

Financial Statements

HALLSDALE-POWELL UTILITY DISTRICT

Year Ended March 31, 2018

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INDEPENDENT ACCOUNTANTS' AUDIT REPORT

Board of Commissioners
Hallsdale-Powell Utility District
Knoxville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of Hallsdale-Powell Utility District, which comprise the statement of net position as of March 31, 2018, the related statement of revenue, expenses and change in net position and statement of cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility 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; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the preparation and fair presentation of the financial statements 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 internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Hallsdale-Powell Utility District as of March 31, 2018 and the change in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 to 16, the schedule of changes in net pension liability(asset) and the schedule of pension contributions on pages 43 to 45 be presented to supplement the basic financial statements. Such information, 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 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 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Hallsdale-Powell Utility District's financial statements. The accompanying information listed in the table of contents as supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedules of long-term debt requirements and expenditures of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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.

The schedules of customers and utility rates, officials, water utility reporting worksheet and water utility performance indicators have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2018 on our consideration of Hallsdale-Powell Utility District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Hallsdale-Powell Utility 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 Hallsdale-Powell Utility District's internal control over financial reporting and compliance.

Mitchell Emert & Hill

September 26, 2018

HALLSDALE-POWELL UTILITY DISTRICT
OF KNOX COUNTY, TENNESSEE

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section presents management's analysis of the District's financial condition and activities for the years ended March 31, 2018 and 2017. This information should be read in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

Management believes the District is financially strong. It is well within its debt covenants and as the District makes additions and improvements to its distribution system, the operations of the District become more efficient. The following are key financial highlights:

- The District delivered 1.46 billion gallons of water and treated 3.02 billion gallons of sewer, representing an increase of 0.8% and an increase of 13.6%, respectively, from the previous year.
- Total assets at year-end were \$288.4 million and exceeded liabilities (net assets) by \$143.2 million. Of the total net assets, \$29.1 million was unrestricted and was available to support short-term operations. Total assets and total net assets increased from 2018 to 2017 by \$0.5 million and \$7.3 million, respectively. Unrestricted net assets decreased from 2018 to 2017 by \$1.6 million.
- Operating revenues were \$31.2 million, an increase of \$2.0 million or 6.9% from 2017.
- Operating expenses before depreciation decreased by \$45,453 which represents a -0.3% decrease in 2018 compared to 2017.
- Operating income, in total, for 2018 increased \$1.9 million or 22.6% increase from 2017.
- The ratios of operating income to total operating revenues were 34.1% for 2018 and 29.8% for 2017.
- Debt service coverage was 168% for 2018, exceeding the 110% required by various bond covenants.
- Revenues from water sales in 2018 increased by \$659,313 dollars, an increase of 4.6% from 2017 and revenues from sewer sales increased by \$1,228,473 dollars in 2018, an increase of 9.1% over 2017 sales.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

OVERVIEW OF THE ANNUAL FINANCIAL STATEMENTS

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The MD&A represents management's examination and analysis of the District's financial condition and performance. Summary financial statement data, key financial and operational indicators, budget, bond resolutions and other management tools were used for this analysis.

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 private sector utilities are not used by governmental utilities, such as the District.

The financial statements include the statement of net assets, statement of revenues, expenses, and changes in net assets, statement of cash flows, notes to the financial statements and other supplementary information. While the statement of net assets provides information about the nature and amount of resources and obligations at year end, the statement of revenue, expenses and changes in net assets presents results of the District's business activities over the course of the fiscal year presented and information as to how the net assets of the entity changed during those periods.

All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. These statements also provide certain information about the District's recovery of its costs. The District's rates are based on cost of service rate studies that are typically updated annually. The District uses a combination of cost recovery methods in accordance with generally accepted rate making principles in developing its rates.

The statement of cash flows presents changes in cash and cash equivalents, resulting from operating, financing and investing activities. The statement presents cash receipts and cash disbursements 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 essential to obtaining 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. Supplementary information presents insurance coverage for the District and the rate schedule still in effect at September 1, 2017, among other information.

The financial statements were prepared by the District's staff from the detailed records of the District. The financial statements are audited and adjusted, if materially incorrect, during the independent external audit process.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

SUMMARY OF ORGANIZATION AND BUSINESS

As mentioned in Note A of the financial statements, Hallsdale-Powell Utility District of Knox County Tennessee, one of Tennessee's largest public utility districts, was created on September 13, 1954, by decree of the County Court of Knox County, Tennessee pursuant to the provisions of the Utility District Law of 1937 for the purpose of constructing, operating and maintaining a system for the furnishing of water and sewer services for the public. The District serves portions of North Knox County, and portions of Anderson and Union Counties.

The District is governed by a Board of Commissioners composed of three citizens who live or own real estate within the District's. Board members are appointed by the Knox County Mayor for a term of four years. The District is subject to various regulatory requirements of the Tennessee Department of Environment and Conservation, the United States Environmental Protection Agency, the Tennessee Utility Management Review Board and the Tennessee Water and Wastewater Financial Board.

The District does not have taxing authority and does not receive any financial support from Knox County, Tennessee. The District's revenues are derived from water charges, sewer charges based upon metered water consumption of customers and ancillary revenues from various other service fees and charges. The District's customer base, at March 31, 2018, consisted of 30,735 water connections and 23,276 sewer connections.

The District's primary capital assets consist of two water treatment plants, two sewer treatment facilities, one office building and related maintenance facility, and 15 water reservoir tanks. The collection system, consisting of mains, laterals and pump stations, is also owned and maintained by the District. The water customer base is served by means of over 670 miles of water distribution lines, 17 water booster stations, and over 10 million gallons of clean drinking water reservoir tank capacity. The District uses over 463 miles of sewer collection lines and 19 sewer lift stations in servicing its sewer customer base.

The acquisition and construction of utility plant is financed partially through customer revenues and partially through bonded indebtedness. Based on cost of service rate studies, the District assesses the need for funds at current and projected operating levels in relation to the projected capital needs for new construction, maintenance of current distribution and collection system assets and replacement of assets as needed. The District's water and sewer rates are established by the Board of Commissioners based on cost of service rate studies which determine the projected revenue necessary to satisfy projected costs of operations, debt service, costs of necessary improvements to the District's Systems and the requirements of the District's bonded debt, bond covenants and state laws.

The District installed a new Supervisory Control and Data Acquisition (SCADA) system to improve monitoring and operational control and efficiency of the entire system. The SCADA system allows the District to monitor the water and sewer systems and the flow of water and sewage through those systems at all junctures from a centralized location. A computer console in the District's main office monitors the systems for problems, actual or potential, and gives timely, accurate information in order to avoid costly problems.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

During FY 2012 the District applied for funding through the states Clean Water State Revolving Fund (CWSRF) in the amount of \$4,800,000 to fund the rehabilitation of the Raccoon Valley Wastewater Treatment Plant and an Effluent Pump Station at our Beaver Creek Wastewater Treatment Plant. This state loan was awarded in December 2011 and bears a fixed interest rate of 0.95% and has a 20 year term with the monthly principal and interest payments beginning in FY 2018. In March of 2015, the District applied for an increase funding in the amount of \$3,800,000 to fund the solids treatment project at our Beaver Creek Wastewater Treatment Plant. The state loan funding increase was awarded in April 2015 carrying the same terms as the original stated above making the total amount of the loan \$8,600,000. The total amount drawn on the loan for the first phase of this project was \$2,805,331 and 5,352,972 on the second phase by fiscal year end 2018. The remainder of \$441,697 second phase will be drawn in the beginning of FY 2019 to close out the loan for a total drawn of \$8,600,000. This loan is in repayment of both principal and interest since April 2017 and once the remainder is drawn the loan will be re-amortized over the remainder of the term at the same interest rate..

In April 2014, the District applied for funding through the states CWSRF in the amount of \$8,116,400 to fund a sewer storage facility to help curtail future sanitary sewer overflows in the system. The project consists of a 5.0 million gallon storage tank on Dry Gap Pike. The funding was awarded by the state on June 18, 2014. This state loan consists of two loans, one for \$4,000,000 with \$200,000 principal forgiveness, and the other for \$4,116,400. To date, \$4,000,000 has been drawn on the first loan with principal forgiveness, and the monthly principal and interest payments started in October 2016. On the second loan with no principal forgiveness, the amount drawn at fiscal year-end is \$826,323 with monthly principal and interest payments beginning in July 2017. Both loans bear a fixed interest rate of 1.74% with a 20 year term.

In July 2017, the District applied for funding through the states CWSRF in the amount of \$13,100,000 to fund a sewer main replacement to help curtail future sanitary sewer overflows in the system. The project consists of over 5 miles of 48 inch sewer main along Emory Road terminating at the Beaver Creek sewer plant. This state loan consists of two loans, one for \$1,000,000 with \$100,000 principal forgiveness, and the other for \$12,100,000 with no principal forgiveness. The funding for both loans was awarded by the state on August 17, 2017 and both loans bear a fixed interest rate of 1.93% with a 20 year term. No draws against the loans have been made during FY 2018.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FINANCIAL ANALYSIS

The following condensed financial statements and other selected information provide key financial information for management in conducting, monitoring and planning for operations of the District.

Fiscal Year 2018 as compared to fiscal year 2017:

Condensed Statement of Net Position (In Thousands of Dollars) March 31, 2018 and 2017

	2018	2017	Variance	
			Amount	%
ASSETS				
Current assets	\$ 32,391	\$ 34,436	\$ (2,045)	-5.9%
Restricted assets	15,181	15,462	(281)	-1.8%
Capital Assets:				
Producing - net of depreciation	236,827	223,690	13,137	5.9%
Construction in progress	3,797	13,335	(9,538)	-71.5%
DEFERRED OUTFLOW OF RESOURCES				
Deferred outflow related to pension	275	495	(220)	-44.5%
Unamortized bond issuance costs, net accumulated amortization	-	494	(494)	-100.0%
TOTAL ASSETS	<u>\$ 288,471</u>	<u>\$ 287,912</u>	<u>\$ 559</u>	<u>0.2%</u>
LIABILITIES				
Current Liabilities	\$ 9,954	\$ 9,872	\$ 82	0.8%
Long-Term Liabilities	133,210	139,404	(6,194)	-4.4%
Net Pension Liability	1,087	2,124	(1,037)	-48.8%
TOTAL LIABILITIES	<u>144,252</u>	<u>151,400</u>	<u>(7,149)</u>	<u>-4.7%</u>
DEFERRED INFLOW OF RESOURCES				
Deferred Inflow of related pension	<u>997</u>	<u>669</u>	<u>328</u>	<u>49.0%</u>
NET ASSETS				
Invested in Capital Assets, net of related debt	100,477	91,229	9,249	10.1%
Restricted	13,625	13,871	(247)	-1.8%
Unrestricted	29,120	30,742	(1,622)	-5.3%
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 288,471</u>	<u>\$ 287,912</u>	<u>\$ 559</u>	<u>0.2%</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Condensed Statement of Revenues, Expenses and Changes in Net Assets

(In Thousands of Dollars)

For the Years Ended March 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>	<u>Variance</u>	
			<u>Amount</u>	<u>%</u>
Revenues				
Water service revenues	\$ 15,092	\$ 14,433	\$ 659	4.6%
Wastewater service revenues	14,692	13,463	1,228	9.1%
Other revenues	1,476	1,343	133	9.9%
Total Operating Revenues	<u>31,260</u>	<u>29,240</u>	<u>2,021</u>	<u>6.9%</u>
Operating Expenses				
Operations and Maintenance	13,557	13,603	(45)	-0.3%
Depreciation	7,033	6,937	96	1.4%
Total Operating Expenses	<u>20,590</u>	<u>20,540</u>	<u>50</u>	<u>0.2%</u>
Operating Income	<u>10,671</u>	<u>8,700</u>	<u>1,970</u>	<u>22.6%</u>
Non-operating Revenues and (Expenses)				
Investment Income	183	166	16	9.9%
Gain (Loss) on sale of assets	255	6	249	4281.6%
Interest Expense	(3,886)	(3,504)	(382)	10.9%
Total Non-Operating - net	<u>(3,448)</u>	<u>(3,332)</u>	<u>(117)</u>	<u>3.5%</u>
Increase (Decrease) in Net Assets Before Capital Contributions	<u>7,222</u>	<u>5,368</u>	<u>1,854</u>	<u>34.5%</u>
Capital Contributions				
Grant Revenue	-	82	(82)	-100.0%
Cash Contributions	57	29	29	100.6%
Non-Cash	100	201	(101)	-50.1%
Total Capital Contributions	<u>158</u>	<u>312</u>	<u>(154)</u>	<u>-49.4%</u>
Increase in Net Assets	\$ 7,380	\$ 5,680	\$ 1,700	29.9%
Net Assets, Beginning of Year	<u>\$ 135,842</u>	<u>\$ 130,162</u>	<u>\$ 5,680</u>	<u>4.4%</u>
Net Assets, End of Year	<u>\$ 143,222</u>	<u>\$ 135,842</u>	<u>\$ 7,380</u>	<u>5.4%</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

OTHER SELECTED INFORMATION

Selected Data:

	<u>2018</u>	<u>2017</u>	<u>Difference</u>	<u>%Change</u>
Employees at Year-End	97	94	3	3.2%
Average Employees	97	92	5	5.5%
Customers (Billing Units) at Year-End:				
Water	30,735	30,441	294	1.0%
Wastewater	23,276	23,191	85	0.4%
Water Treated (Millions of Gallons)	2,841.9	2,617.0	224.90	8.7%
Sold	1,459.6	1,448.8	10.84	0.8%
Wastewater Treated (Millions of Gallons)	3,026.6	2,606.3	420.3	13.6%
Per Average Employee:				
Operating Revenues	\$ 322,270	\$ 317,821	4,449	1.4%
Operating Expenses	\$ 212,265	\$ 223,256	(10,991)	-5.1%
Residential Rate per 1,000 Gallons of Water Sold				
Water	10.34	9.96	0.38	3.9%
Wastewater	12.92	12.09	0.84	7.1%
Ratio of Operating Revenues to:				
Operating Expenses	1.52	1.42	0.09	6.4%
Operating Expenses - Net of Depreciation	2.31	2.15	0.16	6.9%
Total Assets	0.11	0.10	0.01	6.7%
Net Assets	0.22	0.22	0.00	1.4%
Debt Related Ratios:				
Long-Term Debt to Net Assets	0.93	1.03	(0.10)	-9.0%
Long-Term Debt to Total Assets	0.46	0.48	(0.02)	-4.5%
Operating Coverage	1.68	1.62	0.06	3.3%

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

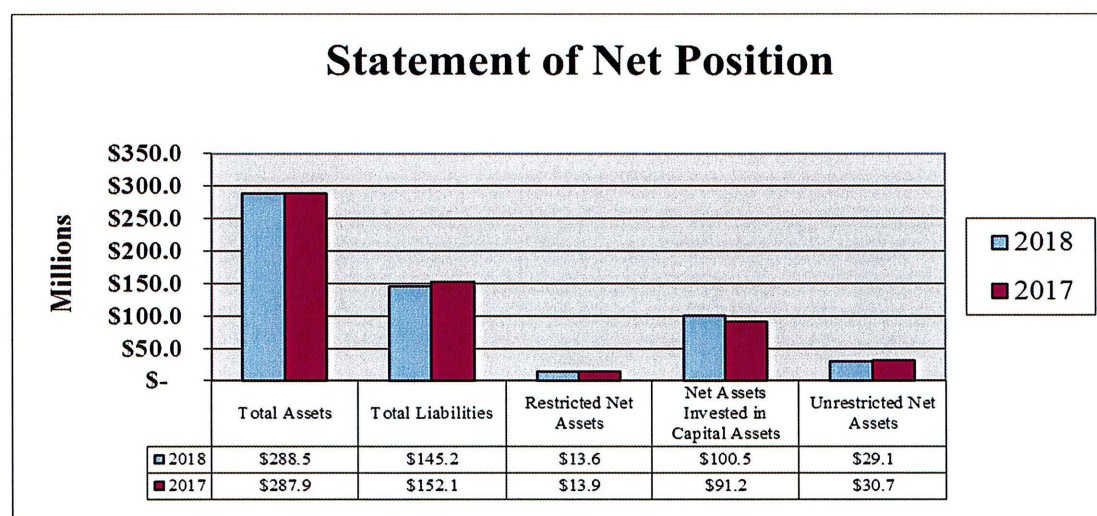
GENERAL TRENDS AND SIGNIFICANT EVENTS

Customer growth in the District has remained strong over the last decade. The District's number of water and sewer customers (billing units) increased during 2018 by 1.0% and 0.4%, respectively.

Weather temperatures during 2018 and 2017 were generally normal for the seasons. However, wetter conditions were present in 2018 versus 2017 compared to the average six years; 2018 and 2017 resulted in 63.24 and 47.23 inches of rainfall for each of the two fiscal years, respectively. The presence of these rain conditions contributed to lower than predicted water production and sales as well as more wastewater treatment.

FINANCIAL CONDITION

The District remained financially strong through the end of 2018. The District met all bond covenants for the fiscal year, generated positive operating cash flows and accomplished several goals concerning capital projects. The following charts summarize the financial statements.



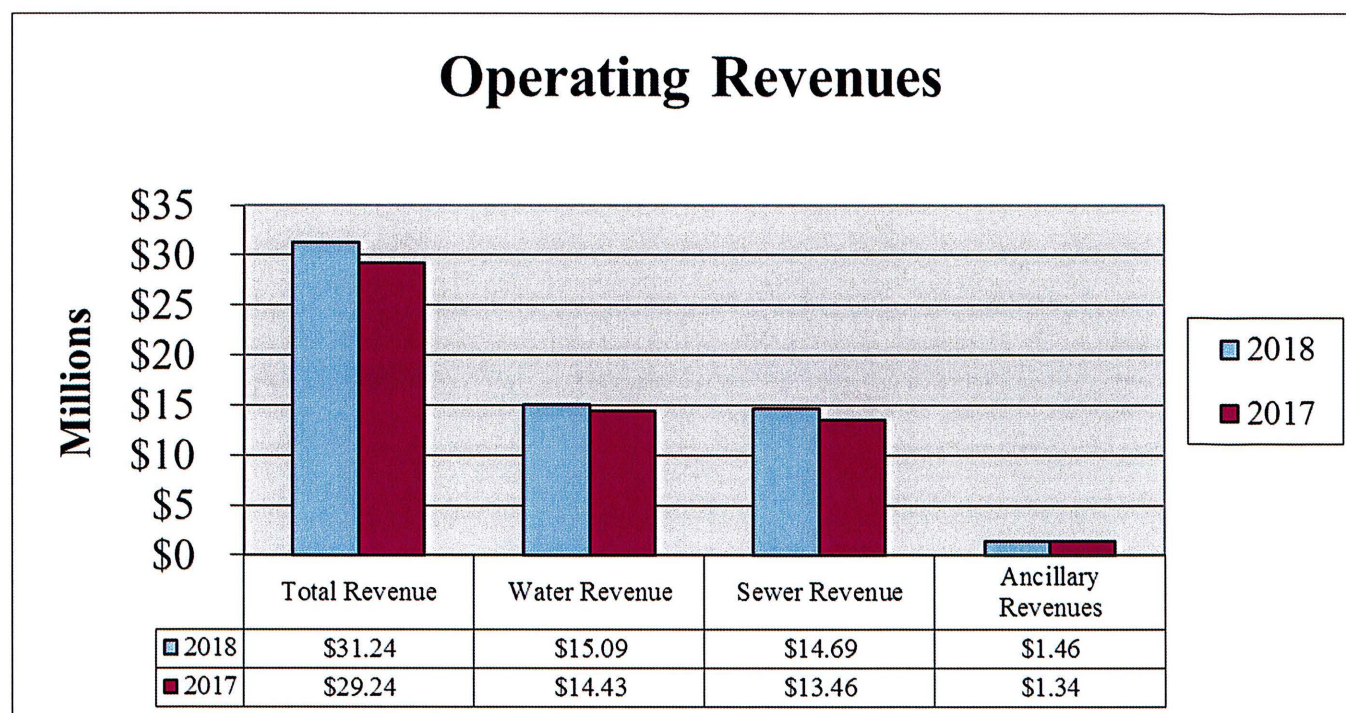
Total assets grew from \$287.9 million in 2017 to \$288.5 million in 2018, an increase of approximately \$0.5 million. Total liabilities decreased from \$152.1 million in 2017 to \$145.2 million in 2018, an approximate decrease of \$6.8 million. Restricted Net Assets decreased from \$13.9 million in 2017 to \$13.6 million in 2018, a decrease of \$0.2 million. Net Assets Invested in Capital Assets increased from \$91.2 million in 2017 to \$100.5 million in 2018, an increase of approximately \$9.2 million. Finally, Unrestricted Net Assets decreased from \$30.7 million in 2017 to \$29.1 million in 2018, a decrease of approximately \$1.6 million.

Net accounts receivable at year-end 2018 was 87.9% higher than fiscal year 2017. The District's provision for bad debt expense was \$157,378 on \$29,784,032 in water and sewer sales.

Net accounts receivable at year-end 2017 was 4.9% higher than fiscal year 2016. The District's provision for bad debt expense was \$166,778 on \$27,896,246 in water and sewer sales.

RESULTS OF OPERATIONS

Revenues from operations fall into three general categories: water service, sewer service, and ancillary charges. Ancillary charges include connection fees, account set-up and penalty fees and charges from miscellaneous billed services.



Total revenues grew from \$29.2 million in 2017 to \$31.2 million in 2018, an increase of approximately \$2.0 million. Water revenue increased from \$14.4 million in 2017 to \$15.0 million in 2018, an approximate increase of \$0.65 million. Sewer revenue increased from \$13.4 million in 2017 to \$14.7 million in 2018, an increase of \$1.22 million. Ancillary revenue increased from \$1.34 million in 2017 to \$1.46 million in 2018 an increase of \$132,896.

In March of 2015 the District approved a change in billing structure thus adopting a base charge for both water and sewer as well as a change in the per thousand gallon charge for both water and sewer. The adoption of the new billing structure was centered on a neutral rates impact; however residential customers using less than 1,500 gallons derived a bill reduction and the average 4,000 gallon customers experienced an increase in their bill compared to the prior rate structure.

The affects upon the rates by adopting the new billing structure projected an estimated increase of both water and sewer revenues by 2.1%. A new rate structure went into effect September 1, 2017. The average realized rate from water sales was \$10.34 per thousand gallons in 2018 and \$9.96 per thousand gallons in 2017, an increase of 3.9% and for wastewater sales was \$12.92 per thousand gallons in 2018 and \$12.09 per thousand gallons in 2017, an increase of 7.1%

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Capital Contributions

The District collects water and sewer 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 and sewer capacity of the new customer. These fees are paid at the time a new customer water meter is connected to the system. In addition, the District accepts new water and sewer lines that are donated by residential and commercial real estate developers. Prior to implementation Governmental Accounting Standards Board (GASB) Statement No. 33, the money and system assets received were recorded as direct contributions to equity. GASB defines these fees as non-operation revenues and requires reporting the amounts through the statement of revenues, expenses, and changes in net assets.

Capital cash contributions were \$57,390 for 2018 compared to \$111,032 for 2017, a decrease of \$53,642 dollars. These contributions represent system-connection related fees of \$27,390.

Noncash capital contributions were \$100,426 for 2018 and \$201,107 for 2017, a decrease of \$100,681 dollars. These contributions represent water and sewer distribution and collection systems donated by developers during FY 2018 and FY 2017.

Expenses

Operating expenses excluding depreciation, decreased by \$45,453 in 2018, or 0.3%.

Depreciation expense of the District's assets increased by \$95,636 in 2018 or 1.4%.

CAPITAL ASSETS

The District is undergoing aggressive water and sewer treatment plant upgrades, line relocation and replacements. The District is improving and increasing the capacity of its water and wastewater treatment facilities in order to provide adequate capacity for future customer growth.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

DEBT

At March 31, 2018, the District had \$140.1 million in long and short-term debt, a decrease of \$5.6 million dollars from 2017.

During FY 2012 the District applied for funding through the states Clean Water State Revolving Fund (CWSRF) in the amount of \$4,800,000 to fund the rehabilitation of the Raccoon Valley Wastewater Treatment Plant and an Effluent Pump Station at our Beaver Creek Wastewater Treatment Plant. This state loan was awarded in December 2011 and bears a fixed interest rate of 0.95% and has a 20 year term with the monthly principal and interest payments beginning in FY 2018. In March of 2015, the District applied for an increase funding in the amount of \$3,800,000 to fund the solids treatment project at our Beaver Creek Wastewater Treatment Plant. The state loan funding increase was awarded in April 2015 carrying the same terms as the original stated above making the total amount of the loan \$8,600,000. The total amount drawn on the loan for the first phase of this project was \$2,805,331 and 5,352,972 on the second phase by fiscal year end 2018. The remainder of \$441,697 will be drawn in the beginning of FY 2019 to close the loan for a total drawn of \$8,600,000. This loan is in repayment of both principal and interest since April 2017 and once the remainder is drawn the loan will be re-amortized over the remainder of the term at the same interest rate.

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In July 2017, the District applied for funding through the states CWSRF in the amount of \$13,100,000 to fund a sewer main replacement to help curtail future sanitary sewer overflows in the system. The project consists of over 5 miles of 48 inch sewer main along Emory Road terminating at the Beaver Creek sewer plant. This state loan consists of two loans, one for \$1,000,000 with \$100,000 principal forgiveness, and the other for \$12,100,000 with no principal forgiveness. The funding was awarded by the state on August 17, 2017 and both loans bear a fixed interest rate of 1.93% with a 20 year term. No draws against the loans have been made during FY 2018.

District's debt is described in Notes F, and in the Other Supplementary Information section to the financial statements.

The long-term debt to total asset ratio was 0.48 in 2018 and 0.49 in 2017.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The District is bound by restrictive covenants as set forth in the 2006, 2008, and 2013 bond documents. These covenants are monitored closely by management and the Board of Commissioners and are intricate in prescribing allowable uses for revenues of the District, amounts to be reserved for debt service and sinking fund requirements, identifying certain financial ratios that must be met by the District and a number of operational restrictions by which the District must abide. Adhering to the Series 2002 Bonds Master Resolution, the District is required to set rates prior to the commencement of each fiscal year sufficient to cover the bond debt service ratio as computed above by 110%. In 2018, the District approved the amended 2008 rate study and the included recommendations. As evidenced in the amended rate study, the newly adopted rates for 2018 are estimated to cover the expected debt service for FY 2018 by 120%.

The District is also responsible for complying with several operational requirements as provided in restricted covenants of its bonds covenants. Some of these operational requirements include not providing free service to any user, ensuring the system is operated on a fully metered basis, billing customers on a monthly basis and discontinuing service to any customer whose bill remains unpaid after a designated number of days.

The District was in full compliance with all restrictive covenants contained in its bond covenants at March 31, 2018, and 2017.

FINAL COMMENTS

As mentioned earlier, the District currently serves parts of Knox, Anderson, and Union Counties. The District has projected several areas for expansion of its distribution and transmission system. Much of this expansion is located in the north portion of Knox County and the west portion of Union County. There are also several new developments planned for the Sharps Chapel area in Union County. The District projects the highest growth in its customer base, total distribution growth and, therefore, revenue growth in the aforementioned areas for the next several years. These areas are rapidly expanding as the population in the Knox and Union County areas grow. Many of the current and planned capital water projects for the District are aimed at accomplishing more efficient service in these areas as well as further system expansion.

The District has sustained healthy operational and financial stability through planned improvements to its water and sewer facilities over the past 63 years. The District is in position to accept additional planned opportunities for service to the public in the Knox, Anderson, Union County areas, while consistently improving quality and efficiency of services and maintaining its fiscal strength.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONTACTING THE DISTRICT

This financial report is designed to provide the District's customers and other interested parties with a general overview of the District's finances and to demonstrate the District's fiscal accountability to the public it serves. Questions about this report or requests for additional financial information may be directed to the District:

Darren Cardwell, President
Hallsdale-Powell Utility District
3745 Cunningham Drive
P.O. Box 5199
Knoxville, Tennessee 37928-0199.

HALLSDALE-POWELL UTILITY DISTRICT

STATEMENT OF NET POSITION

March 31, 2018

ASSETS

UTILITY PLANT IN SERVICE

Capital assets not being depreciated:

Land \$ 3,877,536

Construction in process 3,796,752

Capital assets being depreciated 326,369,313

334,043,601

Accumulated depreciation (93,419,991)

240,623,610

RESTRICTED CASH

Cash \$ 10,089,357

Investments 5,091,705 15,181,062

CURRENT ASSETS

Cash 29,915,041

Accounts receivable, net of allowance for
uncollectible accounts of \$505,794 1,140,188

Prepaid expenses 3,250

Materials and supplies 1,332,630

TOTAL CURRENT ASSETS 32,391,109

DEFERRED OUTFLOW OF RESOURCES

Deferred outflow related to pension 275,335

\$ 288,471,114

See the accompanying notes to the financial statements.

LIABILITIES AND NET POSITION**CURRENT LIABILITIES PAYABLE
FROM CURRENT ASSETS**

Accounts payable		\$	942,727
Prepaid tap fees			89,170
Accrued compensated absences			<u>429,787</u>
			1,461,683

**CURRENT LIABILITIES PAYABLE
FROM RESTRICTED ASSETS**

Current maturities of long-term debt	\$	6,936,062	
Customer deposits		389,336	
Accrued interest		<u>1,167,048</u>	<u>8,492,446</u>

TOTAL CURRENT LIABILITIES 9,954,129

**LONG-TERM DEBT,
net of current portion**

Bonds payable	72,650,101	
Notes payable	<u>60,560,200</u>	133,210,300

NET PENSION LIABILITY 1,087,240

DEFERRED INFLOW OF RESOURCES

Deferred inflow related to pension	<u>997,150</u>
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TOTAL LIABILITIES 145,248,819

NET POSITION

Net investment in capital assets	100,477,246	
Restricted:		
Construction projects	2,414,815	
Debt retirement	11,209,863	
Unrestricted	<u>29,120,371</u>	<u>143,222,295</u>
		<u>\$ 288,471,114</u>

HALLSDALE-POWELL UTILITY DISTRICT

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION

Year Ended March 31, 2018

OPERATING REVENUE

Metered water sales	\$ 15,092,468
Metered sewer sales	14,691,564
Fire protection	113,378
Transfer fees	105,087
Road boring and tap fees	379,590
Service charges and reconnection fees	111,281
Backflow inspection	38,448
Penalties	582,981
Miscellaneous income	<u>145,438</u>

TOTAL OPERATING REVENUE 31,260,235

OPERATING EXPENSES

Salaries and related expenses	\$ 6,578,384
Professional and contract services	935,874
Administration	825,508
Utilities	2,437,391
Supplies, repairs and maintenance	2,587,273
Vehicles and equipment	<u>192,635</u>

TOTAL OPERATING EXPENSES 13,557,065

INCOME FROM OPERATIONS BEFORE DEPRECIATION 17,703,170

Depreciation 7,032,628

INCOME FROM OPERATIONS 10,670,542

See the accompanying notes to the financial statements.

HALLSDALE-POWELL UTILITY DISTRICT

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION

(continued)

Year Ended March 31, 2018

NONOPERATING REVENUE(EXPENSE)

Interest income	182,539	
Gain on disposal of capital assets	255,315	
Interest expense	<u>(3,886,168)</u>	<u>(3,448,314)</u>

INCOME BEFORE CAPITAL CONTRIBUTIONS 7,222,228

Capital contributions 157,816

CHANGE IN NET POSITION 7,380,044

NET POSITION AT THE BEGINNING OF THE YEAR 135,842,251

NET POSITION AT THE END OF THE YEAR \$ 143,222,295

HALLSDALE-POWELL UTILITY DISTRICT

STATEMENT OF CASH FLOWS

Year Ended March 31, 2018

**CASH PROVIDED(USED) BY
OPERATING ACTIVITIES**

Cash received from customers	\$ 30,730,887
Cash paid to employees	(4,913,474)
Cash paid to suppliers	<u>(10,043,520)</u>

**NET CASH PROVIDED BY
OPERATING ACTIVITIES**

15,773,893

**CASH PROVIDED(USED) BY CAPITAL AND
RELATED FINANCING ACTIVITIES**

Principal payments on long-term debt	\$ (6,759,817)
Proceeds from issuance of bonds and notes	1,304,713
Acquisition of property and equipment	(10,631,725)
Proceeds from disposal of assets	255,315
Capital contributions	157,816
Interest paid	<u>(3,606,715)</u>

**NET CASH (USED) BY CAPITAL AND
RELATED FINANCING ACTIVITIES**

(19,280,413)

CASH PROVIDED(USED) BY INVESTING ACTIVITIES

Decrease in investments	2,789,350
Interest received	<u>182,539</u>

NET CASH PROVIDED BY INVESTING ACTIVITIES

2,971,889

NET (DECREASE) IN CASH

(534,631)

CASH AT THE BEGINNING OF THE YEAR

40,539,028

CASH AT THE END OF THE YEAR

\$ 40,004,398

NONCASH TRANSACTIONS

Contributed distribution and collection system	\$ 100,426
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See the accompanying notes to the financial statements.

HALLSDALE-POWELL UTILITY DISTRICT

STATEMENT OF CASH FLOWS

(continued)

Year Ended March 31, 2018

**RECONCILIATION OF INCOME FROM
OPERATIONS TO NET CASH PROVIDED(USED)
BY OPERATING ACTIVITIES**

Income from operations		\$ 10,670,542
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation	\$ 7,032,628	
(Increase)decrease in:		
Accounts receivable	(533,364)	
Materials and supplies	(815,637)	
Deferred outflow related to pension	(226,635)	
Prepaid expenses	70,725	
Increase(decrease) in:		
Accounts payable	(251,513)	
Net pension obligation	(249,895)	
Customer deposits	4,015	
Prepaid tap fees	(12,110)	
Accrued compensated absences	85,137	5,103,351
		<u>5,103,351</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		<u><u>\$ 15,773,893</u></u>

HALLSDALE-POWELL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2018

NOTE A - DESCRIPTION OF ORGANIZATION

Hallsdale-Powell Utility District (the District) was created on September 13, 1954 by decree of the County Court of Knox County, Tennessee under the provisions of Chapter 248 of the Public Acts of Tennessee, 1937, as amended. The District was created to provide water and wastewater utility services within certain boundaries of Knox, Union and Anderson Counties. All corporate powers of the District are vested in and exercised by a three member Board of Commissioners.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting

The District uses the economic resources measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included in the statement of net position. The statement of revenue, expenses and change in net position presents increases (revenue) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenue is recognized in the period in which it is earned while expenses are recognized in the period in which the liability is incurred. Revenue is recorded when billed to the customers, based on a monthly meter reading cycle.

The District distinguishes operating revenue and expenses from nonoperating items. Operating revenue for proprietary funds is revenue that is generated from the primary operations of the District. The principal operating revenue of the District is charges to customers for water sales and sewer services. The District also recognizes as operating revenue the portion of connection fees intended to recover the cost of connecting new customers to the system. All other revenue is reported as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All other expenses are reported as nonoperating expenses.

HALLSDALE-POWELL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

March 31, 2018

The District prepares its financial statements in accordance with GASB Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net position groups:

Net investment in capital assets

This category includes capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. Net investment in capital assets has been calculated as follows:

Capital assets	\$ 334,043,601
Accumulated depreciation	(93,419,991)
Bond discounts, premiums and refunding costs	(3,221,137)
Principal balance on long-term debt	<u>(136,925,225)</u>
	<u>\$ 100,477,246</u>

Restricted

This category includes net position whose use is subject to externally imposed stipulations that can either be fulfilled by actions of the District pursuant to those stipulations or that expire by the passage of time. When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed. At March 31, 2018, the restricted net position consisted of the following:

	<u>Debt service</u>	<u>Construction Projects</u>
Restricted cash and investments	\$ 12,766,247	\$ 2,414,815
Accrued interest payable	(1,167,048)	0
Customer deposits	<u>(389,336)</u>	<u>0</u>
Total	<u>\$ 11,209,863</u>	<u>\$ 2,414,815</u>

HALLSDALE-POWELL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

March 31, 2018

Unrestricted

This category includes net position whose use is not subject to externally imposed stipulations and that does not meet the definition of “restricted” or “net investment in capital assets”. Unrestricted net position may be designated for specific purposes by action of management or the Board of Commissioners or may otherwise be limited by contractual agreements with outside parties.

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 the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management’s knowledge of current events and actions they may undertake in the future, actual results could differ from these estimates. Estimates are used when accounting for allowances for uncollectible accounts receivable, depreciation, revenue and contingencies.

Bond Discounts and Premiums

Bond discounts and premiums are deferred and amortized over the term of the bonds using the straight line method. In accordance with Government Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the bond issuance costs relating to the Water and Sewer Revenue Improvement Bonds, Series 2006, 2008 and 2013 have been fully amortized and written off during the year ended March 31, 2018. Amortization of bond issuance costs, discounts and premiums for the year ended March 31, 2018 was \$276,070 and is included as an increase of interest expense in the statement of revenue, expenses and change in net position. Unamortized bond discounts and premiums are presented as either a reduction or addition to the face amount of bonds payable.

Refunding of Debt

The difference between the book value of refunded debt and the amount required to retire debt is deferred together with any related unamortized discount or premium and bond issuance costs. The deferred loss on refunded debt is reported on the statement of net position as an adjustment to the book value of the new debt issued to finance the refunding. The deferral is amortized over the original remaining life of the old debt or life of the new debt, whichever is less, using the straight line method. Amortization of the deferred loss for the year ended March 31, 2018 was \$25,017 and is included in interest expense in the statement of revenue, expenses and change in net position.

HALLSDALE-POWELL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

March 31, 2018

Materials and Supplies

Materials and supplies are valued at the lower of cost (as determined by the first in, first out method) or market.

Utility Plant in Service

Utility plant in service is recorded at the original cost of purchase or construction. Certain distribution and collection lines, acquired by contributions from developers, are valued at the District's estimate of cost. Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. The District uses the straight-line method of depreciation over the estimated lives of the assets, which range from 5 to 50 years. Depreciation expense for the year ended March 31, 2018 was \$7,032,628.

Compensated Absences

Full-time employees of the District are granted paid time off (PTO) in varying amounts based on years of service. Employees with less than eleven (11) years of service may accumulate a maximum of forty-five (45) days of PTO. Employees with eleven (11) or more years of service may accumulate a maximum of sixty (60) days of PTO. At the end of each calendar year, days over the maximum accumulation are either paid to the employee at one-half of regular pay, or transferred to a long-term disability and/or retirement account. An employee must take at least five (5) PTO days per year. Failure to take the required PTO results in a reduction of the unused days at the end of the year. In the event of termination, the employee is paid fifty percent (50%) of accumulated PTO and twenty-five percent (25%) of the amount accrued in the long-term disability/retirement account. PTO is recorded as an expense in the statement of revenue, expenses and change in net position as the benefits accrue to employees.

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 the District's participation in the Hallsdale-Powell Utility District Defined Benefit Pension Plan (the Plan), and additions to/deductions from the District's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Plan. Investments are reported at fair value.

HALLSDALE-POWELL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

March 31, 2018

NOTE C - CASH AND INVESTMENTS

Investments that have original maturities of three months or less are classified as cash equivalents. Cash and investments are stated at cost, which approximates market value. Carrying amounts at March 31, 2018 were as follows:

Cash on hand	\$ 2,520
Checking and savings accounts	<u>40,001,878</u>
Total cash and cash equivalents	40,004,398
Local government investment pool	<u>5,091,705</u>
	<u>\$ 45,096,103</u>
Unrestricted assets	\$ 29,915,041
Restricted assets	<u>15,181,062</u>
	<u>\$ 45,096,103</u>

State of Tennessee law authorizes the District to invest in obligations of the United States of America or its agencies, nonconvertible debt securities of certain federal agencies, other obligations guaranteed as to principal and interest by the United States of America or any of its agencies, secured certificates of deposit and other evidences of deposit in state and federal banks and savings and loan associations, and the Tennessee Department of Treasury Local Government Investment Pool (the LGIP). The LGIP contains investments in certificates of deposits, U.S. Treasury securities and repurchase agreements, backed by the U.S. Treasury securities. The Treasurer of the State of Tennessee administers the investment pool.

HALLSDALE-POWELL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

March 31, 2018

District policy dictates that collateral meet certain requirements, such as, be deposited in an institution which participates in the State of Tennessee Bank Collateral Pool or be deposited in an escrow account in another institution for the benefit of the District and must be a minimum of 105% of the value of the deposits placed in the institution less the amount protected by federal deposit insurance. The State of Tennessee Bank Collateral Pool is administered by the State of Tennessee. Members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional agreement, public fund accounts covered by the pool are considered to be insured in accordance with GASB Statement No. 3, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements) and Reverse Repurchase Agreements*.

The District's cash and investments at March 31, 2018 were entirely insured through the Federal Deposit Insurance Corporation or the State of Tennessee Bank Collateral Pool.

NOTE D - RISK MANAGEMENT

The District 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 District obtains commercial insurance to cover general liability claims, errors or omissions liability, auto liability, and property damage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in the past three fiscal years.

NOTE E - COMMITMENTS

The District entered into an agreement with a contractor for a sewer rehabilitation project in the amount of \$4,132,484; \$1,117,753 has been expended as of March 31, 2018.

NOTE F - CAPITAL CONTRIBUTIONS

Capital contributions for the year ended March 31, 2018 were as follows:

Cash:	
Water and sewer taps	\$ 57,390
Property:	
Distribution and collection system	<u>100,426</u>
	<u>\$ 157,816</u>

HALLSDALE-POWELL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

March 31, 2018

NOTE G - UTILITY PLANT IN SERVICE

Utility plant in service for the year ended March 31, 2018 was as follows:

	<u>Balance</u> <u>4/1/17</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>3/31/18</u>
<u>Capital assets not being depreciated</u>				
Land	\$ 3,733,341	\$ 144,195	\$ 0	\$ 3,877,536
Construction in progress	<u>13,334,657</u>	<u>8,054,175</u>	<u>(17,592,080)</u>	<u>3,796,752</u>
	17,067,998	8,198,370	(17,592,080)	7,674,288
<u>Capital assets being depreciated</u>				
Buildings	6,591,619	26,008	0	6,617,627
Distribution and collection system	69,719,656	835,509	0	70,555,165
Vehicles	2,649,821	897,361	(437,130)	3,110,052
Equipment, tools and furniture	7,650,094	970,225	(262,384)	8,357,937
Wastewater treatment plants	77,001,573	0	0	77,001,573
Water treatment plant	44,810,440	9,044,916	0	53,855,355
Sewer lines	75,614,395	1,778,388	0	77,392,778
Steel reservoirs	8,228,709	6,135,869	0	14,364,579
Pumping and booster stations	871,731	14,462	0	886,195
Service connection and meters	<u>13,905,354</u>	<u>322,698</u>	<u>0</u>	<u>14,228,052</u>
	307,043,392	20,025,436	(699,514)	326,369,313
<u>Accumulated depreciation</u>				
Buildings	(676,366)	(134,641)	0	(811,006)
Distribution and collection system	(18,499,604)	(1,377,905)	0	(19,877,508)
Vehicles	(2,005,924)	(275,855)	437,130	(1,844,650)
Equipment, tools and furniture	(5,887,750)	(504,682)	262,384	(6,130,049)
Wastewater treatment plants	(15,073,226)	(1,540,031)	0	(16,613,258)
Water treatment plant	(9,798,476)	(884,423)	0	(10,682,898)
Sewer lines	(28,525,082)	(1,851,127)	0	(30,376,209)
Steel reservoirs	(1,949,209)	(164,858)	0	(2,114,067)
Pumping and booster stations	(303,092)	(20,999)	0	(324,091)
Service connection and meters	<u>(4,368,148)</u>	<u>(278,107)</u>	<u>0</u>	<u>(4,646,255)</u>
	<u>(87,086,877)</u>	<u>(7,032,628)</u>	<u>699,514</u>	<u>(93,419,991)</u>
	<u>\$ 237,024,514</u>	<u>\$ 21,191,178</u>	<u>\$ (17,592,080)</u>	<u>\$ 240,623,610</u>

HALLSDALE-POWELL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
(continued)

March 31, 2018

NOTE H - LONG-TERM DEBT

Long-term debt at March 31, 2018 consisted of the following:

Bonds Payable

Water and Sewer Revenue Improvement Bonds, Series 2006, varying interest rates from 4% to 5% maturing in 2040, principal payments ranging from \$320,000 to \$930,000 due annually on April 1, with interest payments due semi-annually (including issue premium of \$301,649)	\$ 13,556,649
Water and Sewer Revenue Improvement Bonds, Series 2008, varying interest rates from 3% to 5% maturing in 2028, principal payments ranging from \$465,000 to \$735,000 due annually on April 1, with interest payments due semi-annually (net of issue discount of \$29,100)	6,425,900
Utilities Improvement Revenue Bonds, Series 2005 (Rural Utilities Services), 4.375% interest rate maturing in 2045, monthly installments of \$4,022	772,146
Utilities Improvement Revenue Bonds, Series 2007 (Rural Utilities Services), 4.125% interest rate maturing in 2045, monthly installments of \$13,129	2,597,180
Utilities Improvement Revenue Bonds, Series 2009 (Rural Utilities Services), 3.25% interest rate maturing in 2048, monthly installments of \$3,823	884,018
Utilities Improvement Revenue Bonds, Series 2011 (Rural Utilities Services), 4.125% interest rate maturing in 2049, monthly installments of \$21,311	4,476,353
Utilities Improvement Revenue Bonds, Series 2013-A (Rural Utilities Services), 3.125% interest rate maturing in 2051, monthly installments of \$5,873	1,468,240

HALLSDALE-POWELL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

March 31, 2018

Water and Sewer Revenue Improvement Bonds, Series 2013, varying interest rates from 2% to 4% maturing in 2033, principal payments ranging from \$1,700,000 to \$2,800,000 due annually on April 1, with interest payments due semi-annually (including issue premium of \$3,348,864 and net of deferred loss on refunding of \$400,275)	40,463,589
Utilities Improvement Revenue Bonds, Series 2013-B (Rural Utilities Services), 3.125% interest rate maturing in 2053, monthly installments of \$18,684	4,748,911
<u>Notes Payable</u>	
State of Tennessee DWSRF Loan #2006-069, 0.84% interest rate through 2028, monthly installments of \$11,320	1,302,451
State of Tennessee CWSRF Loan #2005-186, 0.82% interest rate, through 2032, monthly installments of \$243,127	38,338,383
State of Tennessee DWSRF Loan #2005-062, 0.82% interest rate through 2028, monthly installments of \$33,893	3,903,617
State of Tennessee DWSRF Loan #DGA 2009-086, 2.52% interest rate through 2031, monthly installments of \$7,498	1,007,211
State of Tennessee DWSRF Loan #DGA 2009-086 ARRA, 2.52% interest rate through 2031, monthly installments of \$1,500	201,471
State of Tennessee CWSRF Loan #CG3 2014-332, 1.74% interest rate through 2036, monthly installments of \$18,759	3,557,888

HALLSDALE-POWELL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

March 31, 2018

State of Tennessee CWSRF Loan #CG2 2014-333, 1.74% interest rate through 2037, monthly installments of \$4,079	803,107
State of Tennessee CWSRF Loan #CGA 2009-233, 2.52% interest rate through 2032, monthly installments of \$32,250	4,635,969
State of Tennessee CWSRF Loan #CGA 2009-233 ARRA, 2.52% interest rate through 2032, monthly installments of \$6,451	926,904
State of Tennessee DWSRF Loan #DGO 2011-111, 0.87% interest rate through 2032, monthly installments of \$13,976	2,259,422
State of Tennessee CWSRF Loan #SRF 2011-279, 0.95% 0.95% interest rate through 2038, monthly installments of \$37,338	<u>7,816,954</u>
	140,146,362
Less current maturities	<u>(6,936,062)</u>
	<u>\$ 133,210,300</u>

Future maturities of bonds and notes payable are as follows:

<u>Year Ending</u> <u>March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2019	\$ 6,936,062	\$ 3,508,346	\$ 10,444,408
2020	7,069,916	3,362,310	10,432,227
2021	7,229,507	3,202,736	10,432,243
2022	7,400,045	3,033,424	10,433,469
2023	7,571,598	2,857,299	10,428,897
2024	7,759,171	2,674,218	10,433,389
2025	7,932,784	2,494,985	10,427,769

HALLSDALE-POWELL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

March 31, 2018

Future maturities of bonds and notes payable (continued):

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2026	8,117,477	2,319,779	10,437,256
2027	8,293,307	2,138,228	10,431,536
2028	8,435,226	1,951,048	10,386,274
2029	7,963,700	1,750,050	9,713,750
2030	7,408,518	1,554,541	8,963,059
2031	7,586,440	1,379,321	8,965,761
2032	7,684,891	1,192,703	8,877,595
2033	5,036,306	1,000,459	6,036,765
2034	4,501,221	833,364	5,334,585
2035	4,671,922	663,488	5,335,410
2036	1,933,389	544,896	2,478,285
2037	1,881,579	480,917	2,362,496
2038	1,389,657	419,606	1,809,262
2039	1,390,947	362,176	1,753,123
2040	1,451,512	302,461	1,753,973
2041	1,512,875	240,149	1,753,024
2042	605,064	197,034	802,098
2043	628,115	173,983	802,098
2044	652,060	150,038	802,098
2045	676,935	125,163	802,098
2046	629,417	99,751	729,169
2047	516,678	79,608	596,286
2048	535,465	60,821	596,286
2049	448,262	41,546	489,807
2050	366,559	26,792	393,351
2051	276,466	18,212	294,678
2052	266,366	9,507	275,872
2053	165,787	2,170	167,957
	<u>\$ 136,925,225</u>	<u>\$ 39,251,127</u>	<u>\$ 176,176,353</u>

HALLSDALE-POWELL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

March 31, 2018

All bond issues are collateralized by a pledge of the net revenue derived from the operations of the District and a statutory mortgage lien on the Waterworks and Sewage Systems. Covenants of the Water and Sewer Bond Resolutions contain various requirements, including monthly deposits to a debt service fund, a debt service reserve requirement, maintenance of insurance coverage on the District's utility plant, officer fidelity bonds, an annual coverage requirement based on budgeted revenue and restrictions on the issuance of additional parity bonds, all of which were complied with during the year.

During the year ended March 31, 2005, the District obtained a loan from the State of Tennessee Clean Water State Revolving Fund with a maximum loan amount of \$53,800,000. During the year ended March 31, 2008, the District made initial draws against this loan of \$15,318,862. During the year ended March 31, 2009 additional draws of \$19,606,311 were made. During the year ended March 31, 2010 additional draws of \$8,458,709 were made. There were no additional draws during the years ended March 31, 2012 and 2011. During the year ended March 31, 2013, the District made additional draws against this loan of \$9,514,601. There were no additional draws during the years ended March 31, 2018, 2017 and 2016. The District makes monthly payments of principal and interest in the amount of \$238,981. The interest rate on this loan is 0.82%.

During the year ended March 31, 2005, the District obtained a loan from the State of Tennessee Drinking Water State Revolving Fund with a maximum loan amount of \$7,500,000, which has been drawn by the District in its entirety. The District makes monthly payments of principal and interest in the amount of \$33,893. The interest rate on this loan is 0.82%.

During the year ended March 31, 2005, the District obtained a loan from the State of Tennessee Drinking Water State Revolving Fund with a maximum loan amount of \$2,500,000, which has been drawn by the District in its entirety. The District makes monthly payments of principal and interest in the amount of \$11,320. The interest rate on this loan is 0.84%.

During the year ended March 31, 2008, the District issued \$891,600 in Water and Sewer Revenue Utilities Improvement Bonds, Series 2005. The proceeds of the bonds are being used to finance the costs of water and wastewater plant expansions. The District makes monthly payments of principal and interest in the amount of \$4,022. The interest rates on these bonds are 4.375%.

During the year ended March 31, 2006, the District issued \$16,000,000 in Water and Sewer Revenue Utilities Improvement Bonds, Series 2006. The proceeds of the bonds are being used to finance the costs of water and wastewater plant expansions. The District makes annual payments of principal varying from \$285,000 to \$930,000 and semi-annual payments of interest. The interest rates on these bonds vary from 4% to 5%.

HALLSDALE-POWELL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

March 31, 2018

During the year ended March 31, 2008, the District issued \$3,018,000 in Water and Sewer Revenue Utilities Improvement Bonds, Series 2007. The proceeds of the bonds are being used to finance the costs of water and wastewater plant expansions. The District makes monthly payments of principal and interest in the amount of \$13,129. The interest rates on these bonds are 4.125%.

During the year ended March 31, 2009, the District issued \$10,000,000 in Water and Sewer Revenue Utilities Improvement Bonds, Series 2008. The proceeds of the bonds are being used to finance the costs of water and wastewater plant expansions. The District makes annual payments of principal varying from \$465,000 to \$735,000 and semi-annual payments of interest. The interest rates on these bonds vary from 3% to 5%.

During the year ended March 31, 2010, the District obtained a loan from the State of Tennessee Drinking Water State Revolving Fund with a maximum loan amount of \$2,825,000. The funding sources for this loan are divided as follows: \$1,412,500 from State Revolving Fund and \$1,412,500 from American Recovery and Reinvestment Act (ARRA) funds. During the year ended March 31, 2010, initial draws of \$253,638 were made from the State Revolving Fund and \$50,728 from ARRA funds. During the year ended March 31, 2011, draws of \$902,328 were made from the State Revolving Fund and \$180,466 from ARRA funds. During the year ended March 31, 2012, draws of \$256,534 were made from the State Revolving Fund and \$51,307 from ARRA funds. The District makes monthly payments of principal and interest in the amount of \$8,998. The interest rate on this loan is 2.52%.

During the year ended March 31, 2011, the District issued \$998,000 in Water and Sewer Revenue Utilities Improvement Bonds, Series 2009. The proceeds of the bonds are being used to finance the costs of water and wastewater plant expansions. The District makes monthly payments of principal and interest in the amount of \$3,823. The interest rates on these bonds are 3.25%.

During the year ended March 31, 2011, the District obtained a loan from the State of Tennessee Clean Water State Revolving Fund with a maximum loan amount of \$12,150,000. The funding sources for this loan are divided as follows: \$6,075,000 from State Revolving Fund and \$6,075,000 from American Recovery and Reinvestment Act (ARRA) funds. During the year ended March 31, 2011, initial draws of \$3,082,981 were made from the State Revolving Fund and \$616,596 from ARRA funds. During the year ended March 31, 2012, draws of \$2,060,161 were made from the State Revolving Fund and \$412,032 from ARRA funds. During the year ended March 31, 2013, draws of \$893,959 were made from the State Revolving Fund and \$178,792 from ARRA funds. During the year ended March 31, 2015 draws of \$19,221 were made from the State Revolving Fund and \$3,844 from ARRA funds. The District makes monthly payments of principal and interest in the amount of \$38,573. The interest rate on this loan is 2.52%.

HALLSDALE-POWELL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

March 31, 2018

During the year ended March 31, 2012, the District obtained a loan from the State of Tennessee Drinking Water State Revolving Fund with a maximum loan amount of \$3,847,000. During the year ended March 31, 2012, an initial draw of \$1,157,935 was made from the State Revolving Fund. During the year ended March 31, 2013, draws of \$1,919,665, were made from the State Revolving Fund. The District makes monthly payments of principal and interest in the amount of \$13,976. The interest rate on this loan is 0.87%.

During the year ended March 31, 2012, the District issued \$4,899,000 in Utilities Improvement Revenue Bonds, Series 2011. The proceeds of the bonds are being used to finance the costs of the new building complex. The District makes monthly payments of principal and interest in the amount of \$21,311. The interest rate on these bonds is 4.125%.

During the year ended March 31, 2013, the District issued \$43,825,000 in Water and Sewer Revenue Utilities Improvement Bonds, Series 2013. A portion of the proceeds of the Series 2013 Bonds were used to refund the outstanding balances of the Series 2002 A, Series 2002 B, Series 2004 A, and the Series 2004 B Bonds. The District makes monthly annual principal payments varying from \$1,550,000 to \$2,800,000 and semi-annual payments of interest. The interest rates on these bonds vary from 2% to 4%.

During the year ended March 31, 2013, the District obtained a loan from the State of Tennessee Clean Water State Revolving Fund with a maximum loan amount of \$4,800,000. During the year ended March 31, 2013, an initial draw of \$439,148 was made from the State Revolving Fund. An additional draw was made during the year ended March 31, 2015 in the amount of \$2,805,331. During the year ended March 31, 2016, the maximum loan amount was increased by \$3,800,000 to \$8,600,000. During the years ended March 31, 2017 and 2018, the District made draws on the loan in the amount of \$4,048,259 and \$1,746,410, respectively. The District makes monthly payments of principal and interest in the amount of \$37,338. The interest rate on this loan is 0.95%.

HALLSDALE-POWELL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

March 31, 2018

During the year ended March 31, 2013, the District entered into interim financing with USDA Rural Development (RUS) on two previously entered into funding obligation commitments in the amount of \$1,566,000 and bears a fixed interest rate of 4.25% and the other in the amount of \$4,983,000 and bears a fixed interest rate of 3.75% with both having a 38 year term. By entering into the interim financing, the District was able to secure a locked-in interest rate of 3.125% for both of the loans regardless of their closing date. During the year ended March 31, 2013 the amount drawn on the interim loans totaled \$50,000. During the year ended March 31, 2015 an additional draw was made on the Series 2013-A bonds in the amount of \$1,541,000. During the year ended March 31, 2016 an additional draw was made on the Series 2013-B bonds in the amount of \$4,958,000. The District intends to utilize its own resources up to 80% completion of the projects then close on the above loans to recover the funds expended by the District and use the remainder of the closed loans to pay for the completion of the projects.

In April 2014, the District applied for funding through the states CWSRF in the amount of \$8,116,400 to fund a sewer storage facility to help curtail future sanitary sewer overflows in the system. The project consists of a 5.0 million gallon storage tank on Dry Gap Pike. The funding was awarded by the state on June 18, 2014. This state loan consists of two loans, one for \$4,000,000 with \$200,000 principal forgiveness, and the other for \$4,116,400. To date, \$4,000,000 has been drawn on the first loan with principal forgiveness, and the monthly principal and interest payments started in October 2016. On the second loan with no principal forgiveness, the amount drawn at fiscal year-end is \$826,323 with monthly principal and interest payments beginning in July 2017. Both loans bear a fixed interest rate of 1.74% with a 20 year term.

Interest cost incurred for the year ended March 31, 2018 was \$3,886,168, all of which was charged to expense.

Subsequent to the year ended March 31, 2018, the District entered into an agreement to refund the Water and Sewer Revenue Improvement Bonds, Series 2006 and 2008 and the Utilities Improvement Revenue Bonds, Series 2005, 2007 and 2011 at an interest rate of 3.23%. The difference between the cash flows of the old debt compared to the cash flows of the new debt is approximately \$6,727,614.

HALLSDALE-POWELL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

March 31, 2018

Changes in long-term debt for the year ended March 31, 2018 were as follows:

	Balance 4/1/17	Issued	Paid	Balance 3/31/18	Amounts Due Within One Year
Notes Payable:					
DWSRF Loan #2005-062	\$ 4,276,661	\$ 0	\$ 373,044	\$ 3,903,617	\$ 376,125
DWSRF Loan #2006-069	1,426,781	0	124,330	1,302,451	125,379
CWSRF Loan #2005-186	40,883,047	0	2,544,664	38,338,383	2,562,987
DWSRF Loan #DGA 2009-086	1,071,090	0	63,880	1,007,211	78,419
DWSRF Loan #DGA 2009-086 ARRA	214,243	0	12,772	201,471	0
CWSRF Loan #CGA 2009-233	4,901,166	0	265,197	4,635,969	326,424
CWSRF Loan #CGA 2009-233 ARRA	980,019	0	53,115	926,904	0
DWSRF Loan #DGO 2011-111	2,406,945	0	147,523	2,259,422	148,647
CWSRF Loan #SRF 2011-279	6,853,590	1,304,713	341,349	7,816,954	375,429
CWSRF Loan #CG2 2014-333	826,323	0	23,216	803,107	35,265
CWSRF Loan #CG3 2014-332	3,720,044	0	162,156	3,557,888	164,502
Bonds Payable:					
Series 2006	13,560,000	0	305,000	13,255,000	320,000
Series 2008	6,900,000	0	445,000	6,455,000	465,000
Series 2005	786,291	0	14,145	772,146	14,777
Series 2007	2,646,486	0	49,306	2,597,180	51,378
Series 2009	900,866	0	16,847	884,018	17,403
Series 2011	4,545,872	0	69,519	4,476,353	72,442
Series 2013	39,165,000	0	1,650,000	37,515,000	1,700,000
Series 2013 A	1,492,422	0	24,182	1,468,240	24,949
Series 2013 B	4,823,483	0	74,572	4,748,911	76,936
	<u>\$ 142,380,330</u>	<u>\$ 1,304,713</u>	<u>\$ 6,759,817</u>	<u>\$ 136,925,225</u>	<u>\$ 6,936,062</u>

HALLSDALE-POWELL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

March 31, 2018

NOTE I - PENSION PLAN

Plan Description

Employees of the District who were hired before January 1, 2016 are provided a single-employer defined benefit pension plan through the Hallsdale-Powell Utility District Defined Benefit Pension Plan (the Plan), a single employer pension plan administered by a three-person committee appointed by the District. Employees of the District who were hired after January 1, 2016 are provided a single-employer defined contribution pension plan. The District contributes 6% of each participant's compensation and participants are fully vested after 5 years of service.

Benefits Provided

Full-time employees with six months of service and who have attained the age of 21 and have worked at least 1,000 hours are eligible to enroll in the Plan. Employees who entered the Plan prior to January 1, 2007 are vested 100%. Employees who entered the Plan after January 1, 2007 are not vested until they complete 5 years of service, at which time they become 100% vested. Normal retirement age is 65 and early retirement age is 55 with reduced benefits. The Plan does not issue separate financial statements.

The Plan provides District employees a normal retirement benefit equal to 60.0% (62.5% if hired before January 1, 2007) of average annual compensation based on the three consecutive plan years during which compensation is highest. The employer contribution necessary to fund the Plan is determined by actuarial methods.

Contributions

The District makes employer contributions at the rate set by the Board of Commissioners as determined by an actuarial valuation. For the year ended March 31, 2018 employer contributions for the District were \$906,540. By law, employer contributions are required to be paid.

HALLSDALE-POWELL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

March 31, 2018

Employees Covered by Benefit Terms

At the measurement date of December 31, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	14
Inactive employees entitled to but not yet receiving benefits	12
Active employees	<u>81</u>
	<u>107</u>

Net Pension Liability (Asset)

The District's net pension liability (asset) was measured as of December 31, 2017, 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 the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Salary increases	Annual increases of 4% to age 65
Investment rate of return	6.75% per annum

Investment Policy

It is the policy of the District to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct classes. The following is the current asset allocation policy as of December 31, 2017:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic Equity	40-60%
Fixed Income	40-60%
Cash	0-10%

HALLSDALE-POWELL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

March 31, 2018

Changes in Net Pension Liability(Asset)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability(Asset) (a) – (b)
Changes for the year ended December 31, 2017:			
Increase(decrease):			
Service cost	\$ 488,017	\$ 0	\$ 488,017
Interest	763,090	0	763,090
Differences between expected and actual experience	(298,704)	0	(298,704)
Contributions - employer	0	982,085	(982,085)
Contributions - employees	0	0	0
Net investment income	0	1,037,400	(1,037,400)
Refunds of contributions	0	0	0
Benefit payments, including refunds of employee contributions	(515,292)	(515,292)	0
Administrative expense	0	(30,430)	30,430
Other changes	<u>0</u>	<u>0</u>	<u>0</u>
Net changes	437,111	1,473,763	(1,036,652)
Balances at December 31, 2016	<u>11,074,673</u>	<u>8,950,781</u>	<u>2,123,892</u>
Balances at December 31, 2017	<u>\$ 11,511,784</u>	<u>\$ 10,424,544</u>	<u>\$ 1,087,240</u>

Sensitivity of the Net Pension Liability(Asset) to Changes in the Discount Rate

The following presents the net pension liability(asset) of the District calculated using the discount rate of 6.75%, 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%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
Net pension liability(asset)	\$ 2,327,566	\$ 1,087,240	\$ 8,150

HALLSDALE-POWELL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

March 31, 2018

Pension Expense

For the year ended December 31, 2017, the District recognized pension expense of \$491,819.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended March 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 48,699	\$ 792,290
Net difference between projected and actual earnings on pension plan investments	0	204,860
Contributions subsequent to the measurement date of December 31, 2017	<u>226,635</u>	<u>not applicable</u>
Totals	<u>\$ 275,355</u>	<u>\$ 997,150</u>

The amount shown above for “Contributions subsequent to the measurement date of December 31, 2017,” 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 Ending December 31:

2019	(170,813)
2020	(174,847)
2021	(272,870)
2022	(249,489)
2023	(37,761)
Thereafter	(42,672)

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

REQUIRED SUPPLEMENTARY INFORMATION

HALLSDALE-POWELL UTILITY DISTRICT

CHANGES IN NET PENSION LIABILITY(ASSET)

March 31, 2018

	Measurement Date at December 31, 2017
<u>Total pension liability</u>	
Service cost	\$ 488,017
Interest	763,090
Differences between actual and expected experience	(298,704)
Benefit payments, including refunds of employee contributions	(515,292)
Net change in total pension liability	437,111
Total pension liability - beginning	11,074,673
Total pension liability - ending (a)	11,511,784
<u>Plan fiduciary net position</u>	
Contributions - employer	982,085
Net investment income	1,037,400
Benefit payments, including refunds of employee contributions	(515,292)
Administrative expense	(30,430)
Net change in plan fiduciary net position	1,473,763
Plan fiduciary net position - beginning	8,950,781
Plan fiduciary net position - ending (b)	10,424,544
Net pension liability(asset) - ending (a) - (b)	\$ 1,087,240
Plan fiduciary net position as a percentage of total net pension liability	90.56%
Covered employee payroll	\$ 4,228,284
Net pension liability(asset) as a percentage of covered employee payroll	25.71%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

See the accompanying independent accountants' audit report.

Measurement Date at December 31,	
2016	2015
\$ 521,488	\$ 506,156
712,467	661,831
68,179	(38,631)
(522,076)	(266,983)
<u>780,058</u>	<u>862,373</u>
10,294,615	9,432,242
<u>11,074,673</u>	<u>10,294,615</u>
830,995	906,540
666,853	29,010
(522,076)	(266,983)
(36,062)	(56,726)
<u>939,710</u>	<u>611,841</u>
8,011,071	7,399,230
<u>8,950,781</u>	<u>8,011,071</u>
<u>\$ 2,123,892</u>	<u>\$ 2,283,544</u>

80.82% 77.82%

\$ 4,158,318 \$ 4,044,651

51.08% 56.46%

HALLSDALE-POWELL UTILITY DISTRICT

PENSION CONTRIBUTIONS

March 31, 2018

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 754,809	\$ 770,448	\$ 756,583	\$ 900,422
Contributions in relation to the actuarially determined contribution	<u>(982,085)</u>	<u>(830,995)</u>	<u>(906,540)</u>	<u>(1,064,000)</u>
Contribution deficiency(excess)	<u>\$ (227,276)</u>	<u>\$ (60,547)</u>	<u>\$ (149,957)</u>	<u>\$ (163,578)</u>
Covered employee payroll	\$ 4,172,404	\$ 4,228,284	\$ 4,158,318	\$ 4,044,651
Contributions as a percentage of covered employee payroll	23.50%	19.70%	21.80%	26.30%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Notes to Pension Contributions

Valuation date: Actuarially determined contribution rates for the year ended December 31, 2017 were calculated based on the January 1, 2017 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Frozen initial liability
Amortization method	Entry Age Normal with single amortization of all unfunded accrued liability
Remaining amortization period	Varies by year
Asset valuation	4-year smoothing of gain/loss
Salary increases	Annual increases of 4% to age 65 including inflation, averaging 4.25%
Investment Rate of Return	6.75%
Mortality	Customized table based on actual experience
Cost of Living Adjustments	0.00%

See the accompanying independent accountants' audit report.

OTHER SUPPLEMENTARY INFORMATION

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS

March 31, 2018

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Water and Sewer Revenue Improvement Bonds, Series 2006, interest rate 4% to 5%			
Year Ending March 31,			
2019	\$ 320,000	\$ 633,244	\$ 953,244
2020	335,000	618,097	953,097
2021	350,000	602,256	952,256
2022	365,000	585,494	950,494
2023	385,000	567,200	952,200
2024	405,000	547,450	952,450
2025	425,000	526,700	951,700
2026	450,000	504,825	954,825
2027	470,000	481,825	951,825
2028	495,000	457,700	952,700
2029	520,000	432,325	952,325
2030	545,000	405,700	950,700
2031	575,000	377,700	952,700
2032	605,000	348,200	953,200
2033	635,000	317,200	952,200
2034	670,000	284,575	954,575
2035	705,000	250,200	955,200
2036	740,000	214,075	954,075
2037	775,000	176,200	951,200
2038	815,000	138,488	953,488

See the accompanying independent accountants' audit report.

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS

(continued)

March 31, 2018

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Water and Sewer Revenue Improvement Bonds, Series 2006, interest rate 4% to 5% (continued):			
Year Ending March 31,			
2039	850,000	101,025	951,025
2040	890,000	61,875	951,875
2041	930,000	20,925	950,925
	<u>\$ 13,255,000</u>	<u>\$ 8,653,279</u>	<u>\$ 21,908,279</u>

Water and Sewer Revenue Improvement Bonds, Series 2008, interest rate 3% to 5%			
2019	\$ 465,000	\$ 290,459	\$ 755,459
2020	485,000	269,852	754,852
2021	505,000	248,133	753,133
2022	530,000	225,230	755,230
2023	550,000	201,063	751,063
2024	580,000	175,493	755,493
2025	605,000	148,231	753,231
2026	635,000	119,084	754,084
2027	665,000	87,876	752,876
2028	700,000	54,250	754,250
2029	735,000	18,375	753,375
	<u>\$ 6,455,000</u>	<u>\$ 1,838,046</u>	<u>\$ 8,293,046</u>

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS

(continued)

March 31, 2018

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
State of Tennessee DWSRF Loan #2006-069, interest rate 0.84%			
Year Ending March 31,			
2019	\$ 125,379	\$ 10,461	\$ 135,840
2020	126,431	9,404	135,835
2021	127,506	8,337	135,843
2022	128,577	7,261	135,838
2023	129,663	6,174	135,837
2024	130,755	5,085	135,840
2025	131,856	3,984	135,840
2026	132,969	2,871	135,840
2027	134,094	1,746	135,840
2028	135,218	616	135,834
	<u>\$ 1,302,451</u>	<u>\$ 55,939</u>	<u>\$ 1,358,387</u>

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS

(continued)

March 31, 2018

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
State of Tennessee DWSRF Loan #2005-062, interest rate 0.82 %			
Year Ending March 31,			
2019	\$ 376,125	\$ 30,591	\$ 406,716
2020	379,218	27,498	406,716
2021	382,341	24,375	406,716
2022	385,482	21,234	406,716
2023	388,661	18,055	406,716
2024	391,859	14,857	406,716
2025	395,082	11,634	406,716
2026	398,328	8,388	406,716
2027	401,615	5,101	406,716
2028	404,906	2,095	407,001
	<u>\$ 3,903,617</u>	<u>\$ 163,828</u>	<u>\$ 4,067,445</u>

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS

(continued)

March 31, 2018

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
State of Tennessee CWSRF Loan #2005-186, interest rate 0.82 %			
Year Ending March 31,			
2019	\$ 2,562,987	\$ 304,785	\$ 2,867,772
2020	2,584,086	283,686	2,867,772
2021	2,605,356	262,416	2,867,772
2022	2,626,803	240,969	2,867,772
2023	2,648,421	219,351	2,867,772
2024	2,670,216	197,556	2,867,772
2025	2,692,191	175,581	2,867,772
2026	2,714,355	153,417	2,867,772
2027	2,736,702	131,070	2,867,772
2028	2,759,229	108,543	2,867,772
2029	2,781,936	85,836	2,867,772
2030	2,804,832	62,940	2,867,772
2031	2,819,856	47,916	2,867,772
2032	2,840,403	27,369	2,867,772
2033	491,010	1,971	492,981
	<u>\$ 38,338,383</u>	<u>\$ 2,303,406</u>	<u>\$ 40,641,789</u>

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS

(continued)

March 31, 2018

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
State of Tennessee DWSRF Loan			
#DGA 2009-086, interest rate 2.52 %			
Year Ending March 31,			
2019	\$ 78,419	\$ 29,557	\$ 107,976
2020	80,418	27,558	107,976
2021	82,468	25,508	107,976
2022	84,570	23,406	107,976
2023	86,726	21,249	107,975
2024	88,937	19,037	107,974
2025	91,205	16,770	107,975
2026	93,530	14,445	107,975
2027	95,914	12,061	107,975
2028	98,359	9,615	107,974
2029	100,867	7,107	107,974
2030	103,438	4,536	107,974
2031	106,075	2,084	108,159
2032	17,756	124	17,880
	<u>\$ 1,208,682</u>	<u>\$ 213,057</u>	<u>\$ 1,421,739</u>

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS

(continued)

March 31, 2018

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
State of Tennessee CWSRF Loan			
#CGA 2009-233, interest rate 2.52 %			
Year Ending March 31,			
2019	\$ 326,424	\$ 136,452	\$ 462,876
2020	335,154	128,130	463,284
2021	343,698	119,592	463,290
2022	352,460	110,838	463,298
2023	361,445	101,868	463,313
2024	370,660	92,664	463,324
2025	380,109	83,229	463,338
2026	389,799	73,548	463,347
2027	399,736	63,624	463,360
2028	409,927	53,442	463,369
2029	420,377	43,005	463,382
2030	431,094	32,298	463,392
2031	442,084	21,324	463,408
2032	453,354	10,068	463,422
2033	146,550	1,809	148,359
	<u>\$ 5,562,873</u>	<u>\$ 1,071,891</u>	<u>\$ 6,634,763</u>

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS

(continued)

March 31, 2018

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
State of Tennessee DWSRF Loan			
#DGO 2011-111, interest rate 0.87%			
Year Ending March 31,			
2019	\$ 148,647	\$ 19,171	\$ 167,818
2020	149,837	17,873	167,711
2021	151,146	16,565	167,711
2022	152,466	15,245	167,711
2023	153,798	13,913	167,711
2024	155,141	12,570	167,711
2025	156,497	11,215	167,711
2026	157,864	9,848	167,711
2027	159,242	8,469	167,711
2028	160,633	7,078	167,711
2029	162,037	5,675	167,711
2030	163,452	4,259	167,711
2031	164,880	2,832	167,711
2032	166,320	1,391	167,711
2033	57,463	152	57,615
	<u>\$ 2,259,422</u>	<u>\$ 146,255</u>	<u>\$ 2,405,679</u>

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS

(continued)

March 31, 2018

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Utilities Improvement Revenue Bonds, Series 2005 (Rural Utilities Service), interest rate 4.375%			
Year Ending March 31,			
2019	\$ 14,777	\$ 33,487	\$ 48,264
2020	15,436	32,828	48,264
2021	16,125	32,139	48,264
2022	16,845	31,419	48,264
2023	17,597	30,667	48,264
2024	18,382	29,882	48,264
2025	19,203	29,061	48,264
2026	20,060	28,204	48,264
2027	20,956	27,308	48,264
2028	21,891	26,373	48,264
2029	22,868	25,396	48,264
2030	23,889	24,375	48,264
2031	24,955	23,309	48,264
2032	26,069	22,195	48,264
2033	27,233	21,031	48,264
2034	28,449	19,815	48,264
2035	29,718	18,546	48,264
2036	31,045	17,219	48,264
2037	32,431	15,833	48,264
2038	33,879	14,385	48,264

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS

(continued)

March 31, 2018

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Utilities Improvement Revenue Bonds, Series 2005 (Rural Utilities Service), interest rate 4.375% (continued):			
Year Ending March 31,			
2039	35,391	12,873	48,264
2040	36,971	11,293	48,264
2041	38,621	9,643	48,264
2042	40,345	7,919	48,264
2043	42,146	6,118	48,264
2044	44,027	4,237	48,264
2045	45,992	2,272	48,264
2046	26,845	383	27,228
	<u>\$ 772,146</u>	<u>\$ 558,210</u>	<u>\$ 1,330,356</u>

Utilities Improvement Revenue Bonds,
Series 2007 (Rural Utilities Service),
interest rate 4.125%

Year Ending March 31,			
2019	\$ 51,378	\$ 106,170	\$ 157,548
2020	53,538	104,010	157,548
2021	55,789	101,759	157,548
2022	58,134	99,414	157,548

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS

(continued)

March 31, 2018

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Utilities Improvement Revenue Bonds, Series 2007 (Rural Utilities Service), interest rate 4.125% (continued):			
Year Ending March 31,			
2023	60,578	96,970	157,548
2024	63,125	94,423	157,548
2025	65,779	91,769	157,548
2026	68,544	89,004	157,548
2027	71,425	86,123	157,548
2028	74,428	83,120	157,548
2029	77,557	79,991	157,548
2030	80,817	76,731	157,548
2031	84,215	73,333	157,548
2032	87,755	69,793	157,548
2033	91,444	66,104	157,548
2034	95,288	62,260	157,548
2035	99,294	58,254	157,548
2036	103,468	54,080	157,548
2037	107,818	49,730	157,548
2038	112,351	45,197	157,548
2039	117,074	40,474	157,548
2040	121,995	35,553	157,548
2041	127,124	30,424	157,548
2042	132,468	25,080	157,548
2043	138,037	19,511	157,548
2044	143,840	13,708	157,548
2045	149,887	7,661	157,548
2046	104,029	1,625	105,654
	<u>\$ 2,597,180</u>	<u>\$ 1,762,271</u>	<u>\$ 4,359,450</u>

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS

(continued)

March 31, 2018

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Utilities Improvement Revenue Bonds, Series 2009 (Rural Utilities Service), interest rate 3.25%			
Year Ending March 31,			
2019	\$ 17,403	\$ 28,473	\$ 45,876
2020	17,977	27,899	45,876
2021	18,570	27,306	45,876
2022	19,183	26,693	45,876
2023	19,816	26,060	45,876
2024	20,469	25,407	45,876
2025	21,145	24,731	45,876
2026	21,842	24,034	45,876
2027	22,563	23,313	45,876
2028	23,307	22,569	45,876
2029	24,076	21,800	45,876
2030	24,870	21,006	45,876
2031	25,690	20,186	45,876
2032	26,538	19,338	45,876
2033	27,413	18,463	45,876
2034	28,318	17,558	45,876
2035	29,252	16,624	45,876
2036	30,217	15,659	45,876
2037	31,214	14,662	45,876

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS

(continued)

March 31, 2018

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Utilities Improvement Revenue Bonds, Series 2009 (Rural Utilities Service), interest rate 3.25% (continued):			
Year Ending March 31,			
2038	32,243	13,633	45,876
2039	33,307	12,569	45,876
2040	34,406	11,470	45,876
2041	35,541	10,335	45,876
2042	36,713	9,163	45,876
2043	37,924	7,952	45,876
2044	39,175	6,701	45,876
2045	40,467	5,409	45,876
2046	41,803	4,073	45,876
2047	43,182	2,694	45,876
2048	44,606	1,270	45,876
2049	14,790	95	14,885
	<u>\$ 884,018</u>	<u>\$ 507,147</u>	<u>\$ 1,391,165</u>

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS

(continued)

March 31, 2018

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Utilities Improvement Revenue Bonds, Series 2011 (Rural Utilities Service), interest rate 4.125%			
Year Ending March 31,			
2019	\$ 72,442	\$ 183,290	\$ 255,732
2020	75,487	180,245	255,732
2021	78,661	177,071	255,732
2022	81,967	173,765	255,732
2023	85,413	170,319	255,732
2024	89,004	166,728	255,732
2025	92,746	162,986	255,732
2026	96,644	159,088	255,732
2027	100,707	155,025	255,732
2028	104,941	150,791	255,732
2029	109,325	146,407	255,732
2030	113,949	141,783	255,732
2031	118,740	136,992	255,732
2032	123,732	132,000	255,732
2033	128,933	126,799	255,732
2034	134,353	121,379	255,732
2035	140,001	115,731	255,732
2036	145,887	109,845	255,732
2037	152,020	103,712	255,732

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS

(continued)

March 31, 2018

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Utilities Improvement Revenue Bonds, Series 2011 (Rural Utilities Service), interest rate 4.125% (continued):			
Year Ending March 31,			
2038	158,410	97,322	255,732
2039	165,070	90,662	255,732
2040	172,009	83,723	255,732
2041	179,240	76,492	255,732
2042	186,775	68,957	255,732
2043	194,627	61,105	255,732
2044	202,809	52,923	255,732
2045	211,335	44,397	255,732
2046	220,219	35,513	255,732
2047	229,477	26,255	255,732
2048	239,104	16,628	255,732
2049	173,736	6,508	180,244
2050	98,590	83	98,673
	<u>\$ 4,476,353</u>	<u>\$ 3,474,524</u>	<u>\$ 7,950,877</u>

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS

(continued)

March 31, 2018

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Water and Sewer Revenue			
Improvement Bonds, Series 2013,			
interest rate 2% to 4%			
Year Ending March 31,			
2019	\$ 1,700,000	\$ 1,362,450	\$ 3,062,450
2020	1,745,000	1,305,775	3,050,775
2021	1,815,000	1,238,300	3,053,300
2022	1,890,000	1,164,200	3,054,200
2023	1,965,000	1,087,100	3,052,100
2024	2,045,000	1,006,900	3,051,900
2025	2,115,000	934,275	3,049,275
2026	2,185,000	869,775	3,054,775
2027	2,250,000	803,250	3,053,250
2028	2,270,000	735,450	3,005,450
2029	2,220,000	657,000	2,877,000
2030	2,315,000	566,300	2,881,300
2031	2,410,000	471,800	2,881,800
2032	2,510,000	373,400	2,883,400
2033	2,590,000	271,400	2,861,400
2034	2,690,000	165,800	2,855,800
2035	2,800,000	56,000	2,856,000
	<u>\$ 37,515,000</u>	<u>\$ 13,069,175</u>	<u>\$ 50,584,175</u>

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS

(continued)

March 31, 2018

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Utilities Improvement Revenue Bonds, Series 2013-A (Rural Utilities Service), interest rate 3.125%			
Year Ending March 31,			
2019	\$ 24,949	\$ 45,527	\$ 70,476
2020	25,740	44,736	70,476
2021	26,556	43,920	70,476
2022	27,398	43,078	70,476
2023	28,266	42,210	70,476
2024	29,162	41,314	70,476
2025	30,087	40,389	70,476
2026	31,040	39,436	70,476
2027	32,025	38,451	70,476
2028	33,040	37,436	70,476
2029	34,087	36,389	70,476
2030	35,168	35,308	70,476
2031	36,283	34,193	70,476
2032	37,433	33,043	70,476
2033	38,620	31,856	70,476
2034	39,844	30,632	70,476
2035	41,107	29,369	70,476
2036	42,410	28,066	70,476
2037	43,755	26,721	70,476
2038	45,142	25,334	70,476
2039	46,573	23,903	70,476
2040	48,049	22,427	70,476
2041	49,572	20,904	70,476

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS

(continued)

March 31, 2018

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Utilities Improvement Revenue Bonds, Series 2013-A (Rural Utilities Service), interest rate 3.125% (continued):			
Year Ending March 31,			
2042	51,144	19,332	70,476
2043	52,765	17,711	70,476
2044	54,438	16,038	70,476
2045	56,164	14,312	70,476
2046	57,944	12,532	70,476
2047	59,781	10,695	70,476
2048	61,676	8,800	70,476
2049	63,631	6,845	70,476
2050	65,649	4,827	70,476
2051	67,730	2,746	70,476
2052	51,013	658	51,671
	<u>51,013</u>	<u>658</u>	<u>51,671</u>
	<u>\$ 1,468,240</u>	<u>\$ 909,138</u>	<u>\$ 2,377,379</u>

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS

(continued)

March 31, 2018

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Utilities Improvement Revenue Bonds, Series 2013-B (Rural Utilities Service) interest rate 3.125%			
Year Ending March 31,			
2019	\$ 76,936	\$ 147,313	\$ 224,249
2020	79,327	144,875	224,202
2021	81,842	142,360	224,202
2022	84,436	139,766	224,202
2023	87,113	137,089	224,202
2024	89,875	134,327	224,202
2025	92,724	131,478	224,202
2026	95,663	128,539	224,202
2027	98,696	125,506	224,202
2028	101,825	122,377	224,202
2029	105,053	119,149	224,202
2030	108,383	115,819	224,202
2031	111,819	112,383	224,202
2032	115,364	108,838	224,202
2033	119,021	105,181	224,202
2034	122,794	101,408	224,202
2035	126,687	97,515	224,202
2036	130,703	93,499	224,202
2037	134,846	89,356	224,202
2038	139,121	85,081	224,202
2039	143,532	80,670	224,202
2040	148,082	76,120	224,202
2041	152,776	71,426	224,202

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS

(continued)

March 31, 2018

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Utilities Improvement Revenue Bonds, Series 2013-B (Rural Utilities Service), interest rate 3.125% (continued):			
Year Ending March 31,			
2042	157,619	66,583	224,202
2043	162,616	61,586	224,202
2044	167,771	56,431	224,202
2045	173,090	51,112	224,202
2046	178,577	45,625	224,202
2047	184,238	39,964	224,202
2048	190,079	34,123	224,202
2049	196,105	28,097	224,202
2050	202,322	21,880	224,202
2051	208,736	15,466	224,202
2052	215,353	8,849	224,202
2053	165,787	2,170	167,957
	<u>\$ 4,748,911</u>	<u>\$ 3,041,961</u>	<u>\$ 7,790,872</u>

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS

(continued)

March 31, 2018

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
State of Tennessee CWSRF Loan			
#CG3 2014-332, interest rate 1.74%			
Year Ending March 31,			
2019	\$ 164,502	\$ 60,606	\$ 225,108
2020	167,385	57,723	225,108
2021	170,322	54,822	225,144
2022	173,310	51,822	225,132
2023	176,346	48,762	225,108
2024	179,439	45,669	225,108
2025	182,592	42,516	225,108
2026	185,796	39,312	225,108
2027	189,057	36,051	225,108
2028	192,369	32,739	225,108
2029	195,738	29,370	225,108
2030	199,176	25,932	225,108
2031	202,668	22,440	225,108
2032	206,217	18,891	225,108
2033	209,835	15,273	225,108
2034	213,516	11,592	225,108
2035	217,266	7,842	225,108
2036	221,079	4,029	225,108
2037	111,275	919	112,194
	<u>\$ 3,557,888</u>	<u>\$ 606,310</u>	<u>\$ 4,164,198</u>

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS

(continued)

March 31, 2018

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
State of Tennessee CWSRF Loan			
#SRF 2011-279, interest rate 0.95%			
Year Ending March 31,			
2019	\$ 375,429	\$ 72,627	\$ 448,056
2020	379,011	69,045	448,056
2021	382,626	65,430	448,056
2022	386,277	61,779	448,056
2023	389,964	58,092	448,056
2024	393,687	54,369	448,056
2025	397,437	50,619	448,056
2026	401,229	46,827	448,056
2027	405,060	42,996	448,056
2028	408,927	39,129	448,056
2029	412,830	35,226	448,056
2030	416,769	31,287	448,056
2031	420,744	27,312	448,056
2032	424,755	23,301	448,056
2033	428,811	19,245	448,056
2034	432,897	15,159	448,056
2035	437,034	11,022	448,056
2036	441,204	6,852	448,056
2037	445,011	3,045	448,056
2038	<u>37,252</u>	<u>29</u>	<u>37,281</u>
	<u>\$ 7,816,954</u>	<u>\$ 733,391</u>	<u>\$ 8,550,345</u>

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS

(continued)

March 31, 2018

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
State of Tennessee CWSRF Loan			
#CG2 2014-333, interest rate 1.74%			
Year Ending March 31,			
2019	\$ 35,265	\$ 13,683	\$ 48,948
2020	35,871	13,077	48,948
2021	36,501	12,447	48,948
2022	37,137	11,811	48,948
2023	37,791	11,157	48,948
2024	38,460	10,488	48,948
2025	39,132	9,816	48,948
2026	39,813	9,135	48,948
2027	40,515	8,433	48,948
2028	41,223	7,725	48,948
2029	41,949	6,999	48,948
2030	42,681	6,267	48,948
2031	43,431	5,517	48,948
2032	44,196	4,752	48,948
2033	44,973	3,975	48,948
2034	45,762	3,186	48,948
2035	46,563	2,385	48,948
2036	47,376	1,572	48,948
2037	48,210	738	48,948
2038	16,258	138	16,396
	<u>\$ 803,107</u>	<u>\$ 143,301</u>	<u>\$ 946,408</u>

HALLSDALE-POWELL UTILITY DISTRICT

CUSTOMERS AND UTILITY RATES

March 31, 2018

Water:

Active customer accounts	30,735
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Sewer:

Active customer accounts	23,276
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Residential and Commercial Water:

Base charge	\$ 9.07 (minimum bill)
Each 1,000 gallons	\$ 8.63

Residential Sewer:

Base charge	\$ 11.21 (minimum bill)
0 gallons through 12,000 gallons	\$ 10.55 per 1,000 gallons
Over 12,000 gallons	no additional charge
*Grinder pump (if applicable)	\$ 7.70 per month

Commercial Sewer:

Base charge	\$ 11.21 (minimum bill)
Over 1,500 gallons	\$ 10.55 per 1,000 gallons
*Grinder pump (if applicable)	\$ 7.70 per month

Sunset Bay Sewer:

Vacant Lot	\$ 9.00 (minimum bill)
Base charge	\$ 11.21 (minimum bill)
Each 1,000 gallons	\$ 10.55

See the accompanying independent accountants' audit report.

HALLSDALE-POWELL UTILITY DISTRICT

CUSTOMERS AND UTILITY RATES

(continued)

March 31, 2018

***Sewer Grinder Pump Service/Maintenance Fees**

The service maintenance fee for sewer grinder pumps is \$7.70 per month as of March 31, 2018. This fee only applies for E-One pump model numbers.

Surcharge for Excess Concentration

Grease, fats, oils, etc., in excess of 50 milligrams/liter at \$4.00 per hundred pounds; biochemical oxygen demand in excess of 240 milligrams/liter at \$6.00 per hundred pounds; suspended solids in excess of 300 milligrams/liter at \$5.50 per hundred pounds; ammonia in excess of 30 milligrams/liter at \$4.00 per hundred pounds.

The Board of Commissioners for the District sets the rates, fees and charges for the services provided by the District to ensure that the utility system is self-supporting. These rates, fees and charges are set so as to produce revenue at least sufficient to provide for all expenses of operation and maintenance of the District, including establishing necessary reserves, and pay when due all of the District's debt obligations, including related interest and debt service reserve requirements.

HALLSDALE-POWELL UTILITY DISTRICT

CUSTOMERS AND UTILITY RATES

(continued)

March 31, 2018

Connection Fees

The minimum connection fee for tapping privileges shall be determined in accordance with the following schedule determined by the District.

Standard Water and Sewer Connection Fees

Residential

	<u>Subdivision</u>	<u>Not in Subdivision</u>
Water connection fee	\$ 950.00	\$ 950.00
Sewer connection fee	600.00	1,000.00
Service application fee	25.00	25.00
Sewer inspection fee	30.00	30.00

Commercial and Industrial

<u>Water Meter Size</u>	<u>Water Tap Fee</u>	<u>Sewer Connection Fee</u>
5/8-3/4"	\$ 950.00	\$ 800.00
1"	1,300.00	1,000.00
1 1/2"	3,000.00	1,900.00
2"	3,300.00	2,100.00
3"	8,500.00	6,000.00
4"	9,800.00	8,200.00
6"	18,000.00	12,000.00

All of the above connection fees are also potentially subject to surcharges by the District for road crossing (boring) costs. Customers located outside Knox County are also potentially liable for a Water System Improvements Fee of \$1,000 to \$2,600 to offset the District's cost of extending its lines and providing service outside its service boundary.



AWWA Free Water Audit Software: Reporting Worksheet

WAS v5.0
American Water Works Association.
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? Click to access definition
+ Click to add a comment

Water Audit Report for: **Hallsdale Powell Utility District (0000280)**
Reporting Year: **FY2018** **4/2017 - 3/2018**

Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (n/a or 1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades

All volumes to be entered as: MILLION GALLONS (US) PER YEAR

To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds all criteria for that grade and all grades below it.

WATER SUPPLIED

Volume from own sources: **+** **?** **10** **2,581.700** MG/Yr
Water imported: **+** **?** **10** **10.000** MG/Yr
Water exported: **+** **?** **10** **10.000** MG/Yr

WATER SUPPLIED: **2,546.335** MG/Yr

Master Meter and Supply Error Adjustments

Pcnt: **+** **?** **5** **1.00%** **Value:** **+** **?** **5** **2.00%** MG/Yr
+ **?** **5** **2.00%** MG/Yr

Enter negative % or value for under-registration
Enter positive % or value for over-registration

AUTHORIZED CONSUMPTION

Billed metered: **+** **?** **8** **1,459.628** MG/Yr
Billed unmetered: **+** **?** **7** **77.038** MG/Yr
Unbilled metered: **+** **?** **7** **77.038** MG/Yr
Unbilled unmetered: **+** **?** **5** **35.000** MG/Yr

Unbilled Unmetered volume entered is greater than the recommended default value

AUTHORIZED CONSUMPTION: **?** **1,571.666** MG/Yr

Click here: **?**
for help using option
buttons below

Pcnt: **+** **?** **5** **1.00%** **Value:** **+** **?** **5** **2.00%** MG/Yr
+ **?** **5** **2.00%** MG/Yr

Use buttons to select
percentage of water
supplied
OR
value

Pcnt: **+** **?** **5** **0.25%** **Value:** **+** **?** **5** **2.00%** MG/Yr
+ **?** **5** **2.00%** MG/Yr

4.00% **Value:** **+** **?** **5** **2.00%** MG/Yr
0.25% **Value:** **+** **?** **5** **2.00%** MG/Yr

WATER LOSSES (Water Supplied - Authorized Consumption)

974.669 MG/Yr

Apparent Losses

Unauthorized consumption: **+** **?** **5** **6.366** MG/Yr

Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed

Customer metering inaccuracies: **+** **?** **6** **64.028** MG/Yr

Systematic data handling errors: **+** **?** **5** **3.649** MG/Yr

Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed

Apparent Losses: **?** **74.043** MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: **?** **900.626** MG/Yr

WATER LOSSES: **974.669** MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: **?** **1,086.707** MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains: **+** **?** **9** **684.0** miles
Number of active AND inactive service connections: **+** **?** **7** **30,642**
Service connection density: **?** **45** conn./mile main

Are customer meters typically located at the curbside or property line? **Yes** (length of service line, beyond the property boundary, that is the responsibility of the utility)

Average length of customer service line has been set to zero and a data grading score of 10 has been applied

Average operating pressure: **+** **?** **3** **145.0** psi

COST DATA

Total annual cost of operating water system: **+** **?** **9** **\$14,345,123** \$/Year
Customer retail unit cost (applied to Apparent Losses): **+** **?** **7** **\$9.07** \$/1000 gallons (US)
Variable production cost (applied to Real Losses): **+** **?** **5** **\$741.00** \$/Million gallons ☐ Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

***** YOUR SCORE IS: 78 out of 100 *****

A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score

PRIORITY AREAS FOR ATTENTION:

Based on the information provided, audit accuracy can be improved by addressing the following components:

1: Variable production cost (applied to Real Losses)

2: Customer metering inaccuracies

3: Unauthorized consumption

See the accompanying independent accountant's audit report.



AWWA Free Water Audit Software: System Attributes and Performance Indicators

WAS v5.0
American Water Works Association
Copyright © 2014. All Rights Reserved.

Water Audit Report for: **Hallsdale Powell Utility District (0000280)**

Reporting Year: **FY2018** **4/2017 - 3/2018**

***** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 78 out of 100 *****

System Attributes:

Apparent Losses:	74.043	MG/Yr
+	Real Losses:	900.626 MG/Yr
=	Water Losses:	974.669 MG/Yr

? Unavoidable Annual Real Losses (UARL): **439.10** MG/Yr

Annual cost of Apparent Losses: **\$671,567**

Annual cost of Real Losses: **\$667,364** Valued at **Variable Production Cost**
Return to Reporting Worksheet to change this assumption

Performance Indicators:

Financial: { Non-revenue water as percent by volume of Water Supplied: **42.7%**
Non-revenue water as percent by cost of operating system: **9.9%** Real Losses valued at Variable Production Cost

Operational Efficiency: { Apparent Losses per service connection per day: **6.62** gallons/connection/day
Real Losses per service connection per day: **80.53** gallons/connection/day
Real Losses per length of main per day*: **N/A**
Real Losses per service connection per day per psi pressure: **0.56** gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL): **900.63** million gallons/year

? Infrastructure Leakage Index (ILI) [CARL/UARL]: **2.05**

* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline

See the accompanying independent accountant's audit report.

HALLSDALE-POWELL UTILITY DISTRICT

OFFICIALS

March 31, 2018

Board of Commissioners

Kevin Julian, Chairman
Todd Cook, Secretary
Robert Crye, Treasurer

President

Darren Cardwell

Chief Financial Officer

James Smith

See the accompanying independent accountants' audit report.

HALLSDALE-POWELL UTILITY DISTRICT

EXPENDITURES OF STATE
FINANCIAL ASSISTANCE

March 31, 2018

<u>Federal Grantor/ Pass-Through Grantor</u>	<u>CFDA #</u>	<u>Contract Number</u>	<u>Expenditures</u>
<u>State Financial Assistance</u>			
U.S. Environmental Protection Agency/ Tennessee Department of Environment and Conservation - Loan	N/A	SRF 2011-279	\$ 1,746,410

NOTE 1 – BASIS OF PRESENTATION

This schedule summarizes the expenditures of Hallsdale-Powell Utility District under programs of the state government for the year ended March 31, 2018. The schedule is presented using the full accrual basis of accounting.

See the accompanying independent accountants' audit report.

INTERNAL CONTROL

AND

COMPLIANCE

INDEPENDENT ACCOUNTANTS' 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
Hallsdale-Powell Utility District
Knoxville, 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 of America, the financial statements of Hallsdale-Powell Utility District, as of and for the year ended March 31, 2018, and the related notes to the financial statements, and have issued our report thereon dated September 26, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hallsdale-Powell Utility District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hallsdale-Powell Utility District's internal control. Accordingly, we do not express an opinion on the effectiveness of Hallsdale-Powell Utility District'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 Hallsdale-Powell Utility District'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hallsdale-Powell Utility District's financial statements are free of 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 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*.

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 Hallsdale-Powell Utility District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hallsdale-Powell Utility District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Mitchell Emert & Hill". The script is cursive and fluid, with the ampersand clearly visible between the two names.

September 26, 2018

HALLSDALE-POWELL UTILITY DISTRICT

PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Year Ended March 31, 2018

There were no prior year findings reported.