

Financial Statements

HALLSDALE-POWELL UTILITY DISTRICT

Year Ended March 31, 2021

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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 the business-type activities and the fiduciary fund activities of Hallsdale-Powell Utility District as of and for the year ended March 31, 2021 and December 31, 2020, respectively, 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 did not audit the financial statements of Hallsdale-Powell Utility District Retirement Plan, which represent 100 percent of the assets, net position, additions and deductions of the fiduciary fund activities. Those financial statements were audited by other auditors, whose report has been furnished to us, and our opinion, as it related to the amounts included for Hallsdale-Powell Utility District Retirement Plan is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial positions of the business-type activities of Hallsdale-Powell Utility District as of March 31, 2021 and the fiduciary fund of Hallsdale-Powell Utility District as of December 31, 2020 and the changes in the financial position and cash flows of the business-type activities and the change in fiduciary net position of the fiduciary fund 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/Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 to 14, the schedule of changes in net pension liability(asset), the schedule of pension contributions and the schedule of investment returns on pages 48 to 53 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 and the other auditors 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 and changes in long-term debt by individual issue 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.

Emphasis of Matter

As discussed in Note A to the financial statements, Hallsdale-Powell Utility District implemented GASB Statement No. 84, *Fiduciary Activities* and GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* during the year ended March 31, 2021. Our opinion is not modified with respect to that matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2021 on our consideration of Hallsdale-Powell Utility District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Hallsdale-Powell Utility District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hallsdale-Powell Utility District's internal control over financial reporting and compliance.

Mitchell Emert & Hill

September 23, 2021

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, 2021 and 2020. 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 1.56 billion gallons of water and treated 3.58 billion gallons of sewer, representing an increase of 1.6% and an increase of 8.6%, respectively, from the previous year.
- Total assets at year-end were \$337.2 million and exceeded liabilities (net position) by \$164.9 million. Of the total net position, \$17.8 million was unrestricted and was available to support short-term operations. Total assets and total net position increased from 2020 to 2021 by \$12 million and \$8 million, respectively. Unrestricted net position increased from 2020 to 2021 by \$2.0 million.
- Operating revenues were \$34.9 million, an increase of \$1.7 million or 5% from 2020.
- Operating expenses before depreciation decreased by \$0.4 million which represents a 2.3% decrease in 2021 compared to 2020.
- Operating income, in total, for 2021 increased \$1.8 million or 19.7% increase from 2020.
- The ratios of operating income to total operating revenues were 31.1% for 2021 and 27.3% for 2020.
- Debt service coverage was 161% for 2021, exceeding the 110% required by various bond covenants.
- Revenues from water sales in 2021 increased by \$732,590, an increase of 4.6% from 2020 and revenues from sewer sales increased by \$1.3 million in 2021, an increase of 8.1% over 2020 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 position, statement of revenues, expenses, and changes in net position, statement of cash flows, notes to the financial statements and other supplementary information. While the statement of net position provides information about the nature and number of resources and obligations at year end, the statement of revenue, expenses and changes in net position presents results of the District's business activities over the course of the fiscal year presented and information as to how the net position of the entity changed during those periods.

All changes in net position 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 boundaries. 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, 2021, consisted of 31,917 water connections and 24,323 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 14 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 689 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 483 miles of sewer collection lines and 22 sewer lift stations in servicing its sewer customer base.

The acquisition and construction of the 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)

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 2021 as compared to fiscal year 2020:

Condensed Statement of Net Position
(In Thousands of Dollars)
March 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>	<u>Variance</u>	
			<u>Amount</u>	<u>%</u>
ASSETS				
Current assets	\$ 21,590	\$ 18,932	\$ 2,658	14.0%
Restricted assets	27,038	47,590	(20,552)	-43.2%
Capital Assets:			-	
Producing - net of depreciation	243,249	241,799	1,450	0.6%
Construction in progress	44,562	16,371	28,191	172.2%
Net Pension Asset	326	-	326	0%
DEFERRED OUTFLOW OF RESOURCES				
Deferred outflow related to pension	418	454	(36)	-7.9%
TOTAL ASSETS	<u>\$ 337,185</u>	<u>\$ 325,147</u>	<u>\$ 12,038</u>	<u>3.7%</u>
LIABILITIES				
Current Liabilities	\$ 13,434	\$ 11,650	\$ 1,784	15.3%
Long-Term Liabilities	157,795	155,227	2,568	1.7%
Net Pension Liability	-	595	(595)	-100.0%
	<u>171,228</u>	<u>167,473</u>	<u>3,755</u>	<u>2.2%</u>
DEFERRED INFLOW OF RESOURCES				
Deferred Inflow of related pension	<u>1,091</u>	<u>990</u>	<u>101</u>	<u>10.2%</u>
TOTAL LIABILITIES	<u>172,319</u>	<u>168,462</u>	<u>3,856</u>	<u>2.3%</u>
NET ASSETS				
Invested in Capital Assets, net of related debt	121,603	95,431	26,172	27.4%
Restricted	25,462	45,500	(20,038)	-44.0%
Unrestricted	17,800	15,754	2,046	13.0%
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 337,185</u>	<u>\$ 325,147</u>	<u>\$ 12,038</u>	<u>3.7%</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Condensed Statement of Revenues, Expenses and Changes in Net Assets

(In Thousands of Dollars)

For the Years Ended March 31, 2021 and 2020

	2021	2020	Variance	
			Amount	%
Revenues				
Water service revenues	\$ 16,545	\$ 15,808	\$ 737	4.7%
Wastewater service revenues	17,361	16,064	1,296	8.1%
Other revenues	1,010	1,381	(371)	-26.9%
Total Operating Revenues	\$ 34,915	\$ 33,253	1,662	5.0%
Operating Expenses				
Operations and Maintenance	16,286	16,667	(381)	-2.3%
Depreciation	7,756	7,500	256	3.4%
Total Operating Expenses	24,041	24,167	(125)	-0.5%
Operating Income	10,874	9,086	1,787	19.7%
Non-operating Revenues and (Expenses)				
Investment Income	281	856	(575)	-67.2%
Gain (Loss) on sale of assets	62	(2)	64	-4081.2%
Bond issuance costs	0	(156)	156	-100.0%
Interest Expense	(3,569)	(3,031)	(538)	17.8%
Total Non-Operating - net	(3,226)	(2,333)	(893)	38.3%
Increase (Decrease) in Net Assets Before Capital Contributions	7,647	6,753	894	13.2%
Capital Contributions				
Cash Contributions	311	283	28	10.0%
Non-Cash	222	312	(90)	-28.9%
Total Capital Contributions	533	595	(62)	-10.4%
Increase in Net Assets	\$ 8,180	\$ 7,348	\$ 832	11.3%
Net Assets, Beginning of Year	\$ 156,685	\$ 149,336	\$ 7,349	4.9%
Net Assets, End of Year	\$ 164,865	\$ 156,685	\$ 8,181	5.2%

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

OTHER SELECTED INFORMATION

Selected Data:

	<u>2021</u>	<u>2020</u>	<u>Difference</u>	<u>%Change</u>
Employees at Year-End	104	106	(2)	-1.9%
Average Employees	104	103	1	1.0%
Customers (Billing Units) at Year-End:				
Water	31,917	31,367	550	1.8%
Wastewater	24,323	23,941	382	1.6%
Water Treated (Millions of Gallons)				
Sold	2,744.0	2,820.8	(77)	-2.7%
Sold	1,561.2	1,536.3	25	1.6%
Wastewater Treated (Millions of Gallons)	3,583.2	3,300.1	283	8.6%
Per Average Employee:				
Operating Revenues	\$ 335,722	\$ 322,847	12,875	4.0%
Operating Expenses	\$ 231,166	\$ 234,629	(3,463)	-1.5%
Residential Rate per 1,000 Gallons of Water Sold				
Water	10.60	10.29	0	3.0%
Wastewater	14.64	14.00	1	4.6%
Ratio of Operating Revenues to:				
Operating Expenses	1.45	1.38	0	5.5%
Operating Expenses - Net of Depreciation	2.14	2.00	0	7.5%
Total Assets	0.10	0.10	0	1.2%
Net Assets	0.21	0.21	(0)	-0.2%
Debt Related Ratios:				
Long-Term Debt to Net Assets	0.96	0.99	(0)	-3.4%
Long-Term Debt to Total Assets	0.47	0.48	(0)	-2.0%
Operating Coverage	1.61	1.74	(0)	-7.5%

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

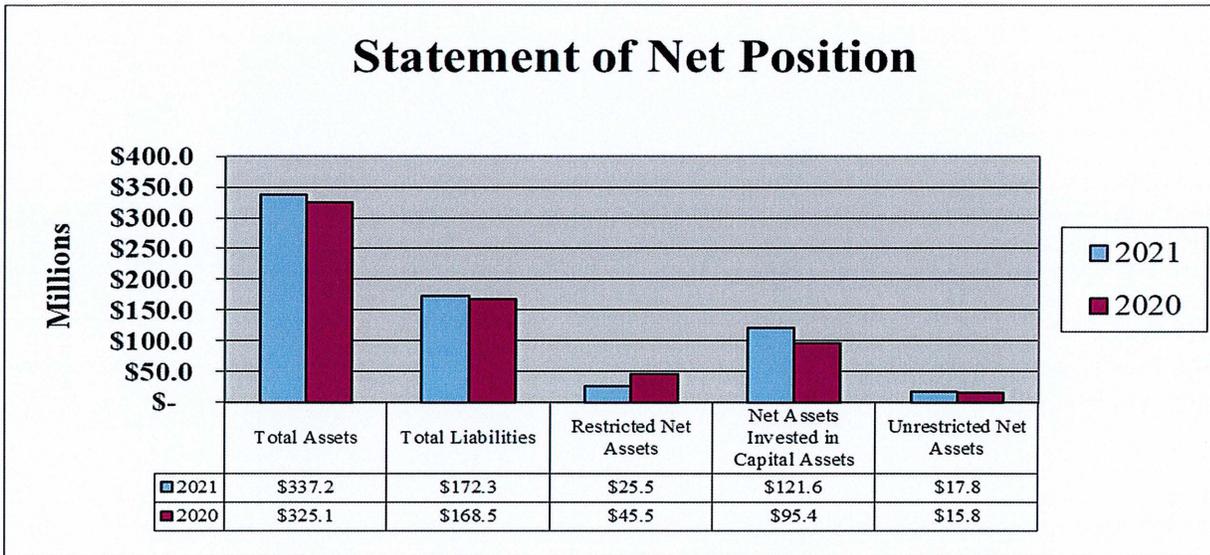
GENERAL TRENDS AND SIGNIFICANT EVENTS

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 2021 by 1.8% and 1.6%, respectively.

Weather temperatures during FY 2021 and FY 2020 were generally normal for the seasons. However, wetter conditions were more present in FY 2021 versus FY 2020 compared to the average six years; 2021 and 2020 resulted in 60.97 and 49.51 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 2021. 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.



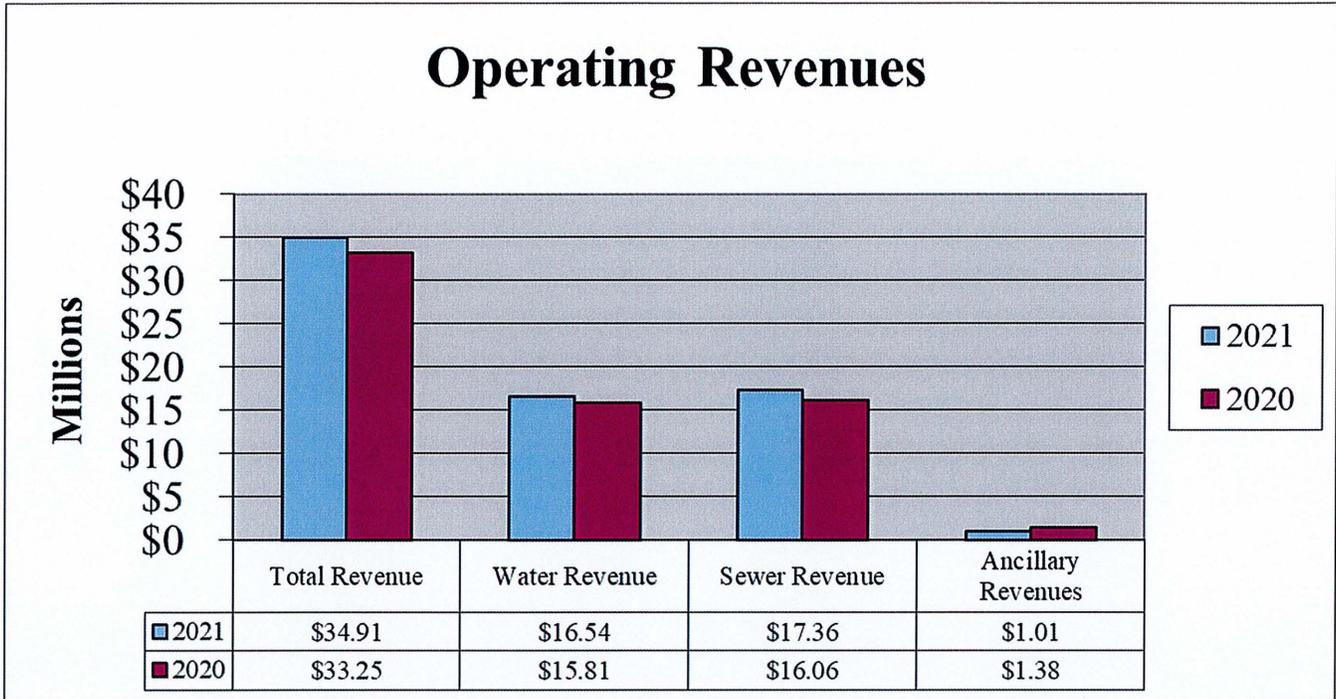
Total assets grew from \$325.1 million in 2020 to \$337.2 million in 2021, an increase of approximately \$12.1 million. Total liabilities increased from \$168.5 million in 2020 to \$172.3 million in 2021, an approximate increase of \$3.8 million. Restricted Net Position decreased from \$45.5 million in 2020 to \$25.5 million in 2021, a decrease of \$20.0 million. Net Investment in Capital Assets increased from \$95.4 million in 2020 to \$121.6 million in 2021, an increase of approximately \$26.2 million. Finally, Unrestricted Net Position increased from \$15.8 million in 2020 to \$17.8 million in 2021, an increase of approximately \$2.0 million.

Net accounts receivable at year-end 2021 was 26.9% greater than fiscal year 2020. The District’s provision for bad debt expense was \$218,908 on \$33,905,454 in water and sewer sales.

Net accounts receivable at year-end 2020 was 5.3% less than fiscal year 2019. The District’s provision for bad debt expense was \$141,783 on \$31,872,088 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, penalty fees, and charges from miscellaneous billed services.



Total revenues grew from \$33.2 million in 2020 to \$34.9 million in 2021, an increase of approximately \$1.7 million. Water revenue increased from \$15.8 million in 2020 to \$16.5 million in 2021, an approximate increase of \$0.73 million. Sewer revenue increased from \$16.1 million in 2020 to \$17.4 million in 2021, an increase of \$1.3 million. Ancillary revenue decreased from \$1.4 million in 2020 to \$1.0 million in 2021 a decrease of \$0.36 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 \$10.60 per thousand gallons in 2021 and \$10.29 per thousand gallons in 2020, an increase of 3.0% and for wastewater sales was \$14.64 per thousand gallons in 2021 and \$14.00 per thousand gallons in 2020, an increase of 4.6%.

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 position.

Capital cash contributions were \$311,146 for 2021 compared to \$282,908 for 2020, an increase of \$28,238 dollars. These contributions represent system-connection related fees of \$311,146.

Noncash capital contributions were \$221,895 for 2021 and \$312,084 for 2020, a decrease of \$90,189. These contributions represent water and sewer distribution and collection systems donated by developers during FY 2021 and FY 2020.

Expenses

Operating expenses excluding depreciation, decreased by \$125,488 in 2021, or 0.5%.

Depreciation expense of the District's assets increased by \$255,757 in 2021, or 3.4%.

CAPITAL ASSETS

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

DEBT

On March 31, 2021, the District had \$166.2 million in long and short-term debt, an increase of \$3.5 million dollars from 2020.

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. Draws against the loan in the amount of \$4,548,250 have been made as of FY 2021. The monthly principal and interest payments on loan began in December 2020. The loan bears a fixed interest rate of 1.72% and has a 20-year term.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

In August 2017, the District received a funding obligation commitment from USDA Rural Development (RUS), to embark on two Sewer System Improvements- Beaver Creek Interceptor and Beaver Creek Trunk Sewer Line. These sewer projects resulted in a loan in the amount of \$7,725,00 which bears a fixed interest rate of 2.13% and has a 40-year term with monthly principal and interest payments of \$23,948 beginning in January 2021.

In August 2018, the District received a funding obligation commitment from RUS, to embark on Water System Improvement Projects. These water line projects resulted in a loan in the amount of \$3,941,000 which bears a fixed interest rate of 2.13% and has a 40-year term with monthly principal and interest payments of \$12,218 beginning in January 2021.

The District's total 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 0.47 in 2021 and 0.48 in 2020.

The District is bound by restrictive covenants as set forth in the 2006, 2008, 2013, and 2019 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 adopted rates for 2021 are estimated to cover the expected debt service for FY 2021 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, 2021, and 2020.

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 66 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, 2021

ASSETS

UTILITY PLANT IN SERVICE

Capital assets not being depreciated:

Land

\$ 4,777,994

Construction in process

44,562,193

Capital assets being depreciated

353,599,557

402,939,744

Accumulated depreciation

(115,128,214)

287,811,530

RESTRICTED CASH

Cash

\$ 22,437,910

Investments

4,600,479

27,038,389

CURRENT ASSETS

Cash

18,850,749

Accounts receivable, net of allowance for
uncollectible accounts of \$569,458

1,430,544

Prepaid expenses

7,007

Materials and supplies

1,302,094

TOTAL CURRENT ASSETS

21,590,394

NET PENSION ASSET

326,333

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to pension

417,922

\$ 337,184,566

See the accompanying notes to the financial statements.

LIABILITIES AND NET POSITION

**CURRENT LIABILITIES PAYABLE
FROM CURRENT ASSETS**

Accounts payable		\$ 2,078,649
Prepaid tap fees		2,110
Accrued compensated absences		<u>607,772</u>
		2,688,531

**CURRENT LIABILITIES PAYABLE
FROM RESTRICTED ASSETS**

Current maturities of long-term debt	\$ 8,413,435	
Customer deposits	429,293	
Accrued interest	<u>1,902,509</u>	<u>10,745,237</u>

TOTAL CURRENT LIABILITIES 13,433,768

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

Bonds payable	110,373,128	
Notes payable	<u>47,421,597</u>	<u>157,794,724</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to pension		<u>1,090,596</u>
-------------------------------------	--	------------------

TOTAL LIABILITIES 172,319,088

NET POSITION

Net investment in capital assets	121,603,369	
Restricted:		
Construction projects	13,252,485	
Pension	326,333	
Debt retirement	11,883,395	
Unrestricted	<u>17,799,897</u>	<u>164,865,478</u>
		<u>\$ 337,184,566</u>

HALLSDALE-POWELL UTILITY DISTRICT

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION

Year Ended March 31, 2021

OPERATING REVENUE

Metered water sales	\$ 16,544,687
Metered sewer sales	17,360,767
Fire protection	101,692
Transfer fees	115,997
Road boring and tap fees	496,205
Service charges and reconnection fees	12,130
Backflow inspection	39,552
Penalties	86,114
Miscellaneous income	<u>157,938</u>

TOTAL OPERATING REVENUE 34,915,082

OPERATING EXPENSES

Salaries and related expenses	\$ 7,990,557
Professional and contract services	1,284,260
Administration	892,801
Utilities	2,569,468
Supplies, repairs and maintenance	3,417,340
Vehicles and equipment	<u>131,347</u>

TOTAL OPERATING EXPENSES 16,285,773

INCOME FROM OPERATIONS BEFORE DEPRECIATION 18,629,309

Depreciation 7,755,500

INCOME FROM OPERATIONS 10,873,807

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, 2021

NONOPERATING REVENUE(EXPENSE)		
Interest income	280,590	
Gain on disposal of capital assets	62,385	
Interest expense	<u>(3,569,389)</u>	<u>(3,226,414)</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS		7,647,393
Capital contributions		<u>533,040</u>
CHANGE IN NET POSITION		8,180,433
NET POSITION AT THE BEGINNING OF THE YEAR		<u>156,685,045</u>
NET POSITION AT THE END OF THE YEAR		<u><u>\$ 164,865,478</u></u>

HALLSDALE-POWELL UTILITY DISTRICT

STATEMENT OF CASH FLOWS

Year Ended March 31, 2021

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

Cash received from customers	\$ 34,630,994
Cash paid to employees	(5,945,432)
Cash paid to suppliers	<u>(10,133,530)</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES 18,552,032

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

Principal payments on long-term debt	\$ (7,574,191)
Proceeds from issuance of bonds and notes	11,873,687
Acquisition of property and equipment	(37,178,333)
Proceeds from disposal of assets	65,341
Capital contributions	311,146
Interest paid	<u>(4,161,153)</u>

**NET CASH (USED) BY CAPITAL AND
RELATED FINANCING ACTIVITIES** (36,663,503)

CASH PROVIDED(USED) BY INVESTING ACTIVITIES

Interest received	<u>280,590</u>
-------------------	----------------

NET (DECREASE) IN CASH (17,830,881)

CASH AT THE BEGINNING OF THE YEAR

25,368,180

CASH AT THE END OF THE YEAR

\$ 7,537,297

NONCASH TRANSACTIONS

Contributed distribution and collection system	\$ 221,895
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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, 2021

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

Income from operations		\$ 10,873,808
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation	\$ 7,755,500	
Pension expense	248,909	
Deferred outflow related to pension	(1,032,974)	
(Increase)decrease in:		
Accounts receivable	(303,179)	
Materials and supplies	370,090	
Prepaid expenses	(4,007)	
Increase in:		
Accounts payable	566,189	
Customer deposits	19,092	
Accrued compensated absences	58,604	<u>7,678,224</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		<u>\$ 18,552,032</u>

HALLSDALE-POWELL UTILITY DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
HALLSDALE-POWELL UTILITY DISTRICT RETIREMENT PLAN

December 31, 2020

ASSETS

Investments:

Mutual funds - equity	\$ 2,951,265
Mutual funds - fixed income	590,841
Exchange traded funds	5,397,306
Money market mutual funds	2,226,979
Certificates of deposit	879,819
U.S. government obligations	1,009,290
Municipal obligations	1,415,186
Corporate bonds	<u>51,561</u>
	14,522,247

Accounts receivable:

Accrued income	<u>23,253</u>
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TOTAL ASSETS \$ 14,545,500

NET POSITION
RESTRICTED FOR PENSION \$ 14,545,500

See the accompanying notes to the financial statements.

HALLSDALE-POWELL UTILITY DISTRICT

STATEMENT OF CHANGES IN PLAN FIDUCIARY NET POSITION
HALLSDALE-POWELL UTILITY DISTRICT RETIREMENT PLAN

Year Ended December 31, 2020

ADDITIONS

Employer contributions \$ 1,032,973

Investment income:

Net appreciation in fair value of investments \$ 642,935

Dividend and interest income 319,852

962,787

Less investment expense (37,537) 925,250

TOTAL ADDITIONS 1,958,223

DEDUCTIONS

Benefits paid to participants 671,565

NET INCREASE IN PLAN FIDUCIARY NET POSITION 1,286,658

PLAN FIDUCIARY NET POSITION

AT THE BEGINNING OF THE YEAR 13,258,842

PLAN FIDUCIARY NET POSITION

AT THE END OF THE YEAR \$ 14,545,500

See the accompanying notes to the financial statements.

HALLSDALE-POWELL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2021

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.

The assets of the Hallsdale-Powell Utility District Retirement Plan are controlled or directed by the Board of Commissioners of Hallsdale-Powell Utility District. Because of this, the assets, net position, additions and deductions of the Hallsdale-Powell Utility District Retirement Plan are reported in a fiduciary fund in the basic financial statements.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Hallsdale-Powell Utility District

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, 2021

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	\$ 402,939,744
Accumulated depreciation	(115,128,215)
Bond discounts, premiums and refunding costs	(8,991,658)
Principal balance on long-term debt	<u>(157,216,503)</u>
	<u>\$ 121,603,369</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, 2021, the restricted net position consisted of the following:

	<u>Pension</u>	<u>Debt service</u>	<u>Construction Projects</u>
Restricted cash and investments	\$ 0	\$ 13,785,904	\$ 13,252,485
Net pension asset	326,333	0	0
Accrued interest payable	<u>0</u>	<u>(1,902,509)</u>	<u>0</u>
Total	<u>\$ 326,333</u>	<u>\$ 11,883,395</u>	<u>\$ 13,252,485</u>

HALLSDALE-POWELL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

March 31, 2021

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, 2021 was \$850,795 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(loss) for the year ended March 31, 2021 was \$17,522 and (\$38,746) 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, 2021

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, 2021 was \$7,755,500.

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.

HALLSDALE-POWELL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

March 31, 2021

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 Retirement 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 Retirement Plan

Basis of Accounting

The accounting policy of the Plan conforms to accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units. The Plan's financial statements are prepared using the accrual basis of accounting. Contributions are recognized when received by Home Federal Bank of Tennessee.

Methods Used to Value Investments

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Operating Expenses

Certain expenses of maintaining the Plan are paid directly by the District and are excluded from these financial statements. Certain investment related expenses are included in net appreciation in fair value of investments.

Payment of Benefits

Benefits are recorded when paid.

HALLSDALE-POWELL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

March 31, 2021

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, 2021 were as follows:

Cash on hand	\$ 2,520
Checking and savings accounts	<u>41,286,139</u>
Total cash and cash equivalents	41,288,659
Investments	<u>4,600,479</u>
	<u>\$ 45,889,138</u>
Unrestricted assets	\$ 18,850,749
Restricted assets	<u>27,038,389</u>
	<u>\$ 45,889,138</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, 2021

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, 2021 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.

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, liquidity and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statement of fiduciary net position.

Plan contributions are made, and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

NOTE E - COMMITMENTS

The District entered into agreements with contractors for water and sewer rehabilitation projects in the amount of \$64,419,729; \$34,454,776 has been expended as of March 31, 2021.

HALLSDALE-POWELL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

March 31, 2021

NOTE F - UTILITY PLANT IN SERVICE

Utility plant in service for the year ended March 31, 2021 was as follows:

	<u>Balance</u> 4/1/20	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> 3/31/21
<u>Capital assets not being depreciated</u>				
Land	\$ 4,426,398	\$ 351,596	\$ 0	\$ 4,777,994
Construction in progress	<u>16,371,062</u>	<u>33,337,872</u>	<u>(5,146,742)</u>	<u>44,562,193</u>
	20,797,460	33,689,468	(5,146,742)	49,340,187
<u>Capital assets being depreciated</u>				
Buildings	6,706,765	14,715	(3,732)	6,717,749
Distribution and collection system	72,722,361	6,351,153	0	79,073,514
Vehicles	3,801,135	87,859	(247,152)	3,641,842
Equipment, tools and furniture	8,934,764	666,871	(92,636)	9,508,999
Wastewater treatment plants	77,001,572	405,025	0	77,406,597
Water treatment plant	55,201,200	191,244	0	55,392,443
Sewer lines	89,393,791	1,049,377	0	90,443,168
Steel reservoirs	14,364,579	0	0	14,364,579
Pumping and booster stations	973,742	91,257	0	1,064,999
Service connection and meters	<u>15,985,667</u>	<u>0</u>	<u>0</u>	<u>15,985,667</u>
	345,085,575	8,857,501	(343,520)	353,599,557
<u>Accumulated depreciation</u>				
Buildings	(1,090,364)	(130,034)	809	(1,219,590)
Distribution and collection system	(22,677,451)	(1,437,959)	0	(24,115,409)
Vehicles	(2,365,111)	(433,792)	247,152	(2,551,751)
Equipment, tools and furniture	(6,845,273)	(654,662)	92,604	(7,407,331)
Wastewater treatment plants	(19,691,899)	(1,538,365)	0	(21,230,265)
Water treatment plant	(12,828,084)	(1,092,238)	0	(13,920,322)
Sewer lines	(33,939,991)	(1,842,933)	0	(35,782,924)
Steel reservoirs	(2,689,218)	(287,575)	0	(2,976,793)
Pumping and booster stations	(358,796)	(18,228)	0	(377,025)
Service connection and meters	<u>(5,227,091)</u>	<u>(319,713)</u>	<u>0</u>	<u>(5,546,805)</u>
	<u>(107,713,279)</u>	<u>(7,755,500)</u>	<u>340,565</u>	<u>(115,128,214)</u>
	<u>\$ 258,169,756</u>	<u>\$ 34,791,469</u>	<u>\$ (5,149,697)</u>	<u>\$ 287,811,530</u>

HALLSDALE-POWELL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

March 31, 2021

NOTE G - CAPITAL CONTRIBUTIONS

Capital contributions for the year ended March 31, 2021 were as follows:

Cash:	
Water and sewer taps	\$ 311,146
Property:	
Distribution and collection system	<u>221,895</u>
	<u>\$ 533,040</u>

NOTE H - LONG-TERM DEBT

Long-term debt at March 31, 2021 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 \$1,890,000 to \$2,800,000 due annually, with interest payments due semi-annually (including issue premium of \$2,722,860 and net of deferred loss on refunding of \$325,223)	\$ 34,652,637
Water and Sewer Revenue Refunding Bonds, Series 2018, varying interest rates from 3% to 5% maturing in 2040, principal payments ranging from \$775,000 to \$1,630,000 due annually, with interest payments due semi-annually (including issue premium of \$1,222,781 and deferred gain on refunding of \$140,180)	24,827,961
Water and Sewer Revenue Refunding and Improvement Bonds, Series 2019, varying interest rates from 4% to 5% maturing in 2035, principal payments ranging from \$1,430,000 to \$2,430,000 due annually, with interest payments due semi-annually (including issue premium of \$5,382,076 and net of deferred loss on refunding of \$151,016)	42,746,060

HALLSDALE-POWELL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

March 31, 2021

Utilities Improvement Revenue Bonds, Series 2009 (Rural Utilities Services), 3.25% interest rate maturing in 2049, monthly installments of \$3,823	830,068
Utilities Improvement Revenue Bonds, Series 2020-B (Rural Utilities Services), 2.125% interest rate maturing in 2061, monthly installments of \$12,218	3,925,355
Utilities Improvement Revenue Bonds, Series 2020-C (Rural Utilities Services), 2.125% interest rate maturing in 2061, monthly installments of \$23,948	7,694,141
<u>Notes Payable</u>	
State of Tennessee DWSRF Loan #2006-069, 0.84% interest rate through 2028, monthly installments of \$11,320	923,031
State of Tennessee CWSRF Loan #2005-186, 0.82% interest rate, through 2033, monthly installments of \$238,981	30,588,563
State of Tennessee DWSRF Loan #2005-062, 0.82% interest rate through 2028, monthly installments of \$33,893	2,765,648
State of Tennessee CWSRF Loan #CG3 2014-332, 1.74% interest rate through 2037, monthly installments of \$18,759	3,056,087
State of Tennessee CWSRF Loan #CG2 2018-410, 1.74% interest rate through 2038, monthly installments of \$22,411	4,532,324

HALLSDALE-POWELL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

March 31, 2021

State of Tennessee CWSRF Loan #CG2 2014-333, 1.74% interest rate through 2037, monthly installments of \$4,674	796,762
State of Tennessee DWSRF Loan #DGO 2011-111, 0.87% interest rate through 2032, monthly installments of \$13,976	1,809,275
State of Tennessee CWSRF Loan #SRF 2011-279, 0.95% interest rate through 2037, monthly installments of \$39,464	<u>7,060,249</u>
	166,208,161
Less current maturities	<u>(8,413,435)</u>
	<u>\$ 157,794,724</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>
2022	\$ 8,413,435	\$ 4,473,194	\$ 12,886,629
2023	9,096,095	4,243,131	13,339,226
2024	9,359,490	3,990,490	13,349,980
2025	9,608,399	3,731,704	13,340,103
2026	9,882,822	3,466,529	13,349,351
2027	10,132,773	3,206,355	13,339,128
2028	10,357,830	2,945,154	13,302,984
2029	9,964,584	2,659,264	12,623,848
2030	9,506,610	2,371,188	11,877,798
2031	9,771,076	2,106,222	11,877,298
2032	9,951,373	1,838,725	11,790,098
2033	7,387,436	1,566,151	8,953,587
2034	6,927,131	1,318,582	8,245,714
2035	7,181,435	1,066,778	8,248,214
2036	4,526,066	863,448	5,389,514

HALLSDALE-POWELL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

March 31, 2021

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>
2037	4,567,348	711,760	5,279,108
2038	4,138,807	557,643	4,696,450
2039	4,237,150	402,200	4,639,350
2040	4,383,534	246,291	4,629,825
2041	562,219	164,080	726,299
2042	325,560	154,308	479,868
2043	332,969	146,898	479,868
2044	340,552	139,316	479,868
2045	348,311	131,557	479,868
2046	356,252	123,616	479,868
2047	364,378	115,490	479,868
2048	372,695	107,173	479,868
2049	349,918	98,958	448,877
2050	342,320	91,672	433,992
2051	349,666	84,326	433,992
2052	357,169	76,823	433,992
2053	364,833	69,159	433,992
2054	372,662	61,330	433,992
2055	380,659	53,333	433,992
2056	388,827	45,165	433,992
2057	397,170	36,822	433,992
2058	405,693	28,299	433,992
2059	414,398	19,594	433,992
2060	423,291	10,701	433,992
2061	<u>273,563</u>	<u>2,100</u>	<u>275,663</u>
	<u>\$ 157,216,503</u>	<u>\$ 43,525,527</u>	<u>\$ 200,742,030</u>

HALLSDALE-POWELL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

March 31, 2021

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. 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, 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, 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%.

HALLSDALE-POWELL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

March 31, 2021

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%.

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 2020, 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%.

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, 2020, 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.

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. Draws against the loan in the amount of \$4,548,250 have been made as of FY 2021. The monthly principal and interest payments on loan began in December 2020. The loan bears a fixed interest rate of 1.72% and has a 20-year term.

HALLSDALE-POWELL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

March 31, 2021

During the year ended March 31, 2020, the District issued \$24,930,000 in Water and Sewer Revenue Refunding Bonds, Series 2018. The District makes annual principal payments varying from \$775,000 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%.

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 \$1,430,000 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%.

During the year ended March 31, 2021, the District issued \$7,725,000 in Utilities Improvement Revenue Bonds, Series 2020-C. The proceeds of the bonds are being used to finance the costs of sewer system improvements. The District makes monthly payments of principal and interest in the amount of \$23,948. The interest rates on these bonds are 2.125%.

During the year ended March 31, 2021, the District issued \$3,941,100 in Utilities Improvement Revenue Bonds, Series 2020-B. The proceeds of the bonds are being used to finance the costs of water system improvements. The District makes monthly payments of principal and interest in the amount of \$12,218. The interest rates on these bonds are 2.125%.

Interest cost incurred for the year ended March 31, 2021 was \$3,569,389, all of which was charged to expense.

Subsequent to the year ended March 31, 2021, the District entered into an agreement to refund the Utilities Improvement Revenue Bonds, Series 2009, State of Tennessee DWSRF Loan #2006-69, State of Tennessee CWSRF Loan #2005-186, State of Tennessee DWSRF Loan #2005-062, State of Tennessee CWSRF Loan # 2014-332, State of Tennessee CWSRF Loan #2014-333, State of Tennessee DWSRF Loan #2011-111, State of Tennessee CWSRF Loan # 2011-279 and State of Tennessee CWSRF 2018-410 at an interest rate of 5.0%. The difference between the cash flows of the old debt compared to the cash flows of the new debt is approximately \$1,228,081, and the economic gain is \$459,278.

HALLSDALE-POWELL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

March 31, 2021

Changes in long-term debt for the year ended March 31, 2021 were as follows:

	<u>Balance 4/1/20</u>	<u>Issued</u>	<u>Paid</u>	<u>Balance 3/31/21</u>	<u>Amounts Due Within One Year</u>
Notes Payable:					
DWSRF Loan					
#2005-062	\$ 3,147,989	\$ 0	\$ 382,341	\$ 2,765,648	\$ 385,482
DWSRF Loan					
#2006-069	1,050,538	0	127,507	923,031	128,574
CWSRF Loan					
#2005-186	33,193,984	0	2,605,421	30,588,563	2,626,803
DWSRF Loan					
#DGO 2011-111	1,960,532	0	151,257	1,809,275	152,574
CWSRF Loan					
#SRF 2011-279	7,464,661	0	404,412	7,060,249	408,270
CWSRF Loan					
#CG2 2014-333	838,591	0	41,829	796,762	42,561
CWSRF Loan					
#CG3 2014-332	3,226,409	0	170,322	3,056,087	173,310
CWSRF Loan					
#CG2 2018-410	4,340,663	207,587	15,926	4,532,324	192,768
Bonds Payable:					
Series 2009	848,640	0	18,572	830,068	19,183
Series 2013	34,070,000	0	1,815,000	32,255,000	1,890,000
Series 2018	24,215,000	0	750,000	23,465,000	775,000
Series 2020-C	0	7,725,000	30,860	7,694,141	125,089
Series 2020-B	0	3,941,100	15,745	3,925,355	63,821
Series 2019	<u>38,560,000</u>	<u>0</u>	<u>1,045,000</u>	<u>37,515,000</u>	<u>1,430,000</u>
	<u>\$ 152,917,007</u>	<u>\$ 11,873,687</u>	<u>\$ 7,574,191</u>	<u>\$ 157,216,503</u>	<u>\$ 8,413,435</u>

NOTE I - CONTINGENCIES

Beginning in March 2020, a public health crisis related to a novel strain of coronavirus (COVID-19) significantly impacted the national, state and local economies. The impact of the coronavirus is ongoing and the District's management is continuing to evaluate the impact on the financial position, liquidity and results of operations of the District.

HALLSDALE-POWELL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

March 31, 2021

NOTE J - RETIREMENT PLANS

The District provides a defined contribution plan (401(a) Plan) for employees administered by a local investment company. To participate in this plan, an employee must be at least age 21 and have completed one year of service. An employee completes a year of service by working at least 1,000 hours in the employee's first year of employment or in a subsequent calendar year. Once eligible, an employee will enter the 401(a) Plan the next January 1 or July 1. Employees are required to contribute 4% of their Compensation (excluding overtime, bonuses, fringe benefits, etc.) to the 401(a) Plan each pay period. The District will contribute 6% of the employee's compensation to the defined contribution plan each pay period. Additionally, the District will contribute a matching contribution based upon the elective deferrals the employee chooses to make to the defined contribution plan. If the employee is under age 45, the District will match 50% of the employee's elective deferrals up to 6% of their compensation, which means if they defer at least 6% of their compensation to the defined contribution plan, the District will contribute a matching contribution equal to 3% of their compensation to the defined contribution plan. If the employee is over age 45, the District will match 100% of their elective deferrals up to 6% of their compensation, for a maximum matching contribution equal to 6% of their compensation. Employees are always 100% invested in their contributions. The employer contributions are subject to a 5-year vesting schedule, pursuant to which they will vest 20% each year for 5 years. They will also become 100% vested upon reaching their normal retirement age (the later of age 65 or 5 years of participation), death, or disability.

The District also provides a deferred compensation plan (457 Plan) for employees administered by a local investment company. To participate in the plan, an employee must be at least age 21 and have completed three months of service. Once eligible, an employee will enter the deferred compensation plan and may begin making contributions the first of the next month. Employees may choose to defer up to up to the maximum amount permitted by law. The District does not make contributions to the deferred compensation plan. However, if an employee elects to defer a portion of their compensation into the deferred compensation plan, the District will contribute a matching contribution to the defined contribution plan. Retirement expense for the year ended March 31, 2021 was \$51,461.

HALLSDALE-POWELL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

March 31, 2021

NOTE K - HALLSDALE-POWELL UTILITY DISTRICT RETIREMENT 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 Retirement 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

The Plan provides retirement, disability and death benefits. Retirement benefits for Plan members are calculated as 62.5% of the participant's average monthly compensation (defined as the monthly earnings of a participant averaged over the three consecutive plan years which produce the highest monthly average) reduced proportionately for each year of benefit service less than 25 years for participant's who entered the Plan before July 1, 2007. For participant's who entered the Plan on or after July 1, 2007, the benefit is calculated as 60% of the participant's average monthly compensation (defined as the monthly earnings of a participant averaged over the three consecutive plan years which produce the highest monthly average reduced proportionately for each year of benefit service less than 25 years. Participants may retire at the later of a participant's sixty-fifth birthday or the fifth anniversary of entering the Plan. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately. Death benefits are to be determined as the greater of the actuarial equivalent of the vested accrued benefit or the present value of 100 times the participant's anticipated monthly retirement benefit determined as of the participant's normal retirement date. For a participant who entered the Plan prior to July 1, 2007, and who has not elected to receive an incentive in lieu of the lump sum option, they may receive their payment as (1) a life annuity with no survivorship benefit; (2) a life annuity with either 10, 15 or 20 years of certain payments; (3) a joint and survivor annuity in one of the following survivorship percentages: 50%, 66 2/3% or 100%; (4) as a cash refund life income, whereby the payee will receive adjusted monthly income payments for such payee's life. If the payee dies before the sum of all monthly payments that have become due prior to his death exceeds the lump-sum actuarial equivalent of his normal retirement benefit, the payee's beneficiary will be entitled to a single cash payment equal to the excess of the lump-sum actuarial equivalent amount over the sum of such monthly payments; (5) as period certain installments, whereby the payee will receive adjusted monthly installment payments for a period of 1 to 20 years, as elected by the payee. If the payee dies during the guaranteed payment period, the balance of the unpaid payments will be paid to the payee's beneficiary; or (6) as a single lump-sum.

HALLSDALE-POWELL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

March 31, 2021

For a participant who entered the Plan on or after July 1, 2007, or a participant who elects an incentive in lieu of the lump-sum option, they may receive their payment as (1) a life annuity with no survivorship benefit; (2) a life annuity with 5, 10 or 15 years certain payments; (3) a joint and survivor annuity, with or without a "pop-up" (under a "pop-up" option for a joint and survivor annuity, if the beneficiary dies prior to the participant, the participant's monthly benefit shall increase or "pop-up" to the unreduced life annuity amount upon the beneficiary's death) option in one of the following survivorship percentages: 50%, 75% or 100%; or (4) as a single lump-sum, subject to certain restrictions.

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, 2021 employer contributions for the District were \$1,032,973. By law, employer contributions are required to be paid.

Delayed Retirement

A participant may postpone retirement beyond age 65. The benefit is calculated the same as normal retirement as of the delayed retirement date. The participant will receive the greater of continued accruals or the actuarial equivalent of the accrued benefit.

Vesting

The vesting schedule provides for 100 percent vesting of benefits after four years of credited service for participants who entered the Plan prior to July 1, 2007 or after five years of credited service for participants who entered the Plan on or after July 1, 2007. A year of vested service is determined by completion of 1,000 hours of service. A participant becomes fully vested upon death, total and permanent disability, attainment of normal retirement age or attainment of the participant's early retirement date (age 55 and five years of credited service).

Employees Covered by Benefit Terms

At the measurement date of December 31, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	18
Inactive employees entitled to but not yet receiving benefits	13
Active employees	<u>76</u>
	<u>107</u>

HALLSDALE-POWELL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

March 31, 2021

Net Pension Liability (Asset)

The District's net pension liability (asset) was measured as of December 31, 2020, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Rate of Return

For the year ended December 31, 2020, the annual money-weighted rate of return on Plan investments, net of Plan investment expense, was 7.16 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Actuarial Assumptions

The total pension liability as of the December 31, 2020 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

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the Hallsdale-Powell Utility District Retirement Plan through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The following is the current asset allocation policy as of December 31, 2020:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic Equity	40-60%
Fixed Income	40-60%
Cash	0-5%

HALLSDALE-POWELL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

March 31, 2021

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, 2020:			
Increase(decrease):			
Service cost	\$ 531,718	\$ 0	\$ 531,718
Interest	948,493	0	948,493
Differences between expected and actual experience	(445,297)	0	(445,297)
Contributions - employer	0	1,032,973	(1,032,973)
Contributions - employees	0	0	0
Net investment income	0	961,138	(961,138)
Refunds of contributions	0	0	0
Benefit payments, including refunds of employee contributions	(671,565)	(671,565)	0
Administrative expense	0	(37,537)	37,537
Other changes	<u>0</u>	<u>0</u>	<u>0</u>
Net changes	363,349	1,285,009	(921,660)
Balances at December 31, 2019	<u>13,855,819</u>	<u>13,260,492</u>	<u>595,327</u>
Balances at December 31, 2020	<u>\$ 14,219,168</u>	<u>\$ 14,545,500</u>	<u>\$ (326,333)</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)	\$ 1,133,699	\$ (326,333)	\$ (1,594,089)

HALLSDALE-POWELL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

March 31, 2021

Pension Expense

For the year ended March 31, 2021, the District recognized pension expense of \$248,909.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended March 31, 2021, 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	\$ 130,798	\$ 636,781
Net difference between projected and actual earnings on pension plan investments	0	453,815
Contributions subsequent to the measurement date of December 31, 2020	<u>287,124</u>	<u>not applicable</u>
Totals	<u>\$ 417,922</u>	<u>\$ 1,090,596</u>

The amount shown above for “Contributions subsequent to the measurement date of December 31, 2020,” 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:

2022	(339,442)
2023	(127,717)
2024	(364,077)
2025	(58,429)
2026	(70,133)
Thereafter	0

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

HALLSDALE-POWELL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

March 31, 2021

Increases (decreases) in pension expenses arising from the difference between projected and actual earnings on investments, difference between expected and actual actuarial experiences and changes in assumptions are amortized over various periods. The following table shows the amount deferred and not recognized in the pension liability as of December 31, 2020:

	<u>Deferred Outflows (Inflows) of Resources</u>
Investment earnings	\$ (453,815)
Actuarial experiences	<u>(505,983)</u>
Net amount to be recognized in future years	<u>\$ (959,798)</u>

Net Pension Liability of Hallsdale-Powell Utility District

The components of the net pension liability of the Hallsdale-Powell Utility District Retirement Plan at December 31, 2020 were as follows:

Total pension liability	\$ 14,219,168
Plan fiduciary net position	<u>(14,545,500)</u>
Hallsdale-Powell net pension (asset)	<u>\$ (326,333)</u>
Plan fiduciary net position as a percentage of the total pension liability	102.30%

HALLSDALE-POWELL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

March 31, 2021

NOTE L - INVESTMENTS

Hallsdale-Powell Utility District Retirement Plan (the Plan) categorizes investments measured at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are defined as follows:

Level 1: Inputs using unadjusted quoted prices in active markets or exchanges for identical assets or liabilities.

Level 2: Significant other observable inputs, which may include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in non-active markets; and inputs other than quoted prices that are observable for the assets or liabilities, either directly or indirectly.

Level 3: Valuations for which one or more significant inputs are unobservable and may include situations where there is minimal, if any, market activity for the asset or liability. The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Investment value is determined by reference to quoted market prices and other relevant information generated by market transactions.

Following is a description of the valuation methodologies used for assets measured at fair value:

- *Mutual Funds*. Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-ended mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price.
- *Exchange Traded Funds*. Exchange traded funds that hold assets such as stock, commodities or bonds and are designed to trade close to their net asset value. The fair values of exchange traded funds are determined by obtaining quoted prices on nationally recognized securities exchanges.
- *Money Market Mutual Fund*. Valued at the daily closing price as reported by the fund. The money market fund is an open-end mutual fund that is registered with the Securities and Exchange Commission. This fund is required to publish its daily net asset value (NAV) and to transact at that price. The money market fund is deemed to be actively traded.

HALLSDALE-POWELL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

March 31, 2021

- *Certificates of Deposit.* Valued at amortized cost which approximates fair value.
- *Corporate Bonds.* Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar securities.
- *US. Government Obligations.* Valued using pricing models maximizing the use of observable inputs for similar securities.
- *Municipal Obligations.* Valued using quoted prices for comparable securities with similar yields and credit ratings. When quoted prices are not available for identical or similar bonds, the security is valued using discounted cash flows that maximize observable inputs, such as current yields of similar instruments.

The following table summarizes the valuation of the Plan's investments by the fair value hierarchy levels as of December 31, 2020:

Investment Assets at Fair Value as of December 31, 2020				
	12/31/20	Level 1	Level 2	Level 3
Investments by fair value level				
Mutual funds:				
Fixed income	\$ 590,841	\$ 590,841	\$ 0	\$ 0
Equity	2,951,265	2,951,265	0	0
Exchange traded funds	5,397,306	5,397,306	0	0
Money market mutual fund	2,226,979	2,226,979	0	0
Certificates of deposit	879,819	0	879,819	0
Corporate bonds	51,561	51,561	0	0
U.S. government obligations	1,009,290	1,009,290	0	0
Municipal obligations	1,415,186	0	1,415,186	0
Total investments by fair value level	<u>\$ 14,522,247</u>	<u>\$ 12,227,242</u>	<u>\$ 2,295,005</u>	<u>\$ 0</u>
Total investment assets at fair value	<u>\$ 14,522,247</u>	<u>\$ 12,227,242</u>	<u>\$ 2,295,005</u>	<u>\$ 0</u>

REQUIRED SUPPLEMENTARY INFORMATION

HALLSDALE-POWELL UTILITY DISTRICT

CHANGES IN NET PENSION LIABILITY(ASSET)

March 31, 2021

	Measurement Date at December 31,	
	<u>2020</u>	<u>2019</u>
<u>Total pension liability</u>		
Service cost	\$ 531,718	\$ 523,395
Interest	948,493	882,902
Differences between actual and expected experience	(445,297)	28,606
Benefit payments, including refunds of employee contributions	<u>(671,565)</u>	<u>(271,438)</u>
Net change in total pension liability	363,349	1,163,465
Total pension liability - beginning	<u>13,855,819</u>	<u>12,692,354</u>
Total pension liability - ending (a)	14,219,168	13,855,819
 <u>Plan fiduciary net position</u>		
Contributions - employer	1,032,973	906,540
Net investment income	961,138	2,051,233
Benefit payments, including refunds of employee contributions	(671,565)	(271,438)
Administrative expense	<u>(37,537)</u>	<u>(34,816)</u>
Net change in plan fiduciary net position	1,285,009	2,651,519
Plan fiduciary net position - beginning	<u>13,260,492</u>	<u>10,608,973</u>
Plan fiduciary net position - ending (b)	<u>14,545,500</u>	<u>13,260,492</u>
 Net pension liability(asset) - ending (a) - (b)	 <u>\$ (326,333)</u>	 <u>\$ 595,327</u>
 Plan fiduciary net position as a percentage of total net pension liability	 102.30%	 95.70%
 Covered employee payroll	 \$ 4,303,599	 \$ 4,520,786
 Net pension liability(asset) as a percentage of covered employee payroll	 (7.58)%	 13.17%

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,			
2018	2017	2016	2015
\$ 477,231	\$ 488,017	\$ 521,488	\$ 506,156
800,608	763,090	712,467	661,831
159,050	(298,704)	68,179	(38,631)
(256,319)	(515,292)	(522,076)	(266,983)
<u>1,180,570</u>	<u>437,111</u>	<u>780,058</u>	<u>862,373</u>
<u>11,511,784</u>	<u>11,074,673</u>	<u>10,294,615</u>	<u>9,432,242</u>
<u>12,692,354</u>	<u>11,511,784</u>	<u>11,074,673</u>	<u>10,294,615</u>
906,540	982,085	830,995	906,540
(432,772)	1,037,400	666,853	29,010
(256,319)	(515,292)	(522,076)	(266,983)
(33,020)	(30,430)	(36,062)	(56,726)
<u>184,429</u>	<u>1,473,763</u>	<u>939,710</u>	<u>611,841</u>
<u>10,424,544</u>	<u>8,950,781</u>	<u>8,011,071</u>	<u>7,399,230</u>
<u>10,608,973</u>	<u>10,424,544</u>	<u>8,950,781</u>	<u>8,011,071</u>
<u>\$ 2,083,381</u>	<u>\$ 1,087,240</u>	<u>\$ 2,123,892</u>	<u>\$2,283,544</u>
83.59%	90.56%	80.82%	77.82%
\$ 4,446,147	\$ 4,172,404	\$ 4,158,318	\$4,044,651
46.86%	26.06%	51.08%	56.46%

HALLSDALE-POWELL UTILITY DISTRICT

PENSION CONTRIBUTIONS

March 31, 2021

	Year Ended December 31,		
	2020	2019	2018
Actuarially determined contribution	\$ 534,512	\$ 727,142	\$ 675,198
Contributions in relation to the actuarially determined contribution	<u>(1,032,973)</u>	<u>(906,540)</u>	<u>(906,540)</u>
Contribution deficiency(excess)	<u>\$ (498,461)</u>	<u>\$ (179,398)</u>	<u>\$ (231,342)</u>
Covered employee payroll	\$4,303,599	\$4,520,786	\$4,446,147
Contributions as a percentage of covered employee payroll	24.00%	20.05%	20.39%

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, 2020 were calculated based on the January 1, 2021 actuarial valuation.

Methods and assumptions used to determined 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 increased 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 December 31,			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
	\$ 754,465	\$ 770,448	\$ 756,583	\$ 900,422
	<u>(982,085)</u>	<u>(830,995)</u>	<u>(906,540)</u>	<u>(1,064,000)</u>
	<u>\$ (227,620)</u>	<u>\$ (60,547)</u>	<u>\$ (149,957)</u>	<u>\$ (163,578)</u>
	\$ 4,172,404	\$4,158,318	\$4,044,651	\$4,069,446
	23.54%	19.98%	22.41%	26.15%

HALLSDALE-POWELL UTILITY DISTRICT

INVESTMENT RETURNS

March 31, 2021

	<u>2020</u>	<u>2019</u>
Annual money-weighted rate of return, net of investment expense	7.16%	18.80%

This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

See the accompanying independent accountants' audit report.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
(4.03)%	11.31%	8.18%	0.38%	6.71%

OTHER SUPPLEMENTARY INFORMATION

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS

March 31, 2021

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Water and Sewer Revenue			
Refunding Bonds, Series 2018,			
interest rate 3% to 5%			
Year Ending			
<u>March 31:</u>			
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>\$ 23,465,000</u>	<u>\$ 8,725,750</u>	<u>\$ 32,190,750</u>

See the accompanying independent accountants' audit report.

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS

(continued)

March 31, 2021

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
State of Tennessee DWSRF Loan #2006-069, interest rate 0.84%			
Year Ending <u>March 31:</u>			
2022	\$ 128,574	\$ 7,260	\$ 135,834
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>\$ 923,031</u>	<u>\$ 27,843</u>	<u>\$ 950,874</u>
State of Tennessee DWSRF Loan #2005-062, interest rate 0.82 %			
Year Ending <u>March 31:</u>			
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>\$ 2,765,648</u>	<u>\$ 81,364</u>	<u>\$ 2,847,012</u>

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS

(continued)

March 31, 2021

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
State of Tennessee CWSRF Loan #2005-186, interest rate 0.82 %			
Year Ending <u>March 31:</u>			
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	493,619	1,971	495,590
	<u>\$ 30,588,563</u>	<u>\$ 1,452,519</u>	<u>\$ 32,041,082</u>

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS

(continued)

March 31, 2021

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
State of Tennessee DWSRF Loan			
#DGO 2011-111, interest rate 0.87%			
<u>Year Ending</u> <u>March 31:</u>			
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>\$ 1,809,275</u>	<u>\$ 91,440</u>	<u>\$ 1,900,715</u>

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS

(continued)

March 31, 2021

	<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:			
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, 2021

	<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 <u>March 31:</u>			
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>\$ 830,068</u>	<u>\$ 423,470</u>	<u>\$ 1,253,537</u>

Water and Sewer Revenue
Refunding Bonds, Series 2013,
interest rate 2% to 4%

Year Ending <u>March 31:</u>			
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

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS

(continued)

March 31, 2021

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Water and Sewer Revenue			
Refunding Bonds, Series 2013,			
interest rate 2% to 4%			
(continued)			
Year Ending			
<u>March 31:</u>			
2035	<u>2,800,000</u>	<u>56,000</u>	<u>2,856,000</u>
	<u>\$ 32,255,000</u>	<u>\$ 9,162,650</u>	<u>\$ 41,417,650</u>
State of Tennessee CWSRF Loan			
#CG2 2018-410, interest rate 1.74%			
Year Ending			
<u>March 31:</u>			
2022	\$ 192,768	\$ 76,164	\$ 268,932
2023	195,831	73,101	268,932
2024	199,224	69,708	268,932
2025	202,677	66,255	268,932
2026	206,190	62,742	268,932
2027	209,763	59,169	268,932
2028	213,405	55,527	268,932
2029	217,101	51,831	268,932
2030	220,863	48,069	268,932
2031	224,697	44,235	268,932
2032	228,594	40,338	268,932
2033	232,551	36,381	268,932
2034	236,586	32,346	268,932
2035	240,687	28,245	268,932
2036	244,857	24,075	268,932
2037	249,099	19,833	268,932
2038	253,422	15,510	268,932
2039	257,820	11,112	268,932

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS

(continued)

March 31, 2021

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
State of Tennessee CWSRF Loan #CG2 2018-410, interest rate 1.74% (continued)			
Year Ending March 31:			
2040	262,290	6,642	268,932
2041	243,899	2,532	246,431
	<u>\$ 4,532,324</u>	<u>\$ 823,815</u>	<u>\$ 5,356,139</u>

State of Tennessee CWSRF Loan #CG3 2014-332, interest rate 1.74%			
Year Ending March 31:			
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>\$ 3,056,087</u>	<u>\$ 433,135</u>	<u>\$ 3,489,222</u>

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS

(continued)

March 31, 2021

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
State of Tennessee CWSRF Loan			
#SRF 2011-279, interest rate 0.95%			
Year Ending <u>March 31:</u>			
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>\$ 7,060,249</u>	<u>\$ 556,291</u>	<u>\$ 7,616,540</u>

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS

(continued)

March 31, 2021

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
State of Tennessee CWSRF Loan			
#CG2 2014-333, interest rate 1.74%			
<u>Year Ending</u> <u>March 31:</u>			
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>\$ 796,762</u>	<u>\$ 119,194</u>	<u>\$ 915,956</u>

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS

(continued)

March 31, 2021

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Water and Sewer Revenue Refunding and Improvements Bonds, Series 2019, interest rate 4% to 5%			
Year Ending March 31:			
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>\$ 37,515,000</u>	<u>\$ 16,046,200</u>	<u>\$ 53,561,200</u>

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS

(continued)

March 31, 2021

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Utilities Improvement Revenue Bonds, Series 2020-C (Rural Utilities Service), interest rate 2.125%			
<u>Year Ending March 31:</u>			
2022	\$ 63,821	\$ 82,795	\$ 146,616
2023	65,191	81,425	146,616
2024	66,590	80,026	146,616
2025	68,019	78,597	146,616
2026	69,478	77,138	146,616
2027	70,969	75,647	146,616
2028	72,492	74,124	146,616
2029	74,047	72,568	146,616
2030	75,636	70,980	146,616
2031	77,259	69,357	146,616
2032	78,917	67,699	146,616
2033	80,611	66,005	146,616
2034	82,340	64,276	146,616
2035	84,107	62,509	146,616
2036	85,912	60,704	146,616
2037	87,756	58,860	146,616
2038	89,639	56,977	146,616
2039	91,562	55,054	146,616
2040	93,527	53,089	146,616
2041	95,534	51,082	146,616
2042	97,584	49,032	146,616
2043	99,678	46,938	146,616
2044	101,817	44,799	146,616
2045	104,002	42,614	146,616
2046	106,233	40,383	146,616
2047	108,513	38,103	146,616
2048	110,841	35,775	146,616

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS

(continued)

March 31, 2021

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Utilities Improvement Revenue Bonds, Series 2020-C (Rural Utilities Service), interest rate 2.125% (continued)			
Year Ending March 31:			
2049	113,220	33,396	146,616
2050	115,649	30,967	146,616
2051	118,131	28,485	146,616
2052	120,666	25,950	146,616
2053	123,255	23,361	146,616
2054	125,900	20,716	146,616
2055	128,601	18,015	146,616
2056	131,361	15,255	146,616
2057	134,180	12,436	146,616
2058	137,059	9,557	146,616
2059	140,000	6,616	146,616
2060	143,004	3,612	146,616
2061	92,255	707	92,962
	<u>\$ 3,925,355</u>	<u>\$ 1,885,628</u>	<u>\$ 5,810,983</u>

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS

(continued)

March 31, 2021

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Utilities Improvement Revenue Bonds, Series 2020-B (Rural Utilities Service), interest rate 2.125%			
<u>Year Ending March 31:</u>			
2022	\$ 125,089	\$ 162,287	\$ 287,376
2023	127,773	159,603	287,376
2024	130,515	156,861	287,376
2025	133,316	154,060	287,376
2026	136,176	151,200	287,376
2027	139,099	148,277	287,376
2028	142,083	145,293	287,376
2029	145,132	142,244	287,376
2030	148,246	139,130	287,376
2031	151,428	135,948	287,376
2032	154,677	132,699	287,376
2033	157,996	129,380	287,376
2034	161,386	125,990	287,376
2035	164,849	122,527	287,376
2036	168,387	118,989	287,376
2037	172,000	115,376	287,376
2038	175,691	111,685	287,376
2039	179,461	107,915	287,376
2040	183,312	104,064	287,376
2041	187,245	100,131	287,376
2042	191,263	96,113	287,376
2043	195,367	92,009	287,376
2044	199,560	87,816	287,376
2045	203,842	83,534	287,376
2046	208,216	79,160	287,376
2047	212,684	74,692	287,376
2048	217,248	70,128	287,376

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS

(continued)

March 31, 2021

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Utilities Improvement Revenue Bonds, Series 2020-B (Rural Utilities Service), interest rate 2.125% (continued)			
Year Ending March 31:			
2049	221,909	65,467	287,376
2050	226,671	60,705	287,376
2051	231,535	55,841	287,376
2052	236,503	50,873	287,376
2053	241,578	45,798	287,376
2054	246,762	40,614	287,376
2055	252,057	35,319	287,376
2056	257,466	29,910	287,376
2057	262,991	24,385	287,376
2058	268,634	18,742	287,376
2059	274,398	12,978	287,376
2060	280,286	7,089	287,376
2061	181,308	1,393	182,701
	<u>\$ 7,694,141</u>	<u>\$ 3,696,222</u>	<u>\$ 11,390,363</u>

HALLSDALE-POWELL UTILITY DISTRICT

CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE

March 31, 2021

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 2020-C	7,725,000	2.125	3/31/2021
Utilities Improvement Revenue Bonds, Series 2020-B	3,941,100	2.125	3/31/2021
<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 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 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
	<u>\$ 203,194,983</u>		

See the accompanying independent accountant's audit report.

Last Maturity Date	Outstanding 4/1/2020	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 3/31/2021
3/31/2035	\$ 34,070,000	\$ 0	\$ 1,815,000	\$ 0	\$ 32,255,000
3/31/2040	24,215,000	0	750,000	0	23,465,000
3/31/2035	38,560,000	0	1,045,000	0	37,515,000
3/31/2049	848,640	0	18,572	0	830,068
3/31/2061	0	7,725,000	30,860	0	7,694,141
3/31/2061	0	3,941,100	15,745	0	3,925,355
3/31/2028	1,050,538	0	127,507	0	923,031
3/31/2033	33,193,984	0	2,605,421	0	30,588,563
3/31/2028	3,147,989	0	382,341	0	2,765,648
3/31/2037	3,226,409	0	170,322	0	3,056,087
3/31/2038	838,591	0	41,829	0	796,762
3/31/2033	1,960,532	0	151,257	0	1,809,275
3/31/2038	7,464,661	0	404,412	0	7,060,249
3/31/2038	4,340,663	207,587	15,926	0	4,532,324
	<u>\$ 152,917,007</u>	<u>\$ 11,873,687</u>	<u>\$ 7,574,191</u>	<u>\$ 0</u>	<u>\$ 157,216,503</u>

HALLSDALE-POWELL UTILITY DISTRICT

CUSTOMERS AND UTILITY RATES

March 31, 2021

Water:

Active customer accounts 31,917

Sewer:

Active customer accounts 24,323

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, 2021

Sewer Grinder Pump Service/Maintenance Fees

The service maintenance fee for sewer grinder pumps is \$8.16 per month as of March 31, 2021. 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, 2021

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: 2021 4/2020 - 3/2021

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

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

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

WATER SUPPLIED

Volume from own sources: 2,744.000 MG/Yr
Water imported: MG/Yr
Water exported: 88.584 MG/Yr

Master Meter and Supply Error Adjustments

Pcnt: Value: MG/Yr
 MG/Yr
 MG/Yr

WATER SUPPLIED: MG/Yr

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

AUTHORIZED CONSUMPTION

Billed metered: 1,585.225 MG/Yr
Billed unmetered: MG/Yr
Unbilled metered: 280.295 MG/Yr
Unbilled unmetered: 32.875 MG/Yr

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

AUTHORIZED CONSUMPTION: MG/Yr

Click here: for help using option buttons below

Pcnt: Value: MG/Yr

Use buttons to select percentage of water supplied OR value

Pcnt: Value: MG/Yr

MG/Yr

WATER LOSSES (Water Supplied - Authorized Consumption)

731.590 MG/Yr

Apparent Losses

Unauthorized consumption: 27.000 MG/Yr

Unauthorized consumption volume entered is greater than the recommended default value

Customer metering inaccuracies: 38.072 MG/Yr
Systematic data handling errors: 3.963 MG/Yr

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

Apparent Losses: MG/Yr

Real Losses (Current Annual Real Losses or CARL)

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

WATER LOSSES: MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains: 689.0 miles
Number of active AND inactive service connections: 30,875
Service connection density: conn./mile main

Are customer meters typically located at the curbstops or property line?

Average length of customer service 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: 155.0 psi

COST DATA

Total annual cost of operating water system: \$12,596,255 \$/Year
Customer retail unit cost (applied to Apparent Losses): \$9.43 \$/1000 gallons (US)
Variable production cost (applied to Real Losses): \$754.00 \$/Million gallons Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

***** YOUR SCORE IS: 84 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: Volume from own sources
- 2: Systematic data handling errors
- 3: Unauthorized consumption

See the accompanying independent accountants' audit report.



AWWA Free Water Audit Software: System Attributes and Performance Indicators

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

Water Audit Report for: **Hallsdale Powell Utility District (0000280)**
Reporting Year: **2021** | **4/2020 - 3/2021**

***** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 84 out of 100 *****

System Attributes:

Apparent Losses:	69.035	MG/Yr
+	Real Losses:	662.555
=	Water Losses:	731.590
		MG/Yr

? Unavoidable Annual Real Losses (UARL): **472.90** MG/Yr

Annual cost of Apparent Losses: **\$650,999**

Annual cost of Real Losses: **\$499,566** 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: **39.7%**
Non-revenue water as percent by cost of operating system: **11.0%** Real Losses valued at Variable Production Cost

Operational Efficiency: { Apparent Losses per service connection per day: **6.13** gallons/connection/day
Real Losses per service connection per day: **58.79** gallons/connection/day
Real Losses per length of main per day*: **N/A**
Real Losses per service connection per day per psi pressure: **0.38** gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL): **662.55** million gallons/year

? Infrastructure Leakage Index (ILI) [CARL/UARL]: **1.40**

* 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, 2021

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.

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, 2021, and the related notes to the financial statements, and have issued our report thereon dated September 23, 2021. Our report includes a reference to other auditors who audited the financial statements of Hallsdale-Powell Utility District Retirement Plan, as described in our report on Hallsdale-Powell Utility District's financial statements. This report does not include the results of the auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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) as a basis for designing 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Hallsdale-Powell Utility District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hallsdale-Powell Utility District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

September 23, 2021

HALLSDALE-POWELL UTILITY DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

Year Ended March 31, 2021

There were no prior year findings reported.