

Financial Statements

HALLSDALE-POWELL UTILITY DISTRICT

Year Ended March 31, 2019

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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, 2019, 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; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2019 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 46 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 Supplementary 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 other 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, changes in long-term debt by individual issue and expenditures of federal awards and 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 23, 2019 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.

A handwritten signature in black ink that reads "Mitchell Emert + Hill". The signature is written in a cursive, flowing style.

September 23, 2019

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, 2019 and 2018. 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 1.42 billion gallons of water and treated 3.24 billion gallons of sewer, representing a decrease of 2.5% and an increase of 7.2%, respectively, from the previous year.
- Total assets at year-end were \$289.0 million and exceeded liabilities (net assets) by \$149.3 million. Of the total net assets, \$26.6 million was unrestricted and was available to support short-term operations. Total assets and total net assets increased from 2019 to 2018 by \$0.5 million and \$6.1 million, respectively. Unrestricted net assets decreased from 2019 to 2018 by \$2.5 million.
- Operating revenues were \$31.5 million, an increase of \$0.2 million or 0.8% from 2018.
- Operating expenses before depreciation increased by \$2.2 million which represents a 16.0% increase in 2019 compared to 2018.
- Operating income, in total, for 2019 decreased \$2.3 million or 22.0% increase from 2018.
- The ratios of operating income to total operating revenues were 26.4% for 2019 and 34.1% for 2018.
- Debt service coverage was 183% for 2019, exceeding the 110% required by various bond covenants.
- Revenues from water sales in 2019 increased by \$142,033 dollars, an increase of 0.9% from 2018 and revenues from sewer sales increased by \$375,332 dollars in 2019, an increase of 2.6% over 2018 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, 2018, 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.

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, 2019, consisted of 31,061 water connections and 23,500 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 was drawn in FY 2019 in May 2018 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 re-amortized in May 2018 over the remainder of the term at the same interest rate as stated above.

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 phase one of a sewer main interceptor replacement to help curtail future sanitary sewer overflows in the system. The project consists of over 5 miles of 48 inch sewer main interceptor 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 up through FY 2019.

In November 2017, the District applied for funding through the states CWSRF in the amount of \$4,548,250 to fund the third phase of a sewer main interceptor replacement to help curtail future sanitary sewer overflows in the system. The project consists of replacing an aging 36 inch diameter concrete sewer interceptor with a new 48 inch sewer interceptor. Over 5,500 feet of 48 inch diameter interceptor sewer along with manholes are to be installed to improve all stream crossings in this area. This state loan was awarded in May 2018 and bears a fixed interest rate of 1.72% and has a 20 year term. No draws against the loans have been made during FY 2019.

On April 26, 2018, the District issued \$24,930,000 in Water and Sewer Revenue Refunding Bonds Series 2018. The annual principal payments varying from \$715,000 to \$1,630,000 and semi-annual payments of interest. The coupon interest rates on these bonds vary from 3% to 5%. The Series 2018 Refunding bond refunded 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, and the economic gain is \$3,514,040.

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 2019 as compared to fiscal year 2018:

Condensed Statement of Net Position
(In Thousands of Dollars)
March 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>	<u>Variance</u>	
			<u>Amount</u>	<u>%</u>
ASSETS				
Current assets	\$ 30,055	\$ 32,391	\$ (2,336)	-7.2%
Restricted assets	12,735	15,181	(2,446)	-16.1%
Capital Assets:				
Producing - net of depreciation	233,036	236,827	(3,790)	-1.6%
Construction in progress	11,782	3,797	7,985	210.3%
DEFERRED OUTFLOW OF RESOURCES				
Deferred outflow related to pension	1,426	275	1,151	418.5%
TOTAL ASSETS	<u>\$ 289,034</u>	<u>\$ 288,471</u>	<u>\$ 1,053</u>	<u>0.4%</u>
LIABILITIES				
Current Liabilities	\$ 10,253	\$ 9,954	\$ 299	3.0%
Long-Term Liabilities	126,447	133,210	(6,764)	-5.1%
Net Pension Liability	2,083	1,087	996	91.6%
TOTAL LIABILITIES	<u>138,783</u>	<u>144,252</u>	<u>(7,149)</u>	<u>-5.0%</u>
DEFERRED INFLOW OF RESOURCES				
Deferred Inflow of related pension	915	997	(83)	-8.3%
NET ASSETS				
Invested in Capital Assets, net of related debt	111,525	100,477	11,047	11.0%
Restricted	11,195	13,625	(2,430)	-17.8%
Unrestricted	26,617	29,120	(2,504)	-8.6%
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 289,034</u>	<u>\$ 288,471</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, 2019 and 2018

	<u>2019</u>	<u>2018</u>	<u>Variance</u>	
			<u>Amount</u>	<u>%</u>
Revenues				
Water service revenues	\$ 15,235	\$ 15,092	\$ 142	0.9%
Wastewater service revenues	15,067	14,692	375	2.6%
Other revenues	1,204	1,476	(273)	-18.5%
Total Operating Revenues	<u>31,505</u>	<u>31,260</u>	<u>245</u>	<u>0.8%</u>
Operating Expenses				
Operations and Maintenance	15,720	13,557	2,163	16.0%
Depreciation	7,460	7,033	427	6.1%
Total Operating Expenses	<u>23,180</u>	<u>20,590</u>	<u>2,591</u>	<u>12.6%</u>
Operating Income	<u>8,324</u>	<u>10,671</u>	<u>(2,346)</u>	<u>-22.0%</u>
Non-operating Revenues and (Expenses)				
Investment Income	558	183	375	205.5%
Gain (Loss) on sale of assets	44	255	(211)	-82.8%
Bond issuance costs	(229)	-		
Interest Expense	(2,887)	(3,886)	999	-25.7%
Total Non-Operating - net	<u>(2,514)</u>	<u>(3,448)</u>	<u>934</u>	<u>-27.1%</u>
Increase (Decrease) in Net Assets Before Capital Contributions	<u>5,810</u>	<u>7,222</u>	<u>(1,412)</u>	<u>-19.6%</u>
Capital Contributions				
Cash Contributions	272	57	215	373.8%
Non-Cash	32	100	(68)	-68.0%
Total Capital Contributions	<u>304</u>	<u>158</u>	<u>146</u>	<u>92.7%</u>
Increase in Net Assets	\$ 6,114	\$ 7,380	\$ (1,266)	-17.2%
Net Assets, Beginning of Year	<u>\$ 143,222</u>	<u>\$ 135,842</u>	<u>\$ 7,380</u>	<u>5.4%</u>
Net Assets, End of Year	<u>\$ 149,336</u>	<u>\$ 143,222</u>	<u>\$ 6,114</u>	<u>4.3%</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

OTHER SELECTED INFORMATION

Selected Data:

	<u>2019</u>	<u>2018</u>	<u>Difference</u>	<u>%Change</u>
Employees at Year-End	101	97	4	4.1%
Average Employees	98	97	1	1.0%
Customers (Billing Units) at Year-End:				
Water	31,061	30,735	326	1.1%
Wastewater	23,500	23,276	224	1.0%
Water Treated (Millions of Gallons)				
Sold	2,916.0	2,841.9	74.10	2.6%
	1,423.6	1,459.6	(36.05)	-2.5%
Wastewater Treated (Millions of Gallons)	3,245.7	3,026.6	219.1	7.2%
Per Average Employee:				
Operating Revenues	\$ 321,479	\$ 322,270	(792)	-0.2%
Operating Expenses	\$ 236,536	\$ 212,265	24,271	11.4%
Residential Rate per 1,000 Gallons of Water Sold				
Water	10.70	10.34	0.36	3.5%
Wastewater	13.57	12.92	0.65	5.0%
Ratio of Operating Revenues to:				
Operating Expenses	1.36	1.52	(0.16)	-10.5%
Operating Expenses - Net of Depreciation	2.00	2.31	(0.30)	-13.1%
Total Assets	0.11	0.11	0.00	0.6%
Net Assets	0.21	0.22	(0.01)	-3.3%
Debt Related Ratios:				
Long-Term Debt to Net Assets	0.85	0.93	(0.08)	-9.0%
Long-Term Debt to Total Assets	0.44	0.46	(0.02)	-5.3%
Operating Coverage	1.83	1.68	0.15	8.9%

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

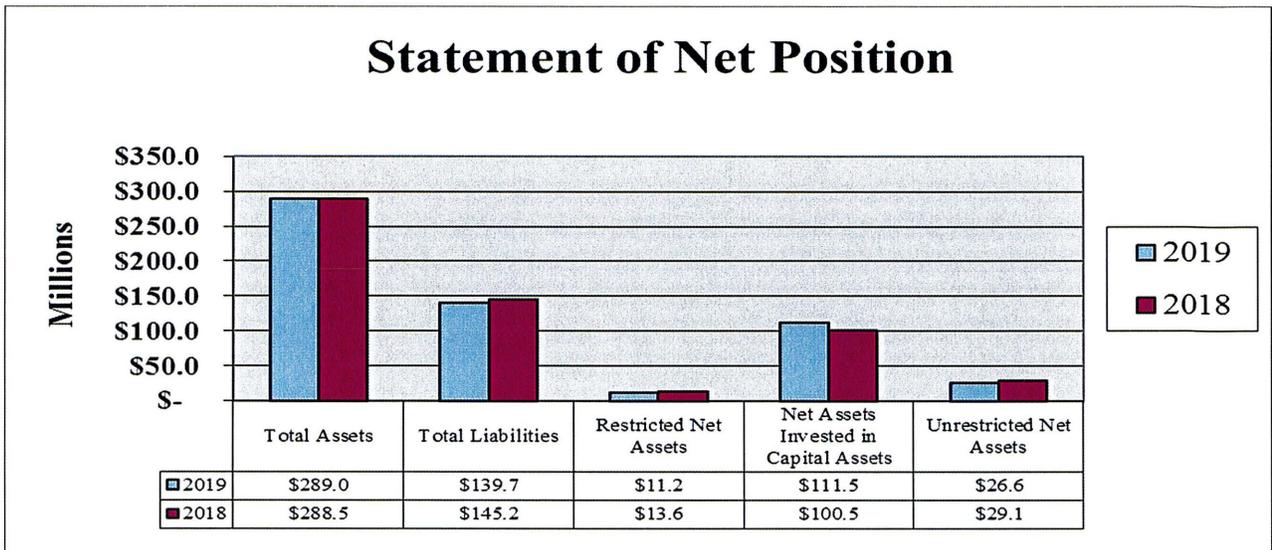
GENERAL TRENDS AND SIGNIFICANT EVENTS

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 2019 by 1.1% and 1.0%, respectively.

Weather temperatures during 2019 and 2018 were generally normal for the seasons. However, wetter conditions were present in 2019 versus 2018 compared to the average six years; 2019 and 2018 resulted in 68.45 and 63.24 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 2019. 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.



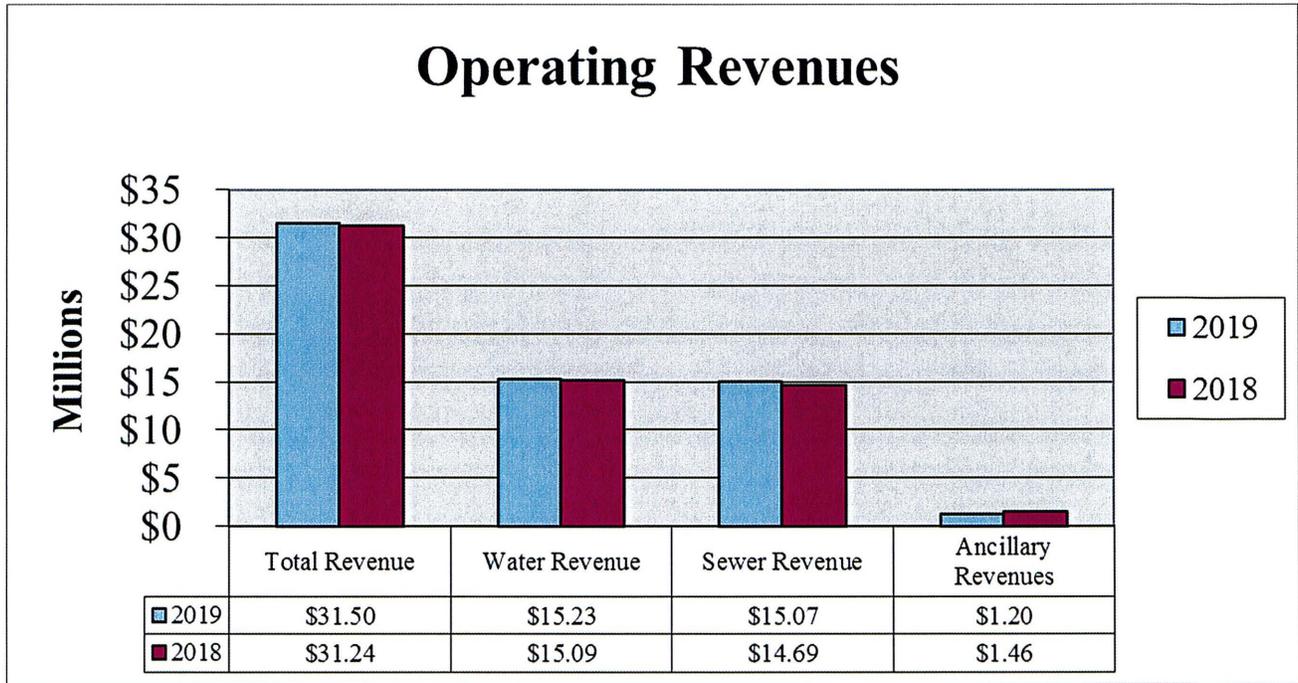
Total assets grew from \$288.5 million in 2018 to \$289.0 million in 2019, an increase of approximately \$0.56 million. Total liabilities decreased from \$145.2 million in 2018 to \$139.7 million in 2019, an approximate decrease of \$5.55 million. Restricted Net Assets decreased from \$13.6 million in 2018 to \$11.2 million in 2019, a decrease of \$2.43 million. Net Assets Invested in Capital Assets increased from \$100.5 million in 2018 to \$111.5 million in 2019, an increase of approximately \$11.0 million. Finally, Unrestricted Net Assets decreased from \$29.1 million in 2018 to \$26.6 million in 2019, a decrease of approximately \$2.5 million.

Net accounts receivable at year-end 2019 was 6.1% lower than fiscal year 2018. The District’s provision for bad debt expense was \$158,695 on \$30,301,397 in water and sewer sales

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.

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 \$31.2 million in 2018 to \$31.5 million in 2019, an increase of approximately \$0.26 million. Water revenue increased from \$15.0 million in 2018 to \$15.2 million in 2019, an approximate increase of \$0.14 million. Sewer revenue increased from \$14.7 million in 2018 to \$15.0 million in 2019, an increase of \$0.38 million. Ancillary revenue decreased from \$1.46 million in 2018 to \$1.2 million in 2019 a decrease of \$0.26 million.

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, 2018. The average realized rate from water sales was \$10.70 per thousand gallons in 2019 and \$10.34 per thousand gallons in 2018, an increase of 3.5% and for wastewater sales was \$13.57 per thousand gallons in 2019 and \$12.92 per thousand gallons in 2018, an increase of 5.0%

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 \$271,903 for 2019 compared to \$57,390 for 2018, an increase of \$214,513 dollars. These contributions represent system-connection related fees of \$271,903.

Noncash capital contributions were \$32,166 for 2019 and \$100,426 for 2018, a decrease of \$68,260 dollars. These contributions represent water and sewer distribution and collection systems donated by developers during FY 2019 and FY 2018.

Expenses

Operating expenses excluding depreciation, increased by \$2,163,405 in 2019, or 16.0%.

Depreciation expense of the District's assets increased by \$427,398 in 2019 or 6.1%.

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, 2019, the District had \$133.3 million in long and short-term debt, a decrease of \$6.85 million dollars from 2018.

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 was drawn in May 2018 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 re-amortized in May 2018 over the remainder of the term at the same interest rate as stated above.

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 interceptor replacement to help curtail future sanitary sewer overflows in the system. The project consists of over 5 miles of 48 inch sewer main interceptor 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 up through FY 2019.

In November 2017, the District applied for funding through the states CWSRF in the amount of \$4,548,250 to fund the third phase of a sewer main interceptor replacement to help curtail future sanitary sewer overflows in the system. The project consists of replacing an aging 36 inch diameter concrete sewer interceptor with a new 48 inch sewer interceptor. Over 5,500 feet of 48 inch diameter interceptor sewer along with manholes are to be installed to improve all stream crossings in this area. This state loan was awarded in May 2018 and bears a fixed interest rate of 1.72% and has a 20 year term. No draws against the loans have been made during FY 2019.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

In April 2018, the District issued \$24,930,000 in Water and Sewer Revenue Refunding Bonds Series 2018. The Series 2018 Refunding bond refunded 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, and the economic gain is \$3,514,040. The annual principal payments varying from \$715,000 to \$1,630,000 and semi-annual payments of interest. The coupon interest rates on these bonds vary from 3% to 5%.

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

The long-term debt to total asset ratio was 0.44 in 2019 and 0.46 in 2018.

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 2019 are estimated to cover the expected debt service for FY 2019 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, 2019, and 2018.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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 64 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.

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, 2019

ASSETS

UTILITY PLANT IN SERVICE

Capital assets not being depreciated:

Land		\$ 4,215,255
Construction in process		11,782,018
Capital assets being depreciated		<u>329,252,276</u>
		345,249,549
Accumulated depreciation		<u>(100,431,161)</u>
		244,818,388

RESTRICTED CASH

Cash	\$ 7,831,015	
Investments	<u>4,903,940</u>	12,734,955

CURRENT ASSETS

Cash	26,960,721	
Accounts receivable, net of allowance for uncollectible accounts of \$517,951	1,070,132	
Prepaid expenses	3,000	
Materials and supplies	<u>2,021,287</u>	

TOTAL CURRENT ASSETS 30,055,140

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to pension	<u>1,425,751</u>	
		<u>\$ 289,034,233</u>

See the accompanying notes to the financial statements.

LIABILITIES AND NET POSITION

**CURRENT LIABILITIES PAYABLE
FROM CURRENT ASSETS**

Accounts payable		\$ 1,381,305
Prepaid tap fees		24,815
Accrued compensated absences		<u>459,978</u>
		1,866,098

**CURRENT LIABILITIES PAYABLE
FROM RESTRICTED ASSETS**

Current maturities of long-term debt	\$ 6,847,041	
Customer deposits	405,412	
Accrued interest	<u>1,134,583</u>	<u>8,387,036</u>

TOTAL CURRENT LIABILITIES 10,253,134

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

Bonds payable	69,612,429	
Notes payable	<u>56,834,346</u>	126,446,774

NET PENSION LIABILITY 2,083,381

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to pension		<u>914,617</u>
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TOTAL LIABILITIES 139,697,906

NET POSITION

Net investment in capital assets	111,524,571	
Restricted:		
Construction projects	280,639	
Debt retirement	10,914,321	
Unrestricted	<u>26,616,795</u>	<u>149,336,326</u>
		<u>\$ 289,034,233</u>

HALLSDALE-POWELL UTILITY DISTRICT

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION

Year Ended March 31, 2019

OPERATING REVENUE

Metered water sales	\$ 15,234,501
Metered sewer sales	15,066,896
Fire protection	96,097
Transfer fees	106,873
Road boring and tap fees	219,927
Service charges and reconnection fees	83,080
Backflow inspection	33,504
Penalties	490,829
Miscellaneous income	<u>173,220</u>

TOTAL OPERATING REVENUE 31,504,927

OPERATING EXPENSES

Salaries and related expenses	\$ 7,573,287
Professional and contract services	1,143,684
Administration	922,373
Utilities	2,570,667
Supplies, repairs and maintenance	3,284,855
Vehicles and equipment	<u>225,604</u>

TOTAL OPERATING EXPENSES 15,720,470

INCOME FROM OPERATIONS BEFORE DEPRECIATION 15,784,457

Depreciation 7,460,026

INCOME FROM OPERATIONS 8,324,431

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, 2019

NONOPERATING REVENUE(EXPENSE)		
Interest income	557,623	
Gain on disposal of capital assets	43,880	
Bond issuance costs	(228,779)	
Interest expense	<u>(2,887,194)</u>	<u>(2,514,470)</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS		5,809,961
Capital contributions		<u>304,069</u>
CHANGE IN NET POSITION		6,114,030
NET POSITION AT THE BEGINNING OF THE YEAR		<u>143,222,295</u>
NET POSITION AT THE END OF THE YEAR		<u><u>\$ 149,336,326</u></u>

HALLSDALE-POWELL UTILITY DISTRICT

STATEMENT OF CASH FLOWS

Year Ended March 31, 2019

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

Cash received from customers	\$ 31,591,059
Cash paid to employees	(4,014,504)
Cash paid to suppliers	<u>(11,546,862)</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES 16,029,693

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

Principal payments on long-term debt	\$ (5,655,148)
Proceeds from issuance of bonds and notes	25,486,207
Acquisition of property and equipment	(11,619,437)
Payment to refund bonds	(27,555,679)
Bond issuance costs	(228,779)
Proceeds from disposal of assets	43,880
Capital contributions	271,905
Interest paid	<u>(3,276,979)</u>

**NET CASH (USED) BY CAPITAL AND
RELATED FINANCING ACTIVITIES** (22,534,030)

CASH PROVIDED(USED) BY INVESTING ACTIVITIES

Decrease in investments	734,051
Interest received	<u>557,623</u>

NET CASH PROVIDED BY INVESTING ACTIVITIES 1,291,674

NET (DECREASE) IN CASH (5,212,663)

CASH AT THE BEGINNING OF THE YEAR 40,004,398

CASH AT THE END OF THE YEAR \$ 34,791,736

NONCASH TRANSACTIONS

Contributed distribution and collection system	\$ 32,166
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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, 2019

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

Income from operations		\$ 8,324,430
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation	\$ 7,460,026	
Pension expense	669,732	
(Increase)decrease in:		
Accounts receivable	70,057	
Materials and supplies	(688,657)	
Deferred outflow related to pension	(226,635)	
Prepaid expenses	250	
Increase(decrease) in:		
Accounts payable	438,578	
Customer deposits	16,076	
Prepaid tap fees	(64,355)	
Accrued compensated absences	30,191	
	<u>7,705,263</u>	
NET CASH PROVIDED BY OPERATING ACTIVITIES		<u>\$ 16,029,693</u>

HALLSDALE-POWELL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2019

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, 2019

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	\$ 345,249,549
Accumulated depreciation	(100,431,161)
Bond discounts, premiums and refunding costs	(4,468,640)
Principal balance on long-term debt	<u>(128,825,179)</u>
	<u>\$ 111,524,571</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, 2019, the restricted net position consisted of the following:

	<u>Debt service</u>	<u>Construction Projects</u>
Restricted cash and investments	\$ 12,454,316	\$ 280,639
Accrued interest payable	(1,134,583)	0
Customer deposits	<u>(405,412)</u>	<u>0</u>
Total	<u>\$ 10,914,321</u>	<u>\$ 280,639</u>

HALLSDALE-POWELL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

March 31, 2019

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. Amortization of bond issuance costs, discounts and premiums for the year ended March 31, 2019 was \$361,516 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 gain and 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 gain and loss for the year ended March 31, 2019 was \$17,522 and (\$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, 2019

Materials and Supplies

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

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, 2019 was \$7,460,026.

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, 2019

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, 2019 were as follows:

Cash on hand	\$ 2,520
Checking and savings accounts	<u>34,789,217</u>
Total cash and cash equivalents	34,791,736
Investments	<u>4,903,940</u>
	<u>\$ 39,695,676</u>
Unrestricted assets	\$ 26,960,721
Restricted assets	<u>12,734,955</u>
	<u>\$ 39,695,676</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, 2019

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, 2019 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 agreements with contractors for a sewer rehabilitation project in the amount of \$32,068,714; \$9,314,866 has been expended as of March 31, 2019.

NOTE F - CAPITAL CONTRIBUTIONS

Capital contributions for the year ended March 31, 2019 were as follows:

Cash:	
Water and sewer taps	\$ 271,903
Property:	
Distribution and collection system	<u>32,166</u>
	<u>\$ 304,069</u>

HALLSDALE-POWELL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

March 31, 2019

NOTE G - UTILITY PLANT IN SERVICE

Utility plant in service for the year ended March 31, 2019 was as follows:

	<u>Balance</u> 4/1/18	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> 3/31/19
<u>Capital assets not being depreciated</u>				
Land	\$ 3,877,536	\$ 337,719	\$ 0	\$ 4,215,255
Construction in progress	<u>3,796,752</u>	<u>9,776,280</u>	<u>(1,791,014)</u>	<u>11,782,018</u>
	7,674,288	10,113,999	(1,791,014)	15,997,273
<u>Capital assets being depreciated</u>				
Buildings	6,617,627	13,157	0	6,630,784
Distribution and collection system	70,555,165	535,660	0	71,090,828
Vehicles	3,110,052	301,890	(204,302)	3,207,640
Equipment, tools and furniture	8,357,937	448,294	(241,353)	8,564,878
Wastewater treatment plants	77,001,573	629,807	0	77,631,379
Water treatment plant	53,855,355	97,368	0	53,952,723
Sewer lines	77,392,778	629,189	0	78,021,967
Steel reservoirs	14,364,579	0	0	14,364,579
Pumping and booster stations	886,195	87,547	0	973,742
Service connection and meters	<u>14,228,052</u>	<u>585,707</u>	<u>0</u>	<u>14,813,759</u>
	326,369,313	3,328,618	(445,655)	329,252,276
<u>Accumulated depreciation</u>				
Buildings	(811,006)	(136,198)	0	(947,204)
Distribution and collection system	(19,877,508)	(1,394,615)	0	(21,272,123)
Vehicles	(1,844,650)	(337,445)	204,302	(1,977,793)
Equipment, tools and furniture	(6,126,849)	(563,738)	241,353	(6,449,235)
Wastewater treatment plants	(16,613,258)	(1,540,031)	0	(18,153,289)
Water treatment plant	(10,682,898)	(1,065,321)	0	(11,748,219)
Sewer lines	(30,376,209)	(1,834,062)	0	(32,210,271)
Steel reservoirs	(2,114,067)	(287,575)	0	(2,401,642)
Pumping and booster stations	(324,091)	(16,477)	0	(340,568)
Service connection and meters	<u>(4,646,255)</u>	<u>(284,561)</u>	<u>0</u>	<u>(4,930,816)</u>
	<u>(93,416,791)</u>	<u>(7,460,026)</u>	<u>445,655</u>	<u>(100,431,161)</u>
	<u>\$ 240,626,810</u>	<u>\$ 5,982,593</u>	<u>\$ (1,791,014)</u>	<u>\$ 244,818,388</u>

HALLSDALE-POWELL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

March 31, 2019

NOTE H - LONG-TERM DEBT

Long-term debt at March 31, 2019 consisted of the following:

Bonds Payable

Water and Sewer Revenue Refunding Bonds, Series 2013, varying interest rates from 2% to 4% maturing in 2034, principal payments ranging from \$1,745,000 to \$2,800,000 due annually, with interest payments due semi-annually (including issue premium of \$3,140,196 and net of deferred loss on refunding of \$375,257)	\$ 38,579,939
Water and Sewer Revenue Refunding Bonds, Series 2018, varying interest rates from 3% to 5% maturing in 2034, principal payments ranging from \$715,000 to \$1,630,000 due annually, with interest payments due semi-annually (including issue premium of \$1,528,476 and net of deferred gain on refunding of \$175,225)	26,633,701
Utilities Improvement Revenue Bonds, Series 2009 (Rural Utilities Services), 3.25% interest rate maturing in 2049, monthly installments of \$3,823	866,617
Utilities Improvement Revenue Bonds, Series 2013-A (Rural Utilities Services), 3.125% interest rate maturing in 2052, monthly installments of \$5,873	1,443,292
Utilities Improvement Revenue Bonds, Series 2013-B (Rural Utilities Services), 3.125% interest rate maturing in 2053, monthly installments of \$18,687	4,671,976

HALLSDALE-POWELL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

March 31, 2019

Notes Payable

State of Tennessee DWSRF Loan #2006-069, 0.84% interest rate through 2028, monthly installments of \$11,320	1,177,072
State of Tennessee CWSRF Loan #2005-186, 0.82% interest rate, through 2033, monthly installments of \$238,981	35,778,070
State of Tennessee DWSRF Loan #2005-062, 0.82% interest rate through 2028, monthly installments of \$33,893	3,527,207
State of Tennessee DWSRF Loan #DGA 2009-086, 2.52% interest rate through 2031, monthly installments of \$7,498	941,879
State of Tennessee DWSRF Loan #DGA 2009-086 ARRA, 2.52% interest rate through 2031, monthly installments of \$1,500	188,380
State of Tennessee CWSRF Loan #CG3 2014-332, 1.74% interest rate through 2037, monthly installments of \$18,759	3,393,794

HALLSDALE-POWELL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

March 31, 2019

State of Tennessee CWSRF Loan #CG2 2014-333, 1.74% interest rate through 2037, monthly installments of \$4,674	879,718
State of Tennessee CWSRF Loan #CGA 2009-233, 2.52% interest rate through 2032, monthly installments of \$32,144	4,363,950
State of Tennessee CWSRF Loan #CGA 2009-233 ARRA, 2.52% interest rate through 2032, monthly installments of \$6,429	872,499
State of Tennessee DWSRF Loan #DGO 2011-111, 0.87% interest rate through 2032, monthly installments of \$13,976	2,110,481
State of Tennessee CWSRF Loan #SRF 2011-279, 0.95% interest rate through 2037, monthly installments of \$39,464	<u>7,865,245</u>
	133,293,816
Less current maturities	<u>(6,847,041)</u>
	<u>\$ 126,446,774</u>

Future maturities of bonds and notes payable are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2020	\$ 6,847,041	\$ 3,130,011	\$ 9,977,052
2021	7,000,798	2,991,848	9,992,646
2022	7,150,259	2,845,395	9,995,654
2023	7,765,472	2,681,132	10,446,604
2024	7,956,407	2,498,199	10,454,606

HALLSDALE-POWELL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

March 31, 2019

Future maturities of bonds and notes payable are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2025	8,133,113	2,312,869	10,445,982
2026	8,330,603	2,125,004	10,455,607
2027	8,498,896	1,946,236	10,445,132
2028	8,637,680	1,770,674	10,408,354
2029	8,158,253	1,575,098	9,733,351
2030	7,599,504	1,382,047	8,981,551
2031	7,778,311	1,205,940	8,984,251
2032	7,877,725	1,018,734	8,896,459
2033	5,236,747	826,401	6,063,148
2034	4,694,532	659,278	5,353,810
2035	4,864,663	489,847	5,354,510
2036	2,125,103	372,107	2,497,210
2037	2,072,178	309,426	2,381,604
2038	1,554,403	247,843	1,802,246
2039	1,553,499	188,547	1,742,046
2040	1,610,627	132,394	1,743,021
2041	237,982	102,614	340,596
2042	245,573	95,023	340,596
2043	253,404	87,192	340,596
2044	261,487	79,109	340,596
2045	269,827	70,769	340,596
2046	278,433	62,163	340,596
2047	287,314	53,282	340,596
2048	296,477	44,119	340,596
2049	274,644	34,961	309,605
2050	298,094	26,626	294,720
2051	276,593	18,127	294,720
2052	266,496	9,418	275,914
2053	163,041	2,099	165,140
	<u>\$ 128,825,179</u>	<u>\$ 31,394,531</u>	<u>\$ 160,219,711</u>

HALLSDALE-POWELL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

March 31, 2019

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. 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, 2019. 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, 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 \$1,412,250 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%.

HALLSDALE-POWELL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

March 31, 2019

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%.

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, 2013, the District issued \$43,825,000 in Water and Sewer Revenue Refunding 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 Refunding, 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%.

HALLSDALE-POWELL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

March 31, 2019

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, 2018 and 2019, the District made draws on the loan in the amount of \$4,048,259, \$1,304,713 and \$441,697, respectively. The District makes monthly payments of principal and interest in the amount of \$39,464. The interest rate on this loan is 0.95%.

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. The District makes monthly payments of \$5,873 and \$18,687 for the Series 2013-A and Series 2013-B bonds.

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. During the year ended March 31, 2019, the District made a draw on the second loan in the amount of \$114,510. Both loans bear a fixed interest rate of 1.74% with a 20 year term. The District makes monthly payments of \$18,759 and \$4,674.

HALLSDALE-POWELL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

March 31, 2019

During the year ended March 31, 2019, the District issued \$24,930,000 in Water and Sewer Revenue Refunding Bonds, Series 2018. The District makes annual principal payments varying from \$715,000 to \$1,630,000 and semi-annual payments of interest. The interest rates on these bonds vary from 3% to 5%. The Refunding Series 2018 bonds was 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, and the economic gain is \$3,514,040.

Interest cost incurred for the year ended March 31, 2019 was \$2,887,194, all of which was charged to expense.

Changes in long-term debt for the year ended March 31, 2019 were as follows:

	<u>Balance</u> <u>4/1/18</u>	<u>Issued</u>	<u>Paid</u>	<u>Balance</u> <u>3/31/19</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Notes Payable:					
DWSRF Loan #2005-062	\$ 3,903,617	\$ 0	\$ 376,410	\$ 3,527,207	\$ 379,218
DWSRF Loan #2006-069	1,302,451	0	125,379	1,177,072	126,431
CWSRF Loan #2005-186	38,338,383	0	2,560,313	35,778,070	2,584,086
DWSRF Loan #DGA 2009-086	1,007,211	0	65,332	941,879	67,019
DWSRF Loan #DGA 2009-086					
ARRA	201,471	0	13,091	188,380	13,404
CWSRF Loan #CGA 2009-233	4,635,969	0	272,019	4,363,950	278,949
CWSRF Loan #CGA 2009-233					
ARRA	926,904	0	54,405	872,499	55,797

HALLSDALE-POWELL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

March 31, 2019

	<u>Balance 4/1/18</u>	<u>Issued</u>	<u>Paid</u>	<u>Balance 3/31/19</u>	<u>Amounts Due Within One Year</u>
Notes Payable(continued):					
DWSRF Loan					
#DGO 2011-111	2,259,422	0	148,941	2,110,481	149,949
CWSRF Loan					
#SRF 2011-279	7,441,525	441,697	17,977	7,865,245	400,584
CWSRF Loan					
#CG2 2014-333	803,107	114,510	37,899	879,718	41,127
CWSRF Loan					
#CG3 2014-332	3,557,888	0	164,094	3,393,794	167,385
Bonds Payable:					
Series 2006	13,255,000	0	13,255,000	0	0
Series 2008	6,455,000	0	6,455,000	0	0
Series 2005	772,146	0	772,146	0	0
Series 2007	2,597,180	0	2,597,180	0	0
Series 2009	884,018	0	17,403	866,617	17,977
Series 2011	4,476,353	0	4,476,353	0	0
Series 2013	37,515,000	0	1,700,000	35,815,000	1,745,000
Series 2013 A	1,468,240	0	24,949	1,443,292	25,740
Series 2013 B	4,748,911	0	76,936	4,671,976	79,375
Series 2018	<u>0</u>	<u>24,930,000</u>	<u>0</u>	<u>24,930,000</u>	<u>715,000</u>
	<u>\$ 136,549,797</u>	<u>\$ 25,486,207</u>	<u>\$ 33,210,827</u>	<u>\$ 128,825,179</u>	<u>\$ 6,847,041</u>

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.

HALLSDALE-POWELL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

March 31, 2019

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, 2019 employer contributions for the District were \$906,540. By law, employer contributions are required to be paid.

Employees Covered by Benefit Terms

At the measurement date of December 31, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	15
Inactive employees entitled to but not yet receiving benefits	12
Active employees	<u>86</u>
	<u>113</u>

Net Pension Liability (Asset)

The District's net pension liability (asset) was measured as of December 31, 2018, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

HALLSDALE-POWELL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

March 31, 2019

Actuarial Assumptions

The total pension liability as of the December 31, 2018 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, 2018:

<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, 2019

Changes in Net Pension Liability(Asset)

	Total Pension Liability <u>(a)</u>	Plan Fiduciary Net Position <u>(b)</u>	Net Pension Liability(Asset) <u>(a) – (b)</u>
Changes for the year ended December 31, 2018:			
Increase(decrease):			
Service cost	\$ 477,231	\$ 0	\$ 477,231
Interest	800,608	0	800,608
Differences between expected and actual experience	159,050	0	159,050
Contributions - employer	0	906,540	(906,540)
Contributions - employees	0	0	0
Net investment income	0	(432,772)	432,772
Refunds of contributions	0	0	0
Benefit payments, including refunds of employee contributions	(256,319)	(256,319)	0
Administrative expense	0	(33,020)	33,020
Other changes	<u>0</u>	<u>0</u>	<u>0</u>
Net changes	1,180,570	184,429	996,141
Balances at December 31, 2017	<u>11,511,784</u>	<u>10,424,544</u>	<u>1,087,240</u>
Balances at December 31, 2018	<u>\$ 12,692,354</u>	<u>\$ 10,608,973</u>	<u>\$ 2,083,381</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 <u>5.75%</u>	Current Discount Rate <u>6.75%</u>	1% Increase <u>7.75%</u>
Net pension liability(asset)	\$ 3,424,546	\$ 2,083,381	\$ 918,095

HALLSDALE-POWELL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

March 31, 2019

Pension Expense

For the year ended March 31, 2019, the District recognized pension expense of \$669,732.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended March 31, 2019, 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	\$ 175,288	\$ 616,760
Net difference between projected and actual earnings on pension plan investments	1,023,828	297,857
Contributions subsequent to the measurement date of December 31, 2018	<u>226,635</u>	<u>not applicable</u>
Totals	<u>\$ 1,425,751</u>	<u>\$ 914,617</u>

The amount shown above for “Contributions subsequent to the measurement date of December 31, 2018,” 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 March 31:

2020	79,326
2021	(18,697)
2022	4,686
2023	216,411
2024	(19,951)
Thereafter	22,724

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, 2019

	Measurement Date at December 31, 2018
<u>Total pension liability</u>	
Service cost	\$ 477,231
Interest	800,608
Differences between actual and expected experience	159,050
Benefit payments, including refunds of employee contributions	<u>(256,319)</u>
Net change in total pension liability	1,180,570
Total pension liability - beginning	<u>11,511,784</u>
Total pension liability - ending (a)	12,692,354
 <u>Plan fiduciary net position</u>	
Contributions - employer	906,540
Net investment income	(432,772)
Benefit payments, including refunds of employee contributions	(256,319)
Administrative expense	<u>(33,020)</u>
Net change in plan fiduciary net position	184,429
Plan fiduciary net position - beginning	<u>10,424,544</u>
Plan fiduciary net position - ending (b)	<u>10,608,973</u>
 Net pension liability(asset) - ending (a) - (b)	 <u>\$ 2,083,381</u>
 Plan fiduciary net position as a percentage of total net pension liability	 83.59%
 Covered employee payroll	 \$ 4,446,147
 Net pension liability(asset) as a percentage of covered employee payroll	 46.86%

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, 2017	Measurement Date at December 31, 2016	Measurement Date at December 31, 2015
\$ 488,017	\$ 521,488	\$ 506,156
763,090	712,467	661,831
(298,704)	68,179	(38,631)
(515,292)	(522,076)	(266,983)
<u>437,111</u>	<u>780,058</u>	<u>862,373</u>
11,074,673	10,294,615	9,432,242
<u>11,511,784</u>	<u>11,074,673</u>	<u>10,294,615</u>
982,085	830,995	906,540
1,037,400	666,853	29,010
(515,292)	(522,076)	(266,983)
(30,430)	(36,062)	(56,726)
<u>1,473,763</u>	<u>939,710</u>	<u>611,841</u>
8,950,781	8,011,071	7,399,230
<u>10,424,544</u>	<u>8,950,781</u>	<u>8,011,071</u>
<u>\$ 1,087,240</u>	<u>\$ 2,123,892</u>	<u>\$ 2,283,544</u>
90.56%	80.82%	77.82%
\$ 4,172,404	\$ 4,158,318	\$ 4,044,651
26.06%	51.08%	56.46%

HALLSDALE-POWELL UTILITY DISTRICT

PENSION CONTRIBUTIONS

March 31, 2019

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 754,465	\$ 675,198	\$ 770,448	\$ 756,583
Contributions in relation to the actuarially determined contribution	<u>(906,540)</u>	<u>(982,085)</u>	<u>(830,995)</u>	<u>(906,540)</u>
Contribution deficiency(excess)	<u>\$ (152,075)</u>	<u>\$ (306,887)</u>	<u>\$ (60,547)</u>	<u>\$ (149,957)</u>
Covered employee payroll	\$ 4,446,147	\$ 4,172,404	\$ 4,158,318	\$ 4,044,651
Contributions as a percentage of covered employee payroll	20.39%	23.50%	19.98%	22.41%

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, 2018 were calculated based on the January 1, 2019 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

See the accompanying independent accountants' audit report.

2014

\$ 900,422

(1,064,000)

\$ (163,578)

\$ 4,069,446

26.30%

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS

March 31, 2019

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Water and Sewer Revenue			
Refunding Bonds, Series 2018,			
interest rate 3% to 5%			
Year Ending March 31,			
2020	\$ 715,000	\$ 967,025	\$ 1,682,025
2021	750,000	945,050	1,695,050
2022	775,000	922,175	1,697,175
2023	1,265,000	885,250	2,150,250
2024	1,325,000	833,450	2,158,450
2025	1,380,000	772,450	2,152,450
2026	1,455,000	701,575	2,156,575
2027	1,505,000	642,625	2,147,625
2028	1,570,000	588,650	2,158,650
2029	1,630,000	524,650	2,154,650
2030	925,000	473,550	1,398,550
2031	965,000	435,750	1,400,750
2032	1,005,000	396,350	1,401,350
2033	1,045,000	355,350	1,400,350
2034	1,090,000	312,650	1,402,650
2035	1,135,000	268,150	1,403,150
2036	1,180,000	221,850	1,401,850
2037	1,225,000	173,750	1,398,750
2038	1,280,000	123,650	1,403,650
2039	1,330,000	71,450	1,401,450
2040	1,380,000	22,425	1,402,425
	<u>\$ 24,930,000</u>	<u>\$ 10,637,825</u>	<u>\$ 35,567,825</u>

See the accompanying independent accountants' audit report.

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS

(continued)

March 31, 2019

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
State of Tennessee DWSRF Loan #2006-069, interest rate 0.84%			
Year Ending March 31,			
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	135,221	616	135,837
	<u>\$ 1,177,072</u>	<u>\$ 45,478</u>	<u>\$ \$ 1,222,550</u>

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS

(continued)

March 31, 2019

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
State of Tennessee DWSRF Loan #2005-062, interest rate 0.82 %			
Year Ending March 31,			
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	404,621	2,095	406,716
	<u>\$ 3,527,207</u>	<u>\$ 133,237</u>	<u>\$ 3,660,444</u>

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS

(continued)

March 31, 2019

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
State of Tennessee CWSRF Loan #2005-186, interest rate 0.82 %			
Year Ending March 31,			
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	493,684	1,971	495,655
	<u>\$ 35,778,070</u>	<u>\$ 1,998,621</u>	<u>\$ 37,776,691</u>

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS

(continued)

March 31, 2019

	<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,			
2020	\$ 80,423	\$ 27,558	\$ 107,981
2021	82,473	25,508	107,981
2022	84,575	23,406	107,981
2023	86,732	21,249	107,981
2024	88,943	19,037	107,980
2025	91,211	16,770	107,981
2026	93,536	14,445	107,981
2027	95,920	12,061	107,981
2028	98,366	9,615	107,981
2029	100,874	7,107	107,981
2030	103,445	4,536	107,981
2031	105,897	2,084	107,981
2032	17,865	124	17,989
	<u>\$ 1,130,259</u>	<u>\$ 183,500</u>	<u>\$ 1,313,759</u>

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS

(continued)

March 31, 2019

	<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,			
2020	\$ 334,746	\$ 128,130	\$ 462,876
2021	343,284	119,592	462,876
2022	352,038	110,838	462,876
2023	361,008	101,868	462,876
2024	370,212	92,664	462,876
2025	379,647	83,229	462,876
2026	389,328	73,548	462,876
2027	399,252	63,624	462,876
2028	409,434	53,442	462,876
2029	419,871	43,005	462,876
2030	430,578	32,298	462,876
2031	441,552	21,324	462,876
2032	452,808	10,068	462,876
2033	152,691	1,809	154,500
	<u>\$ 5,236,449</u>	<u>\$ 935,439</u>	<u>\$ 6,171,887</u>

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS

(continued)

March 31, 2019

	<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,			
2020	\$ 149,949	\$ 17,763	\$ 167,712
2021	151,257	16,455	167,712
2022	152,574	15,138	167,712
2023	153,912	13,800	167,712
2024	155,256	12,456	167,712
2025	156,609	11,103	167,712
2026	157,983	9,729	167,712
2027	159,363	8,349	167,712
2028	160,752	6,960	167,712
2029	162,153	5,559	167,712
2030	163,575	4,137	167,712
2031	165,003	2,709	167,712
2032	166,440	1,272	167,712
2033	55,655	228	55,883
	<u>\$ 2,110,481</u>	<u>\$ 125,658</u>	<u>\$ 2,236,139</u>

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS

(continued)

March 31, 2019

	<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,			
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, 2019

	<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>\$ 866,617</u>	<u>\$ 478,672</u>	<u>\$ 1,345,289</u>

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS

(continued)

March 31, 2019

	<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,			
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>\$ 35,815,000</u>	<u>\$ 11,706,725</u>	<u>\$ 47,521,725</u>

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS

(continued)

March 31, 2019

	<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,			
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, 2019

	<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>\$ 1,443,292</u>	<u>\$ 863,611</u>	<u>\$ 2,306,903</u>

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS

(continued)

March 31, 2019

	<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,			
2020	\$ 79,375	\$ 144,869	\$ 224,244
2021	81,892	142,352	224,244
2022	84,488	139,756	224,244
2023	87,166	137,078	224,244
2024	89,929	134,315	224,244
2025	92,780	131,464	224,244
2026	95,722	128,522	224,244
2027	98,756	125,488	224,244
2028	101,887	122,357	224,244
2029	105,117	119,127	224,244
2030	108,449	115,795	224,244
2031	111,887	112,357	224,244
2032	115,434	108,810	224,244
2033	119,093	105,151	224,244
2034	122,869	101,375	224,244
2035	126,764	97,480	224,244
2036	130,783	93,461	224,244
2037	134,929	89,315	224,244
2038	139,206	85,038	224,244
2039	143,619	80,625	224,244
2040	148,172	76,072	224,244
2041	152,869	71,375	224,244

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS

(continued)

March 31, 2019

	<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	157,716	66,528	224,244
2043	162,715	61,529	224,244
2044	167,874	56,370	224,244
2045	173,196	51,048	224,244
2046	178,686	45,558	224,244
2047	184,351	39,893	224,244
2048	190,195	34,049	224,244
2049	196,224	28,020	224,244
2050	202,445	21,799	224,244
2051	208,863	15,381	224,244
2052	215,484	8,760	224,244
2053	163,041	2,099	165,140
	<u>\$ 4,671,976</u>	<u>\$ 2,893,216</u>	<u>\$ 7,565,192</u>

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS

(continued)

March 31, 2019

	<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	\$ 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	111,683	919	112,602
	<u>\$ 3,393,794</u>	<u>\$ 545,704</u>	<u>\$ 3,939,498</u>

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS

(continued)

March 31, 2019

	<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,			
2020	\$ 400,584	\$ 72,984	\$ 473,568
2021	404,412	69,156	473,568
2022	408,270	65,298	473,568
2023	412,170	61,398	473,568
2024	416,100	57,468	473,568
2025	420,072	53,496	473,568
2026	424,074	49,494	473,568
2027	428,118	45,450	473,568
2028	432,210	41,358	473,568
2029	436,332	37,236	473,568
2030	440,496	33,072	473,568
2031	444,699	28,869	473,568
2032	448,938	24,630	473,568
2033	453,222	20,346	473,568
2034	457,545	16,023	473,568
2035	461,913	11,655	473,568
2036	466,320	7,248	473,568
2037	470,349	3,219	473,568
2038	39,421	31	39,452
	<u>\$ 7,865,245</u>	<u>\$ 698,431</u>	<u>\$ 8,563,676</u>

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS

(continued)

March 31, 2019

	<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,			
2020	\$ 41,127	\$ 14,961	\$ 56,088
2021	41,829	14,259	56,088
2022	42,561	13,527	56,088
2023	43,311	12,777	56,088
2024	44,067	12,021	56,088
2025	44,841	11,247	56,088
2026	45,630	10,458	56,088
2027	46,431	9,657	56,088
2028	47,244	8,844	56,088
2029	48,069	8,019	56,088
2030	48,915	7,173	56,088
2031	49,776	6,312	56,088
2032	50,649	5,439	56,088
2033	51,534	4,554	56,088
2034	52,440	3,648	56,088
2035	53,361	2,727	56,088
2036	54,294	1,794	56,088
2037	55,248	840	56,088
2038	18,391	157	18,548
	<u>\$ 879,718</u>	<u>\$ 148,414</u>	<u>\$ 1,028,132</u>

HALLSDALE-POWELL UTILITY DISTRICT

CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE

March 31, 2019

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue
<u>BONDS PAYABLE</u>			
Water and Sewer Refunding Bonds, Series 2013	\$ 43,825,000	2 to 4 %	3/31/2013
Water and Sewer Improvement Bonds, Series 2006	16,000,000	4 to 5	3/31/2006
Water and Sewer Improvement Bonds, Series 2008	10,000,000	3 to 5	3/31/2009
Water and Sewer Refunding Bonds, Series 2018	24,930,000	3 to 5	3/31/2019
Utilities Improvement Revenue Bonds, Series 2005	891,600	4.375	3/31/2008
Utilities Improvement Revenue Bonds, Series 2007	3,018,000	4.125	3/31/2008
Utilities Improvement Revenue Bonds, Series 2009	998,000	3.25	3/31/2011
Utilities Improvement Revenue Bonds, Series 2011	4,899,000	4.125	3/31/2012
Utilities Improvement Revenue Bonds, Series 2013-A	1,566,000	3.125	3/31/2013
Utilities Improvement Revenue Bonds, Series 2013-B	4,983,000	3.125	3/31/2013
<u>NOTES PAYABLE</u>			
State of Tennessee DWSRF Loan #2006-069	2,500,000	0.84	3/31/2005
State of Tennessee CWSRF Loan #2005-186	52,898,483	0.82	3/31/2005
State of Tennessee DWSRF Loan #2005-062	7,500,000	0.82	3/31/2005
State of Tennessee DWSRF Loan #2009-086	1,412,500	2.52	3/31/2010
State of Tennessee DWSRF Loan ARRA #2009-086	282,500	2.52	3/31/2010
State of Tennessee CWSRF Loan #2014-332	4,000,000	1.74	3/31/2015
State of Tennessee CWSRF Loan #2014-333	940,833	1.74	3/31/2015
State of Tennessee CWSRF Loan #2009-233	6,056,322	2.52	3/31/2011
State of Tennessee CWSRF Loan ARRA #2009-233	1,211,264	2.52	3/31/2011
State of Tennessee DWSRF Loan #2011-111	3,077,600	0.87	3/31/2012
State of Tennessee CWSRF Loan #2011-279	8,600,000	0.95	3/31/2013
	<u>\$ 199,590,103</u>		

See the accompanying independent accountant's audit report.

Last Maturity Date	Outstanding 4/1/2018	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 3/31/2019
3/31/2035	\$ 37,515,000	\$ 0	\$ 1,700,000	\$ 0	\$ 35,815,000
N/A	13,255,000	0	0	13,255,000	0
N/A	6,455,000	0	0	6,455,000	0
3/31/2040	0	24,930,000	0	0	24,930,000
N/A	772,146	0	0	772,146	0
N/A	2,597,180	0	0	2,597,180	0
3/31/2049	884,018	0	17,403	0	866,617
N/A	4,476,353	0	0	4,476,353	0
3/31/2052	1,468,240	0	24,949	0	1,443,292
3/31/2053	4,748,911	0	76,936	0	4,671,976
3/31/2028	1,302,451	0	125,379	0	1,177,072
3/31/2033	38,338,383	0	2,560,313	0	35,778,070
3/31/2028	3,903,617	0	376,410	0	3,527,207
3/31/2032	1,007,211	0	65,332	0	941,879
3/31/2032	201,471	0	13,091	0	188,380
3/31/2037	3,557,888	0	164,094	0	3,393,794
3/31/2038	803,107	114,510	37,899	0	879,718
3/31/2033	4,635,969	0	272,019	0	4,363,950
3/31/2033	926,904	0	54,405	0	872,499
3/31/2033	2,259,422	0	148,941	0	2,110,481
3/31/2038	7,441,525	441,697	17,977	0	7,865,245
	<u>\$ 136,549,797</u>	<u>\$ 25,486,207</u>	<u>\$ 5,655,148</u>	<u>\$ 27,555,679</u>	<u>\$ 128,825,179</u>

HALLSDALE-POWELL UTILITY DISTRICT

CUSTOMERS AND UTILITY RATES

March 31, 2019

Water:

Active customer accounts 31,061

Sewer:

Active customer accounts 23,500

Residential and Commercial Water:

Base charge \$ 9.34 (minimum bill)
Each 1,000 gallons \$ 8.89

Residential Sewer:

Base charge \$ 11.88 (minimum bill)
0 gallons through 12,000 gallons \$ 11.18 per 1,000 gallons
Over 12,000 gallons no additional charge
*Grinder pump (if applicable) \$ 8.16 per month

Commercial Sewer:

Base charge \$ 11.88 (minimum bill)
Over 1,500 gallons \$ 11.18 per 1,000 gallons
*Grinder pump (if applicable) \$ 8.16 per month

Sunset Bay Sewer:

Vacant Lot \$ 9.00 (minimum bill)
Base charge \$ 11.88 (minimum bill)
Each 1,000 gallons \$ 11.18

See the accompanying independent accountants' audit report.

HALLSDALE-POWELL UTILITY DISTRICT

CUSTOMERS AND UTILITY RATES

(continued)

March 31, 2019

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

The service maintenance fee for sewer grinder pumps is \$8.16 per month as of March 31, 2019. 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, 2019

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: **2019** **4/2018 - 3/2019**

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 MG/Yr
Water imported: 10 MG/Yr
Water exported: 10 MG/Yr

Master Meter and Supply Error Adjustments

Enter grading in column 'E' and 'J' ----- Pnt: Value:
 5 MG/Yr
 5 MG/Yr
 4 MG/Yr

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

WATER SUPPLIED: **2,713.582** MG/Yr

AUTHORIZED CONSUMPTION

Billed metered: 9 MG/Yr
Billed unmetered: 9 MG/Yr
Unbilled metered: 6 MG/Yr
Unbilled unmetered: 7 MG/Yr

Default option selected for Unbilled unmetered - a grading of 5 is applied but not displayed

AUTHORIZED CONSUMPTION: **1,754.190** MG/Yr

Click here: for help using option buttons below
Pnt: Value: MG/Yr

Use buttons to select percentage of water supplied OR value

WATER LOSSES (Water Supplied - Authorized Consumption)

959.392 MG/Yr

Apparent Losses

Unauthorized consumption: 5 MG/Yr

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

Customer metering inaccuracies: 6 MG/Yr
Systematic data handling errors: 7 MG/Yr

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

Apparent Losses: **63.736** MG/Yr

Pnt: Value: MG/Yr

MG/Yr
 MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: **895.656** MG/Yr

WATER LOSSES: **959.392** MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: **1,214.312** MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains: 9 miles
Number of active AND inactive service connections: 8
Service connection density: conn./mile main

Are customer meters typically located at the curbstop or property line? (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: 7 psi

COST DATA

Total annual cost of operating water system: 9 \$/Year
Customer retail unit cost (applied to Apparent Losses): 7 \$/1000 gallons (US)
Variable production cost (applied to Real Losses): 7 \$/Million gallons Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

*** YOUR SCORE IS: 81 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: Unbilled metered
- 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.
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Water Audit Report for: Hallsdale Powell Utility District (0000280)
 Reporting Year: 2019 4/2018 - 3/2019

***** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 81 out of 100 *****

System Attributes:

	Apparent Losses:	63.736	MG/Yr
	+	Real Losses:	895.656
	=	Water Losses:	959.392

? Unavoidable Annual Real Losses (UARL): 456.89 MG/Yr

Annual cost of Apparent Losses: \$566,616

Annual cost of Real Losses: \$676,220 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: 44.7%
 Non-revenue water as percent by cost of operating system: 11.6% Real Losses valued at Variable Production Cost

Operational Efficiency: { Apparent Losses per service connection per day: 5.63 gallons/connection/day
 Real Losses per service connection per day: 79.16 gallons/connection/day
 Real Losses per length of main per day*: N/A
 Real Losses per service connection per day per psi pressure: 0.53 gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL): 895.66 million gallons/year

? Infrastructure Leakage Index (ILI) [CARL/UARL]: 1.96

* 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, 2019

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 FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE**

March 31, 2019

<u>Federal Grantor/ Pass-Through Grantor</u>	<u>CFDA #</u>	<u>Contract Number</u>	<u>Expenditures</u>
<u>Federal Awards</u>			
U.S. Environmental Protection Agency/ SRF Clean Water Loan	66.458	SRF 2018-410	\$ 1,817,002
<u>State Financial Assistance</u>			
U.S. Environmental Protection Agency/ SRF Clean Water Loan	66.458	SRF CG3 2014-333	114,510
U.S. Environmental Protection Agency/ SRF Clean Water Loan	66.458	SRF 2018-410	363,488
U.S. Environmental Protection Agency/ SRF Clean Water Loan	66.458	SRF CG3 2011-279	<u>441,697</u>
			<u>919,695</u>
Total Federal Awards and State Financial Assistance			<u>\$ 2,736,697</u>

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, 2019. The schedule is presented using the full accrual basis of accounting.

NOTE 2 – INDIRECT COST RATE

The District did not elect to use the 10 percent de minimis indirect cost rate; however, no indirect costs were allocated to the federal awards during the year ended March 31, 2019.

See the accompanying independent accountants' audit report.

HALLSDALE-POWELL UTILITY DISTRICT

**EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE**

(continued)

March 31, 2019

NOTE 3 – OUTSTANDING BALANCE

Hallsdale-Powell Utility District had no outstanding federal loan balances at March 31, 2019 which had continuing compliance requirements other than to repay the loans.

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, 2019, and the related notes to the financial statements, and have issued our report thereon dated September 23, 2019.

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 signature is written in a cursive, flowing style.

September 23, 2019

HALLSDALE-POWELL UTILITY DISTRICT

PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Year Ended March 31, 2019

There were no prior year findings reported.

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Commissioners
Hallsdale-Powell Utility District
Knoxville, Tennessee

Report on Compliance for Each Major Federal Program

We have audited Hallsdale-Powell Utility District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect of Hallsdale-Powell Utility District's major federal programs for the year ended March 31, 2019. Hallsdale-Powell Utility District's major federal program are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Hallsdale-Powell Utility District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements; Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hallsdale-Powell Utility District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Hallsdale-Powell Utility District's compliance.

Opinion on Each Major Federal Program

In our opinion, Hallsdale-Powell Utility District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended March 31, 2019.

Report on Internal Control Over Compliance

Management of Hallsdale-Powell Utility District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Hallsdale-Powell Utility District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Hallsdale-Powell Utility District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Mitchell Emert & Hill

September 23, 2019

HALLSDALE-POWELL UTILITY DISTRICT

FINDINGS AND QUESTIONED COSTS

Year Ended March 31, 2019

SUMMARY OF AUDIT RESULTS

1. The Independent Accountants' Audit Report expresses an unmodified opinion on the financial statements of Hallsdale-Powell Utility District.
2. No significant deficiencies in internal control over financial reporting were disclosed.
3. No instances of noncompliance material to the financial statements were disclosed.
4. No significant deficiencies in internal control over major federal programs were disclosed.
5. The Independent Accountants' Report on Compliance for Each Major Program and on Internal Control Over Compliance As Required by the Uniform Guidance expresses an unmodified opinion on Hallsdale-Powell Utility District's compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its major federal programs.
6. No findings or questioned costs were disclosed which would be required to be reported in accordance with the Uniform Guidance.
7. The following programs were tested as major programs:

<u>Program Name</u>	<u>CFDA No.</u>
SRF Clean Water Loan	66.458

8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Hallsdale-Powell Utility District was not determined to be a low-risk auditee.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings or questioned costs were disclosed which would be required to be reported in accordance with the Uniform Guidance.