Financial Statements

HALLSDALE-POWELL UTILITY DISTRICT

Year Ended March 31, 2025

TABLE OF CONTENTS

	Page Nos.
INDEPENDENT ACCOUNTANTS' AUDIT REPORT	1-4
MANAGEMENT'S DISCUSSION AND ANALYSIS	5-15
FINANCIAL STATEMENTS	
Statement of Net Position	16-17
Statement of Revenue, Expenses and Change in Net Position	18-19
Statement of Cash Flows	20-21
Statement of Fiduciary Net Position - Hallsdale-Powell Utility District Retirement Plan - December 31, 2024	22
Statement of Changes in Plan Fiduciary Net Position - Hallsdale-Powell Utility District Retirement Plan - Year Ended December 31, 2024	23
Notes to the Financial Statements	24-47
REQUIRED SUPPLEMENTARY INFORMATION	
Changes in Net Pension Liability(Asset)	48-51
Pension Contributions	52-53
SUPPLEMENTARY INFORMATION	
Long-Term Debt Requirements	54-67
Changes in Long-Term Debt by Individual Issue	68-69
Investment Returns - Hallsdale-Powell Utility District Retirement Plan	70-71
Expenditures of Federal Awards	72
OTHER INFORMATION	
Customers and Utility Rates	73-77

TABLE OF CONTENTS
(continued)

	Page Nos.
Officials	78
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*	79-80
Summary Schedule of Prior Year Findings	81
Independent Accountants' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	82-84
Findings and Questioned Costs	85

INDEPENDENT ACCOUNTANTS' AUDIT REPORT

Board of Commissioners
Hallsdale-Powell Utility District
Knoxville, Tennessee

Report on the Audit of the Financial Statements

Opinion

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, 2025, and the related notes to the financial statements, which collectively comprise Hallsdale-Powell Utility District's financial statements as listed in the table of contents.

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 position of the business-type activities of Hallsdale-Powell Utility District as of March 31, 2025 and the change in the financial position and cash flows of the business-type activities for the year ended March 31, 2025 and the respective financial position of the fiduciary fund activities of Hallsdale-Powell Utility District Retirement Plan as of December 31, 2024 and the change in the financial position and cash flows of the fiduciary fund activities for the year ended December 31, 2024 in accordance with accounting principles generally accepted in the United States of America.

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 statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Hallsdale-Powell Utility District Retirement Plan is based solely on the report of the other auditors.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Hallsdale-Powell Utility District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Emphasis of a Matter

As discussed in Note A to the financial statements, the included financial statements for the Hallsdale-Powell Utility District Retirement Plan are reported as of and for the year ended December 31, 2024. Management has evaluated the impact of the different reporting dates and determined that it is not misleading to the users of the financial statements. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Hallsdale-Powell Utility District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Hallsdale-Powell Utility District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Hallsdale-Powell Utility District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information/Management's Discussion and Analysis

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the schedule of changes in net pension liability(asset) and the schedule of pension contributions be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the 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 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 financial statements, and other information 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.

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 schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of long-term debt requirements, schedule of changes in long-term debt by individual issue, schedule of investment returns - Hallsdale-Powell Utility District Retirement Plan and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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.

Other Information

Management is responsible for the schedule of customers and utility rates and schedule of officials. Our opinion on the financial statements does not cover this other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2025 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, 2025

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, 2025 and 2024. 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:

- Total assets at year-end were $396.0 million and exceeded liabilities (net position) by $175.8 million. Of the total net position amounting to $220.2 million, $40.2 million was unrestricted and was available to support short-term operations. Total assets and total net position increased from 2024 to 2025 by $4.9 million and $16.8 million, respectively. Unrestricted net position increased from 2024 to 2025 by $1.5 million.

- Operating revenues were $44.5 million, an increase of $2.5 million or 6.0% from 2024.

- Operating expenses before depreciation increased by $3.0 million which represents an 11.3% increase in 2025 compared to 2024.

- Operating income, in total, for 2025 decreased by $546.8 thousand from 2024.

- The ratios of operating income to total operating revenues were 31.9% for 2025 and 35.2% for 2024.

- Debt service coverage was 179% for 2025, exceeding the 120% required by various bond covenants.

- Revenues from water sales in 2025 increased by $1.1 million, an increase of 6.1% from 2024 and revenues from sewer sales increased by $1.3 million in 2025, an increase of 6.7% over 2024 sales.

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, the rate schedule, and other information.

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

SUMMARY OF ORGANIZATION AND BUSINESS

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

The District is governed by a Board of Commissioners composed of three citizens who live or own real estate within the District's 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 Board of Utility Regulation 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, on March 31, 2025, consisted of 34,044 water connections and 26,111 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 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 701.9 miles of water distribution lines, 18 water booster stations, and over 12.3 million gallons of clean drinking water reservoir tank capacity. The District uses over 499.9 miles of sewer main 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 has a 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.

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 2025 as compared to fiscal year 2024:

Condensed Statement of Net Position
(In Thousands of Dollars)
March 31, 2025 and 2024

			Variance	
	2025	**2024**	**Amount**	**%**
ASSETS				
Current assets	$ 42,624	$ 41,552	$ 1,072	2.6%
Restricted assets	14,558	18,165	(3,607)	-19.9%
Capital Assets:				
Producing - net of depreciation	324,885	284,213	40,672	14.3%
Construction in progress	8,174	41,072	(32,898)	-80.1%
Net Pension Asset	3,026	2,175	851	39.1%
DEFERRED OUTFLOW OF RESOURCES				
Deferred outflow related to pension	2,681	3,972	(1,291)	-32.5%
Deferred loss refunded to debt	96	110	(14)	-12.6%
TOTAL ASSETS	$ 396,044	$ 391,259	$ 4,785	1.2%
LIABILITIES				
Current Liabilities	$ 14,900	$ 14,674	$ 226	1.5%
Long-Term Liabilities	156,540	167,200	(10,660)	-6.4%
	171,440	181,874	(10,434)	-5.7%
DEFERRED INFLOW OF RESOURCES				
Deferred inflow related to pension	2,566	3,956	(1,390)	-35.1%
Deferred gain on refunded debt	1,782	1,973	(191)	-9.7%
	4,348	5,929	(1,581)	-26.7%
TOTAL LIABILITIES	175,788	187,803	(12,015)	-6.4%
NET ASSETS				
Invested in Capital Assets, net of related debt	165,587	147,636	17,951	12.2%
Restricted	14,423	17,077	(2,654)	-15.5%
Unrestricted	40,246	38,743	1,503	3.9%
TOTAL LIABILITIES AND NET ASSETS	$ 396,044	$ 391,259	$ 4,785	1.2%

Condensed Statement of Revenues, Expenses and Changes in Net Assets
(In Thousands of Dollars)
For the Years Ended March 31, 2025 and 2024

	2025	2024	Variance Amount	Variance %
Revenues				
Water service revenues	$ 19,852	$ 18,707	$ 1,145	6.1%
Wastewater service revenues	21,570	20,224	1,346	6.7%
Other revenues	3,064	3,035	29	1.0%
Total Operating Revenues	$ 44,486	$ 41,966	2,520	6.0%
Operating Expenses				
Operations and Maintenance	20,966	18,630	2,336	12.5%
Depreciation	9,307	8,577	730	8.5%
Total Operating Expenses	30,273	27,207	3,066	11.3%
Operating Income	14,213	14,759	(546)	-3.7%
Non-operating Revenues and (Expenses)				
Investment Income	2,332	2,241	91	4.1%
Gain (Loss) on sale of assets	53	47	6	12.7%
Bond issuance costs	0	0	0	0.0%
Interest Expense	(4,217)	(4,534)	317	-7.0%
Total Non-Operating - net	(1,832)	(2,246)	414	-18.4%
Increase (Decrease) in Net Assets Before Capital Contributions	12,381	12,513	(132)	-1.1%
Capital Contributions				
Grant Revenue	3,264	2,205	1,059	48.0%
Cash Contributions	243	50	193	386.0%
Non-Cash	912	904	8	0.9%
Total Capital Contributions	4,419	3,159	1,260	39.9%
Increase in Net Assets	$ 16,800	$ 15,672	$ 1,128	7.2%
Net Assets, Beginning of Year	$ 203,456	$ 187,784	$ 15,672	8.3%
Net Assets, End of Year	$ 220,257	$ 203,456	$ 16,801	8.3%

OTHER SELECTED INFORMATION

Selected Data:

	2025	2024	Difference	%Change
Employees at Year-End	118	113	5	4.4%
Average Employees	113	106	7	6.6%
Customers (Billing Units) at Year-End:				
Water	34,044	33,425	619	1.9%
Wastewater	26,111	25,621	490	1.9%
Per Average Employee:				
Operating Revenues	$ 393,689	$ 395,913	(2,224)	-0.6%
Operating Expenses	$ 267,911	$ 256,671	11,240	4.4%
Ratio of Operating Revenues Per Average Employee to:				
Operating Expenses	1.47	1.54	(0.07)	-4.7%
Operating Expenses - Net of Depreciation	2.12	2.25	(0.13)	-5.8%
Total Assets	0.11	0.11	0.01	0.0%
Net Assets	0.20	0.21	(0.00)	0.0%
Debt Related Ratios:				
Long-Term Debt to Net Assets	0.71	0.82	(0.11)	-13.5%
Long-Term Debt to Total Assets	0.40	0.43	(0.03)	-7.5%
Operating Coverage	1.79	1.74	0.05	3.0%

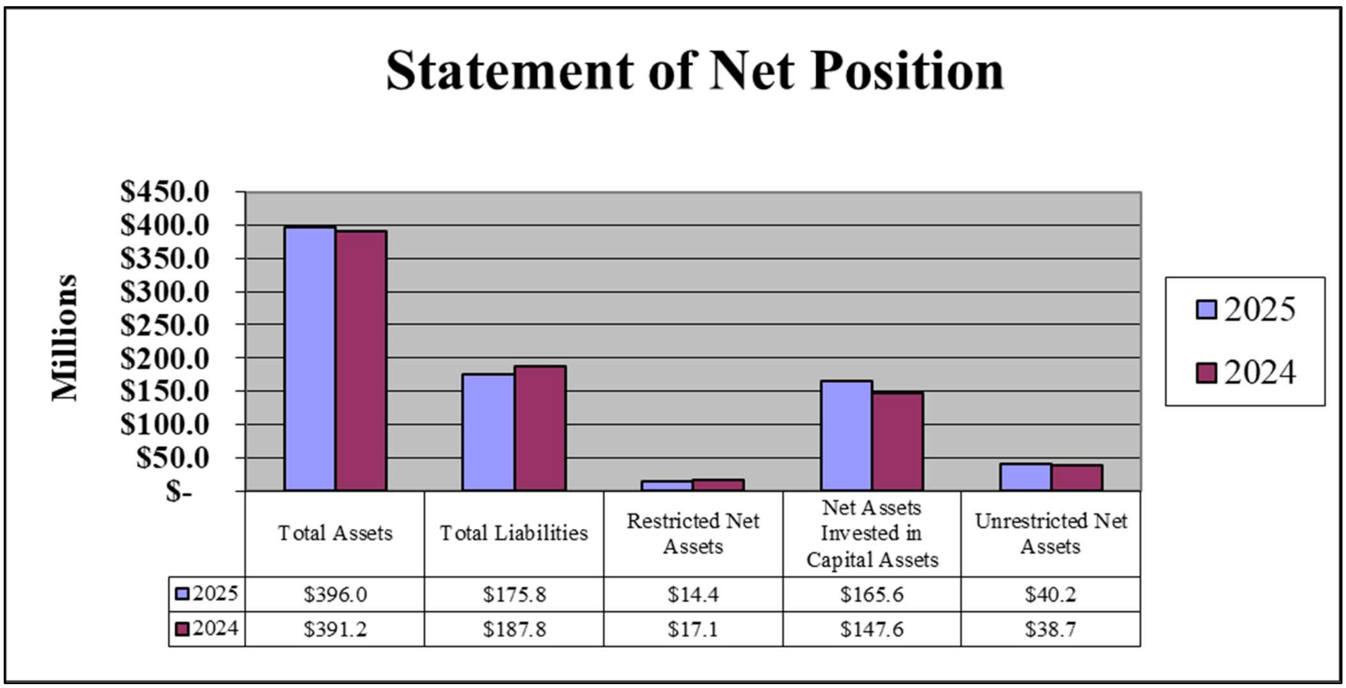
GENERAL TRENDS AND SIGNIFICANT EVENTS

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 2025 by 1.85% and 1.91%, respectively.

Weather temperatures during FY 2025 and FY 2024 were generally normal for the seasons. However, dryer conditions were more present in FY 2025 versus FY 2024; 2025 and 2024 resulted in 40.61 and 42.23 inches of rainfall for each of the two fiscal years, respectively. The six-year average rainfall is 51.54.

FINANCIAL CONDITION

The District remained financially strong through the end of 2025. 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.

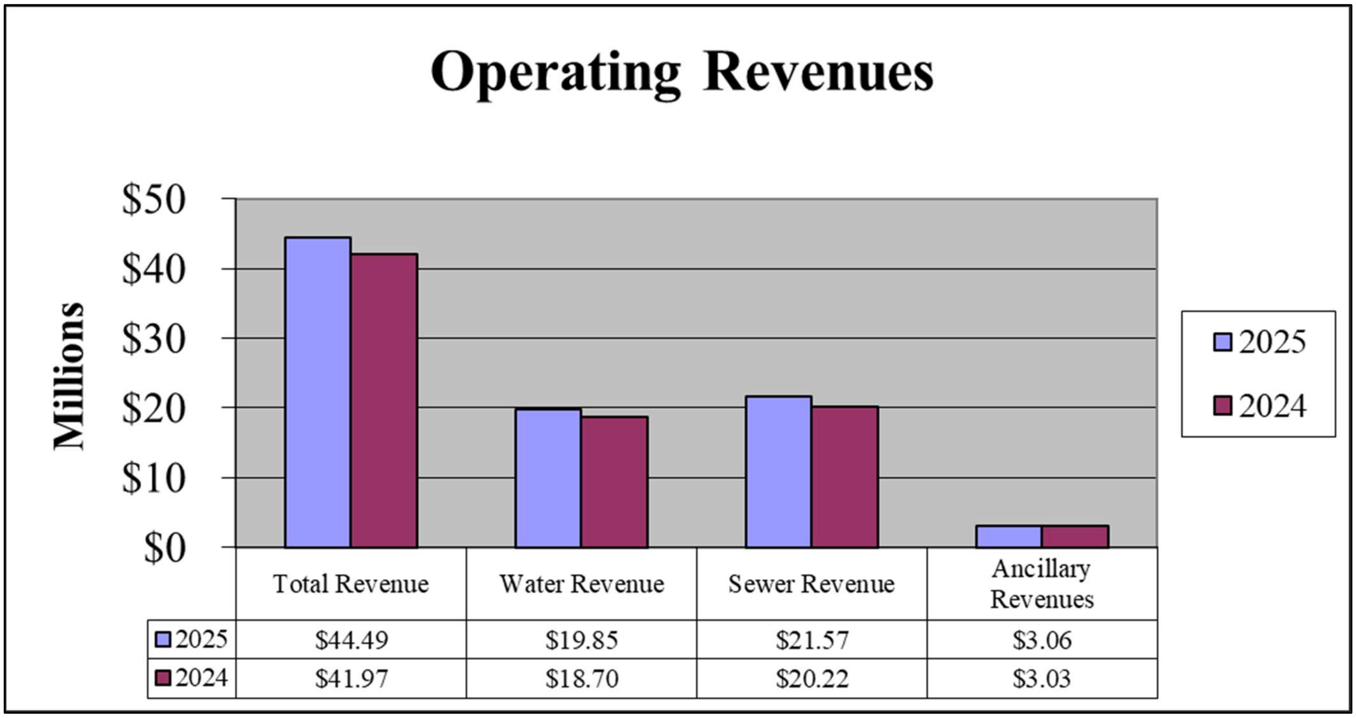


Total assets increased from $391.2 million in 2024 to $396.0 million in 2025, an increase of approximately $4.8 million. Total liabilities decreased from $187.8 million in 2024 to $175.8 million in 2025, an approximate decrease of $12.0 million. Restricted Net Position decreased from $17.1 million in 2024 to $14.4 million in 2025, a decrease of $2.7 million. Net Investment in Capital Assets increased from $147.6 million in 2024 to $165.6 million in 2025, an increase of approximately $18.0 million. Unrestricted Net Position increased from $38.7 million in 2024 to $40.2 million in 2025, an increase of approximately $1.5 million.

Net accounts receivable at year-end 2025 was 1.23 million. The District's provision for bad debt expense was $150,806 on $41.4 million 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 $41.97 million in 2024 to $44.49 million in 2025, an increase of approximately $2.5 million. Water revenue increased from $18.70 million in 2024 to $19.85 million in 2025, an approximate increase of $1.15 million. Sewer revenue increased from $20.22 million in 2024 to $21.57 million in 2025, an increase of $1.35 million. Ancillary revenue increased from $3.03 million in 2024 to $3.06 million in 2025 an increase of $29.59 thousand.

Rates increased in 2025 by 3% for water and 4% for sewer. The base rate for sewer was $14.44 and $13.58 per thousand gallons. The base rate for water was $10.52 and $10.00 per thousand gallons.

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's 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 $50,270 for 2025 compared to $127,181 for 2024. These contributions represent system-connection related fees.

Noncash capital contributions were $911,816 for 2025 and $903,988 for 2024, an increase of $7,828. These contributions represent water and sewer distribution and collection systems completed by developers during FY 2025 and FY 2024.

Hallsdale-Powell Utility District was reimbursed from the American Rescue Plan Act for $3,264,582 of expenditures in FY 2025.

Expenses

Operating expenses excluding depreciation increased by $2.34 million in 2025.

Depreciation expense of the District's assets increased by $730,732 in 2025.

CAPITAL ASSETS

The District is undergoing aggressive water and sewer treatment plant upgrades, line relocation, and replacements. The District is improving the water and wastewater treatment facilities to provide adequate service for current and future customers.

DEBT

On March 31, 2025, the District had $165.6 million in long and short-term debt.

The District did not incur any new debt in fiscal year 2025.

In August 2018, the District received a funding obligation commitment from USDA Rural Development (RUS), to embark on Water System Improvements. On June 20, 2024, these water improvement projects resulted in a Utilities Improvement Revenue Bonds, Series 2024A, in the amount of $9,900,00 which bears a fixed interest rate of 3.75% and has a 40-year term with a final maturity date of June 20, 2063.

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 0.40 in 2025.

The District is bound by restrictive covenants as set forth in the 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 2025 are estimated to cover the expected debt service for FY 2026 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 on March 31, 2025, and 2024.

FINAL COMMENTS

As mentioned earlier, the District currently serves parts of Knox, Anderson, and Union County. 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 70 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, General Manager
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, 2025

ASSETS		
UTILITY PLANT IN SERVICE		
Capital assets not being depreciated:		
Land		$ 5,014,195
Construction in process		8,173,658
Capital assets being depreciated		468,203,422
		481,391,275
Accumulated depreciation		(148,332,429)
		333,058,846
RESTRICTED ASSETS		
Cash		14,558,598
CURRENT ASSETS		
Cash	$ 37,670,345	
Accounts receivable, net of allowance for uncollectible accounts of $661,235	1,234,663	
Grants receivable	334,963	
Prepaid expenses	127,396	
Materials and supplies	3,256,771	
TOTAL CURRENT ASSETS		42,624,138
NET PENSION ASSET		3,025,608
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on refunded debt	96,101	
Deferred outflows related to pension	2,681,254	2,777,355
		$ 396,044,545

See the accompanying notes to the financial statements.

LIABILITIES AND NET POSITION

CURRENT LIABILITIES PAYABLE FROM CURRENT ASSETS		
Accounts payable		$ 1,734,114
Accrued compensated absences		759,706
		2,493,820
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS		
Current maturities of long-term debt	$ 9,011,428	
Retainage payable	234,666	
Customer deposits	669,970	
Accrued interest	2,490,479	12,406,543
TOTAL CURRENT LIABILITIES		14,900,363
LONG-TERM DEBT, net of current portion		156,539,663
DEFERRED INFLOWS OF RESOURCES		
Deferred gain on refunded debt	1,781,615	
Deferred inflows related to pension	2,565,889	4,347,504
TOTAL LIABILITIES		175,787,530
NET POSITION		
Net investment in capital assets	165,587,574	
Restricted:		
Construction projects	4,179,833	
Pension	3,025,608	
Debt retirement	7,218,316	
Unrestricted	40,245,683	220,257,014
		$ 396,044,545

HALLSDALE-POWELL UTILITY DISTRICT

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION

Year Ended March 31, 2025

OPERATING REVENUE		
Metered water sales		$ 19,852,575
Metered sewer sales		21,569,798
Fire protection		99,350
Transfer fees		139,575
Road boring and tap fees		1,078,968
Service charges and reconnection fees		56,184
Backflow inspection		40,270
Penalties		619,100
Sale of materials		914,653
Miscellaneous income		116,351
TOTAL OPERATING REVENUE		44,486,824
OPERATING EXPENSES		
Salaries and related expenses	$ 10,096,576	
Professional and contract services	741,938	
Administration	1,372,553	
Utilities	2,863,570	
Supplies, repairs and maintenance	5,639,194	
Vehicles and equipment	252,589	
TOTAL OPERATING EXPENSES		20,966,420
INCOME FROM OPERATIONS BEFORE DEPRECIATION		23,520,404
Depreciation		9,307,496
INCOME FROM OPERATIONS		14,212,908

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, 2025

NONOPERATING REVENUE(EXPENSE)		
Interest income	2,332,027	
Gain on disposal of capital assets	52,794	
Interest expense, net of amortization of bond premiums and deferred gains and losses on refunded debt	(4,216,601)	(1,831,780)
INCOME BEFORE CAPITAL CONTRIBUTIONS		12,381,128
Capital contributions		4,419,048
CHANGE IN NET POSITION		16,800,176
NET POSITION AT THE BEGINNING OF THE YEAR		203,456,837
NET POSITION AT THE END OF THE YEAR		$ 220,257,014

HALLSDALE-POWELL UTILITY DISTRICT

STATEMENT OF CASH FLOWS

Year Ended March 31, 2025

CASH PROVIDED(USED) BY OPERATING ACTIVITIES		
Cash received from customers		$ 44,659,747
Cash paid to employees		(7,783,616)
Cash paid to suppliers		(14,830,192)
NET CASH PROVIDED BY OPERATING ACTIVITIES		22,045,939
CASH PROVIDED(USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payments on long-term debt	$ (8,585,955)	
Acquisition of property and equipment	(15,936,837)	
Proceeds from sale of capital assets	63,180	
Capital contributions	4,286,428	
Interest paid	(5,835,179)	
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES		(26,008,363)
CASH PROVIDED(USED) BY INVESTING ACTIVITIES		
Interest received		2,332,027
NET (DECREASE) IN CASH		(1,630,397)
CASH AT THE BEGINNING OF THE YEAR		53,859,340
CASH AT THE END OF THE YEAR		$ 52,228,943
NONCASH TRANSACTIONS		
Contributed distribution and collection system		$ 1,154,466

See the accompanying notes to the financial statements.

HALLSDALE-POWELL UTILITY DISTRICT

STATEMENT OF CASH FLOWS
(continued)

Year Ended March 31, 2025

RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED(USED) BY OPERATING ACTIVITIES		
Income from operations		$ 14,212,908
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation	$ 9,307,496	
Pension expense	139,203	
Pension contributions	(1,089,311)	
(Increase)decrease in:		
Accounts receivable	67,237	
Materials and supplies	(182,990)	
Prepaid expenses	(1,783)	
Increase(decrease) in:		
Accounts payable	358,129	
Retainage payable	(958,121)	
Customer deposits	105,685	
Accrued compensated absences	87,486	7,833,031
NET CASH PROVIDED BY OPERATING ACTIVITIES		$ 22,045,939

HALLSDALE-POWELL UTILITY DISTRICT

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

December 31, 2024

ASSETS		
Investments:		
Mutual funds - equity	$	4,420,405
Mutual funds - fixed income		1,850,323
Exchange traded funds		7,995,562
Money market mutual funds		1,006,026
Certificates of deposit		1,991,692
U.S. government obligations		1,397,904
Municipal obligations		835,624
Corporate bonds		448,711
		19,946,247
Accounts recievable:		
Accrued income		40,901
TOTAL ASSETS	$	19,987,148
NET POSITION RESTRICTED FOR PENSION	$	19,987,148

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, 2024

ADDITIONS		
Employer contributions		$ 1,089,311
Investment income:		
Net appreciation in fair value of investments	$ 1,568,860	
Dividend and interest income	681,134	
	2,249,994	
Less investment expense	(47,882)	2,202,112
		3,291,423
DEDUCTIONS		
Benefits paid to participants		912,244
NET INCREASE IN PLAN FIDUCIARY NET POSITION		2,379,179
PLAN FIDUCIARY NET POSITION AT THE BEGINNING OF THE YEAR		17,607,969
PLAN FIDUCIARY NET POSITION AT THE END OF THE YEAR		$ 19,987,148

See the accompanying notes to the financial statements.

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 financial statements. The included financial statements for the Hallsdale-Powell Utility District Retirement Plan are reported as of and for the year ended December 31, 2024. Management has evaluated the impact of the different reporting dates and determined that it is not misleading to the users of the financial statements.

The District is an independent political subdivision of the State of Tennessee with no connection to Knox County except the County Mayor appoints the members of the Board of Commissioners. The District has an exclusive right to provide water and sewer services within its boundaries except as described herein.

The District has the power of eminent domain and has the power to issue bonds for the purpose of constructing, acquiring, reconstructing, improving, bettering or extending any of its facilities or systems and to pledge to the payment of such bonds all or any part of the revenue derived from the operation of such facilities, systems or combination thereof. The District has no power to levy or collect taxes.

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.

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	$ 481,391,275
Accumulated depreciation	(148,332,429)
Bond discounts, premiums and refunding costs	(17,958,879)
Retainage payable	(234,666)
Principal balance on long-term debt	(149,277,726)
	$ 165,587,574

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, 2025, the restricted net position consisted of the following:

	Pension	Customer Deposits and Debt service	Construction Projects
Restricted cash and investments	$ 0	$ 10,378,764	$ 4,179,833
Net pension asset	3,025,608	0	0
Customer deposits	0	(669,970)	0
Accrued interest payable	0	(2,490,479)	0
Total	$ 3,025,608	$ 7,218,316	$ 4,179,833

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, 2025 was $1,648,809 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 a deferred inflow and outflow of resources. 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, 2025 was $177,847 and is included in interest expense in the statement of revenue, expenses and change in net position.

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, 2025 was $9,307,496.

Compensated Absences

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's participation in the Hallsdale-Powell Utility District 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.

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, 2025 were as follows:

Cash on hand	$ 2,520
Checking and savings accounts	52,226,423
	$ 52,228,943
Unrestricted assets	$ 37,670,345
Restricted assets	14,558,598
	$ 52,228,943

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.

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, 2025 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 $26,479,201; $5,724,590 has been expended as of March 31, 2025.

NOTE F - UTILITY PLANT IN SERVICE

Utility plant in service for the year ended March 31, 2025 was as follows:

	Balance 4/1/24	Additions	Retirements	Balance 3/31/25
Capital assets not being depreciated				
Land	$ 4,860,772	$ 153,423	$ 0	$ 5,014,195
Construction in progress	41,072,331	13,103,721	(46,002,394)	8,173,658
	45,933,103	13,257,144	(46,002,394)	13,187,853
Capital assets being depreciated				
Buildings	6,759,264	38,238	0	6,797,501
Distribution and collection system	88,519,159	0	0	88,519,159
Vehicles	4,837,280	161,654	(199,972)	4,798,961
Equipment, tools and furniture	12,729,102	1,858,765	(289,918)	14,297,948
Wastewater treatment plants	77,803,920	0	0	77,803,920
Water treatment plant	64,550,279	9,020,183	0	73,570,461
Sewer lines	129,115,437	36,643,355	0	165,758,793
Steel reservoirs	14,632,472	377,505	0	15,009,976
Pumping and booster stations	1,652,358	769,555	0	2,421,913
Service connection and meters	18,257,493	967,296	0	19,224,789
	418,856,764	49,836,551	(489,890)	468,203,422
Accumulated depreciation				
Buildings	(1,586,511)	(118,802)	0	(1,705,313)
Distribution and collection system	(29,118,419)	(1,753,895)	0	(30,872,313)
Vehicles	(3,458,361)	(397,222)	199,921	(3,655,662)
Equipment, tools and furniture	(9,522,217)	(1,003,844)	279,583	(10,246,477)
Wastewater treatment plants	(25,879,781)	(1,554,411)	0	(27,434,192)
Water treatment plant	(17,434,571)	(1,279,220)	0	(18,713,791)
Sewer lines	(41,637,707)	(2,510,048)	0	(44,147,755)
Steel reservoirs	(3,846,881)	(294,201)	0	(4,141,082)
Pumping and booster stations	(457,341)	(30,704)	0	(488,045)
Service connection and meters	(6,562,649)	(365,150)	0	(6,927,799)
	(139,504,437)	(9,307,496)	479,504	(148,332,429)
	$ 325,285,425	$ 53,786,199	$ (46,012,780)	$ 333,058,846

NOTE G - CAPITAL CONTRIBUTIONS

Capital contributions for the year ended March 31, 2025 were as follows:

Cash:	
Water and sewer taps	$ 242,649
Coronavirus State and Local Fiscal Recovery Funds grant	3,264,582
Property:	
Distribution and collection system	911,816
	$ 4,419,048

NOTE H - LONG-TERM DEBT

Long-term debt at March 31, 2025 consisted of the following:

Bonds Payable

Water and Sewer Revenue Refunding Bonds, Series 2018, varying interest rates from 3% to 5% maturing in 2040, principal payments ranging from $925,000 to $1,630,000 due annually, with interest payments due semi-annually (including issue premium of $611,390)	$ 19,331,390
Water and Sewer Revenue Refunding and Improvement Bonds, Series 2019, varying interest rates from 3% to 5% maturing in 2040, principal payments ranging from $1,750,000 to $2,430,126 due annually, with interest payments due semi-annually (including issue premium of $3,424,958)	34,755,084
Water and Sewer Revenue Refunding and Improvement Bonds, Series 2022A, 5% interest rate maturing in 2047, principal payments ranging from $740,000 to $2,825,000 due annually, with interest payments due semi-annually (including issue premium of $6,277,553)	42,057,553

Water and Sewer Revenue Refunding and Improvement Bonds, Series 2021, 5% interest rate, maturing in 2033, principal payments ranging from $1,545,000 to $3,840,000 due annually, with interest payments due semi-annually (including issue premium of $5,959,465)	32,374,465
Utilities Improvement Revenue Bonds, Series 2021-A (Rural Utilities Services), 2.25% interest rate maturing in 2062, monthly installments of $30,115	8,949,620
Utilities Improvement Revenue Bonds, Series 2020-B (Rural Utilities Services), 2.125% interest rate maturing in 2061, monthly installments of $12,218	3,661,735
Utilities Improvement Revenue Bonds, Series 2020-C (Rural Utilities Services), 2.125% interest rate maturing in 2061, monthly installments of $23,948	7,177,447
Utilities Improvement Revenue Bonds, Series 2023-A (Rural Utilities Services), 3.75% interest rate maturing in 2064, monthly installments of $39,897	9,705,853
Utilities Improvement Revenue Bonds, Series 2023-B (Rural Utilities Services), 3.25% interest rate maturing in 2063, monthly installments of $28,815	7,537,946
	165,551,093
Less current maturities	(9,011,428)
	$ 156,539,663

Future maturities of bonds and notes payable are as follows:

Year Ending March 31:	Principal	Interest	Totals
2026	$ 9,011,428	$ 5,828,737	$ 14,840,166
2027	9,437,348	5,400,618	14,837,966
2028	9,878,726	4,959,139	14,837,866
2029	9,850,579	4,487,287	14,337,866
2030	9,517,919	4,034,971	13,552,890
2031	9,955,763	3,588,128	13,543,890
2032	10,319,126	3,133,590	13,452,715
2033	7,933,023	2,680,543	10,613,566
2034	6,482,471	2,355,144	8,837,616
2035	6,702,488	2,100,927	8,803,416
2036	4,763,091	1,881,325	6,644,416
2037	4,954,298	1,696,918	6,651,216
2038	5,146,128	1,505,088	6,651,216
2039	5,343,600	1,305,716	6,649,316
2040	5,536,861	1,103,956	6,640,816
2041	1,785,552	973,613	2,759,166
2042	1,845,074	916,891	2,761,965
2043	1,900,323	862,993	2,763,316
2044	1,951,320	807,520	2,758,840
2045	2,008,092	750,449	2,758,540
2046	2,070,660	691,606	2,762,266
2047	2,129,049	630,966	2,760,015
2048	2,193,288	568,502	2,761,789
2049	1,098,402	521,513	1,619,916
2050	1,129,418	490,497	1,619,916
2051	1,161,366	458,549	1,619,916
2052	1,194,275	425,640	1,619,916
2053	1,228,176	391,739	1,619,916
2054	1,263,101	356,815	1,619,916
2055	1,299,081	320,835	1,619,916
2056	1,336,150	283,766	1,619,916

Future maturities of bonds and notes payable are as follows:

Year Ending March 31:	Principal	Interest	Totals
2057	1,374,345	245,572	1,619,916
2058	1,413,699	206,217	1,619,916
2059	1,454,251	165,665	1,619,916
2060	1,496,040	123,876	1,619,916
2061	1,380,294	81,293	1,461,587
2062	865,660	46,183	911,842
2063	799,946	17,854	817,800
2064	67,314	297	67,610
	$ 149,277,727	$ 56,400,938	$ 205,678,665

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, 2020, the District issued $24,930,000 in Water and Sewer Revenue Refunding Bonds, Series 2018. The District makes annual principal payments varying from $925,000 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 District makes annual principal payments varying from $1,665,000 to $2,430,126 and semi-annual payments of interest. The coupon interest rates on these bonds vary from 3% 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%.

During the year ended March 31, 2022, the District issued $39,250,000 in Water and Sewer Revenue Refunding and Improvement Bonds Series 2022A. The District makes annual principal payments varying from $740,000 to $2,825,000 and semi-annual payments of interest. The interest rates on these bonds vary from 3% to 5%.

During the year ended March 31, 2022, the District issued $9,500,000 in Utilities Improvement Revenue Bonds, Series 2021-A. 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 $30,115. The interest rate on these bonds is 2.25%.

During the year ended March 31, 2022, the District issued $38,595,000 in Water and Sewer Revenue Refunding and Improvement Bonds Series 2021. The District makes annual principal payments varying from $1,545,000 to $3,840,000 and semi-annual payments of interest. The interest rate on these bonds is 5%. The Series 2021 Refunding bond refunded the State Revolving Fund Loans 2005-062, 2005-186, 2006-069, 2011-111, 2011,279, 2014-333, 2014-332, and 2014-332, and the Utilities Improvement Revenue Bonds Series 2009 at a total interest cost rate of 3.25%.

During the year ended March 31, 2024, the District issued $9,900,000 in Utilities Improvement Revenue Bonds, Series 2023-A. 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 $39,897. The interest rates on these bonds are 3.75%.

During the year ended March 31, 2024, the District issued $7,725,000 in Utilities Improvement Revenue Bonds, Series 2023-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 $28,815. The interest rates on these bonds are 3.25%.

Interest cost incurred for the year ended March 31, 2025 was $4,216,601.

Changes in long-term debt for the year ended March 31, 2025 were as follows:

	Balance 4/1/24	Issued	Paid	Balance 3/31/25	Amounts Due Within One Year
Bonds Payable:					
Series 2018	$ 20,100,000	$ 0	$ 1,380,000	$ 18,720,000	$ 1,455,000
Series 2019	32,995,126	0	1,665,000	31,330,126	1,750,000
Series 2020-C	7,310,763	0	133,316	7,177,448	136,177
Series 2020-B	3,729,753	0	68,019	3,661,735	69,478
Series 2022-A	37,560,000	0	1,780,000	35,780,000	1,875,000
Series 2021-A	9,107,699	0	158,080	8,949,619	161,674
Series 2021	29,605,000	0	3,190,000	26,415,000	3,345,000
Series 2023-A	9,818,349	0	112,496	9,705,853	116,788
Series 2023-B	7,636,990	0	99,045	7,537,946	102,312
	$ 157,863,681	$ 0	$ 8,585,955	$ 149,277,727	$ 9,011,428

NOTE I - RETIREMENT PLANS

The District provides a defined contribution plan (401k Plan) for employees administered by the State of Tennessee. To participate in the 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 401k Plan the next January 1 or July 1. Employees are required to contribute a minimum of 4% of their compensation (excluding overtime, bonuses, fringe benefits, etc.) to the 401k Plan each pay period. The District will contribute 6% of the employee's compensation to the defined contribution plan each pay period. 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 elective 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 60 or 5 years of participation), death, or disability.

The District also provides a deferred compensation plan (457b Plan) for employees administered by the State of Tennessee. To participate in the plan, an employee must be 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 the Internal Revenue Service. 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 also contribute a matching contribution to the deferred compensation plan. Retirement expense for the year ended March 31, 2025 was $124,517.

NOTE J - 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 l, 2007. For participant's who entered the Plan on or after July l , 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.

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.

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.

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 December 31, 2024 employer contributions for the District were $1,089,311. By law, employer contributions are required to be paid.

Vesting

The vesting schedule provides for l00 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, 2024, 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	10
Active employees	57
	85

Net Pension Liability (Asset)

The District's net pension liability (asset) was measured as of December 31, 2024, 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, 2024, the annual money-weighted rate of return on Plan investments, net of Plan investment expense, was 12.73%. 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, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Salary increases	Annual increases of 4.00%
Investment rate of return	6.75% per year, compounded annually

Mortality rates were based on 115% of the RP-2014 Blue Collar Mortality Table projected to 2021 using MP 2021.

Discount rate

The discount rate used to measure the total pension liability was 6.75%.

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, 2024:

Asset Class	Target Allocation
Domestic Equity	40.00-60.00%
Fixed Income	40.00-60.00%
Money Market	0.00-5.00%

Changes in Net Pension Liability(Asset)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability(Asset) (a) – (b)
Changes for the year ended December 31, 2024:			
Increase(decrease):			
Service cost	$ 365,692	$ 0	$ 365,692
Interest	1,035,627	0	1,035,627
Differences between expected and actual experience	621,614	0	621,614
Changes of assumptions	417,800	0	417,800
Contributions - employer	0	1,089,311	(1,089,311)
Contributions - employees	0	0	0
Net investment income	0	2,249,993	(2,249,993)
Benefit payments, including refunds of employee contributions	(912,243)	(912,243)	0
Administrative expense	0	(47,882)	47,882
Other changes	0	0	0
Net changes	1,528,490	2,379,179	(850,689)
Balances at December 31, 2023	15,433,050	17,607,969	(2,174,919)
Balances at December 31, 2024	$ 16,961,540	$ 19,987,148	$ (3,025,608)

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

The following presents the net pension liability(asset) of the District calculated using the discount rate of 6.75%, as well as what the net pension liability(asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
Net pension liability(asset)	$ (1,049,964)	$ (3,025,608)	$ (4,699,372)

Pension Expense

For the year ended March 31, 2025, the District recognized pension expense of $139,203.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended March 31, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 2,036,017	$ (1,780,373)
Net difference between projected and actual earnings on pension plan investments	0	(547,249)
Changes of assumptions	358,114	(238,267)
Contributions subsequent to the measurement date of December 31, 2024	287,123	not applicable
Totals	$ 2,681,254	$ (2,565,889)

The amount shown above for "Contributions subsequent to the measurement date of December 31, 2024," 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:	
2025	$ (128,804)
2026	163,270
2027	(479,114)
2028	(224,314)
Thereafter	497,204

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

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, 2024:

	Deferred Outflows (Inflows) of Resources
Investment earnings	$ (547,249)
Actuarial experiences	255,644
Change of assumptions	119,847
Net amount to be recognized in future years	$ (171,758)

Net Pension Liability of Hallsdale-Powell Utility District Retirement Plan

The components of the net pension liability of the Hallsdale-Powell Utility District Retirement Plan at December 31, 2024 were as follows:

Total pension liability	$ 16,961,540
Plan fiduciary net position	(19,987,148)
Hallsdale-Powell net pension (asset)	$ (3,025,608)
Plan fiduciary net position as a percentage of the total pension liability	117.83%

NOTE K - 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 I) 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 Securities and Exchange Commission. These funds are required to publish their daily net asset value 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 and to transact at that price. The money market fund is deemed to be actively traded.

- *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 credit ratings.

- *U.S. 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, 2024:

	12/31/24	Level 1	Level 2	Level 3
Mutual funds:				
Fixed income	$ 1,850,323	$ 1,850,323	$ 0	$ 0
Equity	4,420,405	4,420,405	0	0
Exchange traded funds	7,995,562	7,995,562	0	0
Money market mutual fund	1,006,026	1,006,026	0	0
Certificates of deposit	1,991,692	0	1,991,692	0
Corporate bonds	448,711	448,711	0	0
U.S. government obligations	1,397,904	1,397,904	0	0
Municipal obligations	835,624	0	835,624	0
	$ 19,946,247	$ 17,118,931	$ 2,827,316	$ 0

REQUIRED SUPPLEMENTARY INFORMATION

HALLSDALE-POWELL UTILITY DISTRICT

CHANGES IN NET PENSION LIABILITY(ASSET)

March 31, 2025

	Measurement Date at December 31,			
	2024	2023	2022	2021
Total pension liability				
Service cost	$ 365,692	$ 372,277	$ 455,021	$ 503,013
Interest	1,035,627	988,569	1,151,678	967,744
Differences between actual and expected experience	621,614	326,855	(2,729,849)	1,988,882
Changes of assumptions	417,800	0	(381,226)	0
Benefit payments, including refunds of employee contributions	(912,243)	(1,055,680)	(602,927)	(770,475)
Net change in total pension liability	1,528,490	632,021	(2,107,303)	2,689,164
Total pension liability - beginning	15,433,050	14,801,029	16,908,332	14,219,168
Total pension liability - ending (a)	16,961,540	15,433,050	14,801,029	16,908,332
Plan fiduciary net position				
Contributions - employer	1,089,311	1,089,311	1,089,311	1,089,313
Net investment income	2,249,993	2,307,163	(2,054,688)	2,100,846
Benefit payments, including refunds of employee contributions	(912,243)	(1,055,680)	(602,927)	(770,475)
Administrative expense	(47,882)	(43,911)	(43,404)	(42,391)
Net change in plan fiduciary net position	2,379,179	2,296,883	(1,611,708)	2,377,293
Plan fiduciary net position - beginning	17,607,969	15,311,086	16,922,794	14,545,500
Plan fiduciary net position - ending (b)	19,987,148	17,607,969	15,311,086	16,922,795
Net pension liability(asset) - ending (a) - (b)	$ (3,025,608)	$ (2,174,919)	$ (510,057)	$ (14,463)

See the accompanying independent accountants' audit report.

Measurement Date at December 31,					
2020	2019	2018	2017	2016	2015
$ 531,718	$ 523,395	$ 477,231	$ 488,017	$ 521,488	$ 506,156
948,493	882,902	800,608	763,090	712,467	661,831
(445,297)	28,606	159,050	(298,704)	68,179	(38,631)
0	0	0	0	0	0
(671,565)	(271,438)	(256,319)	(515,292)	(522,076)	(266,983)
363,349	1,163,465	1,180,570	437,111	780,058	862,373
13,855,819	12,692,354	11,511,784	11,074,673	10,294,615	9,432,242
14,219,168	13,855,819	12,692,354	11,511,784	11,074,673	10,294,615
1,032,973	906,540	906,540	982,085	830,995	906,540
961,138	2,051,233	(432,772)	1,037,400	666,853	29,010
(671,565)	(271,438)	(256,319)	(515,292)	(522,076)	(266,983)
(37,537)	(34,816)	(33,020)	(30,430)	(36,062)	(56,726)
1,285,009	2,651,519	184,429	1,473,763	939,710	611,841
13,260,492	10,608,973	10,424,544	8,950,781	8,011,071	7,399,230
14,545,500	13,260,492	10,608,973	10,424,544	8,950,781	8,011,071
$ (326,333)	$ 595,327	$ 2,083,381	$ 1,087,240	$ 2,123,892	$ 2,283,544

HALLSDALE-POWELL UTILITY DISTRICT

CHANGES IN NET PENSION LIABILITY(ASSET)
(continued)

March 31, 2025

	Measurement Date at December 31,			
	2024	2023	2022	2021
Plan fiduciary net position as a percentage of total net pension liability	117.83%	114.09%	103.45%	100.09%
Covered employee payroll	$ 4,327,373	$ 4,062,014	$ 4,257,734	$ 4,136,590
Net pension liability(asset) as a percentage of covered employee payroll	(69.90)%	(53.50)%	(12.00)%	(0.40)%

Measurement Date at December 31,					
2020	2019	2018	2017	2016	2015
102.30%	95.70%	83.59%	90.56%	80.82%	77.82%
$ 4,303,599	$ 4,520,786	$ 4,446,147	$ 4,172,404	$ 4,158,318	$ 4,044,651
(7.58)%	0.04%	0.05%	0.05%	0.05%	0.05%

HALLSDALE-POWELL UTILITY DISTRICT

PENSION CONTRIBUTIONS

March 31, 2025

	Year Ended December 31,			
	2024	2023	2022	2021
Actuarially determined contribution	$ 3,338	$ 64,481	$ 706,694	$ 534,512
Contributions in relation to the actuarially determined contribution	(1,089,311)	(1,089,311)	(1,089,311)	(1,089,313)
Contribution deficiency(excess)	$ (1,085,973)	$ (1,024,830)	$ (382,617)	$ (554,801)
Covered employee payroll	$ 4,327,373	$ 4,062,014	$4,257,734	$4,136,590
Contributions as a percentage of covered employee payroll	25.17%	26.82%	25.58%	26.33%

Notes to Pension Contributions

Valuation date: Actuarially determined contribution rates for the year ended December 31, 2024 were calculated based on the January 1, 2025 actuarial valuation.

Methods and assumptions used to determined contribution rates:

Actuarial cost method	Entry age normal funding method
Amortization method	Unfunded liability is amortized over a 8 year period
Salary increases	4% to age 65
Investment Rate of Return	6.75% per year, compounded annually
Retirement age	Later of a participants 65th birthday or the 5th anniversary of the first day of the plan year in which participation in the plan commenced
Mortality	115% of the RP-2014 Blue Collar Mortality Table Projected to 2021 with MP-2021

See the accompanying independent accountants' audit report.

	Year Ended December 31,					
	2020	2019	2018	2017	2016	2015
	$ 727,142	$ 754,465	$ 675,198	$ 754,465	$ 770,448	$ 756,583
	(1,032,973)	(906,540)	(906,540)	(982,085)	(830,995)	(906,540)
	$ (305,831)	$ (152,075)	$ (231,342)	$ (227,620)	$ (60,547)	$ (149,957)
	$ 4,303,599	$ 4,520,786	$ 4,446,147	$ 4,172,404	$ 4,228,284	$ 4,158,318
	24.00%	20.05%	20.39%	23.54%	19.65%	21.80%

SUPPLEMENTARY INFORMATION

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS

March 31, 2025

Water and Sewer Revenue Refunding Bonds, Series 2018, interest rate 3% to 5%

Year Ending March 31:	Principal	Interest	Totals
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
	$ 18,720,000	$ 5,312,425	$ 24,032,425

See the accompanying independent accountants' audit report.

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS

(continued)

March 31, 2025

Water and Sewer Revenue Refunding and Improvement Bonds, Series 2019, interest rate 3% to 5%

Year Ending March 31:	Principal	Interest	Totals
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	2,430,126	48,600	2,478,726
	$ 31,330,126	$ 10,007,475	$ 41,337,601

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS
(continued)

March 31, 2025

	Principal	Interest	Totals
Utilities Improvement Revenue Bonds, Series 2020-B (Rural Utilities Service), interest rate 2.125%			
Year Ending March 31:			
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
2049	113,220	33,396	146,616

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS
(continued)

March 31, 2025

	Principal	Interest	Totals
Utilities Improvement Revenue Bonds, Series 2020-B (Rural Utilities Service), interest rate 2.125% (continued)			
Year Ending March 31:			
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
	$ 3,661,735	$ 1,562,785	$ 5,224,520

LONG-TERM DEBT REQUIREMENTS
(continued)

March 31, 2025

Utilities Improvement Revenue Bonds,
Series 2020-C (Rural Utilities Service),
interest rate 2.125%

Year Ending March 31:	Principal	Interest	Totals
2026	$ 136,177	$ 151,200	$ 287,377
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
2049	221,909	65,467	287,376

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS
(continued)

March 31, 2025

	Principal	Interest	Totals
Utilities Improvement Revenue Bonds, Series 2020-C (Rural Utilities Service), interest rate 2.125% (continued)			
Year Ending March 31:			
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
	$ 7,177,448	$ 3,063,412	$ 10,240,860

LONG-TERM DEBT REQUIREMENTS
(continued)

March 31, 2025

	Principal	Interest	Totals
Utilities Improvement Revenue Bonds, Series 2021-A (Rural Utilities Service), interest rate 2.25%			
Year Ending March 31:			
2026	$ 161,674	$ 199,706	$ 361,380
2027	165,349	196,031	361,380
2028	169,108	192,272	361,380
2029	172,953	188,427	361,380
2030	176,885	184,495	361,380
2031	180,906	180,474	361,380
2032	185,018	176,361	361,380
2033	189,225	172,155	361,380
2034	193,526	167,854	361,380
2035	197,926	163,454	361,380
2036	202,425	158,955	361,380
2037	207,027	154,353	361,380
2038	211,734	149,646	361,380
2039	216,547	144,833	361,380
2040	221,470	139,910	361,380
2041	226,505	134,875	361,380
2042	231,654	129,726	361,380
2043	236,920	124,460	361,380
2044	242,306	119,074	361,380
2045	247,815	113,565	361,380
2046	253,449	107,931	361,380
2047	259,210	102,170	361,380
2048	265,103	96,277	361,380
2049	271,130	90,250	361,380

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS
(continued)

March 31, 2025

	Principal	Interest	Totals
Utilities Improvement Revenue Bonds, Series 2021-A (Rural Utilities Service), interest rate 2.25% (continued)			
Year Ending March 31:			
2050	277,293	84,086	361,380
2051	283,597	77,783	361,380
2052	290,044	71,335	361,380
2053	296,638	64,742	361,380
2054	303,382	57,998	361,380
2055	310,279	51,101	361,380
2056	317,332	44,047	361,380
2057	324,547	36,833	361,380
2058	331,925	29,455	361,380
2059	339,470	21,910	361,380
2060	347,188	14,192	361,380
2061	355,081	6,299	361,380
2062	86,977	321	87,298
	$ 8,949,619	$ 4,147,357	$ 13,096,976

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS
(continued)

March 31, 2025

	Principal	Interest	Totals
Water and Sewer Revenue Refunding Bond, Series 2021, interest rate 5%			
Year Ending March 31:			
2026	$ 3,345,000	$ 1,320,750	$ 4,665,750
2027	3,515,000	1,153,500	4,668,500
2028	3,690,000	977,750	4,667,750
2029	3,325,000	793,250	4,118,250
2030	3,495,000	627,000	4,122,000
2031	3,660,000	452,250	4,112,250
2032	3,840,000	269,250	4,109,250
2033	1,545,000	77,250	1,622,250
	$ 26,415,000	$ 5,671,000	$ 32,086,000

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS
(continued)

March 31, 2025

Water and Sewer Revenue
Refunding Bond, Series 2022A,
interest rate 3% to 5%

Year Ending March 31:	Principal	Interest	Totals
2026	$ 1,875,000	$ 1,466,525	$ 3,341,525
2027	1,975,000	1,370,275	3,345,275
2028	2,065,000	1,269,275	3,334,275
2029	2,230,000	1,161,900	3,391,900
2030	2,305,000	1,048,525	3,353,525
2031	2,425,000	930,275	3,355,275
2032	2,550,000	805,900	3,355,900
2033	2,645,000	689,250	3,334,250
2034	2,750,000	581,350	3,331,350
2035	2,825,000	469,850	3,294,850
2036	740,000	398,550	1,138,550
2037	775,000	368,250	1,143,250
2038	805,000	336,650	1,141,650
2039	835,000	303,850	1,138,850
2040	870,000	269,750	1,139,750
2041	905,000	234,250	1,139,250
2042	940,000	202,050	1,142,050
2043	970,000	173,400	1,143,400
2044	995,000	143,925	1,138,925
2045	1,025,000	113,625	1,138,625
2046	1,060,000	82,350	1,142,350
2047	1,090,000	50,100	1,140,100
2048	1,125,000	16,875	1,141,875
	$ 35,780,000	$ 12,486,750	$ 48,266,750

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS
(continued)

March 31, 2025

	Principal	Interest	Totals
Utilities Improvement Revenue Bonds, Series 2023-A (Rural Utilities Service), interest rate 3.75%			
Year Ending March 31:			
2026	$ 116,788	$ 361,976	$ 478,764
2027	121,244	357,520	478,764
2028	125,869	352,895	478,764
2029	130,672	348,092	478,764
2030	135,657	343,107	478,764
2031	140,832	337,932	478,764
2032	146,205	332,559	478,764
2033	151,783	326,981	478,764
2034	157,574	321,190	478,764
2035	163,585	315,178	478,764
2036	169,826	308,937	478,764
2037	176,306	302,458	478,764
2038	183,032	295,732	478,764
2039	190,015	288,749	478,764
2040	197,264	281,500	478,764
2041	204,790	273,974	478,764
2042	212,603	266,161	478,764
2043	220,714	258,050	478,764
2044	229,135	249,629	478,764
2045	237,876	240,888	478,764
2046	246,952	231,812	478,764
2047	256,373	222,391	478,764
2048	266,154	212,610	478,764
2049	276,308	202,456	478,764

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS
(continued)

March 31, 2025

	Principal	Interest	Totals
Utilities Improvement Revenue Bonds, Series 2023-A (Rural Utilities Service), interest rate 3.75% (continued)			
Year Ending March 31:			
2050	286,850	191,914	478,764
2051	297,793	180,971	478,764
2052	309,155	169,609	478,764
2053	320,949	157,815	478,764
2054	333,194	145,570	478,764
2055	345,906	132,858	478,764
2056	359,102	119,661	478,764
2057	372,803	105,961	478,764
2058	387,026	91,738	478,764
2059	401,791	76,973	478,764
2060	417,120	61,644	478,764
2061	433,034	45,730	478,764
2062	449,554	29,210	478,764
2063	466,705	12,058	478,764
2064	67,314	297	67,611
	$ 9,705,853	$ 8,554,787	$ 18,260,640

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS
(continued)

March 31, 2025

	Principal	Interest	Totals
Utilities Improvement Revenue Bonds, Series 2023-B (Rural Utilities Service), interest rate 3.25%			
Year Ending March 31:			
2026	$ 102,312	$ 243,468	$ 345,780
2027	105,687	240,093	345,780
2028	109,173	236,607	345,780
2029	112,775	233,005	345,780
2030	116,495	229,285	345,780
2031	120,338	225,442	345,780
2032	124,308	221,472	345,780
2033	128,409	217,371	345,780
2034	132,645	213,135	345,780
2035	137,020	208,760	345,780
2036	141,540	204,239	345,780
2037	146,210	199,570	345,780
2038	151,033	194,747	345,780
2039	156,015	189,765	345,780
2040	161,162	184,618	345,780
2041	166,478	179,301	345,780
2042	171,970	173,810	345,780
2043	177,643	168,137	345,780
2044	183,504	162,276	345,780
2045	189,557	156,223	345,780
2046	195,810	149,970	345,780
2047	202,270	143,510	345,780
2048	208,942	136,838	345,780
2049	215,835	129,945	345,780

HALLSDALE-POWELL UTILITY DISTRICT

LONG-TERM DEBT REQUIREMENTS
(continued)

March 31, 2025

	Principal	Interest	Totals
Utilities Improvement Revenue Bonds, Series 2023-B (Rural Utilities Service), interest rate 3.25% (continued)			
Year Ending March 31:			
2050	222,955	122,825	345,780
2051	230,310	115,470	345,780
2052	237,908	107,872	345,780
2053	245,756	100,024	345,780
2054	253,863	91,917	345,780
2055	262,238	83,542	345,780
2056	270,888	74,892	345,780
2057	279,825	65,955	345,780
2058	289,056	56,724	345,780
2059	298,591	47,189	345,780
2060	308,441	37,339	345,780
2061	318,616	27,164	345,780
2062	329,127	16,653	345,780
2063	333,240	5,796	339,036
	$ 7,537,946	$ 5,594,948	$ 13,132,894

HALLSDALE-POWELL UTILITY DISTRICT

CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE

March 31, 2025

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue
Bonds payable			
Water and Sewer Refunding Bonds, Series 2018	$ 24,930,000	3-5%	3/31/2019
Water and Sewer Refunding Bonds, Series 2019	38,560,000	3-5%	3/31/2020
Water and Sewer Refunding Bonds, Series 2022-A	39,250,000	5%	3/31/2022
Water and Sewer Refunding Bonds, Series 2021	38,595,000	5%	3/31/2022
Utilities Improvement Revenue Bonds, Series 2021-A	9,500,000	2.25%	3/31/2022
Utilities Improvement Revenue Bonds, Series 2020-C	7,725,000	2.13%	3/31/2021
Utilities Improvement Revenue Bonds, Series 2020-B	3,941,100	2.13%	3/31/2021
Utilities Improvement Revenue Bonds, Series 2023-A	9,900,000	3.75%	6/20/2023
Utilities Improvement Revenue Bonds, Series 2023-B	7,725,000	3.25%	4/24/2023

See the accompanying independent accountant's audit report.

Last Maturity Date	Outstanding 4/1/2024	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 3/31/2025
3/31/2040	$ 20,100,000	$ 0	$ 1,380,000	$ 0	$ 18,720,000
3/31/2040	32,995,126	0	1,665,000	0	31,330,126
3/31/2047	37,560,000	0	1,780,000	0	35,780,000
3/31/2033	29,605,000	0	3,190,000	0	26,415,000
3/31/2062	9,107,699	0	158,080	0	8,949,619
3/31/2061	7,310,763	0	133,316	0	7,177,448
3/31/2061	3,729,753	0	68,019	0	3,661,735
6/20/2063	9,818,349	0	112,496	0	9,705,853
4/24/2063	7,636,990	0	99,045	0	7,537,946
	$ 157,863,681	$ 0	$ 8,585,955	$ 0	$ 149,277,727

INVESTMENT RETURNS
HALLDALE-POWELL UTILITY DISTRICT RETIREMENT PLAN

March 31, 2025

	Year Ended December 31,		
	2024	2023	2022
Annual money-weighted rate of return, net of investment expense	12.73%	15.07%	(11.98)%

See the accompanying independent accountants' audit report.

Year Ended December 31,						
2021	2020	2019	2018	2017	2016	2015
14.31%	7.16%	18.80%	(4.03)%	11.31%	8.18%	0.38%

HALLSDALE-POWELL UTILITY DISTRICT

EXPENDITURES OF FEDERAL AWARDS

Year Ended March 31, 2025

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing/ Contract Number	Expenditures
U.S Department of Treasury/ Knox County, Tennessee/ Coronavirus State and Local Fiscal Recovery Funds	21.027/ N/A	$ 3,264,582

BASIS OF PRESENTATION

This schedule summarizes the expenditures of Hallsdale-Powell Utility District under programs of the federal government for the year ended March 31, 2025. The schedule is presented using the full accrual basis of accounting.

INDIRECT COST RATE

Hallsdale-Powell Utility District did not elect to use the 10 percent de minimis indirect cost rate; however, no indirect costs were allocated to the federal awards during the year ended March 31, 2025.

OUTSTANDING BALANCE

Hallsdale-Powell Utility District had no outstanding federal loan balances at March 31, 2025 which had continuing compliance requirements other than to repay the loans.

See the accompanying independent accountants' audit report.

<u>OTHER INFORMATION</u>

HALLSDALE-POWELL UTILITY DISTRICT

CUSTOMERS AND UTILITY RATES

March 31, 2025

Water:	
Active customer accounts	34,044
Sewer:	
Active customer accounts	26,111
Residential and Commercial Water:	
Base charge	$ 10.52 (minimum bill)
Each 1,000 gallons	$ 10.00
Residential Sewer:	
Base charge	$ 14.44 (minimum bill)
0 gallons through 12,000 gallons	$ 13.58 per 1,000 gallons
Over 12,000 gallons	no additional charge
*Grinder pump (if applicable)	$ 8.83 per month
Commercial Sewer:	
Base charge	$ 14.44 (minimum bill)
Over 1,500 gallons	$ 13.58 per 1,000 gallons
*Grinder pump (if applicable)	$ 8.83 per month
Sunset Bay Sewer:	
Vacant Lot	$ 9.00 (minimum bill)
Base charge	$ 14.44 (minimum bill)
Each 1,000 gallons	$ 13.58

See the accompanying independent accountants' audit report.

CUSTOMERS AND UTILITY RATES
(continued)

March 31, 2025

Sewer Grinder Pump Service/Maintenance Fees

The service maintenance fee for sewer grinder pumps is $8.83 per month as of March 31, 2025. This fee only applies for E-One pump model numbers.

Sewer Availability Charge

A monthly sewer availability charge equal to the sewer base charge will be assessed to the owner of any house, building, and/or structure of any kind that is not connected to the district's sewer system when Hallsdale-Powell Utility District's sewer system is available to the property as provided by Hallsdale-Powell Utility District's rules and regulations.

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 Hallsdale-Powell Utility District sets the rates, fees and charges for the services provided by Hallsdale-Powell Utility 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 Hallsdale-Powell Utility District, including establishing necessary reserves, and pay when due all of Hallsdale-Powell Utility District's debt obligations, including related interest and debt service reserve requirements.

Connection Fees

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

Standard Water and Sewer Connection Fees

Residential

	Subdivision	Not in Subdivision
Water connection fee	$ 1,200.00	$ 1,400.00
Sewer connection fee	900.00	1,200.00
Service application fee	30.00	30.00
Sewer inspection fee	30.00	30.00

Commercial and Industrial

Tap Fees for Water Meter (Development Provider Infrastructure)

Water Meter Size	Meter Tap Fee
5/8" x 3/4"	$ 1,200.00 plus road crossing costs
1"	1,800.00 plus road crossing costs
1-/2"	4,000.00 plus road crossing costs
2"	4,500.00 plus road crossing costs
3"	Costs will be calculated based on site evaluation
4"	Costs will be calculated based on site evaluation
6"	Costs will be calculated based on site evaluation

CUSTOMERS AND UTILITY RATES
(continued)

March 31, 2025

Tap Fees for Water Meter Service (Infrastructure Not Provided)

Water Meter Size	Meter Tap Fee
5/8" x 3/4"	$ 1,400.00 plus road crossing costs
1"	1,900.00 plus road crossing costs
1-1/2"	4,000.00 plus road crossing costs
2"	4,500.00 plus road crossing costs
3"	Costs will be calculated based on site evaluation
4"	Costs will be calculated based on site evaluation
6"	Costs will be calculated based on site evaluation

A customer who requests a second meter installation for irrigation purposes, whether at the time of installation for the primary meter or subsequent thereto, shall be charged a reduced fee of $600.00 for a water only meter 5/8”x3/4” in size. If the waterline is on the opposite side of the road from the property or not accessible at the customer’s desired location for the second meter, additional charges will be required upon installation.

Sewer Connection Fees for Commercial & Industrial Service

Water Meter Size	Sewer Connection Fee
5/8"x3/4"	$ 1,200.00
1"	1,300.00
1-1/2"	2,500.00
2"	3,000.00
3"	6,000.00
4"	8,200.00
6"	12,000.00

CUSTOMERS AND UTILITY RATES
(continued)

March 31, 2025

Existing residential and commercial water customers who are located within 250 feet of the District's sewer mains will be assessed a Sewer Inspection Fee of $30.00 when application for service is made and any other permit fees required by the State of Tennessee. Billing of sewer charges, based upon water usage, will begin upon sewer line availability in accordance with T.C.A. 7-35-201, whether or not an actual connection is made at that time. Upon the payment of such sewer charges for a minimum of five (5) years, the affected residential property shall upon connection to the District's sewer system will not have to pay a sewer connection fee. The Sewer Inspection Fee, any road crossing costs, if applicable, and any permit fees required by the State of Tennessee must be paid.

Existing residential and commercial customers who are located more than 250 feet from the District's sewer mains will not be assessed usage charges as otherwise permitted under T.C.A. 7-35-201, but will be assessed a Sewer Connection Fee at the non-subdivision rate, the Sewer Inspection Fee, any road crossing costs, if applicable, and any permit fees required by the State of Tennessee.

Road crossing costs for sewer service shall be determined by the District and shall be based on the District's actual cost to install the required facilities under the road and properly repair the road, including without limitation the District's administrative and overhead costs and any extra costs incurred by the District for excavating through rock. Upon request of the customer, the District will provide an estimated minimum road crossing cost for any particular service request, but the customer will be responsible for the actual costs as finally determined and billed by the District. In lieu of paying road crossing costs to the District, the customer may use the services of a District approved municipal licensed contractor.

A sewer connection fee shall be charged for each water meter set where the District's sewer system is being connected to the affected property.

HALLSDALE-POWELL UTILITY DISTRICT

OFFICIALS

March 31, 2025

Board of Commissioners

Kevin Julian, Chairman
Todd Cook, Secretary
Kelly Barger, Treasurer

President

Darren Cardwell

Chief Financial Officer

Summer Price

See the accompanying independent accountants' audit report.

<u>INTERNAL CONTROL</u>

<u>AND</u>

<u>COMPLIANCE</u>

MEH MITCHELL EMERT & HILL, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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, 2025, and the related notes to the financial statements, and have issued our report thereon dated September 23, 2025. 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.

Report on 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 or significant deficiencies may exist that have not been identified.

416 Erin Drive • Knoxville, Tennessee 37919 • (865) 522-2396 • Fax (865) 523-6318

Report on 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.

Mitchell Emert & Hill

September 23, 2025

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

Year Ended March 31, 2025

There were no prior year findings reported.

MEH MITCHELL EMERT & HILL, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Commissioners
Hallsdale-Powell Utility District
Knoxville, Tennessee

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Hallsdale-Powell Utility District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect of Hallsdale-Powell Utility District's major federal programs for the year ended March 31, 2025. Hallsdale-Powell Utility District's major federal program are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

In our opinion, Hallsdale-Powell Utility District's complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Hallsdale-Powell Utility District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Hallsdale-Powell Utility District's compliance with the compliance requirements referred to above.

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Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Hallsdale-Powell Utility District's federal programs.

Auditor's Responsibility for Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Hallsdale-Powell Utility District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Hallsdale-Powell Utility District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Hallsdale-Powell Utility District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of Hallsdale-Powell Utility District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Hallsdale-Powell Utility District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

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

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Mitchell Emert & Hill

September 23, 2025

HALLSDALE-POWELL UTILITY DISTRICT

FINDINGS AND QUESTIONED COSTS

Year Ended March 31, 2025

SUMMARY OF AUDIT RESULTS

1. The Independent Accountants' Audit Report expresses an unmodified opinion on the financial statements of Hallsdale-Powell Utility District.

2. No significant deficiencies or material weaknesses in internal control over financial reporting were disclosed.

3. No instances of noncompliance material to the financial statements were disclosed.

4. No significant deficiencies or material weaknesses in internal control over major federal programs were disclosed.

5. The Independent Accountants' Report on Compliance for Each Major Program and on Internal Control Over Compliance As Required by the Uniform Guidance expresses an unmodified opinion on Hallsdale-Powell Utility District's compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its major federal programs.

6. No findings or questioned costs were disclosed which would be required to be reported in accordance with the Uniform Guidance (2 CFR 200.516(a)).

7. The following program was tested as a major program:

Program Name	Assistance Listing No.
Coronavirus State and Local Fiscal Recovery Funds	21.027

8. The threshold for distinguishing Types A and B programs was $750,000.

9. Hallsdale-Powell Utility District was determined to not be a low-risk auditee.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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