



STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY  
DEPARTMENT OF AUDIT  
DIVISION OF LOCAL GOVERNMENT AUDIT

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## MEMORANDUM

To: Governmental Organizations Operating Water Utility Systems

From: Jerry Durham, CPA, CGFM, CFE, Assistant Director  
Standards Research Compliance & Contract Audits

Subject: Revised Supplemental Schedule of Unaccounted for Water

### **Updated Supplemental Schedule of Unaccounted for Water**

The Water and Wastewater Financing Board (WWFB) and the Utility Management Review Board (UMRB) require water systems to utilize the American Water Works Association (AWWA) model when reporting unaccounted for water. In order to comply with directives from the WWFB and the UMRB, the following two outputs (i.e., Excel tabs) produced from the AWWA software (updated 2014) should be included as a two-page supplemental Schedule of Unaccounted for Water in the annual financial report.

1. Reporting Worksheet
2. Performance Indicators

The updated AWWA software can be accessed at: <http://www.awwa.org/resources-tools/water-knowledge/water-loss-control.aspx>. In order to utilize the software the utility system must register with AWWA.

Directives from the respective boards can be accessed at:

- Utility Management Review Board: <http://www.comptroller.tn.gov/UMRB/>
- Water and Wastewater Financing Board: <http://www.comptroller.tn.gov/WWFB/>

### *Effective Date:*

Audit reports filed with our office on and after January 1, 2015 are required to follow the updated reporting format. Earlier implementation is encouraged. This memo supersedes related guidance in the Tennessee *Audit Manual* until its next issuance.

### **Separately Filed Excel Spreadsheet**

The UMRB and WWFB requirement for your independent auditor to file the entire AWWA Excel Spreadsheet that is created by utilizing the AWWA Water Audit Software remains the same. This spreadsheet should be filed separate from the annual audit, but at the same time.

The Excel spreadsheet is not considered audited information, but only submitted simultaneously with the annual audit. This requirement should not be confused with and does not replace the required supplemental schedule included in the annual financial report referred to above.

### **Referral to the WWFB and/or UMRB**

As a reminder, for audits received by the Comptroller of the Treasury *beginning* January 1, 2015 through December 31, 2016, water systems that meet one of the following criteria will be filed with the respective Board(s).

**Validity Score** of 70 or less out of 100; *or*

**Non-Revenue Water as a Percent by Cost of Operating System** financial performance indicator of 25% or greater

#### *Filing Criteria Summary:*

In compliance with *Tennessee Code Annotated* and directives from the WWFB and the UMRB, water systems will be referred to the appropriate Board(s) for the following reasons.

1. Having a “validity score” and/or “non-revenue water as a percent by cost of operating system” measurements at specific levels based upon the implementation tiers defined by the UMRB and WWFB as outlined on their websites.
2. Failing to include the Schedule of Unaccounted for Water (using the AWWA model) as supplemental information in the audit report and/or failing to submit the AWWA Excel Spreadsheet.
3. Not presenting the “validity score” and/or the “non-revenue water as a percent by cost of operating system” measurements in both the audit report and the AWWA Excel file.
4. Not complying with the updated reporting format (as referred to above) for reports received by our office on or after January 1, 2015.
5. Reporting a deficit net position at fiscal year end.
6. Incurring two consecutive years of a negative change in net position.
7. Being in default with one or more debt issues.