



JASON E. MUMPOWER
Comptroller

Agenda
Utility Management Review Board
April 28, 2022
10:00 AM

- | | | |
|-------|--|----------|
| I. | Call to Order | |
| II. | Conflict of Interest Statement | |
| III. | Approval of Minutes | |
| IV. | New Board Members and Staff Update | |
| V. | Comptroller Investigations | |
| | a. South Fork Utility District | Page 7 |
| VI. | Financial Distress | |
| | a. Bristol Bluff City Utility District | Page 26 |
| | b. Iron City Utility District | Page 27 |
| | c. Roan Mountain Utility District | Page 71 |
| VII. | Release Cases | Page 87 |
| VIII. | Board Investigation | |
| | a. Tuckaleechee Utility District | Page 99 |
| IX. | Annual Information Report | Page 100 |
| | a. Water Loss Standards | |
| | b. Changes to the Report | |
| X. | Updated Questionnaires | Page 113 |
| XI. | Legislative Update | |
| XII. | Utility District Revitalization Fund Rules | Page 136 |
| XIII. | Member Conflict of Interest Statements | |
| XIV. | Board Discussion | |



JASON E. MUMPOWER
Comptroller

MINUTES
of the
UTILITY MANAGEMENT REVIEW BOARD MEETING
October 28, 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 Volunteer Conference Center 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

Phillip Combs, Alpha-Talbott Utility District Manager

Rebecca Hunter, Hixson Utility District Commissioner

Dan Coley, Mallory Valley Utility District Commissioner

Board Members Absent:

Jason West, Utility District Commissioner

Kevin Botts, Consumer Interests

Bruce Giles, First Utility District of Knox County Manager

Pat Riley, former Gibson County Utility District Manager

Staff Present:

Ross Colona, Comptroller’s Office

Meghan Huffstutter, Comptroller’s Office

Counsel Present:

Rachel Buckley, Comptroller’s Office

Seth May, Comptroller’s Office

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 March 11, 2021 minutes. Mr. Moss moved to approve the minutes as written. Ms. Hunter seconded the motion.

Update Cycle:

Ms. Hunter recused herself from due to her conflict with Walden’s Ridge Utility District. Mr. Coley recused himself due to his conflict with Milcrofton Utility District.

Mr. Moss made a motion to accept all staff recommendations for all entities in the update cycle. Mr. Combs seconded the motion.

Bon de Croft Utility District
Copper Basin Utility District
Jackson County Utility District
Milcrofton Utility District
Minor Hill Utility District
Spring Creek Utility District
Walden’s Ridge Utility District
Woodlawn Utility District

Financial:

Cold Springs Utility District

Mr. Colona explained the staff recommendations.

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.

Mr. Combs moved to accept staff recommendations. Ms. Hunter seconded the motion which passed unanimously.

Crockett Mills Utility District

Mr. Colona explained the staff recommendations.

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.

Mr. Moss moved to accept staff recommendations. Ms. Hunter seconded the motion which passed unanimously.

Intermont Utility District

Mr. Colona explained the staff recommendations.

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 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.

Mr. Combs moved to accept staff recommendations. Mr. Moss seconded the motion which passed unanimously.

Iron City Utility District

Mr. Colona explained the staff recommendations.

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. Board staff shall initiate contested case proceedings against the District and any other necessary parties to ensure this paragraph is enforced.
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.

Mr. Moss moved to initiate a contest case against the district, but the motion was not immediately seconded. Ms. Buckley communicated that this process would take a long time. Ms. Hunter commented as to why they have five instead of three commissioners and suggested that utilities have three commissioners instead of five for cost savings. Mr. Moss moved to initiate contested case proceedings and accept staff recommendations. Mr. Coley seconded the motion which passed unanimously.

Mooresburg Utility District

Mr. Colona explained the staff recommendations.

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.

Mr. Moss moved to accept staff recommendations. Mr. Combs seconded the motion which passed unanimously.

Roan Mountain Utility District

Mr. Colona explained the staff recommendations.

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 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.

Mr. Moss moved to accept staff recommendations. Ms. Hunter seconded the motion which passed unanimously.

Board Election Change for Carter County

Mr. Joshua Hardin joined from online along with all three commissioners for the utility district of Carter County. They would like to elect their board members by mayor appointment. They currently use election method. Mr. Moss asked if it would be cheaper to elect through mayor appointment versus election method. Chairman Knotts agreed that it would be cheaper and deferred to the local government to make the best decisions for their County. Mr. Moss made a motion to allow Carter County to use mayor appointment method of election. Mr. Coley seconded, the motion passed unanimously.

2022 Meeting Dates

Mr. Colona presented the board with 2022 meeting date options.

April 28, 2022
September 22, 2022
December 8, 2022

Chairman Knotts moved to accept the meeting dates. Mr. Moss seconded the motion, which passed unanimously.

Board Discussion:

Ms. Hunter requested maps that would identify the districts. Mr. Colona noted that staff will provide maps in the future. Mr. Moss requested numbers on the side of the packets for meetings.

Chairman Knotts adjourned the meeting at 11: 05 am. Mr. Combs seconded. The motion carried unanimously.



Jason E. Mumpower
Comptroller

Entity Referred: **South Fork Utility District**

Referral Reason: **Decrease In Net Position**

Utility Type Referred: **Water**

Staff Summary:

The South Fork Utility District (“SFUD”) is a Utility District created by a merger between the Holston Utility District and the South Bristol- Weaver Pike Utility District. On April 7, 2022, the Comptroller’s Office Division of Investigations released an investigative report relative to SFUD. The report can be found in the following pages of the Board packet. District Attorney General Barry P. Staubus requested the Division of Investigations to seek the initiation of statutory procedures for removal of the Utility District Board of Commissioners. The formal request for removal of commissioners from Mike Dunavant, Chief Investigative Counsel to the Division of Investigations, to the UMRB can be found in the following pages of the Board packet along with the request letter from District Attorney General Staubus.

The following deficiencies were noted in the investigative report:

1. The district boards did not establish and adopt an internal control manual or formal written purchasing policies.
2. The district boards did not establish and adopt formal written personnel policies.
3. The districts did not maintain supporting documentation for numerous disbursements.
4. SBWPUD and SFUD did not enter into a new lease or employment agreement with the district manager.
5. The district boards did not properly review bank and financial statements for questionable transactions.
6. District commissioners for each district did not file annual written statements for training.

After the merger, South Bristol- Weaver Pike Utility District was referred to the Utility Management Review Board for financial distress. After consulting with the Division of Local Government Finance and legal counsel, Board staff made the determination that South Fork Utility District is under the consideration of financial distress due to the status of one of the merging entities for SFUD. SFUD has utilized the Tennessee Association of Utility Districts to help ensure the district finds future success in its operations. Board staff is not confident that the continued operation of South Fork Utility District as a sole utility is in the best interest of the roughly 3,400 customers that it serves.

Updated 4.27.2022: On April 26, 2022, the South Fork Utility District (“SFUD”) called a special called meeting to address two matters. First, SFUD’s board was to vote on the intention to merge with Bristol-Bluff City Utility District (“BBCUD”). Second, the board was to take action regarding a potential resignation from the current manager and vote for a new management agreement with Tennessee Utility Assistance LLC. Board staff traveled from Nashville to attend this meeting. Upon arriving at the meeting, staff learned that the SFUD Commissioners did not attend the meeting they called. The special called meeting turned into a public forum in which SFUD customers began to discuss the utility’s issues. Board staff addressed the attendees and explained the Board’s process and why a merger with BBCUD is being pursued. Some customers relayed that they believe SFUD should

remain independent. Other customers stated they believe that a merger should also be explored with Blountville Utility District or the City of Bristol.

Board staff still believes that a merger is in the best interest of the future operation of this utility. All options should be considered in order to alleviate concerns from the attendees and SFUD's customers. SFUD will also be sent the financial distress questionnaire to be completed per the normal process of the Board's actions with financially distressed utility district. Further, Board staff finds that the SFUD commissioners should immediately be removed from their positions.

Staff Recommendation:

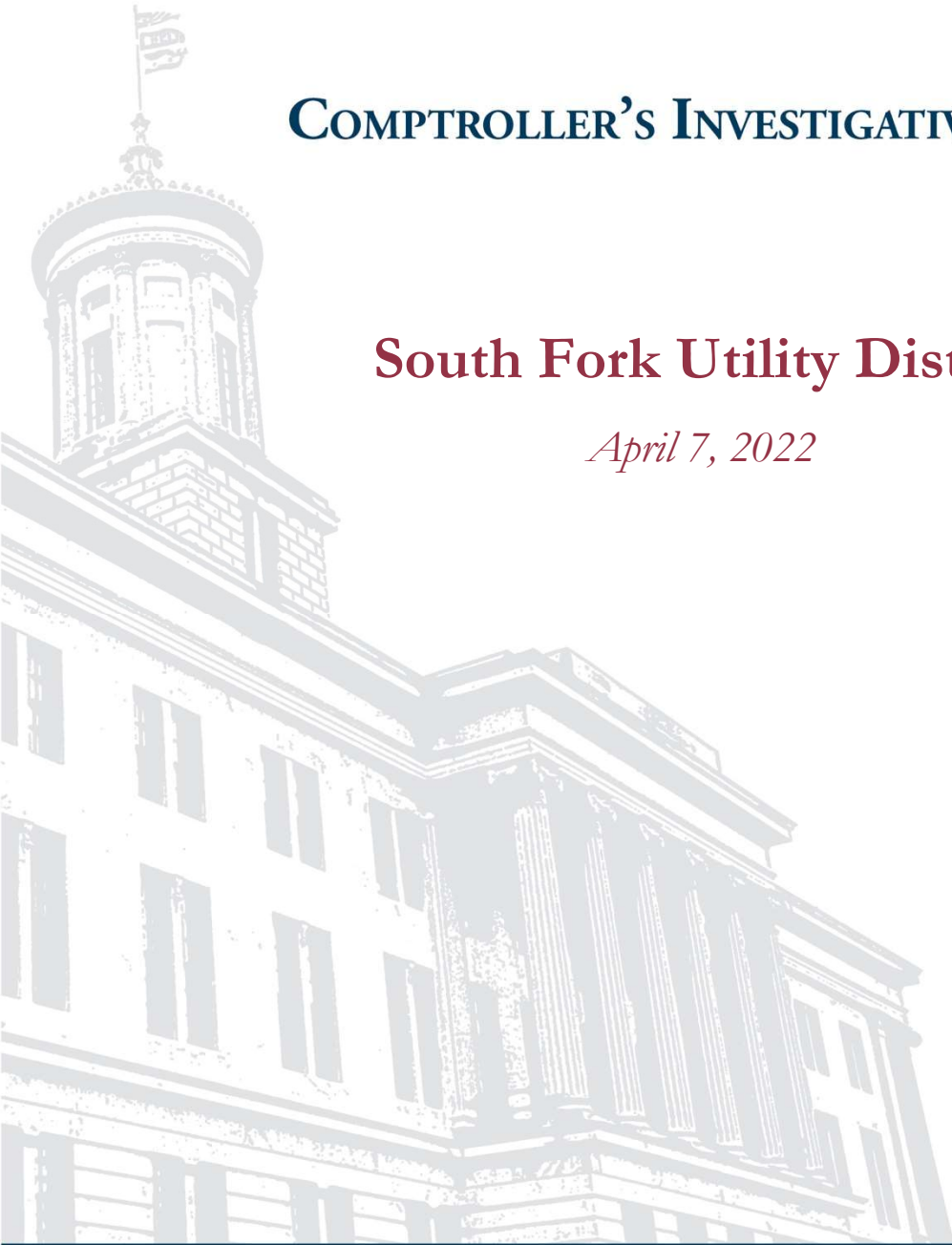
1. Board staff shall initiate contested case proceedings, on behalf of the Board, against SFUD and any other necessary parties to address the question of whether to remove SFUD's Commissioners from their positions pursuant to Tenn. Code Ann. § 7-82-307(b)(2). This hearing should be scheduled as soon as is reasonably possible, and by a special called meeting if necessary.
2. The District may elect to voluntarily merge with another entity.
3. If the District does not elect to voluntarily merge with another entity, the District *shall* contract with TAUD or another qualified expert to perform a feasibility study that includes:
 - a. A rate study to show future rate increases necessary to perform current operations;
 - b. The feasibility of a merger between the District and Bristol-Bluff City Utility District including the projected rates for the District's current customers and the costs of any new or upgraded infrastructure to support the merger;
 - c. The feasibility of a merger between the District and Blountville Utility District including projected rates for the District's current customers and the costs of any new or upgraded infrastructure to support the merger; and,
 - d. The feasibility of a merger between the District and the City of Bristol including projected rates for the District's current customers and the costs of any new or upgraded infrastructure to support the merger.
4. The District shall send Board staff a copy of the contract by June 17, 2022.
5. The District shall send Board staff a copy of the completed feasibility study by December 16, 2022.
6. The District shall complete and return the financial distress questionnaire to Board staff within 90 days of receiving the questionnaire.
7. 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.



COMPTROLLER’S INVESTIGATIVE REPORT

South Fork Utility District

April 7, 2022



Jason E. Mumpower
Comptroller of the Treasury



DIVISION OF INVESTIGATIONS



JASON E. MUMPOWER
Comptroller

April 7, 2022

South Fork Utility District Board of Commissioners
2800 Highway 421 #5
Bristol, TN 37620

South Fork Utility District Board Officials:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the South Fork Utility District, and the results are presented herein.

Copies of this report are being forwarded to Governor Bill Lee, the State Attorney General, the District Attorney General of the 2nd Judicial District, certain state legislators, and various other interested parties. A copy of the report is available for public inspection in our Office and may be viewed at <http://www.comptroller.tn.gov/ia/>.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jason E. Mumpower", is written over a faint, larger version of the signature.

Jason E. Mumpower
Comptroller of the Treasury

JEM/MLC

INVESTIGATIVE REPORT

South Fork Utility District (Holston Utility District & South Bristol-Weaver Pike Utility District)

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to the South Fork Utility District. The investigation was limited to selected records for the period May 14, 2018, through June 30, 2021. The results of the investigation were communicated with the Office of the District Attorney General of the 2nd Judicial District.

BACKGROUND



The South Fork Utility District (SFUD) in Bristol, Tennessee, was created in August 2020 by the merger of the Holston Utility District (HUD) and the South Bristol-Weaver Pike Utility District (SBWPUD). SFUD provides water service to approximately 3,400 customers in Sullivan County. It is governed by a five-person board of commissioners who are appointed to four-year terms by the Sullivan County Mayor. Day-to-day operations are managed by the district manager.

HUD and SBWPUD were each governed by a separate three-person board of commissioners. HUD and SBWPUD hired a former HUD commissioner (resigned April 29, 2018), who operated his own construction companies as their contracted district manager effective May 14, 2018,

and August 9, 2018, respectively. According to board minutes, by September 2018, both HUD and SBWPUD moved into the same office building owned by the district manager, hired, and shared employees, and used the district manager's construction companies for most repair and maintenance services. On April 3, 2020, SBWPUD hired the district manager as a full-time salaried employee. On August 4, 2020, the Sullivan County Mayor approved the merger of HUD and SBWPUD to form the SFUD, and the district manager continued as a full-time salaried employee of the newly formed SFUD.

Utility districts in Tennessee are governed under the authority of district policy, state law, and federal law. Section 12-4-101(a)(1), *Tennessee Code Annotated*, states:

“It is unlawful for any officer, committee member, director, or other person whose duty it is to vote for, let out, overlook, or in any manner to superintend any work or any contract in which any...utility district ... shall or may be interested, to be directly interested in any such contract. “Directly interested” means any contract with the official personally or with any business in which the official is the sole proprietor, a partner, or the person having the controlling interest.”

In addition, Section 12-4-102, *Tennessee Code Annotated*, provides a potential civil penalty for unlawful interest including the forfeit of all pay and compensation, dismissal from office, and becoming ineligible for the same or similar position for 10 years.

RESULTS OF INVESTIGATION

1. THE DISTRICTS MADE QUESTIONABLE PAYMENTS TO THE DISTRICT MANAGER AND HIS COMPANIES RESULTING IN POTENTIAL CONFLICTS OF INTEREST

For the period May 14, 2018, through June 30, 2021, the three districts paid the district manager, or companies in which he had an ownership interest at least \$1,672,875.47 as shown in the following table:

Summary of Payments to District Manager and His Companies								
Pay Type	Calendar Year							Total
	2018		2019		2020		2021	
	SBWPUD	HUD	SBWPUD	HUD	SBWPUD	HUD	SFUD	
<i>District Manager Companies</i>								
Construction Company 1	234,150.00	83,676.00	533,505.00	64,950.00	49,900.75	16,800.00	-	982,981.75
Construction Company 2	30,144.58	-	71,472.46	995.55	116,130.00	-	100,000.00	318,742.59
Company - Property Lease	5,348.96	9,951.31	11,768.98	16,234.95	3,375.00	4,875.00	-	51,554.20
Gas Station	2,918.28	3,889.21	3,545.76	5,753.73	1,264.90	5,612.81	1,785.59	24,770.28
<i>District Manager Direct Payments</i>								
Salary	-	-	-	-	94,000.00	-	65,000.00	159,000.00
Consultant Fees	4,800.00	6,650.00	22,000.00	15,400.00	8,000.00	5,600.00	-	62,450.00
Reimbursements	11,620.74	18,692.45	5,846.26	4,338.58	11,077.06	1,003.08	3,648.48	56,226.65
District Projects	5,950.00	11,200.00	-	-	-	-	-	17,150.00
Total	294,932.56	134,058.97	648,138.46	107,672.81	283,747.71	33,890.89	170,434.07	1,672,875.47

SFUD was formed on August 4, 2020, but continued to use the SBWPUD bank accounts. Therefore, the SBWPUD amounts above for 2020 were partially SFUD disbursements.

Investigators noted the following questionable payments to the district manager or his companies and related potential conflicts of interest:

A. Repair and Maintenance Services

The district manager supervised HUD and SBWPUD work performed by Construction Company 1, in which he maintained an ownership interest; therefore, he potentially violated the state’s conflict of interest statute, Section 12-4-101(a)(1), *Tennessee Code Annotated*. Prior to the district manager becoming a full-time employee in April 2020, HUD and SBWPUD contracted with the district manager to perform repair and maintenance services. The two districts made at least 107 payments to the district manager or Construction Company 1 during the period for these services totaling \$994,181.75. Investigators found no supporting documentation for \$247,911 of these payments and insufficient detail of work performed on most invoices that were provided (**Refer to Exhibit 1**); therefore, investigators could not determine the extent of work performed or the legitimacy of payments made for these services. In addition, the contracts between the districts and Construction Company 1 required written service requests prior to the initiation of each project. According to the district manager and board presidents, written service requests were not obtained.

Exhibit 1

SALESPERSON	P.O. NUMBER	REQUISITIONER	SHIPPED VIA	F.O.B. POINT	TERMS
					Due on receipt

QUANTITY	DESCRIPTION	UNIT PRICE	TOTAL
	DRAW ON TURNER ROAD		\$ 30,000.00
SUBTOTAL			30,000.00

Construction Company 1 invoice provided to SBWPUD for payment. As shown, the invoice does not have sufficient support for payment of \$30,000.

B. Truck Purchases

On June 29, 2019, SBWPUD purchased two new 3/4-ton diesel trucks for \$114,663.50. On July 11, 2019, the SBWPUD board authorized the district manager to purchase one of the trucks by paying “...\$10,000 a month till the truck purchased for him is paid off.” Investigators found three invoices from Construction Company 1 on which truck payments for \$5,000 to \$10,000 were deducted from payments due (**Refer to Exhibit 2**). The district manager’s purchase of this truck is questionable due to the following:

- The SBWPUD board approved an unallowable loan to the district manager for this truck because the district manager would pay no sales tax or interest for his personal use of district funds. Section 7-82-113, *Tennessee Code Annotated*, states “All expenditures of money made by a utility district must be made for a lawful district purpose.”
- The truck title and registration remained in the name of SBWPUD (SFUD after the merger), and it is currently an asset of SFUD; therefore, it is unclear why the district manager made payments on the truck and whether SBWPUD or SFUD ever refunded these payments.
- SBWPUD and SFUD have paid the insurance premiums on the truck since its initial purchase.
- Investigators could not determine if the district manager used the truck for personal use or if any personal use was properly reported by the district manager for tax purposes.

Exhibit 2

SALESPERSON	P.O. NUMBER	REQUISITIONER	SHIPPED VIA	F.O.B. POINT	TERMS
					Due on receipt
QUANTITY	DESCRIPTION		UNIT PRICE	TOTAL	
	LABOR HOURS FOR SEPTEMBER 2017			\$ 11,200	
	LESS	[REDACTED] TRUCK PYMT		- \$ 5,000	
				SUBTOTAL	\$ 6,200

Construction Company 1 invoice provided to SBWPUD for payment. As shown, the invoice does not have sufficient support for labor hours worked, and a truck payment of \$5,000 was deducted from the total. SBWPUD paid \$6,200 to Construction Company 1 on 9/27/2019 (it appears the invoiced labor was for September 2019, not 2017).

C. Consulting Fees

For the period May 2018 through April 2020, SBWPUD and HUD entered consultant contracts with and paid monthly consultant fees to the district manager totaling at least \$62,450 (SBWPUD - \$34,800; HUD - \$27,650). According to the contracts, the district manager was to be paid monthly consultant fees (SBWPUD - \$2,000; HUD - \$1,400) for services including “utility manager/consultant.” The district manager received these payments for acting as the utility manager in addition to entering contracts with the districts for repairs and maintenance services and lease of office space; therefore, the district manager potentially violated the state’s conflict of interest statute, Section 12-4-101(a)(1), *Tennessee Code Annotated*.

D. Reimbursements

The districts paid reimbursements totaling at least \$77,674.76 to the district manager (\$27,437.75) and Construction Company 2 (\$50,237.01) without sufficient supporting documentation. Many of these reimbursements were originally paid by the district manager or his company by credit cards, and credit card statements were used as support for the payment instead of invoices or receipts. Because invoices and receipts were not maintained, supporting details of each payment were not available, and investigators could not determine if these reimbursements were appropriate.

E. Vehicle and Equipment Purchases

SBWPUD and SFUD purchased equipment from Construction Company 2 after the district manager became a full-time employee, which resulted in a potential conflict of interest. For the period March 13, 2020, through April 14, 2021, SBWPUD and SFUD made at least ten payments to Construction Company 2 for used vehicles and equipment totaling \$216,130. Nine of these payments totaling \$189,747 occurred after the district manager became a full-time employee on April 3, 2020. Vehicle and equipment purchases included a dump truck, a commercial truck with box, excavators, and other smaller equipment. Section 12-4-114(a)(2)(C), *Tennessee Code Annotated*, states that “No public employee having official responsibility for a procurement transaction shall participate in that transaction on behalf of the public body when the employee knows that...The employee, the employee’s spouse, or any member of the employee’s immediate family has a pecuniary interest arising from the procurement transaction.” Conflicts of interest increase the risk of abuse and undue influence by individuals involved with procurement transactions.

F. Salary and Rent

For the period May 2018 through April 2020, SBWPUD and HUD entered lease contracts with and paid monthly rent to a company owned by the district manager for use of office space. The district manager directly benefited from the lease contracts and rent payments totaling at least \$47,328 resulting in a potential violation of the state’s conflict of interest statute, Section 12-4-101(a)(1), *Tennessee Code Annotated*.

Beginning April 2020, SBWPUD and SFUD paid the district manager a salary, and the districts continued to use the office space owned by the district manager's company but stopped paying monthly rent. The district manager's salary and the districts' use of office space after the district manager became a full-time employee is questionable due to the following:

- SBWPUD and SFUD did not enter into a written employment agreement with the district manager detailing pay, responsibilities, or benefits. In addition, board minutes do not note an approval of this salary. Initially, the district manager was paid a salary of \$2,300 per week, but this changed to \$2,500 per week beginning May 2020. This \$2,500 weekly pay is equivalent to an annual salary of \$130,000. Without a written employment agreement, investigators cannot determine if the pay and benefits to the district manager are appropriate or if a portion of the salary is for rental payment of the district's office space.
- SBWPUD, HUD, and SFUD did not enter into a new lease agreement with the district manager's company detailing the use of office space or payment terms after the district manager became a full-time employee or after the creation of SFUD. Because the districts no longer paid rent, and there was no new lease agreement, investigators could not determine if a portion of the district manager's salary was paid in lieu of rent, which results in a potential continued conflict of interest per Section 12-4-101(a)(1), *Tennessee Code Annotated*. In addition, Section 12-4-114(a)(1) *Tennessee Code Annotated*, states that "No public officer or employee who is involved in making or administering a contract on behalf of a public agency may derive a direct benefit from the contract, except as provided in this section, or as otherwise allowed by law." The lack of a valid lease agreement creates liability and stability risks. Conflicts of interest increase the risk of abuse and undue influence by individuals involved with contractual transactions.

G. Gas Station and Fuel Purchases

The districts made fuel purchases from a gas station owned by the district manager totaling \$6,222.37 after he became a full-time employee of the districts, which resulted in potential conflicts of interest. Beginning July 2018, the districts purchased most of their fuel on account from the district manager's gas station, and the gas station billed the districts periodically detailing the employee purchaser and amount of fuel purchased. On April 3, 2020, the district manager became a full-time employee, and the districts continued to purchase fuel from the district manager's gas station until April 2021. Section 12-4-114(a)(2)(C), *Tennessee Code Annotated*, states that "No public employee having official responsibility for a procurement transaction shall participate in that transaction on behalf of the public body when the employee knows that... The employee, the employee's spouse, or any member of the employee's immediate family has a pecuniary interest arising from the procurement transaction." Conflicts of interest increase the risk of abuse and undue influence by individuals involved with procurement transactions.

2. HUD PAID ELECTRIC BILLS FOR THE DISTRICT MANAGER'S RESTAURANT TOTALING \$9,667.38

For the period April 3, 2019, through March 3, 2021, HUD paid the electric bills for a meter used by the district manager's restaurant totaling \$9,667.38. The district manager's restaurant is operated from the same building used as the districts' office, which is also owned by the district manager. According to the district manager, a former district employee initiated an automatic recurring HUD draft payment on this account without his knowledge; therefore, he was unaware of HUD paying for his personal business's electric bill. Investigators determined a former district employee initiated the draft payments for this meter but could not establish if the district manager instructed the employee to initiate the drafts.

3. THE DISTRICTS PAID HEALTH INSURANCE PREMIUMS FOR THE DISTRICT MANAGER AS A CONTRACTOR TOTALING AT LEAST \$5,256.53

For the period February 2019, through March 2020, the district manager worked as a contractor for the districts, and the districts paid his health insurance benefits totaling at least \$5,256.53. Generally, contracted employees do not receive benefits unless authorized by the district board of commissioners, and investigators found no board authorization for payment of these premiums. According to the district manager, he was unaware of being on the health insurance policy; however, multiple district commissioners signed checks to pay employee premiums and were aware of his health insurance benefits. Investigators could not determine if the district manager properly reported these benefits for tax purposes.

4. THE DISTRICTS PAID TWO DISTRICT COMMISSIONERS FOR WORK PERFORMED CREATING POTENTIAL CONFLICTS OF INTEREST

The districts paid two district commissioners for work performed on a building construction project and the maintenance and repair of district vehicles, which resulted in potential conflicts of interest. The following potential conflicts of interest were noted by investigators:

- On July 9, 2018, a new commissioner was elected to the HUD board. In January and February 2019, SBWPUD paid the HUD commissioner \$18,800 for masonry work performed on the garage building used by both districts. The HUD commissioner told investigators he felt this was not a conflict of interest because he was paid by SBWPUD.
- On April 8, 2019, a new commissioner was elected to the HUD board. This commissioner continued to serve as a SFUD commissioner after the creation of the SFUD in August 2020. HUD, SBWPUD, and SFUD paid this commissioner at least \$10,185.08 between May 2019 and December 10, 2020, for the maintenance and repair of district vehicles. This commissioner told investigators he resigned from the SFUD board after the December 10, 2020, board meeting when he realized the payments he received from the districts while serving as a commissioner could be a conflict of interest.

These payments to district commissioners created potential conflicts of interest as defined by Section 12-4-101(a)(1), *Tennessee Code Annotated*. In addition, Section 12-4-114(a)(1), *Tennessee Code Annotated*, states, “No public officer or employee who is involved in making or administering a contract on behalf of a public agency may derive a direct benefit from the contract, except as provided in this section, or as otherwise allowed by law.”

5. THE DISTRICT MANAGER SUPERVISED CONSTRUCTION PROJECTS ON PROPERTY HE HAD AN OWNERSHIP INTEREST

The district manager supervised construction projects paid by the districts on property in which he had an ownership interest; therefore, he potentially violated the state’s conflict of interest statute, Section 12-4-101(a)(1), *Tennessee Code Annotated*. In addition, the districts did not properly bid one of the projects, the construction of a 5,000 square foot garage. Although the districts did not authorize a purchasing policy detailing bid requirements until March 2021, Section 12-3-1212, *Tennessee Code Annotated*, requires competitive sealed bids for these types of disbursements over \$25,000. Conflicts of interest and the lack of sealed bids for projects and purchases increases risks for fraud, waste, and abuse. The construction projects are detailed below:

- For the period January through May 2019, SBWPUD paid at least \$99,245.85 to build a 5,000 square foot garage (**Refer to Exhibit 3**) on the district manager’s property adjacent to the district office. This project was not bid. According to the district manager, he also contributed his personal funds to the project, but he does not have supporting documentation detailing his personal contributions. On January 10, 2019, SBWPUD and the district manager signed a 20-year lease at \$1 annually for SBWPUD to use 700 square feet of the garage. Investigators determined the districts (and currently SFUD) used approximately half of the garage space, and the district manager used approximately half of the garage space for his personal business.

Exhibit 3



The garage constructed on the district manager’s property adjacent to the district office.

- For the period May 14, 2018, through June 30, 2021, the districts paid at least \$21,670.75 for various projects to remodel district offices owned by the district manager. At least \$14,834.56 of these costs were paid to the district manager or a company in which he had an ownership interest.

6. THE DISTRICTS DID NOT BID NEW METER PURCHASES

For the period May 2018, through February 2019, SBWPUD and HUD purchased 2,300 new water meters totaling \$343,850 (\$149.50 each). Although these purchases exceeded the required bid limit, the water meter purchases were not bid. The districts did not authorize a purchasing policy detailing bid requirements until March 2021; however, Section 12-3-1212, *Tennessee Code Annotated*, requires competitive sealed bids for these types of disbursements over \$25,000. The lack of sealed bids for projects and purchases increases risks for fraud, waste, and abuse.

7. THE DISTRICTS DID NOT OBTAIN SUPPORTING DOCUMENTATION FOR PAYMENTS TO THE CERTIFIED OPERATOR

On May 14, 2018, the HUD board approved hiring a new certified operator. SBWPUD and SFUD also made payments to the certified operator. For the period May 14, 2018, through June 30, 2021, the districts paid the certified operator at least \$36,400 as a contractor with no signed contract or invoices detailing responsibilities or payment terms. The lack of supporting documentation for disbursements increases risks for fraud, waste, and abuse.

INTERNAL CONTROL AND COMPLIANCE DEFICIENCIES

Our investigation revealed internal control and compliance deficiencies, some of which contributed to questionable transactions and conflicts of interest without prompt detection. These deficiencies included:

Deficiency 1: The district boards did not establish and adopt an internal control manual or formal written purchasing policies

The district boards did not establish and adopt an internal control manual or formal written purchasing policies, including purchasing provisions for bids, conflicts of interest, or record retention until March 11, 2021. Section 9-2-102, *Tennessee Code Annotated*, requires utility districts to establish, document, and implement internal controls. The lack of an internal control manual and formal written purchasing policies increases risks for fraud, waste, and abuse.

Deficiency 2: The district boards did not establish and adopt formal written personnel policies

The district boards did not establish and adopt formal written personnel policies detailing employee holidays, leave, overtime, and benefits. Therefore, investigators could not determine the appropriateness of employee holiday, leave, and overtime pay, or district paid employee benefits. The lack of formal written personnel policies increases risks for fraud, waste, and abuse.

Deficiency 3: The districts did not maintain supporting documentation for numerous disbursements

The districts did not maintain supporting documentation for numerous disbursements including payments to the district manager or his companies for repairs, maintenance, reimbursements, and payments to the certified operator. Without supporting documentation, investigators could not determine if these disbursements were strictly for the benefit of the district. Requiring supporting documentation such as invoices or receipts allows district officials to verify all disbursements are proper.

Deficiency 4: SBWPUD and SFUD did not enter into a new lease or employment agreement with the district manager

SBWPUD and SFUD did not enter into a new lease agreement after the district manager became a full-time employee and again after the creation of SFUD. In addition, SBWPUD and SFUD did not enter into an employment agreement with the district manager detailing appropriate pay and benefits. Since the districts stopped paying rent to the district manager's company when he became a full-time employee, and there was no new lease or employment agreement, it is unclear if a portion of the district manager's salary was a payment in lieu of rent. If a portion of his salary was in lieu of rent, that would result in a potential conflict of interest. The lack of a newly executed lease between SFUD and the district manager's company creates liability and stability risks for SFUD, and when combined with the lack of the district manager's employment agreement, creates a potential conflict of interest for the district manager.

Deficiency 5: The district boards did not properly review bank and financial statements for questionable transactions

The district boards did not properly review bank and financial statements for questionable transactions, including HUD payments to the electric company for a meter used by the district manager's restaurant. The lack of review of bank and financial statements by the board increases risks for fraud, waste, and abuse.

Deficiency 6: District commissioners for each district did not file annual written statements for training

Although it appears district commissioners for each district attended required training and continuing education courses, district commissioners did not certify training and continuing education courses by filing an annual written statement with their district as required. Section 7-

82-308(f)(4), *Tennessee Code Annotated*, requires that “each utility district commissioner shall certify by January 31 of each year the training and continuing education courses attended during the prior calendar year by filing an annual written statement with the utility district on a form developed by the comptroller. Each annual statement shall identify the date of each course attended, its subject matter, location, sponsor, and the hours attended for each course and shall include a certificate of attendance for each course listed on the annual statement.” The failure to file annual written statements for training increases the risk of district commissioners failing to meet training requirements.

SFUD officials indicated that they have corrected or intend to correct these deficiencies.

South Fork Utility District Board of Commissioner

James Graham – Head Commissioner

Barry Jessee - Secretary

Joe Warren - Treasurer

Tim Leonard - Commissioner

Jason Webb - Commissioner

Board Responsibilities and Duties

The board is responsible for the operations and wellbeing of the utility. It is responsible for everything that does and does not get done. The board is responsible for the results.

To achieve the desired results the Board focuses on setting the vision and direction for the utility. To keep itself from being encumbered with the day-to-day operations, the board adopts policies to govern how certain recurring situations are handled. The Board hires a chief executive officer to deal with the day-to-day operations (means) of the utility so that they are free to deal with the results (ends).

The three most important Board "job products" are:

- Operating as a "trust" on behalf of existing and future customers; "fulfill its fiduciary responsibilities; guard the utility against undue risk, determine priorities, generally direct organizational activity;"
- "Explicit governing policies;" and,
- "Assurance of executive performance."

Boards generally have three overarching duties.

- **Duty of Diligence** — This is oversight of the utility and its operations based on the "prudent person" standard. The "prudent person" standard directs trustees "to observe how men of prudence, discretion and intelligence manage their own affairs, not in regard to speculation, but in regard to the permanent disposition of their funds, considering the probable income, as well as the probable safety of the capital to be invested".
- **Duty of Loyalty** — Board members are to act in the interest of the utility and its current and future customers without conflict of interest. Duty of loyalty states that a board of commissioners must manage affairs of the utility to the best of their ability and avoid conflicts of interest
- **Duty of Obedience** - The duty of obedience requires commissioners to be true to the utility's mission. Board members can exercise their own reasoned judgment in how the utility can best achieve its mission. But they cannot act in a manner that is inconsistent with that mission.

This duty also requires the board to observe local, state, and national laws and regulations that apply to it.

Core responsibilities of the board include:

- Keep itself, the chief executive officer and the utility focused on its mission and purpose.
- Provide adequate finances for the utility's operations.
- Internal Controls (including setting the "tone at the top") (see Appendix A)
- Develop long range plans.
- Develop policy.
- Monitor and assess board performance.
- Review and approval of financial statements.

The Commissioners should have a basic understanding of the financial statements and the relationships between different accounts.

- Contract for the annual audit of the financial statements.
- The Board is charged with governance of the utility district and therefore must maintain a direct line of communication with the independent auditor.
- Timely review of audit findings and implementation of audit recommendations. Its duties to its customers include.
 - Prudent decision-making.
 - No conflict of interest.
 - Reasonable utility rates.
 - Fulfillment of mission and purpose.
 - Safe and dependable utility service.
 - Safeguard assets.

The board's duties to regulators are:

- Compliance.
- Properly designed systems.
- Competent operations. To debt holders, the board owes:
 - Timely repayment.
 - Sound operations. To employees, it owes.
 - Fair wages and benefits.
 - Good, safe working conditions.



JASON E. MUMPOWER
Comptroller

April 14, 2022

Utility Management Review Board
Cordell Hull Building
425 Rep. John Lewis Way N.
Nashville TN 37243

RE: South Fork Utility District

Dear Mr. Colona:

This letter serves to memorialize a formal request to the Utility Management Review Board (UMRB) by the Comptroller of the Treasury's Division of Investigations (DOI) for a full review of the South Fork Utility District (SFUD) Investigative Report and to initiate the statutory procedures for removal of its Utility District Board of Commissioners.

In support of this request, the attached Investigative Report published by DOI on April 7, 2022, contains significant findings that require review and justify removal of SFUD commissioners by the UMRB. Additionally, a letter from the 3rd Judicial District Attorney General Barry Staubus requesting the same is attached hereto. Pursuant to Tenn. Code Ann. §§ 7-82-307(b)(2)(A) & (B), the Utility Management Review Board shall review the published report and may conduct a contested hearing to determine whether utility district commissioners "should be removed from office for knowingly or willfully committing misconduct in office, knowingly or willfully neglecting to fulfill any duty imposed upon the member by law, or failing to fulfill the commissioner's or commissioners' fiduciary responsibility in the operation or oversight of the district."

It is the position of DOI that invocation of the UMRB's statutory authority to review and enter an order removing the SFUD commissioners from office is necessary and warranted in this matter, given the substantial investigative findings involving numerous potentially unlawful conflicts of interest, purchasing practices, questionable expenditures and supporting documentation practices.

Thank you for your time and consideration in this matter.

Sincerely,

A handwritten signature in blue ink that reads "D. Michael Dunavant".

Mike Dunavant
Chief Investigative Counsel

OFFICE OF THE DISTRICT ATTORNEY GENERAL

25

DISTRICT ATTORNEY GENERAL
BARRY P. STAUBUS

DEPUTY DISTRICT ATTORNEY
JOSEPH EUGENE PERRIN

INVESTIGATORS
JOSEPH G. FELTY
SUSAN O. RUSSELL

DUI COORDINATOR
BOBBY BEDWELL

(423) 279-3278
FAX (423) 279-3290



SULLIVAN COUNTY
SECOND JUDICIAL DISTRICT
P.O. Box 526
Blountville, Tennessee 37617

ASSISTANT DISTRICT ATTORNEYS

SANDRA S. SPIVEY
WILLIAM B. HARPER
K. KAYLIN RENDER
JOSHUA D. PARSONS
ANDREA N. BLACK
EMILY B. HUTCHINS
PETER M. FILETTI
MITCHELL B. WATSON
KRISTEN E. ROSE
JOSHUA D. ROSE
LAUREN E. WILLIAMS
ALEXANDER C. GRIFFITH
KATHARINE E. JONES
DAVID C. BLEDSOE
MATTHEW W. DARBY
LINDSAY K. EARHART

March 25, 2022

Jeff Puckett, Director
Division of Investigations
Tennessee Comptroller of the Treasury
Nashville, TN
Via email: jeff.puckett@cot.tn.gov

Re: South Fork Utility District
District Manager Garry Smith

Dear Director Puckett:

Upon review of your office's investigation of the South Fork Utility District in Sullivan County, I have decided not to initiate criminal charges against any of the involved parties at this time. I am considering taking civil action against Garry Smith to remove him from his position with the district and to recoup amounts paid on illegal contracts identified by your office. Before I make that decision, I am asking you to make a formal request to the Utility Management Review Board to remove the members of the South Fork Utility District Board pursuant to § 7-82-307(b)(2).

If you have any questions regarding this matter, please contact me.

Yours truly,

Barry P. Staubus
District Attorney General
Second Judicial District

BPS:br



Jason E. Mumpower
Comptroller

Entity Referred: **Bristol-Bluff City Utility District**

Referral Reason: **Decrease In Net Position**

Utility Type Referred: **Water**

Staff Summary:

The Bristol-Bluff City Utility District ("the Entity") has been financially distressed since a referral made from Local Government Audit in 2022. The Entity has been actively working with TAUD to improve its overall operations. Board staff is confident in the progress that the Entity will make with the assistance of TAUD. The Entity will be sent the new financial distress questionnaire upon approval of the UMRB to be filled out to ensure that the Board can assist the Entity in achieving future success.

Updated 4.27.2022: Board staff believes that a merger between the Entity and South Fork Utility District, which has been discussed in relation to the South Fork Utility District at this meeting, could be in the best interest of the customers of both Districts. However, until further consideration is given on the matter, Board staff does not believe that the Entity should be ordered to pursue a merger with South Fork Utility District. The merger of these utilities should be pursued at a later date if it is determined that the merger is in the best interest of all customers. Board staff will investigate and work with the Entity to remedy the district's financial distress until there is more information regarding a merger with South Fork Utility District.

Staff Recommendation:

The Board should order the following:

1. The District shall complete and return the financial distress questionnaire to Board staff within 90 days of receiving the questionnaire.



Jason E. Mumpower
Comptroller

Entity Referred: **Iron City Utility District**

Referral Reason: **Decrease In Net Position**

Utility Type Referred: **Water**

Staff Summary:

The Iron City Utility District ("the Entity") has been referred to the Utility Management Review Board ("the Board") for financial distress since its Fiscal Year 2018 audit. The Entity has complied with implementing the rate recommendations and leak adjustment recommendations according to information provided by the Entity. In its most recent order to the Entity, the Board directed the entity to ensure all commissioners are compliant with Board training requirements and are eligible to serve.

Board staff was directed to initiate a contested case proceeding against the District and any other necessary parties to ensure enforcement of the Board order. The Board of Commissioners of the Entity authored a letter to the Board to discuss why their commissioners were non-compliant. This letter presented the reasons their commissioners did not meet training requirements, and states that all commissioners had met all training requirements as of October 2020. A copy of this letter can found in the supplemental materials of this packet. Board staff did not initiate proceedings against the Entity because of the Entity's desire to appear before the Board to discuss this matter.

Staff Recommendation:

Board staff does not have a recommendation at this time.

BEFORE THE TENNESSEE UTILITY MANAGEMENT REVIEW BOARD

IN THE MATTER OF:)
)
)
IRON CITY) **TENN. CODE ANN. § 7-82-401(g)**
UTILITY DISTRICT) **-FINANCIAL DISTRESS**
)
)

ORDER

On October 28, 2021, the Tennessee Utility Management Review Board (“the Board”) reviewed the financially distressed status of Iron City Utility District (“the District”) pursuant to Tenn. Code Ann. § 7-82-401(g).

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 (“TAUD”) to perform a rate study, which was completed, and the results of which Board staff has received. However, Board staff have not received proof of implementation of its recommendations.


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 report suggested that the District 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.

Two of the District's Commissioners appears to have failed to comply with 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. These Commissioners failed to meet statutory training requirements at the time they were reappointed and were therefore ineligible for reappointment as per Tenn. Code Ann. § 7-82-307(b)(5).

Based on Board staff's statements and recommendations the Board orders 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. Board staff shall initiate contested case proceedings against the District and any other necessary parties to ensure this paragraph is enforced.
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.

ENTERED this 10th day of November, 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 10th day of November, 2021:

Board of Commissioners
Attn: Debra Chambers
PO Box 86
Iron City, TN 38463



J. Seth May
Assistant General Counsel

John Greer
Utilities Board Analyst
James K. Polk State Office Building
505 Deaderick Street
Suite 1500
Nashville, Tennessee 37243

Dear Mr. Greer:

TAUD informed the board of commissioners that Eddie Brewer only had five hours of continuing education in his first three-year continuing education period from January 1, 2017, through December 31, 2019. Mr. Brewer was re-appointed to a four-year term in 2020. Mr. Brewer is the President of our board, and his service is vital to the district. Mr. Brewer is disabled and is unable to travel in person to get the necessary continuing education training when it is located outside the vicinity of Lawrence County. Once he knew utility district commissioner training was available online, he took the 5 hours which was available in November of 2019. Mr. Brewer got 6 more hours of in person training as soon as the training was available within his driving distance. Mr. Brewer has a background of being involved with the utility district in the past. He has tremendous knowledge of the workings of the water system. With his background and knowledge, the loss of him as a commissioner would be devastating to the district.

Ms. Atwell received no training from November 2013 – December 31, 2016. Ms. Atwell had back surgery in 2016 and was unable to attend the training in 2016 but took 12 hours of in-person training in November of 2017. She was re-appointed to a four-year term in 2018. In March 2018, Ms. Atwell was diagnosed with breast cancer. She began an extended period of treatment for her cancer which ended in December of 2019 which resulted in surgery. During this time Ms. Atwell also had pneumonia which resulted in being in a coma for five days as well as two rounds of heart surgery. Ms. Atwell took 12 hours of training in October 2020. Ms. Atwell's knowledge of the community is invaluable to the water system.

Both Mr. Brewer and Ms. Atwell made an effort to get their training in a timely fashion.

By law, the district must have five commissioners. Finding persons willing to serve on the district's board is exceedingly difficult. The district needs the services of both Mr. Brewer and Ms. Atwell as board members to continue. Their removal from the board is not in the best interests of the district and its customers. The district requests that the UMRB allow Mr. Brewer and Ms. Atwell to continue to serve as commissioners.

Board of Commissioners
Iron City Utility District

Iron City Utility District Meeting
October 29, 2020

Present: Commissioners Eddie Brewer, Margot Sherwood, Tricia Townsend, and bookkeeper Debra Chambers. No visitors attended the meeting.

No regular meeting was held in September 2020 due to the Covid-19 virus.

A full quorum was met. The meeting was called to order by Commissioner Brewer. The August minutes were read by Commissioner Sherwood. A motion to accept the minutes as read was made by Commissioner Sherwood. Commissioner Townsend seconded the motion and all commissioners agreed.

Treasurer's Report: The Iron City Utility District had an August 2020 checking account balance of \$56,192.82. Deposits for August 2020 were \$11,543.92 and expenses were \$9,875.42. Our revenue for August 2020 exceeded our expenses by \$1,668.50. The September 2020 checking account balance was \$56,885.05. Deposits for September 2020 were \$9,465.73 and expenses were \$13,981.20. Our expenses exceeded our revenue by \$4,515.47. The October 2020 checking account was \$51,387.89. Deposits for October 2020 were \$13,934.65 and expenses were \$14,514.29. Our expenses exceeded our revenue by \$579.64.

Commissioner Sherwood brought up discussion about the violation of the 3-day deposit rule reported on the 2019 yearly audit. Commissioner Sherwood suggested the utility district open an account at First Farmers & Merchants Bank in Loretto, Tennessee. Some funds from the account at First Horizon in Lawrenceburg can be transferred to First Farmers and Merchants to open the account. The account at First Horizon can be closed when all checks have cleared and new checks from First Farmers & Merchants have been received. A new debit card will also be needed. Commissioner Sherwood made a motion to open an account at First Farmers. Commissioner Brewer seconded the motion and all commissioners agreed.

Commissioner Sherwood made a motion to put Eddie Brewer, Margot Sherwood, Jeannie Atwell, and Debra Chambers on the approved list to sign checks. Two

people are required to sign checks. Commissioner Brewer seconded the motion and all commissioners agreed.

Commissioner Townsend brought up discussion about a water rate increase. An increase from \$.90 to \$1.00 on every hundred gallons used over 2000 gallons was suggested. Commissioner Sherwood made a motion to increase the overage usage to \$1.00 per hundred gallons. Commissioner Townsend seconded the motion and all commissioners agreed. The increase will take effect on the January 2021 water bills. A notice will be included with the December 2020 water bills to inform customers.

Commissioner Sherwood made a motion to accept the budget for 2021. Commissioner Brewer seconded the motion and all commissioners agreed.

Commissioner Sherwood made a motion to accept the findings from the 2019 audit. Commissioner Brewer seconded the motion and all commissioners agreed.

Commissioner Sherwood brought up discussion about corrective action regarding the auditor findings for the 2019 audit. The plans for corrective action include the following:

- A leak adjustment policy for the utility district. Instead of paying the entire amount at once, customers will be allowed to pay an extra \$50.00 per month in addition to their regular bill with up to 6 months to pay the full amount.

- Create a five-year capital asset budget to include future anticipated needs. TAUD has been contacted and will assist the utility district in developing a capital asset budget.

- Review connection and tap fees. Both the connection and tap fees were recently increased. There will be no change in these fees.

- Violation of 3-day deposit rule. The utility district's account will be moved from First Horizon Bank in Lawrenceburg to First Farmers & Merchants Bank in Loretto.

- On-line bill paying will not be an option at this time. The utility district has a drop box for customer convenience.

These issues must be resolved by December 31, 2020.

The next regular meeting will be held on November 19, 2020.

Commissioner Brewer made a motion the meeting be adjourned. Commissioner Townsend seconded the motion.

The meeting was adjourned at 6:50 p.m.

Margot Shewood
Commissioner

Jimmie Arnold
Commissioner

Eddie D. Brewer
Commissioner

Commissioner

Jerry L. Johnson
Commissioner

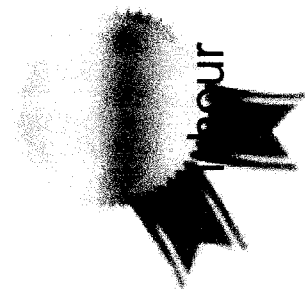
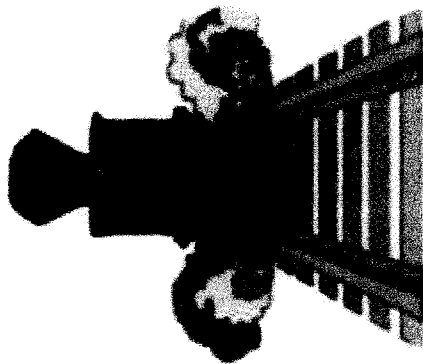
Certificate of Completion

EDDIE BREWER

has completed the on-line course

**Leadership Conference 2020 - Utility District Commission
Compensation**

January 10, 2022



Robert Freudenthal

Rob Freudenthal, Executive Director

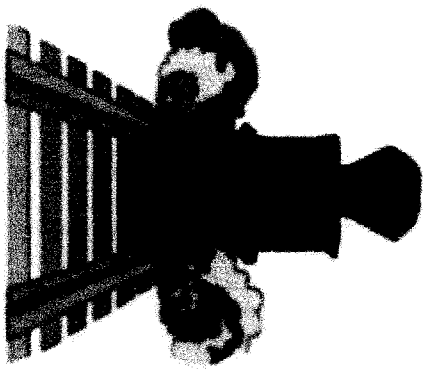
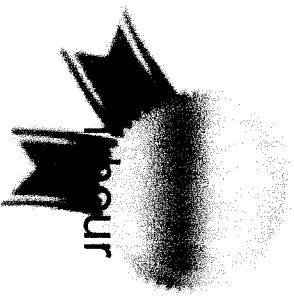
Certificate of Completion

EDDIE BREWER

has completed the on-line course

**Leadership Conference 2020 - Utility District Commission
Compensation**

January 10, 2022



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Bob Fraundenthal, Executive Director

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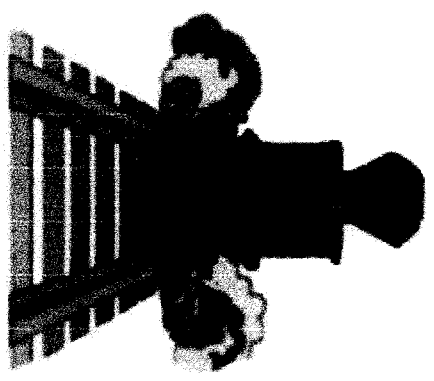
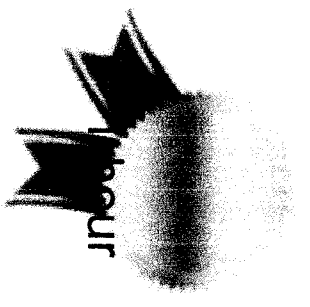
EDDIE BREWER

has completed the on-line course

Leadership Conference 2020 - Utility District Commission

Compensation

January 10, 2022



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Rob Erawdenthal, Executive Director

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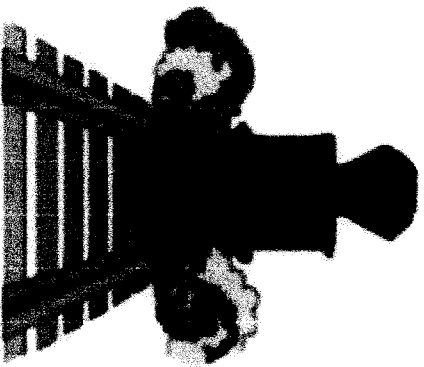
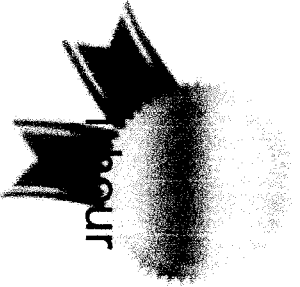
EDDIE BREWER

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Leadership Conference 2020 - Foundations of running your business

like a business

January 9, 2022



Bob Fraudenthal

Bob Fraudenthal, Executive Director

Certificate of Completion

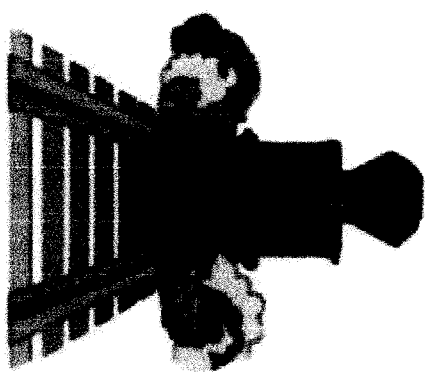
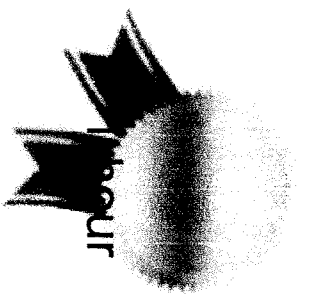
EDDIE BREWER

has completed the on-line course

Leadership Conference 2020 - Foundations of running your business

like a business

January 9, 2022



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Bob Froudenthal, Executive Director

Certificate of Completion

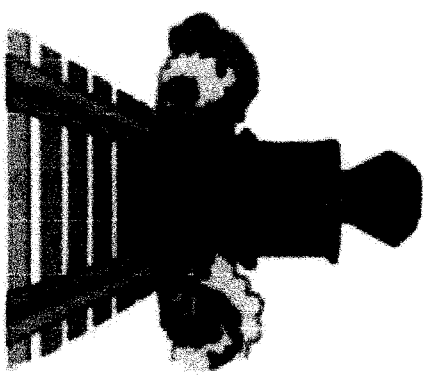
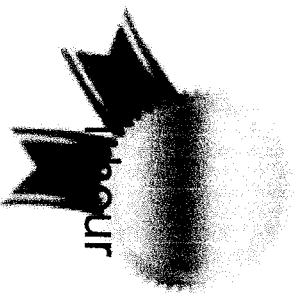
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Leadership Conference 2020 - Preparing a Capital Improvement

Plan

January 9, 2022



[Signature]

Bob Fraundenthal, Executive Director

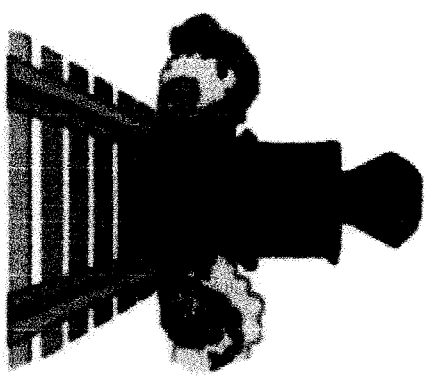
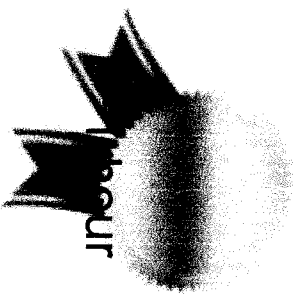
Certificate of Completion

EDDIE BREWER

has completed the on-line course

Leadership Conference 2020 - USDA Guaranteed Loans for
Water and Waste Disposal Systems

January 9, 2022



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Bob Fraudenthal, Executive Director

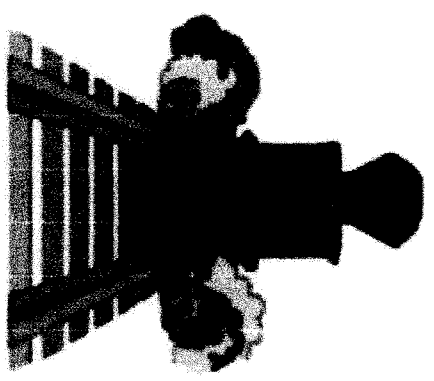
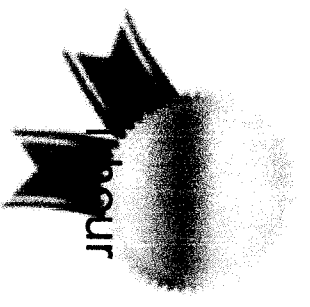
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EDDIE BREWER

has completed the on-line course

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Questions

January 9, 2022



Bob Eroudenthal

Bob Eroudenthal, Executive Director

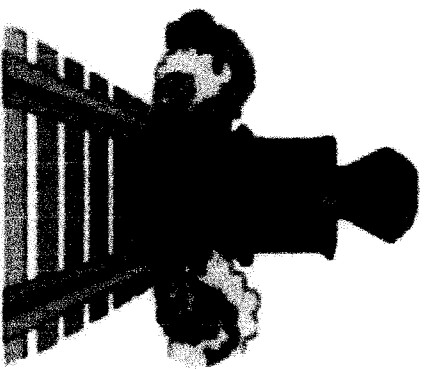
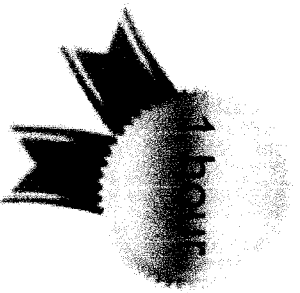
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Public Meetings; Questions and Answers

January 9, 2022



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Bob Freudenthal, Executive Director

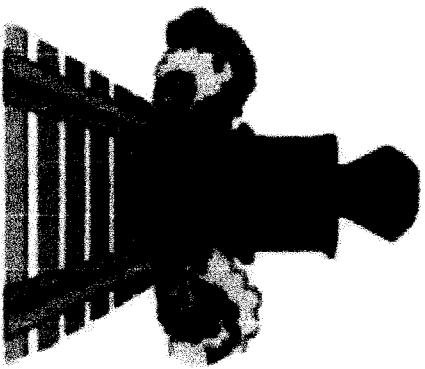
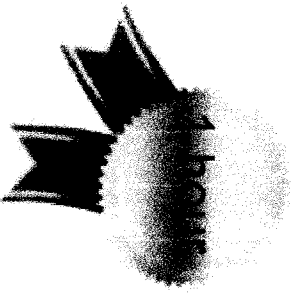
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Safe Drinking Water Act

January 9, 2022



Bob Freudenthal, Executive Director

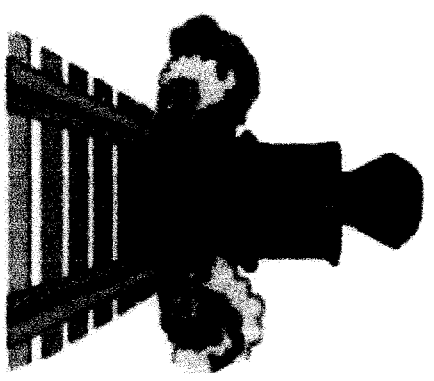
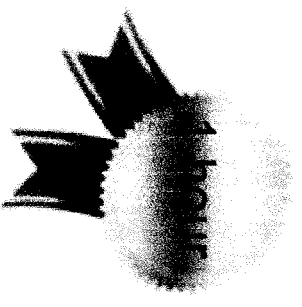
Certificate of Completion

EDDIE BREWER

has completed the on-line course

Ethics for Utility Board Members

January 9, 2022



Bob Freudenthal, Executive Director

Certificate of Completion

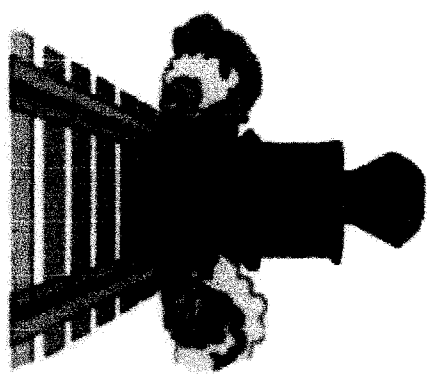
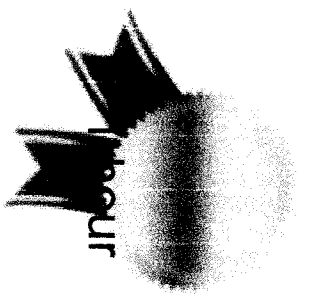
EDDIE BREWER

has completed the on-line course

Leadership Conference 2020 - Utility District Commission

Compensation

January 10, 2022



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Bob Ercandental, Executive Director

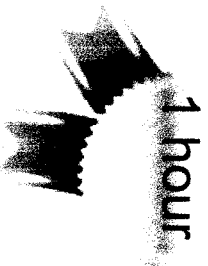
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Certificate of Completion

Jeannie Atwell

has completed the on-line course
Safe Drinking Water Act

January 12, 2022



Bob Freudenthal, Executive Director

46

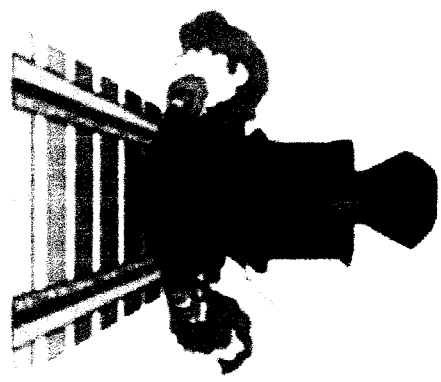
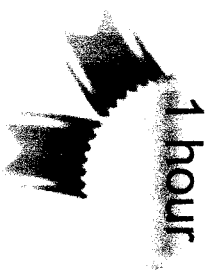
Certificate of Completion

Jeannie Atwell

has completed the on-line course

Ethics for Utility Board Members

January 12, 2022



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Bob Freudenthal, Executive Director

Certificate of Completion

Jeannie Atwell

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Leadership Conference 2020 - Utility District Primer - Part 1
is a Utility District

January 13, 2022



Bob Freudenthal

Bob Freudenthal, Executive Director

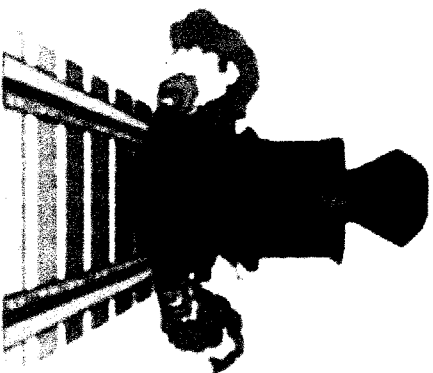
Certificate of Completion

Jeannie Atwell

has completed the on-line course

Leadership Conference 2020 - Utility District Primer - Part 2
a Utility District Operates)

January 13, 2022



Bob Erendenthal

Bob Erendenthal, Executive Director

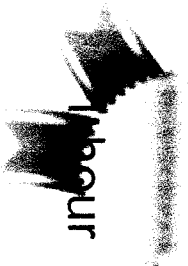
Certificate of Completion

Jeannie Atwell

has completed the on-line course

**Leadership Conference 2020 - Utility District Commission
Selection**

January 13, 2022





Bob Freudenthal, Executive Director

58

Certificate of Completion

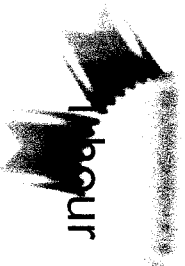
Jeannie Atwell

has completed the on-line course

Leadership Conference 2020 - Utility District Commission

Compensation

January 13, 2022



Bob Fraudenthal

Bob Fraudenthal, Executive Director

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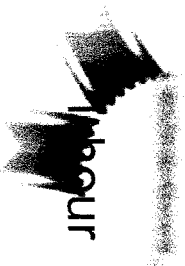
Jeannie Atwell

has completed the on-line course

Leadership Conference 2020 - Foundations of running your business

like a business

January 13, 2022



Bob Freudenthal

Bob Freudenthal, Executive Director

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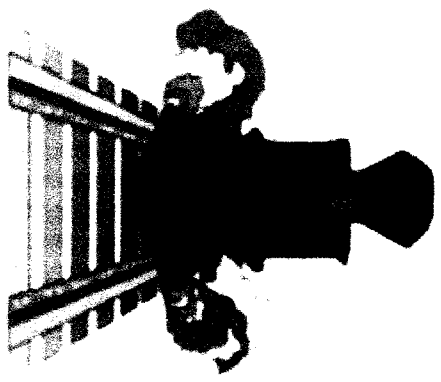
Jeannie Atwell

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Leadership Conference 2020 - Preparing a Capital Improvement

Plan

January 13, 2022



Bob Freudenthal

Bob Freudenthal, Executive Director

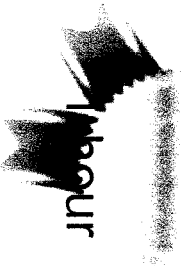
Certificate of Completion

Jeannie Atwell

has completed the on-line course

**Leadership Conference 2020 - USDA Guaranteed Loans for Rural
Water and Waste Disposal Systems**

January 13, 2022



Bob Freudenthal, Executive Director

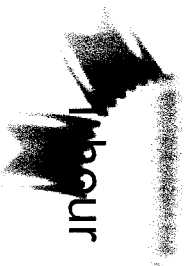
Certificate of Completion

Jeannie Atwell

has completed the on-line course

Leadership Conference 2020 - Depreciation and Commonly Asked Questions

January 13, 2022



Bob Fraudenthal

Bob Fraudenthal, Executive Director

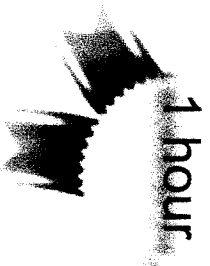
Certificate of Completion

Jeannie Atwell

has completed the on-line course

Responding to Public Records Requests

January 13, 2022



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Bob Freudenthal, Executive Director

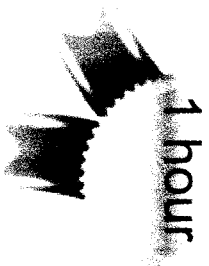
Certificate of Completion

Jeannie Atwell

has completed the on-line course

Public Meetings; Questions and Answers

January 13, 2022



A handwritten signature in black ink, appearing to read "Bob Freudenthal".

Bob Freudenthal, Executive Director



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.



Jason E. Mumpower
Comptroller

Entity Referred: **Roan Mountain Utility District**

Referral Reason: **Decrease In Net Position**

Utility Type Referred: **Water**

Staff Summary:

The Roan Mountain Utility District ("the Entity") has been referred to the Utility Management Review Board ("the Board") for financial distress since its Fiscal Year 2020 audit. The Entity has complied with prior directives of the Board. The Entity has shown progress in correcting their financial distress, and Board staff believes the Entity should be required to submit biannual financial updates to the Board. These updates will consist of changes in fund balance, changes in revenues, pro-forma statements of revenues, expenses, and changes in net position, or other financial documents that indicate the Entity's financial distress is being remedied.

Staff Recommendation:

The Board should order the following:

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

BEFORE THE TENNESSEE UTILITY MANAGEMENT REVIEW BOARD

IN THE MATTER OF:)
)
)
ROAN MOUNTAIN) **TENN. CODE ANN. § 7-82-401(g)**
UTILITY DISTRICT) **-FINANCIAL DISTRESS**
)
)

ORDER

On October 28, 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).

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. Based on this rate study, the District increased its rates and amended its minimum leak adjustment threshold.

The District previously served a prison which accounted for 25% of its water use. This facility closed in the summer of 2021. The District believes its internal rate study accounts for the loss of this major customer but is willing to engage the Tennessee Association of Utility Districts to perform an external rate study.

Based on Board staff’s statements and recommendations the Board orders 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 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.

ENTERED this 10th day of November, 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 10th day of November, 2021:

Board of Commissioners
Attn: Odes Roberson
P.O. Box 40
Roan Mountain, TN 37687



J. Seth May
Assistant General Counsel

Roan Mountain Utility District
PO Box 40, 8029 Hwy 19-E
Roan Mountain, TN 37687
(423) 772-3789

Rate Schedule
03/03/2022

The commissioners of Roan Mountain Utility District hereby resolve to adopt the following rate increase to become effective on March 03, 2022. This will generate the funds needed to repay the Carter County Bank loan for the new office and line replacement, renewal projects and to satisfy requirements made by the Comptroller of the State of Tennessee.

\$24.50 plus tax	First 1,000 gallons
\$7.65 plus tax	Per 1,000 gallons above 1,000 gallons
\$125.00 plus tax	Hookup Fee (Non-Refundable)
\$125.00 plus tax	Reconnect Fee (Non-Refundable)
\$1200.00 plus tax	Tap Fee plus any additional cost on the same side of road
\$1700.00 plus tax	Tap Fee plus any additional cost on the other side of road
\$50.00 plus tax	Transfer Fee
\$10.00 plus tax	Late Fee if paid after close of business 20 th of each month

If any account becomes delinquent (late on one bill after the Fifth of each month) and service is discontinued the amount of what is owed plus a \$125.00+Tax reconnect fee must be paid before service is restored. The hookup fee and the reconnect fee are non-refundable fees, NOT DEPOSITS. These rates will supersede any previous rate schedule and go into effect March 3, 2022.

Payments on bills can be made at the office in person, by check or money order through the overnight drop slot or mail, at Carter County Bank with current bill, at Northeast Community Credit Union with current bill, online at the web portal (<https://portal.icheckgateway.com/RoanMountainUtilityDistrict/>) or by allowing the utility to autodraft your checking account.

TENNESSEE ASSOCIATION OF UTILITY DISTRICTS

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



Post Office Box 2529
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840 Commercial Court
Murfreesboro, TN 37129

January 4, 2022

Via email

Board of Commissioners
Roan Mountain Utility District
8029 Highway 19-E
Roan Mountain, TN 37687

Re: Roan Mountain Utility District – Compliance with UMRB Order Dated October 28, 2021

Dear Board Members:

I have enclosed the Report for the Roan Mountain Utility District prepared by the Tennessee Association of Utility Districts (TAUD) on the directives of the Utility Management Review Board (UMRB) in its October 28, 2021 Order.

The recommendations in the Report are on page 4 which include recommended rate increases for April 1, 2022 and April 1, 2023. If you follow the recommendations in the Report, the board should go ahead and approve both rate increases now.

If you have any questions on the Report, please contact Melanie Sain or me. If you have no questions, please email this Report to Ross Colona and a copy of the minutes of the board meeting at which the rate increases are approved.

Thank you for allowing TAUD to assist you with complying with the UMRB's Order.

Sincerely yours,

Donald L. Scholes

Enclosure



REPORT FOR ROAN MOUNTAIN UTILITY DISTRICT

UTILITY MANAGEMENT REVIEW BOARD ORDER DATED OCTOBER 28, 2021

January 4, 2022

INTRODUCTION

Description of Roan Mountain Utility District

Roan Mountain Utility District (the District) provides water service in Carter County, Tennessee. The District's board of commissioners has three members who are appointed by the Carter County Mayor.

As of March 31, 2021, the District had 361 customers. All customers are charged the same rates. The District's raw water supply is from four wells located at the District's treatment plant site. The District operates a water treatment plant with a design capacity of 690,000 per day or 480 gallons per minute.

The District was referred to the Utility Management Review Board (UMRB) upon the submission of its audit for its fiscal year ending March 31, 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 March 31, 2019 and March 31, 2020.

In June of 2021, the State of Tennessee closed the Northeast Correctional Complex Annex in Carter County which was served by the District which housed about 180 prisoners. The closing of the Annex resulted in a material loss of the District's water revenues.

The balance of the District's Cash and Cash Equivalents accounts as of March 31, 2021, was \$103,779.

History of Rate Increases

Since the District was referred to the UMRB, it has implemented a rate increase which became effective April 1, 2021. The District's new rate schedule reduced the gallons included in the monthly minimum bill from 2,000 gallons to 1,000 gallons. The District's current water rate schedule is as follows:

Minimum bill (includes 1,000 gallons)	\$24.00
Over 1,000 gallons	\$ 5.00 per 1,000 gallons

Utility Management Review Board Order

On October 28, 2021, the Utility Management Review Board (UMRB) issued an order directing Roan Mountain 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.

- 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 insure 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.

RECOMMENDATIONS

Recommendation #1

TAUD recommends the District adopt the water rates set forth in attached **Exhibit 3** to become effective on April 1 of 2022 and 2023.

Recommendation #2

The District should pursue a non-competitive grant from the Tennessee Department of Environment and Conservation (TDEC) using the American Rescue Plan Act funds which TDEC is giving to Carter County for water and wastewater projects. As a part of this grant application, the District should prepare an asset management plan to identify needed capital improvements projects for the next five years.

RATE STUDY AND PROPOSED PLAN OF ACTION

To determine whether the rates which became effective on April 1, 2021, will produce sufficient revenues to make the District self-supporting, TAUD first projected a Statement of Revenues and Expenses and Changes in Net Position for the District for its fiscal year ending March 31, 2022, 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 its fiscal year ending March 31, 2022, the District's unaudited financial statements for the first six months of the test year, and any known and anticipated changes during the test year. See the 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 March 31 of 2023, 2024, 2025, and 2026. See **Exhibit 2** attached to this Report.

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 March 31, 2021, and applying the District's water rates in effect on April 1, 2021, to this actual usage.
- Miscellaneous service charges and tap fees are based upon the District's budget for its fiscal year ending March 31, 2022.
- Since 2017, the District has experienced no annual customer growth. Therefore, the water sales and the other revenues for its fiscal years ending March 31 of 2023, 2024, 2025, and 2026 do not include any revenue increases based annual customer growth.

Expense Projections:

- Except for depreciation, all operating expenses for the test year are based the District's budget for its fiscal year ending March 31, 2022. 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.
- Depreciation for the test year and for the remaining four years in the five-year projection period are based upon the District's fixed asset schedule which includes the annual depreciation amount of its capital assets.
- Interest expense is based upon on the debt amortization schedule of the District's existing debt.

Revenue Sufficiency and Rate Modifications Required

At the rates in effect on April 1, 2021, TAUD projects that the District will have a small positive change in net position of \$730 for its fiscal year ending March 31, 2023, and will have a negative change in net position for each year thereafter, excluding grants and capital contributions.

TAUD recommends that the District go ahead and adopt the rates set for the in **Exhibit 3** to become effective April 1, 2022, and April 1, 2023.

The rate recommendations for the fiscal year beginning April 1, 2024, are based upon revenue and expense projections which are subject to change. Therefore, the rate recommendations to become effective April 1, 2024 and April 1, 2025, in **Exhibit 3** should be reviewed as a part of the budgetary process for those fiscal years to ensure that rates recommended will continue to produce sufficient revenues to give the District a positive change in net position for these fiscal years. The District may need to include additional depreciation for capital improvement projects it elects to construct over the next couple of years in determining the rate increases needed on April 1, 2024, and April 1, 2025.

Projected Cash and Investments Schedule

Based upon the projected rate increases set forth in **Exhibit 3**, the District should have a cash and investments balance of \$378,135 as of March 31, 2026. The Projected Cash and Cash Equivalents Schedule is attached as **Exhibit 4**.

Capital Asset Plan

TDEC has allocated \$7,478,770 of the State's American Rescue Plan Act funds to Carter County to be used for water and wastewater infrastructure projects in Carter County. The District should apply for a non-competitive grant for needed capital improvements from these funds. The grant procedure will require that the District prepare an asset management plan to identify needed capital improvements projects for the next five years. To the extent the District decides to make capital improvements to its water system, the additional depreciation resulting from these projects must be incorporated in future budgets for the fiscal years in which such improvements are placed into service.

Roan Mountain Utility District - Test Year

	Budget <u>21-22</u>	Actual <u>4/21 - 9/21</u>	Estimated <u>10/21 - 3/22</u>	Estimated for <u>FY 21-22</u>	Test Year <u>Year 21-22</u>	Explanation
Operating Revenues:						
Water Sales	204,000	110,384	110,384	220,768	204,288	From calculated usage
Miscellaneous Service Charges	14,900	6,366	6,366	12,732	14,900	From budget
Tap Fees	250	-	-	-	250	From budget
Total Operating Revenues	219,150	116,750	116,750	233,500	219,438	
Operating Expenses:						
Commissioner Expenses	10,500	-	10,500	10,500	10,500	Budget and estimated are the same
Salaries	42,000	21,751	21,751	43,502	42,000	From budget
Retirement	4,700	3,900	-	3,900	4,700	From budget
Contract Labor	7,600	2,265	2,265	4,530	7,600	From budget
Materials, Supplies & Chemicals	6,200	2,793	2,793	5,586	6,200	From budget
Repairs & Maintenance	14,500	1,173	1,173	2,346	14,500	From budget
Laboratory Analysis	1,500	1,833	1,833	3,666	1,500	From budget
Electricity	22,000	10,332	10,332	20,664	22,000	From budget
Truck Expenses	1,400	1,398	1,398	2,796	1,400	From budget
Insurance	8,200	242	8,000	8,242	8,200	From budget
Health Insurance	5,200	2,555	2,555	5,110	5,200	From budget
Professional Fees	7,800	7,450	-	7,450	7,800	From budget
Depreciation	55,000	-	55,000	55,000	55,000	From budget
Bad Debts	3,269	-	-	-	-	This will vary, do not use
Other Expenses	22,000	5,986	5,986	11,972	22,000	From budget
Total Operating Expenses	211,869	61,678	123,586	185,264	208,600	
Operating Income (Loss)	7,281	55,072	(6,836)	48,236	10,838	
Nonoperating Revenues (Expenses)						
Interest Income	-	-	-	-	-	
Interest Expense	(7,281)	(3,645)	(3,645)	(7,290)	(7,281)	From budget & amortization schedule
Total Nonoperating Revenues (Expenses)	(7,281)	(3,645)	(3,645)	(7,290)	(7,281)	
Change in Net Position	-	51,427	(10,481)	40,946	3,557	

Roan Mountain Utility District - Projected Statements of Revenues and Expenses and Changes in Net Position

	Projected 3/31/2022	Projected 3/31/2023	Projected 3/31/2024	Projected 3/31/2025	Projected 3/31/2026
Operating Revenues:					
Water Sales	204,288	204,288	204,288	204,288	204,288
Miscellaneous Service Charges	14,900	14,900	14,900	14,900	14,900
Tap Fees	250	250	250	250	250
Total Operating Revenues	219,438	219,438	219,438	219,438	219,438
Operating Expenses:					
Commissioner Expenses	10,500	10,710	10,924	11,143	11,366
Salaries	42,000	42,840	43,697	44,571	45,462
Retirement	4,700	4,794	4,890	4,988	5,087
Contract Labor	7,600	7,752	7,907	8,065	8,226
Materials, Supplies & Chemicals	6,200	6,324	6,450	6,579	6,711
Repairs & Maintenance	14,500	14,790	15,086	15,388	15,695
Laboratory Analysis	1,500	1,530	1,561	1,592	1,624
Electricity	22,000	22,440	22,889	23,347	23,814
Truck Expenses	1,400	1,428	1,457	1,486	1,515
Insurance	8,200	8,364	8,531	8,702	8,876
Health Insurance	5,200	5,304	5,410	5,518	5,629
Professional Fees	7,800	7,956	8,115	8,277	8,443
Depreciation	55,000	55,000	55,000	55,000	55,000
Other Expenses	22,000	22,440	22,889	23,347	23,814
Total Operating Expenses	208,600	211,672	214,805	218,002	221,262
Operating Income (Loss)	10,838	7,766	4,633	1,436	(1,824)
Nonoperating Revenues (Expenses)					
Interest Income	-	-	-	-	-
Interest Expense	(7,281)	(7,036)	(6,793)	(6,498)	(6,203)
Total Nonoperating Revenues (Expenses)	(7,281)	(7,036)	(6,793)	(6,498)	(6,203)
Change in Net Position Before Suggested Rate Increase	3,557	730	(2,160)	(5,062)	(8,027)
Revenue from Suggested Rate Increase	N/A	4,172	6,179	8,854	13,026
Change in Net Position	3,557	4,902	4,018	3,792	5,000

Roan Mountain Utility District - Recommended Rates

	<u>FY 22-23</u>	<u>FY 23-24</u>	<u>FY 24-25</u>	<u>FY 25-26</u>
First 1,000 gallons	\$24.50	\$24.50	\$24.50	\$25.00
Over 1,000 gallons	\$7.65 / 1,000	\$7.80 / 1,000	\$8.00 / 1,000	\$8.15 / 1,000

Roan Mountain Utility District - Projected Cash & Investment Statement

	Projected <u>3/31/2022</u>	Projected <u>3/31/2023</u>	Projected <u>3/31/2024</u>	Projected <u>3/31/2025</u>	Projected <u>3/31/2026</u>
Beginning Balance	103,779	158,472	214,265	268,932	323,077
Sources of Funds					
Water Sales***	204,288	208,460	210,467	213,142	217,314
Miscellaneous Service Charge:	14,900	14,900	14,900	14,900	14,900
Tap Fees	250	250	250	250	250
Total Sources of Funds	219,438	223,610	225,617	228,292	232,464
Uses of Funds					
Operating Expenses	208,600	211,672	214,805	218,002	221,262
Depreciation	(55,000)	(55,000)	(55,000)	(55,000)	(55,000)
Interest Expense	7,281	7,036	6,793	6,498	6,203
Principle Paid on Debt	3,864	4,109	4,352	4,647	4,942
Total Uses of Funds	164,745	167,817	170,950	174,147	177,407
Ending Balance	158,472	214,265	268,932	323,077	378,135

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.

*** Includes revenue from recommended rate increase

Resolution
of
Roan Mountain Utility District

A Resolution of the Board of Commissioners of the Roan Mountain Utility District approving the rate study conducted by Melanie Sain and Don Scholes with TAUD to satisfy the UMRB order to have a third party conduct said rate study with suggestions or recommendations for the Commissioners of the Roan Mountain Utility District to follow mandated October 28, 2021.

WHEREAS, the Roan Mountain Utility District is a public and governmental body in Carter County, Tennessee; and

WHEREAS, the Board of Commissioners has determined that it is necessary to appropriate spending for the upcoming fiscal years; and

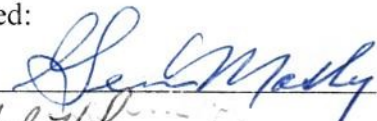
WHEREAS, the District has a need to procure funds for said appropriations by revenues generated from the sale of water, which is the District's only source of income; and


NOW, THEREFORE, be it resolved by the Board of Commissioners of the Roan Mountain Utility District as follows:


The Board of Commissioners hereby approves the rate study and its recommendations and suggestions for rate increases over the next 5 years. The Board of Commissioners further states that it will conduct annual surveys of the District's financial disposition to determine if more or less revenue should be garnered through the Rate Schedule.

Duly passed and approved this day of March 3, 2022.

Signed:











JASON E. MUMPOWER
Comptroller

Staff Summary:

The following Entities were referred to the Utility Management Review Board ("the Board") for financial distress. The Entities have complied with prior directives of the Board. The Entities shown in consecutive audits positive changes in net position, and Board staff believes the Entities should be released from Board oversight.

1. Arthur-Shawnee Utility District
2. Bon de Croft Utility District
3. Copper Basin Utility District
4. Crockett Public Utility District
5. Fall River Road Utility District
6. Milcrofton Utility District
7. North Stewart Utility District
8. Northeast Henry Utility District
9. Northwest Henry Utility District
10. Reelfoot Utility District
11. Walden's Ridge Utility District

Staff Recommendation:

The Board should order the following:

1. The Entity is officially released from the Board's oversight.
2. Staff and Counsel shall close the case.

Arthur-Shawanee Utility District

	Category: Water		County: Claiborne	
	2018	2019	2020	2021
Net Assets	\$9,529,959.00	\$9,710,546.00	\$9,955,480.00	\$10,081,555.00
Deferred Outflow Resources	\$114,013.00	\$102,023.00	\$104,657.00	\$101,134.00
Net Liabilities	\$2,180,650.00	\$2,064,699.00	\$2,017,500.00	\$1,906,896.00
Deferred Inflow Resources	\$13,474.00	\$57,735.00	\$59,368.00	\$35,326.00
Total Net Position	\$7,449,848.00	\$7,690,135.00	\$7,983,269.00	\$8,240,467.00
Operating Revenues	\$1,796,154.00	\$2,032,183.00	\$1,974,259.00	\$2,088,299.00
Net Sales	\$1,737,155.00	\$1,980,363.00	\$1,918,261.00	\$2,037,185.00
Operating Expenses	\$1,712,588.00	\$1,737,846.00	\$1,793,530.00	\$1,787,330.00
Depreciation Expenses	\$352,333.00	\$347,632.00	\$343,077.00	\$335,126.00
Non Operating Revenues	-\$72,056.00	-\$54,050.00	-\$30,645.00	-\$51,482.00
Capital Contributions	\$584,499.00	\$0.00	\$143,050.00	\$7,711.00
Transfers In	\$0.00	\$0.00	\$0.00	\$0.00
Transfers Out	\$0.00	\$0.00	\$0.00	\$0.00
GAAP Change In Net Position	\$596,009.00	\$240,287.00	\$293,134.00	\$257,198.00
Statutory Change In Net Position	\$11,510.00	\$240,287.00	\$150,084.00	\$249,487.00

Bon De Croft Utility District

	Category: Water		County: White	
	2018	2019	2020	2021
Net Assets	\$8,065,832.20	\$7,955,038.05	\$7,972,581.05	\$7,878,129.12
Deferred Outflow Resources	\$67,351.51	\$55,446.71	\$35,187.43	\$161,565.04
Net Liabilities	\$4,530,571.08	\$4,430,222.20	\$4,308,540.83	\$4,194,786.48
Deferred Inflow Resources	\$45,840.00	\$68,464.00	\$95,349.00	\$73,253.00
Total Net Position	\$3,556,772.63	\$3,511,798.56	\$3,603,878.65	\$3,771,654.68
Operating Revenues	\$1,133,777.43	\$1,110,294.85	\$1,170,928.34	\$1,170,056.89
Net Sales	\$1,090,185.10	\$1,068,913.24	\$1,119,301.89	\$1,124,661.48
Operating Expenses	\$1,009,494.87	\$1,031,734.97	\$955,742.36	\$886,064.12
Depreciation Expenses	\$259,243.26	\$254,011.85	\$255,686.94	\$246,452.06
Non Operating Revenues	-\$146,801.33	-\$136,464.95	-\$142,257.89	-\$135,335.74
Capital Contributions	\$13,314.00	\$12,931.00	\$19,152.00	\$19,119.00
Transfers In	\$0.00	\$0.00	\$0.00	\$0.00
Transfers Out	\$0.00	\$0.00	\$0.00	\$0.00
GAAP Change In Net Position	-\$9,204.77	-\$44,974.07	\$92,080.09	\$167,776.03
Statutory Change In Net Position	-\$22,518.77	-\$57,905.07	\$72,928.09	\$148,657.03

Copper Basin Utility District

	Category: Water And Sewer		County: Polk	
	2018	2019	2020	2021
Net Assets	\$4,075,874.00	\$3,836,671.00	\$3,984,555.00	\$4,592,983.00
Deferred Outflow Resources	\$0.00	\$0.00	\$0.00	\$0.00
Net Liabilities	\$324,546.00	\$45,809.00	\$80,457.00	\$66,710.00
Deferred Inflow Resources	\$0.00	\$0.00	\$0.00	\$0.00
Total Net Position	\$3,751,328.00	\$3,790,862.00	\$3,904,098.00	\$4,526,273.00
Operating Revenues	\$956,186.00	\$1,047,418.00	\$1,208,434.00	\$1,206,281.00
Net Sales	\$943,058.00	\$1,038,918.00	\$1,186,034.00	\$1,159,045.00
Operating Expenses	\$973,257.00	\$1,035,920.00	\$1,101,879.00	\$1,098,421.00
Depreciation Expenses	\$221,250.00	\$232,067.00	\$227,206.00	\$194,240.00
Non Operating Revenues	-\$24,693.00	-\$1,964.00	\$1,148.00	\$1,502.00
Capital Contributions	\$0.00	\$30,000.00	\$5,533.00	\$512,813.00
Transfers In	\$0.00	\$0.00	\$0.00	\$0.00
Transfers Out	\$0.00	\$0.00	\$0.00	\$0.00
GAAP Change In Net Position	-\$41,764.00	\$39,534.00	\$113,236.00	\$622,175.00
Statutory Change In Net Position	-\$41,764.00	\$9,534.00	\$107,703.00	\$109,362.00

Crockett Public Utility District

	Category: Gas		County: Crockett	
	2018	2019	2020	2021
Net Assets	\$3,144,818.00	\$3,239,892.00	\$3,301,870.00	\$3,456,256.00
Deferred Outflow Resources	\$0.00	\$46,624.00	\$44,951.00	\$67,156.00
Net Liabilities	\$1,658,166.00	\$1,656,406.00	\$1,593,848.00	\$1,653,416.00
Deferred Inflow Resources	\$4,212.00	\$19,881.00	\$18,120.00	\$16,359.00
Total Net Position	\$1,482,440.00	\$1,610,229.00	\$1,734,853.00	\$1,853,637.00
Operating Revenues	\$957,674.00	\$1,115,081.00	\$1,002,154.00	\$1,063,347.00
Net Sales	\$930,382.00	\$1,072,842.00	\$989,328.00	\$1,019,068.00
Operating Expenses	\$905,907.00	\$982,410.00	\$870,331.00	\$953,038.00
Depreciation Expenses	\$79,943.00	\$81,992.00	\$82,606.00	\$84,333.00
Non Operating Revenues	\$4,212.00	-\$4,882.00	-\$7,199.00	\$8,475.00
Capital Contributions	\$0.00	\$0.00	\$0.00	\$0.00
Transfers In	\$0.00	\$0.00	\$0.00	\$0.00
Transfers Out	\$0.00	\$0.00	\$0.00	\$0.00
GAAP Change In Net Position	\$55,979.00	\$127,789.00	\$124,624.00	\$118,784.00
Statutory Change In Net Position	\$55,979.00	\$127,789.00	\$124,624.00	\$118,784.00

Fall River Road Utility District

	Category: Water		County: Lawrence	
	2017	2018	2019	2020
Net Assets	\$3,635,635.00	\$3,612,314.00	\$3,601,430.00	\$3,684,190.00
Deferred Outflow Resources	\$0.00	\$0.00	\$0.00	\$0.00
Net Liabilities	\$2,324,716.00	\$2,264,800.00	\$2,206,891.00	\$2,222,000.00
Deferred Inflow Resources	\$0.00	\$0.00	\$0.00	\$0.00
Total Net Position	\$1,310,919.00	\$1,347,514.00	\$1,394,539.00	\$1,462,190.00
Operating Revenues	\$665,543.00	\$675,297.00	\$755,649.00	\$764,598.00
Net Sales	\$644,483.00	\$650,945.00	\$722,549.00	\$712,698.00
Operating Expenses	\$570,057.00	\$620,090.00	\$639,616.00	\$621,071.00
Depreciation Expenses	\$117,255.00	\$117,255.00	\$120,620.00	\$119,311.00
Non Operating Revenues	-\$82,648.00	-\$80,103.00	-\$78,588.00	-\$75,876.00
Capital Contributions	\$96,932.00	\$61,491.00	\$9,580.00	\$0.00
Transfers In	\$0.00	\$0.00	\$0.00	\$0.00
Transfers Out	\$0.00	\$0.00	\$0.00	\$0.00
GAAP Change In Net Position	\$109,770.00	\$36,595.00	\$47,025.00	\$67,651.00
Statutory Change In Net Position	\$12,838.00	-\$24,896.00	\$37,445.00	\$67,651.00

Milcrofton Utility District

	Category: Water		County: Williamson	
	2018	2019	2020	2021
Net Assets	\$72,642,407.00	\$73,395,012.00	\$82,947,435.00	\$91,938,071.00
Deferred Outflow Resources	\$835,464.00	\$791,210.00	\$869,988.00	\$874,187.00
Net Liabilities	\$9,943,040.00	\$5,060,472.00	\$5,360,959.00	\$4,948,218.00
Deferred Inflow Resources	\$81,250.00	\$75,915.00	\$71,142.00	\$452,397.00
Total Net Position	\$63,453,581.00	\$69,049,835.00	\$78,385,322.00	\$87,411,643.00
Operating Revenues	\$7,693,139.00	\$8,295,973.00	\$8,857,336.00	\$9,664,792.00
Net Sales	\$7,343,018.00	\$7,934,027.00	\$8,345,544.00	\$8,900,358.00
Operating Expenses	\$8,413,666.00	\$8,498,714.00	\$7,692,530.00	\$7,887,653.00
Depreciation Expenses	\$1,826,916.00	\$7,956,267.00	\$1,976,665.00	\$2,072,024.00
Non Operating Revenues	-\$837,908.00	\$4,764.00	\$26,423.00	-\$60,477.00
Capital Contributions	\$6,646,128.00	\$5,794,228.00	\$8,144,258.00	\$7,309,659.00
Transfers In	\$0.00	\$0.00	\$0.00	\$0.00
Transfers Out	\$0.00	\$0.00	\$0.00	\$0.00
GAAP Change In Net Position	\$5,087,693.00	\$5,596,251.00	\$9,335,487.00	\$9,026,321.00
Statutory Change In Net Position	-\$1,558,435.00	-\$197,977.00	\$1,191,229.00	\$1,716,662.00

North Stewart Utility District

	Category: Water		County: Stewart	
	2018	2019	2020	2021
Net Assets	\$9,930,159.00	\$9,729,460.00	\$9,666,624.00	\$9,807,072.00
Deferred Outflow Resources	\$0.00	\$0.00	\$0.00	\$0.00
Net Liabilities	\$4,754,740.00	\$4,482,948.00	\$4,303,780.00	\$4,238,926.00
Deferred Inflow Resources	\$0.00	\$0.00	\$0.00	\$0.00
Total Net Position	\$5,175,419.00	\$5,246,512.00	\$5,362,844.00	\$5,568,146.00
Operating Revenues	\$1,077,456.00	\$1,158,848.00	\$1,210,720.00	\$1,316,367.00
Net Sales	\$1,037,589.00	\$1,121,960.00	\$1,177,525.00	\$1,262,288.00
Operating Expenses	\$975,712.00	\$972,298.00	\$1,001,568.00	\$1,015,901.00
Depreciation Expenses	\$262,410.00	\$272,189.00	\$286,985.00	\$279,736.00
Non Operating Revenues	-\$127,339.00	-\$115,457.00	-\$92,820.00	-\$115,115.00
Capital Contributions	\$0.00	\$0.00	\$0.00	\$19,951.00
Transfers In	\$0.00	\$0.00	\$0.00	\$0.00
Transfers Out	\$0.00	\$0.00	\$0.00	\$0.00
GAAP Change In Net Position	-\$25,595.00	\$71,093.00	\$116,332.00	\$205,302.00
Statutory Change In Net Position	-\$25,595.00	\$71,093.00	\$116,332.00	\$185,351.00

Northeast Henry County Utility District

	Category: Water		County: Henry	
	2018	2019	2020	2021
Net Assets	\$5,110,576.00	\$5,219,358.00	\$5,419,078.00	\$5,673,943.00
Deferred Outflow Resources	\$56,909.00	\$24,743.00	\$32,303.00	\$32,509.00
Net Liabilities	\$2,887,463.00	\$2,779,555.00	\$2,701,973.00	\$2,634,295.00
Deferred Inflow Resources	\$52,253.00	\$50,489.00	\$50,534.00	\$59,015.00
Total Net Position	\$2,227,769.00	\$2,414,057.00	\$2,698,874.00	\$3,013,142.00
Operating Revenues	\$875,495.00	\$1,026,836.00	\$1,097,540.00	\$1,129,900.00
Net Sales	\$827,128.00	\$997,296.00	\$1,057,463.00	\$1,081,612.00
Operating Expenses	\$783,940.00	\$761,336.00	\$751,488.00	\$742,453.00
Depreciation Expenses	\$177,678.00	\$173,499.00	\$164,699.00	\$158,077.00
Non Operating Revenues	-\$82,031.00	-\$79,212.00	-\$61,235.00	-\$73,179.00
Capital Contributions	\$0.00	\$0.00	\$0.00	\$0.00
Transfers In	\$0.00	\$0.00	\$0.00	\$0.00
Transfers Out	\$0.00	\$0.00	\$0.00	\$0.00
GAAP Change In Net Position	\$9,524.00	\$186,288.00	\$284,817.00	\$314,268.00
Statutory Change In Net Position	\$9,524.00	\$186,288.00	\$284,817.00	\$314,268.00

Northwest Henry Utility District

	Category: Water And Sewer		County: Henry	
	2018	2019	2020	2021
Net Assets	\$1,357,969.00	\$1,265,037.00	\$1,296,922.00	\$1,316,210.00
Deferred Outflow Resources	\$0.00	\$0.00	\$0.00	\$0.00
Net Liabilities	\$389,017.00	\$352,038.00	\$344,151.00	\$333,117.00
Deferred Inflow Resources	\$0.00	\$0.00	\$0.00	\$0.00
Total Net Position	\$968,952.00	\$912,999.00	\$952,771.00	\$983,093.00
Operating Revenues	\$321,166.00	\$337,164.00	\$329,826.00	\$378,824.00
Net Sales	\$302,591.00	\$317,213.00	\$304,447.00	\$348,409.00
Operating Expenses	\$294,225.00	\$346,374.00	\$289,380.00	\$345,108.00
Depreciation Expenses	\$45,764.00	\$44,310.00	\$32,990.00	\$47,947.00
Non Operating Revenues	-\$10,096.00	-\$7,763.00	-\$5,824.00	-\$6,494.00
Capital Contributions	\$4,706.00	\$4,400.00	\$5,150.00	\$3,100.00
Transfers In	\$0.00	\$0.00	\$0.00	\$0.00
Transfers Out	\$0.00	\$0.00	\$0.00	\$0.00
GAAP Change In Net Position	\$21,551.00	-\$12,573.00	\$39,772.00	\$30,322.00
Statutory Change In Net Position	\$16,845.00	-\$16,973.00	\$34,622.00	\$27,222.00

Walden's Ridge Utility District

	Category: Water		County: Hamilton	
	2018	2019	2020	2021
Net Assets	\$12,004,037.00	\$11,701,248.00	\$11,802,726.00	\$13,212,382.00
Deferred Outflow Resources	\$146,500.00	\$144,781.00	\$132,211.00	\$127,432.00
Net Liabilities	\$9,349,519.00	\$9,075,330.00	\$8,734,570.00	\$9,852,899.00
Deferred Inflow Resources	\$4,178.00	\$20,784.00	\$44,978.00	\$50,538.00
Total Net Position	\$2,796,840.00	\$2,749,915.00	\$3,155,389.00	\$3,436,377.00
Operating Revenues	\$2,108,181.00	\$2,463,287.00	\$2,958,114.00	\$3,003,425.00
Net Sales	\$1,697,107.00	\$2,172,562.00	\$2,676,634.00	\$2,679,419.00
Operating Expenses	\$1,799,251.00	\$2,276,294.00	\$2,326,769.00	\$2,364,163.00
Depreciation Expenses	\$363,956.00	\$445,213.00	\$446,708.00	\$447,178.00
Non Operating Revenues	-\$204,194.00	-\$233,918.00	-\$225,871.00	-\$358,274.00
Capital Contributions	\$42,349.00	\$0.00	\$0.00	\$0.00
Transfers In	\$0.00	\$0.00	\$0.00	\$0.00
Transfers Out	\$0.00	\$0.00	\$0.00	\$0.00
GAAP Change In Net Position	\$147,085.00	-\$46,925.00	\$405,474.00	\$280,988.00
Statutory Change In Net Position	\$104,736.00	-\$46,925.00	\$405,474.00	\$280,988.00

Reelfoot Utility District

	Category: Water		County: Lake	
	2018	2019	2020	2021
Net Assets	\$1,502,465.00	\$1,437,460.00	\$1,385,273.00	\$1,362,149.00
Deferred Outflow Resources	\$0.00	\$0.00	\$0.00	\$0.00
Net Liabilities	\$565,524.00	\$505,998.00	\$446,583.00	\$386,440.00
Deferred Inflow Resources	\$0.00	\$0.00	\$0.00	\$0.00
Total Net Position	\$936,941.00	\$931,462.00	\$938,690.00	\$975,709.00
Operating Revenues	\$160,977.00	\$156,896.00	\$162,164.00	\$184,687.00
Net Sales	\$154,018.00	\$150,296.00	\$156,288.00	\$171,897.00
Operating Expenses	\$161,672.00	\$163,387.00	\$155,670.00	\$167,257.00
Depreciation Expenses	\$48,288.00	\$39,698.00	\$39,688.00	\$40,090.00
Non Operating Revenues	\$1,111.00	\$1,012.00	\$734.00	\$19,589.00
Capital Contributions	\$0.00	\$0.00	\$0.00	\$0.00
Transfers In	\$0.00	\$0.00	\$0.00	\$0.00
Transfers Out	\$0.00	\$0.00	\$0.00	\$0.00
GAAP Change In Net Position	\$416.00	-\$5,479.00	\$7,228.00	\$37,019.00
Statutory Change In Net Position	\$416.00	-\$5,479.00	\$7,228.00	\$37,019.00



Jason E. Mumpower
Comptroller

Entity Referred: **Tuckaleechee Utility District**

Referral Reason: **Investigation**

Utility Type Referred: **Water**

Staff Summary:

The Tuckaleechee Utility District ("the Entity") is a water district that serves roughly 4,600 connections. The Entity purchases all of its water from the City of Alcoa and the Knox-Chapman Utility District according to its 2021 audit. The Comptroller's office received information in February 2022, that many customers were without water for a period of time due to firefighting efforts taking place in the District. These water issues were resolved, but it highlighted a need for improved infrastructure in the area.

The Entity has explored options with South Blount Utility District to perform certain services for the Entity. Board staff believes that contracted operations between the two utility districts would be in the best interest of the customers of the Entity. Further, Board staff believes that there are further efforts that the Entity can perform to improve service for its customers.

Board staff believes the UMRB should open an investigation into the managerial, technical, and financial capacity of the district. There are plans of a cooperative effort in the Entity's service area that would help fix critical infrastructure needs within the Tuckaleechee Utility District. The Board should direct Board staff to ensure that the current operation of the utility will be able to financially support such projects, and Board staff should ensure that all necessary actions are being pursued to ensure the best service to the ratepayers in the area. Board staff should work with the Tennessee Department of Environment and Conservation to ensure that the utility project as proposed is correcting the issues that the Entity currently faces, and the utility will still be viable after undertaking such projects.

Staff Recommendation:

The Board should order:

1. Board staff shall investigate the Entity to address the financial, technical, and managerial capacity of the Entity to comply with the requirements of any applicable federal and state laws or regulations.
 2. Board staff shall, with the full authority of the Board, issue subpoenas for the Entity's manager, governing body, any other necessary staff, to appear in-person before the Board at its first meeting of 2022 if the Entity does not comply fully with the Board's investigation.
 3. Board staff shall update the Board as to the status of this investigation at its next meeting on September 22, 2022.
-



JASON E. MUMPOWER
Comptroller

Water Loss Changes

The UMRB currently has the established parameters for a water loss referral:

Non-Revenue Water by Cost greater than or equal to 20%

Validity Score less than or equal to 80

Board staff recommends changing the parameter to:

Water Loss by Volume greater than 40% based on the values provided by the entities in their Annual Information Report which is submitted to the Comptroller's Office.

Upon a water loss referral, Board staff will recommend to the Board that the referred Entity should be ordered to work with TAUD or another qualified expert for the completion of the most recent AWWA water loss workbook available. Using the information gained from completion of the AWWA tool, Board staff will generate recommendations to assist in water loss for the entity.

Annual Information Report Changes

Board staff is recommending the following questions to be added to the Annual Information Report to gather this information along with gathering information to develop future water loss criteria.

1. How much water did the utility purchase or produce last fiscal year?
2. How much water did the utility sell last fiscal year?
3. What were the net water sales for the last fiscal year for the water utility?
4. What were the total operating expenses including depreciation last fiscal year for the water utility?
5. What is the billed amount for the average customer that uses 1,000 gallons of water?
6. What is the billed amount for the average customer that uses 3,000 gallons of water?
7. What is the billed amount for the average customer that uses 5,000 gallons of water?

The following questions should also be added to the Annual Information Report:

1. Has the utility filed its most recent budget with the Comptroller's Office within 15 days of adopting the budget?
2. Has the utility filed its most recent audit with the Comptroller's office within 6 months of the last fiscal year end?
3. What is the utility's website?
4. Roughly how many years ago was the last rate study or cost of service study performed by a third party for this utility?

5. Does this utility purchase more than 50% of the water that it sells? If so, is there a contract for the purchase of this water?
6. Does this utility have infrastructure connections to other utilities? If yes, please provide to what other utilities are these connections made, a summary of the purpose of these connections, and the size of the lines used to make these connections.

Annual Information Report

* Required

Basic Utility Information

If you have any questions regarding this questionnaire, please feel free to contact us at utilities@cot.tn.gov (<mailto:utilities@cot.tn.gov>).

1. Please Enter Your Utility ID Code Provided to You *

If you do not know your Utility ID Code, please reach out to Comptroller Utility Staff at utilities@cot.tn.gov (<mailto:utilities@cot.tn.gov>).

2. Legal Name of Utility *

3. Office Location- Address Line 1 *

4. Office Location- Address Line 2

5. Office Location- City, State *

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6. Office Location- Zip Code *

7. Current Fiscal Year End Date *



Format: M/d/yyyy

8. Has the utility filed its most recent budget with the Comptroller's office within 15 days of adopting the budget? *

Yes

No

9. Has the utility filed its most recent audit with the Comptroller's office within 6 months of the last fiscal year end? *

Yes

No

Contact Information for Utility

Please enter information for the utility and the individual responsible for communication for the utility.

10. Contact Person- First Name

11. Contact Person- Last Name

12. Utility Email Address

13. Utility Phone Number

14. Utility Mailing Address- Line 1

15. Utility Mailing Address- Line 2

16. Utility Mailing Address- City, State

17. Utility Mailing Address- Zip Code

18. What is the utility's website?

Utility Service and Customer Count

19. Roughly how many years ago was the last rate study or cost of service study performed by a third party for this utility?

- Less than 1
- 1
- 2
- 3
- 4
- 5
- More than 5
- Never

20. Which Tennessee county has your largest amount of customers? *

21. How many counties does your utility serve? *

- Only 1
- 2
- 3
- 4
- 5
- 6 or More

22. Which Tennessee Counties do you serve? *

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23. Does your utility offer water service? *

Yes

No

24. How much water did the utility purchase or produce last fiscal year? *

25. How much water did the utility sell last fiscal year? *

26. What were the net water sales for the last fiscal year for the water utility? *

27. What were the total operating expenses including depreciation for the last fiscal year for the water utility? *

If this utility operates a combined fund (Water and Sewer combined), please isolate water expenses from sewer expenses and provide the actual operating cost for the water system.

28. What is the billed amount for the average customer that uses 1,000 gallons? *

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29. What is the billed amount for the average customer that uses 3,000 gallons? *

30. What is the billed amount for the average customer that uses 5,000 gallons? *

31. Water Customer Count *

32. Does your water utility have connections to other utilities? If so, which ones. *

33. Do you purchase more than 50% of the water that you sell to customers? *

Yes

No

34. If yes, please upload a copy of any contracts that you may have regarding the purchase¹⁰⁹ of water for sale to customers. *

35. Does this utility have infrastructure connections to other utilities? *

Yes

No

36. Please provide further information including: what other utilities is this utility connected to, a summary of the purpose of these infrastructure connections, and the size of the lines used to make these connections. *

37. Does your utility offer wastewater service? *

Yes

No

38. Wastewater Customer Count *

39. Does your wastewater utility have connections to other utilities? If so, which ones. *

40. Does your utility offer gas service? *

Yes

No

41. Gas Customer Count *

42. How is your utility governed? *

- City Council/Board of Mayor and Aldermen
- Appointed Board by Local Government
- Utility District Board
- Authority
- County Commission

43. Is your governing body in compliance with the training requirements pursuant to Tenn. Code Ann. § 7-82-308(f) for Utility Districts? *

- Yes
- No

44. Is your governing body in compliance with the training requirements pursuant to Tenn. Code Ann. §§ 7-82-308(f), 68-221-605(f), & 68-221-1305(f) for Authorities? *

- Yes
- No

45. Is your governing body in compliance with the training requirements pursuant to Tenn. Code Ann. § 7-34-115(j) for Municipal and County systems? *

- Yes
- No



JASON E. MUMPOWER
Comptroller

Financial Distress Questionnaire

Board staff is seeking approval of the questions contained in the following financial distress questionnaire. The WWFB has granted the authority to Board staff to make changes to the financial distress questionnaire under the condition that changes made to the questionnaire are explained to the Board at the meeting following the changes having been made. Board staff is seeking identical approval from the UMRB.

Financial Distress Questionnaire

* Required

* This form will record your name, please fill your name.

Annual Information Report

1. Has the utility filed an annual information report by the first day of its current fiscal year?

Yes

No

Please file the Annual Information Report prior to completing this questionnaire.

The annual information report can be found here: **xxxxxxx**. You will require a Utility ID code to fill out this report. If you do not know the code for your utility, please reach out to Comptroller staff at utilities@cot.tn.gov (mailto:utilities@cot.tn.gov) or 615-747-5260.

2. Does the utility have a plan to remedy the current financial distress? *

Yes

No

3. Please provide a detailed copy of the current plan to remedy the financial distress of the utility.

 Upload file

File number limit: 1 Single file size limit: 100MB Allowed file types: Word,PDF

4. Please provide a written statement concerning why a plan has not been generated to remedy the financial distress.

5. Has a third party completed a rate study for the utility in the previous 5 years?

Yes

No

6. Please upload a copy of the most recent rate study.

 Upload file

File number limit: 1 Single file size limit: 100MB Allowed file types: PDF

Utility Information

7. Does this utility offer water service? *

Yes

No

8. Does this utility offer wastewater service? *

Yes

No

Water Utility Questions

9. Has the utility implemented any water rate changes in the previous 5 years? *

- Yes
- No

10. Were these water rate changes based on a rate study by a third party? *

- Yes
- No

11. Please upload a copy of your most recent rate ordinance or resolution. *

 Upload file

File number limit: 1 Single file size limit: 100MB Allowed file types: PDF

12. How many billed customers do you have? *

The value must be a number

13. How many unbilled customers do you have? *

The value must be a number

14. How many metered customers do you have? *

120

The value must be a number

15. How many unmetered customers do you have? *

The value must be a number

16. What percentage of your sales do your largest 10 customers account for annually? *

(Annual revenue from largest 10 customers / total wastewater revenue)

17. What percentage of your volume do your largest 10 customers account for annually? *

(Annual gallons of water sold to largest 10 customers / total water revenue)

18. Does this utility produce its entire water supply without purchasing water from another utility? *

Yes

No

19. Does this utility have a water connection to another utility? *

Yes

No

20. List the other utility or utilities that this water system has a connection to. *

21. Is it feasible for this utility to regionalize, merge, or consolidate with a surrounding utility to improve water service to its current or future customer base? *

Yes

No

22. Does this utility wholesale water to any customers? *

Yes

No

23. Does a contract exist for these wholesale rates? *

Yes

No

24. Are there any environmental concerns for the water utility that will put a financial ¹²² burden on the system? *

Yes

No

25. Please describe these environmental concerns and the extend of the financial burden that will be placed on the system. *

Wastewater Utility Questions

26. Has the utility implemented any wastewater rate changes in the previous 5 years? *

- Yes
- No

27. Were these wastewater rate changes based on a rate study by a third party? *

- Yes
- No

28. Please upload a copy of your most recent rate ordinance or resolution. *

 Upload file

File number limit: 1 Single file size limit: 100MB Allowed file types: PDF

29. How many billed customers do you have? *

The value must be a number

30. How many unbilled customers do you have? *

The value must be a number

31. How many metered customers do you have? *

The value must be a number

32. How many unmetered customers do you have? *

The value must be a number

33. What percentage of your sales do your largest 10 customers account for annually? *
(Annual revenue from largest 10 customers / total wastewater revenue)

34. Excluding any customers on wells, are all customers billed based on water usage? *

Yes

No

35. Since customer bills are not based on water usage, please explain how customer sewer bills are derived. *

36. Does this utility have any wastewater customers on wells? *

Yes

No

37. How are the customers on wells billed? *

38. Does this utility treat its own wastewater? *

Yes

No

39. What is the design capacity of the treatment facility? *

40. What is the average operating capacity of the treatment facility? *

41. What utility treats the wastewater collected by this utility? *

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42. Is it feasible for this utility to regionalize, merge, or consolidate with a surrounding utility to improve wastewater service to its current or future customer base? *

43. Are there any environmental concerns for the wastewater utility that will put a financial burden on the system? *

Yes

No

44. Please describe these environmental concerns and the extent of the financial burden that will be placed on the system. *

45. Does this utility have a sewer use ordinance or resolution? *

Yes

No

46. Please provide a copy of the sewer use ordinance or resolution. *

↑ Upload file

File number limit: 1 Single file size limit: 10MB Allowed file types: Word,Excel,PPT,PDF,Image,Video,Audio

47. How is this sewer use ordinance or resolution enforced? *

48. Does the utility's governing body have any plans to implement a rate increase in the next 6 months?

Yes

No

49. Is this rate increase based on a rate study conducted by a third party?

Yes

No

50. Does this utility have a rate structure with differing rates based on geographical location?

For example: Inside/Outside City Limits or Communities or Neighborhoods with Differing Rates

Yes

No

51. Please provide a document showing the customer counts for each of these rate classes.

 Upload file

File number limit: 1 Single file size limit: 100MB Allowed file types: Word,Excel,PDF

52. Please explain the method in which these differing rate structures have been deemed reasonable and justifiable.

If unknown, please answer "Unknown".

Fee Changes

53. Has your utility had any changes to fees in the last 5 years? *

Yes

No

54. Please describe the changes to the fees as indicated in the previous question.

55. Please upload a copy of the current utility fee schedule.

 Upload file

File number limit: 1 Single file size limit: 10MB Allowed file types: Word,Excel,PPT,PDF,Image,Video,Audio

56. Please provide a written rationale for the current charges for the fees contained in the current fee schedule. ¹³¹

57. Does this utility have a debt management policy?

Yes

No

58. Please provide a copy of the utility's debt management policy.

 Upload file

File number limit: 1 Single file size limit: 10MB Allowed file types: Word,Excel,PPT,PDF,Image,Video,Audio

59. Please provide a written rationale for why a debt management policy has not been adopted.

60. Does this utility have a capitalization policy?

Yes

No

61. Please provide a copy of the capitalization policy.

 Upload file

File number limit: 1 Single file size limit: 10MB Allowed file types: Word,Excel,PPT,PDF,Image,Video,Audio

62. Please provide a written rationale for why a capitalization policy has not been adopted.

63. Does this utility have a leak adjustment policy?

Yes

No

64. Please provide a copy of the leak adjustment policy.

 Upload file

File number limit: 1 Single file size limit: 10MB Allowed file types: Word,Excel,PPT,PDF,Image,Video,Audio

65. Please provide a written rationale for why a capitalization policy has not been adopted.

Capital Asset Planning and Management

66. Does this utility keep a copy of its capital asset list on file?

- Yes
- No

67. Does the staff or governing body of the utility review its capital asset list regularly?

- Yes
- No

68. How often is this list reviewed and by whom?

69. Does the utility have a capital asset management plan?

- Yes
- No

70. Provide a copy of the most recent asset management plan.

 Upload file

File number limit: 1 Single file size limit: 100MB Allowed file types: Word,Excel,PPT,PDF,Image,Video,Audio

71. Has the utility incurred any new debt during the current fiscal year, or does the utility plan on incurring any new debt during the current or next fiscal year.

Yes

No

72. What will this debt be used for? What is the source of this debt?

73. Has the utility received any grants or capital contributions during the current fiscal year, or does the utility plan on applying for any grants or capital contributions during the current or next fiscal year?

Yes

No

74. What will the grant or capital contribution be used for? What is the source of these grants or capital contributions?

Rules of the Comptroller of the Treasury

Chapter 1715-02

Utility District Revitalization Fund

Table of Contents

- .01 Definitions.
- .02 Criteria for Qualification for a Plan of Mitigation Payments from the UDRF.
- .03 Grant request for Plan of Mitigation Payments from the UDRF.
- .04 Ongoing Obligations and Other Procedures.

1715-02-.01 Definitions.

As used in these regulations:

- (1) Financial Distress or Financially Distressed Utility (“FDU”) is used to describe a utility that, as shown by the audited annual financial reports, has 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 or capital contributions. This determination may be made by any division of the Comptroller of the Treasury charged with evaluating the financial health of the utility.
- (2) Merger is the consolidation of two utilities into one new utility or the integration of one utility into another utility with the dissolution of the non-surviving utility.
- (3) Order is the order entered by the Board ordering the merger of an FDU with another utility.
- (4) Grant is the plan of mitigation payments from the UDRF authorized by the Board.
- (5) Utility is a water system, wastewater system, or any other system regulated by the Board under Tenn. Code Ann. § 7-82-701 *et seq.*
- (6) Utility District Revitalization Fund (“UDRF”) is the fund created by Tenn. Code Ann. §§ 7-82-704(b) and 710 to mitigate the financial stress placed on a utility when merging with an FDU.
- (7) Board is the Utility Management Review Board (“UMRB”) created in the office of the comptroller of the treasury by Tenn. Code Ann. § 7-82-701 *et seq.*, or its successor entity.

1715-02-.02 Criteria for Qualification for a Grant from the UDRF.

- (1) The Board may approve a grant to a utility that merged with an FDU, or a utility created from two or more utilities, at least one of which was financially distressed.
- (2) A grant from the UDRF is only available where the merger with the FDU was ordered by the Board.
- (3) Mitigation payments may be approved to accomplish the merger or consolidation and offset, in whole or in part, the following expenditures:
 - a. Increased administrative costs related to the merger;
 - b. A default on indebtedness of the financially distressed utility district;
 - c. Renovation and repair of the financially distressed utility's facilities, but only to the level necessary to ensure continued service to the customers of the FDU; or,
 - d. Other payments necessary to mitigate the financial impact of the merger.
- (4) The Board will not favor any grand division, county, municipality, or service population over any other when determining whether a grant should be approved.
- (5) A grant will only be approved pursuant to a completed grant request for such payments in a form approved by the Board and timely submitted to Board staff.
- (6) The Board has sole discretion to adopt, approve, or enter a grant.
- (7) All mitigation payments are subject to the availability of funds in the UDRF.
- (8) The grant may take the form of a single payment or periodic payments before the utility has incurred any expenses, or of reimbursement for expenses incurred.

1715-02-.03 Request for a Grant from the UDRF.

- (1) A grant request must include the grant request form approved by the Board, or made pursuant to a public portal or website approved by the Board, if such is available.
 - a. The grant request must be completed, and must include the following supplementary information:
 - i. A summary of the need for a grant. This includes a summary of what the payments will be used for and why existing funds or customer revenue is insufficient to cover these expenses;
 - ii. The utility's most recent audit, or written explanation why such audit cannot be provided; and,

- iii. A feasibility study performed by the Tennessee Association of Utility Districts (“TAUD”) or other qualified entity. An entity other than TAUD must be approved by Board staff.
 - b. The grant request may include any supplementary information the applicant wishes to include.
- (2) The Board or Board staff may request any additional information necessary to determine whether the utility district qualifies for a grant, how or when payments should be made.
- (3) Grant requests and additional information may be submitted by the USPS or other delivery service, email, or by any other means made available by the Board.
- (4) Grant requests will only be approved upon a showing that the merged or consolidated district meets all eligibility requirements. This includes the requirements set forth above, in addition to any other statutory or other requirements. It is the burden of the applicant to establish eligibility for these payments.
- (5) Grants are presumed to take the form of reimbursement for expenses incurred and will be paid to the Utility when proof of expenditures is submitted to Board staff. Grants may take other forms upon Board approval.
- (6) Quarterly Reports
 - a. Any utility district that receives a grant under this section, or a district created from, or which absorbed a district that received a grant under this section, must submit a quarterly report to the Board on a form approved by the Board.
 - b. Reports must be submitted within 90 days from the date of the first disbursement of funds, and every 90 days thereafter.
 - c. Two quarterly reports must be submitted after the date of the last grant disbursement.
 - d. These reports may be submitted in the same manner as a grant request.

1715-02-.04 Miscellaneous Provisions

- (1) A grant request may be submitted prior to the Order, and up to 180 days after the Order. A grant request is received when Board staff receive the grant request form approved by the Board and all required supplemental information.
- (2) Board staff will review and acknowledge grant requests within 30 days of receipt of the initial grant request. The Board will review grant requests at the first meeting following Board staff’s acknowledgement of the request. At this meeting the Board will approve, deny, or modify the grant, or request further information prior to issuing a final order.

- (3) If an ordered merger does not occur, any party that received grant payments must reimburse the UDRF in full within thirty (30) days.
- (4) Any grant amount that is not used for approved purposes must be reimbursed to the UDRF.