

West Knox Utility District of Knox County, Tennessee

Annual Comprehensive Financial Report

For the years ended June 30, 2023 and 2022



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Mr. Drexel Heidel, General Manager
West Knox Utility District
Knoxville, Tennessee

The accompanying financial statements (Annual Comprehensive Financial Report) of the West Knoxville Utility District as of and for the years ended June 30, 2023 and 2022, were not subject to an audit, review, or compilation engagement by us and, accordingly, we do not express an opinion or conclusion, nor provide any assurance on them.

Pugh & Company, P.C.

Certified Public Accountants
Knoxville, Tennessee
December 15, 2023



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WEST KNOX UTILITY DISTRICT

Knoxville, Tennessee

**ANNUAL COMPREHENSIVE
FINANCIAL REPORT**

For the Years Ended June 30, 2023 and 2022

PREPARED BY:

Pugh CPAs

WEST KNOX UTILITY DISTRICT

For the Years Ended June 30, 2023 and 2022

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INTRODUCTORY SECTION



Board of Commissioners:

Ann Milsaps
President
Nathan Butler, DVM
Vice President
Charles Marth
Secretary

Drexel Heidel, P.E.
General Manager
Wayne Hastings, P.E.
Assistant Manager

December 15, 2023

Board of Commissioners of
West Knox Utility District
Knoxville, Tennessee

State law and the Comptroller of the Treasury, State of Tennessee, requires that every political subdivision or municipal corporation publish within six months of the close of each fiscal year-end, a complete set of audited financial statements. This Annual Comprehensive Financial Report (ACFR) of West Knox Utility District (the District) is published to fulfill these requirements for the fiscal years ended June 30, 2023 and 2022.

Internal Controls

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of material misstatements.

Independent Audit

Parsons and Wright, CPA's has issued an unmodified opinion on the District's financial statements for the years ended June 30, 2023 and 2022. As stated in the independent auditor's report, the audits were conducted in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. The independent auditor's report is located at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A)

Generally accepted accounting principles (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of MD&A. This Letter of Transmittal is designed to complement MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the independent auditor's report.

Profile of the District

The District was created under the authority of Title 7, Chapter 82 of the 1937 Utility District Law of the State of Tennessee. The District began operations on October 18, 1954. The purpose of the District is to “acquire, construct, improve, extend, operate, and maintain a wastewater and water treatment system.” The District serves 31,820 water and 26,580 wastewater customer billing units in the northwestern portion of Knox County. The District’s primary source of water is drawn from the Clinch River that forms Melton Hill Lake which borders Knox and Anderson counties.

The District is governed by a Board of Commissioners composed of three citizens who reside in or are customers of the District. Board members are appointed by the Knox County Mayor for a term of four years.

The District’s capital assets consist of two water treatment plants, one wastewater treatment facility, one office building and related maintenance facility, and five water reservoir tanks. The collection system, consisting of mains, laterals and pump stations, is owned and maintained by the District.

The District receives no ongoing financial support from Knox County, Tennessee and has no taxing authority. The District’s water and wastewater revenues are derived from charges based upon metered water consumption of customers. The water and wastewater rates are established by the District’s Board of Commissioners.

Budgeting

The District adopts flexible annual operating and capital budgets. Budgets are adopted on a basis consistent with GAAP. The current operating budget details the District’s plans to earn and expend funds for charges incurred for operation, maintenance, certain interest and general functions, and other charges for the fiscal year. The capital budget details the plan to receive and expend cash basis capital contributions, grants, borrowings and certain revenues for capital projects (see the major initiatives section). During 2023 and 2022 there were no significant budget amendments. The District’s budgets are projections and are not legally binding.

Financial Overview

During 2023, the District’s operating income was \$6.4 million, which was approximately \$54 thousand less than 2022 or less than 1%. Operating income decreased mainly due to a \$178 thousand increase in depreciation expense. The District’s pledged revenue bond coverage ratio decreased to 1.69 in 2023 vs. 1.79 in 2022.

Local Economy

The District is located within the Knoxville Metropolitan Statistical Area (MSA) which includes Anderson, Blount, Campbell, Grainger, Knox, Loudon, Morgan, Roane and Union Counties. The Knoxville MSA is also the trade center for several counties in East Tennessee, and parts of Kentucky, Virginia and North Carolina.

For June 30, 2022, the unemployment rates according to the U.S. Bureau of Labor Statistics for Knox County, State of Tennessee and the U.S. were 3.5%, 4.0% and 3.8%, respectively.

Median household per capita income in calendar year 2021 for Knox County, State of Tennessee and the U.S. was \$59,934, \$56,560 and \$64,143, respectively.

The Knoxville MSA has several large employers including the Tennessee Valley Authority, U.S. Department of Energy contractors, Arconic, several hospitals, Clayton Homes, Denso, the University of Tennessee, and several regional shopping malls and centers.

Long-Term Financial Planning

The District has projected a 1% to 2% annual increase in the number of customers over the next five years. The District is currently making several capital improvements including several water line improvements and extensions.

The financing of the District’s capital improvements is by internally generated cash flows and the issuance of long-term debt. The District’s debt coverage ratio has consistently been in excess of the required bond covenants.

Major Initiatives

Multiple water and wastewater projects and initiatives were completed or started during the fiscal year. A summary of these projects and initiatives is as follows:

- The District completed and submitted its annual Capacity Management Operations and Maintenance (CMOM) program annual report for the sanitary sewer system to both TDEC and the EPA.
- The District certified and submitted its annual Consumer Confidence Report (Water Quality Report) to TDEC.
- The District completed and submitted its NPDES permit renewal application for the Melton Hill wastewater treatment plant to TDEC in September of 2022. The permit was approved by TDEC and became effective on April 1, 2023.
- Utility Mapping System and Asset Management: The District has a contractual agreement with ESRI to improve its GIS System that extends through Fiscal Year 2024. The Agreement includes, but is not limited to, an organizational ESRI license structure for certain programs/software and personalized support for implementation of applications designed to maximize the growth and efficiency of the GIS System. The District has shifted from a standalone file geodatabase to an SDE Database that utilizes REST end services to be consumed in all aspects of ESRI's platform including but not limited to AGOL, iOS apps, and Portal applications. This gives the District the ability to create customized applications to better understand, analyze, and react to its infrastructure needs. The District uses this technology daily to share data between business partners. The District has implemented GIS connectivity to its new ELEMENTS asset management software. The District's previous LUCITY asset management software has been phased out. The improved Asset Management/GIS interface allows the District to plan, assign, complete, and document its work more efficiently and accurately.
- American Rescue Plan Act (ARPA) grant funding: On June 12, 2023, the District signed a memorandum of understanding and agreement with Knox County that provides \$10,060,00 of the County's grant award to WKUD for use in water and wastewater projects. Four projects were designated to make use of the funds:
 - Pellissippi Sewer Pump Station Replacement. This project will completely rebuild the existing Pellissippi St wastewater pump station while increasing capacity for a growing area of the District. GRW Engineering was contracted to complete plans and specifications, and the project is expected to bid in spring of 2024.
 - Beaver Ridge Road Waterline Replacement. This project will replace existing waterlines that have experienced multiple breaks and will upsize lines to meet the recommendations of the District's master plan for the water distribution system. Fulghum MacIndoe and Associates was contracted to plans and specifications, and the project is expected to bid in spring of 2024.
 - Waterline Relocations and Improvements associated with the Knox County Schaad Road Hwy Improvement Project. This ongoing project includes approximately 15,000 linear feet of water line ranging from 6-30-inch. Construction is ongoing and is anticipated to be complete in 2024.
 - Sewerline Relocations and Improvements associated with the Knox County Schaad Road Hwy Improvement Project. This ongoing project includes approximately 3,000 linear feet of gravity sewer line ranging from 8 to 12-inch. Construction is ongoing and is anticipated to be complete in 2024.
- Flying J Pump Station Replacement: In April 2020, WKUD entered into an agreement with Fulghum MacIndoe and Associates to design a replacement for the existing Flying J Wastewater Pump Station. This station was identified for replacement due to capacity concerns and increased maintenance due to age. The project was broken into two phases.

Phase 1 was bid in February of 2021 and consisted of 2,430 linear feet of 12-inch diameter PVC gravity sewer, 13 manholes, and appurtenances. Charles Blalock and Sons, Inc. was awarded the contract in the amount of \$875,420.50. Construction began in April of 2021 and was completed in September of 2021.

Phase 2 consists of the installation of a new pump station, 4,700 linear feet of 10-inch force main, 48 linear feet of 16-inch DIP gravity sewer, 202 linear feet of 15-inch PVC gravity sewer, and appurtenances. This phase went to bid in August of 2021. Construction began in January of 2022 and was substantially completed in March of 2023.

Upon completion of the project, wastewater from the pump station is now treated at WKUD's Melton Hill WWTP. Previously the wastewater was sent at a cost to First Utility District's collection system.

- Gray Hendrix Rd Waterline Replacement: A section of waterline was designed and installed by District engineering and construction staff in spring of 2023.
- Corridor Place Waterline Extension: This project extends 865 linear feet of 6-inch water main through easement and allows for an older and longer water main that has a demonstrated history of breaks to be abandoned. The project was designed by District engineering staff and is being constructed in two phases by District construction staff. Phase 1 was completed in May of 2023. Phase 2 is estimated to be completed in fall of 2023 after additional easements are acquired.
- Covered Bridge Pump Station and Force Main Upgrades: This project increases the capacity of the existing station and reroutes the discharge force main away from the Hardin Valley School Pump station to the District's 30-inch force main in the general vicinity of the Hickory Creek Roundabout. This change will allow more flow both at the Covered Bridge Station and the Hardin Valley School Station. A design agreement was executed with Bennett Associates, Inc in April of 2023. The project is anticipated to go to construction in late fiscal year 2024.
- Hickory Creek Water Line: The District entered into a cost sharing agreement with a developer to install a new 12-inch water line on Hickory Creek Rd between Graybeal Rd and the development site. The developer is responsible for the design of the new water line and began this process in spring of 2023 with a third party consultant. The construction schedule is to be determined and may take several phases.
- Water Tank Inspections: Condition assessments from both internal and external inspections were completed on the District's Pellissippi and Westop steel water tanks in December of 2022. The assessments were completed by CTI Engineering using both manned entry and robotic cameras. No major findings were identified at either tank.
- Water Plant Master Meter testing: The main master meters at both water plants were tested to ensure operation within accuracy tolerances by Rye Engineering. Both meters were within acceptable ranges of accuracy.
- Flow Monitoring and Other System Rehab: The District continues to maintain a flow monitoring network to provide data on the effectiveness of the current sewer rehabilitation work and to assist in prioritizing the areas that need to be investigated and rehabilitated. The analysis of the flow monitoring data identified several areas of moderately high inflow and infiltration that the District will be investigating further.
- Hickory Creek Roundabout: 585 linear feet of 16-inch water line were relocated to accommodate the construction of a Knox County Roundabout. In addition, a steel casing pipe was installed underneath the west end of the project to accommodate a future sanitary sewer force main. This project was completed in December of 2022.
- Coward Mill Rd: This project consists of two phases of a Knox County Rd improvement project related the new elementary school on Coward Mill Rd. Phase 1 improves the road from Cherahala Blvd to the school, while Phase 2 improves the road from the school to Beaver Creek. Both phases involve the relocation of approximately 4,100 linear feet of 8-inch water main, 1,000 linear feet of 2-inch water main. Phase 1 began construction in spring of 2023 and is anticipated to be completed in summer of 2023. The Phase 2 construction schedule is yet to be determined.
- Ongoing CCTV Inspections and Pipe Repairs: WKUD continues its ongoing CCTV and flushing program to identify critical areas in need of repairs and cleaning. WKUD uses internal crews that have successfully completed the MACP, PACP, and LACP training courses established by NASSCO to conduct this work. Approximately 15-20% of the District's gravity sewer lines are inspected and cleaned annually.
- The District continues to monitor leakage and line breaks on their water distribution system and will replace segments of lines with a history of problems. Fitzgerald Rd has been identified as a potential replacement project.
- Chemical root control was applied to collection system pipe segments that had root intrusion identified during CCTV inspections. 6,493 linear feet of collection lines and associated manholes were treated in October of 2022.
- The District continues to relocate infrastructure when required due to Knox County or TDOT road projects. Marietta Church Roundabout, and the Harrell Rd/Emory Rd Intersection are such upcoming road projects.
- Review of Proposed Developments: WKUD continues to receive and review utility portions of proposed developments (commercial and residential) within their service area and evaluate the adequacy of existing water and sewer facilities to continue meeting the increasing demands on the system. The following development projects are in progress with the District:

- 2022-2023 Approved Development Completed (Currently ready to set meters):
 - LaPaloma – 4 Lots
 - Andes Trace – 172 Lots
 - Beaver Ridge Gardens – 6 Lots
 - Serenity at Everett Rd – 74 Lots
 - Castaic Ln – 4 Lots
 - Sleep Inn / Mainstay Suites – 1 Lot
 - Innovate Manufacturing, Inc. – 1 Lot
 - Amber Ridge – 61 Lots
 - Dollar General (Karns) – 1 Lot
 - Hayden Farms Phase II – 86 Lots
 - Greystone Summit Townhouses – 45 Lots
 - Icon Apartments Phase II – 124 Lots
 - Mission Hills – 26 Lots
 - Solway Road Apartments Phase II – 208 Lots
 - Vintage Knoxville West Apartments – 224 Lots
 - Hatmaker – 135 Lots
 - Dorchester – 79 Lots
 - Emory Green – 90 Lots

- Approved Developments Expected to Complete in 2023-2024:
 - Sugarloaf at Century Park – 286 Lots
 - Ironwood – 47 Lots
 - Jones Property – 3 Lots
 - 1620 Schaeffer Rd – 9 Lots
 - Pittman Estates – 102 Lots
 - Cotswold Park – 22 Lots
 - Morning Ridge – 57 Lots
 - Century Park VI – 1 Lot
 - The Village at Andes – 20 Lots
 - Henderson Rd – 31 Lots
 - The Reserve at Meadow Creek – 18 Lots
 - Andes Hill – 18 Lots
 - Ardmore at Prosperity Crossing – 290 Lots
 - Immanuel Church of Knoxville – 1 Lot
 - Sparks Meadow – 41 Lots

As demonstrated in the project descriptions above, the District has undertaken necessary projects requiring major capital investments that provide adequate water distribution and sewer collection capacity, while continuing to maintain its system by identifying and making necessary repairs. The District continually analyzes and improves its water distribution and sewer collection systems to provide water and sewer services that meet or exceed regulatory requirements.

Credit Ratings

In June 2022, the District continued to maintain its sound public finance credit rating by receiving a Standard and Poor's (S&P) credit rating of "AA+".

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awards a Certificate of Achievement for Excellence in Financial Reporting. The District received this award for the 19th consecutive year for the FYE June 30, 2022. To be awarded a Certificate of Achievement the District must publish an easily readable and efficiently organized ACFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

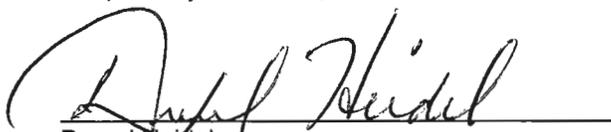
A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

The preparation of this ACFR results from the combined efforts of the staff of the Finance Department and technical assistance provided by Pugh CPAs, our external accountants. Those involved have our sincere appreciation for the individual and collective contributions made in preparation of the report. Thank you very much for your professional dedication.

Recognition and appreciation are also extended to the Board for its continued guidance of the operation of the District in a financially responsible and progressive manner.

Respectfully submitted,

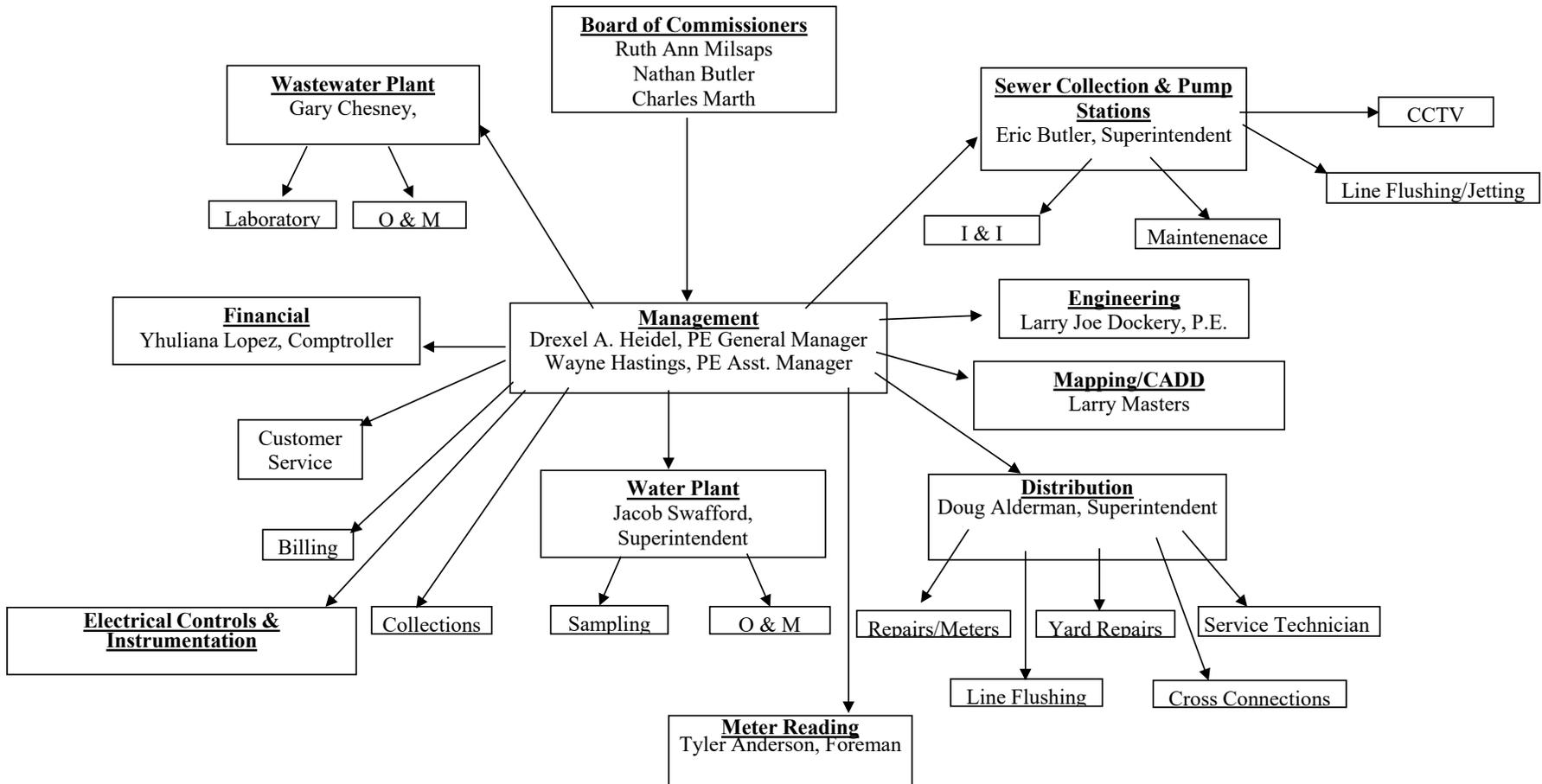


Drexel Heidel
General Manager



Yhufiana Lopez
Comptroller

**West Knox Utility District
Organizational Chart
June 30, 2023**



WEST KNOX UTILITY DISTRICT
ROSTER OF DISTRICT OFFICIALS AND OTHERS

June 30, 2023

Board of Commissioners

Expiration of Term

Ruth Ann Milsaps, President

December 31, 2024

Nathan Butler, DVM, Vice President

December 31, 2025

Charles Marth, Secretary

December 31, 2023

Management

Drexel A. Heidel, PE General Manager

Wayne Hastings, PE Assistant Manager

Yhuliana Lopez, Comptroller

General and Bond Counsel

John Owings, Attorney at Law
Owings, Wilson & Coleman
Knoxville, Tennessee

Independent Auditors

Parsons & Wright, CPAs
Kingston, Tennessee

Consulting Engineer

GRW Engineers, Inc.
Nashville, Tennessee



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**West Knox Utility District
Tennessee**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION

Joe Savage
Rebecca Hutsell

Stephen J. Parsons - Retired
Earl O. Wright - 1988 - 2002
William R. Scandlyn - 1988 - 1999

INDEPENDENT AUDITOR’S REPORT

Board of Commissioners
The West Knox Utility District of Knox County
Knoxville, Tennessee

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and fiduciary activities of West Knox Utility District of Knox County (the “District”), as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of the District, as of June 30, 2023 and 2022, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits 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 Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 misstatement, 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 the 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.

Auditor’s 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 auditor’s report that includes our opinions. 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,

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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 the 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 the 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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages xiii through xxi and the Schedules of Changes in the District's Net Pension Liability and Related Ratios, the Schedules of District's Pension Contributions, the Schedules of Investment Returns, and the Schedules of Changes in the District's Net Pension Liability and Related Ratios Based on Participation in the Public Employee Pension Plan of TCRS on pages 40 through 43, and the Schedule of Changes in OPEB Liability and Related Ratios, Schedule of OPEB Contributions, and Schedule of OPEB Investment Returns (Losses) pages 44-46 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic 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 opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplemental information, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic 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 December 15, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 the 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 the District's internal control over financial reporting and compliance.

Parsons & Wright

Parsons & Wright
Certified Public Accountants
Kingston, Tennessee

December 15, 2023

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 the 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 the 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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages xiii through xxi and the Schedules of Changes in the District's Net Pension Liability and Related Ratios, the Schedules of District's Pension Contributions, the Schedules of Investment Returns, and the Schedules of Changes in the District's Net Pension Liability and Related Ratios Based on Participation in the Public Employee Pension Plan of TCRS on pages 40 through 43, and the Schedule of Changes in OPEB Liability and Related Ratios, Schedule of OPEB Contributions, and Schedule of OPEB Investment Returns (Losses) pages 44-46 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic 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 opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplemental information, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic 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 December 15, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 the 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 the District's internal control over financial reporting and compliance.

Parsons & Wright

Parsons & Wright
Certified Public Accountants
Kingston, Tennessee

December 15, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section presents management's analysis of West Knox Utility District's (the District) financial condition and results of operations for the years ended June 30, 2023, 2022 and 2021. This information should be read in conjunction with the accompanying financial statements and the additional information we have furnished in our letter of transmittal on pages i to vii.

FINANCIAL HIGHLIGHTS

During 2023, 2022 and 2021, the District pumped 2.41, 2.27 and 2.21 billion gallons of water, which represents an increase (decrease) of 6.3%, 2.7%, (5.8)%, from the previous year. During 2023, 2022 and 2021 the District treated 1.39, 1.40 and 1.45 billion gallons of wastewater, representing an increase (decrease) of (0.8)%, (3.1)% and (8.5)%, respectively, from the previous years.

- Total assets and deferred outflows at year-end 2023, 2022 and 2021 were \$288.6, \$293.0 and \$285.5 million and exceeded liabilities and deferred inflows by \$124.4, \$120.3 and \$112.9 million. Of the total net position, \$44.7, \$44.6 and \$41.6 million was unrestricted and was available to support operations. During 2023, 2022 and 2021 net position increased by \$4.0, \$7.4 and \$4.6 million.
- Operating revenues were \$32.7, \$31.2 and \$31.1 million during 2023, 2022 and 2021, an increase of \$1.4, \$0.1 and \$1.2 million, respectively, from the previous years.
- Operating expenses before depreciation increased (decreased) by \$1,287, \$551 and \$602 thousand during 2023, 2022 and 2021, respectively.
- Operating income for 2023, 2022 and 2021 was \$6.4, \$6.5 and \$7.1 million, representing a (0.6)%, (9.7)% and (20.5)% increase (decrease) from previous years. The change in net position before capital contributions was \$1.5, \$2.0 and \$3.3 million for 2023, 2022 and 2021, respectively.
- The ratios of operating income to total operating revenues were 19.6% for 2023, 20.7% for 2022 and 23.0% for 2021.
- Debt service coverage ratio for the District's revenue bonds was 1.69 for 2023, 1.79 for 2022 and 2.28 for 2021, exceeding the 1.60 required by various bond and note covenants.
- Cash capital contributions were \$611, \$186 and \$109 thousand for 2023, 2022 and 2021. Developer contributions of facilities were \$1.9, \$5.3 and \$1.1 million for 2023, 2022 and 2021.
- In an effort to replace aging infrastructure, and to accommodate growth, the District has embarked on several water and wastewater projects. The amount of construction in progress was \$6.6, \$4.6 and \$6.1 million at year-end 2023, 2022 and 2021, respectively. The remaining contractual commitments were \$3.4, \$5.0 and \$6.6 million at June 30, 2023, 2022 and 2021, respectively.
- Customer growth in water billing units in the District increased (decreased) by 1.9%, 2.4% and 3.2% during 2023, 2022 and 2021, respectively, and have increased 20.8% over the last ten years.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

OVERVIEW OF THE ANNUAL FINANCIAL STATEMENTS

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

The proprietary fund financial statements include a statement of net position; a statement of revenues, expenses, and changes in net position; a statement of cash flows; and notes to the financial statements. The statement of net position presents the financial position of the District on the accrual basis of accounting. While the statement of net position provides information about the nature and amount of resources and obligations at year-end, the statement of revenues, expenses, and changes in net position presents the results of the business activities over the course of the fiscal year and information as to how the net position changed during the year. 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. This statement also provides certain information about the District's recovery of its costs. The District's rates are based on a cost of service rate study that is updated annually. Rate setting policies use different methods of cost recovery not fully provided for by generally accepted accounting standards. The primary objectives of the rate model are to improve equity among customer classes and to ensure that capital costs are allocated on the basis of long-term capacity needs, ensuring that growth pays for growth. The statement of cash flows presents changes in cash and cash equivalents, resulting from operational, financing, and investing activities. This statement presents cash receipts and cash disbursement information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

The pension and OPEB trust funds financial statements are used to account for the resources held in trust for the benefit of the participants in the District's single employer pension plan (the WKUD DB Plan) and the District's single employer OPEB plan. These resources are not available to support the District's operations. The accounting for the pension and OPEB trust funds is much like that used for the proprietary fund discussed above.

The notes to the financial statements provide required disclosures and other information that are essential to 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.

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

FINANCIAL ANALYSIS

The following comparative condensed proprietary fund financial statements and other selected information provides key financial data and indicators for management, monitoring, and planning.

Condensed Statements of Net Position
(In Thousands of Dollars)
As of June 30, 2023, 2022 and 2021

	<u>2023</u>	<u>2022</u>	<u>2021</u>
ASSETS AND DEFERRED OUTFLOWS			
Current Assets	\$ 51,753	\$ 53,047	\$ 50,230
Capital Assets:			
Producing - Net	227,076	231,234	226,986
Construction in Progress	6,552	4,604	6,120
Other	<u>1,076</u>	<u>1,127</u>	<u>568</u>
Total Assets	286,456	290,012	283,904
Deferred Outflows of Resources	<u>2,124</u>	<u>3,003</u>	<u>1,606</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 288,580</u>	<u>\$ 293,016</u>	<u>\$ 285,510</u>
LIABILITIES AND DEFERRED INFLOWS			
Current Liabilities	\$ 6,794	\$ 9,134	\$ 6,601
Non-Current Liabilities	<u>157,052</u>	<u>161,406</u>	<u>161,695</u>
Total Liabilities	<u>163,846</u>	<u>170,539</u>	<u>168,296</u>
Deferred Inflows of Resources	<u>384</u>	<u>2,131</u>	<u>4,314</u>
NET POSITION			
Net Investment in Capital Assets	78,943	75,008	70,727
Restricted:			
Pensions	710	733	567
Unrestricted	<u>44,697</u>	<u>44,604</u>	<u>41,605</u>
Total Net Position	<u>124,350</u>	<u>120,345</u>	<u>112,900</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u>\$ 288,580</u>	<u>\$ 293,016</u>	<u>\$ 285,510</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FINANCIAL ANALYSIS (Continued)

Condensed Statements of Revenues, Expenses, and Changes in Net Position
(In Thousands of Dollars)

For the Years Ended June 30, 2023, 2022 and 2021

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating Revenues			
Water, Net	\$ 12,289	\$ 11,301	\$ 10,748
Wastewater	18,271	16,986	16,159
Connection Fees	1,186	1,589	1,999
Low Pressure Pump Fees	77	591	1,419
Customer Forfeited Discounts	325	297	311
Service Fees	128	179	162
Wastewater Inspection Fees	11	20	24
Miscellaneous	<u>363</u>	<u>275</u>	<u>291</u>
Total Operating Revenues	<u>32,649</u>	<u>31,238</u>	<u>31,113</u>
Operating Expenses			
Water Purification and Supply	1,842	1,558	1,364
Wastewater Collection and Treatment	4,924	5,349	5,354
Water Treatment and Distribution	4,781	3,885	3,928
Capacity Management Operations			
Maintenance (CMOM)	1,557	1,365	1,142
Shop and General Maintenance	503	454	342
Customer Accounting	450	427	432
Administrative and General	3,558	3,289	3,214
Depreciation	<u>8,636</u>	<u>8,458</u>	<u>8,191</u>
Total Operating Expenses	<u>26,250</u>	<u>24,785</u>	<u>23,967</u>
Operating Income	<u>6,399</u>	<u>6,452</u>	<u>7,146</u>
Non-Operating Revenues (Expenses)			
Investment Income, Net	538	(507)	170
Interest Expense	(5,735)	(5,141)	(4,968)
Change in Fair Value of Derivative - Interest Rate Swap	270	1,193	1,000
Gain (Loss) on Sales or Disposals of Capital Assets	<u>14</u>	<u>9</u>	<u>(8)</u>
Total Non-Operating Revenues (Expenses) - Net	<u>(4,913)</u>	<u>(4,446)</u>	<u>(3,806)</u>
Increase (Decrease) in Net Position			
Before Capital Contributions	<u>1,486</u>	<u>2,007</u>	<u>3,339</u>
Capital Contributions			
Cash Contributions	611	186	109
Non-Cash	<u>1,907</u>	<u>5,253</u>	<u>1,116</u>
Total Capital Contributions	<u>2,518</u>	<u>5,438</u>	<u>1,225</u>
Change in Net Position	4,005	7,445	4,564
Net Position, Beginning of Year	<u>120,345</u>	<u>112,900</u>	<u>108,336</u>
Net Position, End of Year	\$ <u><u>124,350</u></u>	\$ <u><u>120,345</u></u>	\$ <u><u>112,900</u></u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

OTHER SELECTED INFORMATION

	<u>2023</u>		<u>2022</u>		<u>2021</u>
Employees at Year-End	90		81		84
Average Employees	86		83		83
Customers (Billing Units) at Year End:					
Water	31,820		31,225		30,489
Wastewater	26,580		26,097		25,403
Water (Millions of Gallons)					
Pumped	2,407		2,264		2,205
Sold and Consumed	1,910		1,827		1,810
Wastewater Treated (Millions of Gallons)	1,391		1,402		1,446
Per Average Employee:					
Operating Revenues	\$ 381,859		\$ 378,640		\$ 374,854
Operating Expenses	307,020		300,428		288,762
Average Realized Rates per 1,000 Gallons of Water Sold:					
Water	\$ 6.47		\$ 6.22		\$ 5.94
Wastewater	9.56		9.30		8.93
Ratio of Operating Revenues to:					
Operating Expenses	1.24		1.26		1.30
Operating Expenses - Net of Depreciation	1.85		1.91		1.97
Total Assets	0.11		0.11		0.11
Net Position	0.26		0.26		0.28
Debt Related Ratios:					
Long-Term Liabilities to Net Position	1.26		1.34		1.43
Long-Term Liabilities to Total Assets and Deferred Outflows	0.54		0.55		0.57
Operating Coverage	1.69		1.79		2.28

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

GENERAL TRENDS AND SIGNIFICANT EVENTS

PROPRIETARY FUND FINANCIAL CONDITION

Total assets and deferred outflows at year-end 2023, 2022 and 2021 were \$288.6, \$293.0 and \$285.5 million and exceeded liabilities and deferred inflows by \$124.4, \$120.3 and \$112.9 million. Of the total net position, \$44.7, \$44.6 and \$41.6 million was unrestricted and was available to support operations. During 2023, 2022 and 2021, net position increased by \$4.0, \$7.4 and \$4.6 million. During 2023, 2022 and 2021, the fair value of the District's interest rate swap increased (decreased) by \$0.3, \$1.2 and \$1.0 million.

Net accounts receivable at year-end 2023, 2022 and 2021 were \$4.1, \$3.8 and \$3.5 million, which increased (decreased) by 7.5%, 10.3% and (0.5)% than the previous years. At 2023 year-end, 94.0% of billed accounts receivable were current within 30 days. The District's provision for bad debt expense for 2023, 2022 and 2021 was \$72, \$55 and \$0 thousand. Changes in year-end net accounts receivable are impacted by the timing of customer route billings and rainfall received during June.

PROPRIETARY FUND RESULTS OF OPERATIONS

Operating Revenues

Revenues from operations fall into three broad categories: water service, wastewater service and ancillary charges. Ancillary charges include connection fees, account set up and penalty fees, and charges for miscellaneous billed services. Operating revenues were \$32.7, \$31.2 and \$31.1 million during 2023, 2022 and 2021, an increase (decrease) of \$1.4, \$0.1 and \$1.2 million, respectively from the previous years.

The average realized rate from water sales was \$6.47 per thousand gallons in 2023, \$6.22 in 2022, and \$5.94 in 2021. The average realized rate from wastewater revenues per thousand gallons of water sold was \$9.56 in 2023, \$9.30 in 2022, and \$8.93 in 2021.

Capital Contributions

The District collects water and wastewater connection fees to ensure that current customers do not bear the burden of growth. These fees are paid at the time a new customer water meter is connected to the system. In addition, the District accepts cash contributions and new water and wastewater lines that are donated by residential and commercial real estate developers.

Capital contributions during 2023, 2022 and 2021 consisted of the following:

	2023	2022	2021
Cash Capital Contributions from:			
Commercial & Residential Developers	\$ 611,045	\$ 185,837	\$ 0
Federal Grant	0	0	108,644
Noncash Capital Contributions from:			
Donated Lines from Developers	1,907,380	5,252,662	1,115,642
Total	\$ 2,518,425	\$ 5,438,499	\$ 1,224,286

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

GENERAL TRENDS AND SIGNIFICANT EVENTS (Continued)

Expenses

Operating expenses, excluding depreciation, increased (decreased) by \$1,287, \$551 and \$602 thousand in 2023, 2022 and 2021, respectively. This was a result of significant increases (decreases) in:

	2023	2022	2021
Salaries and Benefits	\$ 1,045,116	\$ 565,832	\$ 76,137
Power Purchased	71,426	152,342	7,751
Repairs and Maintenance - Vehicles & Shop	48,993	111,389	39,175
Chemicals	127,616	150,470	14,658
Legal Services	(38,575)	13,148	41
Insurance	41,398	4,831	17,146
Water Treatment Supplies	(9,149)	89,054	23,035
Treatment of Wastewater	(7,749)	(50,108)	39,271
Sludge Disposal	113,771	161,672	575
Information Technology	63,221	(49,753)	98,777
Professional Services	(11,551)	44,601	(13,572)
Repairs and Maintenance - Electrical	(24,835)	100,143	(70,286)
Low-Pressure Pumps	(749,634)	(483,742)	342,955
Other	617,296	(258,876)	26,252
Total	\$ 1,287,344	\$ 551,003	\$ 601,915

During 2023 and 2022, the District had a twelve percent increase on salaries and benefits expenses. This increase was driven by a combination of factors, growth in workforce, salaries adjustment against inflation and competitive wages to maintain the current workforce and attract new talent. The power purchase rates saw an average increase of ten percent, resulting in an increase in power purchase expenses during 2023. The pervasive price increases across the board are having a significant impact for the District. This includes parts, metals, pumps, brass, and all expenses related to maintenance and components, with costs doubling or even tripling. The chemical expenses have increased, with costs nearly doubling in comparison to the last three years, spanning the period since the onset of the COVID-19 pandemic. During 2023 the sludge disposal rates continued to increase, with a total increase of twenty two percent. This significant increase is a consistent trend impacting the District and other local utilities. The general insurance expense increased by sixteen percent in 2023. General economic inflation affected insurance premiums, as the cost of labor, materials, and property values increased. The District had a significant increase in information technology expenses. This increase was mainly related to the upgrade and acquisition of computer and network equipment in all the facilities. The decrease in Low- Pressure Pumps is due to the reclassification of the Low- Pressure Pumps inventory account. Prior to 2022 the District's purchasing and sales activities followed a more consistent timeline. However, supply chain issues and a shortage of low-pressure required the District to use a different approach to manage and record expenses and revenues related to pump inventory.

During 2022 and 2021, contributions to the District's Defined Benefit Plan increased due to reclassification and the total of plan contributions paid at fiscal year-end. Power purchased rates increased on average by nine percent, which created an increase in power purchased in 2022. The increase in sludge disposal is due to disposal rate increases, which was more than fifty percent. The District had an increase in maintenance repairs and overall automobile expenses due to increases in part prices due to market conditions and the maintenance and repairs of older vehicles. Water treatment supplies and chemical purchases were also affected by the market conditions. Chemicals for both water and wastewater treatment increased by an average of forty percent in 2022. The increase in Electrical Repairs and Maintenance is due to an increase in the cost of parts and supplies; also, increased maintenance needs at the District's plants, pump stations, and booster stations. The increase in Legal Services is due to the legal fees paid related to construction projects including research, easements, appraisals, and in-court condemnation. The largest decrease in low-pressure pump expense is due to the timing of purchasing low-pressure wastewater pump inventory. Supply chain issues and a shortage of low-pressure pumps affected the time of purchases in 2022. The District purchases these pumps in large quantities to hold in inventory for customer purchase.

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

GENERAL TRENDS AND SIGNIFICANT EVENTS (Continued)

During 2021, the District began utilizing fiber optic internet for all its facilities, resulting in an increase in information technology expense. In addition, the District acquired a system license update for its mobile workforce system in the amount of \$25,850. The increase in low-pressure pump expense is due to the District’s continued growth in sewer service. As gravity sewer is not feasible for all customers, namely those in hilly areas, low-pressure sewer (EONE) systems are utilized to pump sewer to areas where gravity sewer is in place.

PROPRIETARY FUND CAPITAL ASSETS

The District is continuing its water and wastewater line replacement, relocation, and extension program. The reasons for these replacements are aging infrastructure that has reached or exceeded its useful life, upgrades to accommodate growth, and relocation of water and sewer lines due to state and county road projects.

During 2023, 2022 and 2021, the District increased its capital assets before depreciation by \$6.4, \$11.1, and \$8.1 million, respectively. This increase is due to the following:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Water Line Extensions and Improvements	\$ 1,337,869	\$ 3,046,347	\$ 558,968
Water Plant Upgrades	428,491	336,105	257,958
Wastewater Lines	940,816	8,347,301	6,505,319
Wastewater Plant Improvements	463,708	393,016	49,469,476
Office, Vehicles and Equipment	1,115,729	589,792	697,926
Land and Easements	190,949	18,726	3,579,036
Disposals	0	(93,016)	(74,960)
	<u>4,477,562</u>	<u>12,638,271</u>	<u>60,993,723</u>
Construction in Progress - Net	<u>1,947,208</u>	<u>(1,515,351)</u>	<u>(52,881,005)</u>
Total	<u>\$ 6,424,770</u>	<u>\$ 11,122,920</u>	<u>\$ 8,112,718</u>

During 2023 and 2022, multiple capital projects were in progress or completed, including Flying J Phase 2 Pump Station and Sewer Line Replacement; Gray Hendrix Water Line Replacement; Hickory Creek Roundabout Water Line Relocation; Coward Mill Water and Sewer Line Relocations; and Schaad Road Water and Sewer Line Improvements.

During 2022 and 2021 several capital projects were completed. These included Flying J Phase 1, Plumb Creek Trunk Sewer Line Replacement, Cherahala Sewer Line Relocation, and Beaver Creek Interceptor Sewer Line Replacement.

Depreciation expense of the District’s system increased (decreased) by \$178, \$267 and \$2,434 thousand in 2023, 2022 and 2021, respectively.

The District’s capital asset activity for 2023 and 2022 is described in Notes 4 and 5 to the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

GENERAL TRENDS AND SIGNIFICANT EVENTS (Continued)

PROPRIETARY FUND DEBT

At year-end 2023, 2022 and 2021, the District had \$155.2, \$158.9 and \$162.0 million in long and short-term debt, an increase (decrease) of \$(3.6), \$(3.1) and \$(2.6) million. During 2023, 2022 and 2021, the District paid principal of \$3.4, \$3.4 and \$2.5 million, respectively.

The long-term debt to total asset and deferred outflows ratio was 0.54, 0.54, and 0.57 in 2023, 2022 and 2021 respectively.

More detailed information about the District's long-term debt is described in Notes 6 and 7 to the financial statements.

ECONOMIC FACTORS AND FISCAL YEAR 2024

The District's operating budget for FY 2024 has projected revenues of \$34.3 million and expenses of \$32.5, with an estimated increase of \$1.8 million in net position. The District does not anticipate issuing any further revenue bonds to provide for the financing of capital projects.

CONTACTING THE DISTRICT

This annual comprehensive financial report is designed to provide our customers, creditors and regulatory agencies with a general overview of the District's finances. If you have any questions about this report or need additional information, you may contact the District at:

Drexel Heidel, General Manager
West Knox Utility District
2328 Lovell Road
Knoxville, TN 37932
865-690-2521
www.wkud.com

WEST KNOX UTILITY DISTRICT
PROPRIETARY FUND STATEMENTS OF NET POSITION

	As of June 30,	<u>2023</u>	<u>2022</u>
ASSETS AND DEFERRED OUTFLOWS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$	21,062,537	\$ 22,586,358
Cash and Cash Equivalents - Restricted		0	67,078
Investments, at Fair Value		26,451,548	26,088,361
Accounts Receivable - (Net of Allowance for Uncollectible Accounts of \$0 for 2023 and 2022)		4,137,563	3,848,788
Inventory - Materials		9,837	377,454
Prepaid Expenses		<u>91,109</u>	<u>79,062</u>
Total Current Assets		<u>51,752,594</u>	<u>53,047,101</u>
NON-CURRENT ASSETS			
Capital Assets - Net		<u>233,627,242</u>	<u>235,838,295</u>
Other Assets			
Net Pension Asset - TCRS Pension Plan		709,808	733,173
Debt Issuance Costs		365,431	393,058
Other Deposits		<u>560</u>	<u>560</u>
Total Other Assets		<u>1,075,799</u>	<u>1,126,791</u>
Total Non-Current Assets		<u>234,703,041</u>	<u>236,965,086</u>
TOTAL ASSETS		<u>286,455,635</u>	<u>290,012,187</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension Plans		1,864,709	2,699,754
Other Postemployment Benefits		42,028	54,447
Deferred Bond Refunding Loss		<u>217,510</u>	<u>249,128</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES		<u>2,124,247</u>	<u>3,003,329</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$	<u><u>288,579,882</u></u>	\$ <u><u>293,015,516</u></u>

The accompanying notes are an integral part of these financial statements.

WEST KNOX UTILITY DISTRICT
PROPRIETARY FUND STATEMENTS OF NET POSITION (Continued)

	As of June 30, <u>2023</u>	<u>2022</u>
LIABILITIES, DEFERRED INFLOWS AND NET POSITION		
CURRENT LIABILITIES		
Accounts Payable	\$ 1,132,064	\$ 1,143,670
Accounts and Retainage Payable - Construction	24,816	2,612,696
Payroll and Related Liabilities	549,224	459,896
Other Accrued Liabilities	1,019,853	929,596
Accrued Revenue Bond Interest Payable	363,503	552,711
Revenue Bonds - Current Portion	<u>3,705,000</u>	<u>3,435,000</u>
Total Current Liabilities	<u>6,794,460</u>	<u>9,133,569</u>
NON-CURRENT LIABILITIES		
Revenue Bonds - Net of Current Portion	151,537,152	155,491,843
Net Pension Liability - Defined Benefit Plan	5,393,566	5,702,147
Net Other Postemployment Benefits (OPEB) Liability	<u>121,314</u>	<u>211,908</u>
Total Non-Current Liabilities	<u>157,052,032</u>	<u>161,405,898</u>
TOTAL LIABILITIES	<u>163,846,492</u>	<u>170,539,467</u>
DEFERRED INFLOWS OF RESOURCES		
Derivative Instrument - Interest Rate Swap	0	1,650,092
Pension Plans	337,884	447,405
Other Postemployment Benefits	<u>45,719</u>	<u>33,340</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>383,603</u>	<u>2,130,837</u>
NET POSITION		
Net Investment in Capital Assets	78,943,215	75,008,020
Restricted:		
Pensions	709,808	733,173
Unrestricted	<u>44,696,764</u>	<u>44,604,019</u>
TOTAL NET POSITION	<u>124,349,787</u>	<u>120,345,212</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u>\$ 288,579,882</u>	<u>\$ 293,015,516</u>

The accompanying notes are an integral part of these financial statements.

WEST KNOX UTILITY DISTRICT
PROPRIETARY FUND STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION

	For the Years Ended June 30,	<u>2023</u>	<u>2022</u>
OPERATING REVENUES			
Water, Net	\$	12,288,730	\$ 11,300,941
Wastewater		18,270,556	16,985,622
Connection Fees		1,186,351	1,588,684
Low Pressure Pump Fees		77,097	591,000
Customer Forfeited Discounts		324,845	297,445
Service Fees		127,666	179,070
Wastewater Inspection Fees		10,925	20,375
Miscellaneous		362,739	274,634
Total Operating Revenues		<u>32,648,909</u>	<u>31,237,771</u>
OPERATING EXPENSES			
Water Purification and Supply		1,842,004	1,558,296
Wastewater Collection and Treatment		4,924,109	5,349,306
Water Treatment and Distribution		4,781,387	3,885,100
Wastewater Capacity Management Operations			
Maintenance (CMOM)		1,556,725	1,364,990
Shop and General Maintenance		502,507	453,514
Customer Accounting		449,788	426,850
Administrative and General		3,557,871	3,288,992
Depreciation - Water System		2,584,774	2,512,457
Depreciation - Wastewater System		5,549,377	5,505,522
Depreciation - Other		501,672	440,274
Total Operating Expenses		<u>26,250,214</u>	<u>24,785,301</u>
OPERATING INCOME		<u>6,398,695</u>	<u>6,452,470</u>

The accompanying notes are an integral part of these financial statements.

WEST KNOX UTILITY DISTRICT
PROPRIETARY FUND STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION (Continued)

For the Years Ended June 30,	<u>2023</u>	<u>2022</u>
NON-OPERATING REVENUES (EXPENSES)		
Investment Income, Net	537,554	(507,170)
Interest Expense	(5,734,643)	(5,140,744)
Change in Fair Value of Derivative Instrument - Interest Rate Swap	270,240	1,192,911
Gain (Loss) on Sales or Disposals of Capital Assets	<u>14,304</u>	<u>9,493</u>
Total Non-Operating Revenues (Expenses), Net	<u>(4,912,545)</u>	<u>(4,445,510)</u>
INCREASE (DECREASE) IN NET POSITION BEFORE CAPITAL CONTRIBUTIONS	<u>1,486,150</u>	<u>2,006,960</u>
CAPITAL CONTRIBUTIONS		
Cash Contributions	611,045	185,837
Developers Contributions of Capital Assets	<u>1,907,380</u>	<u>5,252,662</u>
Total Capital Contributions	<u>2,518,425</u>	<u>5,438,499</u>
CHANGE IN NET POSITION	<u>4,004,575</u>	<u>7,445,459</u>
NET POSITION, BEGINNING OF YEAR	<u>120,345,212</u>	<u>112,899,753</u>
NET POSITION, END OF YEAR	<u>\$ 124,349,787</u>	<u>\$ 120,345,212</u>

The accompanying notes are an integral part of these financial statements.

WEST KNOX UTILITY DISTRICT
PROPRIETARY FUND STATEMENTS OF CASH FLOWS

	For the Years Ended June 30,	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers and Users	\$	32,450,391	\$ 31,083,165
Payments to Employees		(8,136,817)	(7,320,724)
Payments to Suppliers		<u>(8,669,770)</u>	<u>(8,614,506)</u>
Net Cash Provided by (Used in) Operating Activities		<u>15,643,804</u>	<u>15,147,935</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Cash Capital Contributed by Developers		611,045	185,837
Acquisition and Construction of Capital Assets		(7,105,270)	(4,287,600)
Proceeds from Sales of Capital Assets		14,304	35,047
Interest Paid on Bonds Payable		(6,114,297)	(5,067,110)
Principal Paid on Bonds Payable		(3,435,000)	(3,435,000)
Termination of Interest Rate Swap		<u>(1,379,852)</u>	<u>0</u>
Net Cash Provided by (Used in) Capital and Related Financing Activities		<u>(17,409,070)</u>	<u>(12,568,826)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Income Received		460,775	143,831
Purchases of Investments		(13,522,696)	(13,412,053)
Proceeds from Sales and Maturities of Investments		<u>13,236,288</u>	<u>13,248,000</u>
Net Cash Provided by (Used in) Investing Activities		<u>174,367</u>	<u>(20,222)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(1,590,899)	2,558,887
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		<u>22,653,436</u>	<u>20,094,549</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	\$	<u>21,062,537</u>	\$ <u>22,653,436</u>
Cash and Cash Equivalents at End of Year Consist of:			
Unrestricted Cash and Cash Equivalents	\$	21,062,537	\$ 22,586,358
Restricted Cash and Cash Equivalents		<u>0</u>	<u>67,078</u>
Total	\$	<u>21,062,537</u>	\$ <u>22,653,436</u>

The accompanying notes are an integral part of these financial statements.

WEST KNOX UTILITY DISTRICT
PROPRIETARY FUND STATEMENTS OF CASH FLOWS (Continued)

	For the Years Ended June 30,	<u>2023</u>	<u>2022</u>
RECONCILIATION OF OPERATING INCOME TO			
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Operating Income	\$	6,398,695	\$ 6,452,470
Adjustments to Reconcile Operating Income			
to Net Cash Provided by (Used in) Operating Activities:			
Depreciation		8,635,823	8,458,253
Bad Debt Expense		72,084	55,400
Changes in:			
Accounts Receivable		(360,859)	(413,597)
Other Current Assets		355,570	(386,492)
Accounts Payable		(11,606)	534,190
Payroll and Related Liabilities		89,328	(1,761)
Other Accrued Liabilities		90,257	203,591
Net Pension Asset and Liability		(285,216)	2,610,124
Other Postemployment Benefits (OPEB) Liability		(90,594)	(9,028)
Deferred Outflows and Inflows for Pension Plans		725,524	(2,380,138)
Deferred Outflows and Inflows for OPEB		24,798	24,923
		<u>15,643,804</u>	<u>15,147,935</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
	\$	<u>15,643,804</u>	\$ <u>15,147,935</u>
Noncash Investing, Capital and Financing Activities:			
Gain (Loss) on Investments	\$	76,779	\$ (651,001)
Gain (Loss) on Sales or Disposals of Capital Assets		14,304	9,493
Net Amortization (Accretion) of Bond Premiums and Discounts		249,691	107,802
Deferred Amount on Refunding of Bonds		0	65,232
Amortization of Deferred Cost of Defeased Bonds		(31,618)	(32,728)
Debt Issuance Costs		0	421,078
Amortization of Debt Issuance Costs		(27,627)	(28,020)
Developers Contributions of Capital Assets		1,907,380	5,252,662
Change in Fair Value of Derivative Instrument - Interest Rate Swap		270,240	1,192,911
Bonds Issued to Refund Previously Issued Debt		0	26,723,846

The accompanying notes are an integral part of these financial statements.

WEST KNOX UTILITY DISTRICT

STATEMENTS OF FIDUCIARY NET POSITION – PENSION AND OPEB TRUST FUNDS

	As of June 30,	2023	2022
ASSETS			
Investments, at Fair Value			
Cash and Cash Equivalents	\$	158,697	\$ 109,476
Mutual Funds:			
Domestic Equity		3,961,746	3,464,991
International Equity		2,835,609	2,711,963
Fixed Income		3,019,322	2,925,776
Real Estate		560,601	513,851
Market Neutral & Alternative		<u>658,262</u>	<u>640,398</u>
Total Investments		<u>11,194,237</u>	<u>10,366,455</u>
TOTAL ASSETS	\$	<u>11,194,237</u>	\$ <u>10,366,455</u>
LIABILITIES AND NET POSITION			
LIABILITIES			
Accounts Payable	\$	<u>0</u>	\$ <u>0</u>
NET POSITION			
Restricted for Pension & OPEB		<u>11,194,237</u>	<u>10,366,455</u>
TOTAL LIABILITIES AND NET POSITION	\$	<u>11,194,237</u>	\$ <u>10,366,455</u>

The accompanying notes are an integral part of these financial statements.

WEST KNOX UTILITY DISTRICT

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION - PENSION AND OPEB TRUST FUNDS

	For the Years Ended June 30,	
	<u>2023</u>	<u>2022</u>
ADDITIONS		
Employer Contributions	\$ 668,000	\$ 648,000
Net Investment Earnings (Loss)	<u>890,658</u>	<u>(1,755,632)</u>
Total Additions	<u>1,558,658</u>	<u>(1,107,632)</u>
DEDUCTIONS		
Benefit Payments:		
Annuity Payments	413,505	406,360
Lump Sum Payments	318,019	0
Administrative Expenses	<u>(648)</u>	<u>0</u>
Total Deductions	<u>730,876</u>	<u>406,360</u>
CHANGE IN NET POSITION	827,782	(1,513,992)
TOTAL NET POSITION RESTRICTED FOR PENSION & OPEB, BEGINNING OF YEAR	<u>10,366,455</u>	<u>11,880,447</u>
TOTAL NET POSITION RESTRICTED FOR PENSION & OPEB, END OF YEAR	<u>\$ 11,194,237</u>	<u>\$ 10,366,455</u>

The accompanying notes are an integral part of these financial statements.

WEST KNOX UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

West Knox Utility District (WKUD or the District) was established on October 18, 1954 under the authority of Title 7, Chapter 82 of the 1937 Utility District Law of the State of Tennessee.

The WKUD Board of Commissioners are appointed by the Knox County Mayor for a term of four years. Knox County does not have any fiscal or budgetary control over WKUD. The operations of WKUD are funded by water and wastewater rates established by the Board of Commissioners.

Basis of Accounting and Presentation - The District's financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

All operating activities (other than fiduciary fund activities related to the defined benefit pension and other postretirement benefits plans) of the District are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The District makes a distinction between operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with its principal ongoing operations. The principal operating revenues of the District are water and wastewater charges to customers. Operating expenses consist of salaries, benefits, utilities, operating contracts for maintenance, insurance, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net position. Net position (i.e., total assets plus deferred outflows, net of total liabilities plus deferred inflows) are segregated into net investment in capital assets; restricted for capital assets activity and debt service; and unrestricted components.

The fiduciary funds are used to account for resources held in trust for the benefit of participants in the District's pension and OPEB plans. These resources are not included in the District's proprietary fund financial statements because they are not available to support the operations of the District. The accounting used for the fiduciary funds are essentially the same as that used for the proprietary fund, using the same measurement focus and basis of accounting. The WKUD Board of Commissioners provides fiduciary responsibility for the administration and investment of the plans reported as the pension trust fund and OPEB trust fund.

Budgeting - The District adopts flexible annual operating and capital budgets. Budgets are adopted on a basis consistent with generally accepted accounting principles. The current operating budget details the District's plans to earn and expend funds for charges incurred for operation, maintenance, certain interest and general functions, and other charges for the fiscal year. The capital budget details the plan to receive and expend cash basis capital contributions, grants, borrowings and certain revenues for capital projects. The District's budgets are not legally binding. During the year, management is authorized to transfer budgeted amounts between line items within the District's departments.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash Equivalents, Deposits and Investments - Cash and cash equivalents, for purposes of the statement of cash flows, include restricted and unrestricted cash on hand or on deposit, certificates of deposit, and debt security investments with a maturity at purchase of three months or less.

Investments are reported at their estimated fair value (see Note 3). Realized gains and (losses) from the sale of investments are calculated separately from the change in the fair value. Realized gains or (losses) in the current period include unrealized amounts from prior periods. Purchases and sales of securities are recorded on the trade-date basis. Interest income is recorded on the accrual basis.

Investments - Fiduciary Funds - The pension and OPEB trust funds' investments are stated at their estimated fair value (see Note 3). Investment income includes realized gains (losses) from the sale of investments, unrealized gains (losses) in the change in market values, and interest and dividend income earned during the year. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date.

Restricted Assets - Restricted assets represent cash and investments maintained in accordance with bond resolutions, loan agreements, grant awards, and other resolutions and formal actions of the District or by agreement for the purpose of funding certain debt service payments, depreciation and contingency activities, and improvements and extensions to the system. Restricted assets are generally not available for current operating expenses.

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.

Receivables, Revenues and Unbilled Revenues - Revenues are billed monthly to customers on a cyclical meter reading basis. Recognition has been given to unbilled revenue in the financial statements.

Accounts receivable are stated at the amount management expects to collect from outstanding balances. The District provides for estimated uncollectible receivables through a reduction of gross water revenues and a credit to an allowance based on its assessment of the current status of individual accounts and historical write-off experience. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Operating revenues consist of water and wastewater revenues net of allowance for uncollectibles, and forfeited discounts, inspection fees and various service fees. Connection (tap) fees are recorded as revenue to the extent of expenses incurred in connecting a customer to the system. Connection fees in excess of costs, if any, are recorded as cash capital contributions.

Non-operating revenue consists of investment income. Investment income is interest earned, the accretion of interest on zero coupon debt instruments and the change in the fair value of investment securities.

Expenses - Operating expenses consist of the cost of water and wastewater collection, treatment, storage and distribution. Other operating expenses include customer billing, collections, administrative and general and depreciation of capital assets.

Non-operating expenses consist of interest on long-term liabilities, and the loss on the disposal or impairment of capital assets.

Inventories - Material and supply inventories are stated at cost using the first-in, first-out method. Incidental supplies and chemicals are not included in inventory.

Debt Issuance Costs - In accordance with regulatory accounting, the District records debt issuance costs as a noncurrent asset. Amortization of these amounts is recorded over the life of the applicable debt as amortization expense.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets - Property, plant and equipment in service and construction in progress are recorded at cost if purchased or constructed. Assets acquired through contributions from developers or other customers are capitalized at their estimated acquisition value, if available, or at engineers' estimated acquisition value or cost to construct at the date of the contribution. Utility systems acquired from other governmental service providers are recorded at the purchase price, limited to acquisition value.

Maintenance and repairs that do not significantly extend the value or life of property, plant, or equipment are expensed as incurred. The District defines capital assets as an asset with an initial individual cost, or a project with a cumulative cost, of more than \$5,000 and an estimated useful life in excess of one year.

Assets are depreciated on the straight-line method. Depreciation is calculated using the following estimated useful lives:

	<u>Years</u>
Source of Supply Equipment	15-50
Water Treatment Plant	40-50
Wastewater Treatment Plant	40-50
Transmission and Distribution Systems	40-50
Equipment	5-20
Structures and Improvements	10-50
Office Furniture, Equipment and Vehicles	5-20

Long-Term Obligations and Costs - Long-term obligations are reported at face value, net of applicable premiums and discounts. Premiums and discounts, and gains or losses on advance refundings and defeasances are deferred and amortized over the life of the related bonds.

Compensation for Future Absences - Accumulated vacation eligible to be paid to employees at termination is recorded as an expense and liability as the benefits are earned.

Pension Plans - For purposes of measuring the District's net pension liability, pension expense, deferred outflow of resources and deferred inflows of resources related to the single-employer pension plan, management determines these amounts using the same basis as they are reported in the pension trust fund financial statements. Benefit payments are recognized by the Plan when due and payable in accordance with the benefit terms and the Plan reports its investments at estimated fair value. The Plan's financial statements are presented in the accompanying financial statements as a pension trust fund.

For purposes of measuring the net pension asset, deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from the District's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

Contributions - Contributions are recognized in the statement of revenues, expenses, and changes in net position when earned. Contributions include developer contributed utility systems, capacity and other supplemental support by other utilities and industrial customers and federal, state and local grants in support of system improvements.

Presentation of Certain Taxes - The District collects various taxes from customers and remits these amounts to applicable taxing authorities. The District's accounting policy is to exclude these taxes from revenues and cost of operations.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources - In addition to assets, the statements of net position report a separate section for deferred outflows of resources, which represent a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. In addition to liabilities, the statements of net position report a separate section for deferred inflows of resources which represent an acquisition of net assets that applies to future periods and so will not be realized as an inflow of resources (revenue) until then.

Net Position - Proprietary Fund - Net position comprises the various net earnings from operating and non-operating revenues, expenses, and contributions of capital. Net position is classified in the following three components: net investment in capital assets; restricted for capital assets activity, debt service, and pensions; and unrestricted net position. Net investment in capital assets consists of all capital assets, net of accumulated depreciation and deferred outflows of resources and deferred inflows of resources and is reduced by outstanding debt that is attributable to the acquisition, construction, and improvement of those assets; debt or deferred inflow of resources attributable to unspent proceeds or other restricted cash and investments are excluded from the determination. Restricted for capital assets activity, debt service and pensions consist of net positions for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations, and enabling legislation, including self-imposed legal mandates. The net position restricted for pensions is restricted due to state statutes, and the plan assets which are in trust, are to be used only for the benefit of retirees and beneficiaries and are protected from the District's creditors. The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

Net Position - Fiduciary Funds - Net fiduciary position consists of results from net investment income (loss), employer contributions, benefits paid, and administrative expenses of the District's defined benefit pension and OPEB plans (pension and OPEB trust funds). Fiduciary net position is classified as follows: restricted for pension and OPEB.

Net Position Flow Assumption - Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted resources are available for use, it is the District's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statement of net position and reported amounts of revenues and expenses during the reporting period. Estimates are used to determine depreciation expense, the allowance for doubtful accounts and certain claims and judgment liabilities, among other amounts. Actual results may differ from those estimates.

Recent Accounting Pronouncements

GASB Statement No. 96 - During the fiscal year ended June 30, 2023, the District implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. It (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The Statement's effect on the financial statements was insignificant.

Reclassifications - Certain items in the 2022 financial statements may have been reclassified to conform to the 2023 financial statements.

Evaluation of Subsequent Events - Management has evaluated subsequent events through December 15, 2023, which is the date the financial statements were available to be issued, and has determined that there are no subsequent events that require disclosure.

NOTE 2 - DEPOSITS AND INVESTMENTS

At June 30, 2023 and 2022, the District had the following deposits and investments:

	Proprietary Fund				Fiduciary Funds			
	2023		2022		2023		2022	
	Fair Value	Weighted Average Maturity (Years)	Fair Value	Weighted Average Maturity (Years)	Fair Value	Weighted Average Maturity (Years)	Fair Value	Weighted Average Maturity (Years)
Deposits:								
Demand Deposits	\$ 21,062,537	N/A	\$ 22,653,436	N/A	\$ 0	N/A	\$ 0	N/A
Investments:								
Federal Agency Debt Securities	5,108,346	1.3	4,897,470	0.8	0	N/A	0	N/A
U.S. Treasuries	13,368,277	0.7	17,748,279	1.2	0	N/A	0	N/A
Cash & Cash Equivalents	103,235	N/A	6,160	N/A	158,697	N/A	109,476	N/A
Certificates of Deposit	7,871,690	1.3	3,436,452	1.6	0	N/A	0	N/A
Mutual Funds	0	N/A	0	N/A	11,035,540	N/A	10,256,979	N/A
Total Investments	26,451,548		26,088,361		11,194,237		10,366,455	
Total	\$ 47,514,085		\$ 48,741,797		\$ 11,194,237		\$ 10,366,455	

A summary of the deposits and investments on the proprietary fund balance sheets at June 30, 2023 and 2022 is as follows:

	2023	2022
Current Assets:		
Cash and Cash Equivalents	\$ 21,062,537	\$ 22,586,358
Cash and Cash Equivalents - Restricted	0	67,078
Investments, at Fair Value	26,451,548	26,088,361
Total	\$ 47,514,085	\$ 48,741,797

As of June 30, 2023 and 2022, the District's investments were in the following:

	Proprietary Fund		Fiduciary Funds	
	2023	2022	2023	2022
Certificates of Deposits	29.8%	13.2%	0.0%	0.0%
Cash & Cash Equivalents	0.39%	0.0%	1.4%	1.1%
Federal Agency Securities	19.3%	18.8%	0.0%	0.0%
U.S. Treasuries	50.5%	68.0%	0.0%	0.0%
Mutual Funds	0.0%	0.0%	98.6%	98.9%
Total	100.0%	100.0%	100.0%	100.0%

Deposits - Custodial Credit Risk

Tennessee Code Annotated (TCA) Section 7-82-108 and bond covenants restrict the types of depositories available to the District. The District is limited to demand or certificates of deposits with state or national chartered banks, or credit unions located in the United States. The District's deposits, with a carrying amount of \$21,062,537 and \$22,653,436 at June 30, 2023 and 2022, respectively, were covered by FDIC insurance, government securities, or the bank collateral pool administered by the Treasurer of the State of Tennessee. The bank may use one of three different pledged security levels (90%, 100% or 105%) depending on the specific bank holding the deposit. Participating banks determine the aggregate balance of their public fund accounts for the District. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the State Treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are insured and classified as Category 1, under GASB Statement No. 40, for purposes of custodial credit risk disclosure.

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

Investments, at Fair Value

The District's proprietary fund investments at June 30, 2023 and 2022, with a carrying amount of \$26,451,548 and \$26,088,361, respectively, are in U.S. government and federal agency debt securities, state and municipal bonds, and certificates of deposit which are registered in the District's name. The carrying value of investments is presented at fair value.

Investment Income, Net

Investment income, net, for the proprietary fund for 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
Interest Income	\$ 460,775	\$ 143,831
Realized and Unrealized Gains (Losses) - Net	<u>76,779</u>	<u>(651,001)</u>
Total Net Investment Income	<u>\$ 537,554</u>	<u>\$ (507,170)</u>

Investment Policies - Proprietary Fund

State statute (T.C.A. § 7-82-108) authorizes the District to invest in obligations of the federal government, federal agency securities, State of Tennessee, state local government investment pool (SLGIP), state and municipal bonds, certificates of deposit and other time deposits and repurchase agreements. The District may also invest in collateralized certificates of deposit or repurchase agreements by banks pledging specific debt securities or those which participate in the state collateral pool.

Custodial Credit Risk: The District's investment policy requires that investment securities be registered in the name of West Knox Utility District.

Credit Risk: The District's investment policy and state law limits investments in non-federal obligations to issuers that are rated in the two highest rating categories by a nationally recognized rating agency of such obligations. Ratings were obtained from either Moody's or Standard & Poor's.

At June 30, 2023 and 2022, the District's investments in marketable debt securities were rated as follows:

	<u>2023</u>		<u>2022</u>	
	<u>Fair Value</u>	<u>Moody's</u>	<u>Fair Value</u>	<u>Moody's</u>
Federal Agency Debt Securities	\$ 5,108,346	Aaa	\$ 4,897,470	Aaa
U.S. Treasuries	<u>13,368,277</u>	N/A	<u>17,748,279</u>	N/A
Total	<u>\$ 18,476,623</u>		<u>\$ 22,645,749</u>	

Interest Rate Risk: The District's Investment Policy limits its holdings to obligations having a final maturity on the date of investment of not to exceed forty-eight (48) months, or which may be tendered by the holder to the issuer thereof, or an agent of the issuer, at not less than forty-eight (48) month intervals. Investments are made based upon prevailing market conditions with the intent to hold the instrument until maturity. If the performance of the portfolio can be improved upon by the sale of an investment prior to maturity, the policy allows for the implementation of this strategy.

Investment Policies - Fiduciary Funds

See Note 8-A for information concerning the investment policies for the West Knox Utility District Defined Benefit Plan. See Note 9 for information concerning the investment policies for the District's postretirement medical insurance plan.

NOTE 3 - FAIR VALUE OF INVESTMENTS

GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are described below:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

Investments whose values are based upon quoted market prices in active markets, and are therefore classified within Level 1, primarily include certain U.S. Government Obligations, federal agency debt securities and mutual funds. These investments are traded daily in public markets in the United States and other foreign countries. The fair value of these investments is based on the last reported sales price on the last day of the fiscal year.

Investments that trade in markets that are not considered to be actively traded on a daily basis, but are valued based on quoted market prices, dealer and broker quotations, bid prices, or alternative pricing sources using observable inputs, are classified within Level 2. These include certain federal agency debt securities, interest rate swaps and state and municipal bonds.

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently or not at all. Level 3 investments include private equity funds, real estate investments, limited partnerships, certain mortgage and asset backed and common and collective trust funds that are primarily invested in real estate. The fair value of these investments is determined by estimates provided by independent pricing sources in asset classes, non-binding bid prices from industry vendors and managers, and the net asset value on the last day of the fiscal year. During 2023 and 2022, the District did not have any Level 3 investments.

The District and its Pension Trust Funds have the following recurring fair value measurements as of June 30, 2023 and 2022:

Debt Securities - This category includes U.S. Treasuries, Federal Agency Debt and State and Municipal bonds. Values are based on actively traded individual debt securities at the quoted market prices for identical assets in active markets. For non-actively traded individual debt securities are valued using pricing models that maximize the use of observable inputs for similar securities which includes the yield currently available on comparable securities of issuers with similar maturities and credit ratings. Debt securities are classified as a Level 1 or 2 in the fair value hierarchy.

Mutual Funds - Valued at the daily closing price as reported by the fund. Mutual funds held by the District's Pension Trust Fund are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission (SEC). These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Pension Trust Funds are deemed to be actively traded and are classified as a Level 1 in the fair value hierarchy.

Derivative Liabilities - Interest Rate Swap - Valued based on the interest rate swap agreement's valuation models and assumptions and available market data, some of which may be internally developed. The fair value model calculates future cash flows by projecting forward rates, and then discounts those cash flows at their present value. Interest rate swaps are classified as Level 2 in the fair value hierarchy.

NOTE 3 - FAIR VALUE OF INVESTMENTS (Continued)

The following table summarizes the assets and liabilities of the Proprietary and Pension and OPEB Trust Funds for which fair values are determined on a recurring basis as of June 30, 2023 and 2022:

	Fair Value Measurements Using			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
June 30, 2023				
Investments				
Proprietary Fund				
Federal Agency Debt Securities	\$ 0	\$ 5,108,346	\$ 0	\$ 5,108,346
U.S. Treasuries	13,368,277	0	0	13,368,277
Total Proprietary Fund	13,368,277	5,108,346	0	18,476,623
Pension and OPEB Trust Funds				
Mutual Funds	11,035,540	0	0	11,035,540
Total Investments, at Fair Value	<u>\$ 24,403,817</u>	<u>\$ 5,108,346</u>	<u>\$ 0</u>	<u>\$ 29,512,163</u>
June 30, 2022				
Investments				
Proprietary Fund				
Federal Agency Debt Securities	\$ 0	\$ 4,897,470	\$ 0	\$ 4,897,470
U.S. Treasuries	17,748,279	0	0	17,748,279
Total Proprietary Fund	17,748,279	4,897,470	0	22,645,749
Pension and OPEB Trust Funds				
Mutual Funds	10,256,979	0	0	10,256,979
Total Investments, at Fair Value	<u>\$ 28,005,258</u>	<u>\$ 4,897,470</u>	<u>\$ 0</u>	<u>\$ 32,902,728</u>
Derivative Liability				
Proprietary Fund				
Derivative Liability - Interest Rate Swap	<u>\$ 0</u>	<u>\$ 1,650,092</u>	<u>\$ 0</u>	<u>\$ 1,650,092</u>

For the fiscal years 2023 and 2022, there were no significant transfers in or out of Levels 1, 2, or 3. There have been no changes in the methodologies used for fiscal years 2023 and 2022.

NOTE 4 - CAPITAL ASSETS

A summary of capital asset activity and changes in accumulated depreciation for the year ended June 30, 2023 is as follows:

	Balance 07/01/22	Additions	Deletions Retirements Transfers	Balance 06/30/23
Capital Assets Not Being Depreciated				
Water System:				
Land and Easements	\$ 408,587	\$ 0	\$ 0	\$ 408,587
Construction in Progress	134,721	413,257	(447,850)	100,128
Wastewater System:				
Land and Easements	4,219,546	190,949	0	4,410,495
Construction in Progress	4,469,710	2,120,011	(138,210)	6,451,511
Office Property and Equipment:				
Land and Easements	244,189	0	0	244,189
Construction in Progress	0	144,283	(144,283)	0
Total Capital Assets Not Being Depreciated	<u>9,476,753</u>	<u>2,868,500</u>	<u>(730,343)</u>	<u>11,614,910</u>
Capital Assets Being Depreciated				
Water System:				
Mains, Lines and Equipment	69,892,529	1,337,869	0	71,230,398
Treatment Facilities	37,380,933	428,491	0	37,809,424
Wastewater System:				
Collection Lines and Equipment	128,431,941	940,816	0	129,372,757
Treatment Facilities	83,562,330	463,708	0	84,026,038
General & Office Property and Equipment	8,942,057	1,115,729	0	10,057,786
Total Capital Assets Being Depreciated	<u>328,209,790</u>	<u>4,286,613</u>	<u>0</u>	<u>332,496,403</u>
Less Accumulated Depreciation				
Water System:				
Mains, Lines and Equipment	(30,089,606)	(1,636,020)	0	(31,725,626)
Treatment Facilities	(15,089,374)	(948,754)	0	(16,038,128)
Wastewater System:				
Collection Lines and Equipment	(35,607,626)	(3,049,285)	0	(38,656,911)
Treatment Facilities	(16,059,109)	(2,500,092)	0	(18,559,201)
General & Office Property and Equipment	(5,002,533)	(501,672)	0	(5,504,205)
Total Accumulated Depreciation	<u>(101,848,248)</u>	<u>(8,635,823)</u>	<u>0</u>	<u>(110,484,071)</u>
Total Capital Assets Being Depreciated, Net	<u>226,361,542</u>	<u>(4,349,210)</u>	<u>0</u>	<u>222,012,332</u>
Total Capital Assets	<u>\$ 235,838,295</u>	<u>\$ (1,480,710)</u>	<u>\$ (730,343)</u>	<u>\$ 233,627,242</u>

Depreciation expense was \$8,635,823 for 2023.

NOTE 4 - CAPITAL ASSETS (Continued)

A summary of capital asset activity and changes in accumulated depreciation for the year ended June 30, 2022 is as follows:

	Balance 07/01/21	Additions	Deletions Retirements Transfers	Balance 06/30/22
Capital Assets Not Being Depreciated				
Water System:				
Land and Easements	\$ 405,435	\$ 3,152	\$ 0	\$ 408,587
Construction in Progress	3,435,145	113,958	(3,414,382)	134,721
Wastewater System:				
Land and Easements	4,203,972	15,574	0	4,219,546
Construction in Progress	2,684,637	4,231,643	(2,446,570)	4,469,710
Office Property and Equipment:				
Land and Easements	244,189	0	0	244,189
Construction in Progress	0	7,278	(7,278)	0
Total Capital Assets Not Being Depreciated	<u>10,973,378</u>	<u>4,371,605</u>	<u>(5,868,230)</u>	<u>9,476,753</u>
Capital Assets Being Depreciated				
Water System:				
Mains, Lines and Equipment	66,846,182	3,046,347	0	69,892,529
Treatment Facilities	37,044,828	336,105	0	37,380,933
Wastewater System:				
Collection Lines and Equipment	120,084,639	8,347,302	0	128,431,941
Treatment Facilities	83,169,314	393,016	0	83,562,330
General & Office Property and Equipment	8,445,282	589,792	(93,017)	8,942,057
Total Capital Assets Being Depreciated	<u>315,590,245</u>	<u>12,712,562</u>	<u>(93,017)</u>	<u>328,209,790</u>
Less Accumulated Depreciation				
Water System:				
Mains, Lines and Equipment	(28,515,031)	(1,574,575)	0	(30,089,606)
Treatment Facilities	(14,151,492)	(937,882)	0	(15,089,374)
Wastewater System:				
Collection Lines and Equipment	(32,651,953)	(2,955,673)	0	(35,607,626)
Treatment Facilities	(13,509,260)	(2,549,849)	0	(16,059,109)
General & Office Property and Equipment	(4,629,722)	(440,274)	67,463	(5,002,533)
Total Accumulated Depreciation	<u>(93,457,458)</u>	<u>(8,458,253)</u>	<u>67,463</u>	<u>(101,848,248)</u>
Total Capital Assets Being Depreciated, Net	<u>222,132,787</u>	<u>4,254,309</u>	<u>(25,554)</u>	<u>226,361,542</u>
Total Capital Assets	<u>\$ 233,106,165</u>	<u>\$ 8,625,914</u>	<u>\$ (5,893,784)</u>	<u>\$ 235,838,295</u>

Depreciation expense was \$8,458,253 for 2022.

NOTE 5 - CONSTRUCTION IN PROGRESS

Construction in progress including the remaining contractual commitments at June 30, 2023 and 2022 consists of:

Project	2023		2022	
	Actual To Date	Remaining Contractual Commitments	Actual To Date	Remaining Contractual Commitments
Ball Camp Road Water and Sewer Lines Relocation - Engineering	\$ 3,405,988	\$ 3,391,397	\$ 2,920,422	\$ 3,862,109
Highgate Sewer Line Interceptor	173,280	0	0	0
Beaver Ridge Water Line - Daughtery WTP	100,128	0	100,129	0
Walbrook Drive Water Line	0	0	15,556	0
Flying J Pump Station Replacement Phase 2	2,678,197	0	1,425,107	1,169,320
Emory Harrell Road Water & Sewer Relocation	0	0	16,636	0
Pellissippi Sewer Lift Station Upgrade	124,046	0	76,292	0
Other Small Projects	70,000	0	50,289	0
Total	\$ 6,551,639	\$ 3,391,397	\$ 4,604,431	\$ 5,031,429

NOTE 6 - REVENUE BONDS

Overview

Revenue bonds at June 30, 2023 and 2022 consisted of the following:

	2023	2022
<u>Revenue Bonds:</u>		
Water and Sewer Revenue Refunding Bonds, Series 2022, \$25,435,000 Issued March 31, 2022	\$ 25,270,000	\$ 25,435,000
Local Government Public Improvement Revenue Bonds, Series V-F-1, \$15,000,000 Issued June 28, 2019	14,470,000	14,770,000
Water and Sewer Revenue Bonds, Series 2019, \$20,000,000 Issued June 28, 2019	19,190,000	19,605,000
Water and Sewer Revenue Bonds, Series 2018, \$8,535,000 Issued November 1, 2018	8,145,000	8,345,000
Water and Sewer Revenue Bonds, Series 2016, \$27,015,000 Issued December 22, 2016	24,275,000	24,645,000
Local Government Public Improvement Revenue Bonds, Series 2016 V-E-1, \$25,000,000 Issued December 23, 2016	21,120,000	21,770,000
Water and Sewer System Revenue Bonds Build America Bonds (BABS), Series 2010, \$35,000,000 Issued November 30, 2010	17,325,000	17,325,000
Public Building Authority of Sevier County, Tennessee Loan Agreement Series 2009 V-B-1, \$35,425,000 Issued August 1, 2009	22,280,000	23,615,000
Total Revenue Bonds	152,075,000	155,510,000
Add: Unamortized Premium	3,167,152	3,416,843
	155,242,152	158,926,843
Less: Current Portion	(3,705,000)	(3,435,000)
Total	\$ 151,537,152	\$ 155,491,843

NOTE 6 - REVENUE BONDS (Continued)

Overview (Continued)

The District has pledged all its revenues to secure the revenue bonds until all outstanding debt has been repaid. In addition, the bondholders have statutory mortgage liens upon the District as created by T.C.A. § 7-82-101 that remain in effect until the various bond issues are paid in full. The revenue bond covenants require a minimum debt service coverage ratio of 1.60; for the years ended June 30, 2023 and 2022 the ratio was 1.69 and 1.79, respectively.

Interest expense for 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
Interest Paid	\$ 6,114,297	\$ 5,067,110
Change in Accrued Interest Payable	(189,208)	120,688
Amortization of Bond Issuance Costs	27,627	28,020
Amortization of Bond Discounts	0	3,081
Amortization of Bond Premiums	(249,691)	(110,883)
Amortization of Deferred Cost of Refunding	<u>31,618</u>	<u>32,728</u>
Total	<u>\$ 5,734,643</u>	<u>\$ 5,140,744</u>

Activity

Long-term debt activity during 2023 and 2022 was as follows:

	2023				
	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2023</u>	<u>Due Within One Year</u>
Revenue Bonds	\$ 155,510,000	\$ 0	\$ 3,435,000	\$ 152,075,000	\$ 3,705,000
Other Revenue Bond Items:					
Add: Bond Premiums	<u>3,416,843</u>	<u>0</u>	<u>(249,691)</u>	<u>3,167,152</u>	<u>0</u>
Total	<u>\$ 158,926,843</u>	<u>\$ 0</u>	<u>\$ 3,185,309</u>	<u>\$ 155,242,152</u>	<u>\$ 3,705,000</u>

	2022				
	<u>Balance July 1, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2022</u>	<u>Due Within One Year</u>
Revenue Bonds	\$ 160,310,000	\$ 25,435,000	\$ 30,235,000	\$ 155,510,000	\$ 3,435,000
Other Revenue Bond Items:					
Add: Bond Premiums	1,772,836	1,775,157	(131,150)	3,416,843	0
Less: Bond Discounts	<u>(99,501)</u>	<u>0</u>	<u>99,501</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 161,983,335</u>	<u>\$ 27,210,157</u>	<u>\$ 30,203,351</u>	<u>\$ 158,926,843</u>	<u>\$ 3,435,000</u>

NOTE 6 - REVENUE BONDS (Continued)

Debt Service

The annual debt service requirements for revenue bonds as of June 30, 2023 are as follows:

Fiscal Years Ending June 30,	Revenue Bonds					Total
	Principal	Coupon Interest	BABS Treasury Rebate	Net Interest		
2024	\$ 3,705,000	\$ 6,344,024	\$ (400,268)	\$ 5,943,756	\$ 9,648,756	
2025	3,865,000	6,181,424	(400,268)	5,781,156	9,646,156	
2026	4,020,000	6,011,349	(400,268)	5,611,081	9,631,081	
2027	4,205,000	5,834,088	(400,268)	5,433,820	9,638,820	
2028	4,375,000	5,650,801	(400,268)	5,250,533	9,625,533	
2029-2033	24,690,000	25,451,569	(2,001,340)	23,450,229	48,140,229	
2034-2038	29,790,000	20,307,636	(2,001,340)	18,306,296	48,096,296	
2039-2043	37,375,000	14,186,475	(1,780,126)	12,406,349	49,781,349	
2044-2048	30,380,000	4,740,015	(259,338)	4,480,677	34,860,677	
2049-2053	7,925,000	1,225,313	0	1,225,313	9,150,313	
2054	1,745,000	65,437	0	65,437	1,810,437	
Total	\$ <u>152,075,000</u>	\$ <u>95,998,131</u>	\$ <u>(8,043,484)</u>	\$ <u>87,954,647</u>	\$ <u>240,029,647</u>	

Water and Sewer Revenue Refunding Bonds - Series 2022

The District has issued \$25,435,000 in non-taxable water and sewer revenue refunding bonds, Series 2022. The bonds were to provide refunding of the Series 2015 bonds and a portion of the Series 2010 bonds under the debt agreement dated March 31, 2022. Interest payments are made semi-annually at an average interest rate of 4.44% beginning December 1, 2022. The annual loan principal payments of between \$165,000 to \$3,465,000 begin June 1, 2023 and continue through June 1, 2045. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt totaling \$65,232. This difference is reported in the accompanying financial statements as a deferred bond refunding loss and is being charged to operations through the year 2045 using the proportionate-to-stated interest requirements method. Although the reacquisition price exceeded the net carrying amount of the old debt, the District reduced its aggregate debt service payments by \$5,497,573. The amount of the reacquisition price recorded as part of the bond interest expense was \$4,280 and \$4,340 for 2023 and 2022.

Local Government Public Improvement Revenue Bonds - Series V-F-1

The Public Building Authority of Sevier County, Tennessee issued \$15,000,000 in Local Government Public Improvement Bonds, Series V-F-1. The bonds are to provide the District financing for certain water and sewer improvement projects under a loan agreement dated June 28, 2019. Interest payments are made semi-annually beginning December 1, 2019. This loan had a variable rate based upon an index rate agreement dated June 28, 2019 that calculated monthly interest of not more than 69% of the London Interbank Offered Rate (LIBOR) plus not more than 49 basis points. This agreement was amended as of April 1, 2023 to calculate monthly interest of 79% of the Secured Overnight Financing Rate (SOFR) plus 49 basis points. This debt issue was unrated. The variable interest rate as of June 30, 2023 and 2022 was 4.56% and 1.33%. The annual loan principal payments of between \$230,000 to \$1,745,000 begin June 1, 2022 to June 1, 2038 and continue from June 1, 2047 through June 1, 2054.

Water and Sewer Revenue Bonds - Series 2019

The District has issued \$20,000,000 in non-taxable water and sewer revenue bonds, Series 2019. The funds are to provide the District financing for certain water and sewer improvement projects under the debt agreement dated June 28, 2019. Interest payments are made semi-annually at an average interest rate of 3.87% beginning June 1, 2019. The annual loan principal payments of between \$395,000 to \$1,050,000 begin June 1, 2022 and continue through June 1, 2049.

NOTE 6 - REVENUE BONDS (Continued)

Debt Service (Continued)

Water and Sewer Revenue Bonds - Series 2018

The District has issued \$8,535,000 in non-taxable water and sewer revenue bonds, Series 2018. The funds are to provide the District financing for certain water and sewer improvement projects under the debt agreement dated November 1, 2018. Interest payments are made semi-annually at an average interest rate of 3.58% beginning June 1, 2019. The annual loan principal payments of between \$190,000 to \$495,000 begin June 1, 2022 and continue through June 1, 2048.

Water and Sewer Revenue Bonds - Series 2016

The District has issued \$27,015,000 in non-taxable water and sewer revenue bonds, Series 2016. The funds are to provide the District financing for certain water and sewer improvement projects under the debt agreement dated December 22, 2016. Interest payments are made semi-annually at an average interest rate of 4.15% beginning June 1, 2017. The annual loan principal payments of between \$240,000 to \$2,045,000 begin June 1, 2020 and continue through June 1, 2046.

Local Government Improvement Revenue Bonds - Series 2016 V-E-1

The Public Building Authority of Sevier County, Tennessee issued \$25,000,000 in Local Government Public Improvement Bonds, Series 2016 V-E-1. The bonds are to provide the District financing for certain water and sewer improvement projects under a loan agreement dated December 23, 2016. Interest payments are made monthly beginning June 1, 2017. This loan had a variable rate based upon an index rate agreement dated December 23, 2016 that calculated monthly interest of 70% of the London Interbank Offered Rate (LIBOR) plus 55 basis points. This agreement was amended as of December 1, 2021 to calculate monthly interest at 100% of the Securities Industry & Financial Markets Association Index (SIFMA Index) plus 51 basis points. This debt issue was unrated. The variable interest rate as of June 30, 2023 and 2022 was 4.85% and 1.56%. The annual loan principal payments of between \$95,000 to \$5,890,000 began June 1, 2018 and continue through June 1, 2046.

Revenue Bonds - Build America Bonds (BABS) - Series 2010

The District has issued \$35,000,000 in taxable water and sewer revenue bonds, Series 2010 (Federally Taxable – Build America Bonds – Direct Subsidy). The funds are to provide the District financing for certain water and sewer improvement projects under the agreement dated November 30, 2010. Interest payments are made semi-annually at a gross interest rate of 6.83%, or at a net rate of 4.44% after subsidies. The annual loan principal payments of between \$250,000 to \$3,800,000 begin June 1, 2021 and continues through June 1, 2045. Beginning in fiscal year 2026 there is a mandatory redemption of bonds with various maturity dates. The District receives a direct subsidy of 35% from the United States Government that reduces its interest costs. The District has no assurance that the United States Government will continue to make the direct subsidy payments at a gross interest rate of 6.83% or that the United States Congress will not attempt to reduce the amount of the direct subsidy payments. Interest subsidies received by the District during 2023 and 2022 were \$400,268 and \$775,799, respectively. During FY 2023 and 2022, due to the U.S. Congressional budget sequestration, the interest rate subsidy was reduced by 5.7% and 5.7%. These bonds were partially refunded during the year ended June 30, 2022.

NOTE 6 - REVENUE BONDS (Continued)

Debt Service (Continued)

Loan Payable to Public Building Authority of Sevier County - Series 2009 V-B-1

The Public Building Authority of Sevier County, Tennessee issued \$35,425,000 in Local Government Public Improvement Bonds, Series 2009 V-B-1. The bonds are to provide refunding of Series 1997 I-A-1, 2000 II-D-2, and 2005 IV-C-1 Bonds. Interest payments are made the first of each month. Monthly payments include a reimbursement to the letter of credit provider. One monthly payment each quarter includes additional interest and swap payments and fees, in addition to the LOC reimbursement. The loan was amended as of April 1, 2023 to calculate monthly interest based on a weekly variable rate determined by Truist Bank. The variable interest rate as of June 30, 2023 and 2022 was 4.83% and 0.39%. The annual loan principal payments of between \$795,000 to \$2,395,000 began June 1, 2010 and are due on June 1 of each year through 2035. The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt totaling \$634,946. This difference is reported in the accompanying financial statements as a deferred bond refunding loss and is being charged to operations through the year 2035 using the proportionate-to-stated interest requirements method. Although the reacquisition price exceeded the net carrying amount of the old debt, the District reduced its aggregate debt service payments by \$1,237,925. No economic gain or loss was obtained since the transaction exchanged old variable rate debt with new variable rate debt. The amount of the reacquisition price recorded as part of the bond interest expense was \$27,338 and \$28,388 for 2023 and 2022.

Under its loan agreement, the Public Building Authority, at the request of the District, entered into an interest rate swap agreement for all of the outstanding Local Government Improvement Revenue Bonds, Series II-D-2. This interest rate swap was terminated in fiscal year 2023 in conjunction with the loan amendment to change the loan's index rate. Based on the loan agreement and swap agreement, the District owed interest at an effective fixed rate of 3.48% at June 30, 2022 (see Note 7).

NOTE 7 - INTEREST RATE SWAP

Under its loan agreement, the Public Building Authority of Sevier County, TN (the Authority), at the request of the District, entered into an interest rate swap agreement for all of the outstanding Local Government Improvement Revenue Bonds, Series II-D-2. Interest rate swaps are classified as hedging derivative instruments if the hedging instrument meets the effectiveness criteria established by Governmental Accounting Standards Board Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The swap met that criteria in fiscal year 2014 and was classified as a cash flow hedge. In fiscal year 2015, the swap did not meet the hedge criteria and has therefore since been classified as an investment derivative. This interest rate swap was terminated in fiscal year 2023.

Objective of the Interest Rate Swap

To protect the District against the potential of rising interest rates and to balance its mixture of variable and fixed rate debt, the District requested the Authority, on its behalf, to enter into an interest rate swap in connection with its \$12.5 million Series II-D-2 variable-rate bonds. The intention of the swap was to effectively change the District's variable interest rate on the bonds to a synthetic fixed rate. The Series II-D-2 bonds have since been refunded with a portion of the proceeds of the Series V-B-1 bonds and the interest rate swap was associated with the Series V-B-1 bonds.

NOTE 7 - INTEREST RATE SWAP (Continued)

Terms

Under the swap, the District paid the counterparty a fixed payment of 4.40% and received a variable payment computed as 63.50% of the Five-Year London Interbank Offered Rate (LIBOR). The swap had a notional amount of \$12.5 million and the associated variable-rate bond had a \$12.5 million principal amount. At no time did the notional amount on interest rate swap agreement exceed the outstanding principal of the Series V-B-1 Bonds. The bonds' variable rates have historically approximated the Securities Industry and Financial Markets Association Index™ (the SIFMA). The bonds and the related swap agreement were set to mature on June 1, 2030. However, the District terminated the interest rate swap in fiscal year 2023. As of June 30, 2022, the rate was as follows:

	<u>2022</u>
Interest Rate Swap:	
Fixed Payment to Counterparty	4.40 %
Variable Payment from Counterparty	<u>(1.95)</u>
Net Interest Rate Swap Payments	2.45
Variable-Rate Bond Coupon Payments	<u>1.03</u>
Synthetic Interest Rate on Bonds	<u><u>3.48 %</u></u>

Fair Value

As of June 30, 2022, the swap had a negative fair value of \$(1,650,092). The negative fair value of the swap may be countered by reductions in total interest payments required under the variable-rate bond, creating lower synthetic rates. Because the rates on the District's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates and then discounts those cash flows at their present value. The fair value at the time the interest rate swap was terminated in 2023 was \$(1,379,852), which was settled by a cash payment of that amount.

Credit Risk

During fiscal year 2023 and as of June 30, 2022, the District was not exposed to credit risk because the swap had a negative fair value. Had interest rates changed, and the fair value of the swap become positive, the District would have been exposed to credit risk in the amount of the derivative's fair value.

The swap counterparty, Raymond James Financial Products ("RJFP" formerly Morgan Keegan Financial Products) was rated "A3/BBB+/A-" by Moody's, and Standard and Poor's and Fitch, respectively as of June 30, 2022 and with its Credit Support Provider, Deutsche Bank, rated "A2/A-/A-" by Moody's, Standard & Poor's and Fitch, respectively.

Termination Risk

The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an "additional termination provision." The District or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination, the swap has a negative fair value, the District would be liable to the counterparty for a payment equal to the swap's fair value. Likewise, if the swap has a positive fair value at termination, the counterparty would be liable to the District for a payment equal to the swap's fair value. The swap had a negative fair value at the time the District terminated it. As such, the District paid the counterparty an amount equal to the swap's fair value which was \$1,379,852.

Interest Rate Risk

The District was exposed to interest rate risk on the interest rate swap. The bonds' variable rates have historically approximated the SIFMA. As the SIFMA swap index decreased, the District's net payments on the swap increased.

NOTE 7 - INTEREST RATE SWAP (Continued)

Basis Risk

As noted above, the swap exposed the District to basis risk should SIFMA increase to above 63.5% of LIBOR, thus increasing the synthetic rate on the bonds. If a change occurred that resulted in the SIFMA to be below 63.5% of LIBOR, then the synthetic rate on the bonds would have decreased.

Rollover Risk

The District was not exposed to rollover risk because the maturity dates for the hedged variable rate bonds and the interest rate swap agreement were the same.

Derivative Instrument

As of June 30, 2022, the District had the following derivative instrument outstanding:

<u>Instrument</u>	<u>Type</u>	<u>Objective</u>	<u>Original Notional Amount</u>	<u>Effective Date</u>	<u>Maturity Date</u>	<u>Terms</u>
\$12,500,000 Swap	Interest Rate Swap	Variable to Synthetic Fixed Rate Swap	\$12,500,000	8/28/2009	6/1/2030	Pay 4.40% and receive 63.5% of five year LIBOR.

The fair value balance and notional amount outstanding at June 30, 2023 and 2022, classified by type and changes in fair value for 2023 and 2022 are reported in the financial statements as follows:

<u>Type</u>	<u>Change in Fair Value</u>		<u>Fair Value</u>		<u>Notional Amount</u>
	<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>	
Investment Derivative: Pay Fixed Interest Rate Swap:					
2023	Investment (Loss)	\$ 270,240	Debt	\$ 0	\$ N/A
2022	Investment (Loss)	\$ 1,192,911	Debt	\$ (1,650,092)	\$ 12,500,000

The interest rate swap agreement described above did not meet criteria to be an effective hedge; therefore, the swap was classified as an investment derivative.

NOTE 8 - RETIREMENT PLANS

A. Single-Employer Pension Plan - West Knox Utility District Defined Benefit Plan

General Information about the Defined Benefit Pension Plan

Plan Description - The District's single-employer defined benefit pension plan, West Knox Utility District Defined Benefit Pension Plan (the DB Plan), provides pension benefits for all full-time employees of the District who have been employed for at least 6 months and are at least 21 years old. The Plan is a single-employer noncontributory retirement plan and assets are held in trust with Commercial Bank and Trust Company. The DB Plan is administered by USI Consulting Group.

Benefits Provided - The DB Plan provides retirement, disability and death benefits. Retirement benefits are calculated as 2.25% per year of service (limited to 100%) times the highest average of 36 consecutive months of compensation. The Plan provides participants with a life annuity with ten years certain, with several other options for retirement benefit payments, including several annuity choices or a lump sum payment. Vesting begins at 20% per year after one year of service. An employee becomes fully vested after five years of service and normal retirement age is 65.

Article V.A. of the DB Plan document also includes a provision for supplemental retirement accounts for certain designated personnel. Designated personnel are determined by the Board of Commissioners. Contribution credits are added to the balance of the supplemental retirement account equal to 10% of the participant's annual rate of salary. Interest is also credited to the balance of the supplemental retirement account at an annual rate of 5%. The account balance can be paid out in the form of a lump sum or under any other form of benefit permitted by the Plan. If a participant terminates employment prior to their early retirement date, the supplemental retirement account is forfeited.

The District's Board of Commissioners has the authority to amend or change the Plan and its benefit terms. The Plan does not issue separate financial statements.

The District's Board of Commissioners amended the Plan on November 21, 2013 to provide another option that can be chosen, whereby the beneficiary of a participant who dies after annuity benefit payments under the Plan begin will be entitled to a death benefit equal to the excess, if any, of the lump sum value of the participant's total accrued benefit compared to the total amount of benefit payments made to the participant prior to their death. However, the District's Board of Commissioners amended the Plan on October 25, 2018 to limit the optional lump sum form of benefit payment to 33-1/3% of the vested accrued benefit accrued after October 25, 2018. This amendment also modified the Actuarial Equivalent used to calculate the present value of the lump sum portion of a benefit payment. The lump sum value will now be based on the applicable interest rate or 4%, whichever produces the lower distribution amount. Effective January 1, 2018, the District's Board of Commissioners froze the plan to new participants. New employees hired by the District after December 31, 2017 are required to participate in the defined contribution retirement plan (see section D).

Employees Covered by Benefit Terms - At June 30, 2023 and 2022, the following number of employees were covered by the benefit terms:

	<u>2023</u>	<u>2022</u>
Inactive Employees, or Beneficiaries, Currently Receiving Benefits	10	9
Inactive Employees, Entitled to, but not yet Receiving Benefits	18	14
Active Employees	<u>47</u>	<u>52</u>
Total	<u><u>75</u></u>	<u><u>75</u></u>

Contributions - The Board of Commissioners establishes contribution amounts based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability for past service costs. For the years ended June 30, 2023 and 2022, the District's contributions were approximately 20% and 21%, respectively, of annual covered payroll.

NOTE 8 - RETIREMENT PLANS (Continued)

A. Single-Employer Pension Plan - West Knox Utility District Defined Benefit Plan (Continued)

Net Pension Liability

The District's net pension liability was measured as of June 30, 2023 and 2022, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of July 1, 2022 and 2021.

Actuarial Assumptions - The total pension liability in the July 1, 2022 and 2021 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial Cost Method: Individual Entry Age Normal
- Amortization Method: Level Dollar Amount
- Remaining Amortization Period: 21 Years (2022), 22 (2021)
- Asset Valuation Method: Actuarial Value of Plan Assets
- Asset Smoothing Method: Investment gains and losses will be recognized and phased-in over 5 years. There is also a 20% corridor around the market value of assets
- Investment Rate of Return: 7.25% per Annum
- Discount Rate: 7.25%
- Salary Increases: 4.00% per Annum
- Lump Sums: 50% Election Rate; 4.25% Present Value Rate
- Retirement Age: 33.33% retire at the initial attainment of unreduced Early Retirement (Rule of 90) eligibility, the remaining retire at Normal Retirement age
- Cost of Living Increase: 0.00%
- Mortality: PRI-2012 Blue Collar Mortality Table with Scale MP-21 (2022 and 2021) projected on a fully generational basis

The actuarial assumptions used in the July 1, 2022 and 2021 valuations were based on the results of actual experience with the plan for the past five years.

Investment Policies and Strategies - The Plan's trustees have adopted an investment policy to ensure that sufficient investment income can be generated to accumulate resources to pay benefits. The long-term expected rate of return on pension plan investments was determined using a modified building blocks methodology in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding an assumed inflation rate of 2.47% and 2.45% per annum for the years ending June 30, 2023 and 2022, respectively. The target allocation and best estimates of average long-term expected real rates of return, net of 2.47% and 2.45% inflation, for each major asset class as of June 30, 2023 and 2022 are summarized in the following table:

Asset Class	Target Allocation	Average Long-Term Expected Real Rate of Return	
		2023	2022
Domestic Equity	34%	6.57%	5.81%
International Equity	22%	7.72%	7.05%
Fixed Income	24%	2.49%	1.19%
Market Neutral/Alternative	14%	3.97%	3.31%
Real Estate	5%	4.89%	4.75%
Cash & Other	1%	0.74%	-0.44%
Total	100%		

Rates of Return (Loss) - The annual money-weighted rates of return (losses) on the Plan's investments, net of investment expenses for the fiscal years 2023 and 2022 was 8.54% and (14.64)%, respectively.

NOTE 8 - RETIREMENT PLANS (Continued)

A. Single-Employer Pension Plan - West Knox Utility District Defined Benefit Plan (Continued)

Net Pension Liability (Continued)

Discount Rate - The discount rate used to measure the total pension liability for fiscal years 2023 and 2022 was 7.25%. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Tennessee State Law for Local Government Sponsored Defined Benefit Plans - In May 2014, the Tennessee General Assembly passed "The Public Employee Defined Benefit Financial Security Act of 2014", Tennessee Code Section 9-3-501, which will require the District to make annual employer contributions equal to 100% of its actuarially determined contributions (ADC), use the entry age normal cost method, limit future pension benefit improvements if the net pension plan funded ratio is less than 60% and other requirements beginning in fiscal year 2016 with various provisions phased in through FY 2020.

Changes in the net pension liability (asset) for the measurement periods ending June 30, 2023 and 2022 are shown below:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<u>For the Fiscal Year Ended June 30, 2023</u>			
Balances at June 30, 2022	\$ 16,068,602	\$ 10,366,455	\$ 5,702,147
Changes for the Year:			
Service Cost	245,776	0	245,776
Interest	1,156,739	0	1,156,739
Difference between Expected and Actual Experience	(175,357)	0	(175,357)
Changes of Assumptions	3,567	0	3,567
Contributions - Employer	0	648,000	(648,000)
Net Investment Income (Loss)	0	890,658	(890,658)
Benefit Payments - Annuities	(413,505)	(413,505)	0
Benefit Payments - Lump Sum	(318,019)	(318,019)	0
Administrative Expenses	0	648	(648)
Net Changes	<u>499,201</u>	<u>807,782</u>	<u>(308,581)</u>
Balances at June 30, 2023	<u>\$ 16,567,803</u>	<u>\$ 11,174,237</u>	<u>\$ 5,393,566</u>
<u>For the Fiscal Year Ended June 30, 2022</u>			
Balances at June 30, 2021	\$ 14,806,252	\$ 11,880,447	\$ 2,925,805
Changes for the Year:			
Service Cost	240,109	0	240,109
Interest	1,076,388	0	1,076,388
Difference between Expected and Actual Experience	621,177	0	621,177
Changes of Assumptions	(268,964)	0	(268,964)
Contributions - Employer	0	648,000	(648,000)
Net Investment Income (Loss)	0	(1,755,632)	1,755,632
Benefit Payments - Annuities	(406,360)	(406,360)	0
Net Changes	<u>1,262,350</u>	<u>(1,513,992)</u>	<u>2,776,342</u>
Balances at June 30, 2022	<u>\$ 16,068,602</u>	<u>\$ 10,366,455</u>	<u>\$ 5,702,147</u>

NOTE 8 - RETIREMENT PLANS (Continued)

A. Single-Employer Pension Plan - West Knox Utility District Defined Benefit Plan (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the District as of June 30, 2023 and 2022, calculated using the discount rate of 7.25%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

Net Pension Liability	1% Decrease (6.25%)	Current Discount Rate	1% Increase (8.25%)
2023	\$ 7,360,401	\$ 5,393,566	\$ 3,735,748
2022	\$ 7,634,404	\$ 5,702,147	\$ 4,072,243

Pension Expense and Deferred Outflows of Resources and Deferred Inflow of Resources Related to Plan

For the years ended June 30, 2023 and 2022, the District recognized pension expense of \$1,149,871 and \$956,660, respectively for the Plan. At June 30, 2023 and 2022, the District reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	2023		2022	
	Deferred Outflows of Resources	Deferred Inflows Resources	Deferred Outflows of Resources	Deferred Inflows Resources
Differences Between Expected and Actual Experience	\$ 829,491	\$ 143,416	\$ 1,141,438	\$ 120,936
Changes of Assumptions	212,507	194,468	320,851	243,047
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	<u>821,205</u>	<u>0</u>	<u>1,237,465</u>	<u>0</u>
Total	<u>\$ 1,863,203</u>	<u>\$ 337,884</u>	<u>\$ 2,699,754</u>	<u>\$ 363,983</u>

Amounts reported as deferred outflows of resources and deferred inflow of resources related to the Plan will be recognized in pension expense as follows:

For the Years Ended June 30,	
2024	\$ 524,383
2025	355,359
2026	633,592
2027	21,547
2028	(9,562)
Thereafter	<u>0</u>
Total	<u>\$ 1,525,319</u>

Payable to Pension Plan

At June 30, 2023 and 2022, there was no employer contribution payable.

Trend Information

The schedule of changes in the District's net position liability and related ratios, schedule of the District's pension contributions and schedule of investment returns, as presented in required supplementary information (RSI) following the notes to financial statements, will present multi-year trend information in the future about whether the Plan's fiduciary net position is increasing or decreasing over time relative to the total pension liability and net pension liability and whether the District's contributions and investment returns are in accordance with the actuarially determined amounts.

NOTE 8 - RETIREMENT PLANS (Continued)

B. Agent Multiple-Employer Defined Benefit Pension Plan - Tennessee Consolidated Retirement System (TCRS)

Plan Description - Former employees of the District who retired prior to July 1, 1991 are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. TCRS was created by state statute under Tennessee Code Annotate (TCA) Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of TCRS. TCRS issues a publicly available financial report that can be obtained at <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reportingand-Investment-Policies>. The District withdrew from TCRS on July 1, 1991. Active employees of the District as of that date transferred their account balances to the West Knox Utility District Defined Benefit Plan (see section A).

Benefits Provided - TCA Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by state statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 for members who are vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLA's) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July in the previous year. A COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3%, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees Covered by Benefit Terms - At the measurement date of June 30, 2022 and 2021, the following employees were covered by the benefit terms:

	2022	2021
Inactive Employees, or Beneficiaries, Currently Receiving Benefits	1	2
Inactive Employees, Entitled to, but not yet Receiving Benefits	0	0
Active Employees	0	0
Total	1	2

Effective July 1, 1991, this plan was closed to new participants and the District's eligible full-time employees were enrolled in the District's single-employer defined benefit plan.

Contributions - Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. The District makes employer contributions at the rate set by the TCRS Board of Trustees as determined by an actuarial valuation. Based upon the District withdrawing from TCRS as of July 1, 1991, the employer contributions were fully funded at that time and no contributions are expected in the near term.

NOTE 8 - RETIREMENT PLANS (Continued)

B. Agent Multiple-Employer Defined Benefit Pension Plan - TCRS (Continued)

The District's net pension liability (asset) was measured as of June 30, 2022 and 2021, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of those dates.

Actuarial Assumptions - The total pension liability as of the June 30, 2022 and 2021 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary Increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4.00%
Investment Rate of Return	6.75% net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.125%

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2022 actuarial valuation was based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020. The actuarial assumptions used in the June 30, 2021 actuarial valuation was based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2020 actuarial experience study for 2021 and the June 30, 2016 actuarial experience study for 2020. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. The best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.25% for 2022 and 2021. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Average Long-Term Expected Real Rate of Return
U.S. Equity	31%	4.88%
Developed Market International Equity	14%	5.37%
Emerging Market International Equity	4%	6.09%
Private Equity and Strategic Lending	20%	6.57%
U.S. Fixed Income	20%	1.20%
Real Estate	10%	4.38%
Short-Term Securities	1%	0.00%
Total	100%	

NOTE 8 - RETIREMENT PLANS (Continued)**B. Agent Multiple-Employer Defined Benefit Pension Plan - TCRS (Continued)**

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75% for 2022 and 2021 based on a blending of the factors described above.

Discount Rate - The discount rate used to measure the total pension liability was 6.75% for 2022 and 2021. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that employer contributions from the District will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability (Asset)

Changes in the net pension liability (asset) for the measurement periods ending June 30, 2022 and 2021 are shown below:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
<u>For the Fiscal Year Ended June 30, 2023</u>			
Balances at June 30, 2021	\$ 23,802	\$ 756,975	\$ (733,173)
Changes for the Year			
Interest	1,408	0	1,408
Difference between Expected and Actual Experience	(6,890)	0	(6,890)
Net Investment Income	0	(28,847)	28,847
Benefit Payments - Annuities	(5,875)	(5,875)	0
Net Changes	(11,357)	(34,722)	23,365
Balances at June 30, 2022	\$ 12,445	\$ 722,253	\$ (709,808)
<u>For the Fiscal Year Ended June 30, 2022</u>			
Balances at June 30, 2020	\$ 45,291	\$ 612,246	\$ (566,955)
Changes for the Year			
Interest	2,859	0	2,859
Difference between Expected and Actual Experience	(10,842)	0	(10,842)
Changes in Assumptions	(1,804)	0	(1,804)
Net Investment Income	0	156,431	(156,431)
Benefit Payments - Annuities	(11,702)	(11,702)	0
Net Changes	(21,489)	144,729	(166,218)
Balances at June 30, 2021	\$ 23,802	\$ 756,975	\$ (733,173)

NOTE 8 - RETIREMENT PLANS (Continued)

B. Agent Multiple-Employer Defined Benefit Pension Plan - TCRS (Continued)

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% for 2022 and 2021, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1% lower or 1% higher than the discount rate:

Net Pension Liability (Asset)	1% Decrease (5.75%)	Discount Rate (6.75%)	1% Increase (7.75%)
2022	\$ <u>(709,576)</u>	\$ <u>(709,808)</u>	\$ <u>(710,029)</u>
2021	\$ <u>(732,678)</u>	\$ <u>(733,173)</u>	\$ <u>(733,643)</u>

Pension Income and Deferred Inflows of Resources

For the fiscal years ended June 30, 2022 and 2021, the District recognized (negative) pension expense of \$(61,563) and \$(78,674) for the TCRS Plan. For the fiscal years ended June 30, 2022 and 2021, the District reported deferred outflows of resources and deferred inflows of resources as follows:

	2023		2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	\$ <u>1,506</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>83,422</u>

Amounts reported as deferred inflows of resources related to the TCRS Plan will be recognized in the pension expense as follows:

For the Years ended June 30,	
2024	\$ (4,060)
2025	(3,839)
2026	(6,544)
2027	<u>15,949</u>
Total	<u>\$ 1,506</u>

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

Payable to the Pension Plan

Since the District has fully funded this Plan in prior years, as of June 30, 2023 and 2022, there is no employer contribution payable.

Required Supplementary Information

The District has presented as required supplementary information (RSI) following the notes to the financial statements, multiyear trend information about whether the net pension liability (asset) assets is increasing or decreasing over time relative to the plan's fiduciary net position and if the District has made its actuarial determined contributions as required by the TCRS.

NOTE 8 - RETIREMENT PLANS (Continued)**C. Aggregate Defined Benefit Pension Plans Note Disclosures**

The aggregate defined benefit plan disclosures for the two pension plans as of and for the years ended June 30, 2023 and 2022 are as follows:

Plan	Net Pension Liability (Asset)	Deferred Outflows	Deferred Inflows	Pension Expense (Reduction)
2023				
WKUD Defined Benefit Plan	\$ 5,393,566	\$ 1,863,203	\$ 337,884	\$ 1,149,871
TCRS Defined Benefit Plan	<u>(709,808)</u>	<u>1,506</u>	<u>0</u>	<u>(61,563)</u>
Total	<u>\$ 4,683,758</u>	<u>\$ 1,864,709</u>	<u>\$ 337,884</u>	<u>\$ 1,088,308</u>
2022				
WKUD Defined Benefit Plan	\$ 5,702,147	\$ 2,699,754	\$ 363,983	\$ 956,660
TCRS Defined Benefit Plan	<u>(733,173)</u>	<u>0</u>	<u>83,422</u>	<u>(78,674)</u>
Total	<u>\$ 4,968,974</u>	<u>\$ 2,699,754</u>	<u>\$ 447,405</u>	<u>\$ 877,986</u>

D. Single Employer Defined Contribution Plan

On January 1, 2018, the District's Board of Commissioners established the West Knox Utility District Defined Contribution Retirement Plan (the DC Plan), a single-employer defined contribution retirement plan for full-time employees who are automatically enrolled in the Plan after a 90-day probationary period and are over the age of 21. An amendment effective April 1, 2023, changed the minimum age eligibility requirement from 21 to 18. The DC Plan requires a mandatory employee contribution of 3% of annual compensation and the District will make a mandatory non-elective employer contribution of 12% of employees' annual compensation. Participants are immediately vested in the employee contributions and related investment earnings. Participants vest in the employer contributions at 25% per year and are 100% vested after completing four years of credited service. The Plan's investments are in trust at Charles Schwab. Forfeited non-vested amounts are used to reduce employer contributions, or to pay Plan expenses. Plan expenses were \$192,603 and \$181,218 as of June 30, 2023 and 2022, respectively. During 2023 and 2022 there were no forfeitures. As of June 30, 2023 and 2022 there were 36 and 28 active participants, respectively.

E. Single Employer Deferred Compensation Plan

On January 1, 2018, the District's Board of Commissioners established the West Knox Utility District 457(b) Deferred Compensation Plan (the 457 Plan), a single-employer defined contribution retirement plan for full-time employees who are eligible to enroll in the Plan after a 90-day probationary period and are over the age of 21. An amendment effective April 1, 2023, changed the minimum age eligibility requirement from 21 to 18. The 457 Plan is funded 100% by employee deferral contributions subject to annual IRS limits. The Plan's investments are in trust at Wells Fargo Bank. As of June 30, 2023 and 2022 and there were 24 and 23 active participants, respectively.

F. Other

The defined benefit pension plans and the defined contribution plans are sponsored by a governmental entity; therefore, these plans are not subject to the statutory provisions of the Employee Retirement and Income Security Act of 1974 (ERISA). In addition, the two defined benefit plans are not covered by the Pension Benefit Guaranty Corporation, a U.S. Government Agency.

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

General Information About the OPEB Plan

Plan Description - In addition to the retirement benefits described in Note 8, the District's Board of Commissioners approved a single-employer postretirement medical insurance plan for employees. The Plan was originally funded on a pay-as-you-go basis and there were no assets accumulating in a trust that meeting the criteria of paragraph 4 of GASB Statement No. 75. However, beginning in June 2023 the District began accumulating assets held in trust with Commercial Bank and Trust Company.

Benefits Provided - The District offers the Plan to provide partial payment of health insurance premiums through COBRA for eligible retirees age 62 and over and their dependents for a maximum length of 36 months or until the retiree reaches age 65. Dependents are eligible only during the period that the retiree is eligible. The District pays the following percentages of the premium based on years of service: 0% for 0-15 years of service, 50% for 15-20 years of service, and 75% for 20 plus years of service. Insurance coverage is the only postemployment benefit provided to retirees.

Employees Covered by Benefit Terms - At the measurement dates of June 30, 2023 and 2022, the following employees of the District were covered by the benefit terms of the Plan:

	<u>2023</u>	<u>2022</u>
Inactive Employees, or Beneficiaries, Currently Receiving Benefits	3	2
Inactive Employees, Entitled to, but not yet Receiving Benefits	0	0
Active Employees	<u>80</u>	<u>81</u>
Total	<u><u>83</u></u>	<u><u>83</u></u>

The contribution requirements are established and may be amended by the Board of Commissioners. The Plan was funded on a pay-as-you-go basis, whereby amounts paid for retirees and their matching payments are the only contributions, until the trust was established in June 2023. For the fiscal year ended June 30, 2023, the District paid \$4,247 to the Plan for OPEB benefits as they came due (\$8,950 for the year ended June 30, 2022).

Total OPEB Liability

Actuarial Assumptions - The total OPEB liability in the July 1, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.65% in 2023 (3.54% in 2022)
Annual Payroll Increase	2.50%
Healthcare Cost Trend Rates	7.0% grading down to an ultimate trend rate of 5.0% in 2026 (7.5% in 2022)

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Total OPEB Liability (Continued)

Actuarial valuations of an ongoing plan involve estimates of value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. The entry age normal actuarial cost method is used in this valuation. Under this method, the actuarial present value of projected benefits of each individual included in the actuarial valuation is allocated on a level basis over future earnings of the individual between entry age and assumed exit ages.

The actuarial demographic assumptions used in the July 1, 2022 actuarial valuation were based on the results of past experience. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RPH-2014 headcount-weighted fully generational table with projection Scale MP-2021.

Discount Rate - The discount rate used to measure the total OPEB liability as of June 30, 2023 was 3.65% (3.54% as of June 30, 2022). This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Bond Buyer's 20-Year Municipal GO index.

Changes in the Total OPEB Liability

	Increase (Decrease)			
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Non-Trust Contributions (c)	Net OPEB Liability (Asset) (a) - (b) - (c)
Balances at June 30, 2021	\$ 220,936	\$ 0	\$ 0	\$ 220,936
Changes for the Year				
Service Cost	17,829	0	0	17,829
Interest	5,061	0	0	5,061
Changes in Assumptions	(22,968)	0	0	(22,968)
Benefit Payments	(8,950)	0	0	(8,950)
Net Changes	(9,028)	0	0	(9,028)
Balances at June 30, 2022	\$ 211,908	\$ 0	\$ 0	\$ 211,908
Changes for the Year				
Service Cost	9,774	0	0	9,774
Interest	4,944	0	0	4,944
Changes of Benefit Terms	(54,606)	0	0	(54,606)
Differences between Expected and Actual Experience	(25,299)	0	0	(25,299)
Changes in Assumptions	(1,160)	0	0	(1,160)
Contributions - Employer	0	20,000	4,247	(24,247)
Benefit Payments	(4,247)	0	(4,247)	0
Net Changes	(70,594)	20,000	0	(90,594)
Balances at June 30, 2023	\$ 141,314	\$ 20,000	\$ 0	\$ 121,314

Changes in Assumptions - The discount rate was changed from 3.54% as of June 30, 2022 to 3.65% as of June 30, 2023. This change in assumption decreased the total OPEB liability.

Sensitivity of Total OPEB Liability to Changes in the Discount Rate - The following presents the total OPEB liability related to the Plan, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the discount rate.

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Changes in the Total OPEB Liability (Continued)

<u>Total OPEB Liability</u>	<u>1% Decrease (2.65%)</u>	<u>Discount Rate (3.65%)</u>	<u>1% Increase (4.65%)</u>
2023	\$ <u>132,127</u>	\$ <u>121,314</u>	\$ <u>111,099</u>
	<u>1% Decrease (2.54%)</u>	<u>Discount Rate (3.54%)</u>	<u>1% Increase (4.54%)</u>
2022	\$ <u>228,379</u>	\$ <u>211,908</u>	\$ <u>196,445</u>

Sensitivity of Total OPEB Liability to Changes in the Healthcare Cost Trend Rate - The following presents the total OPEB liability related to the Plan, as well as what the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the healthcare cost trend rate.

<u>Total OPEB Liability</u>	<u>1% Decrease (6.00% decreasing to 4.00%)</u>	<u>Healthcare Cost Trend Rates (7.00% decreasing to 5.00%)</u>	<u>1% Increase 8.00% decreasing to 6.00%)</u>
2023	\$ <u>109,032</u>	\$ <u>121,314</u>	\$ <u>135,338</u>
	<u>1% Decrease (6.50% decreasing to 4.00%)</u>	<u>Healthcare Cost Trend Rates (7.50% decreasing to 5.00%)</u>	<u>1% Increase (8.50% decreasing to 6.00%)</u>
2022	\$ <u>186,448</u>	\$ <u>211,908</u>	\$ <u>242,255</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

OPEB Expense - The District recognized (negative) OPEB expense of (\$41,549) and \$24,845 for fiscal years ended June 30, 2023 and 2022, respectively.

Deferred Outflows of Resources and Deferred Inflows of Resources - For the fiscal years ended June 30, 2023 and 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits from the following sources:

	<u>2023</u>		<u>2022</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 20,489	\$ 28,437	\$ 25,463	\$ 13,390
Changes in Assumptions	<u>21,539</u>	<u>17,282</u>	<u>28,984</u>	<u>19,950</u>
Total	<u>\$ 42,028</u>	<u>\$ 45,719</u>	<u>\$ 54,447</u>	<u>\$ 33,340</u>

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

<u>For the Years ended June 30,</u>		
2024		\$ (1,340)
2025		3,565
2026		1,791
2027		1,531
2028		(5,723)
Thereafter		<u>(3,515)</u>
Total		<u>\$ (3,691)</u>

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

NOTE 10 - NET POSITION

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. The net position for 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Net Investment in Capital Assets:		
Net Capital Assets	\$ 233,627,242	\$ 235,838,295
Less: Revenue Bonds - Net of Discounts, Premiums, Deferred Refunding Losses and Debt Issuance Costs	(154,659,211)	(158,284,657)
Plus: Debt Proceeds to be Used for Capital Assets	0	67,078
Less: Reclassification from Restricted for Capital Assets Activity	<u>(24,816)</u>	<u>(2,612,696)</u>
	<u>78,943,215</u>	<u>75,008,020</u>
Restricted for Capital Assets Activity:		
Restricted Cash and Cash Equivalents	0	67,078
Less: Accounts Payable for Capital Assets	(24,816)	(2,612,696)
Less: Debt Proceeds to be Used for Capital Assets	0	(67,078)
Reclassified to Net Investment in Capital Assets	<u>24,816</u>	<u>2,612,696</u>
	<u>0</u>	<u>0</u>
Restricted for Pensions	<u>709,808</u>	<u>733,173</u>
Unrestricted	<u>44,696,764</u>	<u>44,604,019</u>
Total Net Position	<u>\$ 124,349,787</u>	<u>\$ 120,345,212</u>

NOTE 11 - NET WATER REVENUES

Net water revenues earned during 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Gross Water Revenues	\$ 12,360,814	\$ 11,356,341
Less: Provision for Bad Debt Expense	<u>(72,084)</u>	<u>(55,400)</u>
Net Water Revenues	<u>\$ 12,288,730</u>	<u>\$ 11,300,941</u>

NOTE 12 - CAPITAL CONTRIBUTIONS

Capital contributions during 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Cash Contributions from:		
Developers	<u>\$ 611,045</u>	<u>\$ 185,837</u>
Non-Cash Capital Contributions from:		
Donated Lines by Developers	<u>\$ 1,907,380</u>	<u>\$ 5,252,662</u>

NOTE 13 - RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The District carries commercial insurance for general liability, fidelity, property & casualty and workers compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE 14 - ECONOMIC CONCENTRATION

The majority of the District's customers reside in the northwestern portion of Knox County, Tennessee and a significant number of the District's customers are employed with various federal government contractors located in Oak Ridge, Tennessee. These contractors operate several U.S. Department of Energy (DOE) facilities and have contracts that are vital to scientific research and development, national defense and hazardous waste management. DOE operations are contingent upon annual U.S. congressional appropriations.

The District's ten largest customers approximate 7.0% and 6.9% of water and wastewater net revenues for 2023 and 2022, respectively. These customers are primarily rental properties, various corporations and a hospital.

REQUIRED SUPPLEMENTARY INFORMATION

**WEST KNOX UTILITY DISTRICT
PENSION TRUST FUND**

**SCHEDULES OF CHANGES IN THE DISTRICT'S NET PENSION LIABILITY
AND RELATED RATIOS
SINGLE-EMPLOYER PLAN - WKUD DEFINED BENEFIT PLAN**

For the Years Ended June 30,

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability										
Service Cost	\$ 245,776	\$ 240,109	\$ 252,529	\$ 274,169	\$ 253,077	\$ 225,046	\$ 303,182	\$ 286,353	\$ 275,339	\$ 327,590
Interest	1,156,739	1,076,388	1,015,234	940,408	919,228	898,067	867,851	946,685	852,188	774,716
Changes of Benefit Terms	0	0	0	0	(951,309)	0	0	0	0	0
Differences between Expected and Actual Experience	(175,357)	621,177	106,057	473,338	5,350	580,975	376,284	(1,532,910)	(204,492)	0
Changes of Assumptions	3,567	(268,964)	75,181	(31,637)	382,654	195,120	0	0	641,644	0
Benefit Payments	(731,524)	(406,360)	(773,362)	(437,617)	(261,129)	(1,898,086)	(1,280,675)	(344,348)	(193,224)	(332,940)
Net Change in Total Pension Liability	499,201	1,262,350	675,639	1,218,661	347,871	1,122	266,642	(644,220)	1,371,455	769,366
Total Pension Liability - Beginning	16,068,602	14,806,252	14,130,613	12,911,952	12,564,081	12,562,959	12,296,317	12,940,537	11,569,082	10,799,716
Total Pension Liability - Ending (a)	\$ 16,567,803	\$ 16,068,602	\$ 14,806,252	\$ 14,130,613	\$ 12,911,952	\$ 12,564,081	\$ 12,562,959	\$ 12,296,317	\$ 12,940,537	\$ 11,569,082
Plan Fiduciary Net Position										
Contributions - Employer	\$ 648,000	\$ 648,000	\$ 702,000	\$ 1,098,000	\$ 720,000	\$ 1,080,000	\$ 1,170,000	\$ 990,000	\$ 1,002,000	\$ 840,000
Net Investment Income (Loss)	890,658	(1,755,632)	2,591,046	25,099	410,204	562,525	732,379	(70,346)	121,395	686,171
Benefit Payments	(731,524)	(406,360)	(773,362)	(437,617)	(261,129)	(1,898,086)	(1,280,675)	(344,348)	(193,224)	(332,940)
Administrative Expense	648	0	278	(23)	(3,067)	(8,142)	(7,286)	(2,323)	(1,613)	(1,415)
Net Change in Plan Fiduciary Net Position	807,782	(1,513,992)	2,519,962	685,459	866,008	(263,703)	614,418	572,983	928,558	1,191,816
Plan Fiduciary Net Position - Beginning	10,366,455	11,880,447	9,360,485	8,675,026	7,809,018	8,072,721	7,458,303	6,885,320	5,956,762	4,764,946
Plan Fiduciary Net Position - Ending (b)	\$ 11,174,237	\$ 10,366,455	\$ 11,880,447	\$ 9,360,485	\$ 8,675,026	\$ 7,809,018	\$ 8,072,721	\$ 7,458,303	\$ 6,885,320	\$ 5,956,762
Net Pension Liability - Ending (a) - (b)	\$ 5,393,566	\$ 5,702,147	\$ 2,925,805	\$ 4,770,128	\$ 4,236,926	\$ 4,755,063	\$ 4,490,238	\$ 4,838,014	\$ 6,055,217	\$ 5,612,320
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	67.45%	64.51%	80.24%	66.24%	67.19%	62.15%	64.26%	60.65%	53.21%	51.49%
Covered Payroll	\$ 3,206,211	\$ 3,117,787	\$ 3,312,452	\$ 3,312,845	\$ 3,255,578	\$ 3,294,366	\$ 2,950,106	\$ 2,694,442	\$ 2,752,316	\$ 2,698,662
Net Pension Liability as a Percentage of Covered Payroll	168.22%	182.89%	88.33%	143.99%	130.14%	144.34%	152.21%	179.56%	220.00%	207.97%

Notes: A. This plan was frozen to employees hired after December 31, 2017.

WEST KNOX UTILITY DISTRICT

PENSION TRUST FUND

SCHEDULES OF THE DISTRICT'S PENSION CONTRIBUTIONS
SINGLE-EMPLOYER PLAN - WKUD DEFINED BENEFIT PLAN

For the Years Ended June 30,

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially Determined Contribution (ADC)	\$ 519,793	\$ 422,596	\$ 588,358	\$ 584,736	\$ 629,455	\$ 599,266	\$ 603,158	\$ 804,412	\$ 692,994	\$ 768,824
Contributions in Relation to the Actuarially Determined Contribution	648,000	648,000	702,000	1,098,000	720,000	1,080,000	1,170,000	990,000	1,002,000	840,000
Contribution Deficiency (Excess)	\$ (128,207)	\$ (225,404)	\$ (113,642)	\$ (513,264)	\$ (90,545)	\$ (480,734)	\$ (566,842)	\$ (185,588)	\$ (309,006)	\$ (71,176)
Covered Payroll	\$ 3,206,211	\$ 3,117,787	\$ 3,312,452	\$ 3,312,845	\$ 3,255,578	\$ 3,294,366	\$ 2,950,106	\$ 2,694,442	\$ 2,752,316	\$ 2,698,662
Contributions as a Percentage of Covered Payroll	20.21%	20.78%	21.19%	33.14%	22.12%	32.78%	39.66%	36.74%	36.41%	31.13%

Notes A. During 2016 plan experience related to the unreduced subsidized early retirement benefit was much different than assumed. Had the actual experience more closely matched expectations at the beginning of the year, the ADC would have been approximately \$505,000.

Actuarial Methods & Assumptions:

Valuation Dates:	July 1, 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015, and 2014
Actuarial determined contribution rates are calculated as of June 30, 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015, and 2014.	
Methods and Assumptions used to calculate the Actuarially Determined Contribution:	
Actuarial Cost Method:	Individual Entry Age Normal
Amortization Method:	Level Dollar Amount. Unfunded Accrued Liability amortized over 30 years starting July 1, 2014. Gains/losses due to assumption changes are amortized over 30 years. Actuarial gains/losses are amortized over 10 years.
Asset Valuation Method:	Actuarial Value of Plan Assets
Asset Smoothing Method:	Investment gains and losses will be recognized and phased-in over 5 years. There is also a 20% corridor around the market value of assets
Inflation:	0.0%
Salary Increases:	4.0% (2023, 2022, 2021, 2020, 2019, 2018, 2017, 2016) & 3.0% (2015, 2014) Average, including inflation
Investment Rate of Return:	7.25%
Retirement Age:	33.33% Retire at the initial attainment of unreduced early retirement (Rule of 90) eligibility, the remaining retirement at normal retirement age (2023, 2022, 2021, 2020, 2019) 50% Retire at the initial attainment of unreduced early retirement (Rule of 90) eligibility, the remaining retirement at normal retirement age (2018, 2017, 2016) Normal Retirement Age (2015 and 2014)
Mortality:	PRI-2012 Blue Collar Mortality Table with Scale MP-21 projected on a fully generational basis (2023 and 2022) PRI-2012 Blue Collar Mortality Table with Scale MP-20 projected on a fully generational basis (2021) RP-14 Blue Collar Mortality Table with Scale MP-19 projected on a fully generational basis (2020, 2019) TCRS Mortality Assumptions (2018, 2017, 2016) IRS 2014 Combined Static Mortality Table (2015 and 2014)

WEST KNOX UTILITY DISTRICT

PENSION TRUST FUND

**SCHEDULES OF INVESTMENT RETURNS (LOSSES)
SINGLE-EMPLOYER PLAN - WKUD DEFINED BENEFIT PLAN**

For the Years Ended June 30,

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual Money-Weighted Rate of Return (Loss), Net of Investment Expenses	<u>8.54%</u>	<u>-14.64%</u>	<u>27.99%</u>	<u>0.28%</u>	<u>5.09%</u>	<u>6.80%</u>	<u>10.35%</u>	<u>-0.98%</u>	<u>1.91%</u>	<u>13.59%</u>

WEST KNOX UTILITY DISTRICT

SCHEDULES OF CHANGES IN THE DISTRICT'S NET PENSION LIABILITY
AND RELATED RATIOS BASED ON PARTICIPATION IN THE
PUBLIC EMPLOYEE PENSION PLAN OF TCRS

For the Years Ended June 30,

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability									
Interest	\$ 1,408	\$ 2,859	\$ 2,870	\$ 3,021	\$ 3,204	\$ 3,129	\$ 3,297	\$ 5,507	\$ 5,729
Differences between Expected and Actual Experience	(6,890)	(10,842)	10,638	10,424	9,637	10,118	9,507	(19,190)	9,424
Change of Assumptions	0	(1,804)	0	0	0	4,405	0	0	0
Benefit Payments	(5,875)	(11,702)	(15,609)	(15,447)	(15,269)	(15,091)	(15,006)	(16,556)	(19,677)
Net Change in Total Pension Liability	(11,357)	(21,489)	(2,101)	(2,002)	(2,428)	2,561	(2,202)	(30,239)	(4,524)
Total Pension Liability - Beginning	23,802	45,291	47,392	49,394	51,822	49,261	51,463	81,702	86,226
Total Pension Liability - Ending (a)	\$ 12,445	\$ 23,802	\$ 45,291	\$ 47,392	\$ 49,394	\$ 51,822	\$ 49,261	\$ 51,463	\$ 81,702
Plan Fiduciary Net Position									
Net Investment Income	\$ (28,847)	\$ 156,431	\$ 29,302	\$ 42,014	\$ 44,425	\$ 56,014	\$ 13,161	\$ 15,299	\$ 73,216
Benefit Payments	(5,875)	(11,702)	(15,609)	(15,447)	(15,269)	(15,091)	(15,006)	(16,556)	(19,677)
Administrative Expense	0	0	0	0	0	0	0	0	(33)
Net Change in Plan Fiduciary Net Position	(34,722)	144,729	13,693	26,567	29,156	40,923	(1,845)	(1,257)	53,506
Plan Fiduciary Net Position - Beginning	756,975	612,246	598,553	571,986	542,830	501,907	503,752	505,009	451,503
Plan Fiduciary Net Position - Ending (b)	\$ 722,253	\$ 756,975	\$ 612,246	\$ 598,553	\$ 571,986	\$ 542,830	\$ 501,907	\$ 503,752	\$ 505,009
Net Pension Liability (Asset) - Ending (a) - (b)	\$ (709,808)	\$ (733,173)	\$ (566,955)	\$ (551,161)	\$ (522,592)	\$ (491,008)	\$ (452,646)	\$ (452,289)	\$ (423,307)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	5803.56%	3180.30%	1351.80%	1262.98%	1158.01%	1047.49%	1018.87%	978.86%	618.11%
Covered Payroll	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Net Pension Liability as a Percentage of Covered Payroll	N/A								

Notes:

- A. This schedule was first required for the fiscal year ended June 30, 2014. Future years will be added to this schedule until 10 years of information is available.
- B. This plan is frozen and no active District employees participate in this plan. All active District employees participate in the West Knox Utility District Defined Benefit Plan, which was frozen as of December 31, 2017.
- C. Schedule of District's Pension Contributions is not applicable for TCRS plan. This plan has been fully funded by the District since July 1, 1991; there were no actuarially determined contributions calculated for the years presented.
- D. The amount presented for each fiscal year is based upon the measurement period which is the TCRS prior fiscal year end.
- E. *Changes in Assumptions:* In 2017, amounts reported as changes in assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, salary growth and mortality improvements.
- F. *Changes in Assumptions:* In 2021, amounts reported as changes in assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, and mortality improvements.

WEST KNOX UTILITY DISTRICT
SCHEDULES OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
For the Years Ended June 30,

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability						
Service Cost	\$ 9,774	\$ 17,829	\$ 17,254	\$ 9,723	\$ 8,937	\$ 8,178
Interest	4,944	5,061	4,795	4,384	4,384	5,124
Changes in Benefit Terms	(54,606)	0	0	0	0	0
Differences between Expected and Actual Experience	(25,299)	0	35,411	0	(39,774)	0
Change in Assumptions	(1,160)	(22,968)	26,482	13,388	9,266	(2,966)
Benefit Payments	<u>(4,247)</u>	<u>(8,950)</u>	<u>(3,295)</u>	<u>(5,436)</u>	<u>(5,610)</u>	<u>(8,415)</u>
Net Change in Total OPEB Liability	(70,594)	(9,028)	80,647	22,059	(22,797)	1,921
Total OPEB Liability - Beginning	<u>211,908</u>	<u>220,936</u>	<u>140,289</u>	<u>118,230</u>	<u>141,027</u>	<u>139,106</u>
Total OPEB Liability - Ending	<u>\$ 141,314</u>	<u>\$ 211,908</u>	<u>\$ 220,936</u>	<u>\$ 140,289</u>	<u>\$ 118,230</u>	<u>\$ 141,027</u>
Plan Fiduciary Net Position						
Contributions Employer	\$ 24,247					
Benefit Payments	<u>(4,247)</u>					
Net Change in Plan Fiduciary Net Position	20,000					
Total Plan Fiduciary Net Position - Beginning	<u>0</u>					
Total Plan Fiduciary Net Position - Ending	<u>\$ 20,000</u>					
Net OPEB Liability - Ending	<u>\$ 121,314</u>					
Covered-Employee Payroll	N/A	\$ 4,511,417	\$ 4,401,382	\$ 4,022,603	\$ 3,924,491	\$ 3,063,597
Net OPEB Liability as a Percentage of Covered-Employee Payroll	N/A	4.70%	5.02%	3.49%	3.01%	4.60%

Note: Prior to 2023, there were no assets accumulating in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75 related to this OPEB plan. This schedule is intended to display ten years of information. Additional years will be displayed as they become available.

WEST KNOX UTILITY DISTRICT
SCHEDULES OF OPEB CONTRIBUTIONS
For the Years Ended June 30,

	2023
Actuarially Determined Contribution (ADC)	\$ 0
Contributions in Relation to the Actuarially Determined Contribution	0
Contribution Deficiency (Excess)	\$ 0
 Covered Payroll	 N/A
Contributions as a Percentage of Covered Payroll	N/A

Notes Prior to 2023, there were no assets accumulating in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75 related to this OPEB plan. This schedule is intended to display ten years of information. Additional years will be displayed as they become available. Furthermore, the first contribution into the trust account was on 6/29/2023 and the holdings at 6/30/2023 were entirely made up of cash.

Actuarial Methods & Assumptions:

Valuation Dates: 7/1/2022

Actuarial determined contribution rates are calculated as of June 30, 2022.

Methods and Assumptions used to calculate the Actuarially Determined Contribution:

Actuarial Cost Method:	Individual Entry Age Normal
Amortization Method:	Level Basis. Unfunded Accrued Liability amortized over 30 years starting July 1, 2012.
Asset Valuation Method:	Market value of assets
Asset Smoothing Method:	N/A
Inflation:	2.5%
Salary Increases:	3.5%
Investment Rate of Return:	N/A
Retirement Age:	Pattern of retirement determined by experience study
Mortality:	RPH-2014 headcount-weighted fully generational table with projection Scale MP-2021

WEST KNOX UTILITY DISTRICT
SCHEDULES OF OPEB INVESTMENT RETURNS (LOSSES)
For the Years Ended June 30,

	<u>2023</u>
Annual Money-Weighted Rate of Return (Loss), Net of Investment Expenses	<u><u>N/A</u></u>

Notes Prior to 2023, there were no assets accumulating in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75 related to this OPEB plan. This schedule is intended to display ten years of information. Additional years will be displayed as they become available. Furthermore, the first contribution into the trust account was on 6/29/2023 and the holdings at 6/30/2023 were entirely made up of cash.

SUPPLEMENTARY INFORMATION SECTION

WEST KNOX UTILITY DISTRICT
COMBINING STATEMENTS OF FIDUCIARY NET POSITION
PENSION AND OPEB TRUST FUNDS

June 30, 2023

	<u>Pension Trust Fund</u>	<u>OPEB Trust Fund</u>	<u>Total</u>
ASSETS			
Investments, at Fair Value			
Cash and Cash Equivalents	\$ 138,697	\$ 20,000	\$ 158,697
Mutual Funds:			
Domestic Equity	3,961,746	0	3,961,746
International Equity	2,835,609	0	2,835,609
Fixed Income	3,019,322	0	3,019,322
Real Estate	560,601	0	560,601
Market Neutral & Alternative	<u>658,262</u>	<u>0</u>	<u>658,262</u>
Total Investments	<u>11,174,237</u>	<u>20,000</u>	<u>11,194,237</u>
TOTAL ASSETS	\$ <u>11,174,237</u>	\$ <u>20,000</u>	\$ <u>11,194,237</u>
LIABILITIES AND NET POSITION			
LIABILITIES			
Accounts Payable	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
NET POSITION			
Restricted for Pension & OPEB	<u>11,174,237</u>	<u>20,000</u>	<u>11,194,237</u>
TOTAL LIABILITIES AND NET POSITION	\$ <u>11,174,237</u>	\$ <u>20,000</u>	\$ <u>11,194,237</u>

WEST KNOX UTILITY DISTRICT
COMBINING STATEMENTS OF FIDUCIARY NET POSITION
PENSION AND OPEB TRUST FUNDS

June 30, 2022

	<u>Pension Trust Fund</u>	<u>OPEB Trust Fund</u>	<u>Total</u>
ASSETS			
Investments, at Fair Value			
Cash and Cash Equivalents	\$ 109,476	\$ 0	\$ 109,476
Mutual Funds:			
Domestic Equity	3,464,991	0	3,464,991
International Equity	2,711,963	0	2,711,963
Fixed Income	2,925,776	0	2,925,776
Real Estate	513,851	0	513,851
Market Neutral & Alternative	<u>640,398</u>	<u>0</u>	<u>640,398</u>
Total Investments	<u>10,366,455</u>	<u>0</u>	<u>10,366,455</u>
TOTAL ASSETS	<u>\$ 10,366,455</u>	<u>\$ 0</u>	<u>\$ 10,366,455</u>
LIABILITIES AND NET POSITION			
LIABILITIES			
Accounts Payable	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
NET POSITION			
Restricted for Pension & OPEB	<u>10,366,455</u>	<u>0</u>	<u>10,366,455</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 10,366,455</u>	<u>\$ 0</u>	<u>\$ 10,366,455</u>

WEST KNOX UTILITY DISTRICT
COMBINING STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
PENSION AND OPEB TRUST FUNDS

For the Year Ended June 30, 2023

	<u>Pension</u> <u>Trust Fund</u>	<u>OPEB</u> <u>Trust Fund</u>	<u>Total</u>
ADDITIONS			
Employer Contributions	\$ 648,000	\$ 20,000	\$ 668,000
Net Investment Earnings (Loss)	<u>890,658</u>	<u>0</u>	<u>890,658</u>
Total Additions	<u>1,538,658</u>	<u>20,000</u>	<u>1,558,658</u>
DEDUCTIONS			
Benefit Payments:			
Annuity Payments	413,505	0	413,505
Lump Sum Payments	318,019	0	318,019
Administrative Expenses	<u>(648)</u>	<u>0</u>	<u>(648)</u>
Total Deductions	<u>730,876</u>	<u>0</u>	<u>730,876</u>
CHANGE IN NET POSITION	807,782	20,000	827,782
TOTAL NET POSITION RESTRICTED FOR PENSION & OPEB, BEGINNING OF YEAR	<u>10,366,455</u>	<u>0</u>	<u>10,366,455</u>
TOTAL NET POSITION RESTRICTED FOR PENSION & OPEB, END OF YEAR	<u>\$ 11,174,237</u>	<u>\$ 20,000</u>	<u>\$ 11,194,237</u>

WEST KNOX UTILITY DISTRICT
COMBINING STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
PENSION AND OPEB TRUST FUNDS

For the Year Ended June 30, 2022

	<u>Pension Trust Fund</u>	<u>OPEB Trust Fund</u>	<u>Total</u>
ADDITIONS			
Employer Contributions	\$ 648,000	\$ 0	\$ 648,000
Net Investment Earnings (Loss)	<u>(1,755,632)</u>	<u>0</u>	<u>(1,755,632)</u>
Total Additions	<u>(1,107,632)</u>	<u>0</u>	<u>(1,107,632)</u>
DEDUCTIONS			
Benefit Payments:			
Annuity Payments	406,360	0	406,360
Lump Sum Payments	0	0	0
Administrative Expenses	<u>0</u>	<u>0</u>	<u>0</u>
Total Deductions	<u>406,360</u>	<u>0</u>	<u>406,360</u>
CHANGE IN NET POSITION	(1,513,992)	0	(1,513,992)
TOTAL NET POSITION RESTRICTED FOR PENSION & OPEB, BEGINNING OF YEAR	<u>11,880,447</u>	<u>0</u>	<u>11,880,447</u>
TOTAL NET POSITION RESTRICTED FOR PENSION & OPEB, END OF YEAR	<u>\$ 10,366,455</u>	<u>\$ 0</u>	<u>\$ 10,366,455</u>

WEST KNOX UTILITY DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS

June 30, 2023

Fiscal Year Ending June 30,	\$35,425,000 Public Improvement Revenue Bonds Series 2009-V-B-1		\$35,000,000 Water and Sewer Revenue Bonds (BABS) - Series 2010		\$25,000,000 Local Government Improvement Revenue Bonds Series 2016 V-E-1		\$27,015,000 Water and Sewer Revenue Bonds Series 2016		\$8,535,000 Water and Sewer Revenue Bonds Series 2018	
	Principal	Interest (a)	Principal	Interest (b)	Principal	Interest (c)	Principal	Interest	Principal	Interest
2024	\$ 1,400,000	\$ 946,900	\$ 0	\$ 812,482	\$ 635,000	\$ 844,800	\$ 425,000	\$ 1,003,931	\$ 205,000	\$ 306,018
2025	1,470,000	887,400	0	812,482	625,000	819,400	480,000	982,681	215,000	297,818
2026	1,545,000	824,925	0	812,482	615,000	794,400	510,000	958,681	225,000	289,218
2027	1,620,000	759,263	0	812,482	605,000	769,800	565,000	933,181	235,000	280,219
2028	1,700,000	690,413	0	812,482	630,000	745,600	595,000	904,931	240,000	273,169
2029	1,785,000	618,162	0	812,482	585,000	720,400	690,000	887,081	245,000	265,969
2030	1,875,000	542,300	0	812,482	560,000	697,000	760,000	866,381	255,000	258,619
2031	1,970,000	462,612	0	812,482	590,000	674,600	755,000	841,681	260,000	250,650
2032	2,070,000	378,888	0	812,482	535,000	651,000	745,000	816,200	270,000	242,200
2033	2,170,000	290,913	0	812,482	520,000	629,600	815,000	790,125	280,000	233,088
2034	2,280,000	198,687	0	812,482	530,000	608,800	860,000	761,600	290,000	223,287
2035	2,395,000	101,787	0	812,482	525,000	587,600	905,000	730,425	300,000	213,138
2036	0	0	0	812,482	525,000	566,600	945,000	696,488	310,000	202,637
2037	0	0	0	812,482	500,000	545,600	1,035,000	661,050	320,000	191,400
2038	0	0	0	812,482	565,000	525,600	1,040,000	609,300	335,000	179,800
2039	0	0	0	812,482	1,250,000	503,000	1,045,000	557,300	345,000	166,400
2040	0	0	0	812,482	1,360,000	453,000	1,040,000	505,050	360,000	152,600
2041	0	0	3,150,000	812,482	1,450,000	398,600	1,045,000	453,050	375,000	138,200
2042	0	0	3,275,000	664,757	535,000	340,600	2,045,000	400,800	390,000	123,200
2043	0	0	3,475,000	511,171	590,000	319,200	2,025,000	319,000	405,000	107,600
2044	0	0	3,625,000	348,206	685,000	295,600	2,005,000	238,000	420,000	91,400
2045	0	0	3,800,000	178,206	815,000	268,200	1,985,000	157,800	440,000	74,600
2046	0	0	0	0	5,890,000	235,600	1,960,000	78,400	455,000	57,000
2047	0	0	0	0	0	0	0	0	475,000	38,800
2048	0	0	0	0	0	0	0	0	495,000	19,800
Total	\$ 22,280,000	\$ 6,702,250	\$ 17,325,000	\$ 16,327,016	\$ 21,120,000	\$ 12,994,600	\$ 24,275,000	\$ 15,153,138	\$ 8,145,000	\$ 4,676,830

Notes: (a) Variable rate - the interest assumes a long-term rate of 4.25%.
(b) The interest related to the BABS is net of the 35% subsidy payment from the U.S. Government.
(c) Variable rate - the interest assumes a long-term rate of 4.0%.

THE WEST KNOX UTILITY DISTRICT OF KNOX COUNTY
SCHEDULE OF DEBT SERVICE REQUIREMENTS (Continued)

June 30, 2023

Fiscal Year Ending June 30,	\$20,000,000 Water and Sewer Revenue Bonds Series 2019		\$15,000,000 Local Government Improvement Revenue Bonds Series V-F-1		\$25,435,000 Water and Sewer Revenue Bonds Series 2022		Total	Total	Total Debt
	Principal	Interest	Principal	Interest (d)	Principal	Interest	Principal	Interest	Service
2024	\$ 435,000	\$ 646,950	\$ 300,000	\$ 542,625	\$ 305,000	\$ 840,050	\$ 3,705,000	\$ 5,943,756	\$ 9,648,756
2025	460,000	625,200	300,000	531,375	315,000	824,800	3,865,000	5,781,156	9,646,156
2026	480,000	602,200	300,000	520,125	345,000	809,050	4,020,000	5,611,081	9,631,081
2027	505,000	578,200	325,000	508,875	350,000	791,800	4,205,000	5,433,820	9,638,820
2028	530,000	552,950	325,000	496,688	355,000	774,300	4,375,000	5,250,533	9,625,533
2029	555,000	526,450	325,000	484,500	360,000	756,550	4,545,000	5,071,594	9,616,594
2030	585,000	498,700	325,000	472,313	360,000	738,550	4,720,000	4,886,345	9,606,345
2031	610,000	475,300	375,000	460,125	390,000	720,550	4,950,000	4,698,000	9,648,000
2032	630,000	450,900	375,000	446,062	515,000	701,050	5,140,000	4,498,782	9,638,782
2033	650,000	432,000	375,000	432,000	525,000	675,300	5,335,000	4,295,508	9,630,508
2034	670,000	412,500	375,000	417,937	525,000	654,300	5,530,000	4,089,593	9,619,593
2035	690,000	392,400	400,000	403,875	555,000	633,300	5,770,000	3,875,007	9,645,007
2036	710,000	371,700	400,000	388,875	3,080,000	611,100	5,970,000	3,649,882	9,619,882
2037	730,000	350,400	400,000	373,875	3,165,000	518,700	6,150,000	3,453,507	9,603,507
2038	755,000	328,500	400,000	358,875	3,275,000	423,750	6,370,000	3,238,307	9,608,307
2039	775,000	305,850	0	343,875	3,375,000	325,500	6,790,000	3,014,407	9,804,407
2040	800,000	282,600	0	343,875	3,465,000	224,250	7,025,000	2,773,857	9,798,857
2041	825,000	258,600	0	343,875	685,000	120,300	7,530,000	2,525,107	10,055,107
2042	850,000	233,850	0	343,875	760,000	99,750	7,855,000	2,206,832	10,061,832
2043	875,000	208,350	0	343,875	805,000	76,950	8,175,000	1,886,146	10,061,146
2044	1,000,000	182,100	0	343,875	870,000	52,800	8,605,000	1,551,981	10,156,981
2045	1,000,000	152,100	0	343,875	890,000	26,700	8,930,000	1,201,481	10,131,481
2046	1,000,000	122,100	0	343,875	0	0	9,305,000	836,975	10,141,975
2047	1,000,000	92,100	275,000	343,875	0	0	1,750,000	474,775	2,224,775
2048	1,020,000	62,100	275,000	333,563	0	0	1,790,000	415,463	2,205,463
2049	1,050,000	31,500	500,000	323,250	0	0	1,550,000	354,750	1,904,750
2050	0	0	1,505,000	304,500	0	0	1,505,000	304,500	1,809,500
2051	0	0	1,565,000	248,063	0	0	1,565,000	248,063	1,813,063
2052	0	0	1,620,000	189,375	0	0	1,620,000	189,375	1,809,375
2053	0	0	1,685,000	128,625	0	0	1,685,000	128,625	1,813,625
2054	0	0	1,745,000	65,437	0	0	1,745,000	65,437	1,810,437
Total	\$ 19,190,000	\$ 9,175,600	\$ 14,470,000	\$ 11,525,813	\$ 25,270,000	\$ 11,399,400	\$ 152,075,000	\$ 87,954,647	\$ 240,029,647

Notes: (d) Variable rate - the interest assumes a long-term rate of 3.75%.

WEST KNOX UTILITY DISTRICT
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
June 30, 2023

	Original Amount of Issue	Interest Rate	Date of Issue	Final Maturity Date	Outstanding July 1, 2022	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding June 30, 2023
Bonds Payable									
V-B-1 Local Gov't Public Improvement Revenue Bonds	\$ 35,425,000	Variable	% 8/1/2009	6/1/2035	\$ 23,615,000	\$ 0	\$ 1,335,000	\$ 0	\$ 22,280,000
2010 Water and Sewer Revenue Bonds	35,000,000	4.15 - 7.00	11/30/2010	6/1/2045	17,325,000	0	0	0	17,325,000
2016 Water and Sewer Revenue Refunding & Improvement Bonds	27,015,000	3.00 - 5.00	12/22/2016	6/1/2046	24,645,000	0	370,000	0	24,275,000
V-E-1 Local Gov't Public Improvement Revenue Bonds	25,000,000	Variable	12/23/2016	6/1/2046	21,770,000	0	650,000	0	21,120,000
2018 Water and Sewer Revenue Bonds	8,535,000	3.00 - 4.00	11/1/2018	6/1/2048	8,345,000	0	200,000	0	8,145,000
2019 Water and Sewer Revenue Bonds	20,000,000	3.00 - 5.00	6/28/2019	6/1/2049	19,605,000	0	415,000	0	19,190,000
V-F-1 Local Gov't Public Improvement Revenue Bonds	15,000,000	Variable	6/28/2019	6/1/2054	14,770,000	0	300,000	0	14,470,000
2022 Water and Sewer Revenue Refunding Bonds	25,435,000	3.00 - 5.00	3/31/2022	6/1/2045	25,435,000	0	165,000	0	25,270,000
Total Bonds Payable					155,510,000	0	3,435,000	0	152,075,000
Total					<u>\$ 155,510,000</u>	<u>\$ 0</u>	<u>\$ 3,435,000</u>	<u>\$ 0</u>	<u>\$ 152,075,000</u>

WEST KNOX UTILITY DISTRICT
SCHEDULES OF WATER RATES AND STATISTICS

June 30, 2023 and 2022

1. As of June 30, 2023 and 2022, the District serviced water and wastewater customers as shown below. Hotels, motels and apartments are billed on a commercial, per unit basis.

2023	Water Customers	Billing Units	Wastewater Customers	Billing Units
Residential	27,244	27,244	22,474	22,474
Commercial	1,098	1,098	679	679
Multi-Space Units	39	3,478	39	3,427
Total	<u>28,381</u>	<u>31,820</u>	<u>23,192</u>	<u>26,580</u>
<u>2022</u>				
Residential	26,677	26,677	22,002	22,002
Commercial	1,070	1,070	668	668
Multi-Space Units	40	3,478	40	3,427
Total	<u>27,787</u>	<u>31,225</u>	<u>22,710</u>	<u>26,097</u>

2. Monthly Water Rate Schedule - (Effective July 1, 2022)

	2023	2022
(a) Residential Water Rate:		
Customer Charge	\$14.00 minimum bill \$4.00 per 1,000 Gal.	\$13.65 minimum bill \$3.75 per 1,000 Gal.
(b) Commercial, Municipal, Public Schools, Hospital Service Rate:		
Customer Charge	Based upon Meter Size \$4.00 per 1,000 Gal.	\$21.00 minimum bill \$3.75 per 1,000 Gal.
(c) Hotel, Motel per Unit or Space:		
Customer Charge	\$6.11 minimum bill \$4.00 per 1,000 Gal.	\$6.11 minimum bill \$3.75 per 1,000 Gal.

3. Monthly Wastewater Rate Schedule - (Effective July 1, 2022)

	2023	2022
(a) Residential Rate:		
1st	\$26.77 minimum bill	\$24.27 minimum bill
Next	12,000 Gal. - \$7.64 per 1,000 Gal.	12,000 Gal. - \$7.54 per 1,000 Gal.
All over	13,000 Gal. - No Charge	13,000 Gal. - No Charge
(b) Commercial, Municipal, Public Schools, Hospital Rate:		
1st	Based upon Meter Size	Based upon Meter Size
All over	\$7.64 per 1,000 Gal.	\$7.54 per 1,000 Gal.
(c) Hotel, Motel per Unit or Space:		
1st	\$16.92 minimum bill	\$16.92 minimum bill
All over	\$7.64 per 1,000 Gal.	\$7.54 per 1,000 Gal.
(d) Industrial Rate determined on an individual basis.		

4. Wastewater Treated (In Thousands of Gallons)	<u>2023</u> 1,391,260	<u>2022</u> 1,401,850
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STATISTICAL SECTION

This part of the District's Annual Comprehensive Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

<u>Contents</u>	<u>Pages</u>
Financial Trends	
These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time	55-57
Revenue Capacity	
These schedules contain information to help the reader assess the District's operating revenues and customer statistics	58-63
Debt Capacity	
This schedule presents information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.....	64-65
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.....	66-67
Operating Information	
These schedules contain service data to help the reader understand how the information in the District's financial report relates to the water and wastewater services provided by the District.....	68-69

Sources: Unless otherwise noted, the information in these schedules is derived from the Annual Comprehensive Financial Reports for the relevant year.

WEST KNOX UTILITY DISTRICT
NET POSITION BY COMPONENT
Last Ten Fiscal Years

Fiscal Year	Net Investment in Capital Assets	Restricted			Unrestricted	Total
		Capital Activity	Debt Service	Pensions		
2023	\$ 78,943,215	\$ 0	\$ 0	\$ 709,808	\$ 44,696,764	\$ 124,349,787
2022	75,008,020	0	0	733,173	44,604,019	120,345,212
2021	70,727,388	0	0	566,955	41,605,410	112,899,753
2020	73,636,934	0	0	551,161	34,147,827	108,335,922
2019	87,057,438	0	0	522,592	16,879,118	104,459,148
2018	73,657,081	0	0	491,008	25,773,016	99,921,105
2017	70,455,998	0	0	452,646	22,648,421	93,557,065
2016	75,637,610	0	67,346	452,289	11,131,345	87,288,590
2015	69,589,656	0	42,549	423,307	12,583,194	82,638,706
2014	62,874,634	0	391,779	0	18,460,030	81,726,443

WEST KNOX UTILITY DISTRICT

CHANGES IN NET POSITION

Last Ten Fiscal Years

	2023	2022	2021	2020	2019
Operating Revenues					
Water, Net	\$ 12,288,730	\$ 11,300,941	\$ 10,748,092	\$ 10,789,576	\$ 9,487,077
Wastewater	18,270,556	16,985,622	16,159,287	16,180,046	14,253,528
Connection Fees	1,186,351	1,588,684	1,998,500	1,481,283	983,807
Low Pressure Pump Fees	77,097	591,000	1,419,000	789,450	375,000
Customer Forfeited Discounts	324,845	297,445	310,671	288,068	352,785
Service Fees	127,666	179,070	162,207	140,700	146,565
Wastewater Inspection Fees	10,925	20,375	23,910	17,580	12,035
Miscellaneous	362,739	274,634	291,548	229,841	466,135
Total Operating Revenues	32,648,909	31,237,771	31,113,215	29,916,544	26,076,932
Operating Expenses:					
Water Purification & Supply	1,842,004	1,558,296	1,364,413	1,473,656	1,171,594
Wastewater Collection & Treatment	4,924,109	5,349,306	5,353,888	4,752,955	3,578,095
Water Treatment & Distribution	4,781,387	3,885,100	3,927,958	3,936,095	3,451,334
Wastewater CMOM Program	1,556,725	1,364,990	1,142,385	1,257,520	1,247,631
Shop & General Maintenance	502,507	453,514	342,125	302,950	278,583
Customer Accounting	449,788	426,850	431,720	358,761	157,447
Administrative & General	3,557,871	3,288,992	3,213,556	3,092,193	2,659,965
Depreciation	8,635,823	8,458,253	8,191,238	5,756,766	5,861,519
Total Operating Expenses	26,250,214	24,785,301	23,967,283	20,930,896	18,406,168
Operating Income	6,398,695	6,452,470	7,145,932	8,985,648	7,670,764
Non-Operating Revenues (Expenses):					
Investment Income, Net	537,554	(507,170)	169,735	1,052,950	1,149,793
Interest Expense	(5,734,643)	(5,140,744)	(4,968,442)	(5,636,465)	(4,917,374)
Change in Fair Value of Derivative - Interest					
Rate Swap	270,240	1,192,911	1,000,407	(668,570)	(444,607)
Debt Issuance Expense	0	0	0	0	(712,442)
Other	14,304	9,493	(8,087)	(2,733,429)	(143,946)
Total Non-Operating Revenues (Expenses), Net	(4,912,545)	(4,445,510)	(3,806,387)	(7,985,514)	(5,068,576)
Increase (Decrease) in Net Position Before Capital Contributions	1,486,150	2,006,960	3,339,545	1,000,134	2,602,188
Capital Contributions:					
Cash Contributions	611,045	185,837	108,644	0	0
Developers Contributions of Capital Assets	1,907,380	5,252,662	1,115,642	2,876,640	1,935,855
Total Capital Contributions	2,518,425	5,438,499	1,224,286	2,876,640	1,935,855
Change in Net Position	\$ 4,004,575	\$ 7,445,459	\$ 4,563,831	\$ 3,876,774	\$ 4,538,043

WEST KNOX UTILITY DISTRICT
CHANGES IN NET POSITION (Continued)

Last Ten Fiscal Years

	2018	2017	2016	2015	2014
Operating Revenues					
Water, Net	\$ 9,195,039	\$ 9,609,490	\$ 9,089,180	\$ 8,611,641	\$ 7,881,838
Wastewater	13,051,070	13,303,536	12,123,653	10,875,487	9,577,125
Connection Fees	1,180,754	950,074	945,437	893,658	836,668
Low Pressure Pump Fees	171,150	107,100	30,600	43,350	5,100
Customer Forfeited Discounts	507,151	340,649	297,708	285,589	258,507
Service Fees	158,336	130,075	129,075	120,201	111,675
Wastewater Inspection Fees	15,900	11,675	14,225	13,600	11,730
Miscellaneous	352,573	303,529	282,617	199,593	242,788
Total Operating Revenues	24,631,973	24,756,128	22,912,495	21,043,119	18,925,431
Operating Expenses:					
Water Purification & Supply	1,366,020	1,206,442	1,164,483	1,103,041	1,114,272
Wastewater Collection & Treatment	3,837,316	3,172,119	3,036,124	2,438,755	2,220,697
Water Treatment & Distribution	2,939,754	3,287,313	2,879,875	2,894,879	2,547,171
Wastewater CMOM Program	1,414,184	1,591,203	1,560,603	1,545,363	1,465,689
Shop & General Maintenance	327,055	422,083	389,611	333,439	470,839
Customer Accounting	136,472	136,867	131,648	121,724	122,870
Administrative & General	2,925,821	2,313,634	2,102,988	2,089,427	1,880,540
Depreciation	5,878,528	5,604,703	5,375,093	5,269,866	4,601,380
Total Operating Expenses	18,825,150	17,734,364	16,640,425	15,796,494	14,423,458
Operating Income	5,806,823	7,021,764	6,272,070	5,246,625	4,501,973
Non-Operating Revenues (Expenses):					
Investment Income, Net	781,765	73,202	187,435	55,893	136,580
Interest Expense	(4,134,864)	(3,644,922)	(2,642,317)	(2,067,955)	(1,714,150)
Change in Fair Value of Derivative - Interest					
Rate Swap	578,958	993,190	(905,655)	(3,396,726)	0
Debt Issuance Expense	0	(468,987)	(245,259)	0	0
Other	32,207	11,478	26,286	0	4,225
Total Non-Operating Revenues (Expenses), Net	(2,741,934)	(3,036,039)	(3,579,510)	(5,408,788)	(1,573,345)
Increase (Decrease) in Net Position Before Capital Contributions	3,064,889	3,985,725	2,692,560	(162,163)	2,928,628
Capital Contributions:					
Cash Contributions	200,914	117,499	173,054	0	0
Developers Contributions of Capital Assets	3,241,701	2,165,251	1,784,270	1,074,426	1,216,660
Total Capital Contributions	3,442,615	2,282,750	1,957,324	1,074,426	1,216,660
Change in Net Position	\$ 6,507,504	\$ 6,268,475	\$ 4,649,884	\$ 912,263	\$ 4,145,288

**WEST KNOX UTILITY DISTRICT
CUSTOMER STATISTICS AND RATES**

Last Ten Fiscal Years

Fiscal Year	Customer Billing		Water		Wastewater	
	Units		Minimum Bill	Rates per 1,000 Gallons	Minimum Bill	Rates per 1,000 Gallons
	Water	Wastewater				
2023	31,820	26,580	\$ 14.00	\$ 4.00	\$ 26.77	\$ 7.64
2022	31,225	26,097	13.65	3.75	24.27	7.54
2021	30,489	25,403	13.05	3.71	23.27	7.54
2020	29,535	24,690	13.05	3.71	23.27	7.54
2019	28,832	23,378	13.05	3.46	23.27	6.79
2018	29,170	23,162	13.05	3.46	23.27	6.79
2017	28,335	22,484	13.05	3.46	22.27	6.34
2016	26,555	21,819	13.05	3.46	22.27	5.84
2015	26,139	21,547	13.05	3.21	22.27	4.84
2014	26,347	21,562	11.30	3.21	21.27	4.09

Notes: (a) Rates are based upon a single family residence.
 (b) The water and wastewater rates are per 1,000 gallons.

WEST KNOX UTILITY DISTRICT
WATER PRODUCED, SOLD AND CONSUMED
Last Ten Fiscal Years

Fiscal Year	Gallons of Water (In Thousands)			Percent Lost
	Water Pumped	Water Sold and Consumed	Water Unbilled	
2023	2,406,528	1,910,152	496,376	20.63
2022	2,264,013	1,827,203	436,810	19.29
2021	2,205,230	1,810,067	395,163	17.92
2020	2,341,407	1,800,779	540,628	23.09
2019	2,072,034	1,704,155	367,879	17.75
2018	1,769,765	1,572,336	197,429	11.16
2017	1,900,844	1,671,373	229,471	12.07
2016	2,418,193	1,787,642	630,551	26.08
2015	2,073,434	1,751,511	321,923	15.53
2014	1,893,113	1,741,821	151,292	7.99

WEST KNOX UTILITY DISTRICT

ANNUAL TAP SALES

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Water Meter Taps Sold</u>	<u>Wastewater Taps Sold</u>	<u>Total Taps</u>
2023	596	514	1,110
2022	920	811	1,731
2021	1060	941	2,001
2020	771	653	1,424
2019	497	444	941
2018	779	717	1,496
2017	561	465	1,026
2016	621	575	1,196
2015	593	544	1,137
2014	509	471	980

WEST KNOX UTILITY DISTRICT
NUMBER OF WATER AND SEWER CUSTOMERS BY TYPE
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Hotel/Motel</u>	<u>Total</u>
Water				
2023	27,244	1,098	39	28,381
2022	26,677	1,070	40	27,787
2021	25,966	1,045	41	27,052
2020	25,029	1,025	40	26,094
2019	24,203	1,018	40	25,261
2018	24,781	1,129	40	25,950
2017	24,067	878	62	25,007
2016	22,341	1,028	60	23,429
2015	21,847	893	60	22,800
2014	21,334	886	44	22,264
Wastewater				
2023	22,474	679	39	23,192
2022	22,002	668	40	22,710
2021	21,320	656	40	22,016
2020	20,534	675	40	21,249
2019	19,774	671	40	20,485
2018	19,132	645	58	19,835
2017	18,501	613	59	19,173
2016	18,041	592	58	18,691
2015	17,566	582	40	18,188
2014	17,054	577	40	17,671

WEST KNOX UTILITY DISTRICT
WATER AND WASTEWATER RATES (*)

Last Ten Fiscal Years

Water Rates

<u>Base Rate</u>	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Residential	\$14.00	\$13.65	\$13.05	\$13.05	\$13.05	\$13.05	\$13.05	\$13.05	\$13.05	\$11.30
Commercial	(b)	21.00	21.00	21.00	21.00	21.00	21.00	16.00	16.00	14.25
Hotel/Motel (per unit)	6.11	6.11	6.11	6.11	6.11	6.11	6.11	6.11	6.11	4.36

Usage Rates

(Per 1,000 Gallons)

Residential	\$4.00	\$3.75	\$3.71	\$3.71	\$3.46	\$3.46	\$3.46	\$3.46	\$3.21	\$3.21
Commercial	4.00	3.75	3.71	3.71	3.46	3.46	3.46	3.46	3.21	3.21
Hotel/Motel (per unit)	4.00	3.75	3.71	3.71	3.46	3.46	3.46	3.46	3.21	3.21

Wastewater Rates

Base Rate

Residential	\$26.77	\$24.27	\$23.27	\$23.27	\$23.27	\$23.27	\$22.27	\$22.27	\$22.27	\$21.27
Commercial	(b)	(b)	(b)	(b)	(b)	(b)	30.80	30.80	30.80	29.80
Hotel/Motel (per unit)	16.92	16.92	16.92	16.92	16.92	16.92	16.92	16.92	16.92	15.92

Usage Rates

(Per 1,000 Gallons)

Residential 1,500 to 13,000	\$7.64	\$7.54	\$7.54	\$7.54	\$6.79	\$6.79	\$6.34	\$5.84	\$4.84	\$4.09
Commercial All Over 1,500	\$7.64	\$7.54	\$7.54	\$7.54	\$6.79	\$6.79	\$6.34	\$5.84	\$4.84	\$4.09
Hotel/Motel All Over 1,500	\$7.64	\$7.54	\$7.54	\$7.54	\$6.79	\$6.79	\$6.34	\$5.84	\$4.84	\$4.09

***Notes:** (a) Rates must be approved by the Board of Commissioners.
(b) Commercial water and wastewater rates will be based on meter size.

WEST KNOX UTILITY DISTRICT

TEN LARGEST CUSTOMERS

Current Fiscal Year and Nine Years Ago

Customer	Type of Business	FY2023		FY 2014	
		(a) Total Annual Sales	Percentage of Total Sales	(a) Total Annual Sales	Percentage of Total Sales
Parkwest Medical Center	Medical	\$ 397,707	1.30 %	\$ 325,850	1.87 %
Goldelm at Metropolitan	Rental Real Estate	317,959	1.04	293,465	1.68
Woodlands West Apartments	Rental Real Estate	293,361	0.96	258,769	1.48
Country Club Apartments	Rental Real Estate	218,131	0.71	143,731	0.82
Knox County Board of Education	School System	188,425	0.62	N/A	N/A
Brendon Park Apartments	Rental Real Estate	180,990	0.59	156,076	0.89
Holiday Inn - Cedar Bluff Rd.	Hospitality	167,812	0.55	114,326	0.65
Blue Beacon Truck Wash	Semi-Truck Washing	139,069	0.46	N/A	N/A
Goldelm at Cedar Bluff	Rental Real Estate	128,877	0.42	N/A	N/A
SCBP Knoxville Associates	Rental Real Estate	106,562	0.35	N/A	N/A
Cedar Bluff Apartments	Rental Real Estate	N/A	N/A	138,160	0.79
Warren House Apartments	Rental Real Estate	N/A	N/A	102,382	0.59
Hampton Inn - Cedar Bluff Rd.	Hospitality	N/A	N/A	62,433	0.36
Tennessee Veterans Home	Medical	N/A	N/A	47,912	0.27
Total		\$ 2,138,893	7.00 %	\$ 1,643,104	9.41 %

Note: (a) Sales include only water and wastewater net revenues.

(b) Goldelm at Metropolitan Apartments was formerly known as Sunchase Apartments.

WEST KNOX UTILITY DISTRICT
OUTSTANDING DEBT PER CUSTOMER

Last Ten Fiscal Years

Fiscal Year	Revenue Bonds	Notes Payable	Total (a)	Number of Customers (b)	Outstanding Debt per Customer
2023	\$ 155,242,152	\$ 0	\$ 155,242,152	31,820	\$ 4,879
2022	158,926,843	0	158,926,843	31,225	5,090
2021	161,983,335	0	161,983,335	30,489	5,313
2020	164,599,862	0	164,599,862	29,535	5,573
2019	166,901,181	0	166,901,181	28,832	5,789
2018	123,567,102	1,350,000	124,917,102	29,170	4,282
2017	126,239,820	1,350,000	127,589,820	28,335	4,503
2016	75,401,917	3,039,906	78,441,823	26,555	2,954
2015	66,392,971	3,140,714	69,533,685	26,139	2,660
2014	67,024,542	3,248,347	70,272,889	26,347	2,667

Notes: (a) Outstanding debt is net of unamortized bond premiums and discounts.

(b) Number of customers is based upon water customer billing units.

(c) No debt to personal income ratio is shown because personal income for the District's service area is not available.

WEST KNOX UTILITY DISTRICT
PLEDGED REVENUE COVERAGE

Last Ten Fiscal Years

Fiscal Year	(a) Gross Revenues	(b) Operating Expenses	Net Revenues Available for Debt Service	Debt Service Requirements			Coverage Ratio
				Principal	(c) Interest Paid	Total	
2023	\$ 33,720,729	\$ 17,614,391	\$ 16,106,338	\$ 3,435,000	\$ 6,114,297	\$ 9,549,297	1.69
2022	31,567,439	16,327,048	15,240,391	3,435,000	5,067,110	8,502,110	1.79
2021	33,016,591	15,776,045	17,240,546	2,510,000	5,052,033	7,562,033	2.28
2020	30,669,741	15,174,130	15,495,611	2,195,000	5,713,590	7,908,590	1.96
2019	26,844,371	12,542,526	14,301,845	1,245,000	4,959,903	6,204,903	2.30
2018	25,540,856	12,946,622	12,594,234	2,625,000	4,144,916	6,769,916	1.86
2017	25,302,311	12,129,661	13,172,650	2,166,232	3,503,196	5,669,428	2.32
2016	23,205,213	11,265,332	11,939,881	1,017,926	2,536,212	3,554,138	3.36
2015	21,092,830	10,526,628	10,566,202	636,852	1,995,094	2,631,946	4.01
2014	19,076,456	9,882,078	9,194,378	940,015	1,637,920	2,577,935	3.57

- Notes:**
- (a) Includes operating revenues, interest income received less accretion and cash contributions from developers.
 - (b) Does not include depreciation expense.
 - (c) Interest includes interest paid, paying agent's fees and service charges net of capitalized construction period interest.
 - (d) Does not include notes payable.

WEST KNOX UTILITY DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Calendar Years

Calendar Year	Population (c)	Personal Income (Thousands of Dollars) (d)	Per Capita Personal Income	Unemployment Rate (e)	
				County	State
2022	497,745	N/A	N/A	3.5%	4.0%
2021	486,677	29,168,574	59,934	4.1%	5.3%
2020	475,609	25,988,024	54,642	7.7%	9.9%
2019	469,363	24,342,690	51,863	3.5%	3.9%
2018	464,819	23,142,739	49,738	3.6%	4.1%
2017	459,396	22,243,142	48,160	2.9%	3.3%
2016	456,132	21,121,133	46,305	3.7%	3.6%
2015	451,324	20,241,530	44,849	4.8%	5.6%
2014	448,664	19,297,297	43,012	5.7%	6.6%
2013	441,311	18,466,333	41,844	5.6%	7.9%

- Notes:**
- (a) N/A = Data not available.
 - (b) Demographic and economic information is for Knox County, Tennessee. This information for the District's service area is not available.
 - (c) Population – U.S. Bureau of the Census.
 - (d) Income – Bureau of Economic Analysis, U.S. Department of Commerce.
 - (e) Unemployment Rates – Tennessee Department of Labor and Workforce Development for June.

WEST KNOX UTILITY DISTRICT

PRINCIPAL EMPLOYERS

Current Calendar Year and Nine Years Ago

Employer (a)	Industry	2023		2014	
		Number of Employees	% of Total Knox County Workforce	Number of Employees	% of Total Knox County Workforce
Covenant Health	Health Care	11,913	4.75 %	9,122	4.00 %
Knox County Schools	Education	10,047	4.00	7,066	3.10
The University of Tennessee	Education	9,299	3.70	6,550	2.87
Walmart	Retail	6,863	2.73	5,776	2.53
University Health Systems	Health Care	5,387	2.15	4,061	1.78
K-VA-T Food Stores	Retail Grocery	4,302	1.71	3,857	1.69
State of Tennessee	Government	3,122	1.24	2,808	1.23
Knox County	Government	2,941	1.17	2,991	1.31
Tenova Healthcare	Health Care	2,927	1.17	3,124	1.37
McDonalds	Fast Food	2,663	1.06	N/A	N/A
The Kroger Co.	Retail Store	N/A	N/A	2,555	1.12
Total		59,464	23.68 %	47,910	21.00 %

Notes: (a) Only Knox County presented.

Source: Knoxville Area Chamber Partnership

WEST KNOX UTILITY DISTRICT
NUMBER OF EMPLOYEES BY ACTIVITY

Last Ten Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
WATER										
Water Plant Operations	9	8	8	8	8	9	9	10	9	9
Water Plant Maintenance	2	2	2	4	3	2	2	2	2	2
Water Systems Maintenance	20	18	19	18	19	17	17	16	13	14
	<u>31</u>	<u>28</u>	<u>29</u>	<u>30</u>	<u>30</u>	<u>28</u>	<u>28</u>	<u>28</u>	<u>24</u>	<u>25</u>
SEWER										
Sewer Plant Operations	4	4	4	4	3	3	3	3	3	2
Sewer Plant Maintenance	12	11	11	10	9	8	10	9	10	9
Sewer Systems Maintenance (CMOM)	12	10	10	11	13	13	10	11	13	12
	<u>28</u>	<u>25</u>	<u>25</u>	<u>25</u>	<u>25</u>	<u>24</u>	<u>23</u>	<u>23</u>	<u>26</u>	<u>23</u>
ENGINEERING/ INSPECTION/CONSTRUCTION										
Engineering	9	5	6	6	6	5	1	1	1	1
Inspections	2	2	2	2	2	2	2	2	2	1
Construction	3	5	5	2	2	2	2	2	2	2
	<u>14</u>	<u>12</u>	<u>13</u>	<u>10</u>	<u>10</u>	<u>9</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>4</u>
ADMINISTRATION										
Billing/Customer Service	8	7	8	8	8	7	8	8	7	7
Meter Reading	4	4	4	4	4	3	3	3	2	2
Human Resources	1	1	1	1	1	1	1	1	1	1
Finance & Accounting	2	2	2	2	2	1	1	1	1	1
Executive Administration	2	2	2	2	2	2	2	2	2	2
	<u>17</u>	<u>16</u>	<u>17</u>	<u>17</u>	<u>17</u>	<u>14</u>	<u>15</u>	<u>15</u>	<u>13</u>	<u>13</u>
TOTAL EMPLOYEES	<u>90</u>	<u>81</u>	<u>84</u>	<u>82</u>	<u>82</u>	<u>75</u>	<u>71</u>	<u>71</u>	<u>68</u>	<u>65</u>

Source: The District's payroll records.

WEST KNOX UTILITY DISTRICT
ANNUAL WASTEWATER PLANT FLOWS AND CAPACITY
IN MILLIONS OF GALLONS

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Annual Wastewater Plant Flow</u>	<u>Annual Design Flow</u>	<u>Unused Plant Capacity</u>	<u>Percent of Plant Utilization</u>
2023	1,391.26	2,190.00	798.74	63.5 %
2022	1,401.85	2,190.00	788.15	64.0
2021	1,446.19	2,190.00	743.81	66.0
2020	1,580.57	2,190.00	609.43	72.2
2019	1,404.76	1,460.00	55.24	96.2
2018	1,373.12	1,460.00	86.88	94.0
2017	1,387.87	1,460.00	72.13	95.1
2016	1,489.60	1,460.00	(29.60)	102.0
2015	1,312.59	1,460.00	147.41	89.9
2014	1,334.20	1,460.00	125.80	91.4

Note: Flows expressed in millions of gallons.
Source: Monthly operating reports to the Tennessee Department of Environment and Conservation.

WEST KNOX UTILITY DISTRICT
OPERATING AND CAPITAL INDICATORS
Last Ten Fiscal Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Area in Square Miles:	72	72	72	72	72	72	72	72	72	72
Water System:										
Miles of Water Mains	419	416	414	408	398	394	396	389	390	389
Number of Treatment Plants	2	2	2	2	2	2	2	2	2	2
Number of Water Customers	28,381	27,787	27,052	26,094	25,261	25,950	25,007	23,429	22,800	22,264
Number of Fire Hydrants	1,678	1,650	1,601	1,473	1,473	1,473	1,435	1,373	1,354	1,195
Daily Average Water										
Treated in Gallons	6.83 million	6.49 million	6.33 million	6.41 million	6.05 million	5.9 million	5.9 million	5.9 million	5.7 million	5.19 million
Maximum Daily Capacity of										
Plants in Gallons	18.00 million									
Wastewater System:										
Miles of Sanitary Sewers	328	323	313	312	295	292	296	289	286	282
Number of Treatment Plants	1	1	1	1	1	1	1	1	1	1
Number of Service Connections	23,192	22,710	22,016	21,249	20,485	19,835	19,173	18,691	18,188	17,671
Daily Average Treatment										
in Gallons	3.81 million	3.84 million	3.96 million	4.33 million	3.85 million	3.77 million	3.80 million	4.08 million	3.60 million	3.66 million
Maximum Daily Capacity of										
Treatment Plant in Gallons	6 million	6 million	6 million	6 million	4 million					

Source: Various water and wastewater monthly operational reports and engineering records.

COMPLIANCE SECTION

Joe Savage
Rebecca Hutsell

Stephen J. Parsons - Retired
Earl O. Wright - 1988 - 2002
William R. Scandlyn - 1988 - 1999

INDEPENDENT AUDITOR'S 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
The West Knox Utility District of Knox County
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, the financial statements of the business-type activities and fiduciary activities of West Knox Utility District of Knox County ("the District"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 15, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 the entity'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 were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, 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 the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Parsons & Wright

Parsons & Wright
Certified Public Accountants
Kingston, Tennessee

December 15, 2023

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

Parsons & Wright

Parsons & Wright
Certified Public Accountants
Kingston, Tennessee

December 15, 2023

WEST KNOX UTILITY DISTRICT
SCHEDULE OF DISPOSITION OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2023

There were no prior year findings to report.