TENNESSEE COMPTROLLER OF THE TREASURY

JASON E. MUMPOWER
Comptroller

Agenda
Tennessee Board of Utility Regulation
July 17, 2025
10:00 AM

I. Call to Order
II. Conflict of Interest Statement
III. Approval of Minutes
IV. Public Comment
V. Consent Orders
    a. AIR Non-Compliance
    b. AIR Release
    c. Training Non-Compliance
    d. Training Release
    e. Water Loss Update Cycle
    f. Water Loss Release
    g. Financial Distress Release
VI. Training Reporting
VII. Ocoee Utility District
VIII. Leoma Utility District
IX. South Fork Utility District
X. Sevier County Utility District
XI. Utilities with Subpoenas Issued for Appearance
    a. Friendship- Financial Distress, Delinquent Audits
    b. Gibson- Financial Distress, Water Loss, Delinquent Audits
    c. Mason- Administrative Review, Financial Distress, Water Loss
    d. Watertown- Financial Distress, Water Loss
XII. Surgoinsville
XIII. Cumberland Utility District
XIV. East Tennessee
    a. Financial Distress
        i. Mount Carmel
        ii. Niota
    b. Administrative Review
        i. Siam Utility District
XV. Middle Tennessee
    a. Financial Distress
        i. Mount Pleasant Utility District
        ii. O'Connor Utility District
    b. Administrative Review
        i. Fall Creek Falls Utility District

XIII. West Tennessee
    a. Administrative Review
        i. Hornsby
        ii. Loretto
    b. Customer Complaint
        i. Mason
    c. Financial Distress
        i. Dyersburg Suburban Consolidated Utility District
        ii. Halls
        iii. Hornbeak
        iv. Iron City Utility District
        v. Middleton
        vi. Newbern
    d. Water Loss
        i. Linden
XIV. Discussion on Subpoena Policy
XV. Board Discussion

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Mooresburg Utility District

Ms. Joyce Carpenter plans to address the board during the public comment period regarding Mooresburg Utility's progress in completing the district's outstanding orders.

Case Summaries:

Water Loss

- **Initial Referral & Compliance**:
  The utility district was referred in 2023 for excessive water loss. They were ordered to complete an AWWA 6.0 water audit by June 30, 2023, which they successfully completed.
- **Non-Compliance & Follow-Up Orders**:
  The utility was required to submit a water loss mitigation plan by January 31, 2025, but failed to do so. As a result, the TBOUR issued a new order at its March 13, 2025 meeting, extending the deadline to May 31, 2025.
- **Current Status**:
  The utility missed the extended deadline as well but has since submitted the required water loss plan. The recommendation is to move the case to the "Update Cycle", where it will remain until the utility demonstrates two consecutive years of water loss under 40%.

Decrease in Net Position

- **Initial Oversight & Non-Compliance**:
  The entity has been under TBOUR oversight since 2022 due to a Decrease in Net Position. They have consistently been in non-compliance with board orders since that time.
- **Board Directive**:
  At the March 13, 2025, TBOUR meeting, the board ordered the utility to contract with a third party to conduct a rate and feasibility study. The contract was to be in place by April 30, 2025, with the study completed by September 30, 2025.
- **Current Status**:
  The utility has contracted with a third party to complete the ordered items.

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MINUTES
of the
TENNESEE BOARD OF UTILITY REGULATION MEETING
March 13, 2025
10:00 am

Greeting:
Chairman Moody detected a quorum and called to order the first meeting of the Tennessee Board of Utility Regulation ("TBOUR" or "the Board") in the Volunteer Conference Center on the 2nd Floor of the Cordell Hull Building in Nashville, TN at 10:00 a.m. (CDT).

Board Members Present and Constituting a Quorum:
Greg Moody, Chairman
Tom Moss, Vice-Chairman
Eugene Hampton
David Purkey
Steve Stone
Bruce Giles
Anthony Pelham
Edwin Carter
Alex Smith
Britt Dye

Staff Present:
Ross Colona, Comptroller's Office
Ben Johnson, Comptroller's Office
Nate Fontenot, Comptroller's Office
Charlie Lester, Comptroller's Office
Alex Behnke, Comptroller's Office

Counsel Present:
Seth May, Comptroller's Office

Others present and Addressing the Board:
Steve Osborne, Assistant Director, LGF, Comptroller's Office
Sheila Reed, Director, LGF, Comptroller's Office

Conflict of Interest Statement:

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

Board members will recuse themselves or declare any conflict of interest at the time each relevant case is presented.

Approval of Minutes

Motioned by Mr. Pelham. Seconded by Mr. Purkey. It passed unanimously with no discussion.

Recognition of New Members

Introduction of two new members: Alex Smith from Humboldt Utility Authority and Britt Dye from Fayetteville Public Utility.

Public Comment Period

Mr. Colona introduces a public comment period, and Mr. Gregory has requested to speak.

Jordan Gregory of Lynnville addressed the Board to express his concerns regarding a potential merger between Lynnville and Fairview Utility District. Mr. Gregory referenced the merger between Petersburg and Fayetteville, which he said led to Petersburg's near bankruptcy, and urged the Board not to let Lynnville experience a similar fate. He outlined that the town of Lynnville has underfunded its water utility, misused funds to support its general fund, and ignored the guidance provided by TBOUR regarding financial repayment and feasibility studies.

Mr. Gregory stated that the town has lacked a long-term improvement plan, failed to complete a mandated feasibility study, and has left key positions, such as water department manager, unfilled for extended periods. He proposed that instead of merging, Lynnville work collaboratively with Fairview Utility District to improve long-term sustainability, customer service, and financial planning while remaining an independent utility.

Customer Complaints

Mr. Colona states that this Board will recognize the individuals that are present to speak first, so long as the Board is okay with it. The Board agreed and proceeded out of order.

Gladeville Utility District

Mr. Colona introduced concerns regarding Gladeville Utility District, which historically had no significant complaints or financial issues. Recently, however, complaints have emerged related to high water hardness levels—among the highest in Tennessee. Mr. Colona initially recommended an administrative review to allow Board staff to engage the utility and investigate further before the next Board meeting.

Mr. Dewey Branstetter, representing Gladeville Utility District, acknowledged the water hardness but emphasized that Tennessee does not regulate water hardness levels. He expressed concern that an administrative review might imply misconduct or fault and noted that complaints had not been brought to the utility directly. He requested that the Board refer the complainant to Gladeville and send a formal letter, rather than initiating a review.

- Mr. Colona agreed that the utility had not necessarily done anything wrong but explained that an investigation would help address the concern conclusively.
- Mr. Moss noted that if there is no regulatory standard, the Board cannot enforce any change.
- Mr. Purkey asked whether the matter could be investigated without implying fault.

Mr. Colona proposed a compromise: direct Board staff to investigate the issue without formally opening an administrative review. Mr. Pelham moved to accept the compromise and was seconded by Mr. Giles. The Board unanimously approved the motion

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Nolensville College Grove Utility District

Mr. Colona introduced a customer complaint involving Ms. Douglas, whose property experienced a large leak resulting in a substantial water bill. The core question before the Board was whether Nolensville College Grove Utility District has a leak adjustment policy and whether the policy was followed.

Mr. Michael Wall, legal counsel for the utility district, confirmed that a leak adjustment policy is in place and was properly followed. He explained that the policy excludes irrigation system leaks from adjustment eligibility for several operational and fairness-related reasons. Mr. Wall acknowledged the unfortunate nature of the situation but stated that the district acted in accordance with its policy. In response to claims that the district didn't do enough to assist the customer, Mr. Wall outlined the district's actions:

1. The meter reading system does not support continuous monitoring but does issue alerts if 24-hour continuous usage is detected.
2. Ms. Douglas received an automated alert on March 7, and the district offered a payment plan, which she declined.

Mr. Colona stated the district fulfilled its obligations, even offering a payment plan as a courtesy. He recommended offering the payment plan once more and taking no further action unless the Board had additional concerns.

Ms. Douglas, attending virtually, confirmed the timeline but noted that the leak began in January 2024. She received an alert in February while traveling and missed the one-time message. She took action to shut down the irrigation system, but a failure near the meter line caused the issue. She described the lack of an adjustment policy for irrigation leaks as arbitrary and unfair, and requested a partial adjustment to her bill as a compromise.

Board Discussion

- Mr. Hampton asked whether Ms. Douglas had received her February bill, to which she explained she did not receive it until late March, citing a lag in the billing system.

- Mr. Pelham, drawing on his experience as a utility manager, supported the idea of a billing delay and asked if the February bill showed any usage spike—Ms. Douglas said it looked normal.
- Mr. Giles inquired about the location of the leak and whether the system had been winterized; Ms. Douglas said the leak occurred just off the meter.

Ms. Douglas sought a mutually agreeable bill adjustment, but Mr. Giles and Mr. Purkey expressed concern about asking a utility to violate its written policy. Still, they were sympathetic and suggested a long-term payment plan (e.g., 24 to 30 months) as a local compromise.

Mr. Giles proposed that:

- TBOUR staff investigate whether the utility district has ever made an exception to its leak policy
- No adverse action be taken against Ms. Douglas in the meantime
- If the matter is resolved locally, the utility should inform the Board at the next meeting

Mr. Colona supported this course of action and added that the Board should only revisit the issue if no agreement is reached. Mr. Giles moved to adopt the revised staff recommendation and was seconded by Mr. Purkey. The motion was unanimously approved

City of Memphis

Mr. Colona invited Joe Jarrett, a representative of a property development group, to present a formal complaint regarding the City of Memphis denying sewer access to a 110-acre, commercially zoned parcel located at Walnut Grove and Houston Levee. Jarrett explained that a sewer line already exists on the property, serving a previously approved phase of the development, and argued that denial of service to the remaining phases is arbitrary and inconsistent.

Jarrett and his team presented documentation showing multiple maps—including some from the City of Memphis—indicating the property is within the Grace Creek Basin, contradicting the city's claim that it lies in the Mary's Creek Basin. Jarrett noted that similar developments nearby had received access and that the developer would bear full infrastructure costs, including any new connections. Communication from city officials was described as minimal and unresponsive, with no replies from the mayor's office despite multiple attempts.

Representing the city, attorney Cece Dreighton and Public Works Director Scott Morgan asserted that the majority of the parcel lies within Mary's Creek Basin, where a 2013 City Council resolution prohibits sewer extensions. They argued:

- Jarrett lacks a standard improvements contract
- The property was purchased after the policy was enacted
- There is no gravity sewer infrastructure on-site
- Connecting to Grace Creek could exceed force main capacity

They acknowledged that other properties had received access but justified it based on pre-existing contracts or easements.

Board Discussion Highlights

- Mr. Giles questioned whether capacity concerns were valid and noted proximity to a 60-inch interceptor, stating the city's refusal appears arbitrary, especially when framed solely around the property's location outside city limits.
- Mr. Purkey questioned whether this was simply a case of the city not wanting to cooperate.
- Mr. Morgan responded that city policy favors core growth and extending services outside Memphis's corporate limits undermines that goal.
- Mr. Hampton raised concerns about setting precedent, asking how many other developers might present similar cases (estimated 40).
- Mr. Colona clarified that each case is evaluated independently, and this would not set a blanket precedent.

Jarrett reaffirmed the developer's willingness to fund all required infrastructure, including constructing a new 36-inch interceptor, to reduce any burden on the city's system.

Mr. Colona acknowledged that multiple viable solutions exist, and once a utility serves outside its limits, it assumes responsibility for those customers. He recommended that both parties meet in good faith before August 29, 2025, to explore a mutually beneficial resolution.

- Mr. Giles stated for the record that if no solution is reached, he will propose an order at a future meeting.
- The Board voted unanimously to issue an order requiring informal mediation, facilitated by Board staff, with a deadline of August 29.
- If no resolution is reached, the matter will return to the Board for formal consideration.

Chairman Moody moved to adopt the staff recommendation and Vice Chairman Moss seconded. The motion was unanimously approved.

South Fork Utility District

Mr. Colona provided detailed background on South Fork Utility District ("South Fork"), which remains behind on audit submissions, has received modified opinions on past audits, and lacks an approved budget. Additionally, the Comptroller's Division of Investigations previously found the utility to be one of the most egregious cases of gross negligence. These concerns led to Board staff exploring a potential merger with Bristol Bluff City Utility District ("BBCUD").

Mr. Colona emphasized that a merger between the two districts would be administrative only requiring no new infrastructure. While both parties agreed to lower rates under BBCUD and to retain South Fork's manager, Adam Hale, they could not agree on the structure of the merged board. South Fork expressed concern about lack of representation; however, Mr. Colona strongly disagreed with the idea that BBCUD would not act in good faith and did not offer a formal staff recommendation, instead asking for Board guidance.

Public Comments

- Mr. Eric Reecher, representing South Fork, asserted that the utility has made a significant financial turnaround, culminating in a clean 2023 audit. He credited current leadership and stated that South Fork no longer meets the statutory definition of a financially distressed or alien utility. He argued that neither utility desires the merger and asked the Board to cease pursuing it.
- Mr. Tom Seely, speaking for BBCUD, shared that merger talks began in good faith, and BBCUD agreed to several terms, including a name change and retaining Mr. Hale as manager. However, BBCUD became concerned after South Fork commissioners publicly stated they would prefer transferring operations to the City of Bristol if they couldn't stay independent. This raised monopoly concerns and potential rate risks. Citing TCA 7-82-704, Mr. Seily explained that if no agreement on board structure is reached, the existing board of the surviving district (BBCUD) would remain, with future vacancies filled by the county mayor from the South Fork area.

Board Discussion and Options Considered

- Mr. Giles proposed that current South Fork board members serve in a non-voting advisory role during the transition, with the county mayor appointing representatives to the voting board over time. He also suggested retaining health benefits for advisory members.
- Mr. May offered an alternative: a five-member board split between both utilities with a neutral fifth member appointed by the county mayor—a structure South Fork supported, but BBCUD did not.

Mr. Colona recommended that Board staff convene both parties for further discussions to attempt a resolution. Mr. Giles moved to adopt this recommendation and was seconded by Mr. Hampton. The Board approved the motion, with Mr. Pelham abstaining.

The meeting broke for lunch at 12:20 p.m.

City of Lynnville

At the start of the meeting, a public comment was made opposing a potential merger between Lynnville Utility District and Fairview Utility District. While there was some debate over whether a feasibility study had already been formally conducted, Board staff did not comment on that dispute, focusing instead on the broader situation. Mr. Colona reported that during a visit to Lynnville in December, he heard broad acknowledgment of serious operational and financial issues, despite opposition to a merger. He emphasized that the disagreement is not about whether problems exist, but rather how they should be addressed.

Lynnville has a history of submitting inaccurate or delinquent audits, many of which remain outstanding. Staff expressed concern that Fairview Utility District may not fully understand the financial liabilities it could inherit in a merger. Mr. Colona clarified that a feasibility study is not a popularity vote, but an objective assessment of operational and financial viability. He also reminded the Board that state law permits mandated mergers when deemed in the best interest of utility customers—even over local opposition. A representative from Lynnville reported that contracts for the 2023 and 2024 audits had been signed, and auditors were actively collecting materials. Although no firm timeline was given, the audits were estimated to be completed within three months. Staff previously requested that all outstanding audits be submitted by May 31, 2025, with extensions available upon a showing of good cause.

Original Staff Recommendation

- Upon completion of all delinquent audits, Lynnville would have six months to complete a rate study and feasibility study evaluating merger options with Fairview and other nearby utilities.

Several Board members expressed concern that six months may be insufficient to complete both studies. After discussion, Mr. Colona revised the recommendation:

- Lynnville must complete both a rate study and a feasibility study by December 31, 2025
- Allow up to two three-month extensions if justified

Mr. Pelham moved to accept the revised recommendation and was seconded by Mr. Smith. The motion was unanimously approved.

Water and Wastewater Authority of Wilson County

Mr. Colona introduced a complaint brought by Mr. Young, who addressed the Board with a formal request for the Water and Wastewater Authority of Wilson County to comply with Tennessee Code § 68-221-605(e)(1), which requires utility boards to adopt their own bylaws and rules of procedure. Mr. Young asserted that the authority had not adopted any such rules, referencing documentation (specifically Document 2A) included in the board materials. He emphasized the need for structured governance and requested the Board set a six-month deadline for compliance with oversight from Board staff.

Mr. Young stated that while such rules might not resolve all issues, they were a necessary step toward restoring public trust and accountability, particularly given the authority's long-standing leadership and history of delays and missed compliance deadlines. He clarified his request was not about individual grievances, but about ensuring statutory compliance and improved governance. He also requested that only the Board, not staff, influence the adoption of governance rules.

Mr. Chris Luber, representing the utility, responded by asserting that the complaint contained inaccurate information and requested time for a formal response. He confirmed that bylaws do exist and said he had responded to Mr. Young's public records requests, of which there had been 14 in the past year. Luber invited Board staff to conduct a site visit to help clarify matters.

In response, Mr. Young pointed to Document 1B, where Luber had marked that "no such records exist" in reference to a request for bylaws—contradicting his verbal claim that they are in place. He reiterated the need for official rules of procedure, particularly in a rapidly growing county like Wilson, and again requested the Board set a deadline and provide oversight.

Board and Staff Discussion

- Mr. Colona acknowledged the concerns and proposed that Board staff conduct a site visit to verify whether the authority is in compliance with statutory requirements, including the adoption of bylaws and procedural rules.
- Mr. Purkey supported the recommendation, noting the situation had become adversarial and required a neutral, fact-based approach.
- Mr. Pelham suggested adding a timeline, recommending that Board staff complete the compliance review by August 29, in time for the September meeting, if not sooner.
- Mr. Colona agreed to the timeline and committed to reporting back as early as the June Board meeting, if possible.
- Mr. Young thanked the Board and emphasized the importance of reviewing his full complaint, reiterating his goal was to improve governance for the future.

Mr. Pelham moved to direct Board staff to verify the Water and Wastewater Authority of Wilson County's compliance with all statutory and regulatory requirements and to report back by August 29, 2025. Mr. Carter seconded the motion, and it was unanimously approved.

City of Lexington

Mr. Colona introduced the next case out of order concerning the City of Lexington, noting that although a representative from Lexington was present, he did not wish to speak unless there were questions. Mr. Colona requested to take the item out of order for efficiency. He explained that the case involves a negative unrestricted net position, a newer category of financial distress under the oversight of the Tennessee Office of the Comptroller. While the City is actively working to resolve this issue—specifically by conducting a rate study—Mr. Colona emphasized the need for additional measures.
He recommended that:

- The utility adopt or reinforce a cash management policy.

- The city update the Comptroller's Office on the status of an OPEB (Other Post-Employment Benefits) trust, working in conjunction with the Division of State Government Finance.

He acknowledged the complexities related to how pensions and OPEB affect accounting measures like unrestricted net position and encouraged Lexington to explore whether restructuring their OPEB trust could yield any benefits. An update on these efforts was requested by September 30. Mr. Giles then made a motion to accept staff recommendations, which was seconded by Mr. Moss. Before voting, Mr. Pelham inquired whether the representative from Lexington contested the recommendation. The representative did not oppose the recommendation. The motion to accept staff recommendations was carried without opposition.

Ocoee Utility District

Mr. Colona presented another customer complaint case out of order submitted by Ms. Lawson regarding a billing dispute with Ocoee Utility District. The case raised concerns about the utility's leak protection policy, which appeared to default to its service line insurance provider without clearly defined internal standards. Staff recommended that the utility update and clarify its leak protection policy, explicitly stating whether leak insurance constitutes its formal policy.

Joining virtually, Ms. Lawson recounted her ongoing efforts over the past two years to resolve the dispute. She stated:

- A leak was detected by Ocoee, but the utility waited a full week before shutting off her water, during which she continued to be billed.
- She received no timely communication, and there was no customer alert system in place.
- She was not eligible for service line protection at the time.
- She requested relief from the $1,082.50 in charges associated with the weeklong delay, as well as late fees and penalties totaling nearly $5,600.

Ms. Lawson emphasized that she had never missed a payment, had been paying extra toward her account, and yet her water was shut off and her meter locked.

Mr. Colona acknowledged that Ocoee did submit its current leak adjustment policy, but staff believed the policy required modernization, especially to clearly include service line protection. He compared the case to a prior one involving Nolensville College Grove Utility District, where similar issues of notification and fairness arose. He outlined three key concerns:

1. Customer Notification – While best practice, there is no legal requirement in Tennessee to notify customers within a set timeframe of a leak.
2. Policy Modernization – The utility should revise its policy to clearly reflect its approach to service line protection.
3. Charge Waiver Consideration – While Ocoee followed its written policy, staff believed the board could fairly waive penalties and fees assessed after Ms. Lawson filed her complaint, given her good faith effort to resolve the matter.

Board Discussion

- Mr. May (legal counsel) clarified that the Board had previously directed staff—via an August 7 letter—to encourage, not require, the utility to review its policy.
- Mr. Smith asked about the timeline of events. Ms. Lawson confirmed the leak was detected and logged, but she was not notified for a full week.
- Mr. Bruce expressed discomfort with forgiving usage charges, emphasizing the utility followed policy.
- Mr. Pelham suggested a more limited remedy—waiving only penalties and late fees incurred after the complaint.

Mr. Colona agreed and recommended a measured resolution:

- Waive any fees, penalties, or excessive charges assessed after Ms. Lawson's informal hearing request, while leaving the usage charge intact.
- Update the utility's leak protection policy to explicitly reflect the use of service line protection.

Mr. Moss moved to adopt the staff's recommendation and was seconded by Mr. Carter. The motion was unanimously approved.

Bean Station Utility District

Mr. Colona, Board staff, presented the case involving a customer complaint regarding the placement of a water meter at a residential property. The customer alleged that the meter was installed in a location that rendered it unusable due to interference with existing fiber and electric utility lines, despite proper line marking by authorities. The customer's request was straightforward: to have a usable meter placed in a workable location on the property. Mr. Colona stated that staff believed the Board would be within its rights to order the relocation of the meter, describing the issue as a simple matter of ensuring water access. He noted that

communication with both the utility and the customer had been challenging, as the utility office is only open two days per week and the customer cannot communicate via email.

- Mr. Hampton asked for clarification on what constituted an "unusable" meter. Mr. Colona explained that the current placement conflicted with underground utility lines, making it difficult for a customer service line to be safely installed.
- Board members questioned why the situation had not already been resolved, noting that the matter appeared relatively simple.

Ms. Tammy Wilson of Bean Station Utility District explained that customers typically place a blue flag to indicate preferred meter placement. In this case, the meter was placed where requested, but the customer later wanted it moved closer to the house. Ms. Wilson noted that other customers had successfully installed service lines in similar situations by working around utility lines, and that the district's superintendent did not see a problem with the current location.

- Mr. Purkey asked whether a certified plumber had confirmed that the line was unusable. Ms. Wilson stated that no such certification had been received, and the customer had not reported that a plumber refused to perform the work. Instead, the customer had initially agreed to consult a plumber but never provided follow-up.

Mr. Colona recommended the following resolution:

- If the customer is unable to find a plumber willing to install the service line due to conflicts with existing utility lines, then Bean Station Utility District should relocate the meter to a usable location.
- However, if a plumber is able and willing to complete the installation as-is, then no relocation is necessary.

Mr. Pelham and Mr. Stone emphasized that the utility should not move the meter simply because the customer wants it closer to the house, as this would increase utility liability and reduce homeowner responsibility without cause. Mr. Giles asked whether the utility could provide the customer with a list of area plumbers, which Ms. Wilson confirmed they could do. Mr. Purkey moved to adopt the staff recommendation, with Mr. Hampton seconding. The Board unanimously approved the motion with no opposition.

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Witt Utility District

Mr. Colona, Board staff, presented the case involving a customer complaint regarding the utility's billing structure. The complainant objected to Witt Utility District's standard $24 minimum monthly fee, which is applied regardless of water usage. The customer argued that there should either be no minimum charge, or that it should be more clearly itemized on the bill. Mr. Colona noted that such a minimum billing structure is standard practice across nearly all utilities in Tennessee. Staff reviewed the complaint and concluded that no Board action was warranted, as the practice aligns with common utility billing norms. The staff's official recommendation was that the Board take no action with the reasoning that it is universal practice across the state and that the utility's billing structure does not violate any existing regulations or statutory requirements.

Board Member Recusals

- Mr. Purkey recused himself due to his residence in Hamblen County, where the utility operates.
- Mr. Pelham also recused himself, noting a conflict due to TUA's involvement with Witt Utility District.

Mr. Giles moved to accept the staff's recommendation and take no further action. Mr. Moss seconded the motion, affirming that billing decisions are based on the utility cost of service, not subject to Board intervention unless regulations are violated. The Board unanimously voted to dismiss and close the case.

Centerville

Mr. Colona provided a follow-up update on a previous customer complaint involving Centerville Utility. The customer had reported being charged variably for sewer service despite not having sewer access at the property. Mr. Colona stated that after discussions with both the customer and the utility, the issue has been resolved to the customer's satisfaction.

- Mr. Fontenot, the regional analyst, explained that although the customer issue is resolved, the utility has been advised to conduct a rate review to assess how sewer usage charges are applied in similar cases.
- The utility is working with a third-party cost of service expert and has requested an extension through June 30 to complete the review.

No Board action was required. Staff confirmed the matter is being monitored administratively, and the case is considered resolved from a customer service standpoint, with staff managing the remaining policy review internally.

Huntingdon

Mr. Colona, Board staff, presented a brief update on a customer complaint involving the Town of Huntingdon. He stated that the issue has been fully resolved, all actions by the utility were conducted appropriately, and there are no outstanding concerns. Staff recommended that the case be closed and released from Board oversight. Mr. Pelham moved to accept the staff recommendation, and it was seconded by Mr. Purkey. The Board unanimously approved the motion, and the case was officially closed.

Annual Information Report Cases

Mr. Johnson, Board staff, presented a compliance issue involving four utility entities that failed to submit their required Annual Information Reports to the Comptroller's Office. These filings are mandated on an annual basis.

Staff Recommendation

- Set a deadline of April 30 for the utilities to file their reports.
- If reports are submitted on time, the cases will be closed with no further action.
- If the deadline is missed, the Board may consider issuing subpoenas to compel attendance at a future Board meeting.

Mr. Giles moved to accept the staff recommendation and was seconded by Mr. Pelham. The motion was unanimously approved.

Delinquent Audit Cases

Mr. Johnson, Board staff, presented a list of utilities that failed to submit required financial audits by the state-mandated deadline. He explained that staff had followed up with each entity and, where possible, obtained estimated timelines for completion.

Allow the cases to remain open while utilities work toward compliance. Staff recommends:

- Continue communication and oversight
- Monitor progress, and
- Pursue enforcement measures if necessary

Board Discussion

- Mr. Stone asked whether commissioner compensation could be frozen as an enforcement tool.
- Mr. Johnson confirmed that freezing compensation is a valid mechanism and could be considered in future cases, particularly for utility districts.

Mr. Purkey moved to accept the staff recommendation and was seconded by Mr. Hampton. The motion was unanimously approved, authorizing staff to continue oversight and pursue compliance strategies as needed.

Negative Unrestricted Net Position Cases

Mr. Johnson, Board staff, presented the case of Jackson Energy Authority (JEA), which appeared before the Board due to a negative unrestricted net position reported in its most recent audit. This condition is now a recognized indicator of financial distress following the creation of the Tennessee Board of Utility Regulation (TBOUR) in 2023. Previous boards—WWFB and UMRB—did not have the authority to act on this specific metric.

A comprehensive review led by Steve Osborne, Assistant Director of Local Government Finance, revealed that the deficit was primarily due to accounting treatment of pensions and OPEB (Other Post-Employment Benefits). When these items were excluded, JEA was found to be in strong financial health, with sufficient revenue, no operational red flags, and compliance with obligations.

Staff Recommendation

Release JEA from Board oversight, as it is not in financial distress and the negative net position is driven solely by accounting treatment, not actual financial risk.

Board Discussion Highlights

- Mr. Hampton asked why pension and OPEB liabilities are now triggering Board reviews.

  - Mr. Colona explained this is due to new statutory authority granted to TBOUR and clarified that, in this case, the sole issue was OPEB—not broader financial instability.
- Mr. Hampton also asked whether these types of deficits will be disregarded in all future cases.
  - Mr. Colona stated that staff would not issue a blanket rule but would generally recommend no action if the utility is otherwise financially sound.
- Mr. Pelham stressed the importance of continued funding of pension and OPEB obligations and asked that future staff reports confirm compliance with state requirements.
- Mr. Osborne elaborated that JEA is funding its pension above 100% of the Annual Determined Contribution (ADC) in accordance with Public Chapter 990 and maintains an OPEB trust. The negative balance is due to temporary investment fluctuations, making it a "paper liability."

Mr. Smith moved to accept the staff recommendation and was seconded by Mr. Giles. The motion was unanimously approved, and JEA was released from Board oversight.

Clearfork Utility District

Mr. Johnson, Board staff, presented the next case of Clear Fork Utility District, an East Tennessee, case out of order since a representative of Clear Fork was virtually present. Mr. Johnson noted a long-standing pattern of noncompliance with Board orders dating back to 2022 under the former Utility Management Review Board ("UMRB"). The district had previously been ordered to complete both a rate study and a feasibility analysis but has failed to fulfill either requirement. Staff emphasized that the utility has also experienced persistent delays in submitting audits, which has hindered the ability to carry out meaningful financial analysis. Although Clear Fork has now submitted an updated FY23 audit through an 18-month engagement, they still lack FY24 financial figures, making further progress difficult. Given the prolonged delays, Mr. Johnson explained that Board staff recommend rescinding prior orders and establishing a new timeline for compliance. He also noted that if the utility fails to meet the new deadlines, the case may be referred to the Office of the Attorney General for enforcement. He recommended a new compliance timeline:

- April 30, 2025 – Deadline to submit a contract for a rate study
- June 30, 2025 – Deadline to complete the rate study
- September 30, 2025 – Deadline to complete the feasibility analysis

Staff reiterated that this new structure is designed to give the utility one last opportunity to comply before more serious consequences are considered. Ms. Tanya Brookman was present online and listening on behalf of Clear Fork Utility District. Mr. Giles made a motion to accept the staff recommendation. Mr. Pelham seconded the motion. With no further discussion, the Board unanimously approved the motion, adopting the revised compliance plan and deadlines for Clear Fork Utility District.

City of Lobelville

Mr. Johnson, Board staff, got back on track with the agenda and presented the case of the City of Lobelville, which was referred to the Board due to a negative unrestricted net position. Upon further review, staff identified additional indicators of financial distress within the city's gas utility system. Specifically, the system has experienced six consecutive years of declining statutory net position, with the only recent increase—reported in the FY24 audit—attributable to a county grant, rather than operational revenue. Additionally, the utility's accounts payable balance exceeds its current cash balance by 1.5 times, a condition that meets the Comptroller's Budget and Debt Manual definition of financial distress. Staff also noted that the utility is running a structural deficit, with insufficient revenues to cover operating expenses. In light of these findings, staff recommended that the City of Lobelville conduct a rate study to ensure the utility can implement a rate structure that supports long-term financial stability. The proposed compliance timeline is as follows:

- April 30, 2025 – Deadline to submit a contract for the rate study
- June 30, 2025 – Deadline to complete the rate study, with a provision to allow an extension of up to six months, if necessary

The objective is to help the utility rebalance its revenue model, rebuild cash reserves, and remove it from financial distress classifications. Mr. Purkey made a motion to accept the staff recommendation and Mr. Hampton seconded. With no further discussion, the Board unanimously approved the motion.

Paris Utility Authority

Mr. Johnson, Board staff, presented the case of Paris Utility Authority, which was referred to due to negative unrestricted net positions in both its water and sewer systems. Specifically, the water

system reported a negative unrestricted net position of $247,000, while the sewer system reported a negative balance of $252,000. Staff clarified that both deficits are attributable to pension and OPEB (Other Post-Employment Benefits) liabilities. If those accounting factors were removed, both systems would show a positive unrestricted net position. However, further financial analysis revealed additional areas of concern. For the water system, unrestricted cash was only 10% of expenses, which is categorized as a concern under the Comptroller's Budget and Debt Manual. In the sewer system, staff noted that unrestricted cash was 133% of expenses, but current liabilities exceeded current assets, and accounts payable exceeded available cash—conditions that qualify as distressed under the Comptroller's definitions.
To address these issues, staff recommended the following:

- By August 31, 2025, Paris Utility Authority should conduct a review of its cash management policy and report any changes or updates made to improve its unrestricted cash position in line with Comptroller recommendations.
- The utility should also evaluate the benefits of establishing an OPEB trust and work with the Division of State Government Finance to explore options for having the trust approved by the State Funding Board.

These steps aim to strengthen the utility's financial practices and reduce vulnerability to future distress indicators. Mr. Stone made a motion to accept the staff recommendation and was seconded by Mr. Hampton. The Board unanimously approved the motion

CONSENT AGENDA

Water Loss

Mr. Johnson, Board staff, presented the Consent Agenda item related to water loss compliance, involving two utility entities that have not yet completed the required AWWA 6.0 water loss audit. These two entities are Grandview Utility District and Huntsville Utility District. These audits were triggered by self-reported excessive water loss levels in their Annual Information Reports. Staff recommended that each utility:

- Engage a third-party firm by April 30 to perform the AWWA audit.
- Complete and submit the water loss study to Board staff by May 30.

This agenda item was part of a broader consent approach, grouping multiple utilities with similar compliance issues under a single Board order to streamline actions. Mr. Purkey asked about the

difference between the Consent Agenda and standard Board items. Mr. Johnson explained that the consent agenda consolidates multiple utilities facing identical issues, allowing them to be addressed in a single Board action. In this case, two utilities required the same corrective steps regarding water loss. Chairman Moody asked what the next step would be if the utilities failed to meet the deadlines. Mr. Colona responded that in such cases, staff would either return to the Board to request subpoenas or, preferably, include subpoena language now in the Board's order. This approach gives utilities clear warning of the consequences of continued noncompliance. Mr. Stone asked whether the Board could use withholding commissioner pay as leverage. Mr. May, legal counsel, stated that while this is technically possible under a broad reading of the statute, it is considered a "nuclear option" and should be avoided unless absolutely necessary.

Based on the discussion, the Board amended the staff recommendation to include subpoena language in the compliance order. This means that if the utilities fail to engage a third party or complete the audit by the deadlines, staff will have pre-approved authority to initiate subpoenas without returning for additional Board approval. Mr. Pelham made a motion to accept the amended staff recommendation, now including subpoena authority. Mr. Moss seconded the motion. With no further discussion, the Board unanimously approved the motion. The two utilities will remain under oversight, with compliance required by April 30 and May 30, respectively.

Water Loss Compliance Referrals

Mr. Johnson, Board staff, continued the Board's discussion on water loss compliance, introducing a group of seven utility entities that have failed to submit required water loss plans. These seven entities include: McKenzie, Newbern, Ridgely, Lynnville, New Market Utility District, Ocoee Utility District and Mooresburg Utility District. These utilities had previously reported excessive water loss in their Annual Information Reports and, as a first step, were required to complete an AWWA 6.0 water loss audit. Following the audit, the next compliance requirement is to submit a formal water loss remediation plan to Board staff.

Despite outreach from the Comptroller's Office, the listed entities had not provided the required plans. Staff recommended issuing a compliance order requiring that each utility:

- Submit their water loss plan by May 31 to Board staff.

If the plans are submitted before the deadline, the case will be considered resolved and closed. In response to prior discussion on enforcement, staff proposed adding subpoena language to the order. This would give staff authority to issue subpoenas at the next meeting if the entities fail to comply by the May 31 deadline. Mr. Pelham made a motion to accept the staff recommendation, including the added subpoena provision and it was seconded by Mr. Hampton. With no further discussion, the Board unanimously approved the amended motion. The seven utilities are now required to submit water loss plans by May 31, or risk being subpoenaed for noncompliance.

Cases to Place in Update Cycle

Mr. Johnson, Board staff, introduced a consent agenda item involving seven utilities that had previously been referred to the Board due to financial distress, specifically declining net positions. The seven utilities include Adamsville, Brownlow Utility District, First Utility District of Hardin County, Hohenwald, Red Boiling Springs, Tennessee Ridge and Intermont Utility District. Staff reported that each of the seven entities had since shown positive financial progress, including corrections to earlier issues identified in Board orders, such as completing rate studies and implementing recommended improvements. Because of this progress, staff recommended that these utilities be moved into the Board's "update cycle." This classification means the utilities are no longer under active Board directives but will remain under Board staff oversight while staff monitors future audits for continued improvement.
To be eligible for eventual release from oversight, each utility must:

- Respond to staff requests for updated financial information, and
- Demonstrate two consecutive years of positive change in their net position based on audited financial statements.

Mr. Hampton questioned how Tennessee Ridge Utility District could be moved into the update cycle when their audit reports are two years behind, noting a potential inconsistency. Mr. Johnson and Mr. Colona clarified that Tennessee Ridge has completed the rate studies required under previous Board orders but has not yet submitted recent audits. Therefore, they are not being released from Board oversight but are being placed in the update cycle as a recognition of their partial compliance. Staff emphasized that these utilities will remain under the Board's authority until their upcoming audits (e.g., FY23 and FY24) are submitted and reviewed. Only upon confirmation of two years of positive audit data would staff bring them back for full release from oversight. Mr. Hampton made a motion to accept the staff recommendation to move the listed utilities into the update cycle and it was seconded by Mr. Pelham. The Board unanimously

approved the motion. The seven utilities will remain under Board oversight in the update cycle category, pending future audit submissions and review.

Open Cases in Update Cycle

Mr. Johnson, Board staff, introduced a consent agenda item focused on pure water loss, identifying utilities that have reported more than 40% non-revenue water loss in their Annual Information Reports. This threshold—defined as a concern under state guidance—applies to approximately 110 entities included in the current order. Up to this point, Board staff had addressed water loss administratively, working with utilities individually to ensure compliance. However, this agenda item formalizes oversight by moving all listed entities into the update cycle, similar to how financial distress is tracked. All entities on the list have completed the required AWWA 6.0 audit, and water loss remediation plan.

Going forward, Board staff will continue monitoring these utilities. Entities must demonstrate consistent improvement in water loss rates, with several consecutive years below the 40% threshold, before they are considered for release from oversight. Mr. Pelham confirmed with staff that the entities listed were those that reported over 40% water loss via their Annual Information Reports. Staff confirmed this was correct. Mr. Hampton noted that there are approximately 379 utilities that sell water, meaning over one-third are reporting significant water loss—a clear sign of the magnitude of the issue statewide. Mr. Moss added that the 40% threshold is a broad indicator, and utilities often show improved figures once they complete the more precise AWWA methodology, which accounts for infrastructure factors such as miles of water line and system age. Mr. Giles made a motion to accept the staff recommendation and Mr. Pelham seconded the motion. With no further discussion, the Board unanimously approved the motion.

Financial Distress Cases

Mr. Johnson, Board staff, provided a brief informational update on currently open financial distress cases. No Board action or recommendation was presented. The purpose was simply to make the Board aware of the active cases, including those where staff is working with utilities to obtain rate studies, conduct feasibility analyses, or guide them toward financial improvement prior to any formal Board oversight.

Jason E. Mumpower
Comptroller

Late Annual Information Reports

Mr. Johnson, Board staff, presented a list of entities that previously failed to submit their Annual Information Reports by the required deadlines. These deadlines vary by fiscal year end (e.g., June 30, September 30, or December 31). Although these entities were temporarily out of compliance, all have since submitted the required reports and are now back in good standing. Staff recommended that these cases be formally closed, and the entities released from Board oversight related to the late filings. Mr. Pelham made a motion to accept the staff recommendation and was seconded by Mr. Smith. The Board unanimously approved the motion, and the cases were closed.

Water Loss Release Cases

Mr. Johnson, Board staff, presented a group of four utilities that were previously under Board oversight for excessive water loss. The four utilities include Claiborne Utility District, Dover, Madison Suburban Utility District, and Sardis. All four entities have since submitted AWWA 6.0 water loss reports, developed water loss remediation plans, and maintained water loss levels well below the 40% threshold for two consecutive years. Based on their sustained compliance, staff recommended these cases be formally closed and the utilities released from Board oversight. Mr. Giles moved to accept the staff recommendation and Mr. Smith seconded. The Board unanimously approved the motion, and the four cases were closed.

EAST TENNESSEE

City of Luttrell

Mr. Charlie Lester, Board staff and East Tennessee analyst, presented the case of the City of Luttrell, which has been under Board oversight for financial distress since 2016. The city's most recent audits (FY23 and FY24) show continued statutory decreases in net position. The most recent Board order required the city to complete both a rate study and a feasibility study.
Mr. Lester noted that while the city has contracted with a third party to complete the rate study, a miscommunication occurred regarding the feasibility study—the original third-party provider is not authorized to complete it. As a result, the city is now seeking a new provider and has requested a six-month extension.

Staff recommended:

- Granting the six-month extension, and
- Allowing staff discretion to grant an additional six-month extension, if needed.

Mr. Purkey made a motion to accept staff recommendations and Mr. Smith seconded the motion. Mr. Pelham asked staff for a broader perspective on utilities under Board oversight for extended periods (e.g., 9 years), questioning what the ultimate goal or resolution path should be for long-standing distressed systems. Mr. Lester acknowledged that some historical context predates current staff and asked the Board for permission for a virtual representative of Luttrell to speak, which they granted. Mr. Jerry Lawson, Mayor of the City of Luttrell, addressed the Board remotely. He explained that since taking office in 2019, the city has made significant improvements. He inherited a sewer fund with only $31,000, but that balance has since grown to $564,000. The city has paid off new equipment, addressed internal fraud from prior administrations, and raised rates in accordance with a previous rate study—although billing errors by an external provider, LBC, delayed scheduled annual increases. Mayor Lawson expressed commitment to compliance and asked for understanding, noting the challenges of managing a small system with part-time resources. With no further discussion, the Board unanimously approved the motion to grant a six-month extension, with the option for staff to approve an additional six-month extension if needed.

Mooresburg Utility District

Mr. Lester, Board staff, presented the case of Mooresburg Utility District, which has been under Board oversight for financial distress since 2020. Although the district completed a rate study in 2023, it did not implement its findings. Additionally, a required internal controls and policy review ordered in March 2024 was not completed. The utility has also experienced significant governance disruptions, including the temporary departure of the general manager and resignation of two board members in late 2024. Two new board members were appointed in early 2025, and the general manager has since returned.
Staff recommended:

- Extending the rate study contract deadline to April 30, 2025,
- Ordering a merger review, with the contract due by the same date, and
- Requiring both the updated rate study and merger review to be submitted by September 30, 2025.

Mr. Giles moved to accept the staff recommendation and Mr. Hampton seconded the motion. With no further discussion, the Board unanimously approved the motion.

Ocoee Utility District

Mr. Lester, Board staff, presented the newly referred case of Ocoee Utility District, which showed statutory decreases in net position in both FY22 and FY23. According to the utility's submitted questionnaire, the decline is attributed to the need to purchase excess water from neighboring utilities due to degraded infrastructure. Ocoee is currently seeking funding to address the issue, including a USDA loan and a potential grant to construct a new water treatment plant. Additionally, the utility has a rate study already in progress and plans to implement quarterly rate increases over the next year. Staff recommended that:

- The utility submit a rate study contract by April 30, 2025,
- Complete and implement the rate study by June 30, 2025, and
- Allow staff to grant up to two six-month extensions, if needed.

Chairman Moody noted that this is the same utility previously discussed for poor customer service related to water loss. Mr. Giles asked whether the utility has been required to submit a water loss plan, which staff confirmed was the case. He emphasized that building a new plant will not resolve issues unless the distribution system is also improved. Mr. Moss moved to accept the staff recommendation and Mr. Hampton seconded the motion. The Board unanimously approved the motion.

Town of Oliver Springs

Mr. Lester, Board staff, presented the case of the Town of Oliver Springs, which has been under Board oversight for financial distress since 2021. The Board previously ordered the town to complete a feasibility study by March 31, 2024, but this was not completed due to delays in receiving the town's FY24 audit. Staff explained that the audit is essential to conducting a valid feasibility study and that, per communication with Local Government Audit, the audit is expected by May 31, 2025. As a result, staff recommended extending the feasibility study deadline to October 31, 2025.

Board Discussion

- Mr. Pelham expressed concern over the prolonged timelines for compliance, noting that nearly 30 months would have passed since the order was issued. He questioned the

utility's seriousness in addressing Board directives and emphasized the impact on ratepayers and service quality.

- Mr. Colona acknowledged the concern but clarified that Oliver Springs has experienced significant leadership turnover, including a new town manager, and that their failure to comply was not due to lack of effort, but rather to severe audit deficiencies. He affirmed that current staff are making a good-faith effort to meet the Board's requirements.
- Mr. Giles noted that the utility is actively considering a merger, with Limestone Utility expressing interest in acquiring and improving operations.
- Mr. Pelham reiterated that the Board's role includes advocating for service quality and voiced his continued frustration with administrative delays, even as he moved the recommendation forward.

Mr. Pelham made a motion to accept the staff recommendations, acknowledging their effort while also expressing impatience with the pace of progress. Mr. Smith seconded the motion. The Board unanimously approved the motion, granting an extension of the feasibility study deadline to October 31, 2025.

Town of Parrottsville

Mr. Lester, Board staff, presented the case of the Town of Parrottsville, which has been under Board oversight since 2017 for financial distress. A feasibility study, completed in January 2024, identified three options, with the most viable being construction of a pump station and force main to connect with Newport Utilities. However, Newport Utilities has expressed unwillingness to assume the system, citing high costs and operational concerns. The Board engaged in a candid and wide-ranging discussion about the severe condition of Parrottsville's system, its tiny customer base of 207, and the $8 million cost estimate for full rehabilitation. Members expressed concern about lack of state funding, the impracticality of merging, and the viability of alternatives like decentralized systems or septic.

- Mr. Pelham, Mr. Hampton, Chairman Moody, and others questioned the long-term sustainability and equity of any major investment in the system.
- Mr. Colona, Mr. Johnson, and Mr. Ross from Board staff provided insight into the operational challenges, funding gaps, and low revenue base of the system—making even modest upgrades financially unfeasible under current conditions.

No formal vote was taken. Mr. Colona proposed—and the Board agreed—to take no action at this time, directing staff to continue working with the utility and bring back an updated recommendation at a future meeting once additional discussions and evaluations occur.

East Sevier County Utility District

Mr. Lester, Board staff, presented an administrative review case for East Sevier County Utility District, which has been under Board oversight since 2022. Previous Board orders required the completion of both a rate study and a feasibility study. While the utility is under contract for both studies, staff identified issues related to inadequate accounting and billing software, including an inability to track all billed customers. The utility is under new management, which is actively working to resolve system issues and improve operations. Based on a recent update from management, staff recommended:

- Extending the contract due date to June 30, 2025,
- Setting a final completion deadline of December 31, 2025, and
- Including language allowing for two six-month extensions, if necessary.

Mr. Moss moved to accept the staff recommendation and Mr. Giles seconded the motion. Mr. Pelham recused himself from the vote due to his relationship with TUA Services. The Board unanimously approved the motion (with the noted recusal).

The meeting took a five-minute recess before moving on to the Middle Tennessee cases at 3:05 p.m.

MIDDLE TENNESSEE

Town of Alexandria

Mr. Colona, presenting on behalf of Middle Tennessee analyst Megan Huffstutter, introduced the administrative review case for the Town of Alexandria, citing significant management and staff turnover, which has impacted utility operations. The utility has approximately 1,000 customers and has not had a rate study in over four years, raising concerns about long-term fiscal sustainability. Board staff visited Alexandria to assess conditions and determined that a new rate study and feasibility study are needed. The feasibility study will explore the potential for merging with nearby utilities, given the utility's small size and surrounding service overlaps.
Staff Recommendation

- Submit a contract for the rate and feasibility studies by April 30, 2025
- Complete and submit the studies by June 30, 2025
- Allow up to two six-month extensions if needed

- Include subpoena language in the order if directives are not followed

Board Discussion

- Mr. Moss asked whether the utility is a purchase-only system; Mr. Colona confirmed they purchase all water from Carthage.
- Mr. Smith inquired if there is a rule about how often rate or feasibility studies must be conducted. Mr. Colona clarified that while there is no legal requirement, industry best practice generally suggests every 3–5 years, and Alexandria lacks the capacity to perform internal reviews. Mr. Pelham added that the TBOUR/TDEC scorecard used a five-year benchmark for rate study recency as part of ARP-related evaluations.

Mr. Pelham moved to accept the staff recommendation and Mr. Giles seconded the motion. The Board unanimously approved the motion.

City of Dunlap

Mr. Colona presented the case of the City of Dunlap, which has experienced delays in audit submissions and has shown two consecutive years of negative net position. The city has not completed a rate study in over five years, but has already taken steps to correct these issues, including a water rate increase in late 2024 and engaging MTAS and Ry Engineering for a rate study. To support continued progress and ensure accountability, staff recommended that the Board issue an order with the following requirements and deadlines:

- By April 30, 2025:
  - Submit a written explanation of the audit delinquency
  - Provide a contract with MTAS or another qualified firm to conduct a rate study
- By June 15, 2025:
  - Submit all outstanding audits, including the FY24 audit
- By June 30, 2025:
  - Submit the completed rate study, which must include a review of water loss, customer base, billing practices, debt service, and any rate changes

The order includes language allowing up to two six-month extensions if needed. If the utility fails to comply with any directive, Board staff will have the authority to issue subpoenas to require attendance at the next Board meeting. Mr. Smith moved to accept the staff recommendation and Mr. Pelham seconded the motion. The Board unanimously approved the motion.

Jason E. Mumpower
Comptroller

Grundy County

Mr. Colona presented the case of Grundy County, a sewer-only utility that has been under Board oversight since 2016 for financial distress. The system serves approximately 50 customers. Despite a $60,000 increase in revenue between FY21 and FY22, the utility has been unable to reach financial breakeven. Given the ongoing viability concerns, staff recommended a new rate study and feasibility study to determine long-term sustainability. The county is not the water provider for these customers—Big Creek Utility District is—which adds complexity to potential merger considerations.

Staff Recommendation

- By April 30, 2025: Submit a contract for the rate and feasibility study
- By June 30, 2025: Submit the completed study
- Allow up to two six-month extensions for good cause
- Include subpoena language for noncompliance with Board directives

Board Discussion

- Mr. Giles asked if merger discussions with Big Creek Utility District had occurred. Mr. Colona confirmed there were early conversations with both Grundy County and Big Creek, but no formal action has been taken.
- Mr. Pelham inquired whether privatization might be a solution for very small systems. Mr. Colona acknowledged it's an option outside the Board's authority, but utilities are free to explore it if they choose.

Mr. Purkey moved to accept the staff recommendation and Mr. Stone seconded the motion. The Board unanimously approved the recommendation.

City of Jamestown

Mr. Colona presented a compliance case involving the City of Jamestown's gas utility—a rare utility type to appear before the Board. The utility has not submitted its FY24 audit, has not closed accounting records appropriately, and has not completed a gas rate study in over five years. Staff Recommendation:

- By April 30, 2025: Submit an explanation for audit delays and a contract for a rate study
- By June 15, 2025: Submit all outstanding audits
- By June 30, 2025: Submit the completed rate study
- Staff may grant up to two six-month extensions
- Include subpoena language for noncompliance

Mr. Purkey moved to accept the staff recommendation and Mr. Pelham seconded the motion. The Board unanimously approved the motion.

City of Watertown

Mr. Colona presented the case of the City of Watertown, which has repeatedly appeared before the Board for non-responsiveness and compliance delays, particularly regarding water loss reporting. Despite previously contracting with Ry Engineering for assistance, the utility has failed to submit required reports and it continues to be difficult to communicate with—primarily due to the mayor serving as the sole point of contact, despite his part-time status. Staff recommended a stronger enforcement approach, given the city's continued disregard for directives:

- By May 15, 2025: Submit the required AWWA 6.0 water loss audit
- Regardless of compliance, subpoena the mayor and certified operator responsible to TDEC to appear at the next Board meeting
- Restrict the utility from applying for or accepting any grants or issuing debt unless prior approval is granted by Board staff. If Board staff does not respond to a request within 30 days, the request will be considered approved by default
- Allow staff to grant up to two six-month extensions for other outstanding compliance matters

Board Discussion

- Mr. Pelham, Mr. Giles, and Mr. Hampton voiced concerns about the lack of responsiveness and governance structure in Watertown.
- Legal counsel Mr. May clarified that the Board can limit access to utility grants or debt issuance until compliance is achieved.
- Mr. Moss supported holding the mayor and certified operator accountable, particularly given the certified operator's licensing responsibility with TDEC.

Mr. Pelham made a motion to subpoena the city mayor and the utility's certified operator, prohibit the utility from applying for or accepting utility-related grants or issuing debt without Board staff approval and incorporate all original staff recommendations. Mr. Hampton seconded and the motion carried unanimously.

Jason E. Mumpower
Comptroller

WEST TENNESSEE

City of Camden

Mr. Fontenot presented the City of Camden as a new case under Board oversight, noting it has been straightforward and cooperative. The city already has a rate study underway with MTAS and is expected to complete it soon. The staff recommendation is to skip the engagement letter phase and require the rate study to be implemented by June 30, 2025, with authority to grant up to two six-month extensions if needed. Mr. Giles moved to accept the staff recommendation, and it was seconded by Mr. Moss. The motion was unanimously approved.

City of Erin

Mr. Fontenot presented the City of Erin, which has been under Board oversight since 2021. Although the city implemented a previous rate study, financial trends have continued to decline. The cause may include a shrinking customer base or rising expenses. The staff recommendation is to conduct a new rate study to evaluate the current financial condition and determine next steps if issues persist. Mr. Pelham moved to accept the staff recommendation and was seconded by Mr. Smith. The motion was carried unanimously.

Town of Gibson

Mr. Fontenot presented the Town of Gibson, which has been under Board oversight since 2019 and is currently four years behind on audits—with the most recent being from FY2020. Despite ongoing communication with the mayor, the city has made no meaningful progress in complying with prior directives. Staff emphasized the lack of current financial visibility and the need for strategic review. The town does not currently connect with nearby utilities, but two strong systems—Gibson County Municipal Water District and the Humboldt Utility Authority (presided over by TBOUR member Mr. Smith)—operate nearby. Board staff is not yet recommending a merger but suggests beginning a feasibility study to explore long-term options. The staff recommendation includes:

- By April 30, 2025: Submit a contract for a rate and feasibility study
- By June 30, 2025: Submit the completed study
- Allow up to two six-month extensions if needed
- Include subpoena language if the town fails to comply

Board Discussion Highlights

- Mr. Giles raised the idea of subpoenaing city officials due to the prolonged noncompliance.
- Mr. May (legal counsel) explained that the Board could also pursue enforcement via the Attorney General's office, provided specific directives are included.
- Mr. Smith clarified the legal status of Humboldt's transition to a utility authority and affirmed it was not a newly formed utility.
- Chairman Moody and Mr. Colona emphasized that there is no current infrastructure connection to justify a forced merger, but that future audits and study results could change that.
- Mr. Fontenot noted new legislation pending the governor's signature would allow withholding 15% of shared sales tax for municipalities that are two or more years late on audits—a potential pressure point for compliance.

Mr. Pelham moved to accept the staff recommendation. Mr. Moody seconded after Mr. Giles suggested the potential for a subpoena be used as added pressure. The Board unanimously approved the motion.

Leoma Utility District

Mr. Fontenot presented the case of Leoma Utility District, which had previously come before the Board following an investigative report by the Comptroller's Division of Investigations. That report identified four key compliance failures:

1. The board failed to report suspected unlawful conduct
2. The board did not properly document labor agreements with the general manager
3. The general manager did not maintain supporting documentation for some disbursements
4. The board lacked a formal purchasing policy and internal controls

A feasibility study was ordered and completed by Water Finance Exchange, identifying both Loretto and Lawrenceburg Utility Systems as viable candidates for consolidation. Given the proximity (about five miles) and an existing emergency interconnection with Lawrenceburg, Board staff determined consolidation with Lawrenceburg is the most feasible solution.

Staff Recommendation

- Initiate formal merger proceedings between Leoma Utility District and the City of Lawrenceburg
- Board staff to begin direct discussions with Lawrenceburg officials

Mr. Pelham moved to accept the staff recommendation and was seconded by Mr. Purkey. The Board unanimously approved the motion

City of Loretto

Mr. Fontenot presented the City of Loretto, which is under Board oversight for two reasons:

1. A decrease in net position, and
2. A negative unrestricted net position.

The unrestricted deficit appears tied to capital payables, which should be corrected once a USDA debt issuance in 2025 converts current liabilities to long-term debt. The city has already contracted a third party for a rate study, expected to be completed soon.

Staff Recommendation

- Submit the rate study by June 30, 2025
- Allow for up to two six-month extensions

Mr. Giles moved to accept the staff recommendation, and it was seconded by Mr. Carter. The motion was unanimously approved.

Town of Obion

Mr. Fontenot presented the Town of Obion, which has been under Board oversight since 2018 for financial distress. Although the town completed a previous rate study and implemented the rate increases, it has returned to oversight due to two consecutive years of declining net position.

Staff Recommendation

- Order a new rate study to be completed
- Ensure updated rates are enacted following the study's findings

There was little discussion on this case. Mr. Hampton asked if the FY24 audit had been filed, noting a previous expense spike in FY22. Mr. Fontenot explained that while the audit was not available when the recommendation was prepared, it has since been filed, showing continued financial strain. Mr. Colona confirmed the audit revealed a $46,000 statutory decrease and total expenses of $718,000, affirming the need for a new study. Mr. Hampton moved to accept the staff recommendation and was seconded by Mr. Purkey. The motion was unanimously approved.

Jason E. Mumpower
Comptroller

Town of Mason – Water Loss Referral

Mr. Fontenot presented the Town of Mason's first case, related to excessive water loss. The utility has not yet completed the required AWWA water loss worksheet with a third party and has not submitted a water loss plan.
Staff Recommendation

- Issue a Board order requiring completion of the AWWA worksheet
- Include subpoena language for noncompliance

Mr. Moss moved to accept the staff recommendation and was seconded by Mr. Hampton. The motion was unanimously approved.

Town of Mason – Administrative Review

Mr. Fontenot presented an administrative review for the Town of Mason, which has been under Board scrutiny since 2021. After the town failed to hire a certified operator by a previous deadline, it was ordered to complete a feasibility study, which was submitted in March 2024. However, the utility's former contract operator, Alliance Water Resources, has since terminated its agreement, and Board staff determined the original study is no longer reliable due to incomplete or outdated financial data.
Recent developments include:

- The town has since hired SL Environmental for contract operations.
- New auditors uncovered substantial depreciation underreporting—a jump from $80,000 to over $300,000 in the latest audit—prompting concern over outdated financial assumptions.

Staff Recommendation (As Amended by the Board):

1. Retain the original directive for the town to complete a new feasibility study
2. Move the contract submission deadline to May 30, 2025
3. Maintain the feasibility study completion deadline of December 31, 2025
4. If the May 30 deadline is not met, subpoena the full governing body (mayor and aldermen), utility contract manager, and certified operator
5. If the May 30 deadline is met, subpoena only the mayor, contract manager, and certified operator to attend the July Board meeting
6. The remaining members of the governing body will be invited, but not subpoenaed

Board Discussion Highlights

- Mr. Hampton and Mr. Giles pushed for a more aggressive timeline, citing repeated delays and a lack of confidence in follow-through.
- Mr. Colona and Mr. May confirmed the Board cannot yet escalate to the Attorney General, since the town technically complied with earlier orders, though the submitted study is now outdated.
- The updated approach balances accountability with feasibility, ensuring there is time to issue subpoenas ahead of the July Board meeting if necessary.

Mr. Pelham moved to accept the staff recommendation with the amended deadlines and subpoena provisions. Mr. Hampton seconded, and the motion was unanimously approved.

West Point Utility District

Mr. Fontenot presented the case of West Point Utility District, which was placed under Board oversight in July 2024 following concerns raised by TDEC. A feasibility study, recently completed by Water Finance Exchange and Communities Unlimited, identified four key concerns:

1. Neglected capital improvements and needed infrastructure upgrades
2. No operating budget or regular financial oversight by the Board
3. Lack of key utility management policies
4. Noncompliance with TDEC water quality standards

Compounding these issues, the utility's longtime general manager passed away in August 2024, leaving the board without sufficient operational capacity. The City of Loretto currently supplies water to the district.

Staff Recommendation (as amended):

- Pursue merger discussions with both the City of Loretto and the City of Lawrenceburg, with Lawrenceburg noted as a larger and potentially more viable long-term partner.

Mr. Pelham moved to accept the amended staff recommendation and was seconded by Mr. Moss. The motion was unanimously approved.

Jason E. Mumpower
Comptroller

MANAGER CASES

City of Decherd

Mr. Colona presented the City of Decherd, which previously completed a rate study with Jackson Thornton and implemented significant rate increases. However, the city is still facing audit submission issues.
The staff recommendation was to proceed with a feasibility study to evaluate the potential for a merger with a surrounding utility. Mr. Giles moved to accept the staff recommendation and Mr. Purkey seconded. The motion was unanimously approved with no discussion.

Town of Petersburg

Mr. Colona provided an update—not a recommendation—for the Board regarding the ongoing merger process between the Town of Petersburg and Fayetteville Public Utilities (FPU). The Board had previously directed the merger to occur, and both parties have since entered a six-month evaluation period to assess the merger's feasibility and operational impacts.
Mr. Colona clarified that if the merger does not move forward by the end of the six months, the Board would likely resume formal action to order the merger, unless a compelling reason is presented showing it would be detrimental to Fayetteville.
Discussion Highlights:

- Mr. Dye, who serves as FPU's general manager and a Board member, noted that cooperation from Petersburg has been limited, but FPU remains committed to moving forward.
- Mr. Pelham acknowledged the logistical challenges, particularly legal reviews and property transfers, emphasizing that delays won't be penalized as long as both parties continue in good faith.

No Board action was taken, as this was strictly an update.

Siam Utility District

Mr. Colona presented concerns regarding Siam Utility District, which recently had to dip into reserve funds to pay a large water bill from Watauga River Regional Water Authority due to

inadequate budgeting practices. Despite having clean audits, the utility has operated for two consecutive years without submitting a budget to the Comptroller's Office—a serious compliance issue. Additionally, Mr. Moss noted minor environmental concerns, further highlighting questions about the utility's overall management.

Mr. Giles moved to place Siam Utility District under official administrative review, allowing staff to evaluate its internal operations and cash management policies. Mr. Hampton seconded and motion was unanimously approved

Cumberland Utility District

Mr. Colona provided a brief update on the ongoing administrative review of Cumberland Utility District. Board staff continues to have operational concerns and plans to conduct an on-site visit in the near future to gather further information.
No Board action was requested, as the case is already open and under review.

Sevier County Utility District

Mr. Colona presented a significant case involving the Sevier County Utility District, where an employee—the utility's former manager—was found to have stolen hundreds of thousands of dollars from the utility over time. The case was detailed in an investigative report from the Comptroller's Division of Investigations and has resulted in an indictment and pending trial. While Board staff originally recommended pursuing a contested case hearing to consider removal of the utility's current board members, questions arose about what the board knew, when they knew it, and whether they acted with sufficient diligence to prevent or respond to the theft.
Board Discussion Highlights

- Mr. Purkey proposed a modified approach, recommending an administrative review rather than immediate legal proceedings. He noted that although the board was not in place when earlier issues began, they did act by suspending and then terminating the manager once concerns were formally raised.
- Board members, including Mr. Pelham, Mr. Giles, Mr. Smith, and Mr. Moss, agreed more information was needed—particularly about how long board members had served, whether allegations had been ignored, and what governance changes have been made since the incident.

- Mr. Colona, Mr. May (legal counsel), and Mr. Fontenot supported the revised path, with plans for staff to investigate, conduct interviews, and return to the Board with a full report.

Final Motion and Action

- Mr. Purkey moved to open an administrative review to gather facts, including how long board members have served, what they knew, and what internal changes have been made to prevent future theft.
- Mr. Moss seconded the motion.
- The Board approved the motion, with Chairman Moody voting "nay" and requesting his vote be recorded.

A full report is expected to be presented at the next Board meeting on July 10, 2025.

Draft Rules

Mr. Colona introduced the final draft rules for Board consideration, noting this was the last procedural step before full adoption. Mr. May explained that the rules had already gone through the public rulemaking hearing and an initial legal review by the Attorney General's Office. The Board's approval would authorize submission to the Secretary of State's Office for formal promulgation, completing the rulemaking process.

Mr. May added that the Board's approval would be subject to any minor technical edits required by the Attorney General's Office, but no additional signatures or formal actions would be needed from individual Board members.

Chairman Moody moved to adopt the rules, and it was seconded by Mr. Giles. The motion was unanimously approved, finalizing the rule package for completion and publication.

Utility Manual

Mr. Colona presented the finalized version of the Tennessee Utility Manual, a resource created by Board staff to help utilities better understand governance, best operational practices, and their interaction with the Comptroller's Office. The manual has undergone revisions since its last presentation and is now ready for publication and online distribution.

Mr. Colona credited Megan Huffstutter, Sheila Reed, and Mr. May for their significant contributions to the manual's development. Mr. Moss moved to approve the manual for publication and was seconded by Chairman Moody. The Board unanimously approved the motion.

Jason E. Mumpower
Comptroller

TBOUR Annual Report

Mr. Colona presented the TBOUR Annual Report, noting that while it has historically been published without Board presentation, the process is changing. Moving forward, the report will be brought to the Board at the beginning of each year for review and formal approval before publication. The report had been distributed separately from the main packet for Board consideration. Mr. Giles moved to approve the annual report and was seconded by Chairman Moody. The Board unanimously approved the report for publication.

Annual Information Report Verbal Changes

Mr. Colona requested Board approval for a verbal modification to the Annual Information Report (AIR) to improve the accuracy of self-reported water loss data. Due to growing concern that some utilities are submitting unverifiable or inaccurate numbers, Board staff proposed a new field in the AIR requiring utilities to submit supporting documentation showing how they calculated water produced and water sold. This approach is designed to prevent the need for costly third-party audits, offering a more practical and cost-effective alternative while still increasing accountability.
Discussion Highlights

- Mr. Hampton inquired about the types of documentation required.
- Mr. Pelham clarified that acceptable documentation could include master meter readings or billing system totals and emphasized that utilities should already have this data on hand.
- Mr. Smith also asked for clarification, and Mr. Colona confirmed that the requirement will be intentionally broad, giving Board staff better insight into which utilities may lack basic operational oversight.

Mr. Pelham moved to approve the staff recommendation and Mr. Hampton seconded. The motion was unanimously approved.

Proposed Salary Study

Mr. Colona requested Board approval to conduct a salary survey for utility managers across Tennessee's TBOUR-regulated entities. The goal is to gather confidential, anonymized compensation data to help utilities assess equitable pay standards, recognizing wide disparities in

manager salaries across similarly sized systems. The survey would include factors such as utility type, customer base, and revenue/expenses, while protecting identifying information under the Public Records Act. Mr. Colona emphasized that this effort is intended strictly for guidance, not for setting salaries, and that survey responses would be kept confidential but verified for accuracy.

Board Discussion Highlights

- Mr. Giles and Mr. Pelham supported the idea and recommended breaking down the data by utility type, region, and scale (e.g., number of connections, services provided).
- Mr. Smith and others asked about potential overlap with previous salary surveys conducted by TAUD and TVA-related organizations, and Mr. Colona confirmed this study would focus solely on manager-level salaries.
- Chairman Moody asked for clarification on what "anonymous" means in practice. Mr. May clarified that while data will be collected with identifiers, it will be protected from public disclosure under TCA § 10-7-504.

Mr. Purkey moved to authorize Board staff to conduct the salary study and was seconded by Chairman Moody. Mr. Hampton recommended using existing TVA salary studies as a starting point for structure and format. The motion was unanimously approved.

Proposed Meeting Dates

Mr. Colona presented the proposed TBOUR meeting dates for the upcoming year:

- Originally proposed dates: July 10, September 25, December 11, and March 12
- Board staff requested formal approval to adopt the schedule

Amendment and Discussion

- Mr. Smith noted a conflict on July 10 due to the TMEPA annual meeting, which both he and Mr. Britt Dye are scheduled to attend.
- The Board agreed to reschedule the July meeting to July 17, pending confirmation from Board staff. Mr. Colona and staff confirmed availability for the revised date.

Mr. Pelham moved to approve the proposed meeting dates with the amendment to move the July meeting to July 17 and was seconded by Mr. Hampton. The motion was unanimously approved.

Recognition of Retirement of Tom Moss

Before adjournment, Mr. Colona formally recognized Mr. Tom Moss, noting that this meeting marked his final appearance with the TBOUR after over 16 years of dedicated service. Mr. Moss

is set to retire in May, and Mr. Colona expressed appreciation for his longstanding contributions to the Board and the State of Tennessee.

Adjournment

Mr. Pelham motions for the meeting to be adjourned at 4:48 p.m. Mr. Hampton seconded, and the motion carried unanimously.

Jason E. Mumpower
Comptroller

Entity Referred: **Multiple Entities**

Referral Reason: **Annual Information Report Non-Compliance**

Utility Type Referred: **Water and Sewer**

Staff Summary:
The following utilities have been referred to the Tennessee Board of Utility Regulation ("the Board") for failure to complete the annual information report pursuant to Tenn. Code Ann. 7-82-707.

Cleveland Utilities Authority
Town Of Ashland City
City Of Dayton
City Of Jellico
Town Of Livingston
Town Of Lynnville
City Of Maynardville
City Of McEwen
Town Of Mountain City
Town Of Oakdale
City Of Oak Ridge
Fentress County Utility District
Caryville-Jacksboro Utility Commission
Dowelltown-Liberty Waterworks System
Benton-Decatur Special Sewer District

Staff Recommendation:
The Board should order the following:
1. By August 31, 2025, the utilities shall file their Annual Information Report.
2. Should the Utility fail to comply with any directive of this order, Board Staff and counsel may issue subpoenas for the Entity's governing body and Manager to appear in-person before the Board during its next meeting following non-compliance.

Jason E. Mumpower
Comptroller

Entity Referred: **Multiple Entities**

Referral Reason: **Annual Information Report**

Utility Type Referred: **Water And Sewer**

Staff Summary:
The following utility systems ("the Utilities") were referred to the Tennessee Board of Utility Regulation ("The Board") for failure to complete the Annual Information Report pursuant to Tenn Code Ann. § 7-82-701. Since going under the board, the Utilities have submitted their Annual Information Report as ordered by The Board.

Clearfork Utility District
Town of Chapal Hill
Decatur
Moscow
Whiteville
City of McMinnville

Staff Recommendation:
The Utilities are officially released from the Board's oversight as it relates to their Annual Information Reports.

Jason E. Mumpower
Comptroller

Entity Referred: **Multiple Entities**

Referral Reason: **Training**

Utility Type Referred: **Water And Sewer**

Staff Summary:
The following Utilities were referred to the Tennessee Board of Utility Regulation ("The Board") for failure to comply with training requirements pursuant to Tenn Code Ann. §§ 7-34-115(j)(1), 7-82-308(f)(1), 68-221-605(f)(1) & 68-221-1305(f)(1).

Bulls Gap
Haywood County Utility District
Kenton
Monterey
Moscow
Siam Utility District
Tennessee Ridge

Staff Recommendation:
1. By August 31, 2025, the Utilities shall provide to board staff that members of the governing body are in compliance with applicable training requirements.

2. Should the Utilities fail to comply with any directive in this order, Board staff and Counsel shall issue subpoenas for the Utility's governing body and/or Manager to appear in-person before the Board during its next meeting following non-compliance of this order.

Jason E. Mumpower
Comptroller

Entity Referred: **Multiple Entities**

Referral Reason: **Training**

Utility Type Referred: **Water And Sewer**

Staff Summary:
The following utilities reported that their governing body members were out of compliance with applicable training requirements per Tenn. Code Ann. §§ 7-34-115, 7-82-308, 68-221-605 & 68-221-1305. The utilities were ordered to provide board staff with proof that all governing body members have complied with applicable training requirements.

Atwood
Carderview Utility District
Castalian Springs-Bethpage Utility District
Gates
Mt. Juliet
Oakland
White Pine

The utilities have complied with the directives of the board. The utilities provided board staff with proof of the governing body members training, and Board staff believe that the utilities should be released from Board oversight.

Staff Recommendation:
The Utilities are officially released from the Board's oversight as it relates to their (non) compliance with training requirements.

Jason E. Mumpower
Comptroller

Entity Referred: **Multiple Entities**

Referral Reason: **Water Loss**

Utility Type Referred: **Water and Sewer**

Staff Summary:
The following utilities were referred to the Tennessee Board of Utility Regulation ("The Board") for Water Loss pursuant to Tenn. Code Ann. § 7-82-702. The utilities have complied with board orders and have taken steps to improve water loss over 2 consecutive years.

Hallsdale-Powell Utility District
North West Utility District
Obion
Oneida

Staff Recommendation:
The utilities are officially released from the Board's oversight as it relates to water loss.

Jason E. Mumpower
Comptroller

Entity Referred: **Multiple Entities**

Referral Reason: **Water Loss**

Utility Type Referred: **Water and Sewer**

Staff Summary:
The following utilities were referred to the Tennessee Board of Utility Regulation ("the Board") for water loss pursuant to Tenn. Code Ann. 7-82-702(a)(5). Since coming under the board, the utilities have complied with board directives by providing updated AWWA 6.0 water loss studies and providing water loss plans. The entities should be ordered to the water loss update cycle to observe improvements to their annual water loss.

Grandview Utility District
Huntsville Utility District
Mooresburg Utility District
Roan Mountain Utility District

Staff Recommendation:
1. The board should order the following entities to be moved to the water loss update cycle.
2. Upon showing improvement in annual water loss figures for two consecutive years, the board shall release the entities from the water loss update cycle.

Jason E. Mumpower
Comptroller

Entity Referred: **Multiple Entities**

Referral Reason: **Decrease In Net Position**

Utility Type Referred: **Water and Sewer**

Staff Summary:
The Following Utilities were referred to the Tennessee Board of Utility Regulation ("The Board") for financial distress Pursuant to Tenn. Code Ann §7-82-703. The utilities have complied with prior directives of the board. The utilities have shown in consecutive audits positive changes in net position, and Board staff believes the Utility should be released from Board oversight.

Crockett Mills Utility District
Town of Cumberland Gap
Grand Junction
Harrogate
Intermont Utility District
Quebeck-Walling Utility District
Rogersville
South Side Utility District
St. Joseph
Trimble
Tullahoma Utilities Authority
Wayne County

Recommendation:
The Utilities are officially released from the Board's oversight as it relates to their financial distress cases.

Jason E. Mumpower
Comptroller

Entity Referred: **Multiple Entities**

Referral Reason: **Training Non-Compliance**

Utility Type Referred: **Water and Sewer**

Staff Summary:
Board staff recently reviewed records of training classes taken through the Comptroller's website. Staff identified that members sitting on the governing bodies of the above entities reported training hours that diverge significantly from the actual time spent viewing the content. Specifically, training modules intended to satisfy one or more hours of instruction were completed in a matter of minutes or seconds. This is not consistent with legitimate completion and is not acceptable for fulfilling state-mandated annual training requirements. As a result, these submissions do not meet the requirements for compliance with annual training obligations.

Town of Bethel Springs:
Town of Eastview
City of Gleason
City of Henry
Siam Utility District
City of Spring Hill
City of Tennessee Ridge

Staff Recommendation:

The Board should order the following:

1. The governing body members shall complete the applicable training modules, ensuring that all content is viewed as intended; or obtain training through another source to meet training requirements.

2. The revised training must be completed and submitted to Board staff by October 31, 2025.

3. Should governing body members fail to comply with any directive in this order, Board staff and Counsel may issue subpoenas for the Utility's governing body and/or Manager to appear in-person before the Board during its next meeting following non-compliance of this order.

Jason E. Mumpower
Comptroller

Entity Referred: **Ocoee Utility District**

Referral Reason: **Financial Distress**

Utility Type Referred: **Water And Sewer**

Staff Summary:

To Follow

Staff Recommendation:

To Follow

Jason E. Mumpower
Comptroller

Entity Referred: **Leoma Utility District**

Referral Reason: **Decrease In Net Position**

Utility Type Referred: **Water**

Staff Summary:

The Tennessee Board of Utility Regulation should move forward with ordering merger negotiations between the Leoma Utility District ("Leoma") and the City of Lawrenceburg ("Lawrenceburg"). Leoma's customers expressed overwhelming opposition to the merger at the public hearing, but the facts surrounding Leoma's financial, operational, and regulatory standing still weigh in favor of the merger.

Public Hearing Results

Board staff estimates that over one hundred Leoma customers attended the July, 2025 public hearing, and the only feedback received at the hearing was in opposition to the merger. Attendees expressed concerns over losing local control, diminished service priority for rural customers, steep rate increases, potential annexation or development pressures from Lawrenceburg, and that without a local board dedicated solely to their system, Leoma's customers will lose the ability to advocate for their own interests. Leoma's customers expressed pride in the quality of their water service and in the responsiveness of local employees, many of whom are personally known within the community. Customers also made allegations of impropriety on the part of Board staff.

Some customers expressed the believe that the merger is a "done deal". It is not, and the public hearing was one of the safeguards built into the merger process. Another safeguard is that the merger must be negotiated first between the two merging utilities. Leoma's representatives have the opportunity to address customers' concerns at these negotiations. Representatives may negotiate a distinct rate zone for current Leoma customers, to ensure that rates are based on the costs of operating Leoma's utility system, and Leoma's customers do not pay the higher rates that Lawrenceburg's other customers pay.

The Board's role is not to enforce local preferences, but to further the effective management and financial integrity of the State's utility systems, and to ensure they are self-supporting. The opposition to a merger of Leoma into Lawrenceburg is outspoken, but it does not change the underlying facts: Leoma Utility District cannot continue to operate in its current condition without either significantly burdening ratepayers or risking the failure of its degraded infrastructure.

Financial Instability and Governance Failures

Leoma is in a state of persistent financial distress. It has not submitted audited financial statements for fiscal years 2023 and 2024, and the Comptroller did not approve its most recent budget. Without complete and timely financial documentation, regulators lack a clear picture of Leoma's financial health. According to the Water Finance Exchange's best estimates, Leoma is operating at a projected Operating Ratio of 0.93, well below the 1.10 threshold needed for financial sustainability.

In addition to these financial issues, Leoma has experienced serious management failures. A state investigation revealed that the former general manager misappropriated nearly **$8,000** in public funds and falsified invoices to conceal personal purchases. He was indicted for theft, fraud, and misconduct. These acts were enabled by a lack of internal controls, nonexistent employment contracts, and the board's failure to report unlawful conduct as required by law. Until recently, the board itself struggled to maintain a full roster of commissioners, further impairing its ability to oversee operations effectively.

Infrastructure Deficiencies and Regulatory Violations

According to a 2024 TDEC Director's Order, the system has one well, lacks the required 24-hour backup storage, and faced civil penalties of up to roughly $50,000 for noncompliance. Water loss exceeds 35%, resulting in tens of thousands of dollars in wasted resources annually. Staffing is minimal - Board staff believes there are two full-time employees in the office, and a contracted operator. It is Board staff's belief that the contracted operator also works for other nearby utilities.

Even with technical assistance and recent efforts to improve, Leoma's aging infrastructure and limited workforce make it highly unlikely that it can comply with state and federal law and maintain reliable service over the long term without major investment—investment the system currently cannot afford on its own.

Rate Study

In June 2025, a rate study conducted by the Water Finance Exchange confirmed that Leoma's current rate structure is unsustainable. Under existing rates, Leoma is projected to continue operating at a loss. The recommended Proposal 1 would increase the average monthly residential bill from $36.32 to $47.18, bringing the average cost per 1000 gallons to $7.60—still far below the state's affordability threshold of $71.70/month as reported by WFX.

Opponents of the merger have expressed concern over potential rate hikes if Leoma joins the Lawrenceburg system. The rate study shows that increases are needed regardless of whether a merger occurs. Remaining independent does not exempt Leoma from raising rates; in fact, it may necessitate larger increases to cover mounting infrastructure and compliance costs. Merging with Lawrenceburg would not automatically result in customers paying city rates. Tennessee law allows merged systems to maintain separate rate structures, and similar consolidations elsewhere have followed this model. It is also worth noting that the rate study considered Leoma's current staffing levels; if more staff are needed, rates would need to increase from those in the rate study.

Feasibility Study and Support for Regionalization

The December 2024 Feasibility Study conducted by the Water Finance Exchange concluded that Leoma is unlikely to achieve long-term operational or financial sustainability without regionalization. The study identified Lawrenceburg as a willing and capable merger partner. Lawrenceburg already has an existing interconnection with Leoma, sells water to the district on a wholesale basis, and has the capacity to assume operational control.

Through a merger, Leoma customers would gain access to professional management, technical resources, and the economies of scale needed to stabilize rates and improve service reliability. Over time, consolidation would reduce the per-customer cost of maintaining a compliant and modern water system—an outcome Leoma cannot achieve on its own.

Board staff is not dismissing the voices of concerned citizens, but the Board's responsibility is to act in the long-term interest of public health, safety, and fiscal responsibility. The record shows that Leoma Utility District is neither financially stable nor operationally sound, and that the risks of continued independence far outweigh the discomfort of change.

The proposed merger with Lawrenceburg Utility Systems offers a clear path forward: one that ensures regulatory compliance, protects ratepayers from runaway costs, and provides the expertise needed to deliver safe, affordable water service for years to come. The Board should proceed with the merger process.

Staff Recommendations:

The Board should order the following:

1. Board staff should pursue merger proceedings between the Entity and the City of Lawrenceburg.

Leoma Utility District

	Category: **Water**		County: **Lawrence**	
	2019	**2020**	**2021**	**2022**
Net Assets	$2,785,364.00	$2,744,947.00	$2,723,001.00	$2,724,503.00
Deferred Outflow Resources	$0.00	$0.00	$0.00	$0.00
Net Liabilities	$195,117.00	$194,130.00	$182,127.00	$175,710.00
Deferred Inflow Resources	$0.00	$0.00	$0.00	$0.00
Total Net Position	$2,590,247.00	$2,550,817.00	$2,540,874.00	$2,548,793.00
Operating Revenues	$476,420.00	$475,546.00	$515,459.00	$566,317.00
Net Sales	$456,348.00	$449,406.00	$483,276.00	$526,055.00
Operating Expenses	$425,138.00	$512,832.00	$512,641.00	$574,214.00
Depreciation Expenses	$90,797.00	$92,925.00	$92,957.00	$94,176.00
Non Operating Revenues	$2,238.00	-$2,144.00	-$12,761.00	$15,816.00
Capital Contributions	$0.00	$0.00	$0.00	$0.00
Transfers In	$0.00	$0.00	$0.00	$0.00
Transfers Out	$0.00	$0.00	$0.00	$0.00
GAAP Change In Net Position	$53,520.00	-$39,430.00	-$9,943.00	$7,919.00
Statutory Change In Net Position	$53,520.00	-$39,430.00	-$9,943.00	$7,919.00

Leoma Utility District

Analysis of Existing and Proposed Water Rates

June 20, 2025

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WFX
WATER FINANCE EXCHANGE
NO COMMUNITY LEFT BEHIND

1455 Pennsylvania Avenue NW, Suite 400, Washington, DC 20005

WFX
WATER FINANCE EXCHANGE
NO COMMUNITY LEFT BEHIND

June 20, 2025

Leoma Utility District
David Brown, President
2573 Hwy 43 South
Leoma, TN 38468
Re: Leoma Utility District Rate Analysis

Dear Mr. Brown:

Pursuant to our mutually agreed upon Scope of Technical Assistance Services presented to you in October 2024, we have completed the technical assistance task of completing an analysis of your current water rate structure and developing alternative rate proposals that are projected to return your utility to financial sustainability.

In summarizing this report, WFX compiled information provided by Ms. Jessica Mills of Leoma Utility District that included audited financial statements from Fiscal Years 2020-2022 and unaudited financials for FY 2023 and FY 2024, historical customer consumption data, and current rate structure information.

In order to be considered financially sustainable, a water utility should not only maintain positive cash flow but also maintain an Operating Ratio (OR) of 1.10 or greater as well as a Debt Service Coverage Ratio of 1.25 (DSCR) or greater. While your projected DSCR for FY 2025 is 3.37 (more than adequate cash flows to cover your existing debt), your Operating Ratio is projected to be only 0.93 (which is significantly below the 1.10 threshold to be considered financially sustainable).

It is recommended that the Leoma UD Board of Directors consider implementing one of the following proposed rate structures to replace your existing rate structure no later than September 1, 2025. All 3 of the proposals are projected to yield similar results, however we recommend that you strongly consider Proposal 1 as it brings equity (fairness) between all rate classes and reasonably adjusts both minimum and volumetric Rates.

Proposal	Page	Rate Class	Current Cost per 100 Gal	Proposed Minimum	Proposed Volumetric	Projected Cost per 100 Gal	Percent Increase
1 *(Adjust both Minimum & Volume)*	10	Residential	**$0.59**	$17.50	$5.25	**$0.76**	27.5%
	11	Commercial	**$0.52**	$40.00	$5.25	**$0.76**	46.3%
	12	Campground	**$0.77**	$66.00	$5.25	**$0.76**	-2.0%
	13	Other Rates	**$0.74**	Slight Decrease	$5.25	**$0.76**	-0.6%
2 *(Primarily Adjust Volumetric)*	16	Residential	~	$11.50 (NC)	$6.60	$0.76	28.2%
	17	Commercial	~	$20.00	$6.60	$0.76	47.7%
	18	Campground	~	$33.75	$6.60	$0.76	-1.2%
	19	Other Rates	~	Large Decrease	$6.60	$0.76	-0.6%
3 *(Primarily Adjust Minimum)*	22	Residential	~	$20.50	No Change	$0.76	27.6%
	23	Commercial	~	$51.00	No Change	$0.76	47.3%
	24	Campground	~	$83.00	No Change	$0.76	-1.6%
	25	Other Rates	~	Small Decrease	No Change	$0.76	-1.5%

We appreciate this opportunity to work with the Leoma Utility District and hope that you find value in this detailed analysis that is being provided for your utility at no cost (approximately $18,700 in costs were incurred by WFX to perform this analysis). If you have any additional questions, please contact me at (256) 652-2930.

Sincerely,



Tommy Ricks
Community Support Director, WFX

Cc: Marcia Reuben, Senior Advisor, WFX

Leoma Utility District
Compliance Grade Rate Study

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Leoma Utility District
Water Cost Recovery Analysis
For the Year Ending: December 31, 2024

Water Fixed Costs Chart

Expense Item	Total Annual Cost for Each Item		Fixed Cost % for Each Item		Annual Fixed Cost		Monthly Fixed Cost per User
Water Purchases	$ 70,312	x					
Maintenance & Supplies	$ 82,832	x	25%	=	$ 20,708		$ 1.20
Chemicals	$ 35,220	x					
Contract Labor	$ 44,547	x	100%	=	$ 44,547		$ 2.59
Utilities	$ 46,587	x	10%	=	$ 4,659		$ 0.27
All Other Expenses	$ 342,128	x	100%	=	$ 342,128		$ 19.87
Depreciation & Amortization	$ 93,220	x	100%	=	$ 93,220		$ 5.41
						Monthly Fixed Cost per User:	**$ 29.34**
					$ 505,262		

Fixed Costs Recovery

Total Annual Fixed Costs:	$	505,262
Target Minimum Charge (required for 1.1 Operating Ratio Goal):	$	32.50
Current Minimum Charge:		$11.50
Monthly Minimum Charge Excess Amount (Shortfall):	**$**	**(21.00)**

Water Variable Costs Chart

Expense Item	Total Annual Cost for Each Item		Variable Cost % for Each Item		Annual Variable Cost		Monthly Variable Cost per User
Water Purchases	$ 70,312	x	100%	=	$ 70,312		$ 4.08
Maintenance & Supplies	$ 82,832	x	75%	=	$ 62,124		$ 3.61
Chemicals	$ 35,220	x	100%	=	$ 35,220		$ 2.05
Contract Labor	$ 44,547	x					
Utilities	$ 46,587	x	90%	=	$ 41,928		$ 2.43
All Other Expenses	$ 342,128	x					
Depreciation & Amortization	$ 93,220	x					
						Monthly Variable Cost per User:	**$ 12.17**

Variable Costs Recovery

Total Annual Variable Costs:	$	209,584
Average Gallons Sold Above Minimum per Customer per Month:		6,818
Monthly Flow Charge (required for 1.1 Operating Ratio):	**$**	**2.20**
Current Average Flow Charge:	$	4.60
Monthly Flow Charge Excess Amount (Shortfall):	**$**	**2.40**

Leoma Utility District Existing Residential Rate Profile

2025 Projected Cash Flow: $ 27,451
2025 Projected Operating Ratio: 0.93
Is Rate Increase Necessary? *Yes - Rates Need to be Adjusted As Soon as Possible!*

Rate: Residential Rate
Last Annual Audit: 2022

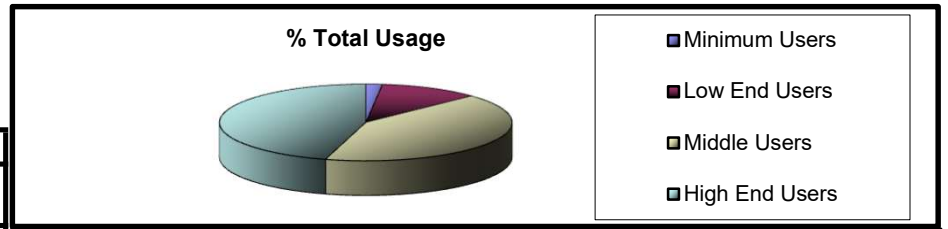
2024 Unaudited Revenues		
2024 Annual Water Sales:	$	625,401
2024 Monthly Water Sales:	$	52,117
2024 Customer Count:		1,435
2024 Revenue from Min Rate:	$	16,807
2024 Revenue from Flow Rate:	$	35,317

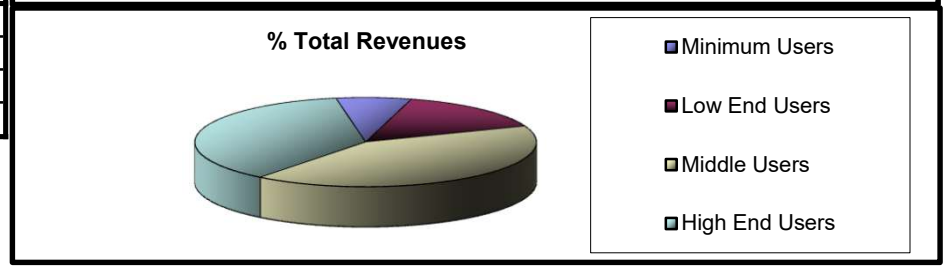
Residential Rate		
Minimum (0 - 1000) gallons:	$	11.50
All over 1000 gallons:	$	4.60
Existing Average Monthly Customer Water Bill:	$	**32.63**
Average Monthly Customer Usage:		5,493
Average Monthly Cost per 100 gal:	$	**0.59**

Actual Monthly Customer Consumption Blocks		Number of Customers	Average Volumetric Charges	Total Volumetric Charges	+ Total Minimum Charges	= Total Monthly Charges	Average Monthly Customer Usage	Average Cost per 100 Gallons
1000 gallons and Under (Minimum Only)	20%	269	$ -	$ -	$ 3,094	$ 3,094	500	$ 2.30
1,001 - 3,000 gallons (2,011 Average)	30%	402	$ 4.60	$ 1,849	$ 4,623	$ 6,472	2,011	$ 0.80
3,001 - 10,000 gallons (5,292 Average)	43%	576	$ 19.78	$ 11,393	$ 6,624	$ 18,017	5,292	$ 0.59
10,001 and Over (37,978 Average)	7%	88	$ 170.10	$ 14,969	$ 1,012	$ 15,981	37,978	$ 0.48
Totals:	**100%**	**1335**	**$ 21.13**	**$ 28,211**	**$ 15,353**	**$ 43,564**	**5,493**	**$ 0.59**

Equitability Table

Customer Usage Category	Use Range	% Total Customers	% Total Usage	% Total Revenues
Minimum Users	0-1K	20.1%	1.8%	7.1%
Low End Users	1K - 3K	30.1%	11.0%	14.9%
Middle Users	3K - 5K	43.1%	41.6%	41.4%
High End Users	Above 5K	6.6%	45.6%	36.7%





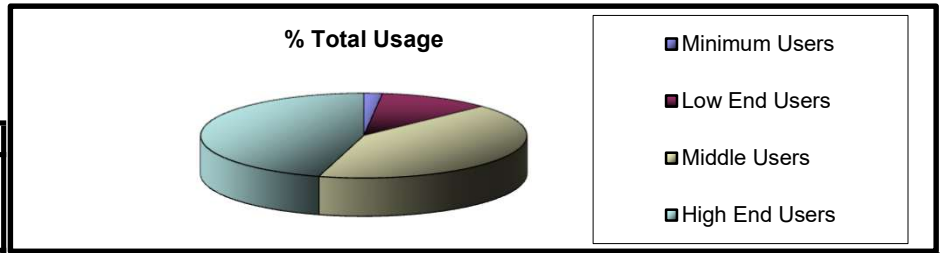
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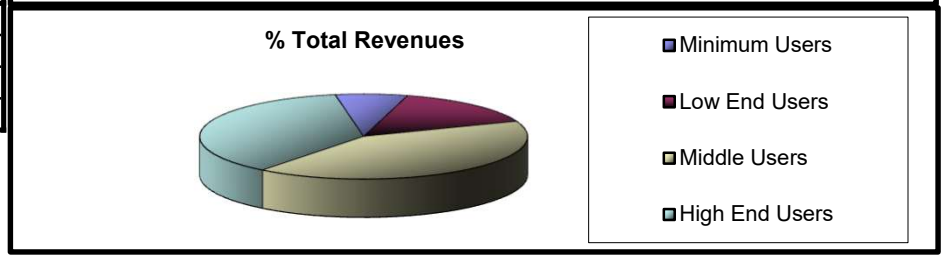
Leoma Utility District Existing Commercial Rate Profile

Commercial Rate		
Minimum (0 -1,000) gallons:	$	11.50
All over 1,000 gallons (per 1K Charge):	$	4.60
Existing Average Monthly Customer Water Bill:	**$**	**83.52**
Average Monthly Customer Usage:		16,165
Average Monthly Cost per 100 gal:	**$**	**0.52**

Actual Monthly Customer Consumption Blocks		Number of Customers	Average Volumetric Charges	Total Volumetric Charges	+ Total Minimum Charges	= Total Monthly Charges	Average Monthly Customer Usage	Average Cost per 100 Gallons
1000 gallons and Under (Minimum Only)	42%	39	$ -	$ -	$ 449	$ 449	238	$ 1.15
1001 - 3000 gallons (1.9K Average)	20%	19	$ 4.12	$ 78	$ 219	$ 297	1,895	$ 0.82
3001 - 18,000 gallons (8.3K Average)	20%	19	$ 33.63	$ 639	$ 219	$ 857	8,311	$ 0.54
18,001 and Over (81K Average)	17%	16	$ 373.80	$ 5,981	$ 184	$ 6,165	81,260	$ 0.47
Totals:	**100%**	**93**	**$ 411.54**	**$ 6,698**	**$ 1,070**	**$ 7,767**	**16,165**	**$ 0.52**

Equitability Table				
Customer Usage Category	Use Range	% Total Customers	% Total Usage	% Total Revenues
Minimum Users	0-1K	41.9%	0.1%	1.0%
Low End Users	1K - 3K	20.4%	0.5%	0.7%
Middle Users	3K - 18K	20.4%	2.2%	2.0%
High End Users	Above 18K	17.2%	17.7%	14.2%





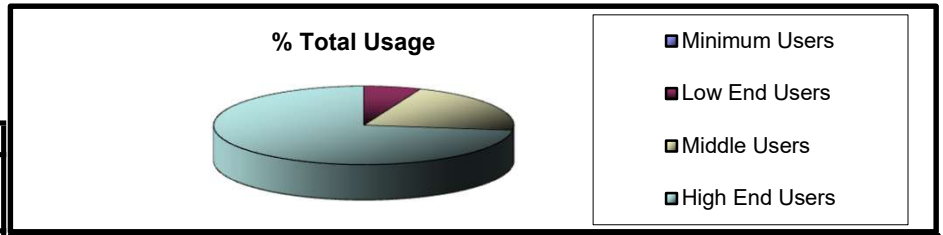
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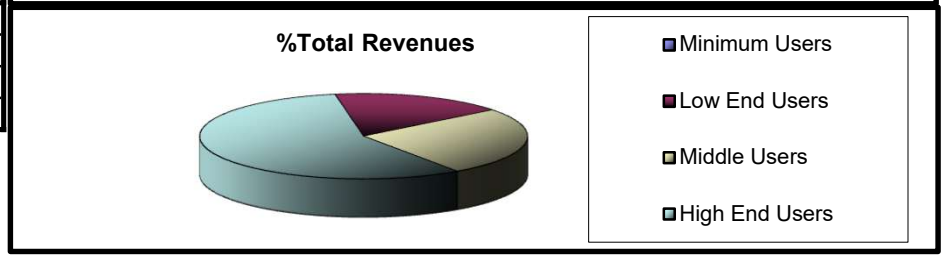
Leoma Utility District Existing Campground Rate Profile

Campground Rate		
Minimum (0 -1,000) gallons:	$	86.25
All over 1,000 gallons (per 1K Charge):	$	4.60
Existing Average Monthly Customer Water Bill:	**$**	**201.33**
Average Monthly Customer Usage:		26,017
Average Monthly Cost per 100 gal:	**$**	**0.77**

Actual Monthly Customer Consumption Blocks		Number of Customers	Average Volumetric Charges	Total Volumetric Charges	+ Total Minimum Charges	= Total Monthly Charges	Average Monthly Customer Usage	Average Cost per 100 Gallons
1000 gallons and Under (Minimum Only)	0%	0	$ -	$ -	$ -	$ -		-
1,000 - 10,000 gallons (4.8K Average)	33%	1	$ 17.48	$ 17.48	$ 86.25	$ 103.73	4,800	$ 10.37
10,001-20,000 (16.3K Average),	33%	1	$ 70.53	$ 70.53	$ 86.25	$ 156.78	16,333	$ 0.50
20,001 and Over (56.9K Average)	33%	1	$ 257.22	$ 257.22	$ 86.25	$ 343.47	56,917	$ 0.47
Totals:	**100%**	**3**	**$ 345.23**	**$ 345**	**$ 258.75**	**$ 603.98**	**26,017**	**$ 0.77**

Equitability Table				
Customer Usage Category	**Use Range**	**% Total Customers**	**% Total Usage**	**% Total Revenues**
Minimum Users	0-1K	0.0%	0.0%	0.0%
Low End Users	1K-10K	33.3%	6.1%	17.2%
Middle Users	10K-20K	33.3%	20.9%	26.0%
High End Users	Above 20K	33.3%	72.9%	56.9%





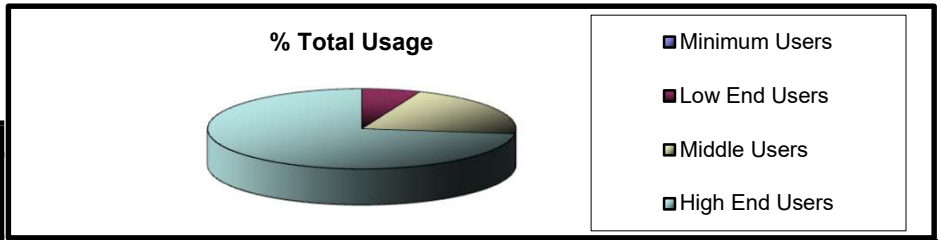
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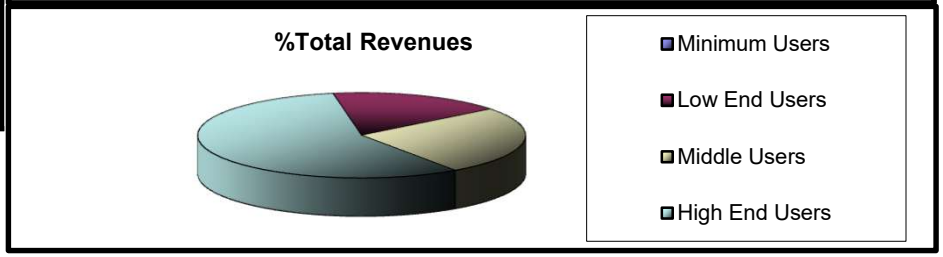
Leoma Utility District Existing Average Other Rates Profile

Average Other Rates				
House + 1 Trailer (+Tax)	Rate Code 4	Minimum (0 -1,000) gallons:	$	23.00
House + 2 Trailers	Rate Code 5	Minimum (0 -1,000) gallons:	$	34.50
Farm	Rate Code 12	Minimum (0 -4,000) gallons:	$	23.00
4 Apartments	Rate Code 13	Minimum (0 -8,000) gallons:	$	46.00
		All over Minimum (per 1K Charge):	$	4.60
		Existing Average Monthly Customer Water Bill:	**$**	**47.32**
		Average Monthly Customer Usage:		6,163
		Average Monthly Cost per 100 gal:	**$**	**0.77**

Actual Monthly Customer Consumption Blocks		Number of Customers	Average Volumetric Charges	Total Volumetric Charges	+ Total Minimum Charges	= Total Monthly Charges	Average Monthly Customer Usage	Average Cost per 100 Gallons
Rate Code 4 (5.9K Average)	25%	1	$ 17.71	$ 17.71	$ 23.00	$ 40.71	5,850	$ 0.70
Rate Code 5 (4.9K Average)	25%	1	$ 8.70	$ 8.70	$ 34.50	$ 43.20	4,892	$ 0.88
Rate Code 12 (7.0K Average)	25%	1	$ 22.85	$ 22.85	$ 23.00	$ 45.85	6,967	$ 0.66
Rate Code 13 (6.9K Average)	25%	1	$ 13.53	$ 13.53	$ 46.00	$ 59.53	6,942	$ 0.86
Totals:	**100%**	**4**	**$ 62.79**	**$ 63**	**$ 126.50**	**$ 189.29**	**6,163**	**$ 0.77**

Equitability Table				
Customer Usage Category	Use Range	% Total Customers	% Total Usage	% Total Revenues
RC 4	5,850	25.0%	23.7%	21.5%
RC 5	4,892	25.0%	19.8%	22.8%
RC 12	6,967	25.0%	28.3%	24.2%
RC 13	6,942	25.0%	28.2%	31.5%



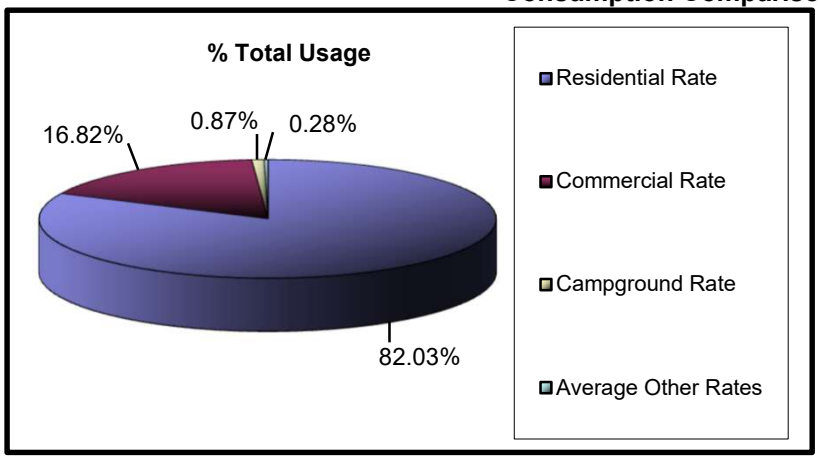


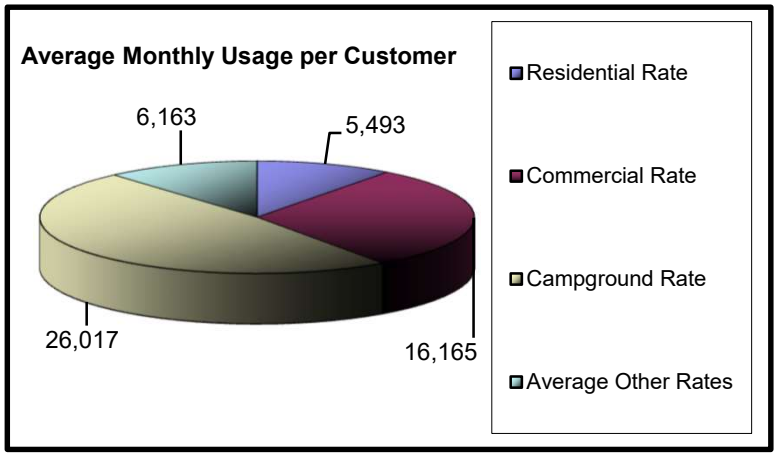
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Leoma Utility District Existing Rates Equitability Analysis

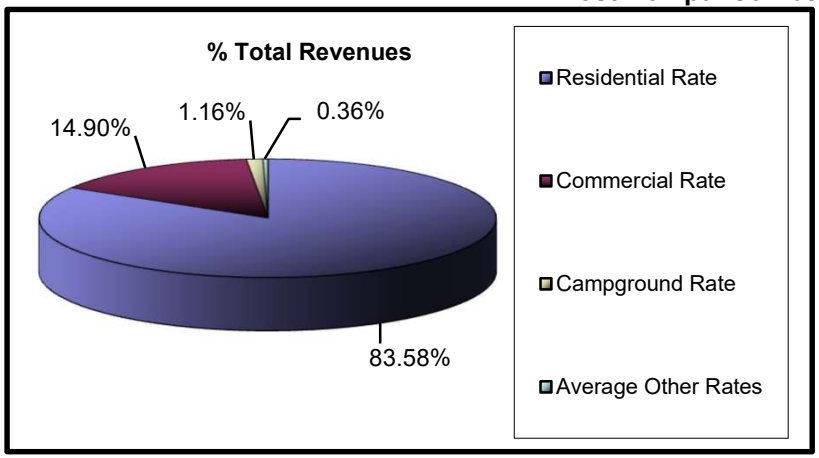
The Leoma Utility District's existing water rates for 1,435 current customers averages $36.32 per month cost (or $0.58 cost per 100 gallons). The highest cost per 100 gallons is $10.37 for the Low End Users of the Campground Rate. The lowest cost per 100 gallons is $0.47 for the High End Users of the Campground Rate. The average cost per 100 gallons for all Residential customers is $0.59. The charts below present a visual quantative representation of the equitability of the existing rate structures:

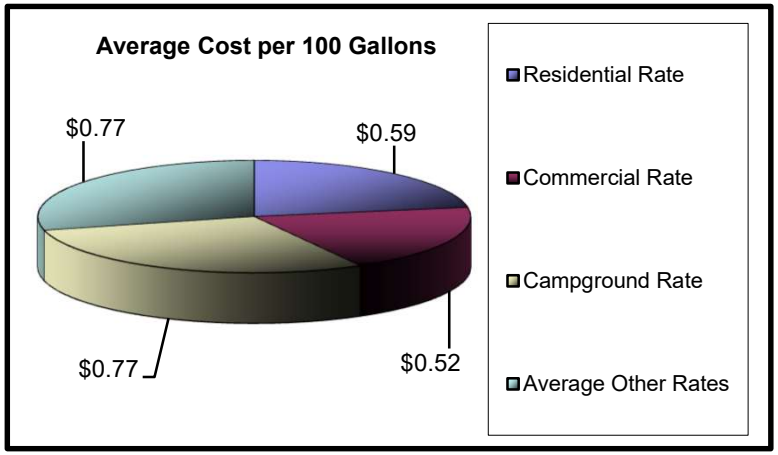
Consumption Comparison between Rate Codes





Cost Comparison between Rate Codes





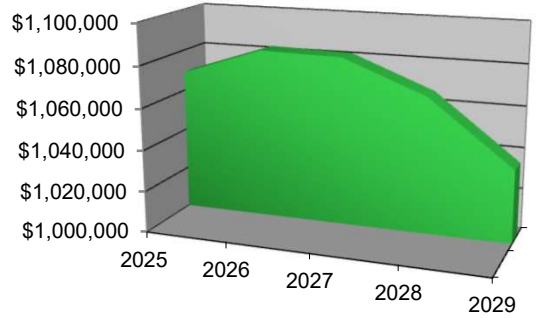
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Leoma Utility District Existing Rates Five-Year Forecast with No Change

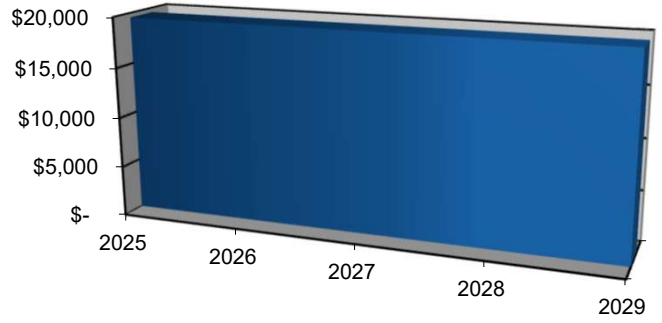
Current Customer Growth Rate:	0.3%
Projected Inflation Rate:	2.5%
2024 Income (Loss):	$ (92,279)
2025 Projected Income (Loss):	$ (51,764)
2029 Projected Income (Loss)::	$ (110,003)

	Current Year Ending 2025	Year Ending 2026	Year Ending 2027	Year Ending 2028	Year Ending 2029
Projected Revenues					
Water Sales	$ 627,305	$ 629,124	$ 630,948	$ 632,778	$ 634,613
Other Income	$ 51,318	$ 51,467	$ 51,616	$ 51,766	$ 51,916
Total Revenues	**$ 678,623**	**$ 680,591**	**$ 682,565**	**$ 684,544**	**$ 686,529**
Projected Expenses					
Fixed Expenses	$ 515,563	$ 526,121	$ 536,944	$ 548,037	$ 559,407
Variable Expenses	$ 214,824	$ 220,195	$ 225,699	$ 231,342	$ 237,125
Total Expenses	**$ 730,387**	**$ 746,316**	**$ 762,643**	**$ 779,379**	**$ 796,533**
Projected Operating Income (Loss)	**$ (51,764)**	**$ (65,725)**	**$ (80,078)**	**$ (94,835)**	**$ (110,003)**
Operating Ratio	**0.93**	**0.91**	**0.89**	**0.88**	**0.86**
(+ Depreciation)	$ 93,220	$ 93,220	$ 93,220	$ 93,220	$ 93,220
Other Cash Flows	$ (14,005)	$ (14,001)	$ (13,997)	$ (13,993)	$ (13,989)
Increase in Cash (Including Reserves)	**$ 27,451**	**$ 13,494**	**$ (855)**	**$ (15,608)**	**$ (30,772)**
Unrestricted Cash	$ 1,069,001	$ 1,082,496	$ 1,081,640	$ 1,066,033	$ 1,035,261
Restricted Cash	$ 19,562	$ 19,562	$ 19,562	$ 19,562	$ 19,562
Year-End Cash Balance	**$ 1,088,563**	**$ 1,102,058**	**$ 1,101,202**	**$ 1,085,595**	**$ 1,054,823**
Change to Net Position	**$ (65,769)**	**$ (79,726)**	**$ (94,075)**	**$ (108,828)**	**$ (123,992)**

Unrestricted Operating Fund Balance



Restricted Reserve Fund Balance



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Leoma Utility District Proposal 1 Residential Rate Profile

(Adjust both Minimum and Volumetric Rates)

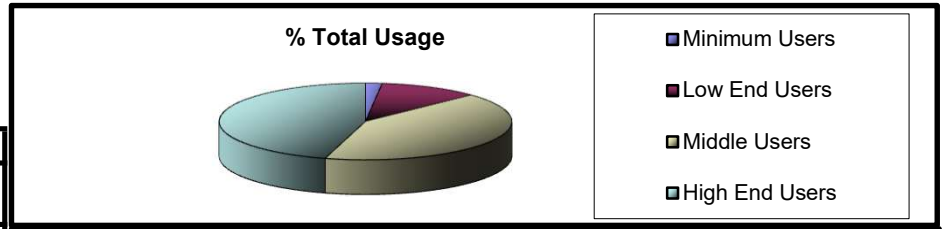
Projected Long-Term Performance	
2025 Projected Net Income with NO Rate Increase:	($51,764)
2025 Projected Operating Ratio (Should Exceed 1.1):	**0.93**
2025 Projected Net Income with THIS Proposal:	$10,738
2025 Projected Operating Ratio with THIS Proposal:	**1.01**
2029 Projected Net Income with THIS Proposal:	$84,192
2029 Projected Operating Ratio with THIS Proposal:	**1.11**

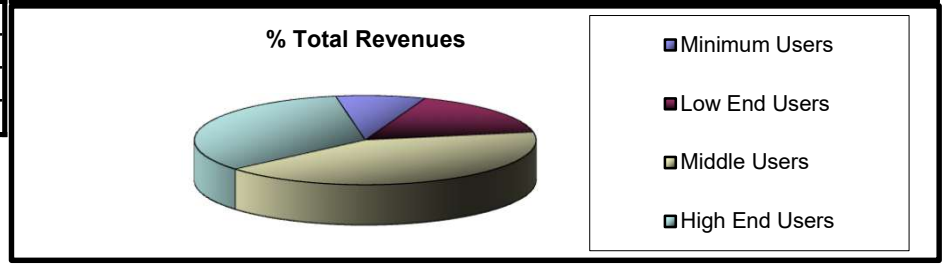
Proposed Residential Rates	
Minimum (0 - 1000) gallons:	**$ 17.50**
All over 1000 gallons:	**$ 5.25**
Old Average Monthly Water Bill:	$ 32.63
New Average Monthly Water Bill:	**41.62**
% Increase in Average Monthly Water Bill:	**27.5%**
Average Monthly Cost per 100 gal:	**$ 0.76**

Actual Monthly Customer Consumption Blocks		Number of Customers	Average Volumetric Charges	Total Volumetric Charges	+ Total Minimum Charges	= Total Monthly Charges	Average Monthly Customer Usage	Average Cost per 100 Gallons
1000 gallons and Under (Minimum Only)	20%	269	$ -	$ -	$ 4,708	$ 4,708	500	$ 3.50
1,001 - 3,000 gallons (2,011 Average)	30%	402	$ 5.25	$ 2,111	$ 7,035	$ 9,146	2,011	$ 1.13
3,001 - 10,000 gallons (5,292 Average)	43%	576	$ 22.58	$ 13,003	$ 10,080	$ 23,083	5,292	$ 0.76
10,001 and Over (37,978 Average)	7%	88	$ 194.13	$ 17,084	$ 1,540	$ 18,624	37,978	$ 0.56
Totals:	**100%**	**1335**	**$ 24.12**	**$ 32,197**	**$ 23,363**	**$ 55,560**	**5,493**	**$ 0.76**

Equitability Table

Customer Usage Category	Use Range	% Total Customers	% Total Usage	% Total Revenues
Minimum Users	0-1K	20.1%	1.8%	8.5%
Low End Users	1K - 3K	30.1%	11.0%	16.5%
Middle Users	3K - 5K	43.1%	41.6%	41.5%
High End Users	Above 5K	6.6%	45.6%	33.5%





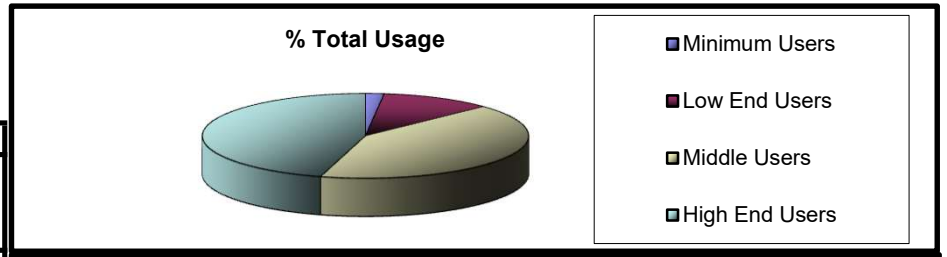
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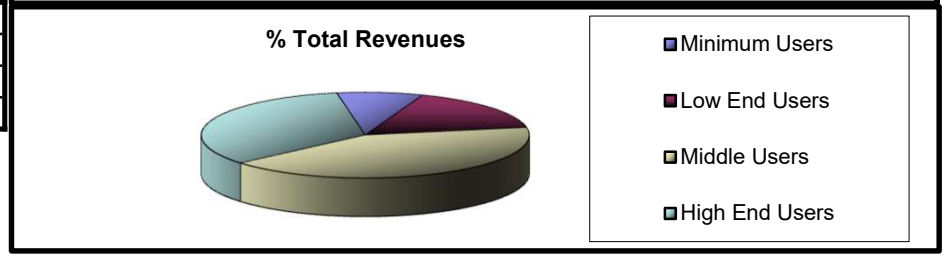
Leoma Utility District Proposal 1 Commercial Rate Profile

Proposed Commercial Rates	
Minimum (0 - 1000) gallons:	**$ 40.00**
All over 1000 gallons:	**$ 5.25**
Old Average Monthly Water Bill:	$ 83.52
New Average Monthly Water Bill:	**122.20**
% Increase in Average Monthly Water Bill:	**46.3%**
Average Monthly Cost per 100 gal:	**$ 0.76**

Actual Monthly Customer Consumption Blocks		Number of Customers	Average Volumetric Charges	Total Volumetric Charges	+ Total Minimum Charges	= Total Monthly Charges	Average Monthly Customer Usage	Average Cost per 100 Gallons
1000 gallons and Under (Minimum Only)	42%	39	$ -	$ -	$ 1,560	$ 1,560	238	$ 4.00
1001 - 3000 gallons (1.9K Average)	20%	19	$ 4.70	$ 89	$ 760	$ 849	1,895	$ 1.17
3001 - 18,000 gallons (8.3K Average)	20%	19	$ 38.38	$ 729	$ 760	$ 1,489	8,311	$ 0.67
18,001 and Over (81K Average)	17%	16	$ 426.62	$ 6,826	$ 640	$ 7,466	81,260	$ 0.55
Totals:	**100%**	**93**	**$ 469.70**	**$ 7,644**	**$ 3,720**	**$ 11,364**	**16,165**	**$ 0.76**

Equitability Table				
Customer Usage Category	**Use Range**	**% Total Customers**	**% Total Usage**	**% Total Revenues**
Minimum Users	0-1K	41.9%	0.1%	2.8%
Low End Users	1K - 3K	20.4%	0.5%	1.5%
Middle Users	3K - 18K	20.4%	2.2%	2.7%
High End Users	Above 18K	17.2%	17.7%	13.4%





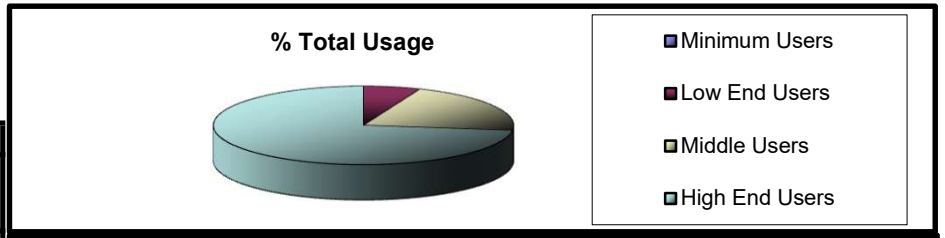
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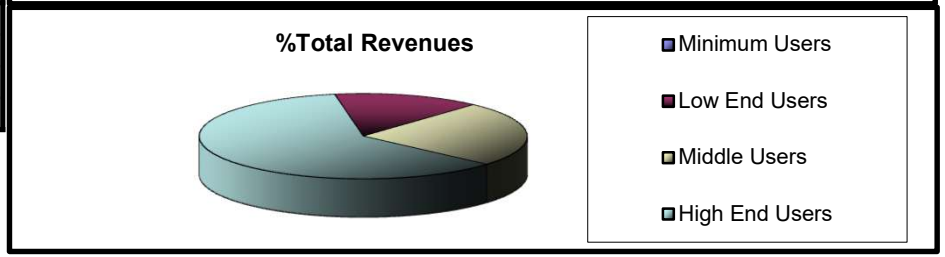
Leoma Utility District Proposal 1 Campground Rate Profile

Proposed Campground Rates	
Minimum (0 - 1000) gallons:	**$ 66.00**
All over 1000 gallons:	**$ 5.25**
Old Average Monthly Water Bill:	$ 201.33
New Average Monthly Water Bill:	**197.34**
% Increase in Average Monthly Water Bill:	**-2.0%**
Average Monthly Cost per 100 gal:	**$ 0.76**

Actual Monthly Customer Consumption Blocks		Number of Customers	Average Volumetric Charges	Total Volumetric Charges	+ Total Minimum Charges	= Total Monthly Charges	Average Monthly Customer Usage	Average Cost per 100 Gallons
1000 gallons and Under (Minimum Only)	0%	0	$ -	$ -	$ -	$ -		-
1,000 - 10,000 gallons (4.8K Average)	33%	1	$ 19.95	$ 19.95	$ 66.00	$ 85.95	4,800	$ 8.60
10,001-20,000 (16.3K Average),	33%	1	$ 80.50	$ 80.50	$ 66.00	$ 146.50	16,333	$ 0.60
20,001 and Over (56.9K Average)	33%	1	$ 293.56	$ 293.56	$ 66.00	$ 359.56	56,917	$ 0.55
Totals:	**100%**	**3**	**$ 394.01**	**$ 394**	**$ 198.00**	**$ 592.01**	**26,017**	**$ 0.76**

Equitability Table				
Customer Usage Category	**Use Range**	**% Total Customers**	**% Total Usage**	**% Total Revenues**
Minimum Users	0-1K	0.0%	0.0%	0.0%
Low End Users	1K-10K	33.3%	6.1%	14.5%
Middle Users	10K-20K	33.3%	20.9%	24.7%
High End Users	Above 20K	33.3%	72.9%	60.7%





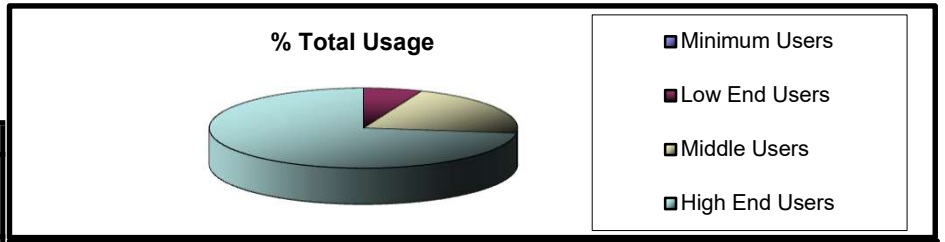
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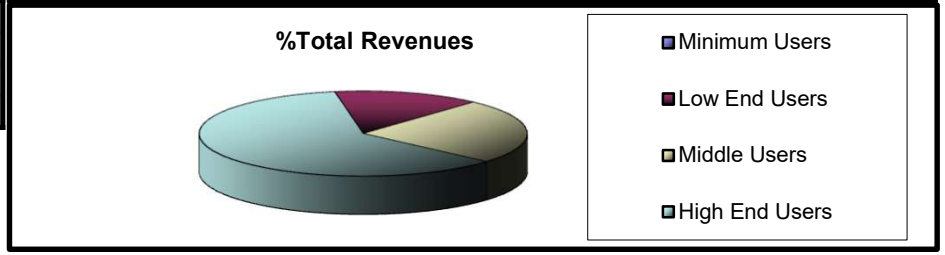
Leoma Utility District Proposal 1 Average Other Rates Profile

Average Other Rates				
House + 1 Trailer (+Tax)	Rate Code 4	Old Minimum Rate	$	23.00
		New Minimum Rate	**$**	**22.00**
House + 2 Trailers	Rate Code 5	Old Minimum Rate	$	34.50
		New Minimum Rate	**$**	**33.00**
Farm	Rate Code 12	Old Minimum Rate	$	22.00
		New Minimum Rate	**$**	**17.50**
4 Apartments	Rate Code 13	Old Minimum Rate	$	46.00
		New Minimum Rate	**$**	**44.00**
		All over Minimum (per 1K Charge):	**$**	**5.25**
		Old Average Monthly Water Bill:	$	47.32
		New Average Monthly Water Bill:	**$**	**47.04**
		% Increase in Average Monthly Water Bill:		**-0.6%**
		Average Monthly Cost per 100 gal:	**$**	**0.76**

Actual Monthly Customer Consumption Blocks		Number of Customers	Average Volumetric Charges	Total Volumetric Charges	+ Total Minimum Charges	= Total Monthly Charges	Average Monthly Customer Usage	Average Cost per 100 Gallons
Rate Code 4 (5.9K Average)	25%	1	$ 20.21	$ 20.21	$ 22.00	$ 42.21	5,850	$ 0.72
Rate Code 5 (4.9K Average)	25%	1	$ 9.93	$ 9.93	$ 33.00	$ 42.93	4,892	$ 0.88
Rate Code 12 (7.0K Average)	25%	1	$ 26.08	$ 26.08	$ 17.50	$ 43.58	6,967	$ 0.63
Rate Code 13 (6.9K Average)	25%	1	$ 15.45	$ 15.45	$ 44.00	$ 59.45	6,942	$ 0.86
Totals:	**100%**	**4**	**$ 71.67**	**$ 72**	**$ 116.50**	**$ 188.17**	**6,163**	**$ 0.76**

Equitability Table				
Customer Usage Category	Use Range	% Total Customers	% Total Usage	% Total Revenues
RC 4	5,850	25.0%	23.7%	22.4%
RC 5	4,892	25.0%	19.8%	22.8%
RC 12	6,967	25.0%	28.3%	23.2%
RC 13	6,942	25.0%	28.2%	31.6%



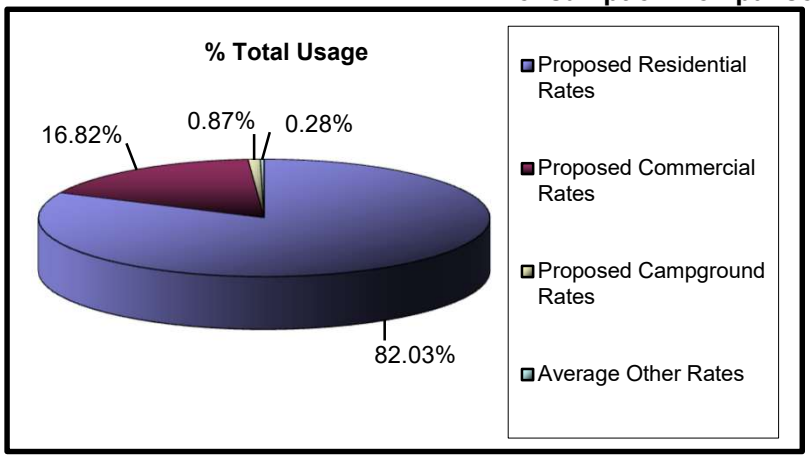


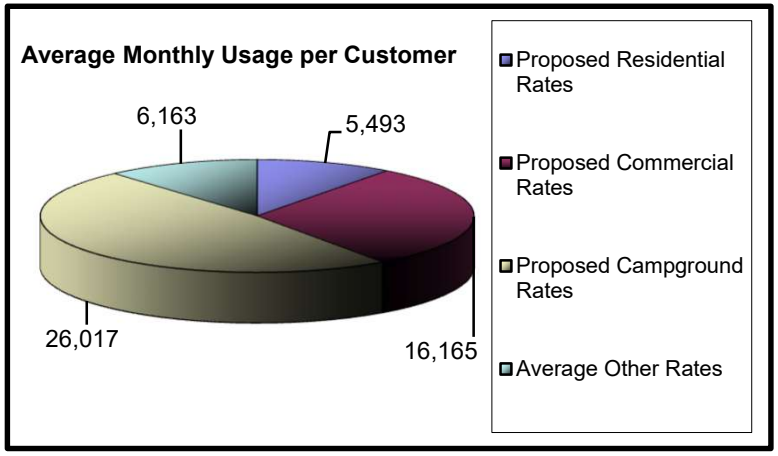
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Leoma Utility District Existing Rates Equitability Analysis

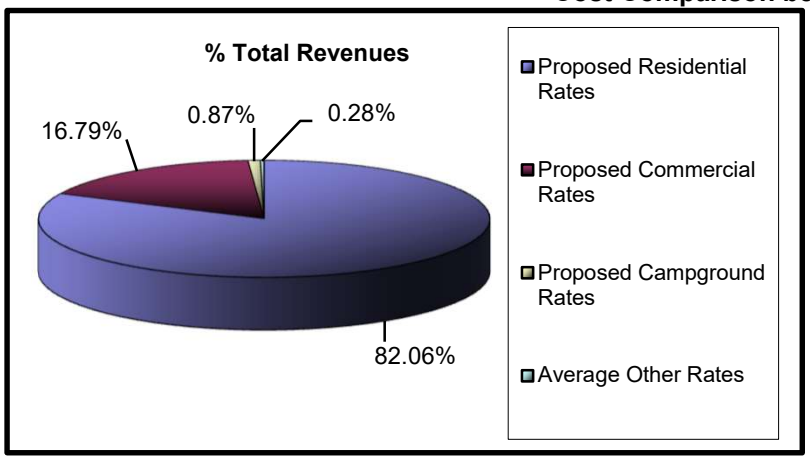
The Leoma Utility District's Proposal 1 water rates for 1,435 current customers is projected to be $47.18 per month cost (or $0.76 cost per 100 gallons). The highest cost per 100 gallons is projected at $8.60 for the Low End Users of the Proposed Campground Rates. The lowest cost per 100 gallons is projected at $0.55 for the High End Users of the Proposed Campground Rates. The average cost per 100 gallons for all Residential customers is projected at $0.76. The charts below present a visual quantative representation of the equitability of the Proposal 1 rate structures:

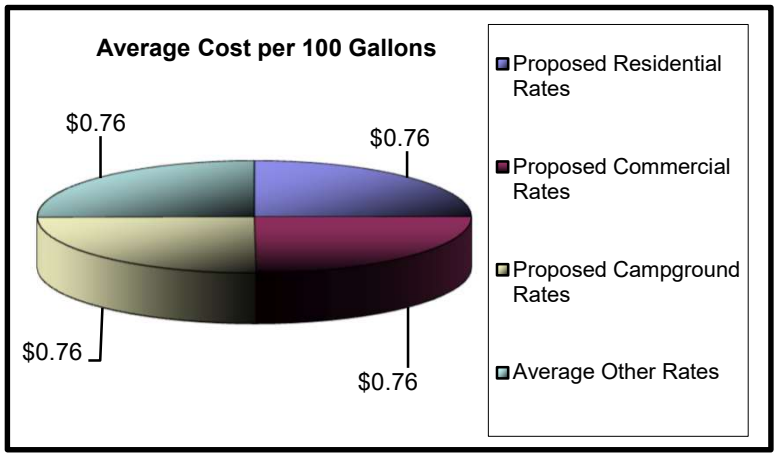
Consumption Comparison between Rate Codes





Cost Comparison between Rate Codes



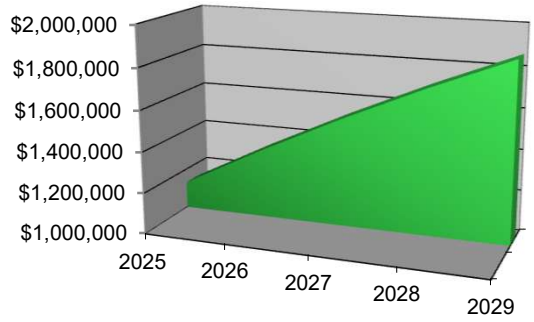


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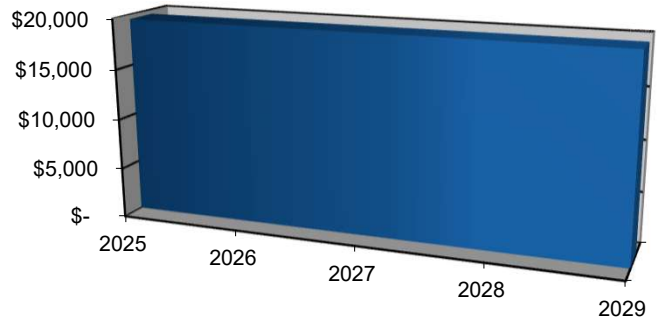
Leoma Utility District Proposal 1 Rates Five-Year Forecast

	Current Year Ending 2025		Year Ending 2026		Year Ending 2027		Year Ending 2028		Year Ending 2029
Projected Revenues									
Water Sales	$ 689,806		$ 812,649		$ 815,006		$ 817,370		$ 819,740
Other Income	$ 51,318		$ 60,457		$ 60,633		$ 60,809		$ 60,985
Total Revenues	**$ 741,125**		**$ 873,107**		**$ 875,639**		**$ 878,178**		**$ 880,725**
Projected Expenses									
Fixed Expenses	$ 515,563		$ 526,121		$ 536,944		$ 548,037		$ 559,407
Variable Expenses	$ 214,824		$ 220,195		$ 225,699		$ 231,342		$ 237,125
Total Expenses	**$ 730,387**		**$ 746,316**		**$ 762,643**		**$ 779,379**		**$ 796,533**
Projected Income (Loss)	**$ 10,738**		**$ 126,791**		**$ 112,996**		**$ 98,799**		**$ 84,192**
Operating Ratio	**1.01**		**1.17**		**1.15**		**1.13**		**1.11**
(+ Depreciation)	$ 93,220		$ 93,220		$ 93,220		$ 93,220		$ 93,220
Other Cash Flows	$ (14,005)		$ (14,001)		$ (13,997)		$ (13,993)		$ (13,989)
Increase in Cash (Including Reserves)	**$ 89,953**		**$ 206,010**		**$ 192,219**		**$ 178,026**		**$ 163,423**
Unrestricted Cash	$ 1,131,503		$ 1,337,513		$ 1,529,732		$ 1,707,758		$ 1,871,181
Restricted Cash	$ 19,562		$ 19,562		$ 19,562		$ 19,562		$ 19,562
Year-End Cash Balance	**$ 1,151,065**		**$ 1,357,075**		**$ 1,549,294**		**$ 1,727,320**		**$ 1,890,743**
Change to Net Position	**$ (26,489)**		**$ 100,302**		**$ 213,298**		**$ 312,097**		**$ 396,290**

Unrestricted Operating Fund Balance



Restricted Reserve Fund Balance



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Leoma Utility District Proposal 2 Residential Rate Profile

(Primarily Adjust Volumetric Rate)

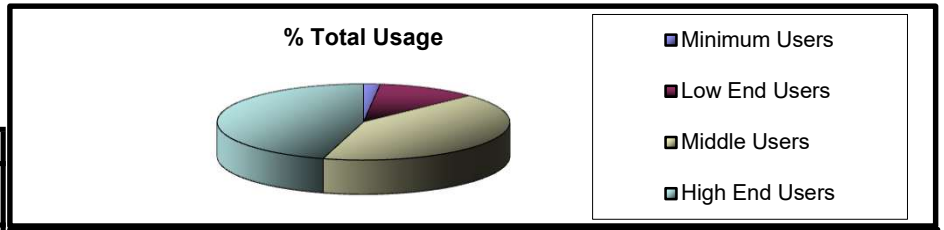
Projected Long-Term Performance	
2025 Projected Net Income with NO Rate Increase:	($51,764)
2025 Projected Operating Ratio (Should Exceed 1.1):	**0.93**
2025 Projected Net Income with THIS Proposal:	$12,260
2025 Projected Operating Ratio with THIS Proposal:	**1.02**
2029 Projected Net Income with THIS Proposal:	$88,994
2029 Projected Operating Ratio with THIS Proposal:	**1.11**

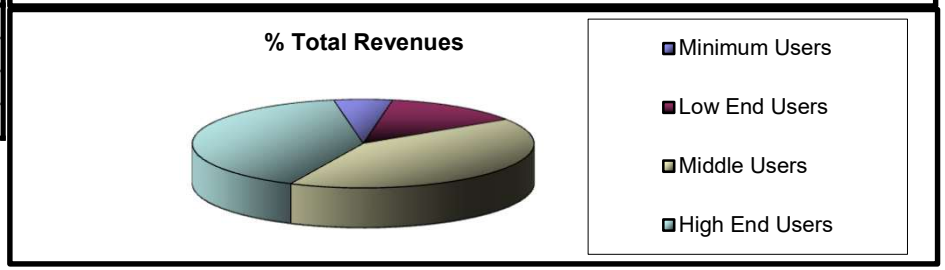
Proposed Residential Rates	
Minimum (0 - 1000) gallons:	$ 11.50
All over 1000 gallons:	**$ 6.60**
Old Average Monthly Water Bill:	$ 32.63
New Average Monthly Water Bill:	**41.82**
% Increase in Average Monthly Water Bill:	**28.2%**
Average Monthly Cost per 100 gal:	**$ 0.76**

Actual Monthly Customer Consumption Blocks		Number of Customers	Average Volumetric Charges	Total Volumetric Charges	+ Total Minimum Charges	= Total Monthly Charges	Average Monthly Customer Usage	Average Cost per 100 Gallons
1000 gallons and Under (Minimum Only)	20%	269	$ -	$ -	$ 3,094	$ 3,094	500	$ 2.30
1,001 - 3,000 gallons (2,011 Average)	30%	402	$ 6.60	$ 2,653	$ 4,623	$ 7,276	2,011	$ 0.90
3,001 - 10,000 gallons (5,292 Average)	43%	576	$ 28.38	$ 16,347	$ 6,624	$ 22,971	5,292	$ 0.75
10,001 and Over (37,978 Average)	7%	88	$ 244.05	$ 21,477	$ 1,012	$ 22,489	37,978	$ 0.67
Totals:	**100%**	**1335**	**$ 30.32**	**$ 40,477**	**$ 15,353**	**$ 55,829**	**5,493**	**$ 0.76**

Equitability Table

Customer Usage Category	Use Range	% Total Customers	% Total Usage	% Total Revenues
Minimum Users	0-1K	20.1%	1.8%	5.5%
Low End Users	1K - 3K	30.1%	11.0%	13.0%
Middle Users	3K - 5K	43.1%	41.6%	41.1%
High End Users	Above 5K	6.6%	45.6%	40.3%





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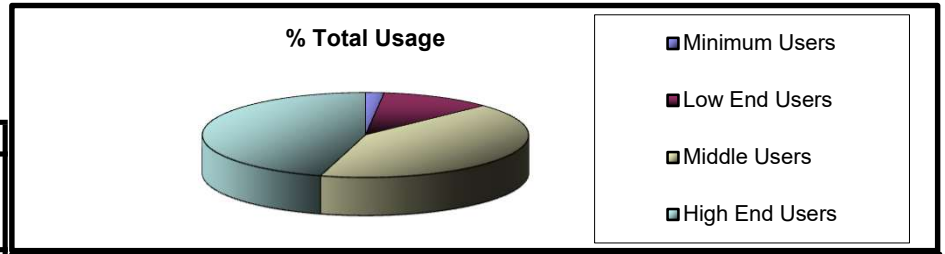
Leoma Utility District Proposal 2 Commercial Rate Profile

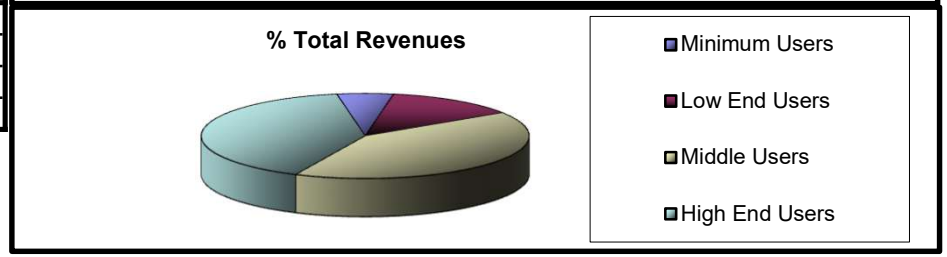
Proposed Commercial Rates		
Minimum (0 - 1000) gallons:	$	20.00
All over 1000 gallons:	$	6.60
Old Average Monthly Water Bill:	$	83.52
New Average Monthly Water Bill:		**123.33**
% Increase in Average Monthly Water Bill:		**47.7%**
Average Monthly Cost per 100 gal:	**$**	**0.76**

Actual Monthly Customer Consumption Blocks		Number of Customers	Average Volumetric Charges	Total Volumetric Charges	+ Total Minimum Charges	= Total Monthly Charges	Average Monthly Customer Usage	Average Cost per 100 Gallons
1000 gallons and Under (Minimum Only)	42%	39	$ -	$ -	$ 780	$ 780	238	$ 2.00
1001 - 3000 gallons (1.9K Average)	20%	19	$ 5.91	$ 112	$ 380	$ 492	1,895	$ 0.92
3001 - 18,000 gallons (8.3K Average)	20%	19	$ 48.25	$ 917	$ 380	$ 1,297	8,311	$ 0.72
18,001 and Over (81K Average)	17%	16	$ 536.32	$ 8,581	$ 320	$ 8,901	81,260	$ 0.67
Totals:	**100%**	**93**	**$ 590.48**	**$ 9,610**	**$ 1,860**	**$ 11,470**	**16,165**	**$ 0.76**

Equitability Table

Customer Usage Category	Use Range	% Total Customers	% Total Usage	% Total Revenues
Minimum Users	0-1K	41.9%	0.1%	1.4%
Low End Users	1K - 3K	20.4%	0.5%	0.9%
Middle Users	3K - 18K	20.4%	2.2%	2.3%
High End Users	Above 18K	17.2%	17.7%	15.9%





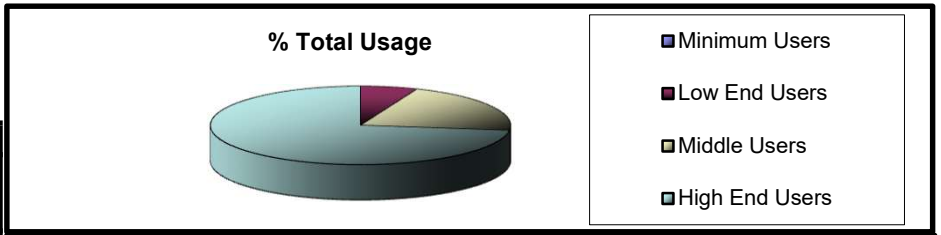
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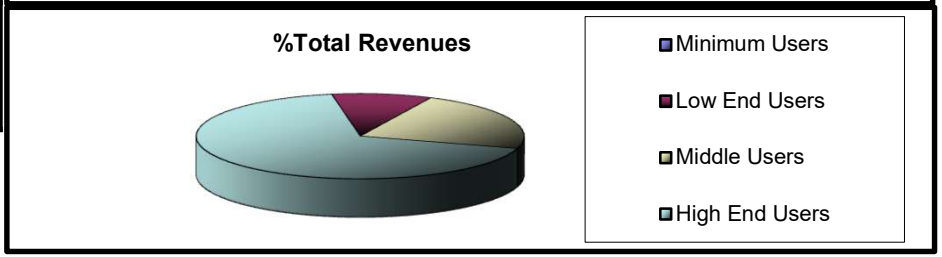
Leoma Utility District Proposal 2 Campground Rate Profile

Proposed Campground Rates	
Minimum (0 - 1000) gallons:	**$ 33.75**
All over 1000 gallons:	**$ 6.60**
Old Average Monthly Water Bill:	$ 201.33
New Average Monthly Water Bill:	**198.86**
% Increase in Average Monthly Water Bill:	**-1.2%**
Average Monthly Cost per 100 gal:	**$ 0.76**

Actual Monthly Customer Consumption Blocks		Number of Customers	Average Volumetric Charges	Total Volumetric Charges	+ Total Minimum Charges	= Total Monthly Charges	Average Monthly Customer Usage	Average Cost per 100 Gallons
1000 gallons and Under (Minimum Only)	0%	0	$ -	$ -	$ -	$ -		-
1,000 - 10,000 gallons (4.8K Average)	33%	1	$ 25.08	$ 25.08	$ 33.75	$ 58.83	4,800	$ 5.88
10,001-20,000 (16.3K Average),	33%	1	$ 101.20	$ 101.20	$ 33.75	$ 134.95	16,333	$ 0.69
20,001 and Over (56.9K Average)	33%	1	$ 369.05	$ 369.05	$ 33.75	$ 402.80	56,917	$ 0.67
Totals:	**100%**	**3**	**$ 495.33**	**$ 495**	**$ 101.25**	**$ 596.58**	**26,017**	**$ 0.76**

Equitability Table				
Customer Usage Category	**Use Range**	**% Total Customers**	**% Total Usage**	**% Total Revenues**
Minimum Users	0-1K	0.0%	0.0%	0.0%
Low End Users	1K-10K	33.3%	6.1%	9.9%
Middle Users	10K-20K	33.3%	20.9%	22.6%
High End Users	Above 20K	33.3%	72.9%	67.5%





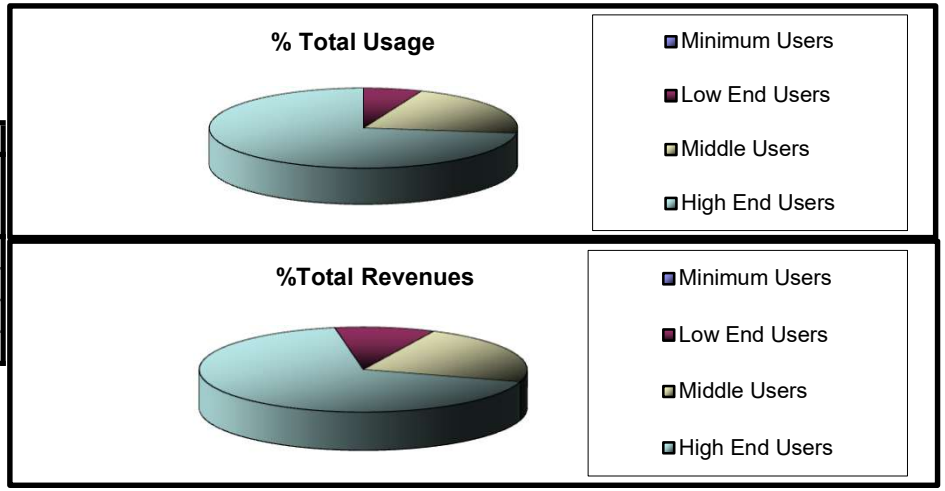
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Leoma Utility District Proposal 2 Average Other Rates Profile

Average Other Rates				
House + 1 Trailer (+Tax)	Rate Code 4	Old Minimum Rate	$	23.00
		New Minimum Rate	**$**	**12.25**
House + 2 Trailers	Rate Code 5	Old Minimum Rate	$	34.50
		New Minimum Rate	**$**	**24.50**
Farm	Rate Code 12	Old Minimum Rate	$	12.25
		New Minimum Rate	**$**	**12.25**
4 Apartments	Rate Code 13	Old Minimum Rate	$	46.00
		New Minimum Rate	**$**	**49.00**
		All over Minimum (per 1K Charge):	**$**	**6.60**
		Old Average Monthly Water Bill:	$	47.32
		New Average Monthly Water Bill:	**$**	**47.02**
		% Increase in Average Monthly Water Bill:		**-0.6%**
		Average Monthly Cost per 100 gal:	**$**	**0.76**

Actual Monthly Customer Consumption Blocks		Number of Customers	Average Volumetric Charges	Total Volumetric Charges	+ Total Minimum Charges	= Total Monthly Charges	Average Monthly Customer Usage	Average Cost per 100 Gallons
Rate Code 4 (5.9K Average)	25%	1	$ 25.41	$ 25.41	$ 12.25	$ 37.66	5,850	$ 0.64
Rate Code 5 (4.9K Average)	25%	1	$ 12.49	$ 12.49	$ 24.50	$ 36.99	4,892	$ 0.76
Rate Code 12 (7.0K Average)	25%	1	$ 32.78	$ 32.78	$ 12.25	$ 45.03	6,967	$ 0.65
Rate Code 13 (6.9K Average)	25%	1	$ 19.42	$ 19.42	$ 49.00	$ 68.42	6,942	$ 0.99
Totals:	**100%**	**4**	**$ 90.10**	**$ 90**	**$ 98.00**	**$ 188.10**	**6,163**	**$ 0.76**

Equitability Table				
Customer Usage Category	Use Range	% Total Customers	% Total Usage	% Total Revenues
RC 4	5,850	25.0%	23.7%	20.0%
RC 5	4,892	25.0%	19.8%	19.7%
RC 12	6,967	25.0%	28.3%	23.9%
RC 13	6,942	25.0%	28.2%	36.4%

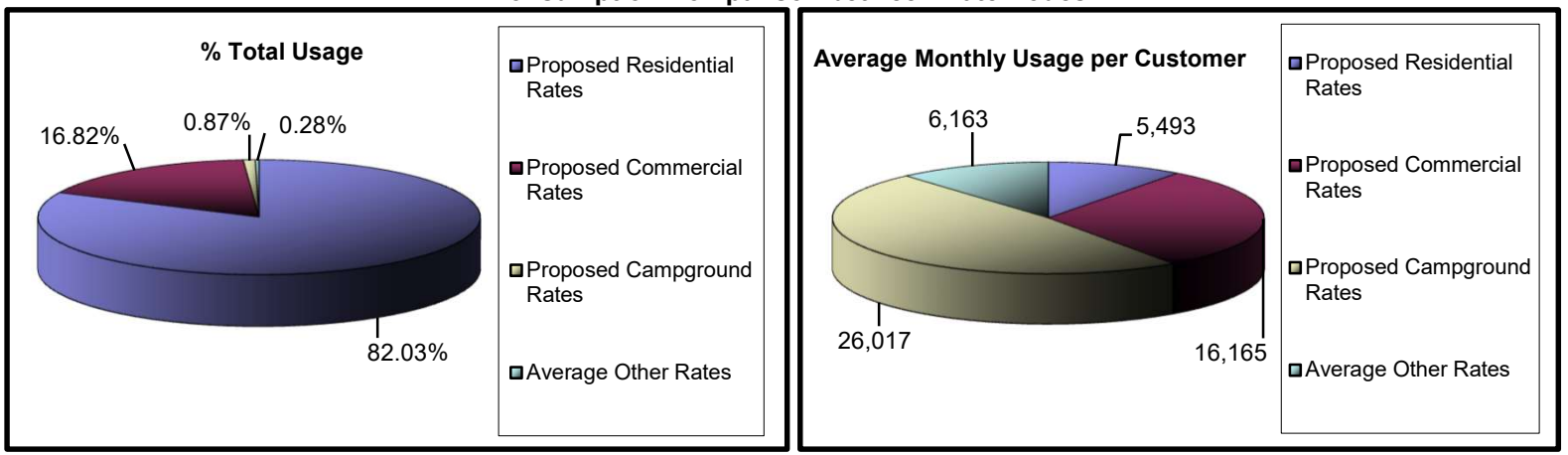


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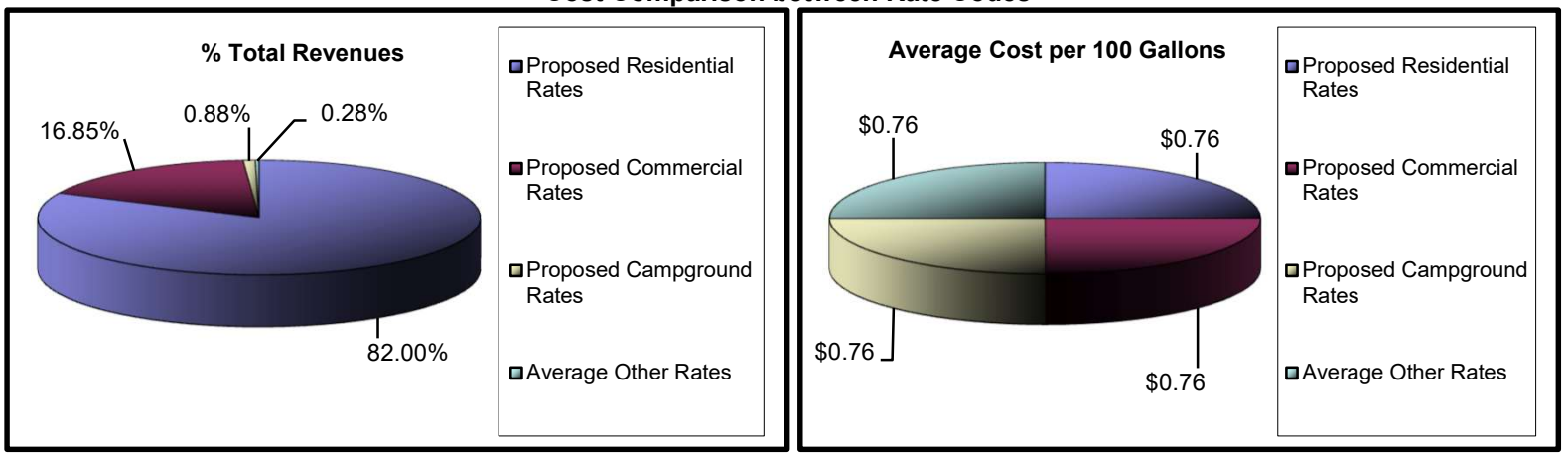
Leoma Utility District Existing Rates Equitability Analysis

The Leoma Utility District's Proposal 2 water rates for 1,435 current customers is projected to be $47.45 per month cost (or $0.76 cost per 100 gallons). The highest cost per 100 gallons is projected at $5.88 for the Low End Users of the Proposed Campground Rates. The lowest cost per 100 gallons is projected at $0.64 for the RC 4 of the Average Other Rates. The average cost per 100 gallons for all Residential customers is projected at $0.76. The charts below present a visual quantative representation of the equitability of the Proposal 2 rate structures:

Consumption Comparison between Rate Codes



Cost Comparison between Rate Codes

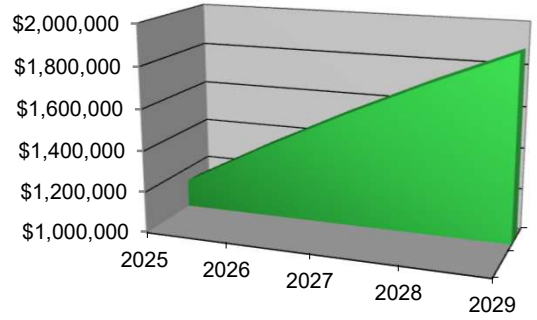


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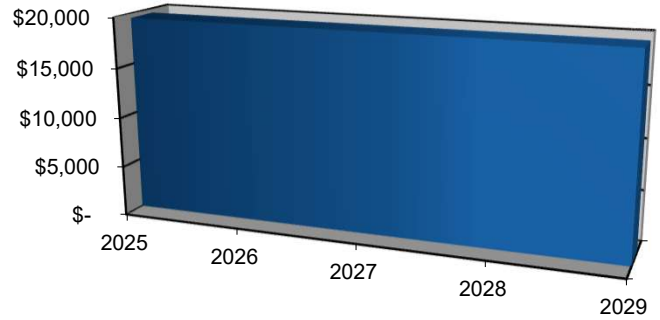
Leoma Utility District Proposal 2 Rates Five-Year Forecast

	Current Year Ending 2025		Year Ending 2026		Year Ending 2027		Year Ending 2028		Year Ending 2029
Projected Revenues									
Water Sales	$ 691,329		$ 817,205		$ 819,575		$ 821,951		$ 824,335
Other Income	$ 51,318		$ 60,662		$ 60,838		$ 61,015		$ 61,192
Total Revenues	**$ 742,647**		**$ 877,867**		**$ 880,413**		**$ 882,966**		**$ 885,527**
Projected Expenses									
Fixed Expenses	$ 515,563		$ 526,121		$ 536,944		$ 548,037		$ 559,407
Variable Expenses	$ 214,824		$ 220,195		$ 225,699		$ 231,342		$ 237,125
Total Expenses	**$ 730,387**		**$ 746,316**		**$ 762,643**		**$ 779,379**		**$ 796,533**
Projected Income (Loss)	**$ 12,260**		**$ 131,551**		**$ 117,770**		**$ 103,587**		**$ 88,994**
Operating Ratio	**1.02**		**1.18**		**1.15**		**1.13**		**1.11**
(+ Depreciation)	$ 93,220		$ 93,220		$ 93,220		$ 93,220		$ 93,220
Other Cash Flows	$ (14,005)		$ (14,001)	$ -	$ (13,997)	$ -	$ (13,993)	$ -	$ (13,989)
Increase in Cash (Including Reserves)	**$ 91,475**		**$ 210,770**	**$ -**	**$ 196,993**	**$ -**	**$ 182,814**	**$ -**	**$ 168,225**
Unrestricted Cash	$ 1,133,025		$ 1,343,796		$ 1,540,789		$ 1,723,603		$ 1,891,828
Restricted Cash	$ 19,562		$ 19,562		$ 19,562		$ 19,562		$ 19,562
Year-End Cash Balance	**$ 1,152,587**		**$ 1,363,358**		**$ 1,560,351**		**$ 1,743,165**		**$ 1,911,390**
Change to Net Position	**$ (24,966)**		**$ 106,585**		**$ 224,355**		**$ 327,942**		**$ 416,936**

Unrestricted Operating Fund Balance



Restricted Reserve Fund Balance



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Leoma Utility District Proposal 3 Residential Rate Profile

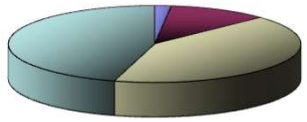
(Primarily Adjust only Minimum Rates)

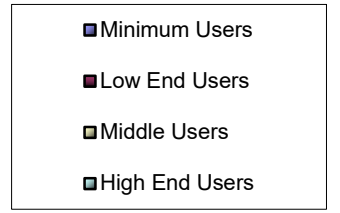
Projected Long-Term Performance	
2025 Projected Net Income with NO Rate Increase:	($51,764)
2025 Projected Operating Ratio (Should Exceed 1.1):	**0.93**
2025 Projected Net Income with THIS Proposal:	$11,122
2025 Projected Operating Ratio with THIS Proposal:	**1.02**
2029 Projected Net Income with THIS Proposal:	$85,404
2029 Projected Operating Ratio with THIS Proposal:	**1.11**

Proposed Residential Rates	
Minimum (0 - 1000) gallons:	**$ 20.50**
All over 1000 gallons:	$ 4.60
Old Average Monthly Water Bill:	$ 32.63
New Average Monthly Water Bill:	**41.63**
% Increase in Average Monthly Water Bill:	**27.6%**
Average Monthly Cost per 100 gal:	**$ 0.76**

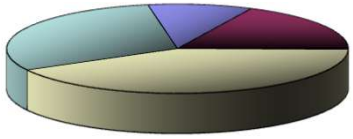
Actual Monthly Customer Consumption Blocks		Number of Customers	Average Volumetric Charges	Total Volumetric Charges	+ Total Minimum Charges	= Total Monthly Charges	Average Monthly Customer Usage	Average Cost per 100 Gallons
1000 gallons and Under (Minimum Only)	20%	269	$ -	$ -	$ 5,515	$ 5,515	500	$ 4.10
1,001 - 3,000 gallons (2,011 Average)	30%	402	$ 4.60	$ 1,849	$ 8,241	$ 10,090	2,011	$ 1.25
3,001 - 10,000 gallons (5,292 Average)	43%	576	$ 19.78	$ 11,393	$ 11,808	$ 23,201	5,292	$ 0.76
10,001 and Over (37,978 Average)	7%	88	$ 170.10	$ 14,969	$ 1,804	$ 16,773	37,978	$ 0.50
Totals:	**100%**	**1335**	**$ 21.13**	**$ 28,211**	**$ 27,368**	**$ 55,579**	**5,493**	**$ 0.76**

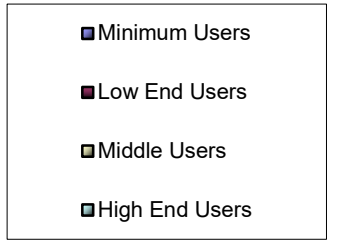
% Total Usage





% Total Revenues





Equitability Table				
Customer Usage Category	**Use Range**	**% Total Customers**	**% Total Usage**	**% Total Revenues**
Minimum Users	0-1K	20.1%	1.8%	9.9%
Low End Users	1K - 3K	30.1%	11.0%	18.2%
Middle Users	3K - 5K	43.1%	41.6%	41.7%
High End Users	Above 5K	6.6%	45.6%	30.2%

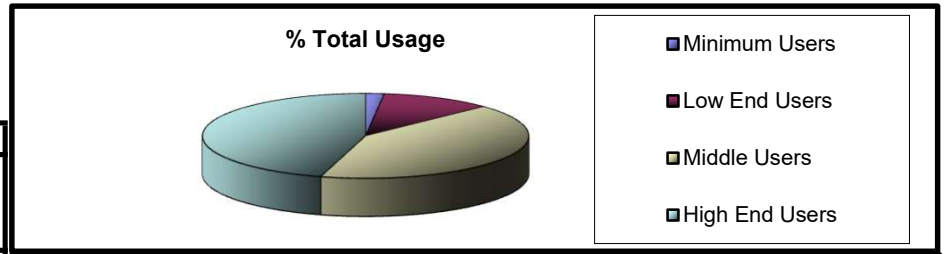
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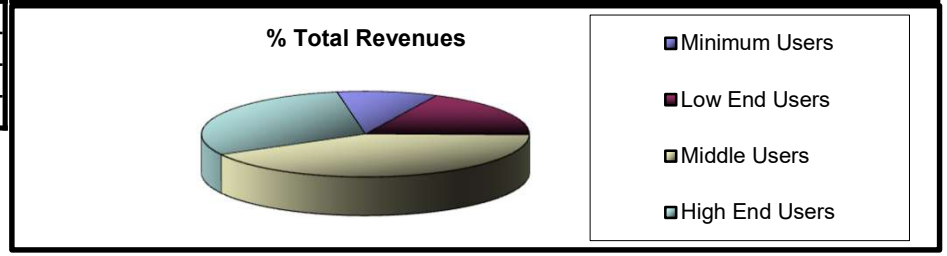
Leoma Utility District Proposal 3 Commercial Rate Profile

Proposed Commercial Rates		
Minimum (0 - 1000) gallons:	**$**	**51.00**
All over 1000 gallons:	$	4.60
Old Average Monthly Water Bill:	$	83.52
New Average Monthly Water Bill:		**123.02**
% Increase in Average Monthly Water Bill:		**47.3%**
Average Monthly Cost per 100 gal:	**$**	**0.76**

Actual Monthly Customer Consumption Blocks		Number of Customers	Average Volumetric Charges	Total Volumetric Charges	+ Total Minimum Charges	= Total Monthly Charges	Average Monthly Customer Usage	Average Cost per 100 Gallons
1000 gallons and Under (Minimum Only)	42%	39	$ -	$ -	$ 1,989	$ 1,989	238	$ 5.10
1001 - 3000 gallons (1.9K Average)	20%	19	$ 4.12	$ 78	$ 969	$ 1,047	1,895	$ 1.30
3001 - 18,000 gallons (8.3K Average)	20%	19	$ 33.63	$ 639	$ 969	$ 1,608	8,311	$ 0.65
18,001 and Over (81K Average)	17%	16	$ 373.80	$ 5,981	$ 816	$ 6,797	81,260	$ 0.49
Totals:	**100%**	**93**	**$ 411.54**	**$ 6,698**	**$ 4,743**	**$ 11,441**	**16,165**	**$ 0.76**

Equitability Table				
Customer Usage Category	**Use Range**	**% Total Customers**	**% Total Usage**	**% Total Revenues**
Minimum Users	0-1K	41.9%	0.1%	3.6%
Low End Users	1K - 3K	20.4%	0.5%	1.9%
Middle Users	3K - 18K	20.4%	2.2%	2.9%
High End Users	Above 18K	17.2%	17.7%	12.2%



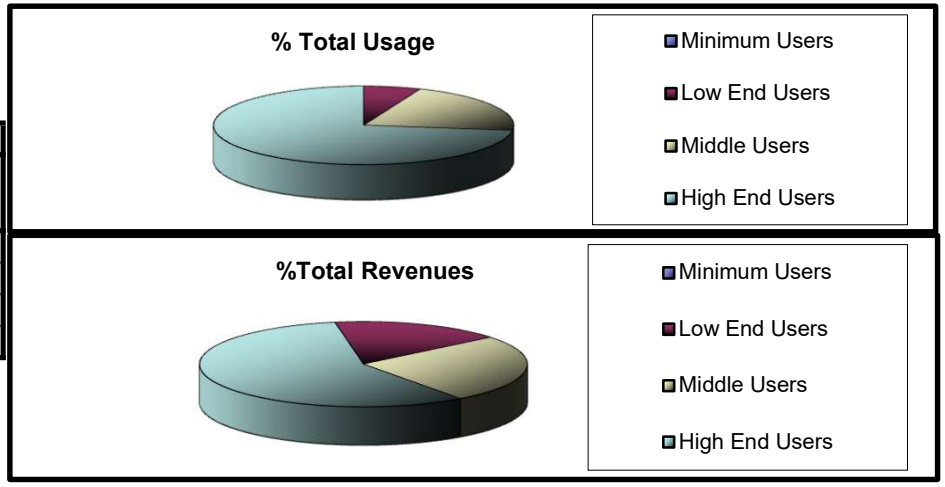


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Leoma Utility District Proposal 3 Campground Rate Profile

Proposed Campground Rates	
Minimum (0 - 1000) gallons:	**$ 83.00**
All over 1000 gallons:	$ 4.60
Old Average Monthly Water Bill:	$ 201.33
New Average Monthly Water Bill:	**198.08**
% Increase in Average Monthly Water Bill:	**-1.6%**
Average Monthly Cost per 100 gal:	**$ 0.76**

Actual Monthly Customer Consumption Blocks		Number of Customers	Average Volumetric Charges	Total Volumetric Charges	+ Total Minimum Charges	= Total Monthly Charges	Average Monthly Customer Usage	Average Cost per 100 Gallons
1000 gallons and Under (Minimum Only)	0%	0	$ -	$ -	$ -	$ -		-
1,000 - 10,000 gallons (4.8K Average)	33%	1	$ 17.48	$ 17.48	$ 83.00	$ 100.48	4,800	$ 10.05
10,001-20,000 (16.3K Average),	33%	1	$ 70.53	$ 70.53	$ 83.00	$ 153.53	16,333	$ 0.56
20,001 and Over (56.9K Average)	33%	1	$ 257.22	$ 257.22	$ 83.00	$ 340.22	56,917	$ 0.49
Totals:	**100%**	**3**	**$ 345.23**	**$ 345**	**$ 249.00**	**$ 594.23**	**26,017**	**$ 0.76**



Equitability Table				
Customer Usage Category	**Use Range**	**% Total Customers**	**% Total Usage**	**% Total Revenues**
Minimum Users	0-1K	0.0%	0.0%	0.0%
Low End Users	1K-10K	33.3%	6.1%	16.9%
Middle Users	10K-20K	33.3%	20.9%	25.8%
High End Users	Above 20K	33.3%	72.9%	57.3%

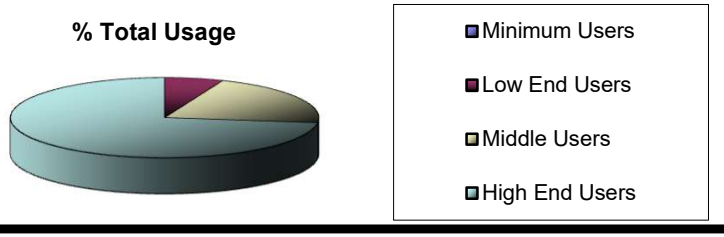
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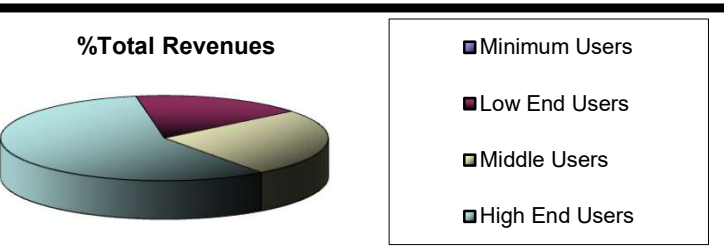
Leoma Utility District Proposal 3 Average Other Rates Profile

Average Other Rates				
House + 1 Trailer (+Tax)	Rate Code 4	Old Minimum Rate	$	23.00
		New Minimum Rate	**$**	**22.50**
House + 2 Trailers	Rate Code 5	Old Minimum Rate	$	34.50
		New Minimum Rate	**$**	**33.75**
Farm	Rate Code 12	Old Minimum Rate	$	23.00
		New Minimum Rate	**$**	**22.50**
4 Apartments	Rate Code 13	Old Minimum Rate	$	46.00
		New Minimum Rate	**$**	**45.00**
		All over Minimum (per 1K Charge):	$	4.60
		Old Average Monthly Water Bill:	$	47.32
		New Average Monthly Water Bill:	**$**	**46.64**
		% Increase in Average Monthly Water Bill:		**-1.5%**
		Average Monthly Cost per 100 gal:	**$**	**0.76**

Actual Monthly Customer Consumption Blocks		Number of Customers	Average Volumetric Charges	Total Volumetric Charges	+ Total Minimum Charges	= Total Monthly Charges	Average Monthly Customer Usage	Average Cost per 100 Gallons
Rate Code 4 (5.9K Average)	25%	1	$ 17.71	$ 17.71	$ 22.50	$ 40.21	5,850	$ 0.69
Rate Code 5 (4.9K Average)	25%	1	$ 8.70	$ 8.70	$ 33.75	$ 42.45	4,892	$ 0.87
Rate Code 12 (7.0K Average)	25%	1	$ 22.85	$ 22.85	$ 22.50	$ 45.35	6,967	$ 0.65
Rate Code 13 (6.9K Average)	25%	1	$ 13.53	$ 13.53	$ 45.00	$ 58.53	6,942	$ 0.84
Totals:	**100%**	**4**	**$ 62.79**	**$ 63**	**$ 123.75**	**$ 186.54**	**6,163**	**$ 0.76**

Equitability Table				
Customer Usage Category	Use Range	% Total Customers	% Total Usage	% Total Revenues
RC 4	5,850	25.0%	23.7%	21.6%
RC 5	4,892	25.0%	19.8%	22.8%
RC 12	6,967	25.0%	28.3%	24.3%
RC 13	6,942	25.0%	28.2%	31.4%



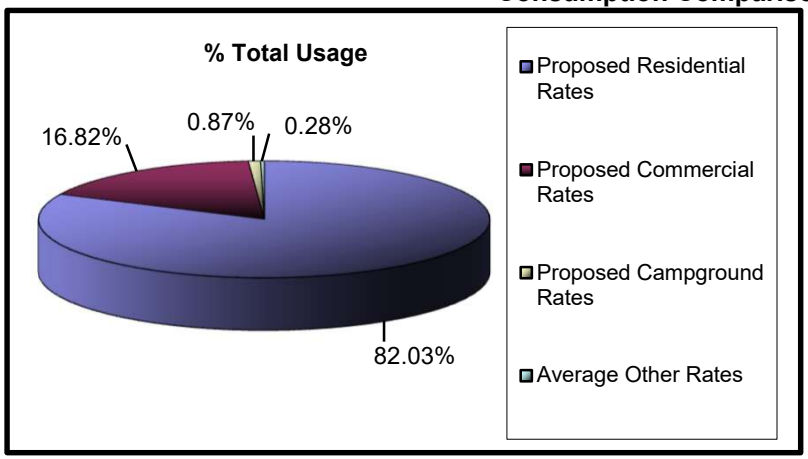


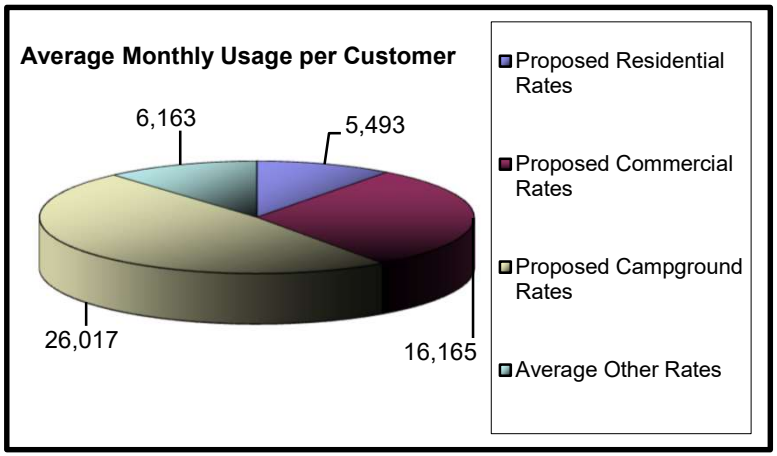
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Leoma Utility District Existing Rates Equitability Analysis

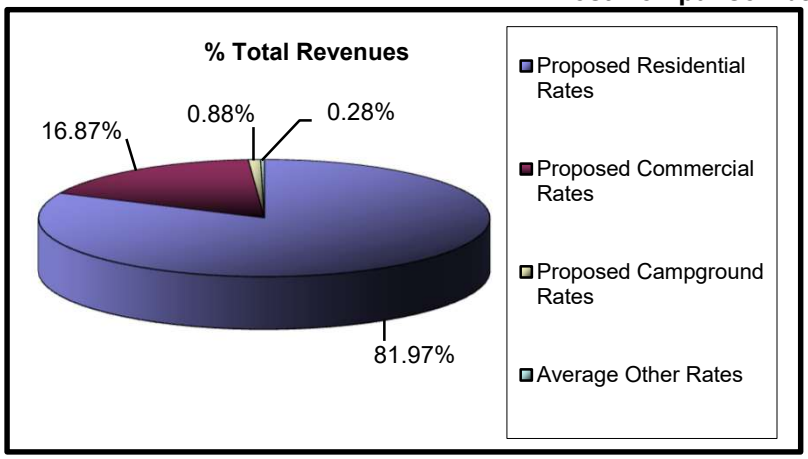
The Leoma Utility District's Proposal 3 water rates for 1,435 current customers is projected to be $47.25 per month cost (or $0.76 cost per 100 gallons). The highest cost per 100 gallons is projected at $10.05 for the Low End Users of the Proposed Campground Rates. The lowest cost per 100 gallons is projected at $0.49 for the High End Users of the Proposed Commercial Rates. The average cost per 100 gallons for all Residential customers is projected at $0.76. The charts below present a visual quantative representation of the equitability of the Proposal 3 rate structures:

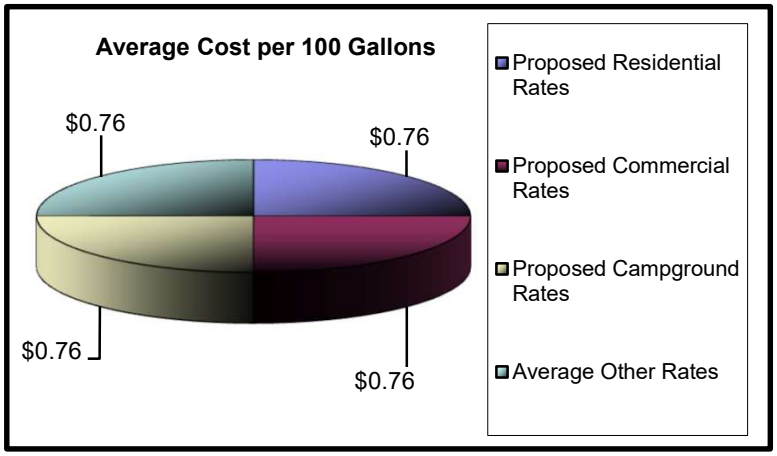
Consumption Comparison between Rate Codes





Cost Comparison between Rate Codes



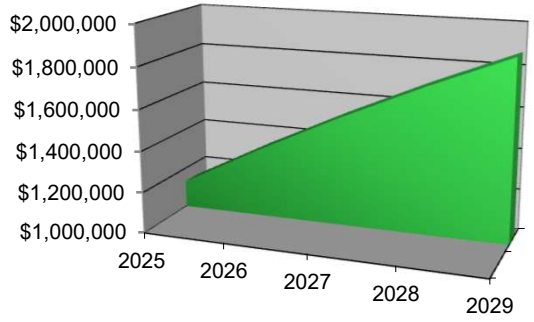


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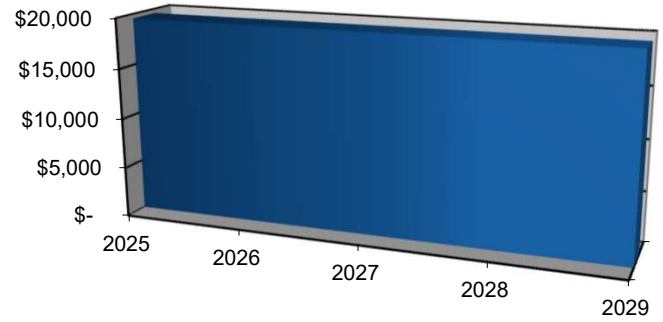
Leoma Utility District Proposal 3 Rates Five-Year Forecast

	Current Year Ending 2025		Year Ending 2026		Year Ending 2027		Year Ending 2028		Year Ending 2029
Projected Revenues									
Water Sales	$ 690,191		$ 813,799		$ 816,159		$ 818,526		$ 820,900
Other Income	$ 51,318		$ 60,509		$ 60,685		$ 60,861		$ 61,037
Total Revenues	**$ 741,509**		**$ 874,309**		**$ 876,844**		**$ 879,387**		**$ 881,937**
Projected Expenses									
Fixed Expenses	$ 515,563		$ 526,121		$ 536,944		$ 548,037		$ 559,407
Variable Expenses	$ 214,824		$ 220,195		$ 225,699		$ 231,342		$ 237,125
Total Expenses	**$ 730,387**		**$ 746,316**		**$ 762,643**		**$ 779,379**		**$ 796,533**
Projected Income (Loss)	**$ 11,122**		**$ 127,993**		**$ 114,201**		**$ 100,008**		**$ 85,404**
Operating Ratio	**1.02**		**1.17**		**1.15**		**1.13**		**1.11**
(+ Depreciation)	$ 93,220		$ 93,220		$ 93,220		$ 93,220		$ 93,220
Other Cash Flows	$ (14,005)		$ (14,001)	$ -	$ (13,997)	$ -	$ (13,993)	$ -	$ (13,989)
Increase in Cash (Including Reserves)	**$ 90,337**		**$ 207,212**	**$ -**	**$ 193,424**	**$ -**	**$ 179,235**	**$ -**	**$ 164,635**
Unrestricted Cash	$ 1,131,887		$ 1,339,099		$ 1,532,523		$ 1,711,758		$ 1,876,394
Restricted Cash	$ 19,562		$ 19,562		$ 19,562		$ 19,562		$ 19,562
Year-End Cash Balance	**$ 1,151,449**		**$ 1,358,661**		**$ 1,552,085**		**$ 1,731,320**		**$ 1,895,956**
Change to Net Position	**$ (26,104)**		**$ 101,889**		**$ 216,089**		**$ 316,098**		**$ 401,502**

Unrestricted Operating Fund Balance



Restricted Reserve Fund Balance



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Notes, Executive Summary, and Recommendation

Notes:

1. The financial source data contained herein was provided by the Leoma Utility District for the 24-month period of January 1, 2020 through December 31, 2022 from audits prepared by John R. Poole, CPA. The 2023 and 2024 fiscal year audits had not been completed nor available at the time this analysis was prepared but we used unaudited financial statements presented by Leoma.
2. Fixed and Variable expenses, excluding Depreciation, for years 2025-2029 were calculated on a 2.5% annual inflation index.
3. Customer growth of 0.3% per year based on historical growth since 2020 was calculated for projected revenue increases for years 2025-2029.
4. Customer usage was based on historical usage data from 2024. The actual average monthly consumption usage for Leoma UD for all customers is 6,229 gallons per month.
5. Monthly rate affordability based on the standard 2.25% of the monthly Median Household Income (MHI) and adjusted for Poverty, Income, and Unemployment down to 2.086% of monthly MHI or $71.70 per month per residential customer (or equivalent dwelling unit). It should be noted that none of the 3 rate proposals exceed this recommended maximum and range from $38.82 to $39.28 (or less than 55% of the maximum recommended monthly cost per residential user).
6. The three proposals are similar in outcomes with an increase in the projected Operating Ratio to 1.17 by the end of FY2026 and declining to 1.11 at the end of 2029 by which time the Leoma UD should commission another rate analysis and consider a small rate increase at that time if rates are not adjusted hereafter at least by 3.5% annually.
7. The rate proposals do not account for needed capital expenditures (CAPEX) for infrastructure upgrades. This CAPEX will necessitate further increases in rates to address new debt service but cannot be projected without cost estimates provided by a registered professional engineer.
8. The Leoma UD has completed a Regionalization Feasibility Study as ordered by the Tennessee Board of Utility Regulators. Should Leoma UD eventually proceed with consolidating with another Lawrence County water utility, a combined rate analysis should be prepared with the understanding that the proposed rates contained herein may be reduced given normal economies of scale realized typically through utility mergers.

Executive Summary

Existing Rate Analysis – The current rate structure is projected to continue to negatively impact the financial net position of the utility. By the end of this current fiscal year, the projected Operating Ratio (OR) will be 0.93 and drop to 0.86 by the end of 2029 if the Leoma UD doesn't increase rates.

Proposals – All three proposals are similar in projected performance by ranging from an overall average increase of 30.3% in the cost per gallon (from a current average of $0.58 per 100 to a proposed $0.76 per 100). Still, proposed rates will average -34% less than the $71.90 monthly maximum affordability benchmark with an overall average monthly water bill of $47.34 – up from the current average of $36.32. While this proposed increase is significant, the customers and Leoma UD board should keep in mind that current rates do not provide for sustainable financial performance that requires an Operating Ratio of 1.10 or greater for a water utility.

Recommendation

Each of the three rate proposals are considered viable alternatives to return Leoma UD to a financially sustainable status but we recommend that the Board strongly consider Proposal 1 as it is projected to bring equity across all user classes and rate codes in the cost per gallon.

Disclaimer

The accuracy of future projections with any rate analysis depends upon not only using accurate source data but can also be influenced by other factors which could significantly affect current and long-term projections. Other factors include unanticipated exceptional increases in operating costs, increased O&M system repair and rehabilitation needs, decline in customer population, and the significant slowing of customer water meters. All of which may negatively impact current and long-term financial projections. Additionally, inaccurate source documentation obtained from the Leoma Utility District may also negatively impact projections. As such, Water Finance Exchange, Inc. offers NO warranty or guarantee related to the projections contained herein this analysis.

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Residential Historical Usage 2024

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	# Customers
Zero Usage	124	179	149	131	131	121	115	127	143	109	169	160	
0,000-0,999	141	128	139	122	146	128	109	130	111	138	154	120	**269**
1,000-1,999	174	188	246	183	204	181	166	191	163	183	256	211	
2,000-2,999	200	190	253	192	223	194	174	186	182	228	221	229	**402**
3,000-3,999	175	171	170	188	188	164	153	174	167	168	185	175	
4,000-4,999	140	120	118	130	127	135	133	129	135	166	109	162	
5,000-5,999	116	70	75	100	97	108	76	100	87	99	79	89	
6,000-6,999	73	71	57	88	64	65	92	68	83	72	53	67	**576**
7,000-7,999	54	48	33	50	46	56	72	57	56	63	29	40	
8,000-8,999	31	41	15	37	25	56	59	35	44	33	24	23	
9,000-9,999	19	24	14	24	16	19	24	25	29	20	11	23	
10,000-10,999	19	20	8	14	13	19	28	20	22	15	8	8	**88**
11,000-11,999	8	7	7	15	6	14	23	16	13	12	4	10	
12,000-12,999	9	7	6	5	4	12	16	10	16	7	4	6	
13,000-13,999	6	5	6	3	8	7	12	8	16	5	5	5	
14,000,14,999	4	4	5	6	8	9	9	5	11	4	8	7	
15,000-15,999	2	7	1	8	5	5	18	11	10	3	2	3	
16,000-16,999	4	2	1	7	1	3	6	8	4	4	1	2	
17,000-17,999	0	9	1	5	0	5	11	4	6	2	2	3	
18,000-18,999	2	3	2	2	2	4	3	1	8	1	0	2	
19,000-19,999	4	3	1	1	1	5	5	5	2	2	4	3	
20,000-20,999	2	0	2	0	1	4	2	1	5	1	1		
21,000-21,999	1	2		1	0	2	5	1	8	0	1		
22,000-22,999	2	1	1	2	2	1	2	6	1	1	1	1	
23,000-23,999	2	3		0	2	3	4	3	1	1	1		
24,000-24,999	4	0	1	1	1	1	2	1	1	1	2	2	
25,000-25,999	2	1		2		0	4	2	1	0		1	
26,000-26,999	1	0	1		1	0	1	4	3	1		1	
27,000-27,999	1	0	1			5	1	1	2	0	1	2	
28,000-28,999		1		1		2	0	0	0	0	1	1	
29,000-29,999	2	2		3			1	0	0	1			
30,000-30,999		0	1				2	0	1	0			
31,000-31,999		0	1		1		0	1	1	1	1		
32,000-32,999		1					0	0	0	1			
33,000-33,999	1	0					0	1	1				
34,000-34,999	1	0		1	1		3	0	0				
35,000-35,999		1	1		1			0	0	1		1	
36,000-36,999		1	1					0	0			1	
37,000-37,999		1	1					1	0				
38,000-38,999	1	0						0	1				
39,000-39,999		0				1	1	0	0	1			
40,000-40,999		1		1				0	1				
41,000-41,999		1						0					
42,000-42,999		0						0	1				
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44,000-44,999		0					1	2			1		
45,000-45,999	1	0						0					
46,000-46,999	1	0					1	0					
47,000-47,999	1	0						0		1			
48,000-48,999		0			1			0					
49,000-49,999	1	2						0					
50,000-50,999						1		0	1				
51,000-51,999								0			1		
52,000-52,999								0	1				
53,000-53,999		1						0					
54,000-54,999	1							0					
55,000-55,999		8						0					

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
56,000-56,999	1							0				
58,000-58,999								0			1	
60,000-60,999								0			1	
61,000-61,999								0	1			
64,000-64,999			2					1				
66,000-66,999								1				
68,000-68,999						1						
70,000-70,999									1			
71,000-71,999				1					1			
76,000-76,999											1	
77,000-77,999						2						
82,000-82,999							1					
84,000-84,999	1											
118,000-118,999	1											
131,000-131,999												1
133,000-133,999												
134,000-134,999												1
	1333	1325	1320	1324	1326	1333	1335	1336	1341	1345	1342	1361
Total Usage	**5,742,900**	**5,732,200**	**4,287,500**	**5,346,700**	**4,696,900**	**5,806,900**	**6,757,000**	**5,862,200**	**6,464,500**	**5,182,700**	**4,415,600**	**5,070,500**
Total Charges:	**$36,499.62**	**$ 36,632.56**	**$ 30,093.20**	**$ 34,610.86**	**$ 31,659.50**	**$ 36,723.64**	**$ 41,069.72**	**$ 37,055.76**	**$ 39,899.48**	**$ 33,929.14**	**$ 30,681.54**	**$ 33,969.62**
AVG Usage:	4,308	4,326	3,248	4,038	3,542	4,356	5,061	4,388	4,821	3,853	3,290	3,726
Average Charges:	$ 27.38	$ 27.65	$ 22.80	$ 26.14	$ 23.88	$ 27.55	$ 30.76	$ 27.74	$ 29.75	$ 25.23	$ 22.86	$ 24.96

Commercial Historical Usage 2024

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	# Customers
Zero Usage	18	24	24	16	14	18	14	18	21	17	30	25	39
0,000-0,999	22	21	17	19	19	26	14	17	13	19	17	19	
1,000-1,999	6	7	13	14	11	10	12	14	14	12	8	12	19
2,000-2,999	8	7	6	6	8	4	12	9	9	9	9	6	
3,000-3,999	6	3	3	5	3	4	3	4	5	7	2	3	19
4,000-4,999	1		3	1	4	4	3	1	1	1	1	2	
5,000-5,999		3	1	3	4	2	4	1		1	4	1	
6,000-6,999				1	2		2	1	1	1	1	1	
7,000-7,999	2	1	1	2		1	2	2		1		2	
8,000-8,999	1	2	2	1	1	2	2	1	2	2		2	
9,000-9,999	1	1	1	2	1	1	1		1	1			
10,000-10,999	1	1	1					1			1	3	
11,000-11,999		2		2	1		1	3				1	
12,000-12,999		2	1	1	1	1	1	1	1				
13,000-13,999				2	1		1		2		1		
14,000,14,999	1		1	1	1		2	1	1	2	1	1	
15,000-15,999	1		1		1	1			1	1		1	
16,000-16,999	2		1			1	1	2	2	1	2	1	
17,000-17,999	1	2		1		1	1	1		1	1	1	
18,000-18,999	1				1	2	1	1	1		1		16
19,000-19,999		1	3	1	1						1		
20,000-20,999	1										1	1	
21,000-21,999			1		1				1				
22,000-22,999	1				1	1		1	2				
23,000-23,999				1	1		1			1		1	
24,000-24,999	1		1	1	1					1			
25,000-25,999		2							1			1	
26,000-26,999	1				1			1		1	1	2	
27,000-27,999			1	1		1					2		
28,000-28,999		1	1	1							2	1	
29,000-29,999								1					
30,000-30,999			2	1	1								
31,000-31,999				1	1	1				1		1	
32,000-32,999	1	1							1		1	1	
33,000-33,999	1	1			1					1			
34,000-34,999	1		1			1		1	2	1			
35,000-35,999		2	1	1					1	1			
36,000-36,999	1		1		1					1		1	
37,000-37,999	1					1	1	1			1		
38,000-38,999	3											1	
39,000-39,999				1						1	1		
40,000-40,999								1					
41,000-41,999		1			1	1	1			1		1	
42,000-42,999					1								
43,000-43,999	1									1	1		
44,000-44,999						1							
45,000-45,999		2				1				1	1	1	
46,000-46,999							1						
47,000-47,999					1								
48,000-48,999	1												
49,000-49,999						1				1			
50,000-50,999		1											

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
51,000-51,999				1	1		1					
52,000-52,999							1					
53,000-53,999				1				1				
54,000-54,999	1			2			1	1				1
56,000-56,999			1			1		1	1			
57,000-57,999										1		
60,000-60,999					1			1				
61,000-61,999		1				2			1	1		
63,000-63,999			1									
64,000-64,999				1		1						
65,000-65,999								1				
66,000-66,999			1						1			
67,000-67,999										1		
68,000-68,999		1										
69,000-69,999								1	1			
70,000-70,999										1		
72,000-72,999	1											
74,000-74,999									1		1	
76,000-76,999							1		1			
77,000-77,999								1			2	
78,000-78,999						1						
79,000-79,999	1											
83,000-83,999				1								
84,000-84,999			1									
91,000-91,999									1			
92,000-92,999									1			
95,000-95,999								1				
96,000-96,999							1	1				
97,000-97,999							2					
110,000-110,999							1					
112,000-112,999									1			
115,000-115,999							1					
136,000-136,999							1					
149,000-149,999									1			
157,000-157,999							1					
163,000-163,999							1					
203,000-203,999	1											
208,000-208,999												1
224,000-224,999			1						1			
228,000-228,999					1	1						
294,000-294,999											1	
329,000-329,999								1				
349,000-349,999				1								
392,000-392,999							1					
431,000-431,999										1		
	90	90	93	93	89	93	94	94	94	94	95	95
Total Usage	**1,090,700**	**725,100**	**991,600**	**1,193,300**	**1,011,700**	**1,097,000**	**2,017,000**	**1,389,700**	**1,528,300**	**1,352**	**1,087,300**	**886,500**
Total Charges:	**$ 5,767.94**	**$ 4,123.44**	**$ 5,352.10**	**$ 6,253.70**	**$ 5,382.00**	**$ 5,824.52**	**$ 10,023.40**	**$ 7,167.72**	**$ 7,808.96**	**$ 6,994.30**	**$ 5,828.66**	**$ 4,902.22**
AVG Usage:	12,119	8,057	10,662	12,831	11,367	11,796	21,457	14,784	16,259	14	11,445	9,332
Average Charges:	$ 64.09	$ 45.82	$ 57.55	$ 67.24	$ 60.47	$ 62.63	$ 106.63	$ 76.25	$ 83.07	$ 74.41	$ 61.35	$ 51.60

Campground Historical Usage 2024

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	# Customers
1,000-1,999			1										
2,000-2,999				1	1								
3,000-3,999						1							
4,000-4,999	1									1			1
5,000-5,999							1	1					
6,000-6,999							1					1	
7,000-7,999									1				
10,000-10,999		1											
11,000-11,999					1								
13,000-13,999									1		2		
14,000,14,999	1												1
15,000-15,999						1							
16,000-16,999								1				1	
19,000-19,999			1										
21,000-21,999										1			
38,000-38,999			1			1							
40,000-40,999		1			1								
51,000-51,999											1		
52,000-52,999				1									
60,000-60,999							1						1
68,000-68,999												1	
73,000-73,999									1				
76,000-76,999								1					
91,000-91,999										1			
94,000-94,999				1									
	2	2	3	3	3	3	3	3	3	3	3	3	
Total Usage	**18,800**	**50,600**	**59,400**	**150,100**	**55,300**	**57,000**	**72,000**	**98,000**	**94,200**	**116,900**	**77,300**	**91,000**	
Total Charges:	**$ 258.98**	**$ 405.26**	**$ 531.99**	**$ 949.21**	**$ 513.13**	**$ 520.95**	**$ 589.95**	**$ 709.55**	**$ 692.07**	**$ 796.49**	**$ 614.33**	**$ 677.35**	
AVG Usage:	9,400	25,300	19,800	50,033	18,433	19,000	24,000	32,667	31,400	38,967	25,767	30,333	
Average Charges:	$ 129.49	$ 202.63	$ 177.33	$ 316.40	$ 171.04	$ 173.65	$ 196.65	$ 236.52	$ 230.69	$ 265.50	$ 204.78	$ 225.78	

Other Rates Historical Usage 2024

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	# Customers
2,000-2,999			1										
3,000-3,999									1			1	
4,000-4,999	2		2		1	1		1		2	2	2	
5,000-5,999	1	1		2	1		1	1	1		2		
6,000-6,999		1	1	1	1	2	1			2			4
7,000-7,999		1			1	1	1	1	1			1	
8,000-8,999		1		1					1				
9,000-9,999	1						1						
18,000-18,999								1					

Total Usage	4	4	4	4	4	4	4	4	4	4	4	4
RC4	5,400	5,800	4,900	5,900	5,400	6,100	6,100	7,000	8,400	6,500	4,100	4,600
RC5	4,400	7,400	4,800	5,600	4,800	6,200	5,200	4,700	3,600	4,600	4,100	3,300
RC12	4,500	8,300	2,500	6,500	7,600	4,700	9,800	18,600	7,300	4,400	5,100	4,300
RC13	9,300	6,600	6,700	8,100	6,300	7,400	7,700	5,600	5,700	6,700	5,700	7,500
Total Charges:												
RC4	$ 43.24	$ 45.08	$ 40.94	$ 45.54	$ 43.24	$ 46.46	$ 46.46	$ 50.60	$ 57.04	$ 48.30	$ 37.26	$ 39.56
RC5	$ 50.14	$ 63.94	$ 51.98	$ 55.66	$ 51.98	$ 58.42	$ 53.82	$ 51.52	$ 46.46	$ 51.06	$ 48.76	$ 45.08
RC12	$ 25.30	$ 42.78	$ 23.00	$ 34.50	$ 39.56	$ 26.22	$ 49.68	$ 90.16	$ 38.18	$ 28.84	$ 28.06	$ 24.38
RC13	$ 51.98	$ 46.00	$ 46.00	$ 46.46	$ 46.00	$ 46.00	$ 46.00	$ 46.00	$ 46.00	$ 46.00	$ 46.00	$ 46.00
AVG Usage:	**1,350**	**1,450**	**1,225**	**1,475**	**1,350**	**1,525**	**1,525**	**1,750**	**2,100**	**1,625**	**1,025**	**1,150**
Average Charges:	**$ 10.81**	**$ 5.06**	**$ 10.24**	**$ 11.39**	**$ 10.81**	**$ 11.62**	**$ 11.62**	**$ 12.65**	**$ 14.26**	**$ 12.08**	**$ 9.32**	**$ 9.89**

Jason E. Mumpower
Comptroller

Entity Referred: **South Fork Utility District**

Distress Type: **Financial Distress, Statutory Decrease in Net Position**

Utility Type Referred: **Water**

Staff Summary:

The Tennessee Board of Utility Regulation (TBOUR) is positioned to decide the terms of the proposed merger between South Fork Utility District ("SFUD") and Bristol Bluff City Utility District ("BBCUD") due to an impasse over board governance. While both utilities reached agreement on key issues—such as a 5% immediate rate decrease for SFUD customers, initiating a cost-of-service study within one year to unify rate structures, and restricting transfer of the combined utility's property to the City of Bristol without TBOUR's approval—they could not agree on the composition of the new utility's board.

SFUD advocates for a five-member board, citing its larger customer base and existing governance structure. BBCUD argues for a three-member board, expressing concerns that a larger board would hinder efficiency. TBOUR staff proposed a temporary five-member board at the time of merger (3 from BBCUD, 2 from SFUD), transitioning after two years to the standard three-member board common across Tennessee utility districts—through a planned expiration and reappointment schedule.

This measured approach allows initial representation concerns to be addressed while ultimately aligning with the statewide norms of a three-member board. Smaller boards have consistently proven more efficient, with quicker decision-making and fewer logistical complications. TBOUR staff believes that after two years of unified operations and shared goals, the need for a divisional mindset will have dissipated, justifying the permanent return to a three-member format.

The merger offers substantial benefits to both parties: BBCUD gains access to a larger customer base and operational scale, while SFUD will cease purchasing water wholesale, gaining long-term rate stability and access to greater resources. The consolidated utility will benefit from increased operational efficiency, stronger financial footing, and enhanced service reliability.

Given the unresolved governance structure and the authority granted under TCA 7-82, the TBOUR is justified in setting the terms of the merger. This approach protects the public interest, ensures fair representation during the transition, and secures long-term viability through an efficient, proven governance model.

Staff Recommendation:

The Board should hear from representatives of both parties. At the conclusion of the hearing, the Board should make a final decision to order the merger or not, and decide on the final Board structure if the Board orders the merger.

Jason E. Mumpower
Comptroller

Entity Referred: **Sevier County Utility District**

Referral Reason: **Administrative Review**

Utility Type Referred: **Gas**

Staff Summary:

The Board ordered staff to further review the Sevier County Utility District ("SCUD") at the Board's last meeting. Board staff interviewed SCUD's board members at SCUD's office. Board staff recommends the Board initiate a contested case to remove SCUD's sitting board members.

1. **Failure to Enforce Oversight After Prior Findings**

SCUD's board retained Matthew Ballard after a 2011 Comptroller investigation revealed misuse of district resources and violations of travel and compensation policy. Despite two members joining the Board shortly thereafter, no discernible changes in executive oversight were implemented to ensure future compliance. The recent investigative report shows the board's negligence allowed Mr. Ballard's misconduct to worsen—escalating to kickbacks, false invoicing, and use of district resources for private gain totaling nearly $200,000 in direct misappropriation.

The Board's decision to retain Mr. Ballard following his prior misconduct demonstrates either negligence or disregard for fiduciary accountability. The policies enacted after 2011 were either ineffective or unenforced, and either outcome reflects a failure of Board leadership.

2. **Inadequate Internal Controls and Poor Governance**

According to the Comptroller's 2025 investigative report, the Board failed to enforce adequate internal controls, failed to follow up on previously identified deficiencies, and deferred core responsibilities to the very executive who was under suspicion. These issues include, but are not limited to;

- Board members relied on financial audits for determination on the effectiveness of internal controls. However, the utility's audits contain the following statement from their auditor "In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control."

- Questionable vendor payments and policy violations went unaddressed for years despite obvious red flags. Provided are a few examples: 54 of the 55 invoices submitted to the district for payment did not list the work performed or it simply stated as "work as directed by owner" or something similar; despite multiple projects exceeding $10,000, no memos were found justifying sole-source awards over lower bidders, violating internal policy; and the Board received monthly financial

reports and clean audits but never questioned the explosive growth in discretionary spending.

- The Vice President of Finance, a direct report who admitted to questionable approvals and non-reporting, remains employed.

Furthermore, the utility's 2012 audit contained the following statements:

"In the prior year report, the prior auditor disclosed a material weakness (item 11-01) whereby the District did not have internal control procedures in place to record non-cash contribution of a replacement of a gas line by an outside agency and the corresponding abandonment of the replaced gas line. The prior auditor recommended the District assign a member of the accounting and finance department to oversee any contracts and commitments for new construction projects. Additionally the prior auditor recommended the engineering department should design processes to ensure the accounting department is aware of and has information on all contracts relating to construction and replacement of District assets.

During the current year, the District designed internal control processes to ensure non-cash contributions of gas line replacements and the corresponding abandonments of replaced gas lines are recorded prior to the preparation of the financial statements. In the prior year report, the prior auditor disclosed a significant deficiency (item 11-02) whereby the District did not have internal control procedures in place to ensure incoming bids on the sale of assets were comparable to available fair market values. The prior auditor recommended the District design and implement internal control procedures to ensure incoming bids on the sale or trade of District assets be compared against available fair market values for reasonableness. During the current year, the District designed and implemented internal control procedures to ensure incoming bids on the sale or trade of District assets are properly evaluated."

Board staff The Board's failure to request additional oversight, training, or policy enforcement until after the publication of the Comptroller's investigative report further reinforces that their oversight was inadequate.

3. **Blind Deference to Executive Management**

In interviews conducted by Comptroller staff, Board members repeatedly emphasized their reliance on the General Manager and external auditors. When asked whether they took any proactive steps to verify controls or monitor executive behavior, the answer was consistently “no.” At no point did the board establish independent lines of communication to receive whistleblower input, nor did they solicit audit enhancements after Ballard was retained post-2011. Instead, the board largely points to an email from board member Whaley in which he asked the auditor if there was anything else the Board should be doing, and the auditor did not provide any advice.

Despite holding monthly meetings and receiving financial statements, Board members were unaware of the extensive fraud, excessive travel expenses, and personal use of SCUD resources for years. This amounts to a failure of oversight.

4. **Negligence in Oversight of Subordinates**

In the SCUD interview, the board claimed to have fostered an open reporting environment, emphasizing that department heads regularly attended board meetings and had direct access to report concerns. However, they also acknowledged that employees, including upper management, were afraid to speak out against President Matthew Ballard due to fear of retaliation. This contradiction highlights a significant governance failure: while the board claimed to expect transparency, they failed to recognize or address a toxic culture (of which they were aware) that suppressed whistleblowing. Their reliance on staff to report issues, despite admitting that fear likely prevented it, undermines their claims of effective oversight and open communication.

5. **Breach of Public Trust and Fiduciary Duty**

The board's core duty is to protect the ratepayers of Sevier County and ensure their utility is operated with integrity, fiscal prudence, and transparency. Instead, under their watch:

- Public funds were misappropriated through kickbacks.
- District employees performed personal labor for the President and his family.
- Travel expenses and questionable donations escalated to six-figure totals.
- Board compensation issues identified in 2011 remained unresolved until public scandal returned.

In response to these failures, the board has asked for more instruction, more training, and more time.

Conclusion

SCUD's board of commissioners has had a decade of opportunities to implement effective oversight, enforce fiduciary standards, and protect public resources. They have elected to not do so. This prolonged negligence enabled a culture of unaccountability that harmed both SCUD and its ratepayers.

Staff Recommendation:

The Board should order the following:

1. The Board hereby initiates a contested case hearing to determine whether the sitting members of SCUD's governing body should be removed from office, pursuant to Tenn. Code Ann. §§ 7-82-307 and 702.

2. Board staff is authorized to close the contested case should SCUD's current board members (as of July 17, 2025) resign.

Sevier County Utility District

	Category: **Gas**		County: **Sevier**	
	2021	**2022**	**2023**	**2024**
Net Assets	$72,389,717.00	$77,073,040.00	$73,592,116.00	$77,405,249.00
Deferred Outflow Resources	$1,999,377.00	$2,390,246.00	$2,253,280.00	$2,814,485.00
Net Liabilities	$14,527,381.00	$14,931,500.00	$11,835,163.00	$11,161,858.00
Deferred Inflow Resources	$61,561.00	$2,479,530.00	$226,279.00	$420,276.00
Total Net Position	$59,800,152.00	$62,052,256.00	$63,783,954.00	$68,637,600.00
Operating Revenues	$25,848,920.00	$31,404,237.00	$29,776,764.00	$29,665,052.00
Net Sales	$24,302,036.00	$30,869,300.00	$27,813,301.00	$29,075,472.00
Operating Expenses	$22,957,557.00	$28,943,320.00	$27,870,370.00	$25,031,796.00
Depreciation Expenses	$1,978,672.00	$1,949,528.00	$1,971,421.00	$2,016,440.00
Non Operating Revenues	-$263,002.00	-$232,492.00	-$221,186.00	$112,869.00
Capital Contributions	$62,750.00	$23,679.00	$46,490.00	$107,521.00
Transfers In	$0.00	$0.00	$0.00	$0.00
Transfers Out	$0.00	$0.00	$0.00	$0.00
GAAP Change In Net Position	$2,691,111.00	$2,252,104.00	$1,731,698.00	$4,853,646.00
Statutory Change In Net Position	$2,628,361.00	$2,228,425.00	$1,685,208.00	$4,746,125.00

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Commissioners
Sevier County Utility District

We have audited the financial statements of Sevier County Utility District (the District) as of and for the year ended October 31, 2012, and have issued our report thereon dated March 18, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

A Member of American Institute of Certified Public Accountants, the AICPA Alliance for CPA Firms, Public Company Accounting Oversight Board, CPAmerica International and PKF International.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Disposition of Prior-Year Audit Findings

In the prior year report, the prior auditor disclosed a material weakness (item 11-01) whereby the District did not have internal control procedures in place to record non-cash contribution of a replacement of a gas line by an outside agency and the corresponding abandonment of the replaced gas line. The prior auditor recommended the District assign a member of the accounting and finance department to oversee any contracts and commitments for new construction projects. Additionally the prior auditor recommended the engineering department should design processes to ensure the accounting department is aware of and has information on all contracts relating to construction and replacement of District assets. During the current year, the District designed internal control processes to ensure non-cash contributions of gas line replacements and the corresponding abandonments of replaced gas lines are recorded prior to the preparation of the financial statements.

In the prior year report, the prior auditor disclosed a significant deficiency (item 11-02) whereby the District did not have internal control procedures in place to ensure incoming bids on the sale of assets were comparable to available fair market values. The prior auditor recommended the District design and implement internal control procedures to ensure incoming bids on the sale or trade of District assets be compared against available fair market values for reasonableness. During the current year, the District designed and implemented internal control procedures to ensure incoming bids on the sale or trade of District assets are properly evaluated.

This report is intended solely for the information and use of the Board of Commissioners, management, others within the entity, and the Comptroller of the Treasury, State of Tennessee and is not intended to be and should not be used by anyone other than these specified parties.

March 18, 2013

Ingram & Deaton, LLC

June 12, 2025

VIA EMAIL TO: TBOUR BOARD MEMBERS

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Alex Smith: asmith@humboldtutilities.com
Britt Dye: bdye@fpu-tn.com
Anthony Pelham: apelham@wcudtn.com
Candace Vannasdale: cvannasdale@hub-tn.com

Re: Sevier County Utility District – Response to TBOUR Order Dated April 11, 2025

Dear Members of the Tennessee Board of Utility Regulation:

As the Board of Commissioners ("Board") of the Sevier County Utility District ("District"), we are writing in response to the Tennessee Board of Utility Regulation ("TBOUR") Order dated April 11, 2025 ("Order") to initiate an administrative review.

We are providing the TBOUR information requested in the Order and offering additional information we respectfully urge the TBOUR to consider prior to making any determination.

1. Commissioner Appointment Dates

The Order directed TBOUR staff to determine how long we have served as commissioners for the District. Each commissioner's appointment date is as follows:

- Mrs. Ann Montgomery – Appointed June 27, 2011
- Dr. Keith Whaley – Appointed June 28, 2011
- Mrs. Terri Waters – Appointed April 19, 2018

2. No Current Commissioner Served During 2011 Audit Findings

It is important to note that none of the current Board members were serving in office at the time the Comptroller's March 29, 2011 report was released. Additionally, the Comptroller's reference in its Order to a failure to correct findings centers on the use of District equipment,

which, as the Comptroller's findings state, was either done or permitted by Matthew Ballard even though expressly prohibited by the Employee Handbook. The Board had no knowledge prior to January 2023 that Mr. Ballard was permitting employees to utilize District equipment contrary to the then existing Employee Handbook and other polices of the Utility. When the Board found out, it took prompt corrective action.

3. Commissioners' Roles Are Distinct from Daily Operations

The Comptroller's Investigative Report issued on January 17, 2025 ("Report") centers on serious misconduct by the former President, Matthew Ballard. It is essential to recognize that the Board does not participate in day-to-day operational management of the District. The misconduct of Mr. Ballard, as alleged by the Comptroller, occurred under the guise of routine operational decisions made without the Board's knowledge or approval and in violation of policies and procedures in place that prohibit such misconduct. The Board had no knowledge of Mr. Ballard's actions cited in the most recent Report until January 2023, at the earliest.

4. Timeline of Actions Taken by the Board: What we knew and when we knew it.

Upon learning of certain allegations involving Mr. Ballard's conduct in January 2023, the Board acted swiftly and decisively.

- On January 10, 2023, an employee of the District brought serious allegations to Tyler Huskey's office, legal counsel to the District.
- On January 25, 2023 (which was the earliest meeting following Mr. Huskey's learning of the allegations), the Board entered executive session, interviewed relevant parties, identified additional troubling allegations, and suspended Mr. Ballard.
- On January 27 and January 30, 2023, the Board reported all allegations and developments to the Comptroller's Office.
- On March 22, 2023, the Board unanimously voted to terminate Mr. Ballard's employment.

Additional details can be found in Mr. Huskey's letter to the TBOUR that was in the last Board Packet where each Finding and Deficiency is discussed. Our actions were immediate, decisive, and reflect the Board's commitment to legal and ethical standards, not lack of oversight or a breach of fiduciary duty.

Additionally, many of the issues outlined in the Report were issues reported directly from the Commissioners to the Comptroller as set forth above. The Comptroller issued the Report nearly two years after the Board reported the issues to the Comptroller and terminated the employment of Mr. Ballard. In fact, it was the Board that informed the Comptroller of certain suspected irregularities between Mr. Ballard and the electrical company that was the alleged participant in the kickback scheme, though the first time the Commissioners learned of the alleged "kickback scheme" reported by the Comptroller was in the Report.

Therefore, many of the issues set forth by the Comptroller in its Report were issues reported directly to the Comptroller by the Commissioners.

5. Governance and Policy Reforms Implemented

Since terminating the employment of Mr. Ballard, the Board has revised and implemented numerous policies and procedures and taken additional proactive steps to prevent similar independent misconduct in the future including:

- Adoption of a new internal control manual.
- Updates to purchasing and whistleblower policies.
- Updates to ethics, travel, investment, and electronic device policies.
- Revision of the Employee Handbook.
- Engagement of outside employment counsel to advise on governance improvements.
- Formal reinforcement that all Vice-Presidents attend all Board Meetings and have the duty and authority to report any concerns directly to the Board, with open access lines to every Board member.
- Provide ethics training and ethics education for all employees.
- Posting of the whistleblower policy around the Utility's campus which includes Commissioner contract information.

6. Adequate Oversight and Clean Audit Reports

The Utility has an annual audit by an independent auditor. The audit is presented to the Board each year. There were no red flags or audit findings brought to the Board's attention that would have alerted the Board to Mr. Ballard's alleged actions. In fact, since 2011, the District has received clean annual audit reports. This Board has regularly asked our independent auditors to recommend improvements to internal controls, even prior to the 2023 events. In addition to the oversight the Board provides the Utility, the Board is also entitled to rely on external auditors to notify the District and Board about any misappropriations or potential exposures the District may have. No Board member received notification from auditors or staff suggesting any of the items identified in the Report.

For example, Board minutes for the Utility from 2013 to 2022 state as follows:

- The March 2013 minutes state that the audit for 2011-2012 was an unqualified audit.
- The February 2014 minutes reflect that the audit for 2012–2013 was approved as presented and that the Board was actively engaged in discussions with the auditor.
- The February 2015 minutes reflect that the audit for 2013–2014 was approved as presented.
- The September 2016 minutes state that the audit 2014–2015 is an unqualified and clean report.
- The July 2017 minutes provide that the 2015-2016 audit report was a clean opinion with no qualifications.
- The August 2018 minutes reflect on issues for the 2016-2017 audit report.
- The August 2019 minutes state that the audit for 2017-2018 presented no significant audit issues that required reporting to the Board or management. The minutes reflect that the Utility received a clean audit letter. Commissioner Whaley, as set forth in the minutes "asked if there was anything in particular that the Board could focus on other than what

was discussed. Frank said that possibly descriptions on invoices and receipts, but again noted that it was a very clean year."

- The October 2020 minutes reflect that the audit for 2018-2019 found no significant audit issues and no issues that required reporting to management or the Board. The auditor stated that the Utility received a clean letter. Commissioner Whaley, as provided in the minutes, "asked if there was anything in particular that the Board should really be concerned with related to the audit. Though Frank highlighted a few items, he stated that there was nothing that the Board should really be concerned with related to the matters covered by the audit."
- The February 2021 minutes also reflect that there were no significant audit issues and no issues that required reporting to management and the governing body of the Utility regarding the November 2019- June 2020 audit. The auditor stated that the Utility received a clean letter.
- The January 2022 minutes provide that there were no significant audit issues and no issues that required reporting to management or the Board. Once again, the Utility received a clean letter.
- The December 2022 minutes state that the fiscal year 2021 – 2022 audit had no significant audit issues and no issues that required reporting to management or the Utility's Board. The Utility received a clean opinion. The auditor also discussed internal controls over financial with the Board.

Accordingly, during the tenure of Mr. Ballard at the Utility from 2013 up to the last audit report in December 2022 presented just prior to his termination, the Utility had a clean audit and the Board was provided with no significant issues in the audit report.

Further, though not represented in the minutes, the Board has discussed with the auditor whether its travel and other expenses are in line with other similar utilities and the auditor has reported no issues.

- Additionally, Commissioner Whaley emailed the auditor for the Utility on December 17, 2022 as follows:

> Excellent review of the audit this week. Thank you for keeping us on the straight and narrow in regards to financials. During the review I mentioned my concerns with internal controls. . I was speaking about internal controls in general. Certainly, there's been a lot in the news lately. From a board perspective, we must rely on these controls to mitigate the risk for financial and resource mismanagement. Our discussion after the review regarding issues with other entities highlights the need for strong internal controls even more.
>
> We are relying on your experience and advice, but should we as a board be doing anything in addition to our current procedures to make sure safeguards are in place to reduce the risk even further? I know that you rely on Allen and his financial team to provide you with accurate information to perform the audit, but would it be reasonable to have all of those in leadership to sign a compliance document each year affirming that he/she has no direct

knowledge of improper transactions and/or transactions outside of normal business activities, as well as no direct knowledge of any financial or operational irregularity, improper benefit, misappropriation of funds, or further violation of SCUD policy or violation of state or federal laws and include this in your audit each year? I am trying to think of ways to be proactive rather than reactive in light of the fact that in almost every one of the investigations the comptroller's office mentions the lack of board oversight. It seems to me that having some type of "compliance" document would give the board an extra layer of assurance that we are fulfilling our fiduciary duty to provide oversight.

Your thoughts?

- The auditor responded to Commissioner Whaley's email as follows:

  Hi Keith,

  Hope you doing well today. I have considered your thoughts concerning the control environment, general and specific controls and affirmation of compliance of those in charge of District leadership. I do not see any issues with including a formal document to be considered by management and signed annually as part of our audit process. Actually on some new engagements where we have limited outside knowledge of management staff we sometimes do obtain this type of document.

  Also, I might suggest we have the Board members consider and sign a similar, but not an identical document to acknowledge they are not aware of any District financial policy violations, related party transactions or the occurrence of any financial irregularities/fraud during the period under examination. If we request this of the Board it would certainly appear to management and key staff to more routine in nature. I would point out the client representation letter signed by Matt and Allen in relation to the financial audit covers the potential issues you outlined, but having some other members of key management sign an acknowledgment document would be new to those employees.

  During the audit we do make internal control and fraud inquiries through a series of internally developed questions and document the responses for our files . This occurs during our audit risk assessment process with several employees. Some of the employees may be the same year to year while others change from one year to the next.

  After you and the other Board members discuss this added procedure let me know how you wish to proceed. If you all wish to proceed with a signed document request from some employees on future engagements I will draft up an example document. Tyler may wish to review the inquiry document to

be signed by employees and make any suggested changes or additions he feels would be needed.

- Finally, Commissioner Whaley replied to the auditor's above email as follows:

  I think that is a great recommendation to include board members as well as management and key employees in signing some type of acknowledgment document. Accountability is the key, and each of us should be held accountable in making sure that the resources of the utility district are managed appropriately. As a board, we can discuss how to implement something of this nature going forward. Of course, management would be included in the discussions also. While not guaranteeing that something of this nature would eliminate the possibility of resource mismanagement, it would be a tool to help the auditor (you), the board, and management to know that all of those charged with oversight of the resources have affirmed that there is no direct knowledge of misuse. At the end of the day, I just want to ensure that SCUD is a leader when it comes to protecting the rate payer's assets in the eyes of the public, the comptroller, the board, the employees, and other utility districts.

  Thanks,

  Keith

As evidenced by the above, the Board was not alerted to any of the irregularities set forth in the Report in the Utility yearly audits. The Board was proactive in trying to gain insight from the auditor to address possible issues. When the Board did learn of Mr. Ballard's alleged violations of the law and Utility policies, we took prompt action.

7. Budget Provided Yearly to Comptroller

The Comptroller's Report references an increase in travel expenses over the period beginning 2009 through 2019. According to the Report, in 2009, the audited travel expenses totaled $35,161.00, whereas in 2019, the travel expenses increased to $210,534.00. There are several reasons why travel expenses went up from 2009 to 2019. Most of the travel was to TGA and APGA meetings. These meetings are held all over the country. Moreover, several of the District's employees serve these associations and travel as well. Also, 2019 was an outlier year. In 2018, for example, travel costs were approximately $150,000.00. Travel costs are a budgeted item and are presented with the District's budget on a yearly basis to the Comptroller, and the District had not been informed of this issue until the Comptroller's Report.

8. Fiduciary Responsibility and Comparative Precedent

In a similar contested case hearing where allegations against commissioners were ultimately dismissed, the Tennessee Court of Appeals stated that as it pertains to utility district

law, fiduciary duty means " the duty to act with utmost good faith for the benefit of their district and not themselves — when exercising the duties, powers, and authority enumerated in Chapter 82 of Title 7." Comm'rs v. Util. Mgmt. Review Bd., 427 S.W.3d 375, 389 (Tenn. Ct. App. 2013). There is no evidence of personal benefit or willful misconduct by any Board member. When irregularities surfaced, the board did not ignore them. There was no intent to mislead or misuse public funds. Rather, the Board took prompt action when it discovered the allegations regarding Mr. Ballard and has continued to implement stronger systemic checks to prevent fraud, waste, or abuse of ratepayer funds.

9. Accountability Should Be Fair and Based on Facts

While we agree that accountability is important and essential, it should be emphasized that we, as a Board:

- Had no role in the original misconduct by Mr. Ballard or the District in 2011 and did not serve on the Board at the time of the allegations in the March 29, 2011 report.
- The District has had clean annual audits, we have regularly engaged auditors for feedback, and we have acted proactively before and after Mr. Ballard's termination.
- We took immediate and appropriate action when informed of Mr. Ballard's alleged actions, to include his prompt termination as president of the District.
- We have continued to act in good faith for the benefit of the District, the employees, and the customers in the performance of our duties as commissioners.

10. Institutional Knowledge and Stability Are Vital Now

Removing experienced Board members would disrupt progress, discourage future qualified candidates from future service, and ignore the critical role the Board took in addressing and correcting deficiencies in times of crisis. This would undermine the very principles of good governance the Comptroller's Office and TBOUR seek to uphold. It would penalize those who corrected misconduct they did not cause and send a message that corrective action is not sufficient. The Board's continued service ensures years of institutional knowledge, accountability, stability, leadership, and follow-through on implemented policies and procedures.

11. Conclusion

As a Board, we understand the seriousness of the allegations against the former president of the Utility and understand his actions were detrimental to the Utility. The foregoing understandings are evidenced by our prompt action in reporting these matters to the Comptroller and terminating Mr. Ballard's employment.

We appreciate your consideration of these facts and this response.

Please feel free to contact any of us if you have any questions or need additional information.

Sincerely,

Ann Montgomery, Commissioner and Chairman

Keith Whaley, Commissioner

Terri Waters, Commissioner

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SEVIERCOUNTYUTILITYDISTRICT
Your Natural Gas Appliance and Outdoor Living Center
HOMESTORE

July 8, 2025

Mr. Ross Colona
Assistant Director of Local Government Finance / TBOUR Manager
Tennessee Board of Utility Regulation

Re: Meeting with SCUD Vice President of Finance

Dear Mr. Colona:

We are writing to update you on the most recent steps taken by the Sevier County Utility District (SCUD) Board of Commissioners regarding our ongoing review of the Vice President of Finance, Allen Rippetoe.

Following our meeting with representatives of the Comptroller's Office—including yourself, Mr. Charlie Lester, and Mr. Ben Johnson—on June 26, 2025, the SCUD Board decided that a more thorough evaluation of Mr. Rippetoe was necessary. As a result, we scheduled and conducted an in-depth interview with Mr. Rippetoe on July 2, 2025.

Present for the interview were all three commissioners—Keith Whaley, Terri Waters, and Ann Montgomery—as well as SCUD President James Greene and our employment attorney, Janet Hayes. Because this session was not held as a public meeting, no board deliberations or actions could be taken at that time.

The purpose of the interview was to attempt to gather any additional information to further assess Mr. Rippetoe's role and knowledge related to the misconduct of former SCUD President Matt Ballard, and to address concerns raised in the January 2025 report and in our recent discussions with your office.

The board is currently awaiting a formal recommendation from Ms. Hayes before determining any next steps. We remain committed to transparency, accountability, and restoring trust in SCUD's financial management.

We will continue to keep you informed as this matter progresses and welcome any further questions or guidance you may have.

Sincerely,

Ann Montgomery

Dr. Keith Whaley

Terri Waters

S·C·U·D Board:
Ann Montgomery
Dr. Keith Whaley
Terri Waters

P.O. Box 4398
Sevierville, TN 37864-4398

865.453.3272
888.811.SCUD (7283)

scudgas.org
questions@scudgas.org

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HOMESTORE

June 26, 2025

Re: Response to Allegations Regarding Board Oversight
To: Tennessee Board of Utility Regulation Members

As a Board, we want to state: the alleged illegal actions committed by former President Matt Ballard were carried out unilaterally, deliberately concealed, and in direct violation of this organization's policies, procedures, and ethical standards. Any attempt to shift blame onto the Board of Commissioners is incorrect and not supported by the facts.

The SCUD Board of Commissioners meet monthly, as is standard governance practice. The Board does not—and is not expected to—manage or oversee day to day operations. That responsibility lies with executive leadership. Mr. Ballard knowingly abused this structure and violated the trust placed in him.

At no point prior to employees from the Sevier County Utility District coming forward and reporting concerns to our legal counsel did any member of the Board have any knowledge of misconduct. Had those employees not stepped forward, it is possible the deception could have continued undetected. The Board was actively and intentionally misled.

Once credible allegations were reported, the Board acted without hesitation. Mr. Ballard was suspended indefinitely while we began the process of corroborating the veracity of the allegations. Once they were verified, we terminated Mr. Ballard.

The Sevier County Utility District has consistently received clean audits. All financial reports and operational updates provided to the Board appeared routine, compliant, and complete. No information presented in the financial reports raised red flags or suggested criminal activity whether, on the part of Mr. Ballard, Amp Electric or otherwise.

We fully recognize the serious harm that Mr. Ballard's actions have caused to the Sevier County Utility District and its customers. His betrayal of the public trust is deeply troubling and unacceptable. The Board is taking all possible steps to ensure this never happens again—including strengthening internal controls, reviewing vendor relationships, enhancing financial oversight, and increasing transparency at every level.

To imply that the Board should have detected a carefully hidden and deliberately concealed scheme—without warning signs, whistleblower reports, or auditor alerts—is simply not grounded in reality. Accountability lies solely with the individual who committed the misconduct—not with the governing body that was intentionally kept in the dark.

This Board acted swiftly, decisively, and with integrity the moment the truth came to light. That is our responsibility—and one we take seriously.

S·C·U·D Board:
Ann Montgomery
Dr. Keith Whaley
Terri Waters

P.O. Box 4398
Sevierville, TN 37864-4398

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HOMESTORE

Sincerely,



Ann Montgomery



Dr. Keith Whaley



Terri Waters

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TENNESSEE COMPTROLLER OF THE TREASURY

COMPTROLLER'S INVESTIGATIVE REPORT

Sevier County Utility District

January 17, 2025

Jason E. Mumpower
Comptroller of the Treasury

DIVISION OF INVESTIGATIONS

TENNESSEE COMPTROLLER OF THE TREASURY

JASON E. MUMPOWER
Comptroller

January 17, 2025

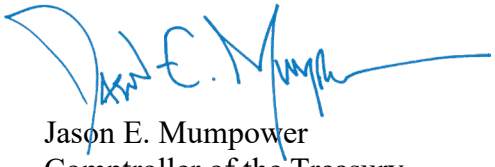
Sevier County Utility District Board
420 Robert Henderson Road
Sevierville, TN 37862

Sevier County Utility District Management:

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

Copies of this report are being forwarded to Governor Bill Lee, the State Attorney General, the District Attorney General of the 4th Judicial District, certain state legislators, and various other interested parties. A copy of the report is available for public inspection in our Office and may be viewed at http://www.comptroller.tn.gov/ia/.

Sincerely,



Jason E. Mumpower
Comptroller of the Treasury

JEM/MLC

INVESTIGATIVE REPORT

Sevier County Utility District

The Office of the Comptroller of the Treasury, in conjunction with the Tennessee Bureau of Investigation, investigated allegations of malfeasance related to the Sevier County Utility District. The investigation was limited to selected records for the period January 1, 2017, through February 28, 2023. The results of the investigation were communicated with the Office of the District Attorney General of the 4th Judicial District.

BACKGROUND



The Sevier County Utility District (district) has been providing natural gas to residents and businesses since 1955. The district serves more than 14,000 customers in Sevier County and parts of Blount County. The district operates the HomeStore, with an onsite showroom, that provides natural gas appliances, installation, and financing. The district also operates a compressed natural gas fueling station.

Utility districts are governed by *Tenn. Code Ann.* § 7-82-101 *et. seq*. Pursuant to Tenn. Code Ann. § 7-82-101, the board of commissioners of any district shall prescribe and collect reasonable rates…or charges for the services. Tenn. Code Ann. § 7-82-113 requires that all expenditures of money made by a utility district must be made for a lawful district purpose. The rates are based on operating and system maintenance expenses. The district is governed by a three-person board of commissioners (board), who are appointed to four-year terms by the Sevier County Mayor. The board has the responsibility to establish and maintain an adequate system of internal controls. Daily operations are managed by the district president, who oversees district employees.

Matthew Ballard began working for the district on November 18, 1996. He was promoted to the role of district president on November 7, 2007. The board placed Ballard on paid administrative leave on January 25, 2023, then ultimately terminated Ballard's employment on March 22, 2023.

RESULTS OF THE INVESTIGATION

1. FORMER DISTRICT PRESIDENT MATTHEW BALLARD MISAPPROPRIATED DISTRICT FUNDS TOTALING AT LEAST $181,582.83

A. Former district president Matthew Ballard misappropriated district funds totaling at least $158,760 through a kickback scheme

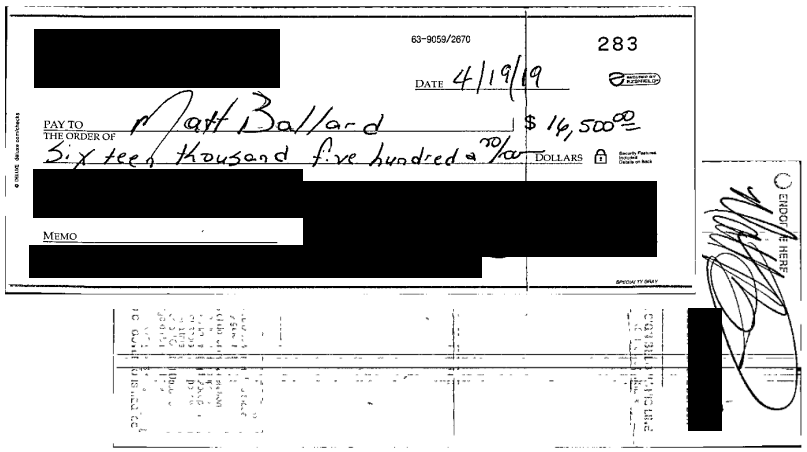
Former district president Matthew Ballard misappropriated district funds totaling at least $158,760 through a kickback scheme with an electrical company. These kickbacks were possible as a result of a corrupt bidding process in which Ballard awarded contracts to the electrical company. Except for the one time bids were solicited, the rest of the electrical work Ballard did not solicit bids, Ballard still granted the contracts to the electrical company. The owner of the electrical company told investigators that his company began working as a contractor for the district in 2009. Ballard granted the electrical company contracts, and in exchange, Ballard requested that the owner overbill the district and then pay him either the entirety or a portion of the overbilled amounts. These payments are known as "kickbacks." Investigators identified 30 kickback payments made from the electrical company, the owner of the electrical company, and an immediate family member of the owner to Ballard and his father, William "Eddie" Ballard, between 2018 and 2022. Of the $158,760 misappropriated, the owner of the electrical company and his family member made kickback payments totaling $141,010 to Ballard and $17,750 to his father, Eddie Ballard. The owner of the electrical company and his family member used eight different financial accounts to make the kickback payments, and Ballard used at least four financial accounts to deposit or cash the kickback payments.

Summary of Matthew Ballard's Misappropriation through a Kickback Scheme

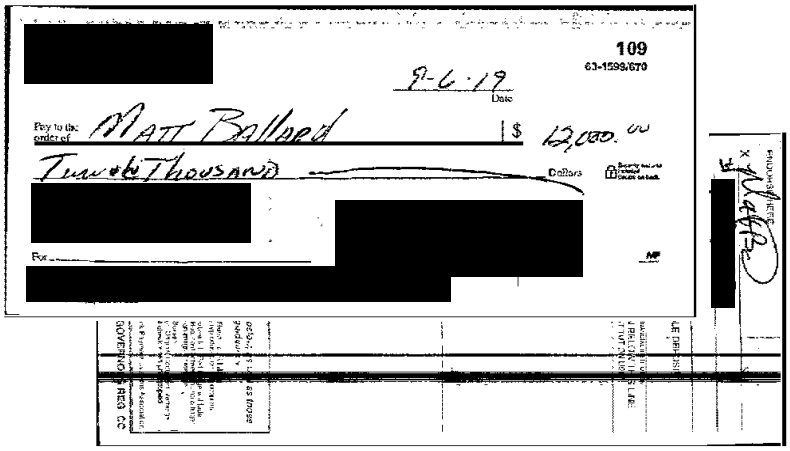
Year	Amount of Kickback Payments to Matthew Ballard	Amount of Kickback Payments to Eddie Ballard	Total Per Year
2018	$560	$-	$560
2019	$112,150	$750	$112,900
2020	$500	$7,000	$7,500
2021	$9,000	$10,000	$19,000
2022	$18,800	$-	$18,800
Total Misappropriation:	**$141,010**	**$17,750**	**$158,760**

The owner of the electrical company told investigators that he made payments in cash, as well as via check, cashier's check, and mobile apps such as Venmo, and Zelle (**See Exhibit 1**). Investigators only located kickback payments dating back to 2018 due to methods of payment and availability of records.The owner of the electrical company stated that Ballard told him to disguise kickback payments made via check and Venmo by labeling them as being related to gambling or equipment purchases, and to sometimes make the payments to Eddie Ballard **(SeeExhibit 2)**

Exhibit1

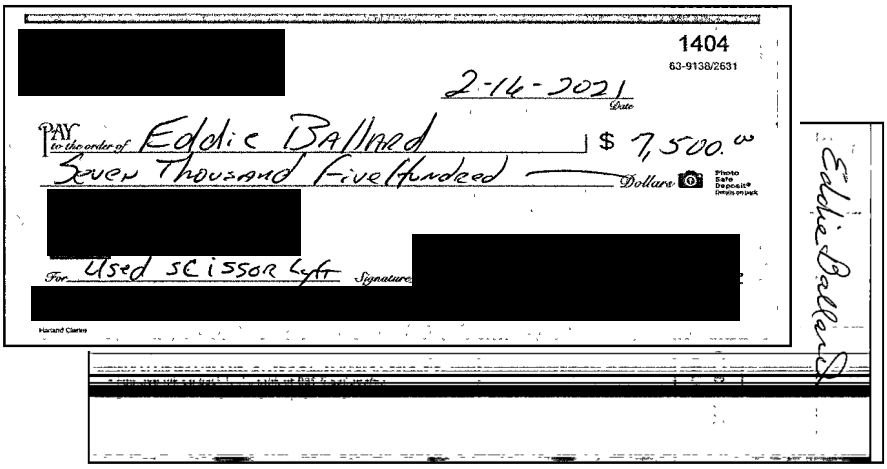


04/12	ZELLE PAYMENT TO Matt Ballard PAYMENT ID	[redacted]	2,000.00



Examples of kickback payments to Ballard including checks payable to and endorsed by Ballard and a mobile app kickback payment

Exhibit 2



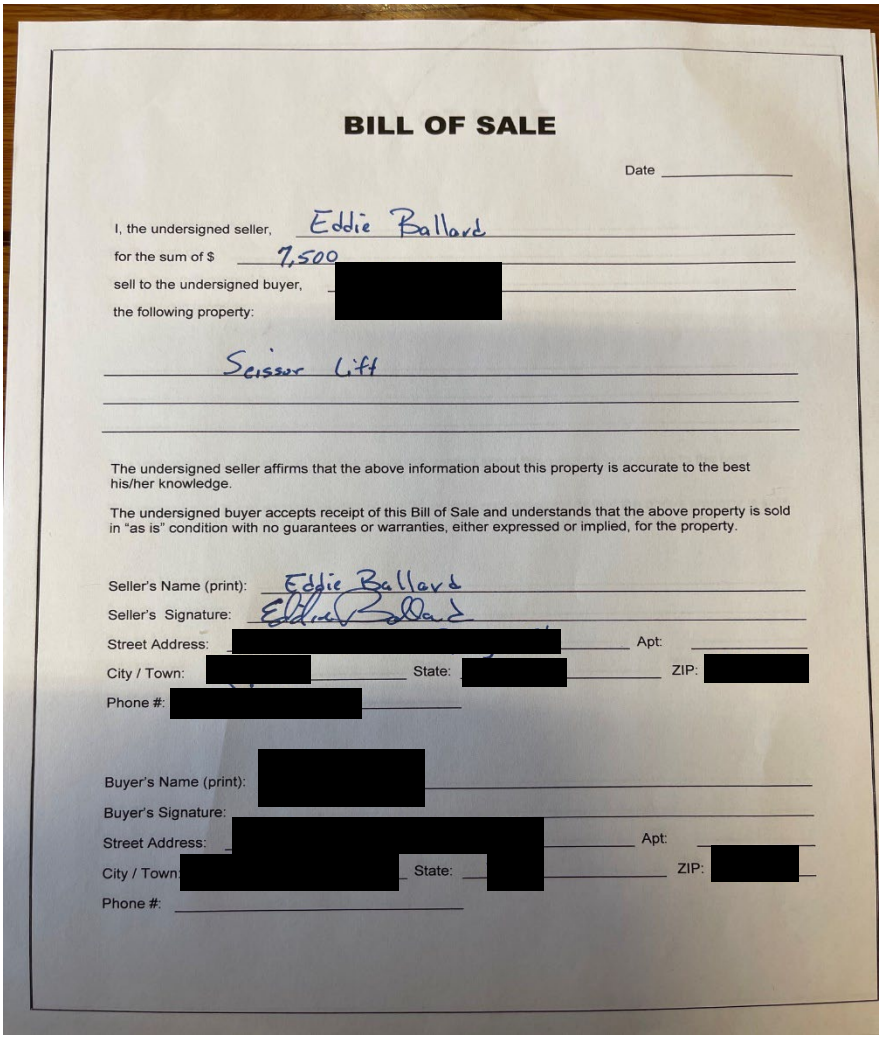
1404
63-9138/2631

2-16-2021
Date

PAY to the order of Eddie BAllard $ 7,500.00
Seven Thousand Five Hundred Dollars

For Used SCissor Lift Signature

Eddie Ballard



BILL OF SALE

Date

I, the undersigned seller, Eddie Ballard
for the sum of $ 7,500
sell to the undersigned buyer,
the following property:

Scissor Lift

The undersigned seller affirms that the above information about this property is accurate to the best his/her knowledge.

The undersigned buyer accepts receipt of this Bill of Sale and understands that the above property is sold in "as is" condition with no guarantees or warranties, either expressed or implied, for the property.

Seller's Name (print): Eddie Ballard
Seller's Signature:
Street Address: Apt:
City / Town: State: ZIP:
Phone #:

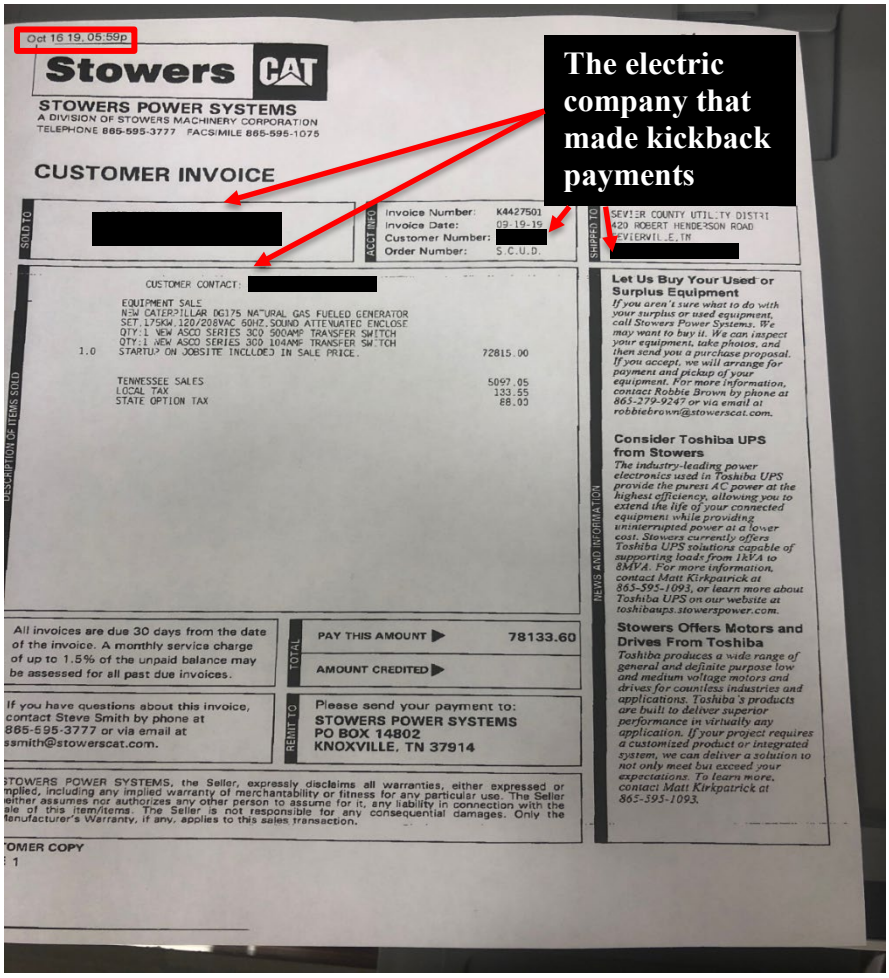
Buyer's Name (print):
Buyer's Signature:
Street Address: Apt:
City / Town: State: ZIP:
Phone #:

Check payable to Eddie Ballard for the purchase of a scissor lift that did not exist and a fabricated bill of sale retrieved from Ballard's work-assigned laptop

Ballard received kickback payments over multiple years; however, investigators found that Ballard received the majority of the kickback payments in 2019. In April 2019, the district entered into a contract with the electrical company to pay $175,000 for the purchase and installation of a natural gas generator. The electrical company ordered the natural gas generator with an invoice price of $78,133.60 **(See Exhibit 3)**.

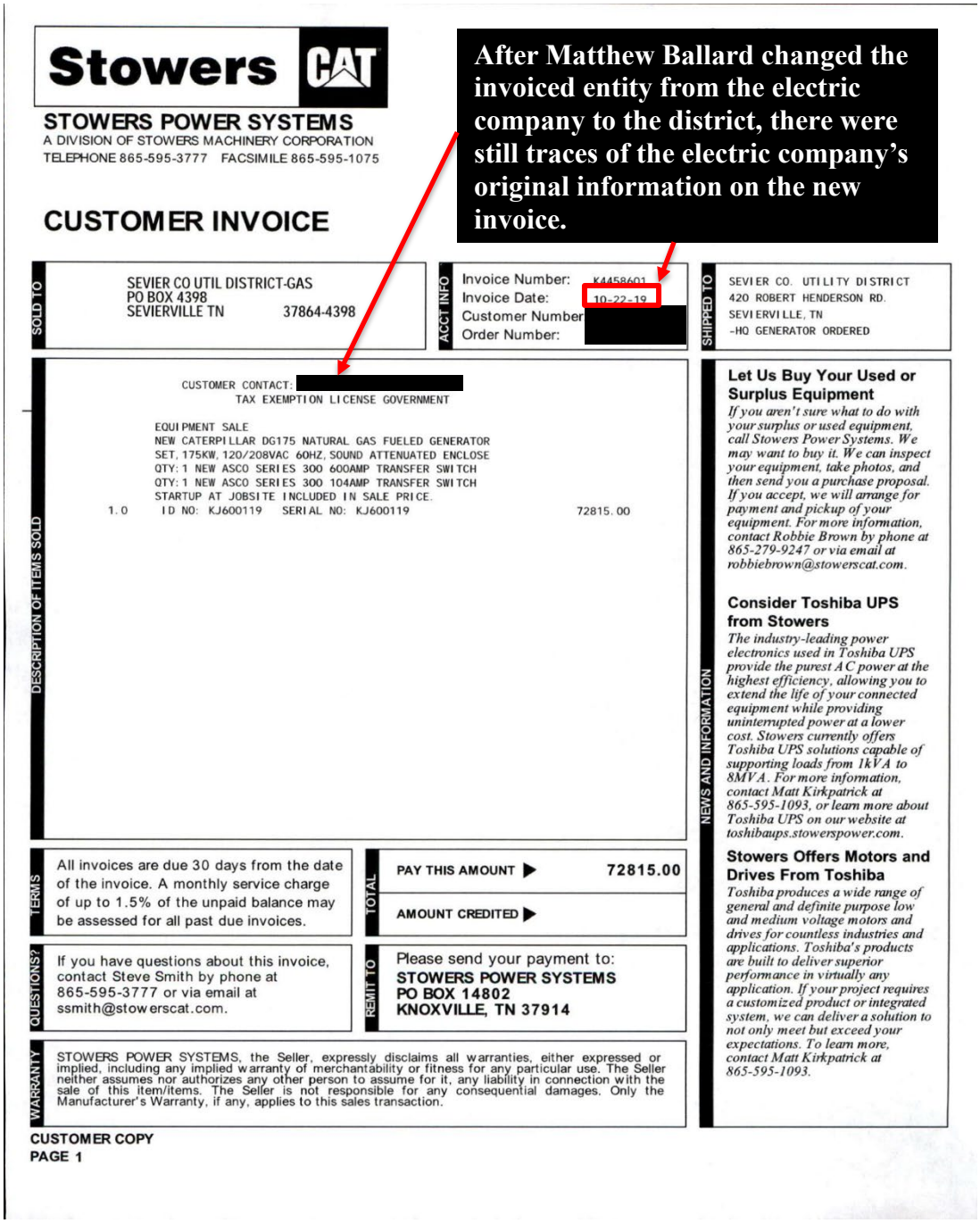
The owner of the electrical company told investigators that the electrical company did not pay for the generator from the funds paid by the district for that purpose. Instead, Ballard called the supplier of the generator and changed the invoice to bill the district (**See Exhibit 4**) which resulted in the district paying for the same generator twice. The owner of the electrical company told investigators that instead of returning the funds the district paid his company for the cost of the generator; he gave Ballard half of the funds over the course of multiple payments and kept half for himself.

Exhibit 3



Invoice retrieved from Ballard's work-assigned laptop that reflects the electrical company was originally invoiced for the cost of the generator

Exhibit 4



The invoice reassigning the generator costs from the electrical company to the district

B. Former district president Matthew Ballard misappropriated district funds totaling at least $18,581.27 for work on personal property

Former district president Ballard misappropriated district funds totaling at least $18,581.27 for work on personal property. Investigators identified 110 instances in which district employees

were paid by the district for work at Matthew Ballard's and Eddie Ballard's personal properties. In many instances, employees performed the work during district working hours.

Ballard directed district employees to work at his and Eddie Ballard's personal properties and instructed these same employees to charge their time to the district. District employees created a unique timecode for the payroll system to account for work done at the Ballards' personal properties. Investigators corroborated locations, dates, and times for at least one employee who worked on Ballard's properties using cell phone data.

District employees performed work at Ballard's personal properties, often using district vehicles and equipment. The work done by district employees included but was not limited to yardwork, general home maintenance, gravel work, installation of an in-ground pool, and other projects that benefitted Ballard's personal properties. To perform work on Ballard's personal property, district employees reported using district-owned equipment, including a dump truck, uniloader skid steer machine, a small walk behind excavator, and an excavator requiring a machine operator and related attachments.

District employees also told investigators that Eddie Ballard kept district-owned equipment on his personal property. Additionally, employees told investigators that they frequently performed other personal tasks for Ballard during their workweek, which they could not code their time specifically for in the payroll system.

Summary of Matthew Ballard's Misappropriation for Work on Personal Property

Year	Total Per Year
2018	$704.52
2019	$5,913.64
2020	$3,268.50
2021	$3,847.00
2022	$4,847.61
Total Misappropriation:	**$18,581.27**

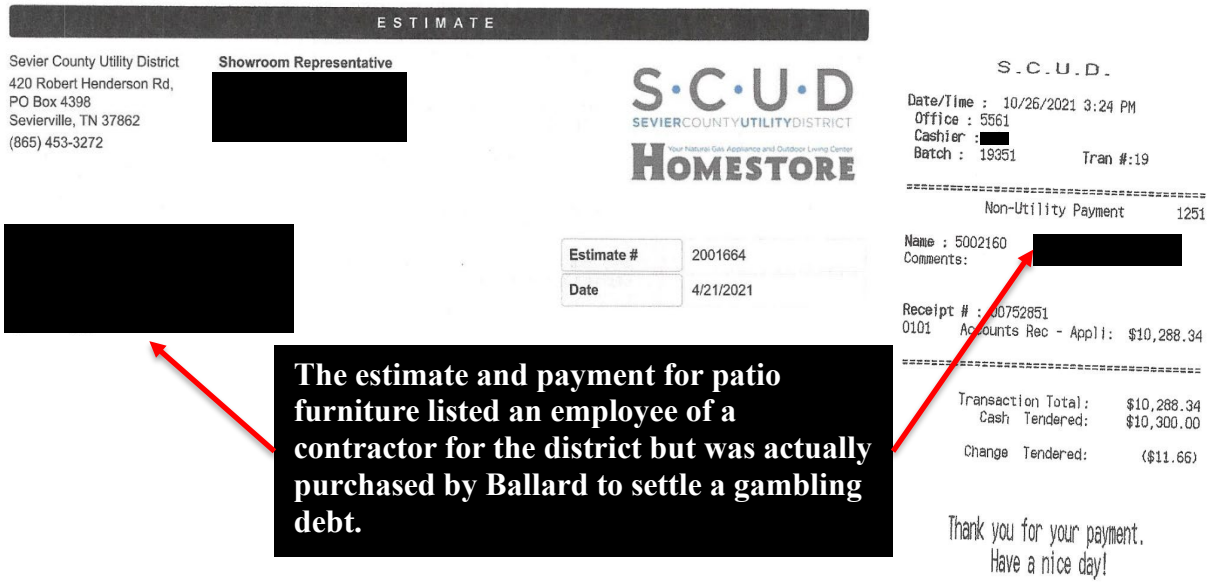
C. Former district president Matthew Ballard misappropriated $4,241.56 for equipment used on his personal property

Former district president Matthew Ballard used district funds totaling $4,241.56 to purchase a leaf and lawn vacuum with accessories used exclusively on his personal property. Additionally, district employees told investigators that Ballard had most trees removed from the district's campus prior to the purchase of the leaf and lawn vacuum, and the district contracted with a landscaping company for all campus lawn maintenance.

2. FORMER DISTRICT PRESIDENT MATTHEW BALLARD INSTRUCTED A DISTRICT EMPLOYEE TO WRITE FALSE INFORMATION ON HOMESTORE CUSTOMER DOCUMENTATION

Former district president Matthew Ballard instructed a district employee to list a false purchaser on HomeStore customer documentation to disguise that he purchased patio furniture at cost to settle gambling debts (**See Exhibit 5**). The employee told investigators that Ballard asked for a 50% discount for the items, but the employee felt uncomfortable with the request, so the employee gave Ballard $5,000 to help him pay for the patio furniture. The employee provided investigators with documentation showing that the employee withdrew $5,000 the day before Ballard completed the purchase. The individual to whom Ballard owed gambling debts confirmed to investigators that Ballard gave him the patio furniture and other items to settle gambling debts.

Exhibit 5



3. FORMER DISTRICT PRESIDENT MATTHEW BALLARD INTERFERED WITH THE INVESTIGATION

A. Former district president Matthew Ballard cleared data from his work-assigned devices

Investigators determined that Matthew Ballard attempted to conceal his misappropriation from the district by clearing data from his work-assigned devices. District board members told investigators that prior to the board meeting on January 25, 2023, they did not know that Ballard had misappropriated district resources. When questioned by the board, Ballard denied the allegations.

After the board meeting on January 25, 2023, Ballard began a leave of absence, but he was allowed to retain his work-assigned devices, including a

- laptop,
- cell phone,

- tablet, and
- smartwatch.

Ballard told district employees that he would not provide the electronics to the Comptroller's Office. Upon receipt of the electronics, Comptroller's Office computer forensics staff found that Ballard's work-assigned cell phone and tablet had been reset and cleared of all data.

B. Former district president Matthew Ballard directed a district employee to lie to the board

On January 25, 2023, the board received allegations that former district president Matthew Ballard used district funds to pay employees for work on personal properties. At 12:30 p.m., during the board's meeting, Ballard called a district employee and told the employee that if the board inquired about the times the employee worked on Ballard's personal property, the employee should say that he was paid in cash for those hours and did not claim time worked at the district. Ballard also warned that the employee should not "turn his back" on him and directed the employee to tell other employees who had performed work on Ballard's personal property to say the same.

Three district employees reported to investigators that between January 27, 2023, and February 1, 2023, were contacted by Ballard or his immediate family members.

4. FORMER DISTRICT PRESIDENT MATTHEW BALLARD AUTHORIZED AT LEAST $1,704,876.11 IN QUESTIONABLE SPENDING OF DISTRICT FUNDS

A. Former district president Matthew Ballard authorized questionable payments of district funds totaling at least $778,404.65 related to the electrical company that made kickback payments

Former district president Matthew Ballard authorized questionable payments totaling at least $778,404.65 related to the electrical company that made kickback payments. District employees told investigators that Ballard instructed the employees to use one specific electrical company (as referenced in Finding 1) for most electrical work performed without seeking bids. The only electrical work for which the district sought bids was for the building of the district's employee center; however, contractors told investigators that Ballard had the electrical work bid separately from the other construction work of the project. Instead Ballard did not bid the electrical work, and chose the electrical company that made kickback payments to him for the project despite their offer not being the lowest offer. The district's purchasing policy states, "…if a bid is awarded to someone other than the lowest bidder, a memo shall be placed in the file stating the reason the winning vendor was selected over the low bidder. The person responsible for placing this document in the file is the President or President's Designee." Investigators did not locate any such memo in the district's files.

Additionally, investigators questioned payments to the electrical company that lacked adequate supporting documentation. 54 of 55 invoices submitted by the electrical company for payment did not include adequate supporting documentation, such as receipts that

support the district payment. Invoices submitted to the district for payment often did not list the work performed or only listed the work performed as "work as directed" or “as directed by owner.” Invoices were sent directly from the electrical company to Ballard, then the invoices were approved for payment by Ballard without confirmation of work performed.

Investigators also identified questionable invoice charges, including,

- labor already paid on previous invoices,
- overcharged materials,
- labor and materials provided by district employees assisting the electrical company on the project, and
- lift rentals with a 20% mark-up charged to the district despite the fact that both the electrical company and the district owned lifts.

Ballard authorized invoices for payment without requiring adequate documentation that work was performed. The owner of the electrical company told investigators that he submitted invoices to the district for payment when Ballard requested money from him, not necessarily when work was performed.

According to the district’s purchasing policy, the district is required to seek competitive bids for any contracts exceeding $10,000 in individual or grouped purchases. During the scope of this investigation, the district paid $937,102.50 to the electrical company from which Ballard received kickbacks. After excluding the misappropriation noted in **Finding 1**, investigators question all payments made to the electrical company that violated the district’s purchasing policy.

Additionally, the district paid at least $62.15 to mail payments overnight to the electrical company owner on at least three occasions without a documented reason for rushed payments. The owner of the electrical company told investigators that they would not pay Ballard kickbacks until payments from the district arrived. Ballard circumvented necessary internal controls surrounding payments to contractors to ensure he received kickbacks as quickly as possible.

B. Former district president Matthew Ballard authorized questionable payments of district funds totaling at least $585,137.57 to a landscaping/construction company

Investigators determined that former district president Matthew Ballard authorized questionable payments totaling at least $585,137.57 to a company that performs landscaping and construction work without seeking competitive bids for the work as required by district policy. The district paid the company to perform routine landscaping and build an equipment shed on the district campus. The district’s purchasing policy requires the district president and board to seek competitive bids on items or groups of items costing $10,000 or more. Without a proper bid, organizations have no way of determining the costs of the project or recourse for failures when specicifiations are not met. And with normal bids, costs are compared to determine best price for the project before awarding to a company.

C. Former district president Matthew Ballard authorized questionable payments of district funds totaling at least $118,000 to a consulting firm

Former district president Matthew Ballard authorized at least $118,000 in questionable payments to a consulting firm. Invoices submitted to the district for payment did not include adequate details, despite the consulting agreement outlining the scope of their services. Investigators' review of invoices from September 2017 to September 2019 revealed that most of the monthly billings were for the full contract amount rather than itemized charges for the specific services rendered. Furthermore, the limited details provided on the invoices merely documented broad tasks like representing the district at events, planning a vendor reception, and meeting with government officials, without including specific dates or scope of these activities. Additionally, an employee of the consulting firm told investigators that the district reimbursed the firm for the purchase of alcohol for events attended by district employees. Regarding the consumption of alcohol during work-related travel, the district's Employee Handbook states, "Alcoholic beverages are the responsibility of the employee and will not be reimbursed." The employee of the consulting firm told investigators that Ballard directed the firm to disguise the cost of alcohol in their invoices.

D. Former district president Matthew Ballard authorized questionable payments totaling at least $76,684.48 for district credit and bank card purchases

Former district president Matthew Ballard authorized questionable payments totaling at least $76,684.48 for district purchases. Of the $76,684.48 in questionable spending, investigators determined that Ballard authorized purchases totaling at least $51,075.34 on the district's credit card and authorized purchases totaling at least $25,609.14 on the district's bank card.

Investigators identified numerous expenses that did not appear to benefit the district's ratepayers. Examples of questionable credit card purchases include local food purchases with no associated travel, birthday lunches for district employees, purchases related to golf trips taken by district employees, a firearm penalty due to Ballard carrying a handgun into an airport, a personal purchase made by Ballard after his personal credit card was declined, and a rideshare taken from Murfreesboro to Broadway, an entertainment and shopping area in Nashville. When investigators asked Ballard why he used district funds for the rideshare taken from Murfreesboro to Broadway, he replied, "We are not going to drive if we are drinking." Additionally, the vice president of finance's work-assigned credit card was used during official district travel to pay for rideshares to and from a strip club, and to and from a museum.

The district's Employee Handbook states, "Personal charges cannot be placed on the credit card."

Examples of questionable bank card purchases included at least 11 Apple Watches for upper management, Apple Watch accessories, AirPods, and birthday lunch expenses

charged to the bank card. Additionally, some bank card purchases lacked adequate supporting documentation. Therefore, investigators could not determine if the purchases were for the exclusive benefit of the district.

E. Former district president Matthew Ballard authorized questionable payments totaling at least $7,174.41 for operating costs of a district vehicle

As noted in Section B of Finding 1, investigators determined that a district employee hauled rock and dirt to and from the home of Ballard in a district-owned dump truck. Investigators analyzed travel documentation and the LoadMan standard industry costs, and determined the minimum time and mileage used to haul rock and dirt for Ballard. Investigators question $2,840.66 in time claimed by the district employee and $4,333.75 for the use of the dump truck, totaling $7,174.41.

F. Former district president Matthew Ballard authorized questionable payments totaling at least $138,725 for advertising expenses

Former district president Matthew Ballard authorized questionable payments totaling at least $138,725 for advertising expenses, including golf tournament registrations and a donation to a softball program at a college outside the district's service area.

Between January 2017 and April 2023, the district made questionable payments of at least $118,725 for charity golf tournament registrations (not including the amount previously noted in Finding 3), most of which Ballard, other district employees, board members, and Ballard's father participated in. Golf registration records revealed that district employees played golf in charity tournaments frequently during their work hours for the district. The district also paid for golf tournament registrations of consultants, board members, immediate family members of board members, and retired district employee, Eddie Ballard. Investigators were not able to quantify the time claimed by district employees for golf tournaments, but confirmed that employees charged such time to the district. Golfing during working hours does not benefit the ratepayers. District employees told investigators that Ballard enjoyed golfing, which was reflected in Ballard's work calendar.

In 2019, the district also made a questionable payment totaling at least $20,000 as a donation to the Athletics Initiative at a college outside the district's service area to support the softball team and to purchase a new scoreboard. Ballard's immediate family member played softball for the college at the time of the district's donation. Ballard signed an agreement with the college to provide the funds on the condition that the scoreboard advertise the district's HomeStore; investigators noted that while purchases from the HomeStore are not limited to residents of the district's service area, the college was located outside the district's service area for natural gas. Additionally, district employees told investigators that at least six district employees removed the old scoreboard and put up a new scoreboard. District employees drove work-assigned vehicles to and from campus and used a bucket truck and welding truck owned by the district for the removal and installation of the new scoreboard. As a result of the district's donation, Ballard was recognized by the college as a member of its President's Circle, the highest donor level for the school.

According to Attorney General Opinion 03-17, promotional efforts by public utilities may be considered a legitimate district expense if there is a likelihood that the expenditures will ultimately benefit the customers of the district by increasing system efficiency and lowering utility rates. Investigators could not identify a benefit to the district derived from donating money and the services of district employees and district equipment to various public and private organizations and institutions.

In addition, district employees may have performed work outside the scope of their governmental and proprietary functions. Any work performed outside the course and scope of governmental and proprietary functions increases the risk that the government tort liability act would not provide protection to the district in the event one of the employees was injured, someone else was injured, or damages occurred as a result of the work performed by the district employees.

G. Former district president Matthew Ballard used district facilities for a personal event with a rental value of $750 at no charge

Former district president Matthew Ballard used district facilities for a personal event with a rental value of $750 at no charge. Investigators determined that former district president Ballard used the employee center to host a holiday celebration on November 24, 2022, without paying to rent the space. The employee center is open to the public for rent at the cost of $750 per day, and district employees do not receive a discount on facility rental fees. The district employee responsible for managing the employee center rental contracts told investigators that Ballard did not sign a rental contract or pay to use the space.

5. FORMER DISTRICT PRESIDENT MATTHEW BALLARD AUTHORIZED BROAD MISUSE OF DISTRICT-OWNED VEHICLES AND EQUIPMENT

District employees told investigators that district vehicles and equipment were often used for work on the personal properties of Matthew Ballard and Eddie Ballard. District employees who performed work on the Ballards' personal properties regularly used their work-assigned vehicles to commute to and from the Ballards' personal properties and used district-owned equipment to complete their work for the Ballards. District employees also told investigators that district equipment often sat on the Ballards' properties for long periods of time when not in use.

District employees told investigators that prior to the 2011 investigative audit of the district performed by the Comptroller's Office, Ballard allowed employees to take district-owned equipment off-campus for personal use. District employees stated that during the investigative audit, Ballard temporarily banned personal use of equipment, but eventually allowed personal use of equipment again as long as the person using the equipment received approval from the facilities manager. The Employee Handbook explicitly bans the use of district-owned vehicles for personal use, but regarding equipment, it states, "No employee, other than the operator, shall ride on any piece of equipment unless specifically authorized to do so. Operation of any Sevier County Utility District equipment without proper authorization is prohibited." The Employee Handbook does not

District equipment without proper authorization is prohibited." The Employee Handbook does not provide further detail on the procedure for proper authorization and prohibits the personal use of equipment.

Multiple district employees admitted to investigators that they used district equipment for personal use. At least one employee admitted to using district equipment for personal use during work hours. One district employee told investigators that he hauled district equipment to and from personal residences for personal use during work hours using a work-assigned vehicle. District employees provided numerous examples of how they used district equipment for the benefit of the Ballards in addition to the labor described in Finding 1, including those listed below:

- District employees drove gravel in a district-owned single-axle truck to Maryville to spread on the driveway of one of Ballard's immediate family members, then leveled the gravel using a district-owned uniloader skid steer machine.

- District employees used a district-owned uniloader skid steer machine and excavator to gather mountain boulders from the personal property of another district employee, then transported the boulders to Ballard's personal property.

- Ballard and other district employees used a district-owned van almost exclusively for golf trips. At least four individuals told investigators that they either drove the van on golf trips with Ballard or witnessed the van being used for golf trips.

- District employees reported performing work on vehicles belonging to Ballard, Eddie Ballard, the immediate family members of Ballard, and a friend of Eddie Ballard.

- Ballard instructed at least six district employees to move furniture out of an immediate family member's home and to store it on the district's campus. (**See Exhibit 6**).

Exhibit 6



Items stored on the district campus that belonged to Ballard's immediate family member

- On January 25, 2023, a district access card assigned to Eddie Ballard was used by an unidentified indvidual to enter the district's campus after work hours to return a district-

employees also reported that they were instructed at times to go to Eddie Ballard's personal property and service the mower, including sharpening the blades.

Exhibit 7



Footage from the district's surveillance system of the return of the district-owned lawn mower

- A district employee told investigators that he worked on personal devices belonging to Ballard's immediate family.

- Ballard used his work-assigned computer to research backyard décor and to locate strip clubs he planned to visit while on work-related travel. Additionally, the vice president of finance and Information Technology manager used their work-assigned phones as personal phones. The district's Employee Handbook prohibits district employees from using work-assigned devices for personal use.

On January 15, 2025, the Sevier County Grand Jury indicted Matthew Aaron Ballard on one count of Bribery of a Public Servant and one count of Official Misconduct, and William Edgar Ballard on one count of Criminal Responsibility for the Conduct of Another.

The charges and allegations contained in the indictment are merely accusations of criminal conduct, and not evidence. The defendant is presumed innocent unless and until proven guilty beyond a reasonable doubt and convicted through due process of law.

Sevier County Utility District Investigation Exhibit

INTERNAL CONTROL AND COMPLIANCE DEFICIENCIES

Our investigation revealed deficiencies in internal controls and compliance, some of which contributed to Ballard's ability to perpetrate his misappropriation without prompt detection. These deficiencies included:

Deficiency 1: **The district's board failed to provide adequate oversight of district projects, management decisions, and financial operations of the district**

The district's board failed in its fiduciary responsibility to ensure the best use of public funds for district projects and failed to provide adequate oversight of management decisions and financial operations. The board also failed to correct findings noted in the 2011 investigative audit report released by the Comptroller's Office.

The district's board did not provide adequate oversight of the district's operations and did not establish sufficient internal controls to ensure accountability of district funds. The lack of oversight by the board directly contributed to the failure to properly account for district funds. The district board should also ensure that audit and investigative findings are corrected.

Deficiency 2: **The district's upper management structure disincentivized reporting questionable activity to the board**

Investigators found that the district's vice presidents of finance, operations, and human resources reported directly to the district president during the period reviewed. The board should consider managing the hiring and oversight of the district's upper management instead of sole oversight resting with the district president. This would ensure that members of management would be able to report concerns about questionable practices or misappropriation by other upper management without fear for their jobs from the person to whom they report.

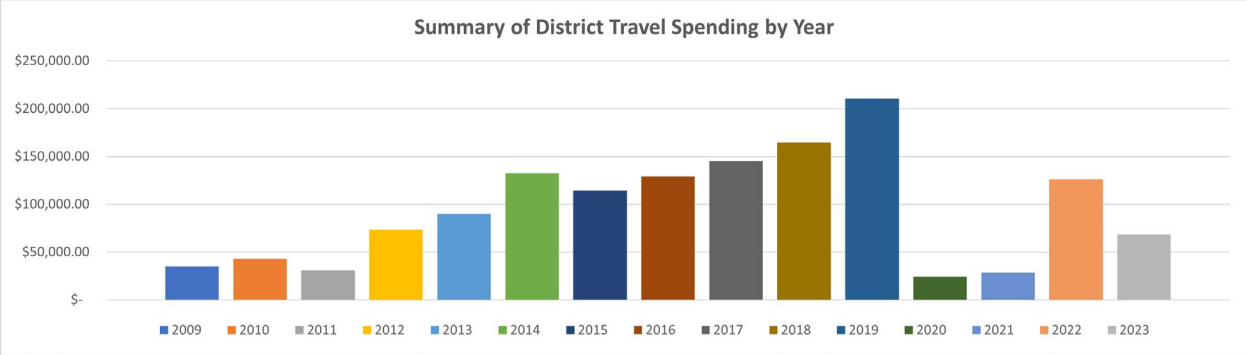
Deficiency 3: **The district's vice president of finance routinely approved questionable expenses and did not report concerns to the district board**

The district's vice president of finance met with investigators prior to the leave of absence of former district president Ballard. Despite being aware of the ongoing investigation, the district's vice president of finance did not tell investigators that he had concerns regarding spending at the district prior to Ballard's leave of absence. Following Ballard's leave of absence, the district's vice president of finance told investigators that he had concerns regarding the district's use of the electrical company and landscaping contractor, but he asserted that he had no other concerns regarding the district's spending.

Payment records revealed that the district's vice president of finance regularly approved payments to the electrical company, as well as other questionable expenses. The district's vice president of finance also admitted to investigators that he had allowed district employees to charge personal expenditures to the district, then later reimburse the district for the charges, which he acknowledged to investigators should not have occurred. The district's vice president of finance did not report his concerns regarding the electrical company, his approval or participation in questionable spending, or violations of the district's purchasing policy to the board prior to the board's inquiry and Ballard's leave of absence.

<u>Deficiency 4</u>: The district's travel budget grew over 400% in ten years and includes questionable expenditures of district funds

In 2009, a year that was included in the 2011 investigative audit of the district performed by the Comptroller's Office, the audited travel expenses totaled $35,161. By 2019, travel expenses had increased to $210,534, a 498.7% increase from 2009. An analysis by year of audited travel expenses for July 1, 2016, to June 30, 2019, showed the combined travel cost for these 36 months was $520,486 which averaged $14,457.94 per month. Investigators reviewed the district's American Express charges and determined that during the scope of the investigation, the district paid for employees to travel to various cities across the United States, including San Francisco, Seattle, St. Petersburg, Destin, Louisville, Charlotte, Orange Beach, Fort Myers, Cape Coral, and Phoenix. Management should review travel expenses to determine the necessary training needs for each of their employees.



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

INVESTIGATIVE AUDIT REPORT

SEVIER COUNTY UTILITY DISTRICT

NOVEMBER 1, 2007, THROUGH OCTOBER 31, 2009



State of Tennessee

Comptroller of the Treasury
Department of Audit
Division of Municipal Audit

STATE OF TENNESSEE

Justin P. Wilson
Comptroller

COMPTROLLER OF THE TREASURY

STATE CAPITOL
NASHVILLE, TENNESSEE 37243-9034
PHONE (615) 741-2501

March 29, 2011

Members of the Board of Commissioners
Sevier County Utility District
P. O. Box 4398
Sevierville, TN 37864-4398

Gentlemen:

Presented herewith is the report on our investigative audit of selected records of the Sevier County Utility District. This investigative audit focused on the period November 1, 2007, through October 31, 2009. However, when warranted, this scope was expanded.

Section 9-2-102, *Tennessee Code Annotated*, requires that the Comptroller of the Treasury prescribe a uniform system of bookkeeping designating the character of books, reports, receipts and records, and the method of keeping same, in all state, county and municipal offices, including utility districts, which handle public funds. This code section also requires that all officials adopt and use the prescribed system. The Comptroller has prescribed a minimum system of recordkeeping for utility districts, which is detailed in the *Uniform Accounting Manual for Tennessee Utility Districts* combined with Chapter 6 of *Governmental Accounting, Auditing and Financial Reporting*. The purpose of our audit was to determine the extent of the entity's compliance with certain laws and regulations, including those in the above-mentioned manuals.

Our investigative audit revealed that the former district vice-president used his position to receive a personal benefit of $10,055 related to transactions involving the sale of a district vehicle. This matter has been referred to the local district attorney general.

The findings and recommendations in this report also relate to those conditions that we believe warrant your attention. All responses to each of the findings and recommendations are included in the report.

Members of the Board of Commissioners
Sevier County Utility District
March 29, 2011

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.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury

STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF MUNICIPAL AUDIT

Justin P. Wilson
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Dennis F. Dycus, CPA, CFE, Director
Division of Municipal Audit

March 29, 2011

Mr. Justin P. Wilson
Comptroller of the Treasury
State Capitol
Nashville, TN 37243-9034

Dear Mr. Wilson:

As part of our ongoing process of examining the records of utility districts, we have completed our investigative audit of selected records of the Sevier County Utility District. This investigative audit focused on the period November 1, 2007, through October 31, 2009. However, when the audit warranted, this scope was expanded.

Section 9-2-102, *Tennessee Code Annotated*, requires that the Comptroller of the Treasury prescribe a uniform system of bookkeeping designating the character of books, reports, receipts and records, and the method of keeping same, in all state, county and municipal offices, including utility districts, which handle public funds. This code section also requires that all officials adopt and use the prescribed system. The Comptroller has prescribed a minimum system of recordkeeping for utility districts, which is detailed in the *Uniform Accounting Manual for Tennessee Utility Districts* combined with Chapter 6 of *Governmental Accounting, Auditing, and Financial Reporting*. The purpose of our audit was to determine the extent of the entity's compliance with certain laws and regulations, including those in the above-mentioned manuals.

Our investigative audit revealed that the former district vice-president used his position to receive a personal benefit of $10,055 related to transactions involving the sale of a district vehicle. This matter has been referred to the local district attorney general.

Our investigative audit also resulted in findings and recommendations related to the following:

1. District employees performed work for the district president's personal benefit

2. District funds used for guided bus tour; spousal travel; lack of adequate documentation

3. Violation of district travel policy

Mr. Justin P. Wilson
Comptroller of the Treasury
March 29, 2011

4. Donations of district funds, inventory, and services

5. Transactions involving sporting event tickets

6. Failure to mark or identify all district vehicles

7. District commissioners received excess compensation

8. Unauthorized purchases of clothing for commissioners and employees

9. Clothing and footwear provided to employees and commissioners as a fringe benefit not reflected on employees' Form W-2

10. Failure to establish and follow policies regarding credit cards

11. Inadequate petty cash records

12. Purchases made for other than district purposes

In addition to our findings and recommendations, we are also providing management's response. If after your review, you have any questions, I will be happy to supply any additional information which you may request.

Sincerely,



Dennis F. Dycus, CPA, CFE, Director
Division of Municipal Audit

INVESTIGATIVE AUDIT OF SELECTED RECORDS OF THE SEVIER COUNTY UTILITY DISTRICT FOR THE PERIOD NOVEMBER 1, 2007, THROUGH OCTOBER 31, 2009

LEGAL ISSUES

1. **ISSUE:** **Transactions involving district vehicle**

Our investigative audit revealed that the former district vice-president used his position to receive a personal benefit of $10,055, related to transactions involving the sale of a district vehicle. According to utility district records, in December 2009, the former district vice-president negotiated the trade of a district 2007 Chevrolet 2500 Silverado diesel pickup to a local car dealership. The "Blue Book" or NADA trade-in value of the truck at that time was $32,175; however, the district received an allowance of only $17,000[1] towards the purchase of a new vehicle. Following that transaction, Department of Revenue records indicate that the former district vice-president personally purchased the 2007 Chevrolet 2500 Silverado diesel truck from the car dealership for $17,000. Within days, he traded the same vehicle at another local car dealership, receiving a $27,055 trade-in allowance. Therefore, the former district vice-president received a personal benefit of $10,055.

This matter has been referred to the local district attorney general.

[1] According to the dealership's sales manager, he used a trade publication, similar to NADA, to determine the allowance. However, auditors determined that the publication he claimed to have used valued the vehicle at $27,700.

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FINDINGS AND RECOMMENDATIONS

1. **FINDING: District employees performed work for the district president's personal benefit**

Our investigative audit revealed that in 2008, the district president directed district employees to build and install a grill island and fire pit burner at his personal residence. Although the president reimbursed the district for materials used, he did not reimburse the district for the employees' labor. When state auditors inquired about this practice, the president claimed the district would perform this service for anyone, but admitted the district did not advertise this service to district customers. The president also acknowledged this was the only grill island the district built and installed for a customer[2], but that the district had built and installed fire pit burners[3] and pool heaters for other customers.

Section 7-82-403, *Tennessee Code Annotated,* addresses the fact that the board of commissioners should collect reasonable rates to provide for the operation and maintenance of the system. It is the board of commissioners' responsibility to ensure that district staff uses ratepayer funds prudently. Auditors could not determine a benefit to the district derived from employees performing work at the president's personal residence. In addition, since the only instance of this type work was for the president's apparent personal benefit, it creates an appearance of impropriety.

RECOMMENDATION:

To comply with state law, members of the board of commissioners should ensure that management utilizes district assets for the benefit of the district. Members of the board of commissioners should require that services performed by district employees are for the operation and maintenance of the district.

MANAGEMENT'S RESPONSE:

Members of the Board of Commissioners:

Response is the same as that of the president.

President:

I do not concur. This was not the only time work was performed for gas customers. On numerous occasions, work has been performed for customers of good standing who are adding additional gas load to their system.

[2] The president is also a district customer.

[3] District employees fabricated and installed two fire pit burners at a hotel partially owned by one of the commissioners, but the fire pits did not operate properly and the work was redone by a contractor.

AUDITOR'S REBUTTAL:

Fabricating and installing grill islands is not an advertised service of the district and multiple district employees, including the president, confirmed this was the only grill island the district had ever fabricated and installed for a customer.

We reiterate our finding and recommendation.

2. **FINDING:** **District funds used for guided bus tour; spousal travel; lack of adequate documentation**

Our investigative audit revealed that the district paid over $2,300 for a guided bus tour for 15 persons including district officials, their spouses, and other unidentified persons[4] while attending a conference in California. The district's travel policy strictly prohibits the payment of expenses for spousal travel. In addition, district management failed to maintain adequate supporting documentation to identify exactly who the district was providing guided tours for. Section 7-82-403, *Tennessee Code Annotated,* addresses the fact that the board of commissioners should collect reasonable rates to provide for the operation and maintenance of the system. It is the board of commissioners' responsibility to ensure that district staff uses ratepayer funds prudently and sensibly. Auditors could not determine a benefit to the district derived from funding a guided bus tour for district commissioners, employees, spouses, and unidentified guests.

RECOMMENDATION:

To comply with state law, members of the board of commissioners should ensure that all disbursements are for the benefit of the district. Adequate documentation of all expenditures must be maintained. Members of the board of commissioners should ensure that payment by the district for spousal travel is strictly prohibited.

MANAGEMENT'S RESPONSE:

Members of the Board of Commissioners:

We concur with the recommendation. We will review and revise our policies, as necessary, to make sure that employees understand that adequate documentation of travel expense must be obtained and maintained. We will also emphasize that spousal travel expenses must be borne by the employee.

[4] The district was unable to identify all persons who participated in the bus tour.

President:

Response is the same as that of the board of commissioners.

3. **FINDING: Violation of district travel policy**

A review of district documentation revealed that district officials routinely violated the district travel policy. For instance, while attending a conference in California, district officials charged over $20,000 in expenses, many of which violated the district travel policy.

→ District records indicated that on one day, district officials charged approximately $140 per person for two meals including beverages containing alcohol for district officials, their spouses, and other unidentified guests[5] totaling over $2,100. This was in direct violation of the district's travel policy prohibiting payment of officials' spouses' travel as well as exceeding the limit of $64 per official per day for reimbursement of meals.

→ District officials charged over $2,500 for airfare, lodging, and meals for two wives of former commissioners. This violated the policy of allowing only expenses that were "actual, ordinary and necessary in the conduct of the District business."

RECOMMENDATION:

To help ensure that all district funds are used only for costs necessary to the purposes for which the district exists, members of the board of commissioners should adhere to and enforce district policies. Members of the board of commissioners should ensure that their travel policy is followed and should strictly forbid payments for spousal travel.

MANAGEMENT'S RESPONSE:

Members of the Board of Commissioners:

While we concur with the recommendation, we point out that the conference included presentations on the outlook at the FERC, market transparency, energy futures market, natural gas vehicles, operations and safety, gas supply, and LIHEAP that are important in the operation of a natural gas system.

The cost of the conference was under the total budgeted amount as approved in budget documents. The expense in question happened in 2008 and is the only day the travel allowance was exceeded. Alcohol was mistakenly included on the meal receipt by the restaurant. The utility, as a matter of policy, **does not** reimburse for alcoholic beverages. The travel policy referred to in the report was adopted in 1995 and has not been adjusted

[5] The district was unable to identify all persons who participated in the meals.

for inflation since that time. The utility is in the process of revising its travel policy, with regard to travel and meal expenses.

President:

Response is the same as that of the board of commissioners.

AUDITOR'S CLARIFICATION:

Management's response asserts that the board approved the cost of the conference in the budget. However, the board's budget approval does not negate their duty and obligation to abide by and enforce the travel policies the board itself established.

Auditors found that the examples cited in the finding were not the only instances of policy violation. (Refer to Exhibits 1 and 2.) It should be noted that in both these cases, the district did not maintain adequate documentation to determine the true nature of the costs paid with district funds. Therefore, state auditors were required to contact the vendors to obtain adequate supporting documentation. In addition, district records did not identify who partook in these events and for what district purpose they served.

The district's current policy relies upon IRS meal reimbursement rates which are revised at least yearly. If the board revises the travel policy, it should consider including provisions that will hold employees personally liable when they abuse district policies.

4. **FINDING: Donations of district funds, inventory, and services**

The district frequently donated money, appliances, and the services of district employees and equipment to various organizations and institutions. For example:

→ The district donated $5,000 to the Educational Foundation of the Sevier County School System and over $25,000 to the Robert F. Thomas Foundation.

→ The district donated grills to a local church and to Dollywood. Fire pits with values of up to $750 were donated to the Mountain Hope Good Shepherd Clinic.

→ District personnel used district equipment during working hours to perform work[6] at an athletic field at Carson-Newman University in Jefferson County and at an athletic field at Seymour High School in Sevier County.

[6] The work was not related to the SCUD gas system.

According to Attorney General's Opinion 03-17, promotional efforts by public utilities could be considered a legitimate district expense if there were a likelihood that the expenditures would ultimately benefit the customers of the district by increasing system efficiency and lowering utility rates. However, other than that type of deliberate and measured promotional effort, the district has no statutory authority to make donations to any organization. Auditors could not identify a benefit to the district derived from donating money, appliances, and the services of district employees and district equipment to various public and private organizations and institutions.

In addition, the employees were performing work outside the scope of their governmental and proprietary functions[7]. Therefore, the government tort liability act did not provide protection to the district in the event one of the employees was injured, someone else was injured, or damages occurred as a result of the work performed by the Sevier County Utility District (SCUD) employees.

RECOMMENDATION:

Members of the board of commissioners should ensure that all disbursements are for the benefit of the district. To avoid tort liability exposure, district employees should only perform services within the scope of their governmental and proprietary functions.

MANAGEMENT'S RESPONSE:

Members of the Board of Commissioners:

We do not concur. Section 7-82-304 (a)(12)(A) and (B) provide that utility districts can make donations to economic and community organizations. The donation to the Robert F. Thomas Foundation was to assist in the funding and construction of the LeConte Medical Center. Specifically, the funds were for the purpose of defraying the cost of natural gas equipment. The utility prepared a rate of return analysis which justified the investment. Actual consumption data since the opening of the medical center has verified the financial feasibility of the investment. Also because of our community efforts, we have added to our system a conversion of 163 rooftop natural gas units and five natural gas water heaters from three different schools totaling 28,418 annual therms. At another school, we have added two boys and one girl's dormitory and a gymnasium totaling 14,495 therms. It is difficult to measure the impact of every promotional effort made by the utility. The success of some efforts is relatively easy to measure. It is not so easy to measure the impact of other promotional activities. However, all promotional activities are meant to benefit the customers of the district.

President:

Response is the same as that of the board of commissioners.

[7] *Tennessee Code Annotated*, Section 29-20-201 General rule of immunity from suit, subsection (a).

AUDITOR'S REBUTTAL:

The board of commissioners' and president's response refers to Section 7-82-304 (12)(A), ***Tennessee Code Annotated,*** **which states the district has the power to "[p]rovide funding to chambers of commerce and economic and community organizations." The Robert F. Thomas Foundation's stated objective is to provide substantial financial support to LeConte Medical Center. However, the Robert F. Thomas Foundation is a not-for-profit, charitable organization. The district can make donations to the Robert F. Thomas Foundation only pursuant to Section 7-82-304 (b)(1),** ***Tennessee Code Annotated,*** **which states, "In addition to the authority granted under otherwise applicable law, a utility district created under the provisions of this chapter, or any private act of the general assembly, upon the adoption of a resolution by its board of commissioners, has the power to accept and distribute voluntary contributions for bona fide charitable purposes pursuant to programs approved by the board of commissioners, which programs may include, but shall not be limited to, programs in which utility bills are rounded up to the next dollar when such contribution is shown as a separate line on the utility bill." We noted the district does not have a voluntary contribution program and despite this, the district made numerous donations to many other organizations and groups. (Refer to Exhibits 3 and 4.) Absent a voluntary contribution program for funding these donations, the district is in effect performing fundraising activities on behalf of various organizations with funds provided by ratepayers for gas service.**

Management failed to address using district employees for nondistrict services at Carson-Newman University and other places. That type of activity not only lacks statutory authority, but also exposes the district to unknown and potentially unlimited liability.

We reiterate our finding and recommendation.

5. **FINDING: Transactions involving sporting event tickets**

District funds and assets were exchanged for tickets to professional sporting events. These exchanges were not documented and the value of the items exchanged was not calculated to determine the value or benefit to the district. For example:

→ District employees delivered and installed a gas grill to the personal residence of a vendor employee[8] located in Knox County[9]. In exchange for the grill, delivery, and

[8] The employee worked for East Tennessee Natural Gas - Spectra Energy, SCUD's pipeline vendor.

[9] District employees were working outside the scope of their governmental and proprietary functions, and therefore, again exposed the district to tort liability, as noted in Finding 4.

installation, the district received $500 worth of Tennessee Titans football tickets. According to district management, the tickets were given to employees, but the district was unable to identify which employees received the tickets.

→ The district paid $750 at a Tennessee Gas Association (TGA) silent auction for eight Tennessee Titans football tickets. According to district management, the tickets were given to district employees, but the district was unable to identify which employees received the tickets.

Section 7-82-403, *Tennessee Code Annotated,* addresses the fact that board of commissioners should collect reasonable rates to provide for the operation and maintenance of the system. It is the board of commissioners' responsibility to ensure that district staff uses ratepayer funds prudently and sensibly. However, it is difficult to determine a benefit to the district derived from purchasing or exchanging assets for tickets to a professional sporting event.

RECOMMENDATION:

Members of the board of commissioners should ensure that all assets are expended for the benefit of the district.

MANAGEMENT'S RESPONSE:

Members of the Board of Commissioners:

We concur with the recommendation. However, SCUD had a damaged gas grill that could not be sold. This grill was given to an individual, who in turn donated over $500 worth of Tennessee Titan tickets to the district to give to employees. The district funds spent with TGA's silent auction are used by TGA to fund scholarships across the state for gas system employees' children. Children of the district employees are eligible and in fact have received one such scholarship. Tennessee Gas Association is a voluntary, not-for-profit corporation whose principal objective is to support the growth of the natural gas industry in the State of Tennessee by enhancing the overall performance, safety, competitiveness and public awareness of its members and their products and services. TGA is a 501(c)(6) nonprofit corporation.
We believe that supporting our professional organizations and our employees is a prudent and sensible use of district funds.

President:

Response is the same as that of the board of commissioners.

6. **FINDING:** **Failure to mark or identify all district vehicles**

Members of the board of commissioners did not ensure that all assets were permanently marked or tagged to identify them as district property, including several passenger vehicles. The *Uniform Accounting Manual for Tennessee Utility Districts*, Section 8-2, requires that each fixed asset be identified (tagged or marked) as belonging to the utility district. Clearly marking vehicles as district property reduces the risk that district employees will use them for other than utility business.

RECOMMENDATION:

To discourage nondistrict use, all district vehicles and construction equipment should be clearly and permanently marked to identify them as district property.

MANAGEMENT'S RESPONSE:

Members of the Board of Commissioners:

We concur with the recommendation. The finding implies that there are several assets that are not marked or tagged as district property. We understand that there are only five assets that are not marked or tagged. In any event, all equipment will be identified pursuant to the *Uniform Accounting Manual for Tennessee Utility Districts*.

President:

Response is the same as that of the board of commissioners.

AUDITOR'S CLARIFICATION:

In using the term clearly identified (tagged or marked), we recommend that each piece of equipment owned by the district, especially mobile equipment such as backhoes and automobiles, be prominently identified as being owned by the district. For example, all automobiles and backhoes should have a permanently affixed seal displayed in a prominent manner identifying the equipment as being owned by the district. In addition, all automobiles should have government tags, rather than vanity plates such as those currently on the president's GMC Denali.

7. **FINDING:** **District commissioners received excess compensation**

District commissioners were paid the maximum statutory amount per board meeting. However, the commissioners also received $500 gift cards at Christmas. The value of these gift cards, which are a fringe benefit according to the Internal Revenue Service,

appeared to constitute excess compensation in violation of state law. Section 7-82-308, *Tennessee Code Annotated*, states:

> The members of the board shall serve without compensation for their services, except that by resolution duly adopted by the board of commissioners, each commissioner may receive per diem payments for not more than twelve (12) meetings of the board of commissioners in any calendar year … Commissioners in those districts that are not financially distressed utility districts as defined in § 7-82-703 that distribute and sell natural gas are thereby authorized, upon resolution duly adopted by the board of commissioners, to receive not more than five hundred dollars ($500) per diem payments in the manner provided in this part.

RECOMMENDATION:

In order to remedy the commissioners acting beyond their statutory authority, the utility district should seek reimbursement for the improper compensation. To comply with state law, members of the board of commissioners should not request or receive any payments or fringe benefits from the district in excess of allowable compensation.

MANAGEMENT'S RESPONSE:

Members of the Board of Commissioners:

We do not concur. The gift cards were given and received as a gift. However, to remove any false impression, the commissioners have reimbursed the utility for these gifts.

AUDITOR'S REBUTTAL:

The IRS recognizes only holiday gifts with a low fair market value as nontaxable and by any estimation $500 does not qualify as a low fair market value. The IRS also expressly identifies cash equivalents such as gift certificates and gift cards among examples that qualify as taxable fringe benefits. Other gifts could also be considered compensation, such as the $1,699 steaks purchased as gifts for the members of the board of commissioners, the district's president, and the district's attorney in 2009. (Refer to Exhibit 5.)

We reiterate our finding and recommendation.

8. **FINDING: Unauthorized purchases of clothing for commissioners and employees**

Management allowed district nonmaintenance employees to charge purchases of personal clothing and footwear to district credit cards and reimbursed other employees for purchases of personal clothing and footwear. However, the Sevier County Utility District *Personnel Policies and Procedures Manual* only allowed the district to provide uniforms for maintenance employees. Our review revealed that the district disbursed a total of over $10,000 each year for nonmaintenance employees' clothing and footwear purchases with some employees receiving up to $1,000 each year[10]. There was no uniformity in the clothing and footwear purchased and it varied in color and style. In addition, a total of $2,500 was budgeted each year for the commissioners' clothing allowance, but documentation was insufficient to determine how much was disbursed for this purpose.

RECOMMENDATION:

Members of the board of commissioners should ensure that management adheres to and enforces the policies they develop and adopt.

MANAGEMENT'S RESPONSE:

Members of the Board of Commissioners:

We do concur with the recommendation. We do not concur that the expenditure was not authorized. The district does not have a formal policy. However, the board has formally approved this expense for the past 15+ years. Nonetheless, a policy will be developed.

President:

Response is the same as that of the board of commissioners.

AUDITOR'S REBUTTAL:

The only approval was in district budget documents. (Refer to Exhibit 6.) The district's policies does not provide for nonmaintenance employees or commissioners to receive a clothing allowance.

We reiterate our finding and recommendation.

[10] The president received $1,000, vice presidents received $750, and other nonmaintenance employees received $500.

9. **FINDING:** **Clothing and footwear provided to employees and commissioners as a fringe benefit not reflected on employees' Form W-2**

The fringe benefits of district-provided clothing and footwear to nonmaintenance employees, including commissioners, were not properly reported on the employees' Form W-2. The Internal Revenue Service (IRS) considers clothing that is not specifically required as a condition of employment and is not worn or adaptable to general usage as ordinary clothing use to be taxable. IRS *Publication 15-B* includes information for valuing the fringe benefit.

RECOMMENDATION:

Members of the board of commissioners should require that all employees' compensation is accurately and properly reported on IRS Form W-2.

MANAGEMENT'S RESPONSE:

Members of the Board of Commissioners:

We concur with the recommendations. The utility expects the employees to maintain a professional appearance; therefore, it has a clothing allowance for nonmaintenance employees and will start including the appropriate amounts on their Form W-2 in 2011. Traditionally, commissioners only receive a de minimis amount of clothing for advertising the district.

President:

Response is the same as that of the board of commissioners.

AUDITOR'S CLARIFICATION:

The board's approved budget included a clothing allowance of over $800 for each of the three commissioners. (Refer to Exhibit 6.) The IRS does not specify a dollar threshold for benefits to qualify as de minimis, but has given advice at least once that a $100 benefit does not qualify.

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

Members of the board of commissioners failed to establish policies or monitor activity related to credit cards issued in the district's name. The *Uniform Accounting Manual for Tennessee Utility Districts*, Section 2-6, states:

> Written guidelines should include instructions to personnel for authorizing, reviewing, and record keeping as a means of providing control and protecting the district's assets. Such guidelines should be readily available/accessible to all personnel.

District officials had not adopted guidelines on what type of transactions were permissible for charge on the district's credit cards.

RECOMMENDATION:

To ensure only authorized, permissible charges are made on district credit cards, members of the board of commissioners should formulate clear, comprehensive credit card policies and procedures.

MANAGEMENT'S RESPONSE:

Members of the Board of Commissioners:

We concur with the recommendation. While the district has procedures, practices, and forms in place for credit card use, it does not have a formal policy. A policy will be developed and adopted by the board.

11. **FINDING:** **Inadequate petty cash records**

Utility district files did not contain adequate supporting documentation for some district petty cash purchases. In addition, petty cash records that were located indicated that petty cash was used for door prizes at conferences, travel expense reimbursements, and travel advances. The *Uniform Accounting Manual for Tennessee Utility Districts*, Section 5-3, outlines procedures for a petty cash fund. These procedures identify the types of purchases allowed for petty cash and maintaining documentation for any money received.

RECOMMENDATION:

To ensure appropriate, legitimate petty cash disbursements that benefit the district's customers, members of the board of commissioners should ensure petty cash is used for appropriate purchases and should require that adequate supporting documentation is retained in the district's files. Someone other than the petty cash custodian should inspect and approve the invoice or receipt for each disbursement. Employees should sign for any money obtained from the petty cash fund.

MANAGEMENT'S RESPONSE:

Members of the Board of Commissioners:

We concur with the recommendation. The district has procedures, practices, and forms in place for petty cash disbursements. To supplement these records, a formal policy will be developed and adopted by the board.

President:

Response is the same as that of the board of commissioners.

12. **FINDING:** **Purchases made for other than district purposes**

Our investigative audit revealed that the district made purchases that did not appear to be for a lawful district purpose. District money was used to provide XM satellite radio, an entertainment medium, for the district's GMC Denali vehicle used exclusively by the district's president. Section 7-82-403, *Tennessee Code Annotated,* addresses the fact that board of commissioners should collect reasonable rates to provide for the operation and maintenance of the system. It is the board of commissioners' responsibility to ensure that district staff uses ratepayer funds prudently and sensibly. However, it is difficult to determine a benefit to the district derived from providing an entertainment subscription for the district's president.

RECOMMENDATION:

To decrease the risk of misappropriation or abuse, fulfill their fiduciary duty to district customers, and comply with state law, members of the board of commissioners should prohibit any expenditure of district money that is not for a lawful district purpose.

MANAGEMENT'S RESPONSE:

Members of the Board of Commissioners:

Response is the same as that of the president.

President:

I concur. I was not aware this charge was paid by the utility. Now that I am aware, the utility has been reimbursed.

AUDITOR'S CLARIFICATION:

We found that district files contained a statement from XM Satellite Radio dated December 31, 2007, that the district president had initialed, apparently signifying his approval. (Refer to Exhibit 8.)

EXHIBITS

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Exhibit 1

This was the only supporting documentation located in district files by state auditors.

RUTH'S CHRIS STEAK HOUSE

Ruth's Chris Steak House
950 Volunteer Landing Lane
Knoxville, TN 37915
865-546-4696

Date: May19'08 06:59PM
Card Type: Amex
Acct #: XXXXXXXXXX[redacted]
Trans Key: AFE000709609945
Exp Date: XX/XX
Auth Code: 596276
Check: 5069
Table: 53/1
Check ID: 53 BALLARD
Server: 1016939 Curtis

Subtotal: 203.48
Gratuity: 40.00
Total : 243.48

Guest's Copy
Perfection is in the details and we cover them all for you. Ask us about our Private Dining Accommodations today!
Reservations & Gift Cards Available at RuthsChris.com

4 guests

This detailed invoice was obtained from the vendor by state auditors.

```
Tbl 53/1    Chk 5069       Gst 0
            53 BALLARD
1016939 Roberts   W5-Dining Left
CE:1016939 CC:       1 TC:       1
Trn 9015         May19'08 05:59PM
--------------------------------
    AlaCarte
  1 HOT/COLD              0.00
  1 Crab Chowder          8.00
  1 Ruths Chop Salad      7.25
  1 Lettuce Wedge         7.00
      Bleu Cheese
  1 Lettuce Wedge         7.00
      Bleu Cheese
    Subtotal             29.25
    Tax                   2.71
    Total          31.96
================================

Tbl 53/1    Chk 5069       Gst 4
            53 BALLARD
1016939 Roberts   W5-Dining Left
CE:1016939 CC:       1 TC:       1
Trn 9016         May19'08 06:00PM
--------------------------------
    AlaCarte
  1 Petite Filet         31.00
      Medium Well
  1 Ln Mixed Grill       30.00
      Medium Rare
  1 Swordfish            35.00
  1 Petite Filet         31.00
      Medium Rare
    Subtotal            156.25
    Tax                  14.45
    Total         170.70
================================

Tbl 53/1    Chk 5069       Gst 4
            53 BALLARD
1016939 Roberts   W5-Dining Left
CE:1016939 CC:       1 TC:       1
Trn 9017         May19'08 06:00PM
--------------------------------
    AlaCarte
  1 !! ADD ON !!          0.00
    Mashed Potatoes       7.50
      For Table
  1 Spinach Creamed       7.50
      For Table
  1 Lyonnaise Pots        7.50
      For Table
    Subtotal            178.75
    Tax                  16.53
    Total         195.28
================================

Tbl 53/1    Chk 5069       Gst 4
            53 BALLARD
1016939 Roberts  W6-Dining Right
CE:1016939 CC:       1 TC:       1
Trn 7453         May19'08 06:21PM
--------------------------------
    AlaCarte
  1 !! ADD ON !!          0.00
  1 Mashed Potatoes       7.50
    Subtotal            186.25
    Tax                  17.23
```

```
    Total         203.48
================================
Tbl 53/1    Chk 5069       Gst 4
            53 BALLARD
1016939 Roberts W4-Svc Bar Right
CE:1016939 CC:       1 TC:       1
Trn 8951         May19'08 06:59PM
--------------------------------
    AlaCarte
Date:        May19'08 06:59PM
Card Type:   Amex
Acct #:      XXXXXXXXXXX3005
Trans Key:   AFE000709609945
Exp Date:    XX/XX
Auth Code:   596276
Check:       5069
Table:       53/1
Check ID:    53 BALLARD
Server:      1016939 Curtis

Subtotal:          203.48
================================

Tbl 53/1    Chk 5069       Gst 4
            53 BALLARD
1016939 Roberts W4-Svc Bar Right
CE:1016939 CC:       1 TC:       1
Trn 8952         May19'08 07:00PM
--------------------------------
    AlaCarte
    Subtotal            186.25
    Tax                  17.23
    Total         203.48
================================

Tbl 53/1    Chk 5069       Gst 4
            53 BALLARD
1016939 Roberts  W6-Dining Right
CE:1016939 CC:       1 TC:       1
Trn 7462         May19'08 07:11PM
--------------------------------
    AlaCarte
    Amex Tip [redacted]      40.00
   XXXXXXXXXX
    Amex                 243.48
    Subtotal             186.25
    Tax                   17.23
    SvcChg/Grat           40.00
    Payment              243.48
================================
            -=*=-
```

Total: $243.48

Note: Due to privacy concerns, account numbers were redacted.

Exhibit 2

This was the only supporting documentation located in district files by state auditors.

Dinner w.llis

Tequila Rain
3 Lansdowne Street
Boston, MA 02215
(617) 437-0300

Date: Jul07'08 11:32PM
Card Type: AMEX
Acct #: XXXXXXXXX[redacted]
Trans Key: EIE0006831[illegible]
Exp Date: XX/XX
Auth Code: 171236
Check: 9932
Check ID: BALLARD/MATT
Server: 1016 UPPER3

Subtotal: 80.50

TIP 15.00

TOTAL 95.50

SIGNATURE

I AGREE TO PAY THE ABOVE TOTAL ACCORDING TO MY CARD ISSUER AGREEMENT!

This detailed invoice was obtained from the vendor by state auditors.

Tequila Rain
3 Lansdowne Street
Boston, MA 02215
(617) 437-0300

1016 UPPER3

Chk 9932 BALLARD/MATT Gst 0
Jul07'08 10:29PM

3 GOLDSCHLAGER	21.00
1 JAGERMEISTER	7.25
1 KETEL ONE	7.50
4 COORS LIGHT	20.00
2 LI ICED TEA	18.00
1 VODKA	6.75
CHARGE TIP	15.00
XXXXXXXXXX[redacted]	
AMEX	95.50

LIQUOR	60.50
BTL BEER	20.00
SERVICE CHRG	15.00
PAYMENT	95.50

----------1016 Check Closed----------
----------Jul07'08 11:33PM----------

LIQUOR	60.50
BTL BEER	20.00
SERVICE CHRG	15.00
PAYMENT	95.50

----------1016 Check Closed----------
----------Jul07'08 11:33PM----------

Note: Due to privacy concerns, account numbers were redacted.

Exhibit 3

Supporting documentation from district files.

SMOKY MOUNTAIN AREA RESCUE MINISTRIES

Presents

THE SECOND ANNUAL
MIKE HAMILTON A HOST OF VOLUNTEERS
GOLF TOURNAMENT

WHEN: APRIL 16, 2008
WHERE: EAGLE'S LANDING GOLF COURSE
SEVIERVILLE, TN
LUNCH: 11:30 A.M. **TEE TIME: 1:00 P.M.**

*Registration and lunch at 11:30 a.m. (lunch provided by Damon's Restaurant)
*Shotgun start at 1:00 P.M. *Format: 4-Player Scramble
*Cost $100.00 per player/$400.00 per team
*PRIZES ON EVERY HOLE *Prizes for each player on winning teams
*Hole-in-One: Win A New Car (2008 GMC Acadia provided by Larry Hill Pontiac/GMC)
*Trophy for winning church team (all players must be from the same church)
*Excellent Door Prizes
*Signage provided by Darrell Huffaker dba Solar Protection, Inc.
*Make checks payable to Smoky Mountain Area Rescue Ministries
*Mail entry form and check to:
DICK WELLONS
P.O. BOX 5968
SEVIERVILLE, TN 37864
Mail check
*For more information call Smoky Mountain Area Rescue Ministries at (865) 908-3153

****

ENTRY FORM

Name: Matt Ballard - Sevier County Utility District
Address: P.O. Box 4398
City: Sevierville State: TN Zip: 37864
Home Phone: Work Phone: 453-3272
Please list your team players. If none are listed or provided prior to tournament start, you may be placed on a team by the tournament officials.
(1) SCUD (2) Keith Whaley
(3) Billy Carroll (4) Matt Ballard
Name of church (if entering a church team)

SMOKY MOUNTAIN AREA RESCUE MINISTRIES is a 501(c)3 nonprofit organization, Federal Tax # 72-1580050.
Please consult your tax advisor for appropriate deduction.

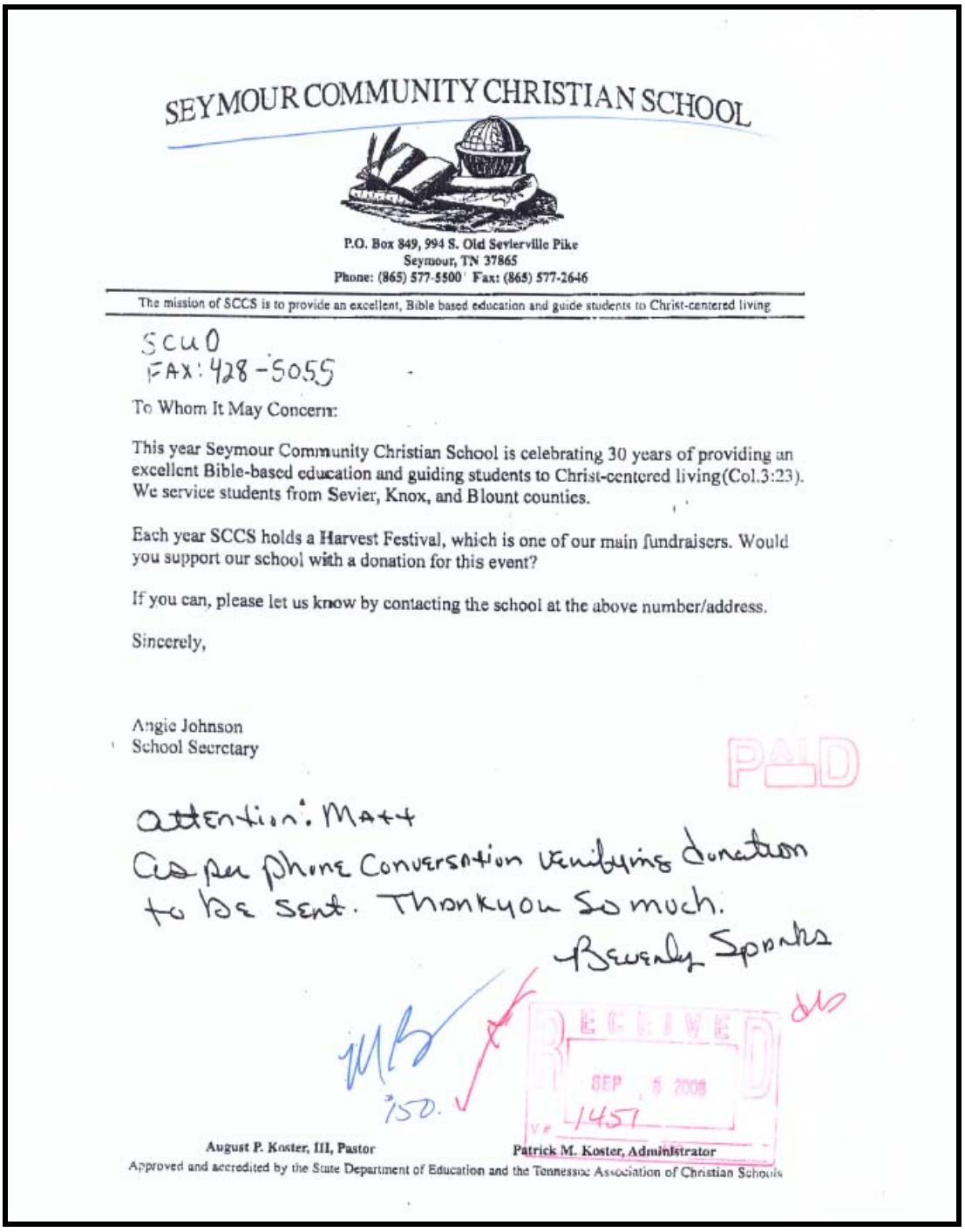
$400.00

PAID

RECEIVED
APR - 8 2008

Exhibit 4

Supporting documentation from district files.



SEYMOUR COMMUNITY CHRISTIAN SCHOOL

P.O. Box 849, 994 S. Old Sevierville Pike
Seymour, TN 37865
Phone: (865) 577-5500 Fax: (865) 577-2646

The mission of SCCS is to provide an excellent, Bible based education and guide students to Christ-centered living.

SCCO
FAX: 428-5055

To Whom It May Concern:

This year Seymour Community Christian School is celebrating 30 years of providing an excellent Bible-based education and guiding students to Christ-centered living(Col.3:23). We service students from Sevier, Knox, and Blount counties.

Each year SCCS holds a Harvest Festival, which is one of our main fundraisers. Would you support our school with a donation for this event?

If you can, please let us know by contacting the school at the above number/address.

Sincerely,

Angie Johnson
School Secretary

PAID

attention: Matt
As per phone conversation verifying donation to be sent. Thankyou so much.
Beverly Sparks

150.

RECEIVED
SEP 6 2006
v. 1457

August P. Koster, III, Pastor
Patrick M. Koster, Administrator
Approved and accredited by the State Department of Education and the Tennessee Association of Christian Schools

Exhibit 5

Supporting documentation obtained from vendor by state auditors.

Aug. 31. 2010 2:02PM No. 5161 P. 1

HALPERNS'
PURVEYORS OF STEAK & SEAFOOD
Phone: 404-767-9229
866-659-6090
Fax: 404-767-2611

REMIT: Halperns' Steak & Seafood
c/o Fidelity Bank
PO Box 105579
Atlanta, GA 30348
A/R: 404-255-1969

INVOICE 562537

Date: 12/15/2009

SHIP TO	BILL TO
COUNTER SALE 4685 WELCOME ALL ROAD ATLANTA, GA 30349 Phone: (404) 767-9229 039800	COUNTER SALE 4685 WELCOME ALL ROAD ATLANTA, GA 30349 039800

ROUTE - DELIVERY	SALESPERSON	CUSTOMER PO	ORDERED BY
FE 12/15/2009			

TERMS: CASH

INVOICE DUE DATE: 12/15/2009

SEVIER COUNTY UTILITY DISTRICT
ATTN: ALISON WAGLEY
SEE SALATHIA FOR VISA INFO

ORD	SHP	U/M	Item / Size / Description	Wgt/Qty Shipped	Price	Extension
5	5	CS	40-00011 8 OZ BARREL FILETS 6/CS USDA PRIME TENDERLOIN	5.00	$150.00	$750.00
5	5	CS	40-00035 22 OZ USDA PRIME COWBOYS 4/CS BEEF RIBEYE BONE IN PRIME	5.00	$150.00	$750.00
5	5	EA	99-00060 FEDERAL EXPRESS	5.00	$39.99	$199.95

Weights: 5.00

<u>Auditor's clarification:</u> Each of the district's three commissioners received one of each item on this invoice. The remaining items were given to the district president, Matt Ballard, and the district's attorney.

Exhibit 6

Budget documentation from district files.

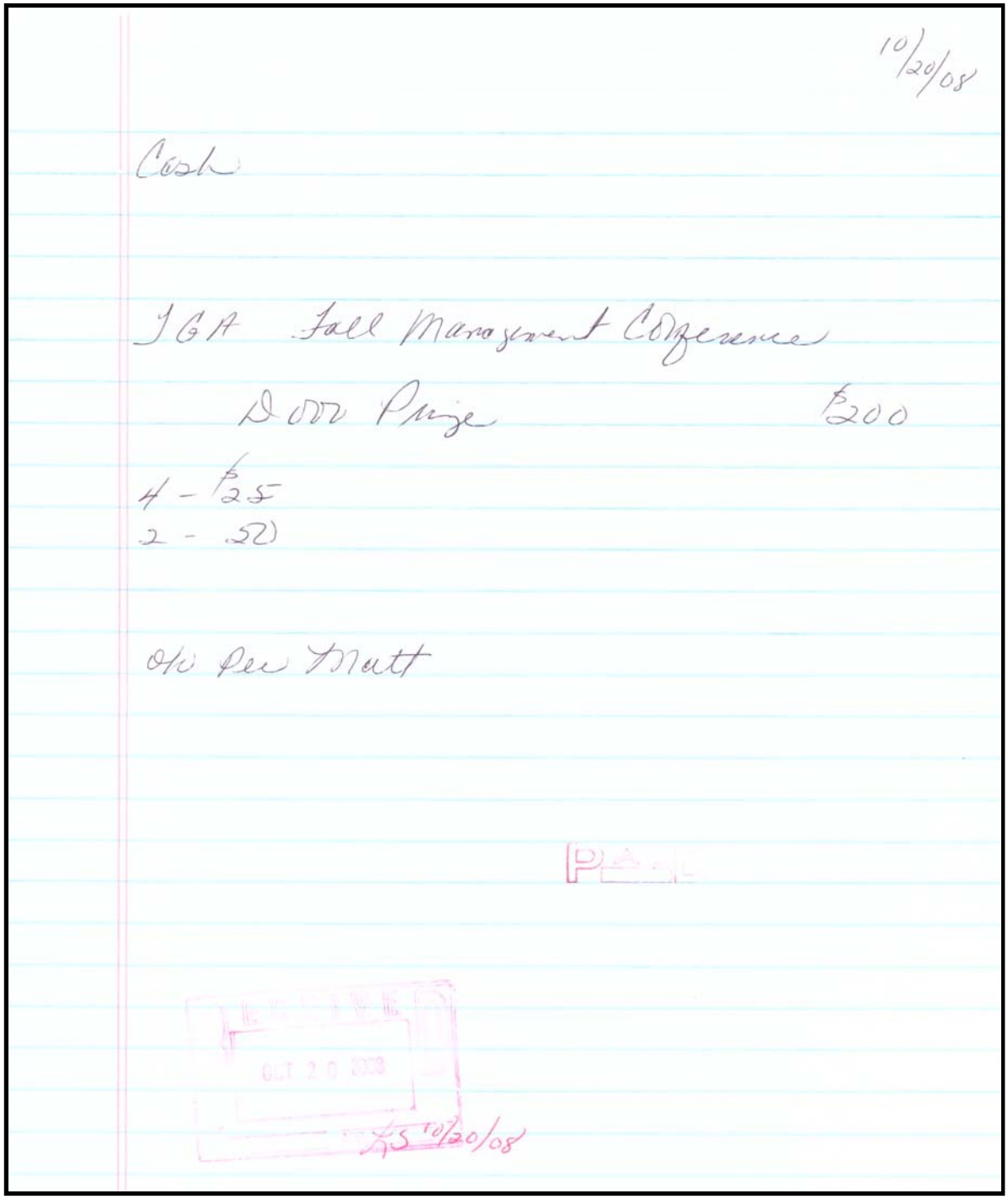
SEVIER COUNTY UTILITY DISTRICT
FISCAL YEAR 2007-2008
UNIFORMS

39 Employees - Aramark ($410.00 x 52 wks)	$	21,320
39 Employees - Boots ($75.00 x 39)		2,925
19 Employee - ($500.00 x 19)		9,500
1 Employee - ($1000.00 x 1)		1,000
3 Employees - ($750.00 x 3)		2,250
1 Parttime Employee - (75% of $500.00)		375
Sales Tax Paid		1,800
Commissioners		2,500
Parttime Employees (T-Shirts)		700
Total Natural Uniform Allowance:	$	42,370
Proposed Budget Amount:	$	**42,500**

$2,500 estimated expense for commissioners' uniforms approved in 2009-2010 budget.

Exhibit 7

Supporting documentation from district files.



10/20/08

Cash

IGA Fall Management Conference

Door Prize $200

4 - $25

2 - $20

O/C Per Matt

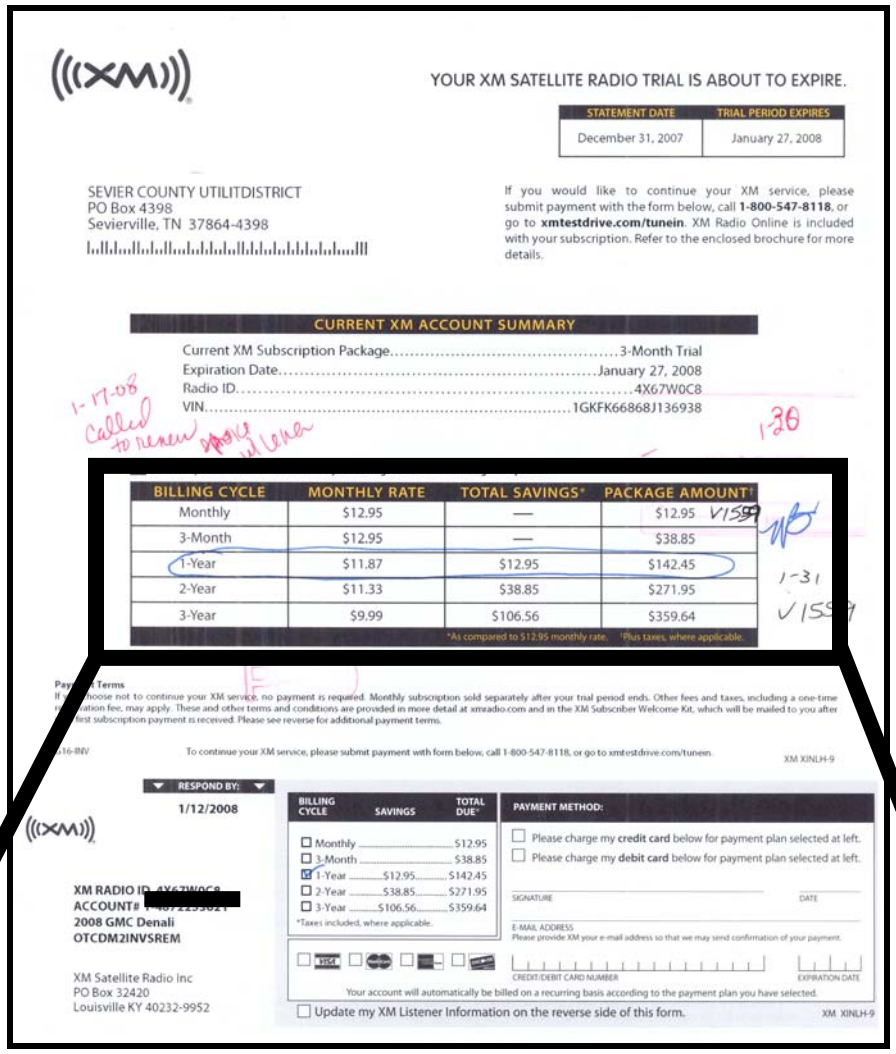
PAID

OCT 20 2008

$5 10/20/08

Exhibit 8

Supporting documentation from district files.



YOUR XM SATELLITE RADIO TRIAL IS ABOUT TO EXPIRE.

STATEMENT DATE	TRIAL PERIOD EXPIRES
December 31, 2007	January 27, 2008

SEVIER COUNTY UTILITDISTRICT
PO Box 4398
Sevierville, TN 37864-4398

If you would like to continue your XM service, please submit payment with the form below, call **1-800-547-8118**, or go to **xmtestdrive.com/tunein**. XM Radio Online is included with your subscription. Refer to the enclosed brochure for more details.

CURRENT XM ACCOUNT SUMMARY

Current XM Subscription Package.....3-Month Trial
Expiration Date.....January 27, 2008
Radio ID.....4X67W0C8
VIN.....1GKFK66868J136938

1-17-08 called to renew

BILLING CYCLE	MONTHLY RATE	TOTAL SAVINGS*	PACKAGE AMOUNT†
Monthly	$12.95	—	$12.95 V1559
3-Month	$12.95	—	$38.85
1-Year	$11.87	$12.95	$142.45
2-Year	$11.33	$38.85	$271.95
3-Year	$9.99	$106.56	$359.64

*As compared to $12.95 monthly rate. †Plus taxes, where applicable.

1-30

1-31 V1559

Payment Terms
If you choose not to continue your XM service, no payment is required. Monthly subscription sold separately after your trial period ends. Other fees and taxes, including a one-time activation fee, may apply. These and other terms and conditions are provided in more detail at xmradio.com and in the XM Subscriber Welcome Kit, which will be mailed to you after your first subscription payment is received. Please see reverse for additional payment terms.

16-INV

To continue your XM service, please submit payment with form below, call 1-800-547-8118, or go to xmtestdrive.com/tunein.

XM XINLH-9

RESPOND BY:
1/12/2008

XM RADIO ID: 4X67W0C8
ACCOUNT# [redacted]
2008 GMC Denali
OTCDM2INVSREM

XM Satellite Radio Inc
PO Box 32420
Louisville KY 40232-9952

BILLING CYCLE	SAVINGS	TOTAL DUE*
☐ Monthly		$12.95
☐ 3-Month		$38.85
☑ 1-Year	$12.95	$142.45
☐ 2-Year	$38.85	$271.95
☐ 3-Year	$106.56	$359.64

*Taxes included, where applicable.

PAYMENT METHOD:

☐ Please charge my **credit card** below for payment plan selected at left.
☐ Please charge my **debit card** below for payment plan selected at left.

SIGNATURE DATE

E-MAIL ADDRESS
Please provide XM your e-mail address so that we may send confirmation of your payment.

☐ VISA ☐ ☐ ☐ CREDIT/DEBIT CARD NUMBER EXPIRATION DATE

Your account will automatically be billed on a recurring basis according to the payment plan you have selected.

☐ Update my XM Listener Information on the reverse side of this form.

XM XINLH-9

BILLING CYCLE	MONTHLY RATE	TOTAL SAVINGS*	PACKAGE AMOUNT†
Monthly	$12.95	—	$12.95 V1559
3-Month	$12.95	—	$38.85
1-Year	$11.87	$12.95	$142.45
2-Year	$11.33	$38.85	$271.95
3-Year	$9.99	$106.56	$359.64

1-31 V1559

District president Matt Ballard's initials indicating his selection of an entertainment package and his approval of the purchase.

Jason E. Mumpower
Comptroller

Entity Referred: **City of Friendship**

Referral Reason: **Late Audits (2 Years)**

Utility Type Referred: **Water And Sewer**

Staff Summary:

On March 13, 2025, the Tennessee Board of Utility Regulation ("the Board") ordered the City of Friendship ("the Utility") to submit all delinquent audits to the Tennessee Comptroller's Division of Local Government Audit by May 31, 2025. The Utility failed to comply with this deadline and did not reach out to Board staff for an extension. The Board requested that Board staff subpoena certain individuals from the local government:

- Mayor Casey Burnett
- Alderman Rickey Ange
- Alderman Jeremy DeWitt
- Alderman Robert Perry
- Alderman Steve Ramsey

Staff Recommendation:

Board staff have no recommendations at this time.

Friendship

	Category: **Water**		County: **Crockett**	
	2020	**2021**	**2022**	**2023**
Net Assets	$1,493,206.00	$1,478,184.00	$1,465,645.00	$1,542,396.00
Deferred Outflow Resources	$2,925.00	-$623.00	$0.00	-$17,698.00
Net Liabilities	$528,376.00	$441,656.00	$428,383.00	$430,973.00
Deferred Inflow Resources	$8,910.00	$0.00	$23,494.00	$0.00
Total Net Position	$958,845.00	$1,035,905.00	$1,013,768.00	$1,093,725.00
Operating Revenues	$156,946.00	$170,321.00	$190,948.00	$226,427.00
Net Sales	$155,146.00	$169,091.00	$189,403.00	$224,569.00
Operating Expenses	$229,733.00	$174,111.00	$203,501.00	$170,169.00
Depreciation Expenses	$52,238.00	$51,974.00	$51,606.00	$51,606.00
Non Operating Revenues	-$11,815.00	-$10,693.00	-$9,584.00	-$7,901.00
Capital Contributions	$0.00	$0.00	$0.00	$31,600.00
Transfers In	$0.00	$0.00	$0.00	$0.00
Transfers Out	$0.00	$0.00	$0.00	$0.00
GAAP Change In Net Position	$6,941.00	-$14,483.00	-$22,137.00	$79,957.00
Statutory Change In Net Position	$98,484.00	-$14,483.00	-$22,137.00	$48,357.00

CITY OF FRIENDSHIP, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2023

	Gas Department Fund	Sewer System Fund	Water Department Fund	Total
ASSETS				
Current assets:				
Cash in bank	$ 83,850	$ 81,863	$ 216,764	$ 382,477
Accounts receivable (net)	31,581	28,819	34,719	95,119
Grants receivable			6,808	6,808
Due from other funds	517,562	--	--	517,562
Inventory	4,214	794	23,924	28,932
Other assets	414	--	369	783
Total current assets	637,621	111,476	282,584	1,031,681
Noncurrent assets:				
Restricted cash in bank - customer deposits	6,590	19,073	--	25,663
Utility deposits	15,000	--	--	15,000
Net pension assets	62,076	48,996	59,866	170,938
Capital assets (net of accumulated depreciation):				
Land easements	430	4,820	11,500	16,750
Utility plant in service	139,693	2,332,981	1,156,846	3,629,520
Construction in progress	--	--	31,600	31,600
Total capital assets	140,123	2,337,801	1,199,946	3,677,870
Total assets	**861,410**	**2,517,346**	**1,542,396**	**4,921,152**
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - related to pensions	**3,371**	**(9,458)**	**(17,698)**	**(23,785)**
LIABILITIES				
Liabilities				
Accounts payable	--	--	31,600	31,600
Sales tax payable	--	--	184	184
Due to other funds	13,372	429,829	212,522	655,723
Customer deposits	14,484	21,147	--	35,631
Total current liabilities	27,856	450,976	244,306	723,138
Noncurrent liabilities				
Due within one year	20,833	6,147	26,667	53,647
Due in more than one year	145,834	269,649	160,000	575,483
Total noncurrent liabilities	166,667	275,796	186,667	629,130
Total liabilities	**194,523**	**726,772**	**430,973**	**1,352,268**
NET POSITION				
Net investment in capital assets	(26,544)	2,062,005	1,013,279	3,048,740
Restricted - net pension assets	62,076	48,996	59,866	170,938
Unrestricted	634,726	(329,885)	20,580	325,421
Total net position	**$ 670,258**	**$ 1,781,116**	**$ 1,093,725**	**$ 3,545,099**

The notes to the financial statements are an integral part of this statement.

CITY OF FRIENDSHIP, TENNESSEE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the year ended June 30, 2023

	Gas Department Fund	Sewer System Fund	Water Department Fund	Total
Operating Revenues				
Sale of gas	$ 244,410	$ --	$ --	$ 244,410
Sewer fees	--	189,274	--	189,274
Sale of water	--	--	224,569	224,569
Bad debt expense	--	(26)	--	(26)
Late charges	12,059	--	--	12,059
Miscellaneous revenues	30,975	1,403	1,858	34,236
Total revenues	**287,444**	**190,651**	**226,427**	**704,522**
Operating Expenses				
Salaries	25,000	3,000	10,000	38,000
Negative pension expense	(10,050)	(3,629)	(2,231)	(15,910)
Gas purchased	48,185	--	--	48,185
Sewage expenses	--	88,079	--	88,079
Operation and maintenance	56,518	5,457	79,735	141,710
Utilities	--	13,455	--	13,455
Depreciation	17,590	76,187	51,606	145,383
Professional fees	14,153	1,000	19,185	34,338
Insurance	8,000	1,000	5,000	14,000
Truck and equipment expenses	35,840	--	713	36,553
Office supplies and expense	4,137	--	--	4,137
Miscellaneous	53,124	27,167	5,493	85,784
Data processing	10,457	--	--	10,457
Travel	--	822	668	1,490
Total operating expenses	**262,954**	**212,538**	**170,169**	**645,661**
Operating income (loss)	**24,490**	**(21,887)**	**56,258**	**58,861**
Non-Operating Revenues (Expenses)				
Interest income	449	273	748	1,470
Interest expense	(7,509)	(6,279)	(8,649)	(22,437)
Total non-operating revenues (expenses)	(7,060)	(6,006)	(7,901)	(20,967)
Income before contributions and transfers	17,430	(27,893)	48,357	37,894
Contributions and Transfers				
Capital contributions - grant proceeds	--	--	31,600	31,600
Change in net position	**17,430**	**(27,893)**	**79,957**	**69,494**
Net position - July 1, 2022	652,828	1,809,009	1,013,768	3,475,605
Net position - June 30, 2023	**$ 670,258**	**$ 1,781,116**	**$ 1,093,725**	**$ 3,545,099**

The notes to the financial statements are an integral part of this statement.

CITY OF FRIENDSHIP, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended June 30, 2023

	Gas Department Fund	Sewer System Fund	Water Department Fund	Total
Cash flows from operating activities				
Cash received from customers	$ 301,269	$ 173,811	$ 206,270	$ 681,350
Cash received from other funds	(8,126)	--	(2,528)	(10,654)
Cash payments to customers	(125)	(150)	--	(275)
Cash payments to other funds	13,372	--	--	13,372
Cash payments to suppliers	(220,281)	(133,351)	(76,779)	(430,411)
Cash payments to employees for services	(35,050)	(6,629)	(12,231)	(53,910)
Net cash provided by operating activities	51,059	33,681	114,732	199,472
Cash flows from capital and related financing activities				
Contributed capital - grant proceeds	--	--	24,792	24,792
Purchase of capital assets	--	--	(31,600)	(31,600)
Payments on principal of long-term debt	(20,832)	(6,013)	(26,666)	(53,511)
Interest payments on long-term debt	(7,509)	(6,279)	(8,649)	(22,437)
Net cash used by capital and related financing activities	(28,341)	(12,292)	(42,123)	(82,756)
Cash flows from investing activities				
Interest received	449	273	748	1,470
Net cash provided by investing activities	449	273	748	1,470
Net increase (decrease) in cash and cash equivalents	23,167	21,662	73,357	118,186
Cash and cash equivalents - July 1, 2022	67,273	79,274	143,407	289,954
Cash and cash equivalents - June 30, 2023	**$ 90,440**	**$ 100,936**	**$ 216,764**	**$ 408,140**
Unrestricted cash and cash equivalents on deposit	$ 83,850	$ 81,863	$ 216,764	$ 382,477
Restricted cash and cash equivalents on deposit	6,590	19,073	--	25,663
Total cash and cash equivalents	**$ 90,440**	**$ 100,936**	**$ 216,764**	**$ 408,140**
Cash flows from operating activities				
Operating income (loss)	$ 24,490	$ (21,887)	$ 56,258	$ 58,861
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	17,590	76,187	51,606	145,383
Net change in pension related accounts	(10,050)	(3,629)	(2,231)	(15,910)
(Increase) decrease in accounts receivable	13,825	(16,840)	(20,157)	(23,172)
Decrease in due from other funds	(8,126)	--	--	(8,126)
Increase in other assets	83	--	--	83
Decrease in accounts payable	--	--	31,600	31,600
Increase in due to other funds	13,372	--	(2,528)	10,844
Increase in sales tax payable	--	--	184	184
Decrease in customer deposits	(125)	(150)	--	(275)
Total adjustments	26,569	55,568	58,474	140,611
Net cash provided by operating activities	$ 51,059	$ 33,681	$ 114,732	$ 199,472

The notes to the financial statements are an integral part of this statement.

CITY OF FRIENDSHIP, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2023

FINANCIAL STATEMENT FINDINGS

2023-001 Utility Accounts Receivable and Customer Deposit Reconciliation Not Performed - Utility Billing – Material Weakness

Condition: The municipality's records did not include documentation of a monthly reconciliation of utility accounts receivable as reflected in the utility billing register to the general ledger control account. The municipality's records also did not include adequate documentation of a monthly reconciliation of utility customer deposits as reflected in the utility customer deposit register to the general ledger control account.

Cause: Monthly accounts receivable and customer deposit reconciliations are not being performed.

Criteria: Monthly accounts receivable and customer deposits reconciliations should be performed to ensure that accounts are correctly stated.

Effect: Failure to perform monthly reconciliations of accounts receivables and customer deposits can lead to undetected errors and irregularities in these accounts.

Recommendation: To detect errors or irregularities promptly, municipal officials should ensure that a monthly reconciliation of the detail listing of accounts receivable in the billing register to the general ledger control account is performed and documented. In addition, municipal officials should ensure that a monthly reconciliation of customer deposits to the general ledger control account is performed and documented.

Response: We will seek to define and set into place these accounting procedures.

2023-002 Deficit Fund Balance – Material Weakness and Noncompliance

Condition: The State Street Aid fund and Sanitation fund had a deficit fund balance. The deficits along with the interfund borrowings seems to indicate a cash flow problem.

Cause: The City has expended more money in street repairs than it has collected in taxes and has expended more in solid waste disposal services than has collected in collection fees.

Criteria: The funds should operate independently and not encounter deficit balances.

Effect: The funds do not have sufficient revenue to cover the expenditures and therefore are not self-supporting.

Recommendation: The City should investigate ways to increase revenue or reduce expenditures to improve cash flow and reduce the deficit fund balance.

Response: We will seek to define and correct this finding.

CITY OF FRIENDSHIP, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2023

2023-003 Segregation of Duties – Material Weakness

Condition: During the year ended June 30, 2023, as was also the case in the prior year, the City of Friendship had inadequate segregation of duties due to the fact that only two employees perform the accounting functions.

Cause: Due to a limited budget the City cannot afford more than two employees for accounting functions.

Criteria: Internal controls are important in any organization in order to properly safeguard assets. Segregation of duties is an integral part of internal controls.

Effect: Inadequate segregation of duties could cause errors or misappropriations to go undetected.

Recommendation: The accounting function should be segregated as much as possible to promote adequate internal controls over the financial transactions of the entity.

Response: Due to the small size of our city, the accounting functions are performed by two individuals. A Point of Sale system is used for receiving payments. Dual signatures are required on checks.

2023-004 Temporary Loans – Material Weakness and Noncompliance

Condition: As noted in prior years, the City has continued to make interfund loans between enterprise funds and governmental funds. Any loans from enterprise fund operations must be approved by the Comptroller's Office.

Cause: Insufficient revenues in various funds in past years have caused interfund liabilities to be necessary in order to continue to fund expenditures in the funds.

Criteria: State law prohibits a municipality from relying on enterprise funds to support general government operations.

Effect: The temporary loans prevent the City from taking necessary measures to work towards all funds to be self-supporting.

Recommendation: The interfund loans should be repaid and the City should discontinue this practice.

Response: We will seek to define and correct this finding.

2023-005 Closing of Books - Non-compliance

Condition: During the course of our audit we had proposed material adjustments to general ledger accounts in the water and sewer funds that do not allow the City to properly close its books within two months of the close of its fiscal year.

Cause: Due to proposed material adjustments that were needed the City was not able to close books in required time.

Criteria: Tennessee Code Annotated Section 9-2-102 requires all local governments to close their official accounting records and to have those records available for audit no later than two months after the close of their fiscal year end.

Effect: Failure to close books within two months after the close of the fiscal year end can lead to undetected errors, irregularities, and material misstatements in financial reporting.

Recommendation: To detect errors or irregularities promptly, municipal officials should ensure that accounts are properly adjusted, and the Town's books are closed no later than two months after the close of their fiscal year end.

Response: We will work toward detecting errors more promptly so the books can be closed within the required time after year end.

2023-006 Board Minutes – Material Weakness and Noncompliance

Condition: As we performed our audit work for fiscal year ended June 30, 2023 we were not able to obtain and review copies of signed board minutes for the meetings that have been conducted which is not in compliance with TCA rules and regulations.

Cause: Board minutes have not been typed up for fiscal year 2023 and subsequent periods.

Criteria: TCA § 8-44-101 et seq. mandates that meetings of governing bodies be open to the public and that minutes be recorded and made available for public inspection.

Effect: The absence of formalized minutes limits information that should be available for public inspection and can also limit documentation of controls established with respect to the board's approval of City transactions and operations.

Recommendation: We recommend that board minutes be typed up, approved by alderman, and made available for public inspection.

Response: We will produce and make available the board minutes for the meetings that have occurred.

Jason E. Mumpower
Comptroller

Entity Referred: **Town of Gibson**

Referral Reason: **Late Audits (2 Years)**

Utility Type Referred: **Water And Sewer**

Staff Summary:

On March 13, 2025, the Tennessee Board of Utility Regulation ("the Board") ordered the Town of Gibson ("the Utility") to submit all delinquent audits to the Tennessee Comptroller's Division of Local Government Audit by May 31, 2025. The Utility failed to comply with this deadline and did not reach out to Board staff for an extension. The Board requested that Board staff subpoena certain individuals from the local government; these individuals are outlined below:

- Mayor Chris Houck
- Alderman Angie Arrington
- Alderman William Loflin
- Alderman Sara Meals
- Alderman Jerry Morris
- Alderman Jason Shaver

Staff Recommendation:

Board staff does not have any recommendations at this time.

Gibson

	Category: **Water And Sewer**		County: **Gibson**	
	2019	**2020**	**2021**	**2022**
Net Assets	$1,068,398.00	$1,061,938.00	$1,038,955.00	$1,029,026.00
Deferred Outflow Resources	$0.00	$0.00	$0.00	$0.00
Net Liabilities	$114,628.00	$110,527.00	$102,070.00	$101,418.00
Deferred Inflow Resources	$0.00	$0.00	$0.00	$0.00
Total Net Position	$953,770.00	$951,411.00	$936,885.00	$927,608.00
Operating Revenues	$146,442.00	$145,340.00	$156,828.00	$144,389.00
Net Sales	$142,308.00	$140,945.00	$155,377.00	$143,764.00
Operating Expenses	$167,995.00	$147,699.00	$171,842.00	$153,666.00
Depreciation Expenses	$50,819.00	$51,958.00	$53,472.00	$55,300.00
Non Operating Revenues	$0.00	$0.00	$0.00	$0.00
Capital Contributions	$0.00	$0.00	$0.00	$0.00
Transfers In	$0.00	$0.00	$0.00	$0.00
Transfers Out	$0.00	$0.00	$0.00	$0.00
GAAP Change In Net Position	-$21,553.00	-$1,871.00	-$15,014.00	-$9,277.00
Statutory Change In Net Position	-$21,553.00	-$1,871.00	-$15,014.00	-$9,277.00

Jason E. Mumpower
Comptroller

Entity Referred: **Town of Mason**

Referral Reason: **Multiple Referrals**

Utility Type Referred: **Water And Sewer**

Staff Summary:

On March 13, 2025, the Tennessee Board of Utility Regulation ("the Board") ordered Board staff to subpoena the City of Mason's mayor, vice mayor, and its contracting manager or chief operator to attend the Board's next meeting. The rest of the City's governing body was invited to attend as well. The individuals that were subpoenaed are outlined below:

- Mayor Eddie Noeman
- Vice Mayor Reynaldo Givhan
- Contract Manager Carl Stevenson
- Contract Manager Christopher Luss

Staff Recommendation:

Board staff does not have any recommendations at this time.

Mason

	Category: **Water And Sewer**		County: **Tipton**	
	2020	**2021**	**2022**	**2023**
Net Assets	$4,337,485.00	$4,368,416.00	$4,405,265.00	$3,984,771.00
Deferred Outflow Resources	$0.00	$0.00	$0.00	$0.00
Net Liabilities	$499,772.00	$322,127.00	$333,847.00	$402,791.00
Deferred Inflow Resources	$0.00	$0.00	$0.00	$0.00
Total Net Position	$3,837,713.00	$4,046,289.00	$4,071,418.00	$3,581,980.00
Operating Revenues	$786,066.00	$794,554.00	$890,435.00	$743,560.00
Net Sales	$723,516.00	$747,028.00	$794,396.00	$668,547.00
Operating Expenses	$691,796.00	$630,166.00	$882,951.00	$1,099,242.00
Depreciation Expenses	$90,606.00	$80,427.00	$81,119.00	$304,979.00
Non Operating Revenues	$1,548.00	-$5,962.00	$9,360.00	-$7,890.00
Capital Contributions	$275,051.00	$50,150.00	$0.00	$0.00
Transfers In	$0.00	$0.00	$0.00	$0.00
Transfers Out	$0.00	$0.00	$0.00	$0.00
GAAP Change In Net Position	$370,869.00	$216,861.00	-$109,022.00	-$363,572.00
Statutory Change In Net Position	$95,818.00	$166,711.00	-$109,022.00	-$363,572.00

Jason E. Mumpower
Comptroller

Entity Referred: **City of Watertown**

Referral Reason: **Water Loss**

Utility Type Referred: **Water And Sewer**

Staff Summary:
The City of Watertown ("the Utility") was referred to the Tennessee Board of Utility Regulation ("the Board") for water loss pursuant to Tenn. Code Ann. § 7-82-702(a)(5). Board staff sent correspondence to the Utility requesting the Utility to engage with a third party, such as TAUD, MTAS, or another third party as approved by Board staff, for assistance in completing the AWWA Free Audit Software version 6.0. The Utility provided proof of engagement with Rye Engineering.

The Utility submitted an AWWA report that was not completed by Rye Engineering. Board staff confirmed that while the Utility did contract with Rye Engineering—thereby satisfying that portion of the order—it ultimately completed the AWWA internally without using a qualified third-party expert. As a result, the City is out of compliance with the March 13, 2025 order, which explicitly required the AWWA to be completed by a third party.

The March 13, 2025 Board order requested that Board staff subpoena the Utility's mayor and water operator as indicated by TDEC. Subpoenas were sent to the following:

Mayor Michael Jennings
Mr. JC York - operator

Staff Recommendation:

Board staff does not have a recommendation at this time.

Watertown

	Category: **Water And Sewer**		County: **Wilson**	
	2021	**2022**	**2023**	**2024**
Net Assets	$2,842,920.71	$2,863,303.62	$2,906,472.36	$8,911,405.50
Deferred Outflow Resources	$421.61	$327.96	$0.00	$0.00
Net Liabilities	$209,813.23	$257,948.67	$102,246.43	$6,143,495.95
Deferred Inflow Resources	$7,511.77	$6,561.36	$0.00	$0.00
Total Net Position	$2,626,017.32	$2,599,121.55	$2,804,225.93	$2,767,909.55
Operating Revenues	$579,003.67	$574,018.33	$605,883.93	$651,473.77
Net Sales	$540,164.24	$534,138.69	$553,774.59	$568,246.50
Operating Expenses	$587,212.18	$608,691.04	$610,915.57	$637,650.09
Depreciation Expenses	$84,618.24	$82,969.47	$86,434.02	$90,120.96
Non Operating Revenues	$780.76	$510.56	$10,138.83	-$50,140.06
Capital Contributions	$0.00	$7,266.38	$0.00	$0.00
Transfers In	$0.00	$0.00	$199,997.19	$0.00
Transfers Out	$0.00	$0.00	$0.00	$0.00
GAAP Change In Net Position	-$7,427.75	-$26,895.77	$205,104.38	-$36,316.38
Statutory Change In Net Position	-$7,427.75	-$34,162.15	$5,107.19	-$36,316.38

BEFORE THE TENNESSEE BOARD OF UTILITY REGULATION

IN THE MATTER OF:	)	
	)	
	)	
CITY OF WATERTOWN	)	**TENN. CODE ANN. § 7-82-701 *et seq.***
	)	
	)	
	)	

ORDER

On March 13, 2025, the Tennessee Board of Utility Regulation ("the Board") reviewed the City of Watertown's utility system ("the Entity") for excessive water loss, pursuant to Tenn. Code Ann. § 7-82-701, *et seq*. Board staff determined the Entity experienced excessive water loss based on its 2023 Annual Information Report submission to the Comptroller's Office. Board staff sent correspondence to the Entity requesting the Entity to engage with a third party, such as the Tennessee Association of Utility Districts, Municipal Technical Advisory Service, or another third party as approved by Board staff for assistance in completing the AWWA Free Audit Software version 6.0. The Entity provided proof of engagement with Rye Engineering. The Entity was ordered to complete the AWWA report and submit it to Board staff by October 31, 2024. 10/31/2024 to supply Board staff with the AWWA report. Board staff has reached out twice requesting an update on where the Entity is at in the process of completing the AWWA. The Entity has not responded.

Based on Board staff's representations and recommendations, the Board orders as follows:

1. By May 15, 2025, the Entity shall submit the AWWA Free Audit Software version 6.0.
2. The Entity shall not issue any debt or receive any grants without express consent of Board staff. Board staff must respond to requests for funding permission within 30 business days

of receipt. If Board staff does not respond timely, the funding request is considered to be approved.

3. Board staff shall subpoena the City of Watertown's mayor and the Entity's certified operator, as indicated by the Tennessee Department of Environment and Conservation.

ENTERED this 11 day of April, 2025.

Greg Moody, Chair
Tennessee Board of Utility Regulation

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing has been served via certified mail return receipt requested to the following on this 11 day of April, 2025:

City of Watertown
8630 Sparta Pike
Watertown, TN 37184

J. Seth May
Assistant General Counsel

RYE ENGINEERING PLC

April 11, 2024

Mr. Nate Fontenot
Tennessee Comptroller of the Treasury
Division of Local Government Finance
425 Rep. John Lewis Way N.
Nashville, TN 37243

Dear Mr. Fontenot,

Rye Engineering PLC has been engaged by the City of Watertown to develop and implement a water loss management program. We will be working with City staff to tailor a program specifically for Watertown in the upcoming weeks. At minimum the program will likely consist of the following general elements: meter testing, leak detection, and zone metering. Other items such as AWWA water auditing may also be considered. Please reach out to me if you have any questions or need any updates as we proceed with the work.

Sincerely,

Rye Engineering PLC

By: _____
Seth W. Rye, P.E.

Cc: Mayor Michael Jennings
City of Watertown
8630 Sparta Pike
Watertown, TN 37184

4210 West Main Street Erin, Tennessee 37061
Ph. (931) 289-2300 Fax (931) 289-2313
www.ryeengineering.com

AWWA Free Water Audit Software v6.0

FWAS v6.0

American Water Works Association Copyright © 2020, All Rights Reserved.

This spreadsheet-based water audit tool is designed to help quantify and track water losses associated with water distribution systems and identify areas for improved efficiency and cost recovery. It provides a "top-down" summary water audit format and is not meant to take the place of a full-scale, comprehensive water audit format. Auditors are strongly encouraged to refer to the most current edition of AWWA M36 Manual for Water Audits for detailed guidance on the water auditing process and targeting loss reduction levels. This tool contains several separate worksheets. Sheets can be accessed using the tabs at the bottom of the screen, or by clicking the TOC links below.

Table of Contents (TOC)

Start Page	The current sheet. Enter contact information and basic audit details.
Worksheet	Enter the required data on this worksheet to calculate the water balance and data grading.
Interactive Data Grading	Answer questions about operational practices for each audit input, and the data validity grades will automatically populate.
Dashboard	Review NRW components, performance indicators and graphical outputs to evaluate the results of the audit.
Notes	Enter notes to explain how values were calculated, document data sources, and related information about data management practices.
Blank Sheet	By popular demand! A blank sheet. The world is your canvas.
Water Balance	The values entered in the Worksheet automatically populate the Water Balance.
Loss Control Planning	Use this sheet to interpret the results of the audit validity score and performance indicators.
Definitions	Use this sheet to understand the terms used in the audit process.
Service Connection Diagram	Diagrams depicting possible customer service connection line configurations.
Acknowledgements	Acknowledgements for development of the AWWA Free Water Audit Software v6.0.

AWWA Web Resources for Water Loss Control

https://www.awwa.org/Resources-Tools/Resource-Topics/Water-Loss-Control

Items referenced in the Free Water Audit Software v6.0 on the web:

- Data Grading Matrix v6.0
- Example Water Audit v6.0
- Water Audit Compiler v6.0
- AWWA Reports on Performance Indicators
- M36 Manual

Enter Basic Information

Name of Utility:	City of Watertown
Name of Contact Person:	Mike Jennings
Email:	watertowncity@bellsouth.net
Telephone | Ext.:	615-237-3326
City/Town/Municipality:	Watertown
State / Province:	Tennessee (TN)
Country:	USA
Audit Preparation Date:	
Audit Year:	2023
Audit Year Label:	Fiscal (Fiscal, Calendar, etc)
Audit Period Start Date:	Jul 01 2023
Audit Period End Date:	Jun 30 2024
Volume Reporting Units:	Million gallons (US)
Water System Structure:	Retail
Water Type:	Potable Water
System ID Number:	0000732
Validator Name/ID:	April Lamberson
Validator Email:	watertowncity@bellsouth.net
Estimated Total Population Served by Water Utility:	1,920

Key of Input Acronyms

In order of appearance in the Worksheet

VOS	Volume from Own Sources
VOSEA	VOS Error Adjustment
WI	Water Imported
WIEA	WI Error Adjustment
WE	Water Exported
WEEA	WE Error Adjustment
BMAC	Billed Metered Authorized Consumption
BUAC	Billed Unmetered Authorized Consumption
UMAC	Unbilled Metered Authorized Consumption
UUAC	Unbilled Unmetered Authorized Consumption
SDHE	Systematic Data Handling Errors
CMI	Customer Metering Inaccuracies
UC	Unauthorized Consumption
Lm	Length of mains
Nc	Number of service connections
Lp	Average length of (private) customer service line
AOP	Average Operating Pressure
CRUC	Customer Retail Unit Charge
VPC	Variable Production Cost

Color Key User input | Calculated | Optional default

Guidance for the Worksheet

Choosing to enter unit of **percent** or **volume** (applies to VOSEA, WIEA, WEEA, CMI)

choose entry option:

1.00%	percent	*or*
	volume	25.000

Choosing to enter **default** or **custom input** (applies to UUAC, SDHE, UC)

choose entry option:

0.25%	default	*or*
	custom	75.000

Guidance for the Interactive Data Grading

Use acronym buttons in IDG header to navigate among inputs. Acronym Key above. White = needs answers, orange = complete, clear = not required. Example below.



After clicking an acronym button, answer all visible questions in the order they're presented, choosing best-fit answer — answer 1

Grade will populate when all visible questions are complete for an input — 7

The limiting criteria will be labeled along the right. If only 1 limiting criterion is shown, improving on that criterion will achieve a higher data grade. If multiple limiting criteria are shown, improving on *each* limiting criterion is necessary to achieve a higher data grade. A complete inventory of data grading criteria is available in the Data Grading Matrix v6.0 (see web resources) — Limiting

If you have questions or comments regarding this software please contact us at: wlc@awwa.org

From: Ross Colona
To: Seth May
Subject: Fw: TBOUR Order/Subpoena
Date: Tuesday, July 8, 2025 3:37:58 PM
Attachments: image001.png

Seth,

Please the below email. I believe Mayor Jennings will be at our meeting regardless of the subpoena.

Thanks,

Ross Colona
Assistant Director, Local Government Finance
Comptroller of the Treasury
425 Rep. John Lewis Way North | Nashville, TN 37243
Ross.Colona@cot.tn.gov | Utilities Line 615.747.5260 | Direct Line 615.401.7943

signature_53013356

From: Michael R. Jennings <mjenningslaw@aol.com>
Sent: Monday, April 7, 2025 3:31:27 PM
To: Meghan Denson <Meghan.Denson@cot.tn.gov>
Cc: Ross Colona <Ross.Colona@cot.tn.gov>
Subject: Re: TBOUR Order/Subpoena

Thank you, Ms. Denson.

You don't have to compel me to do anything. If you want me there, I will be there. I have offered to attend those meetings a couple of times, or more, over the years, and I was told that I would not be allowed to speak. I am putting this date and time on my calendar.

Michael R. Jennings
Attorney at Law
326 North Cumberland Street
Lebanon, TN 37087
Phone: (615) 444-0585
Fax: (615) 449-8239

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On Monday, April 7, 2025 at 02:38:51 PM CDT, Meghan Denson <meghan.denson@cot.tn.gov> wrote:

> Good Afternoon Mayor Jennings,
>
> At the most recent TBOUR meeting on March 13th the Board ordered staff to issue a subpoena compelling yourself, as well the certified operator of the water/sewer system, at the next TBOUR meeting. This meeting will be **July 17, 2025 at 10AM in the Cordell Hull Building.**
>
> An official order and subpoena will follow by certified mail. This email just serves as a notification in advance.
>
> Thank you,
>
> **Meghan Denson**, CFE
>
> *Senior Analyst*
>
> Comptroller of the Treasury
>
> Division of Local Government Finance
>
> 425 Rep. John Lewis Way N. | Nashville, TN 37243
>
> Meghan.Denson@cot.tn.gov | Direct Line 615.747.5379 | Main Line 615.747.5260
>
> TENNESSEE COMPTROLLER OF THE TREASURY
>
> **Mission: Make Government Work Better**

From: Seth May
To: Michael R. Jennings
Cc: JC York; Steven Jones; Utilities@cot.tn.gov
Subject: RE: TBOUR
Date: Wednesday, July 2, 2025 11:43:58 AM

Mr. Jennings,

If you review the video, beginning around 4:45, you will note that the Tennessee Board of Utility Regulation ("TBOUR" or "the Board") voted to subpoena you and the certified operator of the city's utility system. The order to issue the subpoenas was not contingent on Watertown meeting or not meeting the deadlines set out in the order. The Board ordered staff to issue the subpoenas, full stop.

Best,
Seth

J. Seth May
Assistant General Counsel
Comptroller of the Treasury
Office of General Counsel
425 Rep. John Lewis Way N., Fourth Floor | Nashville, TN 37243
seth.may@cot.tn.gov | Direct Line 615 747-5207

TENNESSEE COMPTROLLER OF THE TREASURY

Mission: Make Government Work Better

From: Michael R. Jennings <mjenningslaw@aol.com>
Sent: Wednesday, July 2, 2025 10:16 AM
To: Seth May <Seth.May@cot.tn.gov>
Cc: JC York <certifiedwateroperators@gmail.com>; Steven Jones <sjones@wmsengineers.com>; Utilities@cot.tn.gov
Subject: Re: TBOUR

So I will need to go to Court to file a "Motion to Quash" since it appears that we fully, and timely, complied with the terms of the Board's Order?

I'm not trying to be difficult, but it appears we fully, and timely, complied with the terms of the Board's Order. If not, I again request to be advised of where we failed.

Thanks.

Michael R. Jennings
Attorney at Law
326 North Cumberland Street

Lebanon, TN 37087
Phone: (615) 444-0585
Fax: (615) 449-8239

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On Wednesday, July 2, 2025 at 10:10:45 AM CDT, Seth May <seth.may@cot.tn.gov> wrote:

> Mr. Jennings,
>
> The chair cannot unilaterally withdraw or release a subpoena.
>
> Best,
>
> Seth
>
> J. Seth May
>
> *Assistant General Counsel*
>
> Comptroller of the Treasury
>
> Office of General Counsel
>
> 425 Rep. John Lewis Way N., Fourth Floor | Nashville, TN 37243
>
> seth.may@cot.tn.gov | Direct Line 615 747-5207



Mission: Make Government Work Better

From: Michael R. Jennings <mjenningslaw@aol.com>
Sent: Wednesday, July 2, 2025 10:04 AM
To: Seth May <Seth.May@cot.tn.gov>
Cc: JC York <certifiedwateroperators@gmail.com>; Steven Jones <sjones@wmsengineers.com>; Utilities@cot.tn.gov
Subject: Re: TBOUR

Mr. May,

Can the staff not convey my request to the Chair? Since he directed the subpoena issue, cannot he withdraw/release it?

Thanks.

Michael R. Jennings
Attorney at Law
326 North Cumberland Street
Lebanon, TN 37087
Phone: (615) 444-0585
Fax: (615) 449-8239

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please immediately notify us by telephone, and return the original message to us at the above address via return e-mail or the U.S. Postal Service. Receipt by anyone other than the intended recipient is not a waiver of any attorney/client privilege or work product privilege. This communication is protected by 18 U.S.C. Section 2701, et seq.

On Wednesday, July 2, 2025 at 09:56:37 AM CDT, Seth May <seth.may@cot.tn.gov> wrote:

Mr. Jennings,

Staff to the Tennessee Board of Utility Regulation ("TBOUR") does not have discretion to release these subpoenas. You can access a link to the video of the last meeting here. Discussion of Watertown begins at approximately 4:39.

Best,

Seth

J. Seth May

Assistant General Counsel

Comptroller of the Treasury

Office of General Counsel

425 Rep. John Lewis Way N., Fourth Floor | Nashville, TN 37243

seth.may@cot.tn.gov | Direct Line 615 747-5207



From: Michael R. Jennings <mjenningslaw@aol.com>
Sent: Tuesday, July 1, 2025 3:06 PM
To: Seth May <Seth.May@cot.tn.gov>
Cc: JC York <certifiedwateroperators@gmail.com>; Steven Jones <sjones@wmsengineers.com>
Subject: Fw: TBOUR

Mr. May,

I am writing with regard to the subpoena issued to myself and J. C. York by Tennessee Board of Utility Regulation Chair Greg Moody.

I was of the belief that we had fully complied with the terms of the Order issued April 11, 2025. I have attached to this e-mail the April 15 letter of Steven M. Jones of Water Management Services, Inc. to Chairman Moody, as well as the e-mail to Meghan Denson and Ross Colona addressing #2 of the Order.

I will be sending by separate e-mail the AWWA Report sent by City Recorder April Lamberson to Nate Fontenot dated May 6, 2025, in response to #1 of the Order.

If these timely submittals were not what is requested/needed, please advise what else you need from me on behalf of the City of Watertown. If these are in timely compliance, I would appreciate your releasing myself and J. C. York from the subpoena. I have a full day of meetings set that day in my capacity as Wilson County Attorney and Chairman of the Nashville & Eastern Railroad Authority and need to be in attendance.

Please let me know if there is anything else you need from the City of Watertown.

Thanks.

Michael R. Jennings
Attorney at Law
326 North Cumberland Street
Lebanon, TN 37087
Phone: (615) 444-0585
Fax: (615) 449-8239

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----- Forwarded Message -----

From: Michael R. Jennings <mjenningslaw@aol.com>

To: Mike Jennings <mjenningslaw@aol.com>

Sent: Tuesday, July 1, 2025 at 02:51:50 PM CDT

Subject: TBOUR

Michael R. Jennings
Attorney at Law
326 North Cumberland Street
Lebanon, TN 37087
Phone: (615) 444-0585
Fax: (615) 449-8239

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From: Ross Colona
To: Michael R. Jennings; Meghan Huffstutter
Subject: Re: Watertown Water & Sewer
Date: Tuesday, February 25, 2025 12:24:46 PM
Attachments: Outlook-signature .png

Mayor Jennings,

The AWWA Water Loss Audit was due to our office by October 31, 2024. Please contact Rye Engineering to find out when the water loss audit will be completed.

Thanks,

Ross Colona
Assistant Director, Local Government Finance
Comptroller of the Treasury
425 Rep. John Lewis Way North | Nashville, TN 37243
Ross.Colona@cot.tn.gov | Utilities Line 615.747.5260 | Direct Line 615.401.7943

TENNESSEE COMPTROLLER OF THE TREASURY

Mission: To Make Government Work Better

From: Michael R. Jennings <mjenningslaw@aol.com>
Sent: Tuesday, February 25, 2025 12:19 PM
To: Ross Colona <Ross.Colona@cot.tn.gov>; Meghan Huffstutter <Meghan.Huffstutter@cot.tn.gov>
Subject: Watertown Water & Sewer

Meghan and Ross,

I wanted to update you on where the City of Watertown is in our efforts to improve our water and sewer service.

I think you know that we are in the process of an approximately $5,500,000.00 sewer project to update our lines and collection system.

We have contracted with Matthew Rye of Rye Engineering to conduct a water loss survey. That project is ongoing.

And, a couple of weeks ago I contracted with Bob Adams, CPA to do a water & sewer rate study for us to allow us to set our future rates at a

level to fund operations, depreciation and pay debt service. Our goal is to have a proposed rate ready for submission to the City Council, for first reading, during the month of April.

Please let me know if you have any questions/comments.

Thanks.

Michael R. Jennings
Attorney at Law
326 North Cumberland Street
Lebanon, TN 37087
Phone: (615) 444-0585
Fax: (615) 449-8239

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Jason E. Mumpower
Comptroller

Entity Referred: **Town of Surgoinsville**

Referral Reason: **Administrative Review**

Utility Type Referred: **Sewer**

Staff Summary:

The 2024 audit of the Town of Surgoinsville ("the Town") highlights a significant issue related to its use of the modified approach for depreciating utility infrastructure—specifically, the sewer system. This accounting method requires the Town to maintain infrastructure at or above a defined condition level, with maintenance expenses replacing traditional depreciation. However, the audit reveals that Surgoinsville spent only $2,019 on sewer system maintenance in 2024, far short of the $40,000 minimum annual investment required to sustain the system's condition.

This underfunding raises concerns on multiple fronts. It jeopardizes the Town's compliance with Governmental Accounting Standards Board (GASB) requirements for the modified approach, which could force a return to depreciation accounting—potentially resulting in a substantial hit to the Town's net position. Additionally, continued neglect may accelerate infrastructure deterioration, risking service disruptions and higher long-term costs. The audit makes clear that without corrective action, the Town faces both financial and operational vulnerabilities.

Board staff believes the Board should open an administrative review of the utility in order for Board staff to work with the Town and the Division of Local Government Audit to collect more information regarding the Town's use of the Modified Approach to depreciation.

Staff Recommendation:

The Board should place the Utility into administrative review.

Surgoinsville

	Category: **Sewer**		County: **Hawkins**	
	2021	**2022**	**2023**	**2024**
Net Assets	$5,450,240.00	$5,414,064.00	$5,873,799.00	$5,768,577.00
Deferred Outflow Resources	$0.00	$0.00	$0.00	$0.00
Net Liabilities	$1,639,158.00	$1,544,904.00	$1,634,515.00	$1,469,947.00
Deferred Inflow Resources	$0.00	$0.00	$373,616.00	$373,616.00
Total Net Position	$3,811,082.00	$3,869,160.00	$3,865,668.00	$3,925,014.00
Operating Revenues	$168,346.00	$175,790.00	$180,118.00	$168,766.00
Net Sales	$168,344.00	$0.00	$176,398.00	$168,711.00
Operating Expenses	$83,383.00	$110,052.00	$133,056.00	$101,988.00
Depreciation Expenses	$0.00	$0.00	$98,080.00	$0.00
Non Operating Revenues	-$53,587.00	-$52,660.00	-$50,554.00	-$30,688.00
Capital Contributions	$0.00	$0.00	$0.00	$23,256.00
Transfers In	$0.00	$0.00	$0.00	$0.00
Transfers Out	$0.00	$0.00	$0.00	$0.00
GAAP Change In Net Position	$31,376.00	$13,078.00	-$3,492.00	$59,346.00
Statutory Change In Net Position	$31,376.00	$13,078.00	-$3,492.00	$36,090.00

TOWN OF SURGOINSVILLE, TENNESSEE

Financial Statements and Supplementary Information

Year Ended June 30, 2024

TOWN OF SURGOINSVILLE, TENNESSEE
Financial Statements and Supplementary Information
June 30, 2024

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TOWN OF SURGOINSVILLE, TENNESSEE
Roster of Officials and Board Members
June 30, 2024

Town Officials

Mr. Merrell Graham	Mayor
Mr. Bobby Jarnigan	Vice Mayor
Mr. Warren Bishop	Alderman
Mr. John Sandidge	Alderman
Mr. Randy Collier	Alderman
Mr. Tim Hoss	Alderman
Ms. Kaley Mierek	Alderwoman

Management Officials

Megan Gentry*	Town Recorder

* Town Recorder is in the process of obtaining her CMFO.

DAVID M. ELLIS
Certified Public Accountant
Member, American Institute of Certified Public Accountants
Member, Tennessee Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To Board of Mayor and Aldermen
Town of Surgoinsville, Tennessee

Report on the Audit of the Financial Statements

Opinions

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Surgoinsville, Tennessee, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Town of Surgoinsville, Tennessee's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Surgoinsville, Tennessee, as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Town of Surgoinsville, Tennessee, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Surgoinsville,

255 West Summer Street
Greeneville, Tennessee 37743
(423) 787-0855 • Fax (423) 639-0124

3865 Fort Henry Drive
Kingsport, Tennessee 37663
(423) 726-2002 • Fax (423) 239-0016

Tennessee's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Town of Surgoinsville, Tennessee's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Town of Surgoinsville, Tennessee's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that I identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, modified approach for sewer system infrastructure, schedule of changes in net pension liability (asset) and related ratios based on participation in the public employee pension plan of TCRS, and schedule of contributions based on participation in the public employee pension plan of TCRS on pages 5-9, and 34-37 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I

obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town of Surgoinsville, Tennessee's basic financial statements. The supplementary information section as listed in the table of contents on pages 38-46, are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the roster of officials and board members on page 1, but does not include the basic financial statements and my auditor's report thereon. My opinions on the basic financial statements do not cover the other information, and I do not express an opinion or any form of assurance thereon.

In connection with my audit of the basic financial statements, my responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, I conclude that an uncorrected material misstatement of the other information exists, I am required to describe it in my report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated December 19, 2024, on my consideration of Town of Surgoinsville, Tennessee's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Town of Surgoinsville, Tennessee's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Surgoinsville, Tennessee's internal control over financial reporting and compliance.

David M. Ellis, CPA
Greeneville, Tennessee
December 19, 2024

This section of the Town of Surgoinsville's annual financial report presents our discussion and analysis of the Town's financial performance during the fiscal year that ended on June 30, 2024. Please read it in conjunction with the Town's financial statements, which follow this section.

Financial Highlights

- The Town's governmental activities net position decreased by $289,426.
- Business-type activities net position increased by $59,346.
- During the year, the Town's governmental activities expenses increased $547,638 compared to fiscal year 2023. Program revenues increased for fiscal year 2024 $345,677 and general revenues decreased $92,782 for fiscal year 2024 compared to 2023.
- In the Town's business-type activities, revenues increased by $30,653 while expenses decreased by $32,185.
- The Town's general fund received a bond issuance from federal funding from Rural Development of $181,965 for the purchase of a sanitation vehicle that was purchased in the prior year.
- The Town paid Surgoinsville Utility District $357,463 during fiscal year 2024 from a Community Development Block Grant awarded to the Town during 2021.
- The Town recorded expenditures of $23,256 from American Rescue Plan for a sewer project.

Overview of the Financial Statements

This annual report consists of four parts - management's discussion and analysis (this section), the basic financial statements, required supplementary information, and supplemental information. The basic financial statements include two kinds of statements that present different views of the Town:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Town's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Town's operations in more detail than the government-wide statements.
  - The governmental funds statements tell how general government services like public safety were financed in the short term as well as what remains for future spending.
  - Proprietary fund statements offer short-term and long-term financial information about the activities the government operates like businesses, such as the sewer system.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The following chart summarizes the major features of the Town's financial statements, including the portion of the Town government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Major Features of the Town's Government-wide and Fund Financial Statements

		Fund Statements	
	Government-wide Statements	**Governmental Funds**	**Proprietary Funds**
Scope	Entire Town government (except fiduciary funds)	The activities of the Town that are not proprietary or fiduciary, such as police, fire, and parks	Activities the Town operates similar to private businesses: the sewer system
Required financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in	Statement of net position Statement of revenues, expenditures, and changes in Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus

Major Features of the Town's Government-wide and Fund Financial Statements (Continued)

		Fund Statements	
	Government-wide Statements	**Governmental Funds**	**Proprietary Funds**
Type of asset / deferred outflows of resources / deferred inflows of resources information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, and short-term and long-term	Only assets / deferred outflows of resources expected to be used up and liabilities / deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital and short-term and long-term
Type of inflow / outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the Town as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Town's net position and how it has changed. Net position, the difference between the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, is one way to measure the Town's financial health or position.

- Over time, increases and decreases in the Town's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Town, you need to consider additional non-financial factors such as changes in the Town's property tax base.

The government-wide financial statements of the Town are divided into two categories:

- Governmental activities - Most of the Town's basic services are included here, such as police, fire, public works, and parks departments, and general administration.
- Business-type activities - The Town charges fees to customers to help it cover the cost of certain services it provides. The Town's sewer system is included.

Fund Financial Statements

The fund financial statements provide more detailed information about the Town's most significant funds - not the Town as a whole. Funds are accounting devices that the Town uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Town Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The Town has two kinds of funds:

- *Governmental funds* - Most of the Town's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future

Fund Financial Statements (Continued)

- *Governmental funds (Continued)* - to finance the Town's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.
- *Proprietary funds* - Services for which the Town charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information, including cash flows.

Financial Analysis of the Town as a Whole

Net position: The Town's combined net position decreased $230,080 or 4.46%.

	June 30, 2024	June 30, 2023	Increase/ (Decrease)	% Change
Current assets	$ 1,506,266	$ 1,670,790	$ (164,524)	-9.85%
Other assets	5,863,009	5,853,125	9,884	0.17%
Total assets	7,369,275	7,523,915	(154,640)	-2.06%
Deferred outflows of resources	183,868	176,969	6,899	3.90%
Current liabilities	113,638	284,734	(171,096)	-60.09%
Long-term liabilities	1,681,400	1,535,226	146,174	9.52%
Total liabilities	1,795,038	1,819,960	(24,922)	-1.37%
Deferred inflows of resources	827,087	719,826	107,261	14.90%
Net position	$ 4,931,018	$ 5,161,098	$ (230,080)	-4.46%

Current assets of the Town's government activities decreased $164,524. The largest change was the sewer fund owed the general fund $132,596 in the prior year. Deferred outflows remained consistent compared to prior year with only a 3.90% increase and is only affected by the actuary report for the pension plan through the Tennessee Consolidated Retirement System. Current liabilities decreased $171,096 and the largest change was the sewer fund owed the general fund $132,596 in the prior year. Long term liabilities increased $146,174 and is a result of the Town took out a new bond issuance in June 2024 of $181,965 from Rural Development. Deferred inflows increased $107,261 and is a result of an increase in deferred revenue of $55,458 for the Volunteer Firefighter Equipment and Training grant and in increase in the current levy for property taxes of $53,705.

Governmental Activities

For fiscal year 2024, approximately 26 cents of every dollar raised of the Town's governmental activities comes from property taxes, 34 cents comes from sales taxes, 2 cents comes primarily from fees charged for services, and the remainder 38 cents came from grants and other intergovernmental sources. The Town's expenses cover a range of services, with about 32% of its governmental activities expenses related to public safety, highways and streets, and state street aid.

Program revenues for the Town's governmental activities increased $345,677 as a result of the Community Development Block Grant ("CDBG") received. Expenses for governmental activities increased $547,638 for fiscal year 2024 compared to 2023 due to a 5% pay increase given to all employees and also $345,677 was paid to Surgoinsville Utility District from the Town's CDBG funds. General revenues of the governmental activities decreased $92,782 as a result of a decrease in property taxes of $95,837. See table below.

Business-Type Activities

The sewer fund revenue increased $11,904 for fiscal year 2024 compared 2023 while expenses decreased $32,185 for fiscal year 2024 compared to 2023. The increase in sewer revenue is a result of more customers as sewer rates were not changed. The decrease in expenditures for the sewer fund is a result of less spent during fiscal year 2024 on the repair and maintenance of sewer lines of 20,549 and less was paid in part time wages of $9,968.

	June 30, 2024	June 30, 2023	Increase/ (Decrease)	% Change
Revenues				
Governmental	$ 490,357	$ 144,680	$ 345,677	238.93%
Business-type activities	192,022	180,118	11,904	6.61%
General revenues	997,073	1,071,106	(74,033)	-6.91%
Total revenues	1,679,452	1,395,904	283,548	20.31%
Expenses				
Governmental	1,757,043	1,209,405	547,638	45.28%
Business-type activities	152,489	184,674	(32,185)	-17.43%
Total expenses	1,909,532	1,394,079	515,453	36.97%
Change in net position	$ (230,080)	$ 1,825	$ (231,905)	-12707.12%

General Fund Budgetary Highlights

Over the course of the year, Town actual expenditures were less than the amended budgeted expenditures by $123,114 in the general fund.

Capital Assets

At June 30, 2024, the Town had invested $5.9 million in a broad range of capital assets including police and fire equipment, buildings, park facilities, roads, bridges, and sewer lines.

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Land and land rights	$ 167,038	$ 167,038	$ -	$ -	$ 167,038	$ 167,038
Buildings and improvements	521,080	521,080	-	-	521,080	521,080
Infrastructure	-	-	5,288,568	5,250,801	5,288,568	5,250,801
Other fixed assets	1,018,318	928,203	-	-	1,018,318	928,203
Less accumulated depreciation	(1,131,995)	(1,013,997)	-	-	(1,131,995)	(1,013,997)
	$ 574,441	$ 602,324	$ 5,288,568	$ 5,250,801	$ 5,863,009	$ 5,853,125

The Town uses the Modified approach for qualifying infrastructure assets in which maintenance and preservation expenses are reported as expenses and depreciation expense is not required. Infrastructure assets qualify for this method of accounting when management has an asset management system in place and has committed to maintain or preserve the infrastructure network or subsystem approximately at or above a specific condition level.

The Town purchased magnetic meters for the sewer fund of $25,000 during 2024. The Town also purchased a New Holland tractor for $70,864 and police equipment for $19,251 during 2024.

Debt

At June 30, 2024, the Town had total debt of $1.6 million. The debt of the Town is as follows:

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Debt	$ 181,965	$ -	$ 1,457,100	$ 1,490,336	$ 1,639,065	$ 1,490,336

There was no new debt acquired for the business-type activities during fiscal year 2024. The general fund took out a new bond from Rural Development for $181,965 in June 2024 to pay for a sanitation vehicle that had been bought in the previous fiscal year.

Economic Factors and Next Year's Budgets and Rates

- Unemployment at June 30, 2024 was 4.2% which was down slightly from the rate of 4.2% at June 30, 2023.
- The 2025 Hawkins County budget was approved that included a 13 cent property tax increase. The property tax rate was increased to $1.10 that is expected to provide additional revenue of $49,977 for fiscal year 2025.
- Amounts available for appropriation in the general fund 2025 budget are expected to be similar for 2024.
- Budgeted expenditures for the general fund are expected to increase for 2025 as costs continue to rise. The Town has added no major new programs or initiatives to the 2025 budget.
- The Town's budgetary general fund balance is expected to decrease by $40,000 for fiscal year 2025 even with the property tax increase.
- The Town plans to extend their sewer using the remaining American Rescue Plan funds of approximately $800,000.

Contacting the Town's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Town Hall, 1735 Main St, Surgoinsville, TN 37873.

TOWN OF SURGOINSVILLE, TENNESSEE
Statement of Net Position
June 30, 2024

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	$ 442,406	$ 422,864	$ 865,270
Property taxes receivable	432,889	-	432,889
Accounts receivable	5,465	39,902	45,367
Grant receivable	-	13,403	13,403
Prepaid expenses	42,501	-	42,501
Due from other governments	97,093	-	97,093
Inventory	-	3,840	3,840
Due from other funds	5,903	-	5,903
Total current assets	1,026,257	480,009	1,506,266
Other assets			
Capital assets			
Land	167,038	-	167,038
Buildings	521,080	-	521,080
Furniture, machinery, and equipment	1,018,318	-	1,018,318
Infrastructure	-	5,288,568	5,288,568
Less accumulated depreciation	(1,131,995)	-	(1,131,995)
Total other assets	574,441	5,288,568	5,863,009
Total assets	1,600,698	5,768,577	7,369,275
DEFERRED OUTFLOWS OF RESOURCES			
Pension	183,868	-	183,868
Total deferred outflows of resources	183,868	-	183,868
LIABILITIES			
Current liabilities			
Accounts payable	19,437	6,043	25,480
Due to other funds	2,334	3,569	5,903
Accrued interest payable	-	3,235	3,235
Accrued liabilities	34,293	-	34,293
Current portion of long-term debt	10,436	34,291	44,727
Total current liabilities	66,500	47,138	113,638
Noncurrent Liabilities			
Long-term debt	171,529	1,422,809	1,594,338
Pension	87,062	-	87,062
Total noncurrent liabilities	258,591	1,422,809	1,681,400
Total liabilities	325,091	1,469,947	1,795,038
DEFERRED INFLOWS OF RESOURCES			
Deferred - current property taxes	398,013	-	398,013
Deferred inflows of resources related to grants	55,458	373,616	429,074
Total deferred inflows of resources	453,471	373,616	827,087
NET POSITION			
Net investment in capital assets	392,476	3,831,468	4,223,944
Restricted for: Special revenue drug enforcement fund	33,471	-	33,471
Unrestricted	580,057	93,546	673,603
Total net position	$ 1,006,004	$ 3,925,014	$ 4,931,018

The notes to the financial statements are an integral part of the financial statements.

TOWN OF SURGOINSVILLE, TENNESSEE
Statement of Activities
Year Ended June 30, 2024

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net Revenue (Expense) and Changes in Net Position: Primary Government: Governmental Activities	Net Revenue (Expense) and Changes in Net Position: Primary Government: Business-Type Activities	Net Revenue (Expense) and Changes in Net Position: Primary Government: Total
Primary Government							
Governmental Activities							
General government	$ 972,039	$ 5,436	$ -	$ 358,354	$ (608,249)	$ -	$ (608,249)
Recreation and parks	63,225	6,206	10,100	-	(46,919)	-	(46,919)
Public safety	208,217	18,723	22,275	-	(167,219)	-	(167,219)
Public works and streets	5,853	-	-	-	(5,853)	-	(5,853)
Highways and streets	36,275	-	-	-	(36,275)	-	(36,275)
State street aid	314,976	-	69,263	-	(245,713)	-	(245,713)
Solid waste	156,458	-	-	-	(156,458)	-	(156,458)
Total governmental activities	1,757,043	30,365	101,638	358,354	(1,266,686)	-	(1,266,686)
Business-type Activities							
Sewer Operations	152,489	168,766	-	23,256	-	39,533	39,533
Total business-type activities	152,489	168,766	-	23,256	-	39,533	39,533
Total primary government	$ 1,909,532	$ 199,131	$ 101,638	$ 381,610	(1,266,686)	39,533	(1,227,153)
General Revenues:							
Property taxes					386,338	-	386,338
Sales taxes					498,024	-	498,024
Intergovernmental revenues					78,806	-	78,806
Investment income					1,403	19,813	21,216
Miscellaneous					12,689	-	12,689
Total general revenues					977,260	19,813	997,073
Change in net position					(289,426)	59,346	(230,080)
Net position - beginning					1,295,430	3,865,668	5,161,098
Net position - ending					$ 1,006,004	$ 3,925,014	$ 4,931,018

The notes to the financial statements are an integral part of the financial statements.

TOWN OF SURGOINSVILLE, TENNESSEE
Balance Sheet
Governmental Funds
June 30, 2024

	General Fund	Nonmajor Fund Special Revenue Drug Enforcement Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 408,219	$ 34,187	$ 442,406
Property taxes receivable	432,889	-	432,889
Due from other governments	102,558	-	102,558
Due from other funds	5,094	809	5,903
Total assets	$ 948,760	$ 34,996	$ 983,756
LIABILITIES			
Accounts payable	$ 15,803	$ -	$ 15,803
Due to other funds	809	1,525	2,334
Accrued liabilities	14,348	-	14,348
Total liabilities	30,960	1,525	32,485
DEFERRED INFLOW OF RESOURCES			
Deferred current property taxes	398,013	-	398,013
Deferred grant funds	55,458	-	55,458
Deferred unavailable property taxes	34,876	-	34,876
Total deferred inflow of resources	488,347	-	488,347
FUND BALANCES			
Restricted			
Special revenue drug enforcement fund	-	33,471	33,471
Assigned	-	-	-
Subsequent year's budget	40,000	-	40,000
Unassigned	389,453	-	389,453
Total fund balances	429,453	33,471	462,924
Total liabilities, deferred inflows of resources and fund balances	$ 948,760	$ 34,996	$ 983,756

TOWN OF SURGOINSVILLE, TENNESSEE
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2024

Amounts reported for governmental activities in the statement of net position are different because:		
Total fund balance of governmental funds	$	462,924
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds. The cost of the assets is $1,706,436 and the accumulated depreciation is $1,131,995.		574,441
Prepaid expenses are considered expenditures in the governmental funds		42,501
Some of the Town's property taxes will be collected after fiscal year end, but are not available soon enough to pay for the current period's expenditures and, therefore, are not reported as deferred inflows of resources in the governmental funds.		34,876
Accounts payable not paid during the period of availability are not reported in the governmental funds.		(3,634)
Accrued liabilities not paid during the period of availability are not reported in the governmental funds.		(19,945)
Long-term pension plan retirement payments are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. This amount is the net pension asset (liability), net of deferred outflows and deferred inflows related to pensions.		96,806
Long-term debt payments are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		(181,965)
Net position of governmental activities	$	1,006,004

TOWN OF SURGOINSVILLE, TENNESSEE
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
Year Ended June 30, 2024

	General Fund	Nonmajor Fund Special Revenue Drug Enforcement Funds	Total Governmental Funds
REVENUES:			
Property taxes	$ 378,673	-	$ 378,673
Sales taxes	517,974	-	517,974
Intergovernmental	147,783	-	147,783
Fines and forfeitures	24,432	1,112	25,544
Charges for services	6,681	-	6,681
Licenses and permits	5,436	-	5,436
Investment income	1,233	170	1,403
Other income	403,229	-	403,229
Total revenues	1,485,441	1,282	1,486,723
EXPENDITURES:			
General Government	978,744	-	978,744
Recreation and parks	47,245	-	47,245
Public safety	192,223	1,770	193,993
Public works and streets	5,853	-	5,853
State street aid	385,840	-	385,840
Solid waste	122,605	-	122,605
Total expenditures	1,732,510	1,770	1,734,280
Excess (deficiency) of revenues over expenditures	(247,069)	(488)	(247,557)
Other Financing Sources (Uses)			
Proceeds from debt issuance	181,965	-	181,965
Total other financing sources	181,965	-	181,965
Net change in fund balances	(65,104)	(488)	(65,592)
Fund balance, July 1, 2023	494,557	33,959	528,516
Fund balance, June 30, 2024	$ 429,453	$ 33,471	$ 462,924

The notes to the financial statements are an integral part of the financial statements.

TOWN OF SURGOINSVILLE, TENNESSEE
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balance of Governmental Funds to the Statement of Activities
Year Ended June 30, 2024

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances of governmental funds	$	(65,592)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation of $117,998 exceeded capital outlays of $90,115.		(27,883)
Property tax assessments are reported as revenue in the government-wide statements in the period in which an enforceable legal claim arises against property owners. In governmental funds, these assessments are not available to finance current period expenditures and are reported as unavailable revenue at the fund level.		843
Certain payments made in advance are expensed on the fund statements while they are recorded as prepaids on the governament wide presentation		8,987
Sales tax revenue not received within 60 days is not considered a current resource and in not reported as revenues in governmental funds		(19,950)
Some expenses were not paid within 60 days after year end and thus, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds.		(3,631)
The issuance of long-term debt provides current financial resources to governmental funds while the repayment of the principal of long-term debt consumes finanical resources of governmental funds. This amount is the net effect of these differences in the treatment of long-term debt.		(181,965)
Some pension expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		(235)
Change in net position of governmental activities	$	(289,426)

The notes to the financial statements are an integral part of the financial statements.

TOWN OF SURGOINSVILLE, TENNESSEE
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
Year Ended June 30, 2024

	Budgeted Amounts			Variance with Final Budget - Favorable
	Original	Final	Actual	(Unfavorable)
Revenues				
Local taxes				
Sales and use tax	$ 450,000	$ 475,000	$ 517,974	$ 42,974
Property tax	367,000	372,800	378,673	5,873
Total local taxes	817,000	847,800	896,647	48,847
Intergovernmental revenues				
Alcoholic beverage tax	850	850	827	23
Wholesale beer tax	71,300	61,300	54,629	(6,671)
Payment in lieu of tax	17,000	23,000	23,064	64
Gasoline and motor fuel tax	70,000	66,600	65,244	(1,356)
Street and transportation	-	3,400	4,019	619
Total intergovernmental revenues	159,150	155,150	147,783	(7,367)
Fines and forfeitures				
Municipal Court - fines and forfeitures	23,600	20,810	24,432	3,622
Total fines and forfeitures	23,600	20,810	24,432	3,622
Charges for services				
Program fees	7,350	6,375	6,681	306
Total charges for services	7,350	6,375	6,681	306
Licenses and permits				
Alcoholic beverage licenses	800	800	850	50
Building structure and equipment permits	3,200	4,000	4,586	586
Total licenses and permits	4,000	4,800	5,436	636
Investment earnings				
Interest income	600	1,110	1,233	123
Total Investment earnings	600	1,110	1,233	123
Other revenues				
Sale of equipment and land	-	-	-	-
Grants	633,666	544,066	359,605	(184,461)
Donations	-	5,400	6,024	624
Other intergovernmental revenues	29,900	25,100	28,677	3,577
Miscellaneous income	1,500	7,545	8,923	1,378
Total other revenues	665,066	582,111	403,229	(178,882)
Total revenues	1,676,766	1,618,156	1,485,441	(132,715)

The notes to the financial statements are an integral part of the financial statements.

TOWN OF SURGOINSVILLE, TENNESSEE
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
General Fund

	Budgeted Amounts			Variance with Final Budget - Favorable
	Original	Final	Actual	(Unfavorable)
Expenditures				
General government				
Legislative board				
Personnel services	$ 11,100	$ 10,600	$ 10,375	$ 225
Other services and charges	1,500	850	694	156
Supplies	300	950	468	482
Total legislative board	12,900	12,400	11,537	863
Financial administration				
Personnel services	106,700	122,500	124,117	(1,617)
Capital outlay	1,000	1,205	1,205	-
Other services and charges	9,700	8,178	7,896	282
Supplies	6,000	11,000	9,911	1,089
Total financial administration	123,400	142,883	143,129	(246)
General administration				
Personnel services	225,300	264,800	261,988	2,812
Other contractual services	763,059	598,379	554,559	43,820
Total general administration	988,359	863,179	816,547	46,632
City hall				
Personnel services	2,200	1,000	300	700
Other services and charges	6,000	4,270	3,827	443
Capital outlay	-	20,560	3,150	17,410
Supplies	1,000	500	254	246
Total city hall	9,200	26,330	7,531	18,799
Total general government	1,133,859	1,044,792	978,744	66,048
Recreation and parks				
Parks and Recreation				
Personnel services	4,200	3,800	3,414	386
Other services and charges	8,600	6,870	7,394	(524)
Supplies	60,000	30,320	28,122	2,198
Total parks and recreation	72,800	40,990	38,930	2,060

TOWN OF SURGOINSVILLE, TENNESSEE
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
General Fund

	Budgeted Amounts			Variance with Final Budget - Favorable
	Original	Final	Actual	(Unfavorable)
Expenditures (continued)				
Recreation and parks (continued)				
Senior citizen activities				
Personnel services	$ 3,000	$ 3,000	$ 3,000	$ -
Other contractual services	9,500	6,550	5,096	1,454
Supplies	400	250	219	31
Total senior citizen activities	12,900	9,800	8,315	1,485
Total recreation and parks	85,700	50,790	47,245	3,545
Public Safety				
Police				
Personnel services	100,400	111,500	112,328	(828)
Capital outlay	-	19,500	19,496	4
Other services and charges	10,700	7,850	9,841	(1,991)
Supplies	13,400	17,725	17,323	402
Total police	124,500	156,575	158,988	(2,413)
Records and Identification				
Other services and charges	2,000	3,300	3,366	(66)
Fire protection and control				
Personnel services	800	300	220	80
Other services and charges	13,500	27,070	25,098	1,972
Supplies	6,000	5,025	4,009	1,016
Capital Outlay	500	57,050	542	56,508
Total fire protection and control	20,800	89,445	29,869	59,576
Total public safety	147,300	249,320	192,223	57,097

TOWN OF SURGOINSVILLE, TENNESSEE
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
General Fund

	Budgeted Amounts			Variance with Final Budget - Favorable
	Original	Final	Actual	(Unfavorable)
Expenditures (continued)				
Public works and streets				
Other services and charges	8,000	6,200	5,853	347
Supplies	500	300	-	300
Total public works and streets	8,500	6,500	5,853	647
State street aid				
Personnel services	104,100	103,810	104,549	(739)
Street lighting	45,000	43,050	45,453	(2,403)
Street repairs	75,500	118,000	117,902	98
Sign parts and supplies	1,500	750	709	41
Capital outlay	71,000	70,900	70,864	36
Other charges	27,900	45,090	46,364	(1,274)
Total state street aid	325,000	381,600	385,840	(4,240)
Solid waste				
Personnel services	104,000	98,100	98,688	(588)
Other services and charges	10,500	7,322	8,380	(1,058)
Supplies	31,500	17,200	15,537	1,663
Total solid waste	146,000	122,622	122,605	17
Total expenditures	1,846,359	1,855,624	1,732,510	123,114
Excess (Deficiency) of revenues over expenditures	(169,593)	(237,468)	(247,069)	(255,829)
Other Financing Sources (Uses)				
Proceeds from debt issuance	-	181,965	181,965	-
Total other financing sources	-	181,965	181,965	-
Net change in fund balance	(169,593)	(55,503)	(65,104)	(255,829)
Fund balance, July 1, 2023	494,557	494,557	494,557	-
Fund balance, June 30, 2024	$ 324,964	$ 439,054	$ 429,453	$ (255,829)

The notes to the financial statements are an integral part of the financial statements.

TOWN OF SURGOINSVILLE, TENNESSEE
Statement of Net Position
Proprietary Fund
June 30, 2024

	Sewer Utility Fund
ASSETS	
Current Assets	
Cash and cash equivalents	$ 422,864
Accounts receivable, net	39,902
Grants receivable	13,403
Inventory	3,840
Total current assets	480,009
Noncurrent Assets	
Capital assets	5,288,568
Total noncurrent assets	5,288,568
Total assets	5,768,577
LIABILITIES	
Current Liabilities	
Accounts payable	6,043
Accrued interest payable	3,235
Current maturities of bonds payable	34,291
Due to other funds	3,569
Total current liabilities	47,138
Noncurrent Liabilities	
Bonds payable, net of current maturities	1,422,809
Total noncurrent liabilities	1,422,809
Total liabilities	1,469,947
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to grants	373,616
Total deferred inflows of resources	373,616
NET POSITION	
Net investment in capital assets	3,831,468
Unrestricted	93,546
Total net position	$ 3,925,014

The notes to the financial statements are an integral part of the financial statements.

TOWN OF SURGOINSVILLE, TENNESSEE
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
Year Ended June 30, 2024

	Sewer Utility Fund
Operating Revenue	
Charges for services	168,711
Other revenue	55
Total operating revenues	168,766
Operating Expenses	
Distribution expenses	69,206
Supplies	18,903
Personnel services	7,867
Contractual services	6,012
Total operating expenses	101,988
Operating income	66,778
Nonoperating revenues (expenses)	
Interest income	19,813
Interest on long-term debt	(50,501)
Total nonoperating revenue (expenses)	(30,688)
Capital contributions	
Grant revenue	23,256
Net income	59,346
Net position, July 1, 2023	3,865,668
Net position, June 30, 2024	$ 3,925,014

The notes to the financial statements are an integral part of the financial statements.

TOWN OF SURGOINSVILLE, TENNESSEE
Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2024

	Sewer Utility Fund
Cash Flows From Operating Activities	
Cash received from customers	$ 168,524
Cash paid to suppliers	(225,453)
Cash paid to employees and related expenses	(7,867)
Net cash from operating activities	(64,796)
Cash Flows From Capital and Related Financing Activities	
Acquisition of capital assets	(37,768)
Grant funds received	9,854
Principal paid on capital debt	(33,236)
Interest paid on debt	(50,501)
Net cash from capital and related financing activities	(111,651)
Cash Flows From Investing Activities	
Interest income	19,813
Net cash from investing activities	19,813
Net change in cash and cash equivalents	(156,634)
Cash and cash equivalents, July 1, 2023	579,498
Cash and cash equivalents, June 30, 2024	$ 422,864
Reconciliation of operating income to Net cash provided by operating activities	
Operating income	$ 66,778
Adjustments to reconcile operating income to Net cash provided by operating activities	
(Increase) decrease in Accounts Receivable	(242)
Increase (decrease) Accounts payable	(2,305)
Due to other funds	(129,027)
Net cash used for operating activities	$ (64,796)

The notes to the financial statements are an integral part of the financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction - The Town of Surgoinsville, Tennessee (the "Town") is a municipal corporation governed by a Board of Mayor and Aldermen form of government. As required by accounting principles accepted in the United States of America (GAAP), these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The Town does not have any component units.

Financial Reporting Entity - Basis of Presentation

Government-wide Financial Statements - The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the Town as a whole. Individual funds are not displayed, but the statements distinguish governmental activities, generally supported by taxes and Town general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues, directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fines and forfeitures, and other charges to users for the Town's services; (2) operating grants and contributions which finance annual operating activities; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements - Fund financial statements are provided for governmental funds and the proprietary fund. Major individual governmental and proprietary funds are reported in separate columns, with the remaining governmental fund reported as a nonmajor fund.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation - The financial statements of the Town are prepared in accordance with generally accepted accounting principles ("GAAP"). The Town's reporting entity applies all relevant Governmental Accounting Standards Board ("GASB") pronouncements.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting, generally including the reclassification or elimination of internal activity (between or within funds). Reimbursements are reported as reductions to expenses. Property tax revenues are recognized in the fiscal year for which they are levied, while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Town considers revenues to be available if they are collected within sixty (60) days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred except for general obligation bond principal and interest which are reported as expenditures in the fiscal year due.

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, franchise taxes, intergovernmental revenues, and interest income. In general, other revenues are recognized when cash is received. Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements. When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as needed.

Governmental Funds - The Town reports the following major governmental fund:

General Fund - reports as the primary fund of the Town. This fund is used to account for all financial resources not reported in other funds.

The Town reports the following non-major governmental funds:

Special Revenue Drug Enforcement Fund - required by State law to be maintained by the Town. This fund is used to account for all drug-related confiscations seized by the Town. Expenditures in this fund are restricted to drug enforcement control in the Town.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Solid Waste Management Fund - reported within the General Fund and is required by State law to be maintained by the Town. This fund is used to account for financial activities related to the management of solid waste.

Proprietary Funds - The Town reports the following major enterprise funds:

Sewer Utility Fund - accounts for the operating activities of the Town's sewer utilities services.

Cash, Cash Equivalents and Investments - The Town considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Receivable and Payables - Property taxes are due and payable on or before February 28th of the following year. All unpaid taxes become delinquent March 1st of the following year. The Town bills and collects its own property taxes.

An enforceable lien exists at January 1st of each year for property taxes that will be billed in October for the next year's tax assessments. The 2024 property tax levy was $398,013 and is recorded to taxes receivable and deferred current property taxes.

Property taxes collected within 60 days of fiscal year end are considered available and accrued. The 2023 calendar year property tax rate was $0.9663 per $100 of assessed value.

Inventory - Inventory is valued at cost.

Capital Assets, Depreciation, and Amortization - The Town's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The Town maintains infrastructure asset records consistent with all other capital assets. Donated assets are stated at fair value of the date donated. The Town generally capitalizes assets with cost of $5,000 or more for purchases and construction outlays. The costs or normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Before January 2003, infrastructure assets of governmental funds were not capitalized. With the implementation of GASB 34, governmental units had to account for all capital assets, including infrastructure, in government-wide statements starting from the implementation date, though retroactive reporting was optional for Phase 3 governments like the Town of Surgoinsville, which chose not to report infrastructure assets retroactively.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	10 - 40
Improvements other than buildings	10 - 50
Mobile equipment	3 - 10
Furniture machinery and equipment	3 - 10

Infrastructure related to the sewer system, which was placed in service beginning in fiscal year 2016, is not depreciated. The Town has elected to use the modified approach for this asset. The modified approach allows governments to report as expenses in lieu of depreciation, infrastructure expenditures which maintain the asset, but do not add to or improve the asset. Improvements to infrastructure are capitalized.

Due from other Governments - Amounts due from other governments are primarily comprised of amounts due from wholesale beer collections and relate to intergovernmental revenues.

Deferred Outflows / Inflows of Resources - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense / expenditure) until then. The Town has items that qualify for reporting in this category. These items are reported on the government-wide statement of net position. These expenses are current fiscal year retirement contributions and differences in actuarial experience and investment earnings related to the net pension liability. These amounts are deferred and recognized as an outflow of resources in the period to which they apply.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Deferred Outflows / Inflows of Resources (Continued) - In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has items that qualify for reporting in this category. These items are reported in some cases on the government-wide statement of net position, and in other cases, on the governmental funds balance sheet. These revenues are from current and delinquent property taxes, which do not meet the availability criteria for governmental funds, unearned revenues, and differences in actuarial experience related to the net pension liability. These amounts are deferred and recognized as an inflow of resources in the period they become available.

Compensated Absences - Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the Town. Sick leave accrues to full-time, permanent employees to specified maximums. Compensated absences are reported as accrued in the governmental funds' financial statements based on timing of anticipated payment. Eligibility guidelines follow.

Only full-time employees are eligible for any type of paid leave. Beginning January 1st after hire date, employees receive leave in accordance with the following:

Completed Service	Credit Per Year
1 - 5	80 hours
5 - 10	120 hours
11 or more years	160 hours

Employees hired before January 1st or who have been on leave and have returned with doctor's approval have prorated vacation:

Completed Service	Credit Per Year
1 - 5	8 hours for each 37 days of service
5 - 10	8 hours for each 24 days of service
11 or more years	8 hours for each 18 days of service

One week (40 hours) vacation time can be carried over to the next year. An employee's total credit for vacation leave cannot exceed four (4) weeks. Employees get three sick days per year (24 hours total for 12 hour shift) and can accumulate up to 30 days (240 hours total), but are not paid for unused sick time if terminated / resign.

The Town has twelve paid holidays per year (96 hours, 8 days for 12 hour shift). If a full-time employee is required to work on the holiday, (s)he can take another day off in lieu of the actual holiday or will be paid time and one-half for the holiday worked. The substituted day off must be taken within thirty days. All holiday time must be used in the current year.

The Town's personnel policies related to the payment of earned, but unused compensatory time are silent, but due to a specific precedent, management accrues earned, but unused compensatory time for all applicable employees. They are reflected under accrued liabilities.

Long-Term Obligations - In the government-wide financial statements and proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position.

Fund Equity - In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable Fund Balance - includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. The Town has not reported any amounts that are legally or contractually required to be maintained intact.

Restricted Fund Balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions or by enabling legislation.

Committed Fund Balance - amounts constrained to specific purposes by the Town itself, using its highest level of decision-making authority (i.e. Board of Mayor and Alderman). To be reported as committed, amounts cannot be used for any other purpose unless the Town takes the same highest level of action to remove or change the constraint.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Assigned Fund Balance - amounts the Town intends to use for a specific purpose. Intent can be expressed by the Board of Mayor and Alderman or by an official or body to which the Board of Mayor and Alderman delegates the authority.

Unassigned Fund Balance - includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund.

The Town would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of other classified funds.

The Board of Mayor and Alderman establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Board of Mayor and Alderman through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumption that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Pension - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Town's participation in the Public Employee Retirement System (TCRS), and additions to/deductions from the Town's fiduciary net position have been determined on the same basis as they are reported by TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

Reclassifications – Certain amounts reported in the prior year financial statements have been reclassified to conform with the presentation of the current year financial statements with no effect on the Town's previously reported net position or change in net position.

Date of Management's Review - Management has evaluated subsequent events and transactions for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through December 19, 2024, which is the date these financial statements were available to be issued.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Budget Policy and Practice - The Town submits an annual budget to the Board of Mayor and Aldermen in accordance with the public Town charter. The budget is presented to the Board of Mayor and Aldermen for review, and public hearings are held to address priorities and the allocation of resources. In June, the Board of Mayor and Aldermen adopts the annual fiscal year budgets for Town operating funds. Once approved, the Board of Mayor and Aldermen may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

Basis of Budgeting - Each fund's appropriated budget is prepared on a detailed line-item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personnel services, other services and charges, supplies, capital outlay, transfers, and debt service. Budget revisions at this level are subject to final review by the Board of Mayor and Alderman. The legal level of control is by department within a fund. Expenditures may not exceed appropriations at this level.

Each budget is presented on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles ("GAAP"). Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting on the governmental fund statements and on the full accrual basis on the proprietary fund statements and the government-wide statements.

For the fiscal year, expenditures exceeded budgeted appropriations for state street aid department within the general fund of $4,240.

NOTE 3 - DEPOSITS AND INVESTMENTS

The Town maintains cash and cash equivalents that are available for use by all funds. Each fund is displayed on the balance sheet and statement of net position as "cash and cash equivalents" under each fund's caption. The Town does not have a policy to authorize the type of deposits and investments allowable and to address the specific types of risk to which the Town is exposed.

Deposits - Various restrictions on deposits are imposed by state statues. All deposits with financial institutions must be collateralized in an amount equal to 105% of the market value of uninsured deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the Town.

Investments - State statutes authorize the Town to invest in treasury bonds, notes or bills of the United States; nonconvertible debt securities of the Federal Home Loan Bank, the Federal National Mortgage Association, the Federal Farm Credit Bank and the Student Loan Marketing Association; other obligations not listed above that are guaranteed as to principal and interest by the United States or any of its agencies; obligations of the United States or its agencies under a repurchase agreement for a shorter time than the maturity date of the security itself if the market value of the security itself is more than the amount of funds invested - provided that municipalities may invest in repurchase agreements only if the state director of local finance approves repurchase agreements as an authorized investment, and if such investments are made in accordance with procedures established by the state funding board; the State of Tennessee Local Government Investment Pool; obligations of the Public Housing Authority and bonds of the Tennessee Valley Authority.

The Town does not have a policy for interest rate risk or other credit risk other than pledging of securities for amounts in excess of FDIC coverage. The Town is exposed to concentration of credit risk by placing its deposits in financial institutions. The Town has mitigated the risks because the bank balance in excess of the FDIC limit is collateralized by the State of Tennessee bank collateral pool.

The Town invests funds in the State of Tennessee's Local Government Investment Pool (LGIP). This investment pool is established for the idle funds of Local government located withing the State of Tennessee. The LGIP invests in time deposits, such as certificate of deposit, commercial paper, United States of America agency securities, repurchase agreements and United States of America treasuries.

The Town's interest in the LGIP is recorded at amortized costs which approximates fair market value. The amounts reported under the LGIP were $397,939.

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Town does not have a policy related to such risk. The carrying amount of the Town's deposits, excluding the LGIP, was $466,892 and the bank balance was $460,238 of which all was covered entirely by federal depository insurance or State of Tennessee bank collateral pool.

NOTE 4 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to limited torts; theft of, damage to, and destruction of assets, errors and omissions and natural disasters for which the Town carries commercial insurance. There have been no significant reductions in coverage from the prior year, and settlements have not exceeded coverage in the past three fiscal years.

NOTE 5 - CAPITAL ASSETS

Governmental Activities

Capital asset activity for the fiscal year is as follows:

	Primary Government			
Governmental Activities	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets not being depreciated				
Land	$ 167,038	$ -	$ -	$ 167,038
Total capital assets not being depreciated	167,038	-	-	167,038
Capital assets being depreciated				
Buildings	521,080	-	-	521,080
Furniture, machinery, and equipment	928,203	90,115	-	1,018,318
Total capital assets being depreciated	1,449,283	90,115	-	1,539,398
Less accumulated depreciation	(1,013,997)	(117,998)	-	(1,131,995)
Other capital assets, net	435,286	(27,883)	-	407,403
Governmental activities capital assets, net	$ 602,324	$ (27,883)	$ -	$ 574,441

Business-type Activities

Capital asset activity for the fiscal the fiscal year is as follows:

Business-type Activities	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets not being depreciated				
Infrastructure	$ 5,250,801	$ 37,767	$ -	$ 5,288,568
Business-type activities capital assets, net	$ 5,250,801	$ 37,767	$ -	$ 5,288,568

Depreciation expense was charged to functions as follows:

Governmental Activities:	
General Government	$ 2,046
Public Safety	29,843
Parks and recreation	15,981
Solid waste	33,853
Highways and streets	36,275
	$ 117,998

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES

Generally outstanding balances between funds reported as "due to/from other funds" include outstanding charges by one fund to another for services or goods, subsidy commitments outstanding at fiscal year-end, and other miscellaneous receivables/payables between funds. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are described as "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the noncurrent portion of interfund loans).

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "due to/from".

The following schedule reports receivables and payables within the reporting entity at fiscal year-end:

Receivable Fund	Payable fund	Amount
General	Sewer	$ 3,569
Drug Enforcement	General	809
General	Drug Enforcement	1,525
Total		$ 5,903

NOTE 7 - LONG TERM DEBT

The following is a summary of the Town's long-term debt transactions for the fiscal year:

	Balance July 1, 2023	Additions	Reductions	Balance June 30, 2024	Due Within One Year
Governmental Activities					
Rural Development Series 2022 bond	-	181,965	-	181,965	10,436
Business-type Activities					
Revenue and tax bonds	1,490,336	-	33,236	1,457,100	34,291
Total long-term debt	$ 1,490,336	$ 181,965	$ 33,236	$ 1,639,065	$ 44,727

Compensated absences, included as current accrued liabilities, and the net pension liability are liquidated by the general fund.

Governmental Activities

The Town entered into a bond obligation on June 24, 2024 with the United States Department of Agriculture (USDA) Rural Development for the purchase of a sanitation vehicle in the amount of $181,965. The bond issue is due in monthly installments of $14,196 with an interest rate of 2.13% and matures in 2039. The bond is secured by ad valorem taxes levied on all taxable property. Upon event of default, the bond is in dependent upon judicial actions.

The annual requirements to amortize all governmental-type activities long-term debt, including principal and interest, outstanding as of June 30, 2024 are as follows:

Year Ending	Series 2022		Total	
June 30,	Principal	Interest	Principal	Interest
2025	$ 10,436	$ 3,760	$ 10,436	$ 3,760
2026	10,654	3,542	10,654	3,542
2027	10,883	3,313	10,883	3,313
2028	11,112	3,084	11,112	3,084
2029	11,359	2,837	11,359	2,837
2030-2034	60,534	10,446	60,534	10,446
2035-2039	66,987	3,666	66,987	3,666
Total	$ 181,965	$ 30,648	$ 181,965	$ 30,648

NOTE 7 - LONG TERM DEBT (Continued)

Business-Type Activities

The Town entered into a bond obligation in 2014 with the United States Department of Agriculture (USDA) Rural Development for the construction of a sewer system in the amount of $530,000. The bond issue is due in monthly installments of $2,030. The interest rate is 3.25% and the maturity date is 2052. This bond is secured by a pledge of income and revenues to be derived from the operation of the sewer system. Upon event of default, the bond is dependent upon judicial actions.

The Town entered into a bond obligation in 2015 with the USDA Rural Development for the construction of a sewer system in the amount of $953,000. The bond issue is due in monthly installments of $3,767. The interest rate is 3.50% and the maturity date is 2053. This bond is secured by a pledge of income and revenues to be derived from the operation of the sewer system. Upon event of default, the bond is dependent upon judicial actions.

The Town entered into a bond obligation in 2018 with the USDA Rural Development for the additional construction of the sewer system in the amount of $300,000. The bond issue is due in monthly installments of $1,164. The interest rate is 3.50% and the maturity date is 2041. This bond is secured by a pledge of income and revenues to be derived from the operation of the sewer system. Upon event of default, the bond is dependent upon judicial actions.

The annual requirements to amortize all business-type activities long-term debt, including principal and interest, outstanding are as follows:

Year Ending	Series 2010		Series 2014		Series 2018		Total	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2025	$ 9,938	$ 14,422	$ 16,478	$ 28,723	$ 7,875	$ 6,094	$ 34,291	$ 49,239
2026	10,266	14,094	17,064	28,137	8,154	5,814	35,484	48,045
2027	10,605	13,755	17,671	27,530	8,444	5,524	36,720	46,809
2028	10,954	13,406	18,299	26,902	8,744	5,224	37,997	45,532
2029	11,316	13,044	18,950	26,251	9,055	4,913	39,321	44,208
2030-2034	62,432	59,368	105,354	120,652	50,342	19,498	218,128	199,518
2035-2039	73,432	48,368	125,470	100,535	59,954	9,886	258,856	158,789
2040-2044	86,368	35,432	149,428	76,577	25,139	861	260,935	112,870
2045-2049	101,586	20,214	177,958	48,045	-	-	279,544	68,259
2050-2054	71,351	3,728	184,473	17,467	-	-	255,824	21,195
Total	$ 448,248	$ 235,831	$ 831,145	$ 500,819	$ 177,707	$ 57,814	$1,457,100	$ 794,464

NOTE 8 - FEDERAL AND STATE GRANTS

In the normal course of operations, the Town receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authorities, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

NOTE 9 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLAN

General Information about the Pension Plan

Plan description: Employees of the Town are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies.

NOTE 9 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLAN (Continued)

Benefits provided: Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Employees covered by benefit terms: At the measurement date of June 30, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	7
Inactive employees entitled to but not yet receiving benefits	6
Active employees	10
	23

Contributions: Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. The Town makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2024, employer contributions for the Town were $55,773 based on a rate of 13.37 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the Town's state shared taxes if required employer contributions are not remitted. The employer's ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset) - The Town's net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions: The total pension liability as of June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	6.75 percent, net of pension plan investment expenses, including inflation

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2023 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2020 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.25 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

NOTE 9 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLAN (Continued)

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	4.88%	31%
Developed market international equity	5.37%	14%
Emerging market international equity	6.09%	4%
Private equity and strategic lending	6.57%	20%
U.S. fixed income	1.20%	20%
Real estate	4.38%	10%
Short-term securities	0.00%	1%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75 percent based on a blending of the three factors described above.

Discount rate: The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the Town will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability (Asset)

	Total Pension Liability (Asset) (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at 6/30/22	$ 777,562	$ 699,536	$ 78,026
Changes for the year:			
Service Cost	32,511	-	32,511
Interest	52,938	-	52,938
Differences between expected and actual experience	42,714	-	42,714
Changes in assumptions	-	-	-
Contributions - employer	-	55,431	(55,431)
Contributions - employee	-	16,941	(16,941)
Net investment income	-	47,687	(47,687)
Benefit payments, including refunds of employee contributions	(51,614)	(51,614)	-
Administrative expense	-	(932)	932
Net changes	76,549	67,513	9,036
Balances at 6/30/23	$ 854,111	$ 767,049	$ 87,062

Sensitivity of the net pension liability (asset) to changes in the discount rate: The following presents the net pension liability (asset) the Town calculated using the discount rate of 6.75 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75 percent) or 1-percentage-point higher (7.75 percent) than the current rate:

	1 % Decrease (5.75%)	Current Discount Rate (6.75%)	1 % Increase (7.75%)
Net pension liability (asset)	$ 179,983	$ 87,062	$ 7,829

NOTE 9 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLAN (Continued)

Pension expense (Negative Pension Expense): For the fiscal year ended June 30, 2024, the Town recognized pension expense of $56,008.

Deferred outflows of resources and deferred inflows of resources: For the year ended June 30, 2024, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 97,154	$ -
Net difference between projected and actual earnings of pension plan investments	6,685	-
Changes in assumptions	24,256	
Contributions subsequent to measurement date of June 30, 2023	55,773	-
Total	$ 183,868	$ -

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2023," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2025	$ 36,541
2026	31,129
2027	51,847
2028	8,578
2029	-
Total	$ 128,095

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

Payable to the Pension Plan - At June 30, 2024, The Town reported a payable of $5,858 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2024.

TOWN OF SURGOINSVILLE, TENNESSEE
Modified Approach For Sewer System Infrastructure
June 30, 2024

The Town has adopted the modified approach for reporting infrastructure assets in the Sewer System. Under this approach, the Town expenses certain maintenance and preservation costs and does not report depreciation expense. The Town defines infrastructure as the basic physical assets including the public sanitary sewer collection system, and the major subsystems thereof, including pipe, individual STEP (Septic Tank Effluent Pump) component sand flow metering, used by the Town in the conduct of business. The Town maintains detailed information of the infrastructure capital assets.

Eligible infrastructure capital assets are not required to be depreciated under the following requirements:

- The Town manages the eligible infrastructure capital assets using an asset management system with characteristics of (1) an up to date inventory; (2) perform condition assessments and summarize the results using a measurement scale; and (3) estimate annual amount to maintain and preserve at the established condition assessment level.
- The Town documents that the eligible infrastructure capital assets are being preserved approximately at or above the established disclosed condition assessment level.

The public sanitary sewer collection system, and the major subsystems thereof, including pipe, individual STEP components and flow metering, were defined as all physical features associated with the operation of public sanitary sewer collection system that exist with the limits of right of way or easements. The Town has adopted a simple scale for the purpose of scoring the condition of the assets as follows:

Condition	Rating	
Like new	1	
Functions as intended	2*	current rating
Not Functioning as intended	3	
Not operational	4	

A physical condition assessment of the public sanitary sewer collection system infrastructure assets is completed at least every three (3) years or more often if deemed necessary by the Board of Mayor and Alderman.

The Town Policy established by the Initial Condition Report as of June 30, 2016 is to achieve an average rating of 2 "Functions as Intended" for all of the public sanitary sewer collection system. This rating allows minor issues to be present. As of June 30, 2024, the Town's public sanitary sewer collection system was rated at a 2 on average with the detail condition "Functions as Intended." There being only two (2) significant condition issues found, those being:

1) an inflow and infiltration issue exists at the site of the two (2) Hawkins County schools which continues to be under active investigation; and,
2) a disputed "inverted syphon" condition was created during construction of the sewer main line serving the Johnson Estates Sewer Extension Project which required additional engineering and converting one (1) S.T.E.G. unit to a S.T.E.P. unit, which was resolved in 2019 by a cash settlement agreement with the engineer. There may be periodic flushing maintenance of the sewer main line required by low wastewater velocity during low flow times creating conditions for sediment deposit to cause blockage. "Pig-stations" have been installed to permit future video inspection of the sewer line which will be treated as a maintenance issue.

The Town's public sanitary sewer collection system infrastructure assets will constantly deteriorate as a result of use. The Town shall calculate needed maintenance of its public sanitary sewer collection system as part of its Annual Budget consideration and anticipates continuously taking actions to arrest such deterioration through short-term maintenance activities. However, the scheduling of these maintenance activities may cross fiscal years. Also, sewer components will likely be restored as utility work is performed. Therefore, actual maintenance expenditures may be less than or greater than the expected expenditures in any fiscal year.

Actual and Budgeted Sewer Maintenance and Preservation Costs

Year Ended June 30	2018	2019	2020	2021	2022	2023	2024
Estimated	$ 5,000	$ 5,000	$ 17,750	$ 20,000	$ 38,000	$ 43,000	$ 40,000
Actual	46,081	7,205	17,676	19,738	23,661	22,568	2,019

These expenditures delayed deterioration, however the overall condition of the public sanitary sewer collection system was not improved from "Functions as Intended" condition through these maintenance expenditures. The Town has estimated that the amount of annual expenditures required to maintain the public sanitary sewer collection system at the average rating of 2 through the year is a minimum of Forty Thousand ($40,000.00). The Town has created an on-going sewer rehabilitation program funded in the Capital Improvement Program which will be intended to maintain the condition rating of public sanitary sewer collection system. The Public Works Director reports the sewer Flow Meter readings monthly to the Board of Mayor and Aldermen.

During the three (3) fiscal years ending June 30, 2024, the principle change in the asset condition has been ordinary wear to individual S.T.E.P. pumps. There have been no significant recognized adverse changes in condition levels of other public sanitary sewer collection system infrastructure assets. The goal in the next triennial cycle, at which time S.T.E.P. pumps will be nearing the halfway point of their expected service life, will be to have a professional life-Cycle evaluation to optimize preventative maintenance and replacement funding by an outside engineering consultant. A long-term funding strategy will be developed taking into account the results of that life-cycle evaluation, changes in replacement cost over time and in consideration of the reduction of Town's sewer construction debt service load over such life-cycle.

TOWN OF SURGOINSVILLE, TENNESSEE
Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios
Based on Participation in the Public Employee Pension Plan of TCRS
Year Ended June 30, 2024

Measurement Period Ended	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021	6/30/2022	6/30/2023
Total pension liability										
Service cost	$ 11,467	$ 16,717	$ 17,470	$ 16,268	$ 14,922	$ 22,335	$ 22,772	$ 22,552	$ 29,130	$ 32,511
Interest	23,576	26,666	29,018	31,146	34,106	36,590	38,284	41,542	45,645	52,938
Differences between expected and actual experience	11,418	(2,258)	(5,989)	6,146	39	(9,514)	15,174	24,509	79,491	42,714
Changes of assumptions	-	-	-	18,703	-	-	-	48,514	-	-
Benefit payments, incl. refunds of employee contributions	(10,518)	(10,518)	(10,518)	(11,326)	(20,209)	(24,225)	(28,749)	(33,373)	(47,580)	(51,614)
Net change in total pension liability (asset)	35,943	30,607	29,981	60,937	28,858	25,186	47,481	103,744	106,686	76,549
Total pension liability (asset) - beginning	308,139	344,082	374,689	404,670	465,607	494,465	519,651	567,132	670,876	777,562
Total pension liability (asset) - ending (a)	$ 344,082	$ 374,689	$ 404,670	$ 465,607	$ 494,465	$ 519,651	$ 567,132	$ 670,876	$ 777,562	$854,111
Plan fiduciary net position										
Contributions - employer	$ 32,237	$ 30,003	$ 29,970	$ 31,598	$ 37,234	$ 35,228	$ 31,145	$ 35,244	$ 50,330	$ 55,431
Contributions - employee	11,163	10,082	10,070	10,533	11,380	10,749	11,656	13,190	15,382	16,941
Net investment income	33,636	8,185	8,042	38,629	33,909	34,764	25,740	144,084	(27,484)	47,687
Benefit payments, incl. refunds of employee contributions	(10,518)	(10,518)	(10,518)	(11,326)	(20,209)	(24,225)	(28,749)	(33,373)	(47,580)	(51,614)
Administrative expense	(279)	(305)	(454)	(509)	(647)	(580)	(620)	(786)	(869)	(932)
Net change in plan fiduciary net position	66,239	37,447	37,110	68,925	61,667	55,936	39,172	158,359	(10,221)	67,513
Plan fiduciary net position - beginning	184,902	251,141	288,588	325,698	394,623	456,290	512,226	551,398	709,757	699,536
Plan fiduciary net position - ending (b)	$ 251,141	$ 288,588	$ 325,698	$ 394,623	$ 456,290	$ 512,226	$ 551,398	$ 709,757	$ 699,536	$ 767,049
Net pension liability (asset) - ending (a) - (b)	$ 92,941	$ 86,101	$ 78,972	$ 70,984	$ 38,175	$ 7,425	$ 15,734	$ (38,881)	$ 78,026	$ 87,062
Plan fiduciary net position as a percentage of the total pension liability	72.99%	77.02%	80.48%	84.75%	92.28%	98.57%	97.23%	105.80%	89.97%	89.81%
Covered - employee payroll	$ 223,251	$ 201,631	$ 201,409	$ 210,651	$ 227,594	$ 223,264	$ 233,123	$ 263,800	$ 307,639	$ 338,818
Net pension liability (asset) as a percentage of covered employee payroll	41.63%	42.70%	39.21%	33.70%	16.77%	3.33%	6.75%	-14.74%	25.36%	25.70%

Notes to schedule:

Changes of assumptions. In 2021, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, and mortality improvements. In 2017, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, salary growth and mortality improvements.

TOWN OF SURGOINSVILLE, TENNESSEE
Schedule of Contributions Based on Participation in the
Public Employee Pension Plan of TCRS
Year Ended June 30, 2024

Measurement period ended June 30,	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Actuarially determined contribution	$ 30,003	$ 29,970	$ 31,598	$ 37,234	$ 35,228	$ 31,145	$ 35,244	$ 41,101	$ 45,266	$ 55,773
Contributions in relation to the actuarially determined contribution	30,003	29,970	31,598	37,234	35,228	31,145	35,244	50,330	55,431	55,773
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (9,229)	$ (10,165)	$ -
Covered employee payroll	$ 201,631	$ 201,409	$ 210,651	$ 227,594	$ 223,264	$ 233,123	$ 263,800	$ 307,639	$ 338,818	$ 417,153
Contributions as a percentage of covered employee payroll	14.88%	14.88%	15.00%	16.36%	15.78%	13.36%	13.36%	16.36%	16.36%	13.37%

Notes to Schedule

Valuation date:

Actuarially determined contribution rates for fiscal year 2024 were calculated based on the June 30, 2022 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method:	Entry Age Normal
Amortization method:	Level dollar, closed (not to exceed 20 years)
Remaining amortization period:	Varies by year
Asset valuation method:	10-year smoothed within a 20 percent corridor to market value
Inflation:	2.25 percent
Salary increases:	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.0 percent
Investment rate of return:	6.75 percent, net of investment expense, including inflation
Retirement age:	Pattern of retirement determined by experience study
Mortality:	Customized table based on actual experience including an adjustment for some anticipated improvement

Changes of assumptions. In 2021, the following assumptions were changed: decreased inflation rate from 2.50 percent to 2.25 percent; decreased the investment rate of return from 7.25 percent to 6.75 percent; decreased the cost-of-living adjustment from 2.25 percent to 2.125 percent; and modified mortality assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

TOWN OF SURGOINSVILLE, TENNESSEE
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2024

Grantor / Pass-Through Grantor	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Pass-through to Subrecipients	Expenditures
Federal Awards				
General Fund				
United States Department of Housing and Urban Development				
Passed through State of Tennessee, Department of Economic and Community Development				
Community Development Block Grant	14.218	33004-35322	$ 357,463	$ 357,463
Total United State Department of Housing and Urban Development			357,463	357,463
United States Department of Agriculture				
Rural Development Community Facilities Loans and Grants	10.766	N/A	-	181,965
Total United State Department of Agriculture			-	181,965
Sewer Fund				
United States Department of Environment and Conservation				
Passed through State of Tennessee Department of Environment and Conservation				
Covid-19 Water Infrastructure Investment Plan	21.027	32701-04820	-	23,256
Total United State Department of Environment and Conservation			-	23,256
Total federal awards			$ 357,463	$ 562,684
State Awards				
General Fund				
State of Tennessee Department of Commerce and Insurance State Fire Marshall's Office	NA	NA	$ -	$ 542
State of Tennessee Department of Commerce and Insurance	NA	NA	-	1,600
Total state awards			$ -	$ 2,142

NOTE 1 - BASIS OF PRESENTATION
The schedule of expenditures of federal and state awards (the schedule) includes the federal award activity of the Town of Surgoinsville, Tennessee under programs of the federal government for the fiscal year ended June 30, 2024. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
Expenditures reported on the schedule are reported on the accrual basis of accounting. The Town has elected to use the 10 percent de minimis indirect cost rate allowed under Uniform Guidance.

NOTE 3 - SUBRECIPIENTS
The Town provided federal awards to Surgoinsville Utility District of $357,463 for the year ended June 30, 2024.

See accompanying independent auditors' report.

TOWN OF SURGOINSVILLE, TENNESSEE
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Special Revenue Drug Enforcement Fund
Year Ended June 30, 2024

	Budgeted Amounts			Variance with Final Budget - Favorable
	Original	Final	Actual	(Unfavorable)
Revenues				
Court fines and costs	$ -	$ 430	$ 1,112	$ 682
Investment Income	32	172	170	(2)
Total revenues	32	602	1,282	680
Expenditures				
Public safety	-	250	245	5
Capital outlay	-	1,525	1,525	-
Total expenditures	-	1,775	1,770	5
Excess of revenues over expenditures	32	(1,173)	(488)	685
Fund balance, July 1, 2023	33,959	33,959	33,959	-
Fund balance, June 30, 2024	$ 33,991	$ 32,786	$ 33,471	$ 685

See accompanying independent auditors' report.

TOWN OF SURGOINSVILLE, TENNESSEE
Schedule of Changes in Property Taxes Receivable
Year Ended June 30, 2024

Year of Levy	Assessment	Rate	Total Levy	Property Tax Receivable Balance June 30, 2023	Property Tax Levied	Collections	Releases, Adjustments, Penalty/Interest & Abatements	Property Tax Receivable Balance June 30, 2024
2024	41,189,382	0.97	398,013	-	398,013	-	-	398,013
2023	35,631,584	0.97	344,308	344,308	-	(326,450)	-	17,858
2022	34,555,905	0.97	333,914	12,548	-	(5,370)	-	7,178
2021	27,456,380	1.20	329,477	10,488	-	(6,450)	-	4,038
2020	29,516,889	1.20	354,203	4,209	-	(1,689)	-	2,520
2019	29,733,167	1.20	356,798	1,903	-	(1,237)	-	666
2018	29,167,750	1.20	350,013	1,829	-	(1,106)	-	723
2017	29,243,790	1.20	350,925	1,153	-	(777)	-	376
2016	29,952,600	1.20	359,431	432	-	-	-	432
2015	27,607,788	1.20	331,293	344	-	-	-	344
2014	30,135,250	1.20	361,623	741	-	-	-	741
2013	29,995,700	1.20	359,948	452	-	-	(452)	-
Totals				$ 378,407	$ 398,013	$ (343,079)	$ (452)	$ 432,889

Uncollected Delinquent Taxes Filed in Chancery Court:
As of July 1, 2024, all of the above delinquent taxes for 2014 through 2023 have been filed by the Town Attorney with the Hawkins County Chancery Court. On March 1 of each year, the unpaid taxes for the preceding calendar year are submitted by the Town Recorder to the Town Attorney, and on the subsequent July 1, the Town Attorney files suit in Chancery Court. A detailed list is presented to the Court for each delinquent taxpayer.

TOWN OF SURGOINSVILLE, TENNESSEE
Schedule of Changes in Long-Term Debt By Individual Issue
For the Year Ended June 30, 2024

	Original Amount Issued	Interest Rate	Date of Issue	Last Maturity Date	Outstanding July 1, 2023	Issued during Period	Paid During Period	Outstanding June 30, 2024
Governmental Activities:								
Rural Development Series 2022	$ 181,965	2.13%	6/24/2024	6/24/2039	$ -	$ 181,965	$ -	$ 181,965
Total Governmental Type Activities					$ -	$ 181,965	$ -	$ 181,965
Business-type Activities:								
Rural Develoment, Sewer Revenue and Tax Bond Series 2010	530,000	3.25%	9/5/2014	9/5/2052	$ 457,869	$ -	$ 9,621	$ 448,248
Rural Develoment, Sewer Revenue and Tax Bond Series 2014	953,000	3.50%	10/8/2015	10/8/2053	847,157	-	16,012	831,145
Rural Develoment, Sewer Revenue and Tax Bond Series 2018	300,000	3.50%	1/19/2018	1/19/2041	185,310	-	7,603	177,707
Total Business-type Activities					$ 1,490,336	$ -	$ 33,236	$ 1,457,100

See accompanying independent auditors' report.

TOWN OF SURGOINSVILLE, TENNESSEE
Schedule of Bond Principal and Interest Requirements
Governmental Activities Rural Development - Series 2022
Year Ended June 30, 2024

Year Ending June 30,	Principal Requirements	Interest Requirements	Total Requirements
2025	$ 10,436	$ 3,760	$ 14,196
2026	10,654	3,542	14,196
2027	10,883	3,313	14,196
2028	11,112	3,084	14,196
2029	11,359	2,837	14,196
2030	11,598	2,598	14,196
2031	11,847	2,349	14,196
2032	12,099	2,097	14,196
2033	12,364	1,832	14,196
2034	12,626	1,570	14,196
2035	12,897	1,299	14,196
2036	13,173	1,023	14,196
2037	13,458	738	14,196
2038	13,746	450	14,196
2039	13,713	156	13,869
	$ 181,965	$ 30,648	$ 212,613

TOWN OF SURGOINSVILLE, TENNESSEE
Schedule of Bond Principal and Interest Requirements
Sewer Revenue and Tax Bond - Series 2010
Year Ended June 30, 2024

Year Ending June 30,	Principal Requirements	Interest Requirements	Total Requirements
2025	$ 9,938	$ 14,422	$ 24,360
2026	10,266	14,094	24,360
2027	10,605	13,755	24,360
2028	10,954	13,406	24,360
2029	11,316	13,044	24,360
2030	11,689	12,671	24,360
2031	12,075	12,285	24,360
2032	12,473	11,887	24,360
2033	12,885	11,475	24,360
2034	13,310	11,050	24,360
2035	13,749	10,611	24,360
2036	14,202	10,158	24,360
2037	14,671	9,689	24,360
2038	15,155	9,205	24,360
2039	15,655	8,705	24,360
2040	16,171	8,189	24,360
2041	16,704	7,656	24,360
2042	17,255	7,105	24,360
2043	17,825	6,535	24,360
2044	18,413	5,947	24,360
2045	19,020	5,340	24,360
2046	19,648	4,712	24,360
2047	20,296	4,064	24,360
2048	20,965	3,395	24,360
2049	21,657	2,703	24,360
2050	22,371	1,989	24,360
2051	23,109	1,251	24,360
2052	23,872	488	24,360
2053	1,999	-	1,999
	$ 448,248	$ 235,831	$ 684,079

TOWN OF SURGOINSVILLE, TENNESSEE
Schedule of Bond Principal and Interest Requirements
Sewer Revenue and Tax Bond - Series 2014
Year Ended June 30, 2024

Year Ending June 30,	Principal Requirements	Interest Requirements	Total Requirements
2025	$ 16,478	$ 28,723	$ 45,201
2026	17,064	28,137	45,201
2027	17,671	27,530	45,201
2028	18,299	26,902	45,201
2029	18,950	26,251	45,201
2030	19,624	25,577	45,201
2031	20,322	24,879	45,201
2032	21,046	24,156	45,202
2033	21,793	23,408	45,201
2034	22,569	22,632	45,201
2035	23,371	21,830	45,201
2036	24,203	20,998	45,201
2037	25,063	20,138	45,201
2038	25,955	19,246	45,201
2039	26,878	18,323	45,201
2040	27,834	17,367	45,201
2041	28,824	16,377	45,201
2042	29,849	15,352	45,201
2043	30,911	14,290	45,201
2044	32,010	13,191	45,201
2045	33,149	12,052	45,201
2046	34,328	10,873	45,201
2047	35,546	9,653	45,199
2048	36,813	8,388	45,201
2049	38,122	7,079	45,201
2050	39,478	5,723	45,201
2051	40,882	4,319	45,201
2052	42,336	2,865	45,201
2053	43,842	1,359	45,201
2054	17,935	3,201	21,136
	$ 831,145	$ 500,819	$ 1,331,964

TOWN OF SURGOINSVILLE, TENNESSEE
Schedule of Bond Principal and Interest Requirements
Sewer Revenue and Tax Bond - Series 2018
Year Ended June 30, 2024

Year Ending June 30,	Principal Requirements	Interest Requirements	Total Requirements
2025	$ 7,875	$ 6,094	$ 13,969
2026	8,154	5,814	13,968
2027	8,444	5,524	13,968
2028	8,744	5,224	13,968
2029	9,055	4,913	13,968
2030	9,377	4,591	13,968
2031	9,711	4,257	13,968
2032	10,056	3,912	13,968
2033	10,414	3,554	13,968
2034	10,784	3,184	13,968
2035	11,168	2,800	13,968
2036	11,565	2,403	13,968
2037	11,976	1,992	13,968
2038	12,402	1,566	13,968
2039	12,843	1,125	13,968
2040	13,300	668	13,968
2041	11,839	193	12,032
	$ 177,707	$ 57,814	$ 235,521

TOWN OF SURGOINSVILLE, TENNESSEE
Schedule of Utility Rate Structure and Number of Customers
Year Ended June 30, 2024

Sewer rates

Water utility metered (Based on 100% usage)	Twenty dollars ($20.00) plus $7.20 per one thousand (1,000) gallons of water used.
Metered flow other source (Based on 100% usage)	Twenty dollars ($20.00) plus $7.20 per one thousand (1,000) gallons of water used.
Customers	353

DAVID M. ELLIS
Certified Public Accountant
Member, American Institute of Certified Public Accountants
Member, Tennessee Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Mayor and Aldermen
Town of Surgoinsville, Tennessee

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Surgoinsville, Tennessee, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Town of Surgoinsville, Tennessee's basic financial statements, and have issued my report thereon dated December 19, 2024.

Report on Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered Town of Surgoinsville, Tennessee's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Surgoinsville, Tennessee's internal control. Accordingly, I do not express an opinion on the effectiveness of Town of Surgoinsville, Tennessee's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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Kingsport, Tennessee 37663
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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Surgoinsville, Tennessee's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2024-001.

Town of Surgoinsville, Tennessee's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Town of Surgoinsville Tennessee's response to the findings identified in my audit and described in the accompanying schedule of findings and responses. Town of Surgoinsville, Tennessee's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



David M. Ellis, CPA
Greeneville, Tennessee
December 19, 2024

TOWN OF SURGOINSVILLE, TENNESSEE
Schedule of Disposition of Prior Year Findings
Year Ended June 30, 2024

Financial Statement Findings

Prior Year Finding Number	Finding Title	Status/ Current Year Finding Number
2023-001	3 Day Deposit Rule	Corrected
2023-002	Budget Control	Repeated 2024-001

Financial Statement Findings

2024-001 Budget Control

Condition: The Town had several departments with expenditures that exceeded the appropriations dictated in the approved budget.

Criteria: The Town submits an annual budget to the Board of Mayor and Aldermen in accordance to the public Town charter. Upon approval, it is submitted to the TN Comptroller of the Treasury. The budget is prepared on a detailed line-item basis with the legal level of control by department within a fund. Expenditures may not exceed appropriations at this level. When modifications are required in estimated revenues and appropriations, the Board of Mayor and Aldermen have the responsibility to amend the legally adopted budget.

Cause: The following departments had expenditures that exceeded budget appropriations in the General Fund: Financial Administration, Police, Records, and State Street Aid.

Effect: The Town was not in compliance with its own charter, or the recommendations set forth in State statutes with regards to budgets.

Recommendation: In the future, the Town should ensure that all departments are operating within the appropriations set forth in the adopted budget and make amendments to that budget before any additional spending is authorized in any department.

Management Response: Management agrees with the finding and will take steps to correct this going forward.

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Surgoinsville, Tennessee 37873-0067



Office: 423-345-2213
Email: mgentry@surgoinsvilletn.gov

Town of Surgoinsville

December 19th, 2024

Management's Corrective Action Plan

2024-001 Budget Control

Person Responsible for Implementation: Megan Gentry, Recorder. Mayor Merrell Graham.

Planned Corrective Action: Town of Surgoinsville has updated and passed Resolution 155-2024 on July 8th, 2024, which is a resolution adopting purchasing procedures for the Town of Surgoinsville, TN. This policy has been discussed in detail for the procedures and authorized personnel making purchasing. A copy of the purchasing procedures has also been distributed internally.

Anticipated Completion Date: Immediate

Merrell Graham Mayor 12/19/24
Megan Gentry Recorder 12/19/2024

Jason E. Mumpower
Comptroller

Entity Referred: **Cumberland Utility District of Roane and Morgan Counties**

Referral Reason: **Administrative Review**

Utility Type Referred: **Water**

Staff Summary:

The Cumberland Utility District of Roane and Morgan Counties ("CUD") was referred to the Tennessee Board of Utility Regulation ("the Board") for administrative review in 2023. The administrative review was opened based on complaints that the entity's commissioners violated the Tennessee Public Records Act ("TPRA") by holding closed door meetings that only commissioners attended. Furthermore, Board staff has received notice from TDEC of significant water outages in July of 2025 which have raised concerns. Based on a comprehensive administrative review of CUD, Board staff recommends that the Utility formally begin discussions to explore a merger with a neighboring utility district. This recommendation is grounded in recent regulatory actions, operational challenges, and financial and management concerns identified in the most recent audit and technical evaluations.

Regulatory Compliance Issues

On July 20, 2023, the Tennessee Department of Environment and Conservation (TDEC) issued Director's Order and Assessment No. DWS22-0129, assessing civil penalties totaling $36,720 against CUD for noncompliance with state drinking water regulations. While a portion of the penalties ($7,344) has been paid, the remaining amount is contingent upon meeting strict operational deadlines set by the order. The existence of such an order indicates significant regulatory concerns regarding the operation of CUD's public water system.

Management Turnover

The utility has experienced notable leadership instability. While the audit lists Robert Patty as Manager during the FY2023 reporting period ongoing turnover in key management roles limits the district's ability to implement long-term planning, execute capital projects efficiently, and ensure continuity in compliance efforts. Mr. Patty is no longer the manager of CUD.

Audit Findings and Operational Concerns

Although the FY2023 audit reported a modest increase in net position and no material weaknesses in internal controls, several issues merit concern:

- **Aging Infrastructure**: The audit notes that much of the system's infrastructure, originally installed in the 1960s, is reaching the end of its useful life. Replacement of these assets is a high priority within the district's 2-, 5-, and 10-year capital improvement plans.
- **Debt Load**: CUD has over $3 million in long-term debt, including multiple bond issues and state revolving fund loans.

- **Limited Customer Base**: Despite an increase in active meters, the customer base remains relatively flat, limiting economies of scale and rate base expansion potential.

The cumulative effect of regulatory enforcement, federal technical assistance, infrastructure and debt constraints, and management instability suggests that CUD would benefit from evaluating a potential merger with a surrounding utility. A merger could provide greater managerial and technical capacity, enable more efficient use of existing infrastructure, expand the customer base and rate stability, improve compliance through centralized oversight.

Accordingly, staff recommends the Utility Board authorize a formal feasibility study and initiate exploratory discussions with neighboring utilities to assess the benefits and logistics of a potential merger.

Recommendation:

The Board should order the following:
1. The Utility shall have a qualified expert as approved by Board staff, perform a feasibility study that reviews the potential of a merger with a surrounding utility.
2. The expert who performs the study shall provide an opinion on whether a merger with a surrounding utility is feasible.
3. By September 19, 2025, the Utility shall provide Board staff with the contract of who is to perform the task in paragraph 1.
4. By December 31, 2025, the Utility shall provide Board staff with the feasibility study.
5. Board staff is given the authority to grant up to two extensions of up to six months of the foregoing deadlines upon a showing of good cause by the Utility.

Cumberland Utility District of Roane and Morgan Counties

	Category: **Water**		County: **Roane**	
	2020	**2021**	**2022**	**2023**
Net Assets	$14,349,931.00	$14,510,556.00	$14,169,253.00	$14,316,455.00
Deferred Outflow Resources	$491,832.00	$544,589.00	$920,008.00	$802,673.00
Net Liabilities	$4,984,714.00	$4,558,708.00	$3,635,751.00	$3,490,736.00
Deferred Inflow Resources	$144,381.00	$97,185.00	$810,718.00	$260,810.00
Total Net Position	$9,712,668.00	$10,399,252.00	$10,642,792.00	$11,367,582.00
Operating Revenues	$3,289,738.00	$3,267,709.00	$3,503,539.00	$4,220,518.00
Net Sales	$3,112,350.00	$3,072,623.00	$3,263,203.00	$3,871,432.00
Operating Expenses	$3,059,698.00	$3,198,249.00	$3,294,240.00	$3,651,171.00
Depreciation Expenses	$572,620.00	$644,934.00	$662,560.00	$677,607.00
Non Operating Revenues	$41,624.00	$592.00	$28,241.00	$46,470.00
Capital Contributions	$26,342.00	$616,532.00	$6,000.00	$108,973.00
Transfers In	$0.00	$0.00	$0.00	$0.00
Transfers Out	$0.00	$0.00	$0.00	$0.00
GAAP Change In Net Position	$298,006.00	$686,584.00	$243,540.00	$724,790.00
Statutory Change In Net Position	$271,664.00	$70,052.00	$237,540.00	$615,817.00

CUMBERLAND UTILITY DISTRICT
OF ROANE AND MORGAN COUNTIES

AUDITED FINANCIAL STATEMENTS
WITH
SUPPLEMENTAL FINANCIAL INFORMATION

SEPTEMBER 30, 2023 AND 2022

CUMBERLAND UTILITY DISTRICT

OF ROANE AND MORGAN COUNTIES

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CUMBERLAND UTILITY DISTRICT

OF ROANE AND MORGAN COUNTIES

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CUMBERLAND UTILITY DISTRICT
OF ROANE AND MORGAN COUNTIES

INDEPENDENT AUDITORS' REPORT

SEPTEMBER 30, 2023 AND 2022

PARSONS & WRIGHT

CERTIFIED PUBLIC ACCOUNTANTS

Joe Savage
Rebecca Hutsell

Stephen J. Parsons - Retired
William R. Scandlyn - 1988 - 1999
Earl O. Wright - 1988 – 2002

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners of
Cumberland Utility District of Roane and Morgan Counties
Harriman, Tennessee

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Cumberland Utility District of Roane and Morgan Counties, Tennessee (the Utility), as of and for the years ended September 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Utility's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cumberland Utility District of Roane and Morgan Counties, Tennessee as of September 30, 2023, and September 30, 2022 and the changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Utility and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Utility's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Utility's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Utility's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-10, the schedule of changes in net pension liability and related ratios on page 37-38, the schedule of changes in contributions based on participation in the public pension plan of TCRS on pages 39-41, and the schedule of changes in OPEB liability and related ratios on page 42 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Utility's basic financial statements. The accompanying statements and schedules listed in the supplemental information section of the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Information

Management is responsible for the other information included in the financial statements. The list of Board of Directors and officials has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on them. In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on work performed, we conclude that uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2024, on our consideration of the Utility's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Utility's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Utility's internal control over financial reporting and compliance.

Parsons & Wright, CPAs

Parsons & Wright
Certified Public Accountants
Kingston, Tennessee

February 5, 2024

Board of Commissioners

D. Keith Adcock
Charles W. Jenkins
Rickey White

CUMBERLAND UTILITY DISTRICT

OF ROANE AND MORGAN COUNTIES

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P.O Box 950
Harriman, TN 37748
Phone 865.882.0395
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https://cumberlandutility.com

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023 AND 2022

As management of Cumberland Utility District, we offer readers of the Utility's financial statements this narrative overview and analysis of the Utility's financial performance during the fiscal years ending September 30, 2023 and 2022 (hereafter referred to as 2023 and 2022). Please read it in conjunction with the Utility's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The Utility's total assets increased $147,202 from 2022 as a result of investments in plant and distribution system improvements and increases in accounts receivable and inventory.
- The Utility's total liabilities decreased $145,015 from 2022 due to payments of long term debt.
- Metered water sales to customers increased $671,155 from 2022.
- The Utility's operating expenses increased $341,884 from 2022. The Utility experienced increases in salaries and wages, payroll taxes, employee benefits – insurance, employee benefits – retirement, operating supplies and expenses, postage, maintenance and repairs, special services, legal and professional, lab fees and dues, insurance expense, license and permits, bank charges, and other expenses. The Utility experienced decreases in advertising, utilities, purification supplies, transportation expense, conferences and training, safety, (overage) / shortage.
- Non-operating expenses decreased $8,190 and is a result of a decrease in interest expense and amortization of bond issue costs being written off in the year of refunding.
- Non-operating revenues increased $10,039 and is a result of an increase in interest income, and other income.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes this management's discussion and analysis report, the independent auditors' report and the basic financial statements of the Utility. The financial statements also include notes that explain in more detail some of the information in the financial statements.

Cumberland 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, 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.

REQUIRED FINANCIAL STATEMENTS

The financial statements of the Utility report information of the Utility using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about the Utility's activities. The Statement of Net Position includes all of the Utility's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Utility creditors (liabilities). It also provides the basis for evaluating the capital structure of the Utility and assessing the liquidity and financial flexibility of the Utility.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the success of the Utility's operations over the past year and can be used to determine whether the Utility has successfully recovered all its costs through user fees and other charges, profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

FINANCIAL ANALYSIS OF THE UTILITY

One of the most important questions asked about the Utility's finances is "Is the Utility as a whole better off or worse off as a result of this year's activities?" The Statement of Net Position, and the Statement of Revenues, Expenses and Changes in Net Position report information about the Utility's activities in a way that will help answer this question. These two statements report the net assets of the Utility and the changes in them. One can think of the Utility's net position – the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources – as one way to measure the financial health or financial condition of the Utility. Over time, increases or decreases in the Utility's net position are one indicator of whether its financial health is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, and new or changed government legislation.

NET POSITION

To begin our analysis, a summary of the Utility's Statement of Net Position is presented in Table A-1.

Table A-1
Condensed Statements of Net Position

	FY 2023	FY 2022	FY 2021	Dollar Variance FY2023 to FY2022	Percent Variance FY2023 to FY2022
Current and Other Assets	$ 2,339,554	$ 2,336,024	$ 2,010,379	$ 3,530	0.2%
Capital Assets	11,976,901	11,833,229	12,500,177	143,672	1.2%
Total Assets	$ 14,316,455	$ 14,169,253	$14,510,556	$ 147,202	1.0%
Deferred Outflows of Resources	$ 802,673	$ 920,008	$ 544,589	$ (117,335)	-12.8%
Long-Term Debt Outstanding	$ 3,014,169	$ 3,163,103	$ 4,174,912	$ (148,934)	-4.7%
Other Liabilities	476,567	472,648	383,796	3,919	0.8%
Total Liabilties	$ 3,490,736	$ 3,635,751	$ 4,558,708	$ (145,015)	-4.0%
Net Investment in Capital Assets	$ 8,925,792	$ 8,361,524	$ 8,593,078	$ 564,268	6.7%
Restricted	272,184	310,292	336,972	(38,108)	-12.3%
Unrestricted	2,169,606	1,970,976	1,469,202	198,630	10.1%
Total Net Position	$ 11,367,582	$ 10,642,792	$10,399,252	$ 724,790	6.8%
Deferred Inflows of Resources	$ 260,810	$ 810,718	$ 97,185	$ (549,908)	-67.8%

As can be seen from the table above, net position increased $724,790 to $11,367,582 in 2023 from the net position of $10,642,792 in 2022. The increase in net position reflects the current year plant and distribution system improvements, increases in accounts receivable and inventories, reduced by the cash used to pay for improvements and debt reduction. Deferred outflows of resources decreased $117,335 to $802,672 in 2023 from the deferred outflows of resources of $920,008 in 2022. Deferred inflows of resources decreased $549,908 to $260,810 in 2023 from the deferred inflows of resources of $810,718 in 2022.

NET POSITION (Continued)

Table A-2
Condensed Statements of Revenues, Expenses and Changes in Net Position

	FY 2023	FY 2022	FY 2021	Dollar Variance FY2023 to FY2022	Percent Variance FY2023 to FY2022
Operating revenues	$ 4,220,518	$ 3,503,539	$ 3,267,709	$ 716,979	20.5%
Nonoperating revenues	68,996	58,957	40,707	10,039	17.0%
Total Revenues	$ 4,289,514	$ 3,562,496	$ 3,308,416	$ 727,018	20.4%
Depreciation expense	$ 677,607	$ 662,560	$ 644,934	$ 15,047	2.3%
Other operating expense	2,973,564	2,631,680	2,553,315	341,884	13.0%
Nonoperating expense	22,526	30,716	40,115	(8,190)	-26.7%
Total Expenses	$ 3,673,697	$ 3,324,956	$ 3,238,364	$ 348,741	10.5%
Income (Loss) Before Capital Contributions	$ 615,817	$ 237,540	$ 70,052	$ 378,277	159.2%
Capital contributions	108,973	6,000	616,532	102,973	1716.2%
Changes in Net Postion	$ 724,790	$ 243,540	$ 686,584	$ 481,250	197.6%
Beginning Net Position	10,642,792	10,399,252	9,712,668	243,540	2.3%
Total Net Position	$ 11,367,582	$ 10,642,792	$ 10,399,252	$ 724,790	6.8%

While the Statement of Net Position shows the change in the Utility's financial condition, the Statements of Revenues, Expenses, and Changes in Net Position provides answers as to the nature and source of these changes. As can be seen in Table A-2 above, the income before capital contributions is $615,817. There were $108,973 of capital contributions in 2023.

The Utility's operating revenues increased by $716,979 to $4.220 million in 2023 from $3.504 million in 2022 due to increased sales revenue from customers and wholesale customers increased tap fees and increased credit card processing revenue. Non-operating revenues increased by $10,039 to $68,996 in 2023, from $58,957 in 2022. This increase is due to more interest income and other income in 2023. Non-operating expenses decreased by $8,190 to $22,526 in 2023, from $30,716 in 2022. This decrease is a result of two things: 1) a reduction of interest expense of $3,750 from debt, 2) a decrease in the amortization of bond refunding costs of $4,440.

CAPITAL ASSETS

At September 30, 2023, the Utility had invested $23,838,796 in capital assets. The Structures and Improvements increase was for the alarm system upgrade and the chlorine room upgrade. The Electric Pumping Equipment increase was for high service upgrade to pump #1. The Purification System increase includes improvements at Brushy Mountain and a tube settler replacement. The Distribution Mains increased as a result of the Coalhill Pumping Station refurbishment. Meters increased for the continued replacement of residential meters. Transportation Equipment increased as a result of the purchase of three new trucks. As shown in Table A-3, during FY 2023, amounts closed to capital assets from the Construction in Progress (CIP) accounts exceeded new additions to the CIP accounts by $437,010. This is a result of refunds received from the Tennessee Department of Transportation specific to US 27 construction funds deposited by the Utility in a prior year. Overall, the net effect to Capital Assets for FY 2023 was a $764,794 increase when compared with the prior year.

Table A-3
Capital Assets

	FY 2023	FY 2022	FY 2021	Dollar Variance FY2023 to FY2022	Percent Variance FY2023 to FY2022
Land and Land Rights	$ 93,857	$ 93,857	$ 93,857	$ 0	0.0%
Structures and Improvements	5,712,627	5,603,824	5,530,923	108,803	1.9%
Building / Shop	180,440	180,440	180,440	0	0.0%
Electric Pumping Equipment	1,048,820	1,024,843	1,001,810	23,977	2.3%
Purification System	1,536,710	1,504,164	1,391,405	32,546	2.2%
Distribution Mains & Access	11,319,875	11,301,142	11,271,754	18,733	0.2%
Distribution Line / Holiday Shores	35,200	35,200	35,200	0	0.0%
Services	482,258	482,258	482,258	0	0.0%
Meters	1,369,010	1,332,190	1,296,467	36,820	2.8%
Hydrants	71,476	71,476	71,476	0	0.0%
Office Furniture and Equipment	89,006	89,006	87,987	0	0.0%
Transportation Equipment	477,693	459,193	368,093	18,500	4.0%
Construction Equipment	375,881	237,374	234,027	138,507	58.3%
Tools and Equipment	189,013	182,630	182,630	6,383	3.5%
Communication Equipment	169,856	169,856	169,856	0	0.0%
Computer Equipment	103,223	103,223	98,945	0	0.0%
Construction in Progress	583,851	146,841	524,778	437,010	297.6%
Capital Leases - Equipment	0	56,483	56,483	(56,483)	-100.0%
Total Capital Assets	$ 23,838,796	$ 23,074,000	$ 23,078,389	$ 764,796	3.3%
Less Accumulated Depreciation	11,861,895	11,188,499	10,545,425	673,396	6.0%
Less Accumulated Amortization of Capital Leases	-	52,272	32,787	(52,272)	-100.0%
Net Capital Assets	$ 11,976,901	$ 11,833,229	$ 12,500,177	$ 143,672	1.2%

The Utility's five-year capital plan includes capital improvements relating to the safety, security, and sufficiency of water treatment and distribution with an anticipated remaining cost of $3,500,000. The Utility continues to assess and replace water mains based on a priority ranking determined on three factors: age, need and criticality. The plan anticipates replacing approximately 1.5 miles of distribution lines per year.

CAPITAL ASSETS (Continued)

The Utility has identified an asset in need of replacement, within its current 5-year plan – the Mossy Grove Tank, which is currently a 1.0-Million-gallon concrete tank, located in Morgan County, TN. Plans are being drafted for the building of a 500 Thousand Gallon glass-lined steel tank with an estimated cost of $600,000.

A Preventative Maintenance plan is in place, to help preserve and identify assets in need of repair or replacement.

DEBT ADMINISTRATION

In order to meet the Utility's debt requirements, the Utility maintains cash and investments in a sinking fund in an amount no less than what is required to meet the balance of the current year's debt service requirements. In addition, as required by the bond documents, the Utility maintains a debt service reserve fund with enough to pay one year's principal and interest payments. The Utility's revenues are pledged as security for the outstanding debt.

Long-term debt before bond premium and capital lease obligation at September 30, 2023 totaled $3,048,413. The Utility made principal payments during the fiscal year ending September 30, 2023 totaling $431,218 on the long-term debt before bond premium and capital lease obligation.

A summary of the changes in Long-Term Debt including the bond premium for the fiscal year are shown in Table A-4.

Table A-4
Long-Term Debt

	FY 2023	FY 2022	FY 2021	Dollar Variance FY2023 to FY2022
Waterworks Revenue Bond, 2012	$ 400,000	$ 600,000	$ 800,000	$ (200,000)
Waterworks Revenue Bond, 1981	0	0	3,196	0
State Revolving Loan Fund	0	21,255	42,378	(21,255)
SRLF DG1 2013-132	1,071,844	1,159,348	1,246,852	(87,504)
SRLF DG1 2013-133	1,576,569	1,694,817	1,813,065	(118,248)
Long-Term Debt before bond premium	$ 3,048,413	$ 3,475,420	$ 3,905,491	$ (427,007)
2012 Bond Premium, net of amortization	$ 2,696	$ 5,393	$ 8,988	$ (2,697)
Total Long-Term Debt Notes and Bonds Payable	$ 3,051,109	$ 3,480,813	$ 3,914,479	$ (429,704)
Capital Lease Obligations	$ 0	$ 4,211	$ 23,697	$ (4,211)
Net OPEB Obligation	27,686	41,000	68,626	$ (13,314)
Net Pension (Asset) Liability	(64,626)	(362,921)	168,110	298,295
Total Long-Term Debt	$ 3,014,169	$ 3,163,103	$ 4,174,912	$ (148,934)

More detailed information regarding long-term debt including capital lease obligations is presented in Note H of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Commission and management of the Utility considered many factors when setting the fiscal year ended 2023 budget, user fees and charges. Among the factors considered are current and expected costs of operations, debt service requirements and anticipated capital projects. A majority of the Utility's customers are residential users who use an average of 4,000 gallons per month. The Utility's goal is to provide high quality water for a reasonable price while maintaining a safe working environment for the employees of the Utility. We are continually focusing on water quality and are producing water that meets or exceeds the EPA standards. Based on our analysis of neighboring water rates, we provide a reasonable price. We continue to make improvements in providing a safe working environment through education, training, and safety procedures.

As mentioned in the five-year capital projects discussion, the Utility has a preventative maintenance plan and has identified issues that we have addressed and continues to be proactive in identifying issues that need to be addressed in the coming years. Much of the initial water distribution system laid in the beginning of the Utility, circa 1964, is reaching its life expectancy. Replacement of these waterlines, remains a very important part of our 2, 5, and 10-year capital improvement plans. These lines will be added to each year's fiscal budget plan based on age, need, criticality and available money reserves.

While the Utility's customer base remains relatively consistent, there was an increase in active meters between fiscal year ended 2023 and 2022. The C.U.D. plant is currently running on average at 50%-55% of capacity. The Brushy Mountain Water Treatment Plant is operational. With both plants operational, C.U.D is prepared for any future development for years to come.

CONTACTING THE UTILITY'S FINANCIAL MANAGER

This Financial report is designed to provide our customers and creditors with a general overview of the Utility's finances and to demonstrate the Utility's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Cumberland Utility District, P.O. Box 950, Harriman, TN 37748.

CUMBERLAND UTILITY DISTRICT
LIST OF BOARD OF DIRECTORS & MANAGEMENT OFFICIALS
SEPTEMBER 30, 2023 AND 2022

NAME	POSITION
D. Keith Adcock	Chairman
Charles W. Jenkins	Secretary
Rickey White	
Robert Patty	Manager

CUMBERLAND UTILITY DISTRICT
OF ROANE AND MORGAN COUNTIES

FINANCIAL SECTION

SEPTEMBER 30, 2023 AND 2022

CUMBERLAND UTILITY DISTRICT
OF ROANE AND MORGAN COUNTIES
STATEMENTS OF NET POSITION
AS OF SEPTEMBER 30, 2023 AND 2022

ASSETS

	2023	2022
CURRENT ASSETS		
Cash and Cash Equivalents	$ 1,672,738	$ 1,696,523
Accounts Receivable - Customers	149,906	121,582
Grant Receivable	0	0
Interest Receivable	8,470	470
Materials and Supplies Inventories	214,028	191,384
Prepaid Expenses	22,228	15,773
Total Current Assets	$ 2,067,370	$ 2,025,732
RESTRICTED ASSETS		
Bond and Interest Sinking Fund (Cash and Cash Equivalents)	$ 66,436	$ 83,256
State Refunding Loan Deposit Fund (Cash and Cash Equivalents)	205,748	227,036
Total Restricted Assets	$ 272,184	$ 310,292
CAPITAL ASSETS		
Cost of Plant In Service	$ 23,161,089	$ 22,776,819
Land	93,857	93,857
Construction in Progress	583,850	146,841
Less: Accumulated Depreciation	(11,861,895)	(11,188,499)
Capital Leases - Equipment	0	56,483
Accumulated Amortization of Leased Equipment	0	(52,272)
Net Capital Assets	$ 11,976,901	$ 11,833,229
TOTAL ASSETS	$ 14,316,455	$ 14,169,253
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Amount on Refunding: Net of Amortization (Net of Amortization of $382,458 and $369,139)	$ 0	$ 13,319
Deferred Outflows Related to Pension	792,645	894,920
Deferred Outflows Related to OPEB	10,028	11,769
NET DEFERRED OUTFLOWS OF RESOURCES	$ 802,673	$ 920,008
TOTAL ASSETS AND NET DEFERRED OUTFLOWS OF RESOURCES	$ 15,119,128	$ 15,089,261

CUMBERLAND UTILITY DISTRICT
OF ROANE AND MORGAN COUNTIES
STATEMENTS OF NET POSITION
AS OF SEPTEMBER 30, 2023 AND 2022

LIABILITIES AND NET POSITION

	2023	2022
CURRENT LIABILITIES (Payable From Current Assets)		
Accounts Payable	$ 105,675	$ 117,203
Accrued Vacation and Sick Leave	164,397	159,152
Accrued Pension	22,830	22,007
Other Accrued Liabilities	40,703	35,016
Customer Deposits	142,295	138,270
Total Current Liabilities (Payable From Current Assets)	$ 475,900	$ 471,648
CURRENT LIABILITIES (Payable From Restricted Assets)		
Accrued Interest	$ 667	$ 1,000
Current Maturities of Long-Term Debt	405,748	431,163
Total Current Liabilities (Payable From Restricted Assets)	$ 406,415	$ 432,163
Total Current Liabilities	$ 882,315	$ 903,811
LONG-TERM DEBT		
Notes and Bonds Payable (Net of Bond Premium $2,696 and $5,393)	$ 3,051,109	$ 3,480,813
Capital Lease Obligations	0	4,211
Accrued Post Retirement Plan Liability	27,686	41,000
Net Pension (Asset) Liability	(64,626)	(362,921)
Less: Current Maturities of Long-Term Debt	(405,748)	(431,163)
Total Long-Term Debt	$ 2,608,421	$ 2,731,940
TOTAL LIABILITIES	$ 3,490,736	$ 3,635,751
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows Related to Pensions	$ 203,760	$ 762,026
Deferred Inflows Related to OPEB	57,050	48,692
NET DEFERRED INFLOWS OF RESOURCES	$ 260,810	$ 810,718
NET POSITION		
Net Investment in Capital Assets	$ 8,925,792	$ 8,361,524
Restricted:		
Debt Service	272,184	310,292
Unrestricted	2,169,606	1,970,976
Total Net Position	$ 11,367,582	$ 10,642,792
TOTAL LIABILITIES, NET DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 15,119,128	$ 15,089,261

The accompanying notes are an integral part of these financial statements

CUMBERLAND UTILITY DISTRICT
OF ROANE AND MORGAN COUNTIES
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (Continued)
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

OPERATING REVENUE	**2023**	**2022**
Metered Water Sales		
(Net of Bad Debts of $9,342 and $14,198)	$ 3,871,432	$ 3,200,277
Metered Water Sales - Wholesale and Industrial	74,793	62,926
Sprinkler Services	809	809
Late Fees	85,657	72,545
Reconnect Fees	19,650	17,950
Returned Check Fees	1,860	1,770
Non-Refundable Service Charge	15,450	17,550
Relocation Fees	2,500	4,000
Tap Fees	87,400	70,000
Credit Card Processing Fees	56,668	53,440
Miscellaneous Water Revenue	4,299	2,272
Total Operating Revenue	$ 4,220,518	$ 3,503,539
OPERATING EXPENSES		
Salaries and Wages	$ 1,173,740	$ 1,153,210
Payroll Taxes	90,829	85,676
Employee Benefits - Insurance	381,668	319,900
Employee Benefits - Retirement	80,529	(18,124)
Operating Supplies and Expenses	108,878	65,168
Postage	33,916	28,367
Advertising	1,589	3,805
Utilities	269,169	290,080
Purification Supplies	140,408	144,162
Transportation Expense	43,206	47,822
Maintenance and Repairs	215,312	191,204
Special Services	163,896	86,508
Legal and Professional	67,172	53,263
Lab Fees and Dues	30,002	21,956
Insurance Expense	51,459	46,841
Conferences and Training	17,747	21,287
License and Permits	4,744	2,530
Safety	5,917	12,150
Bank Charges	85,349	73,964
(Overage) / Shortage	74	100
Other Expenses	7,960	1,811
Total Operating Expenses	$ 2,973,564	$ 2,631,680
OPERATING INCOME BEFORE DEPRECIATION	$ 1,246,954	$ 871,859

Continued on Next Page

CUMBERLAND UTILITY DISTRICT
OF ROANE AND MORGAN COUNTIES
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (Continued)
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

(Continued)

	2023	2022
OPERATING INCOME BEFORE DEPRECIATION	$ 1,246,954	$ 871,859
Less: Depreciation	$ 677,607	$ 662,560
Total Operating Income	$ 569,347	$ 209,299
NON OPERATING REVENUES (EXPENSES)		
Interest Income	$ 48,266	$ 31,320
Interest Expense	(9,207)	(12,957)
Amortization of Bond Refunding Costs	(13,319)	(17,759)
Gain on Disposal of Assets	0	26,291
Other Income (Expense)	20,730	1,346
Total Non Operating Revenues (Expenses)	$ 46,470	$ 28,241
INCOME BEFORE CAPITAL CONTRIBUTIONS	$ 615,817	$ 237,540
CAPITAL CONTRIBUTIONS	108,973	6,000
CHANGE IN NET POSITION	$ 724,790	$ 243,540
NET POSITION, BEGINNING OF YEAR	10,642,792	10,399,252
ENDING NET POSITION	$ 11,367,582	$ 10,642,792

CUMBERLAND UTILITY DISTRICT
OF ROANE AND MORGAN COUNTIES
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	$ 4,192,194	$ 3,487,692
Payments to Suppliers for Goods and Services	(1,990,827)	(1,647,689)
Payments to Employees for Services	(1,168,495)	(1,139,508)
Other Receipts	21,579	1,346
Net Cash Provided/(Used) by Operating Activities	$ 1,054,451	$ 701,841
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of Property, Plant and Equipment, Net	$ (905,207)	$ (375,354)
Cash Received from TDOT for CIP Reimbursement	0	379,743
Proceeds from the of Sale of Property, Plant and Equipment	0	26,291
Interest Paid	(12,236)	(16,905)
Principal Payments of Long-Term Debt	(427,007)	(430,071)
Principal Payments of Capital Lease Obligations	(4,211)	(19,486)
Capital Contributions	192,901	10,539
Net Cash Provided/(Used) for Capital and Related Financing Activities	$ (1,155,760)	$ (425,243)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	$ 40,266	$ 31,027
Net Cash Provided/(Used) by Investing Activities	$ 40,266	$ 31,027
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH EQUIV.	$ (61,043)	$ 307,625
CASH AND RESTRICTED CASH EQUIVALENTS AT BEGINNING OF YEAR	2,006,815	1,699,190
CASH AND RESTRICTED CASH EQUIVALENTS AT END OF YEAR	$ 1,945,772	$ 2,006,815
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	$ 569,347	$ 209,299
Adjustments to Reconcile Operating Income to Net Cash Provided/ (Used) by Operating Activities		
Depreciation and Amortization	677,607	662,560
Other Income (Expense)	21,579	1,346
(Increase) Decrease in Accounts Receivable	(28,324)	(15,847)
(Increase) Decrease in Materials and Supplies Inventory	(22,644)	(8,617)
(Increase) Decrease in Prepaid Expenses	(6,455)	2,198
(Increase) Decrease in Deferred Outflows Related to Pensions	102,275	(395,006)
(Increase) Decrease in Deferred Outflows Related to Pensions	1,741	1,829
Increase (Decrease) in Accounts Payable	(11,528)	66,020
Increase (Decrease) in Accrued Vacation and Sick Leave	5,245	13,702
Increase (Decrease) in Accrued Pension Payable	823	1,822
Increase (Decrease) in OPEB Payable	(13,314)	(27,626)
Increase (Decrease) in Net Pension Liability	298,295	(531,031)
Increase (Decrease) in Deferred Inflows Related to Pensions	(558,266)	687,376
Increase (Decrease) in Deferred Inflows Related to OPEB	8,358	26,157
Increase (Decrease) in Accrued Other Accrued Liabilities	5,687	2,094
Increase (Decrease) in Customer Deposits	4,025	5,565
Net Cash Provided/(Used) by Operating Activities	$ 1,054,451	$ 701,841

The accompanying notes are an integral part of these financial statements.

CUMBERLAND UTILITY DISTRICT
OF ROANE AND MORGAN COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE A – THE REPORTING ENTITY

The Cumberland Utility District of Roane and Morgan Counties (the Utility) is a utility district incorporated under the State of Tennessee law "The Utility District Law of 1937" and the amendments and supplements thereto. It was incorporated through decrees entered by the County Judge of Roane County on November 7, 1958 and October 8, 1959 which were also ratified, approved and confirmed on January 17, 1964. The Utility is engaged in the distribution of potable water to residents within its boundaries in Roane and Morgan Counties, Tennessee. The Utility operates under the jurisdiction of an appointed board of commissioners each serving staggered four year terms.

The Utility, for financial purposes, includes only Cumberland Utility District of Roane and Morgan Counties, Tennessee and is the only entity presented in these financial statements.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation, Measurement Focus and Basis of Accounting

The accounting and reporting policies of the Utility included in the accompanying financial statements conform to accounting principles generally accepted in the United States of America that are applicable to state and local governments. The District applies all applicable pronouncements of the Governmental Accounting Standards Board (GASB).

The accounts for the Utility are maintained as an enterprise fund. An enterprise fund is a proprietary type fund used to account for operations 1) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or 2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Implementation of GASB Statement No. 63

In June 2011, the GASB issued Statement No. 63 (*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position),* effective for the Utility's fiscal year beginning October 1, 2012. GASB Statement No. 63 amends the net asset reporting requirements in Statement No. 34 and other pronouncements. Under these new standards, financial statements include deferred outflows of resources and deferred inflows of resources, in addition to assets and liabilities, and will report *net position* instead of net assets. GASB Statement No. 63 requires the classification of net position into three components – 1) net investment in capital assets; 2) net position - restricted; and 3) net position - unrestricted.

These classifications are defined as follows:

> *Net Investment in Capital Assets* - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation, Measurement Focus and Basis of Accounting - Continued

Net Position – Restricted - This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the assets result from a resource flow that also results in a recognition of a liability or if the liability will be liquidated with the restricted assets reported. Restrictions are constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, laws, or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Net Position – Unrestricted - This component of net position consists of assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Measurement focus is a term used to describe “which” transactions are recorded in the financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied. The accompanying financial statements of the Utility are reported using the “economic resources measurement focus” and the “accrual basis of accounting.” Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows.

Significant accounting policies of the Utility are described below:

1. Bad Debts

Bad debts are written off in the month they are determined uncollectible, therefore no allowance for doubtful accounts is considered necessary. Bad debts written off during the fiscal year ended September 30, 2023 and 2022 respectively, were $9,342 and $14,198. These have been reflected in the financial statements as a reduction in water sales.

2. *Materials and Supplies Inventories*

Inventories are valued at the lower of cost or market on a first-in, first-out basis.

3. *Capital Assets and Leases*

Utility plant is stated at historical cost for items constructed or acquired by purchase and at estimated fair market value on the date received for contributed capital.

Depreciation of all exhaustible utility plant assets, including those acquired through intergovernmental grants externally restricted to capital acquisitions, is charged as an expense against operations. Accumulated depreciation is reported on the statement of net position.

Depreciation is calculated using the straight line method, half year convention, based on estimated useful lives. Estimated useful lives range from 5 years to 40 years. Equipment, pumps, furniture, and similar items have useful lives ranging from 5 to 20 years. Buildings and infrastructure have useful lives ranging from 20 to 40 years. Depreciation rates vary from 2% to 20% depending on the useful life.

The Utility has adopted and implemented GASB 87 with regards to capital leases.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. *Interest Capitalization*

Interest costs incurred during construction are capitalized. There was no interest capitalized during the fiscal years ended September 30, 2023 and 2022, respectively.

5. *Cash Equivalents*

For purposes of the Statements of Cash Flows, the Utility considers all highly liquid investments maturing within 90 days from date of purchase to be cash equivalents and certificates of deposit regardless of their maturity.

6. *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

7. Budgets and Budgetary Accounting

Formal budgetary integration is employed by the Utility as a management control device during the year. The budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

8. *Revenues and Expenses*

Operating revenues consist of net water and wastewater revenues, forfeited discounts, inspection fees and various service fees. Connection (tap) fees are recorded as revenue to the extent of expenses incurred in connecting a customer to the system. Connection fees more than costs, if any, are recorded as cash capital contributions.

Non-Operating revenue consists of investment income and gains (losses), sale of materials, miscellaneous revenues and the sale or disposal of capital assets. Investment income is interest earned and the change in unrealized gains and losses on the fair market value of marketable debt securities.

Subsidies, grants, and capital contributions to proprietary funds, which finance either capital or current operations, are reported as non-operating revenue based on GASB No. 33. In applying GASB No. 33 to grant revenues, the Utility recognizes receivables and revenue when the applicable eligibility requirements, including time requirements are met. Resources transmitted before the eligibility requirements are met are reported as unearned revenue by the Utility, if applicable.

Operating expenses consist of the cost of water treatment, storage and distribution. Other operating expenses include the customer billing, collections, administrative and general expenses and depreciation on capital assets.

Non-operating expenses consist of interest on long-term liabilities, debt issuance costs and loss on the sale, disposal or impairment of capital assets.

9. *Unrestricted and Restricted Net Position*

When both restricted and unrestricted resources are available for use, it is the Utility's policy to use restricted resources first, then unrestricted resources as they are needed.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

10. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Cumberland Utility District's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from Cumberland Utility District's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

NOTE C - INVESTMENTS

Investments at September 30, 2023, consisted of a One Bank account with an interest rate of 0.19% and a 24-month Certificate of Deposit maturing 03/20/2025 bearing an interest rate of 4.35% and a 12-month Certificate of Deposit maturing 06/07/2024 bearing an interest rate of 5.00%.

Investments at September 30, 2022, consisted of a Citizens First Bank account with an interest rate of 0.19% and a 60-month Certificate of Deposit maturing 03/19/2023 bearing an interest rate of 2.75% and a 60-month Certificate of Deposit maturing 05/31/2023 bearing an interest rate of 3.25%.

NOTE D – INSURED AND COLLATERALIZED ACCOUNTS

Deposits at September 30, 2023 and September 30, 2022 consisted of cash, certificates of deposit and interest and non-interest bearing bank accounts. At September 30, 2023, bank balances aggregated $1,963,029 of which $250,000 was covered by federal depository insurance, and $1,713,029 was covered by collateral held either in the Utility’s name or the depository institution participates in the Tennessee Collateral Pool. At September 30, 2022, bank balances aggregated $1,996,258 of which $500,000 was covered by federal depository insurance, and $1,469,222 was covered by collateral held either in the Utility’s name or the depository institution participates in the Tennessee Collateral Pool. The bank balance is category 1 collateralized for the years ended September 30, 2023 and September 30, 2022. The three categories of collateralization are as follows:

(1) Insured or collateralized with securities held by the entity or by its agent in the entity's name.

(2) Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.

(3) Uncollateralized. (This includes any bank balance that is collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the entity's name.)

State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the deposits, less amounts insured by federal deposit insurance. The collateral must be held by the Utility, its agent or by the Federal Reserve in the Utility’s name.

Statutes also authorize the Utility to invest in bonds, notes, or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, state pool investment funds, and money market mutual funds. Statutes require that securities underlying repurchase agreements must have a market value at least equal to the amount of funds invested in the repurchase transaction.

NOTE D – INSURED AND COLLATERALIZED ACCOUNTS (Continued)

The Utility has not adopted formal policies to restrict credit risk, interest rate risk, and custodial risk beyond requirements of the Tennessee state statutes. In addition, the Utility has not adopted a formal policy to limit the amount the Utility may invest in any one issuer.

NOTE E – GENERAL OPERATING RISK

The Utility is exposed to general business and operational liability risks associated with the operation of a water production and distribution system. The Utility has purchased commercial liability and umbrella liability coverage totaling $1,000,000 per occurrence and $3,000,000 in aggregate. In addition, the Utility also maintains commercial auto liability insurance in the amount of $1,000,000 and statutory workers' compensation coverage of $500,000 per employee, limited to $500,000 in aggregate. Self-insured retentions related to these policies are minimal. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE F – TAP FEE REVENUE

Customers who are connected to the transmission line are charged a tap fee. It is the Utility's policy to capitalize revenue that is substantially in excess of tap installation costs. For the years ended September 30, 2023 and 2022, no portion of the tap fee was capitalized because the tap fees did not exceed the estimated costs of installation.

NOTE G – VACATION AND SICK LEAVE

All full-time employees are entitled to vested vacation leave according to the following schedule:

(a) Five days per year for employees with more than ninety days of full-time service.
(b) Ten days per year for employees with more than two years of full-time service.
(c) Fifteen days per year for employees with more than five years of full-time service.
(d) Twenty days per year for employees with more than ten years of full-time service.
(e) Twenty-five days per year for employees with more than fifteen years of full-time service.

Carryover of vacation leave is not to exceed one years' worth of an employee's accrual rate for the year. Unused vacation leave is paid at termination or retirement at the current rate of salary. Sick leave accrues at one day per month. Upon retirement, employees with twenty years (20) of service may receive pay for a maximum of 1280 accumulated hours of sick leave, or the accumulated time may be used for retirement time accumulated by transfer to the retirement system. Employees leaving employment before they have completed twenty years of service are not compensated for any accrued sick leave. Unused sick leave and vacation accrued at September 30, 2023 and 2022, totaled $164,397 and $159,152, respectively. All compensated absences are considered current.

NOTE H – LONG-TERM DEBT

Long-Term Debt - Notes and Bonds Payable

The following is a summary of long-term debt for the fiscal years ended September 30, 2023 and 2022, respectively:

LENDER / DESCRIPTION	ORIGINAL BALANCE	SECURED BY	INTEREST RATE	YEAR OF MATURITY	BALANCE 9/30/2023	BALANCE 9/30/2022
Waterworks Revenue Refunding Bonds, 2012	$ 2,700,000	Net Revenue	1.00% - 2.00%	2025	$ 400,000	$ 600,000
Water Dept. SRL (DWF 2001-043)	490,000	Net Revenue	0.51%	2024	0	21,255
Water Dept. SRL (DG1 2013-132)	1,750,000	Net Revenue	0.00%	2036	1,071,844	1,159,348
Water Dept. SRL (DG1 2013-133)	2,364,889	Net Revenue	0.00%	2037	1,576,569	1,694,817
	$ 7,304,889				$ 3,048,413	$ 3,475,420
Bond Premium on 2012 Bond					$ 80,123	$ 80,123
Less: Amortization of Bond Premium					(77,427)	(74,730)
Net Unamortized Bond Premium					$ 2,696	$ 5,393
Less: Current Portion (including capital leases)					(405,748)	(431,163)
Total Long-Term Debt Before Before Net OPEB Obligation and Net Pension Liability					$ 2,645,361	$ 3,049,650
Capital Lease Obligations					$ 0	$ 4,211
Net OPEB Obligation					27,686	41,000
Net Pension (Asset) Liability					(64,626)	(362,921)
TOTAL LONG-TERM DEBT					$ 2,608,421	$ 2,731,940

The Utility's outstanding 2012 Refunding Bonds is from a direct placement. This borrowing agreement contains a provision that in the event of default, the remedy would be the increase of rates sufficient to satisfy the debt. This agreement is silent as to termination events and acceleration clauses.

The Utility's outstanding 1981 Rural Development Bonds is a direct borrowing. This borrowing agreement contains a provision that in the event of default, the remedy would be the increase of rates sufficient to satisfy the debt. This agreement is silent as to termination events and acceleration clauses.

The Utility's outstanding SRL Loans are direct borrowings. This borrowing agreement contains a provision that in the event of default, the outstanding amounts become immediately due if the Utility is unable to make payment. This agreement is silent as to termination events and acceleration clauses.

The Utility does not have any unused line of credit.

In accordance with the bond resolutions, the Utility is required to maintain a bond and interest sinking fund to be used solely for the payment of principal and interest on the bonds. Monthly transfers to this account must be equal to one-sixth of the next semi-annual interest payment plus one-twelfth of the next annual principal payment.

The Farmers Home Administration has waived the requirement that any excess funds are to be deposited monthly into a repair and extension fund.

The sinking fund required a balance at September 30, 2023 and 2022 totaling $1,476 and $1,476, respectively. The sinking funds were properly funded at the fiscal years ended September 30, 2023 and 2022, respectively.

NOTE H – LONG-TERM DEBT (Continued)

The following describe the default related clauses in each bond or note.

	In the event of default	Termination Events	Acceleration Clauses
Waterworks Revenue Refunding Bonds, 2012	1	2	3
Water Dept. SRL (DWF 2001-043)	1	2	3
Water Dept. SRL (DG1 2013-132)	1	2	3
Water Dept. SRL (DG1 2013-133)	1	2	3

[1] may declare all unpaid principal and interest to be immediately due and payable as well as pursue all available legal and equitable remedies.

[2] The agreement is silent with regards to termination events outside of default

[3] The agreement is silent with regards to subjective acceleration clauses

The following is a summary of the principal and interest payments requirements for each of the five subsequent fiscal years and five year increments thereafter.

	BONDS PAYABLE		NOTES PAYABLE		TOTAL	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	$ 200,000	$ 8,000	$ 205,748	$ 0	$ 405,748	$ 8,000
2025	$ 200,000	$ 4,000	$ 205,748	$ 0	$ 405,748	$ 4,000
2026	$ 0	$ 0	$ 205,748	$ 0	$ 205,748	$ 0
2027	$ 0	$ 0	$ 205,748	$ 0	$ 205,748	$ 0
2028	$ 0	$ 0	$ 205,748	$ 0	$ 205,748	$ 0
2029-2034	$ 0	$ 0	$ 1,028,740	$ 0	$ 1,028,740	$ 0
2035-2037	$ 0	$ 0	$ 590,933	$ 0	$ 590,933	$ 0
	$ 400,000	$ 12,000	$ 2,648,413	$ 0	$ 3,048,413	$ 12,000

Continued on next page

NOTE H – LONG-TERM DEBT (Continued)

The following is a summary of the revenue bond and loan transactions of the Utility for the fiscal year ended September 30, 2023:

	BALANCE SEPT 30, 2022	ADDITIONS	PRINCIPAL PAYMENTS	BALANCE SEPT 30, 2023
Waterworks Revenue Refunding Bonds, 2012	$ 600,000	$ 0	$ (200,000)	$ 400,000
Water Dept. SRL (DWF 2001-043)	21,255	0	(21,255)	0
Water Dept. SRL (DG1 2013-132)	1,159,348	0	(87,504)	1,071,844
Water Dept. SRL (DG1 2013-133)	1,694,817	0	(118,248)	1,576,569
WATERWORKS REVENUE BONDS AND LOANS	$ 3,475,420	$ 0	(427,007)	$ 3,048,413
Bond Premium				$ 80,123
Less: Accumulated Amortization of Bond Premium				(77,427)
Net Unamortized Bond Premium				$ 2,696
Net Long Term Debt Before Current Maturities				$ 3,051,109

The following is a summary of the revenue bond and loan transactions of the Utility for the fiscal year ended September 30, 2022:

	BALANCE SEPT 30, 2021	ADDITIONS	PRINCIPAL PAYMENTS	BALANCE SEPT 30, 2022
Waterworks Revenue Refunding Bonds, 2012	$ 800,000	$ 0	$ (200,000)	$ 600,000
Waterworks Revenue Bond Series 1981	3,196	0	(3,196)	0
Water Dept. SRL (DWF 2001-043)	42,378	0	(21,123)	21,255
Water Dept. SRL (DG1 2013-132)	1,246,852	0	(87,504)	1,159,348
Water Dept. SRL (DG1 2013-133)	1,813,065	0	(118,248)	1,694,817
WATERWORKS REVENUE BONDS AND LOANS	$ 3,905,491	$ 0	(430,071)	$ 3,475,420
Bond Premium				$ 80,123
Less: Accumulated Amortization of Bond Premium				(74,730)
Net Unamortized Bond Premium				$ 5,393
Net Long Term Debt Before Current Maturities				$ 3,480,813

CUMBERLAND UTILITY DISTRICT
OF ROANE AND MORGAN COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE I - CAPITAL ASSETS

Capital assets, together with annual depreciation, at September 30, 2023, consisted of the following:

	BALANCE AT SEPT 30, 2022	ADDITIONS	RETIREMENTS	BALANCE AT SEPT 30, 2023
COST				
Land and Land Rights	$ 93,857	$ 0	$ 0	$ 93,857
Structures and Improvements	5,603,824	108,804	0	5,712,628
Building / Shop	180,440	0	0	180,440
Electrical Pumping Equipment	1,024,843	23,977	0	1,048,820
Purification System	1,504,164	32,546	0	1,536,710
Distribution Mains	11,301,142	18,733	0	11,319,875
Distribution Line Holiday Shores	35,200	0	0	35,200
Services	482,258	0	0	482,258
Meters	1,332,190	36,820	0	1,369,010
Hydrants	71,476	0	0	71,476
Office Furniture and Equipment	89,006	0	0	89,006
Transportation Equipment	459,193	18,500	0	477,693
Construction Equipment	237,374	138,507	0	375,881
Tools and Equipment	182,630	6,383	0	189,013
Communication Equipment	169,856	0	0	169,856
Computer Equipment	103,223	0	0	103,223
Construction in Progress	146,841	840,975	(403,966)	583,850
TOTAL COST	$ 23,017,517	$ 1,225,245	$ (403,966)	$ 23,838,796
DEPRECIATION				
Structures and Improvements	$ 3,294,528	$ 132,135	$ 0	$ 3,426,663
Building / Shop	81,873	4,485	0	86,358
Electrical Pumping Equipment	758,977	22,076	0	781,053
Purification System	901,105	34,211	0	935,316
Distribution Mains	3,845,183	273,738	0	4,118,921
Distribution Line Holiday Shores	35,200	0	0	35,200
Services	418,937	3,374	0	422,311
Meters	843,241	124,228	0	967,469
Hydrants	26,275	3,722	0	29,997
Office Furniture and Equipment	75,625	4,353	0	79,978
Transportation Equipment	280,061	43,703	0	323,764
Installation Equipment	206,883	12,550	0	219,433
Tools and Equipment	168,647	3,679	0	172,326
Communication Equipment	166,258	918	0	167,176
Computer Equipment	85,706	10,224	0	95,930
TOTAL DEPRECIATION	$ 11,188,499	$ 673,396	$ 0	$ 11,861,895
NET UTILITY PLANT	$ 11,829,018			$ 11,976,901
CAPITAL LEASES				
Equipment	$ 56,483	$ 0	$ (56,483)	$ 0
TOTAL CAPITAL LEASES	$ 56,483	$ 0	$ (56,483)	$ 0
CAPITAL LEASE AMORTIZATION				
Capital Lease Amortization	$ 52,272	$ 4,211	$ (56,483)	$ 0
NET CAPITAL LEASES	$ 4,211			$ 0

NOTE I - CAPITAL ASSETS (Continued)

Capital assets, together with annual depreciation, at September 30, 2022, consisted of the following:

	BALANCE AT SEPT 30, 2021	ADDITIONS	RETIREMENTS	BALANCE AT SEPT 30, 2022
COST				
Land and Land Rights	$ 93,857	$ 0	$ 0	$ 93,857
Structures and Improvements	5,530,923	72,901	0	5,603,824
Building / Shop	180,440	0	0	180,440
Electrical Pumping Equipment	1,001,810	23,033	0	1,024,843
Purification System	1,391,405	112,759	0	1,504,164
Distribution Mains	11,271,754	29,388	0	11,301,142
Distribution Line Holiday Shores	35,200	0	0	35,200
Services	482,258	0	0	482,258
Meters	1,296,467	35,723	0	1,332,190
Hydrants	71,476	0	0	71,476
Office Furniture and Equipment	87,987	1,019	0	89,006
Transportation Equipment	368,093	91,100	0	459,193
Construction Equipment	234,027	3,347	0	237,374
Tools and Equipment	182,630	0	0	182,630
Communication Equipment	169,856	0	0	169,856
Computer Equipment	98,945	4,278	0	103,223
Construction in Progress	524,778	244,579	(622,516)	146,841
TOTAL COST	$ 23,021,906	$ 618,127	$ (622,516)	$ 23,017,517
DEPRECIATION				
Structures and Improvements	$ 3,169,181	$ 125,347	$ 0	$ 3,294,528
Building / Shop	77,388	4,485	0	81,873
Electrical Pumping Equipment	737,928	21,049	0	758,977
Purification System	871,742	29,363	0	901,105
Distribution Mains	3,572,434	272,749	0	3,845,183
Distribution Line Holiday Shores	35,200	0	0	35,200
Services	415,403	3,534	0	418,937
Meters	723,333	119,908	0	843,241
Hydrants	22,553	3,722	0	26,275
Office Furniture and Equipment	71,278	4,347	0	75,625
Transportation Equipment	243,125	36,936	0	280,061
Installation Equipment	200,721	6,162	0	206,883
Tools and Equipment	163,677	4,970	0	168,647
Communication Equipment	165,340	918	0	166,258
Computer Equipment	76,122	9,584	0	85,706
TOTAL DEPRECIATION	$ 10,545,425	$ 643,074	$ 0	$ 11,188,499
NET UTILITY PLANT	$ 12,476,481			$ 11,829,018
CAPITAL LEASES				
Equipment	$ 56,483	$ 0	$ 0	$ 56,483
TOTAL CAPITAL LEASES	$ 56,483	$ 0	$ 0	$ 56,483
CAPITAL LEASE AMORTIZATION				
Capital Lease Amortization	$ 32,787	$ 19,485	$ 0	$ 52,272
NET CAPITAL LEASES	$ 23,696			$ 4,211

Depreciation and amortization expense charged for the year fiscal years ended September 30, 2023 and 2022, totaled $677,607 and $662,560, respectively.

NOTE J - PENSIONS

Plan Description
Employees of Cumberland Utility District are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies.

Benefits Provided
Tennessee Code Annotated, Title 8, Chapters 34-37, establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service-related disability benefits are provided regardless of length of service. Five years of service is required for nonservice-related disability eligibility. The service-related and nonservice-related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAS) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees covered by benefit terms
At the measurement date of June 30, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	6
Inactive employees entitled to but not yet receiving benefits	8
Active employees	19
Total Employees	33

Contributions
Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. Cumberland Utility District makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2023, the employer contributions for Cumberland Utility District were $233,611 based on a rate of 20 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Cumberland Utility District's state shared taxes if required employer contributions are not remitted. The employer's ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

NOTE J – PENSIONS (Continued)

Net Pension Liability (Asset)

Cumberland Utility District's net pension liability (asset) was measured as of June 30, 2022, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial assumptions
The total pension liability as of June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary Increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment Rate of Return	6.75 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.125 percent

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2022 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2020 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.25 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

NOTE J – PENSIONS (Continued)

Net Pension Liability (Asset)

Asset Class	Long Term Expected Real Rate of Return	Target Allocation
U.S. Equity	4.88%	31%
Developed Market International Equity	5.37%	14%
Emerging Market International Equity	6.09%	4%
Private Equity and Strategic Lending	6.57%	20%
U.S. Fixed Income	1.20%	20%
Real Estate	4.38%	10%
Short-Term Securities	0.00%	1%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75 percent based on a blending of the factors described above.

Discount rate

The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from Cumberland Utility District will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE J – PENSIONS (Continued)

Changes in Net Pension Liability (Asset

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at 6/30/21	$ 4,607,601	$ 4,970,522	$ (362,921)
Changes for the year:			
Service cost	$ 81,286	$ 0	$ 81,286
Interest	311,195	0	311,195
Changes of Benefit Terms			
Differences between expected and actual experience	(18,688)	0	(18,688)
Changes in Assumptions	0		0
Contributions-employer	0	215,654	(215,654)
Contributions-employees	0	53,914	(53,914)
Net investment income	0	(192,269)	192,269
Benefit payments, including refunds of employee contributions	(157,173)	(157,173)	0
Administrative expense	0	(1,801)	1,801
Other Changes		0	0
Net changes	216,620	(81,675)	298,295
Balance at 6/30/22	$ 4,824,221	$ 4,888,847	$ (64,626)

Sensitivity of the net pension liability (asset) to changes in the discount rate
The following presents the net pension liability (asset) of Cumberland Utility District calculated using the discount rate of 6.75 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75 percent) or 1-percentage-point higher (7.75 percent) than the current rate:

	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
Cumberland Utility District's Net Pension Liability (asset)	$ 636,369	$ (64,626)	$ (642,066)

Pension Expense (Negative Pension Expense) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension expense (negative pension expense)
For the year ended June 30, 2023, Cumberland Utility District recognized pension expense (negative pension expense) of $75,915.

NOTE J – PENSIONS (Continued)

Deferred outflows of resources and deferred inflows of resources
For the year ended June 30, 2023, Cumberland Utility District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 106,862	$ 203,760
Net Difference between projected and actual earnings on pension plan investments	21,505	0
Changes in Assumptions	430,667	0
Contributions subsequent to the measurement date of June 30, 2022	233,611	n/a
Total	$ 792,645	$ 203,760

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2022," will be recognized as a reduction (increase) to the net pension liability (asset) in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2024	60,716
2025	35,905
2026	4,165
2027	149,437
2028	52,465
Thereafter	52,587

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

Payable to the Pension Plan

At June 30, 2023, Cumberland Utility District reported a payable of $22,830 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2023.

NOTE K – COMMITMENTS AND CONTINGENCIES

The Utility's management evaluates on an ongoing basis various commitments and contingencies that may have a material impact on the financial statements.

NOTE L – LITIGATION

There are no claims pending against Cumberland Utility District of Roane and Morgan Counties at September 30, 2023.

NOTE M – OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description

Employees of Cumberland Utility District are provided with pre-65 retiree health insurance benefits through the Local Government OPEB Plan (LGOP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). However, for accounting purposes, this plan will be treated as a single-employer plan. All eligible pre-65 retired employees and disability participants of local governments, who choose coverage, participate in the LGOP.

Benefits Provided

The Cumberland Utility District offers the LGOP to provide health insurance coverage to eligible pre-65 retirees and disabled participants of local governments. Insurance coverage is the only postemployment benefit provided to retirees. An insurance committee created in accordance with TCA 8-27-701 establishes and amends the benefit terms of the LGOP. All members have the option of choosing between the premier preferred provider organization (PPO), standard PPO, limited PPO or the wellness health savings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members, of the LGOP, receives the same plan benefits as active employees, at a blended premium rate that considers the cost of all participants. This creates an implicit subsidy for retirees. Participating employers determine their own policy related to direct subsidies provided for the retiree premiums. Cumberland Utility District does not provide any direct subsidy for pre-65 retirees and therefore the implicit subsidy is what results in an OPEB liability. The LGOP is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

Employees Covered by Benefit Terms

At July 1, 2022, the following employees of Cumberland Utility District was covered by the benefit terms of the LGOP

Inactive employees currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	18
Total	18

An insurance committee, created in accordance with TCA 8-27-701, establishes the required payments to the LGOP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. For the fiscal year ended June 30, 2023, the Cumberland Utility District paid $308 to the LGOP for OPEB benefits as they came due.

NOTE M – OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

Total OPEB Liability

Actuarial Assumptions

The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25 percent
Salary Increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4.00 percent
Healthcare cost trend rates	8.37 percent for pre-65 in 2022, decreasing annually over a 7 year period to an ultimate rate of 4.50 percent. 8.99 percent for post-65 in 2022, decreasing annually over an 8 year period to an ultimate rate of 4.50 percent
Retiree's share of benefit-related costs	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this valuation, a weighted average has been used with weights derived from the current distribution of members among plans offered.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2022, valuations were the same as those employed in the July 1, 2021 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2016 – June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the PUB-2010 Headcount-Weighted Employee mortality table for General Employees for non-disabled pre-retirement mortality, with mortality improvement projected generationally with MP-2020 from 2010. Post-retirement tables are Headcount-Weighted Below Median Healthy Annuitant and adjusted with a 6% load for males and a 14% load for females, projected generationally from 2010 with M-2020. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load, projected generationally from 2018 with MP-2020.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.54 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Bond Buyer 20-Year Municipal GO AA index.

NOTE M – OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

Changes in the Total OPEB Liability

	Total OPEB Liability (a)
Total OPEB liability - beginning balance	$ 41,000
Changes for the year:	
Service cost	$ 3,353
Interest	955
Changed in benefit terms	0
Differences between expected and actual experience	(2,577)
Changes in Assumptions	(14,792)
Benefit payments	(253)
Net changes	(13,314)
Total OPEB liability - ending balance	$ 27,686

Changes in Assumptions

The discount rate was changed from 2.16% as of the beginning of the measurement period to 3.54% as of June 30, 2022. This change in assumption increased the total OPEB liability. Other changes in assumptions include adjustments to initial per capita costs and health trend rates.

Sensitivity of Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability related to the LGOP, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate.

	1% Decrease 2.54%	Discount Rate 3.54%	1% Increase 4.54%
Cumberland Utility District's OPEB Liability	$ 29,985	$ 27,686	$ 25,494

NOTE M – OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

Sensitivity of Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability related to the LGOP, as well as what the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate.

	1% Decrease (7.37%/7.99% decreasing to 3.50%)	Heathcare Cost Trend Rates (8.37%/8.99% decreasing to 4.50%)	1% Increase (9.37%/9.99% decreasing to 5.50%)
Cumberland Utility District's OPEB Liability	$ 24,425	$ 27,686	$ 31,510

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

OPEB Expense

For the fiscal year ended June 30, 2023, Cumberland Utility District recognized OPEB expense of $2,907.

Deferred outflows of Resources and Deferred Inflows of Resources

For the fiscal year ended June 30, 2023, Cumberland Utility District reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the LGOP from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	$ 0	$ 28,726
Changes in Assumptions	9,720	28,869
Contributions subsequent to the measurement date	308	0
Total	$ 10,028	$ 57,595

The amount shown above for "Employer payments subsequent to the measurement date" will be recognized as a reduction to total OPEB liability in the following measurement period.

NOTE M – OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expenses as follows:

Year Ended June 30:		
2024	$	(7,215)
2025		(7,215)
2026		(7,215)
2027		(7,215)
2028		(7,047)
Thereafter		(11,968)

In the table above, positive amounts will increase OPEB expense while negative amounts will decrease OPEB expense.

NOTE N – RISK MANAGEMENT

The Utility is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The System purchases commercial insurance for all of these risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE O – CONTINGENCIES

On or about July 20, 2023, the Utility received Director's Order and Assessment No. DWS22-0129 from the State of Tennessee Department of Environment and Conservation assessing civil penalties against the Utility totaling $36,720 related to the operation of the public water sytem. The Utility paid $7,344 in penalties prior to September 30, 2023. The balance of the penalties has not been recorded as a liability in the financial statements as they are contingent upon the Utility meeting certain goals within given deadlines as specified in the order. If these goals are met, the penalties will be forgiven. Management intends to meet the remaining goals within the deadlines.

CUMBERLAND UTILITY DISTRICT
OF ROANE AND MORGAN COUNTIES

REQUIRED SUPPLEMENTAL INFORMATION

SEPTEMBER 30, 2023 AND 2022

CUMBERLAND UTILITY DISTRICT
OF ROANE AND MORGAN COUNTIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS*
BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF THE TCRS
FISCAL YEARS ENDING JUNE 30

Last Fiscal Year ending June 30	2014	2015	2016	2017	2018
Total pension liability					
Service cost	$ 49,732	$ 47,438	$ 49,382	$ 53,154	$ 64,902
Interest	172,946	185,449	210,288	237,894	251,360
Changes in benefit terms	0	0	0	0	0
Differences between actual & expected experience	(11,695)	162,936	208,890	44,987	(83,970)
Change of assumptions	0	0	0	75,289	0
Benefit payments, including refunds of employee contributions	(32,642)	(51,322)	(81,850)	(126,631)	(129,291)
Net change in total pension liability	$ 178,341	$ 344,501	$ 386,710	$ 284,693	$ 103,001
Total pension liability-beginning	2,272,535	2,450,876	2,795,377	3,182,087	3,466,780
Total pension liability-ending (a)	$ 2,450,876	$ 2,795,377	$ 3,182,087	$ 3,466,780	$ 3,569,781
Plan fiduciary net position					
Contributions-employer	$ 90,379	$ 98,288	$ 98,078	$ 117,583	$ 158,121
Contributions-employee	34,734	35,560	35,484	39,194	39,531
Net investment income	328,945	73,920	67,377	299,994	248,634
Benefit payments, including refunds of employee contributions	(32,642)	(51,322)	(81,850)	(126,631)	(129,291)
Administrative expense	(576)	(660)	(1,031)	(1,216)	(1,425)
Other	0	0	0	0	0
Net change in plan fiduciary net position	$ 420,840	$ 155,786	$ 118,058	$ 328,924	$ 315,570
Plan fiduciary net position - beginning	1,938,299	2,359,139	2,514,925	2,632,983	2,961,907
Plan fiduciary net position - ending (b)	$ 2,359,139	$ 2,514,925	$ 2,632,983	$ 2,961,907	$ 3,277,477
Net Pension Liability (asset) - ending (a) — (b)	91,737	280,452	549,104	504,873	292,304
Plan fiduciary net position as a percentage of total pension liability	96.26%	89.97%	82.74%	85.44%	91.81%
Covered payroll	$ 694,686	$ 711,200	$ 709,681	$ 783,885	$ 790,607
Net pension liability (asset) as a percentage of covered payroll	13.21%	39.43%	77.37%	64.41%	36.97%

Notes to Schedule:

Changes of assumptions. In 2021, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, and mortality improvements. In 2017, amounts reported as changes of assumptions resulted from changes in inflation rate, investment rate of return, cost of living adjustment, salary growth and mortality improvements.

*GASB 68 requires a 10-year schedule for this data to be presented starting *with the implementation of GASB 68*. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from the TCRS GASB Website for prior years' data, if needed.

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CUMBERLAND UTILITY DISTRICT
OF ROANE AND MORGAN COUNTIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS*
BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF THE TCRS
FISCAL YEARS ENDING JUNE 30

	2019	2020	2021	2022
Total pension liability				
Service cost	$ 63,801	$ 74,155	$ 67,793	$ 81,286
Interest	258,649	271,059	292,118	311,195
Changes in benefit terms	0	0	0	0
Differences between actual & expected experience	(22,125)	104,252	(183,727)	(18,688)
Change of assumptions	0	0	549,126	0
Benefit payments, including refunds of employee contributions	(132,006)	(147,018)	(158,257)	(157,173)
Net change in total pension liability	$ 168,319	$ 302,448	$ 567,053	$ 216,620
Total pension liability-beginning	3,569,781	3,738,100	4,040,548	4,607,601
Total pension liability-ending (a)	$ 3,738,100	$ 4,040,548	$ 4,607,601	$ 4,824,221
Plan fiduciary net position				
Contributions-employer	$ 170,152	$ 188,903	$ 197,990	$ 215,654
Contributions-employee	42,538	47,226	49,498	53,914
Net investment income	246,993	180,926	1,010,292	(192,269)
Benefit payments, including refunds of employee contributions	(132,006)	(147,018)	(158,257)	(157,173)
Administrative expense	(1,381)	(1,372)	(1,439)	(1,801)
Other	0	0	0	0
Net change in plan fiduciary net position	$ 326,296	$ 268,665	$ 1,098,084	$ (81,675)
Plan fiduciary net position - beginning	3,277,477	3,603,773	3,872,438	4,970,522
Plan fiduciary net position - ending (b)	$ 3,603,773	$ 3,872,438	$ 4,970,522	$ 4,888,847
Net Pension Liability (asset) - ending (a) — (b)	134,327	168,110	(362,921)	(64,626)
Plan fiduciary net position as a percentage of total pension liability	96.41%	95.84%	107.88%	101.34%
Covered payroll	$ 850,761	$ 944,513	$ 989,950	$ 1,078,271
Net pension liability (asset) as a percentage of covered payroll	15.79%	17.80%	-36.66%	-5.99%

Notes to Schedule:

Changes of assumptions. In 2021, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, and mortality improvements. In 2017, amounts reported as changes of assumptions resulted from changes in inflation rate, investment rate of return, cost of living adjustment, salary growth and mortality improvements.

*GASB 68 requires a 10-year schedule for this data to be presented starting *with the implementation of GASB 68*. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from the TCRS GASB Website for prior years' data, if needed.

CUMBERLAND UTILITY DISTRICT
OF ROANE AND MORGAN COUNTIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023
SCHEDULE OF CHANGES IN CONTRIBUTIONS
BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF THE TCRS
FISCAL YEARS ENDING JUNE 30

	2014	2015	2016	2017	2018
Actuarially determined contribution	$ 90,379	$ 98,288	$ 98,078	$ 108,333	$ 148,239
Contributions in relation to the actuarially determined contribution	90,379	98,288	98,078	117,583	158,121
Contribution deficiency (excess)	$ 0	$ 0	$ 0	$ (9,250)	$ (9,882)
Covered Payroll	$ 694,686	$ 711,200	$ 709,681	$ 783,889	$ 790,607
Contributions as a percentage of covered payroll	13.01%	13.82%	13.82%	15.00%	20.00%

*GASB 68 requires a 10-year schedule for this data to be presented starting *with the implementation of GASB 68*. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from the TCRS GASB website for prior years' data, if needed.

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CUMBERLAND UTILITY DISTRICT
OF ROANE AND MORGAN COUNTIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023
SCHEDULE OF CHANGES IN CONTRIBUTIONS
BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF THE TCRS
FISCAL YEARS ENDING JUNE 30

	2019	2020	2021	2022	2023
Actuarially determined contribution	$ 159,518	$ 148,855	$ 156,016	$ 170,043	$ 184,202
Contributions in relation to the actuarially determined contribution	170,152	188,903	197,990	215,654	233,611
Contribution deficiency (excess)	$ (10,634)	$ (40,048)	$ (41,974)	$ (45,611)	$ (49,409)
Covered Payroll	$ 850,764	$ 944,513	$ 989,950	$ 1,078,271	$ 1,168,053
Contributions as a percentage of covered payroll	20.00%	20.00%	20.00%	20.00%	20.00%

*GASB 68 requires a 10-year schedule for this data to be presented starting *with the implementation of GASB 68*. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from the TCRS GASB website for prior years' data, if needed.

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CUMBERLAND UTILITY DISTRICT
OF ROANE AND MORGAN COUNTIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023
SCHEDULE OF CHANGES IN CONTRIBUTIONS
BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF THE TCRS
FISCAL YEARS ENDING JUNE 30

Notes to Schedule

Valuation date: Actuarially determined contribution rates for fiscal year 2023 were calculated based on the June 30, 2021 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar, closed (not to exceed 20 years)
Remaining Amortization Period	Varies by Year
Asset Valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	2.25 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment Rate of Return	6.75 percent, net of investment expense, including inflation
Retirement Age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.125 percent

Changes of assumptions. In 2021, the following assumptions were changed: decreased inflation rate from 2.50 percent to 2.25 percent; decreased the investment rate of return from 7.25 percent to 6.75 percent; decreased the cost-of-living adjustment from 2.25 percent to 2.125 percent; and modified mortality assumptions. In 2017, the following assumptions were changed: decreased the inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

CUMBERLAND UTILITY DISTRICT
OF ROANE AND MORGAN COUNTIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023
SCHEDULE OF CHANGES IN OPEB LIABILITY
AND RELATED RATIOS
FISCAL YEARS ENDING JUNE 30

	2018	2019	2020	2021	2022	2023
Total OPEB liability (asset)						
Service cost	$ 4,984	$ 3,242	$ 4,100	$ 3,870	$ 4,323	3,353
Interest	387	2,242	2,523	2,447	1,609	955
Changes in benefit terms	0	0	0	0	0	0
Differences between expected & actual experience	0	(5,609)	(10,080)	(9,800)	(15,095)	(2,577)
Change of assumptions	(4,145)	6,394	4,088	6,327	(18,177)	(14,792)
Benefit payments	0	(272)	(567)	(151)	(286)	(253)
Net change in total pension liability (asset)	$ 1,226	$ 5,997	$ 64	$ 2,693	$ (27,626)	$ (13,314)
Total OPEB liability (asset)-beginning	58,646	59,872	65,869	65,933	68,626	41,000
Total OPEB liability (asset)-ending (a)	$ 59,872	$ 65,869	$ 65,933	$ 68,626	$ 41,000	$ 27,686
Covered-employee payroll	$ 783,885	$ 790,607	$ 850,764	$ 934,915	$ 979,152	$ 1,068,371
	7.64%	8.33%	7.75%	7.34%	4.19%	2.59%

Notes to Schedule

There are no assets accumulating in trust that meet the criteria in paragraph 4 of GASB No. 75, related to this OPEB plan. The amounts reported for each fiscal year were determined as of the prior fiscal year-end. This schedule is intended to display ten years of information. Additional years will be displayed as they become available.

CUMBERLAND UTILITY DISTRICT
OF ROANE AND MORGAN COUNTIES

SUPPLEMENTAL INFORMATION

SEPTEMBER 30, 2023 AND 2022

CUMBERLAND UTILITY DISTRICT
OF ROANE AND MORGAN COUNTIES
SCHEDULE OF UTILTY RATES IN EFFECT
FOR THE YEAR ENDED SEPTEMBER 30, 2023

GALLONS/SERVICES	RATES as of 9/30/2023	INCREMENT
Commercial and Residential		
Flat rate "0" usage	$ 29.66	(minimum)
Next 9,000 gallons, per month	12.01	1,000 gal.
Next 20,000 gallons, per month	11.12	1,000 gal.
All over 29,500 gallons	8.71	1,000 gal.

Rates have been set by Commissioners to generate sufficient funds to meet bond, reserve, and operating requirements.

Service and Misc Charges

Non-Refundable Service Charge	$ 50.00
Special Deposit **	125.00
3/4" Tap Fee	2,000.00
1" Tap Fee	2,200.00
2" Tap Fee	4,300.00
3" and Larger Tap Fee	Case by Case
Meter Relocation	500.00
Reconnection Fee	50.00
After Hours Reconnection Fee	150.00
Returned Check Fee	30.00
Processing Fee for Credit Card Payments	$2.50 per Transaction

Theft of Service - Tampering - Damage Charge

Tampering Fee 1 - Lock, Shutoff Valve, Meter Jumper	200.00
Tampering Fee 2 - Unauthorized Tap	500.00 + Tap
Damaged Lock	50.00
Damaged Shut Off Valve	120.00
Damaged Meter	200.00

** Effective 4/1/14 - The customer may request a credit report and the deposit may be lowered to $75 or waived completely.

Note

	9/30/2023
Number of Customers Serviced	4,555
New Water Taps	44

CUMBERLAND UTILITY DISTRICT
OF ROANE AND MORGAN COUNTIES
SCHEDULE OF INSURANCE COVERAGE
SEPTEMBER 30, 2023

COVERAGE	EXPIRATION DATE	POLICY LIMITS	OCCURRENCE
General Liability			
Bodily Injury and Property Damage	07/01/24	$ 3,000,000	$ 1,000,000
Business Automobile			
Bodily Injury and Property Damage Liability	07/01/24	1,000,000	1,000,000
Comprehensive and Collision ($500 deductible)		Actual Cash Value	
Collision ($500 deductible)		Actual Cash Value	
Auto Medical Payments		5,000	Each Person
Uninsured Motorist ($200 deductible)		1,000,000	
Excess Liability	07/01/24	1,000,000	1,000,000
Workman's Compensation	07/01/24	500,000/500,000/500,000	
Employee Dishonesty ($1,000 Deductible)	07/01/24	100,000	1,000
Flood	07/01/24	192,000	
Buildings ($2,000 Deductible)			
Commercial Real and Personal Property	07/01/24	11,866,679	

CUMBERLAND UTILITY DISTRICT
OF ROANE AND MORGAN COUNTIES
SCHEDULE OF CASH AND INVESTMENTS
AS OF SEPTEMBER 30, 2023 AND 2022

FINANCIAL INSTITUTION	ACCOUNT TYPE	RESTRICTED STATUS	INTEREST RATE	MATURITY DATE	SEPT 30, 2023	SEPT 30, 2022
CASH						
Regions	Deposit Account	No			$ 0	$ 26,836
One Bank of TN	Deposit Account	No			176,978	111,353
Regions	Checking	No			0	10,585
One Bank of TN	Checking	No			16,590	8,888
	Petty Cash	No			700	700
Regions	Checking	No			0	17,213
One Bank of TN	Checking	No			2,148	13,608
Regions	Checking	No			0	11,911
One Bank of TN	Certificate of Deposit	No	3.250%	05/31/23	500,441	500,000
One Bank of TN	Certificate of Deposit	No	2.750%	03/19/23	516,040	516,040
One Bank of TN	Checking	No	0.250%		379,405	360,739
Regions	Checking	Yes	0.19%		0	4,575
One Bank of TN	Checking	Yes	0.20%		4,527	300
Regions	Checking	Yes	0.05%		0	62,089
One Bank of TN	Checking	Yes	0.22%		61,909	16,292
One Bank of TN	Checking	Yes	0.18%		80,436	118,650
State of Tennessee	Reserve - Held by Lender	Yes			118,248	118,248
State of Tennessee	Reserve - Held by Lender	Yes			87,500	87,500
State of Tennessee	Reserve - Held by Lender	Yes			0	21,288
TOTAL CASH					$ 1,944,922	$ 2,006,815
Total Unrestricted Cash					$ 1,672,738	$ 1,696,523
Total Restricted Cash					272,184	310,292
TOTAL CASH					$ 1,944,922	$ 2,006,815

See independent auditors' report.

CUMBERLAND UTILITY DISTRICT
OF ROANE AND MORGAN COUNTIES
SCHEDULE OF INFORMATION REQUIRED BY THE FARMERS HOME ADMINISTRATION
AS OF SEPTEMBER 30, 2023 AND 2022

Required Information:

The financial reports in the audit are in agreement with accounting records of the organization.

Deposit funds are in institutions insured by the Federal Government.

Borrower is exempt from Federal income tax.

Aging of accounts receivable at September 30, 2023 and 2022 respectively is as follows:

DAYS OUTSTANDING		2023		2022
Current	$	143,008	$	115,057
Over 30 days		2,155		1,746
Over 60 days		4,743		4,779
TOTAL ACCOUNTS RECEIVABLE	$	149,906	$	121,582

CUMBERLAND UTILITY DISTRICT
OF ROANE AND MORGAN COUNTIES
SCHEDULE OF CHANGES IN LONG TERM DEBT BY INDIVIDUAL ISSUE
AS OF SEPTEMBER 30, 2023 AND 2022

	ORIGINAL BALANCE	SECURED BY	INTEREST RATE	YEAR OF ISSUE	YEAR OF MATURITY	BALANCE SEPT 30, 2022	ADDITIONS	PRINCIPAL PAYMENTS	BALANCE SEPT 30, 2023
Waterworks Revenue Refunding Bonds, 2012	$ 2,700,000	Net Revenue	1.00% - 2.00%	2013	2025	$ 600,000	$ 0	$ (200,000)	$ 400,000
Waterworks Revenue Bond Series 1981	0	0	0.00%	2014	0	$ 0	$ 0	$ 0	$ 0
Water Dept. SRL (DWF 2001-043)	490,000	Net Revenue	0.51%	2001	2024	21,255	0	(21,255)	0
Water Dept. SRL (DG1 2013-132)	1,750,000	Net Revenue	0.00%	2013	2036	1,159,348	0	(87,504)	1,071,844
Water Dept. SRL (DG1 2013-133)	2,364,889	Net Revenue	0.00%	2013	2037	1,694,817	0	(118,248)	1,576,569
WATERWORKS REVENUE BONDS AND LOANS	$ 7,304,889					$ 3,475,420	$ 0	(427,007)	$ 3,048,413
								Bond Premium	$ 80,123
								Less: Accumulated Amortization of Bond Premium	(77,427)
								Net Unamortized Bond Premium	$ 2,696
								Net Long Term Debt Before Current Maturities	$ 3,051,109

CUMBERLAND UTILITY DISTRICT
OF ROANE AND MORGAN COUNTIES

INTERNAL CONTROL AND COMPLIANCE SECTION

SEPTEMBER 30, 2023

CERTIFIED PUBLIC ACCOUNTANTS

Joe Savage
Rebecca Hutsell

Stephen J. Parsons - Retired
William R. Scandlyn - 1988 - 1999
Earl O. Wright - 1988 – 2002

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Commissioners of
Cumberland Utility District of Roane and Morgan Counties
Harriman, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Cumberland Utility District of Roane and Morgan Counties, Tennessee (the Utility), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Utility's basic financial statements, and have issued our report thereon dated February 5, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Utility's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Utility's internal control. Accordingly, we do not express an opinion on the effectiveness of the Utility's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Utility's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Parsons & Wright, CPAs

Parsons & Wright
Certified Public Accountants
Kingston, Tennessee

February 5, 2024

CUMBERLAND UTILITY DISTRICT
OF ROANE AND MORGAN COUNTIES
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

No Prior Year Findings.

Jason E. Mumpower
Comptroller

Entity Referred: **Town of Mount Carmel**

Referral Reason: **Decrease In Net Position**

Utility Type Referred: **Sewer**

Staff Summary:

In 2024, the Town of Mount Carmel (the "Utility") was referred to the Tennessee Board of Utility Regulation following three consecutive years of a statutory decrease in Net Position within its Sewer Fund pursuant to Tenn. Code Ann. § 7-82-703. According to the Utility, the primary cause of this decline was the failure to adjust sewer rates over the past decade.

Since the referral, the Utility has implemented a 35% rate increase and has initiated conversation with a third party regarding the completion of a rate study.

Staff Recommendation:
The Board should order the following:
1. The Utility shall have a qualified expert as approved by Board staff, perform a rate study that includes the following:
a. a review of the capitalization policy, including any recommended modifications;
b. a review of the debt management policy, including any recommended modifications;
c. the creation of a five-year capital asset budget, to be taken from the current capital asset list and to include future anticipated needs;
d. a review of relevant utility fees including but not limited to connection or tap fees, including any recommended modifications;
e. verification that all governing body members of the utility are in compliance with all relevant training requirements;

2. By **Aug 31, 2025,** the Utility shall send Board staff a copy of the contract between the Utility and the qualified expert who is to perform the tasks in paragraph 1.

3. By **Feb 15, 2026**, the Utility shall provide Board staff with the completed rate study and either proof of implementation of the resulting recommendations or a proposed plan of implementation.

4. Board staff is given the authority to grant up to two extensions of up to six months of the foregoing deadlines upon a showing of good cause by the Utility.

5. Should the Utility fail to comply with any directive in this order, Board staff and Counsel shall issue subpoenas for the Utility's governing body and/or Manager to appear in-person before the Board during its next meeting following non-compliance of this order.

Mount Carmel

	Category: **Sewer**		County: **Hawkins**	
	2021	**2022**	**2023**	**2024**
Net Assets	$8,026,262.00	$8,622,772.00	$9,000,845.00	$8,792,737.00
Deferred Outflow Resources	$30,144.00	$114,596.00	$117,648.00	$117,319.00
Net Liabilities	$307,608.00	$1,115,834.00	$1,857,167.00	$567,790.00
Deferred Inflow Resources	$36,844.00	$129,708.00	$18,697.00	$12,581.00
Total Net Position	$7,711,954.00	$7,491,826.00	$7,242,629.00	$8,329,685.00
Operating Revenues	$948,351.00	$989,378.00	$981,941.00	$975,361.00
Net Sales	$947,526.00	$958,832.00	$980,897.00	$972,409.00
Operating Expenses	$812,285.00	$1,205,835.00	$1,210,617.00	$1,223,526.00
Depreciation Expenses	$238,156.00	$237,562.00	$246,538.00	$273,023.00
Non Operating Revenues	$3,770.00	-$3,671.00	-$20,521.00	$25,550.00
Capital Contributions	$0.00	$0.00	$0.00	$1,309,671.00
Transfers In	$0.00	$0.00	$0.00	$0.00
Transfers Out	$0.00	$0.00	$0.00	$0.00
GAAP Change In Net Position	$139,836.00	-$220,128.00	-$249,197.00	$1,087,056.00
Statutory Change In Net Position	$139,836.00	-$220,128.00	-$249,197.00	-$222,615.00

Form Name:	Utility Financial Distress Questionnaire
Submission Time:	May 15, 2025 10:28 am
Browser:	Chrome 136.0.0.0 / Windows
IP Address:	75.130.50.170
Unique ID:	1344552892
Location:	36.5332, -82.3268

Contact Information and Comptroller Filings

Entity ID Number	1790
Utility Name	Town of Mount Carmel
Name of Person Filling this Out	Tyler Williams
Utility Email	tyler.williams@mountcarmeltn.gov
Utility Phone	(423) 357-7311
Mailing Address	PO Box 1421 Mount Carmel, TN 37645
Has the most recent Annual Information report been timely filed for this utility?	Yes
Has the utility filed its most recent budget with the Comptroller's Office within 15 days of adoption?	Yes
Has the utility filed its most recent audit with the Comptroller's Office within 6 months of the last fiscal year end?	No
Please provide the reason why this local government did not timely file its most recent audit with the Comptroller's Office?	Late audit. 23/24 audit expected to be filed by June 30, 2025.

Financial Distress Remedy Plans

Does this utility have a plan to remedy the current financial distress?	Yes
Please describe the current plan to remedy the utility's financial distress.	The Town implemented a 35% rate increase effective April 1, 2025. In each subsequent year, there will be an automatic rate increase tied to CPI-U inflationary indicators. The Town may likely have to implement another significant rate increase to remedy the distress.

Rates and Fees Information

Has a rate study been completed for the utility in the previous 5 years?	No
Has the utility implented a rate increase in the last 6 months?	Yes
Does the utility have plans to implement a rate increase in the next 6 months?	No
Is this rate increase based on a rate study conducted by an independent third party?	No
Please upload a copy of the current, approved rate ordinance or resolution.	https://www.formstack.com/admin/download/file/18006000989
Has this utility had any changes to fees in the last 5 years?	No
Please upload a copy of the current, approved utility fee schedule.	https://www.formstack.com/admin/download/file/18006000991
Please how current rates and fees were determined.	Town engaged in discussions with MTAS finance and also ran revenue forecasts to determine a reasonable rate increase for 2025. A rate study will likely need to be completed. However, due to the urgency of the COT request and referral for financial distress, the Town moved swiftly to increase the sewer rate to offset the distress. Rate study unlikely to be completed for 9-12 months due to MTAS backlog.

Financial Initiatives

Has the utility incurred any new debt during its current fiscal year, or does the utility plan on incurring any new debt during the current or next fiscal year?	No
Has the utility received any grants during its current fiscal year, or does the utility plan on applying for or receiving any new grants during the current or next fiscal year?	Yes

How much is this funding, and what is the source of this funding?	$1,570,802 in Federal ARPA for wastewater plant updates. $1,877,296.84 in TDEC ARPA for wastewater plant updates
What will this funding be used for?	ARPA infrastructure updates to wastewater plant

Utility Information

Does this utility offer water service?	No
Does this utility offer sewer or wastewater service?	Yes

Water Utility Information

What percentage of sales do the largest 10 customers account for annually?	0.000
What percentage of volume do the largest 10 customers account for annually?	0.00

Wastewater Utility Information

How many billed customers does the wastewater utility have?	2022
How many unbilled customers does the wastewater utility have?	0
How many metered customers does the wastewater utility have?	2022
How many unmetered customers does the wastewater utility have?	0
What was the net sales revenue from the largest 10 customers last fiscal year?	13787
What was the net sales revenue for the wastewater utility last fiscal year?	970940

How much is this funding, and what is the source of this funding?	$1,570,802 in Federal ARPA for wastewater plant updates. $1,877,296.84 in TDEC ARPA for wastewater plant updates
What will this funding be used for?	ARPA infrastructure updates to wastewater plant

Utility Information

Does this utility offer water service?	No
Does this utility offer sewer or wastewater service?	Yes

Water Utility Information

What percentage of sales do the largest 10 customers account for annually?	0.000
What percentage of volume do the largest 10 customers account for annually?	0.00

Wastewater Utility Information

How many billed customers does the wastewater utility have?	2022
How many unbilled customers does the wastewater utility have?	0
How many metered customers does the wastewater utility have?	2022
How many unmetered customers does the wastewater utility have?	0
What was the net sales revenue from the largest 10 customers last fiscal year?	13787
What was the net sales revenue for the wastewater utility last fiscal year?	970940

How many thousand gallons of wastewater were treated for the largest 10 customers last fiscal year?	2127413
How many thousand gallons of wastewater were treated by the utility last fiscal year?	91250000
Percentage of sales from Largest 10 Customers	0.01
Percentage of flow from Largest 10 Customers	0.02
Does the wastewater utility have a rate structure with differing rates based on location?	No
Does this utility treat all of the wastewater collections without sending wastewater to another utility for treatment?	Yes
Does this utility treat wastewater from another utility?	No
Is it feasible for this utility regionalize, merge, or consolidate with a surrounding utility to improve wastewater service to its current or future customer base?	Not at this time. We have had discussions with the City of Kingsport but they are unable to accommodate at this time due to capacity.
Does this utility treat wastewater for customers on wells?	No
Excluding any potential customers on wells, are all customers billed based on metered water usage?	Yes
Does this utility treat wastewater at a wholesale rate to any customers such as large commercial/industrial customers or other surrounding utilities?	No
What is the design capacity of the wastewater treatment facility?	400000

What is the average operating capacity of the wastewater treatment facility?	250000
Are there any environmental concerns including government environmental orders for the wastewater utility?	No
Does this utility have a sewer use ordinance or resolution?	Yes
How is this sewer use ordinance or resolution enforced?	Town Code enforcement or sewer operator enforcement

Plans and Policies

Does this utility have a debt management policy?	Yes
Does this utility have a capitalization policy?	Yes
Does this utility have an asset management plan?	No
How are capital projects or purchases adequately planned for?	Failure of past administrations have led to inadequate capital planning. However, a third party services provider is taking over operations June 1, 2025 and has capital planning covered under their scope of services.
Does this utility have a copy of its capital asset list on file?	Yes
How often is this capital asset list reviewed and by whom?	Yearly, by management and internal auditor

Jason E. Mumpower
Comptroller

Entity Referred: **City of Niota**

Referral Reason: **Decrease In Net Position**

Utility Type Referred: **Water And Sewer**

Staff Summary:
The City of Niota's ("the Utility") water and sewer system was referred to the Tennessee Board of Utility Regulation ("TBOUR") in 2024 after reporting negative statutory changes of -$133,972 in FY 2022 and -$39,504 in FY 2023 pursuant to Tenn. Code Ann. § 7-82-703. The Utility has also submitted late audits for the past four fiscal years.

The Utility attributes these financial results to two main issues. First, ongoing infrastructure replacement efforts to address water loss led to capital expenditures being misclassified as operating expenses, overstating costs. Second, the Utility had not adjusted its water rates in response to substantial increases from its supplier, the Athens Utility Board, resulting in higher expenses without offsetting revenue.

In response, the Utility worked with the Tennessee Association of Utility Districts (TAUD) to implement revised rates and adopted an annual 0.75% rate increase. The FY 2024 audit shows that the system produced a positive statutory change.

Going forward, the Utility plans to work with TAUD to evaluate whether current rates are sufficient. It is also set to receive approximately $2.6 million in grants to complete infrastructure upgrades. The Utility has actively addressed its financial distress and anticipates that FY 2025 will also reflect a positive statutory change.

Although the Utility periodically works with TAUD to determine rates, the Utility has not completed a full rate study in the past 5 years.

Staff Recommendation:
The Board should order the following:

1. The Utility shall have a qualified expert as approved by Board staff, perform a rate study that includes the following:

a. a review of the capitalization policy, including any recommended modifications;
b. a review of the debt management policy, including any recommended modifications;
c. the creation of a five-year capital asset budget, to be taken from the current capital asset list and to include future anticipated needs;
d. a review of relevant utility fees including but not limited to connection or tap fees, including any recommended modifications;
e. verification that all governing body members of the utility are in compliance with all relevant training requirements;
f. a review of the leak adjustment policy, including any recommended modifications or adoption of such policy should one not exist;

g. and a justification of the inside and outside the city limit rates, including any recommended modifications to the rate structure.

2. By **Aug 31, 2025,** the Utility shall send Board staff a copy of the contract between the Utility and the qualified expert who is to perform the tasks in paragraph 1.

3. By **Feb. 15, 2026**, the Utility shall provide Board staff with the completed rate study and either proof of implementation of the resulting recommendations or a proposed plan of implementation.

4. Board staff is given the authority to grant up to two extensions of up to six months of the foregoing deadlines upon a showing of good cause by the Utility.

5. Should the Utility fail to comply with any directive in this order, Board staff and Counsel may issue subpoenas for the Utility's governing body and/or Manager to appear in-person before the Board during its next meeting following non-compliance of this order.

Niota

	Category: **Water And Sewer**		County: **McMinn**	
	2021	**2022**	**2023**	**2024**
Net Assets	$4,988,348.00	$4,879,866.00	$5,323,759.00	$5,974,888.00
Deferred Outflow Resources	$1,930.00	$2,713.00	$9,642.00	$12,857.00
Net Liabilities	$284,245.00	$178,077.00	$175,709.00	$310,624.00
Deferred Inflow Resources	$0.00	$109,385.00	$192,491.00	$193,081.00
Total Net Position	$4,706,033.00	$4,595,117.00	$4,965,201.00	$5,484,040.00
Operating Revenues	$1,309,550.00	$1,263,001.00	$1,367,684.00	$1,659,565.00
Net Sales	$1,211,867.00	$1,203,117.00	$1,228,336.00	$1,416,639.00
Operating Expenses	$1,197,904.00	$1,390,395.00	$1,417,140.00	$1,595,255.00
Depreciation Expenses	$213,376.00	$205,935.00	$209,396.00	$223,815.00
Non Operating Revenues	-$5,225.00	-$6,578.00	$9,952.00	$39,643.00
Capital Contributions	$83,395.00	$23,056.00	$409,588.00	$414,886.00
Transfers In	$0.00	$0.00	$0.00	$0.00
Transfers Out	$0.00	$0.00	$0.00	$0.00
GAAP Change In Net Position	$189,816.00	-$110,916.00	$370,084.00	$518,839.00
Statutory Change In Net Position	$106,421.00	-$133,972.00	-$39,504.00	$103,953.00

Form Name:	Utility Financial Distress Questionnaire
Submission Time:	March 12, 2025 11:10 am
Browser:	Chrome 134.0.0.0 / Windows
IP Address:	96.61.130.202
Unique ID:	1323503615
Location:	35.3629, -84.2941

Contact Information and Comptroller Filings

Entity ID Number	1801
Utility Name	Niota Waterworks
Name of Person Filling this Out	Jeannie Anderson
Utility Email	cityofniotawater@cityofniota.org
Utility Phone	(423) 568-2579
Mailing Address	P.O. Box 515 9 West Willson Street Niota, TN 37826
Has the most recent Annual Information report been timely filed for this utility?	Yes
Has the utility filed its most recent budget with the Comptroller's Office within 15 days of adoption?	Yes
Has the utility filed its most recent audit with the Comptroller's Office within 6 months of the last fiscal year end?	No
Please provide the reason why this local government did not timely file its most recent audit with the Comptroller's Office?	Our municipality was prepared for audit within a timely manner. However, due to our auditors work load we were not able to get on their schedule until after 6 months of the last fiscal year end. The City's auditors, Mitchell, Emmert and Hill, have been in correspondence with the Comptrollers office regarding this matter.

Financial Distress Remedy Plans

Does this utility have a plan to remedy the current financial distress?	Yes

Please describe the current plan to remedy the utility's financial distress.	Over the last 4 years our utility has been doing major upgrades to the utility infrastructure, in order to reduce our water loss by improving our ability to find and repair leaks and/or breaks in a more timely manner. This included replacing all the old manual read meters with new automatic read meters along with replacing and adding new lines in our system. This project, I am certain is the primary reason that our utility appears to be in financial distress being due to a large amount of capital assets being mis-appropriated as operating expense over the last 2 fiscal years. Additionally, the utility that we purchase our water from increased their rates over the course of these 2 years. We did meet with a representative in 2022 to discuss the first year's loss and explained what had occurred and was able to agree upon a percentage of rate increase to assist us in absorbing the rate increase to us. As you can see there was tremendous improvement to the "loss" amount from 2021-2022 and 2022-2023. We have just completed our 2023-2024 audit and although we have not received our final audit report, the auditors felt confident that we would not being showing a loss for the 2023-2024 fiscal year.

Rates and Fees Information

Has a rate study been completed for the utility in the previous 5 years?	No
Has the utility implented a rate increase in the last 6 months?	Yes
Does the utility have plans to implement a rate increase in the next 6 months?	Yes
Is this rate increase based on a rate study conducted by an independent third party?	No
If the Entity does □□□□□□ have a rate ordinance or resolution select the box below.	

Has this utility had any changes to fees in the last 5 years?	Yes
Please upload a copy of the current, approved utility fee schedule.	https://www.formstack.com/admin/download/file/17709071551
Please how current rates and fees were determined.	After the utility's discussion with the TAUD representative in 2022 we implemented a rate increase in the 2022-2023 budget as reflected in Ordinance 24-08. Additionally, every year we increase our rates .75% to accommodate for the general increases in services and our cost of purchasing water. *The City approves the water rates within the ordinance for the annual budget. We do not have a separate ordinance for approval.

Financial Initiatives

Has the utility incurred any new debt during its current fiscal year, or does the utility plan on incurring any new debt during the current or next fiscal year?	No
Has the utility received any grants during its current fiscal year, or does the utility plan on applying for or receiving any new grants during the current or next fiscal year?	Yes
How much is this funding, and what is the source of this funding?	McMinn County /TDEC/ARPA funding =$1,665,572.00 CDBG = $1,000,000.

What will this funding be used for?	Over the last couple of years, Niota Waterworks has been working to upgrade the system from old lines in the ground, old manual read meters, valves, shutoffs and mains. The WWTP has undergone a complete upgrade replacing all the clarifiers, aerators and pumps. With the money that we are receiving we will be continuing with phase 2 by adding a new water tank (helping to support our current system and improve our water service further out in our county sector), extending lines to create a loop system rather than a tree system, and replacing old lines throughout the city. Additionally, a portion of the County allocation was reserved for the completion of the WWTP to which we are now waiting on having the sludge removed and the auger "muffin monster" replaced. Upon completion of these projects the water system and the waste water system is anticipated to be functioning at optimum levels.

Utility Information

Does this utility offer water service?	Yes
Does this utility offer sewer or wastewater service?	Yes

Water Utility Information

How many billed customers does the water utility have?	1534
How many unbilled customers does the water utility have?	0
How many metered customers does the water utility have?	1534
How many unmetered customers does the water utility have?	0
What was the net sales revenue from the largest 10 customers last fiscal year?	385349
What was the net sales revenue for the water utility last fiscal year?	1377305

What percentage of sales do the largest 10 customers account for annually?	0.103
How many gallons were sold to the largest 10 customers last fiscal year?	189229.00
How many gallons were sold last fiscal year?	853865.00
What percentage of volume do the largest 10 customers account for annually?	0.22
Does the water utility have a rate structure with differing rates based on location?	Yes
Please provide a customer count breakdown of these different rate classes.	Inside City limits $19.16 0-2000 gallons, 2001-up $14.93 per 1000 gallons. Outside City limits $21.89 0-2000 gallons, 2001-up $14.93 per 1000 gallons.
Please explain how these rates have been determined to be reasonable and justifiable.	Over the last 4 years the rate of all our materials has increased substantially. This is including a water rate increase from Athens Utility Board from where we purchase our water. Additionally, the cost of labor has increased.
Does this utility have a water connection to another utility to purchase water or to have a backup water supply in case of emergency?	Yes
Does this utility produce its entire water supply without purchasing water from another utility?	No
Does a contract exist for the purchase of any water from another utility?	Yes

Is it feasible for this utility regionalize, merge, or consolidate with a surrounding utility to improve water service to its current or future customer base?	No, we have looked into this for emergency purposes and there is not another utility near us that can support or expand to allow for consolidation.
Does this utility sell water at a wholesale rate to any customers such as large commercial/industrial customers or other surrounding utilities?	Yes
Does a contract exist for the sale of this water?	Yes
Does this utility have a water treatment facility?	No
Are there any environmental concerns including government environmental orders for the water utility?	No

Wastewater Utility Information

How many billed customers does the wastewater utility have?	314
How many unbilled customers does the wastewater utility have?	0
How many metered customers does the wastewater utility have?	314
How many unmetered customers does the wastewater utility have?	0
What was the net sales revenue from the largest 10 customers last fiscal year?	142332
What was the net sales revenue for the wastewater utility last fiscal year?	350996
How many thousand gallons of wastewater were treated for the largest 10 customers last fiscal year?	9870700

How many thousand gallons of wastewater were treated by the utility last fiscal year?	27025100
Percentage of sales from Largest 10 Customers	0.41
Percentage of flow from Largest 10 Customers	0.37
Does the wastewater utility have a rate structure with differing rates based on location?	No
Does this utility treat all of the wastewater collections without sending wastewater to another utility for treatment?	Yes
Does this utility treat wastewater from another utility?	No
Is it feasible for this utility regionalize, merge, or consolidate with a surrounding utility to improve wastewater service to its current or future customer base?	No, not at this time.
Does this utility treat wastewater for customers on wells?	No
Excluding any potential customers on wells, are all customers billed based on metered water usage?	Yes
Does this utility treat wastewater at a wholesale rate to any customers such as large commercial/industrial customers or other surrounding utilities?	No
What is the design capacity of the wastewater treatment facility?	400000
What is the average operating capacity of the wastewater treatment facility?	160000

Are there any environmental concerns including government environmental orders for the wastewater utility?	No
Does this utility have a sewer use ordinance or resolution?	Yes
How is this sewer use ordinance or resolution enforced?	Only city residents are allowed to connect to the sewer system . Any additional industry or commercial businesses must come before the planning commission for approval before they can connect.

Plans and Policies

Does this utility have a debt management policy?	Yes
Does this utility have a capitalization policy?	Yes
Does this utility have a leak adjustment policy?	Yes
Does this utility have an asset management plan?	No
How are capital projects or purchases adequately planned for?	The City's utilities, both water and waste water are currently in the process of having asset management plans developed for each division. As of March 11, 2025 we were advised that it would be approximately 8 weeks for these to be completed.
Does this utility have a copy of its capital asset list on file?	Yes
How often is this capital asset list reviewed and by whom?	The capital asset list is reviewed annually during audit by the CMFO and the auditors.

Fiscal Year 2025-26 Water Rate Changes

The Water Department staff has reviewed the rates and the changes are as follows:

The dollar rates are not increasing- The minimum water usage is dropping from 2000 gallons to 1500 gallons. This change is for both City and County residents.

We have met with our TAUD Circuit Rider and this is their best recommendation for our department to stay in compliance.

We will be monitoring the finances quarterly to assure this change gives us the results we are expecting.

Water Rates Evaluation

TJ Emory tjemory@taud.org

Only type in Red cells CITY

Total Gallons Sold for Month Average		1,996,900	Average Customer Usage =		3855
Current Avg Bill	Proposed Avg Bill	Total Avg Bill Increase	Total Monthly Revenue Increase	Total Annual Revenue Increase	% of Increase
$47.23	$54.75	$7.53	$3,897.95	$46,775.40	14%

New Proposed Rates						
# of customers	Minimum Bill	# of Gallons	$ per Thousand over 1,000 Gallons	New Average Bill	New Monthly Revenue	New Annual Revenue
518	$19.31	1500	15.05	$54.75	$28,362.08	$340,344.90

Current Rates & Information						
# of customers	Minimum Bill	# of Gallons	$ per Thousand over 2,000 Gallons	Average Bill	Monthly Revenue	Annual Revenue
518	$19.31	2000	15.05	$47.23	$24,464.13	$293,569.50

			Evaluation findings.		
ed per meter	actual	loss per meter	loss revenue per meter	loss revenue per month	per year
5,070	3855	1,215	$18.29	$9,471.87	$113,662.42
65	49				

Water Rates Evaluation

TJ Emory tjemory@taud.org

Only type in Red cells COUNTY

Total Gallons Sold for Month Average		3,407,700	Average Customer Usage =		3296
Current Avg Bill	Proposed Avg Bill	Total Avg Bill Increase	Total Monthly Revenue Increase	Total Annual Revenue Increase	% of Increase
$41.56	$49.08	$7.53	$7,780.85	$93,370.20	15%

New Proposed Rates						
# of customers	Minimum Bill	# of Gallons	$ per Thousand over 1,000 Gallons	New Average Bill	New Monthly Revenue	New Annual Revenue
1034	$22.06	1500	15.05	$49.08	$50,753.38	$609,040.50

Current Rates & Information						
# of customers	Minimum Bill	# of Gallons	$ per Thousand over 2,000 Gallons	Average Bill	Monthly Revenue	Annual Revenue
1034	$22.06	2000	15.05	$41.56	$42,972.53	$515,670.30

			Evaluation findings.		
ed per meter	actual	loss per meter	loss revenue per meter	loss revenue per month	per year
5,070	3296	1,774	$26.70	$27,611.93	$331,343.21
65	42				

CITY OF NIOTA
MINUTES
Regular Meeting of the Mayor and Board of Commissioners
July 7, 2025

Public Hearing:

I. **Ordinance 24-11: To amend the Official Zoning Map to Rezone 26 Parcels from R-1 Low Density Residential to AG Agricultural District**
II. **Ordinance 25-03: To amend the Official Zoning Ordinance to Add Provisions for Tiny Houses inside the City limits.**

Regular Meeting:

Call to Order: A meeting of the City of Niota Board of Commissioners and Mayor was held in the Niota City Municipal Building, Niota, Tennessee, on July 7, 2025. The meeting convened at 6:00 P.M., Mayor Preece presiding, Jeannie Anderson as City Recorder.

Members in attendance: Commissioner's Dilbeck, Manney, Ward were present, Commissioner Arnwine and Brakebill was absent.

Invocation: Commissioner Dilbeck

Pledge of Allegiance: Tony Manney

Reading of the Regular Minutes:

Commissioner Manney made a motion to approve the minutes from the meeting held on June 9, 2025, Commissioner Dilbeck, seconded the motion. All voted aye, motion approved.

Reading of the Called Meeting Minutes:

Commissioner Manney made a motion to approve the minutes from the Called Meeting held on June 23, 2025, Commissioner Ward, seconded the motion. All voted aye, motion approved.

Reports from the Commissioners, Members of the Governing Body and Other Officers:

Depot Committee – Mayor reported that there are several events coming up in the Fall.

Reports from Members of the Governing Body:

Finance report: Jeannie Anderson gave the report being at 100% and all was on track. Mrs. Anderson reported that the fiscal year ended very well in each department.
Commissioner Manney made the motion to accept the finance report, Commissioner Dilbeck seconded the motion, all voted aye, motion approved.

Police report: See stats.

Fire Department report: See stats.

Sewer Department report: Mayor reported that there has been no overflows or violations. TDEC will be onsite to do an inspection, July 8, 2025.

Street Department report: Ms. Anderson reported that the Street Dept has several projects in process. The big project for 2025 will be needed repairs on the sidewalks throughout the City.

Water Department report: Commissioner Dilbeck reported that the new water tank installation is going very well with the lines being currently installed. Jen Cagle reported that we are now at 1600 customers.

UNFINISHED BUSINESS:

a. Ordinance 24-11 – 2nd reading: To amend the Official Zoning Map to Rezone 26 Parcels from R-1 Low Density Residential to AG Agricultural District.
Mayor made the motion to amend the Official Zoning Map to Rezone 26 Parcels from R-1 Low Density Residential to AG Agricultural District, Commissioner Dilbeck seconded the motion, all voted aye, motion approved.

b. Ordinance 25-01 – 2nd reading: To Establish an Updated Occupational Safety and Health Program Plan
Commissioner Mayor made the motion to approve Ordinance 25-01 To Establish an Updated Occupational Safety and Health Program Plan, Commissioner Manney seconded the motion, all voted aye, motion approved.

c. Ordinance 25-03 – 2nd reading: To amend the Official Zoning Ordinance to Add Provisions for Tiny Houses inside the City limits.
Mayor made the motion to amend the Official Zoning Ordinance to Add Provisions for Tiny Houses inside the City limits, Commissioner Dilbeck seconded the motion, all voted aye, motion approved.

NEW BUSINESS:

a. TextMyGov proposal: To implement a City-wide communications program for emergency and water dept use.
Commissioner Manney made the motion to accept the TextMyGov proposal, Commissioner Dilbeck seconded the motion, all voted aye, motion approved.

b. Abandonment of Dial Street: Approval of the Abandonment of Dial Street located behind the City property that is currently being sold to Chuck Dockery, between Elm Street and Staley Street.
Commissioner Dilbeck made the motion to approve the Abandonment of Dial Street located behind the City property that is currently being sold to Chuck Dockery, between Elm Street and Staley Street., Commissioner Manney, seconded the motion, all voted aye, motion approved.

c. Water Dept: Fiscal Year 2025-2026 Change in Water Rate Structure
The new water rate structure will decrease the minimum usage from 2000 gals to 1500 gals. for both city and county residents, as recommended by TAUD in order to stay within compliance.
Commissioner Dilbeck made the motion to approve the new water rate structure will decrease the minimum usage from 2000 gals to 1500 gals. for both city and county residents, as recommended by TAUD in order to stay within compliance, Commissioner Ward seconded the motion, all voted aye, motion approved.

PUBLIC COMMENTS: None

ANNOUNCEMENTS:

a. July 24, 2025 – Planning Commission Meeting
b. Aug 11, 2025 – Commission Board Meeting

Adjournment:
Commissioner Manney made a motion to adjourn the meeting, seconded by Commissioner Dilbeck, all voted aye, meeting adjourned.

CITY RECORDER **MAYOR**

Jason E. Mumpower
Comptroller

Entity Referred: **Siam Utility District**

Referral Reason: **Administrative Review**

Utility Type Referred: **Water**

Staff Summary:

In March 2025, Siam Utility District (the "District") was brought under administrative review by the Tennessee Board of Utility Regulation (the "Board") due to reported issues with bill payment and failure to meet requirements set by the Tennessee Department of Environment and Conservation (TDEC).

Board staff conducted a site visit in May 2025 and held a meeting with the District's Board of Commissioners. Commissioners in attendance reported ongoing staffing difficulties, including challenges in retaining a licensed water operator.

The District's FY 2024 audit reported a positive statutory change; however, persistent operational concerns remain. These include numerous customer complaints related to the cost of rates, two consecutive years of non-approved budgets submitted to the Comptroller's Office, and continued noncompliance with TDEC orders.

Given these factors, Board staff recommends that the District consider a merger with a neighboring utility district as a means to address these issues.

Staff Recommendation:
The Board should order the following:
1. The District shall have a qualified expert as approved by Board staff, perform a rate study that includes the following:
a. a review of the capitalization policy, including any recommended modifications;
b. a review of the debt management policy, including any recommended modifications;
c. the creation of a five-year capital asset budget, to be taken from the current capital asset list and to include future anticipated needs;
d. a review of relevant utility fees including but not limited to connection or tap fees, including any recommended modifications;
e. verification that all governing body members of the utility are in compliance with all relevant training requirements;
f. a review of the leak adjustment policy, including any recommended modifications or adoption of such policy should one not exist;

2. The District shall contract with a qualified expert to study the feasibility of a merger with another utility system in the area.

3. By **Aug 31, 2025** the District shall send Board staff a copy of the contract between the District and the qualified expert who is to perform the tasks in section 1 & 2.

4. By **Feb 31, 2026** the District shall provide Board staff with the completed rate study with either proof of implementation of the resulting recommendations or a proposed plan of implementation.

5. By **Feb 31, 2026** the District shall provide Board staff with the completed feasibility study.

6. Board staff is given the authority to grant up to two extensions of up to six months of the foregoing deadlines upon a showing of good cause by the District.

7. Should the District fail to comply with any directive in this order, Board staff may issue subpoenas for the District's governing body and/or Manager to appear in-person before the Board during its next meeting following non-compliance of this order.

Siam Utility District

	Category: **Water**		County: **Carter**	
	2021	**2022**	**2023**	**2024**
Net Assets	$1,963,770.00	$2,041,199.00	$1,992,099.00	$1,996,286.00
Deferred Outflow Resources	$13,196.00	$11,545.00	$47,778.00	$48,096.00
Net Liabilities	$503,646.00	$463,783.00	$418,133.00	$359,610.00
Deferred Inflow Resources	$27,885.00	$96,441.00	$30,622.00	$32,189.00
Total Net Position	$1,445,435.00	$1,492,520.00	$1,591,122.00	$1,652,583.00
Operating Revenues	$710,908.00	$747,613.00	$834,608.00	$841,321.00
Net Sales	$0.00	$0.00	$834,608.00	$841,321.00
Operating Expenses	$622,847.00	$689,078.00	$724,524.00	$778,679.00
Depreciation Expenses	$54,460.00	$53,313.00	$53,165.00	$53,459.00
Non Operating Revenues	-$13,195.00	-$11,450.00	-$11,482.00	-$1,181.00
Capital Contributions	$0.00	$0.00	$0.00	$0.00
Transfers In	$0.00	$0.00	$0.00	$0.00
Transfers Out	$0.00	$0.00	$0.00	$0.00
GAAP Change In Net Position	$74,866.00	$47,085.00	$98,602.00	$61,461.00
Statutory Change In Net Position	$74,866.00	$47,085.00	$98,602.00	$61,461.00

Jason E. Mumpower
Comptroller

Entity Referred: **City of Mount Pleasant**

Referral Reason: **Negative Net Position**

Utility Type Referred: **Gas**

Staff Summary: The City of Mount Pleasant's Utility System ("the Utility") was referred to the Tennessee Board of Utility Regulation ("the Board") for financial distress in 2024 pursuant to Tenn. Code Ann. § 7-82-703. The Utility submitted their financial distress questionnaire and indicated that at their May 2025 meeting they approved a third party rate study proposal in partnership with Tristar Energy Solutions. Board staff has identified the following weaknesses or findings:

- the Utility has not had a rate increase in the past five years

While the Utility is already working with a third party to complete a rate study, Board staff recommends formalizing this requirement.

Staff Recommendation:
The Board should order the following:
1. The Utility shall have a qualified expert (such as Tristar Energy Solutions) as approved by Board staff, perform a rate study that includes the following:
a. a review of the capitalization policy, including any recommended modifications;
b. a review of the debt management policy, including any recommended modifications;
c. the creation of a five-year capital asset budget, to be taken from the current capital asset list and to include future anticipated needs;
d. a review of relevant utility fees including but not limited to connection or tap fees, including any recommended modifications;
e. verification that all governing body members of the utility are in compliance with all relevant training requirements;

2. By **August 31, 2025,** the Utility shall send Board staff a copy of the contract between the Utility and the qualified expert who is to perform the tasks in paragraph 1.

3. By **February 15, 2026**, the Utility shall provide Board staff with the completed rate study and either proof of implementation of the resulting recommendations or a proposed plan of implementation.

4. Board staff is given the authority to grant up to two extensions of up to six months of the foregoing deadlines upon a showing of good cause by the Utility.

5. Should the Utility fail to comply with any directive in this order, Board staff and Counsel shall issue subpoenas for the Utility's governing body and/or Manager to appear in-person before the Board during its next meeting following non-compliance of this order.

Mount Pleasant

	Category: **Gas**		County: **Maury**	
	2021	**2022**	**2023**	**2024**
Net Assets	$8,239,288.00	$9,488,575.00	$8,820,374.00	$8,901,731.00
Deferred Outflow Resources	$0.00	$0.00	$0.00	$0.00
Net Liabilities	$404,508.00	$1,310,484.00	$658,718.00	$799,681.00
Deferred Inflow Resources	$0.00	$0.00	$0.00	$0.00
Total Net Position	$7,834,780.00	$8,178,091.00	$8,161,656.00	$8,102,050.00
Operating Revenues	$3,645,983.00	$5,599,087.00	$5,820,684.00	$5,410,206.00
Net Sales	$3,616,090.00	$5,579,401.00	$5,807,499.00	$5,401,126.00
Operating Expenses	$3,113,468.00	$5,188,595.00	$5,800,896.00	$5,560,333.00
Depreciation Expenses	$110,354.00	$108,959.00	$140,134.00	$164,461.00
Non Operating Revenues	$35,645.00	$12,311.00	$44,602.00	$170,201.00
Capital Contributions	$0.00	$0.00	$0.00	$0.00
Transfers In	$0.00	$0.00	$0.00	$0.00
Transfers Out	-$91,083.00	-$79,492.00	-$80,825.00	-$79,680.00
GAAP Change In Net Position	$477,077.00	$343,311.00	-$16,435.00	-$59,606.00
Statutory Change In Net Position	$477,077.00	$343,311.00	-$16,435.00	-$59,606.00

Form Name:	Utility Financial Distress Questionnaire
Submission Time:	May 22, 2025 11:01 am
Browser:	Chrome 136.0.0.0 / Windows
IP Address:	47.44.210.186
Unique ID:	1346771670
Location:	35.8585, -84.1206

Contact Information and Comptroller Filings

Entity ID Number	1792
Utility Name	Mount Pleasant Gas Utility
Name of Person Filling this Out	Shiphrah Cox
Utility Email	scox@mtpleasant-tn.gov
Utility Phone	(931) 774-4445
Mailing Address	100 Public Square Mount Pleasant, TN 38474
Has the most recent Annual Information report been timely filed for this utility?	Yes
Has the utility filed its most recent budget with the Comptroller's Office within 15 days of adoption?	Yes
Has the utility filed its most recent audit with the Comptroller's Office within 6 months of the last fiscal year end?	Yes

Financial Distress Remedy Plans

Does this utility have a plan to remedy the current financial distress?	Yes
Please describe the current plan to remedy the utility's financial distress.	At its May 2025 meeting, the City approved a third-party rate study proposal in partnership with Tristar Energy Solutions. Resolution number 2025-20. Additionally, we are conducting a thorough review of industrial contracts to update those that have expired or have not been revised in a significant period

Rates and Fees Information

Has a rate study been completed for the utility in the previous 5 years?	No
Has the utility implented a rate increase in the last 6 months?	No
Does the utility have plans to implement a rate increase in the next 6 months?	Yes
Is this rate increase based on a rate study conducted by an independent third party?	Yes
Please upload a copy of the current, approved rate ordinance or resolution.	https://www.formstack.com/admin/download/file/18035448438
Has this utility had any changes to fees in the last 5 years?	No
Please upload a copy of the current, approved utility fee schedule.	https://www.formstack.com/admin/download/file/18035448440
Please how current rates and fees were determined.	The attached Ordinance 2018-1024 has section 19-307 that shows the breakdown of the rate calculation.

Financial Initiatives

Has the utility incurred any new debt during its current fiscal year, or does the utility plan on incurring any new debt during the current or next fiscal year?	Yes
How much is this new debt, and what is the source of this debt?	$151,667.00
What will this debt be used for?	This was in the 2024-2025 fiscal year. It is a portion of a Jet-Vac Truck bought by the city to assist with digging for pipes or gas lines to find leaks or for repairs.
Has the utility received any grants during its current fiscal year, or does the utility plan on applying for or receiving any new grants during the current or next fiscal year?	Yes

How much is this funding, and what is the source of this funding?	$16,667.00
What will this funding be used for?	This was in the 2024-2025 fiscal year. The USDA loan listed above for the Jet Vac Truck also has a grant portion to it.

Utility Information

Does this utility offer water service?	Yes
Does this utility offer sewer or wastewater service?	Yes

Water Utility Information

How many billed customers does the water utility have?	2727
How many unbilled customers does the water utility have?	3
How many metered customers does the water utility have?	2727
How many unmetered customers does the water utility have?	0
What was the net sales revenue from the largest 10 customers last fiscal year?	420783
What was the net sales revenue for the water utility last fiscal year?	1743681
What percentage of sales do the largest 10 customers account for annually?	0.144
How many gallons were sold to the largest 10 customers last fiscal year?	64297799.00
How many gallons were sold last fiscal year?	225828936.00

What percentage of volume do the largest 10 customers account for annually?	0.28
Does the water utility have a rate structure with differing rates based on location?	Yes
Please provide a customer count breakdown of these different rate classes.	Rate Bills Residential Water In City-01 1,525 Residential Water Outside City-02 387 Sheepneck/Elk Ridge Water-Wet-03 410 Mt. Joy Water-04 153 Sheepneck/Elk Ridge Water-Dry-05 2 Commercial Water Outside City-14 6 Commercial Water In City-35 175 Industrial Water Outside City-40 6 Industrial Water In City-50 37 Large Industrial Water In City-51 1 Mt Joy Water District-52 25 Total 2727
Please explain how these rates have been determined to be reasonable and justifiable.	In 2023, we conducted a comprehensive evaluation of our water system, including a third-party rate study through MTAS, to ensure our rate structure remained fair and aligned with the overhead costs associated with water production and distribution across various locations. Additionally, certain industrial rates are determined by specific agreements.
Does this utility have a water connection to another utility to purchase water or to have a backup water supply in case of emergency?	Yes

Does this utility produce its entire water supply without purchasing water from another utility?	Yes
Is it feasible for this utility regionalize, merge, or consolidate with a surrounding utility to improve water service to its current or future customer base?	Yes and no. While a merger would provide additional resources for our utility, it could also lead to increased costs for current and future customers, depending on the level of growth in this area. Historically, we have only relied on the larger utility we purchase water from in emergency situations. However, over the past 18 to 24 months, we have successfully sustained our customer base using our own resources, thanks in large part to system improvements and service line leak repairs.
Does this utility sell water at a wholesale rate to any customers such as large commercial/industrial customers or other surrounding utilities?	No
Does this utility have a water treatment facility?	Yes
What is the design capacity of the water treatment facility?	2,000,000 per day
What is the average operating capacity of the water treatment facility?	1,200,000 per day
Are there any environmental concerns including government environmental orders for the water utility?	No
Please describe these environmental concerns for the water utility and the extent of the financial burden to remedy these financial concerns.	No concerns at the moment.

Wastewater Utility Information

How many billed customers does the wastewater utility have?	1455
How many unbilled customers does the wastewater utility have?	0

How many metered customers does the wastewater utility have?	3
How many unmetered customers does the wastewater utility have?	1452
What was the net sales revenue from the largest 10 customers last fiscal year?	251550
What was the net sales revenue for the wastewater utility last fiscal year?	1715690
How many thousand gallons of wastewater were treated for the largest 10 customers last fiscal year?	21624
How many thousand gallons of wastewater were treated by the utility last fiscal year?	178035
Percentage of sales from Largest 10 Customers	0.15
Percentage of flow from Largest 10 Customers	0.12
Does the wastewater utility have a rate structure with differing rates based on location?	No
Does this utility treat all of the wastewater collections without sending wastewater to another utility for treatment?	No
Does this utility treat wastewater from another utility?	No
Does a contract exist for the treatment of wastewater for or from another utility?	No
Is it feasible for this utility regionalize, merge, or consolidate with a surrounding utility to improve wastewater service to its current or future customer base?	No, a new sewer system would not be feasible. The city has recently rehabilitated the existing sewer plant, investing significant funds to enhance its functionality and expand capacity.

Does this utility treat wastewater for customers on wells?	No
Excluding any potential customers on wells, are all customers billed based on metered water usage?	Yes
Does this utility treat wastewater at a wholesale rate to any customers such as large commercial/industrial customers or other surrounding utilities?	No
What is the design capacity of the wastewater treatment facility?	700000
What is the average operating capacity of the wastewater treatment facility?	500000
Are there any environmental concerns including government environmental orders for the wastewater utility?	Yes
Please describe these environmental concerns and the extent of the financial burden to remedy these financial concerns.	The City is currently under a consent order from TDEC. City has done major upgrades to the sewer plant & will no longer be under this order as of July 1st, 2025, since the upgrades are almost complete. The total spent on the sewer plant rehab as of this month is $14.7 million.
Does this utility have a sewer use ordinance or resolution?	Yes
How is this sewer use ordinance or resolution enforced?	The City has a pre-treatment program & a coordinator to monitor it.

Plans and Policies

Does this utility have a debt management policy?	Yes
Does this utility have a capitalization policy?	Yes
Does this utility have a leak adjustment policy?	Yes

Does this utility have an asset management plan?	No
How are capital projects or purchases adequately planned for?	We utilize a capital improvements plan for strategic planning. However, we have recently engaged a firm to assist in developing an asset management plan, which will enhance our eligibility for specific grant applications.
Does this utility have a copy of its capital asset list on file?	Yes
How often is this capital asset list reviewed and by whom?	Annually reviewed by finance office

Jason E. Mumpower
Comptroller

Entity Referred: **O'Connor Utility District**

Referral Reason: **Decrease In Net Position**

Utility Type Referred: **Water**

Staff Summary:

The O'Connor Utility District ("the Utility") has been referred to the Tennessee Board of Utility Regulation ("the Board") for financial distress since 2024 pursuant to Tenn. Code Ann. § 7-82-703. The Utility has returned its financial distress questionnaire to Board staff. Board staff has identified the following weaknesses or findings:

- the Utility has not had a rate study completed by an independent third party in the past 5 years; the utility has a current plan to remedy the financial distress through a rate increase, but it was done internally and not by a third party
- the FY2024 audit is late due to the auditors waiting on information from TCRS

Staff Recommendation:
The Board should order the following:

1. The Utility shall have a qualified expert as approved by Board staff, perform a rate study that includes the following:
a. a review of the capitalization policy, including any recommended modifications;
b. a review of the debt management policy, including any recommended modifications;
c. the creation of a five-year capital asset budget, to be taken from the current capital asset list and to include future anticipated needs;
d. a review of relevant utility fees including but not limited to connection or tap fees, including any recommended modifications;
e. verification that all governing body members of the utility are in compliance with all relevant training requirements;
f. a review of the leak adjustment policy, including any recommended modifications or adoption of such policy should one not exist;

2. By **August 31, 2025,** the Utility shall send Board staff a copy of the contract between the Utility and the qualified expert who is to perform the tasks in paragraph 1.

3. By **February 15, 2025**, the Utility shall provide Board staff with the completed rate study and either proof of implementation of the resulting recommendations or a proposed plan of implementation.

4. Board staff is given the authority to grant up to two extensions of up to six months of the foregoing deadlines upon a showing of good cause by the Utility.

5. Should the Utility fail to comply with any directive in this order, Board staff and Counsel shall issue subpoenas for the Utility's governing body and/or Manager to appear in-person before the Board during its next meeting following non-compliance of this order.

O'Connor Utility District

	Category: **Water**		County: **White**	
	2020	**2021**	**2022**	**2023**
Net Assets	$4,669,679.96	$4,917,897.84	$5,382,796.83	$5,582,864.79
Deferred Outflow Resources	$62,116.39	$52,844.59	$38,871.83	$59,904.00
Net Liabilities	$1,217,079.80	$1,134,851.74	$1,072,458.51	$1,028,516.67
Deferred Inflow Resources	$8,742.00	$246,502.00	$97,260.00	$70,843.72
Total Net Position	$3,505,974.55	$3,589,388.69	$4,251,950.15	$4,543,408.40
Operating Revenues	$1,661,404.63	$1,725,424.93	$1,836,292.48	$1,862,539.77
Net Sales	$1,580,815.45	$1,624,086.05	$1,720,455.99	$1,740,332.00
Operating Expenses	$1,601,962.52	$1,663,950.43	$1,694,840.88	$1,853,588.32
Depreciation Expenses	$184,948.77	$195,825.29	$210,625.95	$209,347.40
Non Operating Revenues	-$21,991.70	-$17,034.66	-$178,248.55	-$18,960.58
Capital Contributions	$58,628.79	$38,974.30	$331,225.97	$301,467.38
Transfers In	$0.00	$0.00	$0.00	$0.00
Transfers Out	$0.00	$0.00	$0.00	$0.00
GAAP Change In Net Position	$96,079.20	$451,546.58	$294,429.02	$291,458.25
Statutory Change In Net Position	$37,450.41	$412,572.28	-$36,796.95	-$10,009.13

Form Name:	Utility Financial Distress Questionnaire
Submission Time:	March 17, 2025 1:17 pm
Browser:	Chrome 134.0.0.0 / Windows
IP Address:	69.8.165.59
Unique ID:	1325031589
Location:	35.9645, -85.0546

Contact Information and Comptroller Filings

Entity ID Number	2837
Utility Name	O'Connor Utility District
Name of Person Filling this Out	Judy Null
Utility Email	oud@benlomand.net
Utility Phone	(931) 738-5610
Mailing Address	PO Box 56 4210 Roberts Matthews Hwy Sparta, TN 38583
Has the most recent Annual Information report been timely filed for this utility?	Yes
Has the utility filed its most recent budget with the Comptroller's Office within 15 days of adoption?	Yes
Has the utility filed its most recent audit with the Comptroller's Office within 6 months of the last fiscal year end?	No
Please provide the reason why this local government did not timely file its most recent audit with the Comptroller's Office?	Our auditors have to wait on information from TCRS (GASB) before they can submit our audit. This information is not submitted to our auditors in a time frame that would allow our audit to be submitted within 6 months of the last fiscal year date.

Financial Distress Remedy Plans

Does this utility have a plan to remedy the current financial distress?	Yes

Please describe the current plan to remedy the utility's financial distress.	We have implemented a rate increase plan for 2025, and we are working to get our water loss down. January 1, 2025 - 2% Rate Increase April 1, 2025 - 3% Rate Increase April 1, 2025 - $2.27 Rate Increase on Minimum Bill July 1, 2025 - 3% Rate Increase October 1, 2025 - 3% Rate Increase Total Increase in Revenue with Rate Increases F/Y 2025 $146,350.05

Rates and Fees Information

Has a rate study been completed for the utility in the previous 5 years?	No
Has the utility implented a rate increase in the last 6 months?	Yes
Does the utility have plans to implement a rate increase in the next 6 months?	Yes
Is this rate increase based on a rate study conducted by an independent third party?	No
If the Entity does □□□□□□ have a rate ordinance or resolution select the box below.	
Has this utility had any changes to fees in the last 5 years?	Yes
Please upload a copy of the current, approved utility fee schedule.	https://www.formstack.com/admin/download/file/17729974106

Please how current rates and fees were determined.	One of our commissioners and the general manager did an in-depth study of the last 5 years of audits to determine when we need to increase rates, as well as how much we need to increase rates in order for our water revenue to cover all expenses for the district. There is also long-term planning for future rate increase so that we will not show a loss in the future. Rate Increases plans will be implemented in the future.

Financial Initiatives

Has the utility incurred any new debt during its current fiscal year, or does the utility plan on incurring any new debt during the current or next fiscal year?	No
Has the utility received any grants during its current fiscal year, or does the utility plan on applying for or receiving any new grants during the current or next fiscal year?	No

Utility Information

Does this utility offer water service?	Yes
Does this utility offer sewer or wastewater service?	No

Water Utility Information

How many billed customers does the water utility have?	3845
How many unbilled customers does the water utility have?	15
How many metered customers does the water utility have?	3860
How many unmetered customers does the water utility have?	0
What was the net sales revenue from the largest 10 customers last fiscal year?	39049

What was the net sales revenue for the water utility last fiscal year?	1843910
What percentage of sales do the largest 10 customers account for annually?	0.000
How many gallons were sold to the largest 10 customers last fiscal year?	4147.50
How many gallons were sold last fiscal year?	168819.70
What percentage of volume do the largest 10 customers account for annually?	0.02
Does the water utility have a rate structure with differing rates based on location?	No
Does this utility have a water connection to another utility to purchase water or to have a backup water supply in case of emergency?	Yes
Does this utility produce its entire water supply without purchasing water from another utility?	No
Does a contract exist for the purchase of any water from another utility?	Yes
Is it feasible for this utility regionalize, merge, or consolidate with a surrounding utility to improve water service to its current or future customer base?	No
Does this utility sell water at a wholesale rate to any customers such as large commercial/industrial customers or other surrounding utilities?	Yes

Does a contract exist for the sale of this water?	No
Does this utility have a water treatment facility?	No
Are there any environmental concerns including government environmental orders for the water utility?	No

Wastewater Utility Information

Percentage of sales from Largest 10 Customers	0.00
Percentage of flow from Largest 10 Customers	0.00

Plans and Policies

Does this utility have a debt management policy?	Yes
Does this utility have a capitalization policy?	Yes
Does this utility have a leak adjustment policy?	Yes
Does this utility have an asset management plan?	Yes
Does this utility have a copy of its capital asset list on file?	Yes
How often is this capital asset list reviewed and by whom?	Every January by the General Manager

Jason E. Mumpower
Comptroller

Entity Referred: **Fall Creek Falls Utility District**

Referral Reason: **Administrative Review**

Utility Type Referred: **Water**

Staff Summary:

The Tennessee Board of Utility Regulation ("the Board") should initiate an administrative review of the Fall Creek Falls Utility District (FCFUD), based on both urgent operational failures and longstanding governance concerns identified in the 2023 audited financial statements. FCFUD currently has a water loss case before the Board.

Recent Operational Crisis and Public Health Risk

In July 2025, FCFUD experienced a severe, week-long water outage affecting numerous residents in Bledsoe County. Despite assistance from state and park personnel, and the replacement of over 200 feet of water line, the outage persisted for over a week, prompting emergency water distributions and local organizations stepping in to provide essential services such as laundry and showers.

This extended disruption and the lack of resilience in FCFUD's water system present a clear risk to public health and demonstrate a failure to provide basic utility services reliably. Even after system repairs, the infrastructure is reportedly struggling to refill, indicating an underlying systemic inadequacy.

Audit Findings Highlight Systemic Weaknesses

The 2023 audit revealed multiple critical issues in FCFUD's internal operations:

- **Material Weaknesses in Internal Controls**: The audit found inadequate segregation of duties, failure to enforce customer payment cutoff policies, improper deposit procedures, and non-compliance with state-mandated collateralization of public funds.
- **Failure to Cut Off Delinquent Accounts**: As of December 31, 2023, over $98,000 in customer accounts were delinquent undermining the district's financial stability and ratepayer fairness.
- **Noncompliance with State Financial Regulations**: The district held over $150,000 in cash deposits that were not properly collateralized as required by Tennessee law.
- **Delayed Deposits**: Receipts were not deposited within three business days as mandated, increasing risk of loss or misappropriation.

These governance lapses, combined with a fragile water delivery system, call into question the district's capacity to effectively manage its operations and safeguard public resources. Board staff believes FCFUD should be placed into administrative review based on the information provided above.

Staff Recommendation:

The Board should place FCFUD into administrative review.

Fall Creek Falls Utility District

	Category: **Water**		County: **Bledsoe**	
	2020	**2021**	**2022**	**2023**
Net Assets	$7,325,830.72	$7,860,835.94	$7,922,066.22	$8,768,044.68
Deferred Outflow Resources	$75,620.64	$82,885.47	$64,556.56	$68,697.34
Net Liabilities	$102,260.54	$113,434.57	$98,853.24	$137,760.89
Deferred Inflow Resources	$32,600.00	$76,672.00	$19,804.00	$8,664.00
Total Net Position	$7,266,590.82	$7,753,614.84	$7,867,965.54	$8,690,317.13
Operating Revenues	$962,633.56	$1,032,401.88	$1,179,806.57	$1,232,385.04
Net Sales	$917,659.76	$973,438.81	$1,098,657.41	$1,156,587.25
Operating Expenses	$840,191.99	$929,819.15	$1,133,187.38	$1,242,309.65
Depreciation Expenses	$193,231.77	$195,566.17	$204,479.00	$211,509.16
Non Operating Revenues	$31,133.48	$23,451.29	$24,602.56	$66,208.07
Capital Contributions	$162.00	$360,990.00	$43,128.95	$766,068.13
Transfers In	$0.00	$0.00	$0.00	$0.00
Transfers Out	$0.00	$0.00	$0.00	$0.00
GAAP Change In Net Position	$153,737.05	$487,024.02	$114,350.70	$822,351.59
Statutory Change In Net Position	$153,575.05	$126,034.02	$71,221.75	$56,283.46

AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

THE FALL CREEK FALLS UTILITY DISTRICT
OF VAN BUREN-BLEDSOE COUNTIES, TENNESSEE
PIKEVILLE, TENNESSEE

For the Year Ended
December 31, 2023

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INTRODUCTORY SECTION

FALL CREEK FALLS UTILITY DISTRICT
OF VAN BUREN AND BLEDSOE COUNTIES, TENNESSEE
ROSTER OF DISTRICT OFFICIALS
December 31, 2023

Board of Commissioners

Kenny Simmons	President
Leon Deweese	Vice President
Virginia Lewis	Secretary/Treasurer

Management

Monica Blankenship	Office manager

FINANCIAL SECTION

JOHN R. POOLE, CPA
CERTIFIED PUBLIC ACCOUNTANT

134 NORTHLAKE DRIVE
HENDERSONVILLE, TN 37075

(615) 822-4177

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
The Fall Creek Falls Utility District of
Van Buren-Bledsoe Counties, Tennessee
Pikeville, Tennessee

Report on the Audit of the Financial Statements

Opinions

I have audited the financial statements of the business-type activities of the Fall Creek Falls Utility District of Van Buren-Bledsoe Counties, Tennessee (the "District"), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In my opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District, as of December 31, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the District and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that I identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Required Supplementary Information, which includes the Management's Discussion and Analysis and the Schedule of Changes in Net Pension Liability (Asset) and the Schedule of Contributions to the Employee Pension Plan, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit

of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information section, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information – Introductory Section

Management is responsible for the Introductory Section included in the annual report. The Introductory Section, as listed in the table of contents, does not include the basic financial statements and my auditor's report thereon. My opinion on the basic financial statements does not cover the Introductory Section, and I do not express an opinion or any other assurance thereon.

In connection with my audit of the basic financial statements, my responsibility is to read the Introductory Section and consider whether a material inconsistency exists between the Introductory Section and basic financial statements, or the Introductory Section otherwise appears to be materially misstated. If, based on the work performed, I conclude that an uncorrected material misstatement of the Introductory Section exists, I am required to describe it in my report.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated September 30, 2024, on my consideration of the District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

John R Pole, CPA

September 30, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

FALL CREEK FALLS UTILITY DISTRICT
27364 STATE ROUTE 30
PIKEVILLE, TENNESSEE 37367

Board of Commissioners and Customers
of Fall Creek Falls Utility District
of Van Buren-Bledsoe Counties
Pikeville, Tennessee

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the financial statements allows management an opportunity to discuss and analyze the financial condition of the Fall Creek Falls Utility District of Van Buren-Bledsoe Counties, Tennessee (the District). Summary financial statement data, key financial and operational indicators used in the District's budget, bond resolutions and other management tools were used for this analysis. This information should be read in conjunction with the accompanying financial statements and report of the independent auditor, John R. Poole, CPA.

SUMMARY OF ORGANIZATION AND BUSINESS

The District was incorporated on December 30, 1966, by decree of the County Court of Van Buren County, Tennessee, pursuant to Chapter 248 of the Utility Law of 1937. The District provides water to portions of Van Buren and Bledsoe Counties, including Fall Creek Falls State Park.

The District is governed by a Board of Commissioners composed of three citizens who live or own real estate within the District. Board members serve a term of four years.

The District's capital assets consist primarily of the District's water lines and mains and the buildings and equipment to maintain these lines and mains.

The District receives no financial support from Van Buren and Bledsoe Counties, Tennessee and has no taxing authority. The District's revenues are derived from water sold based upon metered water consumption of customers. The water rates are established by the Board of Commissioners with the help of the District's engineer.

THE ANNUAL FINANCIAL STATEMENTS

The financial statements report information about the District using full accrual accounting methods as utilized by similar business activities in the private sector. However, rate regulated accounting principles applicable to the private sector utilities are not used by government utilities.

The financial statements include a statement of net position; a statement of revenues, expenses, and changes in net position; a statement of cash flows; and notes to the financial statements. The statement of net position presents the financial position of the District on a full accrual basis of accounting. While the statement of net position provides information about the nature and amount of resources and obligations at year-end, the statement of revenues, expenses and changes in net position presents the results of the business activities over the course of the fiscal year and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. The statement also provides certain information about the District's recovery of its costs. The District's rates are based on a cost of service rate study that is updated periodically with the help of the District's engineer.

The statement of cash flows presents changes in cash and cash equivalents, resulting from operational, financing, and investing activities. This statement presents cash receipts and cash disbursement information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the District's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

The following comparative condensed financial statements and other selected information provides key financial data and indicators for management, monitoring, and planning.

FALL CREEK FALLS UTILITY DISTRICT
OF VAN BUREN AND BLEDSOE COUNTIES, TENNESSEE
CONDENSED STATEMENTS OF NET POSITION
December 31, 2023 and December 31, 2022

			Variance	
ASSETS	**2023**	**2022**	**Amount**	**%**
Current Assets	$ 3,847,688.23	$ 3,672,361.85	$ 175,326.38	4.77%
Noncurrent Assets	4,920,356.45	4,249,704.37	670,652.08	15.78%
TOTAL ASSETS	$ 8,768,044.68	$ 7,922,066.22	$ 845,978.46	10.68%
DEFERRED OUTFLOWS OF RESOURCES				
Deferred cost of pension	68,697.34	64,556.56	4,140.78	28.86%
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 8,836,742.02	$ 7,986,622.78	$ 850,119.24	10.64%
LIABILITIES				
Current Liabilities	$ 118,448.06	$ 97,941.69	$ 20,506.37	20.94%
Noncurrent Liabilities	19,312.83	911.55	18,401.28	
TOTAL LIABILITIES	$ 137,760.89	$ 98,853.24	$ 38,907.65	39.36%
DEFERRED INFLOWS FROM RESOURCES				
Deferred inflows related to pensions	8,664.00	19,804.00	(11,140.00)	-15.42%
NET POSITION				
Investment in capital assets	$ 4,920,356.45	$ 4,249,704.37	$ 670,652.08	15.78%
Unrestricted	3,769,960.68	3,618,261.17	151,699.51	4.19%
TOTAL NET POSITION	8,690,317.13	7,867,965.54	822,351.59	10.45%
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	$ 8,836,742.02	$ 7,985,711.23	$ 851,030.79	10.66%

FALL CREEK FALLS UTILITY DISTRICT
OF VAN BUREN AND BLEDSOE COUNTIES, TENNESSEE
CONDENSED STATEMENTS OF REVENUES, EXPENSES & CHANGE IN NET POSITION
For Years Ended December 31, 2023 and December 31, 2022

	2023	2022	Variance Amount	Variance %
Operating revenues:				
Water sales	$ 1,156,587.25	$ 1,098,657.41	$ 57,929.84	5.27%
Forfeited discounts	16,894.79	18,281.85	(1,387.06)	-7.59%
Tap fees	51,000.00	35,950.00	15,050.00	41.86%
Miscellaneous revenue	7,903.00	26,917.31	(19,014.31)	-70.64%
Total operating revenues	$ 1,232,385.04	$ 1,179,806.57	$ 52,578.47	4.46%
Non-operating revenues:				
Interest income	$ 66,208.07	$ 21,808.68	$ 44,399.39	203.59%
Recovery of bad debts	-	2,793.88	(2,793.88)	-100.00%
Total Revenue	$ 1,298,593.11	$ 1,204,409.13	$ 49,784.59	4.13%
Operating expenses:				
Water Operations	$ 875,208.73	$ 771,902.41	$ 103,306.32	13.38%
General and Administrative and Other	155,591.76	156,805.97	(1,214.21)	-0.77%
Depreciation	211,509.16	204,479.00	7,030.16	3.44%
Total operating expenses	$ 1,242,309.65	$ 1,133,187.38	$ 109,122.27	9.63%
Total Expenses	1,242,309.65	1,133,187.38	109,122.27	9.63%
In/Decrease in Net Position Before Capital Contributions	$ 56,283.46	$ 71,221.75	$ (14,938.29)	-20.97%
Capital Contributions:				
Grant income	766,068.13	39,578.95	726,489.18	0.00%
Tap fees in excess of cost	-	3,550.00	(3,550.00)	-100.00%
Increase in Net Position	$ 822,351.59	$ 114,350.70	$ 708,000.89	619.15%
Net position at January 1	7,867,965.54	7,753,614.84	114,350.70	1.47%
Net position at December 31	$ 8,690,317.13	$ 7,867,965.54	$ 822,351.59	10.45%

FINANCIAL ANALYSIS

The District's financial condition improved from the prior year with adequate liquid assets and a reasonable level of unrestricted net position. The current financial condition, staff capabilities, operating plans and upgrade plans to meet future water quality requirements are well balanced and under control. Management believes the following information presented is important to understand the financial statements:

- Total assets at year-end were $8,768,044.68. Total assets, along with deferred outflows of resources of $68,697.34, exceeded liabilities and deferred inflows of resources (net position) by $8,690,317.13. Of the total net position, $3,769,960.68 was unrestricted and available to support short-term operations.

- Total assets increased from 2022 by $845,978.46. Total net position and unrestricted net position increased from 2022 to 2023 by ($822,351.59), (10.45%) and $151,699.59 (4.19%), respectively.

- Accounts receivable at year-end were 10.22% less than the fiscal year 2022, a decrease of $61,014.56.

- The district does not receive any financial assistance from the state or Van Buren-Bledsoe Counties; therefore, the costs of projects are burdened to the district's customers. However, during 2023, both counties are contributing money to construct a waterline for the district.

Results of Operations

Revenues from operations fall into three general categories: water service, penalties and fees, and other income. The District has two classes of water customers: residential and commercial. The following information is the analysis of operations:

- The District did not increase water rates in the fiscal period.

- Operating revenues were $1,232,385.04 an increase of $52,578.47 from 2022.
- Operating expenses before depreciation increased by $102,092.11, an increase of 10.99% compared to 2022.
- Operating income for the year decreased by $9,924.61.
- The ratios of operating income to total operating revenues were -.81% for 2023 compared to 3.95% for 2022.
- The increase in the change in net position is $708,000.89.

Capital Contributions

The District collects water connection fees in order to ensure that current customers do not bear the burden of growth. These fees are paid by new customers and represent the cost of water capacity of the new customer. These fees are paid at the time a new customer meter is connected to the system. In addition, the District accepts new water lines that are donated by residential and commercial real estate developers.

Operating expenses, excluding depreciation, increased by $102,092.11 in 2023. This was a result of significant changes in:

	2023	2022	Difference
Salaries and related expenses	$ 397,622	$ 349,159	$ 48,463
Repairs and maintenance	438,745	341,836	96,909
Legal & Accounting	0	4,200	(4,200)
Office expense	36,853	29,921	6,932
Other expenses	157,580	203,592	(46,012)
	$ 1,030,800	$ 928,708	$ 102,092

Depreciation expense of the district's system increased by $7,030.16 or 3.44%.

CAPITAL ASSETS

Capital assets increased by a net of $670,652.08 due to the purchase of equipment and waterline construction. New assets include updated telemetry, a pump, and an equipment trailer. More detailed information about the District's capital assets is described in Note C in the accompanying notes to the financial statements.

DEBT

At December 31, 2023, the District had no long term debt.

GENERAL TRENDS AND SIGNIFICANT EVENTS

Customer growth in the District has remained strong.

CONTACTING THE DISTRICT

The analysis is designed to provide our customers, creditors and regulatory agencies with a general overview of the District's finances. If additional information is needed, you may contact the District at:

Monica Blankenship
Fall Creek Falls Utility District
27364 State Route 30
Pikeville, TN 37367
423-881-5065

FINANCIAL STATEMENTS

FALL CREEK FALLS UTILITY DISTRICT
OF VAN BUREN AND BLEDSOE COUNTIES, TENNESSEE
STATEMENT OF NET POSITION
DECEMBER 31, 2023

ASSETS

CURRENT ASSETS		
Cash and cash equivalents - Note B		$ 2,027,997.58
Certificates of deposit - Note B		1,658,787.30
Accounts receivable	$ 192,014.34	
Less: allowance for doubtful accounts	(80,778.00)	111,236.34
Prepaid insurance		41,281.00
Interest receivable		8,386.01
TOTAL CURRENT ASSETS		$ 3,847,688.23
NONCURRENT ASSETS		
Capital assets in service - at cost - Note C	$ 8,248,191.89	
Less accumulated depreciation	(4,101,198.57)	
	$ 4,146,993.32	
Construction in progress	773,363.13	4,920,356.45
TOTAL ASSETS		$ 8,768,044.68
DEFERRED OUTFLOWS OF RESOURCES		
Deferred cost of pension		68,697.34
TOTAL ASSETS AND DEFERRED OUTFLOWS		$ 8,836,742.02

See the notes to financial statements.

FALL CREEK FALLS UTILITY DISTRICT
OF VAN BUREN AND BLEDSOE COUNTIES, TENNESSEE
STATEMENT OF NET POSITION
DECEMBER 31, 2023

LIABILITIES			
CURRENT LIABILITIES			
Accounts payable - trade			$ 15,197.09
Tennessee sales tax payable			11,901.00
Disposal fees payable			6,304.95
Accrued and withheld payroll taxes			17,965.54
Accrued vacation			15,387.09
Accrued payroll			6,897.23
Retirement payable - Note D			3,361.56
Meter deposits			35,969.35
Leak and line insurance			5,464.25
TOTAL CURRENT LIABILITIES			$ 118,448.06
NONCURRENT LIABILITES			
Net pension obligation			19,312.83
TOTAL LIABLITIES			$ 137,760.89
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions			8,664.00
NET POSITION			
Investment in capital assets	$	4,920,356.45	
Unrestricted		3,769,960.68	8,690,317.13
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION			$ 8,836,742.02

FALL CREEK FALLS UTILITY DISTRICT
OF VAN BUREN AND BLEDSOE COUNTIES, TENNESSEE
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
Year ended December 31, 2023

Operating revenues:		
Water sales (less bad debts, $44,742.05)		$ 1,156,587.25
Forfeited discounts		16,894.79
Tap fees		51,000.00
Miscellaneous revenue		7,903.00
TOTAL OPERATING REVENUE		$ 1,232,385.04
Operating expenses:		
Salaries	$ 340,671.71	
Payroll taxes	26,863.47	
Pension expense	19,887.11	
Water purchased	4,691.00	
Repairs and maintenance	438,745.23	
Provision for depreciation	211,509.16	
Office supplies and billing	36,853.47	
Telephone	4,745.07	
Utilities	108,217.56	
Commissioners fees	10,200.00	
Insurance	14,906.40	
Dues, fees, and seminars	7,658.90	
Water samples	3,547.00	
Miscellaneous	13,813.57	1,242,309.65
OPERATING INCOME		$ (9,924.61)
Non-operating revenues (expenses):		
Interest income		66,208.07
INCREASE IN NET POSITION BEFORE CONTRIBUTIONS		$ 56,283.46
Contributions:		
ARPA funds		766,068.13
CHANGE IN NET POSITION		$ 822,351.59
Net position - January 1, 2023		7,867,965.54
NET POSITION - DECEMBER 31, 2023		$ 8,690,317.13

Provision for depreciation was computed by the straight-line method and totaled $211,509.16

See the notes to financial statements.

FALL CREEK FALLS UTILITY DISTRICT
OF VAN BUREN AND BLEDSOE COUNTIES, TENNESSEE
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023

Cash flows from operating activities:		
Receipts from customers and users		$ 1,293,399.60
Payments to suppliers		(667,483.14)
Payments to employees		(368,232.20)
NET CASH PROVIDED BY OPERATING ACTIVITIES		$ 257,684.26
Cash flows from capital and related financing activities:		
Construction of capital assets	$ (116,093.11)	
NET CASH USED BY FINANCING ACTIVITIES		(116,093.11)
Cash flows from investing activities:		
Interest Income	$ 59,871.08	
Increase in certificates of deposit	(7,244.99)	
NET CASH PROVIDED BY INVESTING ACTIVITIES		52,626.09
NET INCREASE IN CASH AND CASH EQUIVALENTS		$ 194,217.24
Cash and cash equivalents at January 1, 2023		1,833,780.34
CASH AND CASH EQUIVALENTS AT DECEMBER 31, 2023		$ 2,027,997.58
Schedule of non-cash capital and related financing activities:		
Bledsoe and Van Buren County contributions for waterine		766,068.13

See the notes to financial statements.

FALL CREEK FALLS UTILITY DISTRICT
OF VAN BUREN AND BLEDSOE COUNTIES, TENNESSEE
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023

Reconciliation of Operating Loss to Net Cash Provided by Operating Activities

Operating loss	$	(9,924.61)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation		211,509.16
Bad debts		44,742.05
Change in net pension liability		18,401.28
Change in deferred outflows - pension expens		(4,140.78)
Change in deferred inflows - pension expense		(11,140.00)
Changes in current assets and liabilities:		
Accounts receivable		29,011.79
Prepaid insurance		(41,281.00)
Accounts payable		(3,471.81)
Other current liabilities		23,978.18
Net Cash Provided by Operating Activities	$	257,684.26

NOTES TO THE FINANCIAL STATEMENTS

NOTE A - The Fall Creek Falls Utility District of Van Buren-Bledsoe Counties, Tennessee, was created on December 30, 1966, by decree of the County Court of Van Buren County, Tennessee, under chapter 248 of the Public Acts of Tennessee for 1937.

The district provides water for portions of Van Buren and Bledsoe Counties, including Fall Creek Falls State Park.

The Fall Creek Falls Utility District of Van Buren-Bledsoe Counties, Tennessee, has adopted the following accounting policies:

(1) Reporting Entity

The identification of a financial reporting entity is built around the concept of financial accountability. That is, if a primary government is financially accountable for another entity, that entity's financial statements must be included in the financial statements of the reporting entity. While financial accountability is central to the identification of component units, even if it does not exist, an entity will be considered a component unit if that entity's relationship with the primary government is such that its exclusion would create misleading or incomplete financial statements.

Based upon this concept, the reporting entity is The Fall Creek Falls Utility District of Van Buren-Bledsoe Counties, Tennessee. There are no other potential component units to consider.

(2) Basis of Accounting

The district uses the accrual method of accounting to prepare its financial statements.

All activities of the district are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

NOTE A (Cont'd):

(2) Basis of Accounting

The accounting and financial reporting treatment applied to the district is determined by its measurement focus. The transactions of the district are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operations are included on the statement of net position.

(3) Capital Assets

The capital assets in service are carried at cost and are depreciated over the estimated useful life of the asset using the straight-line method of depreciation. Cost consists of all direct costs related to construction or acquisition of capital assets. Depreciation is not considered until the assets are actually put into use. Capital assets contributed by developers are included at the developers' cost or estimated cost.

Maintenance and repairs, which do not significantly extend the value or life of the property, plant, and equipment, are expensed as incurred.

Capital policy for the district is items purchased or betterment, not repairs, in excess of $5,000.00 and having a useful life of one year or more will be capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	Years
Water Distribution System	20-50
Structures and Improvements	15-40
Office Furniture, Equipment, and Vehicles	5-15

NOTE A (Cont'd):

(4) Provision for Uncollectible Accounts

Management has made an allowance for uncollectible accounts equal to the total of the inactive accounts carried in the billing system.

(5) Cash Equivalents

For purposes of the statement of cash flows, all highly liquid investments (including debt-service funds) with a maturity date of three months or less when purchased are considered to be cash equivalents.

(6) Credit Risk

The district provides water for residential, commercial and industrial customers located within the district's boundaries.

(7) Restricted Assets

Assets restricted for debt service represent cash maintained in accordance with bond resolutions, loan agreements, grant awards, and other resolutions and formal actions of the district or by agreement for the purpose of funding certain debt service payments, depreciation and contingency activities, and improvements and extensions to the system.

NOTE A (Cont'd):

(8) Net Position

Net position contains the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net position is classified as net investment in capital assets and unrestricted net position. Net investment in capital assets is all capital assets, net of accumulated depreciation and outstanding debt attributable to the acquisition, construction or improvement of the assets. Debt related to unspent proceeds or other restricted cash and investments is not included in this determination. Restricted for capital activity and debt service includes assets, net of the liabilities, restricted by external parties such as lenders, grantors, contributors, laws, regulations, and enabling legislation, including self-imposed legal mandates. Unrestricted net position consists of the assets, net of the liabilities that do not meet the definition of net investment in capital assets.

(9) Net position flow assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position a flow assumption must be made about the order in which the resources are considered to be applied.

It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

NOTE A (Cont'd):

(10) Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources,* represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

For the year ended December 31, 2023, the district has a deferred inflow and deferred outflow of resources from pensions.

(11) Receivables and Revenues

Revenues are billed monthly. Revenues are not accrued for usage from the last meter reading date to December 31.

Operating revenues consist of water charges, service fees, and other miscellaneous income. Tap fees are recorded as revenue to the extent of expenses incurred in connecting a customer to the system. Tap fees in excess of costs are recorded as cash capital contributions. Non-operating revenue consists of interest income earned on cash investments.

(12) Expenses

Operating expenses consist of the cost of purchasing water, repairs and maintenance on the lines and storage facilities, customer billing, administrative and general and depreciation of capital assets.

Non-operating expenses consist of interest on long-term liabilities.

NOTE A (Cont'd):

(13) Contributions

Contributions are recognized in the Statement of Revenues, Expenses, and Changes in Net Position when earned. Contributions include developer contributed utility systems, capacity and other supplemental support by other utilities and industrial customers and federal, state and local grants in support of system improvements.

(14) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, and reported amounts of revenues and expenses during the reporting period. Estimates are used to determine depreciation expense, the allowance for doubtful accounts and certain claims and judgment liabilities, among other accounts. Actual results may vary from those estimates.

(15) Budgets

Prior to January 1, the budget is approved by the commissioners and submitted to the state comptroller's office as required by state statute. The budget is prepared on the basis where current available funds must be sufficient to meet current expenditures.

The district's budgetary basis of accounting is consistent with generally accepted accounting principles.

NOTE A (Cont'd):

(16) Pensions

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Fall Creek Falls Utility District of Van Buren-Bledsoe Counties, Tennessee's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from Fall Creek Falls Utility District of Van Buren-Bledsoe Counties, Tennessee's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

NOTE B - Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The district's deposit policy for custodial risk is as follows:

All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool.

The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

For deposits with financial institutions that do not participate in the bank collateral pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the district.

At December 31, 2023, $151,586 of the District's bank balance of $3,686,784.88 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$151,586

NOTE C – Capital assets activity during the year was as follows:

	Balance at January 1	Additions	Reductions	Balance at December 31
Capital Assets Not Being Depreciated:				
Land	$ 19,187.00	$ -	$ -	$ 19,187.00
Construction in progress	7,295.00	766,068.13	-	773,363.13
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	$ 26,482.00	$ 766,068.13	$ -	$ 792,550.13
Capital Assets Being Depreciated:				
Water system	7,938,679.77	-	-	7,938,679.77
Building	73,067.39	-	-	73,067.39
Vehicles	46,581.43	50,500.00	-	97,081.43
Equipment	54,583.19	65,593.11	-	120,176.30
TOTAL CAPITAL ASSETS BEING DEPRECIATED	$ 8,112,911.78	$ 116,093.11	$ -	$ 8,229,004.89
Less Accumulated Depreciation for:				
Water system	(3,741,798.96)	(198,132.89)	-	(3,939,931.85)
Building	(64,375.58)	(1,342.68)	-	(65,718.26)
Vehicles	(46,581.43)	(3,366.67)	-	(49,948.10)
Equipment	(36,933.44)	(8,666.92)	-	(45,600.36)
TOTAL ACCUMULATED DEPRECIATION	$ (3,889,689.41)	$ (211,509.16)	$ -	$ (4,101,198.57)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, Net	$ 4,223,222.37	$ (95,416.05)	$ -	$ 4,127,806.32
CAPITAL ASSETS, NET	$ 4,249,704.37	$ 670,652.08	$ -	$ 4,920,356.45

Depreciation expense was $211,509.16

CONSTRUCTION IN PROGRESS

Construction in progress at December 31, 2023 consisted of:

	Actual to date
Long Branch	$ 7,295.00
Big Springs Gap Road waterline	766,068.13
	$ 773,363.13

The Long Branch Project is funded with developer contributions.
The Big Springs Gap Road waterline is funded with a ARPA funds issued to Bledsoe and Van Buren Counties and is being administered by and paid by Bledsoe County.

NOTE D – GENERAL INFORMATION ABOUT THE PENSION PLAN

Plan Description. Employees of Fall Creek Falls Utility District are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multi-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies.

Benefits provided. Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service-related disability benefits are provided regardless of length of service. Five years of service is required for nonservice-related disability eligibility. The service-related and nonservice-related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Employees covered by benefit terms. At the measurement date of June 30, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	10
Active employees	7
Total employees	19

NOTE D (Cont'd):

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. Fall Creek Falls Utility District makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended December 31, 2023, employer contributions for Fall Creek Falls Utility District were $16,767, based on a rate of 5.18 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Fall Creek Falls Utility District's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

Fall Creek Falls Utility District's net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total pension liability as of June 30, 2023 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	2.25 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	6.75 percent, net of pension plan investment expenses, including inflation

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

NOTE D (Cont'd):

The actuarial assumptions used in the June 30, 2023 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2020 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.25 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

NOTE D (Cont'd):

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	4.88%	31.00%
Developed market international equity	5.37%	14.00%
Emerging market international equity	6.09%	4.00%
Private equity and strategic lending	6.57%	20.00%
U.S. fixed income	1.20%	20.00%
Real estate	4.38%	10.00%
Short-term securities	0.00%	1.00%
		100.00%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75 percent based on a blending of the factors described above.

Discount rate. The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from Fall Creek Falls Utility District will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE D (Cont'd):

Changes in the Net Pension Liability (Asset)

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at 06/30/22	$ 504,560	$ 503,649	$ 911
Changes for the year:			
Service cost	20,543	-	20,543
Interest	34,876	-	34,876
Differences between expected and actual experience	27,875	-	27,875
Changes in Assumptions	-	-	-
Contributions - employer	-	15,863	(15,863)
Contributions - employees	-	15,312	(15,312)
Net investment income	-	34,316	(34,316)
Benefit payments, including refunds of employee contributions	(16,841)	(16,841)	-
Administrative expense	-	(598)	598
Net changes	66,453	48,052	18,401
Balance at 06/30/23	$ 571,013	$ 551,701	$ 19,312

NOTE D (Cont'd):

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of Fall Creek Falls Utility District calculated using the discount rate of 6.75 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75 percent) or 1-percentage-point higher (7.75 percent) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Fall Creek Falls Utility District's net pension liability (asset)	$ 109,875	$ 19,312	$ (54,902)

Pension Expense (Negative Pension Expense) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension expense. For the year ended December 31, 2023, Fall Creek Falls Utility District recognized pension expense of $19,887.

Deferred outflows of resources and deferred inflows of resources. For the year ended December 31, 2023, Fall Creek Falls Utility District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 40,081	$ 8,664
Net difference between projected and actual earnings on pension plan investments	4,736	-
Changes in Assumptions	14,871	-
Contributions subsequent to the measurement date of June 30, 2023	9,010	(not applicable)
Total	$ 68,698	$ 8,664

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2023," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

NOTE D (Cont'd):

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2025	$ 13,089
2026	11,361
2027	19,635
2028	8,678
2029	(1,733)
Thereafter	-

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

Payable to the Pension Plan

At December 31, 2023, Fall Creek Falls Utility District reported a payable of $3,362 for the outstanding amount of contributions to the pension plan required at the year ended December 31, 2023.

NOTE E - It is the policy of the district to purchase commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property and casualty, worker's compensation and employee fidelity. Settled claims have not exceeded this commercial coverage in any of the past three years.

REQUIRED SUPPLEMENTARY INFORMATION

Schedules of Changes in Fall Creek Falls Utility District of Van Buren-Bledsoe Counties, Tennessee's Net Pension Liability (Asset) and Related Ratios Based on Participation in the Public Employee Pension Plan of TCRS

Last Fiscal Year ending December 31

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total pension liability										
Service cost	$ 7,864	$ 7,832	$ 8,520	$ 7,202	$ 7,085	$ 15,790	$ 16,311	$ 16,230	$ 18,351	$ 20,543
Interest	18,076	21,040	23,806	23,400	19,228	22,182	26,107	30,876	33,204	34,876
Changes in benefit terms	-	-	-	-	-	-	-	-	-	-
Differences between actual & expected experience	20,344	14,035	(15,338)	(65,837)	15,596	30,588	40,287	7,621	(12,130)	27,875
Change of assumptions	-	-	-	9,658	-	-	-	26,025	-	-
Benefit payments including refunds of employee contributions	(6,753)	(6,715)	(6,715)	(35,457)	(6,715)	(13,044)	(16,841)	(16,841)	(16,841)	(16,841)
Net change in total pension liability	$ 39,531	$ 36,192	$ 10,273	$ (61,034)	$ 35,194	$ 55,516	$ 65,864	$ 63,911	$ 22,584	$ 66,453
Total pension liability - beginning	236,529	276,060	312,252	322,525	261,491	296,685	352,201	418,065	481,976	504,560
Total pension liability - ending (a)	$ 276,060	$ 312,252	$ 322,525	$ 261,491	$ 296,685	$ 352,201	$ 418,065	$ 481,976	$ 504,560	$ 571,013
Plan fiduciary net position										
Contributions - employer	$ 7,769	$ 8,893	$ 7,712	$ 8,334	$ 15,157	$ 18,042	$ 12,708	$ 13,211	$ 14,501	$ 15,863
Contributions - employee	5,478	5,952	5,162	5,578	9,545	11,333	12,266	12,752	13,997	15,312
Net investment income	35,488	7,905	7,202	30,677	24,824	25,347	18,717	104,242	(19,817)	34,316
Benefit payments, including refunds of employee contributions	(6,753)	(6,715)	(6,715)	(35,457)	(6,715)	(13,044)	(16,841)	(16,841)	(16,841)	(16,841)
Administrative expense	(148)	(203)	(291)	(339)	(671)	(623)	(620)	(626)	(770)	(598)
Net change in plan fiduciary net position	$ 41,834	$ 15,832	$ 13,070	$ 8,793	$ 42,140	$ 41,055	$ 26,230	$ 112,738	$ (8,930)	$ 48,052
Plan fiduciary net position - beginning	210,887	252,721	268,553	281,623	290,416	332,556	373,611	399,841	512,579	503,649
Plan fiduciary net position - ending (b)	$ 252,721	$ 268,553	$ 281,623	$ 290,416	$ 332,556	$ 373,611	$ 399,841	$ 512,579	$ 503,649	$ 551,701
Net Pension Liability (asset) - ending (a) - (b)	$ 23,339	$ 43,699	$ 40,902	$ (28,925)	$ (35,871)	$ (21,410)	$ 18,224	$ (30,603)	$ 911	$ 19,312
Plan fiduciary net position as a percentage of total pension liability	91.55%	86.01%	87.32%	111.06%	112.09%	106.08%	95.64%	106.35%	99.82%	96.62%
Covered-employee payroll	$ 109,559	$ 119,049	$ 103,242	$ 111,569	$ 190,896	$ 226,659	$ 245,321	$ 255,035	$ 279,948	$ 306,230
Net pension liability (asset) as a percentage of covered-employee payroll	21.30%	36.71%	39.62%	-25.93%	-18.79%	-9.45%	7.43%	-12.00%	0.33%	6.31%

Changes of Assumptions. In 2022, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, and mortality improvements. In 2017, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, salary growth and mortality improvements.

Schedule of Fall Creek Falls Utility District of Van Buren-Bledsoe Counties, Tennessee's Contributions Based on Participation in the Public Employee Pension Plan of TCRS

Last Fiscal Year ending December 31

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Actuarially determined contribution	$ 7,769	$ 8,893	$ 7,712	$ 8,334	$ 15,157	$ 18,042	$ 12,708	$ 13,211	$ 14,501	$ 15,863
Contributions in relation to the actuarially determined contribution	7,769	8,893	7,712	8,334	15,157	18,042	12,708	13,211	14,501	15,863
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered-employee payroll	$ 109,559	$ 119,049	$ 103,242	$ 111,569	$ 190,896	$ 226,659	$ 245,321	$ 255,035	$ 279,948	$ 306,230
Contributions as a percentage covered-employee payroll	7.09%	7.47%	7.47%	7.47%	7.94%	7.96%	5.18%	5.18%	5.18%	5.18%

Notes to Schedule

Valuation date: Actuarially determined contribution rates for 2023 were calculated based on the June 30, 2022 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies by Year
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	2.25 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	6.75 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement

Changes of Assumptions. In 2021, the following assumptions were changed: decreased inflation rate from 2.50 percent to 2.25 percent; decreased the investment rate of return from 7.25 percent to 6.75 percent; and modified mortality assumptions decreased the cost-of-living adjustment from 2.25 percent to 2.125 percent; and modified mortality assumptions.
Changes of Assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average 4.00 percent; and modified mortality assumptions.

SUPPLEMENTAL INFORMATION

FALL CREEK FALLS UTILITY DISTRICT
OF VAN BUREN AND BLEDSOE COUNTIES, TENNESSEE
CONDENSED COMPARATIVE STATEMENTS OF NET POSITION
December 31, 2023 and December 31, 2022

	2023	2022	Increase (Decrease)
	ASSETS		
Current Assets:			
Cash and cash equivalents	$ 2,027,997.58	$ 1,833,780.34	$ 194,217.24
Certificates of deposit	1,658,787.30	1,651,542.31	7,244.99
Accounts receivable (net)	111,236.34	172,250.90	(61,014.56)
Other receivables	-	12,739.28	(12,739.28)
Interest receivable	8,386.01	2,049.02	6,336.99
Prepaid insurance	41,281.00	-	41,281.00
TOTAL CURRENT ASSETS	$ 3,847,688.23	$ 3,672,361.85	$ 175,326.38
Capital assets (net)	4,920,356.45	4,249,704.37	670,652.08
	$ 8,768,044.68	$ 7,922,066.22	$ 845,978.46
	DEFERRED OUTFLOWS OF RESOURCES		
Deferred cost of pension	68,697.34	64,556.56	4,140.78
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 8,836,742.02	$ 7,986,622.78	$ 850,119.24
	LIABILITIES		
Current Liabilities	$ 118,448.06	$ 97,941.69	$ 20,506.37
Noncurrent Liabilities	19,312.83	911.55	18,401.28
TOTAL LIABILITIES	$ 137,760.89	$ 98,853.24	$ 38,907.65
	DEFERRED INFLOWS FROM RESOURCES		
Deferred inflows related to pensions	8,664.00	19,804.00	(11,140.00)
	NET POSITION		
Net investment in capital assets	$ 4,920,356.45	$ 4,249,704.37	$ 670,652.08
Unrestricted	3,769,960.68	3,618,261.17	151,699.51
TOTAL NET POSITION	8,690,317.13	7,867,965.54	822,351.59
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	$ 8,836,742.02	$ 7,986,622.78	$ 850,119.24

FALL CREEK FALLS UTILITY DISTRICT
OF VAN BUREN AND BLEDSOE COUNTIES, TENNESSEE
CONDENSED STATEMENT OF REVENUES, EXPENSES & CHANGE IN NET POSITION
For Years Ended December 31, 2023 and December 31, 2022

	2023	2022	Increase (Decrease)
Operating revenue (net of bad debts)	$ 1,232,385.04	$ 1,179,806.57	$ 52,578.47
Operating expenses:			
Salaries	$ 340,671.71	$ 302,760.26	$ 37,911.45
Payroll taxes	26,863.47	27,314.98	(451.51)
Retirement	19,887.11	8,584.34	11,302.77
Legal and accounting	-	4,200.00	(4,200.00)
Water purchases	4,691.00	-	4,691.00
Repairs and maintenance	438,745.23	341,835.59	96,909.64
Provision for depreciation	211,509.16	204,479.00	7,030.16
Office supplies and billing	36,853.47	29,921.30	6,932.17
Telephone	4,745.07	5,780.57	(1,035.50)
Utilities	108,217.56	122,065.07	(13,847.51)
Commissioners fees	10,200.00	10,500.00	(300.00)
Insurance	14,906.40	50,982.08	(36,075.68)
Dues, fees, and seminars	7,658.90	5,610.32	2,048.58
Water samples	3,547.00	5,241.49	(1,694.49)
Miscellaneous	13,813.57	13,912.38	(98.81)
TOTAL OPERATING EXPENSES	1,242,309.65	1,133,187.38	109,122.27
OPERATING INCOME	$ (9,924.61)	$ 46,619.19	$ (56,543.80)
Non-operating income:			
Interest income	66,208.07	21,808.68	44,399.39
Recovery of bad debts	-	2,793.88	(2,793.88)
INCREASE IN NET POSITION BEFORE CONTRIBUTIONS	$ 56,283.46	$ 71,221.75	$ (14,938.29)
Contributions:			
State of Tennessee	-	39,578.95	(39,578.95)
Grant funds	766,068.13	-	766,068.13
Tap fees in excess of cost	-	3,550.00	(3,550.00)
CHANGE IN NET POSITION	$ 822,351.59	$ 114,350.70	$ 708,000.89

FALL CREEK FALLS UTILITY DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
Year ended December 31, 2023

Department	Federal ALN	Pass-Through Entity Identifying Number	Expenditures
Federal Awards			
U.S. Department of the Treasury			
Coronavirus State & Local Fiscal Recovery Funds	21.027		$ 766,068.13
TOTAL FEDERAL AWARDS			$ 766,068.13

NOTE A - BASIS OF PRESENTATION:
The accompanying Schedule of Federal Awards summarizes the expenditures of the Fall Creek Falls Utility District under programs of the federal government for the year ended December 31, 2023. The schedule is presented using the accrual basis of accounting.

NOTE B - INDIRECT COST RATE
Fall Creek Falls Utility District has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

OTHER FINANCIAL INFORMATION (UNAUDITED)

THE FALL CREEK FALLS UTILITY DISTRICT
OF VAN BUREN-BLEDSOE COUNTIES, TENNESSEE
OTHER INFORMATION
December 31, 2023

The district had approximately 1,836 metered water customers as of December 31, 2023.

The district is exempt from federal income tax.

Amounts totaling $82,605.79 were past due at December 31, 2023.

Water rates in effect as of December 31, 2023, are:

First 1,000 gallons	$ 13.50 minimum bill
Over 1,000 gallons	8.30 per 1,000 gallons
Brockdell Extension	
First 1,000 gallons	$17.50 minimum bill
Over 1,000 gallons	9.40 per 1,000 gallons
Longbranch and Hawk's Bluff	
First 1,000 gallons	$17.50 minimum bill
Over 1,000 gallons	10.75 per 1,000 gallons

A description of insurance in force at December 31, 2023, follows:

Insurer	Coverage	Amount of Coverage	Date of Expiration
The Cincinnati Insurance Co.	Buildings	$ 8,627,753.00	
	Personal Property	224,340.00	
	Liability	1,000,000.00	
	Crime/ Employee Theft	250,000.00	November 28, 2024
	Auto	1,000,000.00	
Steadpoint	Workmen's Compensation	Statutory	September 17, 2024
The Cincinnati Insurance Co.	Fidelity Bond: Employees & Commissioners	$ 1,000,000.00	November 28, 2024
Westchester	Pollution	$ 1,000,000.00	November 28, 2024

COMPLIANCE AND INTERNAL CONTROL

JOHN R. POOLE, CPA
CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Commissioners
The Fall Creek Falls Utility District of
Van Buren-Bledsoe Counties, Tennessee
Pikeville, Tennessee

I have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Fall Creek Falls Utility District of Van Buren-Bledsoe Counties, Tennessee (the "District"), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Fall Creek Falls Utility District of Van Buren-Bledsoe Counties, Tennessee's basic financial statements, and have issued a report thereon dated September 30, 2024.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Fall Creek Falls Utility District of Van Buren-Bledsoe Counties, Tennessee's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fall Creek Falls Utility District of Van Buren-Bledsoe Counties, Tennessee's internal control. Accordingly, I do not express an opinion on the effectiveness of the Fall Creek Falls Utility District of Van Buren-Bledsoe Counties, Tennessee's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weakness or significant deficiencies may exist that were not identified. I did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2023-001, 2023-002, 2023-003 and 2023-004 that I consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fall Creek Falls Utility District of Van Buren-Bledsoe Counties, Tennessee's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of the audit and, accordingly, I do not express such an opinion. The results of the tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. These instances are identified as items 2023-003 and 2023-004.

Response to Finding

The Fall Creek Falls Utility District of Van Buren-Bledsoe Counties, Tennessee's response to the finding identified in the audit is described Schedule of Findings and Responses. The Fall Creek Falls Utility District od Van Buren-Bledsoe Counties, Tennessee's (the "District"), response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of the testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Jeff R Todd, CPA

September 30, 2024

JOHN R. POOLE, CPA
CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Board of Commissioners
The Fall Creek Falls Utility District of
Van Buren-Bledsoe Counties, Tennessee
Pikeville, Tennessee

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

I have audited the Fall Creek Falls Utility District of Van Buren-Bledsoe Counties, Tennessee's compliance with the types of compliance requirements identified as subject to audit in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023. The District's major federal programs are identified in the summary of the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In my opinion, Fall Creek Falls Utility District of Van Buren-Bledsoe Counties, Tennessee complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States and the audit requirements of Title 2 US Code of Federal Regulation Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). My responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of the Compliance section of my report.

I am required to be independent of the Fall Creek Falls Utility District of Van Buren-Bledsoe Counties, Tennessee and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion on compliance for each major program. Our audit does not provide a legal determination of the Fall Creek Falls Utility District of Van Buren-Bledsoe Counties, Tennessee's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grants agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

My objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and to express an opinion of the Fall Creek Falls Utility District of Van Buren-Bledsoe Counties, Tennessee's compliance based on the audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the Fall Creek Falls Utility District of Van Buren-Bledsoe Counties, Tennessee's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards and the Uniform Guidance, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Fall Creek Falls Utility District of Van Buren-Bledsoe Counties, Tennessee's compliance with the compliance requirements referred to above and performing such other procedures as I considered necessary in the circumstances.
- Obtain an understanding of the Fall Creek Falls Utility District of Van Buren-Bledsoe Counties, Tennessee's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances, and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Fall Creek Falls Utility District of Van Buren-Bledsoe Counties, Tennessee's internal control over compliance. Accordingly, no such opinion is expressed.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that I identified during the audit.

Other Matters

The results of the auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with Uniform Guidance.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with the types of compliance requirements of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of the internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during the audit I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

My audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of the testing of internal control over compliance and the result of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose

Josh R Poole, CPA

September 30, 2024

THE FALL CREEK FALLS UTILITY DISTRICT
OF VAN BUREN-BLEDSOE COUNTIES, TENNESSEE

Schedule of Findings and Questioned Costs

December 31, 2023

Section I - Summary of Auditor's Results

Financial Statements

The Auditor's Report on the Financial Statements was an unmodified opinion.

Internal control over financial reporting:

Material weakness identified ? Yes. 2023-001 Segregation of Duties,
2023-002 Failure to Cut-off Deliquent Customers, 2023-003 Collateral for Deposits
2023-004 Prompt Deposit of Receipts

Significant deficiencies identified ? None reported

Noncompliance material to financial statements noted ? No.

Federal Awards

Internal control over major programs:

Material weakness identified ? No.

Significant deficiencies identified ? None reported

The auditor's report on compliance for major programs was unmodified.

There were no audit findings disclosed that are required to be reported in accordance with
2 CFR 200.516(a).

The Major Programs were:
America Rescue Plan Act Assistance Listing Number 21.027

Type A programs have been distinguished as those programs with expenditures greater than $750,000.
Assistance Listing Number 21.027, met this threshold

The District was not considered to be a low risk auditee.

Section II - Financial Statement Findings

There were four findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards. 2023-001 - Separation of Duties,
2023-002 Failure to Cut-off Deliquent Customers, 2023-003 Collateral for Deposits
2023-004 Prompt Deposit of Receipts

Section III - Federal Award Findings and Questioned Costs

There were no findings related to Federal Awards.

THE FALL CREEK FALLS UTILITY DISTRICT
OF VANBUREN-BLEDSOE COUNTIES, TENNESSEE

Schedule of Findings and Recommendations

December 31, 2023

2023-001 - Segregation of Duties

Condition: The District currently has two employees that work in performing the majority of the utility billing, collections of utility bills, and processing expenditure payments for the District. Due to only having two employees performing the accounting transactions, there is currently an inadequate segregation of duties. The auditor commends the District for hiring professional accounting services, which reduces the risk related to the segregation of duties.

Criteria: Generally accepted accounting principles and the *Internal Control and Compliance Manual for Tennessee Utility Districts* require that accounting functions be adequately segregated to ensure that the internal accounting controls are effective.

Cause: The District has a limited number of office employees to provide for a proper division of duties.

Effect: The risk of errors and irregularities occurring and not being detected in a timely manner along with the possibility of fraud or misappropriation of assets increases when accounting functions are not adequately segregated.

Recommendation: For adequate separation of duties, the employee who writes receipts, prepares and makes bank deposits, or writes checks should neither reconcile bank statements nor post to the cash receipts and disbursements journals.

Response: "We agree that the staff size will not allow the District to segregate duties to the optimum level desired. There are only two employees working in the department so it is virtually impossible to segregate duties unless more staff could be hired and due to the finances of our small district, we could not financially hire additional office help. We require two signatures on all checks and try to separate the receipt and disbursement functions, which gives us some control over the bank account and accounts receivable. Additionally, we have hired professional accounting services, which reduces the risk related to the segregation of duties."

THE FALL CREEK FALLS UTILITY DISTRICT
OF VAN BUREN-BLEDSOE COUNTIES, TENNESSEE

Schedule of Findings and Recommendations, Continued

December 31, 2023

2023-002 – Failure to Properly Cut-off Water Services for Delinquent Paying Water Customers

Condition: Based on a review of the Account Receivable Aging Report as of December 31, 2023, it was noted that there were delinquent amounts owed in excess of over $98,000. While many of these accounts are from old customer accounts, many of the delinquent balances were from existing customers, including current employees of the District. Of the existing customers, many owed over $1,000 dollars and are continuing to receive water services.

Criteria: *Internal Control and Compliance Manual for Tennessee Utility Districts* and good business practices require that the District should require payment for all services of the District, and when payments are not made appropriate cutoff and subsequent collections efforts should be made.

Cause: The District has not enforced its cut-off guidelines.

Effect: The effect of this failure to enforce cut-off guidelines resulted in the District having an operating deficit of ($9,925), effectively having the District pay the water services of the non-paying customers and employees.

Recommendation: The Board of the District should formalize and approve a cut-off policy. The District employees were not able to locate an existing cut-off policy. Once approved the Board should hold District management responsible for the implementation of the policy. The auditor understands this will be a difficult process for the District and may require the Board to establish a payment repayment plan for certain customers with large balances. The repayment plans should be written documents and emphasize the actions the District will take if repayments are not made.

Response: We agree and have already started the process of cut-offs. The Board will begin writing and approving a cut-off policy for the District.

THE FALL CREEK FALLS UTILITY DISTRICT
OF VAN BUREN-BLEDSOE COUNTIES, TENNESSEE

Schedule of Findings and Recommendations, Continued

December 31, 2023

2023-003 – Collateral for Deposits (Compliance)

Condition: The District has cash balances in a financial institution in excess of the FDIC maximum ($250,000) that does not have the required additional collateralization or insurance.

Criteria: In accordance with Tennessee Code Annotated 7-82-108, collateralization of 105% on all deposits above the FDIC insured amounts is required.

Cause: Cash balances have grown above the FDIC maximum amounts.

Effect: This condition increases the risk of loss of these cash balances.

Recommendation: The District should discuss the situation with the financial institution and have monitoring procedures to be sure all cash balances are properly collateralized.

Response: "We agree and will implement the monitoring procedures."

2023-004 – Prompt Deposit of Receipts (Compliance)

Condition: The District does not always make deposits to the bank within three business days of receipt as required by State of Tennessee requirements.

Criteria: The State of Tennessee requires that all funds received must be deposited with the financial institution within three business days.

Cause: The primary cause relates to the distance between the District and the financial institution.

Effect: This condition increases the risk of loss of these cash balances due to theft.

Recommendation: The District should prioritize the deposit of these funds. The Board should make sure that these deposits are being made.

Response: "We agree and will implement these procedures."

THE FALL CREEK FALLS UTILITY DISTRICT
OF VAN BUREN-BLEDSOE COUNTIES, TENNESSEE

Schedule of Disposition of Prior Year Comments

December 31, 2023

Finding Number	Finding Title	Status
2022 – 001	Separation of Duties	Repeated

The original finding number was 2013-001. The current finding number is 2023-001.

2022 – 002	Financial Statement Preparation	Completed

The original finding number was 2013-002.

2022 – 003	Collateral for Deposits	Repeated

The original finding number was 2013-003. The current finding number is 2023-003.

2022 – 004	Prompt Deposit of Receipt	Repeated

The original finding number was 2022-004. The current finding number is 2023-004.

FALL CREEK FALLS UTILITY DISTRICT
27364 STATE ROUTE 30
PIKEVILLE, TENNESSEE 37367

Management's Corrective Action Plan

Audit period: December 31, 2023

The findings from the December 31, 2023, *Schedule of Findings and Responses* are discussed below.

2023-001 Segregation of Duties (Internal Control)

Contact person: Monica Blankenship, Office Manager

Planned Corrective Action: It is not economically feasible at this time to hire a sufficient number of people to adequately separate the duties. The Board of Directors will continue to monitor our finances and internal control.

Anticipated Completion Date: At the current time, due to our size, we do not believe we can fully segregate these duties. We will continue to improve and strengthen our internal controls, but we cannot give a definite date.

2023-002 – Failure to Properly Cut-off Water Services for Delinquent Paying Water Customers

Contact person: Monica Blankenship, Office Manager

Planned Corrective Action: The Board will review the cut-off situation and review the delinquent customer accounts and take appropriate action to protect the District from further financial losses.

Anticipated Completion Date: We will start immediately and believe the required actions will be completed by December 31, 2024.

Management's Corrective Action Plan, Continued

2023-003 – Collateral for Deposits (Compliance)

Contact person: Monica Blankenship, Office Manager

Planned Corrective Action: We will contact the financial institution and begin the monitoring procedures immediately.

Anticipated Completion Date: We will start immediately and believe the required actions will be completed by December 31, 2024

2023-004 – Prompt Deposit of Receipts (Compliance)

Contact person: Monica Blankenship, Office Manager

Planned Corrective Action: We will review our procedures with our Board and be in compliance.

Anticipated Completion Date: We will start immediately and believe the required actions will be completed by December 31, 2024

Signature: Monica Blankenship

Jason E. Mumpower
Comptroller

Entity Referred: **City of Loretto**

Referral Reason: **Administrative Review**

Utility Type Referred: **Water And Sewer**

Staff Summary:

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to the City of Loretto ("the Utility"). The investigation was limited to selected records related to an event that occurred on December 17, 2024. The results of the investigation were communicated to the Office of the District Attorney General of the 22nd Judicial District.

The Comptroller's report details the following:

1. City of Loretto personnel disposed of Wastewater from City Administrator Jesse Turner's Septic Tank onto private property.
    - Tennessee Code prohibits the disposal of sewage on private property.

2. City of Loretto Personnel Pumped City Administrator Jesse Turner's Septic Tank without a permit.
    - Per the State of Tennessee's environmental regulations pertaining to wastewater, wastewater removed from a septic tank must be pumped by a septic pumper with an active permit issued by the Tennessee Department of Environment and Conservation (TDEC). Neither Turner nor the city utility manager nor the utility employee who pumped the septic tank were holders of active permits that would allow them to lawfully pump the septic tank.

3. City of Loretto City Administrator Jesse Turner received a Benefit from work completed on his private property by city employees.
    - A review of TDEC records showed that there was one septic pumping business with an active permit and a business address in Leoma, Tennessee, at the time of the incident. Per inquiries made by investigators, fees for this type of service would have ranged from $275 to $500, depending on the condition and volume of the septic tank.

The investigation found the following deficiencies:

1. City employees did not comply with the City of Loretto's municipal code pertaining to the use of municipal assets.
    1. Per the Loretto City Code, 4-305 - *Use of municipal time, facilities, etc.*, "No city officer or employee shall use or authorize the use of municipal time, facilities, equipment, or supplies for private gain or advantage to himself or any other private person or group."

On June 25, 2025, the Lawrence County Grand Jury indicted Jesse Turner on one count of Official Misconduct.

Staff Recommendation:
The Board should order the following:

1. The Utility shall contract with a third-party expert to assist in creating new or reviewing existing managerial and personnel policies that will prohibit circumstances similar to this from occurring in the future.

1. The Utility shall provide Board staff with the updated policies and a signed letter from the governing body detailing the changes that have been made to deter illegal actions from taking place in the future, as mentioned above, by September 30, 2025.

TENNESSEE COMPTROLLER OF THE TREASURY

COMPTROLLER'S INVESTIGATIVE REPORT

City of Loretto

June 27, 2025

Jason E. Mumpower
Comptroller of the Treasury

DIVISION OF INVESTIGATIONS

TENNESSEE COMPTROLLER OF THE TREASURY

JASON E. MUMPOWER
Comptroller

June 27, 2025

Mayor Steve McMasters and
City Council Members
415 N Military Street
Loretto, TN 38469

City of Loretto Officials:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the City of Loretto, and the results are presented herein.

Copies of this report are being forwarded to Governor Bill Lee, the State Attorney General, the District Attorney General of the 22nd Judicial District, certain state legislators, and various other interested parties. A copy of the report is available for public inspection in our Office and may be viewed at http://www.comptroller.tn.gov/ia/.

Sincerely,

Jason E. Mumpower
Comptroller of the Treasury

JEM/MLC

INVESTIGATIVE REPORT

City of Loretto

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to the City of Loretto. The investigation was limited to selected records related to an event that occurred on December 17, 2024. The results of the investigation were communicated with the Office of the District Attorney General of the 22nd Judicial District.

BACKGROUND



The City of Loretto (city) is located in Lawrence County, Tennessee, and has a population of approximately 1,700 people. The city is governed by a mayor, a vice mayor, and one alderman, and employs a city administrator, a utility manager, as well as other city employees. The city administrator supervises the utility manager and their employees.

On Tuesday, December 17, 2024, the city administrator encountered an issue with the septic tank at his personal residence. The city administrator's personal residence is located in the community of Leoma, Tennessee, and it is approximately seven miles outside of the municipal limits of the city. The city administrator contacted the city utility manager, and the utility manager and a utility employee traveled to the city administrator's home in a city-owned vehicle to evaluate the septic tank. With the city administrator's consent and approval, the city utility manager and utility employee pumped wastewater from the septic tank onto the city administrator's private property using a portable pump that the utility manager alleged he personally owned. According to the city administrator, they removed the non-functional septic tank pump and replaced it with a new one that the city administrator allegedly obtained via a warranty. According to the city employees, the work took approximately two hours and occurred during the regular workday.

RESULTS OF INVESTIGATION

1. CITY OF LORETTO PERSONNEL DISPOSED OF WASTEWATER FROM CITY ADMINISTRATOR JESSE TURNER'S SEPTIC TANK ONTO PRIVATE PROPERTY

The city administrator, Jesse Turner, approved the city's utility manager and a utility employee to dispose of wastewater from Turner's septic tank **(Refer to Exhibit 1 and Exhibit 2)** onto Turner's private property. Tennessee Code prohibits the disposal of sewage on private property. This took place in the community of Leoma in Lawrence County, Tennessee, and not within the municipal limits of the city. The incident occurred on Tuesday, December 17, 2024, during the city's normal business hours.

Exhibit 1



Photograph from Turner's septic system's 2022 Certificate of Completion from the Tennessee Department of Environment and Conservation showing the subsurface sewage disposal system

Exhibit 2



Photograph from Turner's septic system's 2022 Certificate of Completion from Tennessee Department of Environment and Conservation showing the system's uphill drain lines

2. CITY OF LORETTO PERSONNEL PUMPED CITY ADMINISTRATOR JESSE TURNER'S SEPTIC TANK WITHOUT A PERMIT

Per the State of Tennessee's environmental regulations pertaining to wastewater, wastewater removed from a septic tank must be pumped by a septic pumper with an active permit issued by the Tennessee Department of Environment and Conservation (TDEC). Neither Turner nor the city utility manager and utility employee who pumped the septic tank were holders of active permits that would allow them to lawfully pump the septic tank.

3. CITY OF LORETTO CITY ADMINISTRATOR JESSE TURNER RECEIVED A BENEFIT FROM WORK COMPLETED ON HIS PRIVATE PROPERTY BY CITY EMPLOYEES

Turner received a benefit by authorizing the use of city employees to pump and dispose of wastewater on his private property, at no cost to him, without using a septic pumper with an active permit. A review of TDEC records showed that there was one septic pumping business with an active permit and a business address in Leoma, Tennessee, at the time of the incident. Per inquiries made by investigators, fees for this type of service would have ranged from $275 to $500, depending on the condition and volume of the septic tank.

On June 25, 2025, the Lawrence County Grand Jury indicted Jesse Turner on one count of Official Misconduct.

The charges and allegations contained in the indictment are merely accusations of criminal conduct, and not evidence. The defendant is presumed innocent unless and until proven guilty beyond a reasonable doubt and convicted through due process of law.

City of Loretto Investigation Exhibit

COMPLIANCE DEFICIENCY

Our investigation revealed a deficiency in compliance with municipal regulations.

Deficiency 1: **City employees did not comply with the City of Loretto's municipal code pertaining to the use of municipal assets**

City employees failed to follow the city's municipal code pertaining to the use of municipal assets. Per the *Loretto City Code, 4-305 - Use of municipal time, facilities, etc.*, "No city officer or employee shall use or authorize the use of municipal time, facilities, equipment or supplies for private gain or

advantage to himself or any other private person or group." The work conducted by city employees at the city administrator's direction on the city administrator's private property during the city's normal business hours on Tuesday, December 17, 2024, provided the city administrator with a benefit of not having to pay a licensed professional to complete the work.

Jason E. Mumpower
Comptroller

Entity Referred: **Town of Mason**

Referral Reason: **Customer Complaint**

Utility Type Referred: **Water**

Staff Summary:

A customer complaint against the Town of Mason ("the Utility") was presented to the Tennessee Board of Utility Regulation ("the Board") at the July 18, 2024, meeting pursuant to Tenn. Code Ann. § 7-82-702(b)(2). The Board requested that the Town review the complaint and relevant policy, and to determine if any remedial action should be taken. Furthermore, the Board requested that Board staff present any findings and remedial actions taken by the Town to the Board at its next regularly scheduled meeting.

On March 10, 2025, Town employees contacted Board staff and provided a brief overview of all actions taken by the Town in regard to the customer's complaint. The correspondence outlined that the Town adjusted Ms. Powers' March 12, 2024, utility bill in accordance with the Town's Water Leak Adjustment Policy. Board staff concurred with this finding.

At this time Board staff believes that the Town has complied with all outstanding TBOUR requests.

Staff Recommendation:

The Board should order the following:

1. The Utility is officially released from the Board's oversight for purposes of this complaint.

2. Staff and Counsel shall close the case.

Mason

	Category: **Water**		County: **Tipton**	
	N/A	**N/A**	**N/A**	**N/A**
Net Assets	N/A	N/A	N/A	N/A
Deferred Outflow Resources	N/A	N/A	N/A	N/A
Net Liabilities	N/A	N/A	N/A	N/A
Deferred Inflow Resources	N/A	N/A	N/A	N/A
Total Net Position	N/A	N/A	N/A	N/A
Operating Revenues	N/A	N/A	N/A	N/A
Net Sales	N/A	N/A	N/A	N/A
Operating Expenses	N/A	N/A	N/A	N/A
Depreciation Expenses	N/A	N/A	N/A	N/A
Non Operating Revenues	N/A	N/A	N/A	N/A
Capital Contributions	N/A	N/A	N/A	N/A
Transfers In	N/A	N/A	N/A	N/A
Transfers Out	N/A	N/A	N/A	N/A
GAAP Change In Net Position	N/A	N/A	N/A	N/A
Statutory Change In Net Position	N/A	N/A	N/A	N/A

Jason E. Mumpower
Comptroller

Entity Referred: **Dyersburg Suburban Consolidated Utility District**

Referral Reason: **Decrease In Net Position**

Utility Type Referred: **Water**

Staff Summary:

The Dyersburg Suburban Consolidated Utility District ("the Utility") has been referred to the Tennessee Board of Utility Regulation ("the Board") for financial distress since 2025 pursuant to Tenn. Code Ann. 7-82-703. The Utility has returned its financial distress questionnaire to Board staff in a timely manner. Additionally, the Utility has already contracted with a third-party expert to conduct a rate study, which should be completed soon. Board staff has worked with the Utility to ensure that the contracted study will meet the requirements if ordered by the Board.

Staff Recommendation:

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

a. a review of the capitalization policy, including any recommended modifications;
b. a review of the debt management policy, including any recommended modifications;
c. the creation of a five-year capital asset budget, to be taken from the current capital asset list and to include future anticipated needs;
d. a review of relevant utility fees, including but not limited to connection or tap fees, including any recommended modifications;
e. verification that all governing body members of the utility are in compliance with all relevant training requirements;
f. a review of the leak adjustment policy, including any recommended modifications or adoption of such policy should one not exist;

2. By October 31, 2025, the Utility shall provide Board staff with the completed rate study and either proof of implementation of the resulting recommendations or a proposed plan of implementation.

3. Board staff is given the authority to grant up to two extensions of up to six months of the foregoing deadlines upon a showing of good cause by the Utility.

Dyersburg Suburban Consolidated Utility District

	Category: **Water**		County: **Dyer**	
	2021	**2022**	**2023**	**2024**
Net Assets	$4,776,569.00	$4,755,699.00	$4,326,646.00	$4,134,706.00
Deferred Outflow Resources	$90,961.00	$58,541.00	$171,474.00	$128,794.00
Net Liabilities	$1,788,966.00	$1,704,522.00	$1,609,480.00	$1,510,595.00
Deferred Inflow Resources	$96,285.00	$187,205.00	$62,852.00	$45,094.00
Total Net Position	$2,982,279.00	$2,922,513.00	$2,825,788.00	$2,707,811.00
Operating Revenues	$749,163.00	$799,465.00	$761,016.00	$751,784.00
Net Sales	$662,481.00	$670,684.00	$677,929.00	$667,523.00
Operating Expenses	$594,244.00	$794,553.00	$796,949.00	$810,775.00
Depreciation Expenses	$132,108.00	$128,598.00	$128,682.00	$127,869.00
Non Operating Revenues	-$67,057.00	-$64,678.00	-$60,792.00	-$58,986.00
Capital Contributions	$0.00	$0.00	$0.00	$0.00
Transfers In	$0.00	$0.00	$0.00	$0.00
Transfers Out	$0.00	$0.00	$0.00	$0.00
GAAP Change In Net Position	$87,862.00	-$59,766.00	-$96,725.00	-$117,977.00
Statutory Change In Net Position	$87,862.00	-$59,766.00	-$96,725.00	-$117,977.00

Form Name:	Utility Financial Distress Questionnaire
Submission Time:	May 2, 2025 12:06 pm
Browser:	Chrome 135.0.0.0 / Windows
IP Address:	24.116.146.14
Unique ID:	1340548588
Location:	36.0428, -89.3916

Contact Information and Comptroller Filings

Entity ID Number	2178
Utility Name	Dyersburg Suburban Consolidated UD
Name of Person Filling this Out	Kara Hilliard
Utility Email	Karah@dscud.com
Utility Phone	(731) 285-1261
Mailing Address	PO Box 654 Dyersburg, TN 38025
Has the most recent Annual Information report been timely filed for this utility?	Yes
Has the utility filed its most recent budget with the Comptroller's Office within 15 days of adoption?	Yes
Has the utility filed its most recent audit with the Comptroller's Office within 6 months of the last fiscal year end?	Yes

Financial Distress Remedy Plans

Does this utility have a plan to remedy the current financial distress?	Yes
Please describe the current plan to remedy the utility's financial distress.	Jackson Parr from Water Finance Exchange are currently in the process of a rate study.

Rates and Fees Information

Has a rate study been completed for the utility in the previous 5 years?	No

Has the utility implented a rate increase in the last 6 months?	No
Does the utility have plans to implement a rate increase in the next 6 months?	Yes
Is this rate increase based on a rate study conducted by an independent third party?	Yes
If the Entity does □□□□□□ have a rate ordinance or resolution select the box below.	
Has this utility had any changes to fees in the last 5 years?	No
If the Entity does □□□□□□ have a fee schedule select the box below.	
Please how current rates and fees were determined.	There hasn't been any rate change or fees in at least 10 years. I am assuming the rate change at the time was based off of that years audit.

Financial Initiatives

Has the utility incurred any new debt during its current fiscal year, or does the utility plan on incurring any new debt during the current or next fiscal year?	Yes
How much is this new debt, and what is the source of this debt?	420,000 with USDA
What will this debt be used for?	A New Well is being installed.

Has the utility received any grants during its current fiscal year, or does the utility plan on applying for or receiving any new grants during the current or next fiscal year?	Yes
How much is this funding, and what is the source of this funding?	ARPA (1.2M) IPG (131,250.00) CDBG (TBD)
What will this funding be used for?	Water line repairs and new meters

Utility Information

Does this utility offer water service?	Yes
Does this utility offer sewer or wastewater service?	No

Water Utility Information

How many billed customers does the water utility have?	1473
How many unbilled customers does the water utility have?	0
How many metered customers does the water utility have?	1473
How many unmetered customers does the water utility have?	0
What was the net sales revenue from the largest 10 customers last fiscal year?	6026928
What was the net sales revenue for the water utility last fiscal year?	72728455
What percentage of sales do the largest 10 customers account for annually?	0.000
How many gallons were sold to the largest 10 customers last fiscal year?	265921.00

How many gallons were sold last fiscal year?	99872200.00
What percentage of volume do the largest 10 customers account for annually?	0.00
Does the water utility have a rate structure with differing rates based on location?	No
Does this utility have a water connection to another utility to purchase water or to have a backup water supply in case of emergency?	Yes
Does this utility produce its entire water supply without purchasing water from another utility?	Yes
Is it feasible for this utility regionalize, merge, or consolidate with a surrounding utility to improve water service to its current or future customer base?	No - we tried to get a connection to the City of Dyersburg in case of emergencies, and they were not cooperating at the time.
Does this utility sell water at a wholesale rate to any customers such as large commercial/industrial customers or other surrounding utilities?	No
Does this utility have a water treatment facility?	Yes
What is the design capacity of the water treatment facility?	625 GPM
What is the average operating capacity of the water treatment facility?	400 GPM
Are there any environmental concerns including government environmental orders for the water utility?	No

Please describe these environmental concerns for the water utility and the extent of the financial burden to remedy these financial concerns.	Old lines and outdated system are the only concerns at this time.

Wastewater Utility Information

Percentage of sales from Largest 10 Customers	0.00
Percentage of flow from Largest 10 Customers	0.00

Plans and Policies

Does this utility have a debt management policy?	Yes
Does this utility have a capitalization policy?	Yes
Does this utility have a leak adjustment policy?	Yes
Does this utility have an asset management plan?	No
How are capital projects or purchases adequately planned for?	Don't currently have those in place but we are working with Jackson Parr at Water Finance Exchange and Alto & Hunter Hethcoat engineering to develop them.
Does this utility have a copy of its capital asset list on file?	No
Who retains a copy of this capital asset list?	I'm not sure.
How often is this capital asset list reviewed and by whom?	I'm not sure.

Jason E. Mumpower
Comptroller

Entity Referred: **Town of Halls**

Referral Reason: **Decrease In Net Position**

Utility Type Referred: **Sewer**

Staff Summary:

The Town of Halls ("the Utility") has been referred to the Tennessee Board of Utility Regulation ("the Board") for financial distress since 2025, pursuant to Tenn. Code Ann. § 7-82-703. After discussions with the Utility, Board staff was notified that a rate study was completed in October of 2024 by Communities Unlimited, and that the recommended rates were adopted. At this time, Board staff believes that an additional rate study is not needed and recommends that the Utility be placed into the update cycle.

Staff Recommendation:
The Board should order the following:

1. The Utility shall be placed into the update cycle.

Halls

	Category: **Sewer**		County: **Lauderdale**	
	2021	**2022**	**2023**	**2024**
Net Assets	$2,441,745.00	$2,445,592.00	$2,425,471.00	$2,488,501.00
Deferred Outflow Resources	$1,735.00	$1,929.00	$6,292.00	$5,948.00
Net Liabilities	$8,167.00	$2,412.00	$106.00	$4,000.00
Deferred Inflow Resources	$0.00	$4,151.00	$1,588.00	-$691.00
Total Net Position	$2,435,313.00	$2,440,958.00	$2,430,069.00	$2,491,140.00
Operating Revenues	$324,640.00	$312,388.00	$307,409.00	$312,623.00
Net Sales	$315,584.00	$302,508.00	$299,138.00	$305,488.00
Operating Expenses	$291,102.00	$312,594.00	$323,132.00	$346,003.00
Depreciation Expenses	$55,818.00	$59,648.00	$59,072.00	$58,466.00
Non Operating Revenues	$5,090.00	$4,218.00	$3,334.00	$3,479.00
Capital Contributions	$0.00	$1,633.00	$1,500.00	$90,972.00
Transfers In	$0.00	$0.00	$0.00	$0.00
Transfers Out	$0.00	$0.00	$0.00	$0.00
GAAP Change In Net Position	$38,628.00	$5,645.00	-$10,889.00	$61,071.00
Statutory Change In Net Position	$38,628.00	$4,012.00	-$12,389.00	-$29,901.00

Jason E. Mumpower
Comptroller

Entity Referred: **Town of Hornbeak**

Referral Reason: **Decrease In Net Position**

Utility Type Referred: **Sewer**

Staff Summary:

The Town of Hornbeak ("the Utility") has been referred to the Tennessee Board of Utility Regulation ("the Board") for financial distress since 2025. Previously, the Utility was referred to the Water and Wastewater Financing Board for financial distress in 2018, and released in 2023 after two positive years of change in net position. As of the 2024 audit, the Utility has again shown two consecutive years of decrease in net position. Board staff did not request a financial distress questionnaire be completed due to the nature of the re-referral; instead, the most recently adopted rate schedule was requested. Based on the information provided, Board staff noted the following:

- The Utility has not updated its rates or fees since 2020, which was in response to the original order from the WWFB

Staff Recommendation:
The Board should order the following:

1. The Utility shall have a qualified expert as approved by Board staff, perform a rate study that includes the following:
   a. a review of the capitalization policy, including any recommended modifications;
   b. a review of the debt management policy, including any recommended modifications;
   c. the creation of a five-year capital asset budget, to be taken from the current capital asset list and to include future anticipated needs;
   d. a review of relevant utility fees including but not limited to connection or tap fees, including any recommended modifications;
   e. verification that all governing body members of the utility are in compliance with all relevant training requirements;

2. By August 31, 2025**,** the Utility shall send Board staff a copy of the contract between the Utility and the qualified expert who is to perform the tasks in paragraph 1.

3. By February 15, 2026, the Utility shall provide Board staff with the completed rate study and either proof of implementation of the resulting recommendations or a proposed plan of implementation.

4. Board staff is given the authority to grant up to two extensions of up to six months of the foregoing deadlines upon a showing of good cause by the Utility.

5. Should the Utility fail to comply with any directive in this order, Board staff may issue subpoenas for members of the Utility's governing body and Manager to appear in person before the Board during its next meeting following non-compliance with this order.

Hornbeak

	Category: **Sewer**		County: **Obion**	
	2021	**2022**	**2023**	**2024**
Net Assets	$1,607,918.00	$1,521,140.00	$1,472,472.00	$1,401,740.00
Deferred Outflow Resources	$0.00	$0.00	$0.00	$0.00
Net Liabilities	$194,665.00	$103,173.00	$41,390.00	$36,655.00
Deferred Inflow Resources	$0.00	$0.00	$0.00	$0.00
Total Net Position	$1,413,253.00	$1,417,967.00	$1,431,082.00	$1,365,085.00
Operating Revenues	$114,376.00	$121,170.00	$133,955.00	$110,143.00
Net Sales	$112,442.00	$121,170.00	$133,955.00	$110,143.00
Operating Expenses	$106,859.00	$115,975.00	$120,874.00	$151,363.00
Depreciation Expenses	$45,380.00	$45,379.00	$45,379.00	$45,379.00
Non Operating Revenues	-$4,697.00	-$481.00	$34.00	$3,856.00
Capital Contributions	$0.00	$0.00	$0.00	$0.00
Transfers In	$0.00	$0.00	$0.00	$0.00
Transfers Out	$0.00	$0.00	$0.00	$0.00
GAAP Change In Net Position	$2,820.00	$4,714.00	-$15,518.00	-$37,364.00
Statutory Change In Net Position	$2,820.00	$4,714.00	-$15,518.00	-$37,364.00

Jason E. Mumpower
Comptroller

Entity Referred: **Iron City Utility District**

Referral Reason: **Decrease In Net Position**

Utility Type Referred: **Water**

Staff Summary:

The Iron City Utility District ("the Utility") has been referred to the Tennessee Board of Utility Regulation ("the Board") for financial distress since its Fiscal Year 2018 audit. The Utility has complied with implementing the rate recommendations and leak adjustment recommendations according to information provided by the Utility. The Utility has continued to produce a decrease in statutory net position for the prior four audits. As of today, the 2023 and 2024 audits have not been filed.

The Utility currently purchases 100% of its water from the City of St. Joseph and has 238 active customers. The Utility is also under review for excessive water loss and has not received a budget approval from the Comptroller's Office for three of the last four fiscal years.

Board staff believes it is in the best interest of the community to pursue consolidation proceedings at this time.

Staff Recommendation:

The Board should order the following:

1. The Entity shall contract with a qualified expert to carry out a feasibility study for a merger with another system in the area by September 30, 2025.

2. The Entity shall provide a completed feasibility study to Board staff by February 15, 2026.

Iron City Utility District

	Category: **Water**		County: **Lawrence**	
	2019	**2020**	**2021**	**2022**
Net Assets	$523,144.00	$1,094,317.00	$1,061,880.00	$1,022,980.00
Deferred Outflow Resources	$0.00	$0.00	$0.00	$0.00
Net Liabilities	$7,271.00	$6,368.00	$8,533.00	$9,746.00
Deferred Inflow Resources	$0.00	$0.00	$0.00	$0.00
Total Net Position	$515,873.00	$1,087,949.00	$1,053,347.00	$1,013,235.00
Operating Revenues	$146,137.00	$149,550.00	$154,422.00	$150,520.00
Net Sales	$145,919.00	$147,914.00	$153,404.00	$150,220.00
Operating Expenses	$178,342.00	$160,870.00	$189,024.00	$190,633.00
Depreciation Expenses	$25,435.00	$30,296.00	$40,018.00	$40,018.00
Non Operating Revenues	$51.00	$63.00	$0.00	$0.00
Capital Contributions	$0.00	$583,333.00	$0.00	$0.00
Transfers In	$0.00	$0.00	$0.00	$0.00
Transfers Out	$0.00	$0.00	$0.00	$0.00
GAAP Change In Net Position	-$32,154.00	$572,076.00	-$34,602.00	-$40,113.00
Statutory Change In Net Position	-$32,154.00	-$11,257.00	-$34,602.00	-$40,113.00

Jason E. Mumpower
Comptroller

Entity Referred: **City of Middleton**

Referral Reason: **Decrease In Net Position**

Utility Type Referred: **Water And Sewer**

Staff Summary:

The City of Middleton ("the Utility") has been referred to the Tennessee Board of Utility Regulation ("the Board") for financial distress since 2025, pursuant to Tenn. Code Ann. § 7-82-703. After discussions with the Utility, the Board staff was notified that a rate study was completed in May of 2024 by Hussey Gay Bell, and that the recommended rates were adopted. At this time, Board staff believes that an additional rate study is not needed and recommends that the Utility be placed into the update cycle.

Staff Recommendation:
The Board should order the following:

1. The Utility shall be placed into the update cycle.

Middleton

	Category: **Water And Sewer**		County: **Hardeman**	
	2021	**2022**	**2023**	**2024**
Net Assets	$3,663,368.00	$3,726,710.00	$3,649,275.00	$3,838,268.00
Deferred Outflow Resources	$20,289.00	$42,343.00	$53,622.00	$52,511.00
Net Liabilities	$378,180.00	$388,937.00	$370,699.00	$498,938.00
Deferred Inflow Resources	$3,733.00	$46,483.00	$7,350.00	$4,739.00
Total Net Position	$3,301,744.00	$3,333,633.00	$3,324,848.00	$3,387,102.00
Operating Revenues	$405,674.00	$436,614.00	$445,575.00	$424,600.00
Net Sales	$405,674.00	$436,614.00	$445,575.00	$424,600.00
Operating Expenses	$368,794.00	$394,917.00	$463,797.00	$452,942.00
Depreciation Expenses	$108,916.00	$112,802.00	$109,916.00	$107,426.00
Non Operating Revenues	$11,798.00	-$9,808.00	$9,037.00	$21,821.00
Capital Contributions	$228,185.00	$0.00	$400.00	$68,775.00
Transfers In	$0.00	$0.00	$0.00	$0.00
Transfers Out	$0.00	$0.00	$0.00	$0.00
GAAP Change In Net Position	$276,863.00	$31,889.00	-$8,785.00	$62,254.00
Statutory Change In Net Position	$48,678.00	$31,889.00	-$9,185.00	-$6,521.00

Contact Information and Comptroller Filings

Entity ID Number	1776
Utility Name	Middleton Water System
Name of Person Filling this Out	Teri Yopp
Utility Email	t.yopp@middletontn.com
Utility Phone	(731) 376-8409
Mailing Address	P.O. Box 40 300 South Main Street Middleton, TN 38052
Has the most recent Annual Information report been timely filed for this utility?	Yes
Has the utility filed its most recent budget with the Comptroller's Office within 15 days of adoption?	Yes
Has the utility filed its most recent audit with the Comptroller's Office within 6 months of the last fiscal year end?	Yes

Financial Distress Remedy Plans

Does this utility have a plan to remedy the current financial distress?	Yes
Please describe the current plan to remedy the utility's financial distress.	A rate study was completed by Hussey Gay Bell prior to start of fiscal year 2024-2025. Their recommendations were adopted by the Board of Mayor and Aldermen and implemented with the start of the fiscal year.

Rates and Fees Information

Has a rate study been completed for the utility in the previous 5 years?	Yes
Please upload a copy of the most recent rate study.	https://www.formstack.com/admin/download/file/17778747948
Has the utility implented a rate increase in the last 6 months?	Yes
Does the utility have plans to implement a rate increase in the next 6 months?	Yes
Is this rate increase based on a rate study conducted by an independent third party?	Yes
Please upload a copy of the current, approved rate ordinance or resolution.	https://www.formstack.com/admin/download/file/17778747952
Has this utility had any changes to fees in the last 5 years?	Yes
Please upload a copy of the current, approved utility fee schedule.	https://www.formstack.com/admin/download/file/17778747954
Please how current rates and fees were determined.	Based on the rate study conducted by Hussey Gay Bell

Financial Initiatives

Has the utility incurred any new debt during its current fiscal year, or does the utility plan on incurring any new debt during the current or next fiscal year?	No
Has the utility received any grants during its current fiscal year, or does the utility plan on applying for or receiving any new grants during the current or next fiscal year?	Yes
How much is this funding, and what is the source of this funding?	ARPA grant for $646,365.52

What will this funding be used for?	Water infrastructure

Utility Information

Does this utility offer water service?	Yes
Does this utility offer sewer or wastewater service?	Yes

Water Utility Information

How many billed customers does the water utility have?	420
How many unbilled customers does the water utility have?	0
How many metered customers does the water utility have?	420
How many unmetered customers does the water utility have?	0
What was the net sales revenue from the largest 10 customers last fiscal year?	0
What was the net sales revenue for the water utility last fiscal year?	0
What percentage of sales do the largest 10 customers account for annually?	0.000
How many gallons were sold to the largest 10 customers last fiscal year?	0
How many gallons were sold last fiscal year?	0
What percentage of volume do the largest 10 customers account for annually?	0.00
Does the water utility have a rate structure with differing rates based on location?	No

Does this utility have a water connection to another utility to purchase water or to have a backup water supply in case of emergency?	No
Does this utility produce its entire water supply without purchasing water from another utility?	Yes
Is it feasible for this utility regionalize, merge, or consolidate with a surrounding utility to improve water service to its current or future customer base?	The City currently maintains two wells for service to its customers.
Does this utility sell water at a wholesale rate to any customers such as large commercial/industrial customers or other surrounding utilities?	No
Does this utility have a water treatment facility?	No
Are there any environmental concerns including government environmental orders for the water utility?	No
Please describe these environmental concerns for the water utility and the extent of the financial burden to remedy these financial concerns.	No environmental concerns at this time. Water and wastewater system are reviewing and implementing changes to get to financial stability.

Wastewater Utility Information

How many billed customers does the wastewater utility have?	366
How many unbilled customers does the wastewater utility have?	0
How many metered customers does the wastewater utility have?	366
How many unmetered customers does the wastewater utility have?	0

What was the net sales revenue from the largest 10 customers last fiscal year?	72643
What was the net sales revenue for the wastewater utility last fiscal year?	95913
How many thousand gallons of wastewater were treated for the largest 10 customers last fiscal year?	7595336
How many thousand gallons of wastewater were treated by the utility last fiscal year?	35750700
Percentage of sales from Largest 10 Customers	0.76
Percentage of flow from Largest 10 Customers	0.21
Does the wastewater utility have a rate structure with differing rates based on location?	No
Does this utility treat all of the wastewater collections without sending wastewater to another utility for treatment?	Yes
Does this utility treat wastewater from another utility?	No
Is it feasible for this utility regionalize, merge, or consolidate with a surrounding utility to improve wastewater service to its current or future customer base?	No
Does this utility treat wastewater for customers on wells?	No
Excluding any potential customers on wells, are all customers billed based on metered water usage?	Yes

Does this utility treat wastewater at a wholesale rate to any customers such as large commercial/industrial customers or other surrounding utilities?	Yes
Does a contract exist for the treatment of this wastewater at a wholesale rate?	No
What is the design capacity of the wastewater treatment facility?	200000
What is the average operating capacity of the wastewater treatment facility?	108000
Are there any environmental concerns including government environmental orders for the wastewater utility?	No
Does this utility have a sewer use ordinance or resolution?	Yes
How is this sewer use ordinance or resolution enforced?	The Board of Mayor and Aldermen pass a ordinance prior to beginning of fiscal year setting the rates for water and wastewater fees.

Plans and Policies

Does this utility have a debt management policy?	Yes
Does this utility have a capitalization policy?	Yes
Does this utility have a leak adjustment policy?	Yes
Does this utility have an asset management plan?	Yes
Does this utility have a copy of its capital asset list on file?	Yes
How often is this capital asset list reviewed and by whom?	Annually

Jason E. Mumpower
Comptroller

Entity Referred: **City of Newbern**

Referral Reason: **Decrease In Net Position**

Utility Type Referred: **Water And Sewer and Rural Water**

Staff Summary:

The City of Newbern ("the Utility") was referred to the Tennessee Board of Utility Regulation ("the Board") for financial distress for both its water and sewer and rural water funds since 2025 pursuant to Tenn. Code Ann. § 7-82-703. Previously, the Utility's water and sewer fund was under Board supervision for financial distress and was released in 2023. The Utility has returned its financial distress questionnaire to Board staff in a timely manner. Board staff has identified the following weaknesses or findings:

- The Utility failed to close their accounting records within 2 months after the close of the fiscal year in accordance with Tenn. Code Ann. § 9-2-102.
- A 5,000-gallon water bill costs outside city limits customers ("rural rates") 175% of what the same amount of usage would cost for inside city limits customers ("city rates").

The Utility contends that they are not financially distressed, but only appear that way due to " substantial delays in reimbursement from the state and federal (government) on our ARPA grant expenses." Based on Tenn. Code Ann. § 7-82-703(b), is considered financially distressed due to having "a negative change in net position for two (2) consecutive years without regard to any grants or capital contributions."

Board staff recommends that the items listed below be performed for both their Water and Sewer Fund and their Rural Water Fund.

Staff Recommendation:

The Board should order the following:

1. The Utility shall have a qualified expert as approved by Board staff, perform a rate study that includes the following:

a. a review of the capitalization policy, including any recommended modifications;
b. a review of the debt management policy, including any recommended modifications;
c. the creation of a five-year capital asset budget, to be taken from the current capital asset list and to include future anticipated needs;
d. a review of relevant utility fees including but not limited to connection or tap fees, including any recommended modifications;
e. verification that all governing body members of the utility are in compliance with all relevant training requirements;

f. a review of the leak adjustment policy, including any recommended modifications or adoption of such policy should one not exist;
g. and a justification of the inside and outside the city limit rates, including any recommended modifications to the rate structure.

2. By August 31, 2025**,** the Utility shall send Board staff a copy of the contract between the Utility and the qualified expert who is to perform the tasks in paragraph 1.

3. By February 15, 2026, the Utility shall provide Board staff with the completed rate study and either proof of implementation of the resulting recommendations or a proposed plan of implementation.

4. Board staff is given the authority to grant up to two extensions of up to six months of the foregoing deadlines upon a showing of good cause by the Utility.

5. Should the Utility fail to comply with any directive in this order, Board staff may issue subpoenas for members of the Utility's governing body and Manager to appear in person before the Board during its next meeting following non-compliance with this order.

Newbern

	Category: **Water And Sewer**		County: **Dyer**	
	2021	**2022**	**2023**	**2024**
Net Assets	$10,291,342.00	$10,272,782.00	$10,178,184.00	$10,390,470.00
Deferred Outflow Resources	$0.00	$0.00	$0.00	$0.00
Net Liabilities	$2,652,814.00	$2,497,978.00	$2,421,142.00	$2,389,100.00
Deferred Inflow Resources	$0.00	$0.00	$0.00	$0.00
Total Net Position	$7,638,528.00	$7,774,804.00	$7,757,042.00	$8,001,370.00
Operating Revenues	$2,210,263.00	$2,201,484.00	$2,249,396.00	$2,279,205.00
Net Sales	$2,160,707.00	$2,162,243.00	$2,192,298.00	$2,244,286.00
Operating Expenses	$1,989,407.00	$2,013,131.00	$2,228,533.00	$2,346,247.00
Depreciation Expenses	$303,447.00	$329,083.00	$318,574.00	$319,225.00
Non Operating Revenues	-$71,590.00	-$66,877.00	-$38,625.00	-$30,230.00
Capital Contributions	$0.00	$0.00	$0.00	$341,600.00
Transfers In	$0.00	$0.00	$0.00	$0.00
Transfers Out	$0.00	$0.00	$0.00	$0.00
GAAP Change In Net Position	$164,066.00	$121,476.00	-$17,762.00	$244,328.00
Statutory Change In Net Position	$164,066.00	$121,476.00	-$17,762.00	-$97,272.00

Newbern

	Category: **Water**		County: **Dyer**	
	2021	**2022**	**2023**	**2024**
Net Assets	$2,424,938.00	$2,361,769.00	$2,266,875.00	$2,608,842.00
Deferred Outflow Resources	$0.00	$0.00	$0.00	$0.00
Net Liabilities	$574,306.00	$524,895.00	$524,808.00	$603,395.00
Deferred Inflow Resources	$0.00	$0.00	$0.00	$0.00
Total Net Position	$1,850,632.00	$1,836,874.00	$1,742,067.00	$2,005,447.00
Operating Revenues	$826,875.00	$828,099.00	$847,929.00	$854,566.00
Net Sales	$784,463.00	$785,365.00	$800,495.00	$813,733.00
Operating Expenses	$802,094.00	$846,669.00	$944,291.00	$932,914.00
Depreciation Expenses	$46,473.00	$47,602.00	$55,000.00	$46,005.00
Non Operating Revenues	-$8,499.00	-$9,988.00	$1,555.00	$128.00
Capital Contributions	$0.00	$0.00	$0.00	$341,600.00
Transfers In	$0.00	$0.00	$0.00	$0.00
Transfers Out	$0.00	$0.00	$0.00	$0.00
GAAP Change In Net Position	$16,282.00	-$28,558.00	-$94,807.00	$263,380.00
Statutory Change In Net Position	$16,282.00	-$28,558.00	-$94,807.00	-$78,220.00

Contact Information and Comptroller Filings

Entity ID Number	1795
Utility Name	City of Newbern Water
Name of Person Filling this Out	Jason Roberts
Utility Email	jroberts@cityofnewbern.org
Utility Phone	(731) 627-3221
Mailing Address	103 Jefferson ST Newbern, TN 38059
Has the most recent Annual Information report been timely filed for this utility?	Yes
Has the utility filed its most recent budget with the Comptroller's Office within 15 days of adoption?	Yes
Has the utility filed its most recent audit with the Comptroller's Office within 6 months of the last fiscal year end?	No
Please provide the reason why this local government did not timely file its most recent audit with the Comptroller's Office?	Auditor did not complete the audit within this timeframe. The City provided all financial information to the audit firm in a timely manner. Audit has been filed and submitted with no findings.

Financial Distress Remedy Plans

Does this utility have a plan to remedy the current financial distress?	Yes

Please describe the current plan to remedy the utility's financial distress.	We submit that we are not in distress. We have had substantial delays in reimbursement from the state and federal on our ARPA grant expenses. We have paid significant sums for our approved project and are awaiting reimbursement. Receivables at year end are $521,780. Our reserves are in excess of a million dollars and we can operate without collecting any revenue for an extended period.

Rates and Fees Information

Has a rate study been completed for the utility in the previous 5 years?	Yes
Please upload a copy of the most recent rate study.	https://www.formstack.com/admin/download/file/17945711331
Has the utility implented a rate increase in the last 6 months?	No
Does the utility have plans to implement a rate increase in the next 6 months?	No
Please upload a copy of the current, approved rate ordinance or resolution.	https://www.formstack.com/admin/download/file/17945711334
Has this utility had any changes to fees in the last 5 years?	No
Please upload a copy of the current, approved utility fee schedule.	https://www.formstack.com/admin/download/file/17945711336
Please how current rates and fees were determined.	Through a rate study that is monitored monthly.

Financial Initiatives

Has the utility incurred any new debt during its current fiscal year, or does the utility plan on incurring any new debt during the current or next fiscal year?	No

Has the utility received any grants during its current fiscal year, or does the utility plan on applying for or receiving any new grants during the current or next fiscal year?	Yes
How much is this funding, and what is the source of this funding?	$2.3 million ARPA
What will this funding be used for?	Dilapidated water lines and AMI metering.

Utility Information

Does this utility offer water service?	Yes
Does this utility offer sewer or wastewater service?	Yes

Water Utility Information

How many billed customers does the water utility have?	1481
How many unbilled customers does the water utility have?	0
How many metered customers does the water utility have?	1481
How many unmetered customers does the water utility have?	0
What was the net sales revenue from the largest 10 customers last fiscal year?	93980
What was the net sales revenue for the water utility last fiscal year?	538045
What percentage of sales do the largest 10 customers account for annually?	1.534
How many gallons were sold to the largest 10 customers last fiscal year?	279537.00

How many gallons were sold last fiscal year?	672371.00
What percentage of volume do the largest 10 customers account for annually?	0.42
Does the water utility have a rate structure with differing rates based on location?	Yes
Please provide a customer count breakdown of these different rate classes.	City water customers - 1481 Rural water customers - 2126
Please explain how these rates have been determined to be reasonable and justifiable.	A cost of service study was performed to ensure a fair and equitable rate was applied factoring in cost specific to the creation and delivery of the commodity.
Does this utility have a water connection to another utility to purchase water or to have a backup water supply in case of emergency?	No
Does this utility produce its entire water supply without purchasing water from another utility?	Yes
Is it feasible for this utility regionalize, merge, or consolidate with a surrounding utility to improve water service to its current or future customer base?	No
Does this utility sell water at a wholesale rate to any customers such as large commercial/industrial customers or other surrounding utilities?	No
Does this utility have a water treatment facility?	Yes
What is the design capacity of the water treatment facility?	2200000
What is the average operating capacity of the water treatment facility?	1000000

Are there any environmental concerns including government environmental orders for the water utility?	No

Wastewater Utility Information

How many billed customers does the wastewater utility have?	1485
How many unbilled customers does the wastewater utility have?	0
How many metered customers does the wastewater utility have?	6
How many unmetered customers does the wastewater utility have?	1479
What was the net sales revenue from the largest 10 customers last fiscal year?	825212
What was the net sales revenue for the wastewater utility last fiscal year?	1186001
How many thousand gallons of wastewater were treated for the largest 10 customers last fiscal year?	279537
How many thousand gallons of wastewater were treated by the utility last fiscal year?	672371
Percentage of sales from Largest 10 Customers	0.70
Percentage of flow from Largest 10 Customers	0.42
Does the wastewater utility have a rate structure with differing rates based on location?	No
Does this utility treat all of the wastewater collections without sending wastewater to another utility for treatment?	Yes

Does this utility treat wastewater from another utility?	No
Is it feasible for this utility regionalize, merge, or consolidate with a surrounding utility to improve wastewater service to its current or future customer base?	No.
Does this utility treat wastewater for customers on wells?	No
Excluding any potential customers on wells, are all customers billed based on metered water usage?	Yes
Does this utility treat wastewater at a wholesale rate to any customers such as large commercial/industrial customers or other surrounding utilities?	No
What is the design capacity of the wastewater treatment facility?	2300000
What is the average operating capacity of the wastewater treatment facility?	300000
Are there any environmental concerns including government environmental orders for the wastewater utility?	No
Does this utility have a sewer use ordinance or resolution?	Yes
How is this sewer use ordinance or resolution enforced?	Customers are monitored through the sewer department.

Plans and Policies

Does this utility have a debt management policy?	Yes
Does this utility have a capitalization policy?	Yes

Does this utility have a leak adjustment policy?	Yes
Does this utility have an asset management plan?	Yes
Does this utility have a copy of its capital asset list on file?	Yes
How often is this capital asset list reviewed and by whom?	Annually by Treasurer and Board

Jason E. Mumpower
Comptroller

Entity Referred: **Town of Linden**

Referral Reason: **Water Loss**

Utility Type Referred: **Water And Sewer**

Staff Summary:

The Town of Linden ("the Utility") was referred to the Tennessee Board of Utility Regulation ("the Board") for water loss pursuant to Tenn. Code Ann. § 7-82-702(a)(5). Board staff determined the Utility had excessive water loss based on its 2023 Annual Information Report submission to the Comptroller's Office. Board staff sent correspondence to the Utility requesting the Utility to engage with a third party, such as TAUD, MTAS, or another third party, as approved by Board staff, for assistance in completing the AWWA Free Audit Software version 6.0. The City provided proof of engagement with Rye Engineering. Board staff has reached out numerous times requesting an update on where the City is in the process of completing the AWWA. The City has not responded.

Staff Recommendation:
The Board should order the following:

1. By September 15, 2025, the Utility shall submit the AWWA Free Audit Software version 6.0.

2. Should the Utility fail to comply with any directive in this order, Board staff and Counsel may issue subpoenas for the Utility's governing body and/or Manager to appear in person before the Board during its next meeting following non-compliance with this order.

Linden

	Category: **Water And Sewer**		County: **Perry**	
	2021	**2022**	**2023**	**2024**
Net Assets	$6,938,567.00	$7,434,766.00	$7,830,680.00	$8,084,891.00
Deferred Outflow Resources	$97,062.00	$132,696.00	$168,093.00	$79,266.00
Net Liabilities	$427,704.00	$389,279.00	$384,470.00	$272,082.00
Deferred Inflow Resources	$13,120.00	$187,636.00	$34,094.00	$36,252.00
Total Net Position	$6,594,805.00	$6,990,547.00	$7,580,209.00	$7,855,823.00
Operating Revenues	$1,327,614.00	$1,707,271.00	$2,038,090.00	$2,084,673.00
Net Sales	$1,200,123.00	$1,528,969.00	$1,753,326.00	$1,929,883.00
Operating Expenses	$1,278,144.00	$1,332,588.00	$1,601,818.00	$2,041,420.00
Depreciation Expenses	$257,436.00	$278,222.00	$290,665.00	$297,913.00
Non Operating Revenues	$11,866.00	$2,787.00	$11,561.00	$36,046.00
Capital Contributions	$282,893.00	$18,272.00	$141,829.00	$196,315.00
Transfers In	$0.00	$0.00	$0.00	$0.00
Transfers Out	$0.00	$0.00	$0.00	$0.00
GAAP Change In Net Position	$344,229.00	$395,742.00	$589,662.00	$275,614.00
Statutory Change In Net Position	$61,336.00	$377,470.00	$447,833.00	$79,299.00