

Financial Statements

HALLSDALE-POWELL UTILITY DISTRICT

Year Ended March 31, 2020

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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, 2020, 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, 2020 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

Management's Discussion and Analysis and 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 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 18, 2020 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 18, 2020

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, 2020 and 2019. 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 1.53 billion gallons of water and treated 3.30 billion gallons of sewer, representing an increase of 7.9% and an increase of 1.7%, respectively, from the previous year.
- Total assets at year-end were \$325.1 million and exceeded liabilities (net assets) by \$156.7 million. Of the total net assets, \$15.7 million was unrestricted and was available to support short-term operations. Total assets and total net assets increased from 2019 to 2020 by \$36.1 million and \$7.3 million, respectively. Unrestricted net assets decreased from 2019 to 2020 by \$10.8 million.
- Operating revenues were \$33.3 million, an increase of \$1.7 million or 5.5% from 2019.
- Operating expenses before depreciation increased by \$0.9 million which represents a 6.0% increase in 2020 compared to 2019.
- Operating income, in total, for 2020 increased \$0.8 million or 9.2% increase from 2019.
- The ratios of operating income to total operating revenues were 27.3% for 2020 and 26.4% for 2019.
- Debt service coverage was 174% for 2020, exceeding the 110% required by various bond covenants.
- Revenues from water sales in 2020 increased by \$573,143 dollars, an increase of 3.8% from 2019 and revenues from sewer sales increased by \$997,548 dollars in 2020, an increase of 6.6% over 2019 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

SUMMARY OF ORGANIZATION AND BUSINESS

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

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

The District does not have taxing authority and does not receive any financial support from Knox County, Tennessee. The District's revenues are derived from water charges, sewer charges based upon metered water consumption of customers and ancillary revenues from various other service fees and charges. The District's customer base, at March 31, 2020, consisted of 31,367 water connections and 23,941 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)

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 2020. In November 2019, the District decided to pursue the funding of the project with the Water and Sewer Revenue Refunding and Improvement Bonds Series 2019 that were issued in December 2019 and subsequently cancelled the loan with the CWSRF.

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 and at this time only the payment of interest is required. Draws against the loan in the amount of \$4,340,633 have been made as of FY 2020. Currently, the District is only required to make interest payments on the loan until the final request for payment on the project is filed with the CWSRF. We anticipate the Principal and interest payments to start in the latter half of FY 2021.

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.

On December 5, 2019, the District issued \$38,560,000 in Water and Sewer Revenue Refunding and Improvement Bonds Series 2019. The annual principal payments varying from \$1,045,000 to \$2,430,000 and semi-annual payments of interest. The coupon interest rates on these bonds vary from 4% to 5%. The Series 2019 Refunding bond refunded the State Revolving Fund Loans 2009-086 and 2009-233, and the Utilities Improvement Revenue Bonds Series 2013A and 2013B at a total interest cost rate of 2.55%. The difference between the cash flows of the old debt compared to the cash flows of the new debt is approximately \$3,098,097, and the economic gain is \$979,528.

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 2020 as compared to fiscal year 2019:

Condensed Statement of Net Position
(In Thousands of Dollars)
March 31, 2020 and 2019

	2020	2019	Variance	
			Amount	%
ASSETS				
Current assets	\$ 18,932	\$ 30,055	\$ (11,123)	-37.0%
Restricted assets	47,590	12,735	34,855	273.7%
Capital Assets:			-	
Producing - net of depreciation	241,799	233,036	8,762	3.8%
Construction in progress	16,371	11,782	4,589	38.9%
DEFERRED OUTFLOW OF RESOURCES				
Deferred outflow related to pension	454	1,426	(971)	-68.1%
TOTAL ASSETS	\$ 325,147	\$ 289,034	\$ 36,113	12.5%
LIABILITIES				
Current Liabilities	\$ 11,650	\$ 10,253	\$ 1,397	13.6%
Long-Term Liabilities	155,227	126,447	28,780	22.8%
Net Pension Liability	595	2,083	(1,488)	-71.4%
	167,472	138,783	28,689	20.7%
DEFERRED INFLOW OF RESOURCES				
Deferred Inflow of related pension	990	915	75	8.2%
TOTAL LIABILITIES	168,462	139,698	28,764	20.6%
NET ASSETS				
Invested in Capital Assets, net of related debt	95,432	111,525	(16,093)	-14.4%
Restricted	45,500	11,195	34,305	306.4%
Unrestricted	15,754	26,617	(10,863)	-40.8%
TOTAL LIABILITIES AND NET ASSETS	\$ 325,147	\$ 289,034	\$ 36,113	12.5%

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, 2020 and 2019

	<u>2020</u>	<u>2019</u>	<u>Variance</u>	
			<u>Amount</u>	<u>%</u>
Revenues				
Water service revenues	\$ 15,808	\$ 15,235	\$ 573	3.8%
Wastewater service revenues	16,064	15,067	998	6.6%
Other revenues	1,381	1,204	178	14.8%
Total Operating Revenues	<u>33,253</u>	<u>31,505</u>	<u>1,748</u>	<u>5.5%</u>
Operating Expenses				
Operations and Maintenance	16,667	15,720	947	6.0%
Depreciation	7,500	7,460	40	0.5%
Total Operating Expenses	<u>24,167</u>	<u>23,180</u>	<u>986</u>	<u>4.3%</u>
Operating Income	<u>9,086</u>	<u>8,324</u>	<u>762</u>	<u>9.2%</u>
Non-operating Revenues and (Expenses)				
Investment Income	856	558	298	53.5%
Gain (Loss) on sale of assets	(2)	44	(45)	-103.6%
Bond issuance costs	(156)	(229)	73	-31.8%
Interest Expense	(3,031)	(2,887)	(144)	5.0%
Total Non-Operating - net	<u>(2,333)</u>	<u>(2,514)</u>	<u>182</u>	<u>-7.2%</u>
Increase (Decrease) in Net Assets Before Capital Contributions	<u>6,754</u>	<u>5,810</u>	<u>944</u>	<u>16.2%</u>
Capital Contributions				
Cash Contributions	283	272	11	4.0%
Non-Cash	312	32	280	870.2%
Total Capital Contributions	<u>595</u>	<u>304</u>	<u>291</u>	<u>95.7%</u>
Increase in Net Assets	<u>\$ 7,349</u>	<u>\$ 6,114</u>	<u>\$ 1,235</u>	<u>20.2%</u>
Net Assets, Beginning of Year	<u>\$ 149,336</u>	<u>\$ 143,222</u>	<u>\$ 6,114</u>	<u>4.3%</u>
Net Assets, End of Year	<u>\$ 156,685</u>	<u>\$ 149,336</u>	<u>\$ 7,349</u>	<u>4.9%</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

OTHER SELECTED INFORMATION

Selected Data:

	<u>2020</u>	<u>2019</u>	<u>Difference</u>	<u>%Change</u>
Employees at Year-End	106	101	5	5.0%
Average Employees	103	98	5	5.1%
Customers (Billing Units) at Year-End:				
Water	31,367	31,061	306	1.0%
Wastewater	23,941	23,500	441	1.9%
Water Treated (Millions of Gallons)	2,820.8	2,916.0	(95.24)	-3.3%
Sold	1,536.3	1,423.6	112.72	7.9%
Wastewater Treated (Millions of Gallons)	3,300.1	3,245.7	54.4	1.7%
Per Average Employee:				
Operating Revenues	\$ 322,847	\$ 321,479	1,368	0.4%
Operating Expenses	\$ 234,629	\$ 236,536	(1,907)	-0.8%
Residential Rate per 1,000 Gallons of Water Sold				
Water	10.29	10.70	(0.41)	-3.8%
Wastewater	14.00	13.57	0.43	3.1%
Ratio of Operating Revenues to:				
Operating Expenses	1.38	1.36	0.02	1.2%
Operating Expenses - Net of Depreciation	2.00	2.00	(0.01)	-0.4%
Total Assets	0.10	0.11	(0.01)	-6.2%
Net Assets	0.21	0.21	0.00	0.6%
Debt Related Ratios:				
Long-Term Debt to Net Assets	0.99	0.85	0.14	17.0%
Long-Term Debt to Total Assets	0.48	0.44	0.04	9.1%
Operating Coverage	1.74	1.83	(0.09)	-4.8%

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

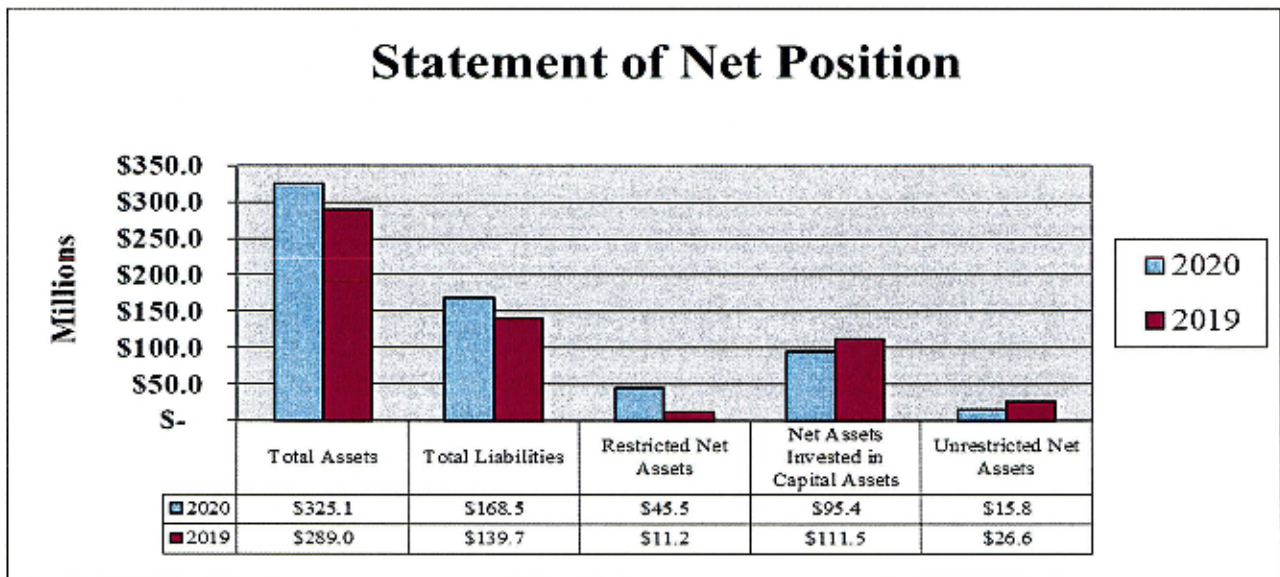
GENERAL TRENDS AND SIGNIFICANT EVENTS

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 2020 by 1.0% and 1.89%, respectively.

Weather temperatures during FY 2020 and FY 2019 were generally normal for the seasons. However, wetter conditions lessened in FY 2020 versus FY 2019 compared to the average six years; 2020 and 2019 resulted in 49.51 and 68.45 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 2020. 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.



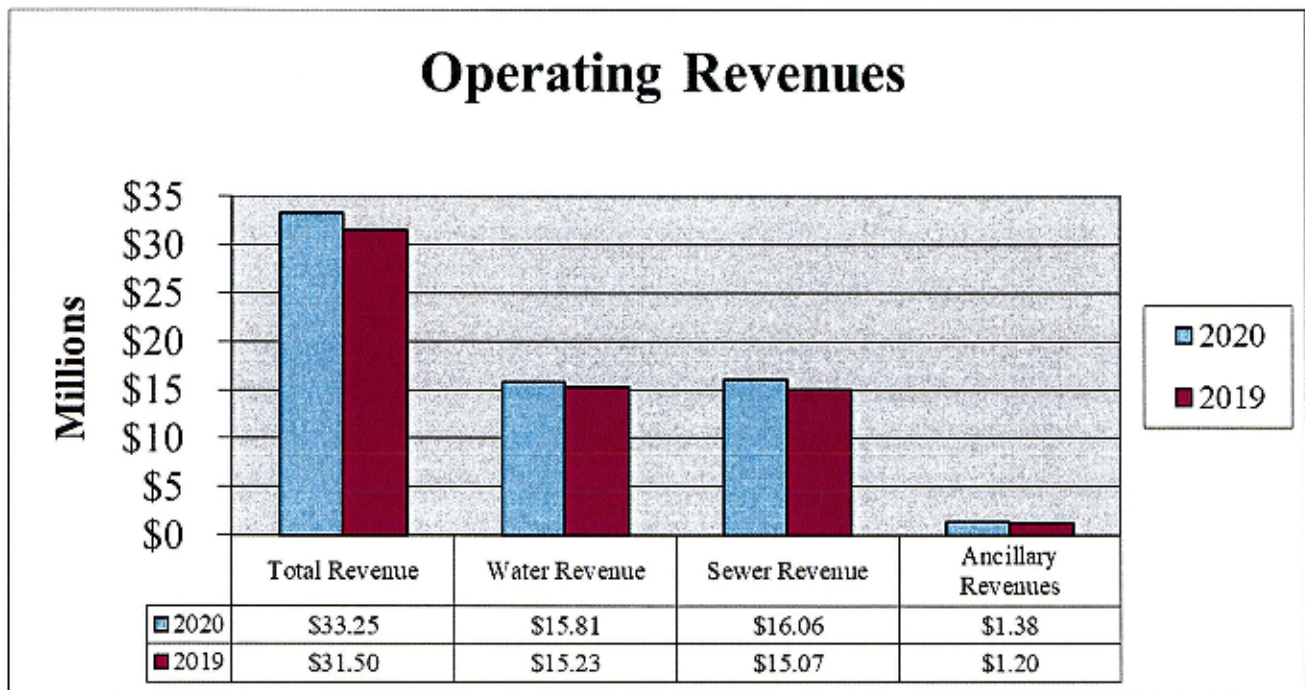
Total assets grew from \$289.0 million in 2019 to \$325.1 million in 2020, an increase of approximately \$36.11 million. Total liabilities increased from \$139.7 million in 2019 to \$168.5 million in 2020, an approximate increase of \$28.76 million. Restricted Net Assets increased from \$11.2 million in 2019 to \$45.5 million in 2020, an increase of \$34.3 million. Net Assets Invested in Capital Assets decreased from \$111.5 million in 2019 to \$95.4 million in 2020, a decrease of approximately \$16.09 million. Finally, Unrestricted Net Assets decreased from \$26.6 million in 2019 to \$15.8 million in 2020, a decrease of approximately \$10.86 million.

Net accounts receivable at year-end 2020 was 5.3% lower than fiscal year 2019. The District’s provision for bad debt expense was \$141,783 on \$31,872,088 in water and sewer sales

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.

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 \$31.5 million in 2019 to \$33.25 million in 2020, an increase of approximately \$1.75 million. Water revenue increased from \$15.2 million in 2019 to \$15.8 million in 2020, an approximate increase of \$0.57 million. Sewer revenue increased from \$15.0 million in 2019 to \$16.1 million in 2020, an increase of \$0.99 million. Ancillary revenue increased from \$1.2 million in 2019 to \$1.38 million in 2020 an increase of \$0.18 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, 2019. The average realized rate from water sales was \$10.29 per thousand gallons in 2020 and \$10.70 per thousand gallons in 2019, a decrease of 3.8% and for wastewater sales was \$14.00 per thousand gallons in 2019 and \$13.57 per thousand gallons in 2019, an increase of 3.1%

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Capital Contributions

The District collects water and sewer connection fees in order to ensure that current customers do not bear the burden of growth. These fees are paid by new customers and represent the cost of water and sewer capacity of the new customer. These fees are paid at the time a new customer water meter is connected to the system. In addition, the District accepts new water and sewer lines that are donated by residential and commercial real estate developers. Prior to implementation Governmental Accounting Standards Board (GASB) Statement No. 33, the money and system assets received were recorded as direct contributions to equity. GASB defines these fees as non-operation revenues and requires reporting the amounts through the statement of revenues, expenses, and changes in net assets.

Capital cash contributions were \$282,908 for 2020 compared to \$271,903 for 2019, an increase of \$11,005 dollars. These contributions represent system-connection related fees of \$282,908.

Noncash capital contributions were \$312,084 for 2020 and \$32,166 for 2019, an increase of \$279,918 dollars. These contributions represent water and sewer distribution and collection systems donated by developers during FY 2020 and FY 2019.

Expenses

Operating expenses excluding depreciation, increased by \$946,548 in 2020, or 6.0%.

Depreciation expense of the District's assets increased by \$39,717 in 2020 or 0.5%.

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, 2020, the District had \$162.7 million in long and short-term debt, an increase of \$29.4 million dollars from 2019.

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 2020. In November 2019, the District decided to pursue the funding of the project with the Water and Sewer Revenue Refunding and Improvement Bonds Series 2019 that were issued in December 2019 and subsequently cancelled the loan with the CWSRF.

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. Draws against the loan in the amount of \$4,340,633 have been made as of FY 2020. Currently, the District is only required to make interest payments on the loan until the final request for payment on the project is filed with the CWSRF. We anticipate the Principal and interest payments to start in the latter half of FY 2021.

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%.

In December 2019, the District issued \$38,560,000 in Water and Sewer Revenue Refunding and Improvement Bonds Series 2019. The Series 2019 Refunding bond refunded the State Revolving Fund Loans 2009-086 and 2009-233, and the Utilities Improvement Revenue Bonds Series 2013A and 2013B at a total interest cost rate of 2.55%. The difference between the cash flows of the old debt compared to the cash flows of the new debt is approximately \$3,098,097, and the economic gain is \$979,528. The annual principal payments varying from \$1,045,000 to \$2,430,000 and semi-annual payments of interest. The coupon interest rates on these bonds vary from 4% 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 0.48 in 2020 and 0.44 in 2019.

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 2019, the District approved the amended 2008 rate study and the included recommendations. As evidenced in the amended rate study, the newly adopted rates for 2020 are estimated to cover the expected debt service for FY 2020 by 120%.

The District is also responsible for complying with several operational requirements as provided in restricted covenants of its bond 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, 2020, and 2019.

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 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 65 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, 2020

ASSETS

UTILITY PLANT IN SERVICE

Capital assets not being depreciated:

Land \$ 4,426,398

Construction in process 16,371,062

Capital assets being depreciated 345,085,575

365,883,035

Accumulated depreciation (107,713,279)

258,169,756

RESTRICTED CASH

Cash \$ 42,989,643

Investments 4,600,479 47,590,122

CURRENT ASSETS

Cash 16,129,899

Accounts receivable, net of allowance for
uncollectible accounts of \$536,968 1,127,365

Prepaid expenses 3,000

Materials and supplies 1,672,183

TOTAL CURRENT ASSETS 18,932,447

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to pension 454,469

\$ 325,146,792

See the accompanying notes to the financial statements.

LIABILITIES AND NET POSITION

**CURRENT LIABILITIES PAYABLE
FROM CURRENT ASSETS**

Accounts payable		\$ 1,496,960
Prepaid tap fees		2,110
Accrued compensated absences		<u>549,168</u>
		2,048,238

**CURRENT LIABILITIES PAYABLE
FROM RESTRICTED ASSETS**

Current maturities of long-term debt	\$ 7,511,594	
Customer deposits	410,201	
Accrued interest	<u>1,680,198</u>	<u>9,601,993</u>

TOTAL CURRENT LIABILITIES 11,650,231

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

Bonds payable	103,886,299	
Notes payable	<u>51,340,343</u>	155,226,641

Net pension liability 595,327

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to pension		<u>989,548</u>
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TOTAL LIABILITIES 168,461,747

NET POSITION

Net investment in capital assets	95,431,521	
Restricted:		
Construction projects	34,528,964	
Debt retirement	10,970,758	
Unrestricted	<u>15,753,803</u>	<u>156,685,045</u>
		<u>\$ 325,146,792</u>

HALLSDALE-POWELL UTILITY DISTRICT

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION

Year Ended March 31, 2020

OPERATING REVENUE

Metered water sales	\$ 15,807,644
Metered sewer sales	16,064,444
Fire protection	96,209
Transfer fees	109,578
Road boring and tap fees	400,592
Service charges and reconnection fees	40,060
Backflow inspection	38,949
Penalties	440,814
Miscellaneous income	<u>254,903</u>

TOTAL OPERATING REVENUE 33,253,193

OPERATING EXPENSES

Salaries and related expenses	\$ 7,996,453
Professional and contract services	1,230,386
Administration	841,556
Utilities	2,547,267
Supplies, repairs and maintenance	3,862,949
Vehicles and equipment	<u>188,407</u>

TOTAL OPERATING EXPENSES 16,667,018

INCOME FROM OPERATIONS BEFORE DEPRECIATION 16,586,175

Depreciation 7,499,743

INCOME FROM OPERATIONS 9,086,430

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, 2020

NONOPERATING REVENUE(EXPENSE)		
Interest income	855,941	
Loss on disposal of capital assets	(1,567)	
Bond issuance costs	(156,060)	
Interest expense	<u>(3,031,017)</u>	<u>(2,332,703)</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS		6,753,727
Capital contributions		<u>594,992</u>
CHANGE IN NET POSITION		7,348,719
NET POSITION AT THE BEGINNING OF THE YEAR		<u>149,336,326</u>
NET POSITION AT THE END OF THE YEAR		<u><u>\$ 156,685,045</u></u>

HALLSDALE-POWELL UTILITY DISTRICT

STATEMENT OF CASH FLOWS

Year Ended March 31, 2020

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

Cash received from customers	\$ 33,200,747
Cash paid to employees	(5,751,963)
Cash paid to suppliers	<u>(10,144,181)</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES 17,304,603

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

Principal payments on long-term debt	\$ (6,326,503)
Proceeds from issuance of bonds and notes	48,769,601
Acquisition of property and equipment	(21,111,679)
Payment to refund bonds	(12,481,976)
Bond issuance costs	(156,060)
Proceeds from disposal of assets	258,000
Capital contributions	594,992
Interest paid	<u>(3,682,575)</u>

**NET CASH PROVIDED BY CAPITAL AND
RELATED FINANCING ACTIVITIES** 5,863,800

CASH PROVIDED(USED) BY INVESTING ACTIVITIES

Decrease in investments	303,461
Interest received	<u>855,941</u>

NET CASH PROVIDED BY INVESTING ACTIVITIES 1,159,402

NET INCREASE IN CASH 24,327,805

CASH AT THE BEGINNING OF THE YEAR 34,791,736

CASH AT THE END OF THE YEAR \$ 59,119,542

NONCASH TRANSACTIONS

Contributed distribution and collection system	\$ 312,084
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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, 2020

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

Income from operations		\$ 9,086,430
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation	\$ 7,499,743	
Pension expense	525,187	
Loss on disposal of property and equipment	1,567	
(Increase)decrease in:		
Accounts receivable	(57,234)	
Materials and supplies	349,103	
Deferred outflow related to pension	(287,123)	
Increase(decrease) in:		
Accounts payable	115,655	
Customer deposits	4,790	
Prepaid tap fees	(22,705)	
Accrued compensated absences	89,190	
	<u>89,190</u>	<u>8,218,173</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		<u>\$ 17,304,603</u>

HALLSDALE-POWELL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2020

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, 2020

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	\$ 365,883,035
Accumulated depreciation	(107,713,279)
Bond discounts, premiums and refunding costs	(9,821,230)
Principal balance on long-term debt	<u>(152,917,007)</u>
	<u>\$ 95,431,521</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, 2020, the restricted net position consisted of the following:

	<u>Debt service</u>	<u>Construction Projects</u>
Restricted cash and investments	\$ 13,061,158	\$ 34,528,964
Accrued interest payable	(1,680,198)	0
Customer deposits	<u>(410,201)</u>	<u>0</u>
Total	<u>\$ 10,970,758</u>	<u>\$ 34,528,964</u>

HALLSDALE-POWELL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

March 31, 2020

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, 2020 was \$518,447 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, 2020 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, 2020

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, 2020 was \$7,499,743.

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, 2020

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, 2020 were as follows:

Cash on hand	\$ 2,520
Checking and savings accounts	<u>59,117,022</u>
Total cash and cash equivalents	59,119,542
Investments	<u>4,600,479</u>
	<u>\$ 63,720,021</u>
Unrestricted assets	\$ 16,129,899
Restricted assets	<u>47,590,122</u>
	<u>\$ 63,720,021</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, 2020

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, 2020 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 water and sewer rehabilitation projects in the amount of \$43,451,832; \$15,109,617 has been expended as of March 31, 2020.

NOTE F - CAPITAL CONTRIBUTIONS

Capital contributions for the year ended March 31, 2020 were as follows:

Cash:	
Water and sewer taps	\$ 282,908
Property:	
Distribution and collection system	<u>312,084</u>
	<u>\$ 594,992</u>

HALLSDALE-POWELL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

March 31, 2020

NOTE G - UTILITY PLANT IN SERVICE

Utility plant in service for the year ended March 31, 2020 was as follows:

	<u>Balance</u> 4/1/19	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> 3/31/20
<u>Capital assets not being depreciated</u>				
Land	\$ 4,215,255	\$ 462,257	\$ (251,113)	\$ 4,426,398
Construction in progress	<u>11,782,018</u>	<u>17,702,745</u>	<u>(13,113,701)</u>	<u>16,371,062</u>
	15,997,273	18,165,002	(13,364,814)	20,797,461
<u>Capital assets being depreciated</u>				
Buildings	6,630,784	75,981	0	6,706,765
Distribution and collection system	71,090,828	2,803,444	0	73,894,272
Vehicles	3,207,640	593,495	0	3,801,135
Equipment, tools and furniture	8,564,878	596,965	(227,079)	8,934,764
Wastewater treatment plants	77,631,379	410,144	0	78,041,522
Water treatment plant	53,952,723	208,525	0	54,161,249
Sewer lines	78,021,967	11,371,824	0	89,393,791
Steel reservoirs	14,364,579	0	0	14,364,579
Pumping and booster stations	973,742	0	0	973,742
Service connection and meters	<u>14,813,759</u>	<u>0</u>	<u>0</u>	<u>14,813,759</u>
	329,252,276	16,060,378	(227,079)	345,085,575
<u>Accumulated depreciation</u>				
Buildings	(947,204)	(143,160)	0	(1,090,364)
Distribution and collection system	(21,272,123)	(1,405,328)	0	(22,677,451)
Vehicles	(1,977,793)	(387,318)	0	(2,365,111)
Equipment, tools and furniture	(6,449,235)	(613,664)	217,625	(6,845,273)
Wastewater treatment plants	(18,153,289)	(1,538,610)	0	(19,691,899)
Water treatment plant	(11,748,219)	(1,079,865)	0	(12,828,084)
Sewer lines	(32,210,271)	(1,729,720)	0	(33,939,991)
Steel reservoirs	(2,401,642)	(287,575)	0	(2,689,218)
Pumping and booster stations	(340,568)	(18,228)	0	(358,796)
Service connection and meters	<u>(4,930,816)</u>	<u>(296,275)</u>	<u>0</u>	<u>(5,227,091)</u>
	<u>(100,431,161)</u>	<u>(7,499,743)</u>	<u>217,625</u>	<u>(107,713,279)</u>
	<u>\$ 244,818,388</u>	<u>\$ 26,725,637</u>	<u>\$ (13,374,268)</u>	<u>\$ 258,169,756</u>

HALLSDALE-POWELL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

March 31, 2020

NOTE H - LONG-TERM DEBT

Long-term debt at March 31, 2020 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 \$1,815,000 to \$2,800,000 due annually, with interest payments due semi-annually (including issue premium of \$2,931,528 and net of deferred loss on refunding of \$350,240)	\$ 36,651,288
Water and Sewer Revenue Refunding Bonds, Series 2018, varying interest rates from 3% to 5% maturing in 2040, principal payments ranging from \$750,000 to \$1,630,000 due annually, with interest payments due semi-annually (including issue premium of \$1,375,628 and net of deferred gain on refunding of \$157,703)	25,748,331
Water and Sewer Revenue Refunding and Improvement Bonds, Series 2019, varying interest rates from 4% to 5% maturing in 2035, principal payments ranging from \$1,045,000 to \$2,430,000 due annually, with interest payments due semi-annually (including issue premium of \$5,871,356 and net of deferred loss on refunding of \$164,745)	44,266,611
Utilities Improvement Revenue Bonds, Series 2009 (Rural Utilities Services), 3.25% interest rate maturing in 2049, monthly installments of \$3,823	848,640

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

March 31, 2020

Notes Payable

State of Tennessee DWSRF Loan #2006-069, 0.84% interest rate through 2028, monthly installments of \$11,320	1,050,538
State of Tennessee CWSRF Loan #2005-186, 0.82% interest rate, through 2033, monthly installments of \$238,981	33,193,984
State of Tennessee DWSRF Loan #2005-062, 0.82% interest rate through 2028, monthly installments of \$33,893	3,147,989
State of Tennessee CWSRF Loan #CG3 2014-332, 1.74% interest rate through 2037, monthly installments of \$18,759	3,226,409
State of Tennessee CWSRF Loan #CG2 2018-410, 1.74% interest rate through 2038, monthly installments of \$22,411	4,340,663

HALLSDALE-POWELL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

March 31, 2020

State of Tennessee CWSRF Loan #CG2 2014-333, 1.74% interest rate through 2037, monthly installments of \$4,674	838,591
State of Tennessee DWSRF Loan #DGO 2011-111, 0.87% interest rate through 2032, monthly installments of \$13,976	1,960,532
State of Tennessee CWSRF Loan #SRF 2011-279, 0.95% interest rate through 2037, monthly installments of \$39,464	<u>7,464,661</u>
	162,738,237
Less current maturities	<u>(7,511,594)</u>
	<u>\$ 155,226,641</u>

Future maturities of bonds and notes payable are as follows:

<u>Year Ending March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2021	\$ 7,511,594	\$ 4,041,668	\$ 11,553,261
2022	8,031,760	4,151,948	12,183,708
2023	8,707,300	3,929,002	12,636,302
2024	8,963,161	3,683,895	12,647,056

HALLSDALE-POWELL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

March 31, 2020

Future maturities of bonds and notes payable are as follows:

<u>Year Ending March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2025	9,204,388	3,432,791	12,637,179
2026	9,470,977	3,175,450	12,646,427
2027	9,712,943	2,923,261	12,636,204
2028	9,929,850	2,670,210	12,600,060
2029	9,528,304	2,392,620	11,920,924
2030	9,061,864	2,113,010	11,174,874
2031	9,317,692	1,856,682	11,174,374
2032	9,489,185	1,597,989	11,087,174
2033	6,916,343	1,334,385	8,250,728
2034	6,446,819	1,095,971	7,542,790
2035	6,691,792	853,498	7,545,290
2036	4,026,910	659,680	4,686,590
2037	4,058,494	517,690	4,576,184
2038	3,620,055	373,471	3,993,526
2039	3,708,307	228,119	3,936,426
2040	3,844,406	82,495	3,926,901
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	14,789	96	14,885
	<u>\$ 148,576,344</u>	<u>\$ 41,161,527</u>	<u>\$ 189,737,871</u>

Future maturities for the State of Tennessee CWSRF Loan #CG2 2018-410 have not been determined and are not included in the amounts reported above.

HALLSDALE-POWELL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

March 31, 2020

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%. This loan was refunded with the issuance of the Water and Sewer Revenue Refunding and Improvement Bonds, Series 2019.

HALLSDALE-POWELL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

March 31, 2020

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%. This loan was refunded with the issuance of the Water and Sewer Revenue Refunding and Improvement Bonds, Series 2019.

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, 2020

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. These bonds were refunded with the issuance of the Water and Sewer Revenue Refunding and Improvement Bonds, Series 2019.

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, 2020

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 \$750,000 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 were 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%.

During the year ended March 31, 2020, the District issued \$38,560,000 in Water and Sewer Revenue Refunding and Improvement Bonds, Series 2019. The District makes annual principal payments varying from \$1,045,000 to \$2,430,000 and semi-annual payments of interest. The interest rates on these bonds vary from 4% to 5%. The Refunding Series 2019 bonds were to refund the State Revolving Fund Loans 2009-086 and 2009-233, and the Utilities Improvement Revenue Bonds, Series 2013-A and 2013-B at an interest rate of 2.53%. The difference between the cash flows of the old debt compared to the cash flows of the new debt is approximately \$3,098,097.

Interest cost incurred for the year ended March 31, 2020 was \$3,031,017, all of which was charged to expense.

Changes in long-term debt for the year ended March 31, 2020 were as follows:

	<u>Balance</u> <u>4/1/19</u>	<u>Issued</u>	<u>Paid</u>	<u>Balance</u> <u>3/31/20</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Notes Payable:					
DWSRF Loan					
#2005-062	\$ 3,527,207	\$ 0	\$ 379,218	\$ 3,147,989	\$ 382,341
DWSRF Loan					
#2006-069	1,177,072	0	126,534	1,050,538	127,507
CWSRF Loan					
#2005-186	35,778,070	0	2,584,086	33,193,984	2,605,356
DWSRF Loan					
#DGA 2009-086	941,879	0	941,879	0	0

HALLSDALE-POWELL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

March 31, 2020

	<u>Balance</u> <u>4/1/19</u>	<u>Issued</u>	<u>Paid</u>	<u>Balance</u> <u>3/31/20</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Notes Payable(continued):					
DWSRF Loan					
#DGA 2009-086					
ARRA	188,380	0	188,380	0	0
CWSRF Loan					
#CGA 2009-233	4,308,153	0	4,308,153	0	0
CWSRF Loan					
#CGA 2009-233					
ARRA	928,296	0	928,296	0	0
DWSRF Loan					
#DGO 2011-111	2,110,481	0	149,949	1,960,532	151,257
CWSRF Loan					
#SRF 2011-279	7,865,245	0	400,584	7,464,661	404,412
CWSRF Loan					
#CG2 2014-333	879,718	0	41,127	838,591	41,829
CWSRF Loan					
#CG3 2014-332	3,393,794	0	167,385	3,226,409	170,322
CWSRF Loan					
#CG2 2018-410	0	4,340,663	0	4,340,663	0
Bonds Payable:					
Series 2009	866,617	0	17,977	848,640	18,570
Series 2013	35,815,000	0	1,745,000	34,070,000	1,815,000
Series 2013 A	1,443,292	0	1,443,292	0	0
Series 2013 B	4,671,976	0	4,671,976	0	0
Series 2018	24,930,000	0	715,000	24,215,000	750,000
Series 2019	0	38,560,000	0	38,560,000	1,045,000
	<u>\$ 128,825,179</u>	<u>\$ 42,900,663</u>	<u>\$ 18,808,836</u>	<u>\$ 152,917,007</u>	<u>\$ 7,511,594</u>

HALLSDALE-POWELL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

March 31, 2020

NOTE I - SUBSEQUENT EVENTS

Beginning in March 2020, a public health crisis related to the rapidly growing outbreak of a novel strain of coronavirus (COVID-19) gained momentum, significantly impacting the national, state and local economies. While these events do not directly impact the accompanying financial statements for the year ended March 31, 2020, the current situation is rapidly changing and Hallsdale-Powell Utility District management is in the process of evaluating the financial position, liquidity and results of operations of the organization for the year ending March 31, 2021.

NOTE J - PENSION PLAN

Plan Description

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

Benefits Provided

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

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

Contributions

The District makes employer contributions at the rate set by the Board of Commissioners as determined by an actuarial valuation. For the year ended March 31, 2020 employer contributions for the District were \$906,540. By law, employer contributions are required to be paid.

HALLSDALE-POWELL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

March 31, 2020

Employees Covered by Benefit Terms

At the measurement date of December 31, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	16
Inactive employees entitled to but not yet receiving benefits	13
Active employees	<u>82</u>
	<u>111</u>

Net Pension Liability (Asset)

The District's net pension liability (asset) was measured as of December 31, 2019, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability as of the December 31, 2019 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, 2019:

<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, 2020

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, 2019:			
Increase(decrease):			
Service cost	\$ 523,395	\$ 0	\$ 523,395
Interest	882,902	0	882,902
Differences between expected and actual experience	28,606	0	28,606
Contributions - employer	0	906,540	(906,540)
Contributions - employees	0	0	0
Net investment income	0	2,051,233	(2,051,233)
Refunds of contributions	0	0	0
Benefit payments, including refunds of employee contributions	(271,438)	(271,438)	0
Administrative expense	0	(34,816)	34,816
Other changes	<u>0</u>	<u>0</u>	<u>0</u>
Net changes	1,163,465	2,651,519	(1,488,054)
Balances at December 31, 2018	<u>12,692,354</u>	<u>10,608,973</u>	<u>2,083,381</u>
Balances at December 31, 2019	<u>\$ 13,855,819</u>	<u>\$ 13,260,492</u>	<u>\$ 595,327</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)	\$ 2,024,129	\$ 595,327	\$ (645,479)

HALLSDALE-POWELL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

March 31, 2020

Pension Expense

For the year ended March 31, 2020, the District recognized pension expense of \$525,187.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended March 31, 2020, 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	\$ 167,346	\$ 441,230
Net difference between projected and actual earnings on pension plan investments	0	548,318
Contributions subsequent to the measurement date of December 31, 2019	<u>287,123</u>	<u>not applicable</u>
Totals	<u>\$ 454,469</u>	<u>\$ 989,548</u>

The amount shown above for “Contributions subsequent to the measurement date of December 31, 2019,” 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:

2021	(277,584)
2022	(254,201)
2023	(42,476)
2024	(278,836)
2025	26,811
Thereafter	4,084

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, 2020

	Measurement Date at December 31,	
	<u>2019</u>	<u>2018</u>
<u>Total pension liability</u>		
Service cost	\$ 523,395	\$ 477,231
Interest	882,902	800,608
Differences between actual and expected experience	28,606	159,050
Benefit payments, including refunds of employee contributions	<u>(271,438)</u>	<u>(256,319)</u>
Net change in total pension liability	1,163,465	1,180,570
Total pension liability - beginning	<u>12,692,354</u>	<u>11,511,784</u>
Total pension liability - ending (a)	13,855,819	12,692,354
 <u>Plan fiduciary net position</u>		
Contributions - employer	906,540	906,540
Net investment income	2,051,233	(432,772)
Benefit payments, including refunds of employee contributions	(271,438)	(256,319)
Administrative expense	<u>(34,816)</u>	<u>(33,020)</u>
Net change in plan fiduciary net position	2,651,519	184,429
Plan fiduciary net position - beginning	<u>10,608,973</u>	<u>10,424,544</u>
Plan fiduciary net position - ending (b)	<u>13,260,492</u>	<u>10,608,973</u>
 Net pension liability(asset) - ending (a) - (b)	 <u>\$ 595,327</u>	 <u>\$ 2,083,381</u>
 Plan fiduciary net position as a percentage of total net pension liability	 95.70%	 83.59%
 Covered employee payroll	 \$ 4,520,786	 \$ 4,446,147
 Net pension liability(asset) as a percentage of covered employee payroll	 13.17%	 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,		
<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 488,017	\$ 521,488	\$ 506,156
763,090	712,467	661,831
(298,704)	68,179	(38,631)
<u>(515,292)</u>	<u>(522,076)</u>	<u>(266,983)</u>
437,111	780,058	862,373
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)
<u>(30,430)</u>	<u>(36,062)</u>	<u>(56,726)</u>
1,473,763	939,710	611,841
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%

WALLSDALE-POWELL UTILITY DISTRICT

PENSION CONTRIBUTIONS

March 31, 2020

	<u>2019</u>	Year Ended March 31,		<u>2016</u>
		<u>2018</u>	<u>2017</u>	
Actuarially determined contribution	\$ 754,465	\$ 675,198	\$ 754,465	\$ 770,448
Contributions in relation to the actuarially determined contribution	<u>(906,540)</u>	<u>(906,540)</u>	<u>(982,085)</u>	<u>(830,995)</u>
Contribution deficiency(excess)	<u>\$ (152,075)</u>	<u>\$ (231,342)</u>	<u>\$ (227,620)</u>	<u>\$ (60,547)</u>
Covered employee payroll	\$ 4,520,786	\$ 4,446,147	\$ 4,172,404	\$ 4,158,318
Contributions as a percentage of covered employee payroll	20.05%	20.39%	23.50%	19.98%

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, 2019 were calculated based on the January 1, 2020 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.

Year Ended March 31,	
<u>2015</u>	<u>2014</u>
\$ 756,583	\$ 900,422
<u>(906,540)</u>	<u>(1,064,000)</u>
\$ <u>(149,957)</u>	\$ <u>(163,578)</u>
\$ 4,044,651	\$ 4,069,446
22.41%	26.30%

OTHER SUPPLEMENTARY INFORMATION

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS

March 31, 2020

	<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,			
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>\$ 24,215,000</u>	<u>\$ 9,670,800</u>	<u>\$ 33,885,800</u>

See the accompanying independent accountants' audit report.

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS

(continued)

March 31, 2020

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
State of Tennessee DWSRF Loan #2006-069, interest rate 0.84%			
Year Ending March 31,			
2021	\$ 127,507	\$ 8,333	\$ 135,840
2022	128,577	7,260	135,840
2023	129,666	6,174	135,840
2024	130,754	5,086	135,840
2025	131,857	3,983	135,840
2026	132,972	2,868	135,840
2027	134,096	1,745	135,840
2028	135,113	727	135,840
	<u>\$ 1,050,538</u>	<u>\$ 36,182</u>	<u>\$ \$ 1,086,720</u>
State of Tennessee DWSRF Loan #2005-062, interest rate 0.82 %			
Year Ending March 31,			
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>\$ 3,147,989</u>	<u>\$ 105,739</u>	<u>\$ 3,253,728</u>

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS

(continued)

March 31, 2020

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
State of Tennessee CWSRF Loan #2005-186, interest rate 0.82 %			
Year Ending March 31,			
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>\$ 33,193,984</u>	<u>\$ 1,714,935</u>	<u>\$ 34,908,919</u>

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS

(continued)

March 31, 2020

	<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,			
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>\$ 1,960,532</u>	<u>\$ 107,895</u>	<u>\$ 2,068,427</u>

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS

(continued)

March 31, 2020

	<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,			
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
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

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS

(continued)

March 31, 2020

	<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,			
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>\$ 848,640</u>	<u>\$ 450,773</u>	<u>\$ 1,299,413</u>

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS

(continued)

March 31, 2020

	<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,			
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>\$ 34,070,000</u>	<u>\$ 10,400,950</u>	<u>\$ 44,470,950</u>

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS

(continued)

March 31, 2020

	<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,			
2021	\$ 170,322	\$ 54,786	\$ 225,108
2022	173,310	51,798	225,108
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>\$ 3,226,409</u>	<u>\$ 487,921</u>	<u>\$ 3,714,330</u>

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS

(continued)

March 31, 2020

	<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,			
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>\$ 7,464,661</u>	<u>\$ 625,447</u>	<u>\$ 8,090,108</u>

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS

(continued)

March 31, 2020

	<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,			
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>\$ 838,591</u>	<u>\$ 133,453</u>	<u>\$ 972,044</u>

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS

(continued)

March 31, 2020

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Water and Sewer Revenue			
Refunding Bonds, Series 2019,			
interest rate 3% to 5%			
Year Ending March 31,			
2021	\$ 1,045,000	\$ 1,381,232	\$ 2,426,232
2022	1,430,000	1,623,650	3,053,650
2023	1,505,000	1,550,275	3,055,275
2024	1,585,000	1,473,025	3,058,025
2025	1,665,000	1,391,775	3,056,775
2026	1,750,000	1,306,400	3,056,400
2027	1,840,000	1,216,650	3,056,650
2028	1,935,000	1,122,275	3,057,275
2029	2,030,000	1,023,150	3,053,150
2030	2,140,000	918,900	3,058,900
2031	2,235,000	820,700	3,055,700
2032	2,235,000	731,300	2,966,300
2033	1,990,000	646,800	2,636,800
2034	1,915,000	568,700	2,483,700
2035	1,995,000	490,500	2,485,500
2036	2,075,000	409,100	2,484,100
2037	2,165,000	324,300	2,489,300
2038	2,250,000	236,000	2,486,000
2039	2,345,000	144,100	2,489,100
2040	2,430,000	48,600	2,478,600
	<u>\$ 38,560,000</u>	<u>\$ 17,427,432</u>	<u>\$ 55,987,432</u>

HALLSDALE-POWELL UTILITY DISTRICT

CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE

March 31, 2020

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	3-4	3/31/2013
Water and Sewer Refunding Bonds, Series 2018	24,930,000	3-4	3/31/2019
Water and Sewer Refunding Bonds, Series 2019	38,560,000	4-5	3/31/2020
Utilities Improvement Revenue Bonds, Series 2009	998,000	3.25	3/31/2011
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	3,800,000	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	8,158,303	0.95	3/31/2013
State of Tennessee CWSRF Loan #2018-410	4,340,663	1.74	3/31/2020
	\$ 207,040,469		

See the accompanying independent accountant's audit report.

<u>Last Maturity Date</u>	<u>Outstanding 4/1/2019</u>	<u>Issued During Period</u>	<u>Paid and/or Matured During Period</u>	<u>Refunded During Period</u>	<u>Outstanding 3/31/2020</u>
3/31/2035	\$ 35,815,000	\$ 0	\$ 1,745,000	\$ 0	\$ 34,070,000
3/31/2040	24,930,000	0	715,000	0	24,215,000
3/31/2035	0	38,560,000	0	0	38,560,000
3/31/2049	866,617	0	17,977	0	848,640
3/31/2052	1,443,292	0	0	1,443,292	0
3/31/2053	4,671,976	0	0	4,671,976	0
3/31/2028	1,177,072	0	126,534	0	1,050,538
3/31/2033	35,778,070	0	2,584,086	0	33,193,984
3/31/2028	3,527,207	0	379,218	0	3,147,989
3/31/2032	941,879	0	0	941,879	0
3/31/2032	188,380	0	0	188,380	0
3/31/2037	3,393,794	0	167,385	0	3,226,409
3/31/2038	879,718	0	41,127	0	838,591
3/31/2033	4,308,153	0	0	4,308,153	0
3/31/2033	928,296	0	0	928,296	0
3/31/2033	2,110,481	0	149,949	0	1,960,532
3/31/2038	7,865,245	0	400,584	0	7,464,661
3/31/2038	0	4,340,663	0	0	4,340,663
	<u>\$ 128,825,179</u>	<u>\$ 42,900,663</u>	<u>\$ 6,326,860</u>	<u>\$ 12,481,976</u>	<u>\$ 152,917,007</u>

HALLSDALE-POWELL UTILITY DISTRICT

CUSTOMERS AND UTILITY RATES

March 31, 2020

Water:

Active customer accounts 31,367

Sewer:

Active customer accounts 23,941

Residential and Commercial Water:

Base charge \$ 9.62 (minimum bill)
Each 1,000 gallons \$ 9.16

Residential Sewer:

Base charge \$ 12.59 (minimum bill)
0 gallons through 12,000 gallons \$ 11.85 per 1,000 gallons
Over 12,000 gallons no additional charge
*Grinder pump (if applicable) \$ 8.16 per month

Commercial Sewer:

Base charge \$ 12.59 (minimum bill)
Over 1,500 gallons \$ 11.85 per 1,000 gallons
*Grinder pump (if applicable) \$ 8.16 per month

Sunset Bay Sewer:

Vacant Lot \$ 9.00 (minimum bill)
Base charge \$ 12.59 (minimum bill)
Each 1,000 gallons \$ 11.85

See the accompanying independent accountants' audit report.

HALLSDALE-POWELL UTILITY DISTRICT

CUSTOMERS AND UTILITY RATES

(continued)

March 31, 2020

Sewer Grinder Pump Service/Maintenance Fees

The service maintenance fee for sewer grinder pumps is \$8.16 per month as of March 31, 2020. 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, 2020

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: **2020** **4/2019 - 3/2020**

Please enter data in the fields below. Where available, in stated values should be used; if no stated values are available please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (1 & 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: MG/Yr
Water imported: MG/Yr
Water exported: MG/Yr

Master Meter and Supply Error Adjustments

Port:	Value:	MG/Yr
5	1.00%	<input type="text" value=""/>
4	2.00%	<input type="text" value=""/>

WATER SUPPLIED: 2,709,089 MG/Yr

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

AUTHORIZED CONSUMPTION

Billed metered: MG/Yr
Billed unmetered: MG/Yr
Unbilled metered: MG/Yr
Unbilled unmetered: MG/Yr

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

AUTHORIZED CONSUMPTION: 1,757,408 MG/Yr

Click here for help using option buttons below

Port: Value:

Use buttons to select percentage of water supplied OR value

Port: Value:

Port: Value:

Port: Value:

WATER LOSSES (Water Supplied - Authorized Consumption)

951,682 MG/Yr

Apparent Losses

Unauthorized consumption: MG/Yr

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

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

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

Apparent Losses: 82,279 MG/Yr

Real Losses (Current Annual Real Losses or CARL)

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

WATER LOSSES: 951,682 MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: 1,232,245 MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

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

Are customer meters typically located at the curbside 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: psi

COST DATA

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

WATER AUDIT DATA VALIDITY SCORE:

***** YOUR SCORE IS: 82 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: Customer metering inaccuracies
- 2: Unauthorized consumption
- 3: Systematic data handling errors

See the accompanying independent accountants' 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: **2020** **4/2019 - 3/2020**

***** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 82 out of 100 *****

System Attributes:

Apparent Losses:	82,279	MG/Yr
+ Real Losses:	869,403	MG/Yr
= Water Losses:	951,682	MG/Yr

Unavoidable Annual Real Losses (UARL): **470.92** MG/Yr

Annual cost of Apparent Losses: **\$791,526**

Annual cost of Real Losses: **\$647,705** 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:	45.5%	
		Non-revenue water as percent by cost of operating system:	12.5%	Real Losses valued at Variable Production Cost

Operational Efficiency:	{	Apparent Losses per service connection per day:	7.33	gallons/connection/day
		Real Losses per service connection per day:	77.45	gallons/connection/day
		Real Losses per length of main per day*:	N/A	
		Real Losses per service connection per day per psi pressure:	0.50	gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL): **869.40** million gallons/year

Infrastructure Leakage Index (ILI) [CARL/UARL]: **1.85**

* 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 accountants' audit report.

HALLSDALE-POWELL UTILITY DISTRICT

OFFICIALS

March 31, 2020

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

March 31, 2020

Federal Grantor/ Pass-Through Grantor	CFDA #	Contract Number	Expenditures
U.S. Environmental Protection Agency/ SRF Clean Water Loan	66.458	SRF 2018-410	\$ 2,367,760

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, 2020. 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, 2020.

NOTE 3 – OUTSTANDING BALANCE

Hallsdale-Powell Utility District balances of federal loans outstanding at March 31, 2020 which had continuing compliance requirements other than to repay the loan consisted of the following:

CFDA #	Program Name	Balance at March 31, 2020
66.458	SRF Clean Water Loan	\$ 4,340,663

See the accompanying independent accountants' audit report.

INTERNAL CONTROL

AND

COMPLIANCE

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners
Hallsdale-Powell Utility District
Knoxville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America, the financial statements of Hallsdale-Powell Utility District, as of and for the year ended March 31, 2020, and the related notes to the financial statements, and have issued our report thereon dated September 18, 2020.

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 18, 2020

HALLSDALE-POWELL UTILITY DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

Year Ended March 31, 2020

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, 2020. 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, 2020.

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.



September 18, 2020

HALLSDALE-POWELL UTILITY DISTRICT

FINDINGS AND QUESTIONED COSTS

Year Ended March 31, 2020

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.