



Municipal Utilities in Noncompliance with State Laws and Regulations

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The basics ...

- There are financially distressed waste and wastewater utilities in Tennessee.
 - Tennessee Code Annotated § 7-34-115 requires municipal utility systems to operate on sound business principles and to be self-sufficient.
 - Tennessee Code Annotated § 68-221-1010 requires that the Comptroller of the Treasury should file with the Water and Wastewater Financing Board the audit report of any water or wastewater system that has a deficit total net position in any one year; a negative change in net position for two consecutive years or; is currently in default on any of its debt instruments.

- There are also water systems with an excessive amount of unaccounted water loss.
 - The current limit is 20%.
 - A validity score and the excessive non-revenue water percentage are reported on a mandatory water loss schedule included in the audit report. Those numbers must meet certain thresholds established by the Water and Wastewater Financing Board.

This series will review the 10 most common audit findings as reported by the Tennessee State Comptroller's Office. All published parts in this series can be read here:

<https://www.mtas.tennessee.edu/knowledgebase/10-most-common-audit-findings-tennessee-municipalities>

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