



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Agenda
Utility Management Review Board
July 23, 2020
10:00 AM

- I. Call to Order
- II. Conflict of Interest Statement
- III. Approval of Minutes Pg. 2
- IV. Financial Distress Cases
 - a. Chanute Pall Mall Utility District Pg. 8
 - b. Clay Gas Utility District Pg. 25
 - i. Board Investigation Update
 - c. Copper Basin Utility District Pg. 35
 - d. Crockett Mills Utility District Pg. 38
 - e. Griffith Creek Utility District Pg. 47
 - f. Harbor Utility District Pg. 53
 - g. Iron City Utility District Pg.55
 - i. Board Investigation Update
 - h. Lone Oak Utility District Pg. 67
 - i. North Stewart Utility District Pg. 73
 - j. Sneedville Utility District Pg. 88
 - k. Walden's Ridge Utility District Pg. 102
 - i. Comptroller Investigation Update
- V. Board Investigations
 - a. Horton Highway Utility District Pg. 119
- VI. Comptroller Investigations
 - a. Bon De Croft Utility District Pg. 122
- VII. Mesana Investments, LLC Complaint
- VIII. Hallsdale- Powell Utility District Rate Protest
- IX. Board Resolution
 - a. Ann V. Butterworth Pg. 131
- X. Miscellaneous
 - a. Discussion Pg. 133



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**MINUTES
of the
UTILITY MANAGEMENT REVIEW BOARD MEETING
Thursday, October 24, 2019
10:00 am**

Greeting:

Chairman Butterworth detected a quorum and called to order the meeting of the Utility Management Review Board (“UMRB”) in the Volunteer Conference Center on the 2nd Floor of the Cordell Hull Building in Nashville, TN at 10:04 a.m. (CDT)..

Board Members Present and Constituting A Quorum:

Ann Butterworth, Chair, Comptroller Designee
Kevin Botts, Consumer Representative
Pat Riley, Gibson County Utility District Manager
Rebecca Hunter, Hixson Utility District Commissioner
Bruce Giles, First Utility District of Knox County Manager

Board Members Absent:

Tom Moss, Vice-Chair, Department of Environment and Conservation (TDEC) Commissioner Designee
Phillip Combs, Alpha-Talbott Utility District Manager
Dan Coley, Mallory Valley Utility District Commissioner
Jason West, Utility District Commissioner

Staff Present:

John Greer, Comptroller’s Office
Ross Colona, Comptroller’s Office

Counsel Present:

Rachel Buckley, 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 Butterworth presented the approval of the April 18, 2018 minutes. Ms. Hunter moved to approve the minutes as written. Mr. Giles seconded the motion, which passed unanimously.

Financial:

Copper Basin Utility District

Mr. Greer explained the staff recommendations:

1. The District shall have the Tennessee Association of Utility Districts, or another qualified expert as approved by Board staff, complete a rate study that includes the following:
 - a. creation of a rate and fee policy;
 - b. a justification for the multiple residential rate classes, or if no justification is possible, recommendations for one rate class for all residential customers;
 - c. a justification for the multiple commercial rate classes, or if no justification is possible, recommendations for one rate class for all commercial customers;
 - d. a review of the new customer contracts for homeowners and renters, including any recommended modifications; and
 - e. a review of the current capital asset plan, including any recommended modifications.
2. By December 6, 2019, the District shall send Board staff a copy of the contract between the District and the qualified expert who is to perform the tasks in paragraph 1.
3. By April 30, 2020, the District shall provide Board staff with the completed rate study, and either proof of implementation of the resulting recommendations or a proposed plan of implementation. Board staff shall hold a public hearing, if necessary, on the new proposed plan of action.
4. Board Staff is given the authority to grant one extension of up to six months of the foregoing deadlines upon a showing of good cause by the District.

Mr. Giles asked if there was any reason to believe that the District will not comply. Mr. Greer responded that the District has been forthcoming thus far, providing no reason to believe that the District will not comply.

Mr. Giles moved to accept staff recommendations. Mr. Riley seconded. The motion passed unanimously.

Griffith Creek Utility District

Mr. Greer explained the staff recommendations:

The Board should initiate negotiations for the consolidation of Griffith Creek Utility District with Big Creek Utility District.

1. Staff shall arrange and participate in negotiations for the consolidation of Griffith Creek Utility District with Big Creek Utility District, including obtaining the assistance of a mediator if necessary.
2. Such consolidation negotiations shall include a plan of action for the divestment of the school building and cemetery.
3. Staff shall provide the Board an update on the consolidation negotiations at the Board's first regularly scheduled meeting of 2020.

Mr. Giles inquired about the functions and purpose of the Griffith Creek Board, given that the District only has one employee and Big Creek performs the field work for the District. Staff conceded that the Griffith Creek Board's role is quite minimal. Mr. Giles then inquired about how quickly the merger between districts can happen. Ms. Buckley explained the process and that consolidation efforts should move as quickly as possible. Ms. Buckley also made it clear this order does not prevent the districts from completing the merger on their own if they choose to move faster.

Ms. Hunter moved to accept staff recommendations. Mr. Riley seconded. The motion passed unanimously.

Minor Hill Utility District

Mr. Greer explained the staff recommendations:

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

Mr. Botts moved to accept staff recommendations. Ms. Hunter seconded. The motion passed unanimously.

Recommended for Release:

Mr. Greer explained that these utility districts have followed all Board directives and are now showing positive financial changes. Board staff feels that these utilities are ready to be released from the Board's financial oversight.

Financial Releases
Lakeview Utility District
Springville Utility District

Mr. Giles moved to release the above entities from Board oversight. Mr. Riley seconded. The motion passed unanimously.

Mr. Greer explained the following entities are eligible to be released from Board oversight for non-revenue water and validity score issues.

Non-Revenue Water Releases
Belvidere Utility District
Cookeville Boat Dock Road Utility District
Minor Hill Utility District
New Canton Utility District
Validity Score Releases
Saltillo Utility District

Ms. Hunter moved to release the above entities from Board oversight. Mr. Giles seconded. The motion passed unanimously.

Mr. Giles wanted to thank all the released Districts for the work they accomplished to come into compliance.

Miscellaneous:

Meeting Resolution:

Board staff recommended the meeting schedule for 2020:

March 26
July 23
October 15

Ms. Hunter explained that she has a conflict with the October 15 date and requested moving that meeting to October 22.

Ms. Hunter moved to change the October 15th date to October 22th, 2020. Mr. Botts seconded. The motion passed unanimously.

Board Discussion:

Chairman Butterworth adjourned the meeting at 10:22 a.m.

Respectfully submitted,

**Betsy Knotts
Chairman**

Financial Distress

Chanute Pall Mall Utility District

	County: Fentress			
	2016	2017	2018	2019
Unrestricted Net Position	\$275,503.00	\$228,413.00	\$166,975.00	\$83,793.00
Operating Revenues	\$214,795.00	\$207,498.00	\$202,162.00	\$196,202.00
Net Sales	\$209,059.00	\$206,456.00	\$198,937.00	\$192,300.00
Operating Expenses	\$248,311.00	\$292,216.00	\$299,401.00	\$315,181.00
Operating Income	(\$33,516.00)	(\$84,718.00)	(\$97,239.00)	(\$118,979.00)
Depreciation Expense	\$35,785.00	\$35,785.00	\$35,785.00	\$35,785.00
Non-Operating Rev. (Exp.)	\$1,859.00	\$1,843.00	\$16.00	\$12.00
Operating Profit	(\$31,657.00)	(\$82,875.00)	(\$97,223.00)	(\$118,967.00)
Grants and Capital Contribution	\$0.00	\$0.00	\$0.00	\$-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	(\$31,657.00)	(\$82,875.00)	(\$97,223.00)	(\$118,967.00)
Statutory Change in NP (2017)	(\$31,657.00)	(\$82,875.00)	(\$97,223.00)	(\$118,967.00)
Pension and OPEB Asset	\$0.00	\$0.00	\$0.00	\$0.00
Pension and OPEB Liability	\$0.00	\$0.00	\$0.00	\$0.00
Statutory Change in NP (2018)		(\$82,875.00)	(\$97,223.00)	(\$118,967.00)





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Entity Referred: **Chanute Pall Mall Utility District**

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

Utility Type Referred: **Water**

Date of Initial Referral: **12/28/2016**

Staff Summary:

On March 1, 2018, the Board ordered the District to comply with the order found on the accompanying pages. The District failed to do so, and in accordance with the Board's order, Staff and Counsel submitted the case to the Attorney General's Office.

On June 28, 2019, the Attorney General filed suit in Fentress County to enforce the Board's March 18, 2018 order. The District then expressed its willingness to comply with the Board's directives, and the suit is currently on hold as the District completes the necessary tasks.

Accordingly, the District hired TAUD to perform a rate study, the results of which can be found on the accompanying pages. On February 6, 2020, the District adopted TAUD's recommended rates, which went into effect during the April billing cycle.

While the District has discussed the remaining TAUD recommendations in the report, it has taken no definitive action to resolve these issues. The District should address the recommendations related to water loss, uncollectible accounts, and the adoption of rules and regulations for supplying water to its customers.

Commissioner Jonathan Davidson was appointed in 2010 and completed 12 hours of training in 2016. Mr. Davidson has not been reappointed since 2010 and has not complied with training requirements.

Commissioner James West was appointed in 2015 and completed 12 hours of training in 2016. Mr. West has not been reappointed since 2015 and has not complied with training requirements.

Commissioner Doug Lamb was appointed in 2017 and has completed no training.

The District has not supplied Staff or TAUD with information regarding the length of terms for each of its commissioners. Staff is uncertain that even the District is able to provide this information.

The District is under a Director's order from TDEC. The District has paid some of the civil penalties but has failed to meet required milestones. The District is working with TAUD to correct its environmental deficiencies and complete the order.

Staff Recommendation:

1. The District shall have the Tennessee Association of Utility Districts, or another qualified expert as approved by Board staff, assist with:
 - a. creating a policy to ensure commissioners are appropriately appointed and trained;
 - b. creating a record keeping policy to include appropriate training and appointment records for commissioners; and
 - c. implementing all recommendations contained in the TAUD report dated January 31, 2020.
2. 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.
3. By October 30, 2020, the District shall ensure that its commissioners have met all training requirements and are thus eligible to serve pursuant to Tenn. Code Ann. §§ 7-82-307(b)(5) & 7-82-308(1). Otherwise, the District shall appoint eligible commissioners in accordance with the law.
4. By October 30, 2020, the District shall ensure that its commissioners have been properly appointed.
5. By November 30, 2020, the District shall send proof to Board staff that all commissioners have received the required training and have been appointed properly, or proof that a plan is in place to appoint eligible commissioners.
6. By November 30, 2020, the District shall provide Board staff with either proof of implementation of all recommendations contained in the TAUD report dated January 31, 2020, or a proposed plan of implementation.
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.



BEFORE THE TENNESSEE UTILITY MANAGEMENT REVIEW BOARD

IN THE MATTER OF:

T.C.A. § 7-82-401(g) — FINANCIAL DISTRESS
CHANUTE PALL MALL UTILITY DISTRICT

ORDER

Pursuant to T.C.A. § 7-82-401(g), the Tennessee Utility Management Review Board (the "UMRB") on February 22, 2018 reviewed the financially distressed status of the Chanute Pall Mall Utility District (the "District"). The District did not comply with the UMRB Order dated July 31, 2017. Based on the District's continued financial deficiencies and failure to comply with the prior UMRB Order, the UMRB directs the District to comply the following plan to correct the deficiencies:

1. The District shall have the Tennessee Association of Utility Districts (TAUD) or other expert approved by UMRB staff perform a rate study and immediately submit the rate study recommendations to UMRB staff for review and approval;
2. The District shall fully implement all rate study recommendations approved by UMRB staff on or before May 31, 2018;
3. The District shall have TAUD or other approved expert perform a review of all policies and procedures of the District and immediately submit the recommendations to UMRB staff for review and approval;
4. The District shall fully implement all policy and procedure recommendations on or before August 1, 2018;
5. In accordance with the UMRB Order entered July 31, 2017, the District shall provide a status update to UMRB staff on or before the 1st of March and the 1st of September yearly beginning September 1, 2018, until compliance with this order is reached and the UMRB releases the District from oversight; and
6. If the District fails to comply with this Order, UMRB staff shall refer the District to the Attorney General's Office for enforcement action through Chancery Court.

Entered this 1st day of March, 2018.


Ann V. Butterworth, Chair
Utility Management Review Board



REPORT FOR CHANUTE-PALL MALL UTILITY DISTRICT

UTILITY MANAGEMENT REVIEW BOARD ORDER DATED MARCH 1, 2018

January 31, 2020

Donald Scholes

Current Financial Status

Chanute-Pall Mall Utility District (the District) has incurred a negative change in net position (excluding grants and capital contributions) for the following fiscal years ending June 30:

June 30, 2015	(\$24,915)
June 30, 2016	(\$31,657)
June 30, 2017	(\$84,718)
June 30, 2018	(\$97,239)
June 30, 2019	(\$118,979)(unaudited)

The District has been a financially distressed utility district as defined in T.C.A. § 7-82-401(g) since June 30, 2016. *See* the attached Historical Statements of Revenues and Expenses and Changes in Net Position for the District's fiscal years ending June 30 of 2015 through 2019.

Projected Financial Status

Based upon the District's current rate structure, TAUD projects that the District will continue to have a negative change in net position for the next five years. *See* the attached Projected Statements of Revenues and Expenses and Changes in Net Position for the District's fiscal years ending June 30 of 2020 through 2024.

June 30, 2020	(\$84,100)
June 30, 2021	(\$86,243)
June 30, 2022	(\$88,471)
June 30, 2023	(\$90,766)
June 30, 2024	(\$93,149)

District Current Schedule of Monthly Service Rates – Effective July 1, 2019

First 2,000 gallons	\$25.15
2,001 - 5,000	\$9.00 per 1,000 gallons
5,001 - 10,000	\$8.00 per 1,000 gallons
Over 10,000 gallons	\$7.00 per 1,000 gallons

UMRB Order Dated March 1, 2018

On March 1, 2018, the UMRB entered an order directing the District to do the following:

- 1) The District shall have the Tennessee Association of Utility Districts (TAUD) or other expert approved by UMRB staff perform a rate study and immediately submit the rate study recommendations to UMRB staff for review and approval;
- 2) The District shall fully implement all rate study recommendations approved by UMRB staff on or before May 31, 2018;
- 3) The District shall have TAUD or other approved expert perform a review of all policies and procedures of the District and immediately submit the recommendations to UMRB staff for review and approval;
- 4) The District shall fully implement all policy and procedure recommendations on or before August 1, 2018;
- 5) In accordance with the UMRB Order entered July 31, 2017, the District shall provide a status update to UMRB staff on or before the 1st of March and the 1st of September yearly beginning September 1, 2018, until compliance with this order is reached and the UMRB releases the District from oversight; and
- 6) If the District fails to comply with this Order, UMRB staff shall refer the District to the Attorney General's Office for enforcement action through Chancery Court.

Because the District did not meet the deadlines set forth in the UMRB's March 1, 2018 Order, a lawsuit was filed against the District on June 28, 2019 by the Attorney General to enforce the UMRB's March 1, 2018 Order.

TAUD Recommendations

Recommendation #1:

The District adopt the following rate schedule for its monthly service rates designed to produce additional annual revenues of \$87,632 so that the District may achieve a positive change in its net position for its fiscal year ending June 30, 2021.

First 2,000 gallons	\$35.00
Over 2,000 gallons	\$11.00 per 1,000 gallons

This is a substantial rate increase. This recommended rate schedule eliminates the two highest rate tiers in the current rate schedule.

Rate Increase with Monthly Usage of 2,500 Gallons

Current rates:

Minimum bill	\$25.15
Usage rate	<u>\$ 4.50</u>
Total	\$29.65

Recommended Rates:

Minimum bill	\$35.00
Usage rate	<u>\$ 5.50</u>
Total	\$40.50

Percentage Increase – 26.8%

Monthly Usage of 5,000 Gallons

Current rates:

Minimum bill	\$25.15
Usage rate	<u>\$27.00</u>
Total	\$52.15

Recommended Rates:

Minimum bill	\$35.00
Usage rate	<u>\$33.00</u>
Total	\$68.00

Percentage Increase – 23.3%

- Based upon the Projected Statements of Revenues and Expenses and Changes in Net Position, TAUD projects this rate increase will give the District a positive change in its net position for its fiscal year ending June 30, 2021.
- The District is currently purchasing water from Byrdstown. For the District's fiscal year ending June 30, 2019, the District sold 19,802,495 gallons of water to its customers. The District's purchased water expense for this fiscal year was \$197,629. If the District's purchased water expense is divided by the number of gallons the District actually sold to its customers in 2019, each customer is paying \$9.98 per 1,000 gallons for water

purchased from Byrdstown. Therefore, the District usage rate must be increased, and the declining block rate tiers should be eliminated.

- The District's largest operating expense is its purchased water expense. The District's purchased water expense has increased significantly since 2016 without any increase in customer growth. This difference indicates that the District may have significant water losses which are causing it to buy significantly more water than it has sold since 2016.
- The rate study performed by TAUD does not include any expenses related to future capital improvements. Therefore, an additional rate increase will probably be needed to become effective July 1, 2021. TAUD suggests that such a rate increase not be set at this time due to improvements which may need to be made to the water system to address its water loss and compliance with a TDEC order.
- The District's unrestricted net position is continuing to decrease each year due as the District has been required to use its cash reserves to meet its operating expenses since the beginning of its July 1, 2017 fiscal year to date.

Recommendation #2

The District needs to hire a firm to assist it in locating leaks within its water system and to recommend repairs and improvements to its water system to reduce water losses which will reduce its purchased water expense. The District will incur a cost to have this evaluation made and to implement any work needed to address identified leaks. These costs may need to be considered when a rate evaluation is done for any rate changes needed for the fiscal year beginning July 1, 2021.

Recommendation #3

The District has an abnormally high percentage of uncollectible accounts. The District has begun to improve the uncollectible amounts by terminating water service for non-payment in a timelier manner. However, the District needs to adopt a clear termination of service policy and needs to implement standard, timely termination of service to its customers for non-payment to increase revenues.

Recommendation #4

The District currently records its minutes by hand, and the minutes do not contain the essential information which should be included in the minutes of a utility district. The District needs to begin typing the minutes of its board meeting. TAUD will work with the District to assist it in crafting its minutes over the next few months so the District will be able to improve the recordation of its minutes.

Recommendation #5

The District does not have a set of rules and regulations in place which govern the policies and procedures for supplying water to its customers. The District needs to adopt a set of rules and regulations which sets forth the terms and conditions for providing service to its customers. This directive is in the UMRB's March 1, 2018 Order.

Chanute Pall Mall Utility District**Historical Statements of Revenues and Expenses and Changes in Net Position**

	Actual 6/30/2015	Actual 6/30/2016	Actual 6/30/2017	Actual 6/30/2018	Actual 6/30/2019
Operating Revenues:					
Metered Sales	215,619	209,059	206,456	198,937	192,300
Installation & Tap Fees	4,429	5,736	1,042	3,225	3,902
Total Operating Revenues	220,048	214,795	207,498	202,162	196,202
Operating Expenses:					
Salaries & Payroll Taxes	23,687	23,336	16,958	16,431	23,497
Commissioner's Expense	3,000	3,600	3,400	3,800	3,600
Water Purchased	144,174	155,525	198,111	192,418	197,629
Contact Labor	6,476	2,538	8,193	12,156	22,887
Material & Supplies	4,924	7,468	9,709	14,908	9,121
Testing	-	-	-	2,120	437
Repairs & Maintenance	3,642	2,639	1,680	-	-
Professional Services	1,750	2,397	2,994	2,949	6,906
Office Supplies	2,881	2,425	1,674	1,734	1,420
Utilities	9,174	9,348	11,023	11,590	11,323
Depreciation	35,786	35,785	35,785	35,785	35,785
Insurance	1,702	1,668	1,716	1,446	1,743
Miscellaneous	1,295	1,582	973	4,064	833
Total Operating Expenses	238,491	248,311	292,216	299,401	315,181
Operating Income (Loss)	(18,443)	(33,516)	(84,718)	(97,239)	(118,979)
Nonoperating Revenues (Expenses)					
Interest Expense	(11,209)	-	-	-	-
Interest Income	4,737	1,859	1,843	16	12
Total Nonoperating Revenues (Expenses)	(6,472)	1,859	1,843	16	12
Change in Net Position before Contributed Capital	(24,915)	(31,657)	(82,875)	(97,223)	(118,967)
Capital Contributions	-	-	-	-	-
Change in Net Position	(24,915)	(31,657)	(82,875)	(97,223)	(118,967)

Chanute Pall Mall Utility District

Projected Statements of Revenues and Expenses and Changes in Net Position

	Projected 6/30/2020	Projected 6/30/2021	Projected 6/30/2022	Projected 6/30/2023	Projected 6/20/2024
Operating Revenues:					
Metered Sales	220,000	220,000	220,000	220,000	220,000
Installation & Tap Fees	3,600	3,600	3,600	3,600	3,600
Total Operating Revenues	223,600	223,600	223,600	223,600	223,600
Operating Expenses:					
Salaries & Payroll Taxes	30,000	30,900	31,827	32,782	33,765
Commissioner's Expense	3,600	3,600	3,600	3,600	3,600
Water Purchased	196,000	196,000	196,000	196,000	196,000
Contact Labor	10,500	10,815	11,140	11,475	11,819
Material & Supplies	9,200	9,476	9,760	10,052	10,354
Testing	500	515	530	546	562
Repairs & Maintenance	1,600	1,648	1,697	1,748	1,800
Professional Services	3,400	3,502	3,607	3,715	3,826
Office Supplies	2,000	2,060	2,122	2,185	2,251
Utilities	11,500	11,845	12,200	12,566	12,943
Depreciation	36,000	36,000	36,000	36,000	36,000
Insurance	1,700	1,751	1,804	1,858	1,914
Miscellaneous	1,700	1,751	1,804	1,858	1,914
Total Operating Expenses	307,700	309,863	312,091	314,385	316,748
Operating Income (Loss)	(84,100)	(86,263)	(88,491)	(90,785)	(93,148)
Nonoperating Revenues (Expenses)					
Interest Expense	-	-	-	-	-
Interest Income	20	20	20	20	20
Total Nonoperating Revenues (Expenses)	20	20	20	20	20
Change in Net Position before Contributed Capital	(84,080)	(86,243)	(88,471)	(90,765)	(93,128)
Capital Contributions	-	-	-	-	-
Change in Net Position	(84,080)	(86,243)	(88,471)	(90,765)	(93,128)
Revenue Generated from Suggested Rate Increase	43,816	87,632	87,632	87,632	87,632
Change in Net Position after Suggested Rate Increase	(40,264)	1,389	(839)	(3,133)	(5,496)

Chanute Pall Mall Utility District - Budget Analysis

	District <u>Budget 19 -20</u>	Last 5 Year <u>Average</u>	Recalculated <u>Budget for 19-20</u>	<u>Explanation</u>
Operating Revenues:				
Metered Sales	240,000	204,474	220,000	Based on rate increase enacted by the District 7/1/19
Installation & Tap Fees	3,000	3,667	3,600	Based on average of last 5 years
		-		
Total Operating Revenues	<u>243,000</u>	<u>208,141</u>	<u>223,600</u>	
		-		
Operating Expenses:				
Salaries & Payroll Taxes	33,684	20,782	30,000	Based on District budget with new employees
Commissioner's Expense	-	3,480	3,600	Based on \$300 per Commissioner per month
Water Purchased	160,000	177,571	196,000	Based on average of last 3 years
Contact Labor	5,000	10,450	10,500	Based on average of last 5 years
Material & Supplies	4,000	9,226	9,200	Based on average of last 5 years
Testing	-	511	500	Based on average of last 5 years
Repairs & Maintenance	-	1,592	1,600	Based on average of last 5 years
Professional Services	2,000	3,399	3,400	Based on average of last 5 years
Office Supplies	-	2,027	2,000	Based on average of last 5 years
Utilities	-	10,492	11,500	Based on average of last 2 years
Depreciation	36,000	35,785	36,000	Based on average of last 5 years
Insurance	2,000	1,655	1,700	Based on average of last 5 years
Miscellaneous	1,600	1,750	1,700	Based on average of last 5 years
Total Operating Expenses	<u>244,284</u>	<u>278,720</u>	<u>307,700</u>	
Operating Income (Loss)	<u>(1,284)</u>	<u>(70,579)</u>	<u>(84,100)</u>	
Nonoperating Revenues (Expenses)				
Interest Expense	-	(2,243)	-	The District does not have any debt
Interest Income	2,000	1,694	20	The last 2 years, the District had interest income of \$16 & \$12 due to decrease in CD's
Total Nonoperating Revenues (Expenses)	<u>2,000</u>	<u>(549)</u>	<u>20</u>	
Change in Net Position before Contributed Capi	<u>716</u>	<u>(71,128)</u>	<u>(84,080)</u>	
		-		
Capital Contributions	<u>-</u>	<u>-</u>	<u>-</u>	
		-		
Change in Net Position	<u>716</u>	<u>(71,128)</u>	<u>(84,080)</u>	

Chanute Pall Mall Utility District Revenue Calculations

Projected revenue based on usage for the year ended June 30, 2020				
	<u>Rates</u>	<u>Gallons</u>	<u>Calculated Revenue</u>	<u>% of Revenue</u>
All customers - 387 active				
First 2,000 gallons	\$25.15	1,614,355	\$ 116,797	45.01%
2,001 - 5,000	\$9.00 / 1,000	5,965,800	\$ 53,692	20.69%
5,001 - 10,000	\$8.00 / 1,000	3,467,370	\$ 27,739	10.69%
Over 10,000	\$7.00 / 1,000	8,754,970	\$ 61,285	23.62%
		<u>19,802,495</u>	<u>\$ 259,513</u>	
			\$ (38,927)	approx. 15% of billings are in arrears
			\$ 220,586	approx. revenue after write offs/uncollectible

Suggested Rate Increase Calculation				
	<u>Rates</u>	<u>Gallons</u>	<u>Calculated Revenue</u>	
All customers - 387 active				
First 2,000 gallons	\$35.00	1,614,355	\$ 162,540	
Over 2,000	\$11.00 / 1,000	18,188,140	\$ 200,070	
		<u>19,802,495</u>	<u>\$ 362,610</u>	
			\$ (54,391)	approx. 15% of billings are in arrears
			\$ 308,218	approx. revenue after write offs/uncollectible
total increase of \$87,632 annually, 1/2 for fiscal year 6/30/20 \$43,816				

Chanute Pall Mall Utility District Usage Summary

From District usage breakdown reports -

Gallons	<u>0 - 999</u>	<u>1,000 - 1,999</u>	<u>2,000 - 4,999</u>	<u>5,000 - 9999</u>	<u>Over 10,000</u>	<u>Total</u>
Jul-18	32,840	89,160	507,050	348,160	1,047,400	2,024,610
Aug-18	25,550	99,170	458,010	341,030	607,270	1,531,030
Sep-18	24,035	95,940	502,660	371,900	993,460	1,987,995
Oct-18	27,880	105,130	472,730	318,680	794,210	1,718,630
Nov-18	29,770	101,810	496,550	392,070	437,710	1,457,910
Dec-18	34,110	113,840	518,210	285,550	658,430	1,610,140
Jan-19	30,250	115,040	476,730	158,070	713,210	1,493,300
Feb-19	31,510	95,740	523,850	322,920	289,370	1,263,390
Mar-19	42,430	108,720	508,560	234,520	319,810	1,214,040
Apr-19	36,050	99,430	572,510	239,680	625,360	1,573,030
May-19	35,910	98,240	472,030	239,410	556,210	1,401,800
Jun-19	24,380	117,420	456,910	215,380	1,712,530	2,526,620
Total	374,715	1,239,640	5,965,800	3,467,370	8,754,970	19,802,495

CHANUTE-PALL MALL UTILITY DISTRICT
BOARD OF COMMISSIONERS MEETING

February 6, 2020

The regular monthly meeting of the Board of Commissioners of Chanute-Pall Mall Utility District was held at 6:00 p.m. on Thursday, February 6, 2020, at the District's office located at 3290 North York Highway, Pall Mall, Tennessee.

Jonathan Davidson, President, called the meeting to order.

Commissioners present for the meeting were Jonathan Davidson, Doug Lamb and James West. Ross Colona from the Comptroller's Office was present for the meeting.

The first order of business was the approval of the minutes of the January 2, 2020, Board meeting. A motion was made to approve the minutes, and the motion passed unanimously.

The next order of business a discussion of the rate study report performed by the Tennessee Association of Utility Districts (TAUD). The Board members reviewed the five recommendations in the report and agreed to proceed with all five recommendations in the report.

A motion was made to adopt the following new monthly rate service rates for the water bills rendered after April 1, 2020 (which includes March water usage):

First 2,000 gallons (minimum bill)	\$35.00
Over 2,000 gallons	\$11.00 per 1,000 gallons


The motion passed unanimously.

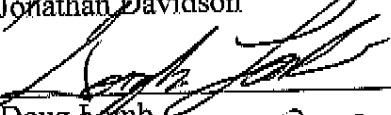
Recommendation #2 in the TAUD report was a recommendation that the District hire a firm to locate leaks within its water system and to recommend repairs to reduce the current level of water losses. Mr. Davidson reported that he had contacted Seth Rye with Rye Engineering, PLC to discuss how best to address the District's water loss and whether any grant money may exist for projects to address water loss. He is waiting for a call back from Seth Rye.

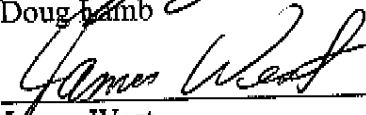
Recommendation #3 was a recommendation that the District address its high level of uncollectible accounts. The Board agreed to discuss this issue further at the next Board meeting.

Mr. Davidson stated that he would send notes of the Board meeting to Don Scholes with TAUD to get his assistance in improving the form of the District's minutes as referenced in Recommendation #4.

There being no further business for the Board, Mr. Davidson adjourned the meeting at 7:00 p.m.


Jonathan Davidson


Doug Lamb


James West

Dated March 5, 2020

Clay Gas Utility District

	County: Clay			
	2016	2017	2018	2019
Unrestricted Net Position	\$49,809.00	(\$26,130.00)	\$101,763.00	\$152,539.00
Operating Revenues	\$309,600.00	\$314,426.00	\$420,214.00	\$363,641.00
Net Sales	\$305,154.00	\$312,276.00	\$418,248.00	\$361,361.00
Operating Expenses	\$281,768.00	\$328,445.00	\$339,562.00	\$372,365.00
Operating Income	\$27,832.00	(\$14,019.00)	\$80,652.00	(\$8,724.00)
Depreciation Expense	\$64,258.00	\$66,827.00	\$69,534.00	\$69,844.00
Non-Operating Rev. (Exp.)	(\$7,020.00)	(\$6,356.00)	(\$5,472.00)	\$(4,344.00)
Operating Profit	\$20,812.00	(\$20,375.00)	\$75,180.00	(\$13,068.00)
Grants and Capital Contribution	\$491,922.00	\$8,990.00	\$0.00	\$101,900.00
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	\$512,734.00	(\$11,385.00)	\$75,180.00	\$88,832.00
Statutory Change in NP (2017)	\$20,812.00	(\$20,375.00)	\$75,180.00	(\$13,068.00)
Pension and OPEB Asset	\$0.00	\$0.00	\$0.00	\$0.00
Pension and OPEB Liability	\$0.00	\$0.00	\$0.00	\$0.00
Statutory Change in NP (2018)		(\$20,375.00)	\$75,180.00	(\$13,068.00)





JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Entity Referred: **Clay Gas Utility District**

Referral Reason: **Debt Default**

Utility Type Referred: **Natural Gas**

Date of Initial Referral: **3/4/2016**

Staff Summary:

Clay Gas Utility District has unsuccessfully tried to remedy its defaulted position over the past two years. The District is making an operating profit annually but has been unable to convince additional bond holders to sell the defaulted bonds at less than full value. The debt schedule is attached. According to the District's Municipal Advisor, the District has \$508,718.83 due to bondholders.

The only viable option is to require the District to consolidate with Middle Tennessee Natural Gas Utility District.

Staff Recommendation:

The Board should initiate negotiations for the consolidation of Clay Gas Utility District with Middle Tennessee Natural Gas Utility District.

The Board should order the following:

- 1. Staff shall arrange and participate in negotiations for the consolidation of Clay Gas Utility District with Middle Tennessee Natural Gas Utility District, including obtaining the assistance of a mediator if necessary.**
- 2. Staff shall provide the Board an update on the consolidation negotiations at the Board's next meeting.**

Clay Gas Utility District of Clay County, Tennessee

Summary
of Debt
Post 2019 Tender

Prepared By:

Cumberland Securities Company, Inc.

Independent Registered Municipal Advisors

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Knoxville, Tennessee 37933

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CUMBERLAND SECURITIES

SINCE 1931

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Risk Disclosures:

Fixed Rate Bonds		
Material Risk Consideration	Description of Risk	Potential Consequences
Issuer Default Risk	Possibility that the Issuer defaults under the authorizing documents	<ul style="list-style-type: none"> Range of available remedies may be brought against Issuer (e.g. forcing issuer to raise taxes or rates) Credit ratings negatively impacted Access to capital markets impaired Possibility of receivership or bankruptcy for certain issuers
Redemption Risk	The ability to redeem the bonds prior to maturity may be limited	<ul style="list-style-type: none"> Inability to refinance at lower interest rates
Refinancing Risk	Possibility that the bonds cannot be refinanced	<ul style="list-style-type: none"> Inability to refinance at lower interest rates
Reinvestment Risk	Possibility that the Issuer may be unable to invest unspent proceeds at or near the interest rate on the bonds	<ul style="list-style-type: none"> Negative arbitrage resulting in a higher cost of funds
Tax Compliance Risk	For tax-exempt bonds, possibility that failure to comply with tax-related covenants results in the bonds becoming taxable obligations	<ul style="list-style-type: none"> Increase in debt service costs retroactively to date of issuance Possible mandatory redemption of bonds affected Risk of IRS Audit Difficulty in refinancing the bonds Access to tax-exempt market impacted Difficulty in issuing future tax-exempt debt

Variable Rate Demand Bonds ("VRDB") / Floating Rate Notes ("FRN") / Bank Index Loan ("Index") / "Put Loan" (e.g. Fixed Rate for Five (5) Years, then Rate Resets to New Rate)		
Material Risk Consideration	Description of Risk (Type of Debt Risk Applicable to)	Potential Consequences
Interest Rate Risk	Possibility that the interest rate may increase on an interest reset date (VRDB, FRN, Index, Put Loans)	<ul style="list-style-type: none"> Increase in debt service cost (up to maximum rate) Lower debt service coverage Lower cash reserves
Index Risk	Possibility that the method of determining the index (LIBOR or SIFMA) could change Indices may be affected by factors unrelated to FRN's/Index Loan or the tax-exempt market (VRDB, FRN, Index, Put Loans)	<ul style="list-style-type: none"> Increase in debt service costs Lower debt service coverage Lower cash reserves Provision should be made for alternate mechanism to determine rate
Issuer Default Risk	Possibility that the Issuer defaults under the authorizing documents (VRDB, FRN, Index, Put Loans)	<ul style="list-style-type: none"> Range of available remedies may be brought against Issuer (e.g., forcing Issuer to raise taxes or revenues) Credit ratings negatively impacted Default could impact remarketing which could cause increase in debt service costs Access to capital markets impaired
Issuer Ratings Downgrade Risk	Possibility that a downgrade of the issuer's rating(s) may result in optional tenders or an increase in fees payable to the bank providing the liquidity facility (VRDB, FRN, Index, Put Loans)	<ul style="list-style-type: none"> Ratings change could impact remarketing which could cause an increase in debt service cost Higher liquidity facility fees resulting in higher cost of funds
Liquidity Risk	Possibility that VRDB's cannot be successfully remarketing, resulting in Bank Bonds (VRDB)	<ul style="list-style-type: none"> Increase in debt service costs due to higher bank bond rate and accelerated principle repayment May be required to refinance or term out the VRDO's Inability to refinance or possibly higher interest rates
Liquidity Provider Default Risk	Possibility that the bank providing the liquidity facility supporting the VRDO's defaults in its obligations under the liquidity facility (VRDB)	<ul style="list-style-type: none"> Issuer required to repay principal and accrued interest if Issuer is not able to refinance Increase in debt service costs
Liquidity Provider Ratings Downgrade	Possibility that a downgrade of the liquidity provider's rating(s) may result in optional tenders (VRDB)	<ul style="list-style-type: none"> Ratings change could impact remarketing which could cause an increase in debt service cost
Refinancing Risk	Possibility that the FRN, Index or Put Loan cannot be remarketed or refinanced (FRN, Index, Put Loans)	<ul style="list-style-type: none"> Hard Put: must repay principal and accrued interest or Event of Default Soft Put: higher interest rate on debt and higher debt service costs up to maximum rate Increase in debt service costs upon any refinancing Inability to refinance or possibly higher interest rates
Regulatory Risk	Possibility that prospective regulatory requirements increase cost of obtaining and maintaining the liquidity facility (VRDB, FRN, Index, Put Loans)	<ul style="list-style-type: none"> Increase in debt service costs Higher liquidity facility fees resulting in higher cost of funds
Reinvestment Risk	Possibility that the issuer may be unable to invest unspent proceeds at or near the interest rate on the bonds (VRDB, FRN, Index, Put Loans)	<ul style="list-style-type: none"> Negative arbitrage resulting in higher cost of funds
Remarketing Risk	Possibility that the remarketing agent does not perform its duties in a satisfactory manner or may resign or cease its remarketing efforts (VRDB)	<ul style="list-style-type: none"> Higher interest rates Difficulty remarketing the VRDO's May require appointment of a successor remarketing agent
Renewal Risk	Possibility that the facility or loan will not be extended for a successive commitment period or not be replaced at a reasonable cost (VRDB, FRN, Index, Put Loans)	<ul style="list-style-type: none"> Issuer required to repay principal and accrued interest on tender date if issuer is not able to refinance Increase in debt service costs
Tax Compliance Risk	For tax exempt bonds, possibility that failure to comply with tax related covenants result in the bonds becoming taxable obligations (VRDB, FRN, Index, Put Loans)	<ul style="list-style-type: none"> Increase in debt service costs retroactively to date of issuance Possible mandatory redemption of bonds affected Risk of IRS audit Difficulty in refinancing the bonds Access to tax exempt market impacted Difficulty in issuing future tax-exempt debt

Clay Gas Utility District
Summary of Debt - Post 2019 Tender
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Cumberland Securities Company, Inc.
Tennessee Public Finance - SPG

\$3,250,000

Clay Gas Utility District of Clay County, Tennessee
 Gas System Revenue Bonds, Series 1998
 Remaining Bonds - Post 2019 Tender

Debt Service

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
12/01/2000	-	-	-	-	-
06/01/2001	-	-	4,671.88	4,671.88	-
08/31/2001	-	-	-	-	4,671.88
12/01/2001	-	-	4,671.88	4,671.88	-
06/01/2002	-	-	4,671.88	4,671.88	-
08/31/2002	-	-	-	-	9,343.76
12/01/2002	-	-	4,671.88	4,671.88	-
06/01/2003	-	-	4,671.88	4,671.88	-
08/31/2003	-	-	-	-	9,343.76
12/01/2003	-	-	4,671.88	4,671.88	-
06/01/2004	-	-	4,671.88	4,671.88	-
08/31/2004	-	-	-	-	9,343.76
12/01/2004	-	-	4,671.88	4,671.88	-
06/01/2005	-	-	4,671.88	4,671.88	-
08/31/2005	-	-	-	-	9,343.76
12/01/2005	-	-	4,671.88	4,671.88	-
06/01/2006	-	-	4,671.88	4,671.88	-
08/31/2006	-	-	-	-	9,343.76
12/01/2006	-	-	4,671.88	4,671.88	-
06/01/2007	-	-	4,671.88	4,671.88	-
08/31/2007	-	-	-	-	9,343.76
12/01/2007	-	-	4,671.88	4,671.88	-
06/01/2008	-	-	4,671.88	4,671.88	-
08/31/2008	-	-	-	-	9,343.76
12/01/2008	65,000.00	6.375%	4,671.88	69,671.88	-
06/01/2009	-	-	2,600.00	2,600.00	-
08/31/2009	-	-	-	-	72,271.88
12/01/2009	-	-	2,600.00	2,600.00	-
06/01/2010	-	-	2,600.00	2,600.00	-
08/31/2010	-	-	-	-	5,200.00
12/01/2010	-	-	2,600.00	2,600.00	-
06/01/2011	-	-	2,600.00	2,600.00	-
08/31/2011	-	-	-	-	5,200.00
12/01/2011	-	-	2,600.00	2,600.00	-
06/01/2012	-	-	2,600.00	2,600.00	-
08/31/2012	-	-	-	-	5,200.00
12/01/2012	-	-	2,600.00	2,600.00	-
06/01/2013	-	-	2,600.00	2,600.00	-
08/31/2013	-	-	-	-	5,200.00
12/01/2013	80,000.00	6.500%	2,600.00	82,600.00	-
08/31/2014	-	-	-	-	82,600.00
Total	\$145,000.00	-	\$100,750.08	\$245,750.08	-

Date And Term Structure

Dated.....	12/01/2000
First Coupon Date.....	6/01/2001
Frequency of Interest Payments.....	2 Per Year
First Serial Maturity Date.....	12/01/2001

Yield Statistics

Average Coupon.....	6.4583385%
Weighted Average Maturity.....	10.759 Years
Bond Year Dollars.....	\$1,560.00
Bond Yield for Arbitrage Purposes.....	6.4543264%
True Interest Cost (TIC).....	6.4543264%

Cumberland Securities Company, Inc.
 Tennessee Public Finance

\$150,000
 Clay Gas Utility District of Clay County, Tennessee
 Gas System Revenue Bond, Series 2012 (Subordinated)
 Raymond James - Purchaser

Debt Service

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
03/28/2012	-	-	-	-	-
08/01/2012	-	-	3,331.25	3,331.25	-
08/31/2012	-	-	-	-	3,331.25
02/01/2013	-	-	4,875.00	4,875.00	-
08/01/2013	8,500.00	6.500%	4,875.00	13,375.00	-
08/31/2013	-	-	-	-	18,250.00
02/01/2014	-	-	4,598.75	4,598.75	-
08/01/2014	12,000.00	6.500%	4,598.75	16,598.75	-
08/31/2014	-	-	-	-	21,197.50
02/01/2015	-	-	4,208.75	4,208.75	-
08/01/2015	13,000.00	6.500%	4,208.75	17,208.75	-
08/31/2015	-	-	-	-	21,417.50
02/01/2016	-	-	3,786.25	3,786.25	-
08/01/2016	13,500.00	6.500%	3,786.25	17,286.25	-
08/31/2016	-	-	-	-	21,072.50
02/01/2017	-	-	3,347.50	3,347.50	-
08/01/2017	14,500.00	6.500%	3,347.50	17,847.50	-
08/31/2017	-	-	-	-	21,195.00
02/01/2018	-	-	2,876.25	2,876.25	-
08/01/2018	15,500.00	6.500%	2,876.25	18,376.25	-
08/31/2018	-	-	-	-	21,252.50
02/01/2019	-	-	2,372.50	2,372.50	-
08/01/2019	16,500.00	6.500%	2,372.50	18,872.50	-
08/31/2019	-	-	-	-	21,245.00
02/01/2020	-	-	1,836.25	1,836.25	-
08/01/2020	17,500.00	6.500%	1,836.25	19,336.25	-
08/31/2020	-	-	-	-	21,172.50
02/01/2021	-	-	1,267.50	1,267.50	-
08/01/2021	19,000.00	6.500%	1,267.50	20,267.50	-
08/31/2021	-	-	-	-	21,535.00
02/01/2022	-	-	650.00	650.00	-
08/01/2022	20,000.00	6.500%	650.00	20,650.00	-
08/31/2022	-	-	-	-	21,300.00
Total	\$150,000.00	-	\$62,968.75	\$212,968.75	-

Date And Term Structure

Dated.....	3/28/2012
First Coupon Date.....	8/01/2012
Frequency of Interest Payments.....	2 Per Year
First Serial Maturity Date.....	8/01/2013

Yield Statistics

Average Coupon.....	6.5000000%
Weighted Average Maturity.....	6.458 Years
Bond Year Dollars.....	\$968.75
Bond Yield for Arbitrage Purposes.....	6.5021876%
True Interest Cost (TIC).....	6.5021876%

\$50,000

Clay Gas Utility District of Clay County, Tennessee
Raymond James Fee

Debt Service

Date	Principal	Coupon	Total P+I	Fiscal Total
03/28/2012	-	-	-	-
08/01/2013	10,000.00	-	10,000.00	-
08/31/2013	-	-	-	10,000.00
08/01/2014	10,000.00	-	10,000.00	-
08/31/2014	-	-	-	10,000.00
08/01/2015	10,000.00	-	10,000.00	-
08/31/2015	-	-	-	10,000.00
08/01/2016	10,000.00	-	10,000.00	-
08/31/2016	-	-	-	10,000.00
08/01/2017	10,000.00	-	10,000.00	-
08/31/2017	-	-	-	10,000.00
Total	\$50,000.00	-	\$50,000.00	-

Date And Term Structure

Dated.....	3/28/2012
First Coupon Date.....	8/01/2013
Frequency of Interest Payments.....	2 Per Year
First Serial Maturity Date.....	8/01/2013

Yield Statistics

Average Coupon.....	-
Weighted Average Maturity.....	3.342 Years
Bond Year Dollars.....	\$167.08
Bond Yield for Arbitrage Purposes.....	3.62E-10
True Interest Cost (TIC).....	3.62E-10

Clay Gas Utility District of Clay County, Tennessee

Total Debt Payments - Includes Deferred Fee

Aggregate Debt Service

Date	Principal	Interest	Total P+I
08/31/2001	-	4,671.88	4,671.88
08/31/2002	-	9,343.76	9,343.76
08/31/2003	-	9,343.76	9,343.76
08/31/2004	-	9,343.76	9,343.76
08/31/2005	-	9,343.76	9,343.76
08/31/2006	-	9,343.76	9,343.76
08/31/2007	-	9,343.76	9,343.76
08/31/2008	-	9,343.76	9,343.76
08/31/2009	65,000.00	7,271.88	72,271.88
08/31/2010	-	5,200.00	5,200.00
08/31/2011	-	5,200.00	5,200.00
08/31/2012	-	8,531.25	8,531.25
08/31/2013	18,500.00	14,950.00	33,450.00
08/31/2014	102,000.00	11,797.50	113,797.50
08/31/2015	23,000.00	8,417.50	31,417.50
08/31/2016	23,500.00	7,572.50	31,072.50
08/31/2017	24,500.00	6,695.00	31,195.00
08/31/2018	15,500.00	5,752.50	21,252.50
08/31/2019	16,500.00	4,745.00	21,245.00
08/31/2020	17,500.00	3,672.50	21,172.50
08/31/2021	19,000.00	2,535.00	21,535.00
08/31/2022	20,000.00	1,300.00	21,300.00
Total	\$345,000.00	\$163,718.83	\$508,718.83

Par Amounts Of Selected Issues

1998 - Unpaid - 2019-07-02.....	145,000.00
2012 Bond - Subordinated - Current.....	150,000.00
2012 Fee - Subordinated - Current.....	50,000.00
TOTAL.....	345,000.00

Clay Gas Utility District of Clay County, Tennessee
Total amount Due to Bondholders

1998 Bonds	245,750.08
2012 Bond (Assumes Full Payout)	212,968.75
2012 Deferred Fee	<u>50,000.00</u>
Total Due	508,718.83

Copper Basin Utility District

	County: Polk			
	2016	2017	2018	2019
Unrestricted Net Position	\$1,103,867.00	\$1,248,442.00	\$729,301.00	\$560,329.00
Operating Revenues	\$940,960.00	\$977,690.00	\$956,186.00	\$1,047,418.00
Net Sales	\$929,560.00	\$963,990.00	\$943,058.00	\$1,038,918.00
Operating Expenses	\$883,211.00	\$909,783.00	\$973,257.00	\$1,035,920.00
Operating Income	\$57,749.00	\$67,907.00	(\$17,071.00)	\$11,498.00
Depreciation Expense	\$198,345.00	\$209,083.00	\$221,250.00	\$232,067.00
Non-Operating Rev. (Exp.)	(\$24,943.00)	(\$104,031.00)	(\$24,693.00)	\$(1,964.00)
Operating Profit	\$32,806.00	(\$36,124.00)	(\$41,764.00)	\$9,534.00
Grants and Capital Contribution	\$0.00	\$200,000.00	\$0.00	\$30,000.00
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	\$32,806.00	\$163,876.00	(\$41,764.00)	\$39,534.00
Statutory Change in NP (2017)	\$32,806.00	(\$36,124.00)	(\$41,764.00)	\$9,534.00
Pension and OPEB Asset	\$0.00	\$0.00	\$0.00	\$0.00
Pension and OPEB Liability	\$0.00	\$0.00	\$0.00	\$0.00
Statutory Change in NP (2018)		(\$36,124.00)	(\$41,764.00)	\$9,534.00





JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Case: Copper Basin Utility District

On October 29, 2019, the Board ordered the District to comply with the following:

1. The District shall have the Tennessee Association of Utility Districts, or another qualified expert as approved by Board staff, complete a rate study that includes the following:
 - a. creation of a rate and fee policy;
 - b. a justification for the multiple residential rate classes, or if no justification is possible, recommendations for one rate class for all residential customers;
 - c. a justification for the multiple commercial rate classes, or if no justification is possible, recommendations for one rate class for all commercial customers;
 - d. a review of the new customer contracts for homeowners and renters, including any recommended modifications; and
 - e. a review of the current capital asset plan, including any recommended modifications.
2. By December 6, 2019, the District shall send Board staff a copy of the contract between the District and the qualified expert who is to perform the tasks in paragraph 1.
3. By April 30, 2020, the District shall provide Board staff with the completed rate study, and either proof of implementation of the resulting recommendations or a proposed plan of implementation. Board staff shall hold a public hearing, if necessary, on the new proposed plan of action.
4. Board Staff is given the authority to grant one extension of up to six months of the foregoing deadlines upon a showing of good cause by the District.

The District contracted with Communities Unlimited to perform the rate study and complete the other action items. While Communities Unlimited did perform a rate study, it failed to complete items a through e of Paragraph 1. The rate study is therefore insufficient, and staff cannot determine how to assist the District moving forward without a more thorough rate study. The rate study can be viewed on the accompanying pages.

Staff Recommendation:

The Board should order the following:



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

1. The District shall have the Tennessee Association of Utility Districts, or another qualified expert as approved by Board staff, complete a rate study that includes the following:
 - a. creation of a rate and fee policy;
 - b. a justification for the multiple residential rate classes, or if no justification is possible, recommendations for one rate class for all residential customers;
 - c. a justification for the multiple commercial rate classes, or if no justification is possible, recommendations for one rate class for all commercial customers;
 - d. a review of the new customer contracts for homeowners and renters, including any recommended modifications; and
 - e. a review of the current capital asset plan, including any recommended modifications.
2. 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.
3. By January 31, 2020, the District shall provide Board staff with the completed rate study, and either proof of implementation of the resulting recommendations or a proposed plan of implementation. Board staff shall hold a public hearing, if necessary, on the new proposed plan of action.
4. Board Staff is given the authority to grant one extension of up to six months of the foregoing deadlines upon a showing of good cause by the District.

Crockett Mills Utility District

	County: Crockett			
	2016	2017	2018	2019
Unrestricted Net Position	\$345,613.00	\$349,295.00	\$341,485.00	\$372,900.00
Operating Revenues	\$123,483.00	\$122,263.00	\$118,086.00	\$138,507.00
Net Sales	\$122,083.00	\$121,503.00	\$117,246.00	\$137,667.00
Operating Expenses	\$109,208.00	\$133,614.00	\$140,951.00	\$114,322.00
Operating Income	\$14,275.00	(\$11,351.00)	(\$22,865.00)	\$24,185.00
Depreciation Expense	\$13,220.00	\$13,392.00	\$13,366.00	\$13,395.00
Non-Operating Rev. (Exp.)	\$1,586.00	\$1,642.00	\$1,688.00	\$(2,665.00)
Operating Profit	\$15,861.00	(\$9,709.00)	(\$21,177.00)	\$21,520.00
Grants and Capital Contribution	\$0.00	\$0.00	\$0.00	\$-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	\$15,861.00	(\$9,709.00)	(\$21,177.00)	\$21,520.00
Statutory Change in NP (2017)	\$15,861.00	(\$9,709.00)	(\$21,177.00)	\$21,520.00
Pension and OPEB Asset	\$0.00	\$0.00	\$0.00	\$0.00
Pension and OPEB Liability	\$0.00	\$0.00	\$0.00	\$0.00
Statutory Change in NP (2018)		(\$9,709.00)	(\$21,177.00)	\$21,520.00





JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Entity Referred: **Crockett Mills Utility District**
Referral Reason: **Negative Change in Net Position**
Utility Type Referred: **Water**
Date of Initial Referral: **7/16/2019**

Staff Summary:

Crockett Mills Utility District was referred to the Board on July 16, 2019. Board staff initially had issues contacting the District but were eventually able to speak with a representative of the District. The District submitted the questionnaire which can be found in the accompanying pages.

The District indicated to Board staff that it has contacted TAUD for a rate study, but TAUD confirmed that the District has not.

Staff Recommendations:

Order the following:

1. The District shall have the Tennessee Association of Utility Districts, or another qualified expert as approved by Board staff, perform a rate study that includes the following:
 - a. a review of the leak adjustment policy;
 - b. a review of tap and bore fees; and
 - c. the creation of a five-year capital asset budget to be taken from the current capital asset list and to include future anticipated needs.
2. 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.
3. By January 31, 2021, the District shall provide Board staff with the completed rate study, and either proof of implementation of the resulting recommendations or a proposed plan of implementation.
4. By September 30, 2020, the District shall ensure that its commissioners have met all training requirements and are thus eligible to serve pursuant to Tenn. Code Ann. §§ 7-82-307(b)(5) & 7-82-308(1). Otherwise, the District shall appoint eligible commissioners in accordance with the law.
5. By October 30, 2020, the District shall provide Board staff with proof of compliance with the directives in paragraph 4.
6. 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.

Crockett Mills UD

Water Rates

	Prior to 4/1/14	eff. 4/1/14	eff. 5/1/19	eff. 1/1/20
Minimum Bill	\$19.77*	\$19.77	\$23.72	\$24.00
Charge per 1000/gal	\$2.50	\$2.50	\$3.00	\$3.50
Sample Bills				
No usage	\$19.77	\$19.77	\$23.72	\$24.00
1,000 gal	\$19.77	\$22.27	\$26.72	\$27.50
2,000 gal	\$19.77	\$24.77	\$29.72	\$31.00
5,000 gal	\$27.27	\$32.27	\$38.72	\$41.50
7,500 gal	\$33.52	\$38.52	\$46.22	\$50.25
10,000 gal	\$39.77	\$44.77	\$53.72	\$59.00
15,000 gal	\$52.27	\$57.27	\$68.72	\$76.50
20,000 gal	\$64.77	\$69.77	\$83.72	\$94.00
50,000 gal	\$139.77	\$144.77	\$173.72	\$199.00

*prior to 4/1/2014, the minimum bill included the 1st 2,000 gallons.

Crockett Mills Utility District

Fee schedule

1. Meter Tap Fee (approved 8/11/2009)

- 3/4 inch...\$400
- 1 inch...\$600
- 4 inch...\$1,500

2. Bore Fee (revised 4/9/19)

- \$500 for 3/4 or 1 inch meters

3. Connection Fees (in effect prior to 2008)

- \$40 for both owners and renters, nonrefundable

4. Refundable Deposit (in effect prior to 2008)

- \$100 for rental accounts, full deposit is returned to the customer less any outstanding bills when the customer discontinues service.

5. Tamper Fee (in effect prior to 2008)

- \$50

Board of Commissioners

Name: Jeff Fox

Title: President

Mailing Address: 544 Manley Rd, Alamo, TN 38001

Phone Number: 731-345-9727

Date of Initial Appointment: 1998

Training: Completed 12 hrs in 2013, 12 hrs in 2017, 4 hrs in 2018 (TAUD)

Name: Dean Speight

Title: Vice-President

Mailing Address: 1078 Colvett Rd, Alamo, TN 38001

Phone Number: 731-345-0051

Date of Initial Appointment: 1995

Training: Completed 12 hours in 2011, 2014, 2017 and 4 hours in 2018 (TAUD)

Name: Rickey Hart

Title: Secretary

Mailing Address: 3979 Colvett Rd, Alamo, TN 38001

Phone Number: 731-617-1011

Date of Initial Appointment: 1995

Training: Completed 12 hours in 2011, 2014, 2017 and 4 hours in 2018 (TAUD)

Name: Randy Perry

Title: commissioner

Mailing Address: PO Box 95, Crockett Mills, TN 38021

Phone Number: 731-694-0216

Date of Initial Appointment: 2018

Training: Completed TN Comptrollers Utility Commissioners Training 10/13/2019

Name: Caleb Spitzer

Title: commissioner

Mailing Address: 6260 Hwy 188, Alamo, TN 38001

Phone Number: 731-617-0799

Date of Initial Appointment: 2019

Training: has not completed

CROCKETT MILLS UTILITY DISTRICT

PO BOX 58

CROCKETT MILLS, TN 38021

Adjustments to Bills or Leak Adjustments

Responsible for administering policy: Bookkeeper

BACKGROUND AND PURPOSE

It is accepted utility practice in the United States that the customer is responsible for utility service on the customer side of the meter. This includes leakage.

The utility is operated for the benefit of all existing and future customers, and while no customer shall intentionally be treated unfairly, no customer shall be treated in a way that compromises the interests of other customers.

LIMITATIONS

The utility is subject to state and Federal regulations and has no discretion to adjust bills in a manner which would violate these regulations.

POLICY

1. The need to adjust a utility bill may be evident by a customer complaint of excessive billings or evidence of leakage on the customer side of the meter.
2. It is the customer's responsibility to keep his plumbing system in good working order. If, however, utility meter reader or other employees suspect leakage on the customer's side of the meter, they shall attempt to notify the customer by knocking on the door, leaving a note, or by telephone.
3. No customer shall receive more than one adjustment during any 12-month period.
4. The utility will first determine that the meter was properly read. If an investigation of the meter and meter records establishes that the meter was misread, reading was mis-keyed or that there was a failure of utility equipment, a new bill will be issued using the water usage of either the previous month or the same month of the previous year, whichever is less. The amount of the bill will be based upon the water rate structure in effect during the month being adjusted. There will be no penalty assessed in the event the adjustment procedure delays payment past the penalty date. Misreads or clerk entry errors can be corrected without Board approval, but the Board will be informed of corrections at the next regular board meeting. Corrections do not count as an adjustment for the customer's 12-month period.

5. If it is determined that the meter was properly read and keyed and that there is no evidence of equipment failure, the bill will be considered correct.
6. If a customer wishes to be considered for an adjustment for reasons not covered in item #4, the following applies:
 - a. Customer must request an adjustment by contacting the Utility office. Bills will not be automatically adjusted without a request unless item #4 applies.
 - b. Customer MUST provide proof of leak repair with either a paid plumbing bill or a parts invoice/receipt.
 - c. All adjustments to bills must be approved by Commissioners at the next regularly scheduled board meeting.
 - d. Adjustments will be figured by taking an average of the usage from the three prior months. The amount of the adjusted bill will be based upon the water rate structure in effect during the month being adjusted.
 - e. If the Board meeting date falls after the 10th of the month, the customer will not be charged a late fee while waiting for adjustment approval.
7. Adjustments on water bills will NOT be made on the following:
 - a. Bills that are less than \$25 greater than the previous month's bill.
 - b. Premises left, abandoned or maintained without reasonable care of the plumbing system, including winterization.
 - c. More than one occurrence per 12-month period.
 - d. Filling of swimming pools.
 - e. Leak not repaired after notification by the utility of a leak.
 - f. Failure to provide proof of leak repair.
8. The Utility shall not be obligated to make any adjustments of any bills not contested within ninety (90) days from the billing date.
9. The Utility shall be under no obligation to extend the due date or time for paying any bills because the customer disputes the amount of the bills.
10. All adjustments to water bills, for any reason other than correcting an error as outlined in item #4, require Board approval and shall be recorded in the District's minutes.

All records of billing adjustments shall be kept for the minimum of ten years.

Revised: February 11, 2020

Ross Colona

From: Kelly Evans <kelly@younghughesinsurance.com>
Sent: Monday, December 9, 2019 8:41 AM
To: Ross Colona
Subject: RE: Utility Management Review Board Financial Questionnaire

Follow Up Flag: Follow up
Flag Status: Completed

Good morning,

I am so sorry that you had incorrect information. The correct mailing address for Crockett Mills Utility District is:

Crockett Mills Utility District
PO Box 58
Crockett Mills, TN 38021

This email, kelly@younghughesinsurance.com, is the best one to use also. If you need to call, you can reach me at 731-696-5480 during business hours.

I have received the questionnaire and will begin working on it. I notice that some questions refer to whether or not action was taken in the current fiscal year. Our fiscal year runs Jan 1 – Dec 31, but the questionnaire is due in Feb 2020. To which fiscal year does the question refer? 2019 or 2020? I hope to return this to you by Dec 31, but I want to make sure I'm answering for the correct year.

Thank you,

Kelly Evans
Crockett Mills Utility District

From: Ross Colona <Ross.Colona@cot.tn.gov>
Sent: Monday, December 9, 2019 8:09 AM
To: Kelly Evans <kelly@younghughesinsurance.com>
Subject: FW: Utility Management Review Board Financial Questionnaire

Ms. Evans,

I was given this email address as a better way to contact you. Can you please acknowledge receipt of the questionnaire from the Utility Management Review Board along with the best address for a physical copy to be sent to?

Thanks,

Ross Colona
Tennessee Comptroller of the Treasury
Utilities Specialist | Division of Administration
Fourth Floor Cordell Hull Building
425 Fifth Avenue North
Nashville, TN 37243-3400
Phone: (615) 401-7943



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Tuesday, November 26, 2019

Crockett Mills Utility District
Kelly Evans
57 N Bells Street
Alamo, TN 38001

Dear Kelly Evans,

The Tennessee Comptroller of the Treasury has referred Crockett Mills Utility District (hereinafter "District") to the Utility Management Review Board (hereinafter "Board") for financial distress pursuant to Tennessee Code Annotated § 7-82-401(g).

Please fill out the enclosed questionnaire and return it and all supporting documentation to our office no later than February 28, 2020. Please submit this to either utilities@cot.tn.gov and/or the following mailing address:

TN Comptroller of the Treasury
Attention: John Greer/Ross Colona
Cordell Hull Building
425 Fifth Avenue North
Nashville, TN 37243

If you wish to submit this information via mail, **do not send stapled documents.**

While we recognize that this questionnaire may be difficult to fill out, it is necessary to determine how we can help you achieve long-term financial success. If you are having trouble filling this out, please contact our office for additional assistance. After we receive your information, we will decide whether it is necessary for the District to meet with our staff or go directly before the Board.

If you need further assistance or have any questions, please feel free to contact us at (615) 747-5260 or utilities@cot.tn.gov.

Sincerely,

John Greer
Technical Secretary

Ross Colona
Ross Colona
Utilities Specialist

Griffith Creek Utility District

	County: Marion			
	2016	2017	2018	2019
Unrestricted Net Position	\$226,512.62	\$217,720.01	\$161,273.01	\$164,683.11
Operating Revenues	\$284,109.60	\$285,098.72	\$299,473.57	\$341,577.48
Net Sales	\$276,069.60	\$275,221.92	\$288,073.85	\$331,896.96
Operating Expenses	\$323,870.25	\$315,204.26	\$345,911.21	\$327,892.09
Operating Income	(\$39,760.65)	(\$30,105.54)	(\$46,437.64)	\$13,685.39
Depreciation Expense	\$83,298.86	\$63,786.90	\$64,027.98	\$60,483.60
Non-Operating Rev. (Exp.)	(\$14,932.43)	(\$14,036.95)	(\$15,810.87)	\$(102,476.02)
Operating Profit	(\$54,693.08)	(\$44,142.49)	(\$62,248.51)	(\$88,790.63)
Grants and Capital Contribution	\$0.00	\$0.00	\$0.00	\$-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	(\$580,499.73)	(\$44,142.49)	(\$62,248.51)	(\$88,790.63)
Statutory Change in NP (2017)	(\$580,499.73)	(\$44,142.49)	(\$62,248.51)	(\$88,790.63)
Pension and OPEB Asset	\$0.00	\$0.00	\$0.00	\$0.00
Pension and OPEB Liability	\$0.00	\$0.00	\$0.00	\$0.00
Statutory Change in NP (2018)		(\$44,142.49)	(\$62,248.51)	(\$88,790.63)





JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Entity Referred: **Griffith Creek Utility District**
Referral Reason: **Negative Change in Net Position**
Utility Type Referred: **Water**
Date of Initial Referral: **8/25/2017**

Staff Summary:

On January 30, 2020, representatives of Griffith Creek Utility District (“GCUD”), Big Creek Utility District (“BCUD”), and Board staff and counsel participated in consolidation negotiations with an administrative law judge acting as mediator. The representatives were able to work through multiple issues and agreed upon a consolidation agreement to be presented to the GCUD and BCUD boards, who then had various suggested amendments.

While most issues have been resolved, the attorneys for GCUD and BCUD are currently working through some remaining details. After the boards of both GCUD and BCUD vote to approve the form of the agreement, staff will present the agreement to the Board.

BEFORE THE TENNESSEE UTILITY MANAGEMENT REVIEW BOARD

IN THE MATTER OF:

**GRIFFITH CREEK UTILITY
DISTRICT**

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**TENN. CODE ANN. § 7-82-401(g)
-FINANCIAL DISTRESS**

ORDER

On October 18, 2018, the Tennessee Utility Management Review Board (“the Board”) reviewed the financially distressed status of Griffith Creek Utility District (“the District”) pursuant to Tenn. Code Ann. § 7-82-401(g). The District has increased rates but has not submitted proof that it had a rate study performed. Based on the District’s financially distressed status, the Board hereby orders the following:

1. The District shall have the Tennessee Association of Utility Districts or another qualified expert perform a rate study to include:
 - a. a review of the nine repeat audit findings and possible steps for correction;
 - b. a review of current water loss practices;
 - c. a review of the capitalization and debt management policy; and
 - d. a review of the District’s five-year capital asset plan.
2. 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) & 7-83-308(f). Otherwise, the District shall appoint eligible commissioners in accordance with the law.

3. The District shall provide the completed rate study and a proposed plan of action to Board staff by April 30, 2019. Board staff shall hold a public hearing within the service area of the District pursuant to Tenn. Code Ann. § 7-82-703(b).
4. The District shall send financial updates to staff by March 1 and September 1 of each year beginning September 1, 2019, until the Board releases the District from its oversight.

ENTERED this 24 day of October, 2018.



ANN V. BUTTERWORTH, Chair
Utility Management Review Board

BEFORE THE TENNESSEE UTILITY MANAGEMENT REVIEW BOARD

IN THE MATTER OF:

**GRIFFITH CREEK UTILITY
DISTRICT**

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**TENN. CODE ANN. § 7-82-401(g)
-FINANCIAL DISTRESS**

ORDER

On October 24, 2019, the Tennessee Utility Management Review Board (“the Board”) reviewed the financially distressed status of Griffith Creek Utility District (“the District”) pursuant to Tenn. Code Ann. § 7-82-401(g). Board staff informed the Board that the District had complied with the Board’s previous directives. However, the District purchases all its water from Big Creek Utility District (“Big Creek”), and Big Creek performs the entirety of the District’s field operations. Staff informed the Board that the District’s role in serving its customer base is minimal. Staff opined that the best and only realistic option for the District’s future is consolidation with Big Creek. The District also owns a cemetery and a former elementary school building with an accompanying playground, for which the District is responsible for the costs of maintenance.

Therefore, based on Staff’s statements, recommendations, and all supporting documentation, the Board hereby initiates negotiations for the consolidation of the District with Big Creek pursuant to Tenn. Code Ann. § 7-82-704(a) and orders the following:

1. Staff shall arrange and participate in negotiations for the consolidation of the District with Big Creek, including obtaining the assistance of a mediator if necessary.
2. Such consolidation negotiations shall include a plan of action for the divestment of the school building and cemetery.

3. Staff shall provide the Board an update on the consolidation negotiations at the Board's first regularly scheduled meeting of 2020.

ENTERED this 29th day of October, 2019.

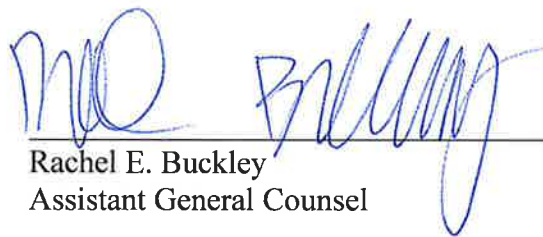


ANN V. BUTTERWORTH, Chair
Utility Management Review Board

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 29th day of October, 2019:

Donald Byrd, Chairman
Board of Commissioners
Griffith Creek Utility District
6684 Highway 108
Whitwell, TN 37397



Rachel E. Buckley
Assistant General Counsel

Harbor Utility District

	County: Benton			
	2016	2017	2018	2019
Unrestricted Net Position	\$90,591.00	\$114,246.00	\$86,563.00	\$103,524.00
Operating Revenues	\$117,745.00	\$125,394.00	\$120,302.00	\$119,237.00
Net Sales	\$112,076.00	\$119,929.00	\$115,236.00	\$113,602.00
Operating Expenses	\$118,291.00	\$94,800.00	\$109,952.00	\$98,420.00
Operating Income	(\$546.00)	\$30,594.00	\$10,350.00	\$20,817.00
Depreciation Expense	\$18,744.00	\$18,762.00	\$19,772.00	\$20,078.00
Non-Operating Rev. (Exp.)	(\$13,826.00)	(\$13,434.00)	(\$10,219.00)	\$(12,900.00)
Operating Profit	(\$14,372.00)	\$17,160.00	\$131.00	\$7,917.00
Grants and Capital Contribution	\$0.00	\$0.00	\$0.00	\$-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	(\$14,372.00)	\$7,499.00	\$9,792.00	\$7,917.00
Statutory Change in NP (2017)	(\$14,372.00)	\$7,499.00	\$9,792.00	\$7,917.00
Pension and OPEB Asset	\$0.00	\$0.00	\$0.00	\$0.00
Pension and OPEB Liability	\$0.00	\$0.00	\$0.00	\$0.00
Statutory Change in NP (2018)		\$7,499.00	\$9,792.00	\$7,917.00





JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Entity Referred: **Harbor Utility District**
Referral Reason: **Negative Change in Net Position**
Utility Type Referred: **Water & Sewer**
Date of Initial Referral: **11/16/2016**

Staff Summary:

Harbor Utility District was referred to the Utility Management Review Board on 11/16/2016 for financial distress. The District has not been referred to the Board since.

The District has shown a profit for the prior three fiscal years.

Staff Recommendation:

Order the following:

1. The District is officially released from the Board's oversight for financial distress.
2. Staff and Counsel shall close the case.

Iron City Utility District

	County: Lawrence			
	2016	2017	2018	2019
Unrestricted Net Position	\$113,676.00	\$101,286.00	\$88,597.00	
Operating Revenues	\$168,726.00	\$139,001.00	\$139,537.00	
Net Sales	\$167,950.00	\$139,237.00	\$136,166.00	
Operating Expenses	\$159,526.00	\$177,351.00	\$177,735.00	
Operating Income	\$9,200.00	(\$38,350.00)	(\$38,198.00)	
Depreciation Expense	\$26,728.00	\$25,893.00	\$25,435.00	
Non-Operating Rev. (Exp.)	\$88.00	\$66.00	\$75.00	
Operating Profit	\$9,288.00	(\$38,284.00)	(\$38,123.00)	
Grants and Capital Contribution	\$0.00	\$0.00	\$0.00	
Transfers In	\$0.00	\$0.00	\$0.00	
Transfers Out	\$0.00	\$0.00	\$0.00	
GAAP Change in Net Position	\$9,288.00	(\$38,284.00)	(\$38,123.00)	
Statutory Change in NP (2017)	\$9,288.00	(\$38,284.00)	(\$38,123.00)	
Pension and OPEB Asset	\$0.00	\$0.00	\$0.00	
Pension and OPEB Liability	\$0.00	\$0.00	\$0.00	
Statutory Change in NP (2018)		(\$38,284.00)	(\$38,123.00)	





JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Entity Referred: **Iron City Utility District**
Referral Reason: **Negative Change in Net Position**
Utility Type Referred: **Water**
Date of Initial Referral: **9/30/2019**

Staff Summary:

Iron City Utility District was referred to the Board on September 30, 2019 for financial distress and timely submitted its financial questionnaire.

Rye Engineering located and fixed a leak that was causing a loss of approximately 30 gallons per minute. The District has cut water loss by 50% and is being trained to use an acoustic leak detector.

While the District has made great strides in solving its financial and water loss issues, it has not performed a rate study in several years.

Staff Recommendation

Order the following:

1. The District shall have the Tennessee Association of Utility Districts, or another qualified expert as approved by Board staff, perform a rate study 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 Board staff proof that all the District's board members have complied with the 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 one extension of up to six months of the foregoing deadlines upon a showing of good cause by the District.

Section B: Water Utility Information

1. Does your utility offer water? *Yes*
 - a. If yes, please complete the following section. If no, please proceed to Section C: Wastewater Utility Information.
2. Have you had any rate changes in the previous five years?
 Yes or No (Circle your answer)
 - a. Please provide a copy of your current rate ordinance/structure and the justification for why the rates are set this way- including any recent rate studies performed for the utility.
 - b. Please provide a copy of previous rate ordinances/structures from the previous five years if you answered yes to Question #2.
 - c. If you have differing rate classes (inside/outside city limits, residential/commercial/industrial, new developments, etc.), please provide justification as to why these rates are set the way they are.
3. Do you have any current plans for a rate change?
Yes or No (Circle your answer)
 - a. If yes, please provide a written answer to the following questions:
 - i. Are you planning for a rate increase or decrease?
 - ii. Are you planning this change across all customer classes or only on a certain customer class?
 - iii. Has your Board voted on this rate change yet?
 - iv. If your Board has discussed a rate change at recent meetings, please attach a copy of the relevant minutes at which this meeting took place.
4. Have you had any utility fee changes in the previous five years?
 Yes or No (Circle your answer)
 - a. Please provide a copy of your current utility fee schedule.
 - b. Please provide a copy of previous utility fee schedules if you answered yes to Question #3.
 - c. Please provide a written rationale for the charges for tap fees, reconnect fees, etc.
5. Has your debt management policy been reviewed in the last 5 years?
Yes or No (Circle your answer) *Debt Management Policy will be reviewed at the February 27 meeting.*
 - a. Please provide a copy of your debt management policy. If you do not have a debt management policy, please provide a written rationale for why a debt management policy has not been adopted.
6. Has your capitalization policy been reviewed in the last 5 years?
 Yes or No (Circle your answer)
 - a. Please provide a copy of your capitalization policy. If you do not have a capitalization policy, please provide a written rationale for why a capitalization policy has not been adopted.

7. Please provide the most recent 3 months of balance sheets and income statements for your water fund.
 - a. If you are a water and wastewater utility and are having difficulty breaking out the accounts, please use percentages or estimate for accounts for the most accurate depiction of the financial status of the utility.
8. Do you have a plan to remedy your financially distressed position for your water fund?
Yes or No (Circle your answer)
 - a. If yes, please provide a detailed copy.
 - b. If no, please provide a justification for why not.
9. How often does your board have regularly scheduled meetings?

Answer: The last Thursday of the month

- a. Please provide a list containing the following information for the individuals serving on your board:
 - i. Name
 - ii. Title
 - iii. Mailing Address
 - iv. Phone Number
 - v. Date of Initial Election or Appointment
 - vi. Have they fulfilled their initial 12 hour training requirement within the first year of service, if applicable? Yes or No
 - vii. If so, please provide proof that this training requirement has been satisfied.
 - viii. If applicable, have they fulfilled their 12 hour training requirement every 3 years after the requirement satisfied in their initial year? Yes or No
 - ix. If so, please provide proof that this training requirement has been satisfied.
10. How many total customers do you currently have?

Answer: 233

- a. Please provide a numerical break-down of the totals for each type of customer:
 - i. Billed - 233
 - ii. Unbilled
 - iii. Metered - 1
 - iv. Unmetered
 - v. Breakdown by Rate Class (inside, outside, inside residential, inside commercial, outside residential, outside commercial, etc.) All the same
11. What percentage of your sales do your largest 10 customers account for annually?
(Largest 10 Customer Sales Total / Total Annual Water Sales)

Answer: 13.07%

12. What percentage of your volume do your largest 10 customers account for annually?
(Gallons of Water sold to Largest 10 Customers / Total Gallons of Water Sold)

Answer: 17.66%

13. Do you have a leak adjustment policy?

Yes or No (Circle your answer)

- a. If yes, how many leak adjustments were performed based on your leak adjustment policy in the last 12 months? What is the cost associated with these leaks?

Answer:

- b. If yes, please attach a copy of your leak adjustment policy.
c. If no, please move on to the next question.

14. Have you incurred any new debt during the current fiscal year for your water utility, or do you plan on incurring any debt during the current fiscal year for your water utility?

Yes or No (Circle your answer)

- a. If yes, please provide a detailed explanation regarding the debt.
b. If no, please move on to the next question.

15. Have you received any grants or capital contributions during the current fiscal year for your water utility, or do you plan on receiving any grants or capital contributions during the current fiscal year for your water utility?

Yes or No (Circle your answer)

- a. If yes, please provide a detailed explanation regarding these grants or capital contributions.
b. If no, please move on to the following question.

16. Have you applied for any grants that will be received over the next two years?

Yes or No (Circle your answer)

- a. If yes, please provide a detailed explanation regarding these potential grants.
b. If no, please move on to the following question.

17. Are your customers made aware of the rates and fees you have in place annually?

Yes or No (Circle your answer)

- a. If yes, how is this accomplished? *Only if the rates are changed - New rates are put in the paper & included with the bills.*
b. If no, please provide a written justification as to why not.

18. Do you review your capital asset list?

Yes or No (Circle your answer)

- a. If yes, how often is this list reviewed and by whom? *Yearly during the audit*
b. If no, please provide a written justification as to why not.
c. Please provide a copy of your capital asset plan, or a justification as to why you do not have one.

19. Do you keep a copy of your capital asset list on file?

Yes or No (Circle your answer)

20. Do you produce your own water supply?

Yes or No (Circle your answer)

- a. If yes, what is the cost per thousand gallons to produce?

Answer:

- b. If no, please move on to the next question.

21. Do you purchase your water supply?

- a. If yes, please provide the following:
 - i. List of entities water is purchased from - *City of St. Joseph*
 - ii. Rates at which water is purchased at **2.59 per 1000 gallons*
 - iii. Water purchase contract with these entities, if no contract exists please give an explanation as to why there is no contract. *Yes*
- b. If no, please move on to the following question.

22. Do you have any wholesale customers?

Yes or No (Circle your answer)

- a. If yes, please provide the contract(s) with these customer(s) or a detailed explanation as to why a contract does not exist and the rate at which water is sold to this customer.
- b. If no, please move on to the following question.

23. Do you have a plan to improve your non-revenue water percentage?

Yes or No (Circle your answer)

- a. If yes, please provide a detailed explanation as to how this will be improved along with your current non-revenue water percentages by cost and by volume.
- b. If no, please provide a detailed justification as to why the current non-revenue water percentage does not need to be improved along with your current non-revenue water percentages by cost and by volume.

24. Are there any environmental concerns currently or forthcoming that will put a financial burden on the system?

Yes or No (Circle your answer)

- a. If yes, please provide a detailed explanation as to what the concern or issue is and the extent of the financial burden that will be incurred.
- b. If no, please move on to the next question.

**IRON CITY UTILITY DISTRICT
SCHEDULE OF UTILITY RATES AND FEES
DECEMBER 31, 2017**

	<u>January to September</u>	<u>October to December</u>	
Water Rates *:			
First 2,000 gallons	\$ 36.00	\$ 30.00	Minimum
Over 2,000 gallons - residential	\$ 12.50	\$ 9.00	per 1,000 gallons
Over 2,000 gallons - commercial	\$ 12.50	\$ 9.00	per 1,000 gallons
Other Fees:			
Meter connection fee (non-refundable)	\$ 75.00	\$ 75.00	
Renter meter connection fee (non-refundable)	\$ 150.00	\$ 150.00	
Re-connection fee	\$ 50.00	\$ 50.00	
Tap fee	\$ 500.00	\$ 500.00	

There were 233 metered water customers at December 31, 2017.

*June 2015
Took effect on August 2015 bills*

IRON CITY UTILITY DISTRICT
 SCHEDULE OF UTILITY RATES AND FEES
 DECEMBER 31, 2018

Water Rates:

First 2,000 gallons	\$	30.00	Minimum
Over 2,000 gallons - residential	\$	9.00	per 1,000 gallons
Over 2,000 gallons - commercial	\$	9.00	per 1,000 gallons

Other Fees:

Meter connection fee (non-refundable)	\$	75.00
Renter meter connection fee (non-refundable)	\$	150.00
Re-connection fee	\$	50.00
Tap fee	\$	500.00

There were 228 metered water customers at December 31, 2018.

*September 2016
 Took effect on October 2016 bills*

**Iron City Utilities District
Income Statement**

**12 Months Ended
December 31, 2019**

Sales	
Water Sales Revenue	139,948.14
Reconnection fees	2,093.22
Meter Fees Revenue	218.05
	142,259.41
Total Sales	142,259.41
Gross Profit	142,259.41
Operating Expenses	
Bank Charges	32.00
Depreciation	25,434.53
Dues & Subscriptions	1,061.30
Insurance	4,447.15
Maintenance & Supplies	4,016.56
Mileage	232.00
Miscellaneous	55.00
Office Supplies	672.28
Payroll Expense	27,270.75
Payroll Taxes - Employer	2,086.21
Postage	1,408.00
Professional Fees	7,453.00
Sales Tax Expense	12,541.00
Training	791.58
Utilities	4,454.56
Water Purchased	73,905.65
Water Testing Expense	10,158.35
	176,019.92
Total Operating Expenses	176,019.92
Operating Income (Loss)	(33,760.51)
Other Income (Expenses)	
Assets Released from Restrictions - Rev	25,434.53
Assets Released from Restrictions - Exp	(25,434.53)
	0.00
Total Other Income (Expenses)	0.00
Net Income (Loss) Before Taxes	(33,760.51)
Net Income (Loss)	\$ (33,760.51)

Iron City Utility District
By-Laws

1. Meter connection fees will be \$150.00 for all customers.
2. The price of meter taps will be \$750.00 (seven hundred fifty).
3. Transfer of service from one house to another house will have a \$20.00 (twenty) service charge.
4. Customer complaint of incorrect meter reading will have a charge of \$25.00 (twenty-five) if meter is correct. No charge if meter is misread.
5. A charge of \$30.00 (thirty) for all returned checks.
6. A \$30.00 (thirty) usage fee if customer wants water turned on to clean house before moving. If usage of water exceeds 2000 gallons of above, there will be a regular bill mailed for that amount.
7. There will be a base rate of \$30.00 (thirty) for the first 2000 gallons. Rate per hundred gallons of water used over the base rate of 2000 gallons will be \$0.90.
8. The fee to reconnect a meter that has been disconnected for any reason is \$50.00 (fifty).
9. If a customer tampers with services or theft of service, a \$250.00 (two hundred fifty) fee will be charged to them.
10. If a fee is paid by check and the check is returned or any reason, water service will be disconnected plus a \$30.00 (thirty) returned check fee.

Dorcas Norton
Commissioner

4-27-2017

Margot Sherwood
Commissioner

Kerrin Sturck
Commissioner

Steve Jones
Commissioner

Eddie D. Brewer
Commissioner

Board Members

Eddie Brewer

President – Board of Commissioners

44 5th Street. Iron City, TN 38463

931-279-3243

05/07/2013

Yes – completed initial 12-hour training

Yes – completed additional training

Margot Sherwood

Vice President – Board of Commissioners

53 Railroad Road, Iron City, TN 38463

978-618-2725

04/27/2016

Yes – Completed initial 12-hour training

Yes – completed additional training

Tricia Townsend

Secretary – Board of Commissioners

4818 Wayland Springs Road, Iron City, TN 38463

619-922-2541

08/16/2016

Yes – Completed initial 12-hour training

Yes – completed additional training

Daphane Morton

Commissioner

64 Iron City Road, Iron City, TN 38463

931-231-4815

02/08/2016

Yes – completed initial 12-hour training

No – no additional training

**Jeannie Atwell
Commissioner
239 Oak Street, Iron City, TN 38463
931-846-9051**

05/07/2013

Yes – completed initial 12-hour training

Yes – completed additional training

Lone Oak Utility District

	County: Hamilton			
	2016	2017	2018	2019
Unrestricted Net Position	\$37,998.00	\$57,958.00	\$77,965.00	
Operating Revenues	\$90,494.00	\$79,486.00	\$89,803.00	
Net Sales	\$85,880.00	\$65,875.00	\$78,667.00	
Operating Expenses	\$109,452.00	\$115,654.00	\$116,491.00	
Operating Income	(\$18,958.00)	(\$36,168.00)	(\$26,688.00)	
Depreciation Expense	\$46,362.00	\$48,938.00	\$51,484.00	
Non-Operating Rev. (Exp.)	(\$236.00)	\$0.00	\$0.00	
Operating Profit	(\$19,194.00)	(\$36,168.00)	(\$26,688.00)	
Grants and Capital Contribution	\$89,639.00	\$140,240.00	\$2,000.00	
Transfers In	\$0.00	\$0.00	\$0.00	
Transfers Out	\$0.00	\$0.00	\$0.00	
GAAP Change in Net Position	\$70,445.00	\$104,072.00	(\$24,688.00)	
Statutory Change in NP (2017)	(\$19,194.00)	(\$36,168.00)	(\$26,688.00)	
Pension and OPEB Asset	\$0.00	\$0.00	\$0.00	
Pension and OPEB Liability	\$0.00	\$0.00	\$0.00	
Statutory Change in NP (2018)		(\$36,168.00)	(\$26,688.00)	





JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Entity Referred: **Lone Oak Utility District**
Referral Reason: **Negative Change in Net Position**
Utility Type Referred: **Water**
Date of Initial Referral: **7/24/2017**

Staff Summary:

The District has been working with CPA Daniel Peterson to set rates properly and correct asset record errors. The District has renegotiated the operation and maintenance contract with Walden’s Ridge Utility District (“WRUD”) and voted to take several assets off the asset list that are no longer in use. The depreciation cost to the District will be reduced annually by \$5,552. The District has reduced the cost of purchasing water from Walden’s Ridge by 50% per thousand and reduced the customer maintenance fee by 50% per customer.

The District attempted to enforce the merger agreement with WRUD as the Board directed previously. The estimated cost for litigation was \$30,000 to \$50,000 and was therefore not feasible. In any event, staff opines that the merger is not necessary at this time, and the District will be profitable given the recent adjustments.

A rate increase went into effect on September 1, 2019, based on the recommendation of Mr. Peterson. The new rates are anticipated to increase revenues by \$19,465.

The District projects a positive income for 2020.

Staff Recommendations

The Board should order the District to comply with the following:

1. The District shall send financial updates to Board staff by March 1st and September 1st of each year, beginning September 1, 2020, until the Board releases the District from its oversight.

LONE OAK U+A1:D35tility District

Commissioners:
 Bill Swan, III
 Nancy Craig
 Savannah Ward

General Manager
 Ron West

Rate Chart

The following Rates will be effective 2019 SEPTEMBER 01

Meter	Tap Priviledge	Capacity Fee	Total Fee
3/4" Meter	\$ 900		\$ 900
Agricultural Meter**	\$ 900		\$ 900

** Any customer with an existing service and requesting a second meter for irrigation purposes only

BASE RATE / GALLONS

\$ 29.29 for the first 500 gallons

RATE ABOVE MINIMUM

\$ 7.60 per 1,000 Gallons

NON-REFUNDABLE ACTIVATION FEE

HOME OWNER	Non refundable Activation Fee to be paid	\$	50
RENTER	Non refundable Activation Fee to be paid	\$	50
RENTER	REFUNDABLE DEPOSIT to be paid	\$	150

SAME DAY SERVICE FEE

Same Day Service Fee in addition to the above fee during normal business hours	\$	25
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REINSTATE AND / OR CHANGE SERVICE FEE

During Regular Business Hours PLUS applicable Activation and Deposit	\$	50
After Regular Business Hours PLUS applicable Activation and Deposit	\$	100

METER RELOCATION

If Water Main is on the same side of the road as the property being served	\$	500
If Water Main is on the opposite side of the road as the property being served	\$	750

CHARGE FOR ANY RETURNED PAYMENT

Return Payment Fee	\$	30
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FEES FOR USE OF CREDIT OR DEBIT CARD (EFFECTIVE 2017 APRIL 24)

For any charge up to \$79.00	\$	1.95
For any charge \$79.00 or over		⁶⁹ 2.5%

**Lone Oak Utility District
P.O. Box 693
Signal Mountain, TN 37377**

Rate Chart
(Effective 08/01/2016)

(NOTICE: EXISTING CUSTOMERS OF LONE OAK WILL PAY NO TRANSITION FEE OR ANY FEE FOR CHANGING THEIR EXISTING WATER METER)

5/8" or 3/4" Meter Set (Tap Fee)	\$900.00
Agricultural Meter added to regular service	\$900.00

Base Rate/Gallons

\$25.47 for first 2000 gallons
\$6.61 for each 1000 gallons thereafter

Non Refundable Activation Fee

Home Owner activation fee	\$ 50.00
Renter activation fee	\$ 50.00
Renter Refundable Deposit to be paid in Additional to activation fee	\$150.00

Same Day Service Fee

In addition to Fees Above for Service During Normal Business Hours	\$ 25.00
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Reinstate and/or Delinquency Fee

During Regular Business Hours	\$ 50.00
After Regular Business Hours	\$100.00

Meter Relocation

If Water Main is on same side of the road as property being served	\$500.00
If Water Main is on opposite side of the road as property being served	\$750.00

<u>Charge for Any Returned Payment</u>	\$ 30.00
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Lone Oak Utility District
Post Office Box 693
Signal Mountain, TN 37377

August 20, 2019

John Greer
Tennessee Comptroller of the Treasury
Division of Administration
Fourth Floor Cordell Hull Building
425 Fifth Avenue North
Nashville, TN 37243-3400

Dear Mr. Greer:

As directed by the Tennessee Utility Management's Review Board's Order dated April 18, 2019, the Board of Lone Oak Utility District (LOUD) is providing an update regarding the merger that was to take place with Walden's Ridge Utility District.

Following is an update:

- 1) Walden's Ridge Utility District (WRUD) still remains unwilling to complete the merger that was to take place July 1, 2019.
- 2) LOUD has contracted with Tim Mickel, an Attorney in Chattanooga, TN, to research estimated costs for litigation to enforce the Merger Agreement. The Board approved up to \$2,500 in expense for this initial research, but based on preliminary discussions about the estimate it appears litigation may not be an options due to cost. (Mr. Mickel said the minimum cost for this type of case is typically \$30-\$50,000.)
- 3) In an effort to correct LOUD's distressed state, the Board has done the following:
 - a. Reviewed the "as-built" records and compared them to the actual assets as part of an exercise to reduce our depreciation costs. This work is still underway and we have hired Daniel Peterson, CPA, to assist with this review.
 - b. LOUD's Board members attended a four-hour "water rate workshop" conducted by Daniel Peterson, CPA. Upon completion of the workshop, the Board approved a water rate increase. The second reading of the water rate increase will be done September 19, 2019 and customers will be billed at the new rates in October, 2019. Per our calculations, this should go far to alleviate our distressed status.
 - c. LOUD's Board reviewed the depreciation schedule with Ron West of WRUD and Daniel Peterson, CPA, to answer questions and concerns and help all parties better understand how LOUD's depreciation was being calculated.
 - d. LOUD's Board asked WRUD to compare LMI resident addresses against our current customer list to insure all residents were being billed correctly. WRUD did find one resident that had been left off the billing and this was remedied.

Letter to John Greer
Tennessee Comptroller of the Treasury
Page two of two
August 13, 2019

- e. After a session with Daniel Peterson, CPA, we determined our water loss ratio's were being calculated incorrectly. After correcting the calculations, we noted our water loss ratios were at an acceptable rate (being less than 10%).
- f. LOUD has asked WRUD to reduce the Operations and Maintenance expense to \$3.00 per person (from \$6.00 per person). LOUD is awaiting their decision.
- g. LOUD requested WRUD to reduce our water costs and bill us at their cost of water per thousand. LOUD is awaiting their decision.

The LOUD Board will continue to work towards the Merger with WRUD, but will also work to alleviate our distressed status.

Respectfully,



Bill Swan, III,
President, Lone Oak Utility District

Cc: Ross Colona

North Stewart Utility District

	County: Stewart			
	2016	2017	2018	2019
Unrestricted Net Position	\$678,747.00	\$915,864.00	\$187,305.00	\$246,183.00
Operating Revenues	\$1,061,788.00	\$1,042,427.00	\$1,077,456.00	\$1,158,848.00
Net Sales	\$1,032,243.00	\$1,018,342.00	\$1,037,589.00	\$1,121,960.00
Operating Expenses	\$858,641.00	\$899,580.00	\$975,712.00	\$972,298.00
Operating Income	\$203,147.00	\$142,847.00	\$101,744.00	\$186,550.00
Depreciation Expense	\$247,784.00	\$260,214.00	\$262,410.00	\$272,189.00
Non-Operating Rev. (Exp.)	(\$150,700.00)	(\$146,802.00)	(\$127,339.00)	(\$115,457.00)
Operating Profit	\$52,447.00	(\$3,955.00)	(\$25,595.00)	\$71,093.00
Grants and Capital Contribution	\$0.00	\$78,439.00	\$0.00	\$-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	\$52,447.00	\$74,484.00	(\$25,595.00)	\$71,093.00
Statutory Change in NP (2017)	\$52,447.00	(\$3,955.00)	(\$25,595.00)	\$71,093.00
Pension and OPEB Asset	\$0.00	\$0.00	\$0.00	\$0.00
Pension and OPEB Liability	\$0.00	\$0.00	\$0.00	\$0.00
Statutory Change in NP (2018)		(\$3,955.00)	(\$25,595.00)	\$71,093.00





JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Entity Referred: **North Stewart Utility District**
Referral Reason: **Negative Change in Net Position**
Utility Type Referred: **Water**
Date of Initial Referral: **8/8/2018**

Staff Summary:

North Stewart Utility District requested a 90-day extension on 9/17/19 to complete the requirements of the Board’s April 29, 2019, order. Staff granted this extension. The District has since complied with all directives in the order according to the attached Tennessee Utility Assistance (TUA) report.

TUA has recommended additional rate increases that the District declined to vote on. We have no indication that the District is planning to implement the rate increases at this time.

Staff Recommendation

Order the following:

1. By October 30, 2020, the District shall provide Board staff with either proof of implementation of all TUA recommendations or a proposed plan of implementation.
2. The District shall send financial updates to Board staff by March 1st and September 1st of each year, beginning March 1, 2021, until the Board releases the District from its oversight.



Tennessee Utility Assistance, LLC
840 Commercial Court
Murfreesboro, TN 37129
Voice (615) 896-9022
Fax (615) 898-8283

REPORT FOR NORTH STEWART UTILITY DISTRICT

UTILITY MANAGEMENT REVIEW BOARD

ORDER DATED APRIL 29, 2019

December 16, 2019

Submitted by Mark L. Butler

Introduction

North Stewart Utility District (the District) provides water service to approximately 1,800 customers in Stewart County, Tennessee. The District was referred to the Utility Management Review Board (UMRB) upon the submission of its audit for its year ending May 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 years ending May 31, 2017 and May 31, 2018.

On April 29, 2019, the UMRB entered an order directing the District to do the following:

- 1) The District shall have the Tennessee Association of Utility Districts or another qualified expert complete the following:
 - a. A rate analysis, including recommendation for remedying the financially distressed position of the District, and
 - b. A review of the District's payment policy to ensure that it complied with Tenn. Code Ann. 9-1-108(c)(3).
- 2) The District shall submit the completed rate analysis with recommendations and all supporting documentation to Board staff by August 30, 2019.
- 3) Board staff is given the authority to grant one extension of up to six months upon a showing of good cause by the District.

Rate Study and Proposed Plan of Action

To determine the revenue requirements needed to fund the ongoing expenses of the District's system, TUA projected operations and maintenance expenses, debt service payments and reserve requirements for its fiscal years ending May 31, 2020, 2021, 2022, 2023 and 2024. See the Projected Statements of Revenues and Expenses and Changes in Net Position attached **Exhibit 1** to this Report. This projection includes the planned capital expenditures for the water system for these fiscal years set forth in a capital asset plan approved the District which is attached as **Exhibit 2**.

Revenue Projections

- The metered water sales projection for the year ending May 31, 2020 were made based on District's projection for this fiscal year and its five year history of metered water sales.
- No increase in metered water sales revenue was projected for customer growth. Since 2015, the District has experienced little annual customer growth.
- The projection for Other Operating fees consisted primarily of reconnection fees which were based upon the District's five year historical average.

Expense Projections

- For the year ended May 31, 2020, operating expenses were projected by the District and reviewed by TUA. Projected operating expenses for the year ended May 31, 2020, were based upon the District's five-year history of these expenses other than commissioner fees and utilities. Commissioner fees were based upon the fees currently being paid to the commissioners. Annual utilities expense was projected to be \$100,000 which is slightly higher than the five year average.
- For the year ending May 31, 2020, a depreciation adjustment line item was added to reflect an adjustment made to depreciation based upon the District's capitalization policy. The District had recorded several assets as capital assets on the District's fixed asset list which cost less than the capitalization threshold of \$5,000. To remove these assets from the fixed asset list, TUA recommended a one-time expense of \$14,226 in the current fiscal year to reflect this adjustment. The District agreed with this recommendation and approved this adjustment its board meeting on September 16, 2019.
- TUA added two expense line items to its expense projections. First, TUA added a \$32,000 expense line item for the fiscal year ending May 31, 2021, and for subsequent years for active water loss to cover annual expenses for leak protection, meter replacements, valve replacements and other items related to water loss reduction.

Second, TUA added a line item for tank maintenance expenses for the fiscal year ending May 31, 2021, and for subsequent fiscal years.

- For the years ending May 31, 2021, 2022, 2023, and 2024, operation and maintenance expenses were projected using inflationary increases of 3% with the exception of depreciation, interest, tank maintenance and water loss expenses. Interest expenses were projected based upon the District's current debt amortization schedules and projected interest expenses from the District's planned loan in its fiscal year ending May 31, 2021. Annual depreciation expenses were projected based upon the District's current fixed assets schedule and the useful service lives used on this schedule for depreciation and the increased depreciation based upon the new capital improvements set forth in the capital asset plan.

Rate Increase Recommendations

TUA recommended that the District increase its monthly minimum bill by \$.50 and its usage rate by \$.50 per 1,000 gallons effective January 1, 2020. TUA further recommended that the District increase its monthly minimum bill by \$.50 and its usage rate by \$.50 per 1,000 gallons effective on June 1st of 2020, 2021, 2022, and 2023. TUA's Projected Statements of Revenues and Expenses and Changes in Net Position attached as **Exhibit 1** are based upon these recommended rate increases.

The projected changes in the District's Cash Funds for its fiscal years ending May 31, 2021, 2022, 2023, and 2024 are set forth in **Exhibit 3** attached to this Report.

Rate Increases Approved by the District

On November 18, 2019, the Board voted to: (1) raise the monthly minimum bill by \$.50 and the usage rate over 1,000 gallons by \$.50. These rate changes will become effective January 1, 2020. This rate increase is projected to produce approximately \$47,000 in additional annual revenue.

The District's new rate schedule as of January 1, 2020 will be as follows:

First 1,000 Gallons	\$26.75 per month
Over 1,000 Gallons	\$10.75 per 1,000 gallons

At this same board meeting, the Board voted to increase rates in the fall of 2020 by raising the monthly minimum bill by \$.50 and the usage rate by \$.50 per 1,000 gallons.

Based upon the rate changes adopted by the Board, TUA projects that the first fiscal year the District should have a positive change in net position (excluding grants, capital contributions and excluded pension and OPEB non-cash items) will be the fiscal year ending May 31, 2020.

Review of Payment Policy

TUA assisted the District in preparing a new credit card and debit card payments policy which brings the District into compliance with T.C.A. § 9-1-108(c)(3). The District will charge customers who pay by credit card or debit card the convenience fee charged by the District's credit card processor of 5% of the transaction amount at the time of payment. The board of commissioners adopted this new credit card and debit card payments policy on November 18, 2019, which is attached as **Exhibit 4** to this report.

Financial Update

TUA suggests that the District consider the recommended rate increases set forth in this Report in the Spring of 2021 through 2023 to ensure that the District will continue to produce sufficient revenues to produce a positive change in District's net position as projected for its fiscal years ending May 31, 2020 through 2024. The District must send updates to the UMRB in March and September, beginning March 31, 2020.

North Stewart Utility District - Projected Statements of Revenues and Expenses and Changes in Net Position

Exhibit 1

	Actual 5/31/2015	Actual 5/31/2016	Actual 5/31/2017	Actual 5/31/2018	Actual 5/31/2019	Projected 5/31/2020	Projected 5/31/2021	Projected 5/31/2022	Projected 5/31/2023	Projected 5/31/2024
Operating Revenues:										
Metered Water Sales	977,278	1,032,243	1,018,342	1,037,589	1,121,960	1,137,235	1,137,235	1,137,235	1,137,235	1,137,235
Tap Fees	11,903	9,291	12,000	22,500	18,000	18,000	18,000	18,000	18,000	18,000
Other Operating Fees	11,911	20,254	12,085	17,367	18,888	16,100	16,100	16,100	16,100	16,100
Total Operating Revenues	1,001,092	1,061,788	1,042,427	1,077,456	1,158,848	1,171,335	1,171,335	1,171,335	1,171,335	1,171,335
Operating Expenses:										
Personnel Costs	264,206	271,625	285,839	285,524	296,936	298,000	306,940	316,148	325,633	335,402
Commissioners' Fees	5,100	4,950	4,050	3,300	4,200	4,200	4,200	4,200	4,200	4,200
Employee Benefits	37,946	25,517	28,073	42,177	29,135	33,000	33,990	35,010	36,060	37,142
Water Purchases	16,577	17,875	15,728	13,928	14,150	16,000	16,480	16,974	17,484	18,008
Materials & Supplies	90,387	96,959	100,079	154,870	127,931	110,000	113,300	116,699	120,200	123,806
Repairs & Maintenance	29,469	36,866	28,874	33,122	46,702	35,000	36,050	37,132	38,245	39,393
Vehicle Expenses	18,949	15,120	19,599	13,445	16,980	16,500	16,995	17,505	18,030	18,571
Office Expenses	21,388	19,360	16,746	19,550	21,115	19,000	19,570	20,157	20,762	21,385
Insurance	30,489	28,830	30,797	28,017	31,206	29,000	29,870	30,766	31,689	32,640
Utilities	93,517	83,763	87,850	101,021	96,070	100,000	103,000	106,090	109,273	112,551
Professional Services	11,300	4,500	13,700	8,939	6,192	9,600	9,888	10,185	10,490	10,805
Travel & Training	2,927	2,639	1,141	2,606	695	2,300	2,369	2,440	2,513	2,589
Dues	2,825	2,825	2,842	5,642	4,186	3,500	3,605	3,713	3,825	3,939
Depreciation	254,299	247,784	260,214	262,410	272,190	284,690	284,690	343,722	343,722	343,722
Miscellaneous	2,611	28	4,048	1,161	4,610	1,950	2,009	2,069	2,131	2,195
Tank Maintenance	-	-	-	-	-	-	15,000	15,000	15,000	15,000
Active Water Loss-Meter Replacement	-	-	-	-	-	-	32,000	32,000	32,000	32,000
Depreciation Adjustment	-	-	-	-	-	14,226	-	-	-	-
Total Operating Expenses	881,990	858,641	899,580	975,712	972,298	976,966	1,029,956	1,077,810	1,099,256	1,121,346
Operating Income (Loss)	119,102	203,147	142,847	101,744	186,550	194,369	141,380	93,525	72,079	49,989
Nonoperating Revenues (Expenses)										
Interest Income	2,549	3,030	4,926	1,990	2,443	2,200	2,200	2,200	2,200	2,200
Interest Expense	(155,925)	(153,730)	(151,728)	(129,329)	(117,900)	(111,670)	(104,790)	(142,744)	(139,882)	(136,949)
Total Nonoperating Revenues (Expenses)	(153,376)	(150,700)	(146,802)	(127,339)	(115,457)	(109,470)	(102,590)	(140,544)	(137,682)	(134,749)

Change in Net Position before Contributed C:	(34,274)	52,447	(3,955)	(25,595)	71,093	84,899	38,790	(47,019)	(65,603)	(84,760)
Capital Contributions	99,329	5,291	78,439	-	-	-	-	-	-	-
Change in Net Position	65,055	57,738	74,484	(25,595)	71,093	84,899	38,790	(47,019)	(65,603)	(84,760)
Increase in Revenue from Suggested Rate Increase	n/a	n/a	n/a	n/a	n/a	23,519	94,075	141,113	188,151	235,188
Change in Net Position						84,899	132,865	94,094	122,548	150,428

NOTE: Projected revenue and expenses for the year ended May 31, 2020 are from the District's budget with the exception of the highlighted items. Most expenses were increased by 3% each year for inflation. Revenues remained the same since there was little growth in the District's service area.

**North Stewart Utility District
Five Year Capital Asset Plan**

Exhibit 2

<u>Fiscal Year</u>	<u>Estimated Cost</u>				
	<u>5/31/2020</u>	<u>5/31/2021</u>	<u>5/31/2022</u>	<u>5/31/2023</u>	<u>5/31/2024</u>
Pre-treatment settling tank & air aiders at water plant			935,000		
Flocculators & Air aiders			65,000		
Membranes for plant	125,000				
Upgrade pump station near office - Pumps			29,000		
Upgrade pump station near office - Structure			121,000		
Upgrade water line from 4" to 6" - 3 miles - Rorie Hollow			1,079,550		
Rorie Hollow - gate valve box, fire hydrant, 2 zone meters			14,150		
	125,000	-	2,243,700	-	-
Additional Depreciation	12,500	12,500	71,532	71,532	71,532
Total Capital Outlay & Depreciation	137,500	12,500	2,315,232	71,532	71,532
<u>Source of Funds</u>					
Loans	-	-	1,794,960	-	-
Grants	-	-	448,740	-	-
Cash	125,000	-		-	-
Total Funding Sources	125,000	-	2,243,700	-	-

NOTE: The capital improvements and estimated cost of these improvements were provided by Neal Westerman, the District Engineer. TUA determined which assets would be expensed and which would be capitalized based on District's capitalization policy.

North Stewart Utility District - Projected Fund Balance Schedule - Cash Basis

Exhibit 3

	Projected 5/31/2020	Projected 5/31/2021	Projected 5/31/2022	Projected 5/31/2023	Projected 5/31/2024
Beginning Balance	587,658	734,346	926,618	1,089,304	1,230,528
Sources of Funds					
Metered Water Sales	1,137,235	1,137,235	1,137,235	1,137,235	1,137,235
Tap Fees	18,000	18,000	18,000	18,000	18,000
Interest Income	2,200	2,200	2,200	2,200	2,200
Loan	-	-	1,794,960	-	-
Grants	-	-	448,740	-	-
Total Sources of Funds	1,157,435	1,157,435	3,401,135	1,157,435	1,157,435
Uses of Funds					
Operating Expenses	976,966	1,029,956	1,077,810	1,099,256	1,121,346
Depreciation	(284,690)	(284,690)	(343,722)	(343,722)	(343,722)
Debt Service - Principal	81,801	115,108	117,917	120,795	123,744
Debt Service - Interest	111,670	104,790	142,744	139,882	136,949
Capital Outlay	125,000	-	2,243,700	-	-
Total Uses of Funds	1,010,747	965,164	3,238,448	1,016,211	1,038,317
Ending Balance	734,346	926,618	1,089,304	1,230,528	1,349,646
Cash	449,656	641,928	745,582	886,806	1,005,924
Reserves - Debt Service	284,690	284,690	343,722	343,722	343,722
Total	734,346	926,618	1,089,304	1,230,528	1,349,646

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

NOTE: Beginning cash balance of \$587,658 was provided by the District.

North Stewart Utility District

Credit Card and Debit Card Payments

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

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

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

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

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

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

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

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

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

 8. If a payment by a debit card is not honored by the entity on which the funds are drawn, the Utility will collect a service charge from the person presenting the card. The amount of the
-

service charge shall be the same amount as the fee charged for a returned check drawn on an account with insufficient funds. This section does not apply if an electronic device is used to conduct the transaction, the card and card holder are present, and the person who takes the card learns of the declination of the debit card at the time the transaction is processed.

Adoption Date: _____

Effective Date: _____

Sneedville Utility District

	County: Hancock			
	2016	2017	2018	2019
Unrestricted Net Position	\$96,696.00	\$133,542.00	\$223,032.00	\$294,318.00
Operating Revenues	\$529,098.00	\$541,046.00	\$547,633.00	\$560,481.00
Net Sales	\$469,212.00	\$504,082.00	\$509,280.00	\$527,056.00
Operating Expenses	\$539,445.00	\$526,450.00	\$558,339.00	\$506,125.00
Operating Income	(\$10,347.00)	\$14,596.00	(\$10,706.00)	\$54,356.00
Depreciation Expense	\$172,463.00	\$202,727.00	\$210,516.00	\$140,935.00
Non-Operating Rev. (Exp.)	(\$48,050.00)	(\$48,573.00)	(\$31,886.00)	\$(33,764.00)
Operating Profit	(\$58,397.00)	(\$33,977.00)	(\$42,592.00)	\$20,592.00
Grants and Capital Contribution	\$117,087.00	\$1,147,830.00	\$0.00	\$236,000.00
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	\$87,067.00	\$1,120,380.00	(\$11,209.00)	\$256,592.00
Statutory Change in NP (2017)	(\$30,020.00)	(\$27,450.00)	(\$11,209.00)	\$20,592.00
Pension and OPEB Asset	\$0.00	\$0.00	\$0.00	\$0.00
Pension and OPEB Liability	\$4,490.00	\$26,618.00	\$14,598.00	\$1,766.00
Statutory Change in NP (2018)		(\$5,322.00)	(\$23,229.00)	\$7,760.00





JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Entity Referred: **Sneedville Utility District**
Referral Reason: **Negative Change in Net Position**
Utility Type Referred: **Water**
Date of Initial Referral: **7/3/2018**

Staff Summary:

Sneedville Utility District satisfied all directives of the Board's April 29, 2019 order except paragraph 2, which required the following:

The District shall ensure that its commissioners have met all training requirements and are thus eligible to serve pursuant to Tenn. Code Ann. §§ 7-82-307(b)(5) & 7-82-308(1). Otherwise, the District shall appoint eligible commissioners in accordance with the law.

The foregoing directive was based upon the training record of one commissioner, Scott Collins, coming to Staff's attention. Specifically, the Scott Collins was appointed to serve on August 14, 2015. Therefore, in accordance with Tenn. Code Ann. § 7-82-308(f), he had until August 13, 2016, to complete his initial training. However, he did not do so until August 24, 2016 - eleven days late. Mr. Collins never requested an extension from Staff in accordance with Tenn. Code Ann. § 7-82-308(f)(3). Mr. Collins was subsequently reappointed to serve a four-year term beginning on September 5, 2017,

In response to the Board's order, the District submitted a letter from Don Scholes, TAUD general counsel, which is included in the packet and provides the following:

When a person is appointed to fill a vacancy on the board of a utility district after the resignation of a board member, the beginning date of the term of office is generally considered the date of the appointment by the county mayor. In the case of Mr. Collins, however, his illness at the time of his appointment created an ambiguity as to when his actual term of office as a commissioner began. In my opinion, the one year period in which a newly appointed utility district commissioner must get 12 hours of initial training should begin upon the date the commissioner's term of office actually begins and not necessarily the date of the appointment.

When a person is appointed by a county mayor to fill the vacancy on a utility district's board caused by a resignation of a board member, no statute directly addresses when the new appointee's term of office begins. At a minimum, the person appointed to fill such a vacancy must accept the appointment made before his or her term of office can begin. When the Hancock County Mayor appointed Mr. Collins to fill the vacancy caused by Mr. Greene's resignation, Mr. Collins was very ill and was not sure whether he could serve. Therefore, one must look to the actions of Mr. Collins to determine when he accepted this appointment to the board of Sneedville Utility District which date of acceptance would be the beginning date of his term of office.

The best indicator of when Mr. Collins accepted his appointment to fill the vacancy caused by Mr. Greene's resignation was the taking of his oath of office on September 14, 2015. Mr. Collins did not attend either the August 13, 2015 board meeting or the September 10, 2015 board meeting. Therefore, his non-attendance at these meetings suggests that he had not yet accepted the appointment made by the County Mayor before he took his oath of office. Under these circumstances, the most reasonable date to conclude that Mr. Collins' term of office began is September 14, 2015. If the beginning date of Mr. Collins' term of office was September 15, 2015, then he completed his 12 hours of initial training within one year of the beginning of his term of office.

As a result of this opinion, the District has allowed Mr. Collins to continue to serve.

Tenn. Code Ann. § 7-82-308(f)(1) requires that “[w]ithin one (1) year of initial appointment to... the board of commissioners of a utility district... a utility district commissioner shall attend a minimum of twelve (12) hours of training and continuing education.” Staff and Counsel have always strictly interpreted the statute to require the initial training to begin from the date of the mayor’s appointment. TAUD’s interpretation is inconsistent with the interpretation that Staff and Counsel have applied in the past.

If the Board wishes to pursue the matter, its next step would be to initiate a contested case hearing on the question of whether Mr. Collins should be removed from office pursuant to Tenn. Code Ann. § 7-82-307(b)(3)(A)(i)(c) & (b)(5). The statute is permissive and gives the Board discretion as to whether it initiates a contested case hearing.

Options for the Board:

The Board’s options are as follows:

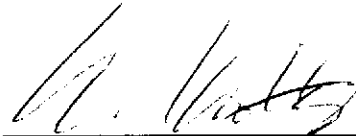
1. Initiate a contested case hearing on the question of whether Mr. Collins should be removed from office pursuant to Tenn. Code Ann. § 7-82-307(b)(3)(A)(i)(c) & (b)(5); or
2. Order the District to comply with Paragraph 3 of the Board’s April 29, 2019 order and provide Staff with proof of compliance by October 30, 2020; or

3. Take no action.

308(f). Otherwise, the District shall appoint eligible commissioners in accordance with the law.

3. 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.
4. The District shall send financial updates to staff by March 1st and September 1st of each year beginning September 1, 2019, until the Board releases the District from its oversight.

ENTERED this 29th day of April, 2019.



BETSY KNOTTS, Chair
Utility Management Review Board



Tennessee Utility Assistance, LLC
840 Commercial Court
Murfreesboro, TN 37129
Voice (615) 896-9022
Fax (615) 898-8283

REPORT FOR SNEEDVILLE UTILITY DISTRICT

UTILITY MANAGEMENT REVIEW BOARD

ORDER DATED APRIL 29, 2019

October 31, 2019

Submitted by Mark L. Butler

Introduction

Sneedville Utility District (the District) provides water service to approximately 800 customers in Hancock County, Tennessee. The District was referred to the Utility Management Review Board (UMRB) upon the submission of its audit for its fiscal year ending March 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 years ending March 31, 2017 and March 31, 2018.

On April 29, 2019, the UMRB entered an order directing the District to do the following:

- 1) The District shall have the Tennessee Association of Utility Districts or another qualified expert perform a rate study to include:
 - a. Recommendations to remedy the financial distressed status;
 - b. A review of District's public records policy;
 - c. A review of the District's payment policy.
- 2) 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) and 7-83-308(f). Otherwise, the District shall appoint eligible commissioners in accordance with the law.
- 3) The District shall send the UMRB financial updates by March 1 and September 1 of each year beginning September 1, 2019, until the Board releases the District from its oversight.

The District had a negative change in net position of (\$42,593) for its fiscal year ending March 31, 2019. This amount did not include grants, capital contributions, or excluded pension and OPEB non-cash items.

Review of Public Records Policy

TUA suggested that the District adopt a public records policy using a model developed by the Tennessee Association of Utility Districts which is designed for utility districts. The District's board of commissioners adopted a new public records policy based upon the TAUD model at its meeting on October 11, 2019. This new public records policy is attached as **Exhibit 1** to this Report.

Review of Payment Policy

TUA assisted the District in preparing a new billing and payment policy which the District's board of commissioners adopted on October 11, 2019. Under the agreement with its current third-party credit card processor, the District is unable to determine the amount of the third-party processing fee the District is charged for its customers which pay by credit card or debit card until the end of each month. Therefore, the District's board of commissioners voted at its board meeting on October 11, 2019, to waive the collection of the third-party processing fee from its customers who pay by credit card or debit card as permitted under T.C.A. § 9-1-108(c). Therefore, the new billing and payment policy does not provide for the collection of the third-party processing fee from the District's customers.

The new billing and payment policy are attached as **Exhibit 2** to this Report.

Commissioner Eligibility Based Upon Mandated Training Requirements

Don Scholes, General Counsel for TAUD, assisted TUA in reviewing the current terms of office of the District's commissioners and the training and continuing education each commissioner has received.

After a commissioner gets 12 hours of initial training, a commissioner is required to continue to get 12 hours of continuing education during each subsequent 3-year continuing education period. Under T.C.A. § 7-82-308(f)(2), a continuing education period "is a period of three (3) years beginning January 1 after the calendar year in which a utility district commissioner completes the training and continuing education requirements set forth in subdivision (f)(1) and each succeeding three-year period thereafter." When a commissioner fails to get any mandated training before the end of his or her term of office, the commissioner is ineligible to serve another term of office. T.C.A. § 7-82-307(b)(5).

Attached as **Exhibit 3** to this Report is a review of the training and continuing education for each board member. Commissioners Dean Rhea and Jerry Anderson have timely completed their 12 hours of initial training and have timely completed the required continuing education for their continuing education periods to date.

Commissioner F. Scott Collins was first appointed on August 14, 2015 to fill out the unexpired term of Carlin Green who was appointed on September 5, 2013 for a four-year term. Mr. Green resigned from the board on July 1, 2015. Therefore, Mr. Collins' initial term of office expired on September 4, 2017. As **Exhibit 3** shows, Mr. Collins did not obtain the final 4 hours of his initial training until 10 days after the end of his first year of service as a new commissioner. TUA has been informed that in the summer of 2016, Mr. Collins was recovering from a liver transplant; therefore, he was not able to complete his 12 hours of initial training within one year of the date of his appointment. I would suggest that the District ask the UMRB to waive the 12-month deadline for Mr. Collins to obtain his 12 hours of initial training for 10 days. Otherwise, Mr. Collins may not have been eligible for re-appointment to a new four-year term beginning September 5, 2017.

Rate Study and Proposed Plan of Action

To determine the revenue requirements needed to fund the ongoing expenses of the District's system, TUA projected the District's revenues, operation and maintenance expenses, debt service payments and reserve requirements for its fiscal years ending March 31, 2020, 2021, 2022, 2023 and 2024. See the attached **Exhibit 4** to this Report. This projection includes the planned capital expenditures for the water system for these fiscal years set forth in a capital asset plan attached as **Exhibit 5** to this Report.

Revenue Projections

- Water sales revenue projections for the year ending March 31, 2020 were made based on actual water sales for the year ended March 31, 2019 plus the projected revenue from 6 months of additional revenue generated from the rate increase effective October 1, 2019. Water sales projections for the year ending March 31, 2021 were based on actual water sales for the year ended March 31, 2019 plus 12 months of additional revenue from the new rate increase.
- No increase in water sales revenue was projected for customer growth. For the District's last three fiscal years, the District has experienced little annual customer growth. Therefore, the water sales revenue projections do not include any revenue increases based upon annual customer growth.
- All other operating revenues were based primarily upon five-year averages from 2015-2019 based upon discussions with the District's management.

Expense Projections

- For the year ending March 31, 2020, operation and maintenance expenses were projected based on a five-year average from prior fiscal years as discussed with the District.
- For the years ending March 31, 2021, 2022, 2023, and 2024, operation and maintenance expenses were projected using inflationary increases of 3% with the exception of depreciation and interest expenses. Interest expenses were projected based upon the District's current debt amortization schedules. Annual depreciation expenses were projected based upon the District's current fixed assets schedule and the useful service lives used on this schedule for depreciation and the increased depreciation based upon the new capital improvements set forth in the capital asset plan.
- In addition, TUA added the following expense items to the projections: water plant maintenance, distributions system/water loss, and tank maintenance based upon the discussions with District's management as shown in **Exhibit 4**. For the year ending March 31, 2020, TUA added a depreciation adjustment line item. There were several assets listed

on the fixed asset list and depreciation schedule which had a threshold cost of less than \$2,500 which is capitalization threshold cost under the District's capitalization policy. To clean up this schedule, TUA recommended a one-time budgeted expense of \$17,328 to adjust the District's records. The District has agreed to our recommendation.

Rate Increase Recommendations

To meet its revenue requirements, TUA recommended that the District increase its monthly minimum bill by \$1.00 and increase its usage rate by \$1.00 per 1,000 gallons for all classes of customers, residential, commercial and industrial.

On August 8, 2019, the Board voted to: (1) raise the monthly minimum bill by \$1.00 and the usage rate by \$1.00 per 1,000 for all rate classes effective October 1, 2019. The District's new rate schedule is as follows:

<u>Residential</u>	
Minimum Bill (includes 1,000 Gallons)	\$28.91
Over 1,000 Gallons	\$9.45 per 1,000 gallons
<u>Commercial</u>	
Minimum Bill (includes 1,500 Gallons)	\$49.41
Over 1,500 Gallons	\$9.45 per 1,000 gallons
<u>Industrial</u>	
Minimum Bill (includes 3,500 Gallons)	\$141.41
Over 3,500 Gallons	\$9.45 per 1,000 gallons

Based upon the rate changes adopted by the Board, TUA projects that the first fiscal year the District should have a positive change in net position (excluding grants, capital contributions and excluded pension and OPEB non-cash items) will be its fiscal year ending March 31, 2020.

To continue to meet its revenue requirements in subsequent years, TUA recommends that effective April 1, 2022, the District increase its monthly minimum bill by an additional \$1.00 and increase its usage rate by an additional \$1.00 per 1,000 gallons for all rate classes of customers.

The projected changes in the District's cash reserves for its fiscal years ending March 31, 2020, 2021, 2022, 2023, and 2024 are set forth in **Exhibit 6** attached to this Report.

Financial Updates

TUA recommends that the District review its rates in the fall of 2020 through 2024 to ensure that the rates which became effective on October 1, 2019 and the rates recommended to become effective on April 1, 2022 used in the District's Five-Year Financial Plan will continue to produce sufficient revenues to produce a positive change in District's net position as projected for its fiscal years ending March 31, 2021 through 2024.

The District must send updates to the UMRB in March and September, beginning March 1, 2020 until the UMRB releases the District from its financial oversight.

Walden's Ridge Utility District

	County: Hamilton			
	2016	2017	2018	2019
Unrestricted Net Position	(\$1,876,026.00)	(\$1,641,680.00)	(\$2,066,076.00)	(\$2,097,276.00)
Operating Revenues	\$2,419,915.00	\$2,585,345.00	\$2,108,181.00	\$2,463,287.00
Net Sales	\$2,185,120.00	\$2,287,396.00	\$1,697,107.00	\$2,172,562.00
Operating Expenses	\$2,002,142.00	\$2,271,358.00	\$2,163,207.00	\$2,276,294.00
Operating Income	\$417,773.00	\$313,987.00	(\$55,026.00)	\$186,993.00
Depreciation Expense	\$364,708.00	\$405,709.00	\$363,956.00	\$445,213.00
Non-Operating Rev. (Exp.)	(\$271,677.00)	(\$202,897.00)	(\$204,194.00)	(\$233,918.00)
Operating Profit	\$146,096.00	\$111,090.00	(\$259,220.00)	(\$46,925.00)
Grants and Capital Contribution	\$938,404.00	\$39,509.00	\$42,349.00	\$-00
Transfers In	\$0.00	\$0.00	\$0.00	\$0.00
Transfers Out	(\$60,000.00)	\$0.00	\$0.00	\$0.00
GAAP Change in Net Position	\$1,024,500.00	\$150,599.00	(\$216,871.00)	(\$46,925.00)
Statutory Change in NP (2017)	\$86,096.00	\$111,090.00	(\$259,220.00)	(\$46,925.00)
Pension and OPEB Asset	\$0.00	\$0.00	\$0.00	\$0.00
Pension and OPEB Liability	\$0.00	\$0.00	\$192,237.00	\$171,228.00
Statutory Change in NP (2018)		\$111,090.00	(\$66,983.00)	(\$67,934.00)





JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Entity Referred: **Walden's Ridge Utility District**
Referral Reason: **Negative Change in Net Position**
Utility Type Referred: **Water**
Date of Initial Referral: **11/21/2019**

Staff Summary:

Walden's Ridge Utility District was referred for having a statutory decrease in net position in 2018 and 2019. The District contends that the decrease is because of the large amounts of rain over the past two years but failed to explain how rain affected revenues so greatly. Staff is unable to confirm that rain has caused the District to lose approximately 30% of its revenue.

The District's training history confirms that all three commissioners of the District have failed to comply with training requirements.

The Comptroller's Office conducted an investigation of the District that can be found in the accompanying pages. The District has corrected the deficiencies identified in the report, and Board staff does not recommend any action on the investigation.

The District raised rates 12% across all rate classes, effective August 2019. Daniel Peterson has performed a rate study for the District and will be presenting it in the next month.

Staff Recommendation:

The Board should order the following:

1. By September 30, 2020, the District shall ensure that its commissioners have met all training requirements and are thus eligible to serve pursuant to Tenn. Code Ann. §§ 7-82-307(b)(5) & 7-82-308(1). Otherwise, the District shall appoint eligible commissioners in accordance with the law.
2. By October 30, 2020, the District shall provide to Board staff either proof of compliance or a proposed plan of compliance with the directives in paragraph 1.
3. By October 30, 2020, the District shall provide Board staff with the completed rate study, and either proof of implementation of the resulting recommendations or a proposed plan of implementation.
4. Board staff is given the authority to grant one extension of up to six months of the foregoing deadlines upon a showing of good cause by the District.



COMPTROLLER'S INVESTIGATIVE REPORT

Walden's Ridge Utility District of Hamilton County, Tennessee

November 20, 2019

Justin P. Wilson
Comptroller of the Treasury



DIVISION OF INVESTIGATIONS



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

November 20, 2019

Walden's Ridge Utility District Board
3900 Taft Highway
Signal Mountain, TN 37377

Board Members:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the Walden's Ridge Utility District of Hamilton County, Tennessee, 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 11th Judicial District, certain state legislators, and various other interested parties. A copy is available for public inspection in our office and may be viewed at <http://www.comptroller.tn.gov/ia/>.

Sincerely,

A handwritten signature in black ink that reads "Justin P. Wilson".

Justin P. Wilson
Comptroller of the Treasury

JPW/MLC

INVESTIGATIVE REPORT

WALDEN'S RIDGE UTILITY DISTRICT OF HAMILTON COUNTY, TENNESSEE

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to the Walden's Ridge Utility District of Hamilton County, Tennessee (WRUD). The investigation was initiated after WRUD officials identified and reported questionable receipts and missing funds by a Customer Service Representative (clerk). The results of the investigation were communicated with the Office of the District Attorney General of the 11th Judicial District.

BACKGROUND



WRUD is in Hamilton County, Tennessee, and provides water to the Town of Walden, a portion of the Town of Signal Mountain, and certain rural areas in Hamilton and Sequatchie counties. As of November 23, 2015, WRUD also manages the operational and maintenance activities of the Lone Oak Utility District (LOUD), which includes collecting utility payments for LOUD.

RESULTS OF INVESTIGATION

- **A CLERK MISAPPROPRIATED AT LEAST \$418.53 IN DAILY CASH COLLECTIONS**

A clerk misappropriated at least \$418.53 in daily cash collections during the period October 18, 2017 (her earliest receipt date maintained by WRUD), through September 6, 2018 (the date of her employment termination). WRUD officials began to examine records related to the clerk's collections after several customers received delinquency notices, even though they had made timely cash payments. When they examined the records, WRUD officials found other discrepancies including missing and altered receipts in the clerk's receipt books. WRUD issues a standard type of receipt book to its clerks which is to be used to record cash collections. Each book has an original top copy which the clerk completes manually, and the information is simultaneously recorded on a carbon copy beneath the original. According to standard business practice, after the receipt is completed, the clerk tears out the original, hands it to the customer, and the carbon copy is retained in the clerk's receipt book.

When WRUD officials confronted the clerk on September 6, 2018, she admitted to withholding cash collections for her personal use, and her employment was immediately terminated. The clerk told investigators she primarily perpetrated this scheme by taking cash from a payment drop box or when customers failed to request a receipt after payment. Since receipts were not prepared for most of these transactions, investigators could not verify the completeness of the reported misappropriation.

The misappropriation included both WRUD and LOUD cash collections. The following table summarizes the misappropriations by utility district and by category:

Misappropriation by Utility District and Category					
Utility District	Category				Total
	A	B	C	D	
WRUD	\$ 234.21	\$ -	\$ 61.21	\$ -	\$ 295.42
LOUD	-	65.00	-	58.11	123.11
Total Misappropriation	<u>\$ 234.21</u>	<u>\$ 65.00</u>	<u>\$ 61.21</u>	<u>\$ 58.11</u>	<u>\$ 418.53</u>

- A. The clerk did not write a receipt for the transaction and misappropriated the collection.
- B. The clerk altered the receipt to reflect an amount less than what she collected, only deposited the lesser altered amount, and kept the remainder for her personal use.
- C. The clerk removed the official receipt copy from her receipt book and misappropriated the related collection.

- D. The clerk maintained the official receipt in her receipt book but did not deposit the collection.

While still employed at WRUD, the clerk repaid \$95.11 of the misappropriation using her personal credit card. On March 8, 2019, the clerk's parents paid \$363.42 toward the misappropriated funds calculated by investigators; however, their payment exceeded the \$418.53 by \$40.

INTERNAL CONTROL DEFICIENCIES

Our investigation revealed deficiencies in internal control, some of which contributed to the clerk's ability to perpetrate her misappropriation without prompt detection. These deficiencies include:

Deficiency 1: In Most Instances, the Clerk Gave Customers the Carbon Copy of the Receipt Instead of the Original Top Copy

WRUD assigns separate receipt books to each clerk to be used for cash collections. In most instances, the clerk retained the original receipt (top copy) attached in the receipt book instead of keeping the carbon copy in the receipt book and giving the customer the original top copy. This practice made it difficult to determine if the original receipt reflected the actual amount collected from the customer.

Deficiency 2: WRUD's Daily Reconciliation Process Had Several Weaknesses

WRUD's daily reconciliation process had the following weaknesses that allowed the misappropriation to go undetected:

- The clerk counted and reconciled her cash the following business day instead of the end of each business day.
- During the daily reconciliation process, WRUD officials failed to timely: (1) detect and investigate altered receipts, (2) did not detect that some receipts were missing from the receipt books, and (3) did not detect that certain receipts found in the receipt books had not been deposited.

Deficiency 3: WRUD Does Not Have a Formal Written Policy for Writing-off Uncollectible Accounts

WRUD does not have a formal written policy approved by its Board for writing-off uncollectible accounts. Instead, write-offs were reviewed and authorized only by the general manager. The lack of a formal written policy and allowing sole write-off authorization by one individual instead of the Board increases the risk of fraud and misappropriation.

WRUD officials indicated that they have corrected or will correct these deficiencies.

Section B: Water Utility Information

1. Does your utility offer water? *Yes*
 - a. If yes, please complete the following section. If no, please proceed to Section C: Wastewater Utility Information.
2. Have you had any rate changes in the previous five years?
 Yes or No (Circle your answer)
 - a. Please provide a copy of your current rate ordinance/structure and the justification for why the rates are set this way- including any recent rate studies performed for the utility.
 - b. Please provide a copy of previous rate ordinances/structures from the previous five years if you answered yes to Question #2.
 - c. If you have differing rate classes (inside/outside city limits, residential/commercial/industrial, new developments, etc.), please provide justification as to why these rates are set the way they are.
3. Do you have any current plans for a rate change?
Yes or No (Circle your answer)
 - a. If yes, please provide a written answer to the following questions:
 - i. Are you planning for a rate increase or decrease?
 - ii. Are you planning this change across all customer classes or only on a certain customer class?
 - iii. Has your Board voted on this rate change yet?
 - iv. If your Board has discussed a rate change at recent meetings, please attach a copy of the relevant minutes at which this meeting took place.
4. Have you had any utility fee changes in the previous five years?
Yes or No (Circle your answer)
 - a. Please provide a copy of your current utility fee schedule.
 - b. Please provide a copy of previous utility fee schedules if you answered yes to Question #3.
 - c. Please provide a written rationale for the charges for tap fees, reconnect fees, etc.
5. Has your debt management policy been reviewed in the last 5 years?
 Yes or No (Circle your answer)
 - a. Please provide a copy of your debt management policy. If you do not have a debt management policy, please provide a written rationale for why a debt management policy has not been adopted.
6. Has your capitalization policy been reviewed in the last 5 years?
 Yes or No (Circle your answer)
 - a. Please provide a copy of your capitalization policy. If you do not have a capitalization policy, please provide a written rationale for why a capitalization policy has not been adopted.

7. Please provide the most recent 3 months of balance sheets and income statements for your water fund. Aug/Sept/Oct 2019
- a. If you are a water and wastewater utility and are having difficulty breaking out the accounts, please use percentages or estimate for accounts for the most accurate depiction of the financial status of the utility.

8. Do you have a plan to remedy your financially distressed position for your water fund?
Yes or No (Circle your answer)

- a. If yes, please provide a detailed copy. Rate increase 7/1/2019
b. If no, please provide a justification for why not.

9. How often does your board have regularly scheduled meetings?

Answer: Monthly (11 Meeting Annually)

- a. Please provide a list containing the following information for the individuals serving on your board:
- Name
 - Title
 - Mailing Address
 - Phone Number
 - Date of Initial Election or Appointment
 - Have they fulfilled their initial 12 hour training requirement within the first year of service, if applicable? Yes or No
 - If so, please provide proof that this training requirement has been satisfied.
 - If applicable, have they fulfilled their 12 hour training requirement every 3 years after the requirement satisfied in their initial year? Yes or No
 - If so, please provide proof that this training requirement has been satisfied.

10. How many total customers do you currently have?

Answer: 3538

- a. Please provide a numerical break-down of the totals for each type of customer:
- Billed 3527
 - Unbilled 11
 - Metered 3538
 - Unmetered 0
 - Breakdown by Rate Class (inside, outside, inside residential, inside commercial, outside residential, outside commercial, etc.)

11. What percentage of your sales do your largest 10 customers account for annually?
(Largest 10 Customer Sales Total / Total Annual Water Sales)

Answer: 6.96990

12. What percentage of your volume do you largest 10 customers account for annually?
(Gallons of Water sold to Largest 10 Customers / Total Gallons of Water Sold)

Answer: 13.10790

13. Do you have a leak adjustment policy? No

Yes or No (Circle your answer)

- a. If yes, how many leak adjustments were performed based on your leak adjustment policy in the last 12 months? What is the cost associated with these leaks?

Answer: NONE

- b. If yes, please attach a copy of your leak adjustment policy.
c. If no, please move on to the next question.

14. Have you incurred any new debt during the current fiscal year for your water utility, or do you plan on incurring any debt during the current fiscal year for your water utility?

Yes or No (Circle your answer)

- a. If yes, please provide a detailed explanation regarding the debt.
b. If no, please move on to the next question.

15. Have you received any grants or capital contributions during the current fiscal year for your water utility, or do you plan on receiving any grants or capital contributions during the current fiscal year for your water utility?

Yes or No (Circle your answer)

- a. If yes, please provide a detailed explanation regarding these grants or capital contributions.
b. If no, please move on to the following question.

16. Have you applied for any grants that will be received over the next two years?

Yes or No (Circle your answer)

- a. If yes, please provide a detailed explanation regarding these potential grants.
b. If no, please move on to the following question.

17. Are your customers made aware of the rates and fees you have in place annually?

Yes or No (Circle your answer)

- a. If yes, how is this accomplished? On Bills, website, CCR
b. If no, please provide a written justification as to why not.

18. Do you review your capital asset list?

Yes or No (Circle your answer)

- a. If yes, how often is this list reviewed and by whom?
b. If no, please provide a written justification as to why not.
c. Please provide a copy of your capital asset plan, or a justification as to why you do not have one. See 6.a

19. Do you keep a copy of your capital asset list on file?

Yes or No (Circle your answer)

20. Do you produce your own water supply?

Yes or No (Circle your answer)

- a. If yes, what is the cost per thousand gallons to produce?

Answer: _____

- b. If no, please move on to the next question.

21. Do you purchase your water supply? Yes

- a. If yes, please provide the following:
 - i. List of entities water is purchased from
 - ii. Rates at which water is purchased at
 - iii. Water purchase contract with these entities, if no contract exists please give an explanation as to why there is no contract.
- b. If no, please move on to the following question.

22. Do you have any wholesale customers?

Yes or No (Circle your answer)

- a. If yes, please provide the contract(s) with these customer(s) or a detailed explanation as to why a contract does not exist and the rate at which water is sold to this customer.
- b. If no, please move on to the following question.

23. Do you have a plan to improve your non-revenue water percentage?

Yes or No (Circle your answer)

- a. If yes, please provide a detailed explanation as to how this will be improved along with your current non-revenue water percentages by cost and by volume.
- b. If no, please provide a detailed justification as to why the current non-revenue water percentage does not need to be improved along with your current non-revenue water percentages by cost and by volume.

24. Are there any environmental concerns currently or forthcoming that will put a financial burden on the system?

Yes or No (Circle your answer)

- a. If yes, please provide a detailed explanation as to what the concern or issue is and the extent of the financial burden that will be incurred.
- b. If no, please move on to the next question.

Walden's Ridge Utility District

Commissioners:
 FRANK M. GROVES, JR., PRESIDENT
 J. ROBERT MCKENZIE, VICE PRESIDENT
 DAVID J. FULTON, SECRETARY

General Manager
 RON WEST

Rate Chart

The following Rates will be effective 2019 July 01

Meter	Tap Priviledge	Capacity Fee	Total Fee
3/4" Meter	\$ 900		\$ 900
Agricultural Meter**	\$ 900		\$ 900

** Any customer with an existing service and requesting a second meter for irrigation purposes only

BASE RATE / GALLONS

\$ 28.53 for the first 2,000 gallons

RATE ABOVE MINIMUM

\$ 7.40 per 1,000 Gallons

NON-REFUNDABLE ACTIVATION FEE

HOME OWNER	Non refundable Activation Fee to be paid	\$	50
RENTER	Non refundable Activation Fee to be paid	\$	50
RENTER	REFUNDABLE DEPOSIT to be paid	\$	150

SAME DAY SERVICE FEE

Same Day Service Fee in addition to the above fee during normal business hours	\$	25
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REINSTATE AND / OR CHANGE SERVICE FEE

During Regular Business Hours PLUS applicable Activation and Deposit	\$	50
After Regular Business Hours PLUS applicable Activation and Deposit	\$	100

METER RELOCATION

If Water Main is on the same side of the road as the property being served	\$	500
If Water Main is on the opposite side of the road as the property being served	\$	750

CHARGE FOR ANY RETURNED PAYMENT

Return Payment Fee	\$	30
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FEES FOR USE OF CREDIT OR DEBIT CARD (EFFECTIVE 2017 APRIL 24)

For any charge up to \$79.00	\$	1.95
For any charge \$79.00 or over		2.5%

Walden's Ridge Utility District

Commissioners:
 FRANK M. GROVES, JR., PRESIDENT
 J. ROBERT MCKENZIE, VICE PRESIDENT
 DAVID J. FULTON, SECRETARY

General Manager
 RON WEST

Rate Chart

The following Rates will be effective 2014 October 01

Meter	Tap Priviledge	Capacity Fee	Total Fee
3/4" Meter	\$ 900		\$ 900
Agricultural Meter**	\$ 900		\$ 900

** Any customer with an existing service and requesting a second meter for irrigation purposes only

BASE RATE / GALLONS

\$ 25.47 for the first 2,000 gallons

RATE ABOVE MINIMUM

\$ 6.61 per 1,000 Gallons

NON-REFUNDABLE ACTIVATION FEE

HOME OWNER	Non refundable Activation Fee to be paid	\$	50
RENTER	Non refundable Activation Fee to be paid	\$	50
RENTER	REFUNDABLE DEPOSIT to be paid	\$	150

SAME DAY SERVICE FEE

Same Day Service Fee in addition to the above fee during normal business hours	\$	25
--	----	----

REINSTATE AND / OR CHANGE SERVICE FEE

During Regular Business Hours PLUS applicable Activation and Deposit	\$	50
After Regular Business Hours PLUS applicable Activation and Deposit	\$	100

METER RELOCATION

If Water Main is on the same side of the road as the property being served	\$	500
If Water Main is on the opposite side of the road as the property being served	\$	750

CHARGE FOR ANY RETURNED PAYMENT

Return Payment Fee	\$	30
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FEES FOR USE OF CREDIT OR DEBIT CARD (EFFECTIVE 2017 APRIL 24)

For any charge up to \$79.00	\$	1.95
For any charge \$79.00 or over		2.5%

WALDEN'S RIDGE UTILITY DISTRICT

COMMISSIONER LISTING

Name	Title	Address	City, State, Zip Code	Telephone	Date of Initial Appointment
Frank Grove, Jr.	President	6432 Forest Park Drive	Signal Mountain, TN 37377	423.309.9984	16-Dec-01
J. Robert McKenzie	Vice President	2717 East Brow Road	Signal Mountain, TN 37377	423.667.2387	07-Mar-02
David Fulton	Secretary	4819 Signal Forest Drive	Signal Mountain, TN 37377	423.309.4141	18-Feb-86

WALDEN'S RIDGE UTILITY DISTRICT

3900 Taft Highway
Signal Mountain, Tennessee 37377

Commissioners:

FRANK GROVES, JR., PRESIDENT
J. ROBERT MCKENZIE, VICE PRESIDENT
DAVID J. FULTON, SECRETARY

General Manager
RONALD WEST

Walden's Ridge Utility District

Distribution System Improvements Project Details

The Distribution System Improvements Project will consist of demolition and removal of the 1950's pump station and the erection of a new pump station from the ground up including one 800 gpm and two 1400 gpm pumps with the option for a fourth pump, site grading, piping, drive / access, fencing, *concrete building foundation, piping for suction, discharge and surge relief, HVAC, all electrical requirements, emergency generator and transfer switch and Telemetry and flow metering.*

From the pump station the District will install approximately 2,600 linear feet of 16" butt welded steel pipe and 200 linear feet of 250 DIP up the side of Signal Mountain to connect with the existing 12" DIP transmission main and any miscellaneous apparatus and / or equipment necessary to aid with installation of the pipe and tie in.

Along with the pump station and the transmission main up the side of the mountain, the District will install a 4,000 linear foot transmission main starting at the intersection of Brown Town Road and Levi Road up Levi Road to connect to our existing 12" DIP at the intersection of Levi Cemetery.

**Hixson Utility District
Water Rate Schedule**

Residential Rate

5/8" meter minimum charge will be \$9.78 per two (2) month billing period for allowed usage up to 6000 gallons. Over 6000 gallons will be at rates listed below

On each 1000 gals. Up to 50,000 gal. The rate will be \$1.63 per thousand (1000) gal.		
For the next	50,000	\$1.38 (69.00)
For the next	100,000	1.20 (120.00)
For the next	250,000	1.16 (290.00)
For the next	300,000	.99 (297.00)
For the next	500,000	.89 (445.00)

Commercial Rates

5/8" meter will be \$19.29 per two (2) month billing period with allowed usage of 11,834 gal.

1" meter will be \$19.29 per one (1) month with allowed usage of 11,834 gals.

1 1/2" meter will be \$45.67 per one (1) month with allowed usage of 28,019 gals.

2" meter will be \$77.33 per one (1) month with allowed usage of 47,442 gals.

3" meter will be \$181.69 per one (1) month with allowed usage of 125,992 gals.

4" meter will be \$336.06 per one (1) month with allowed usage of 256,517 gals.

6" meter will be \$800.79 per one (1) month with allowed usage of 692,717 gals.

Fire service

Fire hydrant rate \$25.10 per one (1) month

Sprinkler hook-up rates

2	inch diameter	7.22 per one (1) month
2 1/2		10.47 per one (1) month
3		16.23 per one (1) month
4		32.50 per one (1) month
6		64.95 per one (1) month
8		130.01 per one (1) month
10	inch diameter	195.03 per one (1) month
12		260.06 per one (1) month

9/13/01

Board Investigations

Horton Highway Utility District

	County: Marshall			
	2016	2017	2018	2019
Unrestricted Net Position	\$1,820,344.00	\$2,010,957.00	\$1,672,718.00	
Operating Revenues	\$2,716,327.00	\$2,994,450.00	\$4,145,311.00	
Net Sales	\$2,518,655.00	\$2,914,646.00	\$3,972,747.00	
Operating Expenses	\$2,485,810.00	\$2,692,794.00	\$3,166,045.00	
Operating Income	\$230,517.00	\$301,656.00	\$979,266.00	
Depreciation Expense	\$255,912.00	\$295,504.00	\$297,038.00	
Non-Operating Rev. (Exp.)	\$12,579.00	\$158,017.00	\$40,441.00	
Operating Profit	\$243,096.00	\$459,673.00	\$1,019,707.00	
Grants and Capital Contribution	\$0.00	\$0.00	\$0.00	
Transfers In	\$0.00	\$0.00	\$0.00	
Transfers Out	\$0.00	\$0.00	\$0.00	
GAAP Change in Net Position	\$243,096.00	\$459,673.00	\$1,019,707.00	
Statutory Change in NP (2017)	\$243,096.00	\$459,673.00	\$1,019,707.00	
Pension and OPEB Asset	\$0.00	\$0.00	\$0.00	
Pension and OPEB Liability	\$0.00	\$0.00	\$0.00	
Statutory Change in NP (2018)		\$459,673.00	\$1,019,707.00	





JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Entity Referred: **Horton Highway Utility District**

Referral Reason: **Board Investigation**

Utility Type Referred: **Natural Gas**

Date of Initial Referral: **10/18/2018**

Staff Summary:

On April 29, 2019, the Board ordered the following:

1. The District shall consult with its attorney regarding the feasibility of collecting payments made to former board members John Sanford and Garry Lawrence in violation of Tenn. Code Ann. § 7-82-308(f)(4).
2. The District shall hire the Tennessee Association of Utility Districts, or another qualified expert as approved by Board staff, to
 - a. assist the District in developing best practice policies related to all District purchases, and
 - b. provide training to District staff and the District's board on proper purchasing procedures and policies.

The District determined it was not financially feasible to collect payments from the two former commissioners.

With the assistance of TAUD, the District adopted a comprehensive purchasing policy and received the proper training.

Staff believes the District is has a strong leadership team and will be successful in the future.

Staff Recommendations:

The Board should order the investigation closed and the District to be released from Board oversight.

Comptroller Investigations

Bon De Croft Utility District

	County: White			
	2016	2017	2018	2019
Unrestricted Net Position	\$480,372.55	\$514,711.59	\$715,061.26	\$676,312.96
Operating Revenues	\$1,156,577.56	\$1,127,935.55	\$1,133,777.43	\$1,110,294.85
Net Sales	\$1,108,347.85	\$1,086,010.70	\$1,090,185.10	\$1,068,913.24
Operating Expenses	\$972,663.90	\$971,912.29	\$1,009,494.87	\$1,031,734.97
Operating Income	\$183,913.66	\$156,023.26	\$124,282.56	\$78,559.88
Depreciation Expense	\$263,392.36	\$257,415.17	\$259,243.26	\$254,011.85
Non-Operating Rev. (Exp.)	(\$155,236.00)	(\$150,001.47)	(\$146,801.33)	(\$136,464.95)
Operating Profit	\$28,677.66	\$6,021.79	(\$22,518.77)	(\$57,905.07)
Grants and Capital Contribution	\$70,061.84	\$10,585.00	\$13,314.00	\$12,931.00
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	(\$292,000.99)	\$16,606.79	(\$9,204.77)	(\$44,974.07)
Statutory Change in NP (2017)	(\$362,062.83)	\$6,021.79	(\$22,518.77)	(\$57,905.07)
Pension and OPEB Asset	\$8,303.00	\$0.00	\$35,179.00	\$95,063.00
Pension and OPEB Liability	\$0.00	\$5,613.00	\$0.00	\$0.00
Statutory Change in NP (2018)		\$19,937.79	(\$63,310.77)	(\$117,789.07)





JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Entity Referred: **Bon De Croft Utility District**
Referral Reason: **Negative Change in Net Position**
Utility Type Referred: **Water**
Date of Initial Referral: **1/6/2020**

Staff Summary:

Bon De Croft Utility District was referred to the Utility Management Review Board (“the Board”) on January 6, 2020 for financial distress. Board staff sent a financial questionnaire to the District that was due by April 10, 2020. Staff has not received the questionnaire.

The Comptroller’s Office conducted an investigation of the District in late 2019. The investigative report was published in October 2019 and can be found in the accompanying pages. The District’s board has taken the steps necessary to correct the internal control deficiencies, including terminating the manager. Accordingly, Board staff does not recommend any Board action in relation to this investigation.

Staff Recommendations:

Order the following:

1. The District shall have TAUD, or another qualified expert as approved by Board staff, assist in completing the financial questionnaire previously sent by Board staff.
2. 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.
3. By November 30, 2020, the District shall provide Board staff with the completed questionnaire.



COMPTROLLER'S INVESTIGATIVE REPORT

BonDeCroft Utility District

October 24, 2019

Justin P. Wilson
Comptroller of the Treasury



DIVISION OF INVESTIGATIONS



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

October 24, 2019

Board of Commissioners
BonDeCroft Utility District
8756 Bockman Way
Sparta, TN 38583

Commissioners:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the BonDeCroft 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 13th Judicial District, certain state legislators, and various other interested parties. A copy is available for public inspection in our office and may be viewed at <http://www.comptroller.tn.gov/ia/>.

Sincerely,

A handwritten signature in black ink that reads "Justin P. Wilson".

Justin P. Wilson
Comptroller of the Treasury

JPW/MLC

INVESTIGATIVE REPORT

BonDeCroft Utility District

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to the BonDeCroft Utility District (district). The investigation was limited to selected records for the period January 2016 through August 2019. The results of the investigation were communicated with the office of the District Attorney General of the 13th Judicial District.

BACKGROUND

BonDeCroft Utility District provides water service to approximately 1,400 customers in White County. It is governed by a 3-member board of commissioners, which is responsible for adopting policies for district management to implement. The board of commissioners approve district policies, including policies related to employee vacation and sick leave. District policy



permits employees to cash in (request and receive payment for) unused vacation leave. The policy also allows employees to annually cash in any unused sick leave accrued during the calendar year, up to a maximum of 12 days, with certain restrictions.

RESULTS OF INVESTIGATION

1. GENERAL MANAGER AND FIELD SUPERVISOR VACATION LEAVE BALANCES WERE NOT PROPERLY MAINTAINED

From at least January 2016 through August 2019, the District General Manager (manager), and the District Field Supervisor (supervisor), did not properly report and record used vacation leave. This created inflated vacation leave balances, which caused the manager and supervisor to receive compensation they were not due.

- Each year, the manager cashed in 100% of his vacation leave earned, creating a zero balance in accumulated leave. During the period reviewed, however, he also took at least 13 days of vacation as time off, providing him compensation of at least \$3,320 that he was not due. The manager told investigators that he believed it was acceptable

for him to take time off even though he had no vacation leave because he regularly worked more than 40 hours a week.

- The supervisor's vacation leave balance was inflated by at least 22 days because he did not record used vacation leave. Although he cashed in some of his vacation leave each year, the supervisor maintained an accumulated balance adequate to repay the district for those days by a deduction from his existing leave balance. The supervisor told investigators that the manager permitted him to earn and use compensatory time.

Both employees held salaried positions and in accordance with the district's written policy were not eligible to earn overtime or compensatory time. Per district policy, salaried employees were expected to work the hours necessary to perform their jobs adequately.

2. VIOLATION OF SICK LEAVE REDEMPTION POLICY

The supervisor cashed in sick leave in excess of the maximum amount allowed by policy for the period 2016 through 2019. The district's written policy allowed employees to cash in unused sick leave annually, up to a maximum of 12 days. The supervisor, however, cashed in sick leave in excess of that limit in three of the four years reviewed, including one year in which he cashed in 30 days. The supervisor was also permitted to cash in his sick leave prior to December each year. Additionally, the supervisor used four days of sick leave in 2018, which were not properly deducted from his accumulated sick leave balance. Although he maintained a positive accumulated sick leave balance throughout the period, the supervisor was permitted to cash in leave at an accelerated rate not permitted by district policy.

The board of commissioners relieved the manager of his position and duties at the close of business on October 11, 2019. The manager was placed on an unpaid leave of absence effective October 14, 2019 through December 31, 2019, and he planned to retire effective January 1, 2020.

The board of commissioners placed the supervisor on a 90-day disciplinary probation effective October 9, 2019. The district deducted from his accrued vacation balance the vacation time off he used but did not record.

INTERNAL CONTROL AND COMPLIANCE DEFICIENCIES

The Comptroller's investigation revealed the following deficiencies in internal control and compliance.

Deficiency 1: The district management failed to comply with or administer responsibilities entrusted to him

The manager failed to comply with or properly administer the board's approved leave policies. He received benefits he was not entitled to and permitted the field supervisor to violate leave policies. To adequately perform the responsibilities entrusted to him, the manager should implement and enforce all provisions of approved policies.

Deficiency 2: The board of commissioners failed to provide adequate oversight of payroll

The board of commissioners failed to adequately oversee payroll-related payments. As noted in the Results of Investigation section, the manager and supervisor did not comply with the district's vacation and sick leave policies for at least four years. This noncompliance allowed the employees to receive benefits they were not authorized to receive and to receive benefits at an accelerated rate. The two employees received additional payroll checks for their redeemed leave during the period January 2016 through August 2019 totaling \$33,621 for vacation leave and \$12,184 for sick leave. A cursory review of payroll records or bank statements could have revealed this noncompliance. Failing to oversee and monitor payroll transactions increases the risk that noncompliance with approved policies will occur and not be detected in a timely manner.

Deficiency 3: The board of commissioners did not ensure that salaried employees maintained comprehensive leave records

The board of commissioners did not ensure that the district's two salaried employees (the manager and supervisor) created and maintained comprehensive leave records, including documentation of when they were on leave status. By longstanding practice, the district paid those employees for regular working hours regardless of their leave status. Ensuring that salaried employees document their leave status not only establishes accurate leave balances, but also enables the board of commissioners to provide increased operational oversight when those employees are absent.

The board of commissioners indicated that they have corrected or will correct these deficiencies.

Mesana Investments,
LLC Complaint against
First Utility District of
Knox County

Refer to Separate
Packet

Hallsdale Powell
Utility District Rate
Protest

Refer to Separate
Packet

Resolution



TENNESSEE UTILITY MANAGEMENT REVIEW BOARD AND TENNESSEE WATER AND WASTEWATER FINANCING BOARD JOINT RESOLUTION

A RESOLUTION to honor and to thank Ann V. Butterworth.

WHEREAS, it is fitting that members of these Boards should honor and commend those persons who have served the Boards, this State, and local utilities; and

WHEREAS, Ann V. Butterworth served for twenty two-years as a member of the Tennessee Water and Wastewater Financing Board and the Tennessee Utility Management Review Board, as chair of the Tennessee Water and Wastewater Financing Board for thirteen years, and as chair of the Tennessee Utility Management Review Board for eight years; and

WHEREAS, the current members of the Board who served alongside Ms. Butterworth, Board Staff and Counsel, feel honored to have served with and worked with her and note the sense of humor, financial expertise, and insight that she brought to both Boards; now, therefore,

BE IT RESOLVED BY THE UTILITY MANAGEMENT REVIEW BOARD AND THE WATER AND WASTEWATER FINANCING BOARD OF THE STATE OF TENNESSEE, that we hereby honor and thank Ann V. Butterworth for her twenty-two years of service on the Boards and extend to her our best wishes.

APPROVED this _____ day of _____, 2020

BETSY KNOTTS, Chair
Utility Management Review Board
Water and Wastewater Financing Board

Discussion