AGENDA

Utility Management Review Board

December 4, 2014
10:00 am
Room 31, Legislative Plaza
301 Sixth Avenue North
(6th Avenue between Charlotte Avenue and Union Street)
Nashville, Tennessee

Call to Order

Approval of Minutes		June 5, 2014
Case:	O'Connor Utility District	White County
	Cherokee Hills Utility District	Polk County
	Mooresburg Utility District	Hawkins County
Case – water loss:	East Sevier County Utility District	Sevier County
	Crab Orchard Utility District	Cumberland County
Status:	Lone Oak Utility District	Sequatchie County
	Minor Hill Utility District	Giles County
Complaint:	Craddock vs. Gladeville Utility District	Wilson County
Investigative report:	Northeast Henry County Utility District	Henry County
	Chuckey Utility District	Greene, Washington Counties
	Cross Anchor Utility District	Greene County
	Webb Creek Utility District	Sevier County
Petition:	Luttrell-Blaine-Corryton Utility District	Union, Knox, Grainger Counties
	Crockett Public Utility District	Crockett County
	Sevier County Utility District	Sevier County
	Middle Tennessee Natural Gas Utility District Upper Cumberland Gas Utility District	Cumberland County
Miscellaneous:	Depreciation presentation	Sheila Reed
	Commissioner training approvals	
	Compliance Report	
	Complaint log	
	Jurisdiction list	
	Next UMRB regular meeting	

Open Discussion

Visitors to the Legislative Plaza are required to pass through a metal detector and must present photo identification. Individuals with disabilities who wish to participate in this meeting or to review filings should contact the Office of State and Local Finance to discuss any auxiliary aids or services need to facilitate such participation. Such contact may be in person or by writing, telephone or other means, and should be made prior to the scheduled meeting date to allow time to provide such aid or service. Contact the Office of State and Local Finance (Ms. Joyce Welborn) for further information.

505 Deaderick Street, Suite 1500
James K. Polk State Office Building
Nashville, TN 37243-1402
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Joyce.Welborn@cot.tn.gov

UMRB

DECEMBER 4, 2014

- Crab Orchard Utility District
- Middle Tennessee Natural Gas Utility District

Northeast Henry County Utility District

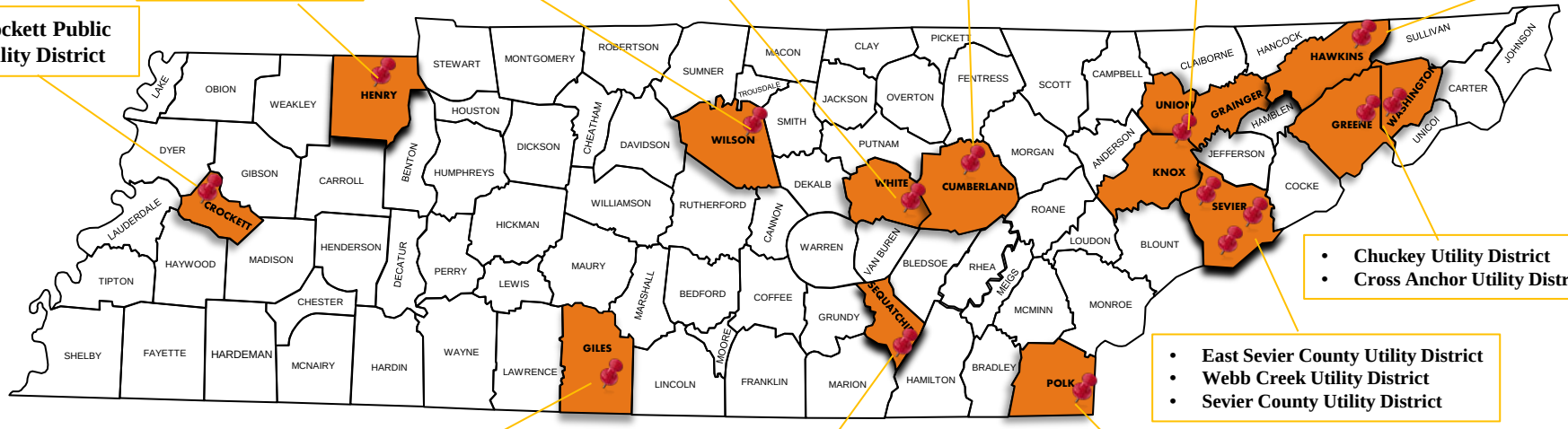
Gladeville Utility District

O'Connor Utility District

Lutrell-Blaine-Corryton Utility District

Mooresburg Utility District

Crockett Public Utility District



- Chuckey Utility District
- Cross Anchor Utility District

- East Sevier County Utility District
- Webb Creek Utility District
- Sevier County Utility District

Minor Hill Utility District

Lone Oak Utility District

Cherokee Hills Utility District

MINUTES
of the
UTILITY MANAGEMENT REVIEW BOARD MEETING
June 5, 2014
10:00 am

The meeting of the Utility Management Review Board (UMRB) in Room 31 of the Legislative Plaza in Nashville, Tennessee, was opened by Chair Ann Butterworth.

Board members present and constituting a quorum:
Ann Butterworth, Chair, Comptroller Designee
Tom Moss, Vice-Chair, Department of Environment and Conservation (TDEC) Commissioner Designee
Don Stafford, Eastside Utility District Manager
Pat Riley, Gibson County Utility District Manager
Jim Hunter, West Wilson Utility District Commissioner
Bruce Giles, First Utility District of Knox County Manager

Members Absent:
Loyal Featherstone, Citizen representative
Jason West, Second South Cheatham Utility District Commissioner
Rebecca Hunter, Hixson Utility District Commissioner

Staff Present:
Joyce Welborn, Comptroller's Office
John Greer, Comptroller's Office
Betsy Knotts, Comptroller's Office

Approval of Minutes

Ms. Butterworth requested the members and staff to introduce themselves. Ms. Butterworth noted that this was Mr. Giles first meeting. Mr. Giles is filling the vacancy due to the resignation of Mr. Troy Roach. At 10:00am Ms. Butterworth called the meeting to order, declared a quorum, and stated that the first item on the agenda is consideration of the minutes of the meeting of April 3, 2014. Mr. Stafford moved approval of the minutes of the April 3, 2014 meeting. Mr. Riley seconded the motion, which was unanimously approved. Ms. Butterworth then suggested rearranging the agenda to first take up the matters of those present at the meeting.

Conflict of Interest

Ms. Butterworth recognized Ms. Knotts. Ms. Knotts read a statement regarding conflict of interest. The statement referenced the rules of the UMRB which state that any Board member who has a financial interest, conflict of interest, or a contract of employment in a particular matter related to any case should not participate in any discussion of, or vote on, that particular matter.

Investigative Report
Powell Clinch Utility District
In 2009, the Comptroller of The Treasury released an investigative audit of Powell Clinch Utility District. Based upon this audit, the Board voted in 2011 to initiate a contested case for removal against the

commissioners for failure to fulfill the commissioners' fiduciary responsibility in the operation or oversight of the district.

Robert Lee, general counsel to the Comptroller, updated the Board on the case. He explained that the Chancellor had remanded the case back to the Board ruling that a 2009 change of the law could not be applied retroactively. The 2009 law change added the following ground for utility district commissioner removal: "failing to fulfill the commissioner's or commissioners' fiduciary responsibility in the operation or oversight of the district". With this ruling, many of the findings on which the Board's removal action was based were now only eligible for consideration under the stricter standard for ouster of a public figure. Mr. Lee recommended the Board take a voluntary dismissal of the pending petition without prejudice. Ms. Butterworth clarified that the Board could still act on this matter at a later time if the Board subsequently reviewed the report and determined that the audit's findings support conducting a contested case on whether the utility district commissioners should be removed from office for knowingly or willfully committing misconduct in office, or knowingly or willfully neglecting to fulfill any duty imposed upon the commissioners by law.
Mr. Stafford made a motion for the Board to accept the recommendation of Mr. Lee. Mr. Moss seconded the motion, which was unanimously approved.

Northeast Henry County Utility District
The Utility Management Review Board reviewed the investigative audit of Northeast Henry County Utility District at its August 1, 2013 meeting and voted to initiate a contested case hearing on whether the District commissioners should be removed from office for failing to fulfill the commissioner's or commissioners' fiduciary responsibility in the operation or oversight of the district.. Since the August 2013 meeting, the decision in the Powell-Clinch case provides clearer guidance relating to the grounds for removal of a commissioner. The case law defines a commissioner's fiduciary responsibility as the duty to act with utmost good faith for the benefit of the district and not themselves—when exercising the duties, powers, and authority as defined in Title 7 Chapter 82, of the Tennessee Code Annotated.

Ms. Knotts presented the background of the case. Paul Matheny, chair of the District's board of commissioners, was present to speak on behalf of the commissioners. Mr. Matheny is the only commissioner presently at the District who was a commissioner during the scope of the investigative audit. Ms. Knotts went over the investigative audit findings with Mr. Matheny and allowed him to provide a response to each of them. Mr. Matheny stated that the District has changed managers since the time of the investigative audit. Mr. Matheny also stated that a purchasing policy has always been in place – regardless of the information in the investigative audit. Mr. Matheny stated that commissioners have never had control over the day to day operations of the District, nor should they.

Regarding the investigative audit finding related to a commissioner receiving pay for work performed by a District employee, Mr. Matheny acknowledged that he was the commissioner/contractor who accepted money for the work performed. Mr. Matheny stated to the Board, that the first day he went to the job site he realized a District employee had already completed a portion of the project for which he was hired. Mr. Matheny then went to the District office to inform the other commissioners of what he had learned. The other commissioners informed him that the Comptroller and TBI had been notified and they could not talk with him about this matter.

When questioned by a Board member, Mr. Matheny stated that he had not, nor had he offered to, reimburse the District for these costs. After being prompted by a Board member, Mr. Matheny offered to reimburse the District for the amount of money that he had been paid for work actually done by a District employee.

Mr. Moss made a motion to defer action on this matter until the next scheduled Board meeting. Mr. Hunter seconded the motion, and asked Mr. Matheny to update the Board on the status of his reimbursement to the District before the Board takes up this matter again. The motion was approved unanimously.

Hearing

Bent Creek Golf Village vs. Webb Creek Utility District

At the previous Board meeting, the Board deferred action to the June 5, 2014 meeting pending receipt from Mr. Bart Kreps of the background information used in the rate study by Raftelis. The information was submitted to the Board staff and counsel by April 11, 2014 and forwarded to the Board. Counsel for each party submitted findings of fact and conclusions of law to the Board staff by May 15, 2014, as previously agreed.

Ms. Knotts gave a brief summary of the findings of facts and conclusions of law submitted by both parties. Counsels for both sides were asked to make a brief statement and remark if they had any disagreements with the information as Ms. Knotts had presented.

Mr. Bob Vance represented Bent Creek. Mr. Vance reiterated their position and asked that the Board grant Bent Creek's petition. Mr. Vance had no disagreements with Ms. Knotts summary.

Mr. Jim Gass represented Webb Creek. Mr. Gass reiterated their position. He asked that the Board accept the findings of fact and conclusions of law submitted on behalf of Webb Creek. Mr. Gass had no disagreements with Ms. Knotts summary.

After much discussion, Mr. Giles moved that the rates of the Webb Creek Utility District be found just and reasonable, that the Horizontal Property Act was not applicable in this case, the determination to use Equivalent Residential Units was acceptable under industry standards, and directed Board counsel to prepare any documentation needed as to this decision and disseminate such documentation. Mr. Riley seconded the motion, which was unanimously approved.

City of Elkton vs. South Giles Utility District

As directed by the Board previously, the South Giles Utility District had a cost of service review performed. Mr. John Hall with Tennessee Utility Assistance, LLC (TUA) gathered the information and prepared the review. Mr. Dennis Dycus, TUA consultant, reviewed the information prepared by Mr. Hall and recommended that the District should be charging $43.30 per month per fire hydrant to recover their costs. Mr. Bob Freudenthal with TUA was present but was not able to answer specific questions about the report.

Elkton Mayor Carolyn Thompson made a presentation to the Board on behalf of the City. Mayor Thompson made mention of the discrepancies in the report, stated that the City had never requested

the upgraded lines, and the City is not the only customer served by the "fire" infrastructure. Mayor Thompson concluded that based upon these facts, the City should not be solely responsible for paying all cost related to the lines nor the percentage of the tank as reflected in the rate review.

Ms. Cathy Dradt, manager for the District, presented information responding to the presentation by Mayor Thompson. Ms. Dradt contended that the water lines had to be upgraded from 6" to 10" to maintain the fire service provided by the City. She explained that the City pays the same per hydrant rate as the County and the State for hydrants located inside the District but outside the City limits of Elkton.

Ms. Knotts explained that the Board has rules that provide suggested parameters for properly reviewing a rate challenge. She also explained that the Board could ask for more information regarding the cost of service review, including the actual customers served by the water line upgrades. Mr. Moss made a motion to defer until the next Board meeting and receive the cost of service documentation. Ms. Butterworth seconded the motion. Mr. Riley stated he believed it would be fair and just to take action on the matter at this time. Mr. Moss and Ms. Butterworth withdrew their motions. Mr. Stafford moved to find South Giles Utility District's hydrant rates to be just and reasonable based on the study performed by TUA. Mr. Riley seconded the motion. The motion carried with four members voting yes. Two members (Mr. Moss and Ms. Butterworth) voted no on the motion.

Status

Lone Oak Utility District

Lone Oak Utility District has been financially distressed since December 2006. The Board has worked with the District to remedy their situation. The Board asked that the commissioners be present on April 3, 2014 to discuss their progress. The commissioners failed to appear. Due to the failure to appear, the Board voted to subpoena the commissioners of the District to require their attendance at the June 5, 2014 meeting.

Commissioners John Lyman, Bernard Stewart, and Carl Frazier were present at the meeting. Mr. Lyman spoke on behalf of the Board of Commissioners. Mr. Lyman explained that the District had exhausted all known solutions and no one wants to merge with them. The lack of interest in merger is due to the low revenue (as received pursuant to the long term management and operating contract with Tennessee American) and high depreciation. Sequatchie County declined to take them over because they currently do not operate a utility system and do not feel compelled to do so at this time. The City of Dunlap and Walden's Ridge Utility District are not interested in a merger due to Lone Oak's poor financial performance. Mr. Lyman explained that Tennessee American is responsible for all regular operation and maintenance, emergency repairs, and replacing of infrastructure. The District's position is that there is no need for depreciation due to the fact that the District has no responsibility to replace any assets. Mr. Lyman also stated that he believes they are depreciating $500,000 worth of non-owned assets. The spike in the amount of depreciation resulted from the failure of the former CPA who failed to do account for depreciation properly, and the current CPA will not overrule the previous one. Tennessee American had originally agreed to provide an operating grant to the District to remove them from jurisdiction of the Board. However, when the negative change in net position was revealed to be roughly $39,000 for the 2013 audit, Tennessee American would not make such a sizeable grant. The commissioners at the District are exploring leasing the system totally to Tennessee American so that they could assume the depreciation. Mr. Lyman stated that the contract with Tennessee American

stated that they must be in compliance with State Law. When no explanation was offered for the failure of the commissioners to attend previously, Ms. Butterworth stated that the Board did not appreciate the commissioners failure to attend previous UMRB meetings when they were requested to do so.

Mr. Moss moved that the commissioners of the District explore the legality of leasing the system to Tennessee American, explore the legality of the operations and management agreement with Tennessee American, and submit their findings and an action plan within 90 days to Board staff. Mr. Riley seconded the motion, which was approved unanimously.

Cases
Financial Distress

Surgoinsville Utility District
Surgoinsville Utility District had been reported to the Board for having two consecutive years with a negative change in net position. According to the District, an ongoing investigative audit by the Comptroller's office delayed the compiling of the financial data, and preparation of the annual audits, for four consecutive fiscal years. The District had to pay the equivalent of four fiscal years of financial data compiling fees and audit fees over the span of the 2012 fiscal year and 2013 fiscal year.

The District increased rates by 25% for the January 2013 billing cycle, but unanticipated, drastic reductions in utilization/demand by an industry resulted in the effective increase in revenues of only 7%. Due to the expenses stabilizing (lack of abnormal accounting costs) the District is projecting a positive change in net position for the current fiscal year.

Staff recommended the Board endorse the actions of Surgoinsville Utility District, and continue to monitor until an audit is received which reflects compliance. Mr. Stafford moved that the Board accept the staff recommendation. Mr. Giles seconded the motion, which passed unanimously.

Unicoi Water Utility District
Unicoi Water Utility District had been reported to the Board for having four consecutive years of a negative change in net position. The original reason for the negative change in net position was related to the unsuccessful exploratory drilling for two new water wells which cost approximately $250,000. During this period the Board used cash on hand to cover the expenses instead of raising rates.

The District recently signed a 20 year contract with the Town of Erwin to purchase water at $2.30 per thousand gallons. On April 8, 2014, the District commissioners voted to increase the minimum bill by $8.00 to $33.00. Any usage over 1,500 gallons was raised from $4.50 to $7.25 per thousand gallons. The District will also review rates annually beginning in January of 2015, and increase them by the cost of living, any increases from the Town of Erwin, or any other special circumstances.

Staff recommended that the Board endorse the actions of Unicoi Water Utility District, and continue to monitor until an audit is received which reflects compliance. Mr. Stafford moved that the Board accept the staff recommendations. Mr. Riley seconded the motion, which passed unanimously.

Cagle-Fredonia Utility District

The Cagle-Fredonia Utility District had been reported to the Board for having two consecutive years with a negative change in net position in its water system as of December 31, 2013. The District purchases its water from Big Creek Utility District. Current cost of the water is $4.25 per thousand gallons. Water costs have increased approximately $33,000 between FY 11 and FY 13. Approximately $30,000 in other expenses has increased during the same time period. The District is projecting an annual increase in health insurance premiums from $12,000 to $40,000 in FY 14. This cost increase was associated in part with adding the commissioners to the plan and changing insurance companies. The current plan is through an affiliate of Tennessee Association of Utility Districts

The District increased its rates $1.50 per 1,000 gallons effective April 2014. The District is also in the process of changing to the State of Tennessee local government health insurance plan. This will save the District an estimated $9,200 in the current fiscal year and $15,000 annually starting in FY15. Due to this increase in rates and decrease in health related expenses, the budget has been revised to show a projected positive change in net position for the 2014 fiscal year.

Staff recommended the Board endorse the actions of Cagle-Fredonia Utility District, and continue to monitor until an audit is received which reflects compliance. Mr. Moss moved that the Board accept the staff recommendation. Mr. Riley seconded the motion, which was unanimously approved.

North Utility District of Rhea County

The North Utility District of Rhea County had been reported to the Board for having two consecutive years with a negative change in net position as of September 30, 2013. The financial and rate history is attached. In 2010 Huber Engineered Woods, a specialty building products manufacturer, laid off approximately 75% of their staff. At the end of 2011, the plant shut down operations completely. This plant accounted for five to seven million gallons of water use per month, and approximately 50% of the usage in the entire system. This loss was a contributing factor to the negative change in net position for FY12. On January 1, 2013, Spring City raised the rates for water purchased by the District from $1.79 per 1,000 gallons (up to 4.5 million gallons) to $5.09 per 1,000 gallons (up to 4.5 million gallons).

On July 1, 2013, the District began purchasing water from the City of Rockwood for $1.85 per 1,000 gallons. Effective May 1, 2014, the District raised its 2,000 gallon minimum bill from $25.00 to $26.00. Any usage over the minimum was raised from $8.00 to $9.50 per 1,000 gallons. Current projections by the District show a positive change in net position for FY 14 because of the increased rates combined with the decrease in water expense.

Staff recommended the Board endorse the actions of North Utility District of Rhea County, and continue to monitor until an audit is received which reflect compliance. Mr. Stafford moved that the Board accept staff recommendations. Mr. Giles seconded the motion, which was unanimously approved.

Cases
Water Loss

Mooresburg Utility District
Mooresburg Utility District had been reported to the Board for having a validity score of 62, and non-revenue water of 57.60%. The Board directed Ms. Welborn to get clarification regarding calibration of the District's master meter. Also, Ms. Welborn noted that the AWWA worksheet should be submitted at the same time as their annual audit, and not prepared subsequent to the audit.

Spring Creek Utility District
Spring Creek Utility District had been reported to the Board for having validity score of 54. The Board directed Ms. Welborn to ask the District for more elaboration on their responses to the questionnaire they submitted.

Clearfork Utility District
Ms. Welborn provided the Board with information submitted by the District after the completion of the meeting packet. The information was a follow up to a previous request of the Board. No action was taken.

Miscellaneous
Water Loss Report:
The annual report on water loss prepared by the Office of the Comptroller and submitted to the General Assembly had been included in the packet. Board rules require the Board to review the report no less than annually to determine acceptable water loss percentage for public water systems. Noting that systems are still adjusting to using the AWWA calculation, Mr. Riley made a motion to affirm the graduated requirements previously established by the Board, in coordination with the Water and Wastewater Financing Board, in 2012. Mr. Moss seconded the motion which was unanimously approved. The Water and Wastewater Financing Board had voted to affirm the current course of action the previous month.

A customer **complaint log**, a list of utility districts under the **jurisdiction** of the Board and a **water loss status** list had been included in the packet.

Compliance reports
Carderview, Intermont, Northeast Henry, Sneedville, and Webb Creek Utility Districts have all submitted audits which reflect compliance with financial distress and/or water loss issues.

New Legislation/AG Opinions:

Ms. Welborn shared two new pieces of legislation. Public Chapter 536, Acts of 2014 changed the final appointment process for utility districts to be the County Commission – if the County Mayor did not choose from the recommended lists. Public Chapter 628, Acts of 2014 eliminated inconsistent language within the law regarding subsidies of tax dollars, required all water systems and wastewater facilities to operate as an enterprise fund by July 1, 2016, updated some accounting terminology, and deleted some obsolete verbiage. Ms. Welborn also shared Attorney General Opinion 14-46 related to a City's water and sewer rates outside corporate limits.

Ms. Welborn stated at this time we do not any cases scheduled for the August 7, 2014 meeting. At 12:40 am Mr. Stafford made the motion to adjourn and Mr. Riley seconded it. The motion carried unanimously.

Respectfully submitted,

Ann Butterworth
Chair

Joyce Welborn
Utilities Board Manager

UTILITY MANAGEMENT REVIEW BOARD
Case Study

Case:	O'Connor Utility District
Manager:	Tony Maggart
Customers:	3,150
Validity Score:	82
Non-Revenue Water:	19%

O'Connor Utility District has been reported to the Board as having two consecutive years with a negative change in net position as of December 31, 2013. The financial and rate history is attached.

In January 2013 the former manager of 31 years retired. The new manager realized that certain financial aspects had been neglected, but did not want to immediately raise rates at the beginning of his tenure.

The District has a high customer turnover rate that has led to uncollectible debts and unstable revenues. District officials believe the area has also been negatively affected by the economic uncertainties of the past five years.

The District buys all of its water from the City of Cookeville ($2.34 per thousand), and the City of Sparta ($2.20 per thousand). Sparta also purchases water back from the District. The District has electrical cost to pump water from Sparta, but has no electrical cost associated with receiving water from Cookeville. Richards Leak Management was hired in March of 2014 to perform a leak survey. Although the survey did not find any significant leaks, the District had approximately $150,000 of water loss in 2013. Grants have been applied for by the District to install new meters throughout their system.

Effective January 1, 2014, the District raised water rates over all classes by 12% based on a recommendation by Stigall Engineering. Insurance cost and other expenses have also been reduced. Due to the increased revenues and decreased expenses, the District is projecting a positive change in net position for the current fiscal year (FY14).

Staff recommends the Board endorse the actions of O'Connor Utility District. The District will remain under the jurisdiction of the UMRB until an audit is received which reflects compliance.

O' CONNOR UTILITY DISTRICT					
HISTORY FILE					
	Audited	**Audited**	**Audited**	**Audited**	**Audited**
FYE 12/31	**2009**	**2010**	**2011**	**2012**	**2013**
Water revenues	$ 1,248,729	$ 1,291,698	$ 1,270,477	$ 1,279,631	$ 1,261,802
Other revenues	$ 64,745	$ 64,966	$ 62,938	$ 89,226	$ 61,290
Capital Contributions	$ 12,485	$ 114,132	$ 14,050	$ 17,887	$ 9,839
Total Revenue	**$ 1,325,958**	**$ 1,470,796**	**$ 1,347,465**	**$ 1,386,745**	**$ 1,332,932**
Total Expenses	**$ 1,109,954**	**$ 1,226,863**	**$ 1,221,814**	**$ 1,374,227**	**$ 1,341,965**
Operating Income	$ 216,004	$ 243,933	$ 125,651	$ 12,518	$ (9,033)
Interest Expense	$ 42,937	$ 40,989	$ 38,732	$ 36,525	$ 34,703
Change/Net Assets	**$ 173,068**	**$ 202,944**	**$ 86,919**	**$ (24,007)**	**$ (43,736)**
Add'l info					
Principal payment	$ 38,514	$ 43,427	$ 46,642	$ 36,581	$ 35,075
Depreciation	$ 120,345	$ 122,864	$ 120,631	$ 129,505	$ 126,561
Customers	**3,021**	**3,028**	**3,048**	**3,099**	**3,150**
Water Rates					
First 1,000 gal (3/4" meters)	$ 13.00	$ 13.00	$ 13.00	$ 13.00	$ 13.00
First 1,000 gal (1" meters)	$ 25.00	$ 25.00	$ 25.00	$ 25.00	$ 25.00
First 1,000 gal (2" meters)	$ 70.00	$ 70.00	$ 70.00	$ 70.00	$ 70.00
Over 1,000 gallons	$ 7.00	$ 7.00	$ 7.00	$ 7.00	$ 7.00
Unaccounted for Water	**36.68%**	**31.87%**	**32.18%**		
Validity Score				**80**	**82**
Non-revenue water				**16.60%**	**19.10%**

O'CONNOR UTILITY DISTRICT
P. O. BOX 56, SPARTA, TN 38583
Phone: 931-738-5610
Fax: 931-738-5616

July 22, 2014

State of Tennessee
Comptroller of the Treasury
Office of State and Local Finance
James K. Polk Office Building
505 Deaderick Street, Suite 1600
Nashville, TN 37243

Attn: Joyce Welborn, John Greer

Dear Ms. Welborn and Mr. Greer:

I am writing this letter per our meeting on July 17, 2014, in reference to O'Connor Utility District showing a negative position for two years.

It is the intention of O'Connor Utility District's manager and Board of Directors to comply with everything necessary to correct this issue. The following steps have been taken to correct the matters we discussed:

- Water Rates Have Been Raised 12%
- Customer Deposit's Have Been Raised In Order To Decrease Bad Debts
- Change In Management
- Had a Leak Survey Conducted To Decrease Water Loss
- Passing Credit Card Fee's To The Customer
- Increase Service Charges (Water Activation, etc.)

As of June 30, 2014, the District is now showing a positive cash flow.

Please feel free to contact us if there are any other suggestions you may have for us. Thank you for your visit and input as to what we can do to be a more efficient supplier for our customers.

Sincerely,

Tony Maggart, II
Manager

TM / jan

"O'Connor Utility District is an equal opportunity provider and employer."

UTILITY MANAGEMENT REVIEW BOARD
Case Study

Case: **Cherokee Hills Utility District**
Manager: **L.J. Hoogendorn**
Customers: **110 Water**
Validity Score: **NA**
Non-Revenue Water: NA

The Cherokee Hills Utility District has been reported to the Board as having two consecutive years with a negative change in net position as of December 31, 2013. The financial and rate history is attached.

Cherokee Hills has lost 13 customers during 2013. This equates to $975 per quarter of lost revenue. Many of the lost accounts are duplex style apartments that are no longer occupied. The owner of these units has refused to maintain them and they are currently on the market for sale. The last new tap put in the system was in 2009. The availability of building lots limit growth to only 10 – 12 new customers.

Also in 2013, Cherokee Hills spent approximately $1,200 to train a new operator. The gentleman has resigned due to family matters and the search is under way to find another individual to train for this position.

Expenses have been cut including: professional association dues, travel, and commissioner bill payment. In lieu of meeting compensation, the commissioners were refunded their $300 payment at the annual meeting of the District. Cherokee Hills is projecting a positive change in net position for the current fiscal year.

Water Loss
The UMRB voted to require the District to install one meter within each of the six Bac-T sampling areas. However, District officials say that such an installation wills serve no purpose and refuse to do so. Each six-inch meter would cost roughly $30,000 to install for a total cost of approximately $180,000.

Staff recommends the Board endorse the actions of the Cherokee Hills Utility District for financial distress. Staff also recommends the Board revisit the motion made at the December 5, 2013, meeting in regards to water loss.

Cherokee Hills will remain under the jurisdiction of the UMRB until an audit is received which reflects compliance.

CHEROKEE HILLS UTILITY DISTRICT				
HISTORY FILE				
	Audited	**Audited**	**Audited**	**Audited**
FYE 12/31	**2010**	**2011**	**2012**	**2013**
Water revenues	$ 32,963	$ 33,207	$ 32,393	$ 31,754
Other revenues	$ 1,513	$ 539	$ 609	$ 475
Operating Rev	**$ 34,476**	**$ 33,746**	**$ 33,002**	**$ 32,229**
Operating Exp.	**$ 32,036**	**$ 30,412**	**$ 35,447**	**$ 32,499**
Operating Income	$ 2,440	$ 3,334	$ (2,445)	$ (270)
Interest Expense				
Net position change	**$ 2,440**	**$ 3,334**	**$ (2,445)**	**$ (270)**
Supplemental				
Principal payment				
Depreciation	$ 4,834	$ 4,834	$ 4,834	$ 4,834
Water Rates				
Flat rate per quarter	$ 70.00	$ 75.00	$ 75.00	$ 75.00
Customers	118	120	118	116
Water Loss	**100.00%**	**100.00%**	**not provided**	**not provided**

UTILITY MANAGEMENT REVIEW BOARD
Case Study

Case:	**Mooresburg Utility District**
President:	**Robbie Drinnon**
Customers:	**475, Water**
Validity Score:	**62**
Non-Revenue Water:	**17.50%**

The Mooresburg Utility District has been reported to the Board as having two consecutive years with a negative change in net position as of December 31, 2013, and a low validity score of 62. The financial and rate history is attached.

The District purchased approximately 38% of its water from Bean Station Utility District in 2013. Bean Station recently raised rates from 3% to 4% over their purchase cost from Morristown Utility System. Mooresburg currently pays: $2.13 per 1,000 gallons up to 50,000 gallons, $1.87 per 1,000 gallons next 50,000 gallons, and $1.66 per 1,000 gallons for all over 100,000 gallons. Mooresburg also pays Bean Station a facility fee of $0.23 per 1,000 gallons for all water purchased. This charge is a pass through from Morristown Utility System. The District is working towards being water self-sufficient in the next few years. They are projecting a 50% decrease in water purchased for the current year.

In response to a request made by the UMRB at the June 5, 2014 meeting, the District had its master meter calibrated during the week of October 20, 2014. Also, older meters are being replaced and a meter replacement policy is being adopted. All meters in the system will be inventoried and the meter numbers put in the District's billing program for future reference. Approximately 50 of the oldest meters in the system have been changed since January 1, 2013.

The District has changed office staff and hired a new auditor in the last year. They now have an independent bookkeeper handling their financial data on a regular basis. All debt will be consolidated by the end of the year and all current lines of credit will be closed. They are projecting an interest rate around 2% for the new consolidated debt package saving considerable interest expense. Policies and procedures are being adopted to assure sound practices moving forward.

In June the District raised rates by 5% on a minimum bill, and 10% on all overages. The District is projecting a positive change in net position for the current year, 2014.

Staff recommends the Board endorse the actions of the Mooresburg Utility District. The District will remain under the jurisdiction of the UMRB until an audit is received which reflects compliance.

MOORESBURG UTILITY DISTRICT											
HISTORY FILE											
	Audited	Audited	Audited	Audited	Audited	Audited	Audited	Audited	Audited	Audited	Audited
Fiscal Year December 30	**2002**	**2003**	**2004**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Water revenues	$ 114,031	$ 140,594	$ 133,193	$ 147,552	$ 162,900	$ 166,365	$ 185,914	$ 207,694	$ 209,289	$ 193,443	$ 229,095
Other revenues	$ 5,490	$ 12,250	$ -	$ 8,250	$ 12,135	$ 5,875	$ 2,630	$ 2,910	$ 4,100	$ 37,142	$ 41,163
Capital contributions								$ 338,460	$ 138,540		
Total Operating Revenues	**$ 119,521**	**$ 152,844**	**$ 133,193**	**$ 155,802**	**$ 175,035**	**$ 172,240**	**$ 188,544**	**$549,064**	**$ 351,929**	**$ 230,585**	**$ 270,258**
Total Operating Expenses	**$ 97,946**	**$ 118,868**	**$ 130,009**	**$ 141,503**	**$ 157,568**	**$ 190,598**	**$ 189,812**	**$218,124**	**$ 198,167**	**$ 239,851**	**$ 215,334**
Interest Expense	$ 15,833	$ 23,679	$ 23,058	$ 24,036	$ 29,225	$ 27,082	$ 20,390	$ 33,461	$ 93,977	$ 62,255	$ 55,347
Change in Net Assets	**$ 5,742**	**$ 10,297**	**$ (19,874)**	**$ (9,737)**	**$ (11,758)**	**$ (45,440)**	**$ (21,658)**	**$297,479**	**$ 59,785**		
Change in Net Position										**$ (71,521)**	**$ (423)**
Supplemental Information											
Principal payment	$ 15,315	$ 14,943	$ 10,579	$ 6,265	$ 11,859	$ 14,663			$ 61,784	$ 61,784	$ 20,122
Depreciation	$ 32,203	$ 30,939	$ 31,358	$ 34,682	$ 36,807	$ 38,212	$ 39,390	$ 41,300	$ 62,631	$ 69,449	$ 70,022
Water Rates - residential					1/1/2007						
First 1,000 gallons						$ 21.00	$ 21.00	$ 21.00	$ 21.00	$ 21.00	$ 21.00
First 2,000 gallons	$ 16.60	$ 12.25	$ 16.50	$ 18.64	$ 20.47						
All over 1,000 gallons						$ 6.00	$ 6.00	$ 6.00	$ 6.00	$ 6.00	$ 6.00
All over 2,0000 gallons	$ 2.85	$ 2.25	$ 2.85	$ 3.20	$ 3.20						
Water Rates - commercial											
First 1,000 gallons						$ 26.00	$ 26.00	$ 26.00	$ 26.00	$ 26.00	$ 26.00
First 2,000 gallons	$ 20.75	$ 18.50	$ 18.50	$ 24.38	$ 24.38						
All over 1,000 gallons						$ 6.96	$ 6.96	$ 6.96	$ 6.96	$ 6.96	$ 6.96
All over 2,0000 gallons	$ 4.10	$ 3.25	$ 3.25	$ 6.96	$ 6.96						
Customers	373	404	404	476	541	514	505	551	577	609	619
Validity Score									**62**	**62**	**62**
Water Loss						**43.9%**	**68.623%**	**56.232%**			
Non-Revenue Water									**60.20%**	**57.60%**	**17.50%**
FY 05 Net asset change ($18,382) no other information available											

Mooresburg Utility District
810 Old Hwy 11-W
Mooresburg,Tn.37811

OCT 02 2014

Dear John Greer.

Here is Mooresburg Utilities Plan of Action for 2014 through 2015.

- We are in the process of changing out all our old meters.
- We are implementing a meter replacement policy the first Thursday in October. (The commissioners and employees meters first.) We will record dates, serial numbers of meters, and ect...
- We are adopting a meter replacement policy, to better help with keeping up with what meters have been replaced.
- We are going to have our master meter calibrated in the week of October 20,2014.
- We are going to rid ourselves of the debts from Citizens Bank & Trust of Bean Station and the CRG Grants by the end of 2014.
- We will be adopting the appropriate policies and send you a copy after they are adopted.
- In June 2014,we had a rate increase of 5% on the minimum bill and 10% on the overage bill.

If you have any further questions, comments,or concerns please feel free to contact us. The office number is (423)921-7815. Or Eddie Douglas at (423)921-2066.

Sincerely,
M.U.D. Personnel
Robbie Drinnon
Robbie Drinnon
(423)754-3427
President

Amount Charged By Morristown Utilities System to B.S.U.D.
(Effective 7/1/09)
First 50,000 gallons - $2.05 per 1,000 gal.
Next 50,000 gallons - $1.80 per 1,000 gal.
All Over 100,000 gallons - $1.60 per 1,000 gal.

Facility Fee as of 7-1-08 is $0.23 per 1,000 gallons

****

Rutledge Waterworks Charges: Contract ends December 9, 2050
*** EFFECTIVE: 12/9/10 New Contract 4% above our cost from Morristown**

First 50,000 gallons - $2.83 per 1,000 gallons
Next 50,000 gallons - $2.48 per 1,000 gallons
All Over 100,000 gallons - $2.21 per 1,000 gallons
Facility Fee - $0.23 per 1,000 gallons (Effective 9/1/09)
****

Mooresburg Utility District Charges: Either party may terminate contract with a180 day notice.
4% above our cost from Morristown
First 50,000 gallons - $2.13 per 1,000 gallons
Next 50,000 gallons - $1.87 per 1,000 gallons
All Over 100,000 gallons - $1.66 per 1,000 gallons
Facility Fee - $0.23 per 1,000 gallons
****

Rate Structure for Trailer Parks/Condos/Apartments with a Master Meter:

Take total usage, divide by number of units (trailers) to get an average usage per unit, figure by water rate, then multiply by number of units to get total bill, add tax, and also the Facility Fee for total gallons used.

Disconnect for non-payment (meter removal) for all accounts ten days past due date. Re-connect requirement: Pay delinquent bill and a $25.00 service charge to re-set meter.

Facility Fee goes to supplier - Morristown Utilities System for new Treatment Plant. May call Gary Love @ Morristown for further explanation.

Susan Perrin
BSUD

LABTRONX
501 Metroplex Dr. Suite 109
Nashville, TN. 37211
615-831-2554 (Fax) 615-831-2498

Accuracy Assurance Program

Test Data Sheet

Participant: Mooresburg, TN U.D. WTP **Contact:** Eddie Douglas

Location: Mooresburg, TN

Equipment / Type / ID	As Found	Pass	As Left	Correction factor	Pass	Nominal Value	Standard / ID
Badger Paddle wheel Flowmeter 07161899	530 GPM	✓	530 GPM	—	✓	538 GPM	eastech Vantage 4400 S/N 110164

✓ = in tolerance X = out of tolerance OP/CK = operations check (###) = Calculated Value PM = Preventative Maintenance

Technician: Jason McMurtry **Test Kit:** JF-LX002

Signature: **Date:** 10-22-14 **Page** 1 **of** 1

Mooresburg Utility District

- Here is the information on the master meter being calibrated from Labtronx.
- The meters have been re-placed for all employees and commissioners, step 1
- We have adopted TAUD Policies of Travel Re-Imbursement, Code of Ethics, Policy of Records, Meter Re-placement and a Bill Adjustment Policy

Do you need a copy of ALL Adopted Policies?
Is there anymore information you need from Mooresburg Utility District, if so please contact us by phone, email, or letter please.

Thank you ,
Eddie Douglas
423-921-2066
Danielle Grey
865-978-1949

AWWA WLCC Free Water Audit Software: Reporting Worksheet

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Back to Instructions

? Click to access definition

Water Audit Report for: East Sevier County Utility District
Reporting Year: 2013 7/2012 - 6/2013

Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades

All volumes to be entered as: MILLION GALLONS (US) PER YEAR

WATER SUPPLIED << Enter grading in column 'E'

Volume from own sources:	?	3	37.612	Million gallons (US)/yr (MG/Yr)
Master meter error adjustment (enter positive value):	?	3	0.376	under-registered MG/Yr
Water imported:	?	n/a	0.000	MG/Yr
Water exported:	?	n/a	0.000	MG/Yr
WATER SUPPLIED:			37.988	MG/Yr

AUTHORIZED CONSUMPTION

Click here: ? for help using option buttons below

					Pcnt:	Value:
Billed metered:	?	6	5.322	MG/Yr		
Billed unmetered:	?	7	2.763	MG/Yr		
Unbilled metered:	?	n/a	0.000	MG/Yr		
Unbilled unmetered:	?		0.475	MG/Yr	1.25%	
AUTHORIZED CONSUMPTION:	?		8.560	MG/Yr		

Default option selected for Unbilled unmetered - a grading of 5 is applied but not displayed

Use buttons to select percentage of water supplied **OR** value

WATER LOSSES (Water Supplied - Authorized Consumption) 29.428 MG/Yr

Apparent Losses

					Pcnt:	Value:
Unauthorized consumption:	?		0.095	MG/Yr	0.25%	
Customer metering inaccuracies:	?	10	0.054	MG/Yr	1.00%	
Systematic data handling errors:	?	5	0.537	MG/Yr		
Apparent Losses:	?		0.686			

Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed

? Choose this option to enter a percentage of billed metered consumption. This is NOT a default value

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses:	?	28.742	MG/Yr
WATER LOSSES:		29.428	MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER:	?	29.903	MG/Yr

= Total Water Loss + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains:	?	3	50.0	miles
Number of active AND inactive service connections:	?	7	292	
Connection density:			6	conn./mile main
Average length of customer service line:	?	10	0.0	ft (pipe length between curbstop and customer meter or property boundary)
Average operating pressure:	?	3	80.0	psi

COST DATA

Total annual cost of operating water system:	?	9	$188,100	$/Year
Customer retail unit cost (applied to Apparent Losses):	?	8	$51.36	$/1000 gallons (US)
Variable production cost (applied to Real Losses):	?	8	$1,138.92	$/Million gallons

PERFORMANCE INDICATORS

Financial Indicators

Non-revenue water as percent by volume of Water Supplied:	78.7%
Non-revenue water as percent by cost of operating system:	36.4%
Annual cost of Apparent Losses:	$35,219
Annual cost of Real Losses:	$32,735

Operational Efficiency Indicators

Apparent Losses per service connection per day:	6.43	gallons/connection/day
Real Losses per service connection per day*:	N/A	gallons/connection/day
Real Losses per length of main per day*:	1,574.93	gallons/mile/day
Real Losses per service connection per day per psi pressure:		gallons/connection/day/psi
? Unavoidable Annual Real Losses (UARL):	Not Valid	

*** UARL cannot be calculated as either average pressure, number of connecions or length of mains is too small: SEE UARL DEFINITION ***

From Above, Real Losses = Current Annual Real Losses (CARL):	28.74
? Infrastructure Leakage Index (ILI) [CARL/UARL]:	

* only the most applicable of these two indicators will be calculated

WATER AUDIT DATA VALIDITY SCORE:

*** YOUR SCORE IS: 57 out of 100 ***

A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score

PRIORITY AREAS FOR ATTENTION:

Based on the information provided, audit accuracy can be improved by addressing the following components:

1: Volume from own sources
2: Master meter error adjustment
3: Billed metered

For more information, click here to see the Grading Matrix worksheet

See the accompanying independent accountants' audit report.

East Sevier County Utility District
1529 Alpine Drive
Sevierville, TN 37876

865 . 453 . 6704

September 12, 2014

TO: Joyce Welborn
Utility Management Review Board

FROM: Edward Wagner
Office Manager/Accountant

RE: July 7, 2014 Letter Requesting Information

East Sevier County Utility District (ESCUD) prepared its latest AWWA Report using all correct information known to the utility. It was prepared with the help of Steve Roberts from TAUD to insure our understanding of the report and its correctness. Erich Webber has instructed our Field Staff to now prepare monthly water loss reports also. Please find the answers to the Initial Check List For Addressing Water Loss which we have prepared to the best of our knowledge as follows:

1. ESCUD only has the English Mountain Volunteer Fire Department in this category and they are billed for their fire house and training center separately.

2. ESCUD's office building is metered for its use. The sewer plant usage does not warrant installing a meter because of very limited consumption.

3. All wells are checked on a daily basis and meter readings are logged for monthly reports.

4. Recalibration policy was discussed and approved by the Board of Commissioners and recalibration is available to customers at their request or if usage appears very out of line.

5. Replacement policy is based upon inaccuracy (4% + or – from 100%). ESCUD meters are all less than 7 years old.

6. Monthly meter report from Sensus will show unauthorized consumption. Accountant informs Field Staff to investigate.

7. Yes, the Sensus metering system gives ESCUD a monthly report and accountant checks each user's gallons monthly.

8. The accountant follows historical policies, followed correctly, and implemented the same for all. Policies are not written.

9. Our area has a volunteer fire department. Water pulled from any hydrant is estimated and reported monthly to the Field Staff.

10. Distribution system is a "tree system" with individual branches that can be shut off.

11. No only in extreme emergencies due the rural nature of our dangerous terrain without public street lighting.

12. There are pressure reducers throughout the system.

13. We have a geo-phone and acoustic leak detection devices.

14. A written note on the customer's current water bill is sent and a member of the Field Staff visits their home the day after the leak report comes out.

15. Customers have been urged to call the ESCUD office when they see anything unusual regarding water leaks or at well sites.

16. We have no policy for this because Commissioners are hesitant to involve law enforcement.

17. The monetary value of lost water has never been attempted to be computed.

18. Any water leak is repaired without cost justification.

Crab Orchard Utility District

2089 E. First Street
Crossville, TN 38555
Office: 931-484-6987
Fax: 931-484-2970

July 24, 2014

JUL 31 2014

To whom it may concern:

Following is the answers to the questions for addressing water loss:

1. Are you billing for all general government water use?

   We bill for all government usage with the exception of our water treatment plant.

2. Are you accounting for water used by the water and or sewer department?

   We account for all the usage except water used in the water treatment and testing.

3. Do you periodically check or inspect all 2" and larger meters?

   We do check them for historical usage, and for opportunities to downsize to smaller meters.

We have replaced and downsized many of them in the past year.

4. Do you have a recalibration policy and procedure in place?

   We do have a recalibration policy in place; however we normally change out suspect meters, if they have any age on them.

5. Do you have a meter replacement policy in place?

   We do not have an official replacement policy; however we are now implementing a plan to replace older meters at the rate monthly that will replace meters on a maximum twelve year cycle.

6. Do you have a process to inspect for unauthorized consumption?

   Our employees are continually watching and checking for unauthorized consumption. We have a policy in place where we fine for unauthorized usage, and if not paid, we prosecute.

7. Do you have a leak detection program currently in place?

   We are continually looking and checking for leaks. We keep at least one person at all times, and the remainder of the maintenance crew is checking for leaks when not repairing them.

8. Do you have written policies, including a policy for billing adjustments?

   We do have written policies, including a billing adjustment policy that is followed by all personnel.

9. Do you have authorized non-customers users?

We do have three fire departments that are authorized usage. They are required to provide the utility with a monthly report of their estimated usage so we can account for it.

10. Is your system "zoned" to isolate water loss?

    Our system has mostly large zones that we can isolate down to. We are in the process of installing valves, zone meters, etc. to be able to isolate to smaller zones.

11. Do you search for leaks at night when there is little traffic and little usage?

    We do work at night to check for and isolate leaks to the smallest area possible.

12. Do you or can you control pressure surges?

    We are conscious of the need to control pressure surges. We try to always install soft start equipment, and control surges when we are performing maintenance.

13. Do you have access to leak detection equipment?

    Yes we have a variety of leak detection equipment up to and including the latest technology.

14. What is your policy of notifying customers they have a leak?

    Our reading equipment is set to alert if the customer usage exceeds 150% of average. In that case we try to call the customer and if unsuccessful, we utilize a door tag.

15. Do you have a public relations program to encourage citizens to report leaks?

    We do not currently have a program on this, except occasionally printing it on our bills.

16. Do you have a policy to prosecute water theft or meter tampering/damage?

    Yes we do have a theft and meter tampering/damage policy that we enforce.

17. What is the monetary value of the lost water?

    The energy and chemical cost for the real losses is $514.00 per MG, which would calculate to be $36,352.00.

18. Is the cost to repair the leak justified based on the amount of water being lost?

    This is determined by the leak, and where it is located. Small leaks where road may have to be cut, might not justify being repaired at the time of detection.

Summary:

Our score was low because I failed to enter the correct grading in some areas that more represented the way our system is set up and operated.

I am including a revised copy with the only changes being the grading being changed to reflect more how we are set up and operated and the variable production cost. I had used the cost per thousand gallons instead of the cost per million gallons.

Our two biggest contributors to our water loss is, meters going bad, and the service line type that was used several years ago going bad. The utility used (Blue Max) service lines for years when it was popular and it is all going bad now. We are replacing those with copper as we detect them, but it is not cost effective, nor can we afford to do a total replacement at this time.

In 2005 we completely changed our meters out to Master Meter AMRs. We are seeing them go bad now, and are replacing them with New Neptune meters at the rate of approximately 100 per month.

Approximately forty-five percent of our customers use less than the minimum 2, 000 gallons per month, thereby those particular meters don't affect our revenue, but does affect our unaccounted for water.

I am using the free version of the worksheet and it will not let me remove the shading when printing.

If you need additional information, please contact Everett Bolin, Jr. (931) 484-6987 or email ebolin.coud@frontiernet.net

Sincerely,

Everett L. Bolin, Jr.
General Manager
Crab orchard Utility District

AWWA WLCC Free Water Audit Software: Reporting Worksheet

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WAS v4.2

Back to Instructions

? Click to access definition

Water Audit Report for: Crab Orchard Utility District
Reporting Year: 2013 | 1/2013 - 12/2013

Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades

All volumes to be entered as: MILLION GALLONS (US) PER YEAR

<< Enter grading in column 'E'

WATER SUPPLIED

Volume from own sources:	?	7	609.200	Million gallons (US)/yr (MG/Yr)
Master meter error adjustment (enter positive value):	?	7	54.000	over-registered MG/Yr
Water imported:	?	n/a	0.000	MG/Yr
Water exported:	?	n/a	0.000	MG/Yr
WATER SUPPLIED:			555.200	MG/Yr

AUTHORIZED CONSUMPTION

Click here: ? for help using option buttons below

					Pcnt:	Value:
Billed metered:	?	7	380.100	MG/Yr		
Billed unmetered:	?	7	0.000	MG/Yr		
Unbilled metered:	?	7	46.400	MG/Yr		
Unbilled unmetered:	?		6.940	MG/Yr	1.25%	

Default option selected for Unbilled unmetered - a grading of 5 is applied but not displayed

Use buttons to select percentage of water supplied OR value

AUTHORIZED CONSUMPTION:	?	433.440	MG/Yr

WATER LOSSES (Water Supplied - Authorized Consumption) 121.760 MG/Yr

Apparent Losses

					Pcnt:	Value:
Unauthorized consumption:	?		1.388	MG/Yr	0.25%	
Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed						
Customer metering inaccuracies:	?	7	22.447	MG/Yr	5.00%	
Systematic data handling errors:	?	7	27.200	MG/Yr		
Apparent Losses:	?		51.035			

Choose this option to enter a percentage of billed metered consumption. This is NOT a default value

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses:	?	70.725	MG/Yr
WATER LOSSES:		121.760	MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER:	?	175.100	MG/Yr

= Total Water Loss + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains:	?	9	420.0	miles
Number of active AND inactive service connections:	?	9	8,450	
Connection density:			20	conn./mile main
Average length of customer service line:	?	7	40.0	ft (pipe length between curbstop and customer meter or property boundary)
Average operating pressure:	?	5	100.0	psi

COST DATA

Total annual cost of operating water system:	?	10	$2,054,281	$/Year
Customer retail unit cost (applied to Apparent Losses):	?	9	$6.79	$/1000 gallons (US)
Variable production cost (applied to Real Losses):	?	8	$514.00	$/Million gallons

PERFORMANCE INDICATORS

Financial Indicators

Non-revenue water as percent by volume of Water Supplied:	31.5%
Non-revenue water as percent by cost of operating system:	20.0%
Annual cost of Apparent Losses:	$346,530
Annual cost of Real Losses:	$36,352

Operational Efficiency Indicators

Apparent Losses per service connection per day:	16.55	gallons/connection/day
Real Losses per service connection per day*:	N/A	gallons/connection/day
Real Losses per length of main per day*:	461.35	gallons/mile/day
Real Losses per service connection per day per psi pressure:		gallons/connection/day/psi
? Unavoidable Annual Real Losses (UARL):	146.72	million gallons/year
From Above, Real Losses = Current Annual Real Losses (CARL):	70.72	million gallons/year
? Infrastructure Leakage Index (ILI) [CARL/UARL]:	0.48	

* only the most applicable of these two indicators will be calculated

WATER AUDIT DATA VALIDITY SCORE:

***** YOUR SCORE IS: 74 out of 100 *****

A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score

PRIORITY AREAS FOR ATTENTION:

Based on the information provided, audit accuracy can be improved by addressing the following components:

1: Volume from own sources
2: Master meter error adjustment
3: Billed metered

For more information, click here to see the Grading Matrix worksheet

Liberty Tower
605 Chestnut Street, Suite 1700
Chattanooga, TN 37450
(423) 756-3000
chamblisslaw.com

CHAMBLISS

CHAMBLISS, BAHNER & STOPHEL, P.C.

FREDERICK L. HITCHCOCK
DIRECT DIAL (423) 757-0222
DIRECT FAX (423) 508-1222
rhitchcock@chamblisslaw.com

September 3, 2014

VIA HAND DELIVERY
Lone Oak Utility District
c/o John W. Lyman, Chairman
Liberty Tower
605 Chestnut Street, Suite 500
Chattanooga, TN 37450

Re: Lease Question

Dear Mr. Lyman:

You have asked that I advise you concerning legal issues that would be associated with a possible lease agreement with Tennessee American Water Company ("TAWC"). I understand that, if agreed to by the parties, such a lease agreement would replace the Operating and Maintenance Agreement (O&M Agreement) between the District and TAWC.

The District's legal authority to enter into a lease agreement would depend upon its structure and details. It is clear that it would not be permissible for the District to enter into a lease that would effectively transfer the District's water utility assets to TAWC, a private, for-profit entity. *See United Cities Gas Co. v. Wigington*, 815 S.W.2d 506 (Tenn. 1991). While a lease might be structured that did not result in the effective transfer of District assets and that retained the District's authority for utility service, its legal appropriateness would depend upon the details of the arrangement.

If the District and TAWC have an interest in exploring an operating lease arrangement to replace the current O&M Agreement, we will be pleased to review proposed terms and suggest an appropriate course of action.

Sincerely yours,

Frederick L. Hitchcock /pgh

Frederick L. Hitchcock

FLH:pgh

HUGH J. MOORE, JR.
WILLIAM P. AIKEN
WILLIAM H. PICKERING*+
DAVID J. HILL
BRUCE C. BAILEY*
RICHARD W. BETHEA*
FREDERICK L. HITCHCOCK
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CHRISTOPHER J. HENNEN
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AMANDA N. JELKS
RYAN W. BARRY*
KISHA I. CHEEKS
CALVIN B. MARSHALL, JR.
JED ROEBUCK
KIRBY WADDELL YOST
JOHN H. LAWRENCE
LEAH M. McELMOYL+
MARTHA CULP
ALEXANDER K. McVEAGH

OF COUNSEL
T. MAXFIELD BAHNER
WILLIAM M. BARKER
WILLIAM C. CARRIGER
W. KING COPLER
KURT J. FAIRES
RICHARD T. HUDSON
J. NELSON IRVINE
E. STEPHEN JETT
REBECCA H. MILLER
GLENN C. STOPHEL*
WAYNE E. THOMAS*

+Also Licensed in Alabama
*Also Licensed in Georgia

August 29, 2014

VIA HAND DELIVERY
Lone Oak Utility District
c/o John W. Lyman, Chairman
Liberty Tower
605 Chestnut Street, Suite 500
Chattanooga, TN 37450

Re: Operations and Maintenance Agreement Between Lone Oak Utility District and Tennessee American Water Company

Dear Mr. Lyman:

You have asked that we express our opinion concerning the question of whether Lone Oak Utility District (the "District") had legal authority under applicable Tennessee law to enter into the Operation and Maintenance Agreement (the "O & M Agreement") dated May 13, 2002, with the Tennessee American Water Company ("TAWC"). A copy of the O & M Agreement supplied to us is attached as Exhibit A.

In reaching the opinion expressed in this letter, we have with your permission assumed the following facts:

- Exhibit A is a complete copy of the O & M Agreement;

- Lone Oak Utility District was at the time of execution of the O & M Agreement, and during all relevant periods since that time, duly organized and authorized to act as a utility district under the Utility District Law of 1937, Tenn. Code Ann. § 7-82-101, *et seq.*;

- The execution of the O & M Agreement was properly authorized by the District's Commissioners in accordance with applicable law in a properly noticed public meeting;

- The District has at all relevant times been the owner of the utility facilities that are subject to the O & M Agreement;

- TAWC was at the time of the execution of the O & M Agreement and has at all material times subsequent thereto, been duly organized and authorized to do business in Tennessee;

- The execution of the O & M Agreement did not contradict or violate any provision of the rules, regulations, or bylaws adopted by the District;

- To the extent any approval of the Tennessee Regulatory Authority ("TRA") was necessary, such approval was obtained without any condition or limitation that would materially affect the approval and effectiveness of the O & M Agreement according to its terms; and

- All of the other conditions precedent to the effectiveness of the O & M Agreement, including those set forth in Section XIII of the O & M Agreement, have been met.

In connection with this opinion, we have examined a copy of the executed O & M Agreement. We have not examined any other documents or records of the District.

Although we have not conducted an independent investigation of the accuracy of any of the assumptions set forth above, nothing has come to our attention leading us to question the accuracy of any of the assumptions.

Subject to the foregoing assumptions and the further qualifications and limitations as stated herein, we are of the opinion that a reasonable interpretation of the relevant Tennessee statutes is that Lone Oak Utility District had the legal power and authority to execute the O & M Agreement at the time of its execution by the District. Our opinion is based upon and qualified by the following analysis of relevant Tennessee law:

The Utility District Law of 1938, Tenn. Code Ann. § 7-82-101 *et seq.*, under which the District is organized and operates, sets forth the powers of the District. As relevant to the execution of the O & M Agreement:

1. Tenn. Code Ann. § 7-82-302 authorizes the District to "conduct, operate and maintain a system or systems for the furnishing of water . . . ."

2. Tenn. Code Ann. § 7-82-304(a)(4) authorizes the District to "[m]ake and enter into contracts, conveyances, mortgages, deeds of trust, bonds or leases".

3. Tenn. Code Ann. § 7-82-306 expands the express grants of authority under the Utility District Law with a grant to the District of broad implied powers beyond those enumerated in the Law:

   > Any district created pursuant to this chapter shall be vested with all the powers necessary and requisite for the accomplishment of the purpose for which such district is created, capable of being delegated by the general assembly. No enumeration of particular powers created in this chapter shall be construed to impair or limit any general grant of power contained in this chapter, nor to limit any such grant to a power or powers of the same class or classes as those enumerated. The district is empowered to do all acts necessary, proper or convenient in the exercise of the powers granted in this chapter.

4. Tenn. Code Ann. § 7-82-309(a)(4) gives the board of commissioners of the District the power and authority to "[l]ease, purchase, sell, convey and mortgage the property of the district and to execute all instruments, contracts, mortgages, deeds or bonds on behalf of the district in such manner as the board shall direct."

One limitation of the authority granted to districts has been recognized by the Tennessee Supreme Court, in a case addressing the unusual circumstance in which a district sought to sell all of its assets to a private utility and to cease its operations. The Tennessee Supreme Court held that in that case the district in question was not authorized to take such actions. *United Cities Gas Co. v. Wigington*, 815 S.W. 2nd 506 (Tenn. 1991). The O & M Agreement did not involve the sale of the District's assets, and we do not believe this decision has any bearing on the issue at hand.

The opinions set forth above are qualified as stated herein and are further qualified as follows:

- This letter is furnished by us solely for the benefit of Lone Oak Utility District.

- This letter addresses the law as of the date hereof and we undertake no obligation to inform you of any changes in the law occurring after the date hereof.

- We are admitted to practice in the State of Tennessee and we express no opinion as to matters under or involving the laws of any jurisdiction other than the State of Tennessee.

Very truly yours,

CHAMBLISS, BAHNER & STOPHEL, P.C.

FLH:pgh
Attachment

Joyce Welborn

From: STEVE CRADDOCK <stevecraddock@bellsouth.net>
Sent: Wednesday, May 28, 2014 11:49 AM
To: Joyce Welborn
Subject: Appeal

I meet with the Gladeville Utility Board on May 15th. They were willing to set-up payments over a period of 24 months rather than 11. The amount of 979$ is crippling. They ran water out of a fire-hydrant for a year, about 6 hours a day, 5 days per week during construction for trucking companies warehousing. My water pressure would drop during this time which was about 8:30-9:00 am til 2:30-3:00 pm. They did theirs on purpose and mine was an act of nature. The fact they place my supply close to a sinkhole is the primary reason mine failed. I would like to appeal this amount but need the procedure and forms if needed. I called ur # and got Michael Murphy so talked to him. The meeting I went to had a new twist, there was a big o boy of the bouncer type setting at the staff table. He got up when I was leaving and was pacing me. I perceive these people as bullies.The Danny's sure get excited when I mention the water they ran on the ground. They aggressively try to make me accept they had a meter on the hydrant when they absolutely did not. Robert Spickard was shaking a manual he had in his hand last year letting me know that the Comptroller of Tn determined how they collected money when they cut my water off for a partial monthly bill of 33$ and made my pay 20$ to turn it back on. They were following instructions. I had to borrow the money from my sister since I only 50$ to start with. I feel this was unjustified since my previous bill was 61+ and I had received a 21 day notice but they did not cut it off then. They were following instructions and here comes the book in hand. The comptroller wasn't there so I was bullied. Thanks Steve stevecraddock@bellsouth.net 615-443-0228 1006 Corinth Rd. 37122

GLADEVILLE UTILITY DISTRICT

3826 Vesta Road
Lebanon, TN 37090
Phone: (615) 449-0301
Fax: (615) 449-1346

ROBERT SPICKARD, President
EDDIE McCRARY, Vice President
ANN CHAPMAN, Secretary - Treasurer

DANNY BLEDSOE, General Manager
DANNY LASSITER, Assistant Manager
LISA GRANSTAFF, Office Manager

June 12, 2014

Ms. Joyce Welborn, Utilities Board Manager
State of Tennessee, Utility Management Review Board
James K. Polk State Office Building
505 Deaderick Street, Suite 1500
Nashville, TN 37243-1402

JUN 13 2014

RE: Complaint Filed by District Customer Steve Craddock

Dear Ms. Welborn:

In response to your May 28, 2014 letter to me wherewith you transmitted a copy of a complaint that had been filed with the Utility Management Review Board (UMRB) by Gladeville Utility District customer Steve Craddock regarding the billing adjustment he received for a water leak, we are pleased to provide the following information regarding the specific complaint as we understand it, i.e. the adjustment offered to Mr. Craddock for a water leak on his service line:

1. A copy of the minutes of the Board of Commissioners' meeting held on May 15, 2015, which is the meeting where Mr. Craddock's issue was considered by our Board.

2. A copy of our *Leak Adjustment Policy*, which was adopted in its current format on March 31, 2009 and has been in effect continuously since that date.

3. A copy of the calculations whereby we determined the appropriate leak adjustment for Mr. Craddock, with the calculations being prepared in strict accordance with our *Leak Adjustment Policy*.

4. A copy of the *Agreement for Payment of Utility Bill* that was executed by Mr. Craddock on May 13, 2014, wherein he stipulates that **"on or before the 21st of each month, I agree to pay in full my current utility bill and to make a monthly payment on my past due water bills in the amount of $79.96 dollars per month for 11 months."** The attached copy of the *Agreement* presents the full document in its entirety.

The Gladeville Utility District is an Equal Opportunity Provider and Employer.

If you wish to file a Civil Rights program complaint of discrimination, complete the USDA Program Discrimination Complaint Form (PDF), found online at http://www.ascr.usda.gov/complaint_filing_cust.html, or at any USDA office, or call (866) 632-9992 to request the form. You may also write a letter containing all of the information requested in the form. Send your completed complaint form or letter to us by mail at U.S. Department of Agriculture, Director, Office of Adjudication, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, by fax (202) 690-7442 or email at program.intake@usda.gov.

As you will note from the information provided under Items 1 and 2 above, the Board of Commissioners listened to Mr. Craddock's matter, informed him that the District has a *Leak Adjustment Policy* in place for addressing such matters, and that the *Policy* had been appropriately applied in his case. When the Commissioners explained that under the terms of our policy the only other action they could take would be an offer to extend from 11 months to 24 months the time available for him to pay the adjusted bill, that offer was apparently not acceptable to Mr. Craddock and he informed the Board that he would file a complaint with the UMRB, which he has now done.

We would also like to respectfully point out that at the above referenced May 15, 2014 Board of Commissioners' meeting, there were 34 leak adjustments approved by the Board, all of which had been calculated in strict accordance with the District's *Leak Adjustment Policy*, as had Mr. Craddock's adjustment.

Hopefully the information presented above and in the attachments hereto adequately presents the District's response to the specific complaint filed by Mr. Craddock regarding the leak adjustment offered to him. However, if you do need any additional information from the District, please do not hesitate to contact me by phone at 615-449-0301 or at dbledsoe@gladevilleutility.com.

Thank you for your consideration.

Respectfully,

Dan R. Bledsoe, P.E.
General Manager

Attachments

cc w/attachments: Mr. Robert Spickard, President / Gladeville Utility District
Mr. Eddie McCrary, Vice President / Gladeville Utility District
Ms. Ann Chapman, Secretary/Treasurer, Gladeville Utility District
Mr. Dewey Branstetter / Legal Counsel for the District

MINUTES OF MEETING
OF THE
BOARD OF COMMISSIONERS
OF
GLADEVILLE UTILITY DISTRICT
OF WILSON COUNTY, TENNESSEE

May 15, 2014

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The Board of Commissioners of the Gladeville Utility District held its monthly meeting at the office of the District located at 3826 Vesta Road, Lebanon, Tennessee 37090 at 11:00 a.m. on May 15, 2014, the meeting having been rescheduled from May 13, 2014. Present were ROBERT SPICKARD, President; EDDIE MCCRARY, Vice-President; ANN CHAPMAN, Secretary/Treasurer; DAN R. BLEDSOE, General Manager; DANNY LASSITER, Assistant Manager; LISA GRANSTAFF, Office Manager; GLENN JORDAN, Water Treatment Plant Manager; and C. DEWEY BRANSTETTER, JR., Attorney for the District. Also present were customers Steve Craddock, Ben Bashaw and Benetta Bashaw.

President Spickard declared a quorum and called the meeting to order. The first order of business was the recognition of delegations. Ms. Bashaw appeared before the Board requesting that the District consider providing the Bashaws with a leak adjustment due to a toilet that had been running in their basement, which had used approximately 22,000 gallons before it was discovered. Mr. Bledsoe stated that this situation did not qualify for a leak adjustment pursuant to the District's policy, but that the District had offered to allow the Bashaws six months to pay the additional bill. After discussion, it was determined that this situation would not qualify for a leak adjustment, but upon motion by Ms. Chapman, seconded by Mr. McCrary, the Board voted to allow the Bashaws 12 months within which to

pay the additional amounts. It was noted that there would be no interest or penalty during this 12 month period on the remaining balance of the leak adjustment.

Mr. Steve Craddock then appeared before the Board, requesting that the Board abate some or all of the charges for a leak which had occurred on his water line. After a leak adjustment the bill was still approximately $900.00, and the District had offered to allow him 12 months within which to repay this amount without any interest or penalty. The Board discussed the possibility of extending the payments out to 24 months, but Mr. Craddock stated that he was not looking for an extension but for forgiveness of the amounts owed. Mr. Craddock became belligerent with the Board, and made accusations that were not factual. Mr. Craddock ended his appearance before the Board by stating that he would go to the Comptroller's office over this situation, and despite the Board offering to consider extending the payment period to 24 months, Mr. Craddock did not request that the Board do so. The Board took no action concerning Mr. Craddock.

The next order of business was the approval of the minutes of the April 8, 2014 meeting, and upon motion by Mr. McCrary, seconded by Ms. Chapman, those minutes were approved as written.

Mr. Bledsoe then presented the financial reports, and pointed out several areas of increase in 2014 over the 2013 budget. He noted that the District had negative income year to date, and the Board discussed the fact that this trend should change now that the summer months are approaching. The Board thanked Mr. Bledsoe for the reports and accepted the reports as prepared.

The next order of business was the approval of adjustments, and upon motion by Mr. McCrary, seconded by Ms. Chapman, the Board voted to approve 34 leak adjustments totaling $6,510.45. Upon motion by Ms. Chapman, seconded by Mr. McCrary, the Board also voted to approve 78 miscellaneous adjustments totaling $188.30.

Mr. Bledsoe then presented to the Board a Resolution that had previously been adopted by the Board on December 11, 2013, concerning the recent issuance of bonds. The District did not have an executed copy of this Resolution, which had previously been approved by the Board. The President and Secretary then executed the December 11, 2013 Resolution.

Mr. Bledsoe also presented to the Board Form CT-0253, and upon motion by Ms. Chapman, seconded by Mr. McCrary, the Board voted to authorize Mr. Bledsoe to execute this form on behalf of the District.

Mr. Bledsoe also presented to the Board several documents that are required to be submitted to the Comptroller's office, including the Summary of Bond Proceeds, the District's Debt Management Policy, and the final version of the Official Statement. Upon motion by Mr. McCrary, seconded by Ms. Chapman, the Board authorized the General Manager to submit these documents to the Comptroller.

Mr. Bledsoe then presented to the Board a proposed policy entitled Post-Issuance Compliance Policy for Tax Exempt Obligations. Upon motion by Ms. Chapman, seconded by Mr. McCrary, the Board voted to adopt the Post-Issuance Compliance Policy for Tax Exempt Obligations.

Under new business, Mr. Bledsoe first noted that there had been several requests for information on industrial properties located within the District. He also noted that there had been a request for water availability for the project that formerly had been referred to as the Ravencrest property which runs from Sanders Lane to Central Pike.

Mr. Bledsoe also discussed an issue relating to a customer of the District, Joe Smith, who had a leak on the customer's side of the meter. Mr. Smith had paid the bill, but was requesting that the Board review this matter based upon his claim that someone had replaced a portion of the line on his side of the meter with copper pipe which had subsequently leaked where it was attached to the PVC pipe that he

installed. After discussion, the Board determined that there was no action that could be taken as Mr. Smith had paid the bill in full and he had already received a leak adjustment within the past 12 months.

Mr. Bledsoe then presented to the Board two invoices from Branstetter, Stranch & Jennings, one in the amount of $5,876.31, the other in the amount of $2,903.12. Upon motion by Mr. McCrary, seconded by Ms. Chapman, the Board voted to approve payment of these two invoices. The Board also authorized Mr. Bledsoe to determine the best way to allocate the payment for the $5,876.31 bill, which was related to the bond transaction.

Mr. Branstetter then presented the legal report, updating the Board on the status of the Windover easements. Mr. Branstetter also reported that it was time for the Board to adopt by Resolution three nominees, in order of preference, to submit to the County Mayor concerning the term of office for Mr. McCrary which will expire on July 24, 2014. Upon motion by Ms. Chapman, seconded by Mr. Spickard, the Board voted to nominate, in order of preference, Eddie McCrary, Gene Jones, and David Liddle. The motion to nominate these three individuals passed unanimously.

There being no further business to come before the Commissioners, it was noted that the next meeting would be on June 10, 2014, and the meeting was duly adjourned.

Robert Spickard

ROBERT SPICKARD, President

Ann Chapman

ANN CHAPMAN, Secretary-Treasurer

GLADEVILLE UTILITY DISTRICT

LEAK ADJUSTMENT POLICY

Considering the responsibility of the **District** to preserve its financial stability, the fact that the **District** bears the expense of producing the majority of its water from a water treatment plant which it owns and operates and recognizing the interest and concerns of the **District**'s customers when leaks occur on the customer's side of the water meter, the **District** has hereby adopted the following policy for adjustment of water bills resulting from leaks in a customer's water lines. Should unusual circumstances exist, the **District** reserves the right to modify or add to these procedures. The determination of unusual circumstances will be made by the **District** on a case by case basis.

1. All water which passes through a water meter shall be purchased by the customer. Customers are responsible for keeping their plumbing repaired and in good working order. Failure to make timely repairs may disqualify a customer for a leak adjustment.

2. A leak may be evidenced by a bill for water used that is more than fifty percent (50%) higher than the customer's average monthly usage for the previous four (4) months, or for the period of connection, if fewer than four (4) months. To qualify as a leak, the water loss must be underground, within walls, under the floor, otherwise concealed and may not be resulting from the fault of the customer or his agent.

3. The following will not be considered leaks and will not justify an adjustment to a water bill:

(a) Premises left or abandoned without reasonable care for the plumbing system;

(b) Periodic or continual filling of swimming pools or other water containment vessels; and

(c) Watering of lawns or gardens.

4. The **District** shall first determine that the meter was properly read. If an investigation of the meter and meter records establishes that the meter was misread or that there was a failure of utility equipment, a new bill will be issued with the proper reading or using an estimated reading based on an average of the past twelve (12) months billing for this period. There will be no penalty assessed in the event the adjustment procedure delays payment past the penalty date. If such investigation establishes that the meter was properly read and that there was no failure of Utility equipment, the bill will remain valid and payable.

5. If the meter equipment is properly functioning and the water usage is such to indicate a leak, the customer must request a leak adjustment within ninety (90) days from the original billing date. The customer shall apply to the General Manager for an adjustment due to a leak and the Manager shall determine whether the leak, the bill and the factual situation warrant adjustment of the bill under the provisions of this policy. The General Manager has the discretion to adjust a leak that spans more than one billing period if the leak otherwise qualifies under this Policy. To qualify for adjustment, the customer must establish to the General Manager's satisfaction that the customer has located the leak and repaired the same.

6. Each customer shall be allowed no more than one billing adjustment for leaks on the customer's premises during any 365-day rolling period beginning on the date on which the leak adjustment is entered in the District's system. The adjustment will be calculated as follows:

Step 1: The **District** will determine the customer's average monthly water usage for the previous four (4) months. This figure is the average usage. To qualify for adjustment, the leak usage must be double the average usage.

Step 2: The **District** will adjust the leak usage bill as follows. First, subtract from the leak usage bill the average usage calculated in Step 1. The difference is the overage. The overage is multiplied by the lowest water rate for that tap size and that figure is added to the average usage billed at the normal rate. The total of those figures is the adjusted bill.

Step 3: The adjusted bill as calculated in Step 2 shall be presented to the customer. In hardship cases, monthly payments may be arranged, but not to exceed twelve (12) consecutive monthly installments. In the event a customer would have qualified for an adjusted bill had that customer not already received an adjustment during the 365 day rolling period referenced above, such customer shall be eligible for the monthly payment schedule specified in this Step.

7. Should any customer disagree with the General Manager's determination concerning a leak adjustment, that customer may request to appear before the Board of Commissioners at a regularly scheduled meeting to present the customer's complaint and to ask for a decision by the Commissioners. In such case, the Commissioners shall render the final decision regarding the adjustment of the bill.

Robert Spirito
President

Ann Chapman
Secretary

March 31, 2009
Date Approved

{002688\99084\00153698.DOC / Ver.1}

GLADEVILLE UTILITY DISTRICT

CALCULATION OF LEAK ADJUSTMENT - 3/4" METER

Customer's Name:	**Steve Craddock**
Customer's Account Number:	**9-1830-1**
Billing Month & Year:	**May-14**
Leak Location or Details:	**In service line close to a sink hole 443-0228**

Previous Month 1 Usage	3,740	Gallons
Previous Month 2 Usage	3,150	Gallons
Previous Month 3 Usage	2,910	Gallons
Previous Month 4 Usage	2,800	Gallons
TOTAL	12,600	Gallons
Average Monthly Usage (Previous 4 Months)	3,150	Gallons
Double the Average Usage	6,300	Gallons
Leak Usage	244,700	Gallons
Less Average Usage	3,150	Gallons
OVERAGE	241,550	Gallons
Overage (In Thousands of Gallons)	241.550	
Billing Rate (per 1000 Gallons)	$3.59	
Customer's Cost of Overage **(Pre-tax)**	$867.16	
Does Penalty Apply? (1=YES or 0=NO)	0	
Tax Exempt Customer? (1=YES or 0=NO)	0	
Customer's Cost of Average Bill **(Pre-tax)**	$29.43	
Customer's Cost of Overage **(Pre-tax)**	$867.16	
Penalty (if applicable)	$0.00	
Customer's Adjusted Bill **(Pre-tax)**	$896.59	
Tax on Pre-tax Adjusted Bill	$82.93	
Customer's Adjusted Bill (With Tax)	**$979.52**	
Tax as Shown on Original Leak Bill	$163.74	
Original Leak Bill **(With Tax)**	$1,933.94	
Less Customer's Adjusted Bill	$979.52	
District's Total Portion of Adjustment	$954.42	
Breakdown of District's Portion of Adjustment		
Tax Deduct	$80.81	
Water Usage Net Deduct	$873.61	

v1.7 for 3/4" Meter - Dated 06-23-11

06-05-14

Gladeville Utility District

Reading History Report

Service Type	WA WATER	**Starting Date**	01/01/2013
Cycle	(All)	**Ending Date**	12/31/2014
Starting Account	0009-01830-001	**Sort Order**	Account
Ending Account	0009-01830-001	**Use Reading Factor**	Yes
Print on wide carriage	No	**Date Selection For Report**	Reading

Reading Date	Service	Rate	Meter Number	Previous Reading	Present Reading	Usage	Reading Type	Deduct Usage	Demand Usage	Change Out
0009-01830-001	**01**	**CRADDOCK, STEVE**			**1006 CORINTH RD MT Juliet, TN 37122**					
01/29/2013 01:30 PM	WATER	01	5521678	180,940	184,320	3,380	Read	0	0	☐
02/27/2013 10:40 AM	WATER	01	5521678	184,320	186,850	2,530	Read	0	0	☐
04/01/2013 10:00 AM	WATER	01	5521678	186,850	190,200	3,350	Read	0	0	☐
04/30/2013 12:33 PM	WATER	01	5521678	190,200	192,880	2,680	Read	0	0	☐
05/28/2013 03:10 PM	WATER	01	5521678	192,880	195,480	2,600	Read	0	0	☐
06/28/2013 09:26 AM	WATER	01	5521678	195,480	198,310	2,830	Read	0	0	☐
07/29/2013 10:21 AM	WATER	01	5521678	198,310	201,570	3,260	Read	0	0	☐
08/28/2013 01:22 PM	WATER	01	5521678	201,570	204,560	2,990	Read	0	0	☐
09/30/2013 10:00 AM	WATER	01	5521678	204,560	207,700	3,140	Read	0	0	☐
10/28/2013 02:00 PM	WATER	01	5521678	207,700	210,160	2,460	Read	0	0	☐
12/02/2013 11:34 AM	WATER	01	5521678	210,160	213,900	3,740	Read 1	0	0	☐
12/30/2013 11:12 AM	WATER	01	5521678	213,900	217,050	3,150	Read 2	0	0	☐
01/29/2014 02:34 PM	WATER	01	5521678	217,050	219,960	2,910	Read 3	0	0	☐
02/26/2014 11:25 AM	WATER	01	5521678	219,960	222,760	2,800	Read 4	0	0	☐
03/26/2014 03:20 PM	WATER	01	5521678	222,760	467,460	244,700	Read LEAK	0	0	☐
04/30/2014 02:32 PM	WATER	01	5521678	467,460	470,840	3,380	Read	0	0	☐

1 Customers in Route 0009 — 289,900 Route Usage

1 Customers on Report — 289,900 Total Usage

ACCOUNT # 9-1830-1

AGREEMENT FOR PAYMENT OF UTILITY BILL

I, **STEVE CRADDOCK,** acknowledge that I owe Gladeville Utility District (GUD) for unpaid utility bills in the total amount of **979.52.** I acknowledge and agree that I **will pay in full all past due amounts on or before the 21st of each month, I agree to pay in full my current utility bill and to make a monthly payment on my past due bills in the amount of 79.96 dollars per month for __11__ months**. I understand and agree that should I not make timely full payment of my current bill along with the agreed upon monthly payment for past due bills, **GUD will cut off my water service**. I further understand and agree that in the event my service is cut off, it will **not be reconnected until I have made full payment** on all unpaid bills owed to GUD.

STEVE CRADDOCK
Name

MAY 13, 2014
Date

615-443-0228
Phone #

1006 CORINTH ROAD MT. JULIET, TN 37122
Address

Signature

NORTHEAST HENRY COUNTY UTILITY DISTRICT
11 RICE LANE
SPRINGVILLE, TN 38256

MEMPHIS TN 380
08 JUL 2014 PM 4 L

MS. Betsy Knotts
Assistant General Councel
Comptroller of the Treasury
Utility Management Review Board
James K. Polk Office Building
505 Deaderick Street , Suite 1500
Nashville, Tennessee 37243-1402

372431402

NORTHEAST HENRY COUNTY UTILITY DISTRICT
11 RICE ROAD • SPRINGVILLE, TENNESSEE 38256
PHONE: (731)642-3391 • FAX (731)642-3662

JULY 8, 2014
BETSY KNOTTS
ASSISTANT GENERAL COUNCEL
COMPTROLLER OF THE TREASURY
UTILITY MANAGEMENT REVIEW BOARD
JAMES K. POLK OFFICE BUILDING
505 DEADERICK STREET, SUITE 1500
NASHVILLE, TN 37243-1402

DEAR MS. KNOTTS,

IN THE JUNE 30TH BOARD MEETING OF THE NORTHEAST HENRY COUNTY UTILITY DISTRICT, ALL THREE COMMISSIONERS ALONG WITH THE DISTRICT GENERAL MANAGER DISCUSSED THE ISSUE BEFORE THE UMRB. IT WAS UNANIMOUSLY AGREED THAT A REIMBURSEMENT OF $.75 CENTS PER LINEAR FOOT WAS AN APPROPRIATE AMOUNT FOR THE TRENCHING OF THE LINE IN QUESTION . THIS LINE WAS 323 FEET IN LENGTH . AN AMOUNT OF $ 242.25 WAS PRESENTED TO THE BOARD FOR BENEFIT OF THE UTILITY DISTRICT.

A COPY OF THE CHECK AS WELL AS THE DEPOSIT SLIP FOR THE DISTRICT IS ATTACHED. PLEASE ADVISE IF ANY ADDITIONAL INFORMATION IS REQUIRED BY YOUR OFFICE.

SINCERELY,

Paul Mathenia

PAUL MATHENIA
CHAIRMAN OF BOARD

PAUL MATHENIA 12-99
PH. 731-363-7685
5780 EAST ANTIOCH ROAD
SPRINGVILLE, TN 38256

2856
87-354/843

6-30-14
DATE

PAY TO THE ORDER OF Northeast Henry Co. Util. Dist. $ 242 25

two hundred forty two & 25/100 DOLLARS

Security Features Details on Back

TOP 50

SECURITY BANK
PARIS, TENNESSEE 38242

FOR trenching reimbursement Paul Mathenia

⑆084303545⑆ 2856 ⑈3149390⑈

87-354/843

NORTHEAST HENRY CO.
UTILITY DIST.

SECURITY BANK
F.D.I.C.
PARIS, TENNESSEE 38242

DATE 7-1-14

	DOLLARS	CENTS
CURRENCY		
COIN		
CHECKS LIST EACH SEPARATELY		
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SECURITY BANK & TRUST CO
JUL 01 2014
15
PARIS, TN

DEPOSITS MAY NOT BE AVAILABLE FOR IMMEDIATE WITHDRAWAL.

CHECKS AND OTHER ITEMS ARE RECEIVED FOR DEPOSIT SUBJECT TO THE PROVISIONS OF THE UNIFORM COMMERCIAL CODE AND ANY APPLICABLE COLLECTION AGREEMENT.

⑆084303545⑆ ⑈1014552⑈

NORTHEAST HENRY COUNTY UTILITY DISTRICT
11 RICE ROAD • SPRINGVILLE, TENNESSEE 38256
PHONE: (731)642-3391 • FAX (731)642-3662

NOV 12 2014

NOVEMBER 5, 2014

MRS. JOYCE WELBORN
UTILITY MANAGEMENT REVIEW BOARD
JAMES K. POLK STATE OFFICE BUILDING
505 DEADRICK STREET, SUITE 1500
NASHVILLE, TN 37243-1402

DEAR MRS. WELBORNE,

IN RESPONSE TO YOUR LETTER DATED SEPTEMBER 23, 2014. DURING OUR BOARD MEETING OF JUNE 30, 2014, THIS ISSUE WAS PRESENTED. OUR GENERAL MANAGER TOMMY BEASLEY RECOMMENDED THE $ .75 CENTS PER FOOT TRENCHING AS A FAIR AMOUNT , ON FURTHER DEBATE THE OTHER TWO COMMISSIONERS MADE MOTION TO THAT EFFECT AND WAS VOTED ON AND PASSED.

ENCLOSED IS A RENTAL SCHEDULE.
IT WOULD BE EXPECTED THAT 323 LINEAR FEET OF TRENCHES AT A DEPTH OF 12 TO 16 INCHES SHOULD BE DUG IN ONE HOUR OR LESS. FUEL COST WOULD PROBABLY BE LESS THAN ONE GALLON .

IF I CAN BE OF ANY FUTHER HELP PLEASE ADVISE.

SINCERELY,

Paul Mathenia

PAUL MATHENIA

Service Rental, Inc.

2375 East Wood St.
Paris, TN. 38242
731-642-6087
731-642-8224 fax

DATE: 9/26/14

TO: NEHCUD

ATTENTION: *BETTY DAY*

FAX NUMBER: *731-642-3662*

FROM: JEREMY HENDON

PAGES TO FOLLOW: 0

COMMENTS: WALK BEHIND TRENCHER $30.00 AN HR 2 HR MIN.

$160.00 A DAY (24 HRS)

STATE OF TENNESSEE
Utility Management Review Board
James K. Polk State Office Building
505 Deaderick Street, Suite 1500
Nashville, Tennessee 37243-1402
Phone (615) 401-7841 Fax (615) 741-6216

September 23, 2014

Mr. Paul Mathenia, Chairman
Northeast Henry County Utility District
11 Rice Road
Springville, TN 38256

Dear Mr. Mathenia:

The Utility Management Review Board previously scheduled for October 2, 2014, has been cancelled. The meeting has been rescheduled for December 4, 2014, beginning at 10:00 am, in Room 31 of the Legislative Plaza in Nashville.

In preparation for that meeting, please submit the analysis that was used to calculate the total reimbursement amount of $242.25. Please explain the $0.75 per linear foot used to calculate the cost of trenching the line. Please include detailed information regarding the cost to rent/operate a trencher or any other equipment, the cost of any fuel used, any information about the labor involved to complete the task, and any other pertinent information.

If you have any questions, please contact me at (615) 401-7864 or Joyce.Welborn@cot.tn.gov

Sincerely,

Joyce Welborn
Utilities Board Manager

SPECIAL INVESTIGATION

CHUCKEY UTILITY DISTRICT
CROSS ANCHOR UTILITY DISTRICT
JULY 1, 2011, THROUGH SEPTEMBER 30, 2013

State of Tennessee

Comptroller of the Treasury

STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY

Justin P. Wilson
Comptroller of the Treasury

JAMES K. POLK STATE OFFICE BUILDING, SUITE 1600
505 DEADERICK STREET
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7907
FAX (615) 532-4499

August 18, 2014

Members of the Boards of Commissioners
Chuckey Utility District
Cross Anchor Utility District
800 West Andrew Johnson Highway
Greeneville, TN 37745

Ladies and Gentlemen:

The Office of the Comptroller of the Treasury conducted a special investigation of selected records of the Chuckey Utility District and Cross Anchor Utility District which focused on the period July 1, 2011, through September 30, 2013. When warranted, this scope was expanded.

Presented in this report are the findings resulting from this special investigation. Copies of this report are being forwarded to Governor Bill Haslam, the State Attorney General, the District Attorney General, 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,

Stephanie S. Maxwell

Stephanie S. Maxwell, Deputy General Counsel
Office of the Comptroller of the Treasury

SSM/RAD

SPECIAL INVESTIGATION OF SELECTED RECORDS OF THE CHUCKEY UTILITY DISTRICT AND THE CROSS ANCHOR UTILITY DISTRICT FOR THE PERIOD JULY 1, 2011, THROUGH SEPTEMBER 30, 2013

SUMMARY

The Office of the Comptroller of the Treasury performed a special investigation of selected records of the Chuckey Utility District and of the Cross Anchor Utility District, including the Force Account, which was created by an interlocal agreement between the two districts. The investigation focused primarily on the period July 1, 2011, through September 30, 2013, and revealed the following:

- The retired general manager, Shirley Collins, received $25,056 in bonuses in December 2012 that had not been approved by the boards of commissioners.
- The former general manager, Kandie Jennings, used district funds totaling at least $2,064 to purchase a computer for her personal benefit.
- Inconsistencies were noted regarding interpretation, authorization, and initiation date of a $182,334 employment contract with the retired general manager, Shirley Collins.

These matters were referred to the local district attorney general.

BACKGROUND

Chuckey Utility District and Cross Anchor Utility District are separate legal entities with separate boards of commissioners, separate water lines, and separate customers. Until recently, the two districts shared a common staff, including upper management. Shirley Collins, a 30-year district employee, served as general manager for both districts until 2012, at which time the two districts appointed Ms. Collins' daughter, Kandie Jennings, general manager[1]. Both boards of commissioners removed Ms. Jennings from that position in October 2013. For purposes of this report, Shirley Collins will be referred to as retired general manager and Kandie Jennings will be referred to as former general manager.

[1]Board of commissioners' meeting minutes indicate that Cross Anchor Utility District appointed Ms. Jennings as general manager in May 2012 and Chuckey Utility District appointed Ms. Jennings as general manager in August 2012.

In addition, the two districts entered into an informal interlocal governmental agreement that created the Force Account. The Force Account was used as a method of pooling assets in order to provide manpower and equipment for line extensions and other capital projects for the two districts.

During the course of the investigation, questions emerged regarding the approval by individual board members of bonuses and other benefits. The power and authority of board of commissioners originate from the board's actions as a governmental body, not from the actions of an individual member of the board. Section 7-82-301, *Tennessee Code Annotated*, states: "The powers of each district shall be vested in and exercised by a majority of the members of the board of commissioners of the district." Section 7-82-309(a), states: "The board of commissioners of any district has the power and authority to: (1) Exercise by vote, ordinance or resolution all of the general and specific powers of the district.…" Therefore, individual commissioners have no authority to independently alter or establish district policies, to contract in the name of the district, or to commit and expend district funds.

INVESTIGATIVE FINDINGS

The investigative findings resulting from this special investigation are shown below. These matters were referred to the local district attorney general.

1. **FINDING: Bonuses paid to retired general manager Shirley Collins without board approval**

Our investigation revealed that the former general manager, Kandie Jennings, paid district funds totaling $25,056 to her mother, retired general manager Shirley Collins, ostensibly for performance and longevity bonuses. Even though her daughter had assumed the role of general manager, Ms. Collins was still employed by the districts in an unspecified role. According to the minutes of the meetings, these bonuses were not approved by either district's board of commissioners. In addition, in separate interviews, each individual board member stated that they did not approve and were not aware of the bonuses.

Months after Ms. Jennings was named general manager, she directed two types of bonuses be paid to her mother. Ms. Collins received two performance bonuses totaling $9,168 in December 2012. Ms. Collins told investigators that this type of bonus had traditionally been given to most district employees over the last 10 years or more. Ms. Collins asserted the performance bonuses were most recently tied to performance evaluations, although she acknowledged that she had not received such an evaluation. Ms. Collins also received two longevity bonuses totaling $15,888 from the districts.

Ms. Jennings told investigators that she conceived and developed the idea of a longevity bonus, and Ms. Collins was the only employee ever to receive this type of bonus. She further stated she had sought approval from the Cross Anchor Utility District's Board of

Commissioners for this bonus. Ms. Jennings also explained that the Chuckey Utility District chairman, John Carter, had relayed to her through another district employee that he supported the bonus. As noted above, Cross Anchor Utility District and Chuckey Utility District commissioners maintained they were unaware of the bonuses. In addition, both Chairman Carter and the district employee named by Ms. Jennings indicated they had never discussed longevity bonuses with each other.

2. **<u>FINDING</u>: Former general manager made an unauthorized personal purchase of $2,064**

The former general manager, Kandie Jennings, used district funds totaling $2,064 to purchase an Apple computer and accessories for her personal benefit. On September 29, 2012, Ms. Jennings used a district credit card to purchase an Apple MacBook Pro, along with three years of technology support and accidental damage from handling coverage, at Best Buy in Johnson City, Tennessee. In November 2012, district funds were used to pay for that charge. [Refer to Exhibit 1.]

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(423)262-0329

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TAX EXEMPT

SOLUTIONS PLUS 1822**********
6387427 TRE021800F7 2.99 N
TREND MICRO INTERNET SECURITY
5871661 TREND MICRO 67.00 N*
TREND MICRO IS 3 USER 3 YEAR
40.00 PACK DISC
9977916 3YR ADH 140 295.00 N*
3YR ADH 1400 & UP MOBL COMP G
154.98 PACK DISC
GSP# 4101164362
SKU # 3827134
EXP DATE 09/29/2015
1853259 TECH SUPPOR 0.99 N
TECH SUPPORT PRODUCT
2870043 TECH SUPPOR 234.01 N*
TECH SUPPORT 3 YEAR TERM
115.98 PACK DISC
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6094175 RZ SILVER 0.00 N
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MEMBER ID
3827134 MD102LL/A 1,424.00 N*
MBP 13.3/2.9/2X2GB/750/SD-USA
REG $1,499.99 75.99 SALE DISC
4407707 CL60044 39.99 N
NEOPRENE SLEEVE FOR 13" MB PR

SUBTOTAL 2,063.98
SALES TAX AMOUNT 0.00
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TOTAL 2,063.98

Associate # 910860

TEC Cert. Key : 418838

xxxxxxxxxxxx3283 VISA 2,063.98
KANDIE JENNINGS
APPROVAL 05001G

****
Terms & Conditions will be
e-mailed to you and can be found at
www.geeksquad.com/termsconditions
****

Exhibit 1

In October 2013, the two districts suspended and subsequently terminated Ms. Jennings. After Ms. Jennings' suspension, staff discovered that the Apple computer and other equipment were not on district property. Ms. Jennings arranged the return of the Apple computer to district offices in March 2014. A forensic analysis of the computer's hard drive by Comptroller staff revealed that no district-related software or files had been installed on the device. Instead, until October 5, 2013, the computer had been used exclusively for gaming, particularly the video game Minecraft®, and personal internet use. Ms. Jennings told investigators that although she had purchased the computer for district use, she had allowed a family member not employed by the district to use the computer beginning in January 2013 and that it was never used for district business.

3. **<u>FINDING</u>: Inconsistencies surrounding interpretation, authorization, and initiation date of an employment contract with retired general manager valued at $182,334**

Inconsistencies related to an undated consulting contract valued at $182,334 between Chuckey Utility District and retired general manager, Shirley Collins, created doubts and confusion about the interpretation, authorization, and initiation date of the contract. [Refer to Exhibit 2.] The Chuckey Utility District's Board of Commissioners ostensibly approved the contract on August 15, 2012, according to the minutes of the board meeting[2]. [Refer to Exhibit 3.] The minutes contained no detailed discussion of the proposed contract, including cost or terms[3], and did not include a copy of the contract. Ms. Collins told investigators that the contract, prepared by her daughter (former general manager Kandie Jennings), was signed by the board chairman, John Carter, at the board meeting. Both of the board members present at that meeting – John Carter and Dennis Adams – recalled agreeing to pay Ms. Collins' health insurance premiums for two years following her retirement; however, neither recalled discussing a consulting contract or the terms of such a contract. In interviews with investigators, Mr. Carter stated he was unsure whether he signed the contract, but he would not have done so knowingly.

The language of the contract indicated that Ms. Collins would become a consultant beginning the date the contract was executed and continuing for the next two years. Ms. Collins maintained the contract was executed on August 15, 2012; however, district payroll records revealed that during the following eight months, Ms. Collins' employment status appeared to remain unchanged. Ms. Collins continued to receive her salary and other employee benefits – unchanged from when she was general manager. She also benefited from the generous employee bonuses referred to in Investigative Finding 1. She received her last payroll check from the district on April 15, 2013, and she received her first consulting check on April 26, 2013.

[2]Minutes of the Chuckey Utility District's Board of Commissioners' meetings were handwritten by either retired general manager Shirley Collins or her daughter, former general manager Kandie Jennings.

[3]According to calculations found in Ms. Collins' personnel file and based on subsequent payments to her, the contract was valued at $182,334 to be paid over two years in 24 monthly payments.

Exhibit 2

CONTRACT

This Contract and Agreement entered into in Greene County, Tennessee, on this the _____ day of _____, 2012, by and between Chuckey Utility District (hereafter District) and Shirley Collins (hereinafter Collins). The parties to this Agreement in consideration of the mutual covenants and stipulations do hereby set out and agree as follows:

1. Collins will be a consultant for the District for the next two (2) years.

2. During this two (2) year period, Collins will make herself available by telephone to assist the District employees as necessary.

During this two (2) year period, if the District's General Manager or Distribution Manager determines an emergency situation exists, Collins will be available to travel inside the boundaries or to the office of the District to assist the District personnel.

3. The District shall pay Collins the equivalent of her 2011 salary cost and benefits divided into 24 monthly payments plus insurance and taxes. The employment relationship between the District and Collins will be that of principal and independent consultant, and no relationship of employer/ employee shall be implied herein. The scope of her work for the District will be a consultant and requirements of Paragraphs 1, 2, and 3 of this Agreement. In addition to the monthly salary as set out before, Collins will be receiving only those benefits which she receives as a retired employee of the District which are available to Collins irrespective of her role as an independent consultant under the terms of this Contract/Agreement. Collins will use her best efforts to carry out the obligations and requirements of this Contract/Agreement.

In witness whereof, the parties have executed this Contract/Agreement on this the _____ day of _____, 2012.

This Contract/Agreement can be renewed at the request of the District if both parties are in agreement.

John D. Carter

John D. Carter, Chairman

Shirley Collins

Shirley Collins, Independent Consultant

Exhibit 3

49

Chuckey Utility District Board of Commissioners met at the County Water Office August 15, 2012 at 4:30 P.M.

Commissioners present: John Carter
Dennis Adams

Also present: David Wykle, Kandie Jennings & Shirley Collins

Adjustments approved

Sanitary Survey - 97 Score

Dennis Adams made a motion to approve retirement insurance plan, John Carter second. All in favor. Motion passes.

Dennis Adams made a motion to appoint Kandie Jennings as General Manager of Chuckey Utility District, John Carter second. All in favor, Motion passes.

Motion by John Carter to hire former manager Shirley Collins as a new development consultant for a period of 2 to 4 years, Dennis Adams second. All in favor. Motion passes.

Meeting adjourned

John D Carter

OTHER FINDINGS AND RECOMMENDATIONS

Presented below are the findings and recommendations related to internal control and compliance deficiencies noted during the investigation that we believe warrant the attention of Chuckey Utility District and Cross Anchor Utility District officials.

1. **FINDING:** **Lack of policy establishing reasonable expenses**

The former general manager, Kandie Jennings, spent at least $7,671 in district funds to arrange and finance a retirement party for her mother, retired general manager Shirley Collins. All the board members recall discussing the retirement party (and most attended the party); however, they failed to impose any restrictions on the cost of the event. The party was held the evening of Friday, June 28, 2013, at Ms. Collins' home. It was open to employees, commissioners, other individuals related to the districts and their families.

The districts paid for the rental of an 18-foot inflatable slide, an inflatable movie screen and projector, a Slushee machine, a cotton candy machine, and a hot dog machine. The cost included $1,944 for barbecue, which included 50 pounds of pulled pork and 40 racks of ribs. According to guests that helped clean up after that party, a considerable portion of the food was uneaten and was wrapped up and stored at Ms. Collins' house.

A second, private party for friends and family was held at Ms. Collins' home the following day. According to guests who attended the private party, the rental items were used at the private party, and it appeared that the food served was left over from the district-funded party. Ms. Collins told Comptroller investigators that they may have served some of the leftovers from the district-funded party, but they also prepared other food themselves. In addition to the retirement party, the two districts spent $4,100 for Christmas parties in 2012.

The districts failed to adopt policies and procedures specifically addressing the appropriateness, restrictions, and limits of disbursements not directly related to district operations. Section 7-82-403, *Tennessee Code Annotated*, addresses the fact that boards of commissioners should collect reasonable rates to provide for the operation and maintenance of the system. It is the responsibility of the board of commissioners to ensure that district staff understand and value the importance of prudent and sensible use of ratepayer funds.

RECOMMENDATION:

To help ensure that all district expenditures are for a valid district purpose and are reasonable and necessary for the purposes for which the districts exists, officials should consider establishing policies addressing the appropriateness of disbursements, such as the parties and meals noted above.

MANAGEMENT'S RESPONSE:

Members of the Board of Commissioners of Chuckey Utility District:

We concur. Although disbursements not directly related to district operations, such as parties, are not specifically addressed in our current policy, all such disbursements will be formally approved by the board and recorded in the minutes along with an estimate of the anticipated cost prior to any disbursement.

Members of the Board of Commissioners of Cross Anchor Utility District:

We concur. A new purchasing policy was adopted on June 9, 2014, based on TAUD guidance. Although disbursements not directly related to district operations, such as parties, are not specifically addressed in this policy. All such disbursements will be formally approved by the board and recorded in the minutes along with an estimate of the anticipated cost prior to any disbursement.

2. **FINDING:** **Violation of districts' expense reimbursement policy**

Without the knowledge or approval of the boards of commissioners, former general manager, Kandie Jennings, paid herself and certain other employees of the districts a lump sum phone allowance of up to $3,600 per year. Ms. Jennings claimed that her allowance was to cover her cell phone, her home phone, and her home internet service. District files contained no documentation that these amounts represented actual expenses paid by employees for phone and internet use or that the reimbursements were for expenses reasonably related to and necessary for business of the districts. The districts' expense reimbursement policies state that district employees are eligible for reimbursement for expenses that are actual, ordinary, and necessary in the conduct of district business.

RECOMMENDATION:

To help ensure all district funds are used only for valid district purposes, members of the boards of commissioners should confirm that any expense reimbursement is adequately documented and is for an actual, reasonable, and necessary district expense.

MANAGEMENT'S RESPONSE:

Members of the Board of Commissioners of Chuckey Utility District:

We concur. The board has approved a stipend to be paid weekly. This stipend will be reviewed annually by the board.

Members of the Board of Commissioners of Cross Anchor Utility District:

We concur. A mobile phone and texting use policy was adopted on June 9, 2014, based on TAUD guidance. This policy states that the board will determine a monthly stipend to be determined and reviewed on an annual basis. Cross Anchor employees are also now on the government plan through Verizon which will allow actual expenses to be monitored.

3. **FINDING:** **Failure to establish and follow policies regarding credit cards**

The boards of commissioners failed to establish policies related to credit cards issued in the districts' names. We noted numerous deficiencies in internal controls and procedures related to district credit cards, including:

a) District officials failed to adopt guidelines setting forth what type of transactions were permissible for charge on the district credit card, and specifically prohibiting cash advances.

b) There was no thorough oversight or review of credit card charges by any official other than the authorized users to substantiate the appropriateness of purchases.

c) Several charges on the district credit card had no invoices or other adequate documentation on file at the district offices. As a result, records were insufficient to determine if the districts received the benefit of these purchases.

e) Officials failed to address custody and safekeeping of the physical credit cards. The authorized district credit card may have been given to other district employees from time to time; however, there was no log or other record to document whom was responsible for a particular charge.

The *Internal Control and Compliance Manual for Tennessee Utility Districts*, page 46, states:

> [D]esignate individuals who are authorized to make purchases with district debit, credit, or p-cards. Clearly define the types of purchases permitted to be made using debit, credit, or p-cards. Such purchases must be approved in the same manner as any other purchase. If district officials authorize the use of debit, credit, and/or p-cards, the number of cards maintained should be kept to a minimum and should be properly accounted for. A record of the current holder(s)/user(s) should be maintained in the district's files. Debit, credit, and/or p-cards should not be "loaned" to other employees. That is, if the card has been issued/signed out to one

> employee, another employee should not be permitted to use that card. Personal charges should be strictly prohibited.

RECOMMENDATION:

To ensure only authorized, permissible charges are made on district credit cards, district officials should formulate clear, comprehensive credit card policies and procedures.

MANAGEMENT'S RESPONSE:

Members of the Board of Commissioners of Chuckey Utility District:

We concur. Two credit cards in two employees' names have been approved by the board and the board will review all credit card statements at the monthly meeting.

Members of the Board of Commissioners of Cross Anchor Utility District:

We concur. Although Cross Anchor did not have a credit card in its name, the Chuckey credit card was used for Cross Anchor purchases. One credit card in one employee's name has been approved by the board and the board will review all credit card statements at the monthly board meeting.

4. **FINDING:** **Lack of adequate and complete minutes**

The former and the retired general managers failed to include in the minutes for the meetings of the boards of commissioners adequate detail of board discussions and actions taken, and in many instances did not include copies of relevant documents, such as contracts. For instance, the minutes included neither documentation of a detailed discussion of terms and costs nor a copy of a consulting contract between Chuckey Utility District and retired general manager Shirley Collins.

The *Internal Control and Compliance Manual for Tennessee Utility Districts*, pages 14–15, state:

> The board should ensure that … complete minutes of actions taken by the board are maintained at the utility district's office. The official minutes should be signed as approved by the secretary of the board (or other authorized individual) and kept together in date order and be easily accessible. The minutes should include the following:
>
> a. copies of all resolutions adopted (including utility rates, cut-off policy, tap fees, etc.)

b. schedules of personnel appointments and salary rates and changes (In larger districts where such information may not be practicably included in the minutes, the minutes should include documentation of: (1) all appointments and wage rates that must be set by the board; and (2) across the board wage increases. Adequate policies governing authorization of pay increases should be developed and maintained by the district. Wage and salary rates increases delegated by the board should be adequately documented in the personnel records.)…

g. copies of contracts entered into by the board. The board must obtain a written contract for all agreements with other entities or individuals for services received or provided, regardless of whether payment is involved, including the following:

(1) contract labor and consultant agreements, including computer services, day labor, and similar work

(2) leases

(3) rentals

(4) management agreements

RECOMMENDATION:

To ensure that the boards' wishes are clearly and accurately documented, district officials should include all relevant actions, and any related documentation, as part of the official minutes of the meetings of the boards of commissioners. The minutes should be carefully reviewed by the boards and then signed by designated board officials.

MANAGEMENT'S RESPONSE:

Members of the Board of Commissioners of Chuckey Utility District:

We concur. The office manager now records the actions taken at each meeting and all commissioners present approve and sign minutes. All new contracts and resolutions will be included in the future.

Members of the Board of Commissioners of Cross Anchor Utility District:

We concur. The board secretary now records (written and audio) the actions taken at each meeting and all commissioners present approve and sign the minutes. All new contracts and resolutions will be included in the future.

5. **FINDING:** **Lack of oversight of districts' fueling system**

Our investigation revealed that district officials failed to provide adequate oversight related to the use of district fuel cards. Certain district employees were assigned fuel cards that allowed them to purchase fuel for the districts' vehicles at retail fuel locations. However, officials did not monitor those purchases for accuracy or reasonableness. For instance, the districts failed to correctly identify each district vehicle to the fuel vendor. Likewise, the employees' personal identification numbers often were not associated with the names of the actual current users. As a result, the fuel usage reports generated by the fuel vendor were inaccurate as to which employee was obtaining fuel and to which vehicle he or she was fueling.

RECOMMENDATION:

To reduce the risk of fraud, waste, or abuse, district officials should review, monitor, and reconcile fuel purchases charged to district accounts. Officials should ensure that vehicle and user information provided to the fuel management vendor is up to date and accurate. Any discrepancies should be investigated immediately.

MANAGEMENT'S RESPONSE:

Members of the Board of Commissioners of Chuckey Utility District:

We concur. All vehicles have a separate card and each employee has a unique PIN to be used for fuel purchases. The receipts are turned in to the office personnel to be reconciled to the weekly and/or monthly statements from the vendor. All discrepancies are discussed with the vendor in a timely manner.

Members of the Board of Commissioners of Cross Anchor Utility District:

We concur. All vehicles have a separate card and each employee has a unique PIN to be used for fuel purchases. The receipts are turned in to office personnel to be reconciled to the weekly and/or monthly statements from the vendor. All discrepancies are discussed with the vendor in a timely manner.

6. **FINDING:** **Interlocal agreement not formally adopted**

Neither board of commissioners ever formally adopted the Force Account, a joint venture created by Chuckey Utility District and Cross Anchor Utility District to provide manpower and equipment for capital projects. In addition, the two districts failed to define in writing specific aspects of the agreement, such as the duration of the joint venture, provisions for an administrator, and the method to be employed for partial or complete termination of the agreement. Section 12-9-101, et al., *Tennessee Code Annotated*, sets forth the requirements and responsibilities of public entities entering into interlocal agreements.

RECOMMENDATION:

Members of the boards of commissioners should ensure that any interlocal agreement is properly established and all filing requirements are followed.

MANAGEMENT'S RESPONSE:

Members of the Board of Commissioners of Chuckey Utility District:

We concur. The joint venture between Chuckey and Cross Anchor Utility Districts has been terminated. All equipment and employees associated with the joint venture have been realigned according to the mutual agreement of the boards.

Members of the Board of Commissioners of Cross Anchor Utility District:

We concur. The joint venture between Chuckey and Cross Anchor has been terminated. All equipment and employees associated with the joint venture have been realigned according to the mutual agreement of the boards.

7. **FINDING:** **Personal use of utility districts' vehicles**

Some district employees used their district-issued vehicles for nondistrict purposes. One former employee frequently drove his son from Greeneville to a private school in Morristown in the morning and back home after school, a round trip of more than 65 miles, between October 2010 and December 2011. The former employee suggested that on many of these trips to his son's school, he also conducted legitimate district business in the area. However, the districts' policy manuals prohibit personal use of district vehicles. In addition, the boards of commissioners were not aware and did not authorize the personal use of district vehicles.

Routinely diverting district vehicles for personal use could be considered working outside the scope of a governmental and proprietary function[4]. As a result, the government tort liability act would not provide protection to the districts in the event an injury or damages occurred as a result of these personal errands performed by the districts' employees. Such activity exposes the utility districts to unknown and potentially unlimited liability.

RECOMMENDATION:

Members of the board of commissioners should strictly enforce the vehicle use polices. In addition, to protect the districts from potential liability, management should prohibit employees from transporting passengers for purposes unrelated to district business.

[4]Section 29-20-201, *Tennessee Code Annotated*

MANAGEMENT'S RESPONSE:

Members of the Board of Commissioners of Chuckey Utility District:

We concur. The board plans to adopt TAUD's vehicle use policy.

Members of the Board of Commissioners of Cross Anchor Utility District:

We concur. A revised utility vehicle use policy was adopted June 9, 2014, based on TAUD guidance. Each operator of the utility district's vehicles received a copy of the policy which defines the concept of "de minimus" use.

STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
FINANCIAL AND COMPLIANCE INVESTIGATIONS

Justin P. Wilson **JAMES K. POLK STATE OFFICE BUILDING, SUITE 1600**
Comptroller of the Treasury **505 DEADERICK STREET**
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7907
FAX (615) 741-1709

September 3, 2014

Board of Commissioners
Webb Creek Utility District
3625 Lindsey Mill Road
Gatlinburg, Tennessee 37738

Gentlemen:

We performed an investigation, in conjunction with the Fourth Judicial District Attorney General, of selected records of the Webb Creek Utility District for the period January 1, 2010, through April 30, 2013; however, we expanded the scope as necessary. The investigation revealed the following deficiencies:

- Questionable purchases totaled $43,929.42 during the period examined.
- A customer's account balance was written-off by a former district manager in exchange for a firearm for personal use.
- The board of commissioners did not provide adequate oversight of the district's operations.
- Duties were not segregated adequately.
- The utility district did not have written policies concerning the collection and write-off of customer accounts.

The investigative findings and recommendations as a result of our investigation are presented below. These findings and recommendations have been reviewed with management to provide an opportunity for their response. Also, these findings and recommendations have been reviewed with the district attorney general. The utility district terminated the district manager's and the assistant district manager's employment on August 2, 2013. During interviews conducted in April 2013, the district manager and

the assistant district manager provided written statements that they used district funds for personal gain.

BACKGROUND

The Webb Creek Utility District is a public utility chartered in 1979 specifically to serve and meet the needs of its customers for safe drinking water and wastewater treatment. The district is managed by a three member board of commissioners. A district manager runs the day-to-day operations and serves as an advisor to the board. The district, which is located in Gatlinburg, currently serves less than 1,000 customers in Sevier County. The district is required to follow the *Internal Control and Compliance Manual for Tennessee Utility Districts (UD Manual)* prescribed by the Tennessee Comptroller of the Treasury.

INVESTIGATIVE FINDINGS AND RECOMMENDATIONS

FINDING 1 — QUESTIONABLE SPENDING BY DISTRICT MANAGEMENT TOTALED $43,929.42 DURING THE PERIOD EXAMINED

Based on our examination of accounting records, various policies and procedures, and interviews, we noted questionable purchases totaling $43,929.42 during the period January 1, 2010, through April 30, 2013. These purchases included gifts of iPads, laptops, TVs, gift cards, plus entertainment venues, credit card charges for food, meals at restaurants, personal use of district cellular devices, and the payment of unearned leave. These questionable purchases are detailed below:

A. During the period examined, the assistant district manager used district funds to purchase gifts for employees and at least one board member totaling $19,320.24. These gifts included various electronic items such as laptop computers and iPads (with multi-year warranty plans for usage), as well as gift cards. We were advised that these items were purchased as Christmas gifts for all employees. These purchases were not approved by the board of commissioners; and in one instance, a board member received an iPad as a Christmas gift (see Exhibit 3). We determined from a review of the Sam's Club account activity that at least $7,230.42 in items purchased as gifts were subsequently returned to Sam's Club, and the cash was refunded to district employees. Furthermore, district management acknowledged these gifts were given to employees, and they were aware that certain district employees subsequently returned the items for a cash refund.

In addition to the electronic items purchased as Christmas gifts, the assistant district manager purchased $6,795 in VISA and Wal-Mart gift cards for district employees. During interviews, district employees advised that they received two gift cards each year at Christmas; one $350 VISA gift card and one $25 Wal-Mart gift card. The purchase of the Wal-Mart gift cards was made with the district credit card. In three instances, the assistant district manager incurred an additional $45 in bank fees to make these gift card purchases. The purchase of these gift cards was not approved by the board of commissioners (see Exhibit 2).

The following table is a summary of unauthorized gifts to employees by calendar year:

Date of Purchase	$350 VISA gift cards	$25 Wal-Mart gift cards	Electronic Items	Multi-Year Warranty Service Plans	Total
10-27-10	$ 2,115.00	$ 150.00	$ 3,895.00	$ 399.80	Entertainment Notebook Laptop (6)
11-23-11	2,115.00	150.00	3,294.00	359.28	Inspiron 5110 (6)
11-26-12	2,115.00	150.00	4,158.00	419.16	iPad 4 32G (7)
Total	$ 6,345.00	$ 450.00	$ 11,347.00	$ 1,178.24	$ 19,320.24

B. During the period examined, the assistant district manager made monthly credit card purchases of food at a local Food City totaling $7,964.68. Items purchased often included pastries, deli meat, chips, and candy. The assistant district manager advised us that she used district funds to purchase food for personal use. Although we noted some food items at the utility district office, we were unable to ascertain whether these purchases were business-related or personal in nature (see Exhibit 1).

C. We noted questionable purchases totaling $3,852.57 at Sam's Club for the period January 1, 2010, through April 30, 2013. These purchases included items such as meat products, ribbon, gift wrap, sodas, and other miscellaneous food items that we were unable to ascertain whether these purchases were business-related or personal in nature.

D. We identified meals purchased at various restaurants with the district credit card totaling $2,655.66. The majority of these meal purchases were at the Alamo Steakhouse ($2,327.98). In many instances, there were no detailed receipts; therefore, we could not determine what was purchased. The district's travel policy provides for reimbursement of meals only when an employee is on overnight travel status.

E. The assistant district manager purchased one 32" TV, two UltraBook laptop computers, and three 40" TVs at Sam's Club totaling $3,807.68. These items could not be located at the utility district office. We were advised by the district manager that some of these items were returned for cash; however, we could not determine what, if any, items had been returned. Furthermore, upon the termination of the district manager's employment, he returned one of the 40" TVs to the district that had been purchased by the assistant district manager.

F. The assistant district manager and district manager purchased gift cards with the district credit card totaling $2,025 during the period. The district could not provide detail as to who received 60 of those gift cards totaling $1,575.

G. Several credit card purchases did not include supporting documentation or the supporting documentation was not complete (receipts not itemized). In one instance, a charge of $646.88 to BBJ Group Sales made on May 23, 2011, was not properly supported with a detailed receipt as to what was purchased. The vendor, identified as an entertainment venue, was contacted and confirmed it was for the purchase of variety show tickets in either Gatlinburg or Pigeon Forge. The current district manager as well as district employees did not recall any reason for a purchase to be made at an entertainment venue.

H. Three district employees and three board members received daily meal allowances totaling $969. The employees and board members were not on overnight travel status when they received this benefit. The approved travel policy only provides for reimbursement of meals when district personnel are traveling overnight on behalf of the district.

I. District funds totaling $1,919.52 were spent for the personal use of three 4G mobile broadband devices for the assistant district manager and the district manager. These devices appear to have been authorized by the assistant district manager. The devices were returned to the district when the district manager's and assistant district manager's employment was terminated.

J. The district manager received payment of an additional 43 hours ($1,218.19) in personal leave. The district's personnel policy provides each employee will receive one personal day per month without carryover. The manager had used all of his personal time earned; however, he was paid as if he had a balance of 43 hours. In addition, we noted time sheets were not always signed by employees or approved by a supervisor. Sound business practice dictates that employees should sign their time sheets as verification that the time reported is correct. If supervisors do not review and approve employee time sheets, it increases the risk that time will be reported and paid incorrectly.

The questionable purchases are summarized in the following table:

Description			Amount
A.	Gift Purchases	$	19,320.24
B.	Food Purchases		7,964.68
C.	Other Questionable Purchases		3,852.57
D.	Meals Purchased		2,655.66
E.	Missing Electronic Equipment		3,807.68
F.	Unaccounted for Gift Cards		1,575.00
G.	Entertainment Purchases		646.88
H.	Unauthorized Meal Allowance		969.00
I.	Personal Use of Cell Phones		1,919.52
J.	Unearned Leave Paid		1,218.19
	Total	$	43,929.42

RECOMMENDATION

Management should review the questionable purchases to determine the validity of the purchase and seek restitution for any non-business related purchase. The office should maintain adequate documentation to support all purchases. Supervisors should review and approve all employee time sheets.

MANAGEMENT'S RESPONSE – BOARD OF COMMISSIONERS

(A. through G., and I.)
The board of commissioners and the current district manager plan to review questionable purchases with investigative auditors and seek restitution from responsible individuals for non-business related purchases. The district management's knowledge of gifts to employees, which were returned for cash, consisted of the former district manager and former assistant district manager. The board of commissioners, as administered on a day-to-day basis by the district manager, has instituted strict supervision over the use of the district's credit card for any purchases, has implemented changes in internal controls over district financial transactions, and for the presentation, including board approval, of bank account statements, credit card statements, and adjustments of customer accounts at monthly board meetings. It is important to note that when the board of commissioners became aware of questionable conduct, the utility audit firm was notified and the same led to further investigation and the findings in this report.

(H.)
The board of commissioners and district manager will work with the investigative auditors to determine the amount of daily meal payments/reimbursements, which were paid to district employees and commissioners contrary to the district travel policy, and will seek restitution from affected individuals.

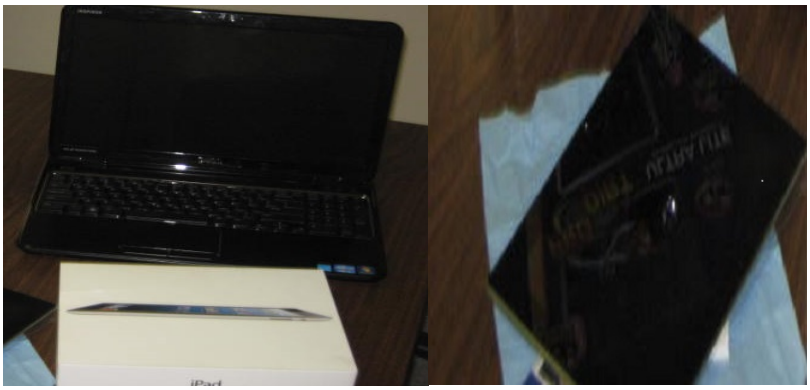
(J.)
The board of commissioners and the district manager will review the questionable payment with the affected employee and seek restitution of any payments, which were made

contrary to personnel policies. The board of commissioners will revise personnel policies, as necessary, to make sure time sheets are prepared and signed by each employee and approved by the district manager.

Exhibit 1

Exhibit 2

Exhibit 3



FINDING 2 **A CUSTOMER'S ACCOUNT BALANCE WAS WRITTEN-OFF BY A FORMER DISTRICT MANAGER IN EXCHANGE FOR A FIREARM FOR PERSONAL USE**

Our investigation revealed that in September 2013, a former district manager wrote-off the balance of a customer's account totaling $149.88. We were advised that the district manager had an agreement with the customer to pay two months of his utility charges in exchange for a .38 caliber revolver. The district manager subsequently reversed the write-off and wrote a personal check to the district in January 2014, after the district's board of commissioners became aware of the transaction. The board of commissioners subsequently demoted the district manager from his position as district manager; however, he remains an employee of the utility district.

RECOMMENDATION

Customer accounts should only be written-off in compliance with a board of commissioners approved write-off policy.

MANAGEMENT'S RESPONSE – BOARD OF COMMISSIONERS

The board of commissioners has adopted a policy of approving customer account write-offs at each monthly board meeting.

FINDING 3 **THE BOARD OF COMMISSIONERS DID NOT PROVIDE ADEQUATE OVERSIGHT OF THE DISTRICT'S OPERATIONS**

The district's board of commissioners did not provide adequate oversight of the district's operations and did not establish internal controls to ensure accountability of district funds. The minutes of the board did not reflect any discussion related to employee gifts, and other major spending related to food purchases, employee and board member meal reimbursements, miscellaneous credit card purchases, cellular device usage by employees, and the payment of unearned leave. The lack of oversight by the board of commissioners

directly contributed to the failure to properly account for district funds.

RECOMMENDATION

The board of commissioners should provide proper oversight of the district's operations and the establishment of adequate internal controls to ensure the district complies with applicable laws, rules, and regulations. Minutes of board meetings should adequately document the business conducted by the board.

MANAGEMENT'S RESPONSE – BOARD OF COMMISSIONERS

The board of commissioners has established procedures for internal controls consistent with the *Internal Control and Compliance Manual for Tennessee Utility Districts* prescribed by the Tennessee Comptroller of the Treasury. Board meeting minutes are adequately prepared and reflect board approval for applicable expenditures.

FINDING 4 **DUTIES WERE NOT SEGREGATED ADEQUATELY**

Duties were not segregated adequately. The assistant district manager was responsible for collecting and receipting funds, maintaining the accounting records, and preparing and making deposits. The assistant district manager was also responsible for purchasing and writing all checks as well as co-signing the checks with a board member. Internal controls should be designed to give reasonable assurance of the reliability of financial reporting and of the effectiveness and efficiency of operations. This deficiency is the result of a lack of board oversight.

RECOMMENDATION

Management should segregate duties to the extent possible using available resources. The board of commissioners and management should continually monitor and review internal control procedures.

MANAGEMENT'S RESPONSE – BOARD OF COMMISSIONERS

The board of commissioners has segregated duties to the extent possible with available personnel resources. The board of commissioners has made changes to the list of authorized signatures on the district's bank account, checks and fund transfer transactions, and for credit card transactions. The board of commissioners, as administered on a day-to-day basis by the district manager, has instituted new procedures for the segregation of duties in the day-to-day handling of district funds, posting of customer account information, making bank deposits, and for the presentation, including board approval, of bank account statements, credit card statements, and adjustments of customer accounts at monthly board meetings. The board of commissioners monitors and reviews internal control procedures with employees and encourages participation at utility industry seminars for continuing education on the latest available information.

FINDING 5 **THE UTILITY DISTRICT DID NOT HAVE WRITTEN POLICIES CONCERNING THE COLLECTION AND WRITE-OFF OF CUSTOMER ACCOUNTS**

The utility district did not have written policies concerning the collection and write-off of customer accounts. Sound business practice dictates that written policies concerning customer accounts should be adopted. This deficiency is the result of the lack of management oversight. Without formal policies for the collection and write-off of customer accounts, employees have no guidance for consistent and uniform treatment of customers.

RECOMMENDATION

The utility district should develop written policies concerning the collection and write-off of customer accounts and present these policies to the board of commissioners for its consideration.

MANAGEMENT'S RESPONSE – BOARD OF COMMISSIONERS

The board of commissioners has adopted a written policy for collection and adjustments to customer accounts.

If you have any questions concerning the above, please contact this office.

Sincerely,

Justin P. Wilson
Comptroller of the Treasury

JPW/kbh

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ROBERT E. RICHARDSON, JR. ***

* ALSO ADMITTED IN GA
** ALSO ADMITTED IN KY
*** ONLY ADMITTED IN OH

June 20, 2014

Joyce Welborn, Board Coordinator
Comptroller of the Treasury,
Division of Local Government Audit
Utility Management Review Board
505 Deaderick Street, Suite 1500
Nashville, TN 37243-1402

JUN 25 2014

Re: Supplemental Petition of Luttrell-Blaine-Corryton Utility District of Union, Grainger and Knox Counties, Tennessee, for Authority to Furnish Sewer and Sewer Disposal Services in Union and Knox Counties

Dear Joyce:

Pursuant to T.C.A. § 7-82-302(e), I have enclosed a copy of the Supplemental Petition of Luttrell-Blaine-Corryton Utility District of Union, Grainger and Knox Counties, Tennessee, for Authority to Furnish Sewer and Sewer Disposal Services in Union and Knox Counties filed with the Knox County Mayor in which the District is seeking to have sewer service added as an additional authorized service.

Sincerely yours,

Donald L. Scholes

DONALD L. SCHOLES

Enclosure

{000252/12446/00325795.DOC / Ver.1}

BEFORE THE COUNTY MAYOR OF KNOX COUNTY, TENNESSEE

In re:	)
	)
SUPPLEMENTAL PETITION OF	)
LUTTRELL-BLAINE-CORRYTON	)
UTILITY DISTRICT OF UNION,	)
GRAINGER AND KNOX COUNTIES,	)
TENNESSEE, FOR AUTHORITY TO	)
FURNISH SEWER AND SEWER	)
DISPOSAL SERVICES IN UNION	)
AND KNOX COUNTIES	)

SUPPLEMENTAL PETITION

Comes now the Petitioner Luttrell-Blaine-Corryton Utility District of Union, Grainger and Knox Counties, Tennessee, and files this Supplemental Petition pursuant to T.C.A. § 7-82-302(e) to authorize Luttrell-Blaine-Corryton Utility District of Union, Grainger and Knox Counties, Tennessee to furnish sewer and sewage disposal services in Union and Knox Counties. In support of this Petition, the Petitioner submits and states as follows:

1. Luttrell-Blaine-Corryton Utility District of Union, Grainger and Knox Counties, Tennessee (the District) is a utility district created under the Utility District Act of 1937 as amended, T.C.A. §§ 7-82-101 *et seq*. The District provides water service to approximately 3,400 customers in Union, Grainger and Knox Counties.

2. The District provides water service in Union, Grainger and Knox Counties pursuant to an order of the County Executives of Union, Grainger and Knox Counties dated April 24, 2000, recreating the District and expanding its boundaries. By Order dated May 12,

2010, the Petitioner received authority to provide sewer and sewage disposal services within its boundaries in Grainger County. In filing this Supplemental Petition, the District seeks authority to provide sewer and sewer disposal services within its boundaries in Union and Knox Counties. A description of the District's boundaries in Union, Grainger and Knox Counties is attached as Exhibit 1.

3. A need exists for sewer service within the District's boundaries in Union and Knox Counties where the District provides water service. Other than areas currently being served by the City of Luttrell, no existing city, town, or utility district provides sewer service within the District's boundaries in Union and Knox Counties. The areas in which the District seeks to provide sewer and sewage disposal services have no public means of collecting, treating, and disposing of sanitary sewage, and wastewater is treated and disposed of by individual septic tanks.

4. The District has received requests and anticipates receiving future requests from developers inquiring about the District's ability to provide sewer service as well as water service to potential developments in the District's service area. In these instances the developer's plan for its development involved the provision of sanitary sewer service by decentralized, low pressure sewer collection systems and usually with a drip field dispersal system.

5. The District expects to provide sewer service within its boundaries in Union and Knox Counties by the use of decentralized wastewater treatment and collection systems which areas are not presently being served by Luttrell.

6. The costs of the installation of these decentralized wastewater treatment and collection systems will be borne by the developer of the new developments, and the systems will

be dedicated to the District. Therefore, the District will not be required to initially finance any capital improvements to provide sewer service.

8. The District is financially able to operate a sewer system as described in this Supplemental Petition. The District has operated its water system in accordance with the provisions of T.C.A. § 7-82-403 for many years. On July 31, 2013, the District had net capital assets of $ 11,730,353.75.

9. The proposed rate schedule for sewer service is as follows:

Monthly sewer rate: $35.00

Tap fee: $5,000.00

10. A public sewer and sewer disposal system will permit more orderly growth within the areas of Union and Knox Counties served by the District and will reduce the potential for adverse effects on the environment of individual septic tanks.

11. The District does not anticipate that it will need to hire additional personnel to operate its initial sewer system. The District's existing personnel which operate its water system and perform billing and collection services will be able to provide billing and collection services, to repair and maintain the initial sewer system and to provide customer service for the initial sewer system.

12. The operation of a public sewer and sewage disposal system by the District will provide for more orderly growth with the District's service area and enhance the environment. The District asserts that the grant of this Supplemental Petition is required by the public convenience and necessity, is economically feasible, and is in the public interest.

WHEREFORE, PREMISES CONSIDERED, PETITIONER PRAYS:

1. That upon the receipt of the Supplemental Petition, the Knox County Mayor schedule a hearing in which the Union County Mayor, the Mayor Grainger County Mayor and the Knox County Mayor shall sit together on a panel within thirty (30) days thereafter, and provide notice of the hearing in newspapers of general circulation in Union, Grainger and Knox Counties as required by T.C.A. § 7-82-202. An appropriate form for the Notice of Public Hearing is being submitted to the Knox County Mayor by the Petitioner.

2. That pursuant to T.C.A. § 7-82-603, the Knox County Mayor notify the Union County Mayor and the Grainger County Mayor of the date, time, and place of the hearing at least five (5) days prior to the date of the hearing. An appropriate form for the Notice to the Union and Grainger County Mayors is being submitted to the Knox County Mayor by the Petitioner.

3. That the Knox County Mayor cause notice of the filing of this Supplemental Petition and of the date of the hearing be sent by certified mail to the County Mayors of any County in which the District is located, the Mayors of all towns with populations of 5,000 or more within five (5) miles of the boundaries of the District and to the Mayors of all towns with populations of less than 5,000 within three (3) miles of the boundaries of the District in accordance with T.C.A. § 7-82-202. An appropriate form for the Notice of Public Hearing is being submitted to the Knox County Mayor by the Petitioner.

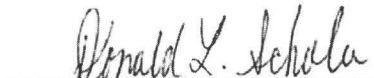
4. That the Knox County Mayor give notice of the filing of this Supplemental Petition and of the date of the hearing by certified mail to the managing officials of all water, sewage, or gas service facilities operated by a county, city, or utility district within three (3) miles of the boundaries of the District as provided by T.C.A. § 7-82-202. An appropriate form for the Notice of Public Hearing is being submitted to the Knox County Mayor by the Petitioner.

5. That upon the hearing, the Union County Mayor, the Grainger County Mayor and the Knox County Mayor, or those County Mayors in attendance at the hearing, find that the granting of the Supplemental Petition is required by the public convenience and necessity, is economically sound and desirable, and is in the public interest and enter an Order approving the District providing sewer service within it boundaries in Union and Knox Counties.

6. That the costs in this proceeding be taxed to the District.

Dated this 6th day of June, 2014.

Respectfully submitted,



DONALD L. SCHOLES BPR #10102
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(615) 254-8801

Attorney for the Petitioner, Luttrell-Blaine-Corryton Utility District of Union, Grainger and Knox Counties, Tennessee

EXHIBIT 1

Beginning at a point where Little Flat Creek crosses Washington Pike, which said point is in a southerly direction 8,500' from Corryton and also 5,200' southeast from the intersection of the southern railroad and Emory Road; thence following Little Flat Creek as it meanders in a northwesterly direction crossing Emory Road and the Southern Railroad, a distance of 22,750' more or less, to an unnamed road near Tazewell Pike, Tennessee Highway 131; thence following said unnamed road in a northeasterly direction to its intersection with Tennessee Highway 131 and continuing East with said highway to its intersection with the Knox-Union County line, a total distance of 4,400'; thence leaving Highway 131 and following the Knox-Union County line a distance of 14,000', more or less in a westerly direction to a point where said Union county line crosses Copper Ridge; thence leaving the Knox-Union County line and following Copper Ridge as it meanders in a northeasterly direction a distance of 56,400' more or less crossing Tennessee Highway 61 to a point where the Union-Grainger County line crosses Copper Ridge; thence following said county lines in a northern direction as the line meanders 44,184' more or less to a point in the Clinch River where Union-Grainger and Claiborne Counties join. Thence leaving said point and extending in a northeasterly direction with said Grainger-Claiborne County lines and the center of Clinch River a distance of 50,500 feet more or less to the point where the power line easement crosses Clinch River; the point being 5,200' more or less northwesterly from where Puncheon Creek empties into Clinch River; thence leaving said point and running parallel and adjacent to the power line easement in a southeasterly direction, a distance of 21,000' more or less crossing Tennessee Highway 131 at Puncheon Camp and continuing with said easement to the crest of Clinch Mountain; thence following the crest of Clinch Mountain as it meanders in a westerly direction 21,000' more or less to a point 14,728' east of where Mountain Road crosses Clinch Mountain; thence leaving said point and extending south 8,400' more or less crossing Tennessee Highway 11W at its intersection with Owl Hole Gap Road and following said road to the intersection of Bluff Road; thence leaving Owl Hole Gap Road and extending east in a straight line parallel with Bluff Road 1,000'; thence turning southeasterly 1,000' east of and parallel with Owl Hole Gap Road to a point 1,000' southeast of the intersection of Tampico Toad and Owl Hole Gap Road, a distance 27,400' more or less; thence leaving said point and extending south 3,200' more or less to a point in the center of Holston River where Grainger and Jefferson Counties meet ; thence leaving said point and following the center of Holston River and the Grainger-Jefferson County line westerly 122,000' more or less to a point where Jefferson and Knox County meet; thence leaving the Knox-Jefferson County line and extending west 7,500' to a point on Big Flat Creek; thence following Big Flat Creek as it meanders in a northeasterly direction, a distance of 15,500' more or less, to a point where U.S. Highway 11W crosses said creek; thence following said highway east 2,700' more or less to Circle Road; thence following Circle Road as it meanders in a north and westerly direction 23,000' more or less to the point of beginning.

Excluded from the above description for the purpose of the authority of the Luttrell-Blaine-Corryton Utility District to provide sewer and sewer disposal service is the service area of the City of Luttrell in which it is providing sewer service on the date of the grant of the Supplemental Petition.

August 25, 2014

Tennessee Utility Management Review Board
c/o Ms. Joyce Welborn
Comptroller of the Treasury
Office of State & Local Finance
Suite 1500, James K. Polk Bldg
505 Deaderick Street
Nashville TN 37243-1402

SEP 02 2014

Dear Ms. Welborn:

Enclosed is a certified copy of the August 25, 2014, Order of the County Mayor of Crockett County, Tennessee, granting the petition of Crockett Public Utility District of Crockett County, Tennessee, to expand its service area boundary.

The Order has been recorded in Register's Office, Crockett County, Tennessee, Deed Book 153, Pages 96-101.

Sincerely,

T. J. Emison, Jr., Attorney
PO Box 13
Alamo, Tennessee 38001
731-617-1314
jimemison@gmail.com

BEFORE THE COUNTY MAYOR OF CROCKETT COUNTY, TENNESSEE

IN RE PETITION TO EXPAND
SERVICE AREA BOUNDARY
OF CORCKETT PUBLIC UTILITY DISTRICT
OF CROCKETT COUNTY, TENNESSEE

ORDER GRANTING PETITION TO EXPAND
THE SERVICE AREA BOUNDARY OF
CROCKETT PUBLIC UTILITY DISTRICT OF CROCKETT COUNTY, TENNESSEE

A public hearing was held in this cause at ~~9:00~~ 11:00am, Monday, August 25, 2014, in the first floor courtroom, Crockett County Courthouse in Alamo, pursuant to lawful notice stating the place, date, time, and purpose of the public hearing, upon: the Petition, the lawful notice, the testimony of witnesses, all comments offered by the public, and upon the whole record, from all of which it is found:

1. Petitioner, Crockett Public Utility District of Crockett County, Tennessee, headquartered at 82 North Bells Street, Alamo, Crockett County, Tennessee, was created December 11, 1953, by Order of the County Court of Crockett County, Tennessee, which has been filed withe the Tennessee Secretary of State, and with the Crockett County, Tennessee, Register of Deeds, in Deed Book 35. Pages 125-128.
2. Petitioner has provided natural gas to customers in its service area continuously since it creation nearly 61 years ago.
3. Petitioner's current officers and directors are: Jackie Mosier, President & Director, 305 South Burns Street, Alamo, Tennessee; Gerald Knox, Vice-President & Director, 93 East Main Street, Alamo, Tennessee; and, Jim Lavenue, Director & Secretary, 175 Rebecca Lane, Alamo, Tennessee.
4. Petitioner's General Manager is Bryan Smith.
5. Petitioner's current service area was established in the Order creating it as being 1/4th mile outside the Corporate Limits of the Town of Alamo.
6. Over the years, and by agreement with other natural gas providers in Crockett County, Petitioner has extended its gas service lines beyond the service area established in the original order creating the district, and Petitioner's existing gas service lines are shown in blue on the map attached as exhibit 1 and made a part of the petition, and of this order.
7. It is necessary, desirable, and in the public interest, for the boundary of Petitioner's service area to be enlarged to include the area within the yellow boundary on exhibit 1, which enlarged service area is described as follows:

   Beginning in the 4th Civil District of Crockett County, Tennessee, in the unincorporated Community known as Coxville, in the northeast corner of the intersection of Salem Road and Tennessee State Highway 152; runs thence with the North margin of the right of way of Tennessee State Highway 152

Filed 08-25 20 14
ERNEST BUSHART
County Clerk

Westerly to the Northwest Corner of its intersection with Tennessee Highway 188; runs thence Southerly with the West margin of the right of way of Tennessee Highway 188 to the Southwest margin of the right of way of US Highway 412; runs thence Southeasterly with the Southwest margin of the right of way of US Highway 412 to its intersection with Tennessee State Highway 88; runs thence Southerly with the West margin of the right of way of Tennessee State Highway 88 to its intersection with the North margin of the right of way of Johnson's Grove Road; runs thence Westerly with the North margin of the right of way of Johnson's Grove Road to a point in the West margin of the right of way of Crossroads Road; runs thence Southerly with the West margin of the right of way of Crossroads Road to the Southwest margin of the right of way of Love Road; runs thence Southeasterly with the Southwest margin of the right of way of Love road approximately 3,000 feet; runs thence Easterly, crossing Love Road, to the Northeast Margin of the right of way of Love Road; runs thence with the Northeast margin of the right of way of Love Road Northwesterly to its intersection with the south margin of the right of way of Johnson's Grove Road; runs thence Easterly with the South margin of the right of way of Johnson's Grove road to the West margin of the right of way of Tennessee State Highway 88; runs thence Southerly with the West margin of the right of way of Tennessee State Highway 88 to the driveway to the old Doctor S. E. McDonald home, North of the Corporate Limits of the Town of Bells; runs thence Easterly across Tennessee State Highway 88 to the East margin of its right of way; runs thence Northerly with the East margin of the right of way of Tennessee State Highway 88 to the South margin of the right of way of Farrow Road; runs thence Easterly, Southerly and again Easterly with the South margin of the right of way of Farrow Road to a private drive; runs thence Easterly in a straight line to the Southwest corner of the intersection of Cypress Church Road and Rust Road; thence Easterly and with the South margin of the right of way of Rust Road, Jones Road, and Fred Boyd Road to the Northwest margin of the right of way of US Highway 79; runs thence Easterly across US Highway 79 to the Southwest corner of the intersection of US Highway 79 with Edward Williams Road; runs thence Northeasterly with the Southeast margin of the right of way of US Highway 79 to the Corporate Limits of the Town of Gadsden; runs thence first Southeasterly and continuing with Gadsden's Corporate Limits to Northeast margin of the right of way of Emerson Road; thence Northwesterly with the Northeast margin of the right of way of Emerson Road to its intersection with the East margin of the right of way of Salem Road; runs thence Northerly with the East margin of the right of way of Salem Road to the point of beginning. The service area includes all potential customers fronting on both sides of all the roads that form the enlarged service area boundary. The foregoing includes all or portions of Civil Districts 4, 7, 8, 6, 5, & 3 of Crockett County, Tennessee.

8. Currently, Petitioner serves approximately 900 customers.

9. There are approximately 900 new potential natural gas customers within the proposed expanded limits, none of whom have the benefit of service by a supplier of natural gas.
10. Petitioner is currently working to secure a loan of approximately $1,500,00.00 from the USDA to construct gas service lines from the intersection of Tennessee Highway 88 and Warren Road into Gadsden; and, from the Cooke Road-Cavalier Drive intersection to and along Tennessee Highway 152, as shown in pink on exhibit 1. There are approximately 300 potential customers along these two extensions.
11. No Municipality, County, or Utility District supplies any portion of the proposed expanded service area with natural gas.
12. Petitioner proposes to supply natural gas within the proposed service area.
13. Existing Municipalities, Utility Districts, and Crockett County, have no plans to supply natural gas to the proposed service area, and it is not practical for any of them to do so because of the cost of doing so.
14. The estimated cost of constructing the first stage of facilities to supply natural gas to the proposed expanded service area is $1,500,000.00.
15. The estimate of additional cost of operating the natural gas delivery system within the first stage in the proposed expanded service area is approximately $ 35,000.00 per year.
16. Petitioner currently has 4 full time and 1 part time employees, and estimates that service within the proposed expanded service area would require one additional full time employee.
17. Petitioner's current rate of $10.50 per MCF, which changes monthly depending on Petitioner's cost of purchasing natural gas, and its other charges, are shown on exhibit 2.
18. Petitioner anticipates no change in its rates or charges as a result of enlargement of its service area.
19. The expanded service area boundary comes within 3 miles of the corporate limits, or service areas of the following municipalities and utility districts: the Towns of Alamo, Bells, Friendship, Gadsden, Maury City; and, County Wide Water District, each of which was notified of the purpose, date, and place of the public hearing of this petition by sending a copy of the petition with attachments, and the notice, copy of which is exhibit 3 to the petition, to each of them by Registered US Mail dated August 11, 2014, more than 10 days before the date of the public hearing.
20. The notice was also posted in the Crockett County Courthouse and at Crockett Public Utility District, August 11, 2014, and was published August 13 on page 7 of The Crockett County Times, a newspaper of general circulation in Crockett County, Tennessee.

IT IS ALL SO FOUND.
THEREFORE IT IS ORDERED:
1. PETITIONER'S PETITION TO EXPAND ITS SERVICE AREA BOUNDARY IS GRANTED;

2. PETITIONER'S SERVICE AREA BOUNDARY IS EXPANDED AS POROPOSED TO INCLUDE ALL OF THE TERRITORY WITHIN THE FOLLOWING DESCRIBED PORTION OF CROCKETT COUNTY, TENNESSEE:

Beginning in the 4th Civil District of Crockett County, Tennessee, in the unincorporated Community known as Coxville, in the northeast corner of the intersection of Salem Road and Tennessee State Highway 152; runs thence with the North margin of the right of way of Tennessee State Highway 152 Westerly to the Northwest Corner of its intersection with Tennessee Highway 188; runs thence Southerly with the West margin of the right of way of Tennessee Highway 188 to the Southwest margin of the right of way of US Highway 412; runs thence Southeasterly with the Southwest margin of the right of way of US Highway 412 to its intersection with Tennessee State Highway 88; runs thence Southerly with the West margin of the right of way of Tennessee State Highway 88 to its intersection with the North margin of the right of way of Johnson's Grove Road; runs thence Westerly with the North margin of the right of way of Johnson's Grove Road to a point in the West margin of the right of way of Crossroads Road; runs thence Southerly with the West margin of the right of way of Crossroads Road to the Southwest margin of the right of way of Love Road; runs thence with the Southwest margin of the right of way of Love Road approximately 3,000 feet; runs thence Easterly, crossing Love Road, to the Northeast Margin of the right of way of Love Road; runs thence with the Northeast margin of the right of way of Love Road Northwesterly to its intersection with the south margin of the right of way of Johnson's Grove Road; runs thence Easterly with the South margin of the right of way of Johnson's Grove road to the West margin of the right of way of Tennessee State Highway 88; runs thence Southerly with the West margin of the right of way of Tennessee State Highway 88 to the driveway to the old Doctor S. E. McDonald home, North of the Corporate Limits of the Town of Bells; runs thence Easterly across Tennessee State Highway 88 to the East margin of its right of way; runs thence Northerly with the East margin of the right of way of Tennessee State Highway 88 to the South margin of the right of way of Farrow Road; runs thence Easterly, Southerly and again Easterly with the South margin of the right of way of Farrow Road to a private drive; runs thence Easterly in a straight line to the Southwest corner of the intersection of Cypress Church Road and Rust Road; thence Easterly and with the with the South margin of the right of way of Rust Road, Jones Road, and Fred Boyd Road to the Northwest margin of the right of way of US Highway 79; runs thence Easterly across US Highway 79 to the Southeast corner of the intersection of US Highway 79 with Edward Williams Road; runs thence Northeasterly with the Southeast margin of the right of way of US Highway 79 to the Corporate Limits of the Town of Gadsden; runs thence first Southeasterly and continuing with Gadsden's Corporate Limits to Northeast margin of the right of way of Emerson Road; thence Northwesterly with the Northeast margin of the right of way of Emerson Road to its intersection with the East margin of the right of way of Salem Road; runs thence Northerly with the East margin of the right of way of Salem Road to the point of beginning. The service area includes all potential customers fronting on both sides of all the roads that

form the enlarged service area boundary. The foregoing includes all or portions of Civil Districts 4, 7, 8, 6, 5, & 3 of Crockett County, Tennessee.

3. A CERTIFIED COPY OF THIS ORDER SHALL BE FILED WITH THE TENNESSEE UTILITY MANAGEMENT REVIEW BOARD, AND RECORDED IN THE OFFICE OF THE REGISTER OF DEEDS, CROCKETTY COUNTY, TENNESSEE.
4. COSTS SHALL BE PAID BY PETITIONER.

ENTER THIS AUGUST 25, 2014.

GARY REASONS, COUNTY MAYOR,
CROCKETT COUNTY, TENNESSEE

APPROVED FOR ENTRY BY:

CROCKETT PUBLIC UTILITY DISTRICT
OF CROCKETT COUNTY, TENNESSEE,
By Its President, JACKIE MOSIER

T. J. EMISON, JR., Attorney for Petitioner
PO Box 13
Alamo, Tennessee 38001
TBPR # 7466

CERTIFICATION

I, Gary Reasons, County Mayor, Crockett County, Tennessee certify that the foregoing Order is a true copy of the Order entered August 25, 2014, granting the petition of Crockett Public Utility District of Crockett County, Tennessee, and expanding the boundary of its service area.
Witness my signature, and the seal of Crockett County, Tennessee, this August 25, 2014.

Gary Reasons

Gary Reasons, County Mayor,
Crockett County, Tennessee

SEAL

Alan K. Castellaw, Register
Crockett County Tennessee

Rec #:	29007	
Rec'd:	30.00	Instrument #: 32348
State:	0.00	Recorded
Clerk:	0.00	8/25/2014 at 11:42 AM
Other:	2.00	in Deed Book
Total:	32.00	153

Pgs 96-101

S·C·U·D
SEVIER COUNTY UTILITY DISTRICT

September 9, 2014

SEP 12 2014

Mayor Larry Waters
Sevier County Courthouse
125 Court Avenue, Ste 201E
Sevierville, TN 37862

Dear Mayor Waters:

The Board of Commissioners of the Sevier County Utility District has voted to request that you consider an amendment to the Charter for Sevier County Utility District. The original Charter was issued by the County in 1955. The proposed amendment is attached hereto for your consideration and decision concerning its approval.

The procedure for submitting an amendment to the County Mayor is found in Tennessee Code Annotated 7-82-202 and 302. In summary, these provisions provide that the petition would be submitted to you and that you would hold a public hearing after giving public notice and decide whether to approve the amendment. Statutes provides that the County Mayor shall fix a time and place for a public hearing which shall not be more than 30 days after receipt of the petition and to state the date, place and purpose of the meeting. Public Notice must be published not more than 15 days nor less than 7 days prior to the date of the hearing in the local newspaper. At that hearing, you would entertain any comments that may be made by those present after which you are authorized to approve or reject the petition.

The purpose of the amendment is to provide additional details with regard to activities authorized by the Utility District Law of 1937. That Act provides that utility districts may provide various services including water works and transportation facilities.

As you are aware, Sevier County Utility District is currently performing certain functions at the request of the County with regard to water lines outside city limits. As you are also aware, Dollywood has requested that SCUD provide service, maintenance and fueling of natural

S·C·U·D Board:
Jerry Hays
Ann Montgomery
Dr. Keith Whaley

P.O. Box 4398
Sevierville, TN 37864-4398
865.453.3272
888.811.SCUD (7283)
scudgas.org
questions@scudgas.org

gas trolleys in conjunction with their new resort construction with the service to commence next year. While the Public Utility Law provides that these services are authorized services under the law, the original Charter of SCUD only mentions the providing of natural gas services. For these reasons, we would like to have this amendment approved to clarify that these specific services could be provided. Also included with this letter are an original petition and the minutes of the meeting where the request was authorized.

Your consideration of the requested amendment would be greatly appreciated. If you would like for our attorney to prepare the Public Notice, please advise and we will have that document prepared.

By copy of this letter, as required by law, a copy of this request is being sent to the Utility Management Review Board for their information but it is not subject to their approval or disapproval merely for information purposes.

Assuming that the amendment is approved, SCUD will file the amendment with the appropriate local and state agencies again as required by statute.

If you need additional information please advise.

Sincerely yours,

Sevier County Utility District

Matt Ballard
President

CC: Board of Commissioners of Sevier County Utility District
Ronald E. Sharp, Attorney
Utility Management Review Board

Enclosures: As Noted

ORDER

AND

AMENDMENT TO CHARTER OF

SEVIER COUNTY UTILITY DISTRICT

Whereas, the Sevier County Utility District has filed a petition with the County Mayor as authorized by TCA §7-82-202 (d) requesting that an amendment be made to its Charter; and

Whereas, a public hearing has been held as required by TCA §7-82-202 (a) within the time limits specified in said statute; and

Whereas, the undersigned County Mayor for the County of Sevier after due consideration and public hearing hereby approves the requested amendment to the Charter of Sevier County Utility District which is found of record in Miscellaneous Book 305 at page 620, and the undersigned having determined that the purposes sought in the Amendment are authorized by the Utility District Law of 1937 and that there is a public need and necessity for the provision of such services

NOW, THEREFORE, BE IT ORDERED THAT THE CHARTER OF SEVIER COUNTY UTILITY DISTRICT IS AMENDED TO INCLUDE THE FOLLOWING PUBLIC PURPOSES:

1) Sevier County Utility District is now specifically authorized to engage in the fueling of natural gas CNG vehicles as authorized by TCA §7-82-302 (a)(3) and the ownership and operation of a natural gas fueling station or stations. In addition, Sevier County Utility District is further authorized to store and maintain any such CNG vehicles. The undersigned hereby finds that transit facilities as authorized in the Public Utility District Statute includes the providing of these services as set forth in TCA § 7-82-302 (c).

2) In addition to the above, Sevier County Utility District is hereby authorized and its Charter is amended to provide water system services to Sevier County to include the maintaining and repairing of

County owned water lines. The undersigned hereby finds that TCA § 7-82-302 (a)(1) provides that Utility Districts can provide services for the furnishings of water among other services and that the maintaining and repairing of County owned water lines fulfills this purpose.

This Order and Amendment to the Charter of Sevier County Utility District is effective on the date set out below.

COUNTY OF SEVIER

By:

_____

Larry Waters , Mayor

_____

Date

MINUTES OF MEETING OF BOARD OF COMMISSIONERS OF SEVIER COUNTY UTILITY DISTRICT

Wednesday, June 11, 2014

The Board of Commissioners of Sevier County Utility District met in regular session in the conference room at its offices, 420 Robert Henderson Road, Sevierville, Tennessee on June 11, 2014 at 9:00 a.m., pursuant to notice duly published.

Roll Call. The following were present at the meeting:

Present:	Jerry Hays Ann Montgomery Keith Whaley
Absent:	None
Also Present:	Matt Ballard Allen Rippetoe Ronald E. Sharp, Attorney

1. **Minutes of Board Meeting of May 28, 2014**. Motion was made by Ann Montgomery, seconded by Keith Whaley, to approve the minutes of the Board Meeting of May 28, 2014 as presented. The motion was unanimously adopted.

2. **Financial Report – April 2014.** Allen Rippetoe reviewed the financial information contained in the agenda package for the month of April 2014. This

included a comparison of income, expenses and gas rates for April and the preceding time periods.

3. **President's Report**. Matt Ballard reported that one new employee had been hired for the pipeline crew. He also gave a report on his visit and presentation to the Alabama Gas Association.

4. **Commissioner Ann Montgomery's Term.** The term of Board Member Ann Montgomery is due to expire soon. Motion was made by Keith Whaley, seconded by Jerry Hays, to submit a list of three names to the County Mayor for this position on the Board. The Board's recommendation and order of preference was 1) Ann Montgomery, 2) Charlie Anderson, 3) Linda Ogle. Ann Montgomery expressed a willingness to be reappointed if the County Mayor approved. The process is for Matt Ballard to send a letter to the County Mayor who would then make the choice giving a preference to the first name on the list.

5. **SCUD Charter Amendment.** The agenda package contained a copy of a proposed request to amend the SCUD Charter to the County Mayor. The purpose of the amendment would be to specifically authorize the providing of transit services in the form of trolleys for the Dollywood Resort and to specifically include providing water utility work for Sevier County. Both of these items are listed as approved purposes for a Utility District in the state law but were not specifically mentioned in the Utility's Charter. Motion was made by Keith

Whaley, seconded by Ann Montgomery, to file the petition with the County Mayor to amend the Charter as proposed. The motion was unanimously adopted.

6. **Building Dedication Resolution.** The agenda contained a resolution to name and dedicate the SCUD building in honor of Phil Y. McMahan the longtime General Manager of the Utility. Motion was made by Keith Whaley, seconded by Ann Montgomery, to approve the resolution as presented. The motion was unanimously adopted.

FYI

Appliance Sales Report. The appliance sales information was contained in the agenda package. No discussion.

Early Retirement Package. Certain information with regard to a possible early retirement package was included in the agenda information. There was a discussion among the Board Members concerning the possibility of doing so and the advantage and disadvantages of same. Following discussion, no motion was made with regard to the proposal.

There being no further business, the meeting then adjourned.

Jerry Hays

Ann Montgomery

Keith Whaley

To the Honorable Larry Waters, County Mayor
Sevier County, Tennessee

PETITION

Comes Sevier County Utility District (SCUD) a Tennessee public utility district created pursuant to the Utility District Law of 1937 (the "Act") by action of the Sevier County Judge (now Mayor) and files this petition for amendment of its Charter, pursuant to TCA 7-82-202 (d).

1. SCUD is now engaged in the natural gas fueling of CNG Vehicles as authorized by TCA 7-82-302(a)(3). This subsection authorizes the ownership and operation of natural gas fueling stations. Sale of such compressed natural gas (CNG) can be to any party including the public.

SCUD has been asked to provide additional service to Dollywood to include storage (parking) of its proposed CNG transit vehicles and maintenance of same due to a lack of other CNG stations and CNG maintenance facilities in Sevier County.

TCA 7-82-301(a)(1) provides that a utility district may provide transit facilities among other services. Transit facilities is defined as: "Transit facilities means all real and personal property needed to provide public passenger transportation by means of trolley coach, bus, motor coach, or any combination of trolley coach, bus and motor coach including terminal, maintenance and storage facilities." TCA-7-82-302(c).

2. In addition to the above, SCUD provides certain services to Sevier County with regard to its county water system. These services include maintaining and repairing county owned water lines. TCA 7-82-302(a)(1) provides that utility districts can provide systems for the furnishing of water, among other services.

SCUD therefore respectfully requests that the Sevier County Mayor authorize an amendment to its original Charter dated August 31, 1955 to specifically include these above listed services. These above services would be provided on a non-monopoly basis.

Respectfully Submitted.

SCUD

By _____

President

OFFICE OF GENERAL COUNSEL
MIDDLE TENNESSEE NATURAL GAS UTILITY DISTRICT

W. MICHAEL CORLEY, ESQ.
GENERAL COUNSEL

P.O. BOX 670 • 1030 WEST BROAD ST.
SMITHVILLE, TENNESSEE 37166
(615) 597-0530 • FAX (615) 597-6331

October 2, 2014

OCT 13 2014

Ms. Joyce Welborn
Utility Management Review Board
Comptroller of the Treasury
Office of State & Local Finance
James K. Polk Building, Suite 1500
505 Deaderick Street
Nashville, TN 37243-1402

Dear Ms. Welborn:

Enclosed are the documents we previously discussed regarding the merger of Middle Tennessee Utility District and Upper Cumberland Gas Utility District. This information was mailed by U.S. postage-paid, certified mail to all parties of interest on October 1, 2014.

Please contact me if you have any questions.

Sincerely yours,

W. Michael Corley

W. Michael Corley

WMC/bg

Enclosures

cc: James E. Hodges
MTUD Chief Executive Officer – w/attachments

BEFORE THE DeKALB COUNTY MAYOR
SMITHVILLE, TENNESSEE

IN RE: **The Matter of the Merger of The Middle Tennessee Utility District of Cannon, Cumberland, DeKalb, Putnam, Rhea, Rutherford, Smith, Warren, White and Wilson Counties, Tennessee, with the Upper Cumberland Gas Utility District; and to Amend the Boundaries and Name of the "Surviving Municipality".**

Filed the 1st day of October, 2014.

Tim Stribling
DeKalb County Mayor

PETITION

Comes now The Middle Tennessee Utility District of Cannon, Cumberland, DeKalb, Putnam, Rhea, Rutherford, Smith, Warren, White and Wilson Counties, Tennessee, under the authority found in the Utility District Law of 1937 codified in *Title 7, Chapter 82 of the Tennessee Code Annotated*, and Petitions the county mayors of Bledsoe, Cannon, Coffee, Cumberland, DeKalb, Fentress, Franklin, Grundy, Hamilton, Jackson, Marion, McMinn, Meigs, Overton, Putnam, Rhea, Rutherford, Smith, Van Buren, Warren, White, and Wilson Counties, Tennessee, for an Order approving the merger of the Petitioner with the Upper Cumberland Gas Utility District together with amending the boundaries and name of the Surviving Municipality, and would show the hearing body as follows:

1. The Petitioner was created by an Order issued by the County Court of DeKalb County, Tennessee, entered July 12, 1955. It serves over 56,000 natural gas customers. The Petitioner's principal office is located at 1030 West Broad Street, Smithville, DeKalb County, Tennessee 37166. It serves customers located in the following counties: Bledsoe, Cannon, Coffee, Cumberland, DeKalb, Franklin, Grundy, Hamilton, Jackson, Marion, McMinn, Meigs, Overton, Putnam, Rhea, Rutherford, Smith, Van Buren, Warren, White, and Wilson, Tennessee.

2. The Upper Cumberland Gas Utility District was created by an Order issued by the County Executive of Cumberland County, Tennessee, entered September 1, 1988. It serves over 2,500 natural gas customers. Its principal office is located in Cumberland County, Tennessee, and serves Cumberland County north of Interstate 40 and the southern portion of Fentress County.

3. Jurisdiction for matter resides with the panel of county mayors of the involved counties with scheduling and notification duty residing with the DeKalb County Mayor under the authority found in *T.C.A. § 7-82-202 (e)(1)(A)* and *T.C.A. § 7-82-603*.

4. The Board of Commissioners for the named utility districts met separately in June 2014 and approved by Resolutions the Agreement and Plan of Merger which is attached and incorporated into this Petition as "Exhibit 1".

5. The Petitioner asserts the merger of the two utility districts as described in "Exhibit 1" will provide for more efficient and convenient natural gas service in the areas served by both districts. The customers served by Upper Cumberland Gas Utility District will benefit by reduced rates and additional services. The customers of the Petitioner will benefit from the added customers by spreading the operating costs, providing access to additional natural gas pipeline supply, and allowing opportunities for customer growth in the resort and traditional communities served by Upper Cumberland Gas Utility District further spreading the operating costs. The proposed merger is economically sound and desirable and will serve the public convenience and necessity.

6. In the years following the creation of the Petitioner, neighboring communities and counties have invited it to provide natural gas service. Those requests have been honored under authority found in *Tennessee Code Annotated Section 7-51-401*, but the territorial limits described in the aforementioned July 12, 1955 Order have not been amended to reflect these expansions. The map and legal description of the present service area is attached and incorporated herein as "Exhibit 2". The *de jure* boundary and *de facto* operation area should coincide and for this reason, as well as the expansion arising from the merger, this amendment is redefining the incorporated boundaries is sought.

7. The growth of the Petitioner into additional Tennessee counties and the addition of a portion of another county upon approval of the proposed merger bring the total number of counties served in whole or in part to twenty-two (22). In the interest of clerical efficiency, convenience, and with no intent or likelihood of confusion to creditors or customers, the Petitioner asserts that an official name change to its commonly used name of Middle Tennessee Natural Gas Utility District become the official name of the Petitioner upon entry of the Order approving this Petition. This requested name is the one commonly used by the Petitioner and others in all but official documents.

8. Contemporaneous with the filing of this Petition, the Upper Cumberland Gas Utility District has filed a Petition requesting approval of the Agreement and Plan of Merger and for an Order merging Upper Cumberland Gas Utility District into the Petitioner. The Order of Merger requested in this Petition is contingent upon the County Mayor of Cumberland County approving the Petition filed by Upper Cumberland Gas Utility District.

Wherefore, the Petitioner prays:

A. That this Petition be set for public hearing by the DeKalb County Mayor before the administrative panel of county mayors on the 23rd day of October, 2014, at the Cumberland County Commission Meeting Room, Cumberland County Courthouse, 2 North Main Street, Crossville, Tennessee, which is a date not more than thirty (30) days after the receipt of the Petition and not more than fifteen (15) days nor less than seven (7) days prior to the publication of a notice of said public hearing.

B. That the County Mayor of DeKalb County cause to be published a notice of this hearing in newspapers of general circulation in the following counties: Bledsoe, Cannon, Coffee, Cumberland, DeKalb, Fentress, Franklin, Grundy, Hamilton, Jackson, Marion, McMinn, Meigs, Overton, Putnam, Rhea, Rutherford, Smith, Van Buren, Warren, White, and Wilson Counties, Tennessee, for if there be no such newspaper in any county, then by posting such notice in five conspicuous public places within those counties, and to the cities or towns of five thousand (5,000) or more in population which are within five (5) miles of the *de facto* boundaries and to the cities or towns of less than five thousand (5,000) within three (3) miles of the *de facto* boundaries; and, that notice by certified mail be provided each county and city mayor and utility district entitled to notice of the purpose, date, and place of the hearing.

C. That this Petition be filed simultaneously with the Utility Management Review Board for notice purposes only.

D. That the county mayors find the merger is economically sound and feasible and in the public's interest and that public convenience and necessity requires the approval of the Agreement and Plan of Merger subject to the condition the County Mayor of Cumberland County approves the Agreement and Plan of Merger and merges the Upper Cumberland Gas Utility District with Petitioner.

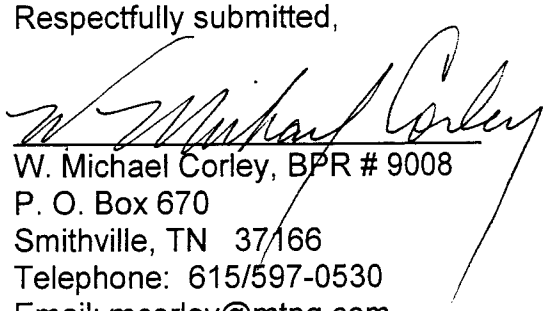
E. That the territorial limits described in Article III of the Order entered by DeKalb County Judge Homer Murphy on July 12, 1955 be recreated and expanded to coincide with the description found in "Exhibit 2" of this Petition.

F. That the name of the Petitioner be amended and changed to Middle Tennessee Natural Gas Utility District.

G. That a true and correct copy of the Order be filed with: 1) the Register of Deeds of each county served by the District; 2) the Tennessee Secretary of State; and 3) the Utility Management Review Board.

H. For general relief.

Respectfully submitted,



W. Michael Corley, BPR # 9008
P. O. Box 670
Smithville, TN 37166
Telephone: 615/597-0530
Email: mcorley@mtng.com
Attorney for Petitioner

CERTIFICATION

I hereby certify that a true and exact copy of the foregoing Petition and Notice of Hearing have been mailed by certified mail (*T.C.A. §13-111*), pre-paid postage to the following:

Mr. Bobby Collier
Bledsoe County Mayor
Bledsoe County Courthouse
P. O. Box 149
Pikeville, TN 37367-0149

Mr. Mike Gannon
Cannon County Executive
Cannon County Courthouse
200 W. Main Street
Woodbury, TN 37190

Mr. Gary Cordell
Coffee County Mayor
CCAP Building
1329 McArthur Street, Suite 1
Manchester, TN 37355

Mr. Kenneth Carey
Cumberland County Mayor
2 N. Main Street, Suite 203
Crossville, TN 38555

Mr. Tim Stribling
DeKalb County Mayor
DeKalb County Courthouse, Room 204
1 Public Square
Smithville, TN 37166

Mr. J. Michael Cross
Fentress County Executive
Fentress County Courthouse
P. O. Box 1128
Jamestown, TN 38556-1128

Mr. Richard Stewart
Franklin County Mayor
Franklin County Courthouse
1 S. Jefferson Street
Winchester, TN 37398

Mr. Larry M. Brady
Grundy County Mayor
Grundy County Courthouse
P. O. Box 177
Altamont, TN 37301-0177

Mr. Jim M. Coppinger
Hamilton County Mayor
Hamilton County Courthouse
201 7th Street, Room 208
Chattanooga, TN 37402

Mr. James Bobby Kennard
Jackson County Mayor
Jackson County Courthouse
P. O. Box 617
Gainesboro, TN 38562-0617

Mr. David Jackson
Marion County Mayor
Marion County Courthouse
P. O. Box 789
Jasper, TN 37347-0789

Mr. R. Garland Lankford
Meigs County Mayor
17214 State Highway 58, N
P. O. Box 156
Decatur, TN 37322

Mr. John Gentry
McMinn County Mayor
McMinn County Courthouse
6 E. Madison Avenue
Athens, TN 37303

Mr. Ben Danner
Overton County Executive
Overton County Courthouse Annex
317 University Street, Suite 1
Livingston, TN 38570

Mr. Randy Porter
Putnam County Executive
Putnam County Courthouse
300 E. Spring Street, Room 8
Cookeville, TN 38501-2676

Mr. George Thacker
Rhea County Executive
Phil Swafford Building
375 Church Street, Suite 215
Dayton, TN 37321

Mr. Ernest Burgess
Rutherford County Mayor
Rutherford County Courthouse, Ste 101
Murfreesboro, TN 37130

Mr. Michael F. Nesbitt
Smith County Mayor
122 Turner High Circle
Carthage, TN 37030

Mr. Greg Wilson
Van Buren County Mayor
Van Buren County Courthouse
P. O. Box 217
Spencer, TN 38585-0217

Mr. Hershel Wells
Warren County Executive
Warren County Administrative Office
201 Locust Street, Suite 1
McMinnville, TN 37110

Mr. Denny Wayne Robinson
White County Executive
White County Courthouse, Room 205
Sparta, TN 38583

Mr. Randall Hutto
Wilson County Mayor
Wilson County Courthouse
228 E. Main Street
Lebanon, TN 37087

Mr. Jeff Wilhite
Mayor, City of Baxter
200 Main Street
P. O. Box 335
Baxter, TN 38544-0335

Mr. Phillip Cagle
Mayor, City of Pikeville
47 City Hall Street
P. O. Box 225
Pikeville, TN 37367-0225

Mr. David Epperson
Mayor, Town of Walden
1836 Taft Highway
P. O. Box 335
Signal Mountain, TN 37377-0335

Mr. Bill James
Mayor, Town of Decatur
116 N. Main Street
P. O. Box 188
Decatur, TN 37322-0188

Mayor, Town of Calhoun
748 Highway 163
P. O. Box 115
Calhoun, TN 37309

Mr. John R. Fox
Mayor, Town of Gainesboro
402 E. Hull Street
P. O. Box 594
Gainesboro, TN 38562-0594

Mayor, City of Algood
P. O. Box 49215
Algood, TN 38506

Mr. Daniel Crabtree
Mayor, Town of Palmer
35 School Road
P. O. Box 219
Palmer, TN 37365

Mr. Lonnie Norman
Mayor, City of Manchester
200 W. Fort Street
Manchester, TN 37355

Mr. Ken Wilkerson
Mayor, City of Lakesite
9201 Rocky Point Road
Lakesite, TN 37379

Mr. Philip Craighead
Mayor, City of Lebanon
200 N. Castle Heights Avenue
Suite 100
Lebanon, TN 37087

Mr. Aron May
Mayor, Town of Coalmont
7426 Highway 56
P. O. Box 308
Coalmont, TN 37313

Ms. Linda Broom
Mayor, Town of Gruetli-Laager
P. O. Box 70
Gruetli-Laager, TN 37339-0070

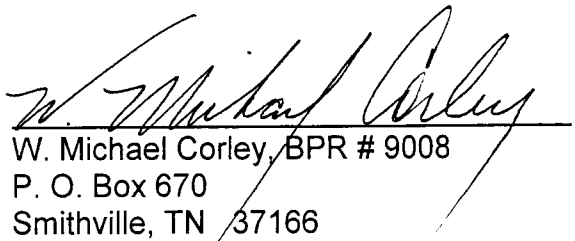
Mr. Donald Boyd
Mayor, Town of Beersheba Springs
Beersheba Springs Town Hall
P. O. Box 546
Beersheba Springs, TN 37305

Mr. J. H. Graham, III
Mayor, City of Crossville
392 N. Main Street
Crossville, TN 38555

Citizens Gas Utility District
P. O. Box 320
Helenwood, TN 37755

Mr. Mike Gundersen
General Manager
Elk River Public Utiity District
P. O. Box 970
217 South Jackson Street
Tullahoma, TN 37388

This the 1st day of October, 2014.



W. Michael Corley, BPR # 9008
P. O. Box 670
Smithville, TN 37166
Telephone: 615/597-0530
Email: mcorley@mtng.com
Attorney for Petitioner

"Exhibit 1"

AGREEMENT AND PLAN OF MERGER

This Agreement and Plan of Merger is made and entered into June 25, 2014, by and between **Middle Tennessee Utility District of Cannon, Cumberland, DeKalb, Putnam, Rhea, Rutherford, Smith, Warren, White and Wilson Counties, Tennessee**, a municipal corporation organized and existing under the Utility District Law of 1937, codified in Title 7, Chapter 82, of the *Tennessee Code Annotated*, having its principal office at 1030 West Broad Street, Smithville, Tennessee 37166, hereinafter referred to as "**Surviving Municipality**" and **Upper Cumberland Gas Utility District**, a municipal corporation organized and existing under the Utility District Law of 1937, codified in Title 7, Chapter 82, of the *Tennessee Code Annotated*, having its principal office at 997 Woodland Circle, Crossville, Tennessee 38571, hereinafter referred to as "**Merged Municipality**."

WHEREAS, the respective Board of Commissioners of the Surviving Municipality and the Merged Municipality have determined the public convenience and necessity require the merger of the Merged Municipality into the Surviving Municipality upon the terms and conditions herein provided; and

WHEREAS, the respective Board of Commissioners of the Surviving Municipality and the Merged Municipality have approved this Agreement and Plan of Merger by Resolution and have directed that this Agreement and Plan of Merger together with a formal petition be submitted to the Utility Management Review Board and County Mayors prescribed by statue requesting Orders be entered by the appropriate County Mayors finding that the merger is economically sound, feasible, and dissolving the Merged Municipality.

NOW, THEREFORE, IN CONSIDERATION of mutual agreements and covenants set forth herein, the Surviving Municipality and the Merged Municipality hereby agree to merge in accordance with the following plan:

1. **Merger Under Utility District Law of 1937**. The Merged Municipality shall be merged with and into the Surviving Municipality and the Surviving Municipality shall survive the merger with the effect provided by the Utility District Act of 1937 for the State of Tennessee, and as described in the Agreement and Plan of Merger. As soon as practicable following the approval of the County Mayors the Order approving the merger and an Order dissolving the Merged Municipality shall be properly executed and filed with the Utility Management Review Board for the State of Tennessee, the Registers of Deeds in all counties served by the Surviving Municipality, and the Secretary of State. This Agreement and Plan of Merger shall be implemented for purposes of applicable law at close of business on the date of the entry of an Order dissolving the Merged Municipality.

2. **Due Diligence**. On the passage of a Resolution by the Board of Commissioners for the Merged Municipality approving this Agreement and Plan of Merger, the Surviving Municipality may send its employees, agents, consultants, and/or officers to the Merged Municipality's places of business to examine the books and records of the Merged Municipality. The Merged Municipality further authorizes all employees, financial institutions, third-party vendors, natural gas marketers, all public and private entities, to release any financial information and answer inquires placed to them concerning the business and financial activities of the Merged Municipality. The Merged Municipality hereby authorizes its present manager to execute any waivers, powers or indemnifications necessary for the release of the requested information to the agents, employees, consultants, attorneys, or other individuals selected by the Surviving Municipality. The Surviving Municipality shall return any information and documents gathered in this due diligence process in the event the merger is abandoned.

3. **Rights and Liabilities of Merged Municipality and Surviving Municipality**. At and following the approval of the Order of merger and dissolution, the Surviving Municipality shall possess all the rights, privileges, immunities, franchises, boundaries and exclusive service area of both a public and private nature of the Merged Municipality including all properties, both real, personal and mixed, and any and all debts due the Merged Municipality on whatever account, and all other choses of action, and all and every other interest of the Merged Municipality and shall be taken and transferred to and vested in the Surviving Municipality without further act or deed; and the title to any real estate, easements, or any interests therein shall become the property of the Surviving Municipality. The title to any such property shall not in any way be impaired by reason of the merger.

4. **Further Assurances**. From time to time, and when required by the Surviving Municipality, there shall be executed and delivered on behalf of the Merged Municipality such deeds and other instruments, and there shall be taken or cause to be taken by it all such further and other action, that shall be appropriate or necessary in order to vest, perfect or confirm of record or otherwise in the Surviving Municipality the title to and possession of powers, franchises, and authority of the Merged Municipality. The chairman and president of the Merged Municipality is authorized to execute any required documents on behalf of the Merged Municipality and to take any and all other action to implement the intention of this Agreement and Plan of Merger.

5. **Provision for Employees**. Following the dissolution of the Merged Municipality, the Surviving Municipality will retain as employees at the rate of pay per hour indicated the following named individuals:

Name	Date of Service	Rate of Pay
Mark Branstetter	April 1, 1995	*
Rick Godsey	April 1, 1995	*
Tracy Pugh	July 17, 1995	*
Michael Godsey	April 30, 2000	*

*As described in the January 9, 2014 letter revised effective July 1, 2014.

These named individuals shall become at-will employees of the Surviving Municipality. Their entitlement to employee benefits other than wages shall begin the first day of the month following the date of the Order of Dissolution of the Merged Municipality; however, the date of service provided above for each employee shall determine accrual rate for vacation and sick leave, length of service eligibility for employee rewards and other employer provided benefits. The date of service written above shall not apply for Tennessee Consolidated Retirement System benefits which shall initiate on the date and time the Order of Dissolution becomes effective.

The Surviving Municipality shall give credit to the retained employees for unused vacation, sick and personal days up to the maximum hours allowed employees of the Surviving Municipality with like years of service.

For optional employee benefits such as the Section 457 Supplemental Retirement Deferred Compensation Plan, the named employees will be eligible to enroll at any subsequent open-enrollment period.

The above named individuals are intended third party beneficiaries to the numbered paragraph five (5) of this Agreement and Plan of Merger. Nothing in this Agreement is intended to guarantee the continuation of any current employee benefits. The Surviving Municipality reserves the right to modify, eliminate, or substitute employee benefits in the future. In the event of modification, elimination, or substitution of any or all of the employee benefits, the above named employees will be treated as other Surviving Municipality employees with like length of service from the dates above.

6. **Book Entries**. The Surviving Municipality shall make book entries on its records and shall retain the values and liabilities in the same amounts as they were carried on the books of the Merged Municipality.

7. **Amendment**. At any time prior to the approval of the required Orders by the appropriate county mayors, this Agreement and Plan of Merger may be amended in any manner as may be determined by the judgment of the respective Boards of Commissioners as necessary, desirable, expedient and within the provisions of law.

8. **Abandonment**. At any time before the execution of the Orders of approval by the respective county mayors, this Agreement and Plan of Merger may be terminated and the merger abandoned by the Board of Commissioners of either Surviving Municipality or the Merged Municipality or both.

9. **Counterparts**. In order to facilitate the contemplated Orders and filings, this Agreement and Plan of Merger may be executed in two or more counterparts, each of which shall be deemed to be an original and the same agreement.

10. **Operations**. Following the merger, the Surviving Municipality shall operate the natural gas system previously owned by the Merged Municipality and shall account for the revenues from this system in such a manner as to not impair the obligations contract with reference with bond issues or other legal obligations of the Surviving Municipality or the Merged Municipality, and shall fully preserve and protect the contract rights vested in the owners of such outstanding bonds, obligations or contractual interests.

11. **Transition Period**. Following the Orders approving this Agreement and Plan of Merger, customers of the Merged Municipality shall continue to be billed at the rates set by the Merged Municipality until the meter reading and billing of these customers can be incorporated into the Surviving Municipality's business system; however, in no event shall this process extend beyond sixty (60) days following the Orders approving the merger. Customers of the Merged Municipality shall be classified and billed at the same rates as prevail for the Surviving Municipality following the transition period.

12. **Extraordinary Transactions**. The Board of Commissioners of the Merged Municipality shall not undertake any unusual or extraordinary transactions following the approval of this Agreement and Plan of Merger. No severance agreements with employees, long term supply contracts or other contracts with a term of greater than ninety (90) days shall be approved or executed by the Merged Municipality during the period following the execution of this Agreement until the dissolution of the Merged Municipality without the consent of the Surviving Municipality. The Merged Municipality shall continue to operate in the ordinary course of business during the period between the execution of the Agreement and the dissolution of the Merged Municipality.

13. **Bond Covenants**. The Merged Municipality has entered covenants with bondholders of its Series 2005 Bonds prohibiting mergers with any other utility district without consent of the majority of the holders of the outstanding bonds together with other covenants which affect or prohibit this proposed transaction. Similar covenants may benefit the holders of debt issued to the United States of America. The Merged Municipality shall satisfy all conditions and collect all approvals and waivers necessary from their bondholders. The legal counsel of the Merged Municipality shall provide an opinion that all necessary approvals, waivers, and amendments have been obtained to allow the proposed merger to occur. This opinion shall be made an exhibit to the formal petition to the Cumberland County Mayor to approve the merger.

At the election of the Surviving Municipality, these above described bonds may be satisfied at closing or defeased with new bonds.

14. **Board of Commissioners**. The Board of Commissioners for the Surviving Municipality shall remain unchanged following the merger. The seven (7) existing commissioners of the Surviving Municipality shall continue to serve their terms of office unaltered by the merger.

IN WITNESS WHEREOF, each of the municipalities as parties hereto pursuant to authority granted by the Board of Commissioners by each of the parties has caused this Agreement and Plan of Merger to be executed by its President and attested by its Secretary and its Corporate Seal to be affixed thereto as of the date first written above.

MIDDLE TENNESSEE UTILITY DISTRICT
of Cannon, Cumberland, DeKalb, Putnam, Rhea, Rutherford, Smith, Warren, White, and Wilson Counties, Tennessee
"SURVIVING MUNICIPALITY"

By: Michael D. Bailey
Michael D. Bailey, President

ATTESTED:

By: John D. Johnson
John D. Johnson, Secretary

Corporate Seal:

UPPER CUMBERLAND GAS UTILITY DISTRICT
"MERGED MUNICIPALITY"

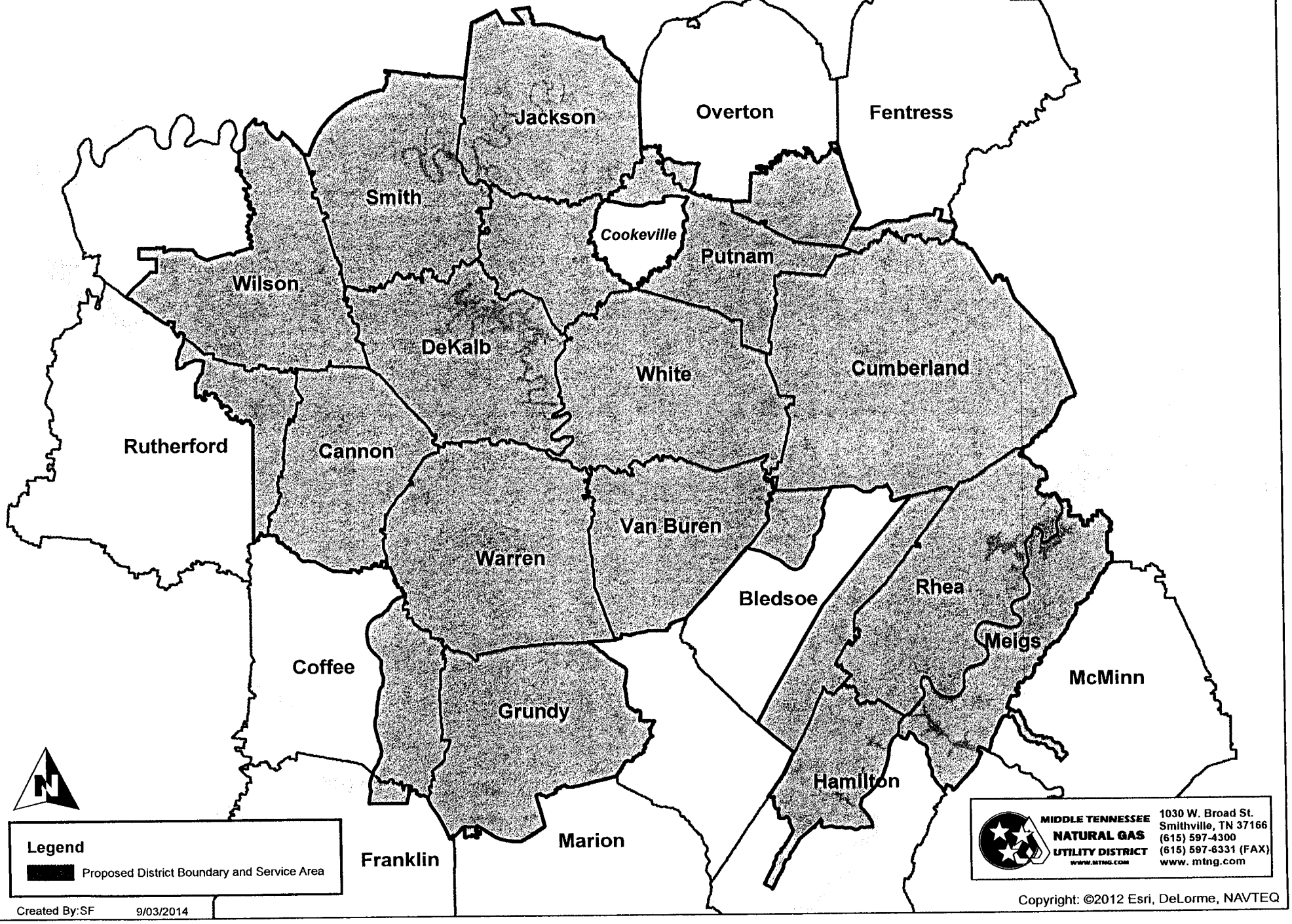
By: Arthur Godsey
~~Author~~ Godsey, President
Arthur

ATTESTED:

By: [illegible]
Steve Stone, Secretary

Corporate Seal:

Exhibit 2: MTNG Proposed District Boundary and Service Area



"Exhibit 2"

MIDDLE TENNESSEE NATURAL GAS UTILITY DISTRICT BOUNDARY DESCRIPTION

The territorial limits and all of the area within and the portions of the following Tennessee counties:

A. **Bledsoe**:

1. All those portions of Bledsoe County lying east of the line hereinafter described and also described in a Resolution adopted by the Bledsoe County Commission in 1998:

All that portion of Bledsoe County, Tennessee, lying east of the line hereinafter described: Beginning at a point in the border of Cumberland and Bledsoe Counties 1.6 miles northeast of the point where the Upper East Valley Road crosses from Bledsoe County into Cumberland County; thence southwesterly in a straight line to the coordinate point 35°45'00"N latitude and 85°00'00"W longitude; thence extending southwesterly to the coordinate point 35°35'00"N latitude and 85°10'00"W longitude; thence continuing in a straight line southwesterly to the Hendon Fire Tower; thence continuing on the preceding bearing in a southwesterly line to the Sequatchie and Bledsoe County line.

2. All that portion of Bledsoe County, Tennessee, lying within these boundaries hereinafter described. Beginning at the convergence of the White County, Van Buren County, Cumberland County and Bledsoe County lines in the northwest corner of Bledsoe County thence following the Bledsoe County and Cumberland County line east to a point in the Bledsoe and Cumberland County line one mile east of the intersection of the Bledsoe/Cumberland County line and State Route 101. Thence in a southerly direction with a line that remains parallel and one mile east of State Route 101 until State Route 101 intersects with the Big Spring Road near the Bellevue Community. At this point the line continues south to a point that lies one mile east of the intersection of Big Spring Road and Beaver Hill Road. The line continues in a southerly direction from this point in a line parallel and one mile east of the Beaver Hill Road until this line intersects with State Route 30 at the intersection of State Route 30 and the Cranwell Road. Thence continuing in a southwestwardly direction across Highway 30 for a distance of one mile south of the intersection of Highway 30 and the Cranwell Road; thence west with a line parallel and one mile south of State Route 30 to a point on the Bledsoe and Van Buren County line lying one mile south of State Route 30; thence north along the Bledsoe and Van Buren County line to the point of beginning. This area is also further depicted as lying within the red line on a map of Bledsoe County which is attached hereto and incorporated herein by

reference. This area is supplemental and in addition to the franchise area described in a Resolution passed January 19, 1999 by the Bledsoe County legislative body.

B. **Cannon**:

The territorial limits and all of the area within Cannon County.

C. **Coffee**:

The eastern portion of Coffee County east of a line beginning two (2) miles west of the point the old Mid-State Pipeline (now owned by Middle Tennessee Utility District) enters Coffee County from Franklin County and continuing north to the Warren County line at all points two (2) miles west of said pipeline.

The right to serve customers in Coffee County is described in pre-existing agreements with Elk River Public Utility District. These prior agreements arose to better serve the affected public. The boundary described herein is subject to the legal effect of these prior agreements.

D. **Cumberland**:

The territorial limits and all of the area within Cumberland County.

E. **DeKalb**:

The territorial limits and all of the area within DeKalb County.

F. **Fentress**:

All that portion of Fentress County south of the East Tennessee Natural Gas pipeline and any area within two thousand feet (2,000') on either side of the existing eight-inch (8") natural gas pipe from the tap on the East Tennessee Natural Gas pipeline and continuing eastward along the Deer Lodge Highway to Jonesville Road; thence north two thousand feet (2,000') either side of Jonesville Road to Virgil Beaty Road. Also included in the Fentress County territorial limits and service is the Clarkrange Regional Business Park and the area within one thousand feet (1,000') either side of a gas main leading to the Clarkrange Regional Business Park.

G. **Franklin**:

All those portions of Franklin County located within the city limits of Monteagle not presently served by Elk River Utility District, and the area within two (2) miles on either side of the existing old Mid-State pipeline as it lies within Franklin County.

The right to serve customers in Franklin County is described in pre-existing agreements with Elk River Public Utility District. These prior agreements arose to better serve the affected public. The boundary described herein is subject to the legal effect of these prior agreements.

H. Grundy:

The territorial limits and all of the area within Grundy County with the exception of the area within the residential development known as Cooley's Rift.

I. Hamilton:

The northwestern portion of Hamilton County north of the Sequoyah Road and west of the Tennessee River continuing westward with the north bank of the North Chickamauga Creek to its first and northern most emergence from Sequatchie County.

Also included in the Hamilton County service area is a one-half (½) mile corridor on each side of Old Dayton Pike extending north from Middle Tennessee Natural Gas Utility District's tap on the East Tennessee pipeline.

J. Jackson:

The territorial limits and all of the area within Jackson County.

K. Marion:

All that portion of Marion County within the City Limits of Monteagle.

The right to serve customers in Marion County is described in agreements between the Town of Monteagle and Elk River Public Utility District. The boundary described herein is subject to the legal effects of the prior agreements.

L. McMinn:

All that portion of McMinn County lying one-half (½) mile on either direction of a natural gas pipeline installed by Middle Tennessee Natural Gas Utility District east of Sanford extending to the west as the pipeline enters Meigs County.

M. Meigs:

The territorial limits and all of the area within Meigs County.

N. **Overton**:

All those portions of Overton County south of the Tommy Dodson Road and west of the Cookeville Highway (111), and the 8th and 9th Civil Districts of Overton County as described in the original Franchise Resolution recorded in Book 13, Page 191, Overton County Clerk's Office.

O. **Putnam**:

All those portions of Putnam County not served by Cookeville Gas Department and now particularly described as follows:
SECTION NO. 1: Beginning in the Putnam County northern boundary with Overton County where Bear Creek enters Overton County; thence continuing south with the center of Bear Creek until reaching the point the East Tennessee Natural Gas pipeline crosses underneath said creek. Thence in an easterly direction with the East Tennessee Natural Gas pipeline until its intersection with the Highway 111 (also known as the Cookeville Highway); thence in a northeasterly direction with the western right-of-way of said highway to a point in the right-of-way at coordinate -85°, 24', 37.95" W, 36°, 13', 28.26" N; thence with a bearing south 60° east across the Highway 111 right-of-way approximately 895 feet to a point at coordinate -85°, 24', 28.25" W, 36°, 13', 23.77" N; thence in a southwesterly direction with a line parallel to and at all points 100 feet east of Old Tennessee Highway 42 to its intersection with the Chimney Springs Road; thence a southeasterly direction with a line at all points 100 feet east of the Chimney Springs Road to coordinate point -85°, 24', 59.46" W, 36°, 12', 10.62" N; thence with a bearing south 30° east, approximately 2682 feet to coordinate point -85°, 24', 43.27" W, 36°, 11', 47.57" N; thence in a southerly direction with a line at all points 100 feet east of the center line of an unnamed county road to the Brotherton Mountain Road; thence crossing the Brotherton Mountain Road at a point 100 feet east of the center line of the Paragon Road; thence following in a southerly direction with a line at all points 100 feet east of the Paragon Road crossing the Buck Mountain Road; thence continuing in a southerly direction at all points 100 feet east and parallel to the center line of the Mount Pleasant Road to the Poplar Grove Road; thence crossing the Poplar Grove Road and continuing in a southwesterly direction with a line at all points 100 feet east of the Poplar Grove Road crossing underneath Interstate 40 to a point in the south side of the Interstate 40 right-of-way intersected by the north boundary line of a previous Putnam County franchise grant described as Area 2 in a franchise awarded Middle Tennessee Utility District in 1997; thence due south with the previous franchise boundary to the White County line; thence generally in an easterly direction with the White and Putnam County boundary line to its intersection with the Cumberland County line; thence continuing with the Putnam and Cumberland County line in a northerly direction to its intercept of the 14th Civil District of Putnam County boundary line; thence following the western boundary of the 14th Civil District line in a northwesterly direction to the Overton

County line; thence in a northwesterly direction with the Overton County and Putnam County boundary to the point of beginning.

SECTION NO. 2: The western section of Putnam County comprising old Civil Districts 9, 10, 11, 12, 13 and 17, and all areas of Putnam County west, south and north of the following described line:

Beginning in the 7th Civil District of Putnam County at a bridge over West Blackburn Fork on the Plunk Whitson Road, thence in a southerly direction with the meanders of the West Blackburn Fork underneath West Broad to Double Springs Road; thence south with Double Springs Road to the Buffalo Valley Road; thence east with a line 500 feet north of Buffalo Valley Road to the Hawkins-Crawford Road; thence in a straight line to an unnamed tributary of Cane Creek where it flows under Interstate 40 near Mine Lick Creek Road; thence south with the tributary to Mine Lick Creek Road; thence west with a line 500 feet south of Mine Lick Creek Road to Old Stewart Road; thence eastward with Old Stewart Road to its intersection with Bennett Road; thence southward with Bennett Road approximately 1,250 feet to the Cookeville City Limits; thence eastward with the city limits to Cane Creek Road; thence northward 500 feet on both side of Cane Creek Road to Lee Seminary Road; thence returning southward to Herbert Garrett Road, thence cross-country to the southeast 1662 feet to a waypoint with coordinates of 36° 7' 7.565" N 85° 33' 40.286" W, thence due south to the Burgess Falls Road; thence northeast with the Burgess Falls Road to the Burgess School Road; thence southeast with the Burgess School Road to the Joe Rawlings Road; thence east with the Joe Rawlings Road and a straight line extending from the terminus of the road to Town Creek, thence southward with Town Creek to the Burgess School Road; thence east with the Burgess School Road to Bunker Hill Road; thence southwest with Bunker Hill Road to South Lovelady Road; thence eastward with the South Lovelady Road to Hudgens Creek; thence south with the creek to creek to the White County line.

SECTION NO. 3: The eastern section of Putnam County known as the Old 14th Civil District including the Town of Monterey.

SECTION NO. 4: Area 1. Beginning on the east bank of West Blackburn Fork in the Putnam County and Jackson County lines; thence south under State Highway 290; thence continue with the said east bank approximately 1,800' further south to the first tributary to the east; thence with the north bank of this tributary in an eastward direction 1560 to a point; thence eastward leaving the tributary and following a line equidistant between Dyer Long Road and Oakdale Circle to State Highway 290, continuing eastward across State Highway 290 to a point on Chester King Road 2500' south of Shipley Road continuing eastward to a point 300' south of the centerline of Dalton Lane in the center of a stream; thence continuing eastwardly to a point in Shipley Road 600' north of its intersection with Shipley School Road; thence eastward across Shipley Road to a point intersecting Kuykendall Road 300' north of its intersection with North Allen

Road; thence eastward on a parallel 300' north of North Allen Road to Dodson Branch Road; thence continuing eastward to Free Hill Road 1200' south of Stockton Lane; thence continuing eastward across Free Hill Road to East Blackburn Fork; thence across Blackburn Fork due east 600' to a point; thence in a northeasterly direction in a straight line to the center of the intersection of the Hilham and Fisk Road; thence due east to a point in the center of North Quinland Road 400' south of its intersection with Post Oak Road; thence eastward across North Quinland Road to the point where the present Algood city limits meet the west bank of Bear Creek; thence northerly with the meanders of the west bank of Bear Creek until it enters Overton County, Tennessee; thence with the county line in a northerly and westerly direction to the point of beginning.

Area II. Beginning on the south side of the Interstate 40 Highway where Falling Water River flows under said highway east of Cookeville, Tennessee, in Putnam County, Tennessee; thence eastward with the south side of the interstate right-of-way to a point 1000' east of the present terminus of the Hyder Mountain Road; thence due south to the White County line; thence westerly with the White County line to its intersection with the Falling Water River; thence with the east bank of the Falling Water River to the point of beginning.

NOTE: The geographical names used in these descriptions come from the E-911 *Road Atlas of Putnam County*, revised April, 1997.

P. Rhea:

The territorial limits and all of the area within Rhea County.

Q. Rutherford:

The eastern part of Rutherford County lying east of the intersection of the Old Lebanon Road with the Wilson County boundary and continuing south with the Old Lebanon Road to Holly Grove Road to is intersection with Dunaway Chapel Road continuing south to its intersection with the Jefferson Pike; thence continuing south cross-country in a straight line to its intersection with the north bank of the east fork of the Stones River; thence upstream with the north bank of the river to the Halls Hill Pike; thence leaving the river in a straight line due south to the Bedford County line.

R. Smith:

The territorial limits and all of the area within Smith County.

S. Van Buren:

The territorial limits and all of the area within Van Buren County.

T. **Warren**:

The territorial limits and all of the area within Warren County.

U. **White**:

The territorial limits and all of the area within White County.

V. **Wilson**:

The eastern portion of Wilson County. The boundary between the service areas of the City of Lebanon and MTNG are defined in an Interlocal Agreement executed in 2002 and set forth in the following description: The City of Lebanon shall be allowed to serve all areas north and west of the described boundary line, and MTNG shall be allowed to serve all areas east and south of the described boundary line within Wilson County, Tennessee. The agreed boundary line is described as follows:

The eastern boundary of the Nashville Gas Company in Wilson, being set by County Commission Resolution lies along longitudinal line 86° 25', said line being the approximate eastern boundary of the Lebanon Gas Department and Middle Tennessee Natural Gas Utility District.

Beginning at the centerline intersection of State Route 109 and Franklin Road; then running in a westerly direction along the centerline of Franklin Road to the southwestern property corner of the Hall property, Parcel 16.04, consisting of 10.17 acres; then running in a northerly direction along the western property line of Parcel 16.04 to the point where the property line intersects the State Route 109 right-of-way, in general this property line is the back property line for the houses that front Bettis Road; then running westerly along the Earheart Property, Parcel 31.00, consisting of 300 acres to the centerline of Bettis Road; then southerly along the centerline of Bettis Road to the southeastern corner of the Woodall Property, Parcel 32, consisting of 79 acres; then in a westerly direction along the shared property line of Woodall and Guethlein; then projecting that same line (Guethlein) in a westerly direction to the 86° 25' longitude line, being the approximate eastern boundary of the Nashville Gas Company (Piedmont) per County Commission Resolution.

From that same point at the centerline intersection of State Route 109 and Franklin Road and running approximately 4,000 feet in an easterly direction along the centerline of Franklin Road to a point that intersects a line parallel to and 13,000 feet south of the centerline of Interstate 40; then parallel to Interstate 40 to a point where this line intersects a tributary of Barton Creek; then following the creek in a southeasterly direction to a point where the creek intersects with Holloway Road; then continuing southeasterly to the southern intersection of U.S. Highway 231 and Old Murfreesboro Road immediately north of Atkinson Road;

then northeasterly to a point on Tater Peeler Road five hundred feet (500') south of the intersection of Tater Peeler Road and Shorter Road; then five hundred feet (500') south of and parallel to Shorter Road to a point on Cainsville Road, five hundred feet (500') south of the intersection of Cainsville Road and Shorter Road; then continuing in a northeasterly direction to the intersection of U.S. Highway 70 and Spring Creek; then the line follows Spring Creek to a point that a Spring Creek tributary crosses Hamilton Road, following the tributary that crosses Hamilton Road at the most eastern point; and then from that point running due north to Old Hickory Lake.

Also see City of Lebanon Ordinance 02-2332.

Also included in the Wilson County service area is that laying near Central Pike east of parallel lines beginning at 86° 27' W / 36° 9' N, and 86° 27' W / 36° 8' N.

Also included in the Wilson County service area is that part lying near Stewarts Ferry Pike east of the Texas Eastern Transmission pipeline.

NOTICE OF PUBLIC HEARING

A Petition requesting a merger of The Middle Tennessee Utility District of Cannon, Cumberland, DeKalb, Putnam, Rhea, Rutherford, Smith, Warren, White and Wilson Counties, Tennessee, (MTUD) with principal office located at 1030 West Broad Street, Smithville, DeKalb County, Tennessee 37166, with the Upper Cumberland Gas Utility District (UCGUD) principal office located at 997 Woodland Circle, Crossville, Tennessee 38571, and to amend the boundaries of MTUD as well as change its name has been filed with the DeKalb County Mayor. A public hearing before a panel of the county mayors of each county situated in whole or in part within the Surviving Municipality will be held:

DATE: **OCTOBER 23, 2014**

TIME: **11:30 a.m. (CDT)**

PLACE: **Cumberland County Commission Meeting Room**
Cumberland County Courthouse
2 North Main Street
Crossville, Tennessee 38555

The purpose of the hearing is to determine if it is convenient and in the public interest for The Middle Tennessee Utility District of Cannon, Cumberland, DeKalb, Putnam, Rhea, Rutherford, Smith, Warren, White and Wilson Counties, Tennessee, to merge with the Upper Cumberland Gas Utility District. Further findings will be made on the name and territorial limits of the Surviving Municipality and other matters ancillary to these issues.

A Petition describing the details of this transaction is on file at the Office of the DeKalb County Mayor, 1 Public Square, Smithville, Tennessee 37166, for public inspection. This notice is provided as directed in *Tennessee Code Annotated 7-82-202* to all county mayors of the twenty-two (22) counties served by MTUD or UCGUD; mayors of any town, city or natural gas utility district within three (3) miles of the expanded boundaries of MTUD; or any city or town with a population of five thousand (5,000) or more within five (5) miles of the expanded boundaries; and is published in newspapers of general circulation in the districts' service areas.

Tim Stribling
DeKalb County Mayor
Smithville, TN 37166

BEFORE THE DeKALB COUNTY MAYOR
SMITHVILLE, TENNESSEE

IN RE: **The Matter of the Merger of The Middle Tennessee Utility District of Cannon, Cumberland, DeKalb, Putnam, Rhea, Rutherford, Smith, Warren, White and Wilson Counties, Tennessee, with the Upper Cumberland Gas Utility District; and to Amend the Boundaries and Name of the "Surviving Municipality".**

Filed the 1st day of October, 2014.

Tim Stribling
DeKalb County Mayor

ORDER SETTING HEARING

A Petition was filed by The Middle Tennessee Utility District of Cannon, Cumberland, DeKalb, Putnam, Rhea, Rutherford, Smith, Warren, White and Wilson Counties, Tennessee, on the 1st day of October, 2014 with the DeKalb County Mayor. Having read said Petition and being fully advised in the premises, the presiding County Mayor finds as follows:

1. The Petition was filed under the provisions of The Utility District Act of 1937 being Chapter 248, Public Acts of Tennessee 1937, as amended, which grants jurisdiction.

2. The Petition requests approval of the Agreement and Plan of Merger with the Upper Cumberland Gas Utility District, expansion of the boundaries, and a change of name among other relief.

3. The recreated and merged utility district would embrace territory within twenty-two (22) counties in the state of Tennessee.

4. A public hearing upon the requested relief shall be held before the panel of county mayors of the involved counties on the 23rd day of October, 2014 at 11:30 o'clock a.m. at the County Commission Room, Cumberland County Courthouse, 2 North Main Street, Crossville, Tennessee.

5. The Petition was received by the DeKalb County Mayor on the 1st day of October, 2014, and that the date set for the hearing is not more than thirty (30) days after the date of filing.

6. Notice of the public hearing shall be published not more than fifteen (15) days nor less than seven (7) days prior to the hearing in the following named newspapers:

(a) In the *Cannon Courier*, a newspaper published at Woodbury in Cannon County, Tennessee, and having a general circulation in said County.

(b) In the *Crossville Chronicle*, a newspaper published at Crossville in Cumberland County, Tennessee, and having a general circulation in said County.

(c) In the *Smithville Review*, a newspaper published at Smithville in DeKalb County, Tennessee, and having a general circulation in said County.

(d) In the *Cookeville Herald-Citizen*, a newspaper published at Cookeville in Putnam County, Tennessee, and having a general circulation in said County.

(e) In *The Herald-News*, a newspaper published at Dayton in Rhea County, Tennessee, and having a general circulation in said County.

(f) In the *Carthage Courier*, a newspaper published at Carthage in Smith County, Tennessee, and having a general circulation in said County.

(g) In the *Southern Standard*, a newspaper published at McMinnville in Warren County, Tennessee, and having a general circulation in said County.

(h) In the *Sparta Expositor*, a newspaper published at Sparta in White County, Tennessee, and having a general circulation in said County.

(i) In *The Lebanon Democrat*, a newspaper published at Lebanon in Wilson County, Tennessee, and having a general circulation in said County.

(j) In *The Mountain View*, a newspaper published at Spencer in Van Buren County, Tennessee, and having a general circulation in said County.

(k) In the *Daily Post Athenian*, a newspaper published at Athens in McMinn County, Tennessee, and having a general circulation in said County and Meigs County.

(l) In *The Bledsonian-Banner*, a newspaper published at Pikeville in Bledsoe County, Tennessee, and having a general circulation in said County.

(m) In the *Fentress Courier*, a newspaper published at Jamestown in Fentress County, Tennessee, and having a general circulation in said County.

(n) In the *Manchester Times*, a newspaper published at Manchester in Coffee County, Tennessee, and having a general circulation in said County.

(o) In the *Herald-Chronicle*, a newspaper published at Winchester in Franklin County, Tennessee, and having a general circulation in said County.

(p) In the *Chattanooga Times Free Press*, a newspaper published at Chattanooga in Hamilton County, Tennessee, and having a general circulation in said County, as well as Grundy, Marion, McMinn and Rhea Counties.

(q) In the *Jackson County Sentinel*, a newspaper published at Gainesboro in Jackson County, Tennessee, and having a general circulation in said County.

(r) In *The Daily News Journal*, a newspaper published at Murfreesboro in Rutherford County, Tennessee, and having a general circulation in said County.

(s) In the *Livingston Enterprise*, a newspaper published at Livingston in Overton County, Tennessee, and having a general circulation in said County.

(t) In the *Grundy County Herald*, a newspaper published at Tracy City in Grundy County, Tennessee, and having a general circulation in said County.

(u) In the *Jasper Journal*, a newspaper published at South Pittsburg in Marion County, Tennessee, and having a general circulation in said County.

(v) In *The Tennessean*, a newspaper published at Nashville in Davidson County, Tennessee, and having a general circulation in Cannon, Coffee, Cumberland, DeKalb, Fentress, Franklin, Grundy, Jackson, Overton, Putnam, Rutherford, Smith, Warren, White and Wilson County.

7. The notice to be published shall be in substantially the following form:

NOTICE OF PUBLIC HEARING

A Petition requesting a merger of The Middle Tennessee Utility District of Cannon, Cumberland, DeKalb, Putnam, Rhea, Rutherford, Smith, Warren, White and Wilson Counties, Tennessee, (MTUD) with principal office located at 1030 West Broad Street, Smithville, DeKalb County, Tennessee 37166, with the Upper Cumberland Gas Utility District (UCGUD) principal office located at 997 Woodland Circle, Crossville, Tennessee 38571, and to amend the boundaries of MTUD as well as change its name has been filed with the DeKalb County Mayor. A public hearing before a panel of the county mayors of each county situated in whole or in part within the Surviving Municipality will be held:

DATE: **OCTOBER 23, 2014**

TIME: **11:30 a.m. (CDT)**

PLACE: **Cumberland County Commission Meeting Room**
Cumberland County Courthouse
2 North Main Street
Crossville, Tennessee 38555

The purpose of the hearing is to determine if it is convenient and in the public interest for The Middle Tennessee Utility District of Cannon, Cumberland, DeKalb, Putnam, Rhea, Rutherford, Smith, Warren, White and Wilson Counties, Tennessee, to merge with the Upper Cumberland Gas Utility District. Further findings will be made on the name and territorial limits of the Surviving Municipality and other matters ancillary to these issues. A Petition describing the details of this transaction is on file at the Office of the DeKalb County Mayor, 1 Public Square, Smithville, Tennessee 37166, for public inspection. This notice is provided as directed in *Tennessee Code Annotated 7-82-202* to all county mayors of the twenty-two (22) counties served by MTUD or UCGUD; mayors of any town, city or natural gas utility district within three (3) miles of the expanded boundaries of MTUD; or any city or town with a population of five thousand (5,000) or more within five (5) miles of the expanded boundaries; and is published in newspapers of general circulation in the districts' service areas.

It Is So Ordered this the 1st day of October, 2014.

Tim Stribling
DeKalb County Mayor

8. The attorney for the Petitioner shall cause the notice to be published and notify the county mayors of all involved counties of the hearing by providing them notice by certified mail as well as notifying all others entitled to notice.

It Is So Ordered this the 1st day of October, 2014.

Tim Stribling
DeKalb County Mayor

Water and Wastewater Finance Board

July 10, 2014

Depreciation

Buildings, machinery, equipment, computers, outdoor lighting, plant, and trucks are examples of Water and Wastewater assets that will last for more than one year, but will not last indefinitely. During each accounting period (year, quarter, month, etc.) a portion of the cost of these assets is being used up. The portion being used up is reported as Depreciation Expense on the income statement which for local governments is called the Statement of Revenues, Expenses, and Changes in Net Position. In effect depreciation is the transfer of a portion of the asset's cost from the balance sheet, which is called the Statement of Net Position, to the income statement during each year of the asset's life.

The calculation and reporting of depreciation is based upon two accounting principles:

1. **Cost principle**. This principle requires that the Depreciation Expense reported on the Statement of Revenues, Expenses, and Changes in Net Position, and the asset amount that is reported on the Statement of Net Position, should be based on the historical (original) cost of the asset

2. **Matching principle**. This principle requires that the asset's cost be **allocated** to Depreciation Expense over the life of the asset. In effect the cost of the asset is divided up with some of the cost being reported on each of the income statements issued during the life of the asset. By assigning a portion of the asset's cost to various income statements, the accountant is matching a portion of the asset's cost with each period in which the asset is used.

The most common method of depreciating assets for financial statement purposes is the straight-line method. It is also the only method allowed by our Comptroller in Tennessee. Under this depreciation method, the depreciation for

each full year is the same amount. The depreciation expense for a full year when computed under the straight-line method is illustrated here:

Cost of the asset	$10,500
Less: Expected salvage value	- 500
Depreciable cost (amount to be depreciated over the estimated useful life)	$10,000
Years of estimated useful life	5
Depreciation expense per year	$ 2,000

The depreciation for the financial statements is entered into the accounts via a journal entry. Note that the account credited in the journal entries is not the capital asset account. Instead, the credit is entered in the contra asset account called Accumulated Depreciation. The use of this contra account will allow the asset Equipment to continue to report the equipment's cost, while also reporting in the account Accumulated Depreciation the amount that has been charged to Depreciation Expense since the asset was acquired.

The calculation of depreciation included two estimates:

1. **Salvage value**. Salvage value is the estimated amount that a company will receive when it disposes of an asset at the end of the asset's useful life. Often the salvage value is estimated to be zero. However, I assumed $500 in order to demonstrate how an amount would be handled. An asset should not be depreciated below its salvage value.

2. **Useful life**. The useful life of an asset is an estimate of how long the asset will be used (as opposed to how long the asset will last). For example, a city might purchase a computer in 2014 and expects to replace it in 2016 with a more advanced computer. Hence that city's computer will have an estimated *useful* life of 2 years. Another city purchasing a similar computer in 2014 expects to use it until 2018. The accountant will use an estimated useful life of 4 years when computing depreciation. Both cities are correct. Tennessee has adopted the EPA recommended maximum useful life of 50 years for any Wastewater assets.

Joyce Welborn

From: Betsy Knotts
Sent: Monday, June 09, 2014 9:19 AM
To: jhardin@laguardoud.com
Cc: Joyce Welborn; John Greer; Stephanie Maxwell; Lauren Plunk
Subject: RE: CE Credits for Board Members

Mr. Hardin,

Thank you for contacting us. In order for me to be able to review and approve your request, please email me a copy of the conference agenda. It must contain a description of each session and the length of time allotted for each session. Let me know if you have any further questions.

Betsy

Betsy Knotts
Assistant General Counsel
Comptroller of the Treasury
Suite 1700, James K. Polk Building
505 Deaderick St.
Nashville, TN 37243
Phone: (615) 401-7954

From: Joyce Welborn
Sent: Monday, May 19, 2014 8:52 AM
To: Betsy Knotts
Subject: FW: CE Credits for Board Memebers

Your approval is requested.

From: Joey Hardin [mailto:jhardin@laguardoud.com]
Sent: Monday, May 19, 2014 8:12 AM
To: Joyce Welborn
Subject: CE Credits for Board Memebers

Mrs. Welborn,
We have a new board member here at the utility and he is needing the required 12 hours of training this year. I wanted to know if he could earn some of these credits at the 2014 Water Professionals Conference put on by the KY/TN Section AWWA in Chattanooga, TN July 20-23. Here is the link to the page. http://www.kytnwpc.org/conference-attendee-mainmenu-62
I spoke to TAUD but they did not know and said to contact you. Thanks

Joey Hardin
General Manager
LaGuardo Utility District
p-615-444-3378

Joyce Welborn

From: Betsy Knotts
Sent: Wednesday, July 16, 2014 2:26 PM
To: Ben Andrews
Cc: Stephanie Maxwell; Lauren Plunk; Joyce Welborn; John Greer
Subject: RE: Commissioner Training Request

Mr. Andrews,

I have reviewed your request for Comptroller approval of gas district commissioner training hours. The following sessions have been approved: Tennessee Regulatory Update (50 minutes); Emergency Procedures Manual Overview (50 minutes); Communication Between Departments (50 minutes); and Conflict Resolution (1 hour). These sessions appear to cover board governance, financial oversight, policy-making responsibilities, or topics reasonably related commissioner duties, as required by the state law. Only the amount of time allotted per session, as indicated on the agenda, is the amount of time that commissioners should count toward their training requirements. Please provide a more detailed description of the Drug Awareness presentation and how it relates to commissioner duties. Once I receive that information, I will review to see if that topic can be approved for credit. Thank you.

Don't hesitate to contact me if you have any further questions.

Betsy Knotts
Assistant General Counsel
Comptroller of the Treasury
Suite 1700, James K. Polk Building
505 Deaderick St.
Nashville, TN 37243
Phone: (615) 401-7954

From: Ben Andrews [mailto:bpa@orud.org]
Sent: Friday, July 11, 2014 9:52 AM
To: Betsy Knotts
Subject: Commissioner Training Request

Dear Ms. Knotts

The Oak Ridge Utility District takes one day each year to bring in all of its employees to train in selected areas and to emphasize both personal and system safety. We have always encouraged the members of our Board of Commissioners to attend as many of these sessions as possible. This year, we are faced with several new mandates from the United States Department of Transportation via their Pipeline and Hazardous Materials Safety Administration as administered by the Tennessee Regulatory Authority Gas Safety Division. Many of these changes will require Board of Commissioner approval to our operating plans and policies and will have impact on our employees. Of particular interest is recent changes in anti-drug enforcement that will have a significant impact on each employee. We are strongly encouraging our Board Members to attend these sessions with the employees where both can be fully informed as these new regulations go into effect.

The Oak Ridge Utility District is respectfully requesting approval of five hours of Utility District Commissioner training for the following sessions:

Joyce Welborn

From: Lynette DiMeola <ldimeola@tngas.org>
Sent: Friday, June 06, 2014 5:19 PM
To: Betsy Knotts
Cc: Joyce Welborn; John Greer; Stephanie Maxwell; Lauren Plunk
Subject: RE: TGA Request for Commissioner Training Hours - Revised Request

Thanks so much. I really appreciate this and so will our members and their commissioners.

Lynette DiMeola
Executive Director
Tennessee Gas Association
83 Century Blvd.
Nashville, TN 37214
Office: 615-872-2412
Cell: 615-613-1709
Fax: 615-872-2413
ldimeola@tngas.org
PROMOTE ... ADVOCATE ... COLLABORATE ... EDUCATE

Take Advantage of These Upcoming TGA Opportunities!

2014 Dates:
June 16-18: *Annual Meeting, Marriott Griffin Gate, Lexington, Kentucky*
August 26-28: *Finance & Accounting Conference, Cool Springs Embassy Suites*
September 8-12: *Collaborative Fall Workshop, Leak City, Athens, Alabama*
October 16-17: *Fall Management Conference, Knoxville Holiday Inn World's Fair*
Nov 18-20: *TGA/TRA/PHMSA Training & Qualifications Transportation Safety Conference, Murfreesboro Embassy Suites Hotel*

2014 Classroom Training Opportunities:
International Fuel Gas Codes at Middle TN Natural Gas Utility District
August 12-14

Fall Light Up at Middle TN Natural Gas Utility District (2 classes)
September 3
September 4

Future Dates:
2015: Mar 30 - April 2: *D&O Conference, Murfreesboro Embassy Suites*
2016: April 12-14: *D&O Conference, Murfreesboro Embassy Suites*

For More Natural Gas Industry Related Events of Interest, go to www.tngas.org.

From: Betsy Knotts [mailto:Betsy.Knotts@cot.tn.gov]
Sent: Friday, June 06, 2014 5:16 PM
To: Lynette DiMeola
Cc: Joyce Welborn; John Greer; Stephanie Maxwell; Lauren Plunk
Subject: RE: TGA Request for Commissioner Training Hours - Revised Request

Lynette,

I have reviewed your revised request for Comptroller approval of commissioner training hours. All sessions listed and described on the revised agenda, except for the first session on Wednesday, June 18th called "IT Security and Compliance Requirements," for the Tennessee Gas Association's Annual Meeting that will be held June 16-18 are approved. The revised agenda contains no description of the "IT Security and Compliance Requirements" session. You may send me another revised agenda that includes information about that particular session and I can review your revised request. All other sessions appear to cover board governance, financial oversight, policy-making responsibilities, or topics reasonably related commissioner duties, as required by the state law. And to be clear, only the amount of time allotted per session, as indicated on the agenda, is the amount of time that commissioners should count toward their training requirements. So if the agenda indicates that the session will last 45 minutes, then commissioners attending that session should only count 45 minutes toward their training requirements. Don't hesitate to contact me if you have any further questions. Thanks.

Betsy Knotts
Assistant General Counsel
Comptroller of the Treasury
Suite 1700, James K. Polk Building
505 Deaderick St.
Nashville, TN 37243
Phone: (615) 401-7954

From: Lynette DiMeola [mailto:ldimeola@tngas.org]
Sent: Thursday, June 05, 2014 5:19 PM
To: Betsy Knotts; Lauren Plunk; Stephanie Maxwell; Rachel Newton
Subject: TGA Request for Commissioner Training Hours - Revised Request

Betsy, I understand you are handling the Commissioner Training requests in Rachel's absence and wanted to share this information with you and the others who make the decision on approved training hours. The Tennessee Gas Association's Annual Meeting is June 16-18 and I would like to submit the attached revised request for commissioner training hours for some of our sessions. Please let me know which topics are approved. And, please clarify that if you approve a 45 minute session – does that count as one hour of training or simply 45 minutes of training.

I look forward to hearing from you at your earliest convenience so I can let my members know the results of this request. Thanks so much and please let me know if you have any questions.

Lynette DiMeola
Executive Director
Tennessee Gas Association
83 Century Blvd.
Nashville, TN 37214
Office: 615-872-2412
Cell: 615-613-1709

Fax: 615-872-2413
ldimeola@tngas.org
PROMOTE ... ADVOCATE ... COLLABORATE ... EDUCATE

Take Advantage of These Upcoming TGA Opportunities!

2014 Dates:
June 16-18: ***Annual Meeting, Marriott Griffin Gate, Lexington, Kentucky***
August 26-28: ***Finance & Accounting Conference, Cool Springs Embassy Suites***
September 8-12: ***Collaborative Fall Workshop, Leak City, Athens, Alabama***
October 16-17: ***Fall Management Conference, Knoxville Holiday Inn World's Fair***
Nov 18-20: ***TGA/TRA/PHMSA Training & Qualifications Transportation Safety Conference, Murfreesboro Embassy Suites Hotel***

2014 Classroom Training Opportunities:
International Fuel Gas Codes at Middle TN Natural Gas Utility District (4 classes)
June 3-5
August 12-14

Fall Light Up at Middle TN Natural Gas Utility District (2 classes)
September 3
September 4

Future Dates:
2015: Mar 30 - April 2: ***D&O Conference, Murfreesboro Embassy Suites***
2016: April 12-14: ***D&O Conference, Murfreesboro Embassy Suites***

For More Natural Gas Industry Related Events of Interest, go to www.tngas.org.

No virus found in this message.
Checked by AVG - www.avg.com
Version: 2014.0.4592 / Virus Database: 3950/7571 - Release Date: 05/27/14
Internal Virus Database is out of date.

Joyce Welborn

From: Betsy Knotts
Sent: Monday, June 09, 2014 9:09 AM
To: dschryver@apga.org
Cc: Joyce Welborn; John Greer; Stephanie Maxwell; Lauren Plunk
Subject: RE: APGA Request for Continuing Education Credits

Mr. Schryver,

I have reviewed your request for Comptroller approval of commissioner training hours. All sessions listed and described on the agenda as well as hours requested for the American Public Gas Association's Annual Conference that will be held July 21-23 are approved. All sessions appear to cover board governance, financial oversight, policy-making responsibilities, or topics reasonably related commissioner duties, as required by the state law. Only the amount of time allotted per session, as indicated on the agenda, is the amount of time that commissioners should count toward their training requirements. So if the agenda indicates that the session will last 45 minutes, then commissioners attending that session should only count 45 minutes toward their training requirements. Don't hesitate to contact me if you have any further questions.

Also, please note that I am the new counsel to the Utility Management Review Board and the Water & Wastewater Financing Board, so please forward all similar requests for training approval to me and/or Joyce Welborn in the future. Thanks!

Betsy

Betsy Knotts
Assistant General Counsel
Comptroller of the Treasury
Suite 1700, James K. Polk Building
505 Deaderick St.
Nashville, TN 37243
Phone: (615) 401-7954

From: Rachel Newton
Sent: Thursday, June 05, 2014 12:20 PM
To: Betsy Knotts
Subject: FW: APGA Request for Continuing Education Credits

Betsy,
Did you get this?
Thanks,
Rachel

From: Dave Schryver [mailto:dschryver@apga.org]
Sent: Wednesday, May 14, 2014 1:14 PM
To: Rachel Newton
Subject: APGA Request for Continuing Education Credits

Ms. Newton, please find attached the American Public Gas Association's request for approval of a total of 5.50 hours of continuing education credits for utility district commissioners who attend our Annual Conference which is scheduled for July We understand that only the actual time the commissioners attend each session is eligible for continuing education credit. Thank you for your consideration. Dave

Dave Schryver
Executive Vice President
American Public Gas Association
201 Massachusetts Avenue, NE, Suite C-4
Washington, DC 20002
202-464-0835

ABOUT APGA

Read about natural gas in your home or business

PLEASE JOIN US AT THESE UPCOMING EVENTS:

DOE Home Scoring Tool Webinar | June 5 at 3 p.m. EST | **http://www.apga.org/webinars**

2014 APGA Annual Conference | July 20-23, 2014 | Resort at Squaw Creek | Lake Tahoe, Calif. | **http://www.apga.org/laketahoe**

Joyce Welborn

From: Betsy Knotts
Sent: Monday, July 28, 2014 9:25 AM
To: Lynette DiMeola
Cc: 'Jamie'; Joyce Welborn; John Greer; Lauren Plunk; Stephanie Maxwell
Subject: RE: TGA Finance & Accounting Conference Request for Commissioner Training Hours
Attachments: TGA F&A Agenda 2014.docx; 2014 TGA F&A Conference Learning Objectives.docx

Lynette,

I have reviewed your request for Comptroller approval of commissioner training hours. All sessions listed and described on the agenda for the 2014 TGA Utility Finance and Accounting Conference to be held on August 26 and 27 are approved (Total Approved Training Hours: 9 hours and 20 minutes). All sessions appear to cover board governance, financial oversight, policy-making responsibilities, or topics reasonably related commissioner duties, as required by the state law. Only the amount of time allotted per session, as indicated on the agenda, is the amount of time that commissioners should count toward their training requirements. So if the agenda indicates that the session will last 45 minutes, then commissioners attending that session should only count 45 minutes toward their training requirements. Don't hesitate to contact me if you have any further questions.

Betsy

Betsy Knotts
Assistant General Counsel
Comptroller of the Treasury
Suite 1700, James K. Polk Building
505 Deaderick St.
Nashville, TN 37243
Phone: (615) 401-7954

From: Lynette DiMeola [mailto:ldimeola@tngas.org]
Sent: Friday, July 18, 2014 4:21 PM
To: Betsy Knotts
Cc: 'Jamie'
Subject: TGA Finance & Accounting Conference Request for Commissioner Training Hours

Betsy, hope you're doing well. Attached is the agenda (first attachment) and the learning objectives (second attachment) for the August TGA Finance and Accounting Conference. Can you please review this information and let me know how much of this is approved for Commissioner Training hours?

I am out of the office next week but if you need us, just call 872-2411 and ask for Jamie Wellman and she will answer any questions you may have.

Thanks so much.

Lynette DiMeola
Executive Director
Tennessee Gas Association

2014 TGA UTILITY FINANCE & ACCOUNTING CONFERENCE

SPONSORED BY FRAZIER & DEETER, LLC &TGA
AUGUST 26 & 27, 2014
12 CPE HOURS

Tuesday, August 26		
7:30 – 8:00 am		**Registration & Continental Breakfast**
8:00 – 9:40 am		**Internal Control Issues (Auditing CPE – 2 hours)** *Jason Sammons and Bob Adams Frazier & Deeter, LLC*
10:00 – 10:50 am		**SEC Continuing Disclosure Initiative and New Balloon Debt Limitations (Economics CPE – 1 hour)** *Jeff Oldham, Bass Berry & Sims*
11:00 – 11:50 am		**Data Privacy (Business Management & Organization CPE – 1 hour)** *Bryant Tow, VACO Risk Solutions*
11:50 – 1:00 pm		**Group Luncheon**
1:00 – 2:40 pm		**Taxation of Fringe Benefits (Tax CPE – 2 hours)** *Wallace Reimold, IRS*
3:00 – 3:50 pm		**Affordable Care Act Update (Specialized Knowledge & Applications CPE – 1 hour)** *Todd Bidwell, Insperity*
4:00 – 4:50 pm		**Gas Supply and Rates (Specialized Knowledge & Applications CPE – 1 hour)** *Atmos Energy Marketing*
5:00 – 6:00		**Group Reception**
Wednesday, August 27		
8:00 – 8:50 am		**Federal Agency Landmines in Your HR Department (Business Law (Employment Law) CPE – 1 hour)** *Stacie Caraway, Miller & Martin*
9:00 – 9:50 am		**A Review of the Laws Related to Collection of Receivables (Business Law (Collection Law) CPE – 1 hour** *Melvin Malone, Butler Snow*
10:00 – 11:40 am		**GASB Update (Accounting (Governmental) CPE – 2 hours** *Rhonda Striplin, Jeff James, Eugena Mosko, Frazier & Deeter, LLC*
11:40 – Noon		**Questions & Adjournment**

2014 TGA FINANCE & ACCOUNTING CONFERENCE
SPONSORED BY FRAZIER & DEETER, LLC & TGA EDUCATION COMMITTEE
AUGUST 26 & 27, 2014
LEARNING OBJECTIVES & COURSE DESCRIPTION

Internal Control Issues

This presentation will provide information on a wide range of internal controls including information from the Internal Control and Compliance Manual for Tennessee Utility Districts which was released in December 2011. There will be various segments to the presentations with panel discussions that will follow. The panel will include individuals with different perspectives of internal controls with various entities. The objective of this session is to increase the participant's ability to oversee the entity's internal controls and to provide helpful information for the participant to strengthen their ability to help provide fiduciary oversight over the entity.

SEC Continuing Disclosure Initiative and New Balloon Debt Limitations

The United States Securities and Exchange Commission (the "SEC") has offered local governments the opportunity to self-report any failure to disclose in a bond offering document the prior non-compliance by the local government with continuing disclosure obligations relating to the filing of financial information and certain material events. If a local government has not adequately disclosed its prior failure to meet continuing disclosure requirements in all material respects and the local government does not take advantage of this initiative, the SEC has indicated that the local government may be subject to substantial sanctions if the failure is subsequently discovered. While most local governments in Tennessee have carefully complied with their continuing disclosure obligations, local governments should be aware of this initiative and evaluate whether participation in the initiative may be beneficial.

In the most recent legislative session, the General Assembly passed legislation that will significantly limit the ability of local governments to determine the structure of their debt service without approval from the State Comptroller's office. Under this new statute, bond issues that do not result in level debt service payments will require, in most circumstances, the approval of the Comptroller's office. As this legislation becomes effective July 1, 2014, local governments should be familiar with the new requirements of this law. The presentation will also highlight other legislation enacted in the most recent session that affects local public finance.

Data Privacy

This presentation will focus on cyber security challenges that businesses currently face. Tactics for compliance, protecting, and safeguarding information will be shared.

Taxation of Fringe Benefits

This presentation will focus on the Federal tax treatment of various employee benefits.

Affordable Care Act Update

Healthcare reform: The moving target of healthcare reform. What still applies, what's been delayed, and what it means for small businesses.

Gas Supply and Rates

This presentation will provide information on historical supply and rates, current supply and rates, and will take an educated guess regarding future supply and rates.

Federal Agency Landmines in Your HR Department

This session will cover the Equal Employment Opportunity Commission's (EEOC) latest Guidance concerning the use of background checks to screen applicants and as part of employee investigations. This presentation will also discuss other target initiatives of the EEOC

Joyce Welborn

From: Betsy Knotts
Sent: Friday, July 25, 2014 10:14 AM
To: jhodges@mtng.com
Cc: Joyce Welborn; John Greer
Subject: Comptroller Approval of Commissioner Training
Attachments: 0770_001.pdf

Mr. Hodges,

I have reviewed the attached request for Comptroller approval of one hour of commissioner training. The course entitled, "Other Post-Employment Benefit Obligations" is approved for one hour of credit. It appears to cover financial oversight, policy-making responsibilities, or topics reasonably related commissioner duties, as required by the state law. Don't hesitate to contact me if you have any further questions.

Betsy

Betsy Knotts
Assistant General Counsel
Comptroller of the Treasury
Suite 1700, James K. Polk Building
505 Deaderick St.
Nashville, TN 37243
Phone: (615) 401-7954

MIDDLE TENNESSEE NATURAL GAS UTILITY DISTRICT

JAMES E. HODGES
EXECUTIVE VICE PRESIDENT
AND CHIEF EXECUTIVE OFFICER

P. O. BOX 670 • 1030 WEST BROAD ST.
SMITHVILLE, TENNESSEE 37166
(615) 597-4300 • FAX (615) 597-6331

July 16, 2014

Ms. Betsy Knotts
Office of General Counsel
505 Deaderick Street, Suite 1700
James K. Polk Building
Nashville, Tennessee 37243-1402

Re: Middle Tennessee Utility District
Commissioner Training — *TCA 7-82-308(i)*

Dear Ms. Knotts:

In conjunction with our July 30, 2014 Board Meeting held at Middle Tennessee Natural Gas Utility District, we have asked Dwight Work of the accounting firm of Frazier & Deeter to teach one hour of Commissioner training on the subject of Other Post-Employment Benefits. Dwight's outline for this training is attached.

We use this letter to request approval of this one-hour training class for our Commissioners' required, ongoing training.

Thank you in advance for your consideration on this issue.

Sincerely,

James E. Hodges

Attachment

cc: Mr. W. Michael Corley
Mr. Dwight Work

Subject: FW: OPEB

From: Hodges, Jim
Sent: Wednesday, July 16, 2014 11:37 AM
To: Brown, Jane
Subject: FW: OPEB

From: Work, Dwight [mailto:dwight.work@frazierdeeter.com]
Sent: Wednesday, July 16, 2014 11:32 AM
To: Hodges, Jim
Subject: OPEB

Other Post-Employment Benefit Obligations

Course Outline and Learning Objective – Continuing Education – 1 Hour

Review GASB
Review GASB 45
Implementation of GASB 45
Review the Actuarial Requirements and Assumptions
Financial Implications based on actuarial valuation
Options for funding
    Pay-as-you-go
    Trust
Review TCA sections 8-50-1201 to 1207
Questions

Dwight Work, CPA | Partner
Frazier & Deeter
401 Commerce Street, Suite 920 | Nashville, TN 37219
Direct: 615.782.7341 | Main: 615.259.7600 | Fax: 615.259.7603

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Joyce Welborn

From: Betsy Knotts
Sent: Friday, October 17, 2014 11:42 AM
To: Ben Andrews
Cc: Joyce Welborn; John Greer; Stephanie Maxwell
Subject: RE: COMMISSIONER Training rev 10-14.ppt

Mr. Andrews,

I have reviewed your request for Comptroller approval of utility district commissioner training. The content of the training appears to cover board governance, financial oversight, policy-making responsibilities, and other topics reasonably related commissioner duties, as required by the state law. The training is approved for one hour of credit as long as the content of the presentation takes up at least 50 minutes and any open-ended Q&A is limited to 10 minutes. Thank you.

Don't hesitate to contact me if you have any further questions.

Betsy Knotts
Assistant General Counsel
Comptroller of the Treasury
Suite 1700, James K. Polk Building
505 Deaderick St.
Nashville, TN 37243
Phone: (615) 401-7954

From: Ben Andrews [mailto:bpa@orud.org]
Sent: Monday, October 13, 2014 1:47 PM
To: Betsy Knotts
Subject: COMMISSIONER Training rev 10-14.ppt

Dear Ms. Knotts
Oak Ridge Utility District's Board Chair has requested our General Counsel, Mr. Jim Normand, present a review of the duties and responsibilities of board members. He has requested this be repeated each time a new board member is seated on the board.

Attached is a first draft of what Mr. Normand has prepared. He tells me the topics will basically not change however he does intend to modify in some areas.

We request you consider this as approved for one hour of Commissioner Training. Please let me know if there are questions or if you need additional information.

Thanks in advance.
Ben Andrews
General Manager

ORUD COMMISSIONER TRAINING
Ethics, Conflicts of Interest, and Travel Policies

JAMES T. NORMAND, ESQ.

JOYCE MEREDITH FLITCROFT & NORMAND

30 KENTUCKY AVENUE

OAK RIDGE, TENNESSEE

Natural gas customers in Tennessee receive the same product whether the customer receives service from a private investor owned company or a public utility; however, the political structure and the rules affecting the conduct of the employees and officers of the local public distribution company can be vastly different.

It is the objective of this presentation to highlight and contrast the business activities of private versus public employees, and assist the in lawfully navigating the traps which can snare the unexpecting.

Utilities provide a type of service to the public that, because of the nature of the service and the infrastructure required, the services can not be readily provided by competing organizations.

Accordingly, special provisions have been created which are intended to allow utilities to operate with sufficient revenues and to also protect the public from being overcharged.

Some utilities are publicly owned, and run by a board whose members are appointed by a government.

Since these public utilities have open board meetings and are owned by the government, they are not formally regulated by a higher authority. However, there are provisions established to oversee and safeguard the public.

The Comptroller -- The comptroller is sort of the watchdog of government. The comptroller, is elected by the legislature, and is responsible for auditing state government departments and local governments and advises the legislature on matters related to the budget. The Comptroller's Office is also called upon to be a watchdog of the public utilities of the State of Tennessee.

Tennessee's current comptroller is Justin Wilson.

Other utilities, are privately owned, which means that they are owned by investors instead of by the government.

Private Utilities must be regulated to protect the public.

The Tennessee Regulatory Authority is a four-member body that regulates privately owned utilities.

When a private utility wants to raise the amount of money it charges its customers, the TRA has to approve it. So when the TRA has hearings, there is a lot of wrestling going on between its four directors, the general public, and lawyers who represent privately owned utilities.

The mission of the Tennessee Regulatory Authority (TRA) is to promote the public interest by balancing the interests of utility consumers and providers while facilitating the transition to a more competitive environment.

Established in 1996, the TRA was created to meet the challenge of the changing telecommunications and utility environment.

The TRA is charged with the responsibility of setting the rates and service standards of privately owned telephone, natural gas, electric and water utilities.

The Agency's assistance and consumer protection programs are designed to assist consumers targeted by unfair utility practices and aid consumers that are in need of telephone assistance.

As long as the Private Utilities comply with the TRA, the IRS, the laws of the USA and the laws of the State of Tennessee, they can spend monies on gifts, travels, entertainment and other extraordinary events and items without limitation so long as the Charter and Bylaws of the Company does not prohibit such items.

The watchdog of these expenditures are ultimately the shareholders of the Company.

Public Utilities are subject to much more scrutiny and restraint on spending. The monies of the utility are owned by its rate payers and spending on gifts, travels, entertainment and other extraordinary events and items are limited.

The Board of Commissioners of each Utility is charged with the oversight of the expenditures of the Utility. The board of commissioners have a duty to operate the district for the benefit of the district's customers.

A General Rule for Commissioners to Follow in considering expenditures is as follows:

"***Expenditures by public utilities can be considered legitimate district expenses if there is a likelihood that the expenditures will ultimately benefit the customers of the district by increasing system efficiency and lowering utility rates.***"

Commissioners should be mindful of this rule and tread carefully in approving expenditures because it is sometimes difficult to specifically demonstrate a benefit to be derived by district customers from the funding of some expenditures.

The Comptrollers office has affirmatively advised each Utility in the State of Tennessee that

"Commissioners are Government officials and they are placed in a position of public trust for which they should be held accountable for any abuse of that trust."

This information is not intended to scare Commissioner's away from overseeing and promoting the business of the district, but it is to make them think about the ratepayers of the District they represent when they make decisions for the District.

As we know the Comptrollers Office has adopted a much more aggressive approach to its oversight of Utilities in Tennessee.

This does not change the duties of Utility Commissioners, but it does cause concern that the legitimate business decisions of Utility Commissioners may be second guessed by the Comptroller and his agents.

In 2011 the Tennessee State Legislature amended the laws concerning the annual audit and reporting requirements for utility districts. Specifically the amendments included the following language:

"all expenditures of money made by a utility district must be made for lawful district purposes."

It is believed the language was an attempt by the Comptroller to significantly limit discretionary spending of Utility Districts in Tennessee.

It is also argued that it adopts the Dillon rule.

The Dillon rule is used in interpreting state law when there is a question of whether or not a local government has a certain power. Judge Forest Dillon, the chief justice of the Iowa Supreme Court, expounded this famous rule, which was quickly adopted by state supreme courts around the nation.

Under Dillon's Rule, a municipal government has authority to act only when :

(1) the power is granted in the express words of the statute, private act, or charter creating the municipal corporation;

(2) the power is necessarily or fairly implied in, or incident to the powers expressly granted; or

(3) the power is one that is neither expressly granted nor fairly implied from the express grants of power, but is otherwise implied as essential to the declared objects and purposes of the corporation.

In the United States, the legislative authority granted to local governments varies by state. In some states, known as **Home Rule States**, an amendment to the state constitution grants cities, municipalities, and/or counties the ability to pass laws to govern themselves as they see fit (so long as they obey the state and federal constitutions).

In Tennessee the Dillon Rule only applies to non-home rule municipalities. ORUD is ruled by its Private Act. Many argue this provision in the law may limit ORUD's authority to act.

Tennessee law generally requires utility districts' commissioners to annually publish in a newspaper of general circulation, published in the county in which the district is situated, a statement showing the following:

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

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

(3) A statement of the water rates then being charged by the district; and

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

In 2011 the legislature adopted an amendment to Tennessee law that added a requirement that the utility district commissioners must also annually publish

"all travel and related costs or expenses where any portion thereof is paid by the district or any entity or entities, public or private, associated with the district."

ORUD has complied with this change in the law since its passing.

In 2011, the legislature also passed an amendment revising Tennessee law regarding the filling of vacancies on the board of commissioners of a utility district and the filling of vacancies in the office of a utility district commissioner and removes certain exceptions to various present law requirements regarding utility districts.

Due to the fact ORUD is a Private Act Utility District and the appointment/election of its commissioners must be approved by the Oak Ridge City Council these changes did not affect ORUD.

Tennessee law requires all financially distressed utility districts to be subject to the supervision and evaluation of the Utility Management Review Board. A financially distressed utility district is a utility district that has either deficit total net assets, is in default on an indebtedness, or has a negative change in net assets for two consecutive years.

The board of commissioners of any utility district must prescribe and collect reasonable rates, fees, tolls, or charges for the services, facilities and commodities of its system, must prescribe penalties for the nonpayment of the rates, fees, tolls, or charges, and must revise such rates, fees, tolls or charges from time to time whenever necessary to ensure that such system remains self-supporting.

The rates, fees, tolls or charges prescribed must be such as will always produce revenue at least sufficient to:

(1) Provide for all expenses of operation and maintenance of the system, including reserves for the expenses; and
(2) Pay when due all bonds and interest on the bonds, for the payment of which such revenues are or shall have been pledged, charged or otherwise encumbered, including reserves for the bonds and interest

Under present law, no bond or note authorized by present law regarding utility districts may be issued until the following are submitted to the comptroller for review:

- a resolution authorizing the issuance of bonds or notes;
- a statement showing the total outstanding bonds, notes, warrants, refunding bonds, and other evidences of indebtedness of the utility district;
- the maturity dates of the bonds, notes, warrants, refunding bonds, and other evidences of indebtedness;

- interest rates;
- special provisions for payment, the project to be funded by the bonds or notes;
- the current operating financial statement of the district; and
- any other pertinent financial information.

Prior to the beginning of its fiscal year, any utility district that has issued any debt obligations must adopt a balanced annual operating budget that identifies all anticipated revenues of the district by source and identifies all anticipated expenses by type of expense. The budget must be submitted to the comptroller for review. The comptroller must furnish the utility district a report on such review, which report must be published.

The Division of Municipal Audit Issues Investigative Audit Reports –

For Discussion purposes the following topics have been areas of concern identified in recent Investigative Audit Reports:

1. Failure to establish and follow policies regarding credit cards

2. District policy violated by former district president's sale of leave

3. Accommodation to commissioners resulted in unnecessary travel costs

4. Natural gas bill adjustment justification not documented

5. Violation of district reimbursement of expense policy

6. Personal use of vehicle as a fringe benefit not reflected on employee's Form W-2

7. Failure to mark or identify all district vehicles

8. Lack of policy establishing reasonable expenses

9. Abuse of petty cash fund/Inadequate petty cash records

10. Violation of employee purchase provision of District handbook

11. District employees performed work for the district president's personal benefit

12. District funds used for guided bus tour; spousal travel; lack of adequate documentation

13. Violation of district travel policy

14. Donations of district funds, inventory, and services

15. Transactions involving sporting event tickets

16. District commissioners received excess compensation

17. Unauthorized purchases of clothing for commissioners and employees; and

18. Clothing and footwear provided to employees and commissioners as a fringe benefit not reflected on employees' Form W-2

19. Purchases made for other than district purposes

Utility Management Review Board

Compliance Reports

December 4, 2014

Clearfork Utility District

December 31, 2013 Validity Score 72

Non-revenue water 15.2%

Change in net position $41,028

Roan Mountain Utility District

March 31, 2014 Validity Score 76

Non-revenue water 7.4%

Change in net position $14,662

Natural Gas Utility District of Hawkins County

March 31, 2014 Change in net position $690,917

Surgoinsville Utility District

April 30, 2014 Validity Score 68

Non-revenue water 11.7%

Change in net position $21,438

Spring Creek Utility District

June 30, 2013 Validity Score 68

Non-revenue water 7.0%

Change in net position $1,321

SYSTEMS UNDER THE UMRB DECEMBER 2014			
DISTRICT		**COUNTY**	**LAST AUDIT**
Bedford County UD		Bedford	June-13
Cagle-Freedonia UD		Sequatchie	December-13
Cherokee Hills UD		Polk	December-13
Clay Gas UD		Clay	August-13
Crab Orchard UD	WL	Cumberland	December-13
East Sevier UD	WL	Sevier	June-13
Haywood County UD		Haywood	June-13
Iron City UD		Lawrence	December-13
Lone Oak UD		Sequatchie	December-13
Minor Hill UD	WL	Giles	December-12
Mooresburg UD		Hawkins	December-13
North UD of Rhea		Rhea	September-13
O'Connor UD		White	December-13
Samburg UD		Obion	January-13
Tansi Sewer UD		Cumberland	February-14
Unicoi Water UD		Unicoi	September-13

		UTILITY MANAGEMENT REVIEW BOARD		
Members: 9 Governor appoints: 7 Ex Officio: 2 (Comptroller of the Treasury or designee and Commissioner of Environment and Conservation or designee)				
Terms: 4 years	Meeting frequency: meets bimonthly			
UMRB MEMBERS AND ADDRESSES	**PHONE**	**E-MAIL**	**REPRESENTING**	**Term Ends**
Ann Butterworth James K. Polk Building, 17th Floor Nashville, TN 37243-1402	615-401-7910	Ann.Butterworth@cot.tn.gov	Designee, Comptroller	No Term Limits
Pat Riley P.O. Box 350 Trenton, TN 38382-0350	731-855-1441	pat@gcud.net	Utility District Manager	10/31/2016
Bruce Giles 122 Durwood Road Concord-Farragut, TN 37922-3220	865-777-2503	bgiles@fudknox.org	Utility District Manager	10/31/2018
Rebecca Hunter, Commissioner TN Dept. of Human Resources 505 Deaderick St, Ste 300 Nashville, TN 37243-1402	615-741-2958	Rebecca.Hunter@tn.gov	Utility District Commissioner	10/31/2015
Jason West Lawrence Group 4007 Hillsboro Road Nashville, TN 37215	615-491-4895	Jason.West@lawrencegroup.com	Utility District Commissioner	10/31/2015
Tom Moss TDEC Compliance/Enforcement Division of Water Resources William R. Snodgrass TN Tower 312 Rosa Parks Ave, 11th floor Nashville, TN 37243-1102	615-532-0170	Tom.Moss@tn.gov	Dept. of Environment & Conservation	No Term Limits
Kevin Botts P. O. Box 681922 Franklin, TN 37068-1922	615-585-7688	botts@bottsstrategygroup.com	Consumer member	10/31/2017
Jim Hunter 4099 North Mount Juliet Road Mount Juliet, TN 37122-3049	615-758-5627 615-300-8067	Hunterj5@nationwide.com	Utility District Commissioner	10/31/2017
Donald Stafford Eastside Utility District PO Box 22037 Chattanooga, TN 37422	423-892-2890	eud@vol.com	Utility District Manager	10/31/2014