
PREFACE

The “Utility District Law of 1937” (*Tennessee Code Annotated*, Sections 7-82-101 through 7-82-804), authorized special districts for the purpose of conducting and operating a water, sewer or fire protection system. Subsequent legislative action expanded the services that could be offered to include sewage disposal, natural gas storage and related facilities, liquid propane gas storage and related facilities, artificial gas, police, fire protection, garbage collection and disposal, street lighting, parks and recreational facilities, transit facilities, and industrial chemicals pipeline transmission, and community antenna television services. Although the law authorizes many services, the majority of utility districts in Tennessee provide water and/or sewer and natural gas services.

Section 9-2-102, *Tennessee Code Annotated*, requires the Department of Audit, Comptroller of the Treasury, to prescribe a uniform accounting system for all utility districts that handle public funds. The statute states, “It is the duty of all officials to adopt and use the system and the character of books, reports, and records designated; . . .” An accounting system is defined as the methods and records established to identify, assemble, analyze, classify, record and report a government’s transactions and to maintain accountability for the related assets and liabilities. In addition, Section 7-82-401, *Tennessee Code Annotated*, requires the Comptroller of the Treasury to prepare a uniform accounting manual and promulgate such other rules and regulations as are required to ensure that Tennessee utility districts’ books and records are kept in accordance with generally accepted accounting principles.

To fulfill this responsibility we are issuing the *Internal Control and Compliance Manual for Tennessee Utility Districts* (the “UD Manual”) dated December 2011, which replaces the UD Manual dated July 1991. This manual is effective for fiscal periods beginning on or after December 31, 2011. It sets forth guidance for establishing internal controls and identifies compliance issues related to state laws and regulations affecting utility districts. The UD Manual is to be used in conjunction with all relevant sections of the Government Finance Officers Association’s 2005 *Governmental Accounting, Auditing, and Financial Reporting*, (GAAFR), including all updates, except as noted below. The GAAFR is commonly known as the Blue Book.

Tennessee utility districts are not required to use the illustrative chart of accounts in Appendix E of the GAAFR. Unique reporting requirements applicable to the State of Tennessee, as outlined in Title 4 of this manual, may exceed the minimum requirements of the GAAFR and are required to be followed.

The UD Manual provides references for *Tennessee Code Annotated* requirements and applicable state attorney general’s opinions for certain major topics. Please note that these references, which are included in the appendices, are not intended to be all-inclusive.

Throughout this manual references to “board”, “district officials”, “board of commissioners”, and “management” are used interchangeably and refer to the Board of Commissioners.