning, all of which are in the public interest of the District. If applicable, adherence to a debt management policy may signal to rating agencies and the capital markets that a governmental entity is well-managed and should meet its obligations in a timely manner.

Debt levels and their related annual costs are important long-term obligations that must be managed within available resources. An effective debt management policy provides guidelines for a government to manage its debt program in line with those resources.

This Debt Management Policy is intended to comply with the debt management policy requirements promulgated by the Tennessee State Funding Board in December 2010.

Objectives

The Governing Body is establishing a debt policy as a tool to ensure that financings undertaken by the Governing Body satisfy certain clear objective standards designed to protect the District's financial resources and to meet its long-term capital needs. The objectives of this policy are:

1. To document responsibility for the oversight and management of debt-related transactions;
2. To establish criteria and promote prudent financial management for the issuance of debt obligations and the evaluation of debt issuance options;
3. To identify legal and administrative limitations on the issuance of debt and ensure the legal use of the Governing Body's debt issuance authority;
4. To define the types and appropriate use of debt approved for use within the constraints established by Tennessee law;
5. To provide guidance for evaluating refunding candidates or alternative debt structures;
6. Where applicable, to provide support for the maintenance of credit ratings;
7. To enhance risk management practices; and
8. To increase transparency, reduce conflicts, and promote cooperation in the debt management process.

Debt Management Strategies

To achieve the objectives above, the Governing Body adopts the following debt management strategies and procedures.

A. Funding Strategies

1. Debt is to be issued pursuant to the authority of and in full compliance with provisions, restrictions and limitations of the Constitution and laws of the State of Tennessee (the "State") (including Title 7, Chapter 82, Tennessee Code Annotated (the "Utility District Act") and various bond authorizations enacted by the General Assembly of the State), and pursuant to resolutions adopted by the Governing Body.
2. (For Water and Wastewater Utility Districts) Debt may only be used to finance or refinance the capital costs of improving the District's utility system (the "System") and such other costs related thereto as may be permitted by the Utility District Act (including without limitation issuance costs, capitalized interest and the funding of debt service reserves), all of which must be authorized by the Governing Body. Debt may not be issued to finance the District's operating costs.
3. Debt shall be secured by and payable from the revenues of the System, as prescribed by resolution of the Governing Body, and a corresponding statutory lien on the assets of the System.

B. Federal Tax Status

1. **Tax-Exempt Debt** — Based on the assumptions that tax-exempt interest rates are lower than taxable rates and that the interest savings outweigh the administrative costs, restrictions on use of financed projects, and investment constraints, the District will use its best efforts to maximize the amount debt sold under this policy as tax-exempt.
2. **Taxable Debt** — The District will sell taxable debt when necessary to finance projects with a private use or uncontrolled purpose. The Governing Body encourages the financing team to blend the financing of taxable projects with the financing of tax-exempt projects whenever possible.

C. Legal Limitations on the Use of Debt

1. No debt obligation shall be issued to fund the current operation of the District.

2. The proceeds of any debt obligation shall be expended only for the purpose for which it was authorized by the Governing Body.
3. All debt shall be approved by resolution of the Governing Body.
4. Prior to the consideration of a resolution authorizing the issuance of debt, the General Manager and/or the President of the Governing Body shall prepare and submit a request for financing report from the State Comptroller's office, as required by the Utility District Act. If timely received, the General Manager and/or the President of the Governing Body shall cause the report to be published as required by the Utility District Act. No financing report is required by the Utility District Act in connection with a loan from a state or federal agency.

Types of Debt

Pursuant to the Utility District Act, the District is authorized from time to time to issue or incur the following types of debt, all of which is subject to the terms of the debt management policy.

A. Bonds

The District may issue bonds under the Utility District Act to finance capital projects or refinance outstanding debt.

B. Bond Anticipation Notes (BANs)

BANs are short term obligations authorized to be issued under the Utility District Act that will be repaid by proceeds of a subsequent bond issue.

C. Capital Leases

Capital leases are leases of equipment or other System property, where the leased property becomes the property of the District at the end of the lease term and the lease payments include a financing component.

D. Loans from State or Federal Agencies

The District may incur debt in the form of loans from State or federal agencies. Loans are evidenced by a loan agreement between the District and the lending agency.

E. Loans from Public Building Authorities

The District may enter into loan agreements with one or more public building authorities, pursuant to Sections 12-10-101 et seq., Tennessee Code Annotated, in lieu of issuing bonds or notes under the Utility District Act. The policies set forth

herein for bonds issued under the Utility District Act shall be equally applicable to loan agreements entered into with a public building authority.

Debt Management Practices

A. Structure

The Governing Body shall establish by resolution all terms and conditions relating to the issuance of debt.

1. Term

Any debt (including refunding debt) shall have a weighted average maturity not greater than the weighted average expected lives of the assets financed by such debt. In addition, the final maturity of any debt should not be longer than the expected life of the longest lived asset financed thereby.

2. Capitalized Interest

From time to time certain financings may require the use of capitalized interest. Interest may be financed (capitalized) through a period permitted by federal law and the authorizing resolution of the Governing Body if it is determined that doing so is in the District's best interest.

3. Debt Service Structure

The District will seek to structure its aggregate debt with level or declining debt service payments over the life of its aggregate debt. In structuring principal repayment for any debt issue, the Utility will seek to balance the goals of (a) amortizing principal as quickly as possible to minimize interest costs, and (b) maintaining consistent and manageable rates for its customers.

4. Call Provisions

The District will strive to issue all of its debt with a call feature no later than ten years from the date of delivery. In any event, call features should be structured to provide the maximum flexibility relative to cost. The District will avoid the sale of long-term non-callable bonds absent careful evaluation by the Governing Body with respect to the value of the call option.

5. Original Issuance Discount/Premium

Bonds sold with original issuance discount/premium are permitted with the approval of the Governing Body.

6. Debt Service Reserve Funds

If the Governing Body determines that it is necessary to fund a debt service reserve fund in connection with debt, it may agree to fund such a reserve. The size of any debt service reserve fund established in connection with the tax-exempt debt will be in compliance with applicable federal tax rules. The District will strive to fund debt service reserves with District funds, rather than with debt. However, the District may use the proceeds of debt to fund debt service reserves if the Governing Body concludes that the restriction of District funds would reduce unrestricted funds below manageable levels.

7. Fixed vs. Variable Interest Rates

Fixed rate debt bears interest at a rate or rates that remain constant throughout the life of the debt. Variable rate debt bears interest at a variable rate through the term thereof.

The District will issue all of its debt with fixed rates, except as follows:

- Bond anticipation notes may be issued with variable rates, given their short term nature.
- The District may issue or incur variable rate debt if provision as to the calculation or change of variable interest rates is included in the authorizing resolution and the Governing Body carefully evaluates the risks related thereto. The District will annually include in its budget an interest rate assumption for any outstanding variable rate debt that takes market fluctuations affecting the rate of interest into consideration. The General Manager shall monitor the ongoing costs and risks of outstanding variable rate and make reports to the Governing Body no less than annually with respect thereto.

B. Refinancing Outstanding Debt

The Governing Body will consider the following issues when analyzing possible refunding opportunities:

1. **Reasons for Refunding**

Debt will be considered for refunding when:

- The refunding results in net present value savings to the District;
- The refunding of the debt is necessary due to a change in private/public use of a project that would cause a need to change the tax status of the debt; or
- The Governing Body expressly determines by resolution that the refunding of the bonds accomplishes debt service restructuring that is in the District's best interest.

2. **Term of Refunding Issues**

The Governing Body will refund bonds within the term of the originally issued debt, unless otherwise expressly approved by resolution of the Governing Body.

3. **Escrow Structuring**

The District shall take steps to utilize the least costly securities available in structuring refunding escrows; provided that the District may purchase U.S. Treasuries – State and Local Government Series if it is determined that the costs and risks attendant to the solicitation of open market securities outweigh any attendant benefits.

C. Methods of Sale

Pursuant to the Utility District Act, debt may be issued at competitive or negotiated sale.

1. **Competitive** — In a competitive sale, the District's bonds shall be awarded to the bidder providing the lowest true interest cost as long as the bid adheres to the requirements set forth in the official notice of sale.
2. **Negotiated** — In a negotiated sale, the underwriter/lender/lessor will be chosen prior to the sale and the interest rate and the fees of the underwriter/lender/lessor are negotiated prior to the sale.

In the case of loans from State or Federal agencies, the District will negotiate directly with the agency making the loan. In all other cases, the Governing Body will determine the manner of sale, and will set forth the manner of sale in the resolution authorizing the debt.

D. Underwriter Selection (Negotiated Transaction)

The District, with assistance from its financial advisor (if the District has engaged a financial advisor), shall select the underwriter/lender/lessor for a proposed negotiated sale. The selection criteria will include the following factors and such other factors as the Governing Body may identify:

- Ability and experience in managing similar debt transactions;
- Prior knowledge and experience with the District;
- Capital adequacy;
- Quality and experience of personnel assigned to the District's engagement;
- Financing ideas presented; and
- Underwriter/lender/lessor fees.

E. Credit Quality

If the District maintains a credit rating, the District's debt management activities will be conducted to maintain the highest credit ratings possible, consistent with District's financing and rate maintenance objectives. The General Manager will be responsible for maintaining relationships and communicating with the rating agencies that assign ratings to the District's debt. Full disclosure of operations and open lines of communication shall be maintained with the rating agencies. The General Manager shall work with its financial advisor and/or underwriter (as applicable) to prepare and make presentations to the rating agencies to assist credit analysts in making an informed decision.

F. Credit Enhancements

The District will consider the use of credit enhancements on a case-by-case basis, evaluating the economic benefit versus the cost. Only when clearly demonstrable savings can be shown shall an enhancement be utilized. The District may consider each of the following enhancements as alternatives by evaluating the cost and benefit of such enhancements: bond insurance, reserve fund surety bonds, letters of credit and liquidity facilities.

G. Use of Structured Products

No interest rate agreements or forward purchase agreements will be considered unless a policy defining the use of such products is approved before the transaction is considered.

H. Risk Assessment

The District will evaluate each transaction to assess the types and amounts of risk associated with that transaction, considering all available means to mitigate those risks.

The District will evaluate all proposed transactions for consistency with the objectives and constraints defined in this Policy. The following risks should be assessed before issuing debt:

1. **Change in Public/Private Use** — The change in the public/private use of a project that is funded by tax-exempt funds could potentially cause a bond issue to become taxable.
2. **Default Risk** — The risk that debt service payments cannot be made by the due date.
3. **Liquidity Risk** — The risk of having to pay a higher rate to the liquidity provider in the event of a failed remarketing.
4. **Interest Rate Risk** — The risk that interest rates will rise, on a sustained basis, above levels that would have been set if the issued had been fixed.
5. **Rollover Risk** — The risk of the inability to obtain a suitable liquidity facility at an acceptable price to replace a facility upon termination or expiration of a contract period.
6. **Credit Risk** — The risk that an issuer of debt securities or a borrower may default on its obligations by failing to repay principal and interest in a timely manner.

J. Continuing Disclosure

To the extent that any of the District's debt issues are subject to U.S. Securities and Exchange Commission Rule 15c2-12 ("Rule 15c2-12"), the Governing Body will provide certain financial information and operating data by specified dates, and will provide notice of certain enumerated events with respect to the bonds, all as described in Rule 15c2-12.

K. Transparency

The District shall comply with the Tennessee Open Meetings Act, providing adequate public notice of meetings and specifying on the agenda of a meeting when matters related to debt issuance will be considered. Additionally, in the interest of transparency, all costs (including interest, issuance, continuing, and one-time) shall be disclosed to the citizens in a timely manner. To comply with the requirements of the preceding sentence, an estimate of the costs described above will be presented to the Governing Body along with any resolution authorizing debt.

Within four weeks of closing on a debt transaction, the debt service schedule and the State Form CT-0253 shall be available at the office of the General Manager for inspection and review by members of the Governing Body and the District's customers.

L. Professional Services

The District requires all professionals engaged to assist in the process of issuing debt to clearly disclose all compensation and consideration received related to services provided in the debt issuance process by the District. This includes "soft" costs or compensations in lieu of direct payments.

1. **Counsel** — The District will enter into an engagement letter agreement with each lawyer or law firm representing the District in a debt transaction. No engagement letter is required for any lawyer who serves as counsel to the District regarding District matters generally.
2. **Bond Counsel** — Bond counsel for each debt transaction is contracted by the Governing Body and serves to assist the District in such debt issue.
3. **Financial Advisor** — If the District chooses to engage a financial advisor, the financial advisor for each debt transaction will be contracted by the Governing Body and will serve and assist the District on financial matters related to such debt transaction. The Governing Body shall approve the written agreement between the District and the financial advisor with respect to a debt transaction. The financial advisor shall not be permitted to bid on or underwrite an issue for which it is or has been providing advisory services.
4. **Underwriter** — If there is an underwriter for a debt issue, the underwriter must clearly identify itself to the District in writing (e.g., in a response to a request for proposals or in promotional materials provided to the District) as an underwriter and not as a financial advisor from the earliest stages of its relationship with the District with respect to that issue. The underwriter must clarify its primary role as a purchaser of securities in an arm's-length commercial transaction and must disclose that it has financial and other interests that differ from those of the District. The underwriter in a publicly offered, negotiated sale shall be required to provide pricing information both as to interest rates and to takedown per maturity to the General Manager in advance of the pricing of the debt.

M. Potential Conflicts of Interest

Professionals involved in a debt transaction hired or compensated by the District shall be required to disclose existing client and business relationships between and among the

professionals to a transaction (including but not limited to financial advisor, swap advisor, bond counsel, swap counsel, trustee, paying agent, underwriter, counterparty, and remarketing agent), as well as conduit issuers, sponsoring organizations and program administrators. This disclosure shall include that information reasonably sufficient to allow the District to appreciate the significance of the relationships.

Professionals who become involved in the debt transaction as a result of a bid submitted in a widely and publicly advertised competitive sale conducted using an industry standard, electronic bidding platform are not subject to this disclosure. No disclosure is required that would violate any rule or regulation of professional conduct.

Debt Administration

A. Planning for Sale

1. In considering the adoption of any debt resolution, the Governing Body shall consider the purpose of the financing, the proposed structure of the financing, the proposed method of sale for the financing, members of the proposed financing team and an estimate of all the costs associated with the financing.
2. In the case of a proposed refunding, proposed use of credit enhancement, or proposed use of variable rate debt, the General Manager will present to the Governing Board the rationale for using the proposed debt structure, an estimate of the expected savings associated with the transaction (if applicable) and a discussion of the potential risks associated with the proposed structure.
3. If required by Rule 15c2-12, the General Manager, the bond counsel, financial advisor (if applicable), along with other members of the financing team will prepare a Preliminary Official Statement describing the transaction and the security for the debt that is fully compliant with all legal requirements.

B. Post Sale

1. The General Manager will maintain for review by members of the Governing Body and the public a debt service schedule and the CT-0253 Form related to the debt issue.
2. The General Manager will establish guidelines and procedures for tracking the flow of all bond proceeds, as defined by the Internal Revenue Code, over the life of bonds reporting to the IRS all arbitrage earnings associated with the financing and any tax liability that may be owed.

3. If required by Rule 15c2-12, the General Manager, the bond counsel, financial advisor (if applicable), along with other members of the financing team will prepare an Official Statement describing the transaction and the security for the debt that is fully compliant with all legal requirements.

C. Arbitrage

Compliance with arbitrage requirements on invested tax-exempt bond funds will be maintained. Proceeds that are to be used to finance construction expenditures are exempted from the filing requirements, provided that the proceeds are spent in accordance with requirements established by the IRS. The District will comply with all of its tax certificates for tax-exempt financings by monitoring the arbitrage earning on bond proceeds on an interim basis and by rebating all positive arbitrage when due, pursuant to Internal Revenue Code Section 148. The District will also retain all records relating to debt transactions for as long as the debt is outstanding, plus three years after the final redemption date of the transaction.

D. Private Activity

Compliance with private activity requirements with respect to tax exempt debt-financed facilities will be maintained. The General Manager shall maintain a record of the allocation of debt proceeds to expenditures, and monitor the use of tax exempt debt-financed facilities to ensure that no impermissible private use occurs.

E. Investment of Proceeds

Any proceeds or other funds available for investment by the District must be invested pursuant to applicable State law.

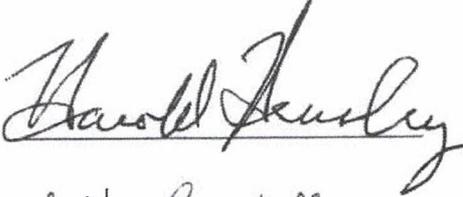
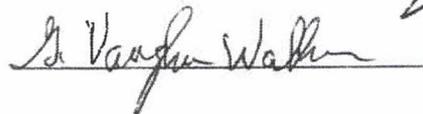
Review of the Policy

The debt policy guidelines outlined herein are only intended to provide general direction regarding the future use and execution of debt. The Governing Body maintains the right to modify these guidelines (except to the extent these guidelines are mandated by applicable state law or regulation) and may make exceptions to any of them at any time to the extent that the execution of such debt achieves the Governing Body's goals. Any exceptions to these policies shall be expressly acknowledged in the resolution authorizing the pertinent debt issue. In the event of a conflict between the terms of a debt resolution and this policy, the terms of the debt resolution shall control.

This policy will be periodically reviewed by the Governing Body, at which time, the General Manager will present any recommendations for any amendments, deletions, additions, improvement or clarification.

Adoption of the Policy

The Board of Commissioners adopted this Policy on 10-17 2011, to become effective January 1, 2012.

BONDECROFT UTILITY DISTRICT
FIXED ASSET CAPITALIZATION POLICY

Purpose

This policy is adopted to establish consistent guidelines for the capitalization and depreciation of fixed assets.

Capitalization Requirements

- (1) Long term or fixed assets, including land, land improvements, buildings, building improvements, infrastructure, easements, construction work in progress, office furniture, office equipment, machinery, operating equipment and vehicles, will be capitalized and subject to depreciation when:
- the asset has a useful life of more than two years; and
 - the asset has a cost of \$2,500 or more.

Assets which are not capitalized will be expensed in the year of acquisition.

- (2) The capitalization threshold is applied to individual units of fixed assets. For example, ten desks purchased in a single order, each costing \$1,000, will not qualify for capitalization even though the total cost of the desk order of \$10,000 exceeds the threshold of \$2,500.
- (3) For purposes of capitalization, the threshold will generally not be applied to components of fixed assets which form one working system such as computer systems, electronic and laboratory equipment and other similar working systems. The entire working system will be treated as a single fixed asset provided the entire system meets the \$2,500 threshold.
- (4) Repairs to existing fixed assets will generally not be subject to capitalization. Repairs are generally recognized as expenditures which are necessary to keep an asset in its intended operational condition and which do not materially increase the value of the asset. If a repair extends the useful life of a capital asset by more than two years and costs \$2,500 or more, then the repair represents an improvement and should be capitalized.

Infrastructure Capital Assets

Infrastructure includes new construction, replacement due to expansion or new technology, replacement due to the end of normal life cycle, major repairs or refurbishment and assets contributed by developers, customers or other third parties to the District.

- (1) New Construction. New construction normally begins as a Construction-In-Progress project and may take more than one fiscal year to complete. At the completion of the project, the total costs of the project may be broken down by the major groups of assets by operating system such as distribution and storage, pumping, meters, etc. Under each system, the component unit of the assets is listed based on the nature of the component and the length of the estimated useful life.
- (2) Replacement Due to Expansion or New Technology. Replacement occurs when an old systems or equipment is replaced because the District is either expanding its facilities to increase capacity or new technology and equipment has become available on the market which is more cost efficient than existing systems or equipment being used. In this situation, the old systems or equipment are replaced when they still have a remaining useful life and economic value. When each individual item or component unit costs \$2,500 or more and has a useful life of more than two years, the individual item or component unit should be capitalized. Because the retired equipment or systems still have a positive net book value, the District will calculate and record the appropriate loss on disposition.
- (3) Replacement Due to the End of Life Cycle. Replacement can occur as a result of normal scheduled maintenance. The component units can be purchased at the same time, but be installed simultaneously or within a planned short period time. In this situation, the old systems or equipment are replaced when they have no useful life or economic value. When the aggregate total cost of the component units is \$2,500 or more and have a useful life of more than two years, the component units should be capitalized. The estimated portion of the original asset that was replaced will be removed from the asset records of the District.
- (4) Repairs or Refurbishments. The District's existing infrastructure requires regular repair and maintenance. Repair or refurbishment expenses to existing capital assets may be capitalized under certain circumstances. The criteria for determining whether the expenditure is an expense or capital asset requires knowledge of the effect the repair will have on the capital asset. To be considered as a capital asset, these conditions must be met: (a) the total repair or refurbishment cost of one job must be \$2,500 or more, and; (b) after the repair or refurbishment, the remaining useful life of the existing asset must be extended by at least two years. When the above conditions are not met, the cost of repair or refurbishment will be considered as an operations and maintenance expense.

-
- (5) **Contributed Assets.** The District may require a developer or customer to build or finance the building of utility system improvements as condition for receiving utility service. Upon the completion of the utility system improvements, the developer or customer contributes the improvements to the District, and the District accepts ownership of the contributed improvements. In this situation, the utility system improvements are recorded as a capital asset at the time of acceptance by the District. The total costs of the utility system improvements must be broken down by operating system, and the major component units are to be listed under the operating systems depending on the nature and the length of the estimated useful life.

Determination of Cost

- (1) Capital assets will be reported at historical cost. Cost will include all necessary expenditures to acquire the asset and place the asset into service, including ancillary costs.
- (2) Ancillary costs for infrastructure, buildings and improvements include professional fees of engineers, architects, attorneys, appraisers, financial advisors and other similar professionals; insurance premiums; costs incurred to obtain financing for the project; and other related costs incurred during construction necessary to place the asset into service.
- (3) Ancillary costs for equipment and vehicles include transportation charges, installation costs, licensing fees, and any other normal and necessary expenditures required to place the asset into its intended state of operation.
- (4) Ancillary costs for land include legal and title fees, appraisal and negotiation fees, damage payments, site preparation costs and demolition costs of unwanted structures.
- (5) Contributed capital assets will be recorded at their estimated fair market value on the date the contributed asset was accepted by the District.
- (6) Self-constructed assets will be recorded based upon all direct costs (including labor) associated with the construction project.

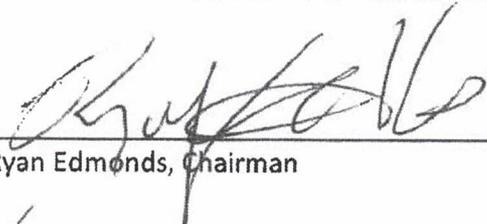
Depreciation

- (1) With the exception of land and easements, all capital assets will be depreciated using the straight-line method over the useful life of the asset.
- (2) Regardless of the month the capital asset is placed in service, a full year of depreciation will be recorded in the first year. Once the asset has been fully depreciated, the asset will be kept on the books until its disposal.

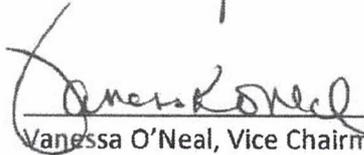
(3) The useful life of a capital asset for depreciation will be determined as follows:

<u>Asset Account</u>	<u>Years</u>
Water lines and storage	40-50
Buildings (office and plant)	30-50
Well/Dam	Engineer's Estimate
Pumps and treatment equipment	15-20
Equipment and tools	10-15
Machinery, construction equipment and construction vehicles	5-15
Transportation vehicles	5-10
Furniture and fixtures	5-10
Information systems	3-6

Policy adopted 04-21-2020



Ryan Edmonds, Chairman



Vanessa O'Neal, Vice Chairman



John Dakota White, Secretary

Cost of Tap Installation

Name of Utility BonDeCroft Utility District

Prepared By: Chad Selby Title: Oper. Superintendent

Date Prepared: 5/24/2021

Type of Tap Water Tap 3/4 Inch

COMPLETE ALL THAT APPLY

Quantity	Itemized Description	Cost	Total Cost
MATERIALS			
<u>1</u>	Water Meter @	<u>#####</u> each	<u>\$200.00</u>
<u>1</u>	Meter Box @	<u>\$72.52</u> each	<u>\$72.52</u>
<u>1</u>	Meter setter/Check Valve @	<u>#####</u> each	<u>\$214.32</u>
<u>1</u>	Corporation Stop @	<u>\$39.45</u> each	<u>\$39.45</u>
<u>20</u>	Feet of Service Line @	<u>\$0.82</u> per foot	<u>\$16.40</u>
<u>20</u>	Feet of Location Wire/Tape @	<u>\$0.12</u> per foot	<u>\$2.40</u>
<u>1</u>	connection meter fitting @	<u>\$16.00</u> each	<u>\$16.00</u>
<u>1</u>	Saddle @	<u>\$35.43</u> each	<u>\$35.43</u>
	Air Compressors @	each	<u>\$0.00</u>
	Valve or Valve Parts @	each	<u>\$0.00</u>
<u>1</u>	1000 gallons flushing @	<u>\$10.40</u> per 1000	<u>\$10.40</u>
<u>1</u>	Miscellaneous	<u>\$50.00</u>	<u>\$50.00</u>
EQUIPMENT RENTAL - OUTSIDE			
	Backhoe Hours @	per hour	<u>\$0.00</u>
	Boring @	per foot	<u>\$0.00</u>
	Truck and Trailer Hours @	per mile	<u>\$0.00</u>
LABOR - INTERNAL			
	Locate Cost @	per hour	<u>\$0.00</u>
<u>4</u>	Installation Labor for <u>3 men x</u>	<u>\$25.00</u> per hour	<u>\$300.00</u>
<u>1</u>	Seed Straw@	<u>\$10.00</u>	<u>\$10.00</u>
	Final clean -up/&inspection		<u>\$0.00</u>
<u>1</u>	Administrative Hours @	<u>\$20.00</u> per hour	<u>\$20.00</u>
LABOR - EXTERNAL			
	Contractor	Amount	
		Total	\$986.92

NOTE - TOTAL COST FOR 3/4" TAP IS \$986.92. THE DISTRICT CHARGES \$1,300, SO THEY ARE COVERING THE COST.

Cost of Tap Installation

Name of Utility BonDeCroft Utility District

Prepared By: Chad Selby Title : Oper. Superintendent

Date Prepared: 5/24/2021

Type of Tap Water Tap 1 inch

COMPLETE ALL THAT APPLY

Quantity	Itemized Description	Cost	Total Cost
MATERIALS			
<u>1</u>	Water Meter @	<u>#####</u> each	<u>\$440.00</u>
<u>1</u>	Meter Box @	<u>\$72.52</u> each	<u>\$72.52</u>
<u>1</u>	Meter setter/Check Valve @	<u>#####</u> each	<u>\$605.00</u>
<u>1</u>	Corporation Stop @	<u>\$39.45</u> each	<u>\$39.45</u>
<u>20</u>	Feet of Service Line @	<u>\$1.00</u> per foot	<u>\$20.00</u>
<u>20</u>	Feet of Location Wire/Tape @	<u>\$0.12</u> per foot	<u>\$2.40</u>
<u>1</u>	connection meter fitting @	<u>\$16.00</u> each	<u>\$16.00</u>
<u>1</u>	Saddle @	<u>\$35.43</u> each	<u>\$35.43</u>
	Air Compressors @	each	<u>\$0.00</u>
	Valve or Valve Parts @	each	<u>\$0.00</u>
<u>1</u>	1000 gallons flushing @	<u>\$10.40</u> per 1000	<u>\$10.40</u>
<u>1</u>	Miscellaneous	<u>\$50.00</u>	<u>\$50.00</u>
EQUIPMENT RENTAL - OUTSIDE			
	Backhoe Hours @	per hour	<u>\$0.00</u>
	Boring @	per foot	<u>\$0.00</u>
	Truck and Trailer Hours @	per mile	<u>\$0.00</u>
LABOR - INTERNAL			
	Locate Cost @	per hour	<u>\$0.00</u>
<u>4</u>	Installation Labor for <u>3 men x</u>	<u>\$25.00</u> per hour	<u>\$300.00</u>
<u>1</u>	Seed Straw@	<u>\$10.00</u>	<u>\$10.00</u>
	Final clean -up/&inspection		<u>\$0.00</u>
<u>1</u>	Administrative Hours @	<u>\$20.00</u> per hour	<u>\$20.00</u>
LABOR - EXTERNAL			
	Contractor	Amount	
		Total	\$1,621.20

NOTE - TOTAL COST FOR 1" TAP IS \$1,621.20. THE DISTRICT CHARGES \$1,700, SO THEY ARE COVERING THE COST.

Cost of Tap Installation

Name of Utility BonDeCroft Utility District

Prepared By: Chad Selby Title: Oper. Superintendent

Date Prepared: 5/24/2021

Type of Tap Water Tap 2 inch

COMPLETE ALL THAT APPLY

Quantity	Itemized Description	Cost	Total Cost
MATERIALS			
<u>1</u>	Water Meter @	<u>#####</u> each	<u>\$775.00</u>
<u>1</u>	Meter Box @	<u>\$72.52</u> each	<u>\$72.52</u>
<u>1</u>	Meter setter/Check Valve @	<u>#####</u> each	<u>\$605.00</u>
<u>1</u>	Corporation Stop @	<u>#####</u> each	<u>\$150.00</u>
<u>20</u>	Feet of Service Line @	<u>\$1.00</u> per foot	<u>\$20.00</u>
<u>20</u>	Feet of Location Wire/Tape @	<u>\$0.12</u> per foot	<u>\$2.40</u>
<u>1</u>	connection meter fitting @	<u>\$25.00</u> each	<u>\$25.00</u>
<u>1</u>	Saddle @	<u>\$50.00</u> each	<u>\$50.00</u>
	Air Compressors @	_____ each	<u>\$0.00</u>
	Valve or Valve Parts @	_____ each	<u>\$0.00</u>
<u>1</u>	1000 gallons flushing @	<u>\$10.40</u> per 1000	<u>\$10.40</u>
<u>1</u>	Miscellaneous	<u>\$50.00</u>	<u>\$50.00</u>
EQUIPMENT RENTAL - OUTSIDE			
	Backhoe Hours @	_____ per hour	<u>\$0.00</u>
	Boring @	_____ per foot	<u>\$0.00</u>
	Truck and Trailer Hours @	_____ per mile	<u>\$0.00</u>
LABOR - INTERNAL			
	Locate Cost @	_____ per hour	<u>\$0.00</u>
<u>4</u>	Installation Labor for	<u>3 men x</u> <u>\$25.00</u> per hour	<u>\$300.00</u>
<u>1</u>	Seed Straw@	<u>\$10.00</u>	<u>\$10.00</u>
	Final clean -up/&inspection	_____	<u>\$0.00</u>
<u>1</u>	Administrative Hours @	<u>\$20.00</u> per hour	<u>\$20.00</u>
LABOR - EXTERNAL			
	Contractor	_____ Amount	_____
		Total	\$2,090.32

NOTE - TOTAL COST FOR 2" TAP IS \$2,090.32. THE DISTRICT CHARGES \$2,700, SO THEY ARE COVERING THE COST.

WATER SALE AND PURCHASE CONTRACT

This Contract for the sale and purchase of water is entered into this 15 day of October, 2007, between BonDeCroft Utility District of White County, Tennessee, hereinafter referred to as the Seller, and the West Cumberland Utility District of Cumberland County, Tennessee, hereinafter referred to as the "Purchaser".

WITNESSETH:

WHEREAS, the Seller is a utility district organized and existing under the provisions of T.C.A. § 7-82-101 *et seq.* in White County and is authorized to provide water service within and without its boundaries;

WHEREAS, the Seller owns and operates a water supply distribution system with a sufficient capacity to supply the Purchaser's water supply needs as set forth in this Contract;

WHEREAS, the Purchaser is a utility district organized and existing under the provisions of T.C.A. § 7-82-101 *et seq.* in Cumberland County and is authorized to provide water service within and without its boundaries;

WHEREAS, the Purchaser desires to purchase water from the Seller to meet the water supply needs of the Purchaser's present and future customers;

WHEREAS, the sale of water to the Purchaser in accordance with the provisions of this Contract was approved on and the execution of this Contract by the President of the Purchaser was duly authorized on October 11, 2007; and

WHEREAS, the purchase of water from the Seller in accordance with the provisions of this Contract was approved on and the execution of this Contract by the President of the Seller was duly authorized on October 11, 2007.

NOW THEREFORE, in consideration of the foregoing and the mutual agreements hereinafter set forth, the parties agree as follows:

1. **Quality and Quantity.** The Seller shall furnish the Purchaser at the point of delivery hereinafter specified during the term of this Contract and any renewal or extension thereof, potable treated water meeting applicable purity standards of the Tennessee Department of Environment and Conservation in such quantity as may be required by the Purchaser in an amount not to exceed 750,000 gallons per day in accordance with the schedule as set forth below.

(a) Upon the effective date of this Contract, the Seller shall be obligated to furnish to the Purchaser up to 350,000 gallons per day.

(b) Upon the completion of the Seller's water treatment plant expansion and the installation of a new 12 inch water transmission line on Highway 70-E to the delivery point as set forth in section 6, the Seller shall be obligated to furnish the Purchaser up to 750,000 gallons per day.

2. **Sole Supply.** Upon the effective date of this Contract, the Purchaser agrees to purchase all of its water supply for its customers from the Seller up to the maximum amount of 750,000 gallons per day set forth in section 1. The Purchaser shall be permitted to purchase water from other water utilities or sources when the Seller is unable to fully supply the Purchaser's water supply needs as set forth in section 1.

3. **Point of Delivery and Pressure.** Water will initially be furnished at a reasonably constant pressure calculated at the Seller's existing six (6) inch main line at the White and Cumberland County line on Highway 70-E. Upon the completion of the Seller's water treatment plant expansion and the installation of the new 12 inch water transmission main on

Highway 70-E, water will then be furnished at a reasonably constant pressure calculated at the Seller's new 12 inch water transmission main at the White and Cumberland County line on Highway 70-E (the delivery point). The Seller and the Purchaser may mutually agree upon other points of delivery and may mutually agree to alter the flow characteristics at one or more points of delivery during the term of this Contract.

4. **Metering Equipment.** The Seller shall own, operate and maintain at its expense at the point or points of delivery the necessary metering equipment for properly measuring the quantity of water sold to the Purchaser. The Seller shall calibrate such metering equipment whenever requested by the Purchaser but not more frequently than once every twelve months. A meter registering no more than two percent (2%) out of calibration shall be deemed to be accurate.

Upon the completion of the Seller's water treatment plant expansion and the installation of the new 12 inch water transmission main on Highway 70-E as set forth in section 6, Seller agrees to install a master meter at the delivery point of a sufficient size to accurately measure the quantity of water set forth in section 1 to be furnished to the Purchaser.

When a meter test reveals a meter is not accurately measuring water use, the amount of water furnished for the month prior to the reading of the inaccurate meter shall be equal to amount of water measured by the meter for the month prior to the meter test as adjusted by the percentage of inaccuracy found by such test. If any meter fails to register for any billing period, the amount of water furnished during such billing period shall be deemed to be the amount of water furnished in the corresponding billing period for the prior year unless the Seller and Purchaser agree otherwise.

A qualified representative of the Purchaser shall be designated and shall have access to all metering devices at reasonable times for the purpose of verifying meter readings. The Seller shall make available to the Purchaser, at the Purchaser's expense, the signals sufficient to monitor the flow through the meter at a remote location.

5. **Risk of Loss.** The Purchaser shall pay for all water which passes through the master meter at the delivery point, and no adjustment shall be made for water line breaks, water line leaks, the fighting of fires or other water uses within the Purchaser's water system. The Seller agrees to make an adjustment for water which passes through the master meter at the delivery point when the Purchaser is required to flush its water lines or take other corrective measures which require the use of water as a result of the failure of the Seller to deliver potable treated water meeting applicable purity standards of the Tennessee Department of Environment and Conservation at the delivery point. The parties shall mutually agree upon an appropriate adjustment in such circumstances.

6. **Construction of Improvements.** The Purchaser understands and agrees that the Seller must make certain water system improvements to the Seller's water system to furnish the quantity of water set forth in section 1(b). The Seller must construct the following water system improvements to furnish water to the Purchaser under this Contract and to continue to meet the needs of its existing and future customers:

(1) an expansion of its existing water treatment plant and the installation of new ultra-filter membrane equipment to assure the production of 1,500,000 gallons per day upon the completion of the expansion; and

(2) a new 12 inch water transmission main from the Seller's water treatment plant to the delivery point.

The Purchaser agrees to pay its pro rata share of the cost of the new 12 inch water transmission main from the Seller's water tank to the delivery point which amount shall be 50% of all costs related to the construction of the new 12 inch water transmission main. The Purchaser shall pay its pro rata share of the cost of the new 12 inch water transmission main within ten (10) days of the award of the contract for the construction of this 12 inch water transmission main by the Seller. The Seller and the Purchaser agree that the new 12 inch water transmission main from the Seller's water tank to the delivery point will be dedicated solely to the Purchaser for the delivery of water purchased under this Contract.

7. **Rate.** The initial rate for water furnished by the Seller to the Purchaser shall be \$2.25 per 1,000 gallons. The Purchaser and Seller agree that this initial rate has been set by the Seller based upon the Seller's anticipated cost to construct the water system improvements set forth in section 6 using the rate formula set forth in Exhibit A to this Contract. This initial rate shall be revised in accordance with the rate formula set forth in Exhibit A using the actual costs of the water system improvements set forth in section 6. The revised rate based upon the actual costs of the water system improvements set forth in section 6 shall be agreed upon by the parties and shall be attached as an Exhibit B to this Contract.

8. **Rate Modifications.** Commencing on the first anniversary of the effective date of this Contract and thereafter on each anniversary of the effective date, the rate for water furnished by the Seller to the Purchaser set forth in Exhibit B shall be adjusted by a percentage equal to the percentage increase of the Consumer Price Index for All Urban Consumers (US), not seasonally adjusted, as published by the United States Department of Labor, Bureau of Labor Statistics during the preceding twelve (12) month period.

9. **Billing Procedure.** The Purchaser will be billed for water furnished under this Contract in accordance with the Seller's billing and collection procedures for its customers which procedures may be modified from time to time.

10. **Term of Contract.** The term of this Contract shall be twenty (20) years from the effective date of this Contract. The Contract term shall continue year to year at the end of the initial term unless either party notifies the other party in writing at least two years before the end of the initial term of such party's desire to terminate this Contract at the end of the initial term. The Contract term shall continue year to year at the end of any one year renewal term unless either party notifies the other party in writing at least six months before the end of any one year renewal term of such party's desire to terminate this Contract at the end of any one year renewal term.

11. **Effective Date.** The effective date of this Contract shall be the date set forth in the first paragraph of this Contract.

12. **Obligation to Supply and Failure to Deliver.** The Seller will operate and maintain its water system in a reasonably efficient and effective manner and will take such action as may be necessary to furnish the Purchaser with the quantity of water set forth in section 1 subject to the limitations set forth in this Contract. When the Seller anticipates that the normal quantity of water or pressure of water to be delivered to the Purchaser will change because of operational problems within the Seller's water system, the Seller shall notify the Purchaser of such anticipated variations as soon as the Seller becomes aware such variations from normal operations will occur.

Temporary or partial failures to deliver water shall be remedied with all reasonable dispatch. In the event of an extended shortage of water or in the event the supply of water

available to the Seller is otherwise diminished over an extended period of time, the supply of water to the Purchaser shall be reduced or diminished in the same ratio or proportion as the supply to the Seller's other customers is reduced or diminished. If water service by the Seller is interrupted by reason of injunction, strike, riot, flood, fire, use of water to fight fire, water main supply breaks, power failures, earthquake, breakdown or necessity of repairs to the Seller's water system or any other cause beyond the Seller's control, the Seller shall not be liable to the Purchaser for such interruption but shall use its best efforts to restore water service as quickly as reasonably possible. As necessity may arise in case of a break, emergency or other unavoidable case, the Seller shall have the right to temporarily cut off the water supply to the Purchaser in order to make necessary repairs.

13. **Chemical Analysis.** The Seller shall supply, upon request, a comprehensive chemical analysis report of the water supplied to the Purchaser.

14. **Notice of Emergency.** The Purchaser shall immediately notify the Seller of any emergency or condition which may affect the quality of water in either parties' system.

15. **Purity Standards.** The Purchaser shall not allow any water to enter its system which does not meet all applicable purity standards of the Tennessee Department of Environment and Conservation. The Seller reserves the right to make inspections of those facilities of the Purchaser which may affect the quality of water supplied to the Purchaser and perform required tests. In the event the Purchaser is permitted to sell water to third parties according to section 16, the Purchaser shall indemnify and hold harmless the Seller from any and all liability to said third parties resulting from deviation from purity standards of the Tennessee Department of Environment and Conservation.

16. **Use of Water.** The Purchaser shall use water for its customers. The Purchaser shall not sell water to another municipality, utility district or other water utility for resale without the prior written approval of the Seller.

17. **Emergency Sale of Water by the Purchaser to the Seller.** As long as the Purchaser has a source of water supply other than water furnished by the Seller under this Contract, the Purchaser agrees to sell water to the Seller on an emergency basis at the rates the Purchaser charges its customers for water service.

18. **Termination of Existing Water Supply Agreement.** Upon the effective date of this Contract, the parties' existing water purchase contract dated December 22, 1977, and all amendments thereto shall terminate.

19. **Approval.** This Contract is subject to the approval of the United States Department of Agriculture, Rural Utilities Service.

20. **Successors and Assigns.** Except as otherwise limited herein, the terms, covenants, and conditions of this Contract shall inure to the benefit of, and be binding upon the parties hereto and their respective successors and assigns.

21. **Specific Performance.** In addition to all other remedies available at law and in equity, an action for specific performance shall be available to the parties for the enforcement of any term, covenant, or condition of this Contract.

22. **Time of Essence.** Time is of the essence in the performance of this Contract, and all of the terms, covenants, and conditions herein contained.

23. **Waiver of Rights.** The failure of the parties to insist upon a strict performance of any of the terms, covenants, or conditions of this Contract shall not be deemed a waiver of any

rights or remedies of the Purchaser or the Seller, and shall not be deemed a waiver of any subsequent breach or default in any of the terms, covenants, or conditions herein contained.

24. **Governing Law.** This Contract is made in Tennessee and shall be governed by the laws of the State of Tennessee.

25. **Modification of Contract.** The provisions of this Contract shall be modified or altered only in writing by the mutual agreement of the parties

26. **Dispute Resolution.**

(a) The Seller and the Purchaser agree that any and all claims, counterclaims, disputes, and other matters in question between them arising out of or relating to this Contract or the breach thereof (disputes) shall be resolved by binding arbitration in accordance with the terms of this section.

(b) Any and all disputes shall be submitted to three (3) arbitrators, one appointed by the Purchaser, a second appointed by the Seller, and the third selected by the two arbitrators chosen by the parties. Only persons qualified as professionals in the matter in controversy will be appointed as arbitrators. The party desiring such arbitration shall give written notice to the other party and in such notice shall name an arbitrator. The arbitrator to be appointed by the other party shall be named in written notice to the party requesting such arbitration within thirty (30) days after receipt of such notice of arbitration. The third arbitrator shall be selected within fifteen (15) days of appointment of the second arbitrator by the two arbitrators previously appointed. If one of the parties shall have fails to appoint an arbitrator within the time provided herein, it is expressly understood and agreed that the one arbitrator who has been appointed shall be the sole arbitrator and shall arbitrate the question alone. If the arbitrators appointed by the parties and fail to select the third arbitrator within the time provided

herein, the third arbitrator shall be appointed by agreement of the parties or by the Clerk and Master of the Chancery Court of White County, Tennessee, upon application therefore filed by either of said parties to the arbitration. If the Clerk and Master is unwilling or unable to appoint the third arbitrator, either party may file a petition with the Chancery Court of White County, Tennessee, for the appointment of such arbitrator.

(c) The arbitrators shall establish the procedures for the arbitration including any requirements for document production, other discovery, hearings, scheduling and any other matters related to the conduct of the arbitration.

(d) The determination of the arbitrators shall be submitted to the Purchaser and the Seller with findings of fact, conclusions of law and citation of supporting data. A dissenting view may be filed by any arbitrator.

(e) The final determination by the arbitrators shall be effective as of the date on which the disputed action was originally proposed to go into effect or upon the effective date set forth in the final determination. A copy of the final determination shall become and shall be made part of this Contract and both parties hereto shall be subject to the directives and conditions of the final determination.

IN WITNESS WHEREOF, the undersigned have executed this Contract as of the date first written above, to be effective as of the date set forth herein.

**BONDECROFT UTILITY DISTRICT OF
WHITE COUNTY, TENNESSEE**

By: 
Harold Hensley, President of the Board
of Commissioners

Dated: 10-15-07

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

By: *Robert Dodson*
**Robert Dodson, President of the
Board of Commissioners**

Dated: 10/15/07

This Contract is approved on behalf of the United States Department of Agriculture,
Rural Utilities Service, this 25th day of October, 2007.

By: *Jerry W. Jolley*
Name: JERRY W. JOLLEY
Title: Acting Area Director

ORIGINAL

EXHIBIT A
FORMULA FOR INITIAL RATE

EXHIBIT A
BonDeCroft Utility District Water Cost

<u>Expenses</u>				
Salaries-Admin	\$	75,000	\$	37,500 50%
Salaries-Distribution	\$	85,000	\$	8,500 10%
Salaries-water treatment	\$	60,000	\$	60,000 100%
Tax and SS	\$	18,000	\$	7,200 40%
Lab supplies-water treatment	\$	8,000	\$	4,000 50%
Chemicals-water treatment	\$	21,000	\$	21,000 100%
Utilities	\$	45,000	\$	36,000 80%
Insurance (Lib Ins)	\$	15,000	\$	9,000 60%
Insurance -health	\$	68,000	\$	27,200 40%
Office supplies	\$	4,444	\$	444 10%
Postage	\$	4,255	\$	- 0%
Professional Legal and Acc.	\$	3,400	\$	1,700 50%
Maintenance Supplies-distribution	\$	19,000	\$	1,900 10%
Maintenance Supplies-water treatment	\$	10,000	\$	10,000 100%
Commissioners fee	\$	3,600	\$	1,440 40%
Interest Expense on Bonds	\$	105,000	\$	73,500 70%
Depreciation-Principal	\$	112,000	\$	67,200 60%
Testing	\$	4,600	\$	2,300 50%
Advertising (public notice)	\$	1,000	\$	500 50%
Trucks expense	\$	15,000	\$	6,000 40%
Bad debts	\$	2,500	\$	- 0%
Dues and seminars	\$	3,000	\$	1,500 50%
Margin 8%	\$	64,000	\$	32,000 50%
Misc	\$	10,322	\$	5,161 50%
<u>Principal Payment on Bonds</u>	\$	<u>66,000</u>	\$	<u>39,600 60%</u>
TOTAL EXPENSES	\$	823,121	\$	453,645
Adjusted non water sales expenses	\$	823,121		

Water Customers 1196
Water sold gallons 200 MG

Variable cost/gallons sold

Calculated Per/1000 \$2.27

FIRST AMENDMENT TO WATER SALE AND PURCHASE CONTRACT

This First Amendment to Water Sale and Purchase Contract (the First Amendment) is entered into this 17th day of March, 2008, between BonDeCroft Utility District of White County, Tennessee, hereinafter referred to as the Seller, and the West Cumberland Utility District of Cumberland County, Tennessee, hereinafter referred to as the "Purchaser".

WITNESSETH:

WHEREAS, the parties entered into a Water Sale and Purchase Contract dated October 15, 2007 (the Contract); and

WHEREAS, the parties desire to amend the Contract.

NOW THEREFORE, in consideration of the foregoing and the mutual agreements hereinafter set forth, the parties agree to amend the Contract as follows:

1. Section 6 of the Contract is amended to read as follows:

6. **Construction of Improvements.** The Purchaser understands and agrees that the Seller must make certain water system improvements to the Seller's water system to furnish the quantity of water set forth in section 1(b). The Seller must construct the following water system improvements to furnish water to the Purchaser under this Contract and to continue to meet the needs of its existing and future customers:

- (1) an expansion of its existing water treatment plant and the installation of new ultra-filter membrane equipment to assure the production of 1,500,000 gallons per day upon the completion of the expansion; and
- (2) a new 12 inch water transmission main from the Seller's water treatment plant to the delivery point.

The Seller and the Purchaser agree that the new 12 inch water transmission main from the Seller's water tank to the delivery point will be dedicated solely to the Purchaser for the delivery of water purchased under this Contract.

2. Section 7 of the Contract is amended by deleting the first sentence of this section and replacing it with the following sentence: "The initial rate for water furnished by the Seller to the Purchaser shall be \$3.00 per 1,000 gallons to be effective for all water purchased after February 25, 2008."

3. All other provisions of the Water Sale And Purchase Contract dated October 15, 2007 shall remain in full force and effect.

IN WITNESS WHEREOF, the undersigned have executed this First Amendment to be effective as of the date set forth herein.

**BONDECROFT UTILITY DISTRICT
OF WHITE COUNTY, TENNESSEE**

By: Harold Hensley
Harold Hensley, President of the
Board of Commissioners

Dated: 3-17-08

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

By: Stanley Hall
Stanley Hall, President of the
Board of Commissioners

Dated: 3-14-08

This First Amendment to Contract is approved on behalf of the United States Department of Agriculture, Rural Utilities Service, this 6th day of November, 2008.

By: 

Name: JERRY W. JOLLEY

Title: Area Specialist



JASON E. MUMPOWER
Comptroller

Entity Referred: **Copper Basin Utility District**

Referral Reason: **Negative Change in Net Position**

Utility Type Referred: **Water**

Staff Summary:

The District contracted with the Tennessee Association of Utility Districts (“TAUD”) to perform a rate study in accordance with the Board’s previous order. TAUD completed the study and submitted its resulting report and recommendations to the District and to Board staff. The District implemented TAUD’s recommendations. The District has complied with all directives of the Board, but the Board should continue to monitor its financial progress.

Staff Recommendation:

Order the following:

1. The District shall send financial updates to Board staff by March 1st and September 1st of each year, beginning March 1, 2022, until the Board releases the District from its oversight.



REPORT FOR COPPER BASIN UTILITY DISTRICT

UTILITY MANAGEMENT REVIEW BOARD ORDER DATED AUGUST 6, 2020

October 11, 2021

INTRODUCTION

Description of the Copper Basin Utility District Water and Sewer System

Copper Basin Utility District (the District) provides water and sewer services in Polk County. The District's board of commissioners has five members who are appointed by the Polk County, Mayor. The District's raw water supply comes from Campbell Cove Lake. On average the District's water treatment plant produces about 500,000 gallons per day. The District operates a small wastewater treatment plant in Ducktown with a design capacity of 0.14 MGD which discharges into the Ocoee River.

As of June 30, 2021, the District had the following rate classes for water service and the following numbers of customers in each water rate class:

Turtletown/Postelle

Residential	709
Commercial	12

Isabella/Ducktown

Residential	304
Commercial	67

The District only provides sewer service within the Ducktown portion of its service area. As of June 30, 2021, the District had the following rate classes for sewer service and the following numbers of customers in each sewer rate class:

Residential	166
Commercial	46

The District sells water to the City of Copperhill under a wholesale water purchase and sale agreement.

The District was referred to the Utility Management Review Board (UMRB) upon the submission of its audit for its fiscal year ending June 30, 2018, because it met the statutory definition for a financially distressed utility district. The District had a negative change in net position for two consecutive years without regard to any grants or capital contributions for its fiscal years ending June 30, 2017 and June 30, 2018.

History of Rates and Existing Rate Structure

After the District was referred to the UMRB, the District has implemented two increases in water rates which became effective on July 1, 2019, and on July 1, 2021, and three increases in sewer rates which became effective on July 1, 2019, July 1, 2020, and July 1, 2021. The District's current schedule of monthly water and sewer rates is set forth in **Exhibit 1** attached to this Report.

As a result of these rate increases, the District has experienced a positive change in net position for its fiscal years ending June 30 of 2019 and 2020 as follows:

June 30, 2019	\$ 9,534
June 30, 2020	\$107,703

Utility Management Review Board Order

On August 6, 2020, the Utility Management Review Board (UMRB) issued an order directing the District to have the Tennessee Association of Utility Districts, or another qualified expert as approved by the Board staff, perform a rate study that includes the following:

- a) The creation of a rate and fee policy;
- b) A justification for the multiple residential rate classes, or if no justification is possible, recommendation for a one rate class for all residential customers;
- c) A justification for the multiple commercial rate classes, or if no justification is possible, recommendation for a one rate class for all commercial customers;
- d) A review of the new customer contracts for homeowners and renters, including any recommended modifications, and
- e) A review of the current capital asset plan, including any recommended modifications.

RECOMMENDATIONS

Recommendation #1

The District's board of commissioners should approve the Five-Year Capital Asset Plan attached as **Exhibit 2**.

Recommendation #2

TAUD recommends the District adopt the water and sewer rates set forth in attached **Exhibit 5** to become effective on July 1 of 2022 and 2023.

Recommendation # 3

The District should work with TAUD to make revisions to its customer contracts which the District has agreed to do.

FIVE YEAR CAPITAL ASSET PLAN

TAUD met with the District to review its District's five-year capital assets plan. They discussed capital improvements which the District planned to make or should consider making to its water and sewer system through June 30, 2025, as well the purchase of capital assets during this same time period. Options for funding these capital expenditures were reviewed. TAUD assisted the District in preparing a Five-Year Capital Asset Plan based upon these discussions which is attached as **Exhibit 2** and which was used in TAUD financial projections.

RATE STUDY AND PROPOSED PLAN OF ACTION

To determine whether existing rates will produce sufficient revenues to make the District's water and sewer system self-supporting, TAUD first projected a Statement of Revenues and Expenses and Changes in Net Position for the District for its fiscal year ending June 30, 2021, to use as its test year. TAUD projected the revenues for the system using existing rates. TAUD projected operation and maintenance expenses and debt service payments by reviewing: (1) the District's budget for its fiscal year ending June 30, 2021; (2) historical information from the District's previous five fiscal years; and (3) the District's unaudited revenues and expenses for its fiscal year ending June 30, 2021.

Then, TAUD projected Statements of Revenues and Expenses and Changes in Net Position for the District for its fiscal years ending June 30 of 2022, 2023, 2024, and 2025. See **Exhibit 3** attached to this Report.

Revenue Projections:

- Water sales and sewer sales for the fiscal year ending June 30, 2021, are projected by taking the District's actual water usage reports for all rate classes for the year ending June 30, 2020, and applying the District's current water and sewer rates to this actual usage.
- The District estimates that it will add approximately 15 new water connections and 2 new sewer connections annually. Therefore, water sales are increased by \$10,800 and sewer sales are increased by \$1,200 each year during the remaining years in the five-year projection period.
- The District's wholesale water sale agreement with the City of Copperhill provides for an annual adjustment to the wholesale water rate charged to Copperhill based upon the an annual cost of living adjustment. TAUD increased water sales by \$2,505 each year during the remaining years in the five-year projection period to account for an annual cost of living adjustment at an estimated rate of 1.5% per year.
- Tap fees for the test year and for the remaining years in the projection period are based upon the District's estimate of adding 15 new water connections and 2 new sewer connections annually which appear to be reasonable.

- Installations for the test year and for the remaining years in the projection period are based upon the District's estimate of adding 15 new water customers annually which appears to be reasonable.

Expense Projections:

Except for the operating expenses in the following paragraph, operating expenses for the test year ending June 30, 2021 are projected based upon the average of each expense for the District's last two fiscal years ending June 30, 2020 and June 30, 2021.

The following operating expenses for the test year are projected as follow:

- Utilities expense is based upon the District's actual utilities expense for its fiscal year ending June 30, 2021.
- Depreciation is projected based upon the District's existing fixed asset schedule and the useful service lives used on this schedule for depreciation as of June 30, 2020, plus the depreciation attributable to the new capital assets placed into service during the District's fiscal year ending June 30, 2021.
- Computer expense is based upon the District's estimate for the test year and for future years during the projection period which seem to be reasonable.
- Travel expense is based upon the District's estimate for the test year and for future years during the projection period which seem to be reasonable.
- Inspection fees and permits expense is based upon a two-year average of this expense after an excavator included in this account for 2021 was reclassified as a capital expense.
- Waste removal expense is based upon the District's estimate for the test year and for future years during the projection period which seem to be reasonable.

For the remaining fiscal years in the five-year projection period, all operating expenses except depreciation are increased by 2% annually over the projected amount for the test year. Annual depreciation expenses after the test year are projected based upon the District's existing fixed asset schedule and on new capital assets included in the capital asset plan after the test year.

TAUD's projected revenues and expenses for its test year ending June 30, 2021, are set forth in the attached as **Exhibit 4**.

Revenue Sufficiency and Rate Modifications Required

Based upon the projected Statements, the District will have a positive change in net position for the test year ending June 30, 2021 of approximately \$55,899. Due to the depreciation and new

debt related to planned capital projects in 2022 and 2023, the District will need additional revenue for its fiscal year beginning July 1, 2022. TAUD recommends that the District go ahead and adopt the rates set for the in **Exhibit 5** to become effective July 1, 2022, and July 1, 2023.

The rate recommendations for the fiscal year beginning July 1, 2024, are based upon revenue and expense projections which are subject to change. Therefore, the rate recommendations to become effective July 1, 2024, should be reviewed as a part of the budgetary process for that fiscal year to ensure that rates recommended will continue to produce sufficient revenues to give the District a positive change in net position for its fiscal year beginning July 1, 2024.

Projected Cash and Investments Schedule

A Projected Cash and Investments Schedule for the District is attached as **Exhibit 6**. If the District adopts the rate increases recommended by TAUD and funds its capital improvements as set forth in the Five-Year Capital Asset Plan, the District should have a cash balance of \$1,914,266 as of June 30, 2025.

JUSTIFICATION OF MULTIPLE RESIDENTIAL AND COMMERCIAL RATE CLASSES

The District has two water rate zones, Turtletown/Postelle and Isabella/Ducktown. The District established these two rate zones when it installed a significant water line extension to upgrade and expand its service to the Isabella/Ducktown portion of its service area. The extension costs \$577,064, and the District decided to make the monthly water rates of the Isabella/Ducktown service area slightly higher to cover the additional annual depreciation expenses related to this line extension. Because this rate differential is cost based, TAUD sees no problem with the District having separate water rates for the Isabella/Ducktown portion of the District.

The District only has two rate classes, residential and commercial, in each of its two rate zones. The District does have a higher minimum bill for residential and commercial customers with larger meters. The usage rates for all residential customers are the same in each rate zone, and the usage rates for all commercial customers are the same in each rate zone. A primary purpose of the minimum bill is to cover the utility's fixed costs which it incurs simply to have water service available to its customers. Customers with larger meters place a greater demand on the District's water system than customers who have ¾ inch meters. Therefore, the District's water system infrastructure required to make service available to customers with larger meters is greater than the infrastructure required for customers served by a ¾ inch meter.

The maximum flow rate of a ¾ inch meter is 20 gallons per minute (gpm). A one inch meter has a maximum flow rate of 50 gpm. A 2 inch meter has a maximum flow rate of 160 gpm. As the size of the water meter increases, so does the maximum flow rate. Therefore, the Town's investment to be able to provide water service to a customer with a 2 inch meter is significantly greater than the investment required to serve a customer with a ¾ inch meter. Therefore, higher minimum bills for customers with larger meters are justified.

TAUD sees no reason for the District to change its current rate structure.

RATE AND FEE POLICY

The District's billing procedures for its customers are set forth in its customer contracts. The District provides water leak protection insurance coverage to its customers through ServLine so it has no leak adjustment policy. The District keeps and maintains a current schedule of rates which is updated when new rates are adopted. The Schedule of Rates is published in the District's audit each year and is made available to any customer upon request. The District's current schedule of rates is attached as **Exhibit 1**. TAUD sees no reason to create a new rate and fee policy.

CUSTOMER CONTRACTS FOR SERVICE

While the District's existing customer contracts for service are adequate, the District has agreed to work with TAUD to make some revisions to these customer contracts. When the revisions are completed, the revised customer contracts will be provided to the UMRB.

**COPPER BASIN UTILITY DISTRICT
WATER AND WASTEWATER RATES
EFFECTIVE JULY 1, 2021**

Exhibit 1

Residential – Turtletown & Postelle

¾" Basic 2000 gallons - **\$26.01** Over 2000 - **\$11.00** per 1000 Over 5000 - **\$15.72** per 1000
1" Basic 2000 gallons - **\$39.53**
2" Basic 2000 gallons - **\$74.00**
4" Basic 2000 gallons - **\$107.14**
6" Basic 2000 gallons - **\$140.95**

Residential – Isabella & Ducktown

¾" Basic 2000 gallons - **\$26.45** Over 2000 - **\$11.24** per 1000 Over 5000 - **\$16.04** per 1000
1" Basic 2000 gallons - **\$40.24**
2" Basic 2000 gallons - **\$74.00**
4" Basic 2000 gallons - **\$109.18**
6" Basic 2000 gallons - **\$143.65**

Commercial – Turtletown & Postelle

¾" Basic 2000 gallons - **\$33.44** Over 2000 - **\$14.15** per 1000 Over 5000 - **\$20.20** per 1000
1" Basic 2000 gallons - **\$46.79**
2" Basic 2000 gallons - **\$89.21**
4" Basic 2000 gallons - **\$130.75**
6" Basic 2000 gallons - **\$172.27**

Commercial – Isabella & Ducktown

¾" Basic 2000 gallons - **\$34.04** Over 2000 - **\$14.42** per 1000 Over 5000 - **\$20.59** per 1000
1" Basic 2000 gallons - **\$47.67**
2" Basic 2000 gallons - **\$90.90**
4" Basic 2000 gallons - **\$133.25**
6" Basic 2000 gallons - **\$178.92**

City of Copperhill – Flat Rate

\$4.06 per 1,000

Residential Wastewater (56% of water rate)

Basic 2000 - **\$14.81** Over 2000 - **\$6.30** per 1000 Over 5000 - **\$8.98** per 1000

Commercial Wastewater

Basic 2000 - **\$34.04** Over 2000 - **\$14.42** per 1000 Over 5000 - **\$25.00** per 1000

Per Unit Charge - \$5.00 per extra unit with a restroom facility (nursing home, hospital, home converted into apartments, bed and breakfast, etc)

ServLine Residential Water Loss Protection **\$1.55/month**
ServLine Residential Water Line Protection **\$4.65/month**
ServLine Commercial Water Loss Protection **\$3.85/month**
ServLine Commercial Water Line Protection **\$13.75/month**
ServLine Commercial Sewer Line Protection **\$13.75/month**

Copper Basin Utility District
Five Year Capital Asset Plan

	<u>6/30/2021</u>	<u>6/30/2022</u>	<u>6/30/2023</u>	<u>6/30/2024</u>	<u>6/30/2025</u>
Zone Meters	-	15,000	-	-	-
Ducktown Water Line Replacements	635,000	-	-	-	-
Sewer Improvements - Mapping	47,369	-	-	-	-
2021 Chevy Truck	50,151	-	-	-	-
Excavator	69,030	-	-	-	-
Tanks & Line Extensions	-	2,000,000	-	-	-
Infrastructure Planning - Water	-	52,500	-	-	-
Backhoe	-	-	75,000	-	-
Ducktown Water Line Replacements	-	-	-	700,000	-
Meter Changeout	-	-	-	-	270,000
Sewer Rehab	-	-	-	-	2,000,000
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	801,550	2,067,500	75,000	700,000	2,270,000
Additional Depreciation	26,987	71,112	78,612	92,612	159,612
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Capital Outlay & Depreciation	828,537	2,138,612	153,612	792,612	2,429,612
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<u>Source of Funds</u>					
Loans	-	2,000,000	75,000	-	1,362,000
Grants	547,000	50,000	-	630,000	908,000
Cash	254,550	17,500	-	70,000	-
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Total Funding Sources	801,550	2,067,500	75,000	700,000	2,270,000
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Copper Basin Utility District - Projected Statements of Revenues and Expenses and Changes in Net Position

	Projected 6/30/2021	Projected 6/30/2022	Projected 6/30/2023	Projected 6/30/2024	Projected 6/30/2025
Operating Revenues:					
Water Sales	897,356	931,566	942,366	953,166	963,966
Sewer Sales	229,036	230,936	232,136	233,336	234,536
Tap Fees	20,000	20,000	20,000	20,000	20,000
Installations	1,500	1,500	1,500	1,500	1,500
Total Operating Revenues	1,147,892	1,184,002	1,196,002	1,208,002	1,220,002
Operating Expenses:					
Wages	360,000	367,200	374,544	382,035	389,676
Payroll Taxes	27,500	28,050	28,611	29,183	29,767
Retirement	12,400	12,648	12,901	13,159	13,422
Directors Fees	6,400	6,528	6,659	6,792	6,928
Utilities	86,500	88,230	89,995	91,794	93,630
Chemicals	40,000	40,800	41,616	42,448	43,297
Insurance	126,000	128,520	131,090	133,712	136,386
Insurance - Water Leak Protection	27,000	27,540	28,091	28,653	29,226
Material & Supplies	37,000	37,740	38,495	39,265	40,050
Lab Analysis	6,000	6,120	6,242	6,367	6,495
Depreciation	254,193	298,318	305,818	319,818	386,818
Repairs & Maintenance	45,000	45,900	46,818	47,754	48,709
Office Expense	5,300	5,406	5,514	5,624	5,737
Computer Expense	5,000	5,100	5,202	5,306	5,412
Postage	8,500	8,670	8,843	9,020	9,201
Travel	5,000	5,100	5,202	5,306	5,412
Inspection & Permit Fees	6,700	6,834	6,971	7,110	7,252
Auto & Truck Expense	3,700	3,774	3,849	3,926	4,005
Contract Labor	12,000	12,240	12,485	12,734	12,989
Professional Fees	12,000	12,240	12,485	12,734	12,989
Miscellaneous	2,000	2,040	2,081	2,122	2,165
Waste Removal	5,000	5,100	5,202	5,306	5,412
Total Operating Expenses	1,093,193	1,154,098	1,178,713	1,210,171	1,294,978
Operating Income (Loss)	54,699	29,904	17,289	(2,169)	(74,976)
Nonoperating Revenues (Expenses)					
Interest Income	1,200	1,200	1,200	1,200	1,200
Interest Expense	-	(24,818)	(48,828)	(47,999)	(80,952)
Total Nonoperating Revenues (Expenses)	1,200	(23,618)	(47,628)	(46,799)	(79,752)
Change in Net Position before Contributed Capital and Grants	55,899	6,286	(30,339)	(48,968)	(154,728)
Estimated Revenue from Suggested Rate increase	-	-	34,868	52,118	155,876
Change in Net Position	55,899	6,286	4,529	3,150	1,148

IN ADDITION - ADD \$10,800 EACH YEAR TO WATER (15 NEW CUSTOMERS X \$50 PER MONTH X 12 MONTHS)

ADD \$1,200 EACH YEAR TO SEWER (2 NEW CUSTOMERS X \$50 PER MONTH X 12 MONTHS)

ALSO INCLUDED IS \$2,505 INCREASE FOR 1.5% COLA FOR CITY OF COPPERHILL WATER REVENUE.

Copper Basin Utility District - Test Year

	2021 District Budget	Last 2 Year Average	Client F/S for 2021	2021 Estimated	
Operating Revenues:					
Water Sales	-	878,855	-	897,356	From usage calculations
Sewer Sales	-	233,621	-	229,036	From usage calculations
Tap Fees	-	15,450	24,900	20,000	District expects average of 15 new water and 2 new sewer each year.
Installations	-	-	9,570	1,500	Average of \$100 per year for 15 new customers
Total Operating Revenues	-	1,127,926	34,470	1,147,892	
Operating Expenses:					
Wages	370,912	358,499	359,199	360,000	From 2 year average
Payroll Taxes	28,371	27,392	27,839	27,500	From 2 year average
Retirement	11,404	12,368	10,148	12,400	From 2 year average
Directors Fees	6,350	6,375	6,100	6,400	From 2 year average
Utilities	77,306	80,397	86,495	86,500	From actual
Chemicals	44,186	41,280	37,571	40,000	From 2 year average
Insurance	144,761	122,730	126,775	126,000	From 2 year average
Insurance - Water Leak Protection	-	27,054	27,000	27,000	From 2 year average
Material & Supplies	46,752	37,029	94,367	37,000	From 2 year average
Lab Analysis	5,747	5,815	5,306	6,000	From 2 year average
Depreciation	210,000	229,637	-	254,193	2020 depreciation plus new additions
Repairs & Maintenance	54,242	44,419	82,317	45,000	From 2 year average, there was a excavator to be reclassified for this year
Office Expense	4,527	5,373	11,835	5,300	From 2 year average
Computer Expense	10,853	9,953	-	5,000	From discussions with District
Postage	8,197	8,505	8,844	8,500	From 2 year average
Travel	9,222	11,574	2,580	5,000	From discussions with District
Inspection Fees & Permits	9,332	-	6,714	6,700	From actual, this will be every year, was in miscellaneous
Auto & Truck Expense	3,811	3,748	7,629	3,700	From 2 year average
Contract Labor	31,921	11,711	81,836	12,000	From 2 year average, there is items to be reclassified this year
Professional Fees	11,975	11,825	87,535	12,000	Used 2 year average, awaiting grant to reimburse for Engineering costs
Miscellaneous	610	11,024	1,700	2,000	From 2 year average
Waste Removal	1,018	2,198	8,863	5,000	From discussions with District
Total Operating Expenses	1,091,497	1,068,900	1,080,653	1,093,193	
Operating Income (Loss)	(1,091,497)	59,027	(1,046,183)	54,699	
Nonoperating Revenues (Expenses)					
Interest Income	-	1,191	1,367	1,200	Used 2 year average
Interest Expense	-	(1,599)	-	-	N/A
Total Nonoperating Revenues (Expenses)	-	(408)	1,367	1,200	
Change in Net Position before Contributed Capital and Grants	(1,091,497)	58,619	(1,044,816)	55,899	
Contributed Capital and Grants	-	17,767	-	-	
Change in Net Position	(1,091,497)	76,385	(1,044,816)	55,899	

Copper Basin Utility District - Rates

	DISTRICT RATES FY 20-21		DISTRICT RATES FY 21-22		SUGGESTED FOR FY 22-23		SUGGESTED FOR FY 23-24		SUGGESTED FOR FY 24-25	
	Turtletown & Postelle	Isabella & Ducktown	Turtletown & Postelle	Isabella & Ducktown	Turtletown & Postelle	Isabella & Ducktown	Turtletown & Postelle	Isabella & Ducktown	Turtletown & Postelle	Isabella & Ducktown
	Water Rates									
Residential -										
First 2,000 gallons										
3/4" meter	\$26.01	\$26.45	\$26.01	\$26.45	\$26.50	\$27.00	\$26.75	\$27.25	\$28.50	\$29.00
1" meter	\$39.53	\$40.24	\$39.53	\$40.24	\$40.12	\$40.75	\$40.72	\$41.00	\$41.34	\$42.75
2" meter	\$74.00	\$74.00	\$74.00	\$74.00	\$74.50	\$75.11	\$74.75	\$76.24	\$76.50	\$77.38
4" meter	\$107.14	\$109.18	\$107.14	\$109.18	\$108.75	\$110.82	\$110.38	\$112.48	\$112.03	\$114.17
6" meter	\$140.95	\$143.65	\$140.95	\$143.65	\$143.06	\$145.80	\$145.21	\$147.99	\$147.39	\$150.21
Over 2,000 to 5,000 gallons	\$10.68 / 1,000	\$10.91 / 1,000	\$11.00 / 1,000	\$11.24 / 1,000	\$11.65 / 1,000	\$11.90 / 1,000	\$12.00 / 1,000	\$12.25 / 1,000	\$14.00 / 1,000	\$14.50 / 1,000
Over 5,000 gallons	\$14.97 / 1,000	\$15.28 / 1,000	\$15.72 / 1,000	\$16.04 / 1,000	\$16.65 / 1,000	\$16.90 / 1,000	\$17.00 / 1,000	\$17.25 / 1,000	\$19.00 / 1,000	\$19.50 / 1,000
Commercial										
First 2,000 gallons										
3/4" meter	\$33.44	\$34.04	\$33.44	\$34.04	\$34.00	\$35.00	\$34.25	\$35.25	\$39.00	\$37.00
1" meter	\$46.79	\$47.67	\$46.79	\$47.67	\$47.49	\$48.50	\$48.20	\$48.75	\$48.93	\$50.50
2" meter	\$89.21	\$90.90	\$89.21	\$90.90	\$90.55	\$91.75	\$91.91	\$92.00	\$93.28	\$93.75
4" meter	\$130.75	\$133.25	\$130.75	\$133.25	\$132.71	\$135.25	\$134.70	\$137.28	\$136.72	\$139.34
6" meter	\$172.27	\$178.92	\$172.27	\$178.92	\$174.85	\$181.60	\$177.48	\$184.33	\$180.14	\$187.09
Over 2,000 to 5,000 gallons	\$13.74 / 1,000	\$14.00 / 1,000	\$14.15 / 1,000	\$14.42 / 1,000	\$14.65 / 1,000	\$14.90 / 1,000	\$15.00 / 1,000	\$15.10 / 1,000	\$17.00 / 1,000	\$17.50 / 1,000
Over 5,000 gallons	\$19.24 / 1,000	\$19.61 / 1,000	\$20.20 / 1,000	\$20.59 / 1,000	\$20.90 / 1,000	\$21.15 / 1,000	\$21.25 / 1,000	\$21.35 / 1,000	\$29.00 / 1,000	\$23.50 / 1,000

NOTE: For water rates in red - There are no customers in these rate tiers. Rates in these tiers are adjusted 1.5% for each year.

	DISTRICT RATES FY 20-21	DISTRICT RATES FY 21-22	SUGGESTED FY 22-23	SUGGESTED FY 23-24	SUGGESTED FY 24-25
Sewer Rates					
Residential -					
First 2,000 gallons	\$14.81	\$14.81	\$15.50	\$16.00	\$17.50
Over 2,000 thru 5,000 gallons	\$6.11 / 1,000	\$6.30 / 1,000	\$6.90 / 1,000	\$7.15 / 1,000	\$9.50 / 1,000
Over 5,000 gallons	\$8.56 / 1,000	\$8.98 / 1,000	\$9.90 / 1,000	\$10.15 / 1,000	\$12.50 / 1,000
Commercial					
First 2,000 gallons	\$34.04	\$34.04	\$34.75	\$35.25	\$36.75
Over 2,000 thru 5,000 gallons	\$14.00 / 1,000	\$14.42 / 1,000	\$15.00 / 1,000	\$15.25 / 1,000	\$17.50 / 1,000
Over 5,000 gallons	\$25.00 / 1,000	\$25.00 / 1,000	\$25.65 / 1,000	\$26.00 / 1,000	\$28.25 / 1,000

Copper Basin Utility District - Projected Cash & Investments

	Projected 6/30/2021	Projected 6/30/2022	Projected 6/30/2023	Projected 6/30/2024	Projected 6/30/2025
Beginning Balance	796,743	852,285	1,123,415	1,386,006	1,590,391
Sources of Funds					
Water & Sewer Fees ***	1,126,392	1,162,502	1,209,370	1,238,620	1,354,378
Tap Fees & Installation	21,500	21,500	21,500	21,500	21,500
Interest Revenue	1,200	1,200	1,200	1,200	1,200
Loans	-	2,000,000	75,000	-	1,362,000
Grants	547,000	50,000	-	630,000	908,000
Total Sources of Funds	1,696,092	3,235,202	1,307,070	1,891,320	3,647,078
Uses of Funds					
Operating Expenses	1,093,193	1,154,098	1,178,713	1,210,171	1,294,978
Depreciation	(254,193)	(298,318)	(305,818)	(319,818)	(386,818)
Capital Outlay	801,550	2,067,500	75,000	700,000	2,270,000
Interest Expense	-	24,818	48,828	47,999	80,952
Principal Paid on Debt	-	15,974	47,755	48,583	71,188
Total Uses of Funds	1,640,550	2,964,072	1,044,479	1,686,936	3,330,301
Ending Balance	852,285	1,123,415	1,386,006	1,590,391	1,907,168

NOTE: This synopsis from beginning funds to ending funds does not include accounts receivable, accounts payable, fixed asset or any other adjustments made to the balance sheet. This is a "cash basis" summary.

COPPER BASIN UTILITY DISTRICT

Jackie Russell – Chairman
U.H. Taylor, Jr. – Vice-Chairman
David Bigham
Doug Dilbeck
James A. Davis

MINUTES

Regular Meeting

Place: Copper Basin Utility

Date: October 12, 2021

Time: 4:00 P.M.

Attendance: Jackie Russell, U.H. (Bud) Taylor, Doug Dilbeck, James (Mush) Davis,
David Bigham, Melisa Key

Guest: George Behar, Buddy Haynes

- 1) George Behar addressed the Board concerning a bill for the Depreciation Fee charged for the two lots that he owns in the Ridgeline Estates Subdivision. He did not feel that it is fair to be charged this fee. The Board explained the depreciation fee that he is required to pay. After a brief discussion Mr. Behar paid the bill and left the meeting.
- 2) Buddy Haynes attended the meeting on behalf of the Industrial Park Board regarding the 5.6 acres of land next to the wastewater plant. The Board explained that they previously made an offer of \$500.00 for the land. The Utility has spent several thousands of dollars to get sewer easements and a survey completed for the entire Industrial Park property. The Board stated that the land is not of any use to the Utility currently and would require extensive excavation work. Buddy stated that he would report this to the Industrial Park Board at the next meeting on Nov. 4th and would let the Utility Board know what decision they decide upon. Buddy left meeting.
- 3) Melisa presented the completed Rate Study to the Board that was performed by TAUD. TAUD does not recommend any change to the current rate structure. There are however three recommendations as follows:
#1 - "The District's board of commissioners should approve the Five-Year Capital Asset Plan, as attached as Exhibit 2."

#2 - "TAUD recommends the District adopt the water and sewer rates set forth in attached Exhibit 5 to become effective on July 1 of 2022 and 2023."

#3 - "The District should work with TAUD to make revisions to its customer contracts which the District has agreed to do."

James made a Motion to approve the 5 Year Plan and the rate increase as recommended by TAUD. Doug 2nd the Motion. In favor via roll call: Jackie - yes, David - yes, James- yes, Doug - yes, Bud - yes. Exhibits 2 & 5 are attached to the Minutes as quoted in the recommendations above.

- 4) David updated the Board on available funding that is going to be distributed through the state for infrastructure improvements. He stated that Nate Bowe with McGill Engineers will be looking into the options that the Utility has for potential grant funds for improvement projects, such as the Wastewater Plant upgrade or help in the water loss issue by a meter replacement project. Further stating that TAUD has completed the water loss for the Utility and the current loss is showing 67%. Adam Hale with TAUD performed the study for the audit and stated that often times meter inaccuracies are a large concern for water loss. David further stated that the meters are 10-11 years old and the Utility should start changing them out. Melisa is getting quotes for a new type of system. There was a general discussion concerning these issues.
- 5) Melisa asked the Board about purchasing another hydrant meter to "rent out" to companies that need bulk water, to allow them to access a hydrant closer to their jobsite. *David made a Motion to purchase another hydrant meter to "rent out" with a \$500.00 deposit and if the meter is returned in good working condition, then the deposit would be refunded back to the company. They would owe the cost of the water usage. James 2nd the Motion. In favor via roll call: Jackie - yes, David - yes, Mush - yes, Doug - yes, Bud - yes.*
- 6) Board agreed to change the meeting for November to the 16th, due to a scheduling conflict for Doug.
- 7) There was a brief discussion regarding the group health insurance renewal. There was a 6.5% increase from last year, the existing plan is being discontinued by BCBS and the new plan that is quoted and recommended by CBIZ changes a bit but is most comparable to the current plan. *David made a motion to accept the policy as presented by CBIZ. Doug 2nd the Motion. In favor via roll call: Jackie - yes, David - yes, Mush - yes, Doug - yes, Bud - yes.*
- 8) There was a brief general discussion about providing water to Cherokee Hills Utility District.
- 9) Minutes & Financials approved as printed.

10) Meeting adjourned at 5:40.

Jackie Russell - Chairman / Melisa Key - Office Supervisor

Copper Basin Utility District
Five Year Capital Asset Plan

	<u>6/30/2021</u>	<u>6/30/2022</u>	<u>6/30/2023</u>	<u>6/30/2024</u>	<u>6/30/2025</u>
Zone Meters	-	15,000	-	-	-
Ducktown Water Line Replacements	635,000	-	-	-	-
Sewer Improvements - Mapping	47,369	-	-	-	-
2021 Chevy Truck	50,151	-	-	-	-
Excavator	69,030	-	-	-	-
Tanks & Line Extensions	-	2,000,000	-	-	-
Infrastructure Planning - Water	-	52,500	-	-	-
Backhoe	-	-	75,000	-	-
Ducktown Water Line Replacements	-	-	-	700,000	-
Meter Changeout	-	-	-	-	270,000
Sewer Rehab	-	-	-	-	2,000,000
Additional Depreciation	801,550	2,067,500	75,000	700,000	2,270,000
	26,987	71,112	78,612	92,612	159,612
Total Capital Outlay & Depreciation	828,537	2,138,612	153,612	792,612	2,429,612
Source of Funds					
Loans	-	2,000,000	75,000	-	1,362,000
Grants	547,000	50,000	-	630,000	908,000
Cash	254,550	17,500	-	70,000	-
Total Funding Sources	801,550	2,067,500	75,000	700,000	2,270,000

Copper Basin Utility District - Rates



	DISTRICT RATES FY 20-21		DISTRICT RATES FY 21-22		SUGGESTED FOR FY 22-23		SUGGESTED FOR FY 23-24		SUGGESTED FOR FY 24-25	
	Turtletown & Postelle	Isabella & Ducktown	Turtletown & Postelle	Isabella & Ducktown	Turtletown & Postelle	Isabella & Ducktown	Turtletown & Postelle	Isabella & Ducktown	Turtletown & Postelle	Isabella & Ducktown
Water Rates										
Residential -										
First 2,000 gallons	\$26.01	\$26.45	\$26.01	\$26.45	\$26.50	\$27.00	\$26.75	\$27.25	\$28.50	\$29.00
3/4" meter	\$39.53	\$40.24	\$39.53	\$40.24	\$40.12	\$40.75	\$40.72	\$41.00	\$41.34	\$42.75
1" meter	\$74.00	\$74.00	\$74.00	\$74.00	\$74.50	\$75.11	\$74.75	\$76.24	\$76.50	\$77.38
2" meter	\$107.14	\$109.18	\$107.14	\$109.18	\$108.75	\$110.82	\$110.38	\$112.48	\$112.03	\$114.17
4" meter	\$140.95	\$143.65	\$140.95	\$143.65	\$143.06	\$145.80	\$145.21	\$147.99	\$147.39	\$150.21
6" meter	\$10.68 / 1,000	\$10.91 / 1,000	\$11.00 / 1,000	\$11.24 / 1,000	\$11.65 / 1,000	\$11.90 / 1,000	\$12.00 / 1,000	\$12.25 / 1,000	\$14.00 / 1,000	\$14.50 / 1,000
Over 2,000 to 5,000 gallons	\$14.97 / 1,000	\$15.28 / 1,000	\$15.72 / 1,000	\$16.04 / 1,000	\$16.65 / 1,000	\$16.90 / 1,000	\$17.00 / 1,000	\$17.25 / 1,000	\$19.00 / 1,000	\$19.50 / 1,000
Over 5,000 gallons										
Commercial										
First 2,000 gallons	\$33.44	\$34.04	\$33.44	\$34.04	\$34.00	\$35.00	\$34.25	\$35.25	\$39.00	\$37.00
3/4" meter	\$46.79	\$47.67	\$46.79	\$47.67	\$47.49	\$48.50	\$48.20	\$48.75	\$48.93	\$50.50
1" meter	\$89.21	\$90.90	\$89.21	\$90.90	\$90.55	\$91.75	\$91.91	\$92.00	\$93.28	\$93.75
2" meter	\$130.75	\$133.25	\$130.75	\$133.25	\$132.71	\$135.25	\$134.70	\$137.28	\$136.72	\$139.34
4" meter	\$172.27	\$178.92	\$172.27	\$178.92	\$174.85	\$181.60	\$177.48	\$184.33	\$180.14	\$187.09
6" meter	\$13.74 / 1,000	\$14.00 / 1,000	\$14.15 / 1,000	\$14.42 / 1,000	\$14.65 / 1,000	\$14.90 / 1,000	\$15.00 / 1,000	\$15.10 / 1,000	\$17.00 / 1,000	\$17.50 / 1,000
Over 2,000 to 5,000 gallons	\$19.24 / 1,000	\$19.61 / 1,000	\$20.20 / 1,000	\$20.59 / 1,000	\$20.90 / 1,000	\$21.15 / 1,000	\$21.25 / 1,000	\$21.35 / 1,000	\$29.00 / 1,000	\$23.50 / 1,000
Over 5,000 gallons										

NOTE: For water rates in red - There are no customers in these rate tiers. Rates in these tiers are adjusted 1.5% for each year.

	DISTRICT RATES FY 20-21		DISTRICT RATES FY 21-22		SUGGESTED FY 22-23		SUGGESTED FY 23-24		SUGGESTED FY 24-25	
	Turtletown & Postelle	Isabella & Ducktown	Turtletown & Postelle	Isabella & Ducktown	Turtletown & Postelle	Isabella & Ducktown	Turtletown & Postelle	Isabella & Ducktown	Turtletown & Postelle	Isabella & Ducktown
Sewer Rates										
Residential -										
First 2,000 gallons	\$14.81	\$14.81	\$15.50	\$16.00	\$17.50					
Over 2,000 thru 5,000 gallons	\$6.11 / 1,000	\$6.30 / 1,000	\$6.90 / 1,000	\$7.15 / 1,000	\$9.50 / 1,000					
Over 5,000 gallons	\$8.56 / 1,000	\$8.98 / 1,000	\$9.90 / 1,000	\$10.15 / 1,000	\$12.50 / 1,000					
Commercial										
First 2,000 gallons	\$34.04	\$34.04	\$34.75	\$35.25	\$36.75					
Over 2,000 thru 5,000 gallons	\$14.00 / 1,000	\$14.42 / 1,000	\$15.00 / 1,000	\$15.25 / 1,000	\$17.50 / 1,000					
Over 5,000 gallons	\$25.00 / 1,000	\$25.00 / 1,000	\$25.65 / 1,000	\$26.00 / 1,000	\$28.25 / 1,000					



JASON E. MUMPOWER
Comptroller

Entity Referred: **Jackson County Utility District**

Referral Reason: **Negative Change in Net Position**

Utility Type Referred: **Water**

Staff Summary:

In its March 16, 2021 order, the Board directed the District to contract with a qualified expert to perform a rate study, to send the completed rate study to Board staff by June 30, 2021, including proof of implementation or a plan for implementation. The Board also ordered the District to ensure that its commissioners have met all training requirements and are thus eligible to serve.

The District contacted Board staff informing them that TAUD had helped the District complete a rate study in late 2020. They implemented rate increases according to this study. The District also provided the training certificates for the Board members showing they have met the training requirements.

Staff Recommendation

Order the following:

1. The District shall send financial updates to Board staff by March 1st and September 1st of each year, beginning March 1, 2022, until the Board releases the District from its oversight.

MINUTES
October 21, 2019

The meeting of the Jackson County Utility District was held on Monday evening, October 21, 2019 at 7:00 P.M. at the office of the Utility.

1. ROLL CALL

Those present were: Wesley Cassetty, Harold Heady, Richard Chaffin, Brandon Holland, and David Coffee.

2. READING OF THE MINUTES OF THE PRECEDING MEETING.

The minutes of the September 16, 2019 meeting read.

President Wesley Cassetty called for a motion to approve the minutes as read.

Richard Chaffin made the motion to approve the minutes.

Harold Heady seconded.

Nays -0-

Ayes -2-

The minutes stand approved as read.

3. STATEMENT BY CHAIRMAN OF THE PURPOSE OF MEETING: Monthly Meeting

4. APPOINTMENT OF OFFICERS
OFFICE OF PRESIDENT:

5. VISITOR'S NAME

6. UNFINISHED BUSINESS:

7. NEW BUSINESS

1. Wesley Cassetty term expires November 27, 2019. Mr. Cassetty will be retiring at that time. The Utility will send a certified letter to county mayor with the following nominations to replace Mr. Cassetty in the follow order:
 1. Ricky Kennedy
 2. John Cason
 3. Clay Thaxton.

President Wesley Cassetty called for a motion to approve Ricky Kennedy.

Zollie Chaffin made the motion to approve Ricky Kennedy.

Harold Heady seconded.

Nays -0-

Ayes -2-

The motion to appoint Ricky Kennedy as board member stands approved.

2. TAUD will be helping the utility district with the upcoming budget along with a five to ten year planning for total cost to the utility district of \$1,500.00.

President Wesley Cassetty called for a motion to approve cost for TAUD.

Harold Heady made the motion to approve cost for TAUD.

Richard Chaffin seconded.

Nays -0-

Ayes -2-

The motion to approve the cost of TAUD stand approved.

8. REPORTS OF OFFICERS AND COMMITTEES

1. Brandon Holland presented the income statement for 09/30/2019.

President Wesley Cassetty called for a motion to approve the income statement as read.

Harold Heady made the motion to approve the income statement.

Richard Chaffin seconded.

Nays -0-

Ayes -2-

The income statement stand approved as read.

2. David Coffee, Donnie Locke, and Travis Bryant have appointments on October 25, 2019 to go take The test for CDL.

9. APPOINTMENT OF COMMITTEES OR OTHER AGENCIES FOR TRANSACTION OF BUSINESS TO COME BEFORE FUTURE MEETINGS.

10. DISPOSITION OF MATTERS RELATING TO EMPLOYEES AND PERSONEL

11. ADJOURNMENT

There being no further business at this time, President Wesley Cassetty called for a motion to adjourn the meeting.

Richard Chaffin made the motion to adjourn the meeting.

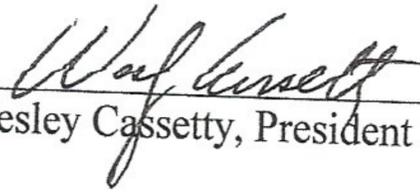
Harold Heady seconded.

Nays -0-

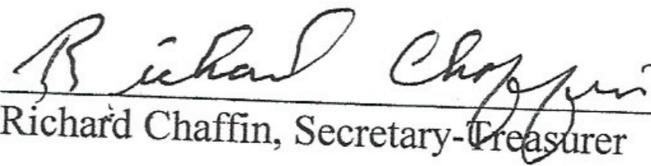
Ayes -2-

The Meeting stands adjourned.

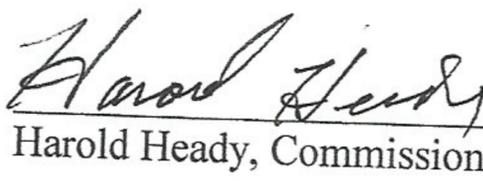
Date 11-18-19



Wesley Cassetty, President



Richard Chaffin, Secretary-Treasurer



Harold Heady, Commissioner

Jackson County Utility District- 2020 Budget Worksheet

	Actual 12/31/2015	Actual 12/31/2016	Actual 12/31/2017	Actual 12/31/2018	Actual 11 months Ended 11/30/2019	Estimated 1 month 12/31/2019	Estimated Total Actual 12/31/2019	Projected 12/31/2020
Operating Revenues:								
Water Sales	1,097,131	1,173,967	1,180,082	1,329,475	1,164,034	105,821	1,269,855	1,378,000 based on 2019 actual revenue plus a rate increase
Late Fees/Returned Check Fees/Collections	-	-	-	25,558	22,271	2,025	24,296	25,000 Based on average of last 2 years
Service Charge	24,568	21,691	16,782	24,800	24,450	2,223	26,673	25,800 Based on average of last 2 years
Reconnect Fees	24,650	33,554	25,804	-	-	-	-	N/A
Credit Card Charges	-	-	-	8,484	9,036	821	9,857	9,200 Based on average of last 2 years
Tap Fees	12,323	12,911	15,258	8,977	31,275	2,843	34,118	21,600 Based on average of last 2 years
Miscellaneous	15,648	14,765	12,008	242	4,436	403	4,839	2,600 Based on average of last 2 years
Total Operating Revenues	1,174,320	1,256,888	1,249,934	1,397,536	1,255,502	114,137	1,369,639	1,462,200
Operating Expenses:								
Water Purchases	507,272	531,476	604,095	607,591	608,228	55,293	663,521	660,000 based on average of last 5 years
Wages	224,880	217,023	241,560	235,118	210,102	19,100	229,202	229,600 based on average of last 5 years
Employee Benefits	9,598	26,641	18,000	16,635	18,250	1,659	19,909	20,000 based on 2019 actual expense
Payroll Taxes	17,400	12,048	18,507	18,608	16,073	1,461	17,534	17,600 based on 2019 actual expense
Contract Labor	1,575	2,563	7,664	6,096	8,906	810	9,716	9,800 based on 2019 actual expense
Postage & Office Expense	19,982	25,170	33,616	25,646	20,167	1,833	22,000	25,300 based on average of last 5 years
Repairs & Maintenance	1,036	6,761	1,077	4,226	1,468	133	1,601	3,000 based on average of last 5 years
Supplies & Parts	44,017	31,696	67,450	96,400	58,759	5,342	64,101	61,000 based on average of last 5 years
TN One Call Expense	23	1,864	1,121	1,204	-	-	-	900 based on average of last 5 years
Travel & Meals	334	329	338	190	125	11	136	300 based on average of last 5 years
Small Equipment	-	-	4,025	3,862	-	-	-	N/A
Telephone & Utilities	21,194	20,735	20,158	16,651	16,338	1,485	17,823	18,000 based on 2019 actual expense
Legal, Accounting, Professional	3,250	29,105	12,100	7,000	8,356	760	9,116	12,200 based on average of last 5 years
Insurance	18,244	19,205	25,111	20,991	23,834	2,167	26,001	26,000 based on 2019 actual expense
Taxes, Dues & Licenses	6,175	24,053	24,764	16,489	14,663	1,333	15,996	16,000 based on 2019 actual expense
Testing & Samples	15,666	7,940	7,419	22,345	7,210	655	7,865	8,000 based on 2019 actual expense
Uniforms	2,262	2,402	1,551	1,885	1,614	147	1,761	2,000 based on average of last 5 years
Tools	-	-	3,292	968	566	51	617	700 based on 2019 actual expense
Truck Expense	30,389	24,118	16,455	19,880	15,449	1,404	16,853	21,600 based on average of last 5 years
Bank & Credit Card Fees	2,745	4,595	10,500	12,026	12,806	1,164	13,970	14,000 based on 2019 actual expense
Public Notices	2,314	2,370	1,780	2,894	3,000	273	3,273	3,300 based on 2019 actual expense
Miscellaneous	331	907	1,745	1,750	1,481	135	1,616	1,300 based on average of last 5 years
Depreciation	170,652	190,816	236,635	248,098	224,022	24,456	248,478	264,786 from District depreciation schedule
Total Operating Expenses	1,099,339	1,181,817	1,358,963	1,386,553	1,271,417	119,674	1,391,091	1,415,386
Operating Income (Loss)	74,981	75,071	(109,029)	10,983	(15,915)	(5,537)	(21,452)	46,814
Nonoperating Revenues (Expenses)								
Interest Expense	(14,560)	(14,927)	(18,971)	(18,729)	(16,390)	(1,490)	(17,880)	(16,998) from District amortization schedule
Interest Income	12,203	9,953	9,593	11,148	12,834	1,167	14,001	14,000 based on 2019 actual income
Gain on Disposal of Capital Assets	-	11,636	-	-	-	-	-	N/A
Pension Expense	(1,327)	(6,965)	(10,780)	(5,934)	(31,504)	(2,864)	(34,368)	(12,000) based on average of last 5 years
Total Nonoperating Revenues (Expenses)	(3,684)	(303)	(20,158)	(13,515)	(35,060)	(323)	(3,879)	(14,998)
Change in Net Position before Contributed Capital	71,297	74,768	(129,187)	(2,532)	(50,975)	(5,860)	(56,835)	31,816
Capital Contributions & Grants	399,592	245,359	116,512	10,572	-	-	-	-
Change in Net Position	470,889	320,127	(12,675)	8,040	(50,975)	(5,860)	(56,835)	31,816

MINUTES
December 23, 2019

The meeting of the Jackson County Utility District was held on Monday evening, December 23, 2019 at 7:00 P.M. at the office of the Utility.

1. ROLL CALL

Those present were: Harold Heady, Richard Chaffin, Brandon Holland, Crystal Bean, and Ricky Kennedy.

2. READING OF THE MINUTES OF THE PRECEDING MEETING.

The minutes of the November 18, 2019 meeting read.

President Ricky Kennedy called for a motion to approve the minutes as read.

Harold Heady made the motion to approve the minutes.

Richard Chaffin seconded.

Nays -0-

Ayes -2-

The minutes stand approved as read.

3. STATEMENT BY CHAIRMAN OF THE PURPOSE OF MEETING: Monthly Meeting

4. APPOINTMENT OF OFFICERS
OFFICE OF PRESIDENT:

5. VISITOR'S NAME: _____ SUBJECT: _____

6. UNFINISHED BUSINESS:

7. NEW BUSINESS

1. Crystal Bean sworn Ricky Kennedy in by reading the Oath of Office to him before tonight's meeting.
2. Brandon Holland gave a proposal to the board for cyber insurance from Swallows Agency for \$750.00 annually, coverage being one million dollars. This was tabled at this time.
3. FYI-Donnie Locke and Travis Bryant have passed the written part of their CDL. They will be practicing on driving. David Coffee is still studying to pass his written part.

4. Building Insurance reimbursing the utility district for fire on back shop \$75,495.15.

Bids for new building:

Circle C Construction \$46,800.00

G & G Building \$42,000.00

Walt's Building \$45,900.00 no electrical included

Huffine's Electric quoted the electrical for \$14,150.00

Board agreed to let Jason Ayers tear the shop down. Mr. Ayers will pay \$2,500.00, in return of tearing it down if he can keep the materials. Mr. Ayers must show proof of insurance.

Board agreed to put insulated doors and insulation once the new building is built.

President Ricky Kennedy called for a motion to approve building.

Richard Chaffin made the motion to approve building.

Harold Heady seconded.

Nays -0-

Ayes -2-

The motion to approve the building stand approved.

5. 2020 Budget passed with an increase of \$1.70 on minimum bill and \$1.50 per 1,000 gallons
As of February 1, 2020.

President Ricky Kennedy called for a motion to approve budget.

Richard Chaffin made the motion to approve budget.

Harold Heady seconded.

Nays -0-

Ayes -2-

The motion to approve the budget stand approved.

8. REPORTS OF OFFICERS AND COMMITTEES

1. Brandon Holland presented the income statement for 11/30/2019.

President Wesley Cassetty called for a motion to approve the income statement as read.

Harold Heady made the motion to approve the income statement.

Richard Chaffin seconded.

Nays -0-

Ayes -2-

The income statement stand approved as read.

9. APPOINTMENT OF COMMITTEES OR OTHER AGENCIES FOR TRANSACTION OF BUSINESS TO COME BEFORE FUTURE MEETINGS.

10. DISPOSITION OF MATTERS RELATING TO EMPLOYEES AND PERSONEL

11. ADJOURNMENT

There being no further business at this time, President Ricky Kennedy called for a motion to adjourn the meeting.

Richard Chaffin made the motion to adjourn the meeting.

Harold Heady seconded.

Nays -0-

Ayes -2-

The Meeting stands adjourned.

Date 1 20 2020

Ricky Kennedy
Ricky Kennedy, President

Richard Chaffin
Richard Chaffin, Secretary-Treasurer

Harold Heady
Harold Heady, Commissioner

MINUTES
November 16, 2020

The monthly meeting of the Jackson County Utility District was held on Monday evening, November 16, 2020 at 7:00 P.M. at the office of the Utility.

1. ROLL CALL

Those present were: Ricky Kennedy, Richard Chaffin, Crystal Bean, David Coffee, and Brandon Holland. Absent Harold Heady.

2. READING OF THE MINUTES OF THE PRECEDING MEETING.

The minutes of the October 19, 2020 meeting read.

President Ricky Kennedy called for a motion to approve the minutes as read.

Richard Chaffin made the motion to approve the minutes.

Harold Heady seconded.

Nays -0-

Ayes -2-

The minutes stand approved as read.

3. STATEMENT BY CHAIRMAN OF THE PURPOSE OF MEETING: Monthly Meeting

4. APPOINTMENT OF OFFICERS
OFFICE OF PRESIDENT:

5. VISITOR'S NAME: _____ SUBJECT: _____

6. UNFINISHED BUSINESS:

7. NEW BUSINESS

1. Incumbent board member, Richard Chaffin was given the oath and sworn into office for his second term. Term of office being November 26, 2020 – November 26, 2024.

2. Push Machine is down. The parts are no longer available to fix it. We have three taps that are road Bores. Hire Kemp Brothers to come in and bore all three taps until we can purchase another one. In the mean time Brandon Holland is to check on prices for a used directional bore.

President Ricky Kennedy called for a motion to approve hiring the Kemp Brothers.
Richard Chaffin made the motion to approve hiring the Kemp Brothers.
Ricky Kennedy seconded.

Nays -0-

Ayes -2-

The Kemp Brothers stand approved as read.

8. REPORTS OF OFFICERS AND COMMITTEES

1. Brandon Holland presented the income statement for 10/31/2020.

President Ricky Kennedy called for a motion to approve the income statement as read.

Richard Chaffin made the motion to approve the income statement.

Ricky Kennedy seconded.

Nays -0-

Ayes -2-

The income statement stand approved as read.

2. Brandon Holland presented the 2021 budget. Budget was tabled until Harold Heady can meet to Discuss.

9. APPOINTMENT OF COMMITTEES OR OTHER AGENCIES FOR TRANSACTION OF BUSINESS TO COME BEFORE FUTURE MEETINGS.

10. DISPOSITION OF MATTERS RELATING TO EMPLOYEES AND PERSONEL

11. ADJOURNMENT

There being no further business at this time, President Ricky Kennedy called for a motion to recess the meeting until further notice.

Minutes
November 20, 2020

Meeting is called back to order by President, Ricky Kennedy.

ROLL CALL

Those present were: Ricky Kennedy, Richard Chaffin, Harold Heady, Sharon Loftis, Crystal Bean, and Brandon Holland.

Unfinished Business: Budget

2021 Budget passed with a rate increase. Raise per 1,000 an additional \$1.35. The rate increasing from \$13.75 to \$15.10. With the budget showing the utility making grand total for the year of \$10,889.

DISCUSSION ONLY: Consider paying off two RDA loans which would save on interest throughout the year. After the first of the you Mark from TAUD will come to our office and explain to the board members.

ADJOURNMENT

There being no further business at this time, President Ricky Kennedy called for a motion to adjourn the meeting.

Richard Chaffin made the motion to adjourn the meeting.

Harold Heady seconded.

Nays -0-

Ayes -2-

The Meeting stands adjourned.

Date 12/21/20

Ricky Kennedy
Ricky Kennedy, President

Richard Chaffin
Richard Chaffin, Secretary-Treasurer

Harold Heady
Harold Heady, Commissioner

**JACKSON COUNTY UTILITY DISTRICT
P.O. BOX 367 GAINESBORO TN 38562**

BUDGET 2021

INCOME

Water Sales	1,464,183.21
Late Charges	16,434.53
Turn On Charges	24,700.00
Returned Check	1,148.00
Interest Income	14,704.63
Collection Fees	5,125.00
Tap Fees	21,600.00
Credit Card Fees	6,768.00
ServLine Ins. Fee	0.00
TOTAL INCOME	1,554,663.37

EXPENSES

Utilities	14,227.91
Telephone	3,770.79
Salaries	254,243.73
Taxes-Payroll	19,449.66
Postage	12,863.51
Interest RDA#1	6,504.96
Water Purchase	699,048.30
Supplies & Parts	64,050.00
Health Department Fees	6,786.10
Bank Fees	4,795.94
Credit Card Fees	8,526.00
Office Supplies	11,380.88
Contract Labor	9,800.00
Uniforms	2,000.00
Miscellaneous	824.65
TAUD Expense	3,071.72
Travel Expense	300.00
Public Notice Expense	3,300.00
Insurance	24,320.00
Accounting, Legal, Auditing	3,750.00
Licenses due, Subscriptions	24,475.02
Sales Tax	.00
Uncollectible Accounts	.00
Interest RDA #3	7,125.84
Quarterly H2O Testing	9,467.50
Gasoline	9,380.66
Vehicle Repairs	2,896.23
Equipment Repairs	7,383.36
Building Maintenance	4,720.91
Tools	4,221.87
Interest RDA #2	3,367.56
Depreciation Expense-Water Lines	205,633.32
Depreciation Expense-Furniture/Equipment	0.00
Depreciation Expense-Vehicles	28,926.00
Depreciation Expense-Building	5,766.24
Tn Consolidated Retirement Expense	28,343.98
Tn-One Call	831.55
Health Reimbursement Fund Expense	30,000.00
Depr. Exp-Mach & Equipment	18,219.50
TOTAL EXPENSE	1,543,773.69

PROFIT OR (LOSS)

10,889.68



JASON E. MUMPOWER
Comptroller

Entity Referred: **Milcrofton Utility District**

Referral Reason: **Negative Change in Net Position**

Utility Type Referred: **Water**

Staff Summary:

The District contracted with Jackson Thornton to perform a rate study in accordance with the Board's previous order. Jackson Thornton completed the study and submitted its resulting report to the District and to Board staff. The Jackson Thornton report did not recommend a rate increase at this time. Board staff does not believe any further current action is necessary regarding the District's rates. Although the District has complied with all Board directives, the Board should continue to monitor its financial progress.

Staff Recommendation:

Order the following:

1. The District shall send financial updates to Board staff by March 1st and September 1st of each year, beginning March 1, 2022, until the Board releases the District from its oversight.



March 31, 2021

Via email

John Greer, Assistant Director
Division of Local Government Finance
Comptroller of the Treasury
Cordell Hull Building
425 Rep. John Lewis Way N.
Nashville, TN 37243

Re: UMRB Order Dated November 5, 2020

Dear John:

In response to the UMRB dated November 5, 2020, Milcrofton Utility District has enclosed the following:

- Cost of Service Study completed by Jackson Thornton on March 29, 2021
- Letter from Jackson Thornton dated March 29, 2021, which confirms that the District's connection fees and tap fees are sufficient
- The District's most recent five year capital improvement plan
- Letter from Donald L. Scholes with the Tennessee Association of Utility Districts on the District's debt management plan and leak adjustment policy

If you need any further information from me, please do not hesitate to contact me.

Sincerely yours,

A handwritten signature in blue ink, appearing to read "Mike Jones", is written over the typed name.

Mike Jones, General Manager

Enclosures

6333 Arno Road • Franklin, Tennessee 37064

(615) 794-5947 • Fax (615) 791-9872

Milcrofton Utility District is an Equal Opportunity Provider and Employer

TENNESSEE ASSOCIATION OF UTILITY DISTRICTS

Phone: (615) 896-9022
Fax: (615) 898-8283
Web: www.taud.org



Post Office Box 2529
Murfreesboro, TN 37133-2529

840 Commercial Court
Murfreesboro, TN 37129

March 31, 2021

Mike Jones, General Manager
Milcrofton Utility District
6333 Arno Road
Franklin, TN 37064

Re: UMRB Order Dated November 5, 2020

Dear Mike:

The Tennessee Association of Utility Districts (TAUD) agreed to review the debt management policy and leak adjustment policy of Milcrofton Utility District (the District) which were two of the items the UMRB directed the District to review in its November 5, 2020 Order. You sent me a copy of the District's debt management policy adopted in 2011 and the District's current leak adjustment policy both of which are enclosed.

The District's debt management policy is consistent with the model debt management policy prepared by the Comptroller's Office for local governments and has all of the requirements for a debt management policy set forth by the Tennessee State Funding Board. TAUD does not recommend any changes to the District's debt management policy.

TAUD has reviewed the District's leak adjustment policy. The policy is similar to the leak adjustment policies of other water utility districts in Tennessee. The policy requires that a customer pay 50% of the amount of over the customer's average monthly water bill when a bill has high usage due to a customer leak past the District's water meter. TAUD does not recommend any changes to the District's leak adjustment policy.

If I can assist further, let me know.

Sincerely yours,

A handwritten signature in blue ink that reads "Donald L. Scholes".

Donald L. Scholes, General Counsel

Enclosures

Debt Management Policy

**Milcrofton Utility District
6333 Arno Road
Franklin, Tennessee 37064**

Adopted by the Board of Commissioners on October 19, 2011

Effective December 31, 2011

DEBT MANAGEMENT POLICY

Introduction

Debt management policies provide written guidance about the amount and type of debt issued by local governments, the issuance process, and the management of the debt portfolio. A debt management policy tailored to the needs of the Board of Commissioners (the “Governing Body”) of the Milcrofton Utility District of Williamson County, Tennessee (the “District”) can improve the quality of decisions, identify and disclose parameters relating to the structure and issuance of debt, identify policy goals, and provide a foundation for long-term financial planning, all of which are in the public interest of the District. If applicable, adherence to a debt management policy may signal to rating agencies and the capital markets that a governmental entity is well-managed and should meet its obligations in a timely manner.

Debt levels and their related annual costs are important long-term obligations that must be managed within available resources. An effective debt management policy provides guidelines for a government to manage its debt program in line with those resources.

This Debt Management Policy is intended to comply with the debt management policy requirements promulgated by the Tennessee State Funding Board in December 2010.

Objectives

The Governing Body is establishing a debt policy as a tool to ensure that financings undertaken by the Governing Body satisfy certain clear objective standards designed to protect the District's financial resources and to meet its long-term capital needs.

A. The objectives of this policy are:

1. To document responsibility for the oversight and management of debt related transactions;
2. To establish criteria and promote prudent financial management for the issuance of debt obligations and the evaluation of debt issuance options;
3. To identify legal and administrative limitations on the issuance of debt and ensure the legal use of the Governing Body’s debt issuance authority;
4. To define the types and appropriate use of debt approved for use within the constraints established by Tennessee law;
5. To provide guidance for evaluating refunding candidates or alternative debt structures;
6. Where applicable, to provide support for the maintenance of credit ratings;
7. To enhance risk management practices; and
8. To increase transparency, reduce conflicts, and promote cooperation in the debt management process.

Debt Management Strategies

To achieve the objectives above, the Governing Body adopts the following debt management strategies and procedures.

A. Funding Strategies

1. Debt is to be issued pursuant to the authority of and in full compliance with provisions, restrictions and limitations of the Constitution and laws of the State of Tennessee (the “State”) (including Title 7, Chapter 82, Tennessee Code Annotated (the “Utility District Act”) and various bond authorizations enacted by the General Assembly of the State), and pursuant to resolutions adopted by the Governing Body.
2. Debt may only be used to finance or refinance the capital costs of improving the District’s utility system (the “System”) and such other costs related thereto as may be permitted by the Utility District Act (including without limitation issuance costs, capitalized interest and the funding of debt service reserves), all of which must be authorized by the Governing Body. Debt may not be issued to finance the District’s operating costs.
3. Debt shall be secured by and payable from the revenues of the System, as prescribed by resolution of the Governing Body, and a corresponding statutory lien on the assets of the System.

B. Federal Tax Status

1. **Tax-Exempt Debt** — Based on the assumptions that tax-exempt interest rates are lower than taxable rates and that the interest savings outweigh the administrative costs, restrictions on use of financed projects, and investment constraints, the District will use its best efforts to maximize the amount debt sold under this policy as tax-exempt.
2. **Taxable Debt** — The District will sell taxable debt when necessary to finance projects with a private use or uncontrolled purpose. The Governing Body encourages the financing team to blend the financing of taxable projects with the financing of tax-exempt projects whenever possible.

C. Legal Limitations on the Use of Debt

1. No debt obligation shall be issued to fund the current operation of the District.
2. The proceeds of any debt obligation shall be expended only for the purpose for which it was authorized by the Governing Body.
3. All debt shall be approved by resolution of the Governing Body.
4. Prior to the consideration of a resolution authorizing the issuance of debt, the General Manager and/or the President of the Governing Body shall prepare and submit a request for financing report from the State Comptroller's office, as required by the Utility District Act. If timely received, the General Manager and/or the President of the Governing Body shall cause the report to be published as required by the Utility District Act. No financing report is required by the Utility District Act in connection with a loan from a state or federal agency.

Types of Debt

Pursuant to the Utility District Act, the District is authorized from time to time to issue or incur the following types of debt, all of which is subject to the terms of the debt management policy.

A. Bonds

The District may issue bonds under the Utility District Act to finance capital projects or refinance outstanding debt.

B. Bond Anticipation Notes (BANs)

BANs are short term obligations authorized to be issued under the Utility District Act that will be repaid by proceeds of a subsequent bond issue.

C. Capital Leases

Capital leases are leases of equipment or other System property, where the leased property becomes the property of the District at the end of the lease term and the lease payments include a financing component.

D. Loans from State or Federal Agencies

The District may incur debt in the form of loans from State or federal agencies. Loans are evidenced by a loan agreement between the District and the lending agency.

E. Loans from Public Building Authorities

The District may enter into loan agreements with one or more public building authorities, pursuant to Sections 12-10-101 et seq., Tennessee Code Annotated, in lieu of issuing bonds or notes under the Utility District Act. The policies set forth herein for bonds issued under the Utility District Act shall be equally applicable to loan agreements entered into with a public building authority.

Debt Management Practices

A. Structure

The Governing Body shall establish by resolution all terms and conditions relating to the issuance of debt.

1. Term

Any debt (including refunding debt) shall have a weighted average maturity not greater than the weighted average expected lives of the assets financed by such debt. In addition, the final maturity of any debt should not be longer than the expected life of the longest lived asset financed thereby.

2. Capitalized Interest

From time to time certain financings may require the use of capitalized interest. Interest may be financed (capitalized) through a period permitted by federal law and the authorizing resolution of the Governing Body if it is determined that doing so is in the District's best interest.

3. Debt Service Structure

The District will seek to structure its aggregate debt with level or declining debt service payments over the life of its aggregate debt. In structuring principal repayment for any debt issue, the Utility will seek to balance the goals of (a) amortizing principal as quickly as possible to minimize interest costs, and (b) maintaining consistent and manageable rates for its customers.

4. Call Provisions

The District will strive to issue all of its debt with a call feature no later than ten years from the date of delivery. In any event, call features should be structured to provide the maximum flexibility relative to cost. The District will avoid the sale of long-term non-callable bonds absent careful

evaluation by the Governing Body with respect to the value of the call option.

5. Original Issuance Discount/Premium

Bonds sold with original issuance discount/premium are permitted with the approval of the Governing Body.

6. Debt Service Reserve Funds

If the Governing Body determines that it is necessary to fund a debt service reserve fund in connection with debt, it may agree to fund such a reserve. The size of any debt service reserve fund established in connection with the tax-exempt debt will be in compliance with applicable federal tax rules. The District will strive to fund debt service reserves with District funds, rather than with debt. However, the District may use the proceeds of debt to fund debt service reserves if the Governing Body concludes that the restriction of District funds would reduce unrestricted funds below manageable levels.

7. Fixed vs. Variable Interest Rates

Fixed rate debt bears interest at a rate or rates that remain constant throughout the life of the debt. Variable rate debt bears interest at a variable rate through the term thereof.

The District will issue all of its debt with fixed rates, except as follows:

- Bond anticipation notes may be issued with variable rates, given their short term nature.
- The District may issue or incur variable rate debt if provision as to the calculation or change of variable interest rates is included in the authorizing resolution and the Governing Body carefully evaluates the risks related thereto. The District will annually include in its budget an interest rate assumption for any outstanding variable rate debt that takes market fluctuations affecting the rate of interest into consideration. The General Manager shall monitor the ongoing costs and risks of outstanding variable rate and make reports to the Governing Body no less than annually with respect thereto.

B. Refinancing Outstanding Debt

The Governing Body will consider the following issues when analyzing possible refunding opportunities:

1. **Reasons for Refunding**

Debt will be considered for refunding when:

- The refunding results in net present value savings to the District;
- The refunding of the debt is necessary due to a change in private/public use of a project that would cause a need to change the tax status of the debt; or
- The Governing Body expressly determines by resolution that the refunding of the bonds accomplishes debt service restructuring that is in the District's best interest.

2. **Term of Refunding Issues**

The Governing Body will refund bonds within the term of the originally issued debt, unless otherwise expressly approved by resolution of the Governing Body.

3. **Escrow Structuring**

The District shall take steps to utilize the least costly securities available in structuring refunding escrows; provided that the District may purchase U.S. Treasuries – State and Local Government Series if it is determined that the costs and risks attendant to the solicitation of open market securities outweigh any attendant benefits.

C. **Methods of Sale**

Pursuant to the Utility District Act, debt may be issued at competitive or negotiated sale.

1. **Competitive** — In a competitive sale, the District's bonds shall be awarded to the bidder providing the lowest true interest cost as long as the bid adheres to the requirements set forth in the official notice of sale.
2. **Negotiated** — In a negotiated sale, the underwriter/lender/lessor will be chosen prior to the sale and the interest rate and the fees of the underwriter/lender/lessor are negotiated prior to the sale.

In the case of loans from State or Federal agencies, the District will negotiate directly with the agency making the loan. In all other cases, the Governing Body will determine the manner of sale, and will set forth the manner of sale in the resolution authorizing the debt.

D. Underwriter Selection (Negotiated Transaction)

The District, with assistance from its financial advisor (if the District has engaged a financial advisor), shall select the underwriter/lender/lessor for a proposed negotiated sale. The selection criteria will include the following factors and such other factors as the Governing Body may identify:

- Ability and experience in managing similar debt transactions;
- Prior knowledge and experience with the District;
- Capital adequacy;
- Quality and experience of personnel assigned to the District's engagement;
- Financing ideas presented; and
- Underwriter/lender/lessor fees.

E. Credit Quality

If the District maintains a credit rating, the District's debt management activities will be conducted to maintain the highest credit ratings possible, consistent with District's financing and rate maintenance objectives. The General Manager will be responsible for maintaining relationships and communicating with the rating agencies that assign ratings to the District's debt. Full disclosure of operations and open lines of communication shall be maintained with the rating agencies. The General Manager shall work with its financial advisor and/or underwriter (as applicable) to prepare and make presentations to the rating agencies to assist credit analysts in making an informed decision.

F. Credit Enhancements

The District will consider the use of credit enhancements on a case-by-case basis, evaluating the economic benefit versus the cost. Only when clearly demonstrable savings can be shown shall an enhancement be utilized. The District may consider each of the following enhancements as alternatives by evaluating the cost and benefit of such enhancements: bond insurance, reserve fund surety bonds, letters of credit and liquidity facilities.

G. Use of Structured Products

No interest rate agreements or forward purchase agreements will be considered unless a policy defining the use of such products is approved before the transaction is considered.

H. Risk Assessment

The District will evaluate each transaction to assess the types and amounts of risk associated with that transaction, considering all available means to mitigate those risks. The District will evaluate all proposed transactions for consistency with the objectives and constraints defined in this Policy. The following risks should be assessed before issuing debt:

1. **Change in Public/Private Use** — The change in the public/private use of a project that is funded by tax-exempt funds could potentially cause a bond issue to become taxable.
2. **Default Risk** — The risk that debt service payments cannot be made by the due date.
3. **Liquidity Risk** — The risk of having to pay a higher rate to the liquidity provider in the event of a failed remarketing.
4. **Interest Rate Risk** — The risk that interest rates will rise, on a sustained basis, above levels that would have been set if the issued had been fixed.
5. **Rollover Risk** — The risk of the inability to obtain a suitable liquidity facility at an acceptable price to replace a facility upon termination or expiration of a contract period.
6. **Credit Risk** — The risk that an issuer of debt securities or a borrower may default on its obligations by failing to repay principal and interest in a timely manner.

J. Continuing Disclosure

To the extent that any of the District's debt issues are subject to U.S. Securities and Exchange Commission Rule 15c2-12 ("Rule 15c2-12"), the Governing Body will provide certain financial information and operating data by specified dates, and will provide notice of certain enumerated events with respect to the bonds, all as described in Rule 15c2-12.

K. Transparency

The District shall comply with the Tennessee Open Meetings Act, providing adequate public notice of meetings and specifying on the agenda of a meeting when matters related to debt issuance will be considered. Additionally, in the interest of transparency, all costs (including interest, issuance, continuing, and one-time) shall be disclosed to the citizens in a timely manner. To comply with the requirements of the preceding sentence, an estimate of the costs described above will be presented to the Governing Body along with any resolution authorizing debt.

Within four weeks of closing on a debt transaction, the debt service schedule and the State Form CT-0253 shall be available at the office of the General Manager for inspection and review by members of the Governing Body and the District's customers.

L. Professional Services

The District requires all professionals engaged to assist in the process of issuing debt to clearly disclose all compensation and consideration received related to services provided in the debt issuance process by the District. This includes "soft" costs or compensations in lieu of direct payments.

1. **Counsel** — The District will enter into an engagement letter agreement with each lawyer or law firm representing the District in a debt transaction. No engagement letter is required for any lawyer who serves as counsel to the District regarding District matters generally.
2. **Bond Counsel** — Bond counsel for each debt transaction is contracted by the Governing Body and serves to assist the District in such debt issue.
3. **Financial Advisor** — If the District chooses to engage a financial advisor, the financial advisor for each debt transaction will be contracted by the Governing Body and will serve and assist the District on financial matters related to such debt transaction. The Governing Body shall approve the written agreement between the District and the financial advisor with respect to a debt transaction. The financial advisor shall not be permitted to bid on or underwrite an issue for which it is or has been providing advisory services.
4. **Underwriter** — If there is an underwriter for a debt issue, the underwriter must clearly identify itself to the District in writing (e.g., in a response to a request for proposals or in promotional materials provided to the District) as an underwriter and not as a financial advisor from the earliest stages of its relationship with the District with respect to that issue. The underwriter must clarify its primary role as a purchaser of securities in an arm's-length commercial transaction and must disclose that it has financial

and other interests that differ from those of the District. The underwriter in a publicly offered, negotiated sale shall be required to provide pricing information both as to interest rates and to takedown per maturity to the General Manager in advance of the pricing of the debt.

M. Potential Conflicts of Interest

Professionals involved in a debt transaction hired or compensated by the District shall be required to disclose existing client and business relationships between and among the professionals to a transaction (including but not limited to financial advisor, swap advisor, bond counsel, swap counsel, trustee, paying agent, underwriter, counterparty, and remarketing agent), as well as conduit issuers, sponsoring organizations and program administrators. This disclosure shall include that information reasonably sufficient to allow the District to appreciate the significance of the relationships.

Professionals who become involved in the debt transaction as a result of a bid submitted in a widely and publicly advertised competitive sale conducted using an industry standard, electronic bidding platform are not subject to this disclosure. No disclosure is required that would violate any rule or regulation of professional conduct.

Debt Administration

A. Planning for Sale

1. In considering the adoption of any debt resolution, the Governing Body shall consider the purpose of the financing, the proposed structure of the financing, the proposed method of sale for the financing, members of the proposed financing team and an estimate of all the costs associated with the financing.
2. In the case of a proposed refunding, proposed use of credit enhancement, or proposed use of variable rate debt, the General Manager will present to the Governing Board the rationale for using the proposed debt structure, an estimate of the expected savings associated with the transaction (if applicable) and a discussion of the potential risks associated with the proposed structure.
3. If required by Rule 15c2-12, the General Manager, the bond counsel, financial advisor (if applicable), along with other members of the financing team will prepare a Preliminary Official Statement describing the transaction and the security for the debt that is fully compliant with all legal requirements.

B. Post Sale

1. The General Manager will maintain for review by members of the Governing Body and the public a debt service schedule and the CT-0253 Form related to the debt issue.
2. The General Manager will establish guidelines and procedures for tracking the flow of all bond proceeds, as defined by the Internal Revenue Code, over the life of bonds reporting to the IRS all arbitrage earnings associated with the financing and any tax liability that may be owed.
3. If required by Rule 15c2-12, the General Manager, the bond counsel, financial advisor (if applicable), along with other members of the financing team will prepare an Official Statement describing the transaction and the security for the debt that is fully compliant with all legal requirements.

C. Arbitrage

Compliance with arbitrage requirements on invested tax-exempt bond funds will be maintained. Proceeds that are to be used to finance construction expenditures are exempted from the filing requirements, provided that the proceeds are spent in accordance with requirements established by the IRS. The District will comply with all of its tax certificates for tax-exempt financings by monitoring the arbitrage earning on bond proceeds on an interim basis and by rebating all positive arbitrage when due, pursuant to Internal Revenue Code Section 148. The District will also retain all records relating to debt transactions for as long as the debt is outstanding, plus three years after the final redemption date of the transaction.

D. Private Activity

Compliance with private activity requirements with respect to tax exempt debt-financed facilities will be maintained. The General Manager shall maintain a record of the allocation of debt proceeds to expenditures, and monitor the use of tax exempt debt-financed facilities to ensure that no impermissible private use occurs.

E. Investment of Proceeds

Any proceeds or other funds available for investment by the District must be invested pursuant to applicable State law.

Review of the Policy

The debt policy guidelines outlined herein are only intended to provide general direction regarding the future use and execution of debt. The Governing Body maintains the right to

modify these guidelines (except to the extent these guidelines are mandated by applicable state law or regulation) and may make exceptions to any of them at any time to the extent that the execution of such debt achieves the Governing Body's goals. Any exceptions to these policies shall be expressly acknowledged in the resolution authorizing the pertinent debt issue. In the event of a conflict between the terms of a debt resolution and this policy, the terms of the debt resolution shall control.

This policy will be periodically reviewed by the Governing Body, at which time, the General Manager will present any recommendations for any amendments, deletions, additions, improvement or clarification.

Adoption of the Policy

The Governing Body adopted this Policy on October 19, 2011, effective December 31, 2011.

10. LEAK ADJUSTMENT

- 10.1 All water which passes through a water meter shall be purchased by the customer. Customers are responsible for keeping their plumbing repaired and in good working order. Failure to make timely repairs as determined by the DISTRICT will disqualify a customer for a leak adjustment.
- 10.2 No leak adjustment shall be made until the customer submits proof to the DISTRICT of the location of the leak and proof that the leak has been located and repaired. The customer must present the DISTRICT with an affidavit or written statement from a plumber that the leak has been located and repaired unless the DISTRICT's General Manager determines that the customer was capable of repairing the leak, and the customer presents proof that such repair was made. The customer must submit an official leak adjustment request form to the DISTRICT'S office which form can be obtained by calling the DISTRICT'S office.
- 10.3 No leak adjustment shall be made for leaks in a customer's irrigation system or in a customer's pool, pool supply lines or equipment.
- 10.4 Each customer shall be allowed no more than one billing adjustment during any 365 day period for leaks on the customer's premises. This adjustment shall be calculated as follows:
- STEP 1: Find the average bill for the customer over the preceding three month period. Provided the customer timely reported and repaired the leak, the preceding three month period shall not include a month in which the leak occurred. When the customer has used water for irrigation or a pool in any month within this past three month period, the average bill for the customer shall be computed using the most previous three months when water usage did not include water used for irrigation or a pool as determined by the District. When a customer does not have three months of prior water usage or three months prior water usage without water used for irrigation or a pool, the average bill shall be based upon the average monthly water usage of the DISTRICT'S customers.
- STEP 2: Deduct the average from STEP 1 from the total of the billing being adjusted.
- STEP 3: Divide the remainder from STEP 2 by two (2).
- STEP 4: The product from STEP 3 shall be the amount to be deducted from the billing being adjusted.

The remaining balance shall be paid by the customer. In hardship cases monthly payments may be arranged, but shall not to exceed twelve (12) consecutive monthly installments without interest accruing.

JACKSON THORNTON

Certified Public Accountants
& Consultants

March 29, 2021

Mr. Mike Jones, General Manager
Milcrofton Utility District
6333 Arno Road
Franklin, Tennessee 37064

Re: Order from the Tennessee Utility Management Review Board

Dear Mr. Jones:

In November of 2020, Milcrofton Utility District ("the District") engaged Jackson Thornton & Co. ("JT") to conduct a Cost of Service Study on its operations for FY 2020. This is the eighth study that JT has performed for the District since FY 2007.

Based on the results of our analysis, there is no immediate need to raise user rates. We also believe the connection fees and tap fees to be sufficient.

Should you have any question, please do not hesitate to give me a call. My cell is (334)451-2196.

Sincerely,

JACKSON THORNTON & CO., P.C.



James B. Marshall, III
Principal

Certified Public Accountants
& Consultants



2020 Water Cost of Service Study
12 Months Ended September 30, 2020
Milcrofton Utility District

Summary

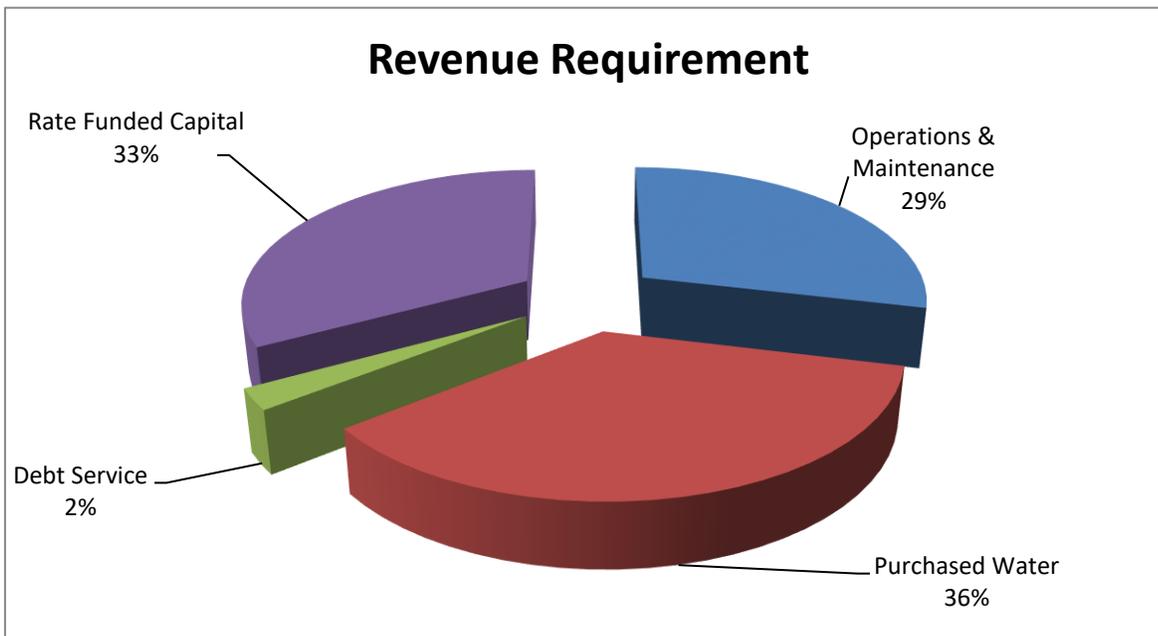
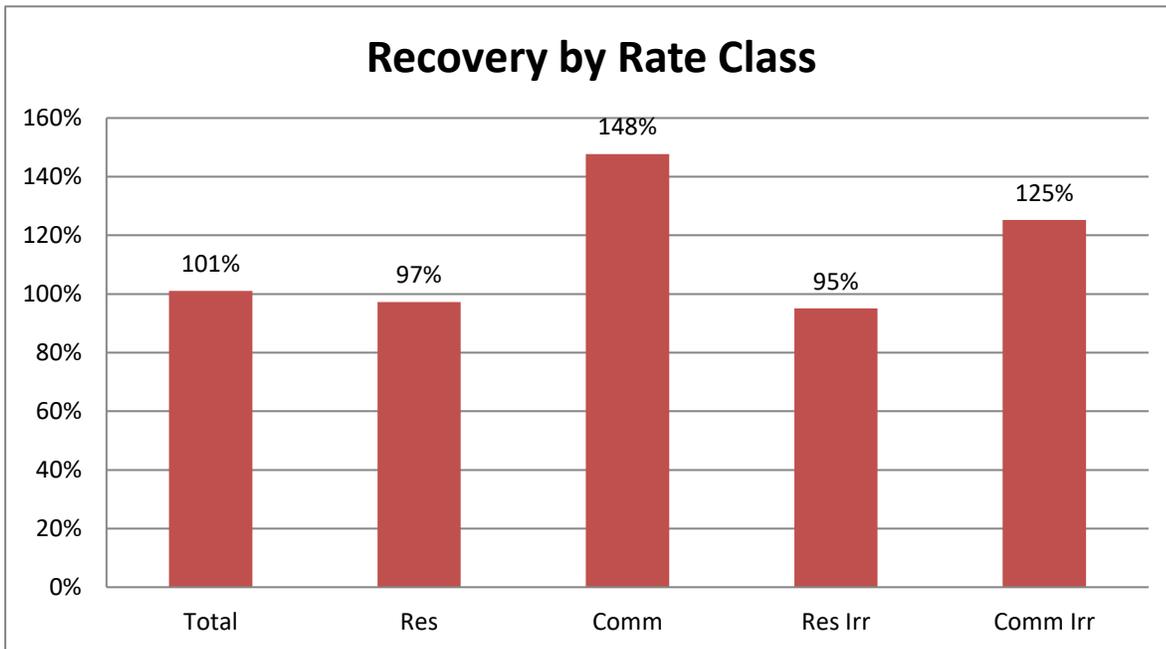
Milcrofton Utility District
Water Cost of Service-12-Months Ending September 2020
Summary of Cost of Service Allocation

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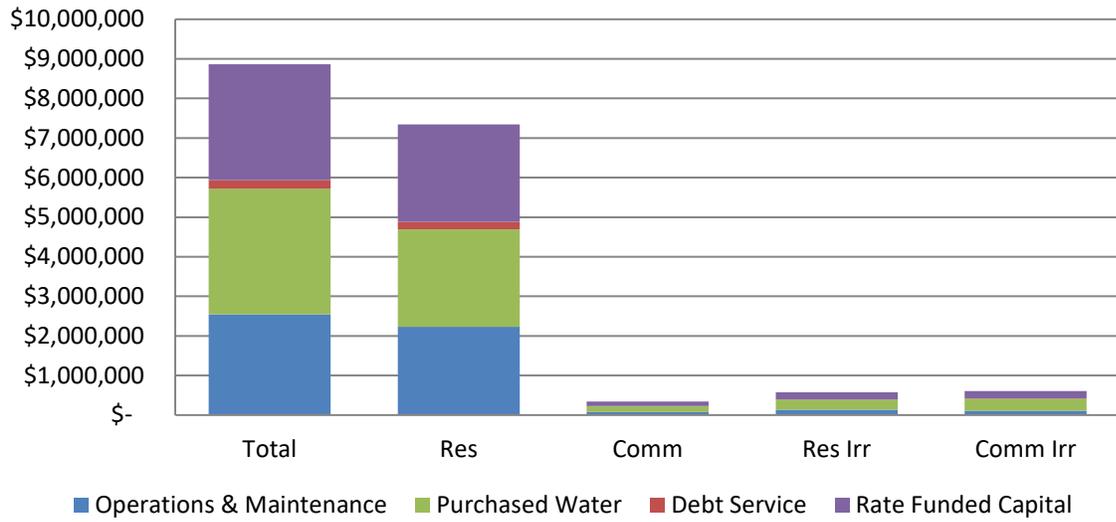
	Total	1 Res	2 Comm	3 Res Irr	4 Comm Irr	Total
TOTAL REV. REQ.						
Operations & Maintenance	\$ 5,715,865	\$ 4,694,201	\$ 223,056	\$ 387,049	\$ 411,559	\$ 5,715,865
Plus: Debt Service	\$ 220,729	\$ 185,779	\$ 8,506	\$ 12,901	\$ 13,543	\$ 220,729
Plus: Rate Funded Capital	\$ 2,923,389	\$ 2,460,500	\$ 112,656	\$ 170,863	\$ 179,370	\$ 2,923,389
Total Revenue Requirement	\$ 8,859,983	\$ 7,340,480	\$ 344,218	\$ 570,813	\$ 604,472	\$ 8,859,983
Less: Other Revenue	\$ 604,162	\$ 546,146	\$ 14,091	\$ 26,957.0	\$ 16,968.1	\$ 604,162
Rate Requirement	\$ 8,255,821	\$ 6,794,334	\$ 330,128	\$ 543,856	\$ 587,504	\$ 8,255,821
Annual Sales (Kgal)	979,945	783,340	46,829	65,749	84,027	979,945
Rate Rev. Req./Kgal	\$ 8.42	\$ 8.67	\$ 7.05	\$ 8.27	\$ 6.99	\$ 8.42
Rate Rev. Req./Customer	\$ 71.35	\$ 63.48	\$ 147.64	\$ 120.56	\$ 304.88	\$ 71.35
CUSTOMER	Total	Res	Comm	Res Irr	Comm Irr	Total
Operations & Maintenance	\$ 1,519,324	\$ 1,405,422	\$ 29,362	\$ 59,236	\$ 25,304	\$ 1,519,324
Plus: Debt Service	\$ 220,729	\$ 185,779	\$ 8,506	\$ 12,901	\$ 13,543	\$ 220,729
Plus: Rate Funded Capital	\$ 748,167	\$ 692,078	\$ 14,459	\$ 29,170	\$ 12,461	\$ 748,167
Total Revenue Requirement	\$ 2,488,220	\$ 2,283,278	\$ 52,327	\$ 101,307	\$ 51,308	\$ 2,488,220
Less: Other Revenue	\$ 604,162	\$ 546,146	\$ 14,091	\$ 26,957	\$ 16,968	\$ 604,162
Rate Requirement	\$ 1,884,059	\$ 1,737,132	\$ 38,236	\$ 74,350	\$ 34,340	\$ 1,884,059
Annual Billings	115,701	107,027	2,236	4,511	1,927	115,701
Calculated Customer Charge	\$ 16.23	\$ 17.10	\$ 16.48	\$ 17.82		
CONSUMPTION	Total	Res	Comm	Res Irr	Comm Irr	Total
Operations & Maintenance	\$ 4,196,541	\$ 3,288,779	\$ 193,694	\$ 327,813	\$ 386,254	\$ 4,196,541
Plus: Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plus: Rate Funded Capital	\$ 2,175,222	\$ 1,768,423	\$ 98,197	\$ 141,693	\$ 166,909	\$ 2,175,222
Total Revenue Requirement	\$ 6,371,763	\$ 5,057,202	\$ 291,892	\$ 469,506	\$ 553,163	\$ 6,371,763
Less: Other Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Rate Requirement	\$ 6,371,763	\$ 5,057,202	\$ 291,892	\$ 469,506	\$ 553,163	\$ 6,371,763
Calculated Water Rate (Kgal)	\$ 6.46	\$ 6.23	\$ 7.14	\$ 6.58		
	Total	Res	Comm	Res Irr	Comm Irr	Total
Current Rate Revenue	\$ 8,345,544	\$ 6,595,074	\$ 494,494	\$ 515,793	\$ 740,183	\$ 8,345,544
Over/(Under) Recovery	\$ 89,723	\$ (199,260)	\$ 164,366	\$ (28,063)	\$ 152,679	\$ 89,723
Total Revenue	\$ 8,949,706	\$ 7,141,219	\$ 508,585	\$ 542,750	\$ 757,151	\$ 8,949,706
Over/(Under) Recovery	\$ 89,723	\$ (199,260)	\$ 164,366	\$ (28,063)	\$ 152,679	\$ 89,723

Milcrofton Utility District
Water Cost of Service-12-Months Ending September 2020
Summary of Results

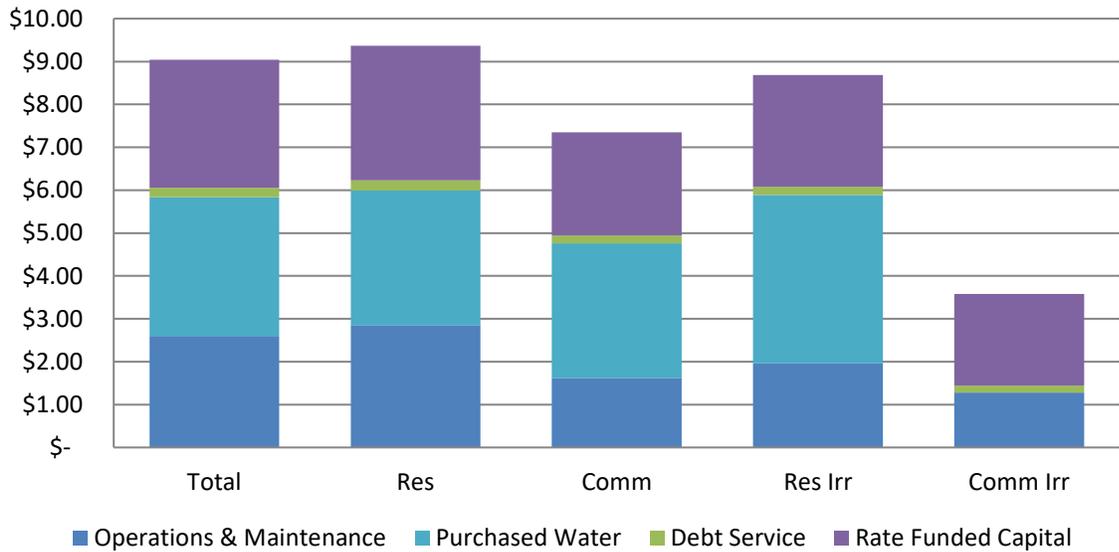
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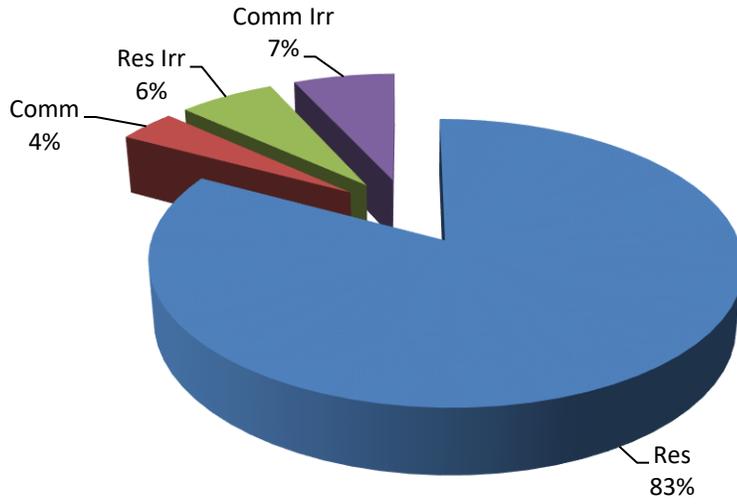
Rev. Req. by Rate Class



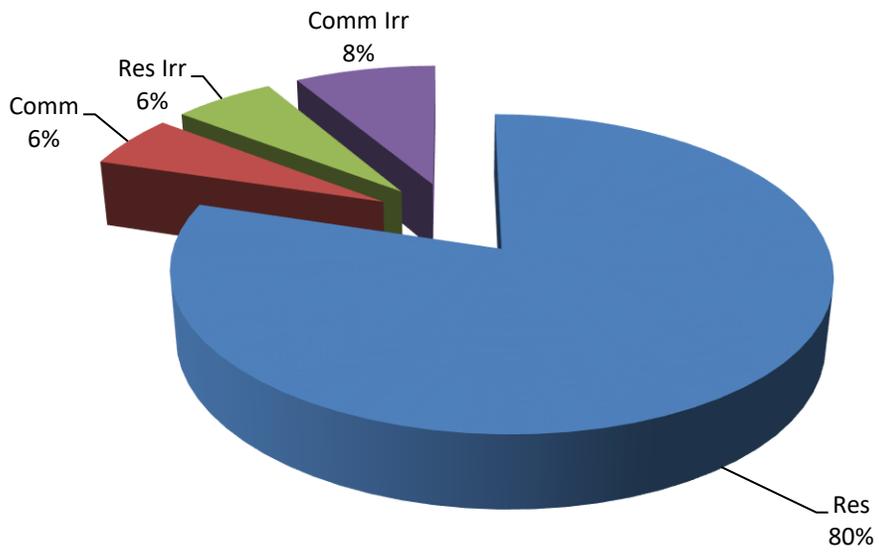
Rev. Req./Kgal



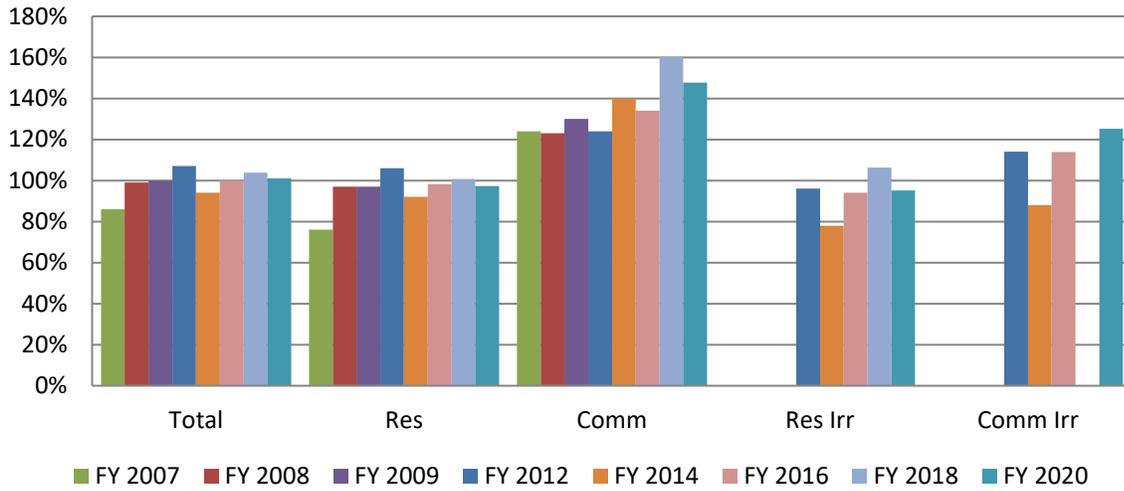
Revenue Requirement by Class



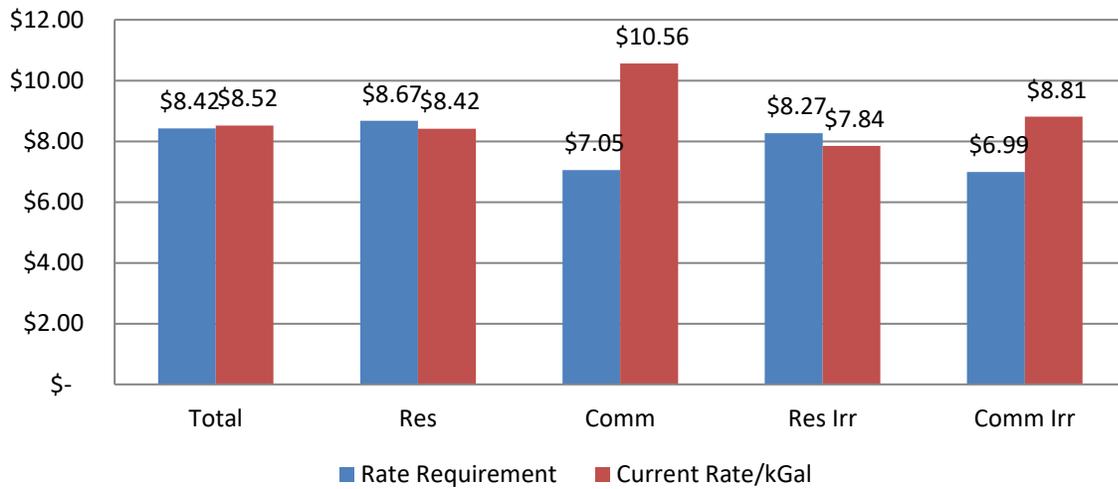
Current Revenue



Recovery Comparison



Required vs. Rate



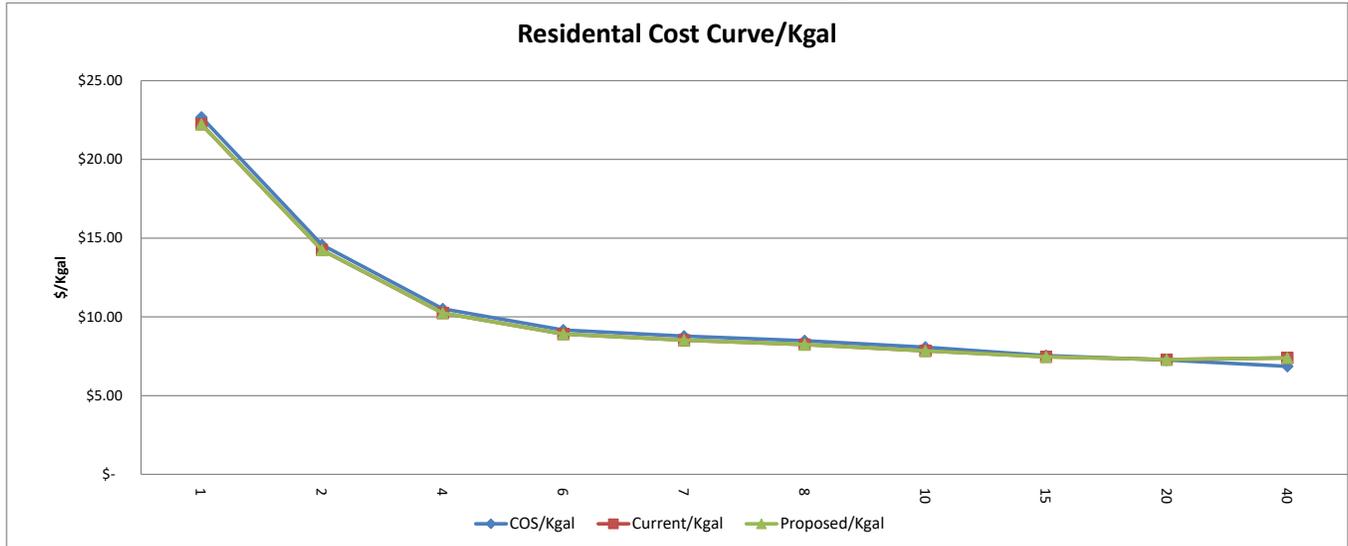
Milcrofton Utility District
Water Cost of Service-12-Months Ending September 2020
2 Year Comparison

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Revenue Requirement	2009	2012	2014	2016	2018	2020	Difference (\$)	Difference (%)
Operations & Maintenance	\$ 2,443,642	\$ 2,864,901	\$ 3,659,141	\$ 4,310,910	\$ 5,552,443	\$ 5,715,865	\$ 163,422	2.9%
Plus: Debt Service	\$ 544,595	\$ 544,595	\$ 765,010	\$ 620,697	\$ 220,728	\$ 220,729	\$ 1	0.0%
Plus: Rate Funded Capital	\$ 800,000	\$ 920,945	\$ 1,226,460	\$ 1,523,202	\$ 1,826,916	\$ 2,923,389	\$ 1,096,473	60.0%
Total Revenue Requirement	\$ 3,788,237	\$ 4,330,441	\$ 5,650,611	\$ 6,454,809	\$ 7,600,087	\$ 8,859,983	\$ 1,259,896	16.6%
Less: Other Revenue	\$ 542,824	\$ 514,869	\$ 588,015	\$ 559,707	\$ 552,050	\$ 604,162	\$ 52,112	9.4%
Rate Requirement	\$ 3,245,413	\$ 3,815,572	\$ 5,062,596	\$ 5,895,102	\$ 7,048,037	\$ 8,255,821	\$ 1,207,784	17.1%
Annual Sales (Kgal)	404,936	461,263	499,634	638,044	820,196	979,945	159,749	19.5%
Rate Requirement per Kgal	\$ 8.01	\$ 8.27	\$ 10.13	\$ 9.24	\$ 8.59	\$ 8.42	\$ (0.17)	
Revenue Requirement per kGal	2009	2012	2014	2016	2018	2020	Difference	
Operations & Maintenance	\$ 6.03	\$ 6.21	\$ 7.32	\$ 6.76	\$ 6.77	\$ 5.83	\$ (0.94)	
Plus: Debt Service	\$ 1.34	\$ 1.18	\$ 1.53	\$ 0.97	\$ 0.27	\$ 0.23	\$ (0.04)	
Plus: Rate Funded Capital	\$ 1.98	\$ 2.00	\$ 2.45	\$ 2.39	\$ 2.23	\$ 2.98	\$ 0.76	
Total Revenue Requirement	\$ 9.36	\$ 9.39	\$ 11.31	\$ 10.12	\$ 9.27	\$ 9.04	\$ (0.22)	
Less: Other Revenue	\$ 1.34	\$ 1.12	\$ 1.18	\$ 0.88	\$ 0.67	\$ 0.62	\$ (0.06)	
Rate Requirement	\$ 8.01	\$ 8.27	\$ 10.13	\$ 9.24	\$ 8.59	\$ 8.42	\$ (0.17)	

Milcrofton Utility District
 Water Cost of Service-12-Months Ending September 2020
 Res
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	Cost of Service	Current	Proposed	Difference
Customer Charge	\$ 16.23	\$ 16.00	\$ 16.00	\$ -
0-10,000 gallons	\$ 6.46	\$ 6.24	\$ 6.24	\$ -
10,000-20,000 gallons		\$ 6.74	\$ 6.74	\$ -
20,000-30,000 gallons		\$ 7.24	\$ 7.24	\$ -
30,000-40,000 gallons		\$ 7.74	\$ 7.74	\$ -
All Usage over 40,000 Gallons		\$ 8.24	\$ 8.24	\$ -

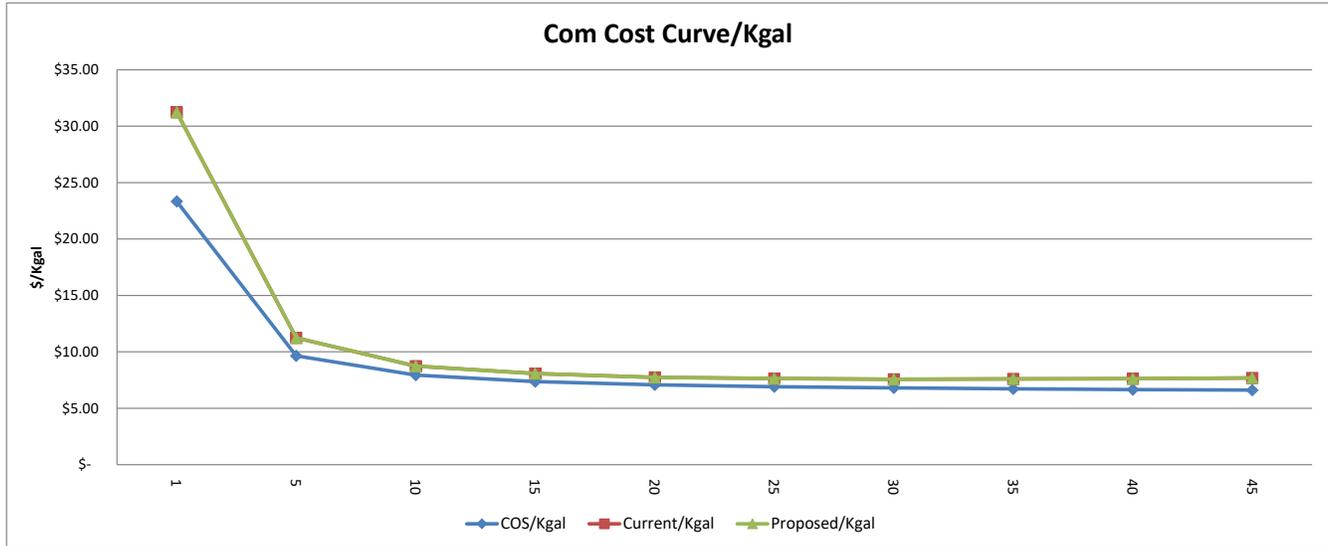


Usage (Kgal)	COS Rates	Current Rates	Proposed Rates	Monthly Change	Daily Change	COS Rate/kGal	Current Rate/kGal	Proposed Rate/kGal	Change/kGal
1	\$ 22.69	\$ 22.24	\$ 22.24	\$ -	\$ -	\$ 22.69	\$ 22.24	\$ 22.24	\$ -
2	\$ 29.14	\$ 28.48	\$ 28.48	\$ -	\$ -	\$ 14.57	\$ 14.24	\$ 14.24	\$ -
4	\$ 42.05	\$ 40.96	\$ 40.96	\$ -	\$ -	\$ 10.51	\$ 10.24	\$ 10.24	\$ -
6	\$ 54.97	\$ 53.44	\$ 53.44	\$ -	\$ -	\$ 9.16	\$ 8.91	\$ 8.91	\$ -
7	\$ 61.42	\$ 59.68	\$ 59.68	\$ -	\$ -	\$ 8.77	\$ 8.53	\$ 8.53	\$ -
8	\$ 67.88	\$ 65.92	\$ 65.92	\$ -	\$ -	\$ 8.48	\$ 8.24	\$ 8.24	\$ -
10	\$ 80.79	\$ 78.40	\$ 78.40	\$ -	\$ -	\$ 8.08	\$ 7.84	\$ 7.84	\$ -
15	\$ 113.07	\$ 112.10	\$ 112.10	\$ -	\$ -	\$ 7.54	\$ 7.47	\$ 7.47	\$ -
20	\$ 145.35	\$ 145.80	\$ 145.80	\$ -	\$ -	\$ 7.27	\$ 7.29	\$ 7.29	\$ -
40	\$ 274.47	\$ 295.60	\$ 295.60	\$ -	\$ -	\$ 6.86	\$ 7.39	\$ 7.39	\$ -
Average Usage		7,319							

Proposed Increase in Customer Revenue	\$ -
Proposed Increase in Usage Revenue	\$ -
Proposed Increase in Revenue	\$ -
Current Recovery	\$ (199,260)

Milcrofton Utility District
 Water Cost of Service-12-Months Ending September 2020
 Comm
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	Cost of Service	Current	Proposed	Difference
Customer Charge	\$ 17.10	\$ 25.00	\$ 25.00	\$ -
0-10,000 gallons	\$ 6.23	\$ 6.24	\$ 6.24	\$ -
10,000-20,000 gallons		\$ 6.74	\$ 6.74	\$ -
20,000-30,000 gallons		\$ 7.24	\$ 7.24	\$ -
30,000-40,000 gallons		\$ 7.74	\$ 7.74	\$ -
All Usage over 40,000 Gallons		\$ 8.24	\$ 8.24	\$ -



Usage (Kgal)	COS Rates	Current Rates	Proposed Rates	Monthly Change	Daily Change	COS Rate/kGal	Current Rate/kGal	Proposed Rate/kGal	Change/kGal
1	\$ 23.33	\$ 31.24	\$ 31.24	\$ -	\$ -	23.33	31.24	31.24	\$ -
5	\$ 48.27	\$ 56.20	\$ 56.20	\$ -	\$ -	9.65	11.24	11.24	\$ -
10	\$ 79.43	\$ 87.40	\$ 87.40	\$ -	\$ -	7.94	8.74	8.74	\$ -
15	\$ 110.60	\$ 121.10	\$ 121.10	\$ -	\$ -	7.37	8.07	8.07	\$ -
20	\$ 141.76	\$ 154.80	\$ 154.80	\$ -	\$ -	7.09	7.74	7.74	\$ -
25	\$ 172.93	\$ 191.00	\$ 191.00	\$ -	\$ -	6.92	7.64	7.64	\$ -
30	\$ 204.10	\$ 227.20	\$ 227.20	\$ -	\$ -	6.80	7.57	7.57	\$ -
35	\$ 235.26	\$ 265.90	\$ 265.90	\$ -	\$ -	6.72	7.60	7.60	\$ -
40	\$ 266.43	\$ 304.60	\$ 304.60	\$ -	\$ -	6.66	7.62	7.62	\$ -
45	\$ 297.59	\$ 345.80	\$ 345.80	\$ -	\$ -	6.61	7.68	7.68	\$ -
Average Usage		20,943							

Proposed Increase in Customer Revenue	\$ -
Proposed Increase in Usage Revenue	\$ -
Proposed Increase in Revenue	\$ -
Current Recovery	\$ 164,366

Billing Data

**Milcrofton Utility District
 Water Cost of Service-12-Months Ending September 2020
 Customer Billing Data**

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Customer Billings	1 Res	2 Comm	3 Res Irr	4 Comm Irr	Total
Jan-20	8,814	189	366	157	9,526
Feb-20	8,853	193	368	158	9,572
Mar-20	8,886	186	368	156	9,596
Apr-20	8,917	185	376	156	9,634
May-20	8,965	194	380	159	9,698
Jun-20	9,024	185	388	164	9,761
Jul-20	9,066	186	390	166	9,808
Aug-20	9,081	184	392	166	9,823
Sep-20	9,131	178	393	167	9,869
Oct-19	8,699	184	361	158	9,402
Nov-19	8,782	190	366	164	9,502
Dec-19	8,809	182	363	156	9,510
Total Customers	107,027	2,236	4,511	1,927	115,701
Weighting Factor	2.00	1.00	2.00	1.00	
Weighted Customers	214,054	2,236	9,022	1,927	227,239

AF

21	Total Customers	93%	2%	4%	2%	100%
25	Weighted Customers	94%	1%	4%	1%	100%

Milcrofton Utility District
Water Cost of Service-12-Months Ending September 2020
Water Billing Data

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Water Billings		1 Res	2 Comm	3 Res Irr	4 Comm Irr	Total
Jan-20		39,413,689	2,776,614	219,431	62,517	42,472,252
Feb-20		38,799,374	3,647,183	317,253	366,496	43,130,306
Mar-20		36,407,881	3,302,685	112,806	53,171	39,876,543
Apr-20		42,204,568	2,683,928	222,069	366,985	45,477,549
May-20		52,221,206	2,909,110	2,178,977	1,853,697	59,162,989
Jun-20		64,024,301	3,944,590	5,357,311	8,580,116	81,906,319
Jul-20		94,755,475	4,537,861	11,068,959	12,088,828	122,451,123
Aug-20		98,362,001	4,303,946	12,445,767	15,452,285	130,563,999
Sep-20		94,089,608	4,418,219	11,881,937	15,265,412	125,655,177
Oct-19		106,743,945	6,377,987	13,450,585	14,935,555	141,508,072
Nov-19		75,094,296	4,805,220	7,766,157	13,981,697	101,647,370
Dec-19		41,223,810	3,121,341	727,313	1,020,715	46,093,178
Total Water Sales		783,340,153	46,828,683	65,748,566	84,027,475	979,944,877
1-CP		106,743,945	6,377,987	13,450,585	14,935,555	141,508,072
12-NCP		106,743,945	6,377,987	13,450,585	15,452,285	142,024,802

AF

30	Total Water Sales	79.94%	4.78%	6.71%	8.57%	100.00%
33	1-CP	75.43%	4.51%	9.51%	10.55%	100.00%
34	12-NCP	75.16%	4.49%	9.47%	10.88%	100.00%

Milcrofton Utility District
Water Cost of Service-12-Months Ending September 2020
Average Usage per Customer

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	1	2	3	4
	Res	Comm	Res Irr	Comm Irr
Jan-20	4,472	14,691	600	398
Feb-20	4,383	18,897	862	2,320
Mar-20	4,097	17,756	307	341
Apr-20	4,733	14,508	591	2,352
May-20	5,825	14,995	5,734	11,658
Jun-20	7,095	21,322	13,808	52,318
Jul-20	10,452	24,397	28,382	72,824
Aug-20	10,832	23,391	31,749	93,086
Sep-20	10,304	24,821	30,234	91,410
Oct-19	12,271	34,663	37,259	94,529
Nov-19	8,551	25,291	21,219	85,254
Dec-19	4,680	17,150	2,004	6,543
Average	7,308	20,990	14,396	42,753
Summer Average (Jun-Oct)	10,191	25,719	28,286	80,833
Winter Average	5,249	17,613	4,474	15,552

Milcrofton Utility District
Water Cost of Service-12-Months Ending September 2020
Revenue Billing Data

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Revenue	1 Res	2 Comm	3 Res Irr	4 Comm Irr	Total
Jan-20	\$ 390,666	\$ 33,039	\$ 7,420	\$ 8,918	\$ 440,042
Feb-20	\$ 387,468	\$ 40,702	\$ 8,250	\$ 11,621	\$ 448,041
Mar-20	\$ 372,992	\$ 38,351	\$ 6,634	\$ 9,257	\$ 427,235
Apr-20	\$ 410,046	\$ 33,403	\$ 7,432	\$ 11,236	\$ 462,117
May-20	\$ 475,966	\$ 35,135	\$ 20,454	\$ 22,633	\$ 554,188
Jun-20	\$ 556,295	\$ 43,437	\$ 42,758	\$ 76,358	\$ 718,848
Jul-20	\$ 769,045	\$ 48,074	\$ 83,905	\$ 103,664	\$ 1,004,687
Aug-20	\$ 796,555	\$ 45,836	\$ 94,188	\$ 131,054	\$ 1,067,634
Sep-20	\$ 768,159	\$ 46,679	\$ 89,887	\$ 129,682	\$ 1,034,406
Oct-19	\$ 857,668	\$ 61,864	\$ 102,521	\$ 126,258	\$ 1,148,311
Nov-19	\$ 632,005	\$ 49,052	\$ 59,209	\$ 118,826	\$ 859,091
Dec-19	\$ 402,104	\$ 35,710	\$ 10,647	\$ 15,804	\$ 464,264
Total Revenue	\$ 6,818,968	\$ 511,282	\$ 533,304	\$ 765,311	\$ 8,628,865
					Booked Revenue
					\$ 8,345,544

AF

50 Total Revenue	79.03%	5.93%	6.18%	8.87%	100%
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Milcrofton Utility District
Water Cost of Service-12-Months Ending September 2020
Revenue per Kgal

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	1	2	3	4
	Res	Comm	Res Irr	Comm Irr
Jan-20	\$ 9.91	\$ 11.90	\$ 33.81	\$ 142.64
Feb-20	\$ 9.99	\$ 11.16	\$ 26.00	\$ 31.71
Mar-20	\$ 10.24	\$ 11.61	\$ 58.80	\$ 174.11
Apr-20	\$ 9.72	\$ 12.45	\$ 33.47	\$ 30.62
May-20	\$ 9.11	\$ 12.08	\$ 9.39	\$ 12.21
Jun-20	\$ 8.69	\$ 11.01	\$ 7.98	\$ 8.90
Jul-20	\$ 8.12	\$ 10.59	\$ 7.58	\$ 8.58
Aug-20	\$ 8.10	\$ 10.65	\$ 7.57	\$ 8.48
Sep-20	\$ 8.16	\$ 10.57	\$ 7.56	\$ 8.50
Oct-19	\$ 8.03	\$ 9.70	\$ 7.62	\$ 8.45
Nov-19	\$ 8.42	\$ 10.21	\$ 7.62	\$ 8.50
Dec-19	\$ 9.75	\$ 11.44	\$ 14.64	\$ 15.48
Average	\$ 8.70	\$ 10.92	\$ 8.11	\$ 9.11

Milcrofton Utility District
Water Cost of Service-12-Months Ending September 2020
Allocation of Other Revenues
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	Actual	Adj.	Test Yr.	Res	Comm	Res Irr	Comm Irr	Total		Res	Comm	Res Irr	Comm Irr	Total	
Operating Income									Cust						
Labor Charges	\$ 2,394		\$ 2,394	21	\$ 2,215	\$ 46	\$ 93	\$ 40	\$ 2,394 *	100%	\$ 2,215	\$ 46	\$ 93	\$ 40	\$ 2,394
Trip Charges	\$ 18,200		\$ 18,200	21	\$ 16,836	\$ 352	\$ 710	\$ 303	\$ 18,200 *	100%	\$ 16,836	\$ 352	\$ 710	\$ 303	\$ 18,200
Application Fees	\$ 141,500		\$ 141,500	21	\$ 130,892	\$ 2,735	\$ 5,517	\$ 2,357	\$ 141,500 *	100%	\$ 130,892	\$ 2,735	\$ 5,517	\$ 2,357	\$ 141,500
Meter Sales (net)	\$ 9,310		\$ 9,310	21	\$ 8,612	\$ 180	\$ 363	\$ 155	\$ 9,310 *	100%	\$ 8,612	\$ 180	\$ 363	\$ 155	\$ 9,310
Temporary Meter Fee	\$ 2,700		\$ 2,700	21	\$ 2,498	\$ 52	\$ 105	\$ 45	\$ 2,700 *	100%	\$ 2,498	\$ 52	\$ 105	\$ 45	\$ 2,700
Install & Connection Fees	\$ 47,000		\$ 47,000	21	\$ 43,476	\$ 908	\$ 1,832	\$ 783	\$ 47,000 *	100%	\$ 43,476	\$ 908	\$ 1,832	\$ 783	\$ 47,000
Penalties	\$ 68,159		\$ 68,159	25	\$ 64,204	\$ 671	\$ 2,706	\$ 578	\$ 68,159 *	100%	\$ 64,204	\$ 671	\$ 2,706	\$ 578	\$ 68,159
Service & Late Charges	\$ 23,050		\$ 23,050	25	\$ 21,713	\$ 227	\$ 915	\$ 195	\$ 23,050 *	100%	\$ 21,713	\$ 227	\$ 915	\$ 195	\$ 23,050
Return Check Charges	\$ 1,380		\$ 1,380	25	\$ 1,300	\$ 14	\$ 55	\$ 12	\$ 1,380 *	100%	\$ 1,300	\$ 14	\$ 55	\$ 12	\$ 1,380
Inspection Fees	\$ 1,600		\$ 1,600	21	\$ 1,480	\$ 31	\$ 62	\$ 27	\$ 1,600 *	100%	\$ 1,480	\$ 31	\$ 62	\$ 27	\$ 1,600
Flow Test Fees	\$ 98,550		\$ 98,550	21	\$ 91,162	\$ 1,905	\$ 3,842	\$ 1,641	\$ 98,550 *	100%	\$ 91,162	\$ 1,905	\$ 3,842	\$ 1,641	\$ 98,550
Misc. Income	\$ 18,613		\$ 18,613	21	\$ 17,218	\$ 360	\$ 726	\$ 310	\$ 18,613 *	100%	\$ 17,218	\$ 360	\$ 726	\$ 310	\$ 18,613
Bad Debts	\$ (2,912)		\$ (2,912)	21	\$ (2,694)	\$ (56)	\$ (114)	\$ (49)	\$ (2,912) *	100%	\$ (2,694)	\$ (56)	\$ (114)	\$ (49)	\$ (2,912)
Subtotal Operating	\$ 429,543	\$ -	\$ 429,543		\$ 398,910	\$ 7,423	\$ 16,813	\$ 6,397	\$ 429,543 *		\$ 398,910	\$ 7,423	\$ 16,813	\$ 6,397	\$ 429,543
Non-Operating Income															
Interest & Dividend Income	\$ 171,418		\$ 171,418	64	\$ 144,276	\$ 6,606	\$ 10,019	\$ 10,518	\$ 171,418 *	100%	\$ 144,276	\$ 6,606	\$ 10,019	\$ 10,518	\$ 171,418
Gain (loss) on Sale of Assets	\$ 3,200		\$ 3,200	21	\$ 2,960	\$ 62	\$ 125	\$ 53	\$ 3,200 *	100%	\$ 2,960	\$ 62	\$ 125	\$ 53	\$ 3,200
Subtotal Non-Operating	\$ 174,618	\$ -	\$ 174,618		\$ 147,236	\$ 6,668	\$ 10,144	\$ 10,571	\$ 174,618 *		\$ 147,236	\$ 6,668	\$ 10,144	\$ 10,571	\$ 174,618
Total Other Revenue	\$ 604,162	\$ -	\$ 604,162		\$ 546,146	\$ 14,091	\$ 26,957	\$ 16,968	\$ 604,162 *		\$ 546,146	\$ 14,091	\$ 26,957	\$ 16,968	\$ 604,162
					90.40%	2.33%	4.46%	2.81%	100%						

Allocation Factors

Milcrofton Utility District
Water Cost of Service-12-Months Ending September 2020
Allocation Factors

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	1	2	3	4	Total		478,518,520	501,426,357			979,944,877
	Res	Comm	Res Irr	Comm Irr			Base	Ex-Cap	Cust	FP	Total
CUSTOMER											
Res	1	100%	0%	0%	100% *	Load Curve	49%	51%			100%
Comm	2	0%	100%	0%	100% *	MSC	36%	38%	25%		100%
Res Irr	3	0%	0%	100%	100% *	FP	42%	43%		15%	100%
Comm Irr	4	0%	0%	0%	100% *	All	29%	30%	25%	15%	100%
Total Customers	21	93%	2%	4%	100% *						
Weighted Customers	25	94%	1%	4%	100% *						
BASE/EXTRA CAPACITY											
Total Water Sales	30	80%	5%	7%	100% *	Production Curve	Avg Day	Capacity			
1-CP	33	75%	5%	10%	100% *		0%	100%			100%
12-NCP	34	75%	4%	9%	100% *						
Max Day Demand	35	80%	5%	7%	100% *						
FIRE PROTECTION											
Fire Protection	40	96%	4%	0%	100% *						
REVENUE											
Total Revenue	50	79%	6%	6%	100% *						
PLANT											
Treat & Dist Plant	60	84%	4%	6%	100% *						
General Plant	61	90%	2%	4%	100% *						
Total Utility Plant	62	84%	4%	6%	100% *						
Net Utility Plant	63	84%	4%	6%	100% *						
Debt Service	64	84%	4%	6%	100% *						

Milcrofton Utility District
Water Cost of Service-12-Months Ending September 2020
Development of Minimum System

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<u>Size</u>	<u>Feet</u>	<u>\$/Foot</u>	<u>Extended Cost</u>
.75"	244,808	\$ 17.00	\$ 4,161,735
1"	443	\$ 18.00	\$ 7,970
2"	2,952	\$ 25.00	\$ 73,795
4"	67,030	\$ 48.00	\$ 3,217,460
6"	400,572	\$ 52.00	\$ 20,829,760
8"	515,156	\$ 65.00	\$ 33,485,144
10"	140,000	\$ 85.00	\$ 11,899,978
12"	110,279	\$ 100.00	\$ 11,027,871
16"	89,467	\$ 130.00	\$ 11,630,711
18"	28,975	\$ 145.00	\$ 4,201,342
20"	131	\$ 165.00	\$ 21,696
24"	6,140	\$ 200.00	\$ 1,228,079
30"	30384.984	\$ 250.00	\$ 7,596,246
	<u>1,636,338</u>		<u>\$ 109,381,787</u>
Miles	310		

Minimum Plant 1,636,338 \$ 17.00 \$ 27,817,752
 Minimum System Percentage **25%**

Milcrofton Utility District
Water Cost of Service-12-Months Ending September 2020
Development of Fire Protection Allocation

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	Res	Comm	Res Irr	Comm Irr	Total
Customers	107,027	2,236	4,511	1,927	115,701
Flow Requirements (GPM)	500	1,000	-	-	
Duration	60	60	60	60	
FP Requirements (MG)	3,211	134	-	-	3,345

AF

40 Fire Protection	95.99%	4.01%	0.00%	0.00%	100%
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Percent Asset Sized for FP Consideration	15%
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Plant

Milcrofton Utility District
 Water Cost of Service-12-Months Ending September 2020
 Classification of Plant
[Main Menu](#)

	Actual	Adj.	Test Yr.	Base	Ex-Cap	Cust	FP	Total	Description	Base	Ex-Cap	Cust	FP	Total
Distribution Plant														
Mains	\$ 4,432,244		\$ 4,432,244	29%	30%	25%	15%	100%	As LC/MSC/FP *	\$ 1,289,244	\$ 1,350,964	\$ 1,127,199	\$ 664,837	\$ 4,432,244
Tanks	\$ 2,794,976		\$ 2,794,976	29%	30%	25%	15%	100%	As LC/MSC/FP *	\$ 812,999	\$ 851,919	\$ 710,813	\$ 419,246	\$ 2,794,976
Pump Station	\$ 1,950,589		\$ 1,950,589	29%	30%	25%	15%	100%	As LC/MSC/FP *	\$ 567,384	\$ 594,546	\$ 496,070	\$ 292,588	\$ 1,950,589
Mains & Meters	\$ 5,020,459		\$ 5,020,459	29%	30%	25%	15%	100%	As LC/MSC/FP *	\$ 1,460,344	\$ 1,530,254	\$ 1,276,793	\$ 753,069	\$ 5,020,459
Meters	\$ 342,999		\$ 342,999	10%	0%	90%	0%	100%		\$ 34,300	\$ -	\$ 308,699	\$ -	\$ 342,999
Mains & Pump Station	\$ 380,247		\$ 380,247	49%	51%	0%	0%	100%	As LC	\$ 185,679	\$ 194,568	\$ -	\$ -	\$ 380,247
Meters, Mains, & Tanks	\$ 1,502,948		\$ 1,502,948	29%	30%	25%	15%	100%	As LC/MSC/FP *	\$ 437,175	\$ 458,104	\$ 382,227	\$ 225,442	\$ 1,502,948
Connection to Franklin	\$ 18,729		\$ 18,729	100%	0%	0%	0%	100%		\$ 18,729	\$ -	\$ -	\$ -	\$ 18,729
"Location" Lines	\$ 9,976,227		\$ 9,976,227	29%	30%	25%	15%	100%	As LC/MSC/FP *	\$ 2,901,870	\$ 3,040,789	\$ 2,537,134	\$ 1,496,434	\$ 9,976,227
Capitalized Interest	\$ 1,018,108		\$ 1,018,108	29%	30%	25%	15%	100%	As LC/MSC/FP *	\$ 296,146	\$ 310,323	\$ 258,923	\$ 152,716	\$ 1,018,108
Mallory Valley Improvement	\$ 1,765,840		\$ 1,765,840	29%	30%	25%	15%	100%	As LC/MSC/FP *	\$ 513,645	\$ 538,234	\$ 449,085	\$ 264,876	\$ 1,765,840
Arno Rd	\$ 1,250,466		\$ 1,250,466	29%	30%	25%	15%	100%	As LC/MSC/FP *	\$ 363,734	\$ 381,146	\$ 318,016	\$ 187,570	\$ 1,250,466
Arno Rd/Hwy 96 Improvement	\$ 4,472,842		\$ 4,472,842	29%	30%	25%	15%	100%	As LC/MSC/FP *	\$ 1,301,054	\$ 1,363,338	\$ 1,137,524	\$ 670,926	\$ 4,472,842
Donated Distribution System	\$ 32,217,122		\$ 32,217,122	29%	30%	25%	15%	100%	As LC/MSC/FP *	\$ 9,371,268	\$ 9,819,893	\$ 8,193,392	\$ 4,832,568	\$ 32,217,122
Misc Equip	\$ 728,162		\$ 728,162	29%	30%	25%	15%	100%	As LC/MSC/FP *	\$ 211,807	\$ 221,946	\$ 185,185	\$ 109,224	\$ 728,162
Moore's Lane 30" Upsize	\$ 1,442,852		\$ 1,442,852	29%	30%	25%	15%	100%	As LC/MSC/FP *	\$ 419,695	\$ 439,786	\$ 366,943	\$ 216,428	\$ 1,442,852
Liberty Pike	\$ 5,376,095		\$ 5,376,095	29%	30%	25%	15%	100%	As LC/MSC/FP *	\$ 1,563,790	\$ 1,638,653	\$ 1,367,238	\$ 806,414	\$ 5,376,095
Subtotal Distribution Plant	\$ 74,690,904	\$ -	\$ 74,690,904							\$ 21,748,861	\$ 22,734,464	\$ 19,115,239	\$ 11,092,339	\$ 74,690,904
				29%	30%	26%	15%	100%						
General Plant														
Land	\$ 167,369		\$ 167,369	0%	0%	100%	0%	100%		\$ -	\$ -	\$ 167,369	\$ -	\$ 167,369
Building & Improvements	\$ 907,290		\$ 907,290	0%	0%	100%	0%	100%		\$ -	\$ -	\$ 907,290	\$ -	\$ 907,290
Office Equipment	\$ 95,291		\$ 95,291	0%	0%	100%	0%	100%		\$ -	\$ -	\$ 95,291	\$ -	\$ 95,291
Furniture & Fixtures	\$ 50,359		\$ 50,359	0%	0%	100%	0%	100%		\$ -	\$ -	\$ 50,359	\$ -	\$ 50,359
Site Improvements	\$ 162,277		\$ 162,277	0%	0%	100%	0%	100%		\$ -	\$ -	\$ 162,277	\$ -	\$ 162,277
Auto/Transport Equip	\$ 547,291		\$ 547,291	29%	30%	26%	15%	100%	As Dist Plant	\$ 159,363	\$ 166,585	\$ 140,065	\$ 81,278	\$ 547,291
Computer Software	\$ 156,996		\$ 156,996	0%	0%	100%	0%	100%		\$ -	\$ -	\$ 156,996	\$ -	\$ 156,996
Subtotal General Plant	\$ 2,086,873	\$ -	\$ 2,086,873							\$ 159,363	\$ 166,585	\$ 1,679,647	\$ 81,278	\$ 2,086,873
				8%	8%	80%	4%	100%						
Total Utility Plant in Service	\$ 76,777,777	\$ -	\$ 76,777,777							\$ 21,908,224	\$ 22,901,049	\$ 20,794,887	\$ 11,173,618	\$ 76,777,777
Constr. Work in Progress	\$ 3,324,844		\$ 3,324,844	29%	30%	26%	15%	100%	As Dist Plant	\$ 968,144	\$ 1,012,018	\$ 850,909	\$ 493,772	\$ 3,324,844
Total Utility Plant	\$ 80,102,621	\$ -	\$ 80,102,621							\$ 22,876,368	\$ 23,913,067	\$ 21,645,796	\$ 11,667,390	\$ 80,102,621
				29%	30%	27%	15%	100%						
Accum. Depr.	\$ 19,500,806		\$ 19,500,806	29%	30%	27%	15%	100%	As TUPIS	\$ 5,564,475	\$ 5,816,643	\$ 5,281,698	\$ 2,837,990	\$ 19,500,806
Accumulated Depreciation	\$ 19,500,806	\$ -	\$ 19,500,806							\$ 5,564,475	\$ 5,816,643	\$ 5,281,698	\$ 2,837,990	\$ 19,500,806
				29%	30%	27%	15%	100%						
Net Utility Plant	\$ 60,601,815	\$ -	\$ 60,601,815							\$ 17,311,893	\$ 18,096,424	\$ 16,364,098	\$ 8,829,400	\$ 60,601,815
				29%	30%	27%	15%	100%						

Milcrofton Utility District
Water Cost of Service-12-Months Ending September 2020
Allocation of Base Plant
[Main Menu](#)

	Test Yr.		Res	Comm	Res Irr	Comm Irr	Total
Distribution Plant							
Mains	\$ 1,289,244	30	\$ 1,030,585	\$ 61,609	\$ 86,501	\$ 110,549	\$ 1,289,244
Tanks	\$ 812,999	30	\$ 649,888	\$ 38,851	\$ 54,547	\$ 69,712	\$ 812,999
Pump Station	\$ 567,384	30	\$ 453,551	\$ 27,114	\$ 38,068	\$ 48,652	\$ 567,384
Mains & Meters	\$ 1,460,344	30	\$ 1,167,357	\$ 69,786	\$ 97,981	\$ 125,220	\$ 1,460,344
Meters	\$ 34,300	30	\$ 27,418	\$ 1,639	\$ 2,301	\$ 2,941	\$ 34,300
Mains & Pump Station	\$ 185,679	30	\$ 148,427	\$ 8,873	\$ 12,458	\$ 15,921	\$ 185,679
Meters, Mains, & Tanks	\$ 437,175	30	\$ 349,466	\$ 20,891	\$ 29,332	\$ 37,487	\$ 437,175
Connection to Franklin	\$ 18,729	30	\$ 14,971	\$ 895	\$ 1,257	\$ 1,606	\$ 18,729
"Location" Lines	\$ 2,901,870	30	\$ 2,319,672	\$ 138,672	\$ 194,698	\$ 248,827	\$ 2,901,870
Capitalized Interest	\$ 296,146	30	\$ 236,730	\$ 14,152	\$ 19,870	\$ 25,394	\$ 296,146
Mallory Valley Improvement	\$ 513,645	30	\$ 410,593	\$ 24,546	\$ 34,463	\$ 44,044	\$ 513,645
Arno Rd	\$ 363,734	30	\$ 290,758	\$ 17,382	\$ 24,404	\$ 31,189	\$ 363,734
Arno Rd/Hwy 96 Improvement	\$ 1,301,054	30	\$ 1,040,025	\$ 62,174	\$ 87,293	\$ 111,562	\$ 1,301,054
Donated Distribution System	\$ 9,371,268	30	\$ 7,491,126	\$ 447,825	\$ 628,757	\$ 803,559	\$ 9,371,268
Misc Equip	\$ 211,807	30	\$ 169,312	\$ 10,122	\$ 14,211	\$ 18,162	\$ 211,807
Moore's Lane 30" Upsize	\$ 419,695	30	\$ 335,492	\$ 20,056	\$ 28,159	\$ 35,988	\$ 419,695
Liberty Pike	\$ 1,563,790	30	\$ 1,250,050	\$ 74,729	\$ 104,921	\$ 134,091	\$ 1,563,790
Subtotal Distribution Plant	\$ 21,748,861		\$ 17,385,423	\$ 1,039,314	\$ 1,459,221	\$ 1,864,903	\$ 21,748,861
General Plant							
Land	\$ -	30	\$ -	\$ -	\$ -	\$ -	\$ -
Building & Improvements	\$ -	30	\$ -	\$ -	\$ -	\$ -	\$ -
Office Equipment	\$ -	30	\$ -	\$ -	\$ -	\$ -	\$ -
Furniture & Fixtures	\$ -	30	\$ -	\$ -	\$ -	\$ -	\$ -
Site Improvements	\$ -	30	\$ -	\$ -	\$ -	\$ -	\$ -
Auto/Transport Equip	\$ 159,363	30	\$ 127,390	\$ 7,615	\$ 10,692	\$ 13,665	\$ 159,363
Computer Software	\$ -	30	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal General Plant	\$ 159,363		\$ 127,390	\$ 7,615	\$ 10,692	\$ 13,665	\$ 159,363
Total Utility Plant in Service	\$ 21,908,224		\$ 17,512,813	\$ 1,046,930	\$ 1,469,914	\$ 1,878,568	\$ 21,908,224
Constr. Work in Progress	\$ 968,144	30	\$ 773,907	\$ 46,265	\$ 64,957	\$ 83,016	\$ 968,144
Total Utility Plant	\$ 22,876,368		\$ 18,286,720	\$ 1,093,194	\$ 1,534,870	\$ 1,961,583	\$ 22,876,368
Accum. Depr.	\$ 5,564,475	30	\$ 4,448,084	\$ 265,910	\$ 373,344	\$ 477,138	\$ 5,564,475
Accumulated Depreciation	\$ 5,564,475		\$ 4,448,084	\$ 265,910	\$ 373,344	\$ 477,138	\$ 5,564,475
Net Utility Plant	\$ 17,311,893		\$ 13,838,637	\$ 827,284	\$ 1,161,527	\$ 1,484,445	\$ 17,311,893
			80%	5%	7%	9%	100%

Milcrofton Utility District
Water Cost of Service-12-Months Ending September 2020
Allocation of Extra Capacity Plant

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	Test Yr.		Res	Comm	Res Irr	Comm Irr	Total
Distribution Plant							
Mains	\$ 1,350,964	33	\$ 1,019,074	\$ 60,890	\$ 128,411	\$ 142,588	\$ 1,350,964
Tanks	\$ 851,919	33	\$ 642,629	\$ 38,397	\$ 80,976	\$ 89,916	\$ 851,919
Pump Station	\$ 594,546	33	\$ 448,485	\$ 26,797	\$ 56,513	\$ 62,752	\$ 594,546
Mains & Meters	\$ 1,530,254	33	\$ 1,154,318	\$ 68,971	\$ 145,453	\$ 161,512	\$ 1,530,254
Meters	\$ -	33	\$ -	\$ -	\$ -	\$ -	\$ -
Mains & Pump Station	\$ 194,568	33	\$ 146,769	\$ 8,769	\$ 18,494	\$ 20,536	\$ 194,568
Meters, Mains, & Tanks	\$ 458,104	33	\$ 345,562	\$ 20,647	\$ 43,544	\$ 48,351	\$ 458,104
Connection to Franklin	\$ -	33	\$ -	\$ -	\$ -	\$ -	\$ -
"Location" Lines	\$ 3,040,789	33	\$ 2,293,762	\$ 137,053	\$ 289,032	\$ 320,942	\$ 3,040,789
Capitalized Interest	\$ 310,323	33	\$ 234,086	\$ 13,987	\$ 29,497	\$ 32,753	\$ 310,323
Mallory Valley Improvement	\$ 538,234	33	\$ 406,007	\$ 24,259	\$ 51,160	\$ 56,808	\$ 538,234
Arno Rd	\$ 381,146	33	\$ 287,511	\$ 17,179	\$ 36,229	\$ 40,228	\$ 381,146
Arno Rd/Hwy 96 Improvement	\$ 1,363,338	33	\$ 1,028,408	\$ 61,448	\$ 129,588	\$ 143,894	\$ 1,363,338
Donated Distribution System	\$ 9,819,893	33	\$ 7,407,451	\$ 442,598	\$ 933,398	\$ 1,036,447	\$ 9,819,893
Misc Equip	\$ 221,946	33	\$ 167,421	\$ 10,003	\$ 21,096	\$ 23,425	\$ 221,946
Moore's Lane 30" Upsize	\$ 439,786	33	\$ 331,745	\$ 19,822	\$ 41,802	\$ 46,418	\$ 439,786
Liberty Pike	\$ 1,638,653	33	\$ 1,236,087	\$ 73,857	\$ 155,757	\$ 172,953	\$ 1,638,653
Subtotal Distribution Plant	<u>\$ 22,734,464</u>		<u>\$ 17,149,314</u>	<u>\$ 1,024,677</u>	<u>\$ 2,160,950</u>	<u>\$ 2,399,523</u>	<u>\$ 22,734,464</u>
General Plant							
Land	\$ -	33	\$ -	\$ -	\$ -	\$ -	\$ -
Building & Improvements	\$ -	33	\$ -	\$ -	\$ -	\$ -	\$ -
Office Equipment	\$ -	33	\$ -	\$ -	\$ -	\$ -	\$ -
Furniture & Fixtures	\$ -	33	\$ -	\$ -	\$ -	\$ -	\$ -
Site Improvements	\$ -	33	\$ -	\$ -	\$ -	\$ -	\$ -
Auto/Transport Equip	\$ 166,585	33	\$ 125,660	\$ 7,508	\$ 15,834	\$ 17,582	\$ 166,585
Computer Software	\$ -	33	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal General Plant	<u>\$ 166,585</u>		<u>\$ 125,660</u>	<u>\$ 7,508</u>	<u>\$ 15,834</u>	<u>\$ 17,582</u>	<u>\$ 166,585</u>
Total Utility Plant in Service	<u>\$ 22,901,049</u>		<u>\$ 17,274,974</u>	<u>\$ 1,032,186</u>	<u>\$ 2,176,784</u>	<u>\$ 2,417,105</u>	<u>\$ 22,901,049</u>
Constr. Work in Progress	\$ 1,012,018	33	\$ 763,397	\$ 45,613	\$ 96,194	\$ 106,814	\$ 1,012,018
Total Utility Plant	<u>\$ 23,913,067</u>		<u>\$ 18,038,371</u>	<u>\$ 1,077,799</u>	<u>\$ 2,272,978</u>	<u>\$ 2,523,919</u>	<u>\$ 23,913,067</u>
Accum. Depr.	\$ 5,816,643	33	\$ 4,387,675	\$ 262,165	\$ 552,882	\$ 613,921	\$ 5,816,643
Accumulated Depreciation	<u>\$ 5,816,643</u>		<u>\$ 4,387,675</u>	<u>\$ 262,165</u>	<u>\$ 552,882</u>	<u>\$ 613,921</u>	<u>\$ 5,816,643</u>
Net Utility Plant	<u>\$ 18,096,424</u>		<u>\$ 13,650,696</u>	<u>\$ 815,634</u>	<u>\$ 1,720,096</u>	<u>\$ 1,909,998</u>	<u>\$ 18,096,424</u>
			75%	5%	10%	11%	100%

Milcrofton Utility District
Water Cost of Service-12-Months Ending September 2020
Allocation of Customer Plant

[Main Menu](#)

	<u>Test Yr.</u>		Res	Comm	Res Irr	Comm Irr	Total
Distribution Plant							
Mains	\$ 1,127,199	21	\$ 1,042,694	\$ 21,784	\$ 43,948	\$ 18,774	\$ 1,127,199
Tanks	\$ 710,813	21	\$ 657,524	\$ 13,737	\$ 27,713	\$ 11,839	\$ 710,813
Pump Station	\$ 496,070	21	\$ 458,880	\$ 9,587	\$ 19,341	\$ 8,262	\$ 496,070
Mains & Meters	\$ 1,276,793	21	\$ 1,181,073	\$ 24,675	\$ 49,780	\$ 21,265	\$ 1,276,793
Meters	\$ 308,699	21	\$ 285,556	\$ 5,966	\$ 12,036	\$ 5,141	\$ 308,699
Mains & Pump Station	\$ -	21	\$ -	\$ -	\$ -	\$ -	\$ -
Meters, Mains, & Tanks	\$ 382,227	21	\$ 353,571	\$ 7,387	\$ 14,902	\$ 6,366	\$ 382,227
Connection to Franklin	\$ -	21	\$ -	\$ -	\$ -	\$ -	\$ -
"Location" Lines	\$ 2,537,134	21	\$ 2,346,927	\$ 49,032	\$ 98,919	\$ 42,256	\$ 2,537,134
Capitalized Interest	\$ 258,923	21	\$ 239,512	\$ 5,004	\$ 10,095	\$ 4,312	\$ 258,923
Mallory Valley Improvement	\$ 449,085	21	\$ 415,417	\$ 8,679	\$ 17,509	\$ 7,480	\$ 449,085
Arno Rd	\$ 318,016	21	\$ 294,175	\$ 6,146	\$ 12,399	\$ 5,297	\$ 318,016
Arno Rd/Hwy 96 Improvement	\$ 1,137,524	21	\$ 1,052,245	\$ 21,983	\$ 44,350	\$ 18,945	\$ 1,137,524
Donated Distribution System	\$ 8,193,392	21	\$ 7,579,141	\$ 158,343	\$ 319,447	\$ 136,461	\$ 8,193,392
Misc Equip	\$ 185,185	21	\$ 171,301	\$ 3,579	\$ 7,220	\$ 3,084	\$ 185,185
Moore's Lane 30" Upsize	\$ 366,943	21	\$ 339,434	\$ 7,091	\$ 14,307	\$ 6,111	\$ 366,943
Liberty Pike	\$ 1,367,238	21	\$ 1,264,737	\$ 26,423	\$ 53,306	\$ 22,771	\$ 1,367,238
Subtotal Distribution Plant	<u>\$ 19,115,239</u>		<u>\$ 17,682,187</u>	<u>\$ 369,415</u>	<u>\$ 745,273</u>	<u>\$ 318,364</u>	<u>\$ 19,115,239</u>
General Plant							
Land	\$ 167,369	21	\$ 154,821	\$ 3,235	\$ 6,525	\$ 2,788	\$ 167,369
Building & Improvements	\$ 907,290	21	\$ 839,272	\$ 17,534	\$ 35,374	\$ 15,111	\$ 907,290
Office Equipment	\$ 95,291	21	\$ 88,147	\$ 1,842	\$ 3,715	\$ 1,587	\$ 95,291
Furniture & Fixtures	\$ 50,359	21	\$ 46,584	\$ 973	\$ 1,963	\$ 839	\$ 50,359
Site Improvements	\$ 162,277	21	\$ 150,111	\$ 3,136	\$ 6,327	\$ 2,703	\$ 162,277
Auto/Transport Equip	\$ 140,065	21	\$ 129,565	\$ 2,707	\$ 5,461	\$ 2,333	\$ 140,065
Computer Software	\$ 156,996	21	\$ 145,226	\$ 3,034	\$ 6,121	\$ 2,615	\$ 156,996
Subtotal General Plant	<u>\$ 1,679,647</u>		<u>\$ 1,553,726</u>	<u>\$ 32,460</u>	<u>\$ 65,487</u>	<u>\$ 27,975</u>	<u>\$ 1,679,647</u>
Total Utility Plant in Service	<u>\$ 20,794,887</u>		<u>\$ 19,235,913</u>	<u>\$ 401,875</u>	<u>\$ 810,760</u>	<u>\$ 346,339</u>	<u>\$ 20,794,887</u>
Constr. Work in Progress	<u>\$ 850,909</u>	21	<u>\$ 787,117</u>	<u>\$ 16,444</u>	<u>\$ 33,176</u>	<u>\$ 14,172</u>	<u>\$ 850,909</u>
Total Utility Plant	<u>\$ 21,645,796</u>		<u>\$ 20,023,030</u>	<u>\$ 418,320</u>	<u>\$ 843,936</u>	<u>\$ 360,511</u>	<u>\$ 21,645,796</u>
Accum. Depr.	<u>\$ 5,281,698</u>	21	<u>\$ 4,885,734</u>	<u>\$ 102,072</u>	<u>\$ 205,925</u>	<u>\$ 87,967</u>	<u>\$ 5,281,698</u>
Accumulated Depreciation	<u>\$ 5,281,698</u>		<u>\$ 4,885,734</u>	<u>\$ 102,072</u>	<u>\$ 205,925</u>	<u>\$ 87,967</u>	<u>\$ 5,281,698</u>
Net Utility Plant	<u>\$ 16,364,098</u>		<u>\$ 15,137,296</u>	<u>\$ 316,247</u>	<u>\$ 638,010</u>	<u>\$ 272,544</u>	<u>\$ 16,364,098</u>
			93%	2%	4%	2%	100%

Milcrofton Utility District
Water Cost of Service-12-Months Ending September 2020
Allocation of Fire Protection Plant
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	<u>Test Yr.</u>		Res	Comm	Res Irr	Comm Irr	Total
Distribution Plant							
Mains	\$ 664,837	40	\$ 638,171	\$ 26,665	\$ -	\$ -	\$ 664,837
Tanks	\$ 419,246	40	\$ 402,431	\$ 16,815	\$ -	\$ -	\$ 419,246
Pump Station	\$ 292,588	40	\$ 280,853	\$ 11,735	\$ -	\$ -	\$ 292,588
Mains & Meters	\$ 753,069	40	\$ 722,865	\$ 30,204	\$ -	\$ -	\$ 753,069
Meters	\$ -	40	\$ -	\$ -	\$ -	\$ -	\$ -
Mains & Pump Station	\$ -	40	\$ -	\$ -	\$ -	\$ -	\$ -
Meters, Mains, & Tanks	\$ 225,442	40	\$ 216,400	\$ 9,042	\$ -	\$ -	\$ 225,442
Connection to Franklin	\$ -	40	\$ -	\$ -	\$ -	\$ -	\$ -
"Location" Lines	\$ 1,496,434	40	\$ 1,436,415	\$ 60,019	\$ -	\$ -	\$ 1,496,434
Capitalized Interest	\$ 152,716	40	\$ 146,591	\$ 6,125	\$ -	\$ -	\$ 152,716
Mallory Valley Improvement	\$ 264,876	40	\$ 254,252	\$ 10,624	\$ -	\$ -	\$ 264,876
Arno Rd	\$ 187,570	40	\$ 180,047	\$ 7,523	\$ -	\$ -	\$ 187,570
Arno Rd/Hwy 96 Improvement	\$ 670,926	40	\$ 644,017	\$ 26,910	\$ -	\$ -	\$ 670,926
Donated Distribution System	\$ 4,832,568	40	\$ 4,638,744	\$ 193,825	\$ -	\$ -	\$ 4,832,568
Misc Equip	\$ 109,224	40	\$ 104,843	\$ 4,381	\$ -	\$ -	\$ 109,224
Moore's Lane 30" Upsize	\$ 216,428	40	\$ 207,747	\$ 8,680	\$ -	\$ -	\$ 216,428
Liberty Pike	\$ 806,414	40	\$ 774,071	\$ 32,344	\$ -	\$ -	\$ 806,414
Subtotal Distribution Plant	<u>\$ 11,092,339</u>		<u>\$ 10,647,448</u>	<u>\$ 444,891</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,092,339</u>
General Plant							
Land	\$ -	40	\$ -	\$ -	\$ -	\$ -	\$ -
Building & Improvements	\$ -	40	\$ -	\$ -	\$ -	\$ -	\$ -
Office Equipment	\$ -	40	\$ -	\$ -	\$ -	\$ -	\$ -
Furniture & Fixtures	\$ -	40	\$ -	\$ -	\$ -	\$ -	\$ -
Site Improvements	\$ -	40	\$ -	\$ -	\$ -	\$ -	\$ -
Auto/Transport Equip	\$ 81,278	40	\$ 78,018	\$ 3,260	\$ -	\$ -	\$ 81,278
Computer Software	\$ -	40	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal General Plant	<u>\$ 81,278</u>		<u>\$ 78,018</u>	<u>\$ 3,260</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 81,278</u>
Total Utility Plant in Service	<u>\$ 11,173,618</u>		<u>\$ 10,725,466</u>	<u>\$ 448,151</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,173,618</u>
Constr. Work in Progress	\$ 493,772	40	\$ 473,968	\$ 19,804	\$ -	\$ -	\$ 493,772
Total Utility Plant	<u>\$ 11,667,390</u>		<u>\$ 11,199,434</u>	<u>\$ 467,955</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,667,390</u>
Accum. Depr.	\$ 2,837,990	40	\$ 2,724,164	\$ 113,826	\$ -	\$ -	\$ 2,837,990
Accumulated Depreciation	<u>\$ 2,837,990</u>		<u>\$ 2,724,164</u>	<u>\$ 113,826</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,837,990</u>
Net Utility Plant	<u>\$ 8,829,400</u>		<u>\$ 8,475,271</u>	<u>\$ 354,129</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,829,400</u>
			96%	4%	0%	0%	100%

Milcrofton Utility District
Water Cost of Service-12-Months Ending September 2020
Allocation of Plant

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	Test Yr.	Res	Comm	Res Irr	Comm Irr	Total
Distribution Plant						
Mains	\$ 4,432,244	\$ 3,730,525	\$ 170,948	\$ 258,860	\$ 271,911	\$ 4,432,244
Tanks	\$ 2,794,976	\$ 2,352,472	\$ 107,800	\$ 163,237	\$ 171,467	\$ 2,794,976
Pump Station	\$ 1,950,589	\$ 1,641,769	\$ 75,233	\$ 113,922	\$ 119,665	\$ 1,950,589
Mains & Meters	\$ 5,020,459	\$ 4,225,613	\$ 193,635	\$ 293,214	\$ 307,997	\$ 5,020,459
Meters	\$ 342,999	\$ 312,974	\$ 7,605	\$ 14,337	\$ 8,082	\$ 342,999
Mains & Pump Station	\$ 380,247	\$ 295,195	\$ 17,643	\$ 30,952	\$ 36,457	\$ 380,247
Meters, Mains, & Tanks	\$ 1,502,948	\$ 1,264,999	\$ 57,968	\$ 87,778	\$ 92,203	\$ 1,502,948
Connection to Franklin	\$ 18,729	\$ 14,971	\$ 895	\$ 1,257	\$ 1,606	\$ 18,729
"Location" Lines	\$ 9,976,227	\$ 8,396,777	\$ 384,776	\$ 582,650	\$ 612,025	\$ 9,976,227
Capitalized Interest	\$ 1,018,108	\$ 856,920	\$ 39,268	\$ 59,461	\$ 62,459	\$ 1,018,108
Mallory Valley Improvement	\$ 1,765,840	\$ 1,486,270	\$ 68,107	\$ 103,132	\$ 108,331	\$ 1,765,840
Arno Rd	\$ 1,250,466	\$ 1,052,490	\$ 48,230	\$ 73,032	\$ 76,714	\$ 1,250,466
Arno Rd/Hwy 96 Improvement	\$ 4,472,842	\$ 3,764,695	\$ 172,514	\$ 261,231	\$ 274,401	\$ 4,472,842
Donated Distribution System	\$ 32,217,122	\$ 27,116,462	\$ 1,242,590	\$ 1,881,602	\$ 1,976,467	\$ 32,217,122
Misc Equip	\$ 728,162	\$ 612,878	\$ 28,085	\$ 42,527	\$ 44,672	\$ 728,162
Moore's Lane 30" Upsize	\$ 1,442,852	\$ 1,214,418	\$ 55,650	\$ 84,268	\$ 88,517	\$ 1,442,852
Liberty Pike	\$ 5,376,095	\$ 4,524,944	\$ 207,352	\$ 313,984	\$ 329,815	\$ 5,376,095
Subtotal Distribution Plant	\$ 74,690,904	\$ 62,864,372	\$ 2,878,298	\$ 4,365,444	\$ 4,582,790	\$ 74,690,904
		84.2%	3.9%	6%	6%	100%
General Plant						
Land	\$ 167,369	\$ 154,821	\$ 3,235	\$ 6,525	\$ 2,788	\$ 167,369
Building & Improvements	\$ 907,290	\$ 839,272	\$ 17,534	\$ 35,374	\$ 15,111	\$ 907,290
Office Equipment	\$ 95,291	\$ 88,147	\$ 1,842	\$ 3,715	\$ 1,587	\$ 95,291
Furniture & Fixtures	\$ 50,359	\$ 46,584	\$ 973	\$ 1,963	\$ 839	\$ 50,359
Site Improvements	\$ 162,277	\$ 150,111	\$ 3,136	\$ 6,327	\$ 2,703	\$ 162,277
Auto/Transport Equip	\$ 547,291	\$ 460,633	\$ 21,090	\$ 31,987	\$ 33,580	\$ 547,291
Computer Software	\$ 156,996	\$ 145,226	\$ 3,034	\$ 6,121	\$ 2,615	\$ 156,996
Subtotal General Plant	\$ 2,086,873	\$ 1,884,794	\$ 50,844	\$ 92,013	\$ 59,222	\$ 2,086,873
		90%	2%	4%	3%	100%
Total Utility Plant in Service	\$ 76,777,777	\$ 64,749,166	\$ 2,929,142	\$ 4,457,457	\$ 4,642,012	\$ 76,777,777
Constr. Work in Progress						
Constr. Work in Progress	\$ 3,324,844	\$ 2,798,389	\$ 128,127	\$ 194,326	\$ 204,002	\$ 3,324,844
Total Utility Plant	\$ 80,102,621	\$ 67,547,556	\$ 3,057,268	\$ 4,651,784	\$ 4,846,013	\$ 80,102,621
		84%	4%	6%	6%	100%
Accum. Depr.	\$ 19,500,806	\$ 16,445,656	\$ 743,973	\$ 1,132,151	\$ 1,179,026	\$ 19,500,806
Accumulated Depreciation	\$ 19,500,806	\$ 16,445,656	\$ 743,973	\$ 1,132,151	\$ 1,179,026	\$ 19,500,806
Net Utility Plant	\$ 60,601,815	\$ 51,101,899	\$ 2,313,295	\$ 3,519,633	\$ 3,666,987	\$ 60,601,815
		84%	4%	6%	6%	100%

Operating Expenses

Milcrofton Utility District
Water Cost of Service-12-Months Ending September 2020
Classification of Operating Expenses
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	Actual	Adj.	Test Yr.	Base	Ex-Cap	Cust	FP	Total	Description	Base	Ex-Cap	Cust	FP	Total
Distribution														
Salary & Wages	\$ 431,028		\$ 431,028	29%	30%	26%	15%	100%	As Dist Plant *	\$ 125,509	\$ 131,197	\$ 110,311	\$ 64,012	\$ 431,028
Purchased Water	\$ 3,170,392		\$ 3,170,392	49%	51%	0%	0%	100%	As LC *	\$ 1,548,139	\$ 1,622,253	\$ -	\$ -	\$ 3,170,392
Utilities	\$ 176,120		\$ 176,120	49%	51%	0%	0%	100%	As LC *	\$ 86,001	\$ 90,119	\$ -	\$ -	\$ 176,120
Materials & Supplies	\$ 58,473		\$ 58,473	29%	30%	26%	15%	100%	As Dist Plant *	\$ 17,026	\$ 17,798	\$ 14,965	\$ 8,684	\$ 58,473
Transportation Expenses	\$ 26,660		\$ 26,660	29%	30%	26%	15%	100%	As Dist Plant *	\$ 7,763	\$ 8,115	\$ 6,823	\$ 3,959	\$ 26,660
Contracted Services - Other	\$ 15,720		\$ 15,720	29%	30%	26%	15%	100%	As Dist Plant *	\$ 4,577	\$ 4,785	\$ 4,023	\$ 2,335	\$ 15,720
Repairs and Maint- Water lines	\$ 88,266		\$ 88,266	29%	30%	26%	15%	100%	As Dist Plant *	\$ 25,702	\$ 26,866	\$ 22,589	\$ 13,108	\$ 88,266
Uniforms Expense	\$ 7,250		\$ 7,250	0%	0%	100%	0%	100%	*	\$ -	\$ -	\$ 7,250	\$ -	\$ 7,250
Employee Benefits	\$ 265,519		\$ 265,519	29%	30%	26%	15%	100%	As Dist Plant *	\$ 77,315	\$ 80,819	\$ 67,953	\$ 39,432	\$ 265,519
Payroll Taxes	\$ 40,299		\$ 40,299	29%	30%	26%	15%	100%	As Dist Plant *	\$ 11,734	\$ 12,266	\$ 10,314	\$ 5,985	\$ 40,299
Insurance - Vehicles	\$ 16,603		\$ 16,603	29%	30%	26%	15%	100%	As Dist Plant *	\$ 4,835	\$ 5,054	\$ 4,249	\$ 2,466	\$ 16,603
Equipment Maintenance	\$ 28,801		\$ 28,801	29%	30%	26%	15%	100%	As Dist Plant *	\$ 8,386	\$ 8,766	\$ 7,371	\$ 4,277	\$ 28,801
Equipment Rental	\$ 520		\$ 520	29%	30%	26%	15%	100%	As Dist Plant *	\$ 151	\$ 158	\$ 133	\$ 77	\$ 520
Small Tools & Equipment	\$ 10,704		\$ 10,704	29%	30%	26%	15%	100%	As Dist Plant *	\$ 3,117	\$ 3,258	\$ 2,739	\$ 1,590	\$ 10,704
Meters Expenses	\$ 192,971		\$ 192,971	10%	0%	90%	0%	100%	As Asset *	\$ 19,297	\$ -	\$ 173,674	\$ -	\$ 192,971
Insurance - Workers Comp	\$ 10,137		\$ 10,137	29%	30%	26%	15%	100%	As Dist Plant *	\$ 2,952	\$ 3,086	\$ 2,594	\$ 1,505	\$ 10,137
Pension Contribution	\$ 106,303		\$ 106,303	29%	30%	26%	15%	100%	As Dist Plant *	\$ 30,954	\$ 32,357	\$ 27,206	\$ 15,787	\$ 106,303
Communications	\$ 14,929		\$ 14,929	29%	30%	26%	15%	100%	As Dist Plant *	\$ 4,347	\$ 4,544	\$ 3,821	\$ 2,217	\$ 14,929
Permits	\$ 650		\$ 650	0%	0%	100%	0%	100%	*	\$ -	\$ -	\$ 650	\$ -	\$ 650
Miscellaneous	\$ 1,667		\$ 1,667	29%	30%	26%	15%	100%	As Dist Plant *	\$ 485	\$ 507	\$ 427	\$ 248	\$ 1,667
Backflow Testing	\$ 5,600		\$ 5,600	0%	0%	100%	0%	100%	*	\$ -	\$ -	\$ 5,600	\$ -	\$ 5,600
Water Testing	\$ 30,110		\$ 30,110	0%	0%	100%	0%	100%	*	\$ -	\$ -	\$ 30,110	\$ -	\$ 30,110
Subtotal Distribution	\$ 4,698,722	\$ -	\$ 4,698,722							\$ 1,978,292	\$ 2,051,947	\$ 502,801	\$ 165,682	\$ 4,698,722
										42%	44%	11%	0%	96%
Admin & General														
Salary & Wages	\$ 335,814		\$ 335,814	0%	0%	100%	0%	100%	*	\$ -	\$ -	\$ 335,814	\$ -	\$ 335,814
Payroll Taxes	\$ 30,219		\$ 30,219	0%	0%	100%	0%	100%	*	\$ -	\$ -	\$ 30,219	\$ -	\$ 30,219
Employee Benefits	\$ 233,126		\$ 233,126	0%	0%	100%	0%	100%	*	\$ -	\$ -	\$ 233,126	\$ -	\$ 233,126
Pension Contribution	\$ 95,549		\$ 95,549	0%	0%	100%	0%	100%	*	\$ -	\$ -	\$ 95,549	\$ -	\$ 95,549
Insurance - General	\$ 38,092		\$ 38,092	0%	0%	100%	0%	100%	*	\$ -	\$ -	\$ 38,092	\$ -	\$ 38,092
Insurance - Workers Comp	\$ 946		\$ 946	0%	0%	100%	0%	100%	*	\$ -	\$ -	\$ 946	\$ -	\$ 946
Online Payment Fees	\$ 8,360		\$ 8,360	0%	0%	100%	0%	100%	*	\$ -	\$ -	\$ 8,360	\$ -	\$ 8,360
Dues & Subscriptions	\$ 12,959		\$ 12,959	0%	0%	100%	0%	100%	*	\$ -	\$ -	\$ 12,959	\$ -	\$ 12,959
Postage	\$ 57,702		\$ 57,702	0%	0%	100%	0%	100%	*	\$ -	\$ -	\$ 57,702	\$ -	\$ 57,702
Office Supplies	\$ 5,706		\$ 5,706	0%	0%	100%	0%	100%	*	\$ -	\$ -	\$ 5,706	\$ -	\$ 5,706
Office Expense	\$ 4,951		\$ 4,951	0%	0%	100%	0%	100%	*	\$ -	\$ -	\$ 4,951	\$ -	\$ 4,951
Office Utilities	\$ 4,793		\$ 4,793	0%	0%	100%	0%	100%	*	\$ -	\$ -	\$ 4,793	\$ -	\$ 4,793
Office Maintenance	\$ 8,800		\$ 8,800	0%	0%	100%	0%	100%	*	\$ -	\$ -	\$ 8,800	\$ -	\$ 8,800
Accounting & Audit Fees	\$ 10,765		\$ 10,765	0%	0%	100%	0%	100%	*	\$ -	\$ -	\$ 10,765	\$ -	\$ 10,765
Legal & Professional Fees	\$ 95,238		\$ 95,238	0%	0%	100%	0%	100%	*	\$ -	\$ -	\$ 95,238	\$ -	\$ 95,238
Travel & Entertainment	\$ 2,564		\$ 2,564	0%	0%	100%	0%	100%	*	\$ -	\$ -	\$ 2,564	\$ -	\$ 2,564
Communications	\$ 5,710		\$ 5,710	0%	0%	100%	0%	100%	*	\$ -	\$ -	\$ 5,710	\$ -	\$ 5,710
Computer Expense	\$ 64,999		\$ 64,999	0%	0%	100%	0%	100%	*	\$ -	\$ -	\$ 64,999	\$ -	\$ 64,999
Engineering	\$ 850		\$ 850	29%	30%	27%	15%	100%	As TUPIS *	\$ 243	\$ 254	\$ 230	\$ 124	\$ 850
Subtotal Admin & General	\$ 1,017,143	\$ -	\$ 1,017,143							\$ 243	\$ 254	\$ 1,016,523	\$ 124	\$ 1,017,143
										0%	0%	100%	0%	100%
Total Operating Expenses	\$ 5,715,865	\$ -	\$ 5,715,865							\$ 1,978,535	\$ 2,052,201	\$ 1,519,324	\$ 165,806	\$ 5,715,865
										35%	36%	27%	3%	100%

Milcrofton Utility District
Water Cost of Service-12-Months Ending September 2020
Allocation of Base Expenses

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	<u>Test Yr.</u>		Res	Comm	Res Irr	Comm Irr	Total
Distribution							
Salary & Wages	\$ 125,509	30	\$ 100,328	\$ 5,998	\$ 8,421	\$ 10,762	\$ 125,509
Purchased Water	\$ 1,548,139	30	\$ 1,237,539	\$ 73,981	\$ 103,871	\$ 132,749	\$ 1,548,139
Utilities	\$ 86,001	30	\$ 68,747	\$ 4,110	\$ 5,770	\$ 7,374	\$ 86,001
Materials & Supplies	\$ 17,026	30	\$ 13,610	\$ 814	\$ 1,142	\$ 1,460	\$ 17,026
Transportation Expenses	\$ 7,763	30	\$ 6,206	\$ 371	\$ 521	\$ 666	\$ 7,763
Contracted Services - Other	\$ 4,577	30	\$ 3,659	\$ 219	\$ 307	\$ 393	\$ 4,577
Repairs and Maint- Water lines	\$ 25,702	30	\$ 20,545	\$ 1,228	\$ 1,724	\$ 2,204	\$ 25,702
Uniforms Expense	\$ -	30	\$ -	\$ -	\$ -	\$ -	\$ -
Employee Benefits	\$ 77,315	30	\$ 61,804	\$ 3,695	\$ 5,187	\$ 6,630	\$ 77,315
Payroll Taxes	\$ 11,734	30	\$ 9,380	\$ 561	\$ 787	\$ 1,006	\$ 11,734
Insurance - Vehicles	\$ 4,835	30	\$ 3,865	\$ 231	\$ 324	\$ 415	\$ 4,835
Equipment Maintenance	\$ 8,386	30	\$ 6,704	\$ 401	\$ 563	\$ 719	\$ 8,386
Equipment Rental	\$ 151	30	\$ 121	\$ 7	\$ 10	\$ 13	\$ 151
Small Tools & Equipment	\$ 3,117	30	\$ 2,492	\$ 149	\$ 209	\$ 267	\$ 3,117
Meters Expenses	\$ 19,297	30	\$ 15,426	\$ 922	\$ 1,295	\$ 1,655	\$ 19,297
Insurance - Workers Comp	\$ 2,952	30	\$ 2,360	\$ 141	\$ 198	\$ 253	\$ 2,952
Pension Contribution	\$ 30,954	30	\$ 24,744	\$ 1,479	\$ 2,077	\$ 2,654	\$ 30,954
Communications	\$ 4,347	30	\$ 3,475	\$ 208	\$ 292	\$ 373	\$ 4,347
Permits	\$ -	30	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous	\$ 485	30	\$ 388	\$ 23	\$ 33	\$ 42	\$ 485
Backflow Testing	\$ -	30	\$ -	\$ -	\$ -	\$ -	\$ -
Water Testing	\$ -	30	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal Distribution	<u>\$ 1,978,292</u>		<u>\$ 1,581,391</u>	<u>\$ 94,537</u>	<u>\$ 132,732</u>	<u>\$ 169,633</u>	<u>\$ 1,978,292</u>
Admin & General							
Salary & Wages	\$ -	30	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes	\$ -	30	\$ -	\$ -	\$ -	\$ -	\$ -
Employee Benefits	\$ -	30	\$ -	\$ -	\$ -	\$ -	\$ -
Pension Contribution	\$ -	30	\$ -	\$ -	\$ -	\$ -	\$ -
Insurance - General	\$ -	30	\$ -	\$ -	\$ -	\$ -	\$ -
Insurance - Workers Comp	\$ -	30	\$ -	\$ -	\$ -	\$ -	\$ -
Online Payment Fees	\$ -	30	\$ -	\$ -	\$ -	\$ -	\$ -
Dues & Subscriptions	\$ -	30	\$ -	\$ -	\$ -	\$ -	\$ -
Postage	\$ -	30	\$ -	\$ -	\$ -	\$ -	\$ -
Office Supplies	\$ -	30	\$ -	\$ -	\$ -	\$ -	\$ -
Office Expense	\$ -	30	\$ -	\$ -	\$ -	\$ -	\$ -
Office Utilities	\$ -	30	\$ -	\$ -	\$ -	\$ -	\$ -
Office Maintenance	\$ -	30	\$ -	\$ -	\$ -	\$ -	\$ -
Accounting & Audit Fees	\$ -	30	\$ -	\$ -	\$ -	\$ -	\$ -
Legal & Professional Fees	\$ -	30	\$ -	\$ -	\$ -	\$ -	\$ -
Travel & Entertainment	\$ -	30	\$ -	\$ -	\$ -	\$ -	\$ -
Communications	\$ -	30	\$ -	\$ -	\$ -	\$ -	\$ -
Computer Expense	\$ -	30	\$ -	\$ -	\$ -	\$ -	\$ -
Engineering	\$ 243	30	\$ 194	\$ 12	\$ 16	\$ 21	\$ 243
Subtotal Admin & General	<u>\$ 243</u>		<u>\$ 194</u>	<u>\$ 12</u>	<u>\$ 16</u>	<u>\$ 21</u>	<u>\$ 243</u>
Total Operating Expenses	<u>\$ 1,978,535</u>		<u>\$ 1,581,585</u>	<u>\$ 94,548</u>	<u>\$ 132,748</u>	<u>\$ 169,654</u>	<u>\$ 1,978,535</u>
			80%	5%	7%	9%	100%

Milcrofton Utility District
Water Cost of Service-12-Months Ending September 2020
Allocation of Extra-Capacity Expenses

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	<u>Test Yr.</u>		Res	Comm	Res Irr	Comm Irr	Total
Distribution							
Salary & Wages	\$ 131,197	33	\$ 98,966	\$ 5,913	\$ 12,470	\$ 13,847	\$ 131,197
Purchased Water	\$ 1,622,253	33	\$ 1,223,716	\$ 73,117	\$ 154,198	\$ 171,222	\$ 1,622,253
Utilities	\$ 90,119	33	\$ 67,979	\$ 4,062	\$ 8,566	\$ 9,512	\$ 90,119
Materials & Supplies	\$ 17,798	33	\$ 13,426	\$ 802	\$ 1,692	\$ 1,879	\$ 17,798
Transportation Expenses	\$ 8,115	33	\$ 6,121	\$ 366	\$ 771	\$ 856	\$ 8,115
Contracted Services - Other	\$ 4,785	33	\$ 3,609	\$ 216	\$ 455	\$ 505	\$ 4,785
Repairs and Maint- Water lines	\$ 26,866	33	\$ 20,266	\$ 1,211	\$ 2,554	\$ 2,836	\$ 26,866
Uniforms Expense	\$ -	33	\$ -	\$ -	\$ -	\$ -	\$ -
Employee Benefits	\$ 80,819	33	\$ 60,964	\$ 3,643	\$ 7,682	\$ 8,530	\$ 80,819
Payroll Taxes	\$ 12,266	33	\$ 9,253	\$ 553	\$ 1,166	\$ 1,295	\$ 12,266
Insurance - Vehicles	\$ 5,054	33	\$ 3,812	\$ 228	\$ 480	\$ 533	\$ 5,054
Equipment Maintenance	\$ 8,766	33	\$ 6,613	\$ 395	\$ 833	\$ 925	\$ 8,766
Equipment Rental	\$ 158	33	\$ 119	\$ 7	\$ 15	\$ 17	\$ 158
Small Tools & Equipment	\$ 3,258	33	\$ 2,458	\$ 147	\$ 310	\$ 344	\$ 3,258
Meters Expenses	\$ -	33	\$ -	\$ -	\$ -	\$ -	\$ -
Insurance - Workers Comp	\$ 3,086	33	\$ 2,327	\$ 139	\$ 293	\$ 326	\$ 3,086
Pension Contribution	\$ 32,357	33	\$ 24,408	\$ 1,458	\$ 3,076	\$ 3,415	\$ 32,357
Communications	\$ 4,544	33	\$ 3,428	\$ 205	\$ 432	\$ 480	\$ 4,544
Permits	\$ -	33	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous	\$ 507	33	\$ 383	\$ 23	\$ 48	\$ 54	\$ 507
Backflow Testing	\$ -	33	\$ -	\$ -	\$ -	\$ -	\$ -
Water Testing	\$ -	33	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal Distribution	<u>\$ 2,051,947</u>		<u>\$ 1,547,848</u>	<u>\$ 92,484</u>	<u>\$ 195,041</u>	<u>\$ 216,574</u>	<u>\$ 2,051,947</u>
Admin & General							
Salary & Wages	\$ -	33	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes	\$ -	33	\$ -	\$ -	\$ -	\$ -	\$ -
Employee Benefits	\$ -	33	\$ -	\$ -	\$ -	\$ -	\$ -
Pension Contribution	\$ -	33	\$ -	\$ -	\$ -	\$ -	\$ -
Insurance - General	\$ -	33	\$ -	\$ -	\$ -	\$ -	\$ -
Insurance - Workers Comp	\$ -	33	\$ -	\$ -	\$ -	\$ -	\$ -
Online Payment Fees	\$ -	33	\$ -	\$ -	\$ -	\$ -	\$ -
Dues & Subscriptions	\$ -	33	\$ -	\$ -	\$ -	\$ -	\$ -
Postage	\$ -	33	\$ -	\$ -	\$ -	\$ -	\$ -
Office Supplies	\$ -	33	\$ -	\$ -	\$ -	\$ -	\$ -
Office Expense	\$ -	33	\$ -	\$ -	\$ -	\$ -	\$ -
Office Utilities	\$ -	33	\$ -	\$ -	\$ -	\$ -	\$ -
Office Maintenance	\$ -	33	\$ -	\$ -	\$ -	\$ -	\$ -
Accounting & Audit Fees	\$ -	33	\$ -	\$ -	\$ -	\$ -	\$ -
Legal & Professional Fees	\$ -	33	\$ -	\$ -	\$ -	\$ -	\$ -
Travel & Entertainment	\$ -	33	\$ -	\$ -	\$ -	\$ -	\$ -
Communications	\$ -	33	\$ -	\$ -	\$ -	\$ -	\$ -
Computer Expense	\$ -	33	\$ -	\$ -	\$ -	\$ -	\$ -
Engineering	\$ 254	33	\$ 191	\$ 11	\$ 24	\$ 27	\$ 254
Subtotal Admin & General	<u>\$ 254</u>		<u>\$ 191</u>	<u>\$ 11</u>	<u>\$ 24</u>	<u>\$ 27</u>	<u>\$ 254</u>
Total Operating Expenses	<u>\$ 2,052,201</u>		<u>\$ 1,548,039</u>	<u>\$ 92,496</u>	<u>\$ 195,065</u>	<u>\$ 216,601</u>	<u>\$ 2,052,201</u>
			75%	5%	10%	11%	100%

Milcrofton Utility District
Water Cost of Service-12-Months Ending September 2020
Allocation of Customer Expenses

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	<u>Test Yr.</u>		Res	Comm	Res Irr	Comm Irr	Total
Distribution							
Salary & Wages	\$ 110,311	21	\$ 102,041	\$ 2,132	\$ 4,301	\$ 1,837	\$ 110,311
Purchased Water	\$ -	21	\$ -	\$ -	\$ -	\$ -	\$ -
Utilities	\$ -	21	\$ -	\$ -	\$ -	\$ -	\$ -
Materials & Supplies	\$ 14,965	21	\$ 13,843	\$ 289	\$ 583	\$ 249	\$ 14,965
Transportation Expenses	\$ 6,823	21	\$ 6,311	\$ 132	\$ 266	\$ 114	\$ 6,823
Contracted Services - Other	\$ 4,023	21	\$ 3,722	\$ 78	\$ 157	\$ 67	\$ 4,023
Repairs and Maint- Water lines	\$ 22,589	21	\$ 20,896	\$ 437	\$ 881	\$ 376	\$ 22,589
Uniforms Expense	\$ 7,250	21	\$ 6,706	\$ 140	\$ 283	\$ 121	\$ 7,250
Employee Benefits	\$ 67,953	21	\$ 62,858	\$ 1,313	\$ 2,649	\$ 1,132	\$ 67,953
Payroll Taxes	\$ 10,314	21	\$ 9,540	\$ 199	\$ 402	\$ 172	\$ 10,314
Insurance - Vehicles	\$ 4,249	21	\$ 3,931	\$ 82	\$ 166	\$ 71	\$ 4,249
Equipment Maintenance	\$ 7,371	21	\$ 6,818	\$ 142	\$ 287	\$ 123	\$ 7,371
Equipment Rental	\$ 133	21	\$ 123	\$ 3	\$ 5	\$ 2	\$ 133
Small Tools & Equipment	\$ 2,739	21	\$ 2,534	\$ 53	\$ 107	\$ 46	\$ 2,739
Meters Expenses	\$ 173,674	21	\$ 160,654	\$ 3,356	\$ 6,771	\$ 2,893	\$ 173,674
Insurance - Workers Comp	\$ 2,594	21	\$ 2,400	\$ 50	\$ 101	\$ 43	\$ 2,594
Pension Contribution	\$ 27,206	21	\$ 25,166	\$ 526	\$ 1,061	\$ 453	\$ 27,206
Communications	\$ 3,821	21	\$ 3,534	\$ 74	\$ 149	\$ 64	\$ 3,821
Permits	\$ 650	21	\$ 601	\$ 13	\$ 25	\$ 11	\$ 650
Miscellaneous	\$ 427	21	\$ 395	\$ 8	\$ 17	\$ 7	\$ 427
Backflow Testing	\$ 5,600	21	\$ 5,180	\$ 108	\$ 218	\$ 93	\$ 5,600
Water Testing	\$ 30,110	21	\$ 27,853	\$ 582	\$ 1,174	\$ 501	\$ 30,110
Subtotal Distribution	<u>\$ 502,801</u>		<u>\$ 465,106</u>	<u>\$ 9,717</u>	<u>\$ 19,603</u>	<u>\$ 8,374</u>	<u>\$ 502,801</u>
Admin & General							
Salary & Wages	\$ 335,814	21	\$ 310,638	\$ 6,490	\$ 13,093	\$ 5,593	\$ 335,814
Payroll Taxes	\$ 30,219	21	\$ 27,954	\$ 584	\$ 1,178	\$ 503	\$ 30,219
Employee Benefits	\$ 233,126	21	\$ 215,649	\$ 4,505	\$ 9,089	\$ 3,883	\$ 233,126
Pension Contribution	\$ 95,549	21	\$ 88,386	\$ 1,847	\$ 3,725	\$ 1,591	\$ 95,549
Insurance - General	\$ 38,092	21	\$ 35,236	\$ 736	\$ 1,485	\$ 634	\$ 38,092
Insurance - Workers Comp	\$ 946	21	\$ 875	\$ 18	\$ 37	\$ 16	\$ 946
Online Payment Fees	\$ 8,360	21	\$ 7,733	\$ 162	\$ 326	\$ 139	\$ 8,360
Dues & Subscriptions	\$ 12,959	21	\$ 11,987	\$ 250	\$ 505	\$ 216	\$ 12,959
Postage	\$ 57,702	21	\$ 53,376	\$ 1,115	\$ 2,250	\$ 961	\$ 57,702
Office Supplies	\$ 5,706	21	\$ 5,278	\$ 110	\$ 222	\$ 95	\$ 5,706
Office Expense	\$ 4,951	21	\$ 4,580	\$ 96	\$ 193	\$ 82	\$ 4,951
Office Utilities	\$ 4,793	21	\$ 4,434	\$ 93	\$ 187	\$ 80	\$ 4,793
Office Maintenance	\$ 8,800	21	\$ 8,140	\$ 170	\$ 343	\$ 147	\$ 8,800
Accounting & Audit Fees	\$ 10,765	21	\$ 9,958	\$ 208	\$ 420	\$ 179	\$ 10,765
Legal & Professional Fees	\$ 95,238	21	\$ 88,098	\$ 1,841	\$ 3,713	\$ 1,586	\$ 95,238
Travel & Entertainment	\$ 2,564	21	\$ 2,372	\$ 50	\$ 100	\$ 43	\$ 2,564
Communications	\$ 5,710	21	\$ 5,282	\$ 110	\$ 223	\$ 95	\$ 5,710
Computer Expense	\$ 64,999	21	\$ 60,126	\$ 1,256	\$ 2,534	\$ 1,083	\$ 64,999
Engineering	\$ 230	21	\$ 213	\$ 4	\$ 9	\$ 4	\$ 230
Subtotal Admin & General	<u>\$ 1,016,523</u>		<u>\$ 940,315</u>	<u>\$ 19,645</u>	<u>\$ 39,633</u>	<u>\$ 16,930</u>	<u>\$ 1,016,523</u>
Total Operating Expenses	<u>\$ 1,519,324</u>		<u>\$ 1,405,422</u>	<u>\$ 29,362</u>	<u>\$ 59,236</u>	<u>\$ 25,304</u>	<u>\$ 1,519,324</u>
			93%	2%	4%	2%	100%

Milcrofton Utility District
Water Cost of Service-12-Months Ending September 2020
Allocation of Fire Protection Expenses
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	<u>Test Yr.</u>		Res	Comm	Res Irr	Comm Irr	Total
Distribution							
Salary & Wages	\$ 64,012	40	\$ 61,445	\$ 2,567	\$ -	\$ -	\$ 64,012
Purchased Water	\$ -	40	\$ -	\$ -	\$ -	\$ -	\$ -
Utilities	\$ -	40	\$ -	\$ -	\$ -	\$ -	\$ -
Materials & Supplies	\$ 8,684	40	\$ 8,336	\$ 348	\$ -	\$ -	\$ 8,684
Transportation Expenses	\$ 3,959	40	\$ 3,800	\$ 159	\$ -	\$ -	\$ 3,959
Contracted Services - Other	\$ 2,335	40	\$ 2,241	\$ 94	\$ -	\$ -	\$ 2,335
Repairs and Maint- Water lines	\$ 13,108	40	\$ 12,583	\$ 526	\$ -	\$ -	\$ 13,108
Uniforms Expense	\$ -	40	\$ -	\$ -	\$ -	\$ -	\$ -
Employee Benefits	\$ 39,432	40	\$ 37,851	\$ 1,582	\$ -	\$ -	\$ 39,432
Payroll Taxes	\$ 5,985	40	\$ 5,745	\$ 240	\$ -	\$ -	\$ 5,985
Insurance - Vehicles	\$ 2,466	40	\$ 2,367	\$ 99	\$ -	\$ -	\$ 2,466
Equipment Maintenance	\$ 4,277	40	\$ 4,106	\$ 172	\$ -	\$ -	\$ 4,277
Equipment Rental	\$ 77	40	\$ 74	\$ 3	\$ -	\$ -	\$ 77
Small Tools & Equipment	\$ 1,590	40	\$ 1,526	\$ 64	\$ -	\$ -	\$ 1,590
Meters Expenses	\$ -	40	\$ -	\$ -	\$ -	\$ -	\$ -
Insurance - Workers Comp	\$ 1,505	40	\$ 1,445	\$ 60	\$ -	\$ -	\$ 1,505
Pension Contribution	\$ 15,787	40	\$ 15,154	\$ 633	\$ -	\$ -	\$ 15,787
Communications	\$ 2,217	40	\$ 2,128	\$ 89	\$ -	\$ -	\$ 2,217
Permits	\$ -	40	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous	\$ 248	40	\$ 238	\$ 10	\$ -	\$ -	\$ 248
Backflow Testing	\$ -	40	\$ -	\$ -	\$ -	\$ -	\$ -
Water Testing	\$ -	40	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal Distribution	\$ 165,682		\$ 159,037	\$ 6,645	\$ -	\$ -	\$ 165,682

Admin & General							
Salary & Wages	\$ -	40	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes	\$ -	40	\$ -	\$ -	\$ -	\$ -	\$ -
Employee Benefits	\$ -	40	\$ -	\$ -	\$ -	\$ -	\$ -
Pension Contribution	\$ -	40	\$ -	\$ -	\$ -	\$ -	\$ -
Insurance - General	\$ -	40	\$ -	\$ -	\$ -	\$ -	\$ -
Insurance - Workers Comp	\$ -	40	\$ -	\$ -	\$ -	\$ -	\$ -
Online Payment Fees	\$ -	40	\$ -	\$ -	\$ -	\$ -	\$ -
Dues & Subscriptions	\$ -	40	\$ -	\$ -	\$ -	\$ -	\$ -
Postage	\$ -	40	\$ -	\$ -	\$ -	\$ -	\$ -
Office Supplies	\$ -	40	\$ -	\$ -	\$ -	\$ -	\$ -
Office Expense	\$ -	40	\$ -	\$ -	\$ -	\$ -	\$ -
Office Utilities	\$ -	40	\$ -	\$ -	\$ -	\$ -	\$ -
Office Maintenance	\$ -	40	\$ -	\$ -	\$ -	\$ -	\$ -
Accounting & Audit Fees	\$ -	40	\$ -	\$ -	\$ -	\$ -	\$ -
Legal & Professional Fees	\$ -	40	\$ -	\$ -	\$ -	\$ -	\$ -
Travel & Entertainment	\$ -	40	\$ -	\$ -	\$ -	\$ -	\$ -
Communications	\$ -	40	\$ -	\$ -	\$ -	\$ -	\$ -
Computer Expense	\$ -	40	\$ -	\$ -	\$ -	\$ -	\$ -
Engineering	\$ 124	40	\$ 119	\$ 5	\$ -	\$ -	\$ 124
Subtotal Admin & General	\$ 124		\$ 119	\$ 5	\$ -	\$ -	\$ 124
Total Operating Expenses	\$ 165,806		\$ 159,156	\$ 6,650	\$ -	\$ -	\$ 165,806
			96%	4%	0%	0%	100%

Milcrofton Utility District
Water Cost of Service-12-Months Ending September 2020
Allocation of Operating Expenses

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	<u>Test Yr.</u>	Res	Comm	Res Irr	Comm Irr	Total
Distribution						
Salary & Wages	\$ 431,028	\$ 362,779	\$ 16,610	\$ 25,192	\$ 26,446	\$ 431,028
Purchased Water	\$ 3,170,392	\$ 2,461,254	\$ 147,098	\$ 258,069	\$ 303,970	\$ 3,170,392
Utilities	\$ 176,120	\$ 136,726	\$ 8,172	\$ 14,336	\$ 16,886	\$ 176,120
Materials & Supplies	\$ 58,473	\$ 49,214	\$ 2,253	\$ 3,418	\$ 3,588	\$ 58,473
Transportation Expenses	\$ 26,660	\$ 22,439	\$ 1,027	\$ 1,558	\$ 1,636	\$ 26,660
Contracted Services - Other	\$ 15,720	\$ 13,231	\$ 606	\$ 919	\$ 965	\$ 15,720
Repairs and Maint- Water lines	\$ 88,266	\$ 74,290	\$ 3,401	\$ 5,159	\$ 5,416	\$ 88,266
Uniforms Expense	\$ 7,250	\$ 6,706	\$ 140	\$ 283	\$ 121	\$ 7,250
Employee Benefits	\$ 265,519	\$ 223,477	\$ 10,232	\$ 15,519	\$ 16,291	\$ 265,519
Payroll Taxes	\$ 40,299	\$ 33,918	\$ 1,553	\$ 2,355	\$ 2,473	\$ 40,299
Insurance - Vehicles	\$ 16,603	\$ 13,974	\$ 640	\$ 970	\$ 1,019	\$ 16,603
Equipment Maintenance	\$ 28,801	\$ 24,241	\$ 1,110	\$ 1,683	\$ 1,767	\$ 28,801
Equipment Rental	\$ 520	\$ 438	\$ 20	\$ 30	\$ 32	\$ 520
Small Tools & Equipment	\$ 10,704	\$ 9,009	\$ 412	\$ 626	\$ 657	\$ 10,704
Meters Expenses	\$ 192,971	\$ 176,079	\$ 4,279	\$ 8,066	\$ 4,547	\$ 192,971
Insurance - Workers Comp	\$ 10,137	\$ 8,532	\$ 391	\$ 592	\$ 622	\$ 10,137
Pension Contribution	\$ 106,303	\$ 89,471	\$ 4,097	\$ 6,213	\$ 6,522	\$ 106,303
Communications	\$ 14,929	\$ 12,565	\$ 575	\$ 873	\$ 916	\$ 14,929
Permits	\$ 650	\$ 601	\$ 13	\$ 25	\$ 11	\$ 650
Miscellaneous	\$ 1,667	\$ 1,403	\$ 64	\$ 97	\$ 102	\$ 1,667
Backflow Testing	\$ 5,600	\$ 5,180	\$ 108	\$ 218	\$ 93	\$ 5,600
Water Testing	\$ 30,110	\$ 27,853	\$ 582	\$ 1,174	\$ 501	\$ 30,110
Subtotal Distribution	<u>\$ 4,698,722</u>	<u>\$ 3,753,381</u>	<u>\$ 203,383</u>	<u>\$ 347,376</u>	<u>\$ 394,581</u>	<u>\$ 4,698,722</u>
Admin & General						
Salary & Wages	\$ 335,814	\$ 310,638	\$ 6,490	\$ 13,093	\$ 5,593	\$ 335,814
Payroll Taxes	\$ 30,219	\$ 27,954	\$ 584	\$ 1,178	\$ 503	\$ 30,219
Employee Benefits	\$ 233,126	\$ 215,649	\$ 4,505	\$ 9,089	\$ 3,883	\$ 233,126
Pension Contribution	\$ 95,549	\$ 88,386	\$ 1,847	\$ 3,725	\$ 1,591	\$ 95,549
Insurance - General	\$ 38,092	\$ 35,236	\$ 736	\$ 1,485	\$ 634	\$ 38,092
Insurance - Workers Comp	\$ 946	\$ 875	\$ 18	\$ 37	\$ 16	\$ 946
Online Payment Fees	\$ 8,360	\$ 7,733	\$ 162	\$ 326	\$ 139	\$ 8,360
Dues & Subscriptions	\$ 12,959	\$ 11,987	\$ 250	\$ 505	\$ 216	\$ 12,959
Postage	\$ 57,702	\$ 53,376	\$ 1,115	\$ 2,250	\$ 961	\$ 57,702
Office Supplies	\$ 5,706	\$ 5,278	\$ 110	\$ 222	\$ 95	\$ 5,706
Office Expense	\$ 4,951	\$ 4,580	\$ 96	\$ 193	\$ 82	\$ 4,951
Office Utilities	\$ 4,793	\$ 4,434	\$ 93	\$ 187	\$ 80	\$ 4,793
Office Maintenance	\$ 8,800	\$ 8,140	\$ 170	\$ 343	\$ 147	\$ 8,800
Accounting & Audit Fees	\$ 10,765	\$ 9,958	\$ 208	\$ 420	\$ 179	\$ 10,765
Legal & Professional Fees	\$ 95,238	\$ 88,098	\$ 1,841	\$ 3,713	\$ 1,586	\$ 95,238
Travel & Entertainment	\$ 2,564	\$ 2,372	\$ 50	\$ 100	\$ 43	\$ 2,564
Communications	\$ 5,710	\$ 5,282	\$ 110	\$ 223	\$ 95	\$ 5,710
Computer Expense	\$ 64,999	\$ 60,126	\$ 1,256	\$ 2,534	\$ 1,083	\$ 64,999
Engineering	\$ 850	\$ 717	\$ 32	\$ 49	\$ 51	\$ 850
Subtotal Admin & General	<u>\$ 1,017,143</u>	<u>\$ 940,819</u>	<u>\$ 19,673</u>	<u>\$ 39,673</u>	<u>\$ 16,978</u>	<u>\$ 1,017,143</u>
Total Operating Expenses	<u>\$ 5,715,865</u>	<u>\$ 4,694,201</u>	<u>\$ 223,056</u>	<u>\$ 387,049</u>	<u>\$ 411,559</u>	<u>\$ 5,715,865</u>
		82%	4%	7%	7%	100%

Debt Service

Milcrofton Utility District
Water Cost of Service-12-Months Ending September 2020
Classification of Debt Service

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	<u>Actual</u>	<u>Adj.</u>	<u>Test Yr.</u>	<u>Base</u>	<u>Ex-Cap</u>	<u>Cust</u>	<u>FP</u>	<u>Total</u>	<u>Description</u>	<u>Base</u>	<u>Ex-Cap</u>	<u>Cust</u>	<u>FP</u>	<u>Total</u>
Principal														
Series 200Series 2007 USDA	\$ 75,521		\$ 75,521	29%	30%	26%	15%	100%	As Dist Plant *	\$ 21,991	\$ 22,987	\$ 19,328	\$ 11,216	\$ 75,521
Subtotal Principal	\$ 75,521	\$ -	\$ 75,521							\$ 21,991	\$ 22,987	\$ 19,328	\$ 11,216	\$ 75,521
										29%	30%	26%	15%	100%
Interest														
Series 200Series 2007 USDA	\$ 145,208		\$ 145,208	29%	30%	26%	15%	100%	As Dist Plant *	\$ 42,282	\$ 44,199	\$ 37,162	\$ 21,565	\$ 145,208
Subtotal Interest	\$ 145,208	\$ -	\$ 145,208							\$ 42,282	\$ 44,199	\$ 37,162	\$ 21,565	\$ 145,208
										29%	30%	26%	15%	100%
Total Debt Service	\$ 220,729	\$ -	\$ 220,729							\$ 64,273	\$ 67,186	\$ 56,490	\$ 32,780	\$ 220,729
										29%	30%	26%	15%	100%

Milcrofton Utility District
Water Cost of Service-12-Months Ending September 2020
Allocation of Base P&I

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	<u>Test Yr.</u>	Res	Comm	Res Irr	Comm Irr	Total	
Principal							
Series 200Series 2007 USDA	\$ 21,991	30	\$ 17,579	\$ 1,051	\$ 1,475	\$ 1,886	\$ 21,991
Subtotal Principal	<u>\$ 21,991</u>		<u>\$ 17,579</u>	<u>\$ 1,051</u>	<u>\$ 1,475</u>	<u>\$ 1,886</u>	<u>\$ 21,991</u>
Interest							
Series 200Series 2007 USDA	\$ 42,282	30	\$ 33,799	\$ 2,021	\$ 2,837	\$ 3,626	\$ 42,282
Subtotal Interest	<u>\$ 42,282</u>		<u>\$ 33,799</u>	<u>\$ 2,021</u>	<u>\$ 2,837</u>	<u>\$ 3,626</u>	<u>\$ 42,282</u>
Total Debt Service	<u>\$ 64,273</u>		<u>\$ 51,378</u>	<u>\$ 3,071</u>	<u>\$ 4,312</u>	<u>\$ 5,511</u>	<u>\$ 64,273</u>
		80%	5%	7%	9%	100%	

Milcrofton Utility District
Water Cost of Service-12-Months Ending September 2020
Allocation of Extra Capacity P&I

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	<u>Test Yr.</u>	Res	Comm	Res Irr	Comm Irr	Total	
Principal							
Series 200Series 2007 USDA	\$ 22,987	33	\$ 17,340	\$ 1,036	\$ 2,185	\$ 2,426	\$ 22,987
Subtotal Principal	<u>\$ 22,987</u>		<u>\$ 17,340</u>	<u>\$ 1,036</u>	<u>\$ 2,185</u>	<u>\$ 2,426</u>	<u>\$ 22,987</u>
Interest							
Series 200Series 2007 USDA	\$ 44,199	33	\$ 33,340	\$ 1,992	\$ 4,201	\$ 4,665	\$ 44,199
Subtotal Interest	<u>\$ 44,199</u>		<u>\$ 33,340</u>	<u>\$ 1,992</u>	<u>\$ 4,201</u>	<u>\$ 4,665</u>	<u>\$ 44,199</u>
Total Debt Service	<u>\$ 67,186</u>		<u>\$ 50,680</u>	<u>\$ 3,028</u>	<u>\$ 6,386</u>	<u>\$ 7,091</u>	<u>\$ 67,186</u>
			75%	5%	10%	11%	100%

Milcrofton Utility District
Water Cost of Service-12-Months Ending September 2020
Allocation of Customer P&I

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	<u>Test Yr.</u>		Res	Comm	Res Irr	Comm Irr	Total
Principal							
Series 200Series 2007 USDA	\$ 19,328	21	\$ 17,879	\$ 374	\$ 754	\$ 322	\$ 19,328
Subtotal Principal	<u>\$ 19,328</u>		<u>\$ 17,879</u>	<u>\$ 374</u>	<u>\$ 754</u>	<u>\$ 322</u>	<u>\$ 19,328</u>
Interest							
Series 200Series 2007 USDA	\$ 37,162	21	\$ 34,376	\$ 718	\$ 1,449	\$ 619	\$ 37,162
Subtotal Interest	<u>\$ 37,162</u>		<u>\$ 34,376</u>	<u>\$ 718</u>	<u>\$ 1,449</u>	<u>\$ 619</u>	<u>\$ 37,162</u>
Total Debt Service	<u>\$ 56,490</u>		<u>\$ 52,255</u>	<u>\$ 1,092</u>	<u>\$ 2,202</u>	<u>\$ 941</u>	<u>\$ 56,490</u>
			93%	2%	4%	2%	100%

Milcrofton Utility District
Water Cost of Service-12-Months Ending September 2020
Allocation of Revenue FP

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	<u>Test Yr.</u>	Res	Comm	Res Irr	Comm Irr	Total	
Principal							
Series 200Series 2007 USDA	\$ 11,216	40	\$ 10,766	\$ 450	\$ -	\$ -	\$ 11,216
Subtotal Principal	<u>\$ 11,216</u>		<u>\$ 10,766</u>	<u>\$ 450</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,216</u>
Interest							
Series 200Series 2007 USDA	\$ 21,565	40	\$ 20,700	\$ 865	\$ -	\$ -	\$ 21,565
Subtotal Interest	<u>\$ 21,565</u>		<u>\$ 20,700</u>	<u>\$ 865</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,565</u>
Total Debt Service	<u>\$ 32,780</u>		<u>\$ 31,466</u>	<u>\$ 1,315</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,780</u>
			96%	4%	0%	0%	100%

Milcrofton Utility District
Water Cost of Service-12-Months Ending September 2020
Allocation of P&I

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	<u>Test Yr.</u>	Res	Comm	Res Irr	Comm Irr	Total
Principal						
Series 200Series 2007 USDA	\$ 75,521	\$ 63,563	\$ 2,910	\$ 4,414	\$ 4,634	\$ 75,521
Subtotal Principal	<u>\$ 75,521</u>	<u>\$ 63,563</u>	<u>\$ 2,910</u>	<u>\$ 4,414</u>	<u>\$ 4,634</u>	<u>\$ 75,521</u>
Interest						
Series 200Series 2007 USDA	\$ 145,208	\$ 122,216	\$ 5,596	\$ 8,487	\$ 8,909	\$ 145,208
Subtotal Interest	<u>\$ 145,208</u>	<u>\$ 122,216</u>	<u>\$ 5,596</u>	<u>\$ 8,487</u>	<u>\$ 8,909</u>	<u>\$ 145,208</u>
Total Debt Service	<u>\$ 220,729</u>	<u>\$ 185,779</u>	<u>\$ 8,506</u>	<u>\$ 12,901</u>	<u>\$ 13,543</u>	<u>\$ 220,729</u>
		84%	4%	6%	6%	100%

Fixed Expenses

Milcrofton Utility District
 Water Cost of Service-12-Months Ending September 2020
 Classification of Fixed Expenses

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	Actual	Adj.	Test Yr.	Base	Ex-Cap	Cust	FP	Total	Description	Base	Ex-Cap	Cust	FP	Total
Depreciation														
Depreciation Expense	\$ 1,976,665		\$ 1,976,665	29%	30%	27%	15%	100%	As TUP	\$ 564,512	\$ 590,095	\$ 534,146	\$ 287,912	\$ 1,976,665
Subtotal Depreciation	\$ 1,976,665	\$ -	\$ 1,976,665							\$ 564,512	\$ 590,095	\$ 534,146	\$ 287,912	\$ 1,976,665
				29%	30%	27%	15%	100%						
Total Fixed Expenses	\$ 1,976,665	\$ -	\$ 1,976,665							\$ 564,512	\$ 590,095	\$ 534,146	\$ 287,912	\$ 1,976,665

Milcrofton Utility District
Water Cost of Service-12-Months Ending September 2020
Allocation of Base Fixed Expenses

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	<u>Test Yr.</u>		Res	Comm	Res Irr	Comm Irr	Total
Depreciation							
Depreciation Expense	\$ 564,512	30	\$ 451,255	\$ 26,976	\$ 37,875	\$ 48,405	\$ 564,512
Subtotal Depreciation	<u>\$ 564,512</u>		<u>\$ 451,255</u>	<u>\$ 26,976</u>	<u>\$ 37,875</u>	<u>\$ 48,405</u>	<u>\$ 564,512</u>
Total Fixed Expenses	<u>\$ 564,512</u>		<u>\$ 451,255</u>	<u>\$ 26,976</u>	<u>\$ 37,875</u>	<u>\$ 48,405</u>	<u>\$ 564,512</u>
			80%	5%	7%	9%	100%

Milcrofton Utility District
Water Cost of Service-12-Months Ending September 2020
Allocation of Extra Capacity Fixed Expenses

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	<u>Test Yr.</u>		Res	Comm	Res Irr	Comm Irr	Total
Depreciation							
Depreciation Expense	\$ 590,095	33	\$ 445,127	\$ 26,596	\$ 56,090	\$ 62,282	\$ 590,095
Subtotal Depreciation	<u>\$ 590,095</u>		<u>\$ 445,127</u>	<u>\$ 26,596</u>	<u>\$ 56,090</u>	<u>\$ 62,282</u>	<u>\$ 590,095</u>
Total Fixed Expenses	<u>\$ 590,095</u>		<u>\$ 445,127</u>	<u>\$ 26,596</u>	<u>\$ 56,090</u>	<u>\$ 62,282</u>	<u>\$ 590,095</u>
			75%	5%	10%	11%	100%

Milcrofton Utility District
Water Cost of Service-12-Months Ending September 2020
Allocation of Customer Fixed Expenses

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	<u>Test Yr.</u>		Res	Comm	Res Irr	Comm Irr	Total
Depreciation							
Depreciation Expense	\$ 534,146	21	\$ 494,101	\$ 10,323	\$ 20,826	\$ 8,896	\$ 534,146
Subtotal Depreciation	<u>\$ 534,146</u>		<u>\$ 494,101</u>	<u>\$ 10,323</u>	<u>\$ 20,826</u>	<u>\$ 8,896</u>	<u>\$ 534,146</u>
Total Fixed Expenses	<u>\$ 534,146</u>		<u>\$ 494,101</u>	<u>\$ 10,323</u>	<u>\$ 20,826</u>	<u>\$ 8,896</u>	<u>\$ 534,146</u>
			93%	2%	4%	2%	100%

Milcrofton Utility District
Water Cost of Service-12-Months Ending September 2020
Allocation of Fire Protection Fixed Expenses

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	<u>Test Yr.</u>		Res	Comm	Res Irr	Comm Irr	Total
Depreciation							
Depreciation Expense	\$ 287,912	40	\$ 276,365	\$ 11,548	\$ -	\$ -	\$ 287,912
Subtotal Depreciation	<u>\$ 287,912</u>		<u>\$ 276,365</u>	<u>\$ 11,548</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 287,912</u>
Total Fixed Expenses	<u>\$ 287,912</u>		<u>\$ 276,365</u>	<u>\$ 11,548</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 287,912</u>
			96%	4%	0%	0%	100%

Milcrofton Utility District
Water Cost of Service-12-Months Ending September 2020
Allocation of Fixed Expenses
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	<u>Test Yr.</u>	Res	Comm	Res Irr	Comm Irr	Total
Depreciation						
Depreciation Expense	\$ 1,976,665	\$ 1,666,848	\$ 75,443	\$ 114,790	\$ 119,583	\$ 1,976,665
Subtotal Depreciation	<u>\$ 1,976,665</u>	<u>\$ 1,666,848</u>	<u>\$ 75,443</u>	<u>\$ 114,790</u>	<u>\$ 119,583</u>	<u>\$ 1,976,665</u>
Total Fixed Expenses	<u>\$ 1,976,665</u>	<u>\$ 1,666,848</u>	<u>\$ 75,443</u>	<u>\$ 114,790</u>	<u>\$ 119,583</u>	<u>\$ 1,976,665</u>
		84%	4%	6%	6%	100%

Workplan

Milcrofton Utility District
Water Cost of Service-12-Months Ending September 2020
Allocation of Base CIP

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	<u>Test Yr.</u>	Res	Comm	Res Irr	Comm Irr	Total
Capital Improvement Plan						
McKays Mill Tank - Contract A & Materials	\$ 114,599 30	\$ 91,607	\$ 5,476	\$ 7,689	\$ 9,827	\$ 114,599
McKays Mill Tank - Contract B	\$ 273,534 30	\$ 218,656	\$ 13,071	\$ 18,353	\$ 23,455	\$ 273,534
Holly Tree Gap Equipment (Pumps & Generator)	\$ 209,653 30	\$ 167,591	\$ 10,019	\$ 14,066	\$ 17,977	\$ 209,653
Holly Tree Gap PS Construction	\$ 148,504 30	\$ 118,710	\$ 7,097	\$ 9,964	\$ 12,734	\$ 148,504
Wilson Pike Water Line Extension	\$ 155,784 30	\$ 124,529	\$ 7,444	\$ 10,452	\$ 13,358	\$ 155,784
Menefee Hill 1.5 MG GST (No. 1)	\$ 337,920 30	\$ 270,124	\$ 16,148	\$ 22,672	\$ 28,976	\$ 337,920
Menefee Hill Control Valve Station	\$ 133,654 30	\$ 106,839	\$ 6,387	\$ 8,967	\$ 11,460	\$ 133,654
Ridgeway Drive 10" Extension	\$ 63,769 30	\$ 50,976	\$ 3,047	\$ 4,279	\$ 5,468	\$ 63,769
Cool Springs 30" Transmission Main	\$ 1,126,885 30	\$ 900,800	\$ 53,851	\$ 75,607	\$ 96,627	\$ 1,126,885
Back Up Power at Booster Pump Stations (4)	\$ 125,792 30	\$ 100,554	\$ 6,011	\$ 8,440	\$ 10,786	\$ 125,792
McEwen East Water Line Extension (COF)	\$ 158,987 30	\$ 127,090	\$ 7,598	\$ 10,667	\$ 13,633	\$ 158,987
Tank Rehabilitation	\$ 158,696 30	\$ 126,857	\$ 7,584	\$ 10,648	\$ 13,608	\$ 158,696
Breckenridge 30" Transmission Main	\$ 400,088 30	\$ 319,819	\$ 19,119	\$ 26,844	\$ 34,306	\$ 400,088
SR 96 30" Transmission Main	\$ 440,417 30	\$ 352,057	\$ 21,046	\$ 29,549	\$ 37,765	\$ 440,417
Peytonsville Road Water Line Upgrade **	\$ - 30	\$ -	\$ -	\$ -	\$ -	\$ -
Water Line Replacement - Various	\$ 159,569 30	\$ 127,555	\$ 7,625	\$ 10,706	\$ 13,683	\$ 159,569
S. Carothers 16" Transmission Main **	\$ - 30	\$ -	\$ -	\$ -	\$ -	\$ -
Zone Meters (5)	\$ 88,811 30	\$ 70,993	\$ 4,244	\$ 5,959	\$ 7,615	\$ 88,811
Water Line Replacement - Various	\$ 159,569 30	\$ 127,555	\$ 7,625	\$ 10,706	\$ 13,683	\$ 159,569
Long Lane PS Imp / Gosey Hill 10" Water Line	\$ - 30	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal Capital Improvement Plan	<u>\$ 4,256,233</u>	<u>\$ 3,402,312</u>	<u>\$ 203,393</u>	<u>\$ 285,568</u>	<u>\$ 364,960</u>	<u>\$ 4,256,233</u>
		80%	5%	7%	9%	100%

Milcrofton Utility District
Water Cost of Service-12-Months Ending September 2020
Allocation of Extra Capacity CIP

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	<u>Test Yr.</u>		Res	Comm	Res Irr	Comm Irr	Total
Capital Improvement Plan							
McKays Mill Tank - Contract A & Materials	\$ 119,792	33	\$ 90,363	\$ 5,399	\$ 11,386	\$ 12,644	\$ 119,792
McKays Mill Tank - Contract B	\$ 285,930	33	\$ 215,686	\$ 12,887	\$ 27,178	\$ 30,179	\$ 285,930
Holly Tree Gap Equipment (Pumps & Generator)	\$ 219,154	33	\$ 165,315	\$ 9,878	\$ 20,831	\$ 23,131	\$ 219,154
Holly Tree Gap PS Construction	\$ 155,234	33	\$ 117,098	\$ 6,997	\$ 14,755	\$ 16,384	\$ 155,234
Wilson Pike Water Line Extension	\$ 162,844	33	\$ 122,838	\$ 7,340	\$ 15,479	\$ 17,187	\$ 162,844
Menefee Hill 1.5 MG GST (No. 1)	\$ 353,234	33	\$ 266,455	\$ 15,921	\$ 33,575	\$ 37,282	\$ 353,234
Menefee Hill Control Valve Station	\$ 139,711	33	\$ 105,388	\$ 6,297	\$ 13,280	\$ 14,746	\$ 139,711
Ridgeway Drive 10" Extension	\$ 66,659	33	\$ 50,283	\$ 3,004	\$ 6,336	\$ 7,036	\$ 66,659
Cool Springs 30" Transmission Main	\$ 1,177,953	33	\$ 888,567	\$ 53,092	\$ 111,966	\$ 124,328	\$ 1,177,953
Back Up Power at Booster Pump Stations (4)	\$ 131,492	33	\$ 99,189	\$ 5,927	\$ 12,499	\$ 13,878	\$ 131,492
McEwen East Water Line Extension (COF)	\$ 166,192	33	\$ 125,364	\$ 7,491	\$ 15,797	\$ 17,541	\$ 166,192
Tank Rehabilitation	\$ 165,887	33	\$ 125,134	\$ 7,477	\$ 15,768	\$ 17,509	\$ 165,887
Breckenridge 30" Transmission Main	\$ 418,219	33	\$ 315,476	\$ 18,850	\$ 39,752	\$ 44,141	\$ 418,219
SR 96 30" Transmission Main	\$ 460,376	33	\$ 347,276	\$ 20,750	\$ 43,759	\$ 48,591	\$ 460,376
Peytonsville Road Water Line Upgrade **	\$ -	33	\$ -	\$ -	\$ -	\$ -	\$ -
Water Line Replacement - Various	\$ 166,801	33	\$ 125,823	\$ 7,518	\$ 15,855	\$ 17,605	\$ 166,801
S. Carothers 16" Transmission Main **	\$ -	33	\$ -	\$ -	\$ -	\$ -	\$ -
Zone Meters (5)	\$ 92,836	33	\$ 70,029	\$ 4,184	\$ 8,824	\$ 9,798	\$ 92,836
Water Line Replacement - Various	\$ 166,801	33	\$ 125,823	\$ 7,518	\$ 15,855	\$ 17,605	\$ 166,801
Long Lane PS Imp / Gosey Hill 10" Water Line	\$ -	33	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal Capital Improvement Plan	<u>\$ 4,449,115</u>		<u>\$ 3,356,106</u>	<u>\$ 200,528</u>	<u>\$ 422,896</u>	<u>\$ 469,584</u>	<u>\$ 4,449,115</u>
			75%	5%	10%	11%	100%

Milcrofton Utility District
Water Cost of Service-12-Months Ending September 2020
Allocation of Customer CIP

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	<u>Test Yr.</u>	Res	Comm	Res Irr	Comm Irr	Total
Capital Improvement Plan						
McKays Mill Tank - Contract A & Materials	\$ 100,722 21	\$ 93,171	\$ 1,947	\$ 3,927	\$ 1,678	\$ 100,722
McKays Mill Tank - Contract B	\$ 240,411 21	\$ 222,388	\$ 4,646	\$ 9,373	\$ 4,004	\$ 240,411
Holly Tree Gap Equipment (Pumps & Generator)	\$ 184,266 21	\$ 170,451	\$ 3,561	\$ 7,184	\$ 3,069	\$ 184,266
Holly Tree Gap PS Construction	\$ 130,522 21	\$ 120,736	\$ 2,522	\$ 5,089	\$ 2,174	\$ 130,522
Wilson Pike Water Line Extension	\$ 136,920 21	\$ 126,655	\$ 2,646	\$ 5,338	\$ 2,280	\$ 136,920
Menefee Hill 1.5 MG GST (No. 1)	\$ 297,000 21	\$ 274,735	\$ 5,740	\$ 11,580	\$ 4,947	\$ 297,000
Menefee Hill Control Valve Station	\$ 117,469 21	\$ 108,663	\$ 2,270	\$ 4,580	\$ 1,956	\$ 117,469
Ridgeway Drive 10" Extension	\$ 56,047 21	\$ 51,846	\$ 1,083	\$ 2,185	\$ 933	\$ 56,047
Cool Springs 30" Transmission Main	\$ 990,428 21	\$ 916,177	\$ 19,141	\$ 38,615	\$ 16,496	\$ 990,428
Back Up Power at Booster Pump Stations (4)	\$ 110,559 21	\$ 102,271	\$ 2,137	\$ 4,311	\$ 1,841	\$ 110,559
McEwen East Water Line Extension (COF)	\$ 139,735 21	\$ 129,259	\$ 2,700	\$ 5,448	\$ 2,327	\$ 139,735
Tank Rehabilitation	\$ 139,479 21	\$ 129,022	\$ 2,696	\$ 5,438	\$ 2,323	\$ 139,479
Breckenridge 30" Transmission Main	\$ 351,640 21	\$ 325,278	\$ 6,796	\$ 13,710	\$ 5,857	\$ 351,640
SR 96 30" Transmission Main	\$ 387,086 21	\$ 358,066	\$ 7,481	\$ 15,092	\$ 6,447	\$ 387,086
Peytonsville Road Water Line Upgrade **	\$ - 21	\$ -	\$ -	\$ -	\$ -	\$ -
Water Line Replacement - Various	\$ 140,247 21	\$ 129,733	\$ 2,710	\$ 5,468	\$ 2,336	\$ 140,247
S. Carothers 16" Transmission Main **	\$ - 21	\$ -	\$ -	\$ -	\$ -	\$ -
Zone Meters (5)	\$ 78,057 21	\$ 72,205	\$ 1,509	\$ 3,043	\$ 1,300	\$ 78,057
Water Line Replacement - Various	\$ 140,247 21	\$ 129,733	\$ 2,710	\$ 5,468	\$ 2,336	\$ 140,247
Long Lane PS Imp / Gosey Hill 10" Water Line	\$ - 21	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal Capital Improvement Plan	<u>\$ 3,740,836</u>	<u>\$ 3,460,388</u>	<u>\$ 72,294</u>	<u>\$ 145,849</u>	<u>\$ 62,304</u>	<u>\$ 3,740,836</u>
		93%	2%	4%	2%	100%

Milcrofton Utility District
Water Cost of Service-12-Months Ending September 2020
Allocation of Fire Protection CIP

[Main Menu](#)

	<u>Test Yr.</u>	Res	Comm	Res Irr	Comm Irr	Total
Capital Improvement Plan						
McKays Mill Tank - Contract A & Materials	\$ 58,448 40	\$ 56,103	\$ 2,344	\$ -	\$ -	\$ 58,448
McKays Mill Tank - Contract B	\$ 139,508 40	\$ 133,912	\$ 5,595	\$ -	\$ -	\$ 139,508
Holly Tree Gap Equipment (Pumps & Generator)	\$ 106,927 40	\$ 102,639	\$ 4,289	\$ -	\$ -	\$ 106,927
Holly Tree Gap PS Construction	\$ 75,740 40	\$ 72,702	\$ 3,038	\$ -	\$ -	\$ 75,740
Wilson Pike Water Line Extension	\$ 79,453 40	\$ 76,266	\$ 3,187	\$ -	\$ -	\$ 79,453
Menefee Hill 1.5 MG GST (No. 1)	\$ 172,346 40	\$ 165,433	\$ 6,912	\$ -	\$ -	\$ 172,346
Menefee Hill Control Valve Station	\$ 68,166 40	\$ 65,432	\$ 2,734	\$ -	\$ -	\$ 68,166
Ridgeway Drive 10" Extension	\$ 32,524 40	\$ 31,219	\$ 1,304	\$ -	\$ -	\$ 32,524
Cool Springs 30" Transmission Main	\$ 574,733 40	\$ 551,682	\$ 23,051	\$ -	\$ -	\$ 574,733
Back Up Power at Booster Pump Stations (4)	\$ 64,156 40	\$ 61,583	\$ 2,573	\$ -	\$ -	\$ 64,156
McEwen East Water Line Extension (COF)	\$ 81,086 40	\$ 77,834	\$ 3,252	\$ -	\$ -	\$ 81,086
Tank Rehabilitation	\$ 80,938 40	\$ 77,692	\$ 3,246	\$ -	\$ -	\$ 80,938
Breckenridge 30" Transmission Main	\$ 204,053 40	\$ 195,868	\$ 8,184	\$ -	\$ -	\$ 204,053
SR 96 30" Transmission Main	\$ 224,621 40	\$ 215,612	\$ 9,009	\$ -	\$ -	\$ 224,621
Peytonsville Road Water Line Upgrade **	\$ - 40	\$ -	\$ -	\$ -	\$ -	\$ -
Water Line Replacement - Various	\$ 81,383 40	\$ 78,119	\$ 3,264	\$ -	\$ -	\$ 81,383
S. Carothers 16" Transmission Main **	\$ - 40	\$ -	\$ -	\$ -	\$ -	\$ -
Zone Meters (5)	\$ 45,296 40	\$ 43,479	\$ 1,817	\$ -	\$ -	\$ 45,296
Water Line Replacement - Various	\$ 81,383 40	\$ 78,119	\$ 3,264	\$ -	\$ -	\$ 81,383
Long Lane PS Imp / Gosey Hill 10" Water Line	\$ - 40	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal Capital Improvement Plan	<u>\$ 2,170,761</u>	<u>\$ 2,083,696</u>	<u>\$ 87,065</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,170,761</u>
		96%	4%	0%	0%	100%

Milcrofton Utility District
Water Cost of Service-12-Months Ending September 2020
Allocation of CIP

[Main Menu](#)

	<u>Test Yr.</u>	Res	Comm	Res Irr	Comm Irr	Total
Capital Improvement Plan						
McKays Mill Tank - Contract A & Materials	\$ 393,560	\$ 331,244	\$ 15,166	\$ 23,002	\$ 24,148	\$ 393,560
McKays Mill Tank - Contract B	\$ 939,384	\$ 790,642	\$ 36,200	\$ 54,904	\$ 57,638	\$ 939,384
Holly Tree Gap Equipment (Pumps & Generator)	\$ 720,000	\$ 605,995	\$ 27,746	\$ 42,082	\$ 44,177	\$ 720,000
Holly Tree Gap PS Construction	\$ 510,000	\$ 429,247	\$ 19,653	\$ 29,808	\$ 31,292	\$ 510,000
Wilson Pike Water Line Extension	\$ 535,000	\$ 450,288	\$ 20,617	\$ 31,269	\$ 32,826	\$ 535,000
Menefee Hill 1.5 MG GST (No. 1)	\$ 1,160,500	\$ 976,747	\$ 44,721	\$ 67,828	\$ 71,204	\$ 1,160,500
Menefee Hill Control Valve Station	\$ 459,000	\$ 386,322	\$ 17,688	\$ 26,827	\$ 28,163	\$ 459,000
Ridgeway Drive 10" Extension	\$ 219,000	\$ 184,324	\$ 8,439	\$ 12,800	\$ 13,437	\$ 219,000
Cool Springs 30" Transmission Main	\$ 3,870,000	\$ 3,257,226	\$ 149,135	\$ 226,189	\$ 237,451	\$ 3,870,000
Back Up Power at Booster Pump Stations (4)	\$ 432,000	\$ 363,597	\$ 16,648	\$ 25,249	\$ 26,506	\$ 432,000
McEwen East Water Line Extension (COF)	\$ 546,000	\$ 459,547	\$ 21,041	\$ 31,912	\$ 33,501	\$ 546,000
Tank Rehabilitation	\$ 545,000	\$ 458,705	\$ 21,002	\$ 31,854	\$ 33,439	\$ 545,000
Breckenridge 30" Transmission Main	\$ 1,374,000	\$ 1,156,441	\$ 52,949	\$ 80,306	\$ 84,304	\$ 1,374,000
SR 96 30" Transmission Main	\$ 1,512,500	\$ 1,273,011	\$ 58,286	\$ 88,401	\$ 92,802	\$ 1,512,500
Peytonsville Road Water Line Upgrade **	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Water Line Replacement - Various	\$ 548,000	\$ 461,230	\$ 21,118	\$ 32,029	\$ 33,623	\$ 548,000
S. Carothers 16" Transmission Main **	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Zone Meters (5)	\$ 305,000	\$ 256,706	\$ 11,754	\$ 17,826	\$ 18,714	\$ 305,000
Water Line Replacement - Various	\$ 548,000	\$ 461,230	\$ 21,118	\$ 32,029	\$ 33,623	\$ 548,000
Long Lane PS Imp / Gosey Hill 10" Water Line	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal Capital Improvement Plan	<u>\$ 14,616,944</u>	<u>\$ 12,302,502</u>	<u>\$ 563,280</u>	<u>\$ 854,314</u>	<u>\$ 896,848</u>	<u>\$ 14,616,944</u>
		84%	4%	6%	6%	100%



JASON E. MUMPOWER
Comptroller

Entity Referred: **Minor Hill Utility District**

Referral Reason: **Negative Change in Net Position**

Utility Type Referred: **Water**

Staff Summary:

The District contracted with Rate Studies Inc. to perform a rate study in accordance with the Board's previous order. Rate Studies Inc. completed the study and submitted its resulting report and recommendations to the District and to Board staff. The District implemented Rate Studies Inc.'s recommendations and has complied with all Board directives, but the Board should continue to monitor the District's financial progress.

Staff Recommendation:

Order the following:

1. The District shall send financial updates to Board staff by March 1st and September 1st of each year, beginning March 1, 2022, until the Board releases the District from its oversight.

Minor Hill Utility District
12950 Minor Hill Hwy.
931-565-3436 | Fax 931-565-4521 |

fax

TO: John Greer	FROM: MHUD
FAX:	PAGES:
PHONE: 931-565-3436	DATE: 04/20/2020
RE:	CC:

- Urgent For Review Please Comment Please Reply Please Recycle

Comments:

Rate Study for Minor Hill Utility.

Minor Hill Utility District

Credit Card and Debit Card Payments

1. The Utility will accept credit or debit cards from the following companies:
 - (a) Master Card
 - (b) Visa
 - (c) Discover

2. The Utility will accept credit or debit cards presented in the following manner:
 - (a) In person, the Utility will check the following:
 - Require proof of identification;
 - Check expiration date of the card; and
 - Compare the signature on card to sales draft signature.

 - (b) By phone:
 - Check expiration date of the card;
 - Verify the number on rear of card; and
 - Verify cardholder billing address.

 - (c) By internet:
 - Check expiration date of the card;
 - Verify the number on rear of card; and
 - Verify cardholder-billing address.

3. The Utility will accept credit cards or debit cards for all goods and services.

4. The customer will pay the convenience fee charged by the Utility's third party card processor for all credit card and debit card payments.

5. The Utility shall only use electronic authorization terminals approved by its third party card processor.

6. The Utility shall not make any cash advances or cash returns on cards presented.

7. If the card is rejected by the Utility's third party card processor at the time it is presented, the Utility will require payment by another method (cash, check or another card).

8. If a payment by a debit card is not honored by the entity on which the funds are drawn, the Utility will collect a service charge from the person presenting the card. The amount of the service charge shall be the same amount as the fee charged for a returned check drawn on an account with insufficient funds. This section does not apply if an electronic device is used to conduct the transaction, the card and card holder are present, and the person who takes the card learns of the declination of the debit card at the time the transaction is processed.

Adoption Date: _____

Effective Date: _____

Minor Hill Utility District

Adjustment Policy

Purpose:

To define the guidelines for adjusting customer accounts.

Policy Statement:

It is the policy of this utility to have the customers of the utility subsidize the bill of any one customer only when there is an inaccurate meter, inaccurate meter reading or utility equipment failure. Examples include:

- Damages meters
- Frozen meters
- The Customer will not be responsible for charges for water leaks caused on the Customer's side of the meter by the Utility

Leak Adjustment Policy:

Residential customers are allowed one (1) adjustment per a twelve (12) month period. Adjustments for churches and businesses will remain as previously stated and will

be calculated by the last three (3) months water bills averaged in dollar and gallon amounts. The customer is to pay the averaged dollar amount, plus \$2.16 per each additional 1,000 gallons of water used over the three (3) months averaged gallon amount.

All leaks are to be recorded on lead adjustment log with customer's name, account number, current amount, adjusted amount, date, signature of customer, clerk and manager.

The customers of the utility shall not subsidize the extraordinary water use of any one customer if it is caused by other reasons. Including, routine dripping faucets, leaking commodes or any type of faulty customer plumbing, filling of swimming pools, watering of lawns and gardens, premises left or abandoned without reasonable care for the plumbing system and leaks in customer irrigation systems

Adopted Date: _____

Effective Date: _____

MHUD UTILITY DISTRICT
FIXED ASSET CAPITALIZATION POLICY

Purpose

This policy is adopted to establish consistent guidelines for the capitalization and depreciation of fixed assets.

Capitalization Requirements

(1) Long term or fixed assets, including land, land improvements, buildings, building improvements, infrastructure, easements, construction work in progress, office furniture, office equipment, machinery, operating equipment and vehicles, will be capitalized and subject to depreciation when:

- the asset has a useful life of more than five years; and
- the asset has a cost of \$5,000 or more.

Assets which are not capitalized will be expensed in the year of acquisition.

(2) The capitalization threshold is applied to individual units of fixed assets. For example, ten desks purchased in a single order, each costing \$1,000, will not qualify for capitalization even though the total cost of the desk order of \$10,000 exceeds the threshold of \$5,000.

(3) For purposes of capitalization, the threshold will generally not be applied to components of fixed assets which form one working system such as computer systems, electronic and laboratory equipment and other similar working systems. The entire working system will be treated as a single fixed asset provided the entire system meets the \$5,000 threshold.

(4) Repairs to existing fixed assets will generally not be subject to capitalization. Repairs are generally recognized as expenditures

which are necessary to keep an asset in its intended operational condition and which do not materially increase the value of the asset. If a repair extends the useful life of a capital asset by more than five years and costs \$5,000 or more, then the repair represents an improvement and should be capitalized.

Infrastructure Capital Assets

Infrastructure includes new construction, replacement due to expansion or new technology, replacement due to the end of normal life cycle, major repairs or refurbishment and assets contributed by developers, customers or other third parties to the District.

(1) New Construction. New construction normally begins as a Construction-In-Progress project and may take more than one fiscal year to complete. At the completion of the project, the total costs of the project may be broken down by the major groups of assets by operating system such as distribution, regulators, meters, etc. Under each system, the component unit of the assets is listed based on the nature of the component and the length of the estimated useful life.

(2) Replacement Due to Expansion or New Technology. Replacement occurs when an old systems or equipment is replaced because the District is either expanding its facilities to increase capacity or new technology and equipment has become available on the market which is more cost efficient than existing systems or equipment being used. In this situation, the old systems or equipment are replaced when they still have a remaining useful life and economic value. When each individual item or component unit costs \$5,000 or more and has a useful life of more than five years, the individual item or component unit should be capitalized. Because the retired equipment or systems still have a positive net book value, the District will calculate and record the appropriate loss on disposition.

(3) Replacement Due to the End of Life Cycle. Replacement can occur as a result of normal scheduled maintenance. The component units can be purchased at the same time, but be installed simultaneously or within a planned short period time. In this situation, the old systems or equipment are replaced when they have no useful life or economic value. When the aggregate total cost of the component units is \$5,000 or more and have a useful life of more than five years, the component units should be capitalized. The estimated portion of the original asset that was replaced will be removed from the asset records of the District.

(4) Repairs or Refurbishments. The District's existing infrastructure requires regular repair and maintenance. Repair or refurbishment expenses to existing capital assets may be capitalized under certain circumstances. The criteria for determining whether the expenditure is an expense or capital asset requires knowledge of the effect the repair will have on the capital asset. To be considered as a capital asset, these conditions must be met: (a) the total repair or refurbishment cost of one job must be \$5,000 or more, and; (b) after the repair or refurbishment, the remaining useful life of the existing asset must be extended by at least two years. When the above conditions are not met, the cost of repair or refurbishment will be considered as an operations and maintenance expense.

(5) Contributed Assets. The District may require a developer or customer to build or finance the building of utility system improvements as condition for receiving natural gas service. Upon the completion of the utility system improvements, the developer or customer contributes the improvements to the District, and the District accepts ownership of the contributed improvements. In this situation, the utility system improvements are recorded as a capital asset at the time of acceptance by the District. The total costs of the utility system improvements must be broken down by operating

system, and the major component units are to be listed under the operating systems depending on the nature and the length of the estimated useful life.

Determination of Cost

- (1) Capital assets will be reported at historical cost. Cost will include all necessary expenditures to acquire the asset and place the asset into service, including ancillary costs.
- (2) Ancillary costs for infrastructure, buildings and improvements include professional fees of engineers, architects, attorneys, appraisers, financial advisors and other similar professionals; insurance premiums; costs incurred to obtain financing for the project, and other related costs incurred during construction necessary to place the asset into service.
- (3) Ancillary costs for equipment and vehicles include transportation charges, installation costs, licensing fees, and any other normal and necessary expenditures required to place the asset into its intended state of operation.
- (4) Ancillary costs for land include legal and title fees, appraisal and negotiation fees, damage payments, site preparation costs and demolition costs of unwanted structures.
- (5) Contributed capital assets will be recorded at their estimated fair market value on the date the contributed asset was accepted by the District.
- (6) Self-constructed assets will be recorded based upon all direct costs (including labor) associated with the construction project.

Depreciation

(1) With the exception of land and easements, all capital assets will be depreciated using the straight-line method over the useful life of the asset.

(2) Regardless of the month the capital asset is placed in service, a full year of depreciation will be recorded in the first year. Once the asset has been fully depreciated, the asset will be kept on the books until its disposal.

(3) The useful life of a capital asset for depreciation will be determined as follows:

Asset Class	Description	Useful Life in Years
Buildings		20-50
Gas distribution system	Pipelines, regulators, meters	25-40
Land improvements		20-50
Operating machinery and equipment		5-10
Vehicles	Car, truck	5-7
Office furniture and equipment	Desk, chair, file cabinet, telephone printer	5-10
Information systems	Computer, server, software, monitor	5-6

Fixed Assets Tagging and Inventory

Upon acquisition, all fixed assets other than infrastructure, buildings, land and land improvements will be assigned a serially numbered District tag which will be affixed to the asset. The District will conduct an annual physical inventory of tagged fixed assets. The inventory should identify assets which are missing or were sold, traded in, discarded or disposed of since the last annual physical inventory.

**Minor Hill
Utility District**

Rate Study

2020

April 14, 2020

Prepared By:



Water | Wastewater

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Minor Hill Utility District

Rate Study

Executive Summary

Purpose

The purpose of this report is to present a rate study to assist the Minor Hill Utility District (District) in complying with an order dated October 29, 2019, from the Utility Management Review Board (UMRB). The UMRB is a division of the Tennessee Comptroller of the Treasury. The order states explicitly:

1. The District shall have the Tennessee Association of Utility Districts or another qualified expert as approved by Board staff, complete a rate study to include:
 - a. a review of the rate and fee policy, including any recommended modifications.
 - b. a review of the credit card transaction fee, including any recommended modifications.
 - c. a review of the capitalization policy, including any recommended modifications.
 - d. a review of the capital asset plan, including any recommended modifications, and
 - e. a review of the leak adjustment policy, including any recommended modifications.
2. By December 6, 2019, the District shall send Board staff a copy of the contract between the District and the qualified expert who is to perform the tasks in paragraph 1.
3. By April 30, 2020, the District shall provide Board staff with the completed rate study, and either proof of implementation of the resulting recommendations or a proposed plan of implementation.
4. Board Staff is given the authority to grant one extension of up to six months of the foregoing deadlines upon a showing of good cause by the District.

This order is the result of the District's non-compliance with TCA § 7-82-401 (included at the end of this report). Non-compliance conditions include: a deficit total net position in any one (1) year or have a negative change in net position for two (2) consecutive years, or is currently in default on any debt instruments.

RateStudies LLC was hired to perform this analysis.

General

The District provides water distribution services for over 2,800 customers. They also provide water to the Fairview Utility District and East Lauderdale Utility District. The District purchases water from two providers: The City of Pulaski, Tennessee, and Limestone County, Alabama.

Methodology

The methodology used by RateStudies is based on the *American Water Works Association (AWWA) M54 Manual - Developing Rates for Small Systems*. Although rate studies are not an exact science, the financial models used in this report can be a valuable tool for making financial decisions and setting water rates. Considerations are made to simplify the rate study process so that it is understandable to utility officials, managers, staff, and customers.

This report presents a comprehensive financial analysis of the District's water system, including a historical view and 5-year projection of customer growth, revenue, and expenses. The District's 5-year Capital Improvement Plan and its impact on depreciation are included. The report also shows projections of existing and proposed debt service obligations. The District's General Manager, Board of Commissioners, staff, and consulting engineer from OHM Advisors helped in the collection of historical data, development of the Capital Improvement Plan, growth projections, financial projections, and the final recommendations of this report.

This study uses a Cash Flow Analysis and a Change in Net Position Analysis to determine the need for rate increases. Each of these gives an indication of financial stability for the District. Such information is presented in Excel spreadsheets designed to function as financial models. Graphs and charts to provide a visual presentation of the analyses in this report.

The results of the Cash Flow Analysis and the Change in Net Position Analysis are used to determine the amount of increase needed to remedy the District's financially distressed position. These analyses are used to determine the amount of revenue required and to ensure that the Statutory Change in Net Position is not negative for two future consecutive years.

Significant Events

- The District is refunding one of its current loans. This will result in savings of about \$14,500 per year.
- In 2018, the State of Tennessee amended a law requiring the calculation of the Change in Net Position as total revenues less all grants, capital contributions, and expenses, but without reduction for any excluded non-cash items. Thus, the Statutory Change in Net Position shown in this report is calculated based on Tennessee law.
- The last rate increase was implemented in July 2017. The minimum bill was raised from \$26.07 to \$26.89, and the cost per 1,000 gallons was raised from \$9.60 to \$11.06.
- The water loss for 2019 exceeded 50%.
- The District's five-year Capital Improvement Plan includes \$1,500,000 for improvements to three water storage tanks.

Recommendations

Over the next five years, the District's Statutory Change in Net Position is projected to be negative for FY 2021-2024. To avoid any further financial deficits, a rate increase of 3% is recommended for FY 2012, and an annual 2% rate increase is recommended for FY 2022-2024, as shown in **Figure 1**.

Proposed Annual Rate Increases				
2020	2021	2022	2023	2024
0%	3%	2%	2%	2%

Figure 1

Assumptions

The following assumptions are included in the analysis and recommendations of this report:

- The water loss will not exceed 50%
- The District will cease purchasing water from Limestone County by the end to 2020, and purchase all their water from Pulaski
- A 10% increase in water rates from Pulaski will occur over the next five years

Other Considerations

Price elasticity is a measurement of how buyers respond to changes in price. Generally, as the price of a product increases, buyers will buy less of the product. The City may experience price elasticity with some of its customers. Higher rates could encourage customers to use less water, which would result in less amount of water bought and fewer revenues collected. This report does not include a price elasticity analysis.

The recommendations of this report are designed to improve the District's finances and meet the requirements of the Tennessee State Comptroller over the next five years. It is recommended to monitor and verify projections presented in this report on an annual basis and to react to unforeseen financial changes and make corrections as necessary.

Customer Growth, Revenue Projections, Water Bought, and Other Income

Overview

Projecting revenue over the next five years is critical for determining the sufficiency of current rates and the need for future rate increases if necessary. A review and analysis of the previous five years of records (FY 2015-2019) provide a reasonable basis for making projections over the next five years (FY 2020-2024) concerning customer growth and revenue. A work session was held with the District's General Manager, Board of Commissioners, staff, and consulting engineer from OHM Advisors to make forecasts presented in this report.

A comprehensive spreadsheet showing all the data used for making growth and revenue projections, as well as water bought and water cost projections, are shown in **Figure 2**.

Customer growth

The District added an average of 50 customers per year from FY 2015-2019. It is anticipated that an average of 40 customers per year will be added for FY 2020-2024. The customer growth pattern is shown in **Figure 3**.

Revenue & Other Income Projections

Growth in revenue for the last three years has varied differently from the increase in the number of customers, as shown in **Figure 3**. Water usage and associated water revenue will vary according to weather. Customers generally use less water in years that have higher than average amounts of rainfall and more water usage in years when the quantity of rain is less than average. **Figure 4** shows the relationship between rainfall (shown in blue) and revenue (shown in green) for FY 2015-2019. As the annual rainfall increases, the average customer usage decreases. This report assumes that customer usage will remain at lower levels (4,200 gallons per month) over the next five years.

Water Bought

The District buys water from the City of Pulaski (Pulaski) and Limestone County (Limestone). Because Pulaski sells its water at a lower rate than Limestone, the District has installed infrastructure necessary to supply their whole system with water from Pulaski. It is anticipated the District will make this change in FY 2021. The District will save about \$40,000 by making this change. The amount of water bought will vary with the growth in customers and the control of water loss. An assumed 10% rate increase from Pulaski is shown for FY 2022.

Other Income

The projection of Other Income is shown in **Figure 5** and includes various fees and penalties.

Other considerations

A new subdivision or even a new commercial customer who uses large quantities of water could change the financial dynamics over the next five years. However, a conservative approach is taken to not speculate on something like that happening. The District has a fiscal responsibility to pay expenses, satisfy debt requirements, and comply with regulations concerning the net position. This must be done with current customers and a reasonable projection of growth and water loss prevention.

Customers - Water Sold - Revenue										
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Customers	2,621	2,679	2,726	2,751	2,819	2,859	2,899	2,939	2,979	3,019
New Customers		58	47	25	68	40	40	40	40	40
Total Water Sold	120	115	111	132	123	124	126	128	129	131
Water Revenue	\$1,316,983	\$1,442,262	\$1,428,393	\$1,536,452	\$1,581,257	\$1,603,389	\$1,625,520	\$1,647,651	\$1,669,782	\$1,691,914
Percent Change		10%	-1%	8%	3%	1%	1%	1%	1%	1%

Water Bought										
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Pulaski (MGY)	130	138	150	188	161	163	239	242	245	248
Limestone County (MGY)	44	47	51	66	75	76	0	0	0	0
Total Water Bought - MGY	174	185	200	254	236	239	239	242	245	248
Total Water Costs	\$382,788	\$407,158	\$440,431	\$567,803	\$557,476	\$564,826	\$516,274	\$575,196	\$582,491	\$589,786
Percent Change		6%	8%	29%	-2%	1%	-9%	11%	1%	1%

Figure 2

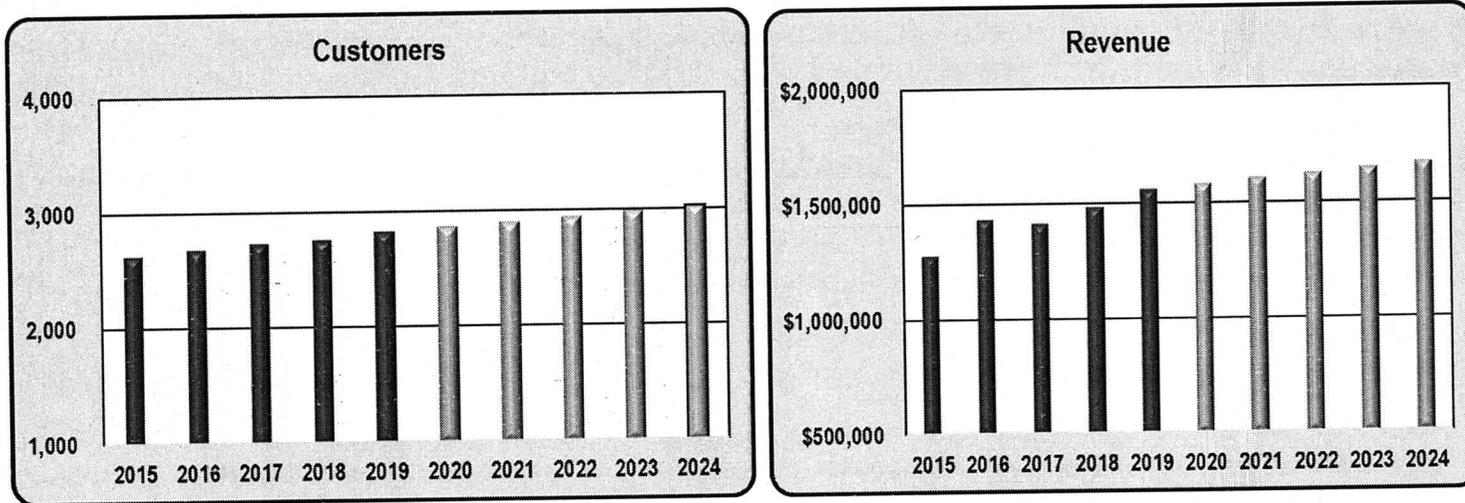


Figure 3

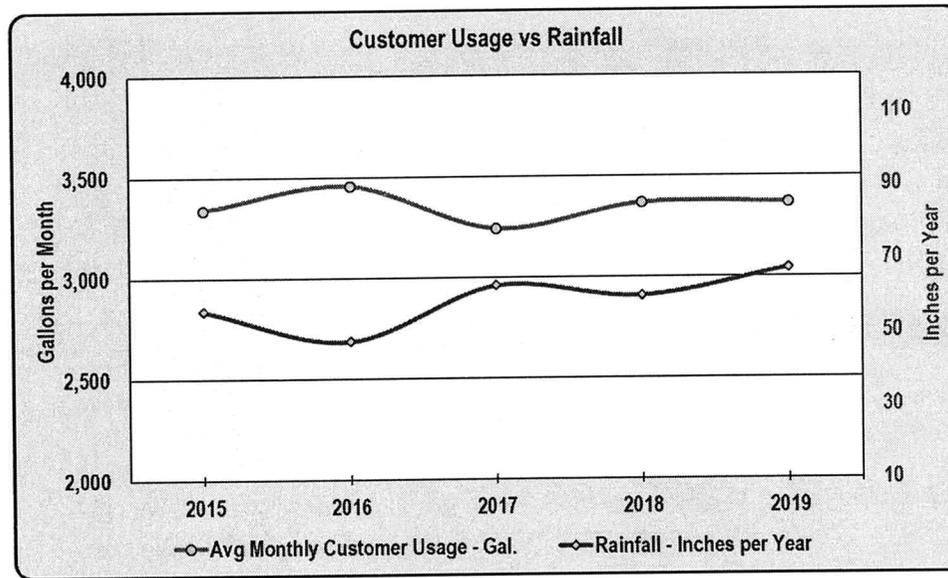


Figure 4

Figure 5 identifies Other Income besides water revenue from customers.

Miscellaneous Income										
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Tap Fees	55,650	60,000	75,600	63,533	67,109	50,000	40,000	40,000	40,000	40,000
Connection Fees	13,500	14,685	11,980	17,662	13,064	13,064	13,064	13,064	13,064	13,064
Convenience Fee				6,072	12,870	12,870	12,870	12,870	12,870	12,870
Lock Fees	14,440	16,165	13,453	23,468	24,225	24,225	24,225	24,225	24,225	24,225
Return Check Fees					927	927	927	927	927	927
Late Fees	33,523	34,026	32,682	33,028	29,553	29,553	29,553	29,553	29,553	29,553
Refunds				15,849						
Sale of Capital Assets	2,750				9,000					
Monster Broadband					3,600	3,600	3,600	3,600	3,600	3,600
Auto Inkind					2,340	2,340	2,340	2,340	2,340	2,340
Adjustment for Audit	7,510	(991)	9,421	10,268						
Total	127,373	123,885	143,136	169,881	162,688	136,579	126,579	126,579	126,579	126,579

Figure 5

AWWA Water Audit

Water Purchased and Water Loss

The amount and cost of water purchased are determined by the amount of water use by customers and the amount of non-revenue water. Non-revenue water includes "apparent losses" and "real losses." Apparent losses are those losses due to inaccurate meter readings, data errors, or unauthorized consumption. Real water losses include leakage and line breaks on transmission, distribution, and service lines. Water purchased projections are made based on the District having a non-revenue loss of about 46% over the next five years. Water loss in FY 2019 cost the District over \$330,000.

Tennessee's water loss control program is administered by the Comptroller of the Treasury – Utility Management Review Board (UMRB). The UMRB reviews all AWWA Water Audits submitted by each water utility.

The percent of non-revenue water by volume is not regulated by the UMRB. Still, the percent of the cost of non-revenue water to the cost of operating the water system should not exceed 20%.

The Water Audit includes not only water loss data but also a validity data score. The validity score helps assess the reliability of the data used to produce the performance indicator. The maximum validity score is 100. The validity score is calculated based on data entered by system personnel. The input data ranks the reliability of input items based on specific criteria established by the AWWA. A validity score of less than 80% is in violation of State law.

Figure 6 shows a summary of the AWWA Water Audit.

AWWA Water Audit										
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Water Bought - MGY	200	208	195	229	232	239	239	242	245	248
Non Revenue Water	80	94	89	97	118	115	113	114	116	117
Percent Non-Revenue of Volume	40%	45%	46%	42%	51%	48%	47%	47%	47%	47%
Total Cost of Non-Revenue	\$293,011	\$326,813	\$274,817	\$301,864	\$334,838	\$344,757	\$317,708	\$345,576	\$349,026	\$352,476
Operational Costs	\$1,707,283	\$1,631,969	\$1,492,607	\$1,607,527	\$1,720,240	\$1,881,148	\$1,910,895	\$2,018,413	\$2,056,922	\$2,085,493
Percent Non-Revenue Cost to Op. Cost	17%	20%	18%	19%	19%	18%	17%	17%	17%	17%
Percent by Cost - State Requirement	25%	25%	20%	20%	20%	20%	20%	20%	20%	20%
Validity Score										
MHUD Validity Score	74	74	80	82	81					
Validity Score Limit	70	70	75	75	80	80	80	80	80	80

Figure 6

Capital Improvement Plan

Overview

A Capital Improvement Plan (CIP) is typically an unaudited planning document used to identify needed capital improvements and other assets, along with methods of financing the CIP. The District's CIP covers five years and provides projected cost for items such as new water lines, meter software, trucks, and a backhoe. Maintenance items such as meter replacements are not considered capital expenses. The District's capitalization policy is included at the end of this report.

Anticipated projects

The District's CIP, shown in **Figure 8**, lists anticipated capital improvements and other assets over the next five years. The CIP includes the name of each project, its estimated cost, proposed financing, useful life in years, and annual depreciation. The depreciation is calculated on the "straight line" method, meaning that the amount of each project or capital expense is divided by its useful life in years.

The largest project identified over the next five years is the improvement of three water storage tanks.

Financing future expenditures

Funding for the CIP comes from Rural Development loans and grants, and reserve funds. **Figure 7** is a summary of the CIP.

Projected Expenditures	
2020	\$96,144
2021	\$1,530,000
2022	\$30,000
2023	\$40,000
2024	\$50,000
Total	\$1,746,144

Projected Financing	
Loan	\$1,275,000
Grant	\$225,000
Cash	\$246,144
Total	\$1,746,144

Added Depreciation	
	\$57,012

Figure 7

Other considerations

The CIP can serve as a planning document and should be reviewed and updated annually. The plan should cover at least five years and include significant purchases. The CIP can also help in developing annual budgets that include depreciation as an expense.

Five Year Capital Improvement Plan						
Fiscal Year 2020 (Jan 1, 2020 - Dec 31, 2020)						
Projects	Cost	Cash	Loan	Grant	Life - Years	Annual Dep
Dry Creek PS	\$13,333	\$13,333			20	\$667
AMR	\$8,840	\$8,840			10	\$884
Computers	\$3,971	\$3,971			5	\$794
Rackley Rd	\$3,000	\$3,000			40	\$75
Johnson Br	\$2,500	\$2,500			40	\$63
Smith Hill	\$4,500	\$4,500			40	\$113
Puryear Br	\$50,000	\$50,000			40	\$1,250
Miscellaneous	\$10,000	\$10,000			10	\$1,000
TOTAL	\$96,144	\$96,144	\$0	\$0		\$4,845

Fiscal Year 2021 (Jan 1, 2021 - Dec 31, 2021)						
Projects	Cost	Cash	Loan	Grant	Life - Years	Annual Dep
Tanks	\$1,500,000		\$1,275,000	\$225,000	40	\$37,500
Zone Meters	\$10,000	\$10,000			15	\$667
Miscellaneous	\$20,000	\$20,000			10	\$2,000
Total	\$1,530,000	\$30,000	\$1,275,000	\$225,000		\$40,167

Fiscal Year 2022 (Jan 1, 2022 - Dec 31, 2022)						
Projects	Cost	Cash	Loan	Grant	Life - Years	Annual Dep
Miscellaneous	\$30,000	\$30,000			10	\$3,000
TOTAL	\$30,000	\$30,000	\$0	\$0		\$3,000

Fiscal Year 2023 (Jan 1, 2023 - Dec 31, 2023)						
Projects	Cost	Cash	Loan	Grant	Life - Years	Annual Dep
Miscellaneous	\$40,000	\$40,000			10	\$4,000
TOTAL	\$40,000	\$40,000	\$0	\$0		\$4,000

Fiscal Year 2024 (Jan 1, 2024 - Dec 31, 2024)						
Projects	Cost	Cash	Loan	Grant	Life - Years	Annual Dep
Miscellaneous	\$50,000	\$50,000			10	\$5,000
TOTAL	\$50,000	\$50,000	\$0	\$0		\$5,000

Figure 8

Depreciation

Overview

Depreciation is defined as a reduction in the value of an asset over time. Although depreciation is listed as an expense, it is not paid out to anyone. Instead, it remains within the District's cash funds. Funding depreciation is a process compelling the District to accumulate cash. Over time the accumulated depreciation equals the value of money initially spent on each capital asset. This process allows the District to have enough funds for financing new capital improvements or replacing depreciated assets. **Figure 8** shows the amount of annual depreciation of each capital expenditure listed in the CIP.

Figure 9 is a simplified schedule of all depreciation showing the past five years and projections for the next five. Without any additions to water system fixed assets, the current water depreciation schedule (FY 2019) would be reduced by \$22,812 by FY 2024, but new additions proposed in the CIP adds about \$57,012 in additional depreciation.

Requirement

Tennessee state law requires that all utility systems depreciate capital assets. According to the Governmental Accounting Standards Board (GASB), depreciation is to be included in the "Statement of Revenues, Expenses, and Change in Net Position" section of the audit report as an operating expense. Therefore, the utility must provide sufficient revenue to "fund" the depreciation expense.

Calculating the Costs

Although there are several methods of determining depreciation, the "straight line" method is used by the District. The calculation is simply dividing the cost of an asset by its useful life, which may range from 3 to 50 years.

The depreciation schedule is a listing of each asset, its original cost, the year it went into service, and its useful life. From that, an annual depreciation amount is determined, the accumulated depreciated amount is calculated, and the book value is determined. When the accumulated depreciated amount equals the original cost, the book value goes to zero, and the annual amount of depreciation goes to zero. Unless new assets are added, the total yearly depreciation will stay the same, or it will eventually go away.

Other Considerations

It is important to note that assets are depreciated regardless of the method of financing or acquisition. An asset begins to depreciate when it is placed into service, not when it is bought or under construction.

Depreciation										
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Scheduled Depreciation	331,308	347,190	403,758	441,453	462,790	465,800	456,781	456,024	455,904	439,978

2020 New Depreciation						2,422	4,845	4,845	4,845	4,845
2021 New Depreciation							20,083	40,167	40,167	40,167
2022 New Depreciation								1,500	3,000	3,000
2023 New Depreciation									2,000	4,000
2024 New Depreciation										5,000
Total New Depreciation						2,422	24,928	46,512	50,012	57,012

Total Depreciation	331,308	347,190	403,758	441,453	462,790	468,223	481,709	502,536	505,915	496,990
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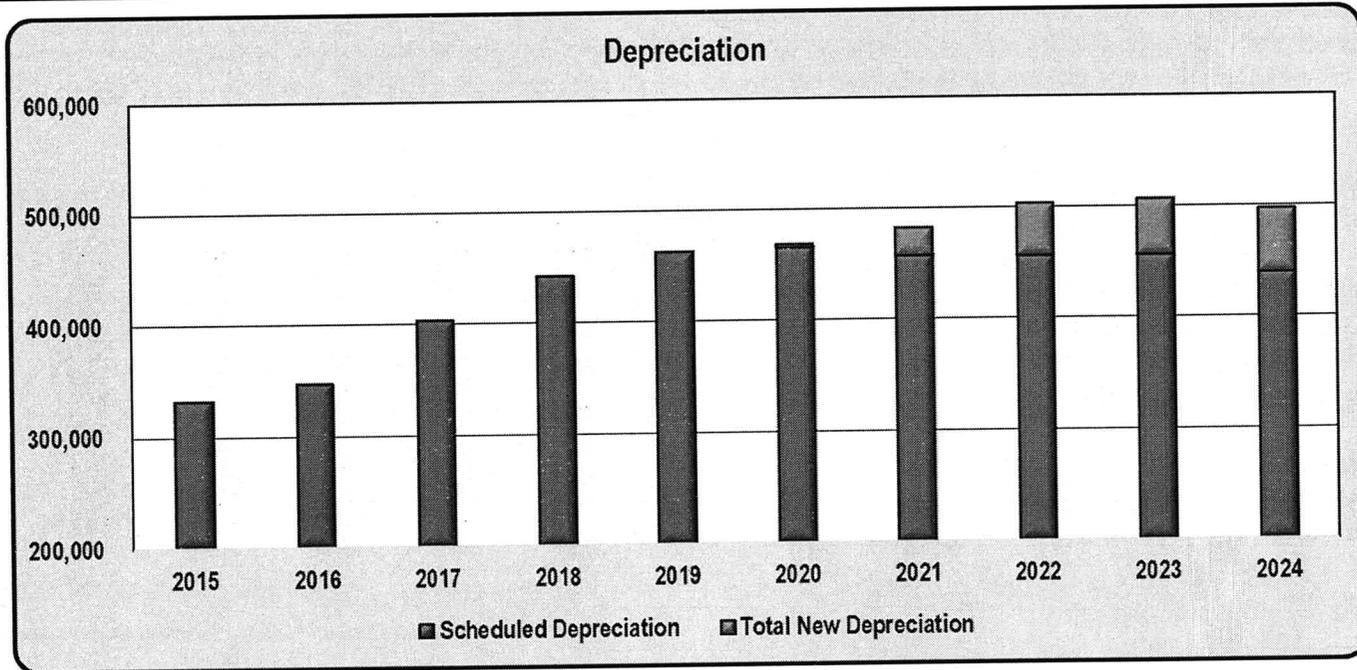


Figure 9

Debt Service

Overview

The District has six debt obligations, including refunding of the 2013 loan and a proposed 2021 loan, as shown in **Figure 10**. A graphical representation of the debt service is shown in **Figure 11**.

Debt Service											
1998				2003				Series 2020 - Refunding 2003			
	Principal	Interest	Total		Principal	Interest	Total		Principal	Interest	Total
2020	21,869	23,515	45,384	2020	36,603	62,541	99,144	2020			
2021	22,959	22,425	45,384	2021				2021	50,000	34,705	84,705
2022	24,104	21,280	45,384	2022				2022	54,000	31,063	85,063
2023	25,306	20,078	45,384	2023				2023	54,000	30,172	84,172
2024	26,567	18,817	45,384	2024				2024	55,000	29,273	84,273

2018				SRLF 2013				SRLF 2016			
	Principal	Interest	Total		Principal	Interest	Total		Principal	Interest	Total
2020	5,284	8,936	14,220	2020	42,408	4,116	46,524	2020	28,590	3,654	32,244
2021	5,431	8,788	14,219	2021	42,648	3,876	46,524	2021	28,794	3,450	32,244
2022	5,582	8,637	14,219	2022	42,888	3,636	46,524	2022	29,004	3,240	32,244
2023	5,737	8,482	14,219	2023	43,128	3,396	46,524	2023	29,214	3,030	32,244
2024	5,897	8,322	14,219	2024	43,368	3,156	46,524	2024	29,424	2,820	32,244

2015				SRLF 2021				Total			
	Principal	Interest	Total		Principal	Interest	Total		Principal	Interest	Total
2020	17,460	25,044	42,504	2020				2020	152,214	127,806	280,020
2021	17,902	24,603	42,505	2021	33,965	19,125	53,090	2021	201,699	116,972	318,671
2022	18,355	24,150	42,505	2022	34,474	18,616	53,090	2022	208,407	110,622	319,029
2023	18,819	23,686	42,505	2023	34,992	18,098	53,090	2023	211,196	106,942	318,138
2024	19,295	23,210	42,505	2024	35,516	17,574	53,090	2024	215,067	103,172	318,239

Figure 10

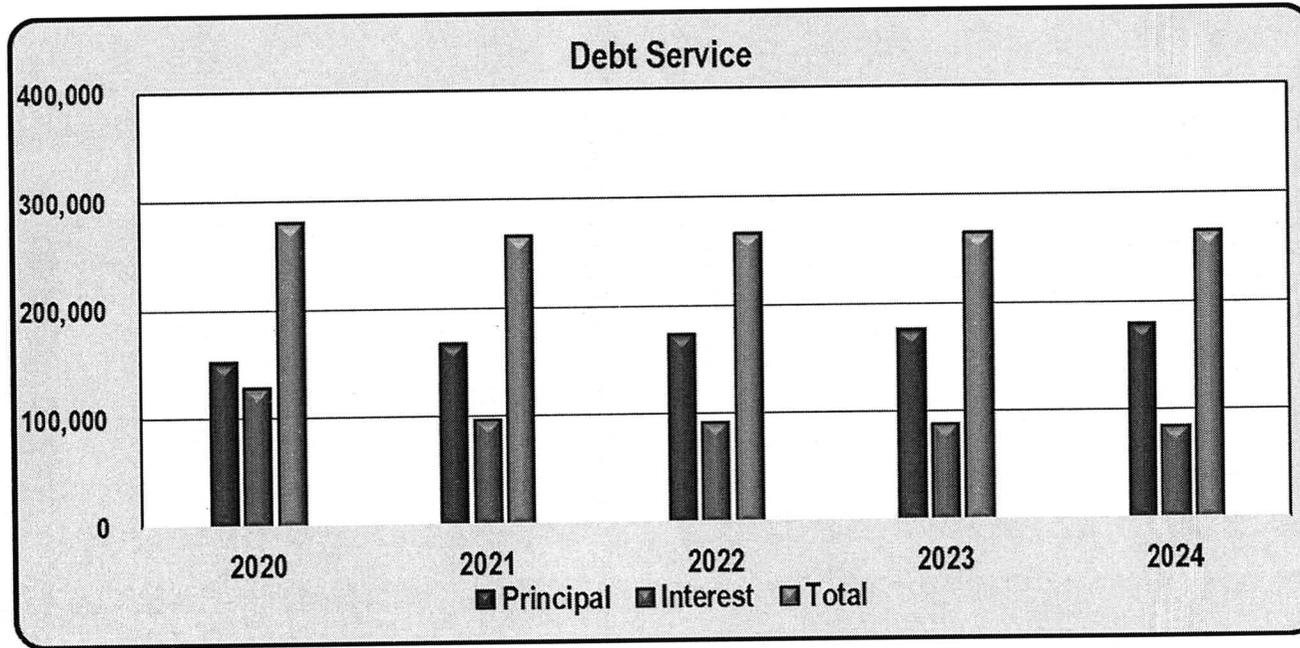


Figure 11

General Expenses

Overview

General expenses are listed in the audit report's "Statement of Revenues, Expenses, and Changes in Net Position" page. Items such as salaries, utilities, insurance, repair & maintenance, and other expense items are included. Depreciation is also listed as an expense and is included for the Change in Net Position Analysis but is not included in the Cash Flow Analysis.

Methodology

A work session was held with the District's General Manager, Board of Commissioners, staff, and consulting engineer from OHM Advisors to make projections of each line item listed in the general expenses. Starting in FY 2021, expenses are projected to increase by about 4.6% per year.

General Expenses

Figure 12 lists the general expenses for the District.

General Expenses										
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Bank and credit card fees	11,758	13,347	15,187	15,465	13,385	13,652	13,925	14,204	14,488	14,778
Continuing education	3,938	3,806	3,613	3,647	3,577	3,649	3,722	3,796	3,872	3,950
Dues, subscriptions permits	9,313	10,346	9,207	9,731	8,606	9,037	9,489	9,963	10,461	10,984
Employee insurance	55,477	55,677	62,221	41,427	27,387	28,756	30,194	31,704	33,289	34,953
Engineering Fees	2,848	2,155	14,408	17,617	13,745	14,158	14,582	15,020	15,471	15,935
Insurance	18,467	20,726	22,287	22,859	22,106	23,211	24,372	25,590	26,870	28,213
Office expense	21,665	18,122	19,344	19,280	19,500	20,475	21,499	22,574	23,702	24,887
Other	3,374	2,352	10,650	10,339	8,563	8,991	9,441	9,913	10,408	10,929
Payroll taxes	16,208	22,780	19,990	18,268	17,152	17,838	18,552	19,294	20,065	20,868
Professional fees	47,745	43,243	36,656	28,160	20,527	21,553	22,631	23,762	24,950	26,198
Repairs & maintenance	28,980	36,212	33,788	48,367	39,063	41,017	43,067	45,221	47,482	49,856
Salaries	227,378	264,836	255,146	235,548	221,407	232,477	244,101	256,306	269,121	282,577
New Personnel						5,000	5,000	5,000	5,000	5,000
Supplies	59,988	40,244	71,152	54,746	59,244	62,206	65,316	68,582	72,011	75,611
Transportation	17,598	14,840	9,747	16,459	14,685	15,419	16,190	16,999	17,849	18,742
Utilities and telephone	50,345	50,778	56,329	51,925	49,167	50,642	52,161	53,726	55,338	56,998
TOTAL	\$575,082	\$599,464	\$639,725	\$593,838	\$538,113	\$568,080	\$594,241	\$621,653	\$650,378	\$680,479
TOTAL PERCENT CHANGE		4.24%	6.72%	-7.17%	-9.38%	5.57%	4.61%	4.61%	4.62%	4.63%

Figure 12

Cash Flow Analysis

Overview

It is essential for the District to know the amount of cash it has on hand and if its cash reserves are growing or being depleted. Money is necessary to pay for the utility's operational and maintenance needs as well as debt and capital expenses. Also, cash is needed to preserve its infrastructure, retain its staff, deliver services to customers, and maintain a healthy cash reserve. Therefore, it is essential to predict its anticipated expenditures and how much cash the utility expects to receive from its customers and other sources. Such an examination is called a Cash Flow Analysis. If the projected income is less than the projected expenses, under normal circumstances, a rate increase is needed.

Methodology

The Cash Flow Analysis is configured like a cash budget showing the amount of cash at the beginning of the fiscal year, the total income (including customer charges and miscellaneous fees), the total general expenses, and debt. Adding income and subtracting expenses provides the amount of cash available for capital expenses or adding to the cash reserves. Additional financing such as loans and grants are also included. The District operates on an accrual accounting basis, so a reconciliation line is included. It is difficult to project the accrual adjustment (reconciliation of operating income and expenses) for future years, so it is not included in the projected years. The cash at the end of one year becomes the amount of cash at the beginning of the next year.

Cash Flow Analysis – No Rate Increases

Figure 13 shows the Cash Flow Analysis, with no rate increases over the next five years. It is shown that the net income remains positive and will continue to increase the amount of cash to \$2,480,463 in FY 2024. **Figure 14** is a graphical representation of the Cash Flow Analysis showing total income, total expenses, and the amount of cash ending for each year.

It is prudent for the District to maintain a cash reserve that is enough to cover emergencies and paying for unexpected items needing to be replaced. The extent of cash reserves required should be evaluated each year to determine if additional action is necessary regarding setting rates and fees.

Other considerations

Having a better understanding of cash flow and the accumulation or depletion of cash can help develop a multi-year capital improvement plan and financing of future projects.

The Cash Analysis is developed as a financial model to project the flow of cash from one year to the next. Therefore, if one parameter is changed in one year, all values will adjust in the following years to reflect the change. The line item "Net Income" is an indicator of whether there is sufficient income to pay for expenses.

Cash Flow Analysis - No Rate Increases										
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Cash Beginning Jan 1	816,059	565,532	987,113	1,093,823	1,206,712	1,337,098	1,569,137	1,863,206	2,092,730	2,299,272
Revenue and Income Sources										
Revenue	1,316,983	1,442,262	1,428,393	1,536,452	1,581,257	1,603,389	1,625,520	1,647,651	1,669,782	1,691,914
Miscellaneous Income	127,373	123,885	143,136	169,881	162,688	136,579	126,579	126,579	126,579	126,579
Interest / Investing	910	1,954	3,680	4,067	1,124	1,140	1,155	1,171	1,187	1,203
Total Rev & Inc	1,445,266	1,568,101	1,575,209	1,710,400	1,745,069	1,741,108	1,753,255	1,775,402	1,797,548	1,819,695
Expenses										
Water Purchased	382,788	407,158	440,431	567,803	557,476	564,826	516,274	575,196	582,491	589,786
General Expenses	575,082	599,464	639,725	593,838	538,113	568,080	594,241	621,653	650,378	680,479
Debt Service	454,884	272,909	210,775	313,685	161,861	280,020	318,671	319,029	318,138	318,239
Total Expenses	1,412,754	1,279,531	1,290,931	1,475,326	1,257,450	1,412,926	1,429,185	1,515,878	1,551,006	1,588,503
Income Less Expenses										
Net Income	32,512	288,570	284,278	235,074	487,619	328,182	324,069	259,524	246,542	231,192
Capital Financing										
Debt Forgiveness / Grant	79,312	304,107		969,282			225,000			
Loan Proceeds	3,200	1,785,027	391,176	582,477	957,775		1,275,000			
Construction Related		(422,219)								
Contributed Capital	(3,289)	358,174			179,282					
Total Grants / Loans	79,223	2,025,089	391,176	1,551,759	1,137,057		1,500,000			
Capital Improvements / Expenses										
Capital Imp / Exp	425,183	1,861,089	591,986	1,631,084	1,494,289	96,144	1,530,000	30,000	40,000	50,000
Annual Net Gain (Loss)										
Cash Excess (Cash Needed)	(313,448)	452,570	83,468	155,749	130,387	232,038	294,069	229,524	206,542	181,192
Year End Cash										
Cash Ending June 30	502,611	1,018,102	1,070,581	1,249,572	1,337,099	1,569,137	1,863,206	2,092,730	2,299,272	2,480,463
Reconciliation	62,921	(30,989)	23,242	(42,860)						
Cash Ending Dec 31	565,532	987,113	1,093,823	1,206,712	1,337,098	1,569,137	1,863,206	2,092,730	2,299,272	2,480,463

Figure 13

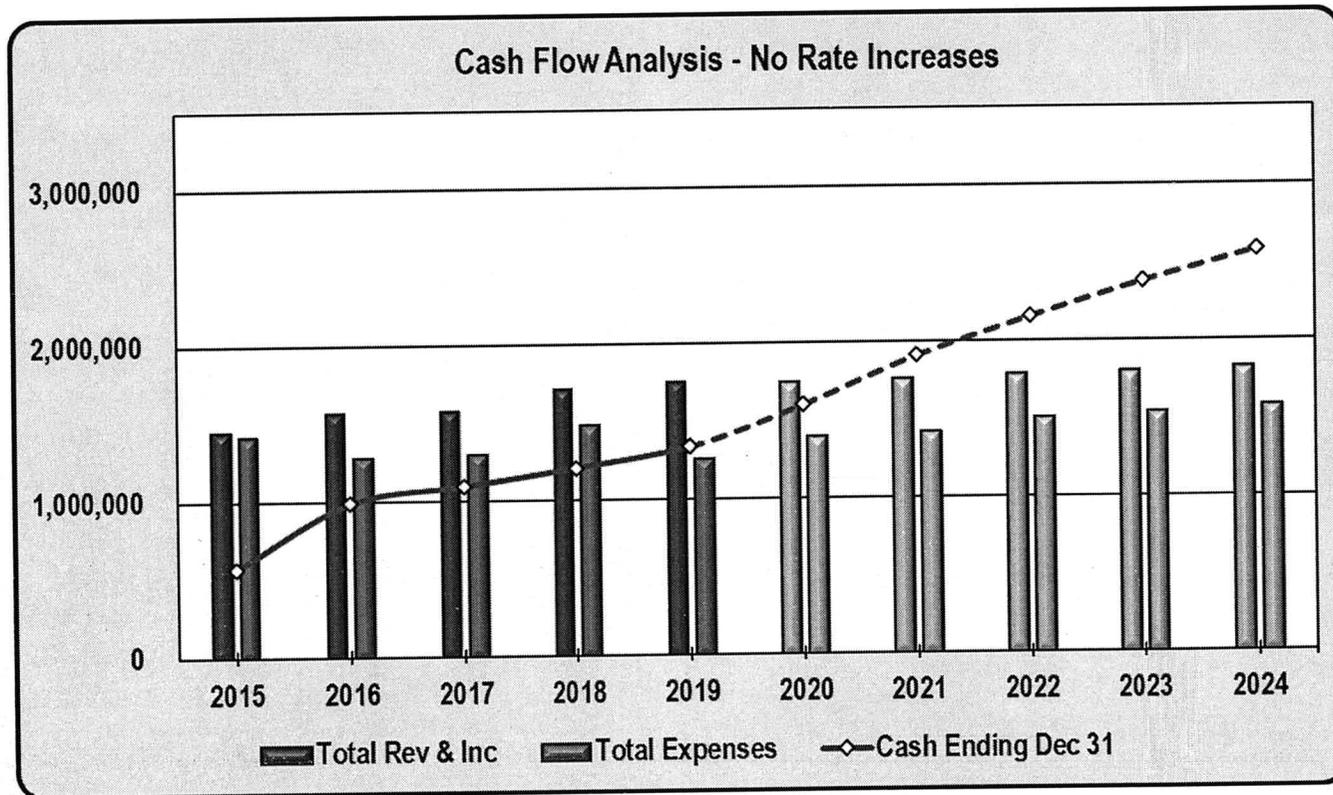


Figure 14

Change in Net Position Analysis

Overview

Net position is generally defined as assets minus liabilities. The District's water system assets include all cash (unrestricted and restricted), land, and the "net value" of everything it owns. The District's assets include items such as pipes in the ground, water tanks, pumps, electrical components, trucks, equipment, and other purchases necessary to operate the utility. The net value is defined as the original cost of a capital asset less its accumulated depreciation. Liabilities include items such as outstanding loans and bonds. Each year there is a change in net position because of the amount of cash changing with increasing or decreasing revenues and expenses, and the amount of the net capital asset value changes because of new capital assets being purchased, all capital assets being depreciated and possibly some capital assets being totally depreciated. This "change in net position" is calculated in a section of the District's audit report called "Statement of Revenues, Expenses, and Changes in the Net Position." The Change in Net Position Analysis in this report contains the same data and information found in that section of the audit report.

Methodology

The Change in Net Position Analysis is different from the Cash Flow Analysis because it includes depreciation as an operating expense. Also, it does not include principal debt payments, cash paid for capital expenses, or loans. The calculation of Change in Net Position in the annual audit report includes grants and capital contributions. However, the Tennessee Comptroller will subtract grants and capital contributions in its calculation of the Statutory Change in Net Position. For that reason, grants and capital contributions are not included in this Change in Net Position Analysis.

Requirement

According to TCA § 72-34-115 (included at the end of this report), the District is subject to actions by the UMRB if the Statutory Change in Net Position is negative for two consecutive years.

Change in Net Position – No Rate Increases

Figure 15 is the Change in Net Position Analysis, with no future rate increases. The Statutory Change in Net Position is projected to be negative for years FY 2022-2024, creating a situation where the District would be violating state law. Rate increases needed to remedy this financial violation are proposed in the “Recommendation” section of this report.

Figure 16 is a graphical representation of the Change in Net Position Analysis, and **Figure 17** shows the percentage of each expense category, making up Total Expenses.

Other Considerations

The Change in Net Position Analysis is the analysis that generally controls the extent of rate increases needed.

Change in Net Position - No Rate Increase										
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenues / Income										
Revenue	1,316,983	1,442,262	1,428,393	1,536,452	1,581,257	1,603,389	1,625,520	1,647,651	1,669,782	1,691,914
Other Revenue	127,373	123,885	143,136	169,881	162,688	136,579	126,579	126,579	126,579	126,579
Interest Income	952	1,907	3,680	4,067	1,124	1,140	1,155	1,171	1,187	1,203
Total Revenues / Income	1,445,308	1,568,054	1,575,209	1,710,400	1,745,069	1,741,108	1,753,255	1,775,402	1,797,548	1,819,695
Expenses										
Water Purchased	382,788	407,158	440,431	567,803	557,476	564,826	516,274	575,196	582,491	589,786
General Expenses	575,082	599,464	639,725	593,838	538,113	568,080	594,241	621,653	650,378	680,479
Depreciation	331,308	347,190	403,758	441,453	462,790	468,223	481,709	502,536	505,915	496,990
Interest Expense	109,966	107,783	114,542	127,255	120,287	127,806	116,972	110,622	106,942	103,172
Total Expenses	1,399,144	1,461,595	1,598,456	1,730,349	1,678,666	1,728,934	1,709,196	1,810,006	1,845,726	1,870,426
Change in Net Position										
Change in Net Position	46,164	106,459	(23,247)	(19,949)	66,403	12,173	44,059	(34,604)	(48,177)	(50,730)

Figure 15

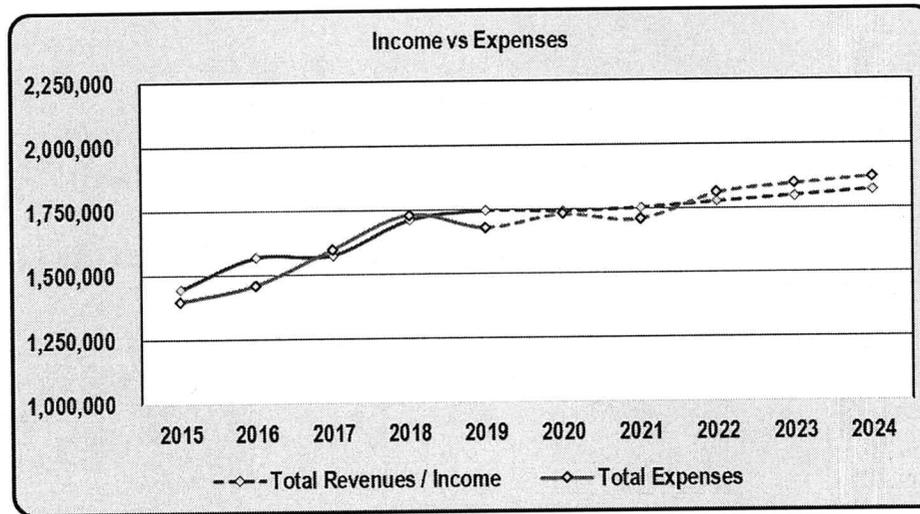


Figure 16

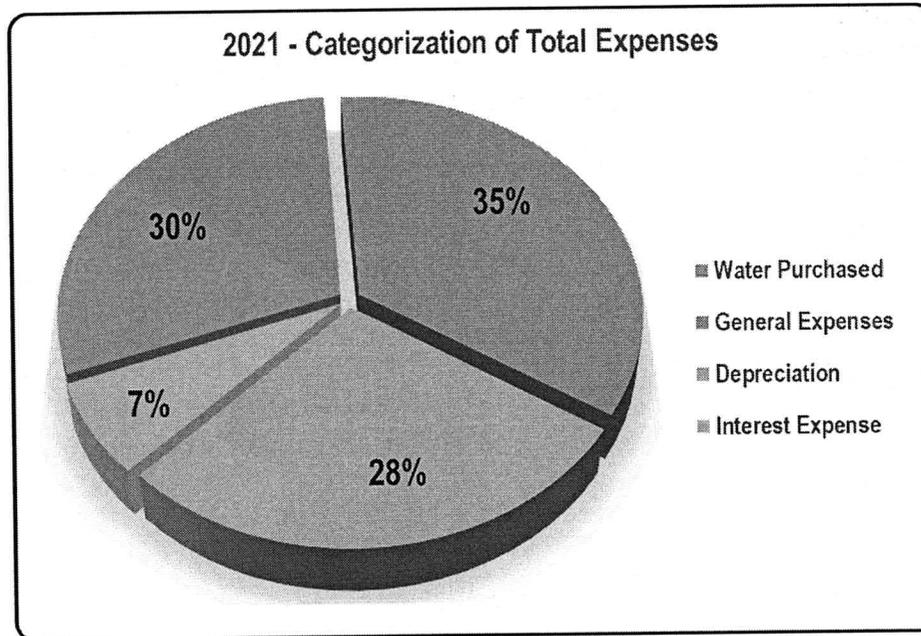


Figure 17

Recommendation

Overview

The amount of rate increase needed is based on using the two analyses presented in this report: The Cash Flow Analysis and the Change in Net Position Analysis. The one that shows the highest deficit in revenue determines the amount of rate increase needed. Projections are made over five years, and rates should be set so that there will be a cash excess and a positive Change in Net Position over the five years.

Rate Increase

The recommendation of this report is to implement a 3% increase in January 2021, or before. This would be the minimum amount of rate increase needed to satisfy State requirements. However, given the inherent uncertainty of projections, it is generally best to be conservative and to implement more than just the minimum increase. Therefore, it is recommended to implement a 3% increase at the beginning of FY 2021(or earlier) and to increase rates by 2% each year for FY 2022-2024.

Cash Flow

Figure 18 is the Cash Flow Analysis showing the impacts of the recommended rate increases. With the 3% rate increase in FY 2021, and 2% increases for FY 2022-2024, the cash reserves are projected to be \$2,889,600 by FY 2024. The proposed rate increases also create an upward trend in cash reserves. **Figure 19** is a graphical representation of the Cash Flow Analysis, with the recommended rate increases.

Change in Net Position

Figure 20 is the Change in Net Position Analysis, showing the impacts of the recommended rate increases. The result is a positive Statutory Change in Net Position in each year for the next five years. Also shown is a graphical representation of the Change in Net Position Analysis.

Other Considerations

The recommendation for rate increases is based on projections and estimates of income, expenses, and capital expenses over the next five years. The District should review annually the impacts of making these increases, particularly the Change in Net Position, as presented in each annual audit report and adjust as necessary.

Cash Flow Analysis - With Rate Increases										
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Cash Beginning Jan 1	816,059	565,532	987,113	1,093,823	1,206,712	1,337,098	1,569,137	1,911,971	2,224,866	2,550,985
Revenue and Income Sources										
Revenue	1,316,983	1,442,262	1,428,393	1,536,452	1,581,257	1,603,389	1,674,286	1,731,023	1,789,359	1,849,336
<i>Rate Increase</i>							3%	2%	2%	2%
Miscellaneous Income	127,373	123,885	143,136	169,881	162,688	136,579	126,579	126,579	126,579	126,579
Interest / Investing	910	1,954	3,680	4,067	1,124	1,140	1,155	1,171	1,187	1,203
Total Rev & Inc	1,445,266	1,568,101	1,575,209	1,710,400	1,745,069	1,741,108	1,802,020	1,858,773	1,917,125	1,977,118
Expenses										
Water Purchased	382,788	407,158	440,431	567,803	557,476	564,826	516,274	575,196	582,491	589,786
General Expenses	575,082	599,464	639,725	593,838	538,113	568,080	594,241	621,653	650,378	680,479
Debt Service	454,884	272,909	210,775	313,685	161,861	280,020	318,671	319,029	318,138	318,239
Total Expenses	1,412,754	1,279,531	1,290,931	1,475,326	1,257,450	1,412,926	1,429,185	1,515,878	1,551,006	1,588,503
Income Less Expenses										
Net Income	32,512	288,570	284,278	235,074	487,619	328,182	372,835	342,895	366,119	388,615
Capital Financing										
Debt Forgiveness / Grant	79,312	304,107		969,282			225,000			
Loan Proceeds	3,200	1,785,027	391,176	582,477	957,775		1,275,000			
Construction Related	0	(422,219)								
Contributed Capital	(3,289)	358,174			179,282					
Total Grants / Loans	79,223	2,025,089	391,176	1,551,759	1,137,057		1,500,000			
Capital Improvements / Expenses										
Capital Imp / Exp	425,183	1,861,089	591,986	1,631,084	1,494,289	96,144	1,530,000	30,000	40,000	50,000
Annual Net Gain (Loss)										
Cash Excess (Cash Needed)	(313,448)	452,570	83,468	155,749	130,387	232,038	342,835	312,895	326,119	338,615
Year End Cash										
Cash Ending June 30	502,611	1,018,102	1,070,581	1,249,572	1,337,099	1,569,137	1,911,971	2,224,866	2,550,985	2,889,600
Reconciliation	62,921	(30,989)	23,242	(42,860)						
Cash Ending Dec 31	565,532	987,113	1,093,823	1,206,712	1,337,098	1,569,137	1,911,971	2,224,866	2,550,985	2,889,600

Figure 18

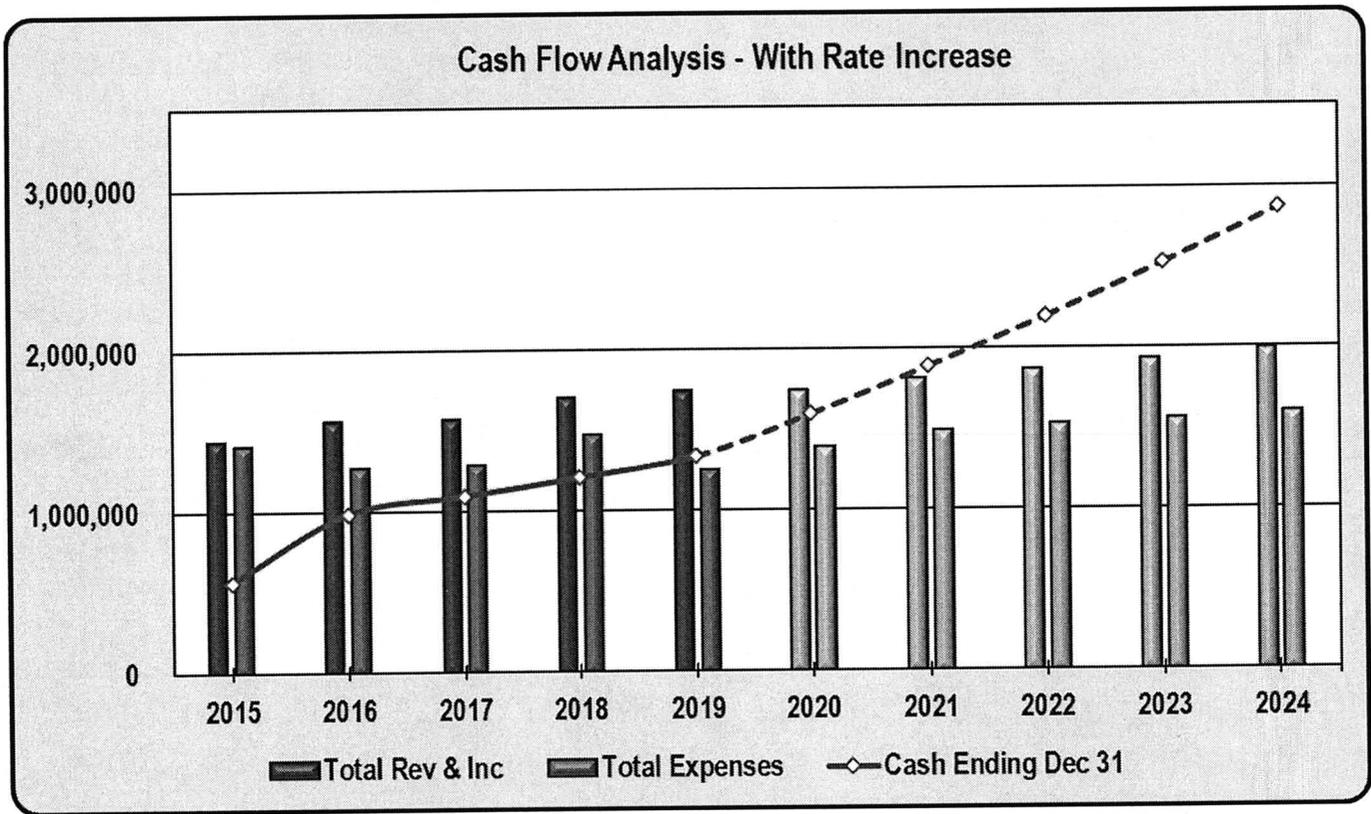


Figure 19

Change in Net Position - With Rate Increase										
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenues / Income										
Revenue	1,316,983	1,442,262	1,428,393	1,536,452	1,581,257	1,603,389	1,674,286	1,731,023	1,789,359	1,849,336
Other Revenue	127,373	123,885	143,136	169,881	162,688	136,579	126,579	126,579	126,579	126,579
Interest Income	952	1,907	3,680	4,067	1,124	1,140	1,155	1,171	1,187	1,203
Total Revenues / Income	1,445,308	1,568,054	1,575,209	1,710,400	1,745,069	1,741,108	1,802,020	1,858,773	1,917,125	1,977,118
Expenses										
Water Purchased	382,788	407,158	440,431	567,803	557,476	564,826	516,274	575,196	582,491	589,786
General Expenses	575,082	599,464	639,725	593,838	538,113	568,080	594,241	621,653	650,378	680,479
Depreciation	331,308	347,190	403,758	441,453	462,790	468,223	481,709	502,536	505,915	496,990
Interest Expense	109,966	107,783	114,542	127,255	120,287	127,806	116,972	110,622	106,942	103,172
Total Expenses	1,399,144	1,461,595	1,598,456	1,730,349	1,678,666	1,728,934	1,709,196	1,810,006	1,845,726	1,870,426
Change in Net Position										
Statutory Change in Net Position	46,164	106,459	(23,247)	(19,949)	66,403	12,173	92,825	48,767	71,399	106,692

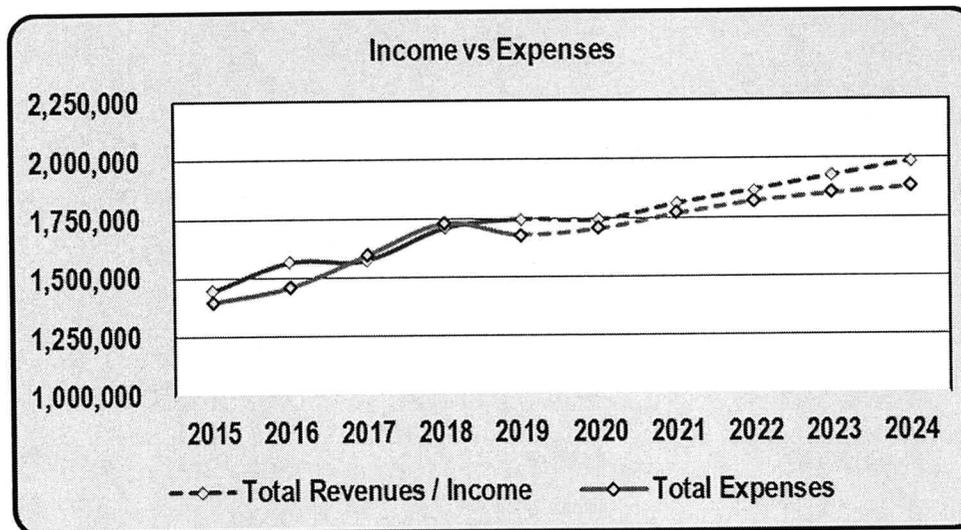


Figure 20

Recommended Rates and Monthly Charges

Figure 21 is a table showing the various amount of water usage with corresponding monthly charges and the differences as the result of the recommended rate increases.

2020 Rates			2021 Rates			
Gallons		Minimum	Gallons		Minimum	% Inc.
First	1,500	\$26.89	First	1,500	\$27.70	3%
		Per 1,000 gal.			Per 1,000 gal.	
Over	1,500	\$11.06	Over	1,500	\$11.39	3%
Water Sold (Gallons)	Monthly Charge		Water Sold (Gallons)	Monthly Charge	Difference	Percent Increase
1,000	\$26.89		1,000	\$27.70	\$0.81	3.0%
3,000	\$43.48		3,000	\$44.78	\$1.30	3.0%
4,000	\$54.54		4,500	\$56.18	\$1.64	3.0%
7,000	\$87.72		7,000	\$90.35	\$2.63	3.0%
10,000	\$120.90		10,000	\$124.53	\$3.63	3.0%
15,000	\$176.20		15,000	\$181.49	\$5.29	3.0%
20,000	\$231.50		20,000	\$238.45	\$6.94	3.0%

Figure 21

Tenn. Code Ann. § 7-82-401

Copy Citation

Current through the 2019 Regular Session

7-82-401. Audited annual financial report — Accounting manual — Books and records.

(a)

(1) The commissioners of each utility district shall cause an audited annual financial report to be made of the books and records of their District. The Comptroller of the treasury, through the department of audit, is responsible for determining that such audits are prepared in accordance with generally accepted governmental auditing standards, and that such audits meet the minimum standards prescribed by the Comptroller of the treasury.

(2) In all counties and districts, the Comptroller of the treasury shall prepare a uniform audit manual as is required to assure that the books and records are kept in accordance with generally accepted accounting principles and that the minimum audit standards prescribed by the Comptroller are met. The manual shall not be applied to invalidate obligations contained in bond resolutions or other debt contracts, nor to modify any substantive legal powers or requirements applicable to utility districts.

(b) The audits shall be prepared by certified public accountants, public accountants or by the department of audit. In the event the governing body of the utility district shall fail or refuse to have the audit prepared, then the Comptroller of the treasury may appoint a certified public accountant, or public accountant or direct the department to prepare the audit, the cost of such audit to be paid by the utility district.

(c) The Comptroller of the treasury is authorized to modify the requirements for an audit as set out in this section for utility districts whose activity, in the Comptroller of the treasury's judgment, is not sufficient to justify the expenses of a complete audit. Furthermore, the Comptroller of the treasury is authorized to direct the department of audit to make an audit or financial review of the books and records of utility districts.

(d) Within ninety (90) days after the close of the fiscal year of each District organized and operating under this law, the commissioners of the District shall publish in a newspaper of general circulation, published in the county in which the District is situated, a statement showing:

(1) The financial condition of the District at the end of the fiscal year;

(2) The earnings of the District during the fiscal year just ended;

(3) All travel and related costs or expenses where any portion of such costs or expenses is paid by the District or any entity or entities, public or private, associated with the District, including, but not limited to, travel for commissioners and employees;

(4) A statement of the water rates then being charged by the District; and

(5) A brief statement of the method used in arriving at such rates.

(e) A copy of such annual statement and audit shall be filed with the county mayor or mayors where publication is required in accordance with this section and § 7-82-608.

(f) Audits performed by the internal audit staffs of the utility districts shall be conducted in accordance with the standards established by the Comptroller of the treasury pursuant to § 4-3-304(9).

(g)

(1) Any utility district that is a financially distressed utility district shall be subject to the supervision and evaluation of the utility management review board created pursuant to part 7 of this chapter.

(2) A government joint venture that supplies or treats water or wastewater for wholesale use only to other governments shall not fall under the jurisdiction of the utility management review board for the purpose of reporting negative change in net position annually, but shall be referred to the board if the government joint venture is in a deficit or default position as described in subdivision (g)(3).

(3) For the purposes of this chapter, "financially distressed utility district" means a utility district, and its system or systems, that, as shown by the audited annual financial reports, has either a deficit in total net position, is in default on an indebtedness, or has a negative change in net position for two (2) consecutive years without regard to any grants, capital contributions, or excluded non-cash items. For purposes of this section, "change in net position" means total revenues less all grants, capital contributions, and expenses, but without reduction for any excluded non-cash items. For purposes of this section, "excluded non-cash items" means any non-cash charges arising from changes to or the implementation of pension and other post-employment benefit standards promulgated by the governmental accounting standards board.

(h)

(1) Utility districts operating public water systems shall include in their audited annual financial report the utility district's water loss in the manner as prescribed by the utility management review board. Failure of the utility district to include the schedule required in this section constitutes excessive water loss and the utility district shall be referred to the utility management review board. Within sixty (60) days from the time that a utility district's audit is filed with the Comptroller of the treasury, the Comptroller of the treasury shall file with the utility management review board the audited annual financial report of any utility district operating a water system whose water loss is excessive as established by rules promulgated by the utility management review board.

(2) For the purposes of subdivision (h)(1), "utility district" includes agencies, authorities, or instrumentalities of government created by private act having the authority to administer a water or wastewater facility.

(i) By February 1 of each year, the Comptroller of the treasury shall provide a written report to the speaker of the house of representatives and the speaker of the senate listing the average annual water loss contained in the audited annual financial report for those utility districts described in subsection (h).



JASON E. MUMPOWER
Comptroller

Entity Referred: **Spring Creek Utility District**

Referral Reason: **Negative Change in Net Position**

Utility Type Referred: **Water**

Staff Summary:

The District contracted with the Tennessee Association of Utility Districts (“TAUD”) to perform a rate study in accordance with the Board’s previous order. TAUD has completed the study and submitted its resulting report and recommendations to the District and to Board staff. The TAUD report does not recommend a rate increase because the District has eliminated a tank rehabilitation fee. The District adopted all of TAUD’s recommendations except a recommendation to decrease its commercial utility fee from \$300.00 to \$150.00. Staff is comfortable with the District’s financial position, but the Board needs to monitor the District’s progress.

Staff Recommendation:

Order the following:

1. The District shall send financial updates to Board staff by March 1st and September 1st of each year, beginning March 1, 2022, until the Board releases the District from its oversight.

**Tennessee Association
of Utility Districts**

Vital for Tennessee's future



REPORT FOR SPRING CREEK UTILITY DISTRICT

UTILITY MANAGEMENT REVIEW BOARD ORDER DATED MARCH 16, 2021

July 13, 2021

INTRODUCTION

Description of the Spring Creek Utility District Water System

Spring Creek Utility District (the District) provides water service in a rural area of Hardeman County, Tennessee. The District's board of commissioners has three members who are appointed by the Hardeman County Mayor.

As of June 30, 2020, the District had 908 customers. All customers are charged the same rates. The District purchases water for distribution to its customers from the City of Bolivar.

The District was referred to the Utility Management Review Board (UMRB) upon the submission of its audit for its fiscal year ending June 30, 2020, because it met the statutory definition for a financially distressed utility district. The District had a negative change in net position for two consecutive years, without regard to any grants or capital contributions, for its fiscal years ending June 30, 2019 and June 30, 2020.

The balance of the District's Cash and Cash Equivalents accounts as of June 30, 2020, was \$856,751.

History of Rate Increases

Since July 1, 2017, the District has implemented small rate increases annually. The District adopted a new water rate schedule which became effective on July 1, 2021 as follows:

Minimum bill (includes 2,000 gallons)	\$22.91
Over 2,000 gallons	\$ 8.62 per 1,000 gallons

The annual rate increases the District has been implementing became insufficient to keep the District self-supporting beginning with its fiscal year ending June 30, 2019. For its fiscal years ending June 30 of 2019, 2020 and 2021, the District has included a large expense called contractor fee in the following amounts:

June 30, 2019	\$70,387
June 30, 2020	\$97,375
June 30, 2021	\$76,544

TAUD discussed this contractor fee expense with the District to find out the purpose of these expenditures. The District hired Preferred Sandblasting & Painting, LLC from Shelbyville, Tennessee to sandblast, rehabilitate and paint two of the District's water tanks. This work extended from 2019 through the first part of 2021. This tank rehabilitation work has now been completed. Therefore, TAUD has not included the contractor fee as an expense in its financial projections for the District's fiscal years beginning July 1, 2021.¹

¹ TAUD is unsure whether the tank rehabilitation expenses should have been expensed or capitalized. Nevertheless, the contractor fee was expensed and will not occur in future fiscal years during the five year projection period.

Utility Management Review Board Order

On March 16, 2021, the Utility Management Review Board (UMRB) issued an order directing Spring Creek Utility District to do the following items.

- 1) The District shall have the Tennessee Association of Utility Districts, or another qualified expert as approved by the Board staff, perform a rate study that includes the following:
 - a) A review of debt management policy;
 - b) A review of capitalization policy; and
 - c) A review of connection, reconnection, and tap fees.
- 2) By April 15, 2021, the District shall send Board staff a copy of the contract between the District and the qualified expert who is to perform the tasks in paragraph 1.
- 3) By June 30, 2021, the District shall provide Board staff with the completed rate study and either proof of implementation of the resulting recommendations or a proposed plan of implementation.
- 4) Board staff is given the authority to grant an extension of up to six months of the foregoing deadlines upon a showing of good cause by the District.

RECOMMENDATIONS

Recommendation #1

TAUD does not recommend any monthly water rate increases for the District.

Recommendation #2

TAUD recommends that the District increase its water tap fee to \$850 so the tap fee covers the cost of installing water taps for its customers.

Recommendation #3

TAUD recommends that the District's board consider reducing its commercial utility fee from \$300.00 to \$150.00.

Recommendation #4

TAUD recommends that the District adopt a new capitalization policy which will include the service lives recommended by the UMRB for water systems for utility districts. TAUD prepared a suggested capitalization policy for the District to adopt which is attached as **Exhibit 9** to this Report.

RATE STUDY AND PROPOSED PLAN OF ACTION

To determine whether the rates which became effective on July 1, 2021, will produce sufficient revenues to make the District's water system self-supporting, TAUD first projected a Statement of Revenues and Expenses and Changes in Net Position for the District for its fiscal year ending June 30, 2021, to use as its test year.

TAUD projected revenues, operation and maintenance expenses and debt service payments by reviewing historical information from the five previous years, the District's budget for the fiscal year ending June 30, 2021, the District's unaudited financial statements for the first nine months of the test year and any known and anticipated changes. See the Revenues and Expenses - Test Year Schedule attached as **Exhibit 1**.

Then, TAUD projected Statements of Revenues and Expenses and Changes in Net Position for the District for its fiscal years ending June 30 of 2022, 2023, 2024, and 2025. See **Exhibit 2** attached to this Report. The projected Statements incorporate the District's Five-Year Capital Asset Plan attached as **Exhibit 3**.

Revenue Projections:

- Revenue from water sales for the test year was projected by taking the District's actual water usage reports for its customers as of June 30, 2020, and applying the District's water rates in effect on July 1, 2021, to this actual usage.
- Utility fees, connect and reconnect fees, service charges and other water revenues are based upon the average of these revenue items for the District's last two fiscal years ending June 30, 2019 and June 30, 2020.
- Meter tapping fees are based upon the amount of these fees which were paid during the District's fiscal year ending June 30, 2021.
- Interest income for the test year is based upon the average of interest income for the District's last two fiscal years ending June 30, 2019 and June 30, 2020.
- Since 2016 the District has experienced minimal annual customer growth and does not plan to expand its existing water system in the near future. Therefore, the water sales and the other revenues for the 2022, 2023, 2024, and 2025 fiscal years do not include any revenue increases based annual customer growth.

Expense Projections:

- Except for depreciation, employee benefits and payroll taxes, contractor fee, and insurance, all operating expenses for the test year are based upon the average of the operating expenses for the District's 2019 and 2020 fiscal years.

- Employee benefits and payroll taxes for the test year is based the actual amount for the first nine months plus an estimate of the remaining three months of the District’s fiscal year ending June 30, 2021.
- Depreciation for the test year is based upon the District’s fixed asset schedule which includes the annual depreciation amount of its capital assets. Then, TAUD added the annual depreciation on the capital assets added during the District’s 2020 fiscal year and capital assets added or which are planned to be added during the District’s 2021 fiscal year.
- Except for depreciation and contractor fee, operating expenses for the remaining four years in the five-year projection period are increased by 2% annually over the projected amount for the test year.
- As previously discussed, no contractor fee is projected for the remaining four years in the five-year projection period.
- Interest expense is based upon on the debt amortization schedules of the District’s existing debt.
- Annual depreciation expenses for the remaining four years of the five-year projection includes depreciation on new capital assets planned to be placed into service during the remaining four year of five-year projection period.

Revenue Sufficiency and Rate Modifications Required

At the rates in effect on January 1, 2021, TAUD projects that the District will have a negative change in net position of (\$488) for the test year ending June 30, 2021, excluding grants and capital contributions.

Because the District’s tank rehabilitation project was completed before July 1, 2021, the contractor fee is not an on-going expense in future years. With the elimination of this expense, the District will have a positive change in net position for the remaining four years in its five-year projection period at existing rates. Therefore, no rate increase is needed.

Projected Cash and Investments Schedule

Based upon existing rates, the District should have a cash and investments balance of \$1,180,430 as of June 30, 2025, based upon the revenue and expense projections in **Exhibit 2**. The Projected Cash and Cash Equivalents Balance Schedule is attached as **Exhibit 4**.

TAP FEES

TAUD recommended that the District review the average material and labor costs it incurs in installing a water tap to ensure the current tap fee is covering the cost of making a tap. The District's current tap fee is \$750.00. The District estimated the labor and material costs it incurs to install a water tap to be \$863.00 which is set forth **Exhibit 5**. TAUD recommends that the District increase its water tap fee to \$850.00 so the tap fee covers the cost of installing water taps for its customers.

OTHER UTILITY FEES

When the District was referred to the UMRB, the District had the following connection and reconnection customer fees:

Utility fee (connection fee)	\$150.00
Utility fee (connection fee - renters)	\$200.00
Utility fee (connection fee – commercial)	\$300.00
Reconnection fee	\$100.00
Transfer-in fee	\$ 50.00

At a minimum, a connection fee should cover the cost of establishing new service for a customer. These costs should attempt to cover a customer service employee meeting with the applicant or talking with the applicant by phone, reviewing the application for service, and processing the connection fee payment and tap fee payment, if applicable. A field employee must travel to the service address to verify the initial meter reading for the new account and to turn on the meter.

The District's utility fees are paid when a new customer signs up for service. The current utility fees were adopted on June 27, 2016, after the District's board met with John Greer and Betsy Knotts when the District was previously before the UMRB. See the minutes of the District's June 27, 2016 board meeting attached as **Exhibit 6**. Because there has been no significant change in the District's cost to sign up new customers for service since 2016, TAUD does not recommend any changes to the residential property owner utility fee and renter utility fee.

The District informed TAUD that it did not cost any more for the District to initiate service for a new commercial customer than a residential customer. Therefore, TAUD recommends that the board consider reducing its commercial utility fee from \$300.00 to \$150.00.

The District charges a transfer-in fee of \$50 to change water service for an existing customer from one service address to another service address within the District. Because the District already has current information on the customer, TAUD agrees that the transfer-in fee should be less than the utility connection fee. Therefore, the transfer-in fee of \$50 is reasonable

TAUD recommended that the District review the costs it incurs in reconnecting service after water service is terminated for non-payment. A District employee must make two trips to a customer's service address to turn off water for non-payment and to turn the water back on once payment is made. In addition, the administrative time required to prepare service termination lists, communicate with delinquent customers and record payments should be covered by the reconnect fee. The estimated costs the District incurs in reconnecting service is set forth **Exhibit 7**. The District's current reconnection fee covers its cost in reinstating service after a service termination for nonpayment; therefore, TAUD recommends no change to the reconnection fee.

DEBT MANAGEMENT POLICY

The District adopted a debt management policy on February 27, 2017, which is attached as **Exhibit 8** to this Report. This debt management policy includes all of the provisions recommended by the State Funding Board for public entities. Therefore, no action needs to be taken on the District's debt management policy.

DISTRICT'S CAPITALIZATION POLICY

TAUD recommends that the District adopt a new capitalization policy which includes the recommended service lives for water system assets adopted by the UMRB for utility districts. A suggested resolution to use to adopt this new capitalization policy is attached as **Exhibit 9** to this Report.

Spring Creek Utility District - Test Year

	2021 Budget for State	Last 2 Year Average	9 months Ending 3/31/21	2021 Estimated	Explanation
Operating Revenues:					
Gross Water Sales	449,000	425,926	391,207	438,413	Used amount calculated with new rates
Utility Fees	18,500	18,125	13,550	18,125	Used 2 year average
Meter Tapping Fees	3,150	2,700	4,650	4,500	Used close to YTD
Connect & Reconnect Fees	6,200	5,855	2,500	5,855	Used 2 year average
Service Charges	1,042	1,036	1,247	1,036	Used 2 year average
Other Water Revenues	1,370	766	492	766	Used 2 year average
Total Operating Revenues	479,262	454,408	413,646	468,695	
Operating Expenses:					
Purchased Water	148,000	161,945	128,548	161,945	Used 2 year average
Salaries & Wages	46,000	46,838	89,682	46,838	Used 2 year average
Employee Benefits & Payroll Taxes	17,000	14,885	16,921	17,000	Used budgeted amount
Contractor Fee	50,000	83,881	76,544	76,544	Used total from this year
Office Supplies	5,284	5,736	6,344	5,736	Used 2 year average
Office & Shop Utilities	8,800	9,911	5,405	9,911	Used 2 year average
Insurance	11,800	11,734	(1,131)	11,800	Used budget
Professional Fees	8,610	6,595	6,940	6,595	Used 2 year average
Grounds Maintenance	4,500	4,739	1,159	4,739	Used 2 year average
Software Maintenance	2,000	5,458	2,194	5,458	Used 2 year average
Equipment	1,631	421	825	421	Used 2 year average
Commissioner Fees & Expenses	10,800	10,800	-	10,800	Used 2 year average
Janitorial	5,900	5,453	-	5,453	Used 2 year average
Rent	929	1,112	822	1,112	Used 2 year average
Telephone	3,200	4,656	3,302	4,656	Used 2 year average
Miscellaneous	3,151	1,798	2,984	1,798	Used 2 year average
Salaries & Wages - Maintenance	43,000	42,203	-	42,203	Used 2 year average
Supplies - Maintenance	4,000	4,657	38,566	4,657	Used 2 year average
Depreciation	44,000	42,805		42,753	Used amount from depreciation schedule
Total Operating Expenses	418,605	465,623	379,105	460,419	
Operating Income (Loss)	60,657	(11,216)	34,541	8,276	
Nonoperating Revenues (Expenses)					
Interest Income	-	4,821	663	4,821	Used 2 year average
Interest Expense	(33,468)	(15,083)	-	(13,585)	Used amount from amortization schedule

Total Nonoperating Revenues (Expenses)	<u>(33,468)</u>	<u>(10,262)</u>	<u>663</u>	<u>(8,764)</u>
Change in Net Position before Contributed Capital and Grants	27,189	(21,477)	35,204	(488)
Contributed Capital / Grants	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position	<u><u>27,189</u></u>	<u><u>(21,477)</u></u>	<u><u>35,204</u></u>	<u><u>(488)</u></u>

Spring Creek Utility District - Projected Statements of Revenues and Expenses and Changes in Net Position

	Projected 6/30/2021	Projected 6/30/2022	Projected 6/30/2023	Projected 6/30/2024	Projected 6/30/2025
Operating Revenues:					
Gross Water Sales	438,413	447,212	447,212	447,212	447,212
Utility Fees	18,125	18,125	18,125	18,125	18,125
Meter Tapping Fees	4,500	4,500	4,500	4,500	4,500
Connect & Reconnect Fees	5,855	5,855	5,855	5,855	5,855
Service Charges	1,036	1,036	1,036	1,036	1,036
Other Water Revenues	766	766	766	766	766
Total Operating Revenues	468,695	477,494	477,494	477,494	477,494
Operating Expenses:					
Purchased Water	161,945	165,184	168,488	171,857	175,294
Salaries & Wages	46,838	47,775	48,730	49,705	50,699
Employee Benefits & Payroll Taxes	17,000	17,340	17,687	18,041	18,401
Contractor Fee	76,544	-	-	-	-
Office Supplies	5,736	5,851	5,968	6,087	6,209
Office & Shop Utilities	9,911	10,109	10,311	10,518	10,728
Insurance	11,800	12,036	12,277	12,522	12,773
Professional Fees	6,595	6,727	6,861	6,999	7,139
Grounds Maintenance	4,739	4,834	4,930	5,029	5,130
Software Maintenance	5,458	5,567	5,679	5,792	5,908
Equipment	421	429	438	447	456
Commissioner Fees & Expenses	10,800	11,016	11,236	11,461	11,690
Janitorial	5,453	5,562	5,673	5,787	5,903
Rent	1,112	1,134	1,157	1,180	1,204
Telephone	4,656	4,749	4,844	4,941	5,040
Miscellaneous	1,798	1,834	1,871	1,908	1,946
Salaries & Wages - Maintenance	42,203	43,047	43,908	44,786	45,682
Supplies - Maintenance	4,657	4,750	4,845	4,942	5,041
Depreciation	42,753	48,753	48,753	48,753	48,753
Total Operating Expenses	460,419	396,697	403,656	410,754	417,994
Operating Income (Loss)	8,276	80,797	73,838	66,740	59,500
Nonoperating Revenues (Expenses)					
Interest Income	4,821	4,821	4,821	4,821	4,821
Interest Expense	(13,585)	(12,516)	(11,389)	(10,201)	(8,950)
Total Nonoperating Revenues (Expenses)	(8,764)	(7,695)	(6,568)	(5,380)	(4,129)
Change in Net Position before Suggested Rate Increase	(488)	73,102	67,270	61,360	55,371
Revenue Generated from Suggested Rate Increase	N/A	N/A	N/A	N/A	N/A
Change in Net Position	(488)	73,102	67,270	61,360	55,371

Spring Creek Utility District
Five Year Capital Asset Plan

	<u>6/30/2021</u>	<u>6/30/2022</u>	<u>6/30/2023</u>	<u>6/30/2024</u>	<u>6/30/2025</u>
E42 Excavator		60,000			
	-	60,000	-	-	-
Additional Depreciation	-	6,000	6,000	6,000	6,000
Total Capital Outlay & Depreciation	-	66,000	6,000	6,000	6,000
Source of Funds					
Loans					
Developer Funded					
Cash		60,000			
Total Funding Sources	-	60,000	-	-	-

Spring Creek Utility District - Projected Cash & Investments

	Projected <u>6/30/2021</u>	Projected <u>6/30/2022</u>	Projected <u>6/30/2023</u>	Projected <u>6/30/2024</u>	Projected <u>6/30/2025</u>
Beginning Balance	856,751	879,133	920,036	1,013,979	1,100,825
Sources of Funds					
Gross Water sales ***	438,413	447,212	447,212	447,212	447,212
Other Revenues	30,282	30,282	30,282	30,282	30,282
Interest Revenue	4,821	4,821	4,821	4,821	4,821
Total Sources of Funds	473,516	482,315	482,315	482,315	482,315
Uses of Funds					
Operating Expenses	460,419	396,697	403,656	410,754	417,994
Depreciation	(42,753)	(48,753)	(48,753)	(48,753)	(48,753)
Interest Expense	13,585	12,516	11,389	10,201	8,950
Principle Paid on Debt	19,883	20,952	22,079	23,267	24,518
Capital Outlay	-	60,000	-	-	-
Total Uses of Funds	451,134	441,412	388,371	395,469	402,709
Ending Balance	879,133	920,036	1,013,979	1,100,825	1,180,430

NOTE: This synopsis from beginning funds to ending funds does not include accounts receivable, accounts payable, fixed asset or any other adjustments made to the balance sheet. This is a "cash basis" summary.

Cost of Tap Installation

Name of Utility SPRING CREEK UTILITY DISTRICT

Prepared By: _____ Title : _____

Date Prepared: _____

Type of Tap WATER TAP

Quantity	Itemized Description	Cost	Total Cost
<u>1</u>	Water Meter @	\$51.00 each	\$51.00
<u>1</u>	Meter Box @	\$30.00 each	\$30.00
<u>1</u>	Meter setter/Check Valve @	\$139.27 each	\$139.27
<u>1</u>	Corporation Stop @	\$43.82 each	\$43.82
<u>1</u>	Feet of Service Line @	\$5.06 per foot	\$5.06
	Feet of Location Wire/Tape @	per foot	\$0.00
	connection meter fitting @	each	\$0.00
<u>1</u>	Saddle @	\$61.61 each	\$61.61
	Air Compressors @	each	\$0.00
	Valve or Valve Parts @	each	\$0.00
<u>2</u>	Backhoe Hours @	\$31.57 per hour	\$63.14
<u>1</u>	Boring @	\$300.00 per foot	\$300.00
<u>1</u>	Truck and Trailer Hours @	\$15.00 per mile	\$15.00
	Locate Cost @	per hour	\$0.00
	Miscellaneous		\$0.00
	Seed Straw@		\$0.00
	1000 Gallons Flushing @	per 1000	\$0.00
<u>0.5</u>	Administrative Hours @	\$13.79 per hour	\$6.90
	Final clean -up/&inspection		\$0.00
	Installation Labor for <u>2</u> men x <u>2</u> hours @	\$31.57 per hour	\$126.28
	Overhead	0%	\$21.22
	Total		\$863.30

NOTE
TAP FEES ARE \$750. COSTS EXCEED THIS, RECOMMEND TO INCREASE TAP FEES

SPRING CREEK WATER UTILITY BOARD MINUTES

June 27, 2016

Present: Bob Vickers, Gary Rodgers & John Sain

The Spring Creek Utility Board met in a regular meeting at 4:30 p.m. The board reviewed the expenditures and receipts for the month of June and checked the bank statement. All was in order.

Customers owing a water or sewer bill at the end of June were:

Hwy 64 Car/Truck Sales	2-324-2	20.74	Water
Wilma Collins	2-261-1	51.45	Water
Regina Williams	2-2455-5	162.10	Water
Tavishia Anderson	6-629-16	7.60	Water
Lizer Morrow	2-980-6	17.46	Water (Transfer)

John Greer and Betsy Knotts from the State of Tennessee Comptroller Office met with the board and Mary DeFoor, office manager, on June 21. Several items were discussed to help the water system become more efficient in the coming years. The system has been referred to the State Utility Board because of net loss the last two years. Suggestions for improvements included: rate study/summary, fee changes, Office manager to attend TAP Conference in December for training/updates, obtaining TAUD policies on CD and adopting policies that pertain to the local system, and presenting a change in net position report to the board each month along with the bank statements, and expenditure/receipts.

Mr. Greer also suggested that the district obtain bids on needed water tank repairs. Tony Wyatt, with TAUD, will email tank companies to contact.

Changes effective July 1, 2016:

--There will no longer be deposits or connection fees for new service contracts. There will be non-refundable utility fees charged as follows:

Homeowners	\$150.00
Renters	\$200.00
Commercial	\$300.00

--Those presently on the deposit/connection fee system will continue as is until the present account is closed/finaled.

--Transfer within district fee will remain at \$50, Tap Fee will remain at \$750.00, and reconnection fee will remain at \$100.00 plus arrears until further action by the board.

--There will be no more leak adjustments at this time. The board will look at leak adjustment insurance and decide on that at a later time.

-The service fee for using credit/debit cards for bill payments will now be \$1.75 instead of \$2.00. This is because of recent changes in state laws.

-As the City of Bolivar water rates increase, Spring Creek will increase rates as needed.

Mr. Greer also suggested that the district obtain bids on needed water tank repairs. Tony Wyatt, with TAUD, will email tank companies to contact. He asked that we discuss and write a 5-year plan to present to the Utility Board with changes/proposed changes to help the system stay solvent in years to come.

* Mr. Ronnie Russell retired on June 30, 2016. Mr. Tim Warren was hired for his position.

With no further business, meeting was adjourned.



Bob Vickers, President



John Sain, Commissioner



Gary Rodgers, Treasurer

Spring Creek Utility District - Review of Fees

Re-Connection Fees	\$100.00
Expenses:	
Field Staff	\$ 52.79
Office Staff	\$ 19.10
Locks	\$ 8.00
	<u>\$ 79.89</u>

Spring Creek Utility District, Hardeman County, TN
Utility Policy Manual

Debt Management Policy

INTRODUCTION

Debt management policies provide written guidance about the amount and type of debt issued by local governments, the issuance process, and the management of the debt portfolio. A debt management policy tailored to the needs of the Board of Commissioners (the “Governing Body”) of the Spring Creek Utility District of Hardeman County, Tennessee (the “District”) can improve the quality of decisions, identify and disclose parameters relating to the structure and issuance of debt, identify policy goals, and provide a foundation for long-term financial planning, all of which are in the public interest of the District. If applicable, adherence to a debt management policy may signal to rating agencies and the capital markets that a governmental entity is well-managed and should meet its obligations in a timely manner.

Debt levels and their related annual costs are important long-term obligations that must be managed within available resources. An effective debt management policy provides guidelines for a government to manage its debt program in line with those resources.

This Debt Management Policy is intended to comply with the debt management policy requirements promulgated by the Tennessee State Funding Board in December 2010.

Objectives

The Governing Body is establishing a debt policy as a tool to ensure that financings undertaken by the Governing Body satisfy certain clear objective standards designed to protect the District's financial resources and to meet its long-term capital needs. The objectives of this policy are:

1. To document responsibility for the oversight and management of debt-related transactions;
2. To establish criteria and promote prudent financial management for the issuance of debt obligations and the evaluation of debt issuance options;
3. To identify legal and administrative limitations on the issuance of debt and ensure the legal use of the Governing Body's debt issuance authority;
4. To define the types and appropriate use of debt approved for use within the constraints established by Tennessee law;
5. To provide guidance for evaluating refunding candidates or alternative debt structures;
6. Where applicable, to provide support for the maintenance of credit ratings;
7. To enhance risk management practices; and
8. To increase transparency, reduce conflicts, and promote cooperation in the debt management process.

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Debt Management Strategies

To achieve the objectives above, the Governing Body adopts the following debt management strategies and procedures.

A. Funding Strategies

1. Debt is to be issued pursuant to the authority of and in full compliance with provisions, restrictions and limitations of the Constitution and laws of the State of Tennessee (the "State") (including Title 7, Chapter 82, Tennessee Code Annotated (the "Utility District Act") and various bond authorizations enacted by the General Assembly of the State), and pursuant to resolutions adopted by the Governing Body.
2. **(For Water and Wastewater Utility Districts)** Debt may only be used to finance or refinance the capital costs of improving the District's utility system (the "System") and such other costs related thereto as may be permitted by the Utility District Act (including without limitation issuance costs, capitalized interest and the funding of debt service reserves), all of which must be authorized by the Governing Body. Debt may not be issued to finance the District's operating costs.
3. Debt shall be secured by and payable from the revenues of the System, as prescribed by resolution of the Governing Body, and a corresponding statutory lien on the assets of the System.

B. Federal Tax Status

1. **Tax-Exempt Debt** — Based on the assumptions that tax-exempt interest rates are lower than taxable rates and that the interest savings outweigh the administrative costs, restrictions on use of financed projects, and investment constraints, the District will use its best efforts to maximize the amount of debt sold under this policy as tax-exempt.
2. **Taxable Debt** — The District will sell taxable debt when necessary to finance projects with a private use or uncontrolled purpose. The Governing Body encourages the financing team to blend the financing of taxable projects with the financing of tax-exempt projects whenever possible.

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C. Legal Limitations on the Use of Debt

1. No debt obligation shall be issued to fund the current operation of the District.
2. The proceeds of any debt obligation shall be expended only for the purpose for which it was authorized by the Governing Body.
3. All debt shall be approved by resolution of the Governing Body.
4. Prior to the consideration of a resolution authorizing the issuance of debt, the General Manager and/or the President of the Governing Body shall prepare and submit a request for financing report from the State Comptroller's office, as required by the Utility District Act. If timely received, the General Manager and/or the President of the Governing Body shall cause the report to be published as required by the Utility District Act. No financing report is required by the Utility District Act in connection with a loan from a state or federal agency.

Types of Debt

Pursuant to the Utility District Act, the District is authorized from time to time to issue or incur the following types of debt, all of which is subject to the terms of the debt management policy.

- A. Bonds**
The District may issue bonds under the Utility District Act to finance capital projects or refinance outstanding debt.
- B. Bond Anticipation Notes (BANs)**
BANs are short term obligations authorized to be issued under the Utility District Act that will be repaid by proceeds of a subsequent bond issue.
- C. Capital Leases**
Capital leases are leases of equipment or other System property, where the leased property becomes the property of the District at the end of the lease term and the lease payments include a financing component.
- D. Loans from State or Federal Agencies**
The District may incur debt in the form of loans from State or federal agencies. Loans are evidenced by a loan agreement between the District and the lending agency.

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E. Loans from Public Building Authorities

The District may enter into loan agreements with one or more public building authorities, pursuant to Sections 12-10-101 et seq., Tennessee Code Annotated, in lieu of issuing bonds or notes under the Utility District Act. The policies set forth herein for bonds issued under the Utility District Act shall be equally applicable to loan agreements entered into with a public building authority.

Debt Management Practices

A. Structure

The Governing Body shall establish by resolution all terms and conditions relating to the issuance of debt.

1. Term

Any debt (including refunding debt) shall have a weighted average maturity not greater than the weighted average expected lives of the assets financed by such debt. In addition, the final maturity of any debt should not be longer than the expected life of the longest lived asset financed thereby.

2. Capitalized Interest

From time to time certain financings may require the use of capitalized interest. Interest may be financed (capitalized) through a period permitted by federal law and the authorizing resolution of the Governing Body if it is determined that doing so is in the District's best interest.

3. Debt Service Structure

The District will seek to structure its aggregate debt with level or declining debt service payments over the life of its aggregate debt. In structuring principal repayment for any debt issue, the Utility will seek to balance the goals of (a) amortizing principal as quickly as possible to minimize interest costs, and (b) maintaining consistent and manageable rates for its Customers.

4. Call Provisions

The District will strive to issue all of its debt with a call feature no later than ten (10) years from the date of delivery. In any event, call features should be structured to provide the maximum flexibility relative to cost. The District will avoid the sale of long-term non-callable bonds absent careful evaluation by the Governing Body with respect to the value of the call option.

5. Original Issuance Discount/Premium

Bonds sold with original issuance discount/premium are permitted with the approval of the Governing Body.

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6. **Debt Service Reserve Funds**

If the Governing Body determines that it is necessary to fund a debt service reserve fund in connection with debt, it may agree to fund such a reserve. The size of any debt service reserve fund established in connection with the tax-exempt debt will be in compliance with applicable federal tax rules. The District will strive to fund debt service reserves with District funds, rather than with debt. However, the District may use the proceeds of debt to fund debt service reserves if the Governing Body concludes that the restriction of District funds would reduce unrestricted funds below manageable levels.

7. **Fixed vs. Variable Interest Rates**

Fixed rate debt bears interest at a rate or rates that remain constant throughout the life of the debt. Variable rate debt bears interest at a variable rate through the term thereof.

The District will issue all of its debt with fixed rates, except as follows:

- Bond anticipation notes may be issued with variable rates, given their short term nature.
- The District may issue or incur variable rate debt if provision as to the calculation or change of variable interest rates is included in the authorizing resolution and the Governing Body carefully evaluates the risks related thereto. The District will annually include in its budget an interest rate assumption for any outstanding variable rate debt that takes market fluctuations affecting the rate of interest into consideration. The General Manager shall monitor the ongoing costs and risks of outstanding variable rate and make reports to the Governing Body no less than annually with respect thereto.

B. **Refinancing Outstanding Debt**

The Governing Body will consider the following issues when analyzing possible refunding opportunities:

1. **Reasons for Refunding**

Debt will be considered for refunding when:

- The refunding results in net present value savings to the District;
- The refunding of the debt is necessary due to a change in private/public use of a project that would cause a need to change the tax status of the debt; or
- The Governing Body expressly determines by resolution that the refunding of the bonds accomplishes debt service restructuring that is in the District's best interest.

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2. **Term of Refunding Issues**
 The Governing Body will refund bonds within the term of the originally issued debt, unless otherwise expressly approved by resolution of the Governing Body.
3. **Escrow Structuring**
 The District shall take steps to utilize the least costly securities available in structuring refunding escrows; provided that the District may purchase U.S. Treasuries – State and Local Government Series if it is determined that the costs and risks attendant to the solicitation of open market securities outweigh any attendant benefits.

C. Methods of Sale

Pursuant to the Utility District Act, debt may be issued at competitive or negotiated sale.

1. **Competitive** — In a competitive sale, the District's bonds shall be awarded to the bidder providing the lowest true interest cost as long as the bid adheres to the requirements set forth in the official notice of sale.
2. **Negotiated** — In a negotiated sale, the underwriter/lender/lessor will be chosen prior to the sale and the interest rate and the fees of the underwriter/lender/lessor are negotiated prior to the sale.

In the case of loans from State or Federal agencies, the District will negotiate directly with the agency making the loan. In all other cases, the Governing Body will determine the manner of sale, and will set forth the manner of sale in the resolution authorizing the debt.

D. Underwriter Selection (Negotiated Transaction)

The District, with assistance from its financial advisor (if the District has engaged a financial advisor), shall select the underwriter/lender/lessor for a proposed negotiated sale. The selection criteria will include the following factors and such other factors as the Governing Body may identify:

- Ability and experience in managing similar debt transactions;
- Prior knowledge and experience with the District;
- Capital adequacy;
- Quality and experience of personnel assigned to the District's engagement;
- Financing ideas presented; and
- Underwriter/lender/lessor fees.

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E. Credit Quality

If the District maintains a credit rating, the District's debt management activities will be conducted to maintain the highest credit ratings possible, consistent with District's financing and rate maintenance objectives. The General Manager will be responsible for maintaining relationships and communicating with the rating agencies that assign ratings to the District's debt. Full disclosure of operations and open lines of communication shall be maintained with the rating agencies. The General Manager shall work with its financial advisor and/or underwriter (as applicable) to prepare and make presentations to the rating agencies to assist credit analysts in making an informed decision.

F. Credit Enhancements

The District will consider the use of credit enhancements on a case-by-case basis, evaluating the economic benefit versus the cost. Only when clearly demonstrable savings can be shown shall an enhancement be utilized. The District may consider each of the following enhancements as alternatives by evaluating the cost and benefit of such enhancements: bond insurance, reserve fund surety bonds, letters of credit and liquidity facilities.

G. Use of Structured Products

No interest rate agreements or forward purchase agreements will be considered unless a policy defining the use of such products is approved before the transaction is considered.

H. Risk Assessment

The District will evaluate each transaction to assess the types and amounts of risk associated with that transaction, considering all available means to mitigate those risks. The District will evaluate all proposed transactions for consistency with the objectives and constraints defined in this Policy. The following risks should be assessed before issuing debt:

1. **Change in Public/Private Use** — The change in the public/private use of a project that is funded by tax-exempt funds could potentially cause a bond issue to become taxable.
2. **Default Risk** — The risk that debt service payments cannot be made by the due date.
3. **Liquidity Risk** — The risk of having to pay a higher rate to the liquidity provider in the event of a failed remarketing.
4. **Interest Rate Risk** — The risk that interest rates will rise, on a sustained basis, above levels that would have been set if the issued had been fixed.

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5. **Rollover Risk** — The risk of the inability to obtain a suitable liquidity facility at an acceptable price to replace a facility upon termination or expiration of a contract period.
6. **Credit Risk** — The risk that an issuer of debt securities or a borrower may default on its obligations by failing to repay principal and interest in a timely manner.

J. Continuing Disclosure

To the extent that any of the District's debt issues are subject to U.S. Securities and Exchange Commission Rule 15c2-12 ("Rule 15c2-12"), the Governing Body will provide certain financial information and operating data by specified dates, and will provide notice of certain enumerated events with respect to the bonds, all as described in Rule 15c2-12.

K. Transparency

The District shall comply with the Tennessee Open Meetings Act, providing adequate public notice of meetings and specifying on the agenda of a meeting when matters related to debt issuance will be considered. Additionally, in the interest of transparency, all costs (including interest, issuance, continuing, and one-time) shall be disclosed to the citizens in a timely manner. To comply with the requirements of the preceding sentence, an estimate of the costs described above will be presented to the Governing Body along with any resolution authorizing debt.

Within four weeks of closing on a debt transaction, the debt service schedule and the State Form CT-0253 shall be available at the office of the General Manager for inspection and review by members of the Governing Body and the District's Customers.

L. Professional Services

The District requires all professionals engaged to assist in the process of issuing debt to clearly disclose all compensation and consideration received related to services provided in the debt issuance process by the District. This includes "soft" costs or compensations in lieu of direct payments.

1. **Counsel** — The District will enter into an engagement letter agreement with each lawyer or law firm representing the District in a debt transaction. No engagement letter is required for any lawyer who serves as counsel to the District regarding District matters generally.
2. **Bond Counsel** — Bond counsel for each debt transaction is contracted by the Governing Body and serves to assist the District in such debt issue.

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3. **Financial Advisor** — If the District chooses to engage a financial advisor, the financial advisor for each debt transaction will be contracted by the Governing Body and will serve and assist the District on financial matters related to such debt transaction. The Governing Body shall approve the written agreement between the District and the financial advisor with respect to a debt transaction. The financial advisor shall not be permitted to bid on or underwrite an issue for which it is or has been providing advisory services.
4. **Underwriter** – If there is an underwriter for a debt issue, the underwriter must clearly identify itself to the District in writing (e.g., in a response to a request for proposals or in promotional materials provided to the District) as an underwriter and not as a financial advisor from the earliest stages of its relationship with the District with respect to that issue. The underwriter must clarify its primary role as a purchaser of securities in an arm's-length commercial transaction and must disclose that it has financial and other interests that differ from those of the District. The underwriter in a publicly offered, negotiated sale shall be required to provide pricing information both as to interest rates and to takedown per maturity to the General Manager in advance of the pricing of the debt.

M. Potential Conflicts of Interest

Professionals involved in a debt transaction hired or compensated by the District shall be required to disclose existing client and business relationships between and among the professionals to a transaction (including but not limited to financial advisor, swap advisor, bond counsel, swap counsel, trustee, paying agent, underwriter, counterparty, and remarketing agent), as well as conduit issuers, sponsoring organizations and program administrators. This disclosure shall include that information reasonably sufficient to allow the District to appreciate the significance of the relationships.

Professionals who become involved in the debt transaction as a result of a bid submitted in a widely and publicly advertised competitive sale conducted using an industry standard, electronic bidding platform are not subject to this disclosure. No disclosure is required that would violate any rule or regulation of professional conduct.

Debt Administration

A. Planning for Sale

1. In considering the adoption of any debt resolution, the Governing Body shall consider the purpose of the financing, the proposed structure of the financing, the proposed method of sale for the financing, members of the proposed financing team and an estimate of all the costs associated with the financing.

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tax exempt debt-financed facilities to ensure that no impermissible private use occurs.

E. Investment of Proceeds

Any proceeds or other funds available for investment by the District must be invested pursuant to applicable State law.

Review of the Policy

The debt policy guidelines outlined herein are only intended to provide general direction regarding the future use and execution of debt. The Governing Body maintains the right to modify these guidelines (except to the extent these guidelines are mandated by applicable state law or regulation) and may make exceptions to any of them at any time to the extent that the execution of such debt achieves the Governing Body's goals. Any exceptions to these policies shall be expressly acknowledged in the resolution authorizing the pertinent debt issue. In the event of a conflict between the terms of a debt resolution and this policy, the terms of the debt resolution shall control.

This policy will be periodically reviewed by the Governing Body, at which time, the General Manager will present any recommendations for any amendments, deletions, additions, improvement or clarification.

Policy

ADOPTION DATE: 2/27/2017

EFFECTIVE DATE: 3/1/2017

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2. In the case of a proposed refunding, proposed use of credit enhancement, or proposed use of variable rate debt, the General Manager will present to the Governing Board the rationale for using the proposed debt structure, an estimate of the expected savings associated with the transaction (if applicable) and a discussion of the potential risks associated with the proposed structure.
3. If required by Rule 15c2-12, the General Manager, the bond counsel, financial advisor (if applicable), along with other members of the financing team will prepare a Preliminary Official Statement describing the transaction and the security for the debt that is fully compliant with all legal requirements.

B. Post Sale

1. The General Manager will maintain for review by members of the Governing Body and the public a debt service schedule and the CT-0253 Form related to the debt issue.
2. The General Manager will establish guidelines and procedures for tracking the flow of all bond proceeds, as defined by the Internal Revenue Code, over the life of bonds reporting to the IRS all arbitrage earnings associated with the financing and any tax liability that may be owed.
3. If required by Rule 15c2-12, the General Manager, the bond counsel, financial advisor (if applicable), along with other members of the financing team will prepare an Official Statement describing the transaction and the security for the debt that is fully compliant with all legal requirements.

C. Arbitrage

Compliance with arbitrage requirements on invested tax-exempt bond funds will be maintained. Proceeds that are to be used to finance construction expenditures are exempted from the filing requirements, provided that the proceeds are spent in accordance with requirements established by the IRS. The District will comply with all of its tax certificates for tax-exempt financings by monitoring the arbitrage earning on bond proceeds on an interim basis and by rebating all positive arbitrage when due, pursuant to Internal Revenue Code Section 148. The District will also retain all records relating to debt transactions for as long as the debt is outstanding, plus three (3) years after the final redemption date of the transaction.

D. Private Activity

Compliance with private activity requirements with respect to tax exempt debt-financed facilities will be maintained. The General Manager shall maintain a record of the allocation of debt proceeds to expenditures, and monitor the use of

Fixed Asset Capitalization Policy
Spring Creek Utility District

Adopted by the Board of Commissioners on _____, 20__

Effective _____, 20__

Fixed Asset Capitalization Policy

Purpose

This policy is adopted to establish consistent guidelines for the capitalization and depreciation of fixed assets.

Capitalization Requirements

(1) Long term or fixed assets, including land, land improvements, buildings, building improvements, infrastructure, easements, construction work in progress, office furniture, office equipment, machinery, operating equipment and vehicles, will be capitalized and subject to depreciation when:

- the asset has a useful life of more than two years; and
- the asset has a cost of \$2,000 or more.

Assets which are not capitalized will be expensed in the year of acquisition.

(2) The capitalization threshold is applied to individual units of fixed assets. For example, ten desks purchased in a single order, each costing \$1,000, will not qualify for capitalization even though the total cost of the desk order of \$10,000 exceeds the threshold of \$2,000.

(3) For purposes of capitalization, the threshold will generally not be applied to components of fixed assets which form one working system such as computer systems, electronic and laboratory equipment and other similar working systems. The entire working system will be treated as a single fixed asset provided the entire system meets the \$2,000 threshold.

(4) Repairs to existing fixed assets will generally not be subject to capitalization. Repairs are generally recognized as expenditures which are necessary to keep an asset in its intended operational condition and which do not materially increase the value of the asset. If a repair extends the useful life of a capital asset by more than two years and costs \$2,000 or more, then the repair represents an improvement and should be capitalized.

Infrastructure Capital Assets

Infrastructure includes new construction, replacement due to expansion or new technology, replacement due to the end of normal life cycle, major repairs or refurbishment and assets contributed by developers, customers or other third parties to the District.

(1) New Construction. New construction normally begins as a Construction-In-Progress project and may take more than one fiscal year to complete. At the completion of the project, the total costs of the project may be broken down by the major groups of assets by operating system such as distribution and storage, pumping, meters, etc. Under each system, the component unit of the assets is listed based on the nature of the component and the length of the estimated useful life.

(2) Replacement Due to Expansion or New Technology. Replacement occurs when an old systems or equipment is replaced because the District is either expanding its facilities to increase capacity or new technology and equipment has become available on the market which is more cost efficient than existing systems or equipment being used. In this situation, the old systems or equipment are replaced when they still have a remaining useful life and economic value. When each individual item or component unit costs \$2,000 or more and has a useful life of more than two years, the individual item or component unit should be capitalized. Because the retired equipment or systems still have a positive net book value, the District will calculate and record the appropriate loss on disposition.

(3) Replacement Due to the End of Life Cycle. Replacement can occur as a result of normal scheduled maintenance. The component units can be purchased at the same time, but be installed simultaneously or within a planned short period time. In this situation, the old systems or equipment are replaced when they have no useful life or economic value. When the aggregate total cost of the component units is \$2,000 or more and have a useful life of more than two years, the component units should be capitalized. The estimated portion of the original asset that was replaced will be removed from the asset records of the District.

(4) Repairs or Refurbishments. The District's existing infrastructure requires regular repair and maintenance. Repair or refurbishment expenses to existing capital assets may be capitalized under certain circumstances. The criteria for determining whether the expenditure is an expense or capital asset requires knowledge of the effect the repair will have on the capital asset. To be considered as a capital asset, these conditions must be met: (a) the total repair or refurbishment cost of one job must be \$2,000 or more, and; (b) after the repair or refurbishment, the remaining useful life of the existing asset must be extended by at least two years. When the above conditions are not met, the cost of repair or refurbishment will be considered as an operations and maintenance expense.

(5) Contributed Assets. The District may require a developer or customer to build or finance the building of utility system improvements as condition for receiving utility service. Upon the completion of the utility system improvements, the developer or customer

contributes the improvements to the District, and the District accepts ownership of the contributed improvements. In this situation, the utility system improvements are recorded as a capital asset at the time of acceptance by the District. The total costs of the utility system improvements must be broken down by operating system, and the major component units are to be listed under the operating systems depending on the nature and the length of the estimated useful life.

Determination of Cost

- (1) Capital assets will be reported at historical cost. Cost will include all necessary expenditures to acquire the asset and place the asset into service, including ancillary costs.
- (2) Ancillary costs for infrastructure, buildings and improvements include professional fees of engineers, architects, attorneys, appraisers, financial advisors and other similar professionals; insurance premiums; costs incurred to obtain financing for the project; and other related costs incurred during construction necessary to place the asset into service.
- (3) Ancillary costs for equipment and vehicles include transportation charges, installation costs, licensing fees, and any other normal and necessary expenditures required to place the asset into its intended state of operation.
- (4) Ancillary costs for land include legal and title fees, appraisal and negotiation fees, damage payments, site preparation costs and demolition costs of unwanted structures.
- (5) Contributed capital assets will be recorded at their estimated fair market value on the date the contributed asset was accepted by the District.
- (6) Self-constructed assets will be recorded based upon all direct costs (including labor) associated with the construction project.

Depreciation

- (1) With the exception of land and easements, all capital assets will be depreciated using the straight-line method over the useful life of the asset.
- (2) Regardless of the month the capital asset is placed in service, a full year of depreciation will be recorded in the first year. Once the asset has been fully depreciated, the asset will be kept on the books until its disposal.
- (3) The useful life of a capital asset for depreciation will be determined as follows:

Asset Account

Years

Water lines and storage	40-50
Buildings (office and plant)	30-50
Well/Dam	Engineer's Estimate
Pumps and treatment equipment	15-20
Equipment and tools	10-15
Machinery, construction equipment and construction vehicles	5-15
Transportation vehicles	5-10
Furniture and fixtures	5-10
Information systems	3-6



JASON E. MUMPOWER
Comptroller

Entity Referred: **Walden's Ridge Utility District**

Referral Reason: **Negative Change in Net Position**

Utility Type Referred: **Water**

Staff Summary:

In its March 16, 2021 order, the Board directed the District to to send proof that the District has complied with the recommendations of the cost of service study from CPA Daniel Peterson. Mr. Peterson gave three options to the Board:

1. Decrease the minimum bill gallon threshold from 2,000 gallons to 1,800 gallons;
2. Increase rates 3%; or
3. Increase rates 5%.

Although Mr. Peterson recommended the District decrease the minimum gallon threshold, the District voted to increase rates by 3%. The District sent Board staff a copy of its 2021 audit which shows a positive change in net position of \$280,988.00. Board staff believes the rate increase is sufficient, and the entity should be moved to the update cycle.

Staff Recommendation

Order the following:

1. The District shall send financial updates to Board staff by March 1st and September 1st of each year, beginning March 1, 2022, until the Board releases the District from its oversight.

From: melissa.wrud@epbf.com
To: [Ross Colona](#)
Cc: ron@wrud.org; [Casey Lawson](#)
Subject: Fwd: Rate Options
Date: Tuesday, October 19, 2021 2:11:03 PM
Attachments: [image001.png](#)
[image005.png](#)
[Walden's Ridge Financial Report June 30, 2021.pdf](#)

Attached is a copy of our 2021 Audit. It shows that we made a profit of \$280,988.00 in our last fiscal year. Below is the recommendations from Daniel Peterson's cost of service study.

It starts out with three options for rate increases, a per thousand rate increase of 3%, a per thousand rate increase of 5%, and reduce minimum gallons to 1,800.

At the June 29th board meeting our Board of Commissioners chose to go with the 3% increase in not only the per thousand rate but also the minimum charge to increase by 3% also.

If you have any questions, or need further assistance, please respond to this email or contact me at the number below.

Melissa C Reed
 Walden's Ridge Utility District
 Customer Service Rep
 423.886.2683 Office

From: Daniel Peterson
Sent: Tuesday, June 8, 2021 6:01 PM
To: Ron West <ron@wrud.org>; Frank Groves <fmg39@epbf.com>; David Fulton <djf@sfglegal.com>; Bob McKenzie <bmckenzie1554@gmail.com>
Cc: Tina Davies <tina@wrud.org>; cjlaws@wrud.org
Subject: RE: Rate Options

All,

The rate recommendation from that cost of service study is supposed to be implemented before the coming fiscal year. At the last Board meeting I was asked me to look at your options in different ways and provide you with some recommendations.

I'll start with the realization that the Bureau of Labor Statistics unadjusted CPI shows a 4.1% increase in CPI since you last instituted a rate increase effective July 1, 2019.

CPI for All Urban Consumers (CPI-U)

Series Id: CUUR0000SA0
 Not Seasonally Adjusted
Series Title: All items in U.S. city average, all urban consumers, not seasonally adjusted
Area: U.S. city average
Item: All items
Base Period: 1982-84=100

Download: [XLS](#) [xlsx](#)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	HALF1	HALF2
2011	220.223	221.309	223.467	224.906	225.964	225.722	225.922	226.545	226.889	226.421	226.230	225.672	223.598	226.280
2012	226.665	227.663	229.392	230.085	229.815	229.478	229.104	230.379	231.407	231.317	230.221	229.601	228.850	230.338
2013	230.280	232.166	232.773	232.531	232.945	233.504	233.596	233.877	234.149	233.546	233.069	233.049	232.366	233.548
2014	233.916	234.781	236.293	237.072	237.900	238.343	238.250	237.852	238.031	237.433	236.151	234.812	236.384	237.088
2015	233.707	234.722	236.119	236.599	237.805	238.638	238.654	238.316	237.945	237.838	237.336	236.525	236.265	237.769
2016	236.916	237.111	238.132	239.261	240.229	241.018	240.628	240.849	241.428	241.729	241.353	241.432	238.778	241.237
2017	242.839	243.603	243.801	244.524	244.733	244.955	244.786	245.519	246.819	246.663	246.669	246.524	244.076	246.163
2018	247.867	248.991	249.554	250.546	251.588	251.989	252.006	252.146	252.439	252.885	252.038	251.233	250.089	252.125
2019	251.712	252.776	254.202	255.548	256.092	256.143	256.571	256.558	256.759	257.346	257.208	256.974	254.412	256.903
2020	257.971	258.678	258.115	256.389	256.394	257.797	259.101	259.918	260.280	260.388	260.229	260.474	257.557	260.065
2021	261.582	263.014	264.877	267.054										

I have summarized three options for your consideration...

Increase Per Thousand Rate 3%				
	Residential	Wholesale 1	Wholesale 2	Total
Current Rate / 1000 Gallons	7.40	3.36	2.75	
				3%
New Rate	7.62	3.46	2.83	
Annual Gallons (1000s)	262,808.05	6,093.58	19,097.88	
Projected Revenue	40,857.00	609.36	1,527.83	42,994.19
	Derived from model	Straight Calculation	Straight Calculation	*** Will Not be 100% Realization

Increase Per Thousand Rate 5%				
	Residential	Wholesale 1	Wholesale 2	Total
Current Rate / 1000 Gallons	7.40	3.36	2.75	
				5%
New Rate	7.77	3.53	2.89	
Annual Gallons (1000s)	262,808.05	6,093.58	19,097.88	
Projected Revenue	68,734.00	1,035.91	2,673.70	72,443.61
	Derived from model	Straight Calculation	Straight Calculation	*** Will Not be 100% Realization

Reduce Minimum Bill Gallons to 1,800				
	Residential	Wholesale 1	Wholesale 2	Total
Reduce to 1800 in Min Bill				
Current Rate / 1000 Gallons	7.40	3.36	2.75	
				0%
New Rate	7.40	3.36	2.75	
Annual Gallons (1000s)	262,808.05	6,093.58	19,097.88	
Projected Revenue	51,229.00	-	-	51,229.00
	Derived from model	Straight Calculation	Straight Calculation	*** Will Not be 100% Realization

You can see the impact on the revenue recovery for the wholesale customers is minimal. The cost of moving that change through any legal processes may result in that effort being more costly. I do recognize that the equitable approach would be to increase the wholesale rates to increase that revenue recovery, however, your contractual obligations seem to hamper that ability.

I do prefer the recommendation to reduce the gallons included in the minimum bill as the revenue realization is more predictable.

As you consider your options, please recognize that the cost of service study was looking out 12 months and therefore, did not include any projected increase in debt service or depreciation for a second water source. If this will be happening, the reality is we need to be addressing those impacts in incremental changes now to properly plan and accommodate for these additional financial impacts.

Please reach out with any questions.

Thanks,
dp

From: Daniel Peterson
Sent: Friday, May 21, 2021 3:38 PM
To: Ron West <ron@wrud.org>; Frank Groves <fmg39@epbfi.com>; David Fulton <djf@sfglegal.com>; Bob McKenzie <bmckenzie1554@gmail.com>
Cc: Tina Davies <tina@wrud.org>; cjlawson@wrud.org
Subject: Rate Options

All,

As we discussed last night, an alternative to decreasing the gallons included in the minimum bill is increasing the per 1000 rate. This could achieve the similar results and affect your wholesale customers as well since they were the customer class that you were not collecting sufficient revenues from.

Below is a summary that a 5% increase could generate if you realized 100% of the increase for 12 months across customer classes.

I expect customers would change their behavior and therefore, would expect a 5% rate increase in the per 1000 rate will actually yield a smaller revenue amount than what is reflected here.

	Residential	Wholesale 1	Wholesale 2	Total
Current Rate / 1000 Gallons	7.40	3.36	2.75	
New Rate	7.77	3.53	2.89	5%
Annual Gallons (1000s)	262,808.05	6,093.58	19,097.88	
Projected Revenue	68,734.00	1,035.91	2,673.70	72,443.61
	Derived from model	Straight Calculation	Straight Calculation	

dp



Daniel E. Peterson
Certified Public Accountant

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 Cleveland, TN 37311
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Daniel E. Peterson
Certified Public Accountant

March 10, 2021

Walden's Ridge Utility District
3900 Taft Highway
Signal Mountain, TN 37377

Dear Commissioners:

The attached cost of service/rate study makes assumptions to determine the Utility's cost of service and allocates those costs to classes of customers to determine the revenue responsibility by class of customer and is used to calculate rates by class designed to recover the expected costs.

Should the underlying assumptions or expectations used in this study change, the expected results and allocations and calculated rates could change.

Results

The study shows the increase in future costs of the Utility result in an under collection of the anticipated costs for the fiscal year end June 30, 2022 based on the current rates.

The cost allocations applied in our study show the revenue shortfall is associated with wholesale customers. The Utility may be limited by contract or agreement in adjusting these rates to recover these costs, therefore, our recommendations are designed to address the revenue recovery through the existing retail customer base.

Recommendations

We recommend the necessary parties review the underlying contracts with your wholesale customers and make upward modifications as you can based upon those contracts.

We recommend the Board consider a 200 gallon decrease in the volume of water included in the minimum bill from 2,000 gallons to 1,800 gallons with an effective date as soon as possible, but no later than July 1, 2021. Based upon the modeling developed during the rate workshop, this adjustment should generate revenue sufficient to cover the projected 2022 shortfall.

Methodology

To determine the Utility's cost of service the data set starts with the Utility's actual results from the June 30, 2020 Audited Financial Statements. The cost of service study captures the cash basis expenditures of the Utility in the "actual" results column in the following four groupings:

1. Operations and Maintenance
2. General and Administrative
3. Debt Service
4. Self-Funded Capital Improvements

The June 30, 2020 Audited Financial Statement actual results were adjusted based upon a combination of assumptions including:

1. Budgeted expenses through June 30, 2021
2. Cash expenditures through January 31, 2021 and annualized through June 30, 2021
3. Expectations for the June 30, 2022 fiscal year

The adjusted costs were broken down into three categories: base, extra capacity, and customer costs using metrics from water purchased by month sourced to the monthly operating reports.

The three categories of costs were allocated to each customer class based upon an allocation factor developed from the actual billing data including the number of customers, consumption, and revenue by month by customer class.

The allocations of costs are then summarized to show the total revenue requirement and the over/under recovery by customer class.

The end result of the cost of service report may or may not derive your expected results with regards to the rates or rate structure. Ultimately, it is the Board's responsibility and discretion to adopt its own rates and rate structure whether or not it is based on the result of the cost of services report. If updates need to be made to the underlying assumptions used in this study, the Utility should engage us as soon as possible to project and plan for those changes.

We appreciate the opportunity to be of service.

Sincerely,



Daniel E. Peterson, CPA

Cost of Service Study

For

Walden's Ridge Utility District

Water Cost of Service Study

3/10/2021

Prepared by Daniel E. Peterson, CPA

www.dpcpa.net

Summary

Walden's Ridge Utility District
 Water Cost of Service Study
 12 Months Ended January 31, 2021
 Executive Summary of Cost of Service Allocation

Total Revenue Required	Total	WRUD	WRUD	WRUD	WRUD	WRUD
		Residential Retail	Wholesale Wholesale 1	Wholesale Wholesale 2	Dry Tap Other 1	VFD Other 2
Operations & Maintenance	\$ 2,100,863	\$ 2,011,057	\$ 30,701	\$ 51,530	\$ 6,901	\$ 672
Plus: Debt Service	\$ 648,773	\$ 616,906	\$ 8,236	\$ 20,058	\$ 3,341	\$ 231
Plus: Rate Funded Capital	\$ 200,000	\$ 192,572	\$ 2,725	\$ 3,832	\$ 795	\$ 76
Total Revenue Requirement	<u>\$ 2,949,636</u>	<u>\$ 2,820,535</u>	<u>\$ 41,662</u>	<u>\$ 75,420</u>	<u>\$ 11,038</u>	<u>\$ 980</u>
Less: Other Revenue	\$ 245,685	\$ 243,678	\$ 104	\$ 93	\$ 1,734	\$ 75
Rate Requirement	<u>\$ 2,703,951</u>	<u>\$ 2,576,857</u>	<u>\$ 41,557</u>	<u>\$ 75,326</u>	<u>\$ 9,304</u>	<u>\$ 904</u>
Current Rate Revenue Recovery	\$ 2,676,634	\$ 2,607,186	\$ 21,667	\$ 36,220	\$ 11,434	\$ 128
Over/(Under) Recovery	\$ (27,317)	\$ 30,329	\$ (19,890)	\$ (39,106)	\$ 2,130	\$ (776)
Recovery as a % of Requirement	99%	101%	52%	48%	123%	14%

Annual Sales (Kgal)	269,336	250,081	6,308	12,884	-	62
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Revenue Required per Kgal

Operations & Maintenance	7.80	8.04	4.87	4.00	-	10.81
Plus: Debt Service	2.41	2.47	1.31	1.56	-	3.72
Plus: Rate Funded Capital	0.74	0.77	0.43	0.30	-	1.22
Total Rate Required	<u>10.95</u>	<u>11.28</u>	<u>6.61</u>	<u>5.86</u>	<u>-</u>	<u>15.75</u>
Other Revenue	(0.91)	(0.97)	(0.02)	(0.01)	-	(1.21)
Rate Required per Kgal	<u>10.04</u>	<u>10.31</u>	<u>6.59</u>	<u>5.85</u>	<u>-</u>	<u>14.54</u>
Average Revenue per Kgal	9.94	10.43	3.43	2.81	-	2.06

Walden's Ridge Utility District
 Water Cost of Service Study
 12 Months Ended January 31, 2021
 Summary of Cost of Service Allocation

		WRUD Residential Retail	WRUD Wholesale Wholesale 1	WRUD Wholesale Wholesale 2	WRUD Dry Tap Other 1	WRUD VFD Other 2	
Total Revenue Required	Total						Total
Operations & Maintenance	\$ 2,100,863	\$ 2,011,057	\$ 30,701	\$ 51,530	\$ 6,901	\$ 672	\$ 2,100,861
Plus: Debt Service	\$ 648,773	\$ 616,906	\$ 8,236	\$ 20,058	\$ 3,341	\$ 231	\$ 648,773
Plus: Rate Funded Capital	\$ 200,000	\$ 192,572	\$ 2,725	\$ 3,832	\$ 795	\$ 76	\$ 200,000
Total Revenue Requirement	\$ 2,949,636	\$ 2,820,535	\$ 41,662	\$ 75,420	\$ 11,038	\$ 980	\$ 2,949,634
Less: Other Revenue	\$ 245,685	\$ 243,678	\$ 104	\$ 93	\$ 1,734	\$ 75	\$ 245,685
Rate Requirement	\$ 2,703,951	\$ 2,576,857	\$ 41,557	\$ 75,326	\$ 9,304	\$ 904	\$ 2,703,949
Annual Sales (Kgal)	269,336	250,081	6,308	12,884	-	62	269,336
Rate Rev. Req. / Kgal	\$ 10.04	\$ 10.30	\$ 6.59	\$ 5.85		\$ 14.54	\$ 10.04
Rate Rev. Req. / Customer	\$ 59.51	\$ 57.77	\$ 1,662.29	\$ 6,277.19	\$ 11.87	\$ 64.60	\$ 59.51
		WRUD Residential Retail	WRUD Wholesale Wholesale 1	WRUD Wholesale Wholesale 2	WRUD Dry Tap Other 1	WRUD VFD Other 2	
Customer	Total						Total
Operations & Maintenance	\$ 1,197,492	\$ 1,175,291	\$ 4,442	\$ 10,550	\$ 6,901	\$ 308	\$ 1,197,492
Plus: Debt Service	\$ 369,800	\$ 366,162	\$ 123	\$ 59	\$ 3,341	\$ 115	\$ 369,800
Plus: Rate Funded Capital	\$ 114,000	\$ 113,122	\$ 32	\$ 15	\$ 795	\$ 36	\$ 114,000
Total Revenue Requirement	\$ 1,681,292	\$ 1,654,575	\$ 4,597	\$ 10,624	\$ 11,038	\$ 459	\$ 1,681,292
Less: Other Revenue	\$ 245,685	\$ 243,678	\$ 104	\$ 93	\$ 1,734	\$ 75	\$ 245,685
Rate Requirement	\$ 1,435,607	\$ 1,410,897	\$ 4,492	\$ 10,530	\$ 9,304	\$ 383	\$ 1,435,607
Annual Sales in Kgal	269,336	250,081	6,308	12,884	-	62	269,336
Annual Billings	45,437	44,602	25	12	784	14	45,437
Customer Charge / Kgal	\$ 5.33	\$ 5.64	\$ 0.71	\$ 0.82		\$ 6.16	\$ 5.33
Customer Charge / Customer	\$ 31.60	\$ 31.63	\$ 179.70	\$ 877.53	\$ 11.87	\$ 27.37	\$ 31.60
		WRUD Residential Retail	WRUD Wholesale Wholesale 1	WRUD Wholesale Wholesale 2	WRUD Dry Tap Other 1	WRUD VFD Other 2	
Consumption	Total						Total
Operations & Maintenance	\$ 903,371	\$ 835,766	\$ 26,258	\$ 40,980	\$ -	\$ 364	\$ 903,369
Plus: Debt Service	\$ 278,973	\$ 250,744	\$ 8,113	\$ 19,999	\$ -	\$ 116	\$ 278,973
Plus: Rate Funded Capital	\$ 86,000	\$ 79,450	\$ 2,693	\$ 3,816	\$ -	\$ 41	\$ 86,000
Total Revenue Requirement	\$ 1,268,344	\$ 1,165,960	\$ 37,065	\$ 64,796	\$ -	\$ 521	\$ 1,268,342
Less: Other Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Rate Requirement	\$ 1,268,344	\$ 1,165,960	\$ 37,065	\$ 64,796	\$ -	\$ 521	\$ 1,268,342
Calculated Water Rate (Kgal)	\$ 7.04	\$ 7.25	\$ 5.88	\$ 5.03		\$ 8.38	\$ 7.04
		WRUD Residential Retail	WRUD Wholesale Wholesale 1	WRUD Wholesale Wholesale 2	WRUD Dry Tap Other 1	WRUD VFD Other 2	
	Total						Total
Current Rate Revenue	\$ 2,676,634	\$ 2,607,186	\$ 21,667	\$ 36,220	\$ 11,434	\$ 128	\$ 2,676,635
Over/(Under) Recovery	\$ (27,317)	\$ 30,329	\$ (19,890)	\$ (39,106)	\$ 2,130	\$ (776)	\$ (27,314)
Total Revenue	\$ 2,922,319	\$ 2,850,864	\$ 21,771	\$ 36,313	\$ 13,168	\$ 203	\$ 2,922,320
Over/(Under) Recovery	\$ (27,317)	\$ 30,329	\$ (19,890)	\$ (39,106)	\$ 2,130	\$ (776)	\$ (27,314)

Walden's Ridge Utility District
 Water Cost of Service Study
 12 Months Ended January 31, 2021
 Rate Impact Analysis

	WRUD Residential Retail	WRUD Wholesale Wholesale 1	WRUD Wholesale Wholesale 2	WRUD Dry Tap Other 1	WRUD VFD Other 2	
COST OF SERVICE						
Gallons Included	2,000	-	-	-	-	
Customer Charge	31.63			11.87	27.37	
Customer Charge per k		0.71	0.82			
Consumption per k	7.25	5.88	5.03		8.38	
CURRENT RATES						
Gallons Included	2,000	-	-	-	-	
Customer Charge	28.53	-	-	14.25	-	
Consumption per k	7.40	3.36	2.75	-	2.00	
PROPOSED RATE						
Gallons Included	1,800	-	-	-	-	
Customer Charge	28.53	-	-	14.25	-	
Consumption per k	7.40	6.59	5.85	-	2.00	
Projected Revenue Impact						
Increase in Base Charge	-	-	-	-	-	
Incr(Decr) in / Kgal	-	3.23	3.10	-	-	
Annual Billings	44,602	25	12	784	14	
Avg Gallons	5,593			-	3,654	
Annual Gallons	250,081,230	6,308,090	12,884,200	-	62,180	
Incr(Decr) for Gallons	\$ 49,508	-	-	-	-	49,508
Customer Charge Revenue	-	-	-	-	-	-
Consumption Revenue	-	\$ 20,389	\$ 39,906	-	-	60,295
Assuming 100% Realization Rate - Projected Revenue	-	20,389	39,906	-	-	109,803
Current Projected (Under) Over Recovery	30,329	(19,890)	(39,106)	2,130	(776)	(27,314)

Walden's Ridge Utility District
 Water Cost of Service Study
 12 Months Ended January 31, 2021
 Rate Impact Analysis

	WRUD Residential Retail	WRUD Wholesale Wholesale 1	WRUD Wholesale Wholesale 2	WRUD Dry Tap Other 1	WRUD VFD Other 2
Average Gallons =	5593	248548	1073683	0	3654
Cost of Service / Kgal					
1,000	31.63	6.59	5.85		35.75
2,000	15.82	6.59	5.85		22.07
3,000	12.96	6.59	5.85		17.50
4,000	11.53	6.59	5.85		15.22
5,000	10.68	6.59	5.85		13.85
6,000	10.11	6.59	5.85		12.94
7,000	9.70	6.59	5.85		12.29
8,000	9.39	6.59	5.85		11.80
240,000	7.32	6.59	5.85		8.49
250,000	7.32	6.59	5.85		8.49
1,070,000	7.27	6.59	5.85		8.41
1,075,000	7.27	6.59	5.85		8.41

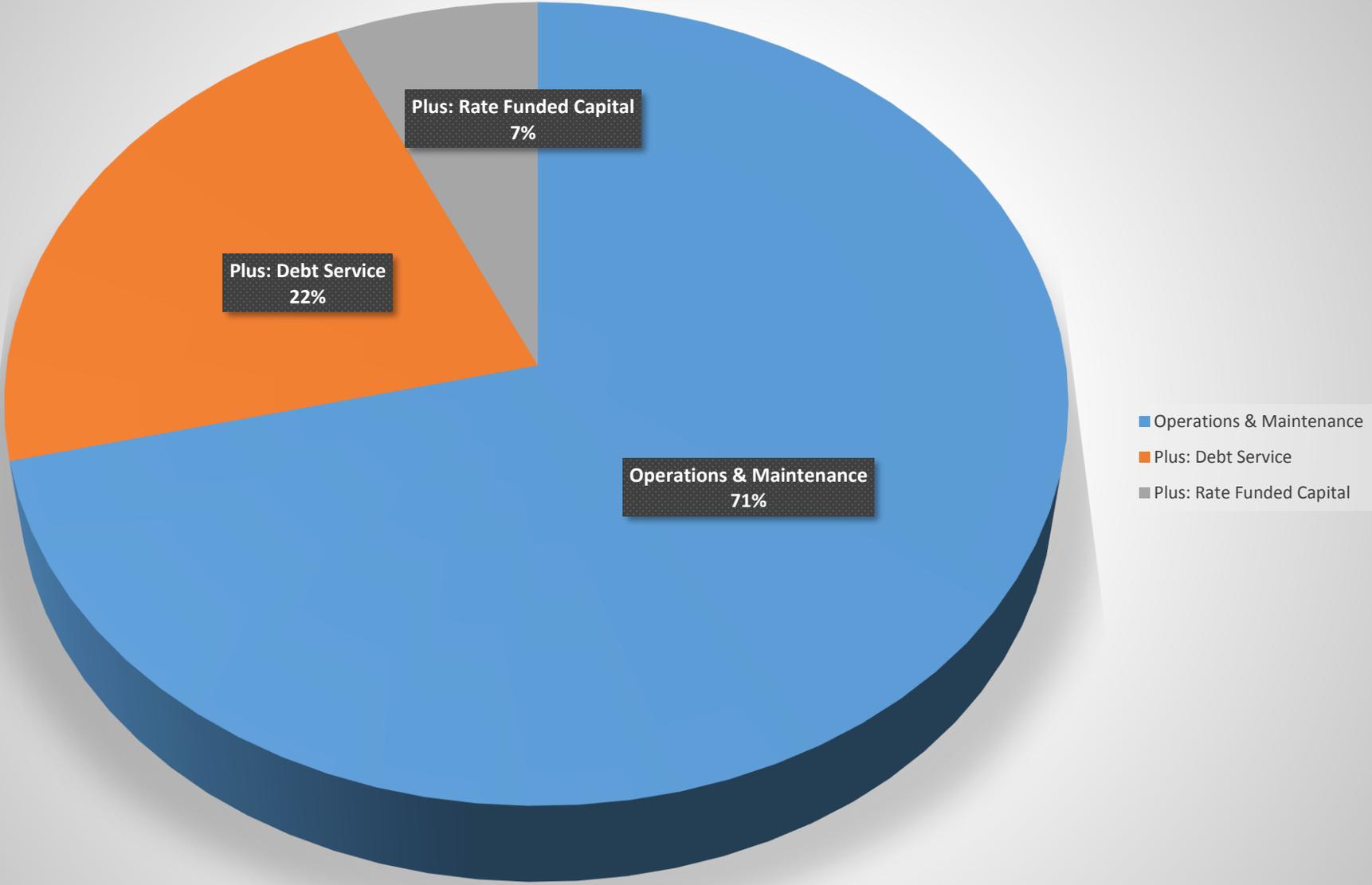
	WRUD Residential Retail	WRUD Wholesale Wholesale 1	WRUD Wholesale Wholesale 2	WRUD Dry Tap Other 1	WRUD VFD Other 2
Average Gallons =	5593	248548	1073683	0	3654
Current Rate / Kgal					
1,000	28.53	3.36	2.75	14.25	2.00
2,000	14.27	3.36	2.75	7.13	2.00
3,000	11.98	3.36	2.75	4.75	2.00
4,000	10.83	3.36	2.75	3.56	2.00
5,000	10.15	3.36	2.75	2.85	2.00
6,000	9.69	3.36	2.75	2.38	2.00
7,000	9.36	3.36	2.75	2.04	2.00
8,000	9.12	3.36	2.75	1.78	2.00
240,000	7.46	3.36	2.75	0.06	2.00
250,000	7.45	3.36	2.75	0.06	2.00
1,070,000	7.41	3.36	2.75	0.01	2.00
1,075,000	7.41	3.36	2.75	0.01	2.00

Walden's Ridge Utility District
 Water Cost of Service Study
 12 Months Ended January 31, 2021
 Rate Impact Analysis

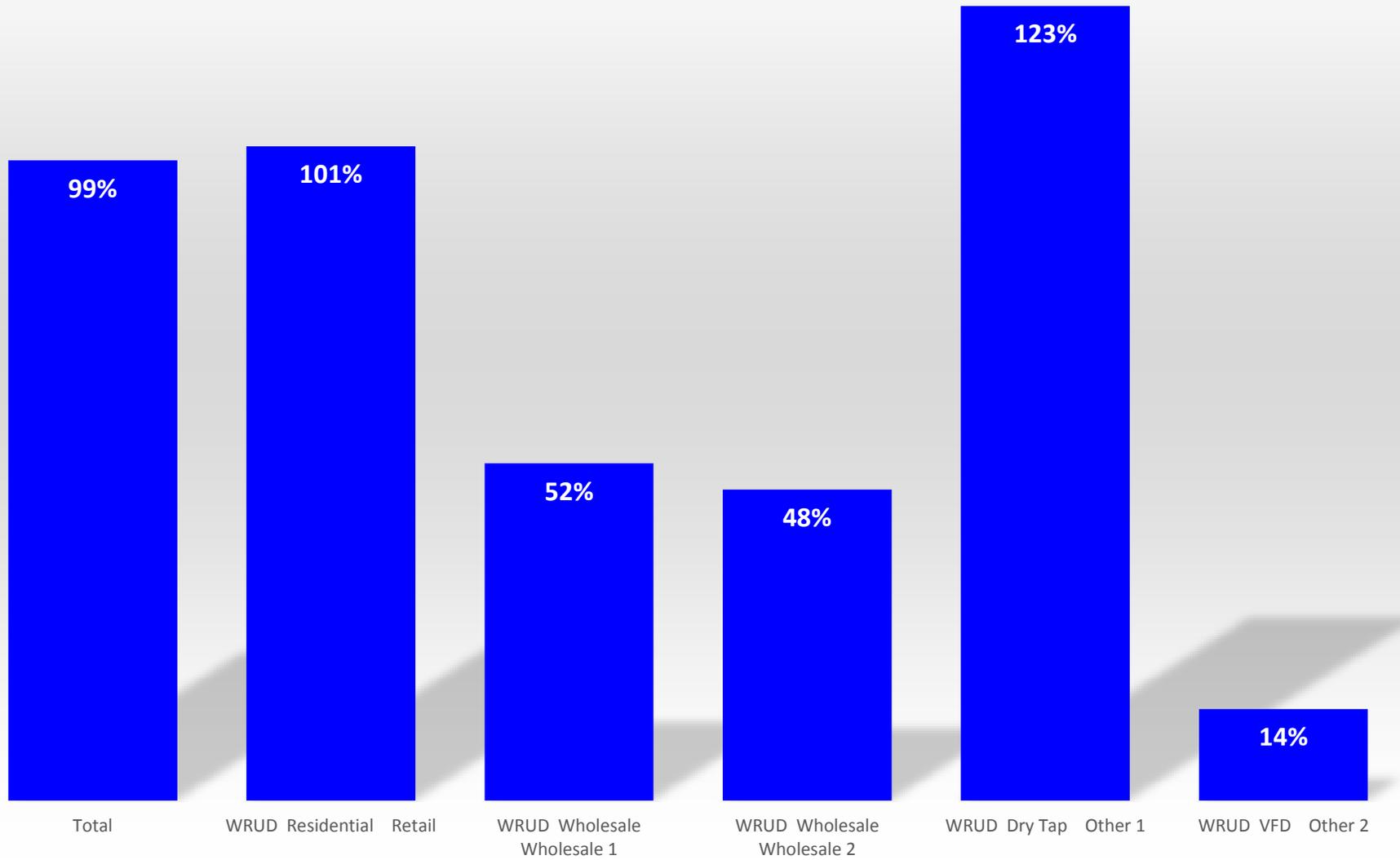
Average Revenue / Kgal	\$ 10.37	\$ 3.36	\$ 2.75	\$ 2.02
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	WRUD Residential Retail	WRUD Wholesale Wholesale 1	WRUD Wholesale Wholesale 2	WRUD Dry Tap Other 1	WRUD VFD Other 2
Average Gallons =	5593	248548	1073683	0	3654
Proposed Rate / Kgal					
1,000	28.53	6.59	5.85	14.25	2.00
2,000	14.27	6.59	5.85	7.13	2.00
3,000	11.98	6.59	5.85	4.75	2.00
4,000	10.83	6.59	5.85	3.56	2.00
5,000	10.15	6.59	5.85	2.85	2.00
6,000	9.69	6.59	5.85	2.38	2.00
7,000	9.36	6.59	5.85	2.04	2.00
8,000	9.12	6.59	5.85	1.78	2.00
240,000	7.46	6.59	5.85	0.06	2.00
250,000	7.45	6.59	5.85	0.06	2.00
1,070,000	7.41	6.59	5.85	0.01	2.00
1,075,000	7.41	6.59	5.85	0.01	2.00

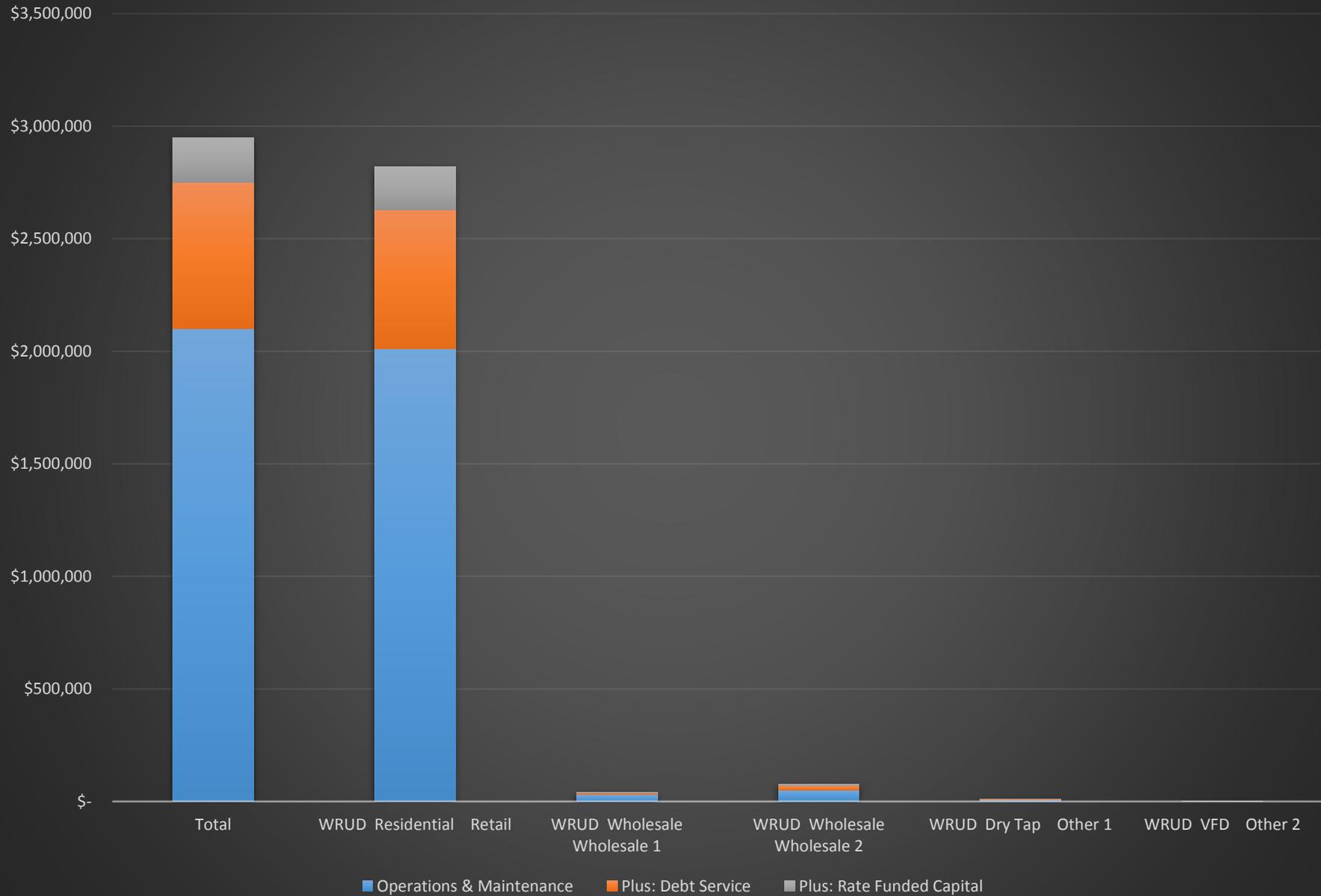
Total Revenue Requirement



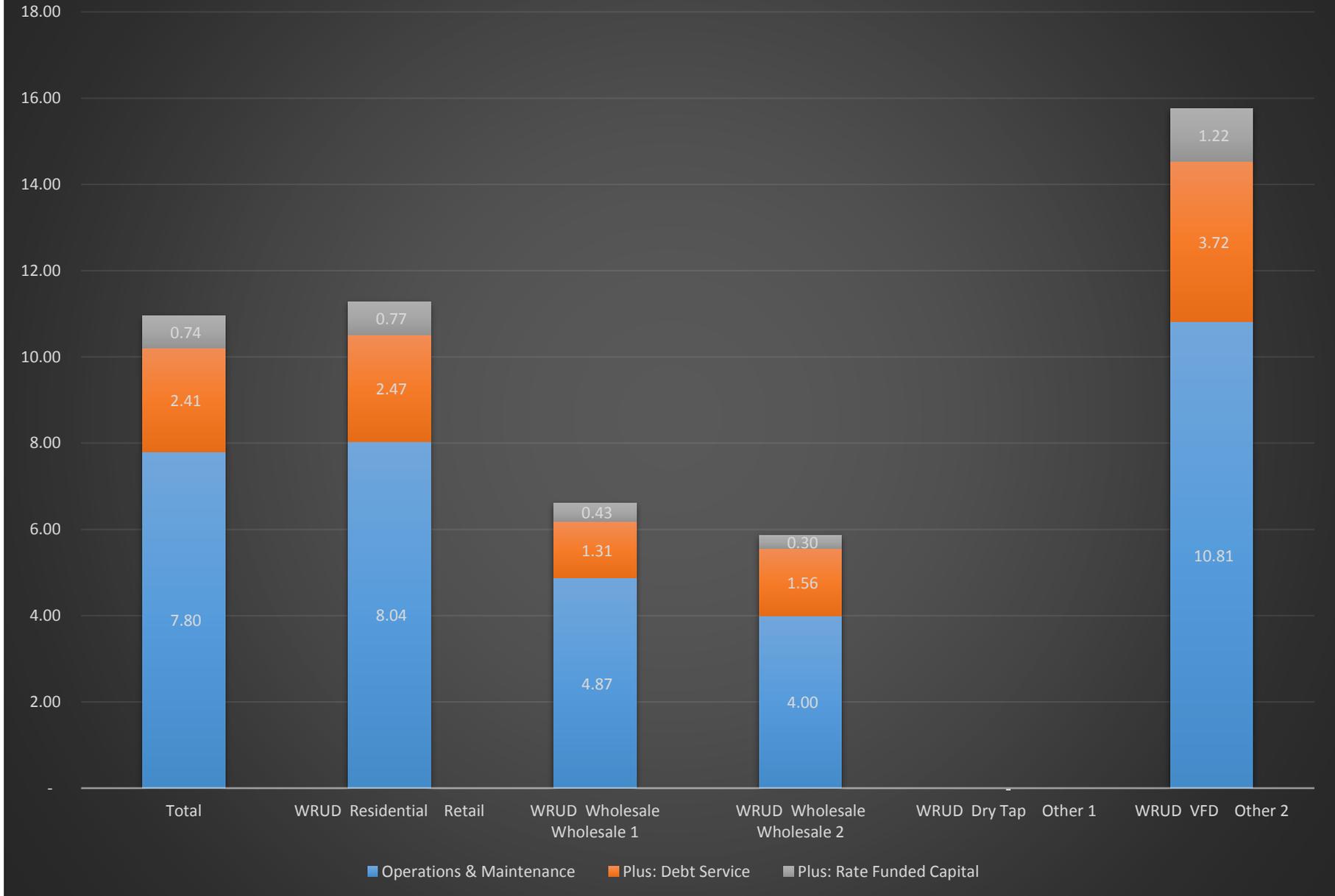
Recovery Rate by Class



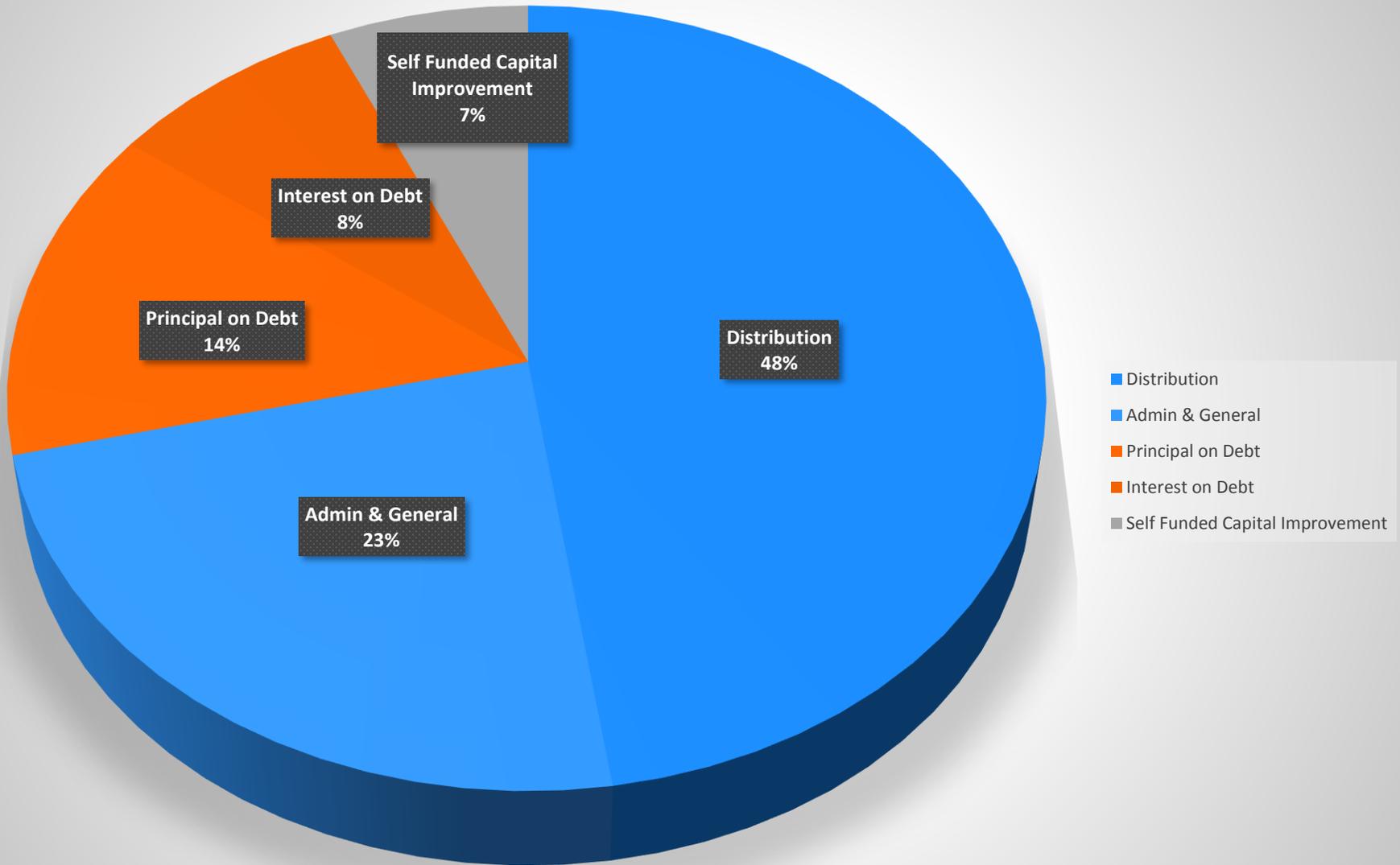
Total Revenue Requirement by Rate Class



Total Revenue Requirement / Kgal by Rate Class



Costs Per Kgal Billed



Walden's Ridge Utility District
 Water Cost of Service Study
 12 Months Ended January 31, 2021
 Costs Summary and Per Kgal Analysis

				387367 Kgal Purchased	269336 Kgal Billed
				\$ Per Kgal	\$ Per Kgal
Distribution	Actual	Adj	Test Yr.		
Water Purchases	\$ 341,532	\$ 15,597	\$ 357,129	0.922	1.326
Chemicals and Testing	\$ 5,950	\$ 2,450	\$ 8,400	0.022	0.031
Fuel	\$ 10,478	\$ 7,272	\$ 17,750	0.046	0.066
Salaries	\$ 206,005	\$ 6,877	\$ 212,882	0.550	0.790
Payroll Taxes	\$ 15,563	\$ 3,697	\$ 19,260	0.050	0.072
Pension	\$ 10,214	\$ 5,017	\$ 15,231	0.039	0.057
Employee Benefits	\$ 201,487	\$ 12,098	\$ 213,585	0.551	0.793
Utilities	\$ 223,812	\$ 40,543	\$ 264,355	0.682	0.982
Insurance	\$ 19,813	\$ 1,787	\$ 21,600	0.056	0.080
System Maintenance	\$ 139,308	\$ 88,631	\$ 227,939	0.588	0.846
Truck and Equipment Repairs	\$ 50,858	\$ (4,058)	\$ 46,800	0.121	0.174
Miscellaneous	\$ -	\$ -	\$ -		
Distribution	Actual	Adj	Test Yr.	3.627	5.216
Admin & General	Actual	Adj	Test Yr.		
Salaries	\$ 366,231	\$ 12,227	\$ 378,458	0.977	1.405
Payroll Taxes	\$ 27,667	\$ 6,573	\$ 34,240	0.088	0.127
Pension	\$ 18,158	\$ 8,918	\$ 27,076	0.070	0.101
Employee Benefits	\$ 164,853	\$ 9,898	\$ 174,751	0.451	0.649
Utilities	\$ 3,149	\$ 2,246	\$ 5,395	0.014	0.020
Office	\$ 66,002	\$ (10,202)	\$ 55,800	0.144	0.207
Insurance	\$ 2,201	\$ 199	\$ 2,400	0.006	0.009
Travel and Training	\$ 4,728	\$ 5,172	\$ 9,900	0.026	0.037
Miscellaneous	\$ 2,052	\$ 5,860	\$ 7,912	0.020	0.029
Admin & General	Actual	Adj	Test Yr.	1.797	2.584
Principal on Debt	Actual	Adj	Test Yr.		
2015 Series Bond	\$ 275,000	\$ 10,000	\$ 285,000	0.736	1.058
2015 USDA RD Loan	\$ 17,339	\$ 1,089	\$ 18,428	0.048	0.068
2020 CTCB Loan	\$ -	\$ 103,892	\$ 103,892	0.268	0.386
Principal on Debt	Actual	Adj	Test Yr.	1.052	1.512
Interest on Debt	Actual	Adj	Test Yr.		
2015 Series Bond	\$ 196,556	\$ (11,200)	\$ 185,356	0.479	0.688
2015 USDA RD Loan	\$ 31,045	\$ (1,029)	\$ 30,016	0.077	0.111
2020 CTCB Loan	\$ -	\$ 26,081	\$ 26,081	0.067	0.097
Interest on Debt	Actual	Adj	Test Yr.	0.623	0.896
Capital Improvement Plan	Actual	Adj	Test Yr.		
Future Capital - Self Funded	\$ 64,135	\$ 135,865	\$ 200,000	0.516	0.743
Capital Improvement Plan	Actual	Adj	Test Yr.	0.516	0.743
Total Cost Factors Per kGallons				7.615	10.952
				\$Cost/kGal Purchased	\$Cost/kGal Billed

Allocation Factors

Walden's Ridge Utility District
Water Cost of Service Study
12 Months Ended January 31, 2021
Summary of Allocation Factors

Customer		WRUD	WRUD	WRUD	WRUD	WRUD	Total
		Residential Retail	Wholesale Wholesale 1	Wholesale Wholesale 2	Dry Tap Other 1	VFD Other 2	
WRUD Residential Retail	1	100%	0%	0%	0%	0%	100%
WRUD Wholesale Wholesale 1	2	0%	100%	0%	0%	0%	100%
WRUD Wholesale Wholesale 2	3	0%	0%	100%	0%	0%	100%
WRUD Dry Tap Other 1	4	0%	0%	0%	100%	0%	100%
WRUD VFD Other 2	5	0%	0%	0%	0%	100%	100%
Purchased Water	15	93%	2%	5%	0%	0%	100%
Total Customers	21	98%	0%	0%	2%	0%	100%
Retail Customers	22	100%	0%	0%	0%	0%	100%
Wholesale Customers	23	0%	68%	32%	0%	0%	100%
Customers Rate Base	24	98%	0%	0%	2%	0%	100%
Weighted Customers	25	99%	0%	0%	1%	0%	100%
Base/Extra Capacity							
Total Water Sales	30	93%	2%	5%	0%	0%	100%
Retail Water Sales	31	100%	0%	0%	0%	0%	100%
Wholesale 1 Water Sales	32	0%	100%	0%	0%	0%	100%
Wholesale 2 Water Sales	33	0%	0%	100%	0%	0%	100%
Peak Demand @ Peak Month	34	92%	3%	4%	0%	0%	100%
Peak Demand	35	92%	3%	4%	0%	0%	100%
Purchased Water	36	93%	2%	5%	0%	0%	100%
Revenue							
Total Revenue	50	97%	1%	1%	0%	0%	100%
Retail Revenue	51	100%	0%	0%	0%	0%	100%
Wholesale Revenue	52	0%	37%	63%	0%	0%	100%
Plant							
Distribution Plant	60	90%	1%	8%	1%	0%	100%
General Plant	61	90%	1%	8%	1%	0%	100%
Total Utility Plant	62	90%	1%	8%	1%	0%	100%
Net Utility Plant	63	89%	1%	9%	1%	0%	100%
Debt Service	64	95%	1%	3%	1%	0%	100%

Long Term Debt Schedules

Walden's Ridge Utility District Summary of Debt Service Requirements by Year
Fiscal Year Ending: 2021

	2015 Series Bond			2015 USDA Rural Development Loan			2020 CTCB Loan				Grand Total		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total		Principal	Interest	Total
2021	280,000	191,006	471,006	17,906	30,538	48,444	51,028	13,959	64,987	2021	348,934	235,503	584,437
2022	285,000	185,356	470,356	18,428	30,016	48,444	103,892	26,081	129,973	2022	407,320	241,453	648,773
2023	295,000	179,556	474,556	18,965	29,479	48,444	106,498	23,475	129,973	2023	420,463	232,510	652,973
2024	300,000	173,231	473,231	19,517	28,927	48,444	109,113	20,860	129,973	2024	428,630	223,018	651,648
2025	305,000	166,425	471,425	20,086	28,358	48,444	111,906	18,067	129,973	2025	436,992	212,850	649,842
2026	315,000	159,269	474,269	20,671	27,773	48,444	114,713	15,260	129,973	2026	450,384	202,302	652,686
2027	325,000	148,669	473,669	21,273	27,171	48,444	117,591	12,383	129,974	2027	463,864	188,223	652,087
2028	335,000	138,769	473,769	21,893	26,551	48,444	120,516	9,457	129,973	2028	477,409	174,777	652,186
2029	345,000	128,569	473,569	22,531	25,913	48,444	123,563	6,410	129,973	2029	491,094	160,892	651,986
2030	355,000	118,069	473,069	23,187	25,257	48,444	126,663	3,311	129,974	2030	504,850	146,637	651,487
2031	365,000	107,269	472,269	23,863	24,581	48,444	64,517	469	64,986	2031	453,380	132,319	585,699
2032	375,000	96,169	471,169	24,558	23,886	48,444				2032	399,558	120,055	519,613
2033	390,000	84,694	474,694	25,273	23,171	48,444				2033	415,273	107,865	523,138
2034	400,000	72,844	472,844	26,009	22,435	48,444				2034	426,009	95,279	521,288
2035	410,000	60,694	470,694	26,767	21,677	48,444				2035	436,767	82,371	519,138
2036	425,000	48,169	473,169	27,547	20,897	48,444				2036	452,547	69,066	521,613
2037	440,000	35,194	475,194	28,349	20,095	48,444				2037	468,349	55,289	523,638
2038	450,000	21,563	471,563	29,175	19,269	48,444				2038	479,175	40,832	520,007
2039	465,000	7,266	472,266	30,025	18,419	48,444				2039	495,025	25,685	520,710
2040			-	30,900	17,544	48,444				2040	30,900	17,544	48,444
2041			-	31,800	16,644	48,444				2041	31,800	16,644	48,444
2042			-	32,726	15,718	48,444				2042	32,726	15,718	48,444
2043			-	33,680	14,764	48,444				2043	33,680	14,764	48,444
2044			-	34,661	13,783	48,444				2044	34,661	13,783	48,444
2045			-	35,671	12,773	48,444				2045	35,671	12,773	48,444
2046			-	36,710	11,734	48,444				2046	36,710	11,734	48,444
2047			-	37,779	10,665	48,444				2047	37,779	10,665	48,444
2048			-	38,880	9,564	48,444				2048	38,880	9,564	48,444
2049			-	40,012	8,432	48,444				2049	40,012	8,432	48,444
2050			-	41,178	7,266	48,444				2050	41,178	7,266	48,444
2051			-	42,378	6,066	48,444				2051	42,378	6,066	48,444
2052			-	43,612	4,832	48,444				2052	43,612	4,832	48,444
2053			-	44,883	3,561	48,444				2053	44,883	3,561	48,444
2054			-	46,190	2,254	48,444				2054	46,190	2,254	48,444
2055			-	47,536	908	48,444				2055	47,536	908	48,444
2056			-	5,715	18	5,733				2056	5,715	18	5,733
Totals	6,860,000	2,122,781	8,982,781	1,070,334	630,939	1,701,273	1,150,000	149,732	1,299,732	Totals	9,080,334	2,903,452	11,983,786

Customer Billing Data

Walden's Ridge Utility District
 Water Cost of Service Study
 12 Months Ended January 31, 2021
 Customer Billing Data

	WRUD Residential Retail	WRUD Wholesale Wholesale 1	WRUD Wholesale Wholesale 2	WRUD Dry Tap Other 1	WRUD VFD Other 2	Total
February-20	3,630	2	1	64	-	3,697
March-20	3,637	2	1	62	1	3,703
April-20	3,638	2	1	61	1	3,703
May-20	3,671	2	1	61	2	3,737
June-20	3,708	2	1	61	1	3,773
July-20	3,732	2	1	60	2	3,797
August-20	3,780	2	1	74	1	3,858
September-20	3,765	3	1	72	2	3,843
October-20	3,771	2	1	72	2	3,848
November-20	3,783	2	1	69	1	3,856
December-20	3,757	2	1	64	-	3,824
January-21	3,730	2	1	64	1	3,798
						-
Total Customers	44,602	25	12	784	14	45,437
Retail Customers	44,602	-	-	-	-	44,602
Wholesale Customers	-	25	12	-	-	37
Customer Rate Base	44,602	25	12	784	14	45,437
Weighting Factor	1.00	0.50	0.50	0.40	1.00	3
Weighted Customers	44,602	13	6	314	14	44,948

AF

21 Total Customers	98%	0%	0%	2%	0%	100%
22 Retail Customers	100%	0%	0%	0%	0%	100%
Residential Customers	100%	0%	0%	0%	0%	100%
23 Wholesale Customers	0%	68%	32%	0%	0%	100%
24 Customer Rate Base	98%	0%	0%	2%	0%	100%
25 Weighted Customers	99%	0%	0%	1%	0%	100%

Walden's Ridge Utility District
 Water Cost of Service Study
 12 Months Ended January 31, 2021
 Water Billing Data

	WRUD Residential Retail	WRUD Wholesale Wholesale 1	WRUD Wholesale Wholesale 2	WRUD Dry Tap Other 1	WRUD VFD Other 2	Total
Water Volume						
February-20	16,925,910	387,342	712,780	-	-	18,026,032
March-20	14,680,530	400,208	770,486	-	500	15,851,724
April-20	16,020,440	375,821	780,727	-	800	17,177,788
May-20	17,727,020	380,833	846,294	-	6,500	18,960,647
June-20	21,126,530	493,491	1,081,735	-	1,500	22,703,256
July-20	24,655,840	455,638	1,125,519	-	13,080	26,250,077
August-20	30,176,390	749,174	1,358,679	-	4,000	32,288,243
September-20	30,347,260	1,028,787	1,457,768	-	15,500	32,849,315
October-20	24,758,450	620,958	1,301,528	-	16,200	26,697,136
November-20	20,184,610	476,285	1,103,219	-	600	21,764,714
December-20	18,152,830	446,588	1,133,799	-	-	19,733,217
January-21	15,325,420	492,965	1,211,666	-	3,500	17,033,551
						-
Total Water Sales	250,081,230	6,308,090	12,884,200	-	62,180	269,335,700
Retail Water Sales	250,081,230	-	-	-	-	250,081,230
Wholesale 1 Water Sales	-	6,308,090	-	-	-	6,308,090
Wholesale 2 Water Sales	-	-	12,884,200	-	-	12,884,200
1-CP	30,347,260	1,028,787	1,457,768	-	15,500	32,849,315
12-NCP	30,347,260	1,028,787	1,457,768	-	16,200	32,850,015
Purchased Water Users	250,081,230	6,308,090	12,884,200	-	62,180	269,335,700

AF

30 Total Water Sales	93%	2%	5%	0%	0%	100%
31 Retail Water Sales	100%	0%	0%	0%	0%	100%
32 Wholesale 1 Water Sales	0%	100%	0%	0%	0%	100%
33 Wholesale 2 Water Sales	0%	0%	100%	0%	0%	100%
34 Demand Month	92%	3%	4%	0%	0%	100%
35 Max Demand	92%	3%	4%	0%	0%	100%
36 Purchased Water Users	93%	2%	5%	0%	0%	100%
15 Purchased Allocation	93%	2%	5%	0%	0%	100%

Walden's Ridge Utility District
 Water Cost of Service Study
 12 Months Ended January 31, 2021
 Water Billing Data

	#	Billed Per	Pump per	Billed as	Water	Pumped per	Produced
	Days	Day	day	% of	Pumped per	Pumped per	as % of
				Capacity	month	day	Capacity
February-20	28	643,787	2,000,000	32%	28,530,000	1,018,929	51%
March-20	31	511,346	2,000,000	26%	25,009,000	806,742	40%
April-20	30	572,593	2,000,000	29%	27,015,000	900,500	45%
May-20	31	611,634	2,000,000	31%	30,337,400	978,626	49%
June-20	30	756,775	2,000,000	38%	35,938,200	1,197,940	60%
July-20	31	846,777	2,000,000	42%	42,826,600	1,381,503	69%
August-20	31	1,041,556	2,000,000	52%	41,772,700	1,347,506	67%
September-20	30	1,094,977	2,000,000	55%	35,543,700	1,184,790	59%
October-20	31	861,198	2,000,000	43%	32,674,800	1,054,026	53%
November-20	30	725,490	2,000,000	36%	28,682,800	956,093	48%
December-20	31	636,555	2,000,000	32%	29,102,800	938,800	47%
January-21	31	549,469	2,000,000	27%	29,934,000	965,613	48%
	365	8,852,157	24,000,000	37%	387,367,000	12,731,068	53%

Avg Demand 1,060,922

Max Day Use 1,726,879

	% Used
Base	37%
Extra Capacity	6%
Customer	57%

Walden's Ridge Utility District
 Water Cost of Service Study
 12 Months Ended January 31, 2021
 Average Usage per Customer

Gallons per Customer	WRUD Residential Retail	WRUD Wholesale Wholesale 1	WRUD Wholesale Wholesale 2	WRUD Dry Tap Other 1	WRUD VFD Other 2	Total
February-20	4,663	193,671	712,780	-		911,114
March-20	4,036	200,104	770,486	-	500	975,126
April-20	4,404	187,911	780,727	-	800	973,841
May-20	4,829	190,417	846,294	-	3,250	1,044,789
June-20	5,698	246,746	1,081,735	-	1,500	1,335,678
July-20	6,607	227,819	1,125,519	-	6,540	1,366,485
August-20	7,983	374,587	1,358,679	-	4,000	1,745,249
September-20	8,060	342,929	1,457,768	-	7,750	1,816,507
October-20	6,565	310,479	1,301,528	-	8,100	1,626,672
November-20	5,336	238,143	1,103,219	-	600	1,347,297
December-20	4,832	223,294	1,133,799	-		1,361,925
January-21	4,109	246,483	1,211,666	-	3,500	1,465,757
Average	5,593	248,548	1,073,683	-	3,654	1,330,870
Summer Average (Jun-Oct)	6,983	300,512	1,265,046	-	5,578	1,578,118
Winter Average (Nov-Feb)	4,735	225,398	1,040,366	-	1,025	1,271,523
Percent Summer of Average	125%	121%	118%		153%	119%

Walden's Ridge Utility District
 Water Cost of Service Study
 12 Months Ended January 31, 2021
 Revenue Billing Data

Revenue Billings	WRUD Residential Retail	WRUD Wholesale Wholesale 1	WRUD Wholesale Wholesale 2	WRUD Dry Tap Other 1	WRUD VFD Other 2	Total
February-20	\$ 183,334	\$ 1,301	\$ 1,960	\$ 913	\$ -	\$ 187,508
March-20	\$ 167,311	\$ 1,345	\$ 2,119	\$ 885	\$ 1	\$ 171,661
April-20	\$ 176,642	\$ 1,263	\$ 2,147	\$ 870	\$ 2	\$ 180,924
May-20	\$ 189,187	\$ 1,280	\$ 2,327	\$ 870	\$ 13	\$ 193,677
June-20	\$ 213,688	\$ 1,658	\$ 2,975	\$ 870	\$ 3	\$ 219,194
July-20	\$ 239,635	\$ 1,531	\$ 3,095	\$ 856	\$ 26	\$ 245,143
August-20	\$ 283,429	\$ 2,517	\$ 3,736	\$ 1,056	\$ 8	\$ 290,746
September-20	\$ 281,500	\$ 3,457	\$ 4,009	\$ 1,027	\$ 31	\$ 290,024
October-20	\$ 241,126	\$ 2,086	\$ 3,579	\$ 1,027	\$ 33	\$ 247,851
November-20	\$ 208,303	\$ 1,600	\$ 3,034	\$ 985	\$ 1	\$ 213,923
December-20	\$ 193,217	\$ 1,501	\$ 3,118	\$ 913	\$ -	\$ 198,749
January-21	\$ 173,038	\$ 1,656	\$ 3,332	\$ 913	\$ 7	\$ 178,946
Total Revenue	\$ 2,550,410	\$ 21,195	\$ 35,431	\$ 11,185	\$ 125	\$ 2,618,346
Retail Revenue	\$ 2,550,410	\$ -	\$ -	\$ -	\$ -	\$ 2,550,410
Wholesale Revenue	-	21,195	35,431	-	-	56,626
						06/30/2020 AFS Revenue \$ 2,676,634

<u>AF</u>						
50 Total Revenue	97%	1%	1%	0%	0%	100%
51 Retail Revenue	100%	0%	0%	0%	0%	100%
52 Wholesale Revenue	0%	37%	63%	0%	0%	100%

Walden's Ridge Utility District
 Water Cost of Service Study
 12 Months Ended January 31, 2021
 Revenue per Kgal

	WRUD Residential Retail	WRUD Wholesale Wholesale 1	WRUD Wholesale Wholesale 2	WRUD Dry Tap Other 1	WRUD VFD Other 2
Revenue / KGallons					
February-20	\$ 10.83	\$ 3.36	\$ 2.75		
March-20	\$ 11.40	\$ 3.36	\$ 2.75		\$ 2.00
April-20	\$ 11.03	\$ 3.36	\$ 2.75		\$ 2.50
May-20	\$ 10.67	\$ 3.36	\$ 2.75		\$ 2.00
June-20	\$ 10.11	\$ 3.36	\$ 2.75		\$ 2.00
July-20	\$ 9.72	\$ 3.36	\$ 2.75		\$ 1.99
August-20	\$ 9.39	\$ 3.36	\$ 2.75		\$ 2.00
September-20	\$ 9.28	\$ 3.36	\$ 2.75		\$ 2.00
October-20	\$ 9.74	\$ 3.36	\$ 2.75		\$ 2.04
November-20	\$ 10.32	\$ 3.36	\$ 2.75		\$ 1.67
December-20	\$ 10.64	\$ 3.36	\$ 2.75		
January-21	\$ 11.29	\$ 3.36	\$ 2.75		\$ 2.00
Average	\$ 10.37	\$ 3.36	\$ 2.75		\$ 2.02

Walden's Ridge Utility District
 Water Cost of Service Study
 12 Months Ended January 31, 2021
 Water Purchased Data

Gallons Purchased from Monthly Operating Reports (1000's)

	Hixson Util. for ON the Mtn	Hixson Util. for OFF the Mtn	Total
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Feb-20	27,488	1,042	28,530
Mar-20	23,832	1,177	25,009
Apr-20	25,634	1,381	27,015
May-20	28,545	1,793	30,337
Jun-20	33,438	2,500	35,938
Jul-20	39,862	2,965	42,827
Aug-20	39,210	2,563	41,773
Sep-20	33,157	2,387	35,544
Oct-20	30,525	2,150	32,675
Nov-20	27,251	1,432	28,683
Dec-20	27,926	1,177	29,103
Jan-21	28,735	1,199	29,934

Prior Year Jul-19 Jun-20 353,147 23,661 376,808

Current 12 mo Feb-20 Jan-21 365,603 21,764 387,367

Purchased Water 365,603 21,764 387,367
 94.38% 5.62% 100.00%

Purchased Water 365,603 21,764

% To Allocate
Purchased Water

		Purchase Allocation		Total Allocated	% To Allocate Purchased Water Costs	
Residential	Retail	93%	340,011	20,241	360,251	93%
Wholesale	Wholesale 1	2%	7,312	435	7,747	2%
Wholesale	Wholesale 2	5%	18,280	1,088	19,368	5%
Dry Tap	Other 1	0%	-	-	-	0%
VFD	Other 2	0%	-	-	-	0%
			<u>365,603</u>	<u>21,764</u>	<u>387,367</u>	<u>100%</u>

Walden's Ridge Utility District
 Water Cost of Service Study
 12 Months Ended January 31, 2021
 Allocation of Other Revenues, Page 1

Operating Income	Actual	Adj	Test Yr.	Base	Ex-Cap	Cust	Total	Description	*	Base	Ex-Cap	Cust	Total
Penalties	\$ 15,269	\$ 1,276	\$ 16,545	0%	0%	100%	100%		*	\$ -	\$ -	\$ 16,545	\$ 16,545
Tap Fees	\$ 67,750	\$ 1,650	\$ 69,400	0%	0%	100%	100%		*	\$ -	\$ -	\$ 69,400	\$ 69,400
Activation Fees	\$ 27,825	\$ 315	\$ 28,140	0%	0%	100%	100%		*	\$ -	\$ -	\$ 28,140	\$ 28,140
Rental	\$ 24,928	\$ 499	\$ 25,427	0%	0%	100%	100%		*	\$ -	\$ -	\$ 25,427	\$ 25,427
Miscellaneous	\$ 145,708	\$ (47,155)	\$ 98,553	0%	0%	0%	0%		*	\$ -	\$ -	\$ -	\$ -
Subtotal Operating Income	\$ 281,480	\$ (43,415)	\$ 238,065							\$ -	\$ -	\$ 139,512	\$ 139,512
										0%	0%	100%	100%
Non-Operating Income	Actual	Adj	Test Yr.	Base	Ex-Cap	Cust	Total	Description	*	Base	Ex-Cap	Cust	Total
Interest Income	\$ 11,196	\$ (6,696)	\$ 4,500	0%	0%	100%	100%			\$ -	\$ -	\$ 4,500	\$ 4,500
Amortization	\$ 3,120	\$ -	\$ 3,120	0%	0%	100%	100%			\$ -	\$ -	\$ 3,120	\$ 3,120
Subtotal Non-Operating Income	\$ 14,316	\$ (6,696)	\$ 7,620							\$ -	\$ -	\$ 7,620	\$ 7,620
										0%	0%	100%	100%
Total Other Revenues	\$ 295,796	\$ (50,111)	\$ 245,685							\$ -	\$ -	\$ 147,132	\$ 147,132
										0%	0%	100%	100%

		WRUD		WRUD		WRUD		WRUD		WRUD			
		Residential		Wholesale		Wholesale		Dry Tap		VFD			
		Retail		Wholesale 1		Wholesale 2		Other 1		Other 2			
Operating Income	Test Yr											Total	
Penalties	\$ 16,545	25	\$ 16,418	\$ 5	\$ 2	\$ 115	\$ 5	\$ 16,545					\$ 16,545
Tap Fees	\$ 69,400	25	\$ 68,866	\$ 19	\$ 9	\$ 484	\$ 22	\$ 69,400					\$ 69,400
Activation Fees	\$ 28,140	25	\$ 27,923	\$ 8	\$ 4	\$ 196	\$ 9	\$ 28,140					\$ 28,140
Rental	\$ 25,427	25	\$ 25,231	\$ 7	\$ 3	\$ 177	\$ 8	\$ 25,427					\$ 25,427
Miscellaneous	\$ 98,553	25	\$ 97,794	\$ 27	\$ 13	\$ 688	\$ 31	\$ 98,553					\$ 98,553
Subtotal Operating Income	\$ 238,065		\$ 236,232	\$ 66	\$ 32	\$ 1,661	\$ 74	\$ 238,065					\$ 238,065
		WRUD		WRUD		WRUD		WRUD		WRUD			
		Residential		Wholesale		Wholesale		Dry Tap		VFD			
		Retail		Wholesale 1		Wholesale 2		Other 1		Other 2			
Non-Operating Income	Test Yr											Total	
Interest Income	\$ 4,500	50	\$ 4,383	\$ 36	\$ 61	\$ 19	\$ 0	\$ 4,500					\$ 4,500
Amortization	\$ 3,120	21	\$ 3,063	\$ 2	\$ 1	\$ 54	\$ 1	\$ 3,120					\$ 3,120
Subtotal Non-Operating Income	\$ 7,620		\$ 7,446	\$ 38	\$ 62	\$ 73	\$ 1	\$ 7,620					\$ 7,620
Total Other Revenue	\$ 245,685		\$ 243,678	\$ 104	\$ 93	\$ 1,734	\$ 75	\$ 245,685					\$ 245,685
			99%	0%	0%	1%	0%						100%

Operating Expense

Walden's Ridge Utility District
 Water Cost of Service Study
 12 Months Ended January 31, 2021
 Classification of Operating Expenses

Distribution	Actual	Adj	Test Yr.	Base	Ex-Cap	Cust	Total	Description	*	Base	Ex-Cap	Cust	Total
Water Purchases	\$ 341,532	\$ 15,597	\$ 357,129	37%	6%	57%	100%		*	\$ 132,138	\$ 21,428	\$ 203,564	\$ 357,130
Chemicals and Testing	\$ 5,950	\$ 2,450	\$ 8,400	37%	6%	57%	100%		*	\$ 3,108	\$ 504	\$ 4,788	\$ 8,400
Fuel	\$ 10,478	\$ 7,272	\$ 17,750	37%	6%	57%	100%		*	\$ 6,568	\$ 1,065	\$ 10,118	\$ 17,751
Salaries	\$ 206,005	\$ 6,877	\$ 212,882	37%	6%	57%	100%		*	\$ 78,766	\$ 12,773	\$ 121,343	\$ 212,882
Payroll Taxes	\$ 15,563	\$ 3,697	\$ 19,260	37%	6%	57%	100%		*	\$ 7,126	\$ 1,156	\$ 10,978	\$ 19,260
Pension	\$ 10,214	\$ 5,017	\$ 15,231	37%	6%	57%	100%		*	\$ 5,635	\$ 914	\$ 8,682	\$ 15,231
Employee Benefits	\$ 201,487	\$ 12,098	\$ 213,585	37%	6%	57%	100%		*	\$ 79,026	\$ 12,815	\$ 121,743	\$ 213,584
Utilities	\$ 223,812	\$ 40,543	\$ 264,355	37%	6%	57%	100%		*	\$ 97,811	\$ 15,861	\$ 150,682	\$ 264,354
Insurance	\$ 19,813	\$ 1,787	\$ 21,600	37%	6%	57%	100%		*	\$ 7,992	\$ 1,296	\$ 12,312	\$ 21,600
System Maintenance	\$ 139,308	\$ 88,631	\$ 227,939	37%	6%	57%	100%		*	\$ 84,337	\$ 13,676	\$ 129,925	\$ 227,938
Truck and Equipment Repairs	\$ 50,858	\$ (4,058)	\$ 46,800	37%	6%	57%	100%		*	\$ 17,316	\$ 2,808	\$ 26,676	\$ 46,800
Miscellaneous			\$ -	37%	6%	57%	100%		*	\$ -	\$ -	\$ -	\$ -
Subtotal Distribution	\$ 1,225,020	\$ 179,911	\$ 1,404,931							\$ 519,823	\$ 84,296	\$ 800,811	\$ 1,404,930
										37%	6%	57%	100%
Admin & General	Actual	Adj	Test Yr.	Base	Ex-Cap	Cust	Total	Description	*	Base	Ex-Cap	Cust	Total
Salaries	\$ 366,231	\$ 12,227	\$ 378,458	37%	6%	57%	100%		*	\$ 140,029	\$ 22,707	\$ 215,721	\$ 378,457
Payroll Taxes	\$ 27,667	\$ 6,573	\$ 34,240	37%	6%	57%	100%		*	\$ 12,669	\$ 2,054	\$ 19,517	\$ 34,240
Pension	\$ 18,158	\$ 8,918	\$ 27,076	37%	6%	57%	100%		*	\$ 10,018	\$ 1,625	\$ 15,433	\$ 27,076
Employee Benefits	\$ 164,853	\$ 9,898	\$ 174,751	37%	6%	57%	100%		*	\$ 64,658	\$ 10,485	\$ 99,608	\$ 174,751
Utilities	\$ 3,149	\$ 2,246	\$ 5,395	37%	6%	57%	100%		*	\$ 1,996	\$ 324	\$ 3,075	\$ 5,395
Office	\$ 66,002	\$ (10,202)	\$ 55,800	37%	6%	57%	100%		*	\$ 20,646	\$ 3,348	\$ 31,806	\$ 55,800
Insurance	\$ 2,201	\$ 199	\$ 2,400	37%	6%	57%	100%		*	\$ 888	\$ 144	\$ 1,368	\$ 2,400
Travel and Training	\$ 4,728	\$ 5,172	\$ 9,900	37%	6%	57%	100%		*	\$ 3,663	\$ 594	\$ 5,643	\$ 9,900
Miscellaneous	\$ 2,052	\$ 5,860	\$ 7,912	37%	6%	57%	100%		*	\$ 2,927	\$ 475	\$ 4,510	\$ 7,912
Subtotal Admin & General	\$ 655,041	\$ 40,891	\$ 695,932							\$ 257,494	\$ 41,756	\$ 396,681	\$ 695,931
										37%	6%	57%	100%
Total Operating Expenses	\$ 1,880,061	\$ 220,802	\$ 2,100,863							\$ 777,317	\$ 126,052	\$ 1,197,492	\$ 2,100,861
										37%	6%	57%	100%

Walden's Ridge Utility District
Water Cost of Service Study
12 Months Ended January 31, 2021
Allocation of Base Expenses

Distribution	Test Yr		WRUD	WRUD	WRUD	WRUD	WRUD	Total
			Residential Retail	Wholesale Wholesale 1	Wholesale Wholesale 2	Dry Tap Other 1	VFD Other 2	
Water Purchases	\$ 132,138	34	\$ 122,073	\$ 4,138	\$ 5,864	\$ -	\$ 62	\$ 132,138
Chemicals and Testing	\$ 3,108	34	\$ 2,871	\$ 97	\$ 138	\$ -	\$ 1	\$ 3,108
Fuel	\$ 6,568	34	\$ 6,068	\$ 206	\$ 291	\$ -	\$ 3	\$ 6,568
Salaries	\$ 78,766	34	\$ 72,767	\$ 2,467	\$ 3,495	\$ -	\$ 37	\$ 78,766
Payroll Taxes	\$ 7,126	34	\$ 6,583	\$ 223	\$ 316	\$ -	\$ 3	\$ 7,126
Pension	\$ 5,635	34	\$ 5,206	\$ 176	\$ 250	\$ -	\$ 3	\$ 5,635
Employee Benefits	\$ 79,026	34	\$ 73,007	\$ 2,475	\$ 3,507	\$ -	\$ 37	\$ 79,026
Utilities	\$ 97,811	34	\$ 90,361	\$ 3,063	\$ 4,341	\$ -	\$ 46	\$ 97,811
Insurance	\$ 7,992	34	\$ 7,383	\$ 250	\$ 355	\$ -	\$ 4	\$ 7,992
System Maintenance	\$ 84,337	34	\$ 77,913	\$ 2,641	\$ 3,743	\$ -	\$ 40	\$ 84,337
Truck and Equipment Repairs	\$ 17,316	34	\$ 15,997	\$ 542	\$ 768	\$ -	\$ 8	\$ 17,316
Miscellaneous	\$ -	30	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal Distribution	\$ 519,823		\$ 480,229	\$ 16,280	\$ 23,068	\$ -	\$ 245	\$ 519,823

Admin & General	Test Yr		WRUD	WRUD	WRUD	WRUD	WRUD	Total
			Residential Retail	Wholesale Wholesale 1	Wholesale Wholesale 2	Dry Tap Other 1	VFD Other 2	
Salaries	\$ 140,029	30	\$ 130,019	\$ 3,280	\$ 6,699	\$ -	\$ 32	\$ 140,029
Payroll Taxes	\$ 12,669	30	\$ 11,763	\$ 297	\$ 606	\$ -	\$ 3	\$ 12,669
Pension	\$ 10,018	30	\$ 9,302	\$ 235	\$ 479	\$ -	\$ 2	\$ 10,018
Employee Benefits	\$ 64,658	30	\$ 60,036	\$ 1,514	\$ 3,093	\$ -	\$ 15	\$ 64,658
Utilities	\$ 1,996	30	\$ 1,853	\$ 47	\$ 95	\$ -	\$ 0	\$ 1,996
Office	\$ 20,646	30	\$ 19,170	\$ 484	\$ 988	\$ -	\$ 5	\$ 20,646
Insurance	\$ 888	30	\$ 825	\$ 21	\$ 42	\$ -	\$ 0	\$ 888
Travel and Training	\$ 3,663	30	\$ 3,401	\$ 86	\$ 175	\$ -	\$ 1	\$ 3,663
Miscellaneous	\$ 2,927	30	\$ 2,718	\$ 69	\$ 140	\$ -	\$ 1	\$ 2,927
Subtotal Admin & General	\$ 257,494		\$ 239,086	\$ 6,031	\$ 12,318	\$ -	\$ 59	\$ 257,494
Total Operating Expenses	\$ 777,317		\$ 719,315	\$ 22,311	\$ 35,386	\$ -	\$ 305	\$ 777,317
			93%	3%	5%	0%	0%	100%

Walden's Ridge Utility District
 Water Cost of Service Study
 12 Months Ended January 31, 2021
 Allocation of Extra Capacity Expenses

Distribution	Test Yr		WRUD	WRUD	WRUD	WRUD	WRUD	Total
			Residential Retail	Wholesale Wholesale 1	Wholesale Wholesale 2	Dry Tap Other 1	VFD Other 2	
Water Purchases	\$ 21,428	34	\$ 19,796	\$ 671	\$ 951	\$ -	\$ 10	\$ 21,428
Chemicals and Testing	\$ 504	34	\$ 466	\$ 16	\$ 22	\$ -	\$ 0	\$ 504
Fuel	\$ 1,065	34	\$ 984	\$ 33	\$ 47	\$ -	\$ 1	\$ 1,065
Salaries	\$ 12,773	34	\$ 11,800	\$ 400	\$ 567	\$ -	\$ 6	\$ 12,773
Payroll Taxes	\$ 1,156	34	\$ 1,068	\$ 36	\$ 51	\$ -	\$ 1	\$ 1,156
Pension	\$ 914	34	\$ 844	\$ 29	\$ 41	\$ -	\$ 0	\$ 914
Employee Benefits	\$ 12,815	34	\$ 11,839	\$ 401	\$ 569	\$ -	\$ 6	\$ 12,815
Utilities	\$ 15,861	34	\$ 14,653	\$ 497	\$ 704	\$ -	\$ 7	\$ 15,861
Insurance	\$ 1,296	34	\$ 1,197	\$ 41	\$ 58	\$ -	\$ 1	\$ 1,296
System Maintenance	\$ 13,676	34	\$ 12,634	\$ 428	\$ 607	\$ -	\$ 6	\$ 13,676
Truck and Equipment Repairs	\$ 2,808	34	\$ 2,594	\$ 88	\$ 125	\$ -	\$ 1	\$ 2,808
Miscellaneous	\$ -	33	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal Distribution	\$ 84,296		\$ 77,875	\$ 2,640	\$ 3,741	\$ -	\$ 40	\$ 84,296
Admin & General	Test Yr		WRUD	WRUD	WRUD	WRUD	WRUD	Total
			Residential Retail	Wholesale Wholesale 1	Wholesale Wholesale 2	Dry Tap Other 1	VFD Other 2	
Salaries	\$ 22,707	34	\$ 20,977	\$ 711	\$ 1,008	\$ -	\$ 11	\$ 22,707
Payroll Taxes	\$ 2,054	34	\$ 1,898	\$ 64	\$ 91	\$ -	\$ 1	\$ 2,054
Pension	\$ 1,625	34	\$ 1,501	\$ 51	\$ 72	\$ -	\$ 1	\$ 1,625
Employee Benefits	\$ 10,485	34	\$ 9,686	\$ 328	\$ 465	\$ -	\$ 5	\$ 10,485
Utilities	\$ 324	34	\$ 299	\$ 10	\$ 14	\$ -	\$ 0	\$ 324
Office	\$ 3,348	34	\$ 3,093	\$ 105	\$ 149	\$ -	\$ 2	\$ 3,348
Insurance	\$ 144	34	\$ 133	\$ 5	\$ 6	\$ -	\$ 0	\$ 144
Travel and Training	\$ 594	34	\$ 549	\$ 19	\$ 26	\$ -	\$ 0	\$ 594
Miscellaneous	\$ 475	34	\$ 439	\$ 15	\$ 21	\$ -	\$ 0	\$ 475
Subtotal Admin & General	\$ 41,756		\$ 38,576	\$ 1,308	\$ 1,853	\$ -	\$ 20	\$ 41,756
Total Operating Expenses	\$ 126,052		\$ 116,451	\$ 3,948	\$ 5,594	\$ -	\$ 59	\$ 126,052
			92%	3%	4%	0%	0%	100%

Walden's Ridge Utility District
 Water Cost of Service Study
 12 Months Ended January 31, 2021
 Allocation of Customer Expenses

Distribution	Test Yr		WRUD	WRUD	WRUD	WRUD	WRUD	Total
			Residential Retail	Wholesale Wholesale 1	Wholesale Wholesale 2	Dry Tap Other 1	VFD Other 2	
Water Purchases	\$ 203,564	15	\$ 189,315	\$ 4,071	\$ 10,178	\$ -	\$ -	\$ 203,564
Chemicals and Testing	\$ 4,788	15	\$ 4,453	\$ 96	\$ 239	\$ -	\$ -	\$ 4,788
Fuel	\$ 10,118	25	\$ 10,040	\$ 3	\$ 1	\$ 71	\$ 3	\$ 10,118
Salaries	\$ 121,343	25	\$ 120,409	\$ 34	\$ 16	\$ 847	\$ 38	\$ 121,343
Payroll Taxes	\$ 10,978	25	\$ 10,893	\$ 3	\$ 1	\$ 77	\$ 3	\$ 10,978
Pension	\$ 8,682	25	\$ 8,615	\$ 2	\$ 1	\$ 61	\$ 3	\$ 8,682
Employee Benefits	\$ 121,743	25	\$ 120,806	\$ 34	\$ 16	\$ 849	\$ 38	\$ 121,743
Utilities	\$ 150,682	25	\$ 149,522	\$ 42	\$ 20	\$ 1,051	\$ 47	\$ 150,682
Insurance	\$ 12,312	25	\$ 12,217	\$ 3	\$ 2	\$ 86	\$ 4	\$ 12,312
System Maintenance	\$ 129,925	25	\$ 128,925	\$ 36	\$ 17	\$ 906	\$ 40	\$ 129,925
Truck and Equipment Repairs	\$ 26,676	25	\$ 26,471	\$ 7	\$ 4	\$ 186	\$ 8	\$ 26,676
Miscellaneous	\$ -	21	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal Distribution	\$ 800,811		\$ 781,664	\$ 4,332	\$ 10,497	\$ 4,134	\$ 185	\$ 800,811

Admin & General	Test Yr		WRUD	WRUD	WRUD	WRUD	WRUD	Total
			Residential Retail	Wholesale Wholesale 1	Wholesale Wholesale 2	Dry Tap Other 1	VFD Other 2	
Salaries	\$ 215,721	25	\$ 214,060	\$ 60	\$ 29	\$ 1,505	\$ 67	\$ 215,721
Payroll Taxes	\$ 19,517	25	\$ 19,367	\$ 5	\$ 3	\$ 136	\$ 6	\$ 19,517
Pension	\$ 15,433	25	\$ 15,314	\$ 4	\$ 2	\$ 108	\$ 5	\$ 15,433
Employee Benefits	\$ 99,608	25	\$ 98,841	\$ 28	\$ 13	\$ 695	\$ 31	\$ 99,608
Utilities	\$ 3,075	25	\$ 3,051	\$ 1	\$ 0	\$ 21	\$ 1	\$ 3,075
Office	\$ 31,806	25	\$ 31,561	\$ 9	\$ 4	\$ 222	\$ 10	\$ 31,806
Insurance	\$ 1,368	25	\$ 1,357	\$ 0	\$ 0	\$ 10	\$ 0	\$ 1,368
Travel and Training	\$ 5,643	25	\$ 5,600	\$ 2	\$ 1	\$ 39	\$ 2	\$ 5,643
Miscellaneous	\$ 4,510	25	\$ 4,475	\$ 1	\$ 1	\$ 31	\$ 1	\$ 4,510
Subtotal Admin & General	\$ 396,681		\$ 393,627	\$ 110	\$ 53	\$ 2,768	\$ 124	\$ 396,681

Total Operating Expenses	\$ 1,197,492		\$ 1,175,291	\$ 4,442	\$ 10,550	\$ 6,901	\$ 308	\$ 1,197,492
			98%	0%	1%	1%	0%	100%

Walden's Ridge Utility District
Water Cost of Service Study
12 Months Ended January 31, 2021
Summary of Operating Expense Allocation

Distribution	Test Yr	WRUD	WRUD	WRUD	WRUD	WRUD	Total
		Residential Retail	Wholesale Wholesale 1	Wholesale Wholesale 2	Dry Tap Other 1	VFD Other 2	
Water Purchases	\$ 357,129	\$ 331,184	\$ 8,881	\$ 16,993	\$ -	\$ 72	\$ 357,130
Chemicals and Testing	\$ 8,400	\$ 7,790	\$ 209	\$ 400	\$ -	\$ 2	\$ 8,400
Fuel	\$ 17,750	\$ 17,092	\$ 242	\$ 340	\$ 71	\$ 7	\$ 17,751
Salaries	\$ 212,882	\$ 204,975	\$ 2,901	\$ 4,078	\$ 847	\$ 81	\$ 212,882
Payroll Taxes	\$ 19,260	\$ 18,545	\$ 262	\$ 369	\$ 77	\$ 7	\$ 19,260
Pension	\$ 15,231	\$ 14,665	\$ 208	\$ 292	\$ 61	\$ 6	\$ 15,231
Employee Benefits	\$ 213,585	\$ 205,651	\$ 2,910	\$ 4,092	\$ 849	\$ 81	\$ 213,584
Utilities	\$ 264,355	\$ 254,536	\$ 3,602	\$ 5,065	\$ 1,051	\$ 101	\$ 264,354
Insurance	\$ 21,600	\$ 20,798	\$ 294	\$ 414	\$ 86	\$ 8	\$ 21,600
System Maintenance	\$ 227,939	\$ 219,472	\$ 3,106	\$ 4,367	\$ 906	\$ 87	\$ 227,938
Truck and Equipment Repairs	\$ 46,800	\$ 45,062	\$ 638	\$ 897	\$ 186	\$ 18	\$ 46,800
Miscellaneous	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal Distribution	\$ 1,404,931	\$ 1,339,769	\$ 23,252	\$ 37,306	\$ 4,134	\$ 470	\$ 1,404,930
Admin & General	Test Yr	WRUD	WRUD	WRUD	WRUD	WRUD	Total
		Residential Retail	Wholesale Wholesale 1	Wholesale Wholesale 2	Dry Tap Other 1	VFD Other 2	
Salaries	\$ 378,458	\$ 365,056	\$ 4,051	\$ 7,735	\$ 1,505	\$ 110	\$ 378,457
Payroll Taxes	\$ 34,240	\$ 33,028	\$ 366	\$ 700	\$ 136	\$ 10	\$ 34,240
Pension	\$ 27,076	\$ 26,117	\$ 290	\$ 553	\$ 108	\$ 8	\$ 27,076
Employee Benefits	\$ 174,751	\$ 168,563	\$ 1,870	\$ 3,572	\$ 695	\$ 51	\$ 174,751
Utilities	\$ 5,395	\$ 5,204	\$ 58	\$ 110	\$ 21	\$ 2	\$ 5,395
Office	\$ 55,800	\$ 53,824	\$ 597	\$ 1,140	\$ 222	\$ 16	\$ 55,800
Insurance	\$ 2,400	\$ 2,315	\$ 26	\$ 49	\$ 10	\$ 1	\$ 2,400
Travel and Training	\$ 9,900	\$ 9,549	\$ 106	\$ 202	\$ 39	\$ 3	\$ 9,900
Miscellaneous	\$ 7,912	\$ 7,632	\$ 85	\$ 162	\$ 31	\$ 2	\$ 7,912
Subtotal Admin & General	\$ 695,932	\$ 671,288	\$ 7,449	\$ 14,224	\$ 2,768	\$ 203	\$ 695,931
Total Operating Expenses	\$ 2,100,863	\$ 2,011,057	\$ 30,701	\$ 51,530	\$ 6,901	\$ 672	\$ 2,100,861
		96%	1%	2%	0%	0%	100%

Debt Service

Walden's Ridge Utility District
 Water Cost of Service Study
 12 Months Ended January 31, 2021
 Classification of Debt Service

Principal Expense	Actual	Adj	Test Yr.	Base	Ex-Cap	Cust	Total	Description	*	Base	Ex-Cap	Cust	Total
2015 Series Bond	\$ 275,000	\$ 10,000	\$ 285,000	37%	6%	57%	100%		*	\$ 105,450	\$ 17,100	\$ 162,450	\$ 285,000
2015 USDA RD Loan	\$ 17,339	\$ 1,089	\$ 18,428	37%	6%	57%	100%		*	\$ 6,818	\$ 1,106	\$ 10,504	\$ 18,428
2020 CTCB Loan	\$ -	\$ 103,892	\$ 103,892	37%	6%	57%	100%		*	\$ 38,440	\$ 6,234	\$ 59,218	\$ 103,892
Subtotal Principal Expense	\$ 292,339	\$ 114,981	\$ 407,320							\$ 150,708	\$ 24,440	\$ 232,172	\$ 407,320
										37%	6%	57%	100%
Interest Expense	Actual	Adj	Test Yr.	Base	Ex-Cap	Cust	Total	Description	*	Base	Ex-Cap	Cust	Total
2015 Series Bond	\$ 196,556	\$ (11,200)	\$ 185,356	37%	6%	57%	100%	0		\$ 68,582	\$ 11,121	\$ 105,653	\$ 185,356
2015 USDA RD Loan	\$ 31,045	\$ (1,029)	\$ 30,016	37%	6%	57%	100%	0		\$ 11,106	\$ 1,801	\$ 17,109	\$ 30,016
2020 CTCB Loan	\$ -	\$ 26,081	\$ 26,081	37%	6%	57%	100%	0		\$ 9,650	\$ 1,565	\$ 14,866	\$ 26,081
Subtotal Interest Expense	\$ 227,601	\$ 13,852	\$ 241,453							\$ 89,338	\$ 14,487	\$ 137,628	\$ 241,453
										37%	6%	57%	100%
Total Debt Service	\$ 519,940	\$ 128,833	\$ 648,773							\$ 240,046	\$ 38,927	\$ 369,800	\$ 648,773
										37%	6%	57%	100%

Walden's Ridge Utility District
 Water Cost of Service Study
 12 Months Ended January 31, 2021
 Allocation of Base Debt Service

Principal Expense	Test Yr	WRUD					Total	
		Residential	Wholesale	Wholesale	Dry Tap	VFD		
		Retail	Wholesale 1	Wholesale 2	Other 1	Other 2		
2015 Series Bond	\$ 105,450	34	\$ 97,418	\$ 3,303	\$ 4,680	\$ -	\$ 50	\$ 105,450
2015 USDA RD Loan	\$ 6,818	34	\$ 6,299	\$ 214	\$ 303	\$ -	\$ 3	\$ 6,818
2020 CTCB Loan	\$ 38,440	30	\$ 35,692	\$ 900	\$ 1,839	\$ -	\$ 9	\$ 38,440
Subtotal Principal Expense	\$ 150,708		\$ 139,409	\$ 4,416	\$ 6,821	\$ -	\$ 62	\$ 150,708

Interest Expense	Test Yr	WRUD					Total	
		Residential	Wholesale	Wholesale	Dry Tap	VFD		
		Retail	Wholesale 1	Wholesale 2	Other 1	Other 2		
2015 Series Bond	\$ 68,582	34	\$ 63,358	\$ 2,148	\$ 3,043	\$ -	\$ 32	\$ 68,582
2015 USDA RD Loan	\$ 11,106	34	\$ 10,260	\$ 348	\$ 493	\$ -	\$ 5	\$ 11,106
2020 CTCB Loan	\$ 9,650	30	\$ 8,960	\$ 226	\$ 462	\$ -	\$ 2	\$ 9,650
Subtotal Interest Expense	\$ 89,338		\$ 82,578	\$ 2,722	\$ 3,998	\$ -	\$ 40	\$ 89,338

Total Debt Service	\$ 240,046		\$ 221,987	\$ 7,138	\$ 10,819	\$ -	\$ 102	\$ 240,046
			92%	3%	5%	0%	0%	100%

Walden's Ridge Utility District
 Water Cost of Service Study
 12 Months Ended January 31, 2021
 Allocation of Extra Capacity Debt Service

			WRUD Residential	WRUD Wholesale	WRUD Wholesale	WRUD Dry Tap	WRUD VFD		
			Retail	Wholesale 1	Wholesale 2	Other 1	Other 2		
Principal Expense	Test Yr							Total	
2015 Series Bond	\$ 17,100	34	\$ 15,798	\$ 536	\$ 759	\$ -	\$ 8	\$ 17,100	
2015 USDA RD Loan	\$ 1,106	34	\$ 1,022	\$ 35	\$ 49	\$ -	\$ 1	\$ 1,106	
2020 CTCB Loan	\$ 6,234	33	\$ -	\$ -	\$ 6,234	\$ -	\$ -	\$ 6,234	
Subtotal Principal Expense	\$ 24,440		\$ 16,819	\$ 570	\$ 7,042	\$ -	\$ 9	\$ 24,440	
			WRUD Residential	WRUD Wholesale	WRUD Wholesale	WRUD Dry Tap	WRUD VFD		
			Retail	Wholesale 1	Wholesale 2	Other 1	Other 2		
Interest Expense	Test Yr							Total	
2015 Series Bond	\$ 11,121	34	\$ 10,274	\$ 348	\$ 494	\$ -	\$ 5	\$ 11,121	
2015 USDA RD Loan	\$ 1,801	34	\$ 1,664	\$ 56	\$ 80	\$ -	\$ 1	\$ 1,801	
2020 CTCB Loan	\$ 1,565	33	\$ -	\$ -	\$ 1,565	\$ -	\$ -	\$ 1,565	
Subtotal Interest Expense	\$ 14,487		\$ 11,938	\$ 405	\$ 2,138	\$ -	\$ 6	\$ 14,487	
Total Debt Service	\$ 38,927		\$ 28,757	\$ 975	\$ 9,180	\$ -	\$ 15	\$ 38,927	
			74%	3%	24%	0%	0%	100%	

Walden's Ridge Utility District
 Water Cost of Service Study
 12 Months Ended January 31, 2021
 Allocation of Customer Debt Service

Principal Expense	Test Yr	WRUD					Total	
		Residential	Wholesale	Wholesale	Dry Tap	VFD		
		Retail	Wholesale 1	Wholesale 2	Other 1	Other 2		
2015 Series Bond	\$ 162,450	25	\$ 161,199	\$ 45	\$ 22	\$ 1,133	\$ 51	\$ 162,450
2015 USDA RD Loan	\$ 10,504	25	\$ 10,423	\$ 3	\$ 1	\$ 73	\$ 3	\$ 10,504
2020 CTCB Loan	\$ 59,218	21	\$ 58,130	\$ 33	\$ 16	\$ 1,022	\$ 18	\$ 59,218
Subtotal Principal Expense	\$ 232,172		\$ 229,752	\$ 81	\$ 39	\$ 2,228	\$ 72	\$ 232,172

Interest Expense	Test Yr	WRUD					Total	
		Residential	Wholesale	Wholesale	Dry Tap	VFD		
		Retail	Wholesale 1	Wholesale 2	Other 1	Other 2		
2015 Series Bond	\$ 105,653	25	\$ 104,839	\$ 29	\$ 14	\$ 737	\$ 33	\$ 105,653
2015 USDA RD Loan	\$ 17,109	25	\$ 16,977	\$ 5	\$ 2	\$ 119	\$ 5	\$ 17,109
2020 CTCB Loan	\$ 14,866	21	\$ 14,593	\$ 8	\$ 4	\$ 257	\$ 5	\$ 14,866
Subtotal Interest Expense	\$ 137,628		\$ 136,410	\$ 42	\$ 20	\$ 1,113	\$ 43	\$ 137,628

Total Debt Service	\$ 369,800		\$ 366,162	\$ 123	\$ 59	\$ 3,341	\$ 115	\$ 369,800
			99%	0%	0%	1%	0%	100%

Walden's Ridge Utility District
 Water Cost of Service Study
 12 Months Ended January 31, 2021
 Summary of Debt Service Allocation

		WRUD Residential	WRUD Wholesale	WRUD Wholesale	WRUD Dry Tap	WRUD VFD			
		Retail	Wholesale 1	Wholesale 2	Other 1	Other 2			
Principal Expense	Test Yr						Total		
2015 Series Bond	\$ 285,000	\$ 274,415	\$ 3,883	\$ 5,460	\$ 1,133	\$ 108	\$ 285,000		
2015 USDA RD Loan	\$ 18,428	\$ 17,744	\$ 251	\$ 353	\$ 73	\$ 7	\$ 18,428		
2020 CTCB Loan	\$ 103,892	\$ 93,822	\$ 933	\$ 8,088	\$ 1,022	\$ 27	\$ 103,892		
Subtotal Principal Expense	\$ 407,320	\$ 385,980	\$ 5,067	\$ 13,902	\$ 2,228	\$ 143	\$ 407,320		
		WRUD Residential	WRUD Wholesale	WRUD Wholesale	WRUD Dry Tap	WRUD VFD			
		Retail	Wholesale 1	Wholesale 2	Other 1	Other 2			
Interest Expense	Test Yr						Total		
2015 Series Bond	\$ 185,356	\$ 178,472	\$ 2,526	\$ 3,551	\$ 737	\$ 71	\$ 185,356		
2015 USDA RD Loan	\$ 30,016	\$ 28,901	\$ 409	\$ 575	\$ 119	\$ 11	\$ 30,016		
2020 CTCB Loan	\$ 26,081	\$ 23,553	\$ 234	\$ 2,031	\$ 257	\$ 7	\$ 26,081		
Subtotal Interest Expense	\$ 241,453	\$ 230,926	\$ 3,169	\$ 6,157	\$ 1,113	\$ 89	\$ 241,453		
Total Debt Service	\$ 648,773	\$ 616,906	\$ 8,236	\$ 20,058	\$ 3,341	\$ 231	\$ 648,773		
		95%	1%	3%	1%	0%	100%		

Capital Improvement Plan

Walden's Ridge Utility District
 Water Cost of Service Study
 12 Months Ended January 31, 2021
 Classification of Capital Improvement Plan

Capital Improvement Plan	Actual	Adj	Test Yr.	Base	Ex-Cap	Cust	Total	Description	*	Base	Ex-Cap	Cust	Total
Future Capital - Self Funded	\$ 64,135	\$ 135,865	\$ 200,000	37%	6%	57%	100%		*	\$ 74,000	\$ 12,000	\$ 114,000	\$ 200,000
Subtotal Capital Improvement Plan	\$ 64,135	\$ 135,865	\$ 200,000							\$ 74,000	\$ 12,000	\$ 114,000	\$ 200,000
										37%	6%	57%	100%
Total CIP	\$ 64,135	\$ 135,865	\$ 200,000							\$ 74,000	\$ 12,000	\$ 114,000	\$ 200,000
Total Rate Funding	\$ 64,135	\$ 135,865	\$ 200,000							\$ 74,000	\$ 12,000	\$ 114,000	\$ 200,000

Walden's Ridge Utility District
 Water Cost of Service Study
 12 Months Ended January 31, 2021
 Allocation of Base Capital Improvement Plan

Capital Improvement Plan	Test Yr	WRUD					Total	
		Residential Retail	Wholesale Wholesale 1	Wholesale Wholesale 2	Dry Tap Other 1	VFD Other 2		
Future Capital - Self Funded	\$ 74,000	34	\$ 68,364	\$ 2,318	\$ 3,284	\$ -	\$ 35	\$ 74,000
Subtotal Capital Improvement Plan	\$ 74,000		\$ 68,364	\$ 2,318	\$ 3,284	\$ -	\$ 35	\$ 74,000
			92%	3%	4%	0%	0%	100%

Walden's Ridge Utility District
 Water Cost of Service Study
 12 Months Ended January 31, 2021
 Allocation of Extra Capacity Capital Improvement Plan

Capital Improvement Plan	Test Yr	WRUD					Total	
		Residential Retail	Wholesale Wholesale 1	Wholesale Wholesale 2	Dry Tap Other 1	VFD Other 2		
Future Capital - Self Funded	\$ 12,000	34	\$ 11,086	\$ 376	\$ 533	\$ -	\$ 6	\$ 12,000
Subtotal Capital Improvement Plan	\$ 12,000		\$ 11,086	\$ 376	\$ 533	\$ -	\$ 6	\$ 12,000
			92%	3%	4%	0%	0%	100%

Walden's Ridge Utility District
 Water Cost of Service Study
 12 Months Ended January 31, 2021
 Allocation of Customer Capital Improvement Plan

Capital Improvement Plan	Test Yr	WRUD					Total	
		Residential Retail	Wholesale Wholesale 1	Wholesale Wholesale 2	Dry Tap Other 1	VFD Other 2		
Future Capital - Self Funded	\$ 114,000	25	\$ 113,122	\$ 32	\$ 15	\$ 795	\$ 36	\$ 114,000
Subtotal Capital Improvement Plan	\$ 114,000		\$ 113,122	\$ 32	\$ 15	\$ 795	\$ 36	\$ 114,000
			99%	0%	0%	1%	0%	100%

Walden's Ridge Utility District
 Water Cost of Service Study
 12 Months Ended January 31, 2021
 Summary of Capital Improvement Plan Allocation

Capital Improvement Plan	Test Yr	WRUD	WRUD	WRUD	WRUD	WRUD	Total
		Residential Retail	Wholesale Wholesale 1	Wholesale Wholesale 2	Dry Tap Other 1	VFD Other 2	
Future Capital - Self Funded	\$ 200,000	\$ 192,572	\$ 2,725	\$ 3,832	\$ 795	\$ 76	\$ 200,000
Subtotal Capital Improvement Plan	\$ 200,000	\$ 192,572	\$ 2,725	\$ 3,832	\$ 795	\$ 76	\$ 200,000
		96%	1%	2%	0%	0%	100%

Customer Billing Data

Walden's Ridge Utility District
 Water Cost of Service Study
 12 Months Ended January 31, 2021
 Customer Billing Data

	Month Format	Month	Year	Service	Type	Class Hold 1	Class Hold 2	Combined	# of Users	Revenue	Gallons
1	July-19	7	2019	WRUD	Residential	Retail		7 WRUD Residential	3667	229,010	27,024,070
2	July-19	7	2019	WRUD	Wholesale	Wholesale 1		7 WRUD Wholesale	2	991	330,488
3	July-19	7	2019	WRUD	Wholesale	Wholesale 2		7 WRUD Wholesale	1	3,358	1,221,024
4	July-19	7	2019	WRUD	Dry Tap	Other 1		7 WRUD Dry Tap	63	899	-
5	July-19	7	2019	WRUD	VFD	Other 2		7 WRUD VFD	2	10	5,000
6	August-19	8	2019	WRUD	Residential	Retail		8 WRUD Residential	3670	252,732	26,574,040
7	August-19	8	2019	WRUD	Wholesale	Wholesale 1		8 WRUD Wholesale	2	1,671	556,851
8	August-19	8	2019	WRUD	Wholesale	Wholesale 2		8 WRUD Wholesale	1	3,581	1,302,133
9	August-19	8	2019	WRUD	Dry Tap	Other 1		8 WRUD Dry Tap	63	899	-
10	August-19	8	2019	WRUD	VFD	Other 2		8 WRUD VFD	1	2	1,000
11	September-19	9	2019	WRUD	Residential	Retail		9 WRUD Residential	3686	264,533	28,145,740
12	September-19	9	2019	WRUD	Wholesale	Wholesale 1		9 WRUD Wholesale	2	1,772	590,512
13	September-19	9	2019	WRUD	Wholesale	Wholesale 2		9 WRUD Wholesale	1	4,250	1,545,573
14	September-19	9	2019	WRUD	Dry Tap	Other 1		9 WRUD Dry Tap	63	899	-
15	September-19	9	2019	WRUD	VFD	Other 2		9 WRUD VFD	2	13	6,500
16	October-19	10	2019	WRUD	Residential	Retail		10 WRUD Residential	3695	327,445	36,701,840
17	October-19	10	2019	WRUD	Wholesale	Wholesale 1		10 WRUD Wholesale	2	2,568	856,071
18	October-19	10	2019	WRUD	Wholesale	Wholesale 2		10 WRUD Wholesale	1	4,206	1,529,391
19	October-19	10	2019	WRUD	Dry Tap	Other 1		10 WRUD Dry Tap	63	899	-
20	October-19	10	2019	WRUD	VFD	Other 2		10 WRUD VFD	0	-	-
21	November-19	11	2019	WRUD	Residential	Retail		11 WRUD Residential	3699	260,310	27,529,900
22	November-19	11	2019	WRUD	Wholesale	Wholesale 1		11 WRUD Wholesale	2	1,554	517,876
23	November-19	11	2019	WRUD	Wholesale	Wholesale 2		11 WRUD Wholesale	1	3,531	1,284,122
24	November-19	11	2019	WRUD	Dry Tap	Other 1		11 WRUD Dry Tap	63	899	-
25	November-19	11	2019	WRUD	VFD	Other 2		11 WRUD VFD	2	5	2,500
26	December-19	12	2019	WRUD	Residential	Retail		12 WRUD Residential	3677	179,572	16,457,020
27	December-19	12	2019	WRUD	Wholesale	Wholesale 1		12 WRUD Wholesale	2	1,361	453,769
28	December-19	12	2019	WRUD	Wholesale	Wholesale 2		12 WRUD Wholesale	1	2,103	764,665
29	December-19	12	2019	WRUD	Dry Tap	Other 1		12 WRUD Dry Tap	62	885	-
30	December-19	12	2019	WRUD	VFD	Other 2		12 WRUD VFD	0	-	-
31	January-20	1	2020	WRUD	Residential	Retail		1 WRUD Residential	3635	163,339	14,189,570

Walden's Ridge Utility District
Water Cost of Service Study
12 Months Ended January 31, 2021
Customer Billing Data

	Month Format	Month	Year	Service	Type	Class Hold 1	Class Hold 2	Combined	# of Users	Revenue	Gallons
32	January-20	1	2020	WRUD	Wholesale	Wholesale 1		1 WRUD Wholesale	2	2,208	736,007
33	January-20	1	2020	WRUD	Wholesale	Wholesale 2		1 WRUD Wholesale	1	3,199	1,163,417
34	January-20	1	2020	WRUD	Dry Tap	Other 1		1 WRUD Dry Tap	65	928	-
35	January-20	1	2020	WRUD	VFD	Other 2		1 WRUD VFD	2	50	24,500
36	February-20	2	2020	WRUD	Residential	Retail		2 WRUD Residential	3630	183,334	16,925,910
37	February-20	2	2020	WRUD	Wholesale	Wholesale 1		2 WRUD Wholesale	2	1,301	387,342
38	February-20	2	2020	WRUD	Wholesale	Wholesale 2		2 WRUD Wholesale	1	1,960	712,780
39	February-20	2	2020	WRUD	Dry Tap	Other 1		2 WRUD Dry Tap	64	913	-
40	February-20	2	2020	WRUD	VFD	Other 2		2 WRUD VFD	0	-	-
41	March-20	3	2020	WRUD	Residential	Retail		3 WRUD Residential	3637	167,311	14,680,530
42	March-20	3	2020	WRUD	Wholesale	Wholesale 1		3 WRUD Wholesale	2	1,345	400,208
43	March-20	3	2020	WRUD	Wholesale	Wholesale 2		3 WRUD Wholesale	1	2,119	770,486
44	March-20	3	2020	WRUD	Dry Tap	Other 1		3 WRUD Dry Tap	62	885	-
45	March-20	3	2020	WRUD	VFD	Other 2		3 WRUD VFD	1	1	500
46	April-20	4	2020	WRUD	Residential	Retail		4 WRUD Residential	3638	176,642	16,020,440
47	April-20	4	2020	WRUD	Wholesale	Wholesale 1		4 WRUD Wholesale	2	1,263	375,821
48	April-20	4	2020	WRUD	Wholesale	Wholesale 2		4 WRUD Wholesale	1	2,147	780,727
49	April-20	4	2020	WRUD	Dry Tap	Other 1		4 WRUD Dry Tap	61	870	-
50	April-20	4	2020	WRUD	VFD	Other 2		4 WRUD VFD	1	2	800
51	May-20	5	2020	WRUD	Residential	Retail		5 WRUD Residential	3671	189,187	17,727,020
52	May-20	5	2020	WRUD	Wholesale	Wholesale 1		5 WRUD Wholesale	2	1,280	380,833
53	May-20	5	2020	WRUD	Wholesale	Wholesale 2		5 WRUD Wholesale	1	2,327	846,294
54	May-20	5	2020	WRUD	Dry Tap	Other 1		5 WRUD Dry Tap	61	870	-
55	May-20	5	2020	WRUD	VFD	Other 2		5 WRUD VFD	2	13	6,500
56	June-20	6	2020	WRUD	Residential	Retail		6 WRUD Residential	3708	213,688	21,126,530
57	June-20	6	2020	WRUD	Wholesale	Wholesale 1		6 WRUD Wholesale	2	1,658	493,491
58	June-20	6	2020	WRUD	Wholesale	Wholesale 2		6 WRUD Wholesale	1	2,975	1,081,735
59	June-20	6	2020	WRUD	Dry Tap	Other 1		6 WRUD Dry Tap	61	870	-
60	June-20	6	2020	WRUD	VFD	Other 2		6 WRUD VFD	1	3	1,500
61	July-20	7	2020	WRUD	Residential	Retail		7 WRUD Residential	3732	239,635	24,655,840
62	July-20	7	2020	WRUD	Wholesale	Wholesale 1		7 WRUD Wholesale	2	1,531	455,638

Walden's Ridge Utility District
 Water Cost of Service Study
 12 Months Ended January 31, 2021
 Customer Billing Data

	Month Format	Month	Year	Service	Type	Class Hold 1	Class Hold 2	Combined	# of Users	Revenue	Gallons
63	July-20	7	2020	WRUD	Wholesale	Wholesale 2		7 WRUD Wholesale	1	3,095	1,125,519
64	July-20	7	2020	WRUD	Dry Tap	Other 1		7 WRUD Dry Tap	60	856	-
65	July-20	7	2020	WRUD	VFD	Other 2		7 WRUD VFD	2	26	13,080
66	August-20	8	2020	WRUD	Residential	Retail		8 WRUD Residential	3780	283,429	30,176,390
67	August-20	8	2020	WRUD	Wholesale	Wholesale 1		8 WRUD Wholesale	2	2,517	749,174
68	August-20	8	2020	WRUD	Wholesale	Wholesale 2		8 WRUD Wholesale	1	3,736	1,358,679
69	August-20	8	2020	WRUD	Dry Tap	Other 1		8 WRUD Dry Tap	74	1,056	-
70	August-20	8	2020	WRUD	VFD	Other 2		8 WRUD VFD	1	8	4,000
71	September-20	9	2020	WRUD	Residential	Retail		9 WRUD Residential	3765	281,500	30,347,260
72	September-20	9	2020	WRUD	Wholesale	Wholesale 1		9 WRUD Wholesale	3	3,457	1,028,787
73	September-20	9	2020	WRUD	Wholesale	Wholesale 2		9 WRUD Wholesale	1	4,009	1,457,768
74	September-20	9	2020	WRUD	Dry Tap	Other 1		9 WRUD Dry Tap	72	1,027	-
75	September-20	9	2020	WRUD	VFD	Other 2		9 WRUD VFD	2	31	15,500
76	October-20	10	2020	WRUD	Residential	Retail		10 WRUD Residential	3771	241,126	24,758,450
77	October-20	10	2020	WRUD	Wholesale	Wholesale 1		10 WRUD Wholesale	2	2,086	620,958
78	October-20	10	2020	WRUD	Wholesale	Wholesale 2		10 WRUD Wholesale	1	3,579	1,301,528
79	October-20	10	2020	WRUD	Dry Tap	Other 1		10 WRUD Dry Tap	72	1,027	-
80	October-20	10	2020	WRUD	VFD	Other 2		10 WRUD VFD	2	33	16,200
81	November-20	11	2020	WRUD	Residential	Retail		11 WRUD Residential	3783	208,303	20,184,610
82	November-20	11	2020	WRUD	Wholesale	Wholesale 1		11 WRUD Wholesale	2	1,600	476,285
83	November-20	11	2020	WRUD	Wholesale	Wholesale 2		11 WRUD Wholesale	1	3,034	1,103,219
84	November-20	11	2020	WRUD	Dry Tap	Other 1		11 WRUD Dry Tap	69	985	-
85	November-20	11	2020	WRUD	VFD	Other 2		11 WRUD VFD	1	1	600
86	December-20	12	2020	WRUD	Residential	Retail		12 WRUD Residential	3757	193,217	18,152,830
87	December-20	12	2020	WRUD	Wholesale	Wholesale 1		12 WRUD Wholesale	2	1,501	446,588
88	December-20	12	2020	WRUD	Wholesale	Wholesale 2		12 WRUD Wholesale	1	3,118	1,133,799
89	December-20	12	2020	WRUD	Dry Tap	Other 1		12 WRUD Dry Tap	64	913	-
90	December-20	12	2020	WRUD	VFD	Other 2		12 WRUD VFD	0	-	-
91	January-21	1	2021	WRUD	Residential	Retail		1 WRUD Residential	3730	173,038	15,325,420
92	January-21	1	2021	WRUD	Wholesale	Wholesale 1		1 WRUD Wholesale	2	1,656	492,965
93	January-21	1	2021	WRUD	Wholesale	Wholesale 2		1 WRUD Wholesale	1	3,332	1,211,666

Walden's Ridge Utility District
 Water Cost of Service Study
 12 Months Ended January 31, 2021
 Customer Billing Data

	Month Format	Month	Year	Service	Type	Class Hold 1	Class Hold 2	Combined	# of Users	Revenue	Gallons
94	January-21	1	2021	WRUD	Dry Tap	Other 1		1 WRUD Dry Tap	64	913	-
95	January-21	1	2021	WRUD	VFD	Other 2		1 WRUD VFD	1	7	3,500
96	February-21	2	2021	WRUD	Residential	Retail		2 WRUD Residential	3725	179,441	16,229,578
97	February-21	2	2021	WRUD	Wholesale	Wholesale 1		2 WRUD Wholesale	2	2,431	723,367
98	February-21	2	2021	WRUD	Wholesale	Wholesale 2		2 WRUD Wholesale	1	3,153	1,146,456
99	February-21	2	2021	WRUD	Dry Tap	Other 1		2 WRUD Dry Tap	99	1,413	-
100	February-21	2	2021	WRUD	VFD	Other 2		2 WRUD VFD	1	11	5,600

Check Totals to WRUD Billing Data Data Sheets

									-	-	-
		2	2020						3,697	187,508	18,026,032
		3	2020						3,703	171,661	15,851,724
		4	2020						3,703	180,924	17,177,788
		5	2020						3,737	193,677	18,960,647
		6	2020						3,773	219,194	22,703,256
		7	2020						3,797	245,143	26,250,077
		8	2020						3,858	290,746	32,288,243
		9	2020						3,843	290,024	32,849,315
		10	2020						3,848	247,851	26,697,136
		11	2020						3,856	213,923	21,764,714
		12	2020						3,824	198,749	19,733,217
		1	2021						3,798	178,946	17,033,551

WALDEN'S RIDGE UTILITY DISTRICT

3900 Taft Highway
Signal Mountain, Tennessee 37377

Commissioners:

FRANK GROVES, JR., PRESIDENT
J. ROBERT MCKENZIE, VICE PRESIDENT
DAVID J. FULTON, SECRETARY

General Manager
RONALD WEST

2021 RATE RESOLUTION

THE WALDEN'S RIDGE UTILITY DISTRICT OF HAMILTON COUNTY, TENNESSEE A RESOLUTION TO PROVIDE FOR THE SETTING OF RATES FOR DISTRICT SERVICES

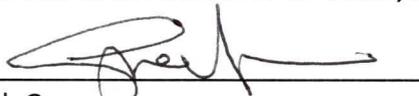
WHEREAS, the District, in order to provide for the efficient operations of the District's water system it is necessary to adjust rates periodically to continue to provide those services in accordance with existing bond covenants and to comply with applicable federal and state law.

WHEREAS, to make provision for the water rates of the District to adjust annually by the amount of any increases in cost associated with expenses, charges, fees, and assessments of the Water Provider, Sewer Processor, Electric Power Board of the City of Chattanooga (the "EPB"); chemical providers; fuel suppliers, or any other provider of goods or services necessary to operate the System;

WHEREAS, to make provision for the stabilization of annual water system revenues in the event any material users of system services experience reductions to annual system usage or payment amounts;

NOW, THEREFORE BE IT RESOLVED by the President and Commissioners of the District that the water the 2021 Rate Resolution is hereby adopted in its entirety and a 3% rate increase for the District water System shall be effective on August 1, 2021.

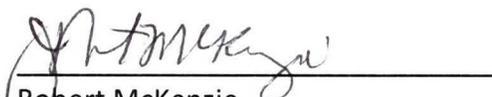
ADOPTED THIS 29TH DAY OF JUNE, 2021



Frank Groves
President

[District Seal]

ATTEST:



Robert McKenzie
Vice - President



JASON E. MUMPOWER
Comptroller

Entity Referred: **Woodlawn Utility District**

Referral Reason: **Negative Change in Net Position**

Utility Type Referred: **Water**

Staff Summary:

The District contracted with the Tennessee Association of Utility Districts (“TAUD”) to perform a rate study in accordance with the Board’s previous order. TAUD has completed the study and submitted its resulting report and recommendations to the District and to Board staff. The TAUD report does not recommend any rate increases due to customer growth and the decrease of gallons on its minimum bill from 1,600 gallons to 1,000 gallons.

Staff Recommendation:

Order the following:

1. The District shall send financial updates to Board staff by March 1st and September 1st of each year, beginning March 1, 2022, until the Board releases the District from its oversight.

**Tennessee Association
of Utility Districts**

Vital for Tennessee's future



REPORT FOR WOODLAWN UTILITY DISTRICT

UTILITY MANAGEMENT REVIEW BOARD ORDER DATED NOVEMBER 5, 2020

June 24, 2021

INTRODUCTION

Description of the Woodlawn Utility District Water System

Woodlawn Utility District (the District) is located in Montgomery County, Tennessee. The District's board of commissioners has three members who are appointed by the Montgomery County Mayor. The District gets its raw water supply from Cumberland River and operates a water treatment plant with a design capacity of 615,000 gallons per day.

As of December 31, 2019, the District had 3,705 residential and small commercial customers. All customers are charged the same rates.

The District was referred to the Utility Management Review Board (UMRB) upon the submission of its audit for its fiscal year ending December 31, 2019, because it met the statutory definition for a financially distressed utility district. The District had a negative change in net position for two consecutive years without regard to any grants or capital contributions for its 2018 and 2019 fiscal years.

The balance of the District's Cash and Cash Equivalents accounts as of January 1, 2021, was \$1,582,043. Of this amount, \$135,236 was restricted.

Utility Management Review Board Order

On November 5, 2020, the Utility Management Review Board (UMRB) issued an order directing the District to do the following.

- 1) The District shall have TAUD, or another qualified expert as approved by Board staff, to perform a rate study that includes the following:
 - A review of the leak adjustment policy;
 - The creation of a five-year capital asset budget to be taken from the current capital asset list and to include future anticipated needs; and
 - A review of connection, reconnection, and tap fees.
- 2) By November 30, 2020, the District shall send Board staff a copy of the contract between the District and the qualified expert who is to perform the tasks in paragraph 1.
- 3) By November 30, 2020, the District shall ensure that its commissioners have met all training requirements and are thus eligible to serve pursuant to Tenn. Code Ann. 7-82-307(b)(5) & 7-82-308(1). Otherwise, the District shall appoint eligible commissioners in accordance with the law.
- 4) By December 31, 2020, the District shall provide to the Board staff either proof of compliance or a proposed plan of compliance with the directives in paragraph 3.

-
- 5) By March 31, 2021, the District shall provide Board staff with the completed rate study and either proof of implementation of the resulting recommendations or a proposed plan of implementation.

The District received an extension for complying with the UMRB's Order until May 31, 2021.

RECOMMENDATIONS

Recommendation #1

TAUD does not recommend any rate changes.

Recommendation #2

The District may want to consider increasing its re-connection fees so they cover more of the costs the District incurs in re-connecting service after service terminations for non-payment than the existing fees.

FIVE YEAR CAPITAL ASSET PLAN

The District developed and adopted the Five-Year Capital Improvement Plan attached to this Report as **Exhibit 1**.

RATE STUDY AND PROPOSED PLAN OF ACTION

To determine whether existing rates will produce sufficient revenues to make the District's water system self-supporting, TAUD first projected a Statement of Revenues and Expenses and Changes in Net Position for the District for its fiscal year ending December 31, 2021, to use as its test year. Before the UMRB issued its November 5, 2020 Order, the District had adopted the following rate schedule effective February 1, 2019:

Minimum monthly bill (includes 1,600 gallons)	\$23.29
Over 1,600 gallons	\$11.50 per 1,000 gallons.

TAUD projected the revenues for the system using these existing rates.

TAUD projected operation and maintenance expenses and debt service payments by reviewing historical information from the five previous years, the District's budget for the fiscal year ending December 31, 2021, the District's unaudited financial statements for 2020, and any known and anticipated changes during the test year. See the Revenues and Expenses - Test Year Schedule attached as **Exhibit 2**. A description of new revenues during the test year and projection period is set forth in **Exhibit 3**.

Then, TAUD projected Statements of Revenues and Expenses and Changes in Net Position for the District for its fiscal years ending June 30 of 2022, 2023, 2024, and 2025. See **Exhibit 4** attached to this Report.

Revenue Projections:

- Revenue from water sales for the 2021 test year was projected by taking the District's actual water usage reports for its customers for 2019, and applying the District's water rates in effect on January 1, 2021, to this actual usage. TAUD increased this amount by \$108,000 to reflect annual customer growth for 2021 of 150 residential customers.
- The test year includes two additional revenue items as a result a new agreement with the City of Clarksville. The District began providing water service to a portion of the Liberty Park development which had previously been served by the City of Clarksville. TAUD projected this customer increase will produce \$60,000 in annual revenues. The District began providing billing and collection services for the City of Clarksville sewer customers which are District water customers and is receiving sewer billing fees for providing these billing and collection services. This new sewer billing fees increase the District's revenues by \$18,000 a year.

- Delinquent penalties for the test year are based upon the District's budget for its 2021 fiscal year.
- Other revenue for the test year is based upon the average of other revenues for the District's 2019 and 2020 fiscal years.
- Interest income for the test year is based upon the District's budget for its 2021 fiscal year.
- Installation and connection fees for the test year are based upon the average of installation and connection fees for the District's 2019 and 2020 fiscal years plus \$11,500 from the expected annual growth of 150 customer in 2021.
- The water sales for the 2022-2025 fiscal years include an annual increase of 150 customers a year with an average monthly water bill of \$60 and an annual increase in water sales to a new apartment complex with 200 units beginning in 2022.
- No annual increases in the following revenue items are included in the remaining four-year projection period: delinquent penalties; other revenue; tap fees; installation and connection; and interest income.

Expense Projections:

- Except for depreciation, all operating expenses for the test year are based upon the District's budget for its 2021 fiscal year.
- TAUD included a new line item expense in the test year for leak detection work in the amount of \$30,000 which will be an annual expense.
- Depreciation for the test year is based upon the District's fixed asset schedule which includes the annual depreciation amount of its capital assets. Then, TAUD added the annual depreciation on the capital assets added during the District's 2020 fiscal year and capital assets added or which are planned to be added during the District's 2021 fiscal year.
- Interest expense is based upon on the debt amortization schedules of District's existing debt.
- Except for depreciation, operating expenses for the remaining four years in the five-year projection period are increased by 2% annually over the projected amount for the test year.
- Annual depreciation expenses for the remaining four years of the five-year projection includes depreciation on new capital assets planned to be placed into service during the remaining four year of five-year projection period.

- Interest expense is based on the debt amortization schedules of existing debt and the projected interest expense of debt the District plans to issue in it 2023 fiscal year.

Revenue Sufficiency and Rate Modifications Required

At the rates in effect on January 1, 2021, TAUD projected that the District would have a positive change in net position of \$91,913 for the test year ending June 30, 2021, excluding grants and capital contributions.

The District made one rate change which became effective on March 1, 2021: The District decreased the amount of water included in the District’s minimum monthly bill from 1,600 gallons to 1,000 gallons.

Due primarily to anticipated customer growth, TAUD projects that District will have a positive change in net position for each of the remaining four years in the five-year projection period. Therefore, TAUD recommends no rate changes.

Projected Cash and Investments Schedule

The District should have a cash and investments balance of \$3,438,848 as of December 31, 2025, based upon the revenue and expense projections in **Exhibit 4**. The Projected Cash and Cash Equivalents Balance Schedule is attached as **Exhibit 5**.

TAP FEES

TAUD recommended that the District review the average material and labor costs it incurs in installing a water tap to ensure the current tap fee is covering the cost of making a tap. The District estimated the labor and material costs it incurs to install a residential tap which is set forth **Exhibit 6**.

At its board meeting in December of 2020, the District increased its water tap fee from \$1,200 to \$1,300 to ensure that the tap fee is adequately covering the District’s costs to install a residential water tap.

CONNECTION FEES

When the District was referred to the UMRB, the District had the following connection and reconnection customer fees:

Connection fee	\$75
Reconnection fee (during business hours)	\$50
Reconnection fee (after business hours)	\$100

At a minimum, a connection fee should cover the cost of establishing new service for a customer. These costs should attempt to cover a customer service employee meeting with the applicant or talking with the applicant by phone, reviewing the application for service, and processing the connection fee payment and tap fee payment, if applicable. A field employee must travel to the service address to verify the initial meter reading for the new account and to turn on the meter.

TAUD recommended that the District review the costs it incurs in establishing service for a new customer. The District estimated the costs to establish service for a new customer to be approximately \$66.00. The District's \$75 connection fee is reasonable.

TAUD recommended that the District review the costs it incurs in reconnecting service after water service is terminated for non-payment. A District employee must make two trips to a customer's service address to turn off water for non-payment and to turn the water back on once payment is made. In addition, the administrative time required to prepare service termination lists, communicate with delinquent customers and record payments should be covered by the reconnect fee. The estimated costs the District incurs in reconnecting service is set forth **Exhibit 6**. The current reconnection fees do not appear to be covering the costs of a service reconnections after water service is terminated for nonpayment. The District may want to revise its reconnection fees to more closely cover its costs.

LEAK ADJUSTMENTS

Since the UMRB issued its November 5, 2020 Order, the District has purchased water leak protection insurance for its customers from ServLine to address lost revenue from customer service line leaks. This insurance became effective May 1, 2021, and has repealed its leak adjustment policy.

**Woodlawn Utility District
Five Year Capital Asset Plan**

	<u>12/31/2021</u>	<u>12/31/2022</u>	<u>12/31/2023</u>	<u>12/31/2024</u>	<u>12/31/2025</u>
16" Line - Woodlawn Rd	-	2,200,000	-	-	-
Pre Treatment Water Plant	-	-	2,100,000	-	-
Lisenbee Fields 236 Lots - Meters/Tap Setting	75,000	75,000	75,000	75,000	-
Blackwell 150 Lots - Meters/Tap Setting	125,000	125,000	-	-	-
Blackwell 75 Meters/Tap Setting Dover Rd Apt Complex	-	40,000	-	-	-
Burkhart 75 Meters/ Tap Setting Dover Rd Apt Complex	40,000	-	-	-	-
Rick Reda Estates - latest section 70 Lots - Meters/Tap Setting	140,000	-	-	-	-
Office Remodel	250,000	-	-	-	-
Ford Truck F150	35,000	-	-	-	-
Ford Truck F250 and Box Side	-	-	45,000	-	-
Billing Software	-	17,000	-	-	-
8 Zone Meter throughout the system	5,000	5,000	5,000	5,000	-
GPS Equipment	-	10,000	-	-	-
	670,000	2,472,000	2,225,000	80,000	-
Additional Depreciation	26,422	94,677	158,468	160,760	160,760
Total Capital Outlay & Depreciation	696,422	2,566,677	2,383,468	240,760	160,760
Source of Funds					
Loans	-	-	2,100,000	-	-
Developer Funded	380,000	240,000	75,000	80,000	-
Cash	290,000	2,232,000	50,000	-	-
Total Funding Sources	670,000	2,472,000	2,225,000	80,000	-

Woodlawn Utility District - Test Year

	2021 <u>Budget for State</u>	<u>Last 2 Year Average</u>	Unaudited <u>Actual for 2020</u>	2021 <u>Estimated</u>	
Operating Revenues:					
Water Sales	2,750,000	2,260,843	2,330,826	2,428,843	Last 2 year average plus new revenue
Sewer Billing Revenue	-	-	-	18,000	See New Revenue Tab
Delinquent Penalties	30,000	31,613	29,730	30,000	Budgeted Revenue
Other Revenue	20,000	9,933	19,865	10,000	Last 2 year average
Total Operating Revenues	2,800,000	2,302,388	2,380,421	2,486,843	
Operating Expenses:					
Advertising	1,500	408	689	1,500	Budgeted Expenses
Cost of Water	1,500	600,684	1,281	1,500	Budgeted Expenses
Depreciation	221,500	216,444	221,500	226,516	From Auditors sched plus new items below plus 2021
Dues and Fees	30,700	20,727	30,516	30,700	Budgeted Expenses
Employee Benefits	90,130	57,910	40,903	90,130	Budgeted Expenses including new staff
Insurance	31,000	36,701	27,288	31,000	Budgeted Expenses
Miscellaneous	3,500	(5,135)	(15,292)	3,500	Budgeted Expenses
Office Expense	55,400	52,603	51,228	55,400	Budgeted Expenses
Professional Services	28,000	35,608	26,650	28,000	Budgeted Expenses
Repairs and Maintenance	220,100	214,945	288,481	220,100	Budgeted Expenses
Salaries	407,000	324,038	335,280	407,000	Budgeted Expenses including new staff
Truck Expense	15,200	16,077	14,249	15,200	Budgeted Expenses
Utilities	34,000	57,238	31,873	34,000	Budgeted Expenses
WTP Expenses	629,500	296,146	592,292	629,500	Budgeted Expenses
WTP Depreciation	418,500	209,250	418,500	453,462	From Auditors New Schedule
Leak Detection Work	-	-	-	30,000	Per Stacey, office manager
Total Operating Expenses	2,187,530	2,133,640	2,065,438	2,257,508	
Operating Income (Loss)	612,470	168,748	314,983	229,335	
Nonoperating Revenues (Expenses)					
Interest Income	3,900	5,552	2,361	3,900	Budgeted Expenses
Interest Expense	(447,333)	(327,357)	(292,797)	(287,622)	From Amortization Schedule
Tap Fees	20,000	17,325	17,300	17,300	Last 2 year Average
Installation and Collection Fees	135,000	128,507	108,890	140,250	Last 2 year Average + \$11,250 from new customers
Total Nonoperating Revenues (Expenses)	(288,433)	(175,974)	(164,246)	(126,172)	
Change in Net Position before Contributed Capital and Grants	324,037	(7,226)	150,737	103,163	

Contributions from City of Clarksville	-	81,125	162,250	-
Change in Net Position	<u>324,037</u>	<u>73,900</u>	<u>312,987</u>	<u>103,163</u>

N/A - City for Liberty Park meters and installations.

NOTES: We worked on the budget with the District during November/December 2020.

Added the following to new budget:
 Added new loan interest coming on Board 6/2021 (1/2 year of interest)
 Added new revenue for entire year starting 2021 for Liberty Park
 Added new revenue for 200 apartments starting in 2021
 Added new revenue resulting from lowering the usage in minimum bill to 1,000, 10 months for 21
 Added new revenue from sewer admin fees

Added the following to budget:			
<u>2020 New Water Lines</u>	<u>Cost</u>	<u>Life</u>	<u>Additional Depreciation</u>
John Taylor Rd - 1/2 mile 8" line	130,000	40	3,250
Cooper Creek Rd - 1/2 mile 6" line	80,000	40	2,000
Kristie Michelle Dr - 1500- 6" line	50,000	40	1,250
Liberty Park newest section - Endot Ln	<u>60,000</u>	40	<u>1,500</u>
	320,000		8,000

Woodlawn Utility District - New Billings

Discussions w/ Lynn, GM and Stacey, Office Manager 3/4/21

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	
The District started billing customers in the Liberty Park development in October 2020. The City of Clarksville had previously billed them. This nets an additional \$5,000 per month for the District	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	<i>in water sales</i>
Sewer - Starting in 2021, the District bills for sewer and remits to City of Clarksville, keeps 5% for administrative fees, This provides an additional \$1,500 per month	\$ 18,000	\$ 18,000	\$ 18,000	\$ 18,000	\$ 18,000	<i>new</i>
There is a new apartment complex that is being built during 2021. The new revenue should start in 2022, 200 connections x \$60 average bill per month.	\$ -	\$ 144,000	\$ 144,000	\$ 144,000	\$ 144,000	<i>in water sales</i>
Growth is expected during each of the next 5 years at approximal 150 customers per year x \$60 average bill per month	\$ 108,000	\$ 108,000	\$ 108,000	\$ 108,000	\$ 108,000	<i>in water sales</i>
Revenue generated from reduction of minimum bill usage of 1,600 to 1,000, see rate calculation tab for detail, 10 months in 2021.	<u>\$ 179,106</u>	<u>\$ 214,927</u>	<u>\$ 214,927</u>	<u>\$ 214,927</u>	<u>\$ 214,927</u>	<i>recommended</i>
Additional New Revenue	<u>\$ 365,106</u>	<u>\$ 544,927</u>	<u>\$ 544,927</u>	<u>\$ 544,927</u>	<u>\$ 544,927</u>	

Woodlawn Utility District - Projected Statements of Revenues and Expenses and Changes in Net Position

	Projected 12/31/2021	Projected 12/31/2022	Projected 12/31/2023	Projected 12/31/2024	Projected 12/31/2025
Operating Revenues:					
Water Sales	2,428,843	2,680,843	2,788,843	2,896,843	3,004,843
Sewer Billing Revenue	18,000	18,000	18,000	18,000	18,000
Delinquent Penalties	30,000	30,000	30,000	30,000	30,000
Other Revenue	10,000	10,000	10,000	10,000	10,000
Total Operating Revenues	2,486,843	2,738,843	2,846,843	2,954,843	3,062,843
Operating Expenses:					
Advertising	1,500	1,530	1,561	1,592	1,624
Cost of Water	1,500	1,530	1,561	1,592	1,624
Depreciation	226,516	295,188	306,479	308,771	308,771
Dues and Fees	30,700	31,314	31,940	32,579	33,231
Employee Benefits	90,130	91,933	93,771	95,647	97,560
Insurance	31,000	31,620	32,252	32,897	33,555
Miscellaneous	3,500	3,570	3,641	3,714	3,789
Office Expense	55,400	56,508	57,638	58,791	59,967
Professional Services	28,000	28,560	29,131	29,714	30,308
Repairs and Maintenance	220,100	224,502	228,992	233,572	238,243
Salaries	407,000	415,140	423,443	431,912	440,550
Truck Expense	15,200	15,504	15,814	16,130	16,453
Utilities	34,000	34,680	35,374	36,081	36,803
WTP Expenses	629,500	642,090	654,932	668,030	681,391
WTP Depreciation	453,462	453,462	505,962	505,962	505,962
Leak Detection Work	30,000	30,600	31,212	31,836	32,473
Total Operating Expenses	2,257,508	2,357,730	2,453,704	2,488,820	2,522,302
Operating Income (Loss)	229,335	381,113	393,139	466,023	540,541
Nonoperating Revenues (Expenses)					
Interest Income	3,900	3,900	3,900	3,900	3,900
Interest Expense	(287,622)	(282,387)	(318,671)	(312,403)	(418,260)
Tap Fees	17,300	17,300	17,300	17,300	17,300
Installation and Collection Fees	140,250	140,250	140,250	140,250	140,250
Total Nonoperating Revenues (Expenses)	(126,172)	(120,937)	(157,221)	(150,953)	(256,810)
Change in Net Position before Suggested Rate Increase	103,163	260,176	235,918	315,070	283,731
Revenue from Suggested Rate Increase (lowering minimum gallons)	179,106	214,927	214,927	214,927	214,927
Change in Net Position	282,269	475,103	450,845	529,997	498,658
Tap Fees from Developers	97,500	97,500	97,500	97,500	97,500

Woodlawn Utility District - Projected Cash & Investments

	Projected <u>12/31/2021</u>	Projected <u>12/31/2022</u>	Projected <u>12/31/2023</u>	Projected <u>12/31/2024</u>	Projected <u>12/31/2025</u>
Beginning Balance	1,582,043	2,041,026	717,529	1,464,910	2,229,465
Sources of Funds					
Charge for Services ***	2,607,949	2,787,770	2,787,770	2,787,770	2,787,770
Miscellaneous	58,000	58,000	58,000	58,000	58,000
Interest Revenue	3,900	3,900	3,900	3,900	3,900
Non-Operating Revenues	146,300	157,550	157,550	157,550	157,550
Loans	-	-	2,100,000	-	-
Developer Fees Provided	380,000	240,000	75,000	80,000	
Total Sources of Funds	3,196,149	3,247,220	5,182,220	3,087,220	3,007,220
Uses of Funds					
Operating Expenses	2,257,508	2,357,730	2,453,704	2,488,820	2,522,302
Depreciation	(679,978)	(748,650)	(812,441)	(814,733)	(814,733)
Capital Outlay	670,000	2,472,000	2,225,000	80,000	-
Interest Expense	287,622	282,387	318,671	312,403	418,260
Principal Paid on Debt	202,014	207,249	249,906	256,175	475,758
Total Uses of Funds	2,737,166	4,570,717	4,434,839	2,322,665	2,601,587
Ending Balance	2,041,026	717,529	1,464,910	2,229,465	2,635,098

NOTE: This synopsis from beginning funds to ending funds does not include accounts receivable, accounts payable, fixed asset or any other adjustments made to the balance sheet. This is a "cash basis" summary.

Woodlawn Utility District - Review of Fees

Tap Fees	\$1,200	this fee was set in 2017 after estimation of costs
Re-envaulted the costs on 11/19/20-		
Field Staff	250	4-6 hours of time for 2 field staff
Materials	604	Yoke, pex, curbstop, saddle, meter box
Contract Labor	225	Contract labor for clean up of each tap, grass, gravel, soil, etc.
Employee Benefits	65	health insurance benefits for field staff's time
Gasoline	10	gasoline to set each tap
Adm Fees	115	10% of all other costs
	<u>1,269</u>	
Discussed w/ District that costs are more than fees, so the fees should be raised. In the December, Board meeting - they voted to raise tap fees to \$1,300 effective immediately.		

Connection Fees	\$75	this fee was set in 2010 (non refundable and non transferable) renters and owners are the same fee
Re-envaulted the costs on 11/19/20-		
Field Staff	25	1 hours for 1 employee plus benefits
Office Staff	20	1/2 hour for 1 employee plus benefits
Service Orders	10	Form costs, paper, ink
Gasoline	5	gasoline to set each tap
Adm Fees	6	10% of all other costs
	<u>66</u>	
The fees are reasonable as related to the costs.		

Re-Connection Fees	\$50/\$100 - \$50 within business hours, \$100 after business hours		
Re-evaluated the costs on 11/19/20-			
	Within Hours	After Hours	
Field Staff	25	50	1 hour plus benefits, plus overtime for after hours
Office Staff	25	25	1 hour plus benefits
Locks	5	5	% of cost of lock to lock meter
Gasoline	5	5	gasoline to customers
Security	10	25	% of cost of security for disgruntled customers
Adm Fees	7	11	10% of all costs
	<u>77</u>	<u>121</u>	
Because costs appear to exceed fees, District may want to consider increasing reconnection fees.			



JASON E. MUMPOWER
Comptroller

Entity Referred: **Cold Springs Utility District**

Referral Reason: **Negative Change in Net Position**

Utility Type Referred: **Water**

Staff Summary:

In its March 16, 2021 order, the Board directed the District to contract with a qualified expert to perform a rate study and to send the completed rate study to Board staff by June 30, 2021, along with proof of implementation or a plan of implementation. The District complied with none of these directives but offered Staff no reasoning regarding why. Notably, the District increased rates by 5%, but Staff cannot determine whether this increase will sufficiently correct its financial distress.

Staff Recommendation

Order the following:

1. By December 15, 2021, the District shall send Board staff a copy of the contract between the District and the qualified expert who is to perform the tasks in paragraph 1 of the March 16, 2021 order.
2. By August 5, 2022, the District shall provide Board staff with the completed rate study and either proof of implementation of the resulting recommendations or a proposed plan of implementation.
3. Should the District fail to comply with any directive in this order, Board staff and Counsel shall issue subpoenas for the District's Board of Commissioners and Manager to appear in-person before the Board during its first meeting of 2022.

- d. a review of the leak adjustment policy; and
 - e. a review of connection, reconnection, and tap fees.
2. By April 15, 2021, the District shall send Board staff a copy of the contract between the District and the qualified expert who is to perform the tasks in paragraph 1.
 3. By June 30, 2021, the District shall provide Board staff with the completed rate study, and either proof of implementation of the resulting recommendations or a proposed plan of implementation.
 4. Board staff is given the authority to grant one extension of up to six months of the foregoing deadlines upon a showing of good cause by the District.

ENTERED this 14th day of March, 2021.

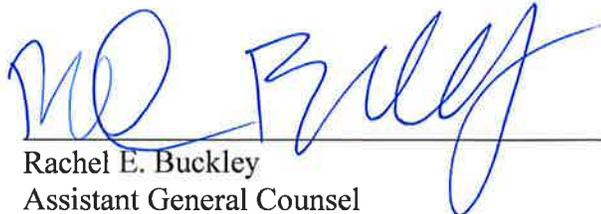


BETSY KNOTTTS, Chair
Utility Management Review Board

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing has been served via certified mail return receipt requested to the following on this 16th day of March, 2021:

Board of Commissioners
Richard W. Hammons, General Manager
Cold Springs Utility District
1625 Cold Springs Rd.
Mountain City, TN 37683



Rachel E. Buckley
Assistant General Counsel



JASON E. MUMPOWER
Comptroller

Entity Referred: **Crockett Mills Utility District**

Referral Reason: **Negative Change in Net Position**

Utility Type Referred: **Water**

Staff Summary:

In March 16, 2021 order, the Board directed the District to contract with a qualified expert to perform a rate study and to send the completed rate study and either proof of implementation of the resulting recommendations or a proposed plan of implementation to Board staff by June 30, 2021. Board staff has received the rate study but has not received proof of implementation.

Board staff believes the Board should add the District to the update cycle and require the District to provide proof of implementation of TAUD's recommendations. Should the District fail to comply, Staff will alert the Board of a need for additional action at its next meeting.

Staff Recommendation

Order the following:

1. By February 1, 2022, the District shall provide Board staff with proof of implementation of the recommendations of the 2021 TAUD report.
2. The District shall send financial updates to Board staff by March 1st and September 1st of each year, beginning March 1, 2022, until the Board releases the District from its oversight.



REPORT FOR CROCKETT MILLS UTILITY DISTRICT

UTILITY MANAGEMENT REVIEW BOARD ORDER DATED MARCH 16, 2021

October 21, 2021

INTRODUCTION

Description of the Crockett Mills Utility District

Crockett Mills Utility District (the District) provides water service to an unincorporated area in Crockett County known as Crockett Mills. The District's board of commissioners has five members who are appointed by the Crockett County Mayor. The District is very small. As of December 31, 2020, the District had 312 customers.

The District was referred to the Utility Management Review Board (UMRB) upon the submission of its audit for its fiscal year ending June 30, 2018, because it met the statutory definition for a financially distressed utility district. The District had a negative change in net position for two consecutive years without regard to any grants or capital contributions for its fiscal years ending December 31, 2017 and December 31, 2018.

History of Rates and Existing Rate Structure

All customers are charged the same rates. After the District was referred to the UMRB, the District has implemented two increases in water rates as follows:

Effective January 1, 2019

Monthly customer charge	\$23.72
Usage rate per 1,000 gallons	\$ 3.00

Effective January 1, 2020

Monthly customer charge	\$24.00
Usage rate per 1,000 gallons	\$ 3.50

As a result of these rate increases, the District has experienced a positive change in net position of \$21,520 for 2019 and \$28,320 for 2020.

Utility Management Review Board Order

On March 16, 2021, the Utility Management Review Board (UMRB) issued an order directing the District to provide the Board staff with a rate study completed by the Tennessee Association of Utility Districts and either proof of implementation of the resulting recommendations or a proposed plan of implementation by June 30, 2021.

RECOMMENDATIONS

Recommendation #1

The District’s board of commissioners should approve the Five-Year Capital Asset Plan attached as **Exhibit 1**.

Recommendation #2

TAUD recommends the District adopt the following water rates to become effective as shown:

Effective January 1, 2022

Monthly customer charge	\$25.00
Usage rate per 1,000 gallons	\$ 6.00

Effective January 1, 2023:

Monthly customer charge	\$26.00
Usage rate per 1,000 gallons	\$ 7.50

FIVE YEAR CAPITAL ASSET PLAN

TAUD met with the District to assist it in preparing a five-year capital assets plan. They discussed capital improvements which the District planned to make or should consider making to its water system through December 31, 2025, as well the purchase of capital assets during this same time period. Options for funding these capital expenditures were reviewed. TAUD assisted the District in preparing a Five-Year Capital Asset Plan based upon these discussions which is attached as **Exhibit 1** and which was used in TAUD's financial projections.

RATE STUDY AND PROPOSED PLAN OF ACTION

To determine whether existing rates will produce sufficient revenues to make the District's self-supporting, TAUD first projected a Statement of Revenues and Expenses and Changes in Net Position for the District for its fiscal year ending December 31, 2021, to use as its test year. TAUD projected the revenues for the system using existing rates. TAUD projected operation and maintenance expenses by reviewing: (1) the District's budget for its 2021 fiscal year ending June 30, 2021; (2) historical information from the District's previous five fiscal years; and (3) and any known and anticipated changes for its 2021 fiscal year. See **Exhibit 2** attached to this Report.

Then, TAUD projected Statements of Revenues and Expenses and Changes in Net Position for the District for its fiscal years ending December 31 of 2022, 2023, 2024, and 2025. See **Exhibit 3** attached to this Report.

Revenue Projections:

- Water sales (charge for services) for 2021 are projected by taking the District's actual water usage reports for all rate classes for the year ending June 30, 2020, and applying the District's current water and sewer rates to this actual usage.
- Connection fees are based upon the average of these fees for the 2019 and 2020 fiscal years.
- Since 2016 the District has experienced minimal annual customer growth. Therefore, water sales and connection fees for the remaining four years of the five-year projection period do not include any revenue increases based annual customer growth.
- Interest income for the 2021 is based upon average of these fees for the 2019 and 2020 fiscal years.
- No increase in interest income is projected for the remaining years in the five-year projection period.

Expense Projections:

- The following operating expenses for the 2021 test year are projected based upon the average of each expense for the District’s 2019 and 2020 fiscal years: bank charges; contract labor; parts; office supplies; advertising; miscellaneous; and utilities.
- The following operating expenses for the 2021 test year are projected based upon the District’s budget for 2021: insurance; software maintenance; repairs and maintenance; postage; travel; dues; training; professional fees; telephone; payroll expenses; and water testing.
- Depreciation for the test year is based upon the depreciation for the 2020 fiscal year since the District does not anticipate placing any new capital assets into service in 2021.
- For the remaining fiscal years in the five-year projection period, all operating expenses except depreciation are increased by 2% annually over the projected amount for the test year.
- Depreciation expenses after the test year are projected based upon the District’s existing fixed asset schedule and on new capital assets included in the capital asset plan after the test year.

Revenue Sufficiency and Rate Modifications Required

Based upon the projected Statements, the District will have a positive change in net position for the 2021 test year of approximately \$15,587. Due to the depreciation and new debt related to planned capital projects in 2022, the District will need additional revenue for its fiscal years beginning January 1, 2022 and January 1, 2023. TAUD recommends that the District go ahead and adopt the following rates for set for the in **Exhibit 4**:

Effective January 1, 2022

Monthly customer charge	\$25.00
Usage rate per 1,000 gallons	\$ 6.00

Effective January 1, 2023:

Monthly customer charge	\$26.00
Usage rate per 1,000 gallons	\$ 7.50

Projected Cash and Investments Schedule

A Projected Cash and Investments Schedule for the District is attached as **Exhibit 5**. If the District adopts the rate increases recommended by TAUD and funds its capital improvements as set forth in the Five-Year Capital Asset Plan, the District should have a cash balance of \$585,812.

Crockett Mills Utility District
Five Year Capital Asset Plan

	<u>12/31/2021</u>	<u>12/31/2022</u>	<u>12/31/2023</u>	<u>12/31/2024</u>	<u>12/31/2025</u>
Water Distribution System & WTP Improvements	-	1,970,000	-	-	-
	-	1,970,000	-	-	-
Additional Depreciation	-	49,250	49,250	49,250	49,250
Total Capital Outlay & Depreciation	-	2,019,250	49,250	49,250	49,250
<u>Source of Funds</u>					
Loans	-	1,442,000	0	-	-
Grants	-	528,000	-	-	-
Cash	-	-	-	-	-
Total Funding Sources	-	1,970,000	-	-	-

Crocket Mills Utility District - Test Year

	2021 <u>Budget for State</u>	Last 2 Year <u>Average</u>	2021 <u>Estimated</u>	<u>Explanation</u>
Operating Revenues:				
Charge for Services	148,500	144,264	145,514	Based on calculated revenue
Connection Fees - Rental	750	160	160	Used last 2 year average
Connection Fees - Owner	750	480	480	Used last 2 year average
Total Operating Revenues	<u>150,000</u>	<u>144,904</u>	<u>146,154</u>	
Operating Expenses:				
Bank Charge	-	42	42	Used last 2 year average
Depreciation	-	13,507	13,618	Used 2020 amount
Insurance	6,250	5,767	6,250	Used District budget for 2021
Software Maintenance	2,583	2,831	2,583	Used District budget for 2021
Repairs & Maintenance	27,000	23,617	27,000	Used District budget for 2021
Contract Labor	1,000	1,144	1,144	Used last 2 year average
Supplies	5,000	3,908	3,908	Used last 2 year average
Parts	4,000	5,191	5,191	Used last 2 year average
Office Supplies	450	430	430	Used last 2 year average
Postage	1,500	1,230	1,500	Used District budget for 2021
Advertising	250	118	118	Used last 2 year average
Travel	1,240	32	1,240	Used District budget for 2021
Dues	1,400	877	1,400	Used District budget for 2021
Training	600	345	600	Used District budget for 2021
Miscellaneous	150	94	94	Used last 2 year average
Professional Fees	5,000	3,727	5,000	Used District budget for 2021
Telephone	1,800	1,770	1,800	Used District budget for 2021
Utilities	9,000	8,901	8,901	Used last 2 year average
Payroll Expenses	49,791	44,542	49,791	Used District budget for 2021
Water Testing	1,600	1,078	1,600	Used District budget for 2021
Total Operating Expenses	<u>118,614</u>	<u>119,147</u>	<u>132,210</u>	
Operating Income (Loss)	<u>31,386</u>	<u>25,757</u>	<u>13,944</u>	

Nonoperating Revenues (Expenses)				
Interest Income	1,600	1,643	1,643	Used last 2 year average N/A
Penalties & Interest on Late Payments	<u>-</u>	<u>(2,525)</u>	<u>-</u>	
Total Nonoperating Revenues (Expenses)	<u>1,600</u>	<u>(882)</u>	<u>1,643</u>	
Change in Net Position before				
Contributed Capital and Grants	32,986	24,875	15,587	
Contributed Capital and Grants	<u>-</u>	<u>-</u>	<u>-</u>	
Change in Net Position	<u><u>32,986</u></u>	<u><u>24,875</u></u>	<u><u>15,587</u></u>	

Crockett Mills Utility District - Projected Statements of Revenues and Expenses and Changes in Net Position

	Projected <u>12/31/2021</u>	Projected <u>12/31/2022</u>	Projected <u>12/31/2023</u>	Projected <u>12/31/2024</u>	Projected <u>12/31/2025</u>
Operating Revenues:					
Charge for Services	145,514	145,514	145,514	145,514	145,514
Connection Fees - Rental	160	160	160	160	160
Connection Fees - Owner	480	480	480	480	480
Total Operating Revenues	146,154	146,154	146,154	146,154	146,154
Operating Expenses:					
Bank Charge	42	43	44	45	45
Depreciation	13,618	62,868	62,868	62,868	62,868
Insurance	6,250	6,375	6,503	6,633	6,765
Software Maintenance	2,583	2,635	2,687	2,741	2,796
Repairs & Maintenance	27,000	27,540	28,091	28,653	29,226
Contract Labor	1,144	1,167	1,190	1,214	1,238
Supplies	3,908	3,986	4,066	4,147	4,230
Parts	5,191	5,295	5,401	5,509	5,619
Office Supplies	430	439	447	456	465
Postage	1,500	1,530	1,561	1,592	1,624
Advertising	118	120	123	125	128
Travel	1,240	1,265	1,290	1,316	1,342
Dues	1,400	1,428	1,457	1,486	1,515
Training	600	612	624	637	649
Miscellaneous	94	96	98	100	102
Professional Fees	5,000	5,100	5,202	5,306	5,412
Telephone	1,800	1,836	1,873	1,910	1,948
Utilities	8,901	9,079	9,261	9,446	9,635
Payroll Expenses	49,791	50,787	51,803	52,839	53,895
Water Testing	1,600	1,632	1,665	1,698	1,732
Total Operating Expenses	132,210	183,832	186,251	188,719	191,236
Operating Income (Loss)	13,944	(37,678)	(40,097)	(42,565)	(45,082)
Nonoperating Revenues (Expenses)					
Interest Income	1,643	1,643	1,643	1,643	1,643
Interest Expense	-	-	(26,828)	(26,366)	(25,895)
Total Nonoperating Revenues (Expenses)	1,643	1,643	(25,185)	(24,723)	(24,252)
Change in Net Position before Suggested Rate Increase	15,587	(36,035)	(65,282)	(67,288)	(69,334)
Revenue from Suggested Rate Increase	N/A	43,500	71,097	71,097	71,097
Change in Net Position	15,587	7,465	5,815	3,809	1,763
Contributed Capital and Grants	-	528,000	-	-	-

Crockett Mills Utility District - Projected Rate Calculations

Suggested Rate Increase to Start January 1, 2022

Base Fee	\$25.00
Per 1,000 gallons	\$6.00 / 1,000

Suggested Rate Increase to Start January 1, 2023

Base Fee	\$26.00
Per 1,000 gallons	\$7.50 / 1,000

Crockett Mills Utility District - Projected Cash & Investments

	Projected <u>12/31/2021</u>	Projected <u>12/31/2022</u>	Projected <u>12/31/2023</u>	Projected <u>12/31/2024</u>	Projected <u>12/31/2025</u>
Beginning Balance	361,003	390,208	460,541	504,782	546,555
Sources of Funds					
Charge for Services ***	145,514	189,014	216,611	216,611	216,611
Miscellaneous	640	640	640	640	640
Interest Revenue	1,643	1,643	1,643	1,643	1,643
Grants	-	528,000	-	-	-
Loans	-	1,442,000	-	-	-
Total Sources of Funds	147,797	2,161,297	218,894	218,894	218,894
Uses of Funds					
Operating Expenses	132,210	183,832	186,251	188,719	191,236
Depreciation	(13,618)	(62,868)	(62,868)	(62,868)	(62,868)
Capital Outlay	-	1,970,000	-	-	-
Interest Expense	-	-	26,828	26,366	25,895
Principle Paid on Debt	-	-	24,442	24,904	25,375
Total Uses of Funds	118,592	2,090,964	174,653	177,121	179,638
Ending Balance	390,208	460,541	504,782	546,555	585,812

NOTE: This synopsis from beginning funds to ending funds does not include accounts receivable, accounts payable, fixed asset or any other adjustments made to the balance sheet. This is a "cash basis" summary.



JASON E. MUMPOWER
Comptroller

Entity Referred: **Intermont Utility District**

Referral Reason: **Negative Change in Net Position**

Utility Type Referred: **Water**

Staff Summary:

The District was referred to the Board for financial distress and timely returned its completed financial questionnaire to Board staff. The District does not currently have a capitalization policy but indicated it is working with the Tennessee Association of Utility Districts to create one.

Staff Recommendations:

Order the following:

1. The District shall have the Tennessee Association of Utility Districts, or another qualified expert as approved by Board staff, perform a rate study that includes the following:
 - a. a review of the capitalization policy, including any recommended modifications;
 - b. creation of a five-year capital asset budget to be taken from the current capital asset list and to include future anticipated needs; and
 - c. a review of all water and sewer fees, including any recommended modifications.
2. By December 3, 2021, the District shall send Board staff a copy of the contract between the District and the qualified expert who is to perform the tasks in paragraph 1.
3. By January 15, 2022, the District shall ensure that its commissioners have met all training requirements and are thus eligible to serve pursuant to Tenn. Code Ann. §§ 7-82-307(b)(5) & 7-82-308(f). Otherwise, the District shall appoint eligible commissioners in accordance with the law.
4. By July 1, 2022, the District shall provide Board staff with the completed rate study, and either proof of implementation of the resulting recommendations or a proposed plan of implementation.
5. Board staff is given the authority to grant one extension of up to six months of the foregoing deadlines upon a showing of good cause by the District.

INTERMONT UTILITY DISTRICT

291 V I RANCH ROAD

BRISTOL, TN. 37620

PHONE (423) 878-4183

FAX (423) 878-4161

Open 9:00 am-3:00 pm M-F

5-7-2021

John, here is the questionnaire as you requested if you have any questions or need more info please call the office.

Thanks and have a great day.

Larry Barker

Section A: Contact Information

Please provide contact information for the utility by responding to the fields below.

Utility Address Information	
Utility Contact Address Line 1:	291 V.J. Ranch Rd
Utility Contact Address Line 2:	
Utility Contact Address City:	Bristol
Utility Contact Address State:	TN
Utility Contact Address Zip Code:	37620
Contact Person 1 Information	
Contact Person 1 Title:	President
Contact Person 1 Name:	Larry Parker
Contact Person 1 Email Address:	intermontutility@btes.tv
Contact Person 1 Phone Number:	423-967-5025 or 423-878-2951
Contact Person 2 Information	
Contact Person 2 Title:	Secretary - treasury
Contact Person 2 Name:	Gordon Shearer
Contact Person 2 Email Address:	intermontutility@btes.tv
Contact Person 2 Phone Number:	423-878-6812

Section B: Water Utility Information

1. Does your utility offer water? yes
 - a. If yes, please complete the following section. If no, please proceed to Section C: Wastewater Utility Information.
2. Have you had any rate changes in the previous five years?
Yes or No (Circle your answer)
 - a. Please provide a copy of your current rate ordinance/structure and the justification for why the rates are set this way- including any recent rate studies performed for the utility.
 - b. Please provide a copy of previous rate ordinances/structures from the previous five years if you answered yes to Question #2.
 - c. If you have differing rate classes (inside/outside city limits, residential/commercial/industrial, new developments, etc.), please provide justification as to why these rates are set the way they are.
3. Do you have any current plans for a rate change?
Yes or No (Circle your answer)
 - a. If yes, please provide a written answer to the following questions:
 - i. Are you planning for a rate increase or decrease?
 - ii. Are you planning this change across all customer classes or only on a certain customer class?
 - iii. Has your Board voted on this rate change yet?
 - iv. If your Board has discussed a rate change at recent meetings, please attach a copy of the relevant minutes at which this meeting took place.
4. Have you had any utility fee changes in the previous five years?
Yes or No (Circle your answer)
 - a. Please provide a copy of your current utility fee schedule.
 - b. Please provide a copy of previous utility fee schedules if you answered yes to Question #3.
 - c. Please provide a written rationale for the charges for tap fees, reconnect fees, etc.
5. Has your debt management policy been reviewed in the last 5 years?
Yes or No (Circle your answer)
 - a. Please provide a copy of your debt management policy. If you do not have a debt management policy, please provide a written rationale for why a debt management policy has not been adopted.
6. Has your capitalization policy been reviewed in the last 5 years?
Yes or No (Circle your answer)
 - a. Please provide a copy of your capitalization policy. If you do not have a capitalization policy, please provide a written rationale for why a capitalization policy has not been adopted.

7. Please provide the most recent 3 months of balance sheets and income statements for your water fund.
- If you are a water and wastewater utility and are having difficulty breaking out the accounts, please use percentages or estimate for accounts for the most accurate depiction of the financial status of the utility.

8. Do you have a plan to remedy your financially distressed position for your water fund?
 Yes or No (Circle your answer)

- If yes, please provide a detailed copy.
- If no, please provide a justification for why not.

9. How often does your board have regularly scheduled meetings?

Answer: First Thursday of Each Month

a. Please provide a list containing the following information for the individuals serving on your board:

- Name
- Title
- Mailing Address
- Phone Number
- Date of Initial Election or Appointment
- Have they fulfilled their initial 12 hour training requirement within the first year of service, if applicable? Yes or No
- If so, please provide proof that the training requirement has been satisfied.
- If applicable, have they fulfilled their 12 hour training requirement every 3 years after the requirement satisfied in their initial year? Yes or No
- If so, please provide proof that this training requirement has been satisfied.

10. How many total customers do you currently have?

Answer: 568

a. Please provide a numerical break-down of the totals for each type of customer:

- Billed 568
- Unbilled —
- Metered 683
- Unmetered 1
- Breakdown by Rate Class (inside, outside, inside residential, inside commercial, outside residential, outside commercial, etc.)

11. What percentage of your sales do your largest 10 customers account for annually?

(Largest 10 Customer Sales Total / Total Annual Water Sales)

Answer: 2.437% \$188,430.47 - top 10 Annual Sales \$4,574,963.01

12. What percentage of your volume do your largest 10 customers account for annually?

(Gallons of Water sold to Largest 10 Customers / Total Gallons of Water Sold)

Answer: 2.99% 8,385,200 gallons Annual gallons sold 28,247,900

13. Do you have a leak adjustment policy?

Yes, since 2013 = 00

Gives NO Adjustments

Yes or No (Circle your answer)

- a. If yes, how many leak adjustments were performed based on your leak adjustment policy in the last 12 months? What is the cost associated with these leaks?

Answer:

No
b. If yes, please attach a copy of your leak adjustment policy.

c. If no, please move on to the next question.

14. Have you incurred any new debt during the current fiscal year for your water utility, or do you plan on incurring any debt during the current fiscal year for your water utility?

Yes or No (Circle your answer)

a. If yes, please provide a detailed explanation regarding the debt.

b. If no, please move on to the next question.

15. Have you received any grants or capital contributions during the current fiscal year for your water utility, or do you plan on receiving any grants or capital contributions during the current fiscal year for your water utility?

Yes or No (Circle your answer)

a. If yes, please provide a detailed explanation regarding these grants or capital contributions.

b. If no, please move on to the following question.

16. Have you applied for any grants that will be received over the next two years?

Yes or No (Circle your answer)

a. If yes, please provide a detailed explanation regarding these potential grants.

b. If no, please move on to the following question.

17. Are your customers made aware of the rates and fees you have in place annually?

Yes or No (Circle your answer)

a. If yes, how is this accomplished?

b. If no, please provide a written justification as to why not.

18. Do you review your capital asset list?

Yes or No (Circle your answer)

a. If yes, how often is this list reviewed and by whom? Annual

b. If no, please provide a written justification as to why not.

c. Please provide a copy of your capital asset plan, or a justification as to why you do not have one.

19. Do you keep a copy of your capital asset list on file?

Yes or No (Circle your answer)

20. Do you produce your own water supply?

Yes or No (Circle your answer)

a. If yes, what is the cost per thousand gallons to produce?

Answer:

b. If no, please move on to the next question.

21. Do you purchase your water supply? yes

- a. If yes, please provide the following:
- i. List of entities water is purchased from
 - ii. Rates at which water is purchased at
 - iii. Water purchase contract with these entities, if no contract exists please give an explanation as to why there is no contract.
- b. If no, please move on to the following question.
22. Do you have any wholesale customers?
- Yes or No (Circle your answer)
- a. If yes, please provide the contract(s) with these customer(s) or a detailed explanation as to why a contract does not exist and the rate at which water is sold to this customer.
- b. If no, please move on to the following question.
23. Do you have a plan to improve your non-revenue water percentage?
- Yes or No (Circle your answer)
- a. If yes, please provide a detailed explanation as to how this will be improved along with your current non-revenue water percentages by cost and by volume.
- b. If no, please provide a detailed justification as to why the current non-revenue water percentage does not need to be improved along with your current non-revenue water percentages by cost and by volume.
24. Are there any environmental concerns currently or forthcoming that will put a financial burden on the system?
- Yes or No (Circle your answer)
- a. If yes, please provide a detailed explanation as to what the concern or issue is and the extent of the financial burden that will be incurred.
- b. If no, please move on to the next question.

Section B: Wastewater Utility Information

1. Does your utility offer wastewater? **NO**
 - a. If yes, please complete the following section.
2. Have you had any rate changes in the previous five years?
Yes or No (Circle your answer)
 - a. Please provide a copy of your current rate ordinance/structure and the justification for why the rates are set this way- including any recent rate studies performed for the utility.
 - b. Please provide a copy of previous rate ordinances/structures from the previous five years if you answered yes to Question #2.
 - c. If you have differing rate classes (inside/outside city limits, residential/commercial/industrial, new developments, etc.), please provide justification as to why these rates are set the way they are.
3. Do you have any current plans for a rate change?
Yes or No (Circle your answer)
 - a. If yes, please provide a written answer to the following questions:
 - i. Are you planning for a rate increase or decrease?
 - ii. Are you planning this change across all customer classes or only on a certain customer class?
 - iii. Has your Board voted on this rate change yet?
 - iv. If your Board has discussed a rate change at recent meetings, please attach a copy of the relevant minutes at which this meeting took place.
4. Have you had any utility fee changes in the previous five years?
Yes or No (Circle your answer)
 - a. Please provide a copy of your current utility fee schedule.
 - b. Please provide a copy of previous utility fee schedules if you answered yes to Question #3.
 - c. Please provide a written rationale for the charges for tap fees, reconnect fees, etc.
5. Has your debt management policy been reviewed in the last 5 years?
Yes or No (Circle your answer)
 - a. Please provide a copy of your debt management policy. If you do not have a debt management policy, please provide a written rationale for why a debt management policy has not been adopted.
6. Has your capitalization policy been reviewed in the last 5 years?
Yes or No (Circle your answer)
 - a. Please provide a copy of your capitalization policy. If you do not have a capitalization policy, please provide a written rationale for why a capitalization policy has not been adopted.

INTERMONT UTILITY DISTRICT
291 VI RANCH ROAD
BRISTOL, TENNESSEE 37620

page 1

2.

A) City of Bristol TN charges Intermont Utility \$ 2.34 for water Intermont Utility charges customers \$ 8.36 =
 $2.34 \div 8.36 = 27\%$
 $100 - 27\% = 73\%$ Above cost for water + cost for employees

C) same as above

4

C) 2" meter was \$2,500.00 the charge now is \$4,000.00 - due to raising cost of materials & labor to put the meter IN

C) Intermont Utility does not have a capitalization policy, the Board will adopt one within the next 90 days, will work with TAUD to create one

8)

A) Raise the water rates over the next 2 to 3 years

9.

vi Darren Mullins needs to complete

6 more Hours
Larry Barker is good till 3/2021
Gordon Shearer needs to complete
All this year

10.

i 568 Total Customers

ii Unbilled - 0

Denton Valley has 77 Nonactive
customers - taps are put in &
Meters but are locked & water off

Vi Ranch Road Area has 38
Meters which are cut off &
locked

iii Metered - 683

IV UnMetered - City of Bristol TN

City of Bristol will email Intermont
the readings & Intermont will
Bill a monthly Bill to the City

V Rate Code

#1 - Base Rate - 560
#5 - Sullivan County Observation Knob - 1
#6 - Exempt Churches - 5

Rate Codes
#7 City of Bristol TN - 1
#8 - Job Corp - 1

13. yes since 2013

17

A Water Rates available upon request
Is printed on monthly water bill
Water Rates are also posted
on Bulletin Board in office

21

≠ Purchase water from City of Bristol TN
& Washington County Service Authority

≠ City of Bristol TN rates - \$ 2.34
Washington county - rates - \$ 3.08

23. Intermont Utility is working with
the help of T&D circuit riders
to improve the non water loss
percentage

INTERMONT UTILITY DISTRICT SCHEDULE OF FEES

APRIL 1, 2021

Tap -----	\$1,100.00
Service Charge-----	\$75.00
Minimum Water Rate (1,000 gal.)-----	\$20.76 plus tax
Water Rate (per additional 1,000 gal over min.)-----	\$8.36 plus tax
Return Check Fee-----	\$35.00
Meter Calibration-----	\$50.00
If found in error over 5% of exact -----	No Charge

No Billing Adjustments will be given, EFFECTIVE JANUARY 2013.

Pro-rate of bills based on past three (3) months readings

Payment of water bill due upon receipt of bill. **After 20th day of the month, a late fee of 10% will be charged.**

Water termination will be the 5th day of each month unless the 5TH falls on a Friday or Saturday or Sunday cut off will be the following Monday for non-payment at 2:00 p.m.

Water restored after termination of service will be **\$50.00 fee + the bill due.**

If Late Bill is paid to the Service Tech on disconnect day a \$30.00 fee will be charged.

Permanent Mobile Home Parks -----\$20.76 plus tax per site per month for minimum 1,000 gallons of water per site. Water used over minimum, will be billed at current rate per thousand gallons. Water will be metered through a master meter.

Camp Grounds -----\$20.76 plus tax per month per site for minimum 1,000 gallons of water per site. Water used over minimum subject to current rate per thousand gallons. Water metered through a master meter. (Exception: Observation Knob Park).

Commercial 2" meter -----\$4,000.00

Service Charge for 2" meter ----- \$75.00

INTERMONT UTILITY DISTRICT SCHEDULE OF FEES

April 2020

Tap-----	\$1,100.00
New Service Charge-----	\$75.00
Minimum Water Rate----- (1,000 gal.)-----	\$18.71
Water Rate (per 1,000 gal. over min.)-----	\$7.54
Return Check Fee-----	\$30.00
Meter Calibration-----	\$50.00
If found in error over 5% of exact-----	no charge

No billing Adjustments will be given, **Effective January 2013.**

Payment of water bill due upon receipt of bill. **After 20th day of month, a late fee of 10% will be charged.**

Water termination will be on the 5th day of each month for non payment.

Water restored after termination of service will be **\$50.00 fee + bill due.**

Permanent Mobile Home Parks-----\$18.71 per site per month for minimum 1,000 gallons of water per site. Water used over minimum, will be billed at current rate per thousand gallons. Water will be metered through a master meter.

Camp Grounds-----\$18.71 per month per site for minimum 1,000 gallons of water per site. Water used over minimum subject to current rate per thousand gallons. Water metered through a master meter. (Exception: Observation Knob Park).

Commercial 2" meter-----	\$4,000.00
New Service Charge for 2" meter-----	\$75.00

**INTERMONT UTILITY DISTRICT
SCHEDULE OF FEES
APRIL 2019**

Tap-----	\$1,100.00
New Service Charge-----	\$75.00
Minimum Water Rate----- (1,000 gal.)-----	\$18.42
Water Rate (per 1,000 gal. over min.)-----	\$7.43
Return Check Fee-----	\$30.00
Meter Calibration-----	\$50.00
If found in error over 5% of exact-----	no charge

No billing Adjustments will be given, **Effective January 2013.**

Payment of water bill due upon receipt of bill. **After 20th day of month, a late fee of 10% will be charged.**

Disconnect Bill must be paid in the office by 2:00 p.m. on disconnect day.

Water termination will be on the 5th day of each month for non payment.

Water restored after termination of service will be **\$50.00 fee + bill due.**

Permanent Mobile Home Parks-----**\$18.42** per site per month for minimum 1,000 gallons of water per site. Water used over minimum, will be billed at current rate per thousand gallons. Water will be metered through a master meter.

Camp Grounds-----**\$18.42** per month per site for minimum 1,000 gallons of water per site. Water used over minimum subject to current rate per thousand gallons. Water metered through a master meter. (Exception: Observation Knob Park).

Commercial 2" meter-----	\$2,500.00
New Service Charge for 2" meter-----	\$75.00

INTERMONT UTILITY DISTRICT SCHEDULE OF FEES

April 2018

Tap-----	\$1,100.00
New Service Charge-----	\$75.00
Minimum Water Rate----- (1,000 gal.)-----	\$17.71
Water Rate (per 1,000 gal. over min.)-----	\$7.14
Return Check Fee-----	\$30.00
Meter Calibration-----	\$50.00
If found in error over 5% of exact-----	no charge

No billing Adjustments will be given, **Effective January 2013.**

Payment of water bill due upon receipt of bill. **After 20th day of month, a late fee of 10% will be charged.**

Water termination will be on the 5th day of each month for non payment.

Water restored after termination of service will be **\$50.00 fee + bill due.**

Permanent Mobile Home Parks-----\$17.71 per site per month for minimum 1,000 gallons of water per site. Water used over minimum, will be billed at current rate per thousand gallons. Water will be metered through a master meter.

Camp Grounds-----\$17.71 per month per site for minimum 1,000 gallons of water per site. Water used over minimum subject to current rate per thousand gallons. Water metered through a master meter. (Exception: Observation Knob Park).

Commercial 2" meter-----	\$2,500.00
New Service Charge for 2" meter-----	\$75.00

New rates 2%

**INTERMONT UTILITY DISTRICT
SCHEDULE OF FEES
FEBRUARY 2017**

Tap-----	\$1,100.00
New Service Charge-----	\$75.00
Minimum Water Rate----- (1,000 gal.)-----	\$17.37
Water Rate (per 1,000 gal. over min.)-----	\$7.00
Return Check Fee-----	\$30.00
Meter Calibration-----	\$50.00
If found in error over 5% of exact-----	no charge
<p>No billing Adjustments will be given, Effective January 2013.</p>	
<p>Payment of water bill due upon receipt of bill. After 20th day of month, a late fee of 10% will be charged.</p>	
<p>Water termination will be on the 5th day of each month for non payment.</p>	
<p>Water restored after termination of service will be \$50.00 fee + bill due.</p>	
<p>Permanent Mobile Home Parks-----\$17.37 per site per month for minimum 1,000 gallons of water per site. Water used over minimum, will be billed at current rate per thousand gallons. Water will be metered through a master meter.</p>	
<p>Camp Grounds-----\$17.37 per month per site for minimum 1,000 gallons of water per site. Water used over minimum subject to current rate per thousand gallons. Water metered through a master meter. (Exception: Observation Knob Park).</p>	
Commercial 2" meter-----	\$2,500.00
New Service Charge for 2" meter-----	\$75.00

INTERMONT UTILITY DISTRICT

SCHEDULE OF FEES

April 2016

Tap	\$1,100.00
New Service Charge	\$75.00
Minimum Water Rate (1,000 gal.)	\$17.03 - tax \$ 18.61
Water Rate (per 1,000 gal. over min.)	\$6.87 tax \$ 7.51
Return Check Fee	\$30.00
Meter Calibration	\$50.00
If found in error over 5% of exact	no charge
No billing Adjustments will be given, Effective January 2013.	
Payment of water bill due upon receipt of bill. After 20 th day of month, a late fee of 10% will be charged.	
Water termination will be on the 5 th day of each month for non- payment.	
Water restored after termination of service will be \$50.00 fee + bill due.	
Permanent Mobile Home Parks-----\$17.03 per site per month for minimum 1,000 gallons of water per site. Water used over minimum, will be billed at current rate per thousand gallons. Water will be metered through a master meter.	
Camp Grounds-----\$17.03 per month per site for minimum 1,000 gallons of water per site. Water used over minimum subject to current rate per thousand gallons. Water metered through a master meter. (Exception: Observation Knob Park).	
Commercial 2" meter	\$2,500.00
New Service Charge for 2" meter	\$75.00

INTERMONT UTILITY DISTRICT BYLAWS
&
RULES AND REGULATIONS FOR OPERATION
2021

To govern and comply with all rules and regulations as issued by the Tennessee Department of Environments and Conservation, Division of Water Supply and the Safe Drinking Water Act or others that govern the operations of Utility District in the State of Tennessee.

The District shall distribute water to the families living within the boundaries of the Intermont Utility District. The District, at its discretion, shall install or assume existing water lines to those customers that have met the standards as set forth by the State of Tennessee, Division of Water Supply for the distribution of water.

New water customers will be required to register with the Office of Intermont Utility District completing the registration form, prepaying a service fee for turning the water on where a tap exists. New or Additional taps will require a tap fee in addition to a service charge.

The District shall distribute water thru a meter that has met the standards of accuracy to a single family dwelling as defined by the State or Local Planning Commissions as a one family dwelling. A Multi-Family dwelling will require one meter per family.

Each dwelling must have its own meter- One dwelling= One meter.

A grace period may be given to customers making a second illegal connection to a meter. The Board of Commissioners will review these cases on an individual base and their ruling is final. The grace period will be no more than thirty (30) days.

Tap fees may be made in payments with the following terms: A minimum payment of Five (\$500.00) Hundred Dollars must be made at the time of application and the balance paid in the next SIX consecutives equal (for the next 6 months) payments at an interest rate of 1.5% per month on the unpaid balance. Deferred payments must *show cause* and be approved by Board of Commissioners. These rates of interest and tap fees are subject to change without notice.

A Mobile Home Community of one or more homes may have a Master Meter installed that will meter water to the entire Community with the prevailing minimum water rates to each mobile home and a fixed monthly fee for service as set by the Commissioners of the Utility District. Water used over the minimum shall be charged at the set current prevailing rates to the owner of the Mobile Home Community to be paid each month as required by the District. The Mobile Home Park owner(s) will be responsible for maintenance of water line distribution and any reporting as required by the State of Tennessee.

The same Rules and Regulations governing a Mobile Home Park shall apply to a recreational/camping park area within the District.

The District may be zoned for different water rates within the District as determined by the Commissioners of the District.

Waters bill are due the 20th of the month, on the 21st of the month if bill is not paid a 10% late fee is added to the bill. Late notices are sent out on the 24th of each month, the bill must be paid by the 5th of the following month by 2:00 p.m. If payment is not received in the office by 2:00 p.m. water will be disconnected. To get water turned back on the customer must pay the water bill **plus** a \$50.00 dollar reconnect fee.

A return check fee (\$35.00) will be charged for any checks returned by the bank for insufficient funds. See - **Schedule of Fees-** for current charge.

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Customers may request their meters be calibrated any time, if they suspect it is reading in error. A meter has an allowance of 5 percent (5%) plus or minus from its mean calibration. If meter is found to be recording over the 5% range customer will not be charge. If meter is found to be recording under the 5% range, there is a \$50.00 charge and will be added to the customer's monthly water bill. If the meter is found under the 5% the customer is responsible for the service charge, calibration, and shipping and handling charges for the meter to be sent off to the nearest calibration station for testing. Adjustments are subject to the approval of the Board of Commissioners.

A schedule of rates will be published each year by April 1st for the forth-coming year. Some adjustments may be made within this time frame to comply with Federal, State, or Local mandates or to meet financial obligations.

Any Project done for Intermont Utility District of Sullivan County will require 2 (two) Bids.

Any purchases over \$10,000.00 (Ten Thousand) dollars must be voted on by the board of commissioners and approved and put in the business meetings.

These Rules and Regulations may be changed or modified at any time by the Intermont Utility District Board of Commissioners with posting at the Office of Intermont Utility District and /or by a reading at the regular commissioners meeting.

The bylaws for Intermont Utility District will be updated as needed.

INTERMONT UTILITY DISTRICT

291 V.I. RANCH ROAD

BRISTOL, TENNESSEE 37620

423-878-4183-Telephone

423-878-4161-Fax

M-F 9:00 a.m.-3:00 p.m.

LARRY BARKER-PRESIDENT

Run Date: 4/29/21

Preshipment Notification



Sold To:
INTERMONT UTILITY DIST
291 V I RANCH RD
BRISTOL, TN 37620-0939

Ship To:
INTERMONT UTILITY DIST
Branch - 236
207 Hwy 75
Blountville, TN 37617 5315

Customer # 072674
Order # 0149349
Date Ordered 04/29/21
Job #
Job Name PRICING
Purchase Order #
Method of Shipment PICKUP
Contract Order # 0000000
Ordered By HUGH FULLER
Ship Via

Branch:
BLOUNTVILLE TN
Branch - 236
207 Hwy 75
Blountville, TN 37617 5315

Phone: 423-323-0532

Bid Seq#	Product Code	Description	Qty Ordered	Qty Shipped	Qty B/O	Net Price	UOM	Ext Price
	4620VBHH7712B11NL	VBHH77-12B-11-77-NL 2" SENTER	1		1	1414.00000	EA	.00
	45MPR173018CIR	DUAL CHECK NO LEAD	1		1	123.00000	EA	123.00
	70313069014	1730-18 BROOKS PL BOX W/CI RDR	1	1	1	43.00000	EA	.00
	3920H15428N	EPOXY W/E-G BALES 5.94-6.90 OD	1		1	91.00000	EA	91.00
	3620H15008N	H15428N 2 ADPT 110 CTSXMP	1		1	429.00000	EA	.00
	4320MMO301M4D09	NO LEAD H15008N 2 CORP STOP CCXCTS	1		1	1227.00000	EA	.00
		MM 2 SS OCTAVE METER 17LL USG	1		1			
		W/FLOAT FLG, 7" SPOOL NO MODULE						
		O301-M4-D09						

Prices For Materials For
2" Meter

Terms in accordance with shipping manifest.

Special Instructions/Comments:

Total Shipped: 214.00
Total Ordered: 3327.00

Debt Management Policy

Intermont Utility District of Sullivan County, Tennessee

Adopted by the Board of Commissioners on 04-21, 2017

Effective 04-21, 2017

Debt Management Policy

INTRODUCTION

Debt management policies provide written guidance about the amount and type of debt issued by local governments, the issuance process, and the management of the debt portfolio. A debt management policy tailored to the needs of the Board of Commissioners (the "Governing Body") of the Intermont Utility District of Sullivan County, Tennessee (the "District") can improve the quality of decisions, identify and disclose parameters relating to the structure and issuance of debt, identify policy goals, and provide a foundation for long-term financial planning, all of which are in the public interest of the District. If applicable, adherence to a debt management policy may signal to rating agencies and the capital markets that a governmental entity is well-managed and should meet its obligations in a timely manner.

Debt levels and their related annual costs are important long-term obligations that must be managed within available resources. An effective debt management policy provides guidelines for a government to manage its debt program in line with those resources.

This Debt Management Policy is intended to comply with the debt management policy requirements promulgated by the Tennessee State Funding Board in December 2010.

Objectives

The Governing Body is establishing a debt policy as a tool to ensure that financings undertaken by the Governing Body satisfy certain clear objective standards designed to protect the District's financial resources and to meet its long-term capital needs. The objectives of this policy are:

1. To document responsibility for the oversight and management of debt-related transactions;
2. To establish criteria and promote prudent financial management for the issuance of debt obligations and the evaluation of debt issuance options;
3. To identify legal and administrative limitations on the issuance of debt and ensure the legal use of the Governing Body's debt issuance authority;
4. To define the types and appropriate use of debt approved for use within the constraints established by Tennessee law;
5. To provide guidance for evaluating refunding candidates or alternative debt structures;
6. Where applicable, to provide support for the maintenance of credit ratings;

7. To enhance risk management practices; and
8. To increase transparency, reduce conflicts, and promote cooperation in the debt management process.

Debt Management Strategies

To achieve the objectives above, the Governing Body adopts the following debt management strategies and procedures.

A. Funding Strategies

1. Debt is to be issued pursuant to the authority of and in full compliance with provisions, restrictions and limitations of the Constitution and laws of the State of Tennessee (the "State") (including Title 7, Chapter 82, Tennessee Code Annotated (the "Utility District Act") and various bond authorizations enacted by the General Assembly of the State), and pursuant to resolutions adopted by the Governing Body.
2. (For Water and Wastewater Utility Districts) Debt may only be used to finance or refinance the capital costs of improving the District's utility system (the "System") and such other costs related thereto as may be permitted by the Utility District Act (including without limitation issuance costs, capitalized interest and the funding of debt service reserves), all of which must be authorized by the Governing Body. Debt may not be issued to finance the District's operating costs.
3. (For Gas Utility Districts) Debt may only be used: (1) to finance or refinance the capital costs of improving the District's utility system (the "System") and such other costs related thereto as may be permitted by the Utility District Act (including without limitation issuance costs, capitalized interest and the funding of debt service reserves); and (2) to finance gas purchases, including storage costs and pipeline capacity costs, in anticipation of the collection of revenues as permitted by T.C.A. 7-82501 (b). These uses must be authorized by the Governing Body. Debt may not be issued to finance the District's operating costs except for the purchase of gas as permitted by T.C.A. 7-82-501 (b).
4. Debt shall be secured by and payable from the revenues of the System, as prescribed by resolution of the Governing Body, and a corresponding statutory lien on the assets of the System.

B. Federal Tax Status

1. Tax-Exempt Debt — Based on the assumptions that tax-exempt interest rates are lower than taxable rates and that the interest savings outweigh the administrative costs, restrictions on use of financed projects, and investment constraints, the District will use its best efforts to maximize the amount of debt sold under this policy as tax-exempt.

2. Taxable Debt — The District will sell taxable debt when necessary to finance projects with a private use or uncontrolled purpose. The Governing Body encourages the financing team to blend the financing of taxable projects with the financing of tax-exempt projects whenever possible.

c. Legal Limitations on the Use of Debt

1. No debt obligation shall be issued to fund the current operation of the District.
2. The proceeds of any debt obligation shall be expended only for the purpose for which it was authorized by the Governing Body.
3. All debt shall be approved by resolution of the Governing Body.
4. Prior to the consideration of a resolution authorizing the issuance of debt, the General Manager and/or the President of the Governing Body shall prepare and submit a request for financing report from the State Comptroller's office, as required by the Utility District Act. If timely received, the General Manager and/or the President of the Governing Body shall cause the report to be published as required by the Utility District Act. No financing report is required by the Utility District Act in connection with a loan from a state or federal agency.

Types of Debt

Pursuant to the Utility District Act, the District is authorized from time to time to issue or incur the following types of debt, all of which is subject to the terms of the debt management policy.

A. Bonds

The District may issue bonds under the Utility District Act to finance capital projects or refinance outstanding debt.

B. Bond Anticipation Notes (BANs)

BANs are short term obligations authorized to be issued under the Utility District Act that will be repaid by proceeds of a subsequent bond issue.

c. Capital Leases

Capital leases are leases of equipment or other System property, where the leased property becomes the property of the District at the end of the lease term and the lease payments include a financing component.

D. Loans from State or Federal Agencies

The District may incur debt in the form of loans from State or federal agencies. Loans are evidenced by a loan agreement between the District and the lending agency.

E. **Loans from Public Building Authorities**

The District may enter into loan agreements with one or more public building authorities, pursuant to Sections 12-10-101 et seq., Tennessee Code Annotated, in lieu of issuing bonds or notes under the Utility District Act. The policies set forth herein for bonds issued under the Utility District Act shall be equally applicable to loan agreements entered into with a public building authority.

Debt Management Practices

A. **Structure**

The Governing Body shall establish by resolution all terms and conditions relating to the issuance of debt.

1. **Term**

Any debt (including refunding debt) shall have a weighted average maturity not greater than the weighted average expected lives of the assets financed by such debt. In addition, the final maturity of any debt should not be longer than the expected life of the longest lived asset financed thereby.

2. **Capitalized Interest**

From time to time certain financings may require the use of capitalized interest. Interest may be financed (capitalized) through a period permitted by federal law and the authorizing resolution of the Governing Body if it is determined that doing so is in the District's best interest.

3. **Debt Service Structure**

The District will seek to structure its aggregate debt with level or declining debt service payments over the life of its aggregate debt. In structuring principal repayment for any debt issue, the Utility will seek to balance the goals of (a) amortizing principal as quickly as possible to minimize interest costs, and (b) maintaining consistent and manageable rates for its Customers.

4. **Call Provisions**

The District will strive to issue all of its debt with a call feature no later than ten (10) years from the date of delivery. In any event, call features should be structured to provide the maximum flexibility relative to cost. The District will avoid the sale of long-term non-callable bonds absent careful evaluation by the Governing Body with respect to the value of the call option.

5. **Original Issuance Discount/Premium**

Bonds sold with original issuance discount/premium are permitted with the approval of the Governing Body.

6. Debt Service Reserve Funds

If the Governing Body determines that it is necessary to fund a debt service reserve fund in connection with debt, it may agree to fund such a reserve. The size of any debt service reserve fund established in connection with the tax-exempt debt will be in compliance with applicable federal tax rules. The District will strive to fund debt service reserves with District funds, rather than with debt. However, the District may use the proceeds of debt to fund debt service reserves if the Governing Body concludes that the restriction of District funds would reduce unrestricted funds below manageable levels.

7. Fixed vs. Variable Interest Rates

Fixed rate debt bears interest at a rate or rates that remain constant throughout the life of the debt. Variable rate debt bears interest at a variable rate through the term thereof.

The District will issue all of its debt with fixed rates, except as follows:

- Bond anticipation notes may be issued with variable rates, given their short term nature.
- The District may issue or incur variable rate debt if provision as to the calculation or change of variable interest rates is included in the authorizing resolution and the Governing Body carefully evaluates the risks related thereto. The District will annually include in its budget an interest rate assumption for any outstanding variable rate debt that takes market fluctuations affecting the rate of interest into consideration. The General Manager shall monitor the ongoing costs and risks of outstanding variable rate and make reports to the Governing Body no less than annually with respect thereto.

B. Refinancing Outstanding Debt

The Governing Body will consider the following issues when analyzing possible refunding opportunities:

1. Reasons for Refunding

Debt will be considered for refunding when:

- The refunding results in net present value savings to the District; • The refunding of the debt is necessary due to a change in private/public use of a project that would cause a need to change the tax status of the debt; or
- The Governing Body expressly determines by resolution that the refunding of the bonds accomplishes debt service restructuring that is in the District's best interest.

2. Term of Refunding Issues

The Governing Body will refund bonds within the term of the originally issued debt, unless otherwise expressly approved by resolution of the Governing Body.

3. Escrow Structuring

The District shall take steps to utilize the least costly securities available in structuring refunding escrows; provided that the District may purchase U.S. Treasuries — State and Local Government Series if it is determined that the costs and risks attendant to the solicitation of open market securities outweigh any attendant benefits.

c. Methods of Sale

Pursuant to the Utility District Act, debt may be issued at competitive or negotiated sale.

1. Competitive In a competitive sale, the District's bonds shall be awarded to the bidder providing the lowest true interest cost as long as the bid adheres to the requirements set forth in the official notice of sale.
2. Negotiated In a negotiated sale, the underwriter/lender/lessor will be chosen prior to the sale and the interest rate and the fees of the underwriter/lender/lessor are negotiated prior to the sale.

In the case of loans from State or Federal agencies, the District will negotiate directly with the agency making the loan. In all other cases, the Governing Body will determine the manner of sale, and will set forth the manner of sale in the resolution authorizing the debt.

D. Underwriter Selection (Negotiated Transaction)

The District, with assistance from its financial advisor (if the District has engaged a financial advisor), shall select the underwriter/lender/lessor for a proposed negotiated sale. The selection criteria will include the following factors and such other factors as the Governing Body may identify:

- Ability and experience in managing similar debt transactions;
- Prior knowledge and experience with the District;
- Capital adequacy;
- Quality and experience of personnel assigned to the District's engagement;
- Financing ideas presented; and • Underwriter/lender/lessor fees.

E. Credit Quality

If the District maintains a credit rating, the District's debt management activities will be conducted to maintain the highest credit ratings possible, consistent with District's financing and rate maintenance objectives. The General Manager will be

responsible for maintaining relationships and communicating with the rating agencies that assign ratings to the District's debt. Full disclosure of operations and open lines of communication shall be maintained with the rating agencies. The General Manager shall work with its financial advisor and/or underwriter (as applicable) to prepare and make presentations to the rating agencies to assist credit analysts in making an informed decision.

F. Credit Enhancements

The District will consider the use of credit enhancements on a case-by-case basis, evaluating the economic benefit versus the cost. Only when clearly demonstrable savings can be shown shall an enhancement be utilized. The District may consider each of the following enhancements as alternatives by evaluating the cost and benefit of such enhancements: bond insurance, reserve fund surety bonds, letters of credit and liquidity facilities.

G. Use of Structured Products

No interest rate agreements or forward purchase agreements will be considered unless a policy defining the use of such products is approved before the transaction is considered.

H. Risk Assessment

The District will evaluate each transaction to assess the types and amounts of risk associated with that transaction, considering all available means to mitigate those risks. The District will evaluate all proposed transactions for consistency with the objectives and constraints defined in this Policy. The following risks should be assessed before issuing debt:

1. Change in Public/Private Use — The change in the public/private use of a project that is funded by tax-exempt funds could potentially cause a bond issue to become taxable.
2. Default Risk The risk that debt service payments cannot be made by the due date.
3. Liquidity Risk The risk of having to pay a higher rate to the liquidity provider in the event of a failed remarketing.
4. Interest Rate Risk — The risk that interest rates will rise, on a sustained basis, above levels that would have been set if the issued had been fixed.
5. Rollover Risk — The risk of the inability to obtain a suitable liquidity facility at an acceptable price to replace a facility upon termination or expiration of a contract period.

6. Credit Risk — The risk that an issuer of debt securities or a borrower may default on its obligations by failing to repay principal and interest in a timely manner.

J. Continuing Disclosure

To the extent that any of the District's debt issues are subject to U.S. Securities and Exchange Commission Rule 15c2-12 ("Rule 15c2-12"), the Governing Body will provide certain financial information and operating data by specified dates, and will provide notice of certain enumerated events with respect to the bonds, all as described in Rule 15c2-12.

K. Transparency

The District shall comply with the Tennessee Open Meetings Act, providing adequate public notice of meetings and specifying on the agenda of a meeting when matters related to debt issuance will be considered. Additionally, in the interest of transparency, all costs (including interest, issuance, continuing, and one-time) shall be disclosed to the citizens in a timely manner. To comply with the requirements of the preceding sentence, an estimate of the costs described above will be presented to the Governing Body along with any resolution authorizing debt.

Within four weeks of closing on a debt transaction, the debt service schedule and the State Form CT-0253 shall be available at the office of the General Manager for inspection and review by members of the Governing Body and the District's Customers.

L. Professional Services

The District requires all professionals engaged to assist in the process of issuing debt to clearly disclose all compensation and consideration received related to services provided in the debt issuance process by the District. This includes "soft" costs or compensations in lieu of direct payments.

1. Counsel The District will enter into an engagement letter agreement with each lawyer or law firm representing the District in a debt transaction. No engagement letter is required for any lawyer who serves as counsel to the District regarding District matters generally.
2. Bond Counsel — Bond counsel for each debt transaction is contracted by the Governing Body and serves to assist the District in such debt issue.
3. Financial Advisor — If the District chooses to engage a financial advisor, the financial advisor for each debt transaction will be contracted by the

written agreement between the District and the financial advisor with respect to a debt transaction. The financial advisor shall not be permitted to bid on or underwrite an issue for which it is or has been providing advisory services.

4. Underwriter — If there is an underwriter for a debt issue, the underwriter must clearly identify itself to the District in writing (e.g., in a response to a request for proposals or in promotional materials provided to the District) as an underwriter and not as a financial advisor from the earliest stages of its relationship with the District with respect to that issue. The underwriter must clarify its primary role as a purchaser of securities in an arm's-length commercial transaction and must disclose that it has financial and other interests that differ from those of the District. The underwriter in a publicly offered, negotiated sale shall be required to provide pricing information both as to interest rates and to takedown per maturity to the General Manager in advance of the pricing of the debt.

M. Potential Conflicts of Interest

Professionals involved in a debt transaction hired or compensated by the District shall be required to disclose existing client and business relationships between and among the professionals to a transaction (including but not limited to financial advisor, swap advisor, bond counsel, swap counsel, trustee, paying agent, underwriter, counterparty, and remarketing agent), as well as conduit issuers, sponsoring organizations and program administrators. This disclosure shall include that information reasonably sufficient to allow the District to appreciate the significance of the relationships.

Professionals who become involved in the debt transaction as a result of a bid submitted in a widely and publicly advertised competitive sale conducted using an industry standard, electronic bidding platform are not subject to this disclosure. No disclosure is required that would violate any rule or regulation of professional conduct.

Debt Administration

A. Planning for Sale

1. In considering the adoption of any debt resolution, the Governing Body shall consider the purpose of the financing, the proposed structure of the financing, the proposed method of sale for the financing, members of the proposed financing team and an estimate of all the costs associated with the financing.
2. In the case of a proposed refunding, proposed use of credit enhancement, or proposed use of variable rate debt, the General Manager will present to the

applicable) and a discussion of the potential risks associated with the proposed structure.

3. If required by Rule 15c2-12, the General Manager, the bond counsel, financial advisor (if applicable), along with other members of the financing team will prepare a Preliminary Official Statement describing the transaction and the security for the debt that is fully compliant with all legal requirements.

B. Post Sale

1. The General Manager will maintain for review by members of the Governing Body and the public a debt service schedule and the CT-0253 Form related to the debt issue.
2. The General Manager will establish guidelines and procedures for tracking the flow of all bond proceeds, as defined by the Internal Revenue Code, over the life of bonds reporting to the IRS all arbitrage earnings associated with the financing and any tax liability that may be owed.
3. If required by Rule 15c2-12, the General Manager, the bond counsel, financial advisor (if applicable), along with other members of the financing team will prepare an Official Statement describing the transaction and the security for the debt that is fully compliant with all legal requirements.

C. Arbitrage

Compliance with arbitrage requirements on invested tax-exempt bond funds will be maintained. Proceeds that are to be used to finance construction expenditures are exempted from the filing requirements, provided that the proceeds are spent in accordance with requirements established by the IRS. The District will comply with all of its tax certificates for tax-exempt financings by monitoring the arbitrage earning on bond proceeds on an interim basis and by rebating all positive arbitrage when due, pursuant to Internal Revenue Code Section 148. The District will also retain all records relating to debt transactions for as long as the debt is outstanding, plus three (3) years after the final redemption date of the transaction.

D. Private Activity

Compliance with private activity requirements with respect to tax exempt debt-financed facilities will be maintained. The General Manager shall maintain a record of the allocation of debt proceeds to expenditures, and monitor the use of tax exempt debt-financed facilities to ensure that no impermissible private use occurs.

E. Investment of Proceeds

Any proceeds or other funds available for investment by the District must be invested pursuant to applicable State law.

Review of the Policy

The debt policy guidelines outlined herein are only intended to provide general direction regarding the future use and execution of debt. The Governing Body maintains the right to modify these guidelines (except to the extent these guidelines are mandated by applicable state law or regulation) and may make exceptions to any of them at any time to the extent that the execution of such debt achieves the Governing Body's goals. Any exceptions to these policies shall be expressly acknowledged in the resolution authorizing the pertinent debt issue. In the event of a conflict between the terms of a debt resolution and this policy, the terms of the debt resolution shall control.

This policy will be periodically reviewed by the Governing Body, at which time, the General Manager will present any recommendations for any amendments, deletions, additions, improvement or clarification.

Policy

ADOPTION DATE: 04-21-17

EFFECTIVE DATE: 04-21-17

Intermont Utility District
Balance Sheet Compared with Budget
January 31, 2021

	Balance	ASSETS	Budget
Current Assets			
Petty Cash	\$ 150.00		0.00
CASH	0.00		0.00
Amsouth Checking Account	0.00		0.00
REGIONS BANK NON FOR PROFIT	50.00		0.00
FRIST BRISTOL BANK/2172177	0.00		0.00
GREEN BANK,2674,MAIN	0.00		0.00
GREEN BANK, 6011,CONST	0.00		0.00
Regions Savings/3356	28,660.94		0.00
REGIONS 812 - CD	0.00		0.00
GREEN BANK, 1968, RESERVE	0.00		0.00
RENASANT BANK-JOB CORPS	12,843.54		0.00
REGIONS CD - 5980459886	0.00		0.00
RENASANT CD 8094841308	21,073.33		0.00
RENASANT CD 8096261420	22,857.59		0.00
Carter Co Bank	0.00		0.00
RENASANT BANK	0.00		0.00
RENASANT-CHECKING, MAIN	158,708.37		0.00
RENASANT BANK, 2297 RESERVE	64,375.94		0.00
ACCOUNTS RECEIVABLE	18,987.51		0.00
Allowance for Doubtful Acc	(10,000.00)		0.00
Unbilled Water Charges	0.00		0.00
Accrued Interest Receivable	0.00		0.00
Inventory	0.00		0.00
Prepaid Insurance	2,134.47		0.00
Other Current Assets	0.00		0.00
RENSANT BANK LOAN	0.00		0.00
barker	10.00		0.00
barker	1.67		0.00
barker	(1.67)		0.00
Total Current Assets		319,851.69	0.00
Property and Equipment			
Furniture and Fixtures	1,297.00		0.00
Computer Equipment	15,558.00		0.00
SECURITY CAMERA & EQUIPMENT	1,162.20		0.00
Water Works System	5,642,547.00		0.00
Water Works Project-Painter Cr	0.00		0.00
WATER WORKS PROJECT P-Road #2	66,371.65		0.00
x	0.00		0.00
DENTON VALLEY PROPERTY PURC	0.00		0.00
Computer System & Software	0.00		0.00
x	0.00		0.00
Paved Driveway	13,400.00		0.00
Land	16,453.00		0.00
Accum. Depreciation	(800,701.93)		0.00
Total Property and Equipment		4,956,086.92	0.00
Other Assets			
Revenue Bond Sinking Fund	0.00		0.00
Other Noncurrent Assets	0.00		0.00
Total Other Assets		0.00	0.00
Total Assets		\$ 5,275,938.61	0.00

Unaudited - For Management Purposes Only

Intermont Utility District
Balance Sheet Compared with Budget
January 31, 2021

	Balance	Budget
LIABILITIES AND CAPITAL		
Current Liabilities		
Accounts Payable	\$ 10,891.84	0.00
A/P CONSTRUCTION PROJECT	0.00	0.00
Accrued Interest	544.53	0.00
Sales Tax Payable	(532.09)	0.00
Wages Payable	0.00	0.00
Deductions Payable	0.00	0.00
Federal Payroll Taxes Payable	253.12	0.00
Social Security	4,024.87	0.00
Medicare Payable	3,822.81	0.00
FUTA Tax Payable	391.80	0.00
State Payroll Taxes Payable	0.00	0.00
SUTA Payable	366.31	0.00
A/P 1st Bristol	0.00	0.00
Income Taxes Payable	0.00	0.00
Customer Meter Deposits	0.00	0.00
Construction Line of Credit	0.00	0.00
Current Portion Long-Term Debt	0.00	0.00
Other Current Liabilities	(50.00)	0.00
Total Current Liabilities	19,713.19	0.00
Long-Term Liabilities		
R. DEVELOPMENT LOAN #3	(5,108.43)	0.00
R. DEVELOPMENT LOAN #4	(13,191.88)	0.00
Notes Payable-Noncurrent	0.00	0.00
Rural Development Revenue Bond	156,648.71	0.00
RURAL DEVELOPMET #2	300,404.78	0.00
Other Long-Term Liabilities	891,425.24	0.00
Other Long Term Liabilities	294,310.93	0.00
Total Long-Term Liabilities	1,624,489.35	0.00
Total Liabilities	1,644,202.54	0.00
Capital		
Beginning Balance Equity	0.00	0.00
Common Stock	0.00	0.00
Paid-in Capital	343,247.18	0.00
Retained Earnings	3,294,666.20	0.00
Net Income	(6,177.31)	0.00
Total Capital	3,631,736.07	0.00
Total Liabilities & Capital	\$ 5,275,938.61	0.00

Intermont Utility District
Balance Sheet Compared with Budget
February 28, 2021

	Balance	ASSETS	Budget
Current Assets			
Petty Cash	\$ 150.00		0.00
CASH	0.00		0.00
Amsouth Checking Account	0.00		0.00
REGIONS BANK NON FOR PROFIT	50.00		0.00
FRIST BRISTOL BANK/2172177	0.00		0.00
GREEN BANK,2674,MAIN	0.00		0.00
GREEN BANK, 6011,CONST	0.00		0.00
Regions Savings/3356	28,660.94		0.00
REGIONS 812 - CD	0.00		0.00
GREEN BANK, 1968, RESERVE	0.00		0.00
RENASANT BANK-JOB CORPS	51,880.89		0.00
REGIONS CD - 5980459886	0.00		0.00
RENASANT CD 8094841308	21,086.61		0.00
RENASANT CD 8096261420	22,871.99		0.00
Carter Co Bank	0.00		0.00
RENASANT BANK	0.00		0.00
RENASANT-CHECKING, MAIN	154,138.03		0.00
RENASANT BANK, 2297 RESERVE	64,655.94		0.00
ACCOUNTS RECEIVABLE	20,628.84		0.00
Allowance for Doubtful Acc	(10,000.00)		0.00
Unbilled Water Charges	0.00		0.00
Accrued Interest Receivable	0.00		0.00
Inventory	0.00		0.00
Prepaid Insurance	2,134.47		0.00
Other Current Assets	0.00		0.00
RENSANT BANK LOAN	0.00		0.00
barker	10.00		0.00
barker	1.67		0.00
barker	(1.67)		0.00
Total Current Assets		356,267.71	0.00
Property and Equipment			
Furniture and Fixtures	1,297.00		0.00
Computer Equipment	15,558.00		0.00
SECURITY CAMERA & EQUIPMENT	1,162.20		0.00
Water Works System	5,642,547.00		0.00
Water Works Project-Painter Cr	0.00		0.00
WATER WORKS PROJECT P-Road #2	66,371.65		0.00
x	0.00		0.00
DENTON VALLEY PROPERTY PURC	0.00		0.00
Computer System & Software	0.00		0.00
x	0.00		0.00
Paved Driveway	13,400.00		0.00
Land	16,453.00		0.00
Accum. Depreciation	(803,879.26)		0.00
Total Property and Equipment		4,952,909.59	0.00
Other Assets			
Revenue Bond Sinking Fund	0.00		0.00
Other Noncurrent Assets	0.00		0.00
Total Other Assets		0.00	0.00
Total Assets		\$ 5,309,177.30	0.00

Unaudited - For Management Purposes Only

Intermont Utility District
Balance Sheet Compared with Budget
February 28, 2021

	Balance	Budget
LIABILITIES AND CAPITAL		
Current Liabilities		
Accounts Payable	\$ 10,891.84	0.00
A/P CONSTRUCTION PROJECT	0.00	0.00
Accrued Interest	544.53	0.00
Sales Tax Payable	(657.23)	0.00
Wages Payable	0.00	0.00
Deductions Payable	0.00	0.00
Federal Payroll Taxes Payable	225.84	0.00
Social Security	4,187.23	0.00
Medicare Payable	3,934.39	0.00
FUTA Tax Payable	414.89	0.00
State Payroll Taxes Payable	0.00	0.00
SUTA Payable	377.85	0.00
A/P 1st Bristol	0.00	0.00
Income Taxes Payable	0.00	0.00
Customer Meter Deposits	0.00	0.00
Construction Line of Credit	0.00	0.00
Current Portion Long-Term Debt	0.00	0.00
Other Current Liabilities	(50.00)	0.00
Total Current Liabilities	19,869.34	0.00
Long-Term Liabilities		
R. DEVELOPMENT LOAN #3	(5,507.72)	0.00
R. DEVELOPMENT LOAN #4	(14,227.48)	0.00
Notes Payable-Noncurrent	0.00	0.00
Rural Development Revenue Bond	156,313.50	0.00
RURAL DEVELOPMET #2	299,953.98	0.00
Other Long-Term Liabilities	891,425.24	0.00
Other Long Term Liabilities	294,310.93	0.00
Total Long-Term Liabilities	1,622,268.45	0.00
Total Liabilities	1,642,137.79	0.00
Capital		
Beginning Balance Equity	0.00	0.00
Common Stock	0.00	0.00
Paid-in Capital	343,247.18	0.00
Retained Earnings	3,294,666.20	0.00
Net Income	29,126.13	0.00
Total Capital	3,667,039.51	0.00
Total Liabilities & Capital	\$ 5,309,177.30	0.00

Intermont Utility District
Balance Sheet Compared with Budget
March 31, 2021

	Balance	ASSETS	Budget
Current Assets			
Petty Cash	\$ 150.00		0.00
CASH	0.00		0.00
Amsouth Checking Account	0.00		0.00
REGIONS BANK NON FOR PROFIT	50.00		0.00
FRIST BRISTOL BANK/2172177	0.00		0.00
GREEN BANK,2674,MAIN	0.00		0.00
GREEN BANK, 6011,CONST	0.00		0.00
Regions Savings/3356	28,661.65		0.00
REGIONS 812 - CD	0.00		0.00
GREEN BANK, 1968, RESERVE	0.00		0.00
RENASANT BANK-JOB CORPS	51,880.89		0.00
REGIONS CD - 5980459886	0.00		0.00
RENASANT CD 8094841308	21,086.61		0.00
RENASANT CD 8096261420	22,871.99		0.00
Carter Co Bank	0.00		0.00
RENASANT BANK	0.00		0.00
RENASANT-CHECKING, MAIN	143,730.42		0.00
RENASANT BANK, 2297 RESERVE	64,935.94		0.00
ACCOUNTS RECEIVABLE	21,211.20		0.00
Allowance for Doubtful Acc	(10,000.00)		0.00
Unbilled Water Charges	0.00		0.00
Accrued Interest Receivable	0.00		0.00
Inventory	0.00		0.00
Prepaid Insurance	2,134.47		0.00
Other Current Assets	0.00		0.00
RENSANT BANK LOAN	0.00		0.00
barker	10.00		0.00
barker	1.67		0.00
barker	(1.67)		0.00
Total Current Assets		346,723.17	0.00
Property and Equipment			
Furniture and Fixtures	1,297.00		0.00
Computer Equipment	15,558.00		0.00
SECURITY CAMERA & EQUIPMENT	1,162.20		0.00
Water Works System	5,642,547.00		0.00
Water Works Project-Painter Cr	0.00		0.00
WATER WORKS PROJECT P-Road #2	66,371.65		0.00
x	0.00		0.00
DENTON VALLEY PROPERTY PURC	0.00		0.00
Computer System & Software	0.00		0.00
x	0.00		0.00
Paved Driveway	13,400.00		0.00
Land	16,453.00		0.00
Accum. Depreciation	(807,056.59)		0.00
Total Property and Equipment		4,949,732.26	0.00
Other Assets			
Revenue Bond Sinking Fund	0.00		0.00
Other Noncurrent Assets	0.00		0.00
Total Other Assets		0.00	0.00
Total Assets		\$ 5,296,455.43	0.00

Unaudited - For Management Purposes Only

Intermont Utility District
Balance Sheet Compared with Budget
March 31, 2021

	Balance	Budget
LIABILITIES AND CAPITAL		
Current Liabilities		
Accounts Payable	\$ 10,891.84	0.00
A/P CONSTRUCTION PROJECT	0.00	0.00
Accrued Interest	544.53	0.00
Sales Tax Payable	(565.63)	0.00
Wages Payable	0.00	0.00
Deductions Payable	0.00	0.00
Federal Payroll Taxes Payable	265.42	0.00
Social Security	4,423.40	0.00
Medicare Payable	4,058.45	0.00
FUTA Tax Payable	433.84	0.00
State Payroll Taxes Payable	0.00	0.00
SUTA Payable	387.33	0.00
A/P 1st Bristol	0.00	0.00
Income Taxes Payable	0.00	0.00
Customer Meter Deposits	0.00	0.00
Construction Line of Credit	0.00	0.00
Current Portion Long-Term Debt	0.00	0.00
Other Current Liabilities	(50.00)	0.00
Total Current Liabilities	20,389.18	0.00
Long-Term Liabilities		
R. DEVELOPMENT LOAN #3	(5,907.92)	0.00
R. DEVELOPMENT LOAN #4	(15,266.10)	0.00
Notes Payable-Noncurrent	0.00	0.00
Rural Development Revenue Bond	155,978.29	0.00
RURAL DEVELOPMET #2	299,503.18	0.00
Other Long-Term Liabilities	891,425.24	0.00
Other Long Term Liabilities	294,310.93	0.00
Total Long-Term Liabilities	1,620,043.62	0.00
Total Liabilities	1,640,432.80	0.00
Capital		
Beginning Balance Equity	0.00	0.00
Common Stock	0.00	0.00
Paid-in Capital	343,247.18	0.00
Retained Earnings	3,294,666.20	0.00
Net Income	18,109.25	0.00
Total Capital	3,656,022.63	0.00
Total Liabilities & Capital	\$ 5,296,455.43	0.00

Intermont Utility District
Income Statement
For the One Month Ending January 31, 2021

	Current Month		Year to Date	
Revenues				
ARC GRANT	\$ 0.00	0.00	\$ 0.00	0.00
INTEREST INCOME CD-8094841308	0.00	0.00	0.00	0.00
INTEREST INCOME-CD 8096261420	0.00	0.00	0.00	0.00
USDA R. DEV. LOAN #4	0.00	0.00	0.00	0.00
USDA R. DEV. GRANT	0.00	0.00	0.00	0.00
USDA -LOAN #3	0.00	0.00	0.00	0.00
Water Rents	22,545.23	83.13	22,545.23	83.13
Penalties (Late Payments)	544.25	2.01	544.25	2.01
MISC. INCOME	1,107.08	4.08	1,107.08	4.08
Tap Fees	2,500.03	9.22	2,500.03	9.22
NSF RTN CHECK FEE	0.00	0.00	0.00	0.00
Service Charges (new turn on)	225.00	0.83	225.00	0.83
Water Rents Exempt	0.00	0.00	0.00	0.00
Reconnect Fees	200.00	0.74	200.00	0.74
Finance Charge Income	0.00	0.00	0.00	0.00
Shipping Charges Reimbursed	0.00	0.00	0.00	0.00
Grant Revenue from Sullivan Co	0.00	0.00	0.00	0.00
GRANT REVENUE FROM JOB CORP	0.00	0.00	0.00	0.00
Interest Income	0.00	0.00	0.00	0.00
Interest Income - Savings	0.00	0.00	0.00	0.00
Interest Income - CD 35802812	0.00	0.00	0.00	0.00
INTEREST INCOME \2172177	0.00	0.00	0.00	0.00
Fee Discounts	0.00	0.00	0.00	0.00
Total Revenues	27,121.59	100.00	27,121.59	100.00
Cost of Sales				
Water Purchased	10,781.23	39.75	10,781.23	39.75
Repairs & Maintenance	2,607.34	9.61	2,607.34	9.61
Materials/Supplies	0.00	0.00	0.00	0.00
Total Cost of Sales	13,388.57	49.36	13,388.57	49.36
Gross Profit	13,733.02	50.64	13,733.02	50.64
Expenses				
CL/BAINES, CHARLES FRANK	0.00	0.00	0.00	0.00
Interest RD (\$1062.00)	663.62	2.45	663.62	2.45
INTEREST R. DEV(\$3597.00)	2,564.41	9.46	2,564.41	9.46
SENSUS ANNUAL SOFTWARE SUPP	0.00	0.00	0.00	0.00
C/L FITZWATER, TIM	0.00	0.00	0.00	0.00
MILEAGE	392.00	1.45	392.00	1.45
Salaries & Wages	4,114.25	15.17	4,114.25	15.17
Insurance - General Liability	0.00	0.00	0.00	0.00
Electric	1,488.31	5.49	1,488.31	5.49
Interest	0.00	0.00	0.00	0.00
INTEREST-RD(\$1083.00)	747.79	2.76	747.79	2.76
INTERESTRD-(\$1836.00)	1,385.20	5.11	1,385.20	5.11
Interest - LOC	0.00	0.00	0.00	0.00
Advertising	0.00	0.00	0.00	0.00
Safety Deposit Box	0.00	0.00	0.00	0.00
AUTO EXPENSE	0.00	0.00	0.00	0.00
Bank Charges	0.00	0.00	0.00	0.00
Bad Checks	0.00	0.00	0.00	0.00
Donations	0.00	0.00	0.00	0.00
Small Tools	0.00	0.00	0.00	0.00
Accounting Fees	0.00	0.00	0.00	0.00

For Management Purposes Only

Intermont Utility District
Income Statement
For the One Month Ending January 31, 2021

	Current Month		Year to Date	
Professional Fees	0.00	0.00	0.00	0.00
Membership Fees	0.00	0.00	0.00	0.00
WATER TANK CLEANING	0.00	0.00	0.00	0.00
Taxes & Licenses	0.00	0.00	0.00	0.00
Repairs & Maintenance	54.26	0.20	54.26	0.20
Depreciation	3,177.33	11.72	3,177.33	11.72
PROPANE GAS	0.00	0.00	0.00	0.00
Internet	54.95	0.20	54.95	0.20
Legal Services	0.00	0.00	0.00	0.00
Postage	360.20	1.33	360.20	1.33
Office Supplies	273.52	1.01	273.52	1.01
Telephone	230.44	0.85	230.44	0.85
FICA	582.36	2.15	582.36	2.15
Medicare	59.66	0.22	59.66	0.22
FUTA	24.69	0.09	24.69	0.09
TN SUTA	12.34	0.05	12.34	0.05
Non-Owned Auto Insurance	0.00	0.00	0.00	0.00
Insurance - Workman's Comp	0.00	0.00	0.00	0.00
C/L Mike Jackson	775.00	2.86	775.00	2.86
MISC EXP	0.00	0.00	0.00	0.00
C/L Fuller Grading & Excavatin	2,950.00	10.88	2,950.00	10.88
CARRIERS EXVATING	0.00	0.00	0.00	0.00
C/L Wayne Rouse	0.00	0.00	0.00	0.00
C/L Full Service Maintenance	0.00	0.00	0.00	0.00
C/L Miranda Rogers	0.00	0.00	0.00	0.00
C/L TAYLOR, DAVID	0.00	0.00	0.00	0.00
C/L HEATH TAYOR	0.00	0.00	0.00	0.00
C/L J Smith Pump & Water Treat	0.00	0.00	0.00	0.00
BAD DEBTS	0.00	0.00	0.00	0.00
Insurance	0.00	0.00	0.00	0.00
Purchase Disc-Expense Items	0.00	0.00	0.00	0.00
Total Expenses	19,910.33	73.41	19,910.33	73.41
Net Income	\$ (6,177.31)	(22.78)	\$ (6,177.31)	(22.78)

Intermont Utility District
Income Statement
For the Two Months Ending February 28, 2021

	Current Month		Year to Date	
Revenues				
ARC GRANT	\$ 0.00	0.00	\$ 0.00	0.00
INTEREST INCOME CD-8094841308	13.28	0.02	13.28	0.01
INTEREST INCOME-CD 8096261420	14.40	0.02	14.40	0.02
USDA R. DEV. LOAN #4	0.00	0.00	0.00	0.00
USDA R. DEV. GRANT	39,037.35	61.20	39,037.35	42.94
USDA -LOAN #3	0.00	0.00	0.00	0.00
Water Rents	22,574.41	35.39	45,119.64	49.63
Penalties (Late Payments)	385.88	0.60	930.13	1.02
MISC. INCOME	1,107.08	1.74	2,214.16	2.44
Tap Fees	300.03	0.47	2,800.06	3.08
NSF RTN CHECK FEE	30.00	0.05	30.00	0.03
Service Charges (new turn on)	0.00	0.00	225.00	0.25
Water Rents Exempt	0.00	0.00	0.00	0.00
Reconnect Fees	326.38	0.51	526.38	0.58
Finance Charge Income	0.00	0.00	0.00	0.00
Shipping Charges Reimbursed	0.00	0.00	0.00	0.00
Grant Revenue from Sullivan Co	0.00	0.00	0.00	0.00
GRANT REVENUE FROM JOB CORP	0.00	0.00	0.00	0.00
Interest Income	0.00	0.00	0.00	0.00
Interest Income - Savings	0.00	0.00	0.00	0.00
Interest Income - CD 35802812	0.00	0.00	0.00	0.00
INTEREST INCOME \2172177	0.00	0.00	0.00	0.00
Fee Discounts	0.00	0.00	0.00	0.00
Total Revenues	63,788.81	100.00	90,910.40	100.00
Cost of Sales				
Water Purchased	10,456.55	16.39	21,237.78	23.36
Repairs & Maintenance	248.46	0.39	2,855.80	3.14
Materials/Supplies	30.00	0.05	30.00	0.03
Total Cost of Sales	10,735.01	16.83	24,123.58	26.54
Gross Profit	53,053.80	83.17	66,786.82	73.46
Expenses				
CL/BAINES, CHARLES FRANK	0.00	0.00	0.00	0.00
Interest RD (\$1062.00)	662.71	1.04	1,326.33	1.46
INTEREST R. DEV(\$3597.00)	2,561.40	4.02	5,125.81	5.64
SENSUS ANNUAL SOFTWARE SUPP	0.00	0.00	0.00	0.00
C/L FITZWATER, TIM	0.00	0.00	0.00	0.00
MILEAGE	374.08	0.59	766.08	0.84
Salaries & Wages	3,847.75	6.03	7,962.00	8.76
Insurance - General Liability	0.00	0.00	0.00	0.00
Electric	1,344.43	2.11	2,832.74	3.12
Interest	0.00	0.00	0.00	0.00
INTEREST-RD(\$1083.00)	747.79	1.17	1,495.58	1.65
INTERESTRD-(\$1836.00)	1,385.20	2.17	2,770.40	3.05
Interest - LOC	0.00	0.00	0.00	0.00
Advertising	392.00	0.61	392.00	0.43
Safety Deposit Box	0.00	0.00	0.00	0.00
AUTO EXPENSE	0.00	0.00	0.00	0.00
Bank Charges	10.00	0.02	10.00	0.01
Bad Checks	0.00	0.00	0.00	0.00
Donations	0.00	0.00	0.00	0.00
Small Tools	0.00	0.00	0.00	0.00
Accounting Fees	0.00	0.00	0.00	0.00

For Management Purposes Only

Intermont Utility District
Income Statement
For the Two Months Ending February 28, 2021

	Current Month		Year to Date	
Professional Fees	0.00	0.00	0.00	0.00
Membership Fees	0.00	0.00	0.00	0.00
WATER TANK CLEANING	0.00	0.00	0.00	0.00
Taxes & Licenses	20.00	0.03	20.00	0.02
Repairs & Maintenance	0.00	0.00	54.26	0.06
Depreciation	3,177.33	4.98	6,354.66	6.99
PROPANE GAS	0.00	0.00	0.00	0.00
Internet	54.95	0.09	109.90	0.12
Legal Services	0.00	0.00	0.00	0.00
Postage	60.20	0.09	420.40	0.46
Office Supplies	34.36	0.05	307.88	0.34
Telephone	217.82	0.34	448.26	0.49
FICA	553.29	0.87	1,135.65	1.25
Medicare	55.79	0.09	115.45	0.13
FUTA	23.09	0.04	47.78	0.05
TN SUTA	11.54	0.02	23.88	0.03
Non-Owned Auto Insurance	0.00	0.00	0.00	0.00
Insurance - Workman's Comp	140.00	0.22	140.00	0.15
C/L Mike Jackson	775.00	1.21	1,550.00	1.70
MISC EXP	0.00	0.00	0.00	0.00
C/L Fuller Grading & Excavatin	1,301.63	2.04	4,251.63	4.68
CARRIERS EXVATING	0.00	0.00	0.00	0.00
C/L Wayne Rouse	0.00	0.00	0.00	0.00
C/L Full Service Maintenance	0.00	0.00	0.00	0.00
C/L Miranda Rogers	0.00	0.00	0.00	0.00
C/L TAYLOR, DAVID	0.00	0.00	0.00	0.00
C/L HEATH TAYOR	0.00	0.00	0.00	0.00
C/L J Smith Pump & Water Treat	0.00	0.00	0.00	0.00
BAD DEBTS	0.00	0.00	0.00	0.00
Insurance	0.00	0.00	0.00	0.00
Purchase Disc-Expense Items	0.00	0.00	0.00	0.00
Total Expenses	17,750.36	27.83	37,660.69	41.43
Net Income	\$ 35,303.44	55.34	\$ 29,126.13	32.04

Intermont Utility District
Income Statement
For the Three Months Ending March 31, 2021

	Current Month		Year to Date	
Revenues				
ARC GRANT	\$ 0.00	0.00	\$ 0.00	0.00
INTEREST INCOME CD-8094841308	0.00	0.00	13.28	0.01
INTEREST INCOME-CD 8096261420	0.00	0.00	14.40	0.01
USDA R. DEV. LOAN #4	0.00	0.00	0.00	0.00
USDA R. DEV. GRANT	0.00	0.00	39,037.35	33.32
USDA -LOAN #3	0.00	0.00	0.00	0.00
Water Rents	24,105.73	91.83	69,225.37	59.09
Penalties (Late Payments)	361.50	1.38	1,291.63	1.10
MISC. INCOME	1,172.94	4.47	3,387.10	2.89
Tap Fees	183.35	0.70	2,983.41	2.55
NSF RTN CHECK FEE	0.00	0.00	30.00	0.03
Service Charges (new turn on)	225.00	0.86	450.00	0.38
Water Rents Exempt	0.00	0.00	0.00	0.00
Reconnect Fees	200.00	0.76	726.38	0.62
Finance Charge Income	0.00	0.00	0.00	0.00
Shipping Charges Reimbursed	0.00	0.00	0.00	0.00
Grant Revenue from Sullivan Co	0.00	0.00	0.00	0.00
GRANT REVENUE FROM JOB CORP	0.00	0.00	0.00	0.00
Interest Income	0.00	0.00	0.00	0.00
Interest Income - Savings	0.71	0.00	0.71	0.00
Interest Income - CD 35802812	0.00	0.00	0.00	0.00
INTEREST INCOME \2172177	0.00	0.00	0.00	0.00
Fee Discounts	0.00	0.00	0.00	0.00
Total Revenues	26,249.23	100.00	117,159.63	100.00
Cost of Sales				
Water Purchased	10,264.19	39.10	31,501.97	26.89
Repairs & Maintenance	448.16	1.71	3,303.96	2.82
Materials/Supplies	392.24	1.49	422.24	0.36
Total Cost of Sales	11,104.59	42.30	35,228.17	30.07
Gross Profit	15,144.64	57.70	81,931.46	69.93
Expenses				
CL/BAINES, CHARLES FRANK	45.00	0.17	45.00	0.04
Interest RD (\$1062.00)	661.80	2.52	1,988.13	1.70
INTEREST R. DEV(\$3597.00)	2,558.38	9.75	7,684.19	6.56
SENSUS ANNUAL SOFTWARE SUPP	0.00	0.00	0.00	0.00
C/L FITZWATER, TIM	0.00	0.00	0.00	0.00
MILEAGE	355.04	1.35	1,121.12	0.96
Salaries & Wages	4,278.50	16.30	12,240.50	10.45
Insurance - General Liability	0.00	0.00	0.00	0.00
Electric	1,465.42	5.58	4,298.16	3.67
Interest	0.00	0.00	0.00	0.00
INTEREST-RD(\$1083.00)	747.79	2.85	2,243.37	1.91
INTERESTRD-(\$1836.00)	1,385.20	5.28	4,155.60	3.55
Interest - LOC	0.00	0.00	0.00	0.00
Advertising	0.00	0.00	392.00	0.33
Safety Deposit Box	0.00	0.00	0.00	0.00
AUTO EXPENSE	0.00	0.00	0.00	0.00
Bank Charges	12.00	0.05	22.00	0.02
Bad Checks	0.00	0.00	0.00	0.00
Donations	0.00	0.00	0.00	0.00
Small Tools	0.00	0.00	0.00	0.00
Accounting Fees	0.00	0.00	0.00	0.00

For Management Purposes Only

Intermont Utility District
Income Statement
For the Three Months Ending March 31, 2021

	Current Month		Year to Date	
Professional Fees	0.00	0.00	0.00	0.00
Membership Fees	0.00	0.00	0.00	0.00
WATER TANK CLEANING	8,475.13	32.29	8,475.13	7.23
Taxes & Licenses	0.00	0.00	20.00	0.02
Repairs & Maintenance	150.00	0.57	204.26	0.17
Depreciation	3,177.33	12.10	9,531.99	8.14
PROPANE GAS	0.00	0.00	0.00	0.00
Internet	54.95	0.21	164.85	0.14
Legal Services	0.00	0.00	0.00	0.00
Postage	495.50	1.89	915.90	0.78
Office Supplies	70.89	0.27	378.77	0.32
Telephone	203.52	0.78	651.78	0.56
FICA	559.61	2.13	1,695.26	1.45
Medicare	62.03	0.24	177.48	0.15
FUTA	18.95	0.07	66.73	0.06
TN SUTA	9.48	0.04	33.36	0.03
Non-Owned Auto Insurance	0.00	0.00	0.00	0.00
Insurance - Workman's Comp	0.00	0.00	140.00	0.12
C/L Mike Jackson	775.00	2.95	2,325.00	1.98
MISC EXP	0.00	0.00	0.00	0.00
C/L Fuller Grading & Excavatin	600.00	2.29	4,851.63	4.14
CARRIERS EXVATING	0.00	0.00	0.00	0.00
C/L Wayne Rouse	0.00	0.00	0.00	0.00
C/L Full Service Maintenance	0.00	0.00	0.00	0.00
C/L Miranda Rogers	0.00	0.00	0.00	0.00
C/L TAYLOR, DAVID	0.00	0.00	0.00	0.00
C/L HEATH TAYOR	0.00	0.00	0.00	0.00
C/L J Smith Pump & Water Treat	0.00	0.00	0.00	0.00
BAD DEBTS	0.00	0.00	0.00	0.00
Insurance	0.00	0.00	0.00	0.00
Purchase Disc-Expense Items	0.00	0.00	0.00	0.00
Total Expenses	26,161.52	99.67	63,822.21	54.47
Net Income	\$ (11,016.88)	(41.97)	\$ 18,109.25	15.46

INTERMONT UTILITY DISTRICT

291 V. I. RANCH RD.
BRISTOL, TN 37620
PHONE (423) 878-4183
FAX (423) 878-4161

April 2021

President: Larry Barker appointed 11/1997 end of term 3/2022
920 VI Ranch Rd. Bristol, TN 37620 (423) 878-2951

Sec/Tres: Gordon Shearer appointed 5/2017 end of term 5/2021
337 Springdale Drive Bristol, TN 37620 (423) 878-6812

Member: James Darren Mullins. appointed 10/2019 end of term
10/2023
1196 VI Ranch Rd. Bristol, TN 37620 (276) 455-0346

Jerry S. Barber

*has attended and participated in the
Utility Commissioner Training (two day)*

*An Approved Training Course Presented by the
Tennessee Association of Utility Districts*

Date: 11/30/2017

Location: Tipton Construction Co., 119 Cedar Valley Rd., Bristol

Credit: 12 hours for Commissioner

**Tennessee Association
of Utility Districts**
Vital for Tennessee's future



RB

Bob Freudenthal, Executive Director

LB7969



Sullivan County

*Board of County Commissioners
23rd Annual Session*

Before the Mayor of Sullivan County, Tennessee

IN RE: Intermont Utility District
Sullivan County, Tennessee

Order Appointing Utility District Commissioner

WHEREAS, the Intermont Utility District Board of Commissioners does hereby certify to the Sullivan County Mayor, pursuant to T.C.A. §7-82-307, that a vacancy has occurred upon said utility board by virtue of the expiration of a term; and

WHEREAS, the Intermont District Board of Commissioners further certifies that the nominee, Gordon Shearer, is qualified to fill said vacancy.

NOW THEREFORE BE IT ORDERED, ADJUDGED AND DECREED by Sullivan County Mayor, Richard S. Venable, pursuant to T.C.A. §7-82-307 that nominee, Gordon Shearer, be appointed to the Intermont Utility District Board of Commissioners. Term of May 2017 to May 2021.

Richard S. Venable, Sullivan County Mayor

Said order confirmed and entered into the record of the Sullivan County Board of Commissioners this 15th day of May 2017.

Jeanie Gammon, Sullivan County Clerk

Gordon Shearer replaced John Taylor
he resigned May 2017

Jordan Shearer

*has attended and participated in the
Utility Commissioner Training (two day)*

***An Approved Training Course Presented by the
Tennessee Association of Utility Districts***

Date: 11/30/2017

Location: Tipton Construction Co., 119 Cedar Valley Rd., Bristol

Credit: 12 hours for Commissioner

**Tennessee Association
of Utility Districts**

Vital for Tennessee's future



Bob Freudenthal

Bob Freudenthal, Executive Director

GS7646

*Sullivan County
Board of County Commissioners
239th Annual Session*

Before the Mayor of Sullivan County, Tennessee

**IN RE: Intermont Utility District
Sullivan County, Tennessee**

Order Appointing Utility District Commissioner

WHEREAS, the Intermont Utility District Board of Commissioners does hereby certify to the Sullivan County Mayor, pursuant to T.C.A. §7-82-307, that a vacancy occurred upon said utility board by resignation of Ollie Wayne King; and

WHEREAS, the Intermont District Board of Commissioners further certifies that the nominee, Darren Mullins, is qualified to fill said vacancy.

NOW THEREFORE BE IT ORDERED, ADJUDGED AND DECREED by Sullivan County Mayor, Richard S. Venable, pursuant to T.C.A. §7-82-307 that nominee, Darren Mullins, be appointed to the Intermont Utility District Board of Commissioners. Term of Oct 2019 to Oct 2023.

Richard S. Venable
Richard S. Venable, Sullivan County Mayor

Said order confirmed and entered into the record of the Sullivan County Board of Commissioners this 17th day of October 2019.

Teresa Jacobs
Teresa Jacobs, Sullivan County Clerk

* James Darren Mullins replaced Wayne Ollie King He resigned 9-5-2019 *



Certificate of Achievement

THIS ACKNOWLEDGES THAT

James Mullins

HAS SUCCESSFULLY COMPLETED

Public Records and Open Meetings Part 1 (1 Hour of Credit)

Justin P Wilson

Justin P. Wilson, Comptroller

7/10/2020

Date of Completion



Certificate of Achievement

THIS ACKNOWLEDGES THAT

James Mullins

HAS SUCCESSFULLY COMPLETED

Public Records and Open Meetings Part 2 (1 Hour of Credit)

Justin P. Wilson

Justin P. Wilson, Comptroller

7/22/2020

Date of Completion



Certificate of Achievement

THIS ACKNOWLEDGES THAT

James Mullins

HAS SUCCESSFULLY COMPLETED

Water Loss Assessment Part 1 (1 Hour of Credit)

Justin P. Wilson

Justin P. Wilson, Comptroller

7/23/2020

Date of Completion



Certificate of Achievement

THIS ACKNOWLEDGES THAT

James Mullins

HAS SUCCESSFULLY COMPLETED

Water Loss Assessment Part 2 (1 Hour of Credit)

Justin P Wilson

Justin P. Wilson, Comptroller

7/24/2020

Date of Completion



Certificate of Achievement

THIS ACKNOWLEDGES THAT

James Mullins

HAS SUCCESSFULLY COMPLETED

Utility Conveyance System; I&I and Water Loss Reduction (1 Hour of Credit)

Justin P. Wilson

Justin P. Wilson, Comptroller

7/27/2020

Date of Completion



Certificate of Achievement

THIS ACKNOWLEDGES THAT

James Mullins

HAS SUCCESSFULLY COMPLETED

Communicating with Customers (1 Hour of Credit)

Justin P. Wilson

Justin P. Wilson, Comptroller

7/10/2020

Date of Completion

NOTICE:

EFFECTIVE JANUARY 01, 2013

NO ADJUSTMENTS ON WATER BILLS WILL BE GIVEN.

THIS IS MANDATED BY THE STATE OF TENNESSEE.

**INTERMONT UTILITY DISTRICT
MANAGEMENT**

*This hangs by the door
where customers can see it*

2021 INTERMONT UTILITY FIXED ASSET LISTINGS

Office Building and Land Located at 291 V I RANCH ROAD

3 Water Tanks and Land	1 Set Computer Speakers
3 Pump Stations and Land	1 Generator
2 Computers	1 Vacuum
4 Computer Software	2 Bulletin Boards
6 Filing Cabinets	1 Dry Erase Board
1 desk	1 Coffee Machine
9 Tables	10 Wooden Built Shelves
1 Copier	1 Telemetry System
1 Billing Copier/Printer	2 Handheld Readers
1 Fax Machine	2 Clocks
1 Postage Machine (rental)	1 Adding Machine
1 Microwave	1 Paper Shredder
1 Refrigerator	1 Security Alarm System
3 Telephones	
28 Chairs	
3 Radio License	
1 Heat Pump	
2 Monitors	
1 DVR	
4 Security Cameras with Monitor	
1 Office Sign	
2 Countertop- 2 Cabinets	

INTERMONT UTILITY DISTRICT

BUSINESS MEETING

JANUARY 7, 2021

Commissioners of the Intermont Utility District met Thursday January 7, 2020 at the Utility building located on 291 V.I. Ranch Road. Those present were Mr. Larry Barker, Mr. Gordon Shearer, Mr. Darren Mullins, Mr. Mike Jackson, Mr. Jim Potter and Ms. Betty Stewart.

Financial Statement, Bank Statements and General Ledger for December 2020 was approved by the Commissioners.

Signed unemployment compensation papers for Guy Rush.

The Board voted and approved a 11% water rate increase starting April 1, 2021 for Job Corp and all customers. Job Corp \$7.07 to \$7.84 rate increase of .77 cents, Customers 0 to 1,000 gallons \$18.71 to \$20.76 rate increase of \$2.05, per additional 1,000 gallons \$7.54 to \$8.36 rate increase of .82 cents plus tax.

Rate increase letter was mailed out to Job Corp on January 12, 2021.

The board voted and approved all raises to the following personnel:

Tim Fitzwater \$15.00 to \$16.00

Pam Shipley \$17.50 to \$18.00

Mike Jackson \$750.00 to \$775.00

James Potter \$13.50 to \$14.50

Minutes of the last meeting were read and approved by each Commissioner signing a copy of the minutes.

There was no other business brought before the board, bills to the district were reviewed, and checks were signed. Meeting was adjourned until next regular meeting February 4, 2021.



THE CITY OF BRISTOL, TENNESSEE
801 Anderson Street
P. O. Box 1189
Bristol, Tennessee 37621-1189

Development Services Department
Utility Services Division

Telephone: (423) 989-5566
Facsimile: (423) 989-5695
Email: wwitcher@bristoltn.org

March 2, 2020

Mr. Larry Barker
President
Intermont Utility District
291 V.I. Ranch Road
Bristol, TN 37620

RE: Bulk Water Sales Rate Adjustment

Dear Mr. Barker:

In accordance with our bulk water sales agreement, the city is preparing to adjust the bulk water sales rate. Effective with the July 2020 billing, the new rate will be \$2.34 per 1,000 gallons of water sold.

As you may recall, the agreement provides for the rate to be adjusted annually either upward or downward effective each July 1 in accordance with the Municipal Cost Index (MCI) published in the December issue of the American City and County. Calculations based on the December 2019 data equate to a MCI rate increase of 1.17% from the December 2018 MCI rate (see attached).

Please contact me if you have any questions or need additional information.

Sincerely,

William R. Witcher, P.E.
Utility Services Manager

C: Tim Beavers, Director of Development Services
Tara Musick, Director of Finance
Frank Neal, Utility Maintenance Superintendent



THE CITY OF BRISTOL, TENNESSEE
801 Anderson Street
P. O. Box 1189
Bristol, Tennessee 37621-1189

Development Services Department
Utility Services Division

Telephone: (423) 989-5566
Facsimile: (423) 989-5695
Email: wwitcher@bristoltn.org

October 8, 2019

Mr. Larry Barker
President
Intermont Utility District
291 V.I. Ranch Road
Bristol, TN 37620

Re: Bulk Water Purchase Agreement

Dear Mr. Barker:

We are in receipt of your request to continue our partnership for providing the Intermont Utility District with potable water in accordance with the agreement dated March 2, 2010. As requested, the contract will be extended for an additional 10-year term ending on February 28, 2030. Per the agreement the rate for purchase of water shall be:

\$2.30 per 1,000 gallons for the remainder of the term of this Agreement, with this rate to be adjusted annually either upward or downward each July 1st, beginning July 1, 2020, in accordance with the Municipal Cost Index published in the December issue of the American City and County, or in accordance with another comparable index in the event this index should no longer be available.

It has been a pleasure working with the utility district and we look forward to our continued partnership. Please contact me should you have any questions or need additional information.

Sincerely,

William R. Witcher, P.E.
Utility Services Manager

Cc: Bill Sorah, City Manager
Tim Beavers, Director of Development Services
Tara Musick, Director of Finance
Danielle Smith, City Attorney

SERVICE FROM	NET AMOUNT	GROSS AMOUNT
2/04/2021	8567.44	9424.18
SERVICE TO	ACCOUNT NO.	PAY GROSS AFTER
3/04/2021	580-3870-05	4/09/2021

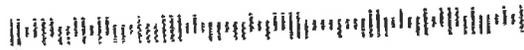
PRESENT READING	PREVIOUS READING	USED	SERVICE	CHARGES
4340217 158669	4304805 157468	36613 0	WA WA	8567.44

291 VI RANCH RD

3-31-2021
CK # 6578
\$ 8,567.44

RESORTED
FIRST CLASS MAIL
U.S. POSTAGE PAID
BRISTOL, TN 37601
PERMIT NO. 44

INTERMONT UTILITY DISTRICT
 C/O LARRY BARKER
 291 VI RANCH RD
 BRISTOL TN 37620-0939



36613
 + \$ 2.34 - rate

 \$ 8,567.44

Intermont Utility District
 purchases water off
 City of Bristol TN



Washington County Service Authority

May 3, 2021

Mr. Larry Barker
Intermont Utility District
291 VI Ranch Road
Bristol, Tennessee 37620

Subject: *WCSA's Billing Schedule to Intermont Utility District*

Dear Mr. Barker:

WCSA appreciates the continued opportunity to provide water to the Intermont Utility District. The 2016 Agreement also establishes fee adjustments commiserate with that of the Authority's 5,000 residential customer and fixed fee for our customer using a 4" meter. If our calculations are correct, the user fee is currently \$3.08/thousand gallons and 4" meter fixed fee is \$335.39/month. The following table illustrates the monthly user fee adjustments since FYE 2019 and the current fixed fee for a 4" meter. The 18/19 was previously reported on the last letter sent to Intermont Utility District in 2018. Currently, WCSA has not increased the billing for the per thousand gallon and only the 4" meter charge has increased. The future rate will be coordinated with Intermont utility District.

Fiscal Year	Residential 5,000 Gallon Bill	Amount of Increase	Percent Increase on/gal charge	Per Thousand Gallon Charge to Intermont	4" Meter Minimum Bill
18/19	\$ 53.22	\$ 3.00	6%	\$ 3.08	\$ 324.83
20/21	\$ 57.83			\$ 3.08	\$ 335.39

Please contact me with any question you may have.

Sincerely,

Ryan Kiser
Engineering Manager
Washington County Service Authority



Washington County Service Authority

October 25, 2018

Mr. Larry Barker
Intermont Utility District
291 VI Ranch Road
Bristol, Tennessee 37620

Subject: WCSA's Route 58 Corridor Water Supply Project Report and Update and Water Purchases

Dear Mr. Barker:

I hope this letter finds you well!

Thankfully, our Route 58 Corridor Water System Improvement Project is complete and in use. With the project being complete, we are now able to finally serve the Intermont Utility Districts, Twin Oaks location, contemplated in our 2016 Agreement.

The 2016 Agreement also contemplates user fee adjustments commiserate with that of the Authority's 5,000 residential customer and fixed fee for our customer using a 4" meter. If our calculations are correct, the user fee is currently \$3.08/thousand gallons and 4" meter fixed fee is \$324.83/month. The following table illustrates the monthly user fee adjustments since 2016 and the current fixed fee for a 4" meter.

Fiscal Year	Residential 5,000 Gallon Bill	Amount of Increase	Percent Increase	Per Thousand Gallon Charge to Intermont	4" Meter Minimum Bill
15/16	\$ 44.80			\$ 2.59	
16/17	\$ 47.46	\$ 2.66	6%	\$ 2.74	
17/18	\$ 50.22	\$ 2.76	6%	\$ 2.90	
18/19	\$ 53.22	\$ 3.00	6%	\$ 3.08	\$ 324.83

CONTRACT FOR SALE OF WATER

This contract for the sale and purchase of water entered into this 29 day of JUNE, 2016, between the **WASHINGTON COUNTY SERVICE AUTHORITY** of Washington County, Virginia, ("WCSA"), and **INTERMONT UTILITY DISTRICT** of Sullivan County, Tennessee ("IUD"). This contract entirely supersedes and replaces an earlier contract between the Parties dated February 28, 2005, covering similar subject matter.

WITNESSETH:

WHEREAS, WCSA is a water and waste authority organized by Washington County, Virginia and acting under the provisions of Virginia Code Sections 15.2-5100, *et seq.* and pursuant to its authority operates a public water system serving residential and commercial water customers;

WHEREAS, IUD is a Utility District organized and acting under the provisions of Tennessee Code Annotated, Section 7-82-101, *et seq.* and pursuant to its authority operates a utility district serving residential, commercial, and industrial water customers within its service area in Sullivan County, Tennessee;

WHEREAS, IUD has disclosed to WCSA its desire to purchase potable water from WCSA in an amount not to exceed 90,000 gallons per day (gpd), at an instantaneous flow rate not to exceed 125 gallons per minute (gpm) from a point of delivery near the Virginia/Tennessee state line along Route 673 (Twin Oaks Road) through a master meter to be installed, owned, and maintained as set forth in this contract (to be called the "Twin Oaks Road Master Meter");

WHEREAS, WCSA represents that it has the capacity to supply its own customers and to supply an amount not to exceed 90,000gpd, at an instantaneous flow rate not to exceed 125gpm at the Twin Oaks Road Meter;

WHEREAS, IUD has disclosed to WCSA its desire to purchase potable water from WCSA in an amount not to exceed 75,000gpd, at an instantaneous flow rate not to exceed 100gpm through an existing master meter located on Painter Road (called the "Painter Road Master Meter");

WHEREAS, WCSA represents that it has the capacity to supply its own customers and to supply an amount not to exceed 75,000gpd, at an instantaneous flow rate not to exceed 100 gpm to the Painter Road Master Meter; and

WHEREAS, both Parties deem it mutually advantageous to enter into this arrangement regarding potable water;

NOW, THEREFORE, considering the foregoing, the Parties agree as follows:

(1)
POINTS OF DELIVERY AND PRESSURE

WCSA agrees to deliver potable water to IUD at a reasonably constant pressure calculated at 45psi through the Twin Oaks Road Master Meter.

WCSA agrees to deliver potable water to IUD at a reasonably constant pressure calculated at 90psi from a master meter owned and maintained by WCSA, and located along Painter Road at the Virginia/Tennessee state line.

If IUD requires a greater pressure than is normally available at the point of delivery of either location, the cost of providing such greater pressure shall be borne by IUD.

Emergency-caused decreases in water pressure due to main supply breaks, power failure, flood, fire, earthquake, use of water to fight fire, or other catastrophe(s) shall excuse WCSA from this provision for such reasonable time as is necessary to restore service.

(2)
VOLUME AND QUALITY OF WATER

During the term of this contract or any renewal or extension thereof, WCSA agrees to furnish IUD at the points of delivery heretofore specified potable water meeting all requirements of the Commonwealth of Virginia, Department of Health, Office of Drinking Water.

The obligation of WCSA will be to furnish a maximum daily flow of 90,000gpd at an instantaneous flow rate not to exceed 125gpm at the Twin Oaks Road Master Meter.

The obligation of WCSA will be to furnish a maximum daily flow of 75,000gpd at an instantaneous flow rate not to exceed 100gpm at the Painter Road Master Meter.

Nothing in this contract is intended to obligate WCSA to provide daily or instantaneous flows in excess of the above-stated maximums. IUD is responsible for meeting the demands of its customers that may exceed these maximum daily or instantaneous flows, by providing adequate water storage or such other means, at its discretion.

(3)
METERING EQUIPMENT

The IUD agrees to install at its own expense the necessary metering equipment, as specified and approved by the WCSA, including a meter house or pit, and required devices of standard type for properly measuring the quantity of water delivered to the point of delivery on Twin Oaks Road. WCSA shall take ownership of said metering equipment once initial installation is complete and approved by WCSA.

The necessary metering equipment has been previously installed at the point of delivery on Painter Road.

The WCSA agrees to properly operate and maintain said metering equipment and appurtenances at its own expense. WCSA shall calibrate the metering equipment once every twelve (12) months or as requested by the IUD. A variance of 2% or less shall be deemed

accurate. The IUD shall pay for any requested calibration that shows accurate results, and WCSA shall pay for any requested calibration showing inaccurate results. If calibration shows inaccurate readings, then WCSA shall ratably adjust readings for the current and preceding two (2) months. If a meter fails to register for any period, it shall be presumed that the IUD used the average of the three (3) most recent months' readings. In the event that the metering equipment requires replacement, the WCSA shall bear the entire cost of metering equipment replacement. Appropriate officials of the IUD, at all reasonable times, shall have access to the meter to verify its readings.

(4)
CONNECTION FEES

Both WCSA and IUD charge a one-time connection fee to its new customers. In consideration of this Contract, WCSA shall charge the applicable connection fee to the IUD, which shall be fully offset by a reciprocal connection fee charged by IUD to WCSA for a future connection of comparable water quantity, such that no connection fees shall be owed by either party.

(5)
BILLING

WCSA agrees to provide the IUD with a separate itemized bill of the amount of water consumed during a monthly billing cycle from each master meter. Each bill is due and payable upon presentment, but shall be paid within twenty (20) days of the date of the itemized bill. Such amounts not received within twenty (20) days are subject to a 10% penalty. The provision of the bill shall be in accordance with the seller's usual and customary billing policies.

If there is a spike in usage due to leakage, water line breaks, flushing, or other similar occurrence, the parties, represented by the WCSA General Manager and IUD President, or their

designees, shall discuss alternatives, including an adjustment to the normal billing practice. Adjustments may be made if mutually agreed upon by the designated individuals.

(6)
RATES

WCSA shall bill IUD based upon actual consumption per 1,000 gallons. The agreed upon rate shall be \$2.59 per 1,000 gallons, plus \$301.54 monthly minimal charge (the monthly minimum per the FYE 2016 WCSA Rates, Fees, and Charges for a 4" meter).

(7)
OBLIGATIONS OF PARTIES

Both WCSA and IUD agree that they will, at all times, operate and maintain their respective systems in an efficient manner. WCSA agrees it will take such action as is reasonable to furnish IUD with the volume and quality of water described above. Temporary or partial failures to deliver water shall be remedied by WCSA in a timely manner. In the event of an extended shortage of water, or the supply of water available to WCSA is diminished over an extended period of time, the supply of water to the IUD's consumers shall be reduced or diminished in the same ratio or proportion as the supply to the WCSA's consumers is reduced or diminished, following notification to the IUD.

(8)
PURCHASER'S DUAL SOURCES

At the present time, IUD is purchasing potable water from the City of Bristol, Tennessee for its system. It is the understanding of IUD and WCSA that the relationship between IUD and the City of Bristol, Tennessee regarding the purchase of potable water from the City of Bristol,

Tennessee is not required to cease, and that IUD may continue to purchase potable water from the City of Bristol, Tennessee.

(9)
TERM OF CONTRACT

This contract shall remain in full force and effect for a term of five (5) years from the date of the execution, and shall continue in full force and effect for seven consecutive 5-year terms unless either Party provides written notice to terminate the contract sent to the other Party no later than 6 months before the expiration of the then-current term.

(10)
CONTRACT MODIFICATION

Beginning July 1, 2016, and effective July 1 of each year thereafter during the then-current term, the rates charged will be modified in accordingly: the rate per 1,000 gallons shall automatically increase or decrease by the same amount as a WCSA residential customer using 5,000 gallons/month and the minimum charge shall increase or decrease the same as all other WCSA customers using a 4" meter.

Except for an increase or decrease in rates, this contract may be amended, modified, or supplemented, in whole or in part before the commencement of a renewal term by mutual consent in a written document duly executed by each Party.

(11)
REGULATORY AGENCIES

WCSA and IUD mutually agree that this contract is subject to such rules, regulations, or laws as may be applicable to similar agreements in the Commonwealth of Virginia and State of

Tennessee, and that WCSA and IUD will work together to obtain such permits, certificates or the like, as may be required to comply therewith.

(12)
FUNDING AGENCY APPROVAL

Each Party acknowledges that its systems will be or have been financed by USDA-Rural Development and/or the Virginia Department of Health, the Virginia Department of Housing and Community Development, or other Financial Institution and provisions hereof pertaining to each Party's undertakings are conditioned upon the approval, in writing, of such respective financiers and Bond Counsel. Similarly, any amendment of this contract shall be conditioned upon such approval as well.

(13)
PURITY STANDARDS

WCSA agrees to furnish at the point of delivery, heretofore specified, during the term of this contract or renewal or extension thereof, potable water meeting all standards for potable water of the Virginia Department of Health. If water quality falls below these standards, either Party may cancel this contract by giving written notice by United States Postal Service, return receipt requested.

(14)
COOPERATION ON FUTURE SERVICE AREA

If at a future date, the WCSA desires to extend water service to community(ies) in Virginia which are adjacent to a portion of the IUD's service area in Tennessee by purchasing water from IUD, an Amendment to this Contract can be negotiated and added. This Contract addresses an offset of the connection fee for a future connection of comparable water quantity (see Section 4 – Connection Fees).

Likewise, if at a future date, the IUD desires to extend water service to additional communities in Tennessee which are adjacent to a portion of the WCSA's service area in Virginia or adjacent to a portion of one of the above mentioned service areas in this Contract in Tennessee by purchasing additional water from WCSA, an Amendment to this Contract can be negotiated and added by written agreement of the parties.

(15)
NOTICES

Any writings, notices, grievances, and billings to either party shall be sent to:

Intermont Utility District
291 VI Ranch Road
Bristol, Tennessee 37620

WashingtonCountyService Authority
25122 Regal Drive
Abingdon, Virginia24211.

All notices shall be considered delivered upon deposit in the United States Postal Service, postage-prepaid.

(16)
DISPUTES

The Parties hereto hereby irrevocably submit to the jurisdiction and venue of the appropriate state court sitting in or serving Sullivan County, Tennessee, in any action or proceeding arising out of, or relating to, this contract. In the event of any dispute or controversy of whatever nature or kind arising out of or relating to this contract or the rights, obligations or performances by the Parties under this contract (a "Dispute"), the Parties agree that the following procedures shall apply with respect to the resolution of the Dispute: First, the Parties agree they will attempt to resolve the Dispute through mutual negotiation. If either Party declares that the Parties are unable to so resolve the Dispute, the Dispute shall be subject to mediation by a single

mediator approved by the Parties. If the Parties are unable to agree upon a mediator within five (5) days of a written request by a party for mediation, one shall be appointed by the Circuit Court of Sullivan County, Tennessee. The mediation shall be conducted on an expedited basis and shall be concluded within thirty (30) days of the selection of the mediator. In the event the mediation does not result in a settlement and resolution of the Dispute, any party may institute litigation with respect to the Dispute only in the appropriate state court sitting in or serving Sullivan County, Tennessee. In the event of mediation or litigation of a Dispute, the Parties agree to take all measures practicable to preserve confidentiality.

WITNESS the signature of the Parties on the day and year above written.

WASHINGTON COUNTY SERVICE
AUTHORITY

By [Signature]
Its GENERAL MANAGER

Attest: [Signature]
Its Administrative Assistant

INTERMONT UTILITY DISTRICT

By [Signature]
Its Pres.

Attest: [Signature]
Its office Manager



JASON E. MUMPOWER
Comptroller

Entity Referred: **Iron City Utility District**

Referral Reason: **Negative Change in Net Position**

Utility Type Referred: **Water**

Staff Summary:

In its August 6, 2020 order, the Board directed the District to contract with a qualified expert to perform a rate study and to send the completed rate study and either proof of implementation of the resulting recommendations or a proposed plan of implementation to Board staff by February 28, 2021. The District engaged the Tennessee Association of Utility Districts to perform a rate study, which was completed and the results of which Board staff has received. However, Board staff has not received proof of implementation of its recommendations.

Two of the District's Commissioners appears to have failed to comply with the statutory training requirements. In Mr. Eddie Brewer's first continuing education period from January 1, 2017 to December 31, 2019, Mr. Brewer only received 5 hours of training. He was appointed to his current four-year term in 2020.

In Ms. Jeannie Atwell's first continuing education period from January 1, 2014 to December 31, 2016, Ms. Atwell did not receive any training. She was appointed to her current four-year term in 2018.

If the Board wishes, it may initiate contested case hearings on the question of whether the commissioners should be removed from office pursuant to Tenn. Code Ann. §§ 7-82-307(b)(3)(A)(i)(c) & (b)(5). The statute is permissive and gives the Board discretion as to whether it initiates a contested case hearing.

The TAUD report also shows that the District does not currently adjust customer's bills due to leaks. Although it has no policy regarding the practice's parameters, the District does grant customers extensions of time to pay large bills that result from a leak. The District should adopt a policy setting parameters for this practice, including provisions establishing a minimum threshold for its application and a maximum amount of time for which a payment plan can span.

Staff Recommendation

Order the following:

1. By January 15, 2022, the District shall ensure that its commissioners have met all training requirements and are thus eligible to serve pursuant to Tenn. Code Ann. §§ 7-82-307(b)(5) & 7-82-308(f). Otherwise, the District shall appoint eligible commissioners in accordance with the law.
2. By February 1, 2022, the District shall provide Board staff with the following:
 - a. proof of implementation of the rate recommendations of the 2021 TAUD report; and
 - b. either a leak adjustment policy, or a bill repayment policy as recommended on page 5 of the 2021 TAUD report.

**Tennessee Association
of Utility Districts**

Vital for Tennessee's future



REPORT FOR IRON CITY UTILITY DISTRICT

UTILITY MANAGEMENT REVIEW BOARD ORDER DATED AUGUST 6, 2020

July 19, 2021

INTRODUCTION

Description of the Iron City Utility District Water System

Iron City Utility District (the District) is a very small water utility district located in Lawrence County, Tennessee. As of December 31, 2020, the District had 238 customers. All customers are charged the same rates.

The District's board of commissioners has five members who are appointed by the Lawrence County Mayor. The District purchases water for distribution to its customers from the City of St. Joseph.

The District was referred to the Utility Management Review Board (UMRB) upon the submission of its audit for its fiscal year ending December 31, 2018, because it met the statutory definition for a financially distressed utility district. The District had a negative change in net position for two consecutive years without regard to any grants or capital contributions for its 2017 and 2018 fiscal years.

The District has no outstanding debt.

The balance of the District's Cash and Cash Equivalents accounts as of January 1, 2021, was \$75,533.

In July 2018, Lawrence County obtained a community development block grant of \$525,000 to fund a leak detection study and the replacement of water lines to address the District high rate of water loss. The work began in April 2019 and was completed in March 2020. Despite the work performed, the District still had a high water loss for 2020.

History of Rate Increases

Rates in Effect on January 1, 2015

Minimum bill (includes 2,000 gallons)	\$30.00
Over 2,000 gallons - Residential	\$ 8.80 per 1,000 gallons

The monthly bill for a customer using 4,000 gallons of water was \$46.60

June 2015 Rate Changes

In June of 2015, the District's schedule of monthly water rates became the following:

Minimum bill (includes 1,000 gallons)	\$36.00
Over 2,000 gallons - Residential	\$12.50 per 1,000 gallons

The monthly bill for a customer using 4,000 gallons of water increased to \$73.50. This rate change increased the monthly bill for a customer by 63% - a substantial monthly bill increase.

August 2015 Rate Adjustment

In August of 2015, the District increased the number of gallons included in the minimum bill from 1,000 gallons back to 2,000 gallons. The monthly bill for a customer using 4,000 gallons of water with this rate change was \$61.00. Therefore, this decrease in the amount of gallons included in the minimum bill resulted in a water rate decrease for the District’s customers.

October 2016 Rate Reduction

In October of 2016, the District reduced the minimum bill from \$36.00 to \$30.00 and reduced its water usage fee over 2,000 gallons from \$12.50 per 1,000 gallons to \$9.00 per 1,000 gallons. The monthly bill for a customer using 4,000 gallons of water with these rate changes became \$48.00.

January 1, 2021 Rate Increase

Effective January 1, 2021, the District increase its water usage rate over 2,000 gallons to \$10.00 per 1,000 gallons. The monthly bill for a customer using 4,000 gallons of water with this rate change became \$50.00.

The District’s current water rate schedule is as follows:

Minimum bill (includes 2,000 gallons)	\$30.00 Minimum
Over 2,000 gallons	\$10.00 per 1,000 gallons

Since the rate reductions were implemented in 2015 and 2016, the District has experienced a significant decrease in revenue from water sales from 2015 and 2016 through 2020 as follows:

2015	\$156,776
2016	\$168,994
2017	\$139,237
2018	\$139,803
2019	\$145,519
2020	\$143,390

Most distressing is that in 2017, 2018 and 2019, cash expenses have exceeded water revenues; therefore, the District’s cash reserves decreased each year. This trend is not sustainable.

Utility Management Review Board Order

On August 6, 2020, the Utility Management Review Board (UMRB) issued an order directing the District to do the following.

-
- 1) The District shall have the Tennessee Association of Utility Districts, or another qualified expert as approved by the Board staff, perform a rate study that includes the following:
 - a) The creation of a leak adjustment policy;
 - b) The creation of a five-year capital asset budget, to be taken from the current capital asset list and to include future anticipated needs; and
 - c) A review of connection and tap fees.
 - 2) By September 30, 2020, the District shall send proof to the Board staff that its Commissioners have complied with all training requirements pursuant to Tenn. Code Ann. 7-82-308(f).
 - 3) By September 30, 2020, the District shall send Board staff a copy of the contract between the District and the qualified expert who is to perform the tasks in paragraph 1.
 - 4) By February 28, 2021, the District shall provide Board staff with the completed rate study and either proof of implementation of the resulting recommendations or a proposed plan of implementation.
 - 5) Board staff is given the authority to grant an extension of up to six months of the foregoing deadlines upon a showing of good cause by the District.

The District received an extension for complying with the UMRB's Order until May 31, 2021.

RECOMMENDATIONS

Recommendation #1

The District increase its water rates effective January 1, 2022 to the following:

Minimum bill 0 - 2,000 gallons	\$32.00
Over 2,000 gallons	\$11.50 per 1,000 gallons

Recommendation #2

The District does not give leak adjustments. However, the District allows customers who have large water bills caused by a leak to pay the large bill over time. The District's board may want consider adopting a policy to establish how a large bill must be to qualify for payment over time and to establish a maximum period of time over which a large bill can be paid in monthly installments.

FIVE YEAR CAPITAL ASSET PLAN

The District developed the Five-Year Capital Improvement Plan attached to this Report as **Exhibit 1**. The District has made an application for an infrastructure planning grant of \$50,000 from the Tennessee Department of Economic and Community Development. The application was filed on April 22, 2021, and a copy of the application is attached as **Exhibit 2**.

This grant will be used to conduct a water loss study and to develop a Corrective Action Plan (CAP) for the District to address its water loss. The CAP will include water system repairs, replacements and capital improvements needed to reduce the District's water loss. The Five-Year Capital Improvement Plan attached as **Exhibit 1** will need to be modified to include any capital improvement projects recommended in the CAP.

RATE STUDY AND PROPOSED PLAN OF ACTION

To determine whether existing rates will produce sufficient revenues to make the District's water system self-supporting, TAUD first projected a Statement of Revenues and Expenses and Changes in Net Position for the District for its fiscal year ending December 31, 2021, to use as its test year. Since the UMRB issued its August 6, 2020 Order, the District increased its usage rate per 1,000 gallons from \$9.00 to \$10.00 effective January 1, 2021. TAUD projected the revenues for the system using the water rates in effect on January 1, 2021.

TAUD projected operation and maintenance expenses and debt service payments by reviewing historical information from the five previous years, the District's budget for the fiscal year ending June 30, 2021, the District's unaudited financial statements for 2020, and any known and anticipated changes during the test year. See the Revenues and Expenses - Test Year Schedule attached as **Exhibit 3**.

Then, TAUD projected Statements of Revenues and Expenses and Changes in Net Position for the District for its fiscal years ending June 30 of 2022, 2023, 2024, and 2025. See **Exhibit 4** attached to this Report.

Revenue Projections:

- Revenue from water sales for the 2021 test year was projected by taking the District's actual water usage reports for its customers for 2020, and applying the District's water rates in effect on January 1, 2021, to this actual usage.
- Meter connection fees for the test year is based upon the District adding one new customer annually.
- Interest income for the test year is based upon the average of interest income for the District's 2019 and 2020 fiscal years.

- Since 2016 the District has experienced minimal annual customer growth and does not plan to expand its existing water system in the near future. Therefore, the water sales for the 2022, 2023, 2024, and 2025 fiscal years do not include any revenue increases based annual customer growth.

Expense Projections:

- Except for depreciation, all operating expenses for the test year are based upon the average of the operating expenses for the District's 2019 and 2020 fiscal years.
- The District's purchased water expense for 2020 decreased over the previous four years. The District believes the decrease in water purchased from St. Joseph was a result of the leak detection study and water line replacements completed in March of 2020. Therefore, the District's budgeted \$54,775 for its purchase water expense for 2021 which TAUD used for the test year.
- Depreciation for the test year is based upon the District's fixed asset schedule which includes the annual depreciation amount of its capital assets. Then, TAUD added the annual depreciation on the capital assets added during the District's 2020 fiscal year and capital assets added or which are planned to be added during the District's 2021 fiscal year.
- Except for depreciation and purchased water, operating expenses for the remaining four years in the five-year projection period are increased by 2% annually over the projected amount for the test year.
- The District purchases water from St. Joseph. Purchased water expense was increased by 1% for the remaining four years in the five-year projection period.
- Annual depreciation expenses for the remaining four years of the five-year projection includes depreciation on new capital assets planned to be placed into service during the remaining four year of five-year projection period.

Revenue Sufficiency and Rate Modifications Required

At the rates in effect on January 1, 2021, TAUD projects that the District would have a negative change in net position of (18,154) for the test year ending December 31, 2021, excluding grants and capital contributions. TAUD projects the District will continue to have a negative change in net position for the remaining four years in its five year projection period at existing rates.

Considerations for Rate Increase

In evaluating the effectiveness of rate increases to address the District's financially distressed position, two important factors must be considered.

Ability to Pay

The District has no growth and little potential for growth. Therefore, significant rate increases may encourage existing customers to come off the water system and begin using wells for their domestic water needs. Moreover, the District's customer base has a significant number of low-income households. Therefore, a substantial rate increase will cause a financial hardship on these customers.

Water Loss

Although the District has made some system improvements to address its water loss, its water loss is still very high. In its application for the ECD infrastructure grant, the District states that it had a 65% water loss for 2020. The District estimates that it lost approximately \$55,000 in 2020 in non-revenue water purchased from St. Joseph.

The identification of leaks and the repair and replacement of water lines to reduce its current water loss is the best way for the District to address its financially distressed position. A significant decrease in its water loss will reduce its purchased water costs from St. Joseph which is the District's largest operating expense.

TAUD anticipates that the corrective action plan developed from the leak detection study funded by the ECD infrastructure grant will include capital improvements which are not in the District's the Five-Year Capital Asset Plan TAUD is using to project the District's financial condition after 2021.

Rate Recommendation

Taking these factors into account, TAUD recommends that the District adopt a rate increase effective January 1, 2022 which is designed to produce revenues sufficient to cover all of its operating expenses, except depreciation. These rates should make a substantive contribution toward meeting the District's annual depreciation expense, but not all of it. The adoption of rates to cover the District's cost of service past the end of 2022 is speculative at this point. TAUD recommends that the District remain under the jurisdiction of the UMRB until the completion of its corrective action plan to address water loss, and the District evaluates how much this plan actually reduces its purchase water expenses from St. Joseph. The District may not know how much any corrective action plan will reduce its purchased water expense for a couple of years.

At that time, the District will have a more accurate picture of the rates it will need over the next few years to obtain and maintain a positive change in its net position annually. In the meantime, the UMRB should ensure that the District increases its monthly water service rates each January to make sure its rates cover all of its operating expenses and makes a substantive contribution to cover its annual depreciation expense.

Based upon these considerations, TAUD recommends that the District adopt the following rates to become effective January 1, 2022:

Minimum bill 0 - 2,000 gallons	\$32.00
Over 2,000 gallons	\$11.50 per 1,000 gallons

These rates are projected to cover the District’s operating expenses and to cover \$24,672 of the District’s projected depreciation expenses of \$40,420 for 2022.

Projected Cash and Investments Schedule

The Projected Cash and Cash Equivalents Balance Schedule based solely upon the rate increase to become effective January 1, 2022 is attached as **Exhibit 5**. The District may need to seek funding for its radio read meter replacement project scheduled for 2022 rather than use existing cash funds for project.

TAP FEES

TAUD recommended that the District review the average material and labor costs it incurs in installing a water tap to ensure the current tap fee is covering the cost of making a tap. The District estimated the labor and material costs it incurs to install a water tap which is set forth **Exhibit 6**. The \$750 tap fee covers the cost of the installation of a water tap and is reasonable.

CONNECTION FEES

When the District was referred to the UMRB, the District had the following connection and reconnection customer fees:

Meter connection fee	\$150
Reconnection fee	\$ 50
Transfer of service fee	\$ 20

At a minimum, a connection fee should cover the cost of establishing new service for a customer. These costs should attempt to cover a customer service employee meeting with the applicant or talking with the applicant by phone, reviewing the application for service, and processing the connection fee payment and tap fee payment, if applicable. A field employee must travel to the service address to verify the initial meter reading for the new account and to turn on the meter.

TAUD suggested that the District review the costs it incurs in establishing service for a new customer. The estimated costs the District incurs in establishing service for a new customer is set forth **Exhibit 6**. The \$150 meter connection fee covers the cost of establishing service for a new customer and provides the District a small amount of revenue to cover bad debts when customers leave without paying their bills. TAUD recommends no change to the meter connection fee.

The District charges a transfer of service fee of \$20 to change water service for an existing customer from one service address to another service address within the District. Because the

District already has current information on the customer, TAUD agrees that the transfer-in fee can be less than the meter connection fee. The transfer-in fee of \$20 is reasonable

The District informed TAUD that the board of commissioners decided to no longer charge the reconnection fee when water service is terminated for nonpayment. Because the District is so small, the District has a practice of notifying customers in person or by phone that their water is subject to being terminated for nonpayment and gives the customer a set time to pay the overdue bill to avoid service termination. The District has found that this practice has resulted in fewer service terminations than the threat of the payment of a reconnection fee. The primary purpose of a reconnection fee is to provide customers an incentive to pay their bills before water service is terminated. Whether the District should charge a reconnection fee is a policy decision for the board. Because the District's practice is reducing service terminations for nonpayment, TAUD does not recommend the District reinstate the reconnection fee.

LEAK ADJUSTMENTS

The District does not give leak adjustments. However, the District allows customers who have large water bills caused by a leak to pay the large bill over time. If the District's board does not have a policy regarding how a large bill must be to qualify for payment over time and the maximum time period over which monthly installment payments can be made, it should probably do so to eliminate any unjust discrimination claims between customers who are given extra time to pay large water bills caused by a customer leak.

COMMISSIONER TRAINING

TAUD has prepared a commissioner training worksheet for each of the District's five commissioners based upon information provided to it by the District which are attached as **Exhibit 7**.

Commissioner Eddie Brewer only received 5 hours of continuing education during his first 3-year continuing education period from January 1, 2017 through December 31, 2019. He was appointed to his current four-year term in 2020.

Commissioner Jeannie Atwell received no continuing education hours during her first 3-year continuing education period from January 1, 2014 through December 31, 2016. She received 12 hours of continuing education during her second 3-year continuing education period from January 1, 2017 through December 31, 2019. She was appointed to her current four-year term in May of 2018.

**Iron City Utility District
Five Year Capital Asset Plan**

	<u>12/31/2021</u>	<u>12/31/2022</u>	<u>12/31/2023</u>	<u>12/31/2024</u>	<u>12/31/2025</u>
Truck		20,000			
2" Service Line - Ducktown Road 1,000 feet	10,000				
Backhoe					75,000
2 Water Tanks - Painting				200,000	
Four Wheeler			6,000		
GIS Mapping			20,000		
2 Miles Pipe - Wayland Springs Rd					250,000
300 Radio Read Meters - 235 customers		70,500			
Total	10,000	90,500	26,000	200,000	325,000
Cumulative Depreciation	250	10,125	13,325	26,658	40,408
Total Capital Outlay & Depreciation	10,250	100,625	39,325	226,658	365,408
Source of Funds					
Loans	-	-	-	-	75,000
Grants	-	-	20,000	200,000	250,000
Cash	10,000	90,500	6,000	-	-
Total Funding Sources	10,000	90,500	26,000	200,000	325,000

Form Name: Infrastructure Planning Grant Application
Submission Time: April 22, 2021 9:41 am
Browser: Chrome 90.0.4430.72 / Windows
IP Address: 12.204.223.238
Unique ID: 795971908
Location:

MIS maps project

submitted 4/2021

Applicant (Legal Name)	Iron City Utility District
Contact Person	Eddie Brewer
Email	icud86@yahoo.com
Applicant Address	474 Iron City Rd Iron City, TN 38463
Chief Elected Official or Chief Executive Officer (Contract Signer)	Eddie Brewer
CEO Title	Chairman
Phone	(931) 845-4466
Email	icud86@yahoo.com
FEIN	626000709
DUNS	60742079
Application Preparer (If different than contact person)	Lorie Fisher
Email	lfisher@sctdd.org
Community Served and County	Iron City, Lawrence County, Tennessee
Total number of utility customers	252
Do you qualify for this program as a	Financially Distressed Utility System
Type of Project	Water Loss Study
Funding	
Grant Amount	50000
Grant %	95.00
Match Amount	2632
Match %	5.00
Match Source	Iron City Utility District
Total Amount	52632

Budget Narrative. Explain how the budget was developed. Include information about leveraged / match funding including source of those funds. Explain why this project should be completed by TNECD (rather than the utility).

The Iron City Utility District's Infrastructure Planning Grant budget for the preparation of a water loss study was developed by consulting with a private company that specializes in leak detection. The Iron City Utility District (ICUD) will be responsible for the matching contribution. Unfortunately, the Iron City Utility District has been listed as a "distressed water system" by the Tennessee State Comptroller's Office for several years. Much of their financial insolvency is due to the large amount of water that is unaccounted for each month. In 2018, a leak detection program was conducted in a portion of the water system; however, there is still a significant amount of the system which needs to be investigated for water loss. The ICUD is a financially distressed water system and does not have the resources to implement a water loss study without grant assistance.

Project Narrative

Project Description. Give a brief (1-2 sentence) general project description. Address who, what, where, when and how the project would be completed.

The ICUD proposes to use Infrastructure Planning Grant funds to implement a comprehensive water loss study to address the large amount of water leakage (65%) in the water system. The water loss study, which will be conducted by a private company, will include the 1) use of the utility's existing zone meters to analyze water system on an area-by-area basis, 2) perform targeted leak detection and utility staff training in areas identified by zone meters, 3) implement automated leak detection system in downtown area, and 4) development of an updated corrective action plan.

**Need and Condition of the System.
Describe the system and issues
(severity of water loss or I/I, why there
are no maps, etc.) and how this project
will alleviate or address the issues.**

The ICUD purchases its water from the City of St. Joseph. Due to deficiencies in the water system, the ICUD purchases more water than it sells each month. During fiscal year 2020, ICUD lost approximately \$55,000 due to the purchase of non-revenue water. The ICUD Water System was constructed in the 1960's to provide water to southern Lawrence County. Presently, there are approximately 22 miles of water line. In 2012, the utility officials decided to no longer treat water and began purchasing water from the St. Joseph Water System.

From January 1, 2020 through December 31, 2020, the ICUD experienced a 65% water loss. The proposed water loss study will address the high volume of unaccounted water usage by using existing DMA (Zone Meters) along with customer billing data, tank levels, etc. to analyze water system for leakage on an area-by-area basis. This will allow prioritization of leak pinpointing efforts between the DMAs. Targeted leak detection will be performed in areas identified by the DMA analysis. Methods shall include electronic acoustic listening devices, correlators, ultrasonic clamp-on meters as necessary to localize and pinpoint leakage in the water distribution system.

In the downtown area, an automated leak detection system shall be deployed for the study and left in place for the utility's continued management of water loss. This system consists of correlating noise loggers permanently placed at approximately ten (10) listening points in the downtown area of the system. Typical installation locations are within existing valve boxes. The noise loggers will be programmed to perform an acoustic leak survey of the area each morning at approximately 2:00 am when ambient noise is low and water usage in the system is at a minimum. Results of the automated survey will be reported via cellular communications from the noise loggers to a cloud server where they can be viewed by the Owner daily. Results from the survey will be given geographically to the Owner over a web viewing software platform. Red dots on the software indicate new leaks that have developed in the system and green dots indicate no leakage detected. More detailed data is available on the platform including audio files of the leak for secondary validation and leak history for each logger. Sensors will be placed at approximately 1,000' intervals but can also perform computer correlating remotely to pinpoint leaks to within just a few feet of the leak location. The results can be verified by acoustic leak detection personnel using handheld acoustic devices to pinpoint leaks before they are repaired. Results can be used during the water loss study to show frequency and locations of leaks and after the study for the Owner as an early detection tool to minimize Owner's response times to future leaks.

The results of the water loss study will be used to develop a concise Corrective Action Plan (CAP). CAP to layout infrastructure repairs, replacements, and capital projects required for water loss reduction and future management.

Past Initiatives. Describe the applicant's previous experience with similar activities and how this builds on other work.

In 2017, Lawrence County was awarded Community Development Block Grant (CDBG) funds to rehabilitate the ICUD. At that time ICUD was over half of the water purchased was unaccounted for. The CDBG project included a leak detection phase and a construction phase. The leak detection study consisted of installation of remotely monitored district meters; testing, calibrating and performing corrective actions on water meters; and acoustically surveying the entire water system. The construction phase consisted of the replacement of approximately 5500 linear feet of water line and 2500 linear feet of services. Unfortunately, ICUD is still experiencing a large volume of water loss. The 2017 project was able to identify the most severe areas of water loss at that time. These areas were repaired under the grant. Due to the limiting funding of the 2017 grant, not all areas were able to be corrected. The proposed project will identify additional areas of leakage and develop a corrective action plan to address these areas. This project builds on the 2017 project by utilizing the zone metering infrastructure that was installed to identify current leakage and to train ICUD staff to manage water loss on a regular basis using the existing technology. Additionally, ICUD will expand the system by installing an automated leak detection system consisting of correlating noise loggers permanently placed within the system.

Strategic Plan. Describe how this project fits into any strategic plan, asset management plan or capital improvement plan for the utility or community.

The results of the water loss study will be used to develop a concise Corrective Action Plan . The Corrective Action Plan will layout infrastructure repairs, replacements, and capital projects required for water loss reduction and future management. This builds on the capital improvements that were started in the CDBG project using the equipment and technology that was installed as part of that project.

Implementation. Describe how the project will be implemented (third party contractor, current staff, etc.) and the capacity of the staff to carryout the project.

ICUD plans to acquire the services of a private company that will specialize in leak detection. The leak detection company will work closely with the ICUD to train them in how to analyze the data collected for the leak detection. With appropriate training, the ICUD staff will have the capacity to carry out the project.

Timeline. Provide a timeline that shows that the project can be completed in 12-18 months and includes time for procurement, completing the study/ies, and analysis of results.

The proposed project will be completed within twelve months. Indicated below is the proposed timeline:

Procurement	2 months
Analysis of zone meter data	3 months
Targeted leak detection	3 months
Installation of automated leak detection system	4 months
Data review/analysis/report	3 month

Sustainability. Explain how the studies and information collected will be used to improve the utility system and what next steps will be taken with the information.

The information derived from the comprehensive leak detection study will be used by the ICUD to formulate a comprehensive leak repair program. ICUD has manpower and equipment available to repair a limited number of leaks once they have been identified. The repair of leaks will increase sustainability by reducing the volume of water purchased from the City of St. Joseph. Replacement projects will be prioritized in the CAP and as funding becomes available, these projects will be completed. Potential sources of project funding include state revolving loan funds (SRF), CDBG, USDA-RD, etc.

Impact Measures. Describe the impact of this project on your community and utility system.

The proposed project will positively impact ICUD and southern Lawrence County. The reduction of water loss will increase the availability of consumable water for ICUD water customers and significantly improve the financial solvency of the utility district.

Output Measure - Number of Businesses in the proposed service area

2

Outcome Measure - Number of Businesses Improved in the proposed service area

2

Output Measure - Number of Households in the proposed service area

250

Outcome Measure - Number of Households Improved in the proposed service area

250

Additional Output and Outcome Measures. If studying water loss or I/I, include planned linear feet of lines that will be studied. If you plan to map your system, what percentage of your system will be mapped? Include any additional information on outputs and outcomes that will be helpful for reviewing or scoring the grant application.

Output Measure - Analysis 116,000 linear feet of water line for water leakage
Output Measure - Updated corrective action plan
Output Measure - Training for the utilizing of existing meters and automated leak detection
Outcome Measure - Utility staff better able to utilize existing equipment to locate leaks
Outcome Measure - Utility District is in a better position to apply for grant funds to implement an already developed water loss reduction strategy.

Include a map showing your utility system and what areas would be studied with this grant.

https://s3.amazonaws.com/files.formstack.com/uploads/3411036/76220147/795971908/76220147_ironcity_zonemtrs_24x36.pdf

Budget (This document can be found at the link above the application)

https://s3.amazonaws.com/files.formstack.com/uploads/3411036/76220149/795971908/76220149_iron_city_budget.pdf

Water Loss Data. If applying to study https://s3.amazonaws.com/files.formstack.com/uploads/3411036/76448507/795971908/76448507_iron_city_ud_water_loss_.pdf
water loss, include the last 12 months of
water loss data.

ATTACHMENT REFERENCE

GRANT BUDGET				
Iron City Water Loss Study				
The grant budget line-item amounts below shall be applicable only to expense incurred during the following				
Applicable Period: BEGIN: 7/1/21			END: 6/30/22	
POLICY 03 Object Line-item Reference	EXPENSE OBJECT LINE-ITEM CATEGORY ¹	GRANT CONTRACT	GRANTEE PARTICIPATION	TOTAL PROJECT
1. 2	Salaries, Benefits & Taxes	0.00	0.00	0.00
4. 15	Professional Fee, Grant & Award ²	50,000.00	2,632.00	52,632.00
5, 6, 7, 8, 9, 10	Supplies, Telephone, Postage & Shipping, Occupancy, Equipment Rental & Maintenance, Printing & Publications	0.00	0.00	0.00
11. 12	Travel, Conferences & Meetings	0.00	0.00	0.00
13	Interest ²	0.00	0.00	0.00
14	Insurance	0.00	0.00	0.00
16	Specific Assistance To Individuals	0.00	0.00	0.00
17	Depreciation ²	0.00	0.00	0.00
18	Other Non-Personnel ²	0.00	0.00	0.00
20	Capital Purchase ²	0.00	0.00	0.00
22	Indirect Cost	0.00	0.00	0.00
24	In-Kind Expense	0.00	0.00	0.00
25	GRAND TOTAL	50,000.00	2,632.00	52,632.00

¹ Each expense object line-item shall be defined by the Department of Finance and Administration Policy 03, *Uniform Reporting Requirements and Cost Allocation Plans for Subrecipients of Federal and State Grant Monies, Appendix A.* (posted on the Internet at: <http://www.tn.gov/finance/topic/fa-policyinfo>).

² Applicable detail follows this page if line-item is funded.

ATTACHMENT REFERENCE

GRANT BUDGET LINE-ITEM DETAIL:

PROFESSIONAL FEE, GRANT & AWARD	AMOUNT
Specific, Descriptive, Detail I/I Study	50,000.00
Project Administration	2,632.00
TOTAL	52,632.00

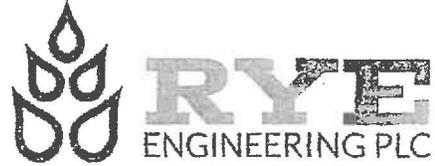
INTEREST	AMOUNT
Specific, Descriptive, Detail (Repeat Row As Necessary)	Amount
TOTAL	Amount

DEPRECIATION	AMOUNT
Specific, Descriptive, Detail (Repeat Row As Necessary)	Amount
TOTAL	Amount

OTHER NON-PERSONNEL	AMOUNT
Specific, Descriptive, Detail (Repeat Row As Necessary)	Amount
TOTAL	Amount

CAPITAL PURCHASE	AMOUNT
Specific, Descriptive, Detail (Repeat Row As Necessary)	Amount
TOTAL	Amount

Rye Engineering PLC
 4210 West Main Street
 Erin, TN 37061 US
 +1 9312892300
 lgordon@ryeengineering.com
 www.ryeengineering.com



ADDRESS

Iron City Utility District

ESTIMATE # 1499

DATE 04/16/2021

DESCRIPTION

Use existing DMA (Zone Meters) along with customer billing data, tank levels, etc. to analyze water system for leakage on an area-by-area basis. This will allow prioritization of leak pinpointing efforts between the DMAs. Access to City's zone meter system will be required.

Targeted Leak Detection for areas identified by DMA: Use electronic acoustic listening devices, correlators, ultrasonic clamp-on meters as necessary to localize and pinpoint leakage in the water distribution system. All available water services, hydrants, blow-offs, and selective valves to be contacted. If test pits are required, Owner to provide excavation. Owner's staff to participate in leak detection work and receive training with leak detection equipment for on-going water loss management efforts.

Correlating noise loggers shall be permanently placed at approximately ten (10) listening points in the downtown area of the system that is predominantly composed of metallic water main material. Typical installation locations are within existing valve boxes. The noise loggers are programmed to perform an acoustic leak survey of the area each morning at approximately 2:00 am when ambient noise is low and water usage in the system is at a minimum. Results of the automated survey are then reported via cellular communications from the noise loggers to a cloud server where they can be viewed by the Owner daily. Results from the survey are given geographically to the Owner over a web viewing software platform. Red dots on the software indicate new leaks that have developed in the system and green dots indicate no leakage detected. More detailed data is available on the platform including audio files of the leak for secondary validation and leak history for each logger. Sensors are placed at approximately 1,000' intervals but can also perform computer correlating remotely to pinpoint leaks to within just a few feet of the leak location. The results can be verified by acoustic leak detection personnel using handheld acoustic devices to pinpoint leaks before they are repaired. Results can be used during the water loss study to show frequency and locations of

	QTY	RATE	
DMA-M	1	7,500.00	7,500.00
LD-T	1	17,500.00	17,500.00
	1	20,000.00	20,000.00

DESCRIPTION

QTY

AMOUNT

leaks and after the study for the Owner as an early detection tool to minimize Owner's response times to future leaks.

Use results of water loss study to develop concise Corrective Action Plan (CAP). CAP to layout infrastructure repairs, replacements, and capital projects required for water loss reduction and future management.

1

5,000.00

5,000.00

TOTAL

\$50,000.00

Accepted By

Accepted Date

Iron City Utility District - Test Year

	District <u>Budget 2021</u>	Last 2 Year <u>Average</u>	Recalculated <u>for 2021</u>	<u>Explanation</u>
Operating Revenues:				
Water Sales	135,999	141,410	143,390	Used calculated amount based on usage
Meter Connection Fees	2,298	1,152	750	Based on 1 new customer per year
Total Operating Revenues	<u>138,297</u>	<u>142,562</u>	<u>144,140</u>	
Operating Expenses:				
Wages	25,000	25,981	26,000	Used 2 year average
Payroll Tax Expense	1,913	1,988	2,000	Used 2 year average
Bad Debt Expense	-	1,842	-	This is rare, did not budget for this
Professional Fees	9,000	7,714	7,700	Used 2 year average
Depreciation	25,435	25,435	30,545	Used 2020 depreciation plus new additions
Dues & Subscriptions	1,010	992	1,000	Used 2 year average
Insurance	4,125	4,247	4,200	Used 2 year average
Maintenance & Supplies	6,000	4,971	5,000	Used 2 year average
Miscellaneous	245	307	300	Used 2 year average
Office Expense	700	644	600	Used 2 year average
Postage	1,725	1,551	1,600	Used 2 year average
Training	985	846	800	Used 2 year average
Sales Tax	12,600	12,620	12,600	Used 2 year average
Utilities	4,500	4,426	4,400	Used 2 year average
Water Purchased	54,775	63,257	54,775	Used budget, some of water loss issues fixed
Water Testing	10,775	10,752	10,800	Used 2 year average
Total Operating Expenses	<u>158,788</u>	<u>167,570</u>	<u>162,320</u>	
Operating Income (Loss)	<u>(20,491)</u>	<u>(25,008)</u>	<u>(18,180)</u>	
Nonoperating Revenues (Expenses)				
Interest Income	-	26	26	Used 2 year average
Miscellaneous Income	-	-	-	N/A
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>26</u>	<u>26</u>	

Change in Net Position before Contributed Capital	(20,491)	(24,982)	(18,154)
Capital Contributions & Grants	-	-	-
Change in Net Position	<u>(20,491)</u>	<u>(24,982)</u>	<u>(18,154)</u>

Iron City Utility District

Projected Statements of Revenues and Expenses and Changes in Net Position

	Projected 12/31/2021	Projected 12/31/2022	Projected 12/31/2023	Projected 12/31/2024	Projected 12/31/2025
Operating Revenues:					
Water Sales	143,390	143,390	143,390	143,390	143,390
Meter Connection Fees	750	750	750	750	750
Total Operating Revenues	144,140	144,140	144,140	144,140	144,140
Operating Expenses:					
Wages	26,000	26,520	27,050	27,591	28,143
Payroll Tax Expense	2,000	2,040	2,081	2,122	2,165
Professional Fees	7,700	7,854	8,011	8,171	8,335
Depreciation	30,545	40,420	43,620	56,953	70,703
Dues & Subscriptions	1,000	1,020	1,040	1,061	1,082
Insurance	4,200	4,284	4,370	4,457	4,546
Maintenance & Supplies	5,000	5,100	5,202	5,306	5,412
Miscellaneous	300	306	312	318	325
Office Expense	600	612	624	637	649
Postage	1,600	1,632	1,665	1,698	1,732
Training	800	816	832	849	866
Sales Tax	12,600	12,852	13,109	13,371	13,639
Utilities	4,400	4,488	4,578	4,669	4,763
Water Purchased	54,775	55,323	55,876	56,435	56,999
Water Testing	10,800	11,016	11,236	11,461	11,690
Total Operating Expenses	162,320	174,283	179,607	195,101	211,050
Operating Income (Loss)	(18,180)	(30,143)	(35,467)	(50,961)	(66,910)
Nonoperating Revenues (Expenses)					
Interest Income	26	26	26	26	26
Total Nonoperating Revenues	26	26	26	26	26
Change in Net Position before Contributed Capital	(18,154)	(30,117)	(35,441)	(50,935)	(66,884)
Suggested Rate Increase	-	14,368	14,368	14,368	14,368
Change in Net Position	(18,154)	(15,748)	(21,072)	(36,567)	(52,515)

NOTE: Estimated all expenses to increase by 2% every year, with the exception of depreciation and purchased water expense. Depreciation expense was increased each year by new asset depreciation from the 5 year plan.

Iron City Utility District- Projected Cash and Investment Balance Schedule

	Projected <u>6/30/2021</u>	Projected <u>6/30/2022</u>	Projected <u>6/30/2023</u>	Projected <u>6/30/2024</u>	Projected <u>6/30/2025</u>
Cash & Investments - Beginning Balance	75,533	77,924	12,096	28,643	49,030
Sources of Funds					
Water Sales (includes suggested rate increase)	143,390	157,758	157,758	157,758	157,758
Meter Connection Fees	750	750	750	750	750
Interest Income	26	26	26	26	26
Grant Funds	-	-	20,000	200,000	250,000
Loan Proceeds	-	-	-	-	75,000
Total Sources of Funds	144,166	158,534	178,534	358,534	483,534
Uses of Funds					
Operating Expenses	162,320	174,283	179,607	195,101	211,050
Depreciation	(30,545)	(40,420)	(43,620)	(56,953)	(70,703)
Capital Outlay	10,000	90,500	26,000	200,000	325,000
Total Uses of Funds	141,775	224,363	161,987	338,148	465,346
Cash & Investments - Ending Balance	77,924	12,096	28,643	49,030	67,218

NOTE: This synopsis from beginning funds to ending funds does not include accounts receivable, accounts payable, fixed asset or any other adjustments made to the balance sheet. This is a "cash basis" summary.

Iron City Utility District- Fee Schedule

Tap Fees - \$750

Box & Lid	75
Meter	55
Materials	150
Gasoline	30
Backhoe Labor	250
Other Labor	50
Total Costs	<u>610</u>

Connection Fees - \$150

Labor	50
Gas	20
Total Costs	<u>70</u>

NOTE: The District only has 1-2 new taps per year and 1-2 new connections per year.

EXHIBIT 7

**IRON CITY UTILITY DISTRICT COMMISSIONER TRAINING AND
CONTINUING EDUCATION WORKSHEET**

Eddie Brewer

Step 1 – Date of Original Appointment

Date of Original Appointment February 8, 2016

Step 2 – Date of Initial 12 Hours of Training

Date of completion of initial 12 hours of training
(to be completed before or within one year of Step 1 date) November 17, 2016

Mr. Brewer timely completed his initial 12 hours of training.

Step 3 – Continuing Education Periods

Beginning date of First Three-Year Continuing Education Period:

January 1 of the calendar year after completion of initial 12 hours of training:

January 1, 2017

First Three-Year Continuing Education Period:

January 1, 2017 through December 31, 2019

Training received: 5 hours – November 29-30, 2019

Mr. Brewer only received 5 hours of continuing education during his first 3-year continuing education period.

Second Three-Year Continuing Education Period:

January 1, 2020 through December 31, 2022

Training received: 6 hours - January 30, 2020

To date, Mr. Brewer has received 6 hours of continuing education during his second 3-year continuing education period.

Third Three-Year Continuing Education Period:

January 1, _____ through December 31, _____

Training received: _____

**IRON CITY UTILITY DISTRICT COMMISSIONER TRAINING AND
CONTINUING EDUCATION WORKSHEET**

Tricia Townsend

Step 1 – Date of Original Appointment

Date of Original Appointment August 16, 2016

Step 2 – Date of Initial 12 Hours of Training

Date of completion of initial 12 hours of training November 17, 2016
(to be completed before or within one year of Step 1 date)

Ms. Townsend timely completed her initial 12 hours of training.

Step 3 – Continuing Education Periods

Beginning date of First Three-Year Continuing Education Period:

January 1 of the calendar year after completion of initial 12 hours of training:

January 1, 2017

First Three-Year Continuing Education Period:

January 1, 2017 through December 31, 2019

Training received: 12 hours November 13, 2019

Ms. Townsend timely completed her 12 hours of continuing education for her first 3-year continuing education period.

Second Three-Year Continuing Education Period:

January 1, 2020 through December 31, 2022

Training received: None to date

Ms. Townsend must get 12 hours of continuing education by December 31, 2022.

Third Three-Year Continuing Education Period:

January 1, 2023 through December 31, 2025

Training received: _____

**IRON CITY UTILITY DISTRICT COMMISSIONER TRAINING AND
CONTINUING EDUCATION WORKSHEET**

Margot Sherwood

Step 1 – Date of Original Appointment

Date of Original Appointment April 27, 2016

Step 2 – Date of Initial 12 Hours of Training

Date of completion of initial 12 hours of training November 17, 2016
(to be completed before or within one year of Step 1 date)

Ms. Sherwood timely completed her initial 12 hours of training.

Step 3 – Continuing Education Periods

Beginning date of First Three-Year Continuing Education Period:

January 1 of the calendar year after completion of initial 12 hours of training:

January 1, 2017

First Three-Year Continuing Education Period:

January 1, 2017 through December 31, 2019

Training received: 12 hours November 13, 2019

Ms. Sherwood timely completed her 12 hours of continuing education for her first 3-year continuing education period.

Second Three-Year Continuing Education Period:

January 1, 2020 through December 31, 2022

Training received: None to date

Ms. Sherwood must get 12 hours of continuing education by December 31, 2022.

Third Three-Year Continuing Education Period:

January 1, 2023 through December 31, 2025

Training received: _____

**IRON CITY UTILITY DISTRICT COMMISSIONER TRAINING AND
CONTINUING EDUCATION WORKSHEET**

Joy Johnson

Step 1 – Date of Original Appointment

Date of Original Appointment May 24, 2020

Step 2 – Date of Initial 12 Hours of Training

Date of completion of initial 12 hours of training October 12, 2020
(to be completed before or within one year of Step 1 date)

Ms. Johnson timely completed her initial 12 hours of training.

Step 3 – Continuing Education Periods

Beginning date of First Three-Year Continuing Education Period:

January 1 of the calendar year after completion of initial 12 hours of training:

January 1, 2021

First Three-Year Continuing Education Period:

January 1, 2021 through December 31, 2023

Training received: None to date

Ms. Johnson must get 12 hours of continuing education by December 31, 2023.

Second Three-Year Continuing Education Period:

January 1, 2024 through December 31, 2026

Training received: _____

Third Three-Year Continuing Education Period:

January 1, 2027 through December 31, 2029

Training received: _____

**IRON CITY UTILITY DISTRICT COMMISSIONER TRAINING AND
CONTINUING EDUCATION WORKSHEET**

Jeannie Atwell

Step 1 – Date of Original Appointment

Date of Original Appointment May 7, 2013

Step 2 – Date of Initial 12 Hours of Training

Date of completion of initial 12 hours of training
(to be completed before or within one year of Step 1 date) November 6-8, 2013

Ms. Atwell timely completed her initial 12 hours of training.

Step 3 – Continuing Education Periods

Beginning date of First Three-Year Continuing Education Period:

January 1 of the calendar year after completion of initial 12 hours of training:

January 1, 2014

First Three-Year Continuing Education Period:

January 1, 2014 through December 31, 2016

Training received: None

Ms. Atwell received no continuing education hours during her first 3-year continuing education period.

Second Three-Year Continuing Education Period:

January 1, 2017 through December 31, 2019

Training received: 12 hours – November 1-2, 2017

Ms. Atwell received 12 hours of continuing education hours during her second 3-year continuing education period.

Third Three-Year Continuing Education Period:

January 1, 2020 through December 31, 2022

Training received: 12 hours – October 12-13, 2020

Ms. Atwell received 12 hours of continuing education hours during her third 3-year continuing education period.



JASON E. MUMPOWER
Comptroller

Entity Referred: **Mooreburg Utility District**

Referral Reason: **Negative Change in Net Position**

Utility Type Referred: **Water**

Staff Summary:

In its March 16, 2021 order, the Board directed the District to contract with a qualified expert to perform a rate study and to send the completed rate study to Board staff by June 30, 2021, including proof of implementation or a plan for implementation. The Board also ordered the District to ensure its commissioners have complied with all training requirements and are thus eligible to serve. The District did not comply with the Board order.

Staff Recommendation

Order the following:

1. By December 15, 2021, the District shall send Board staff a copy of the contract between the District and the qualified expert who is to perform the tasks in paragraph 1 of the March 16, 2021 order.
2. By January 15, 2022, the District shall ensure that its commissioners have met all training requirements and are thus eligible to serve pursuant to Tenn. Code Ann. §§ 7-82-307(b)(5) & 7-82-308(f). Otherwise, the District shall appoint eligible commissioners in accordance with the law.
3. By August 5, 2022, the District shall provide Board staff with the completed rate study and either proof of implementation of the resulting recommendations or a proposed plan of implementation.
4. Should the District fail to comply with any directive in this order, Board staff and Counsel shall issue subpoenas for the District's Board of Commissioners and Manager to appear in-person before the Board during its first meeting of 2022.

2. By April 15, 2021, the District shall send Board staff a copy of the contract between the District and the qualified expert who is to perform the tasks in paragraph 1.
3. By April 15, 2021, the District shall ensure that its commissioners have met all training requirements and are thus eligible to serve pursuant to Tenn. Code Ann. §§ 7-82-307(b)(5) & 7-82-308(f). Otherwise, the District shall appoint eligible commissioners in accordance with the law.
4. By June 30, 2021, the District shall provide Board staff with the completed rate study, and either proof of implementation of the resulting recommendations or a proposed plan of implementation.
5. Board staff is given the authority to grant one extension of up to six months of the foregoing deadlines upon a showing of good cause by the District.

ENTERED this 16th day of March, 2021.

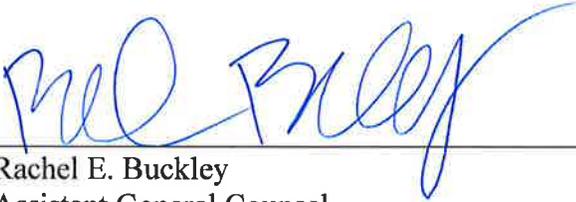


BETSY KNOTTS, Chair
Utility Management Review Board

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing has been served via certified mail return receipt requested to the following on this 16th day of March, 2021:

Board of Commissioners
Christina Young
Mooresburg Utility District
1478 N. Grundy Quarles Highway
Gainsboro, TN 38562



Rachel E. Buckley
Assistant General Counsel



JASON E. MUMPOWER
Comptroller

Entity Referred: **Roan Mountain Utility District**

Referral Reason: **Negative Change in Net Position**

Utility Type Referred: **Water**

Staff Summary:

In its March 16, 2021 order, the Board directed the District to contract with a qualified expert to perform a rate study and to send the completed rate study to Board staff by June 30, 2021. The District performed an internal rate study that resulted in a rate increase of \$7.50 per thousand gallons of water. Further, it amended its minimum leak adjustment threshold to \$500.

The District previously served a prison which accounted for 25% of its water use but closed this summer. According to the District, its internal rate study accounted for the loss of the prison as a customer. However, the District has expressed willingness to engage the Tennessee Association of Utility Districts for a rate study if necessary.

Board staff believes because the District lost its largest customer, the Board should require a rate study performed by a qualified expert.

Staff Recommendation

Order the following:

1. The District shall have the Tennessee Association of Utility Districts, or another qualified expert as approved by Board staff, perform a rate study.
2. By December 3, 2021, the District shall send Board staff a copy of the contract between the District and the qualified expert who is to perform the tasks in paragraph 1.
3. By January 15, 2022, the District shall ensure that its commissioners have met all training requirements and are thus eligible to serve pursuant to Tenn. Code Ann. §§ 7-82-307(b)(5) & 7-82-308(f). Otherwise, the District shall appoint eligible commissioners in accordance with the law.
4. By July 1, 2022, the District shall provide Board staff with the completed rate study, and either proof of implementation of the resulting recommendations or a proposed plan of implementation.
5. Board staff is given the authority to grant one extension of up to six months of the foregoing deadlines upon a showing of good cause by the District.

BEFORE THE TENNESSEE UTILITY MANAGEMENT REVIEW BOARD

IN THE MATTER OF:

**ROAN MOUNTAIN
UTILITY DISTRICT**

)
)
)
)
)
)
)

**TENN. CODE ANN. § 7-82-401(g)
-FINANCIAL DISTRESS**

ORDER

On March 11, 2021, the Tennessee Utility Management Review Board (“the Board”) reviewed the financially distressed status of Roan Mountain Utility District (“the District”) pursuant to Tenn. Code Ann. § 7-82-401(g). Board staff informed the Board that when the District realized it was financially distressed, it contracted with the Tennessee Association of Utility Districts to complete the rate study and review of policies and fees that are typically prescribed by the Board.

Therefore, based on Staff’s statements, recommendations, and all supporting documentation, the Board hereby orders the following:

1. By June 30, 2021, the District shall provide Board staff with the completed rate study, and either proof of implementation of the resulting recommendations or a proposed plan of implementation.
2. Board staff is given the authority to grant one extension of up to six months of the foregoing deadlines upon a showing of good cause by the District.

ENTERED this 16th day of March, 2021.

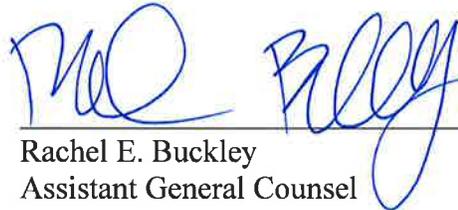


BETSY KNOTTS, Chair
Utility Management Review Board

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing has been served via U.S. mail to the following on this 16th day of March 2021:

Board of Commissioners
Odes Roberson
Roan Mountain Utility District
P.O. Box 40
Roan Mountain, TN 37687



Rachel E. Buckley
Assistant General Counsel



JASON E. MUMPOWER
Comptroller

First Utility District of Carter County requests to change from election of Board members to appointment of Board members by the county mayor.

STATE OF TENNESSEE UTILTIY MANAGEMENT REVIEW BOARD

Cordell Hull Building
425 Rep. John Lewis Way N.
Nashville, TN 37243

ORDER

Pursuant to Tennessee Code Annotated §7-82-307(a)(9), the First Utility District of Carter County, Tennessee, acting by and through its duly elected Board of Commissioners, adopted a Resolution at its regular meeting on October 19, 2021 to change the method by which members are selected to fill vacancies on said Board from its current method of a plurality vote of customers of the utility district in an election held by the district to the uniform statewide method of appointment by the county mayor, and the Board subsequently filed a certified copy of said Resolution with the State of Tennessee Utility Management Review Board requesting approval of the same.

The Utility Management Review Board, having considered the reasons for the request as detailed in the Resolution and as explained by the representatives of First Utility District participating in the regular meeting of the Board on today's date, hereby finds that good cause exists to approve the Resolution as requested. The Board further finds that changing the process for filling all future vacancies on the First Utility District Board of Commissioners as requested is in the best interest of the First Utility District and its customers and hereby approves said Resolution via this Order.

Therefore, upon entry of this Order approving the Resolution, all future vacancies on the Board of Commissioners for First Utility District of Carter County, Tennessee created by expiration of term or any other reason whatsoever shall be filled via the uniform statewide method of appointment by the county mayor as set forth in Tennessee Code Annotated §7-82-307(a)(4).

IT IS SO ORDERED this the _____ day of _____, 2021.

BETSY KNOTTS, CHAIRPERSON
STATE OF TENNESSEE
UTILITY MANAGEMENT REVIEW BOARD

BEFORE THE BOARD OF COMMISSIONERS
FOR FIRST UTILITY DISTRICT OF CARTER COUNTY, TENNESSEE

REGULAR MEETING, TUESDAY, OCTOBER 19, 2021

“A RESOLUTION CHANGING THE METHOD BY WHICH MEMBERS ARE SELECTED FOR
VACANCIES ON THE FIRST UTILITY DISTRICT BOARD OF COMMISSIONERS”

WHEREAS, First Utility District of Carter County, Tennessee is a single county utility district in good standing pursuant to the laws of the State of Tennessee and is currently managed by a Board of Commissioners consisting of three (3) members who serve staggered four year terms; and

WHEREAS, Public Chapter 861 of the Public Acts of 1990 became effective on July 1, 1990 and amended Tennessee Code Annotated §7-82-307 specifically as it applied to Carter County and required all vacancies on the First Utility District Board of Commissioners occurring after that date to be filled by popular election among the district's customers held in the largest courtroom in the county; and

WHEREAS, said method of selecting commissioners requires a somewhat arduous process of mailed customer notifications, publications, nominating meetings and ultimately an all-day election process held at the Carter County Courthouse on a Saturday, which results in a substantial expense of time and money by First Utility District with very little voter participation by its customers; and

WHEREAS, said method of selecting commissioners has been followed by First Utility District for more than thirty years although every other utility district operating within Carter County follows the uniform method of appointment by the county mayor as envisioned by the legislature via Tennessee Code Annotated §7-82-307(a)4; and

WHEREAS, it is the desire of the Board of Commissioners for First Utility District to adopt this Resolution pursuant to the authority granted in Tennessee Code Annotated § 7-82-307(a)(9) to officially change the method of selection of Commissioners to fill all future vacancies to the uniform statewide method of appointment by the county mayor set forth in Tennessee Code Annotated §7-82-307(a)(4).

NOW, THEREFORE, BE IT RESOLVED by the First Utility District Board of Commissioners, meeting in regular session on this the 19th day of October, 2021, with a lawful quorum of said Board being present and with a majority voting in the affirmative, that the Board hereby adopts this Resolution and decrees as follows:

1. The Board hereby certifies that it desires to change the method of selecting commissioners for all vacancies on the Board by expiration of term, or any other reason whatsoever, to the uniform statewide method of appointment by the county mayor set forth in Tennessee Code Annotated §7-82-307(a)(4).
2. The Board specifically finds that this change in the method of selection of commissioners is in the best interest of the utility district and its customers.

3. A certified copy of this Resolution shall be filed with the Utility Management Review Board for the State of Tennessee, and the Board hereby requests that body to enter an order approving this Resolution effective immediately.
4. That upon entry of the order approving this Resolution all future vacancies on First utility District Board of Commissioners shall be filled via the uniform statewide method of appointment by the county mayor as set forth in Tennessee Code Annotated §7-82-307(a)(4).

Adopted this 19th day of October, 2021.

BOARD OF COMMISSIONERS
FIRST UTILITY DISTRICT OF
CARTER COUNTY, TENNESSEE

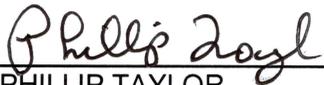
APPROVED:

By: 

DAVID BOWERS
COMMISSIONER

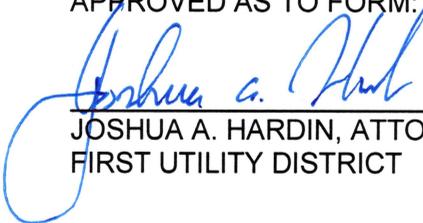
By: 

CHARLES KEITH BOWERS, SR.
COMMISSIONER

By: 

PHILLIP TAYLOR,
COMMISSIONER

APPROVED AS TO FORM:



JOSHUA A. HARDIN, ATTORNEY
FIRST UTILITY DISTRICT





JASON E. MUMPOWER
Comptroller

2022 UMRB Suggested Meeting Dates

April 28, 2022

September 22, 2022

December 8, 2022