HAYWOOD COUNTY UTILITY DISTRICT

Draft

Rate Study

2024

Prepared By:

RateStudies

Water | Wastewater

Haywood County Utility District

2024 Water Rate Study

Executive Summary

Purpose

The purpose of this report is to present a comprehensive water rate study for the Haywood County Utility District (District) as it relates to the District's plans for:

- Providing sufficient revenue to meet all water expenses, including depreciation,
- Providing enough cash to fund the District's Five-Year Capital Improvement Plan, and
- Compliance with TCA § 7-82-401 (included at the end of this report).

Significant Events

- Water Rates have not changed since Fiscal Year (FY) 2017.
- The District is participating in a water supply project with the Town of Stanton. This involves the construction of the SR 179 Water Line, which is to be owned by the District. As such, the District's Five-Year Capital Improvement Plan includes this one project, which costs $2,271,750. While an ARPA Grant fully covers the cost of this project, the District will assume responsibility for the depreciation of this new infrastructure asset.
- In connection with the SR 179 Water Line project, the Town of Stanton (which provides water to the District) must install a new booster station. Since this asset is used exclusively to serve HCUD customers, the District's monthly bill for water purchased from Stanton will include a new monthly capacity charge of $1,038 to account for Stanton's depreciation of the new booster station upon its completion.
- The 2024 Stanton Rate Study did not include a usage rate increase over the next four fiscal years (FY 2025-2028).
- Brownsville Energy Authority (BEA) will increase its annual operations contract fees from $42,473 to $102,417, beginning in July 2024.

Methodology

This report presents a comprehensive financial analysis of the District's water system, including a historical five-year review and a five-year projection of revenue and expenses. A Five-Year Capital Improvement Plan and the impact on depreciation are also included. The District's President, two Board members, and their attorney, as well as representatives of BEA (which operates the District's water system), helped collect and review historical data, develop the Capital Improvement Plan, project future customer growth as well as income and expense projections, and make final recommendations.

This study uses a Cash Flow Analysis and a Change in Net Position Analysis to determine the need for rate increases. Each indicates the financial stability of the District's water system. Such information is compiled into Excel spreadsheets designed to function as financial models. Graphs and charts give a visual presentation of each analysis.

The results of the Cash Flow Analysis and the Change in Net Position Analysis determine the amount of rate increase needed. The increase can be implemented in one year or spread over more than one year if the "Statutory" Change in Net Position is not negative for two consecutive years.

The Cash Flow Analysis methodology used by RateStudies is based on the *American Water Works Association (AWWA) M54 Manual - Developing Rates for Small Systems.* The Change in Net Position Analysis is based on the "Statement of Revenues, Expenses, and Changes in Net Position" in the District's annual audit report. Although rate studies are not an exact science, this report's financial models can be a valuable tool for making financial decisions and setting rates. Considerations are made to simplify the rate study process to be understandable by utility officials, managers, staff, and customers.

Recommendations

Rate Increases

The following rate increases are recommended to: (1) provide revenue to meet all water operating expenses, including depreciation; (2) generate enough cash to fund the District's Five-Year Capital Improvement Plan; and (3) comply with the Tennessee Comptroller's requirements regarding Change in Net Position. It is recommended that the projections presented in this report be monitored and verified annually, that unforeseen financial changes be reacted to, and that corrections be made as necessary. The recommended annual rate increases are shown in **Figure 1**.

Recommended Annual Rate Increases			
2025	2026	2027	2028
30%	3%	3%	3%

Figure 1

Other Considerations

Price elasticity measures how buyers respond to changes in price. Generally, as the price of a product increases, buyers will buy less of the product. The District may experience price elasticity with some of its customers. Since bills are based on water usage, some customers may request separate water meters for their irrigation system to reduce their bills. This report does not include a price elasticity analysis, nor does it anticipate customers requesting meters for irrigation purposes.

Customer Growth and Revenue Projections

Overview

The District depends on revenue from its customers to pay for all water system needs, including operation costs, maintenance, debt service, and construction projects. Projecting revenue over the next five years is critical for determining the sufficiency of current rates and the need for future rate increases. A review and analysis of the previous five years of records (FY 2019-2023) provides a reasonable basis for making projections concerning customer growth and revenue over the next five years (FY 2024-2028).

Customer Growth

The District has experienced reasonable customer growth over the past five years and is expected to add eleven to fifteen customers annually over the next five years. Some growth is anticipated due to the completion of the Blue Oval City project in Stanton; however, this report does not speculate on such growth because there are no known projects such as housing or commercial developments. Therefore, the projections in this report are conservative. Any new development in the District due to Blue Oval City would improve the district's financial status. A new 125-lot subdivision (Cane Creek) has been discussed with the District, but no decision has been made concerning the development. Therefore, this report does not include anticipated expenses or revenue from this project.

Revenue Projections

Figure 2 shows the growth of customers and revenue for the past five and the next five years. Revenue decreased significantly in FY 2022 as a result of fixing a leak affecting the Commercial North and East customers. Revenue is projected to grow at about 2.3-2.8% for FY 2025-2028.

Total Customers and Revenue										
	2019	2020	2021	2022	2023	**2024**	**2025**	**2026**	**2027**	**2028**
Total Customers	543	550	551	568	577	**588**	**599**	**611**	**623**	**638**
New Customers		7	1	17	9	**11**	**11**	**12**	**12**	**15**
Total Usage	40	50	48	34	36	**37**	**38**	**39**	**40**	**41**
Total Revenue	$377,687	$417,027	$448,796	$352,153	$370,662	**$378,075**	**$386,943**	**$396,702**	**$406,461**	**$417,939**
Percent Change		10.4%	7.6%	-21.5%	5.3%	**2.0%**	**2.3%**	**2.5%**	**2.5%**	**2.8%**

Figure 2

Figure 2a shows graphical projections of customers and revenue.

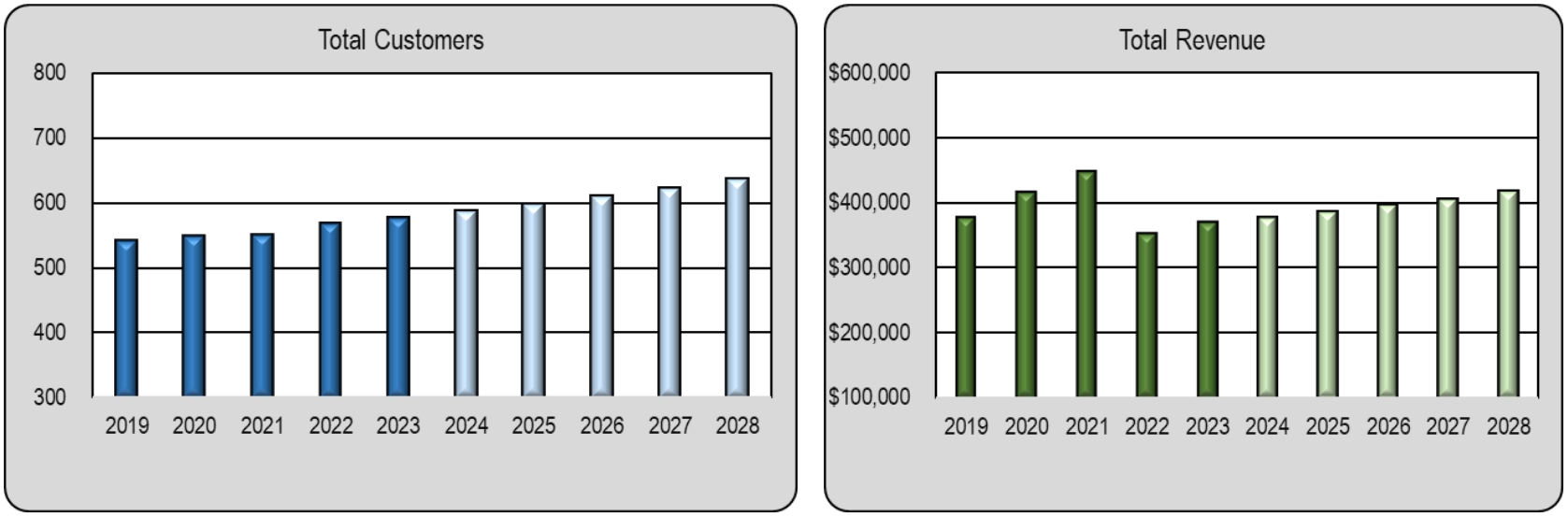

Figure 2a

Other Income

Figure 3 shows the District's income other than metered water sales. Meter tapping fees and penalties are projected to increase with new customers added to the system. Interest income is projected to increase due to favorable interest rates.

Other Income										
	2019	2020	2021	2022	2023	**2024**	**2025**	**2026**	**2027**	**2028**
Meter Tapping Fees	$6,050	$6,750	$6,150	$9,300	$6,400	**$6,528**	**$10,000**	**$10,000**	**$10,000**	**$10,000**
Penalties	4,062	4,288	4,127	3,427	3,644	**3,716**	**3,716**	**3,716**	**3,716**	**3,716**
Other Income	8	10	(3)	6	307	**310**	**310**	**310**	**310**	**310**
Interest Income	1,927	3,724	4,865	1,758	18,655	**37,500**	**37,500**	**37,500**	**37,500**	**37,500**
Total Other Income	$12,047	$14,772	$15,139	$14,491	$29,006	**$48,054**	**$51,526**	**$51,526**	**$51,526**	**$51,526**

Figure 3

Capital Improvement Plan

Overview

A Capital Improvement Plan (CIP) is typically an unaudited planning document to identify needed capital improvements and other assets, financing methods, and annual depreciation. Capital assets are defined as assets with an initial individual cost of more than $100 and an estimated useful life in excess of three years. Capital assets of the District are recorded at either historical cost or estimated historical cost. Donated assets are valued at their estimated fair market value on the date donated. Net interest costs during construction periods are capitalized for assets acquired by issuing long-term debt. Significant additions and betterments are capitalized, while expenditures for maintenance and repairs that do not add value to the purchase or materially extend asset lives are charged to operations as incurred expenses.

Anticipated Projects

Figure 4 shows the estimated cost, financing method, and anticipated year(s) of expenditure.

Capital Improvement Plan (CIP)							
Project	Est Cost	Financed via: Grant	Cost Incurred by Year				
			2024	2025	2026	2027	2028
SR 179 Water Line	$2,271,750	$2,271,750			$2,271,750		

Figure 4

Depreciation

Overview

Depreciation is a reduction in the value of an asset over time due to wear and tear. Although depreciation is listed as an expense, it is not paid out to anyone but remains within the District's cash reserves. Funding depreciation is a process compelling the District to accumulate cash. Over time, the accumulated depreciation equals the value of money initially spent on each capital asset. This process ensures that the District has enough funds to finance new capital improvements or to replace depreciated assets.

Requirement

Tennessee state law requires that all utility systems depreciate capital assets. The Governmental Accounting Standards Board (GASB) requires depreciation in the “Statement of Revenues, Expenses, and Change in Net Position” section of the audit to be reported as an operating expense. Therefore, the utility must provide sufficient revenue to “fund” the depreciation expense.

Calculating the Costs

Although there are several methods of determining depreciation, the straight-line method is used. This calculation divides the cost of an asset by its estimated useful life, which may range from 7 to 50 years. The depreciation schedule lists all assets, their original costs, the years they entered service, and their useful lives. From that, the annual depreciation, the accumulated depreciation, and the book value are determined. When the accumulated depreciation of an item equals the original cost, the book value goes to zero, and the annual depreciation goes to zero. The total yearly depreciation of all assets will stay the same or eventually go to zero unless new assets are added.

Other Considerations

All assets depreciate regardless of the method of financing, even if acquired with grants or purchased by developers. An asset begins to depreciate when placed into service, not when bought or under construction.

Figure 5 is a simplified schedule and graphical representation of depreciation showing the past five years and projections for the next five.

Depreciation										
	2019	2020	2021	2022	2023	**2024**	**2025**	**2026**	**2027**	**2028**
Scheduled Depreciation	122,028	122,028	122,028	120,367	117,046	**117,046**	**117,046**	**102,155**	**102,155**	**102,155**
New Depreciation								**45,435**	**45,435**	**45,435**
Total Depreciation	122,028	122,028	122,028	120,367	117,046	**117,046**	**117,046**	**147,590**	**147,590**	**147,590**

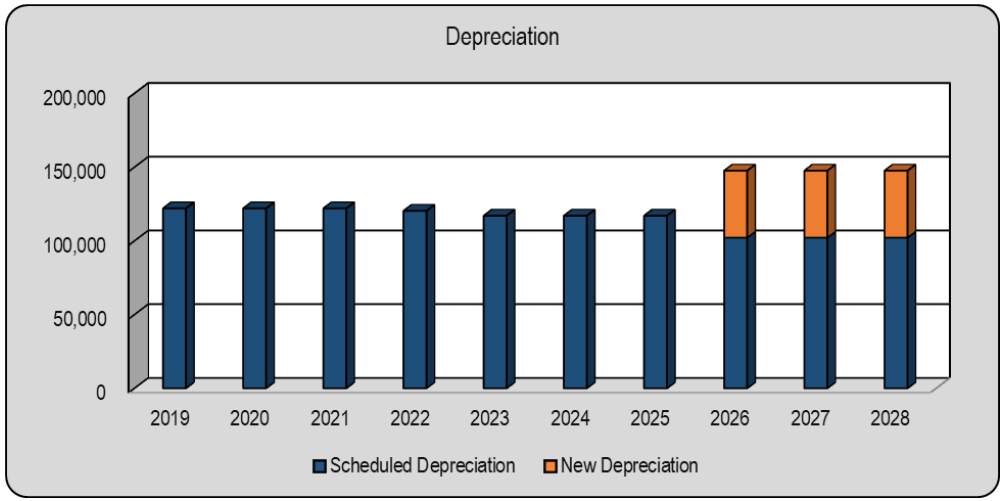

Figure 5

The Cost of Water

The District buys water from BEA at two locations in its service area, North and East, and the Town of Stanton from one location, South. BEA increased its rates to the District by 14% in April and will increase them annually through FY 2028 by 5% beginning in April of each year.

Although Stanton will not raise its rates through FY 2028, the District will need to pay a monthly Capacity Charge to cover the depreciation of a new booster station that will be built to serve the District. The new booster station is anticipated to be completed sometime in Spring 2025.

Figure 6 shows the annual cost of water from each water source.

Water Purchased - Cost										
	2019	2020	2021	2022	2023	**2024**	**2025**	**2026**	**2027**	**2028**
BEA North	$44,191	$58,255	$68,476	$69,812	$52,240	**$55,165**	**$62,815**	**$67,430**	**$72,350**	**$78,119**
BEA North % Rate Increase in April						**14%**	**5%**	**5%**	**5%**	**5%**
% Growth						**2%**	**2%**	**2%**	**2%**	**3%**
% Change		32%	18%	2%	-25%	**6%**	**14%**	**7%**	**7%**	**8%**
BEA East	$6,315	$6,262	$9,215	$8,018	$8,331	**$8,797**	**$10,017**	**$10,753**	**$11,538**	**$12,458**
BEA East % Rate Increase in April						**14%**	**5%**	**5%**	**5%**	**5%**
% Growth						**2%**	**2%**	**2%**	**2%**	**3%**
% Change		-1%	47%	-13%	4%	**6%**	**14%**	**7%**	**7%**	**8%**
Stanton South	$50,205	$54,562	$80,097	$68,738	$72,833	**$86,520**	**$89,223**	**$91,926**	**$94,629**	**$97,332**
Stanton South % Rate Increase						**0%**	**0%**	**0%**	**0%**	**0%**
% Growth						**3%**	**3%**	**3%**	**3%**	**3%**
% Change		9%	47%	-14%	6%	**19%**	**3%**	**3%**	**3%**	**3%**
Total Water Cost	$100,711	$119,080	$157,787	$146,567	$133,404	$150,482	$162,055	$170,109	$178,517	$187,909
Total % Increase		18%	33%	-7%	-9%	**13%**	**8%**	**5%**	**5%**	**5%**

Figure 6

General Expenses

Methodology

A work session was held with the District's President, two Board members, their attorney, and representatives of BEA to make projections of each line item in the general expenses. **Figure 7** presents a summary and graphical representation of general expenses over the last five years and how they are projected to increase over the next five years. BEA's increase in their operations contract with the District is the main factor in Total General Expenses in FY 2025, a percentage change of 24%.

General Expenses										
	2019	2020	2021	2022	2023	**2024**	**2025**	**2026**	**2027**	**2028**
Cost of Sales and Services	106,854	124,192	162,691	151,238	138,573	**155,703**	**167,380**	**187,997**	**196,513**	**206,016**
Operation and Maintenance Expense	1,452	3,472	16,406	1,804	2,261	**2,283**	**2,351**	**2,422**	**2,495**	**2,570**
Administrative and General Expense	83,504	91,226	75,479	95,111	132,789	**152,389**	**216,657**	**223,551**	**230,698**	**238,107**
Total	191,810	218,890	254,576	248,153	273,623	**310,375**	**386,388**	**413,971**	**429,706**	**446,692**
Percent Change		*14%*	*16%*	*-3%*	*10%*	***13%***	***24%***	***7%***	***4%***	***4%***

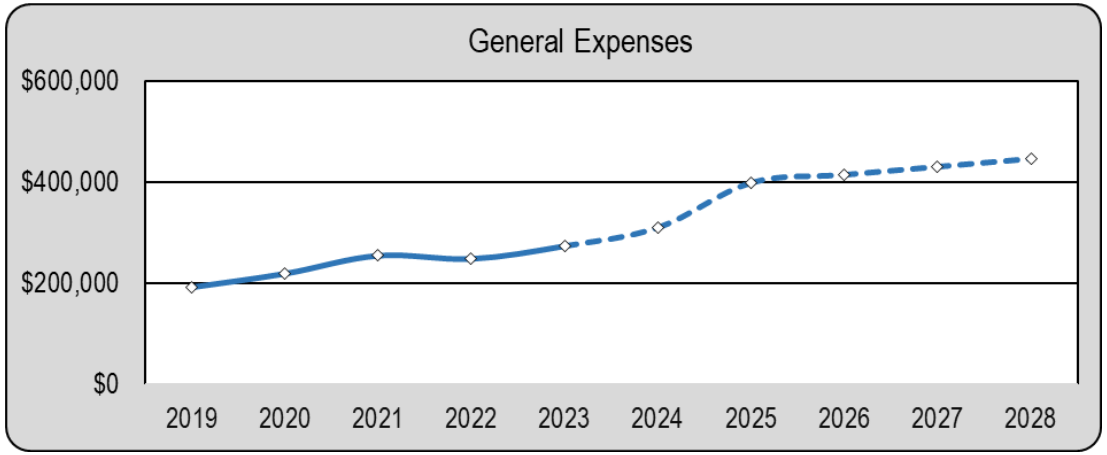

Figure 7

Other Considerations

General expenses can vary from year to year. A significant repair and maintenance item or a need to buy large quantities of materials and supplies can make a big difference in accounting for general expenses, impacting Cash Flow and the Change in Net Position.

Cash Flow Analysis

Overview

It is essential for the District to know the amount of cash on hand and if cash reserves are growing or depleting. Cash is necessary for the utility's operational and maintenance needs and capital expenses to preserve its infrastructure, retain its staff, deliver customer services, and maintain a healthy cash reserve. Therefore, predicting anticipated expenditures and how much cash the utility expects to receive from its customers and other sources is essential. Such an examination is called a Cash Flow Analysis. If the projected cash flow is detrimental to the District's water system operations, rate increase(s) are needed.

Methodology

The Cash Flow Analysis is configured like a budget showing the amount of cash at the beginning of the fiscal year, the amount of income (including customer charges and other revenue sources), and general expenses. Adding income, subtracting expenses, and adding developer contributions provide the cash available for capital expenses or adding to the cash reserves. The District operates on an accrual accounting basis, so a reconciliation line is included. Because it is not easy to project the accrual adjustment (reconciliation of operating income and expenses) for future years, it is not included in the projected years. The cash at the end of one year becomes the amount of cash at the beginning of the following year.

Other Considerations

A better understanding of cash flow can help develop a multi-year capital improvement plan and finance future projects.

Cash Flow – with No Rate Increases

Figure 8 shows the projected Cash Flow Analysis assuming no rate increases. This analysis indicates that the District's cash balances are sufficient to pay operating and capital expenses during FY 2024-2028.

Cash Flow (No Rate Increases)										
	2019	2020	2021	2022	2023	**2024**	**2025**	**2026**	**2027**	**2028**
Cash Beginning Jul 1	258,006	457,966	664,505	883,390	1,007,904	**1,133,261**	**1,249,015**	**1,301,095**	**1,335,352**	**1,363,633**
Revenue / Income										
Revenue	377,685	417,027	448,796	352,152	370,662	**378,075**	**386,943**	**396,702**	**406,461**	**417,939**
Other Income	12,047	14,772	15,139	14,491	29,006	**48,054**	**51,526**	**51,526**	**51,526**	**51,526**
Total Income	389,732	431,799	463,935	366,643	399,668	**426,129**	**438,469**	**448,228**	**457,987**	**469,465**
Expenses										
General Expenses	191,810	218,890	254,576	248,153	273,623	**310,375**	**386,388**	**413,971**	**429,706**	**446,692**
Income Less Expenses	197,922	212,909	209,359	118,490	126,045	**115,754**	**52,081**	**34,257**	**28,281**	**22,772**
Capital Financing										
Grants								**2,271,750**		
Capital Expenses										
Capital Expenses								**2,271,750**		
Annual Gain - (Loss)	197,922	212,909	209,359	118,490	126,045	**115,754**	**52,081**	**34,257**	**28,281**	**22,772**
Accrual Adjustment	2,038	(6,370)	9,526	6,024	(688)					
Cash Ending Jun 30	457,966	664,505	883,390	1,007,904	1,133,261	**1,249,015**	**1,301,095**	**1,335,352**	**1,363,633**	**1,386,405**

Figure 8

Figure 8a is a graphical representation of the past and projected Cash Flow.

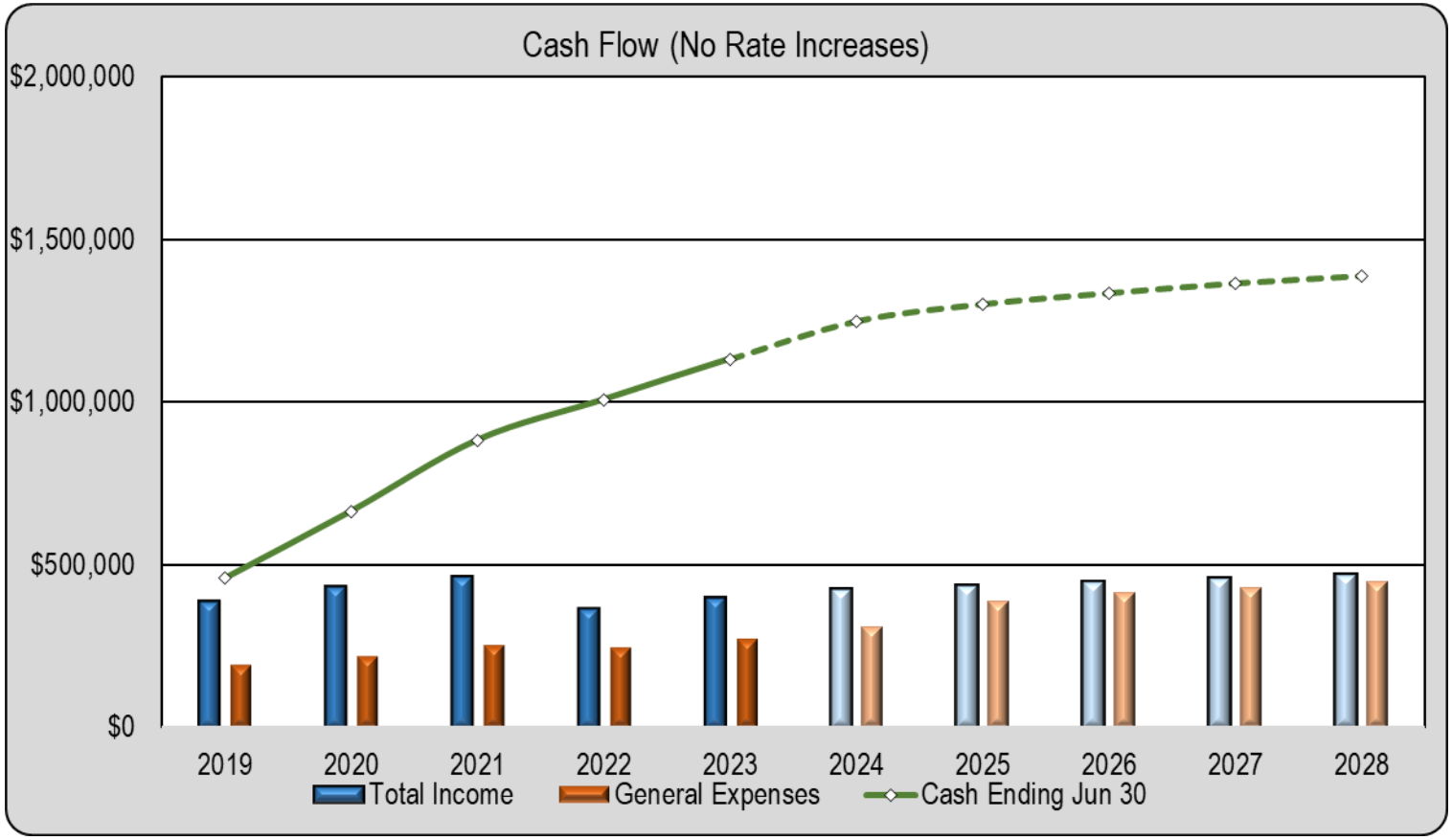

Figure 8a

Change in Net Position Analysis

Overview

Net position is generally defined as assets minus liabilities. The District's water system assets include all cash (unrestricted and restricted), land, and the "net value" of everything owned, such as pipes in the ground, tanks, pumps, buildings, furniture, vehicles, and other assets that are necessary to the operation of the utility. The net value is defined as the original cost of a capital asset less its accumulated depreciation. Each year, the change in net position (CNP) varies because the amount of cash varies due to changes in revenue and general expenses. Also, the net capital asset value changes because new capital assets are purchased and depreciated, and possibly some are totally depreciated. The CNP is calculated in a section of the District's audit report called "Statement of Revenues, Expenses, and Changes in the Net Position." The CNP Analysis in this report contains the same data and information in that section of the audit report.

Methodology

The CNP Analysis differs from the Cash Flow Analysis in that it includes depreciation as an operating expense but does not include capital expenses or principal debt payments. Also, for purposes of financial statement review by the Tennessee Comptroller of the Treasury, Tennessee law requires transfers, grants, and contributions to be excluded (subtracted) from a utility's "Financial" CNP to arrive at the "Statutory" CNP.

Requirement

The CNP line item in the CNP Analysis is essential because, according to TCA § 7-82-401 (included at the end of this report), the District would be subject to actions by the Tennessee Board of Utility Regulation (TBOUR) if the "Statutory" CNP is negative for two consecutive years.

Other Considerations

The CNP Analysis generally controls the rate increase amount if needed.

Change in Net Position – with No Rate Increases

Figure 9 shows the projected CNP, assuming there will be no rate increases. This analysis indicates that CNP will become negative beginning in FY 2024. With a second year of negative CNP in FY 2025, the District will be in violation of state law regarding CNP and will remain in violation through FY 2028.

Change in Net Position (No Rate Increases)										
	2019	2020	2021	2022	2023	**2024**	**2025**	**2026**	**2027**	**2028**
Revenue / Income										
Revenue	377,685	417,027	448,796	352,152	370,662	**378,075**	**386,943**	**396,702**	**406,461**	**417,939**
Other Income	12,047	14,772	15,139	14,491	29,006	**48,054**	**51,526**	**51,526**	**51,526**	**51,526**
Total Income	389,732	431,799	463,935	366,643	399,668	**426,129**	**438,469**	**448,228**	**457,987**	**469,465**
Expenses										
General Expenses	191,810	218,890	254,576	248,153	273,623	**310,375**	**386,388**	**413,971**	**429,706**	**446,692**
Depreciation	122,028	122,028	122,028	120,367	117,046	**117,046**	**117,046**	**147,590**	**147,590**	**147,590**
Total Expenses	313,838	340,918	376,604	368,520	390,669	**427,421**	**503,434**	**561,560**	**577,296**	**594,282**
Change in Net Position										
Change in Net Position	75,894	90,881	87,331	(1,877)	8,999	**(1,292)**	**(64,965)**	**(113,333)**	**(119,309)**	**(124,818)**

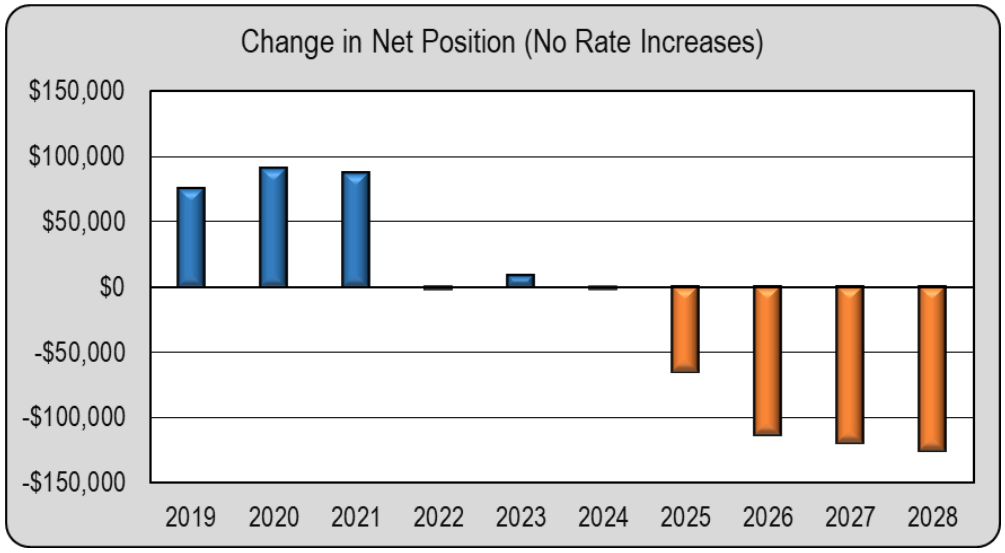

Figure 9

Rate Increase Recommendation

Overview

The determination of the rate increase needed is based on a review of the two analyses presented in this report: the Cash Flow Analysis and the Change in Net Position Analysis. Although the Cash Flow Analysis (**Figure 8**) shows future cash balances as positive, the CNP Analysis (**Figure 9**) projects a negative CNP in FY2024-2028. Although nothing can be done to correct FY 2024, there is a need for a rate increase in each of the next several years.

Cash Flow Analysis – with Rate Increases in FY 2025-2028

Figure 10 shows the projected Cash Flow reflecting the impact of a recommended rate increase of 30% in FY 2025, followed by annual 3% rate increases after that.

Cash Flow - With Rate Increases										
	2019	2020	2021	2022	2023	**2024**	**2025**	**2026**	**2027**	**2028**
Cash Beginning Jul 1	258,006	457,966	664,505	883,390	1,007,904	**1,133,261**	**1,249,015**	**1,417,178**	**1,585,917**	**1,768,316**
Revenue / Income										
Revenue	377,685	417,027	448,796	352,152	370,662	**378,075**	**503,026**	**531,184**	**560,578**	**593,701**
Rate Increase							**30%**	**3%**	**3%**	**3%**
Other Income	12,047	14,772	15,139	14,491	29,006	**48,054**	**51,526**	**51,526**	**51,526**	**51,526**
Total Income	389,732	431,799	463,935	366,643	399,668	**426,129**	**554,552**	**582,710**	**612,104**	**645,227**
Expenses										
General Expenses	191,810	218,890	254,576	248,153	273,623	**310,375**	**386,388**	**413,971**	**429,706**	**446,692**
Income Less Expenses	197,922	212,909	209,359	118,490	126,045	**115,754**	**168,164**	**168,739**	**182,398**	**198,534**
Capital Financing										
Grants								**2,271,750**		
Capital Expenses										
Capital Expenses								**2,271,750**		
Annual Gain - (Loss)	197,922	212,909	209,359	118,490	126,045	**115,754**	**168,164**	**168,739**	**182,398**	**198,534**
Accrual Adjustment	2,038	(6,370)	9,526	6,024	(688)					
Cash Ending Jun 30	457,966	664,505	883,390	1,007,904	1,133,261	**1,249,015**	**1,417,178**	**1,585,917**	**1,768,316**	**1,966,850**

Figure 10

Figure 10a is a graphical representation of the Cash Flow with the recommended rate increases.

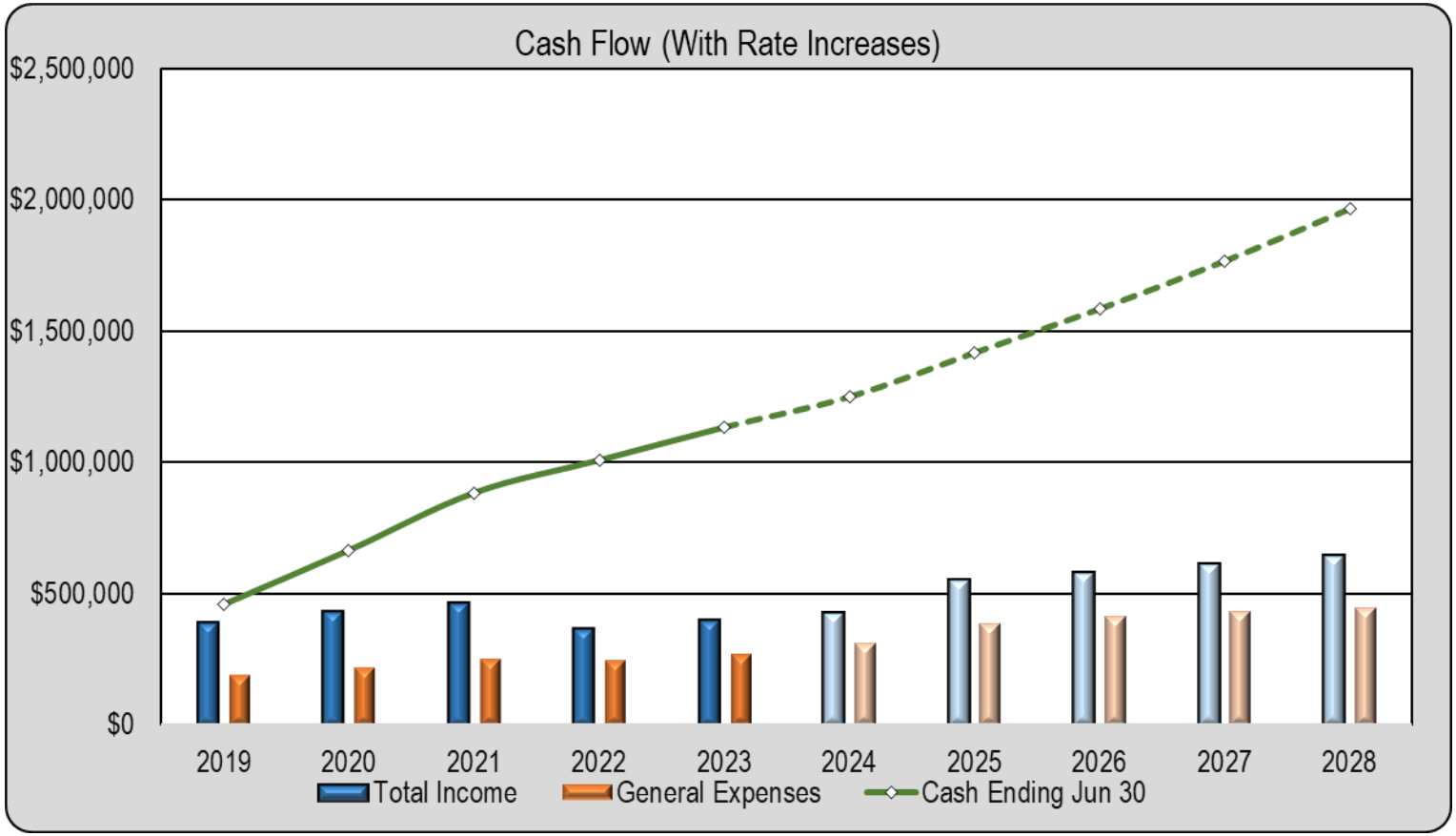

Figure 10a

Change in Net Position Analysis – with Rate Increases in FY 2025-2028

Figure 11 shows the projected CNP reflecting the impact of the recommended rate increases.

Change in Net Position (With Rate Increases)										
	2019	2020	2021	2022	2023	**2024**	**2025**	**2026**	**2027**	**2028**
Revenue / Income										
Revenue	377,685	417,027	448,796	352,152	370,662	**378,075**	**503,026**	**531,184**	**560,578**	**593,701**
Other Income	12,047	14,772	15,139	14,491	29,006	**48,054**	**51,526**	**51,526**	**51,526**	**51,526**
Total Income	389,732	431,799	463,935	366,643	399,668	**426,129**	**554,552**	**582,710**	**612,104**	**645,227**
Expenses										
General Expenses	191,810	218,890	254,576	248,153	273,623	**310,375**	**386,388**	**413,971**	**429,706**	**446,692**
Depreciation	122,028	122,028	122,028	120,367	117,046	**117,046**	**117,046**	**147,590**	**147,590**	**147,590**
Total Expenses	313,838	340,918	376,604	368,520	390,669	**427,421**	**503,434**	**561,560**	**577,296**	**594,282**
Change in Net Position										
Change in Net Position	75,894	90,881	87,331	(1,877)	8,999	**(1,292)**	**51,118**	**21,149**	**34,808**	**50,945**

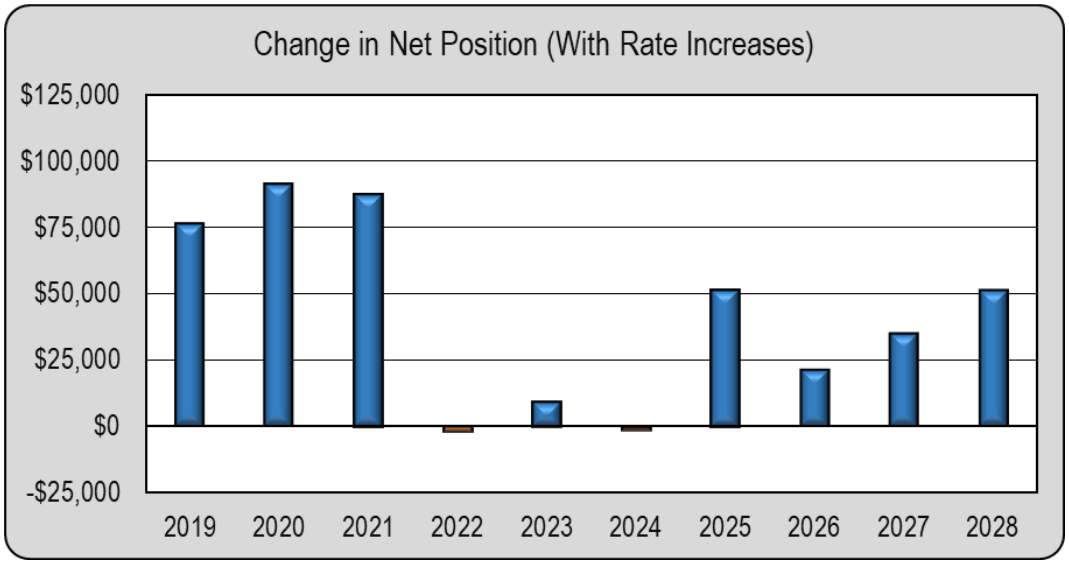

Figure 11

Sample Monthly Water Bills

Figure 12 shows monthly water bills for varying usage levels, reflecting the recommended rate increase for FY 2025.

Residential Rates - North and East				
Current 2024 Rates		Proposed FY 25 Rates		
				% Inc.
Customer Charge	$17.00	Customer Charge	$22.10	30%
	Per 100 gal.		Per 100 gal.	
	$0.60		$0.78	30%
Water Sold (Gallons)	Monthly Charge	Monthly Charge	Difference	Percent Increase
2,000	$29.00	$37.70	$8.70	30%
4,000	$41.00	$53.30	$12.30	30%
7,000	$59.00	$76.70	$17.70	30%
10,000	$77.00	$100.10	$23.10	30%
15,000	$107.00	$139.10	$32.10	30%
20,000	$137.00	$178.10	$41.10	30%

Residential Rates - South				
Current 2024 Rates		Proposed FY 25 Rates		
				% Inc.
Customer Charge	$17.00	Customer Charge	$22.10	30%
	Per 100 gal.		Per 100 gal.	
	$0.76		$0.99	30%
Water Sold (Gallons)	Monthly Charge	Monthly Charge	Difference	Percent Increase
2,000	$32.20	$41.86	$9.66	30%
4,000	$47.40	$61.62	$14.22	30%
7,000	$70.20	$91.26	$21.06	30%
10,000	$93.00	$120.90	$27.90	30%
15,000	$131.00	$170.30	$39.30	30%
20,000	$169.00	$219.70	$50.70	30%

Commercial - North and East				
Current 2024 Rates		Proposed FY 25 Rates		
				% Inc.
Customer Charge	$24.50	Customer Charge	$31.85	30%
	Per 100 gal.		Per 100 gal.	
	$0.70		$0.91	30%
Water Sold (Gallons)	Monthly Charge	Monthly Charge	Difference	Percent Increase
2,000	$38.50	$50.05	$11.55	30%
4,000	$52.50	$68.25	$15.75	30%
7,000	$73.50	$95.55	$22.05	30%
10,000	$94.50	$122.85	$28.35	30%
15,000	$129.50	$168.35	$38.85	30%
20,000	$164.50	$213.85	$49.35	30%

Commercial - South				
Current 2023 Rates		Proposed FY 26 Rates		
				% Inc.
Customer Charge	$24.50	Customer Charge	$31.85	30%
	Per 100 gal.		Per 100 gal.	
	$0.86		$1.12	30%
Water Sold (Gallons)	Monthly Charge	Monthly Charge	Difference	Percent Increase
2,000	$41.70	$54.21	$12.51	30%
4,000	$58.90	$76.57	$17.67	30%
7,000	$84.70	$110.11	$25.41	30%
10,000	$110.50	$143.65	$33.15	30%
15,000	$153.50	$199.55	$46.05	30%
20,000	$196.50	$255.45	$58.95	30%

Figure 12

Tenn. Code Ann. § 7-82-401

Current through the 2023 First Extraordinary Session of the General Assembly. The Tennessee Code Commission may make editorial changes to this version and may relocate or redesignate text. Those changes will appear on Lexis Advance after the publication of the certified volumes and supplements. Pursuant to T.C.A. §§ 1-1-110, 1-1-111, and 1-2-114, the Tennessee Code Commission certifies the final, official version of the Tennessee Code. Until the annual issuance of the certified volumes and supplements, references to the updates made by the most recent legislative session should be to the Public Chapter and not T.C.A. Case annotations are current through September 15, 2023.

- **TN - Tennessee Code Annotated**
- **Title 7 Consolidated Governments and Local Governmental Functions and Entities**
- **Special Districts**
- **Chapter 82 Utility District Law of 1937**
- **Part 4 Audit and Rates**

7-82-401. Audited annual financial report — Accounting manual — Books and records.

(a)
(1) The commissioners of each utility district shall cause an audited annual financial report to be made of the books and records of their district. The comptroller of the treasury, through the department of audit, is responsible for determining that such audits are prepared in accordance with generally accepted governmental auditing standards, and that such audits meet the minimum standards prescribed by the comptroller of the treasury.
(2) In all counties and districts, the comptroller of the treasury shall prepare a uniform audit manual as is required to assure that the books and records are kept in accordance with generally accepted accounting principles and that the minimum audit standards prescribed by the comptroller are met. The manual shall not be applied to invalidate obligations contained in bond resolutions or other debt contracts, nor to modify any substantive legal powers or requirements applicable to utility districts.
(b) The audits shall be prepared by certified public accountants, public accountants or by the department of audit. In the event the governing body of the utility district shall fail or refuse to have the audit prepared, then the comptroller of the treasury may appoint a certified public accountant, or public accountant or direct the department to prepare the audit, the cost of such audit to be paid by the utility district.
(c) The comptroller of the treasury is authorized to modify the requirements for an audit as set out in this section for utility districts whose activity, in the comptroller of the treasury's judgment, is not sufficient to justify the expenses of a complete audit. Furthermore, the comptroller of the treasury is authorized to direct the department of audit to make an audit or financial review of the books and records of utility districts.
(d) A copy of such annual statement and audit shall be filed with the county mayor or mayors where publication is required in accordance with this section and § 7-82-608.
(e) Audits performed by the internal audit staffs of the utility districts must be conducted in accordance with the standards established by the comptroller of the treasury pursuant to § 4-3-304(9).
(f)
(1) Any utility district that is a financially distressed utility district is subject to the supervision and evaluation of the Tennessee board of utility regulation created pursuant to part 7 of this chapter.

(2) A government joint venture that supplies or treats water or wastewater for wholesale use only to other governments does not fall under the jurisdiction of the Tennessee board of utility regulation for the purpose of reporting negative change in net position annually, but must be referred to the board if the government joint venture is in a deficit or default position as described in subdivision (f)(3).

(3) For the purposes of this chapter, "financially distressed utility district" means a utility district, and its system or systems, that, as shown by the audited annual financial reports, has a deficit in total net position in any one (1) year, has a deficit unrestricted net position in any one (1) year, is in default on an indebtedness, or has a negative change in net position for two (2) consecutive years without regard to any grants or capital contributions. For purposes of this section, "change in net position" means total revenues less all grants, capital contributions, and expenses.