



STATE OF TENNESSEE
Water and Wastewater Financing Board

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January 2, 2013

The Honorable Bill Haslam
Governor of Tennessee
First Floor, State Capitol
Nashville, TN 37243

Dear Governor Haslam:

The Water and Wastewater Financing Board is submitting to you its annual report for the calendar year 2012.

On behalf of each member of the Board, I would like to extend our appreciation to the employees of the Comptroller of the Treasury and of the Municipal Technical Advisory Service for their valuable contributions to the Board this year. Without their assistance, the Board would not have been as successful.

The goal of the Board is to diligently strive to achieve our legislative mandates and to extend our services to the citizens of the State of Tennessee. We appreciate your continued confidence in and support of the Board. If I, or any member of the Board, can be of further assistance to you and your staff, please feel free to contact me.

Sincerely,

A handwritten signature in black ink that reads "Ann V. Butterworth".

Ann V. Butterworth
Chairperson

Attachment

Cc: Honorable Justin P. Wilson, Comptroller of the Treasury

**ANNUAL REPORT
OF THE
WATER AND WASTEWATER FINANCING BOARD**

January 2012 through December 2012

ANNUAL REPORT FOR CALENDAR YEAR 2012

The 95th General Assembly created the Wastewater Financing Board in 1987 to assist financially distressed publicly owned wastewater systems to improve their financial condition. In July 1997, public water systems were also placed under the jurisdiction of this board; two members were added and the name was changed to Water and Wastewater Financing Board. Administratively, the Board was transferred to the Comptroller of the Treasury in 2007. The Board promulgated rules and regulations and held its first meeting in April 1988. The current rules of the Board became effective September 27, 2010.

The State of Tennessee currently has 348 incorporated municipalities and approximately 177 utility districts. Municipalities operate approximately 225 water and 227 wastewater systems. Utility districts operate approximately 155 water, 22 wastewater and 24 natural gas systems. Counties or treatment authorities operate 5 water and wastewater systems, 4 wastewater-only systems and 9 water-only systems.

The Department of Audit, Comptroller of the Treasury, refers local governments operating financially distressed water and/or wastewater systems to the Board. Financially distressed utility systems are defined as those having deficit total net assets in any one year, having negative change in net assets for a period of two consecutive years or currently in default on any debt instrument. Water systems with reported water loss in excess of 35% are also referred to the Board.

Staff to the Board reviews the referred cases and prepares presentations to the Board. Staff, assisted by the Municipal Technical Advisory Service, works with the utility systems to develop strategies to comply with state law. If a municipal utility system has not yet reached compliance with state law to eliminate financial distress as of the time of presentation to the Board, the Board monitors the case to determine the success of the approved recommended compliance plan. If elimination of the financial distress is not achieved, the Board requires the system to present to the Board a revised plan to solve the financial distress.

The Board held 3 meetings during the year 2012 in which 34 case studies (21 financial distress and 13 water loss), 10 status reports, and 37 compliance reports were presented to the Board.

The Board has addressed the financially distressed condition of 222 systems since its creation. Currently there are 44 systems under the jurisdiction of the Board for financial distress. There are currently 35 water loss cases under the jurisdiction of the Board.

At a joint meeting of the on June 6, 2012, the Board and the Utility Management Review Board decided to reaffirm the October 7, 2010, decision to adopt the American Water Works Association (AWWA) water loss methodology for inclusion in any audited financial statements received by the Comptroller of the Treasury on or after January 1, 2013. The water loss methodology can be obtained from www.AWWA.org

At the June 6, 2012, meeting the following was adopted by the Boards:

- I. Require that the AWWA Excel Spreadsheet (in the specific format created by utilizing the AWWA Free Water Audit Software) be submitted electronically in an Excel format. It is the intention of the Boards that the AWWA Excel spreadsheet be filed by the contracted auditor in Excel format at the same time the annual audited financial statements are filed. The Excel spreadsheet is not considered audited information, but only submitted simultaneously. This requirement should not be confused with and does not replace the supplemental schedule (i.e., the single*

- "Reporting Worksheet") included as part of the annual audited financial statements as required by Tennessee Code Annotated.*
- II. *In accordance with TCA 68-221-1010(d)(1) and TCA 7-82-401(h)(1), failure to include the required schedule constitutes excessive water loss and...referral to the appropriate board. **THEREFORE, failure to include the AWWA schedule in audited financial statements received by the Comptroller of the Treasury on or after January 1, 2013, will result in the System being referred to the appropriate Board.***
 - III. *Further, utilities will be referred to the Boards based on:*
 - A. *Incomplete AWWA water audit submitted anytime on or after January 1, 2013;*
 - B. *For audits received by the Comptroller of the Treasury from 1/1/2013 to 12/31/2014 -Validity score of 65 or less or non-revenue water as a percent by cost of operation system of 30% or greater;*
 - C. *For audits received by the Comptroller of the Treasury from 1/1/2015 to 12/31/2016 -Validity score of 70 or less or non-revenue water as a percent by cost of operation system of 25% or greater;*
 - D. *For audits received by the Comptroller of the Treasury from 1/1/2017 to 12/31/2018 - Validity score of 75 or less or non-revenue water as a percent by cost of operation system of 20% or greater;*
 - E. *For audits received by the Comptroller of the Treasury from 1/1/2019 to 12/31/2020 Validity score of 80 or less or non-revenue water as a percent by cost of operation system of 20% or greater.*

Failure to achieve the designated levels will result in a referral to the Board(s).

The requirements will be reviewed by the Boards annually to ensure the desired results are being achieved. The levels are subject to change by approval of the Board(s).

**CASES PRESENTED
TO THE
WATER AND WASTEWATER FINANCING BOARD
DURING 2012**

System

County

Case Studies – Financial distress

Town of Atwood	Carroll
Town of Big Sandy	Benton
Cheatham County Sewer System	Cheatham
City of Clarksburg	Carroll
Coffee County Sewer System	Coffee
City of Columbia	Maury
Town of Dover	Stewart
Town of Eastview	McNairy
City of Erin	Houston
City of Grand Junction	Hardeman
City of Graysville	Rhea
Humphreys County Sewer	Humphreys
City of Lakewood	Davidson
City of Michie	McNairy
City of Middleton	Hardeman
Town of Oneida	Scott
City of Pikeville	Bledsoe
City of Piperton	Fayette
Town of Sardis	Henderson
City of Wartburg	Morgan
City of Whiteville	Hardeman

Case Studies – Water loss

Town of Cumberland Gap	Claiborne
City of Decaturville	Decatur
Hartsville/Trousdale County	Trousdale
City of Kingsport	Hawkins/Sullivan
Lincoln County Public Utilities	Lincoln
Town of Livingston	Overton
City of Lobelville	Perry
City of Madisonville	Monroe
Town of Oliver Springs	Anderson/Morgan/Roane
Town of Scotts Hill	Henderson
Town of Sharon	Weakley
Watauga River Refional Water Authority	Carter
City of Watertown	Wilson

Status Reports

City of Decherd	Franklin
Town of Gibson	Gibson
Town of Greeneville	Greene
City of Lakeland	Shelby
City of Mount Pleasant	Maury
Town of Oneida	Scott
City of Pikeville	Bledsoe
City of Springfield	Robertson

Town of Vonore
City of Winchester

Blount/Monroe
Franklin

Compliance Reports

City of Bethel Springs	McNairy
City of Bluff City	Sullivan
Town of Bruceton	Carroll
Town of Bulls Gap	Greene
Town of Byrdstown	Pickett
City of Camden	Benton
City of Charlotte	Dickson
City of Clifton	Wayne
City of Dyer	Gibson
Town of Gainesboro	Jackson
City of Gatlinburg	Sevier
Town of Gibson	Gibson
City of Graysville	Rhea
Town of Halls	Lauderdale
Hartsville/Trousdale County	Trousdale
Town of Huntland	Franklin
City of Jamestown	Pickett
City of Johnson City	Carter/Sullivan/Washington
Town of LaGrange	Fayette
Town of Linden	Perry
City of Luttrell	Union
Town of Lynnville	Giles
Town of Mason	Tipton
City of Maynardville	Union
City of Memphis	Shelby
City of Millington	Shelby
City of Morristown	Hamblen
City of Pigeon Forge	Sevier
City of Piperton	Fayette
Town of Ridgely	Lake
Town of Rutherford	Gibson
Town of Stanton	Haywood
Town of Tiptonville	Lake
Town of Trimble	Dyer/Obion
Town of Troy	Obion
City of Whitwell	Marion
City of Winchester	Franklin

**LOCAL GOVERNMENTS
CURRENTLY UNDER THE JURISDICTION OF THE
WATER AND WASTEWATER FINANCING BOARD**

<u>System</u>	<u>County</u>
Town of Alamo	Crockett
Town of Alexandria	DeKalb
City of Allardt	Fentress
Town of Atwood	Carroll
Town of Baileyton	Greene
City of Bells	Crockett
Town of Big Sandy	Benton
Town of Carthage	Smith
Cheatham County	Cheatham
City of Clarksburg	Carroll
Coffee County	Coffee
City of Collinwood	Wayne
City of Columbia	Maury
City of Copperhill	Polk
Town of Cumberland Gap	Claiborne
Town of Decaturville	Decatur
City of Decherd	Franklin
Town of Dover	Stewart
Town of Dresden	Weakley
City of Elizabethton	Carter
City of Erin	Houston
City of Etowah	McMinn
City of Friendship	Crockett
City of Friendsville	Blount
City of Grand Junction	Fayette
Town of Greeneville	Greene
Town of Greenfield	Weakley
City of Harriman	Roane
Town of Henning	Lauderdale
City of Henry	Henry
City of Hohenwald	Lewis
Town of Hornbeak	Obion
Humphreys County	Humphreys
Town of Jasper	Marion
City of Jellico	Campbell
Town of Jonesborough	Washington
City of Kenton	Gibson/Obion
City of Kingsport	Hawkins/Sullivan
City of Lake City	Anderson/Campbell
City of Lakeland	Shelby
City of LaVergne	Rutherford
City of Lenoir City	Loudon
Lincoln County	Lincoln
Town of Livingston	Overton
City of Lobelville	Perry
City of Madisonville	Monroe
City of McEwen	Humphreys
City of McKenzie	Carroll
City of Michie	McNairy

City of Middleton
Town of Moscow
Town of Mosheim
Town of Mountain City
City of Mount Pleasant
City of Niota
Town of Oliver Springs
Town of Oneida
City of Pikeville
City of Puryear
City of Ramer
City of Rockwood
Town of Rossville
Town of Sardis
City of Savannah
Town of Scotts Hill
Town of Sharon
City of Spencer
City of Springfield
Town of Tellico Plains
Town of Trezevant
Town of Vonore
City of Wartburg
Town of Wartrace
Watauga River Regional Water Authority
City of Watertown
City of Waverly
City of Westmoreland
Town of Whiteville
Town of Woodbury

Hardeman
Fayette
Greene
Johnson
Maury
McMinn
Anderson/Morgan/Roane
Scott
Bledsoe
Henry
McNairy
Roane
Fayette
Henderson
Hardin
Henderson
Weakley
VanBuren
Robertson
Monroe
Carroll
Blount/Monroe
Morgan
Bedford
Carter
Wilson
Humphreys
Sumner
Hardeman
Cannon

**MEMBERS
OF THE
WATER AND WASTEWATER FINANCING BOARD**

Ms. Ann Butterworth, Chairperson
Comptroller of the Treasury Designee

Mr. Tom Moss
Commissioner of the Tennessee Department of Environment and Conservation Designee

Mr. Benjamin Bolton
Representing Manufacturing Interests
Williamson County

Mr. Daryl Hubbard
Representing Minority Interests/Government Finance
Madison County

Mr. Drexel Heidel
West Knox Utility District
Active Employee of a Water Utility District
Knox County

Mr. Joseph Prochaska
Representing Environmental Interests
Davidson County

Ms. Betsy Crossley
Representing Municipalities
Williamson County

Mr. Kenneth D. Wiggins
Director of Engineering and Public Works, City of Alcoa
Active Employee of a Municipal Water Utility
Blount County

Mr. Randy Wilkins, General Manager
East Montgomery Utility District
Representing Utility Districts
Montgomery County

**COMPTROLLER OF THE TREASURY
STAFF TO THE
WATER AND WASTEWATER FINANCING BOARD**

Mr. Jim Arnette
Director, Division of Local Government Audit

Ms. Joyce Welborn
Board Coordinator, Division of Local Government Audit

Mr. Greg Cothron
Assistant General Counsel, Office of General Counsel