

West Knox Utility District of Knox County, Tennessee

Annual Comprehensive Financial Report

For the years ended June 30, 2024 and 2023



2328 Lovell Road P.O. Box 51370 Knoxville, TN 37950

WEST KNOX UTILITY DISTRICT

Knoxville, Tennessee

**ANNUAL COMPREHENSIVE
FINANCIAL REPORT**

For the Years Ended June 30, 2024 and 2023

Prepared By:

Yhuliana Lopez, Comptroller

WEST KNOX UTILITY DISTRICT

For the Years Ended June 30, 2024 and 2023

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INTRODUCTORY SECTION



Board of Commissioners:

Ann Milsaps

President

Nathan Butler, DVM

Vice President

Charles Marth

Secretary

Wayne Hastings, P.E.
General Manager

December 18, 2024

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, 2024 and 2023.

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, 2024 and 2023. 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 32,651 water and 25,439 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 2024 and 2023 there were no significant budget amendments. The District’s budgets are projections and are not legally binding.

Financial Overview

During 2024, the District’s operating income was \$6.9 million, which was approximately \$526 thousand more than 2023 or 8.2%. Operating income increased mainly due to a \$719 thousand increase in wastewater revenue and a \$868 thousand increase in connection fees. The District’s pledged revenue bond coverage ratio increased to 1.76 in 2024 vs. 1.69 in 2023.

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, 2023, the unemployment rates according to the U.S. Bureau of Labor Statistics for Knox County, State of Tennessee and the U.S. were 3.2%, 3.7% and 3.8%, respectively.

Median household per capita income in calendar year 2022 for Knox County, State of Tennessee and the U.S. was \$63,494, \$58,292 and \$65,470, 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 26A permit renewal application for the Williams Bend water treatment plant to TVA on April 15, 2024. The permit was approved by TVA and became effective on June 13, 2024.
- District staff updated its water plant source water protection plan.
- Utility Mapping System and Asset Management: The District hired two GIS analysts in anticipation of the retirement of a long time GIS analyst. One analyst started in June of 2024 while the other is anticipated to start in September of 2024.

The District renewed its contractual agreement with ESRI to support the improvement of its GIS System. This renewal extends the support through fiscal year 2025. 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 continues to implement GIS connectivity to its ELEMENTS asset management software. The ELEMENTS 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 \$10,060,000 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 fall 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 complete plans and specifications, and the project is expected to bid in fall of 2024.
 - Waterline Relocations and Improvements associated with the Knox County Schaad Road Hwy Improvement Project. This project includes approximately 15,000 linear feet of water line ranging from 6 to 30-inch. Construction is ongoing and is anticipated to be complete in fall of 2024. Reimbursements from the grant have started.
 - Sewerline Relocations and Improvements associated with the Knox County Schaad Road Hwy Improvement Project. This 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 fall of 2024. Reimbursements from the grant have started.
- On November 3, 2023, Knox County was awarded a TDEC competitive State Water Infrastructure Grant (SWIG) in the amount of \$546,800 to remove the old Coward Mill Dam on Beaver Creek. The District wrote a letter of support to TDEC for the grant as its removal will greatly reduce the amount of inflow and infiltration (I/I) that enters its collection system when water backs up behind the dam during large rain events. The I/I reduction will reduce the volume of extraneous water that the District will need to pump and treat and will reduce the frequency and duration of overflows of the District's system, thereby improving the water quality of Beaver Creek. Knox County is overseeing the design, permitting, bidding, and construction of the dam removal project.
- 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. After easement acquisition, Phase 2 was completed in fall of 2023.

- 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 fiscal year 2025.
- 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. The Developer has been pursuing transferring his cost share to Knox County and anticipates having that resolved in fall of 2024.
- Water Tank Inspections: Condition assessments from both internal and external inspections were completed on each of the District's eight water tanks in October of 2023. The assessments were completed by CTI Engineering using both manned entry and robotic cameras. Cleanings were performed in conjunction with the inspections. Findings are being incorporated into a project that will address immediate but minor concerns. This project is anticipated to be completed in fiscal year 2025.
- Water Plant Master Meter testing: The main master meters at both water plants were tested to ensure operation within accuracy tolerances by Rye Engineering and Kazmier and Associates. 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.
- Coward Mill Rd: This project consists of two phases of a Knox County Rd improvement project related to 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 fall of 2022 and was completed in spring of 2023. Phase 2 construction began in spring of 2024 and should be completed in winter of 2024.
- 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 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. A replacement project for the Fitzgerald Rd area was designed by District Staff, but the property owners that the replacement line serves do not want the work to proceed.
- Chemical root control was applied to collection system pipe segments that had root intrusion identified during CCTV inspections. 28,377 linear feet of collection lines and associated manholes were treated in July, November, and December of 2023.
- The District continues to relocate infrastructure when required due to Knox County and TDOT road projects. Marietta Church Roundabout, and the Harrell Rd/Emory Rd Intersection are such upcoming road projects. Design work and easement acquisition are complete on both projects. Construction will be performed under the contract and schedule of Knox County or TDOT.
- The District began a pilot odor and corrosion control study for its wastewater collection system using a team of Kazmier and Associates along with Tradeworks Environmental. The pilot began in January of 2024 and will extend into fiscal year 2025.
- District staff designed and bid a stormwater improvement project at its wastewater treatment plant. The project was constructed in spring of 2024.
- District staff designed and bid a wastewater pipeline creek crossing replacement project in the Devanshire neighborhood. After bids were opened, District employees installed the project in order to save money. The project was completed in spring of 2024.
- District staff designed and installed a water line replacement project in the Goose Landing neighborhood off of W Gallaher Ferry Rd. The project consisted of over 700 ft of water main and was completed in spring of 2024.

- District staff designed and bid a water line replacement project on Troutman Ln. The project consisted of over 800 ft of water main replacement and was completed in spring of 2024.
- The District entered into an agreement with LJA Engineering to design a waterline replacement for the Solway/Burchfield Heights area. This area experiences excessive pressures and has a high frequency history of main breaks. The project will replace approximately 23,000 ft of water line and will add two mainline pressure reducing valves to modulate pressure.
- 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:

2023-2024 Approved Development Completed (Currently ready for meters):

- Andes Trace – 172 lots
- Hatmaker Ph. 2 – 55 lots
- Amber Ridge – 61 lots
- Hayden Farms 2B – 29 lots
- Jones Property – 3 lots
- Pittman Estates – 102 lots
- Cotswold Park – 22 lots
- Henderson Road – 31 lots
- Andes Hill – 88 lots
- Immanuel Church of Knoxville – 1 lot
- Sparks Meadow – 41 lots
- Catatoga Ph. 1 – 42 lots
- The Haven 1A – 60 lots
- The Haven 1B – 18 lots
- The Haven 1C – 60 lots
- Karns Landing – 16 lots
- Enchem Paint – 1 lot
- Beacon Park – 47 lots

Approved Developments Expected to Complete in 2024-2025

- Serenity at Everett Road – 74 units
- Vintage Knoxville West Knoxville – 224 units
- Steele Landing – 91 lots
- Sugarloaf at Century Park – 286 units
- Morning Ridge – 57 lots
- The Village at Andes – 20 lots
- Ardmore at Prosperity Crossing Apartments – 290 units
- Silver Creek at Hardin Valley – 273 units
- David Cheban (Jenkins Road) – 8 lots
- Gallaher Ferry – 74 lots
- The Meadows – 81 lots
- Prosperity Crossing – 25 lots
- Cruz Landing – 62 lots
- Maya Hills – 55 lots
- TN Orthopedic Clinic – 1 lot
- Karns Landing – 16 lots
- Winding Meadow – 52 lots

- Emory Green Ph. 2 – 30 lots
- The Haven Ph. 2 – 115 lots
- Cardinal Landing – 38 lots
- The Reserve at Meadow Creek – 18 lots
- Everett Woods Townhomes 2C – 59 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 2023, 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 20th consecutive year for the FYE June 30, 2023. 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.

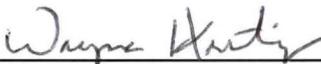
A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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,

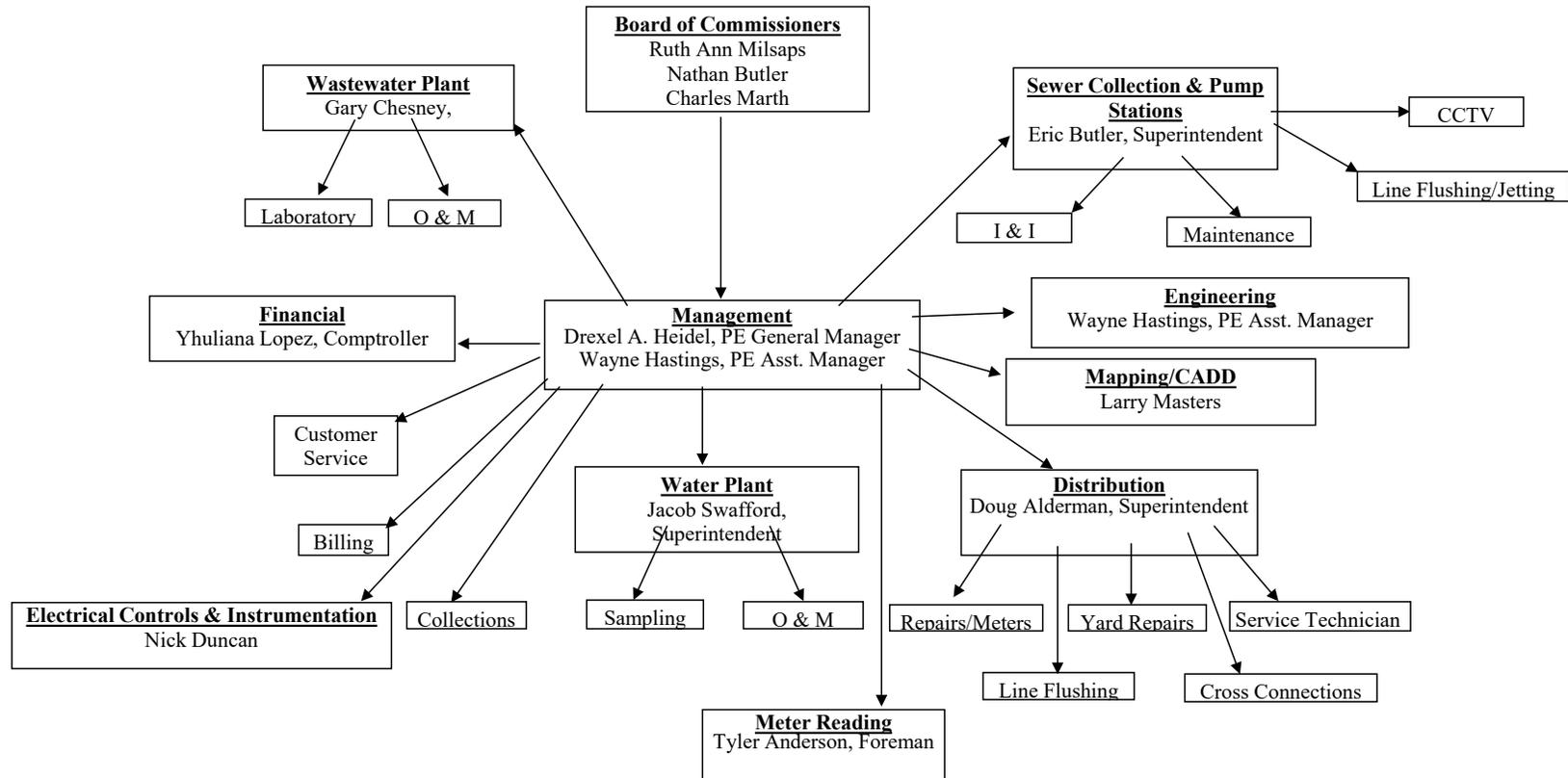


Wayne Hastings
General Manager



Yhuliana Lopez
Comptroller

**West Knox Utility District
Organizational Chart
June 30, 2024**



WEST KNOX UTILITY DISTRICT
ROSTER OF DISTRICT OFFICIALS AND OTHERS
June 30, 2024

<u>Board of Commissioners</u>	<u>Expiration of Term</u>
Ruth Ann Milsaps, President	December 31, 2024
Nathan Butler, DVM, Vice President	December 31, 2025
Charles Marth, Secretary	December 31, 2027

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, 2023

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, 2024 and 2023, 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, 2024 and 2023, 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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Telephone (931) 202-1220
Fax (888) 430-9848

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 41 through 44, and the Schedule of Changes in OPEB Liability and Related Ratios, Schedule of OPEB Contributions, and Schedule of OPEB Investment Returns (Losses) pages 45-47 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 18, 2024, 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 18, 2024

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, 2024, 2023 and 2022. 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 vi.

FINANCIAL HIGHLIGHTS

- During 2024, 2023 and 2022, the District pumped 2.52, 2.41 and 2.27 billion gallons of water, which represents an increase (decrease) of 4.7%, 6.3%, 2.7%, from the previous year. During 2024, 2023 and 2022 the District treated 1.41, 1.39 and 1.40 billion gallons of wastewater, representing an increase (decrease) of 1.4%, (0.8)% and (3.1)%, respectively, from the previous years.
- Total assets and deferred outflows at year-end 2024, 2023 and 2022 were \$295.9, \$288.6 and \$293.0 million and exceeded liabilities and deferred inflows by \$133.9, \$124.4 and \$120.3 million. Of the total net position, \$45.3, \$44.7 and \$44.6 million was unrestricted and was available to support operations. During 2024, 2023 and 2022 net position increased by \$9.5, \$4.0 and \$7.4 million.
- Operating revenues were \$34.8, \$32.7 and \$31.2 million during 2024, 2023 and 2022, an increase of \$2.2, \$1.4 and \$0.1 million, respectively, from the previous years.
- Operating expenses before depreciation increased (decreased) by \$1,500, \$1,287 and \$551 thousand during 2024, 2023 and 2022, respectively.
- Operating income for 2024, 2023 and 2022 was \$6.9, \$6.4 and \$6.5 million, representing a 8.2%, (0.9)% and (9.7)% increase (decrease) from previous years. The change in net position before capital contributions was \$3.1, \$1.5 and \$2.0 million for 2024, 2023 and 2022, respectively.
- The ratios of operating income to total operating revenues were 19.9% for 2024, 19.6% for 2023 and 20.7% for 2022.
- Debt service coverage ratio for the District's revenue bonds was 1.76 for 2024, 1.69 for 2023 and 1.79 for 2022, exceeding the 1.60 required by various bond and note covenants.
- Cash capital contributions were \$174, \$611 and \$186 thousand for 2024, 2023 and 2022. Developer contributions of facilities were \$6.2, \$1.9 and \$5.3 million for 2024, 2023 and 2022.
- 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 \$9.6, \$6.6 and \$4.6 million at year-end 2024, 2023 and 2022, respectively. The remaining contractual commitments were \$812, \$3,391 and \$5,031 thousand at June 30, 2024, 2023 and 2022, respectively.
- Customer growth in water billing units in the District increased (decreased) by 3.2%, 1.8% and 1.9% during 2024, 2023 and 2022, respectively, and have increased 24.9% 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, 2024, 2023 and 2022

	<u>2024</u>	<u>2023</u>	<u>2022</u>
ASSETS AND DEFERRED OUTFLOWS			
Current Assets	\$ 53,493	\$ 51,753	\$ 53,047
Capital Assets:			
Producing - Net	229,430	227,076	231,234
Construction in Progress	9,593	6,552	4,604
Other	<u>1,106</u>	<u>1,076</u>	<u>1,127</u>
Total Assets	293,622	286,456	290,012
Deferred Outflows of Resources	<u>2,281</u>	<u>2,124</u>	<u>3,003</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 295,903</u>	<u>\$ 288,580</u>	<u>\$ 293,016</u>
LIABILITIES AND DEFERRED INFLOWS			
Current Liabilities	\$ 7,894	\$ 6,794	\$ 9,134
Non-Current Liabilities	<u>153,852</u>	<u>157,052</u>	<u>161,406</u>
Total Liabilities	<u>161,746</u>	<u>163,846</u>	<u>170,539</u>
Deferred Inflows of Resources	<u>292</u>	<u>384</u>	<u>2,131</u>
NET POSITION			
Net Investment in Capital Assets	87,768	78,943	75,008
Restricted:			
Pensions	767	710	733
Unrestricted	<u>45,331</u>	<u>44,697</u>	<u>44,604</u>
Total Net Position	<u>133,865</u>	<u>124,350</u>	<u>120,345</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u>\$ 295,903</u>	<u>\$ 288,580</u>	<u>\$ 293,016</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, 2024, 2023 and 2022

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Operating Revenues			
Water, Net	\$ 12,786	\$ 12,289	\$ 11,301
Wastewater	18,990	18,271	16,986
Connection Fees	2,054	1,186	1,589
Low Pressure Pump Sales	115	77	591
Customer Forfeited Discounts	286	325	297
Service Fees	145	128	179
Wastewater Inspection Fees	26	11	20
Miscellaneous	<u>432</u>	<u>363</u>	<u>275</u>
Total Operating Revenues	<u>34,835</u>	<u>32,649</u>	<u>31,238</u>
Operating Expenses			
Water Purification and Supply	1,841	1,842	1,558
Wastewater Collection and Treatment	5,117	4,924	5,349
Water Treatment and Distribution	5,278	4,781	3,885
Capacity Management Operations			
Maintenance (CMOM)	1,909	1,557	1,365
Shop and General Maintenance	486	503	454
Customer Accounting	500	450	427
Administrative and General	3,983	3,558	3,289
Depreciation	<u>8,796</u>	<u>8,636</u>	<u>8,458</u>
Total Operating Expenses	<u>27,911</u>	<u>26,250</u>	<u>24,785</u>
Operating Income	<u>6,924</u>	<u>6,399</u>	<u>6,452</u>
Non-Operating Revenues (Expenses)			
Investment Income, Net	1,868	538	(507)
Interest Expense	(6,032)	(5,735)	(5,141)
Change in Fair Value of Derivative - Interest Rate Swap	0	270	1,193
Gain (Loss) on Sales or Disposals of Capital Assets	<u>335</u>	<u>14</u>	<u>9</u>
Total Non-Operating Revenues (Expenses) - Net	<u>(3,828)</u>	<u>(4,913)</u>	<u>(4,446)</u>
Increase (Decrease) in Net Position			
Before Capital Contributions	<u>3,096</u>	<u>1,486</u>	<u>2,007</u>
Capital Contributions			
Cash Contributions	174	611	186
Non-Cash	<u>6,245</u>	<u>1,907</u>	<u>5,253</u>
Total Capital Contributions	<u>6,419</u>	<u>2,518</u>	<u>5,438</u>
Change in Net Position	9,515	4,005	7,445
Net Position, Beginning of Year	<u>124,350</u>	<u>120,345</u>	<u>112,900</u>
Net Position, End of Year	<u>\$ 133,865</u>	<u>\$ 124,350</u>	<u>\$ 120,345</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

OTHER SELECTED INFORMATION

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Employees at Year-End	93	90	81
Average Employees	92	86	83
Customers (Billing Units) at Year End:			
Water	32,651	31,639	31,085
Wastewater	25,439	24,534	24,050
Water (Millions of Gallons)			
Pumped	2,520	2,407	2,264
Sold and Consumed	2,080	1,910	1,827
Wastewater Treated (Millions of Gallons)	1,411	1,391	1,402
Per Average Employee:			
Operating Revenues	\$ 380,715	\$ 381,859	\$ 376,359
Operating Expenses	305,038	307,020	298,618
Average Realized Rates per 1,000 Gallons of Water Sold:			
Water	\$ 6.19	\$ 6.47	\$ 6.22
Wastewater	9.13	9.56	9.30
Ratio of Operating Revenues to:			
Operating Expenses	1.25	1.24	1.26
Operating Expenses - Net of Depreciation	1.82	1.85	1.91
Total Assets	0.12	0.11	0.11
Net Position	0.26	0.26	0.26
Debt Related Ratios:			
Long-Term Liabilities to Net Position	1.15	1.26	1.34
Long-Term Liabilities to Total Assets and Deferred Outflows	0.52	0.54	0.55
Operating Coverage	1.76	1.69	1.79

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

GENERAL TRENDS AND SIGNIFICANT EVENTS

PROPRIETARY FUND FINANCIAL CONDITION

Total assets and deferred outflows at year-end 2024, 2023 and 2022 were \$295.9, \$288.6 and \$293.0 million and exceeded liabilities and deferred inflows by \$133.9, \$124.4 and \$120.3 million. Of the total net position, \$45.3, \$44.7 and \$44.6 million was unrestricted and was available to support operations. During 2024, 2023 and 2022, net position increased by \$9.5, \$4.0 and \$7.4 million. During 2024, 2023 and 2022, the fair value of the District's interest rate swap increased (decreased) by \$0, \$0.3 and \$1.2 million.

Net accounts receivable at year-end 2024, 2023 and 2022 were \$4.7, \$4.1 and \$3.8 million, which increased (decreased) by 12.6%, 7.5% and 10.3% than the previous years. At 2024 year-end, 93.2% of billed accounts receivable were current within 30 days. The District's provision for bad debt expense for 2024, 2023 and 2022 was \$90, \$72 and \$55 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 \$34.8, \$32.7 and \$31.2 million during 2024, 2023 and 2022, an increase (decrease) of \$2.2, \$1.4 and \$0.1 million, respectively from the previous years.

The average realized rate from water sales was \$6.19 per thousand gallons in 2024, \$6.47 in 2023, and \$6.22 in 2022. The average realized rate from wastewater revenues per thousand gallons of water sold was \$9.13 in 2024, \$9.56 in 2023, and \$9.30 in 2022.

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 2024, 2023 and 2022 consisted of the following:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Cash Capital Contributions from:			
Commercial & Residential Developers	\$ 174,175	\$ 611,045	\$ 185,837
Noncash Capital Contributions from:			
Donated Lines from Developers	<u>6,245,195</u>	<u>1,907,380</u>	<u>5,252,662</u>
Total	<u>\$ 6,419,370</u>	<u>\$ 2,518,425</u>	<u>\$ 5,438,499</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

GENERAL TRENDS AND SIGNIFICANT EVENTS (Continued)

Expenses

Operating expenses, excluding depreciation, increased (decreased) by \$1,070, \$1,287 and \$551 thousand in 2024, 2023 and 2022, respectively. This was a result of significant increases (decreases) in:

	2024	2023	2022
Salaries and Benefits	\$ 1,040,415	\$ 1,045,116	\$ 565,832
Power Purchased	408,075	71,426	152,342
Repairs and Maintenance - Vehicles & Shop	(16,967)	48,993	111,389
Chemicals	19,344	127,616	150,470
Legal Services	(53,921)	(38,575)	13,148
Insurance	(1,672)	41,398	4,831
Water Treatment Supplies	37,238	(9,149)	89,054
Treatment of Wastewater	(62,488)	(7,749)	(50,108)
Sludge Disposal	54,242	113,771	161,672
Information Technology	146,436	63,221	(49,753)
Professional Services	576	(11,551)	44,601
Repairs and Maintenance - Electrical	206,062	(24,835)	100,143
Low-Pressure Pumps	49,766	(749,634)	(483,742)
Other	(327,031)	617,296	(258,876)
Total	\$ 1,500,075	\$ 1,287,344	\$ 551,003

In 2024, several key categories of operating expenses saw notable increases. Salaries and benefits increased by approximately \$1.04 million, which aligns with the District's continued efforts to maintain competitive wages, account for inflationary pressures, and support workforce growth. Chemicals expenses also rose by about \$19,000, driven by continued inflation and increased demand for chemicals necessary for water and wastewater treatment. The District experienced a significant increase in information technology expenses, totaling \$146,436. This was primarily due to investments in upgrading and acquiring new computer and network equipment across all facilities to maintain and improve operational efficiency. Power purchased expenses increased by approximately \$408,000 due to a retroactive billing adjustment for the wastewater treatment plant. Conversely, repairs and maintenance - vehicles & shop expenses decreased by \$16,967, reflecting efficiencies in fleet management. Treatment of wastewater expenses also dropped by \$62,488 due to changes in treatment processes and reductions in treatment volumes. Sludge disposal costs increased by \$54,242, reflecting ongoing challenges in waste management and rising disposal fees. However, legal services expenses saw a reduction of \$53,921, due to fewer legal proceedings and related activities. Other expense categories, such as insurance, saw a minor decrease of \$1,672, while water treatment supplies increased by \$37,238 due to rising costs for essential supplies. Notably, repairs and maintenance - electrical expenses surged by \$206,062, due to increased maintenance needs at the District's plants, pump stations, and booster stations.

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.

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

GENERAL TRENDS AND SIGNIFICANT EVENTS (Continued)

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.

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 2024, 2023 and 2022, the District increased its capital assets before depreciation by \$14.2, \$6.4, and \$11.1 million, respectively. This increase is due to the following:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Water Line Extensions and Improvements	\$ 3,608,509	\$ 1,337,869	\$ 3,046,347
Water Plant Upgrades	153,279	428,491	336,105
Wastewater Lines	3,234,343	940,816	8,347,301
Wastewater Plant Improvements	3,528,179	463,708	393,016
Office, Vehicles and Equipment	622,976	1,115,729	589,792
Land and Easements	3,250	190,949	18,726
Disposals	<u>(9,780)</u>	<u>0</u>	<u>(93,016)</u>
	11,140,756	4,477,562	12,638,271
Construction in Progress - Net	<u>3,041,786</u>	<u>1,947,208</u>	<u>(1,515,351)</u>
Total	<u>\$ 14,182,542</u>	<u>\$ 6,424,770</u>	<u>\$ 11,122,920</u>

During 2024 and 2023, the District made significant investments in infrastructure, with \$3.6 million allocated to water line extensions and improvements, reflecting the ongoing expansion of the water distribution system to meet growing demand and address aging infrastructure. The investment in wastewater lines increased by \$3.2 million, supporting efforts to replace and enhance the wastewater system, while wastewater plant improvements saw a \$3.5 million increase to improve efficiency in processes and facility upgrades. Additionally, the District allocated \$153,279 for water plant upgrades, and \$622,976 for office, vehicles, and equipment, covering office assets and fleet upgrades. Construction in progress - net rose by \$3.0 million, indicating ongoing infrastructure development. The District also completed several key projects in 2024 and 2023, including a stormwater improvement project at the wastewater treatment plant, and a wastewater pipeline creek crossing replacement in the Devanshire neighborhood. Furthermore, water main replacements were completed in the Goose Landing neighborhood and on Troutman Lane, alongside the extension of a 8-inch water main on Corridor Place.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

GENERAL TRENDS AND SIGNIFICANT EVENTS (Continued)

During 2022, 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 \$161, \$178 and \$267 thousand in 2024, 2023 and 2022, respectively.

The District's capital asset activity for 2024 and 2023 is described in Notes 4 and 5 to the financial statements.

PROPRIETARY FUND DEBT

At year-end 2024, 2023 and 2022, the District had \$151.3, \$155.2 and \$158.9 million in long and short-term debt, an increase (decrease) of \$(3.9), \$(3.6) and \$(3.1) million. During 2024, 2023 and 2022, the District paid principal of \$3.7, \$3.4 and \$3.4 million, respectively.

The long-term debt to total asset and deferred outflows ratio was 0.51, 0.54, and 0.54 in 2024, 2023 and 2022 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 2025

The District's operating budget for FY 2025 has projected revenues of \$38.4 million and expenses of \$34.9, with an estimated increase of \$3.5 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:

Wayne Hastings, 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>2024</u>	<u>2023</u>
ASSETS AND DEFERRED OUTFLOWS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$	20,671,994	\$ 21,062,537
Investments, at Fair Value		27,713,803	26,451,548
Accounts Receivable - (Net of Allowance for Uncollectible Accounts of \$0 for 2024 and 2023)		4,658,303	4,137,563
Other Receivables		202,643	0
Inventory - Materials		158,612	9,837
Prepaid Expenses		<u>87,755</u>	<u>91,109</u>
Total Current Assets		<u>53,493,110</u>	<u>51,752,594</u>
NON-CURRENT ASSETS			
Capital Assets - Net		<u>239,023,099</u>	<u>233,627,242</u>
Other Assets			
Net Pension Asset - TCRS Pension Plan		767,035	709,808
Debt Issuance Costs		338,196	365,431
Other Deposits		<u>560</u>	<u>560</u>
Total Other Assets		<u>1,105,791</u>	<u>1,075,799</u>
Total Non-Current Assets		<u>240,128,890</u>	<u>234,703,041</u>
TOTAL ASSETS		<u>293,622,000</u>	<u>286,455,635</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension Plans		2,060,001	1,864,709
Other Postemployment Benefits		34,152	42,028
Deferred Bond Refunding Loss		<u>187,060</u>	<u>217,510</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES		<u>2,281,213</u>	<u>2,124,247</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$	<u><u>295,903,213</u></u>	\$ <u><u>288,579,882</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>2024</u>	<u>2023</u>
LIABILITIES, DEFERRED INFLOWS AND NET POSITION		
CURRENT LIABILITIES		
Accounts Payable	\$ 1,085,243	\$ 1,132,064
Accounts and Retainage Payable - Construction	468,883	24,816
Payroll and Related Liabilities	593,107	549,224
Other Accrued Liabilities	1,510,300	1,019,853
Accrued Revenue Bond Interest Payable	371,257	363,503
Revenue Bonds - Current Portion	<u>3,865,000</u>	<u>3,705,000</u>
Total Current Liabilities	<u>7,893,790</u>	<u>6,794,460</u>
NON-CURRENT LIABILITIES		
Revenue Bonds - Net of Current Portion	147,446,947	151,537,152
Net Pension Liability - Defined Benefit Plan	6,275,317	5,393,566
Net Other Postemployment Benefits (OPEB) Liability	<u>129,994</u>	<u>121,314</u>
Total Non-Current Liabilities	<u>153,852,258</u>	<u>157,052,032</u>
TOTAL LIABILITIES	<u>161,746,048</u>	<u>163,846,492</u>
DEFERRED INFLOWS OF RESOURCES		
Pension Plans	257,364	337,884
Other Postemployment Benefits	<u>34,605</u>	<u>45,719</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>291,969</u>	<u>383,603</u>
NET POSITION		
Net Investment in Capital Assets	87,767,525	78,943,215
Restricted:		
Pensions	767,035	709,808
Unrestricted	<u>45,330,636</u>	<u>44,696,764</u>
TOTAL NET POSITION	<u>133,865,196</u>	<u>124,349,787</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u>\$ 295,903,213</u>	<u>\$ 288,579,882</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>2024</u>	<u>2023</u>
OPERATING REVENUES			
Water, Net	\$	12,785,861	\$ 12,288,730
Wastewater		18,989,971	18,270,556
Connection Fees		2,054,478	1,186,351
Low Pressure Pump Fees		115,085	77,097
Customer Forfeited Discounts		286,355	324,845
Service Fees		145,245	127,666
Wastewater Inspection Fees		26,165	10,925
Miscellaneous		<u>432,218</u>	<u>362,739</u>
Total Operating Revenues		<u>34,835,378</u>	<u>32,648,909</u>
OPERATING EXPENSES			
Water Purification and Supply		1,841,410	1,842,004
Wastewater Collection and Treatment		5,117,322	4,924,109
Water Treatment and Distribution		5,277,853	4,781,387
Wastewater Capacity Management Operations			
Maintenance (CMOM)		1,909,163	1,556,725
Shop and General Maintenance		485,540	502,507
Customer Accounting		499,777	449,788
Administrative and General		3,983,403	3,557,871
Depreciation - Water System		2,664,482	2,584,774
Depreciation - Wastewater System		5,562,773	5,549,377
Depreciation - Other		<u>569,210</u>	<u>501,672</u>
Total Operating Expenses		<u>27,910,933</u>	<u>26,250,214</u>
OPERATING INCOME		<u>6,924,445</u>	<u>6,398,695</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>2024</u>	<u>2023</u>
NON-OPERATING REVENUES (EXPENSES)			
Investment Income, Net		1,868,015	537,554
Interest Expense		(6,031,571)	(5,734,643)
Change in Fair Value of Derivative Instrument - Interest Rate Swap		0	270,240
Gain (Loss) on Sale of Easement		335,100	0
Gain (Loss) on Sales or Disposals of Capital Assets		<u>50</u>	<u>14,304</u>
Total Non-Operating Revenues (Expenses), Net		<u>(3,828,406)</u>	<u>(4,912,545)</u>
INCREASE (DECREASE) IN NET POSITION BEFORE CAPITAL CONTRIBUTIONS			
		<u>3,096,039</u>	<u>1,486,150</u>
CAPITAL CONTRIBUTIONS			
Cash Contributions		174,175	611,045
Developers Contributions of Capital Assets		<u>6,245,195</u>	<u>1,907,380</u>
Total Capital Contributions		<u>6,419,370</u>	<u>2,518,425</u>
CHANGE IN NET POSITION		<u>9,515,409</u>	<u>4,004,575</u>
NET POSITION, BEGINNING OF YEAR		<u>124,349,787</u>	<u>120,345,212</u>
NET POSITION, END OF YEAR		<u>\$ 133,865,196</u>	<u>\$ 124,349,787</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>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers and Users	\$	34,374,959	\$ 32,450,391
Payments to Employees		(9,047,161)	(8,136,817)
Payments to Suppliers		<u>(9,231,386)</u>	<u>(8,669,770)</u>
Net Cash Provided by (Used in) Operating Activities		<u>16,096,412</u>	<u>15,643,804</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Cash Capital Contributed by Developers		174,175	611,045
Acquisition and Construction of Capital Assets		(7,503,060)	(7,105,270)
Proceeds from Sale of Easement		335,100	0
Proceeds from Sales of Capital Assets		50	14,304
Interest Paid on Bonds Payable		(6,393,980)	(6,114,297)
Principal Paid on Bonds Payable		(3,705,000)	(3,435,000)
Termination of Interest Rate Swap		<u>0</u>	<u>(1,379,852)</u>
Net Cash Provided by (Used in) Capital and Related Financing Activities		<u>(17,092,715)</u>	<u>(17,409,070)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Income Received		1,498,498	460,775
Purchases of Investments		(16,067,738)	(13,522,696)
Proceeds from Sales and Maturities of Investments		<u>15,175,000</u>	<u>13,236,288</u>
Net Cash Provided by (Used in) Investing Activities		<u>605,760</u>	<u>174,367</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(390,543)	(1,590,899)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		<u>21,062,537</u>	<u>22,653,436</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	\$	<u><u>20,671,994</u></u>	\$ <u><u>21,062,537</u></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>2024</u>	<u>2023</u>
RECONCILIATION OF OPERATING INCOME TO			
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Operating Income	\$	6,924,445	\$ 6,398,695
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used in) Operating Activities:			
Depreciation		8,796,465	8,635,823
Bad Debt Expense		90,009	72,084
Changes in:			
Accounts Receivable		(610,749)	(360,859)
Other Current Assets		(145,421)	355,570
Accounts Payable		(46,821)	(11,606)
Payroll and Related Liabilities		43,883	89,328
Other Accrued Liabilities		490,447	90,257
Net Pension Asset and Liability		824,524	(285,216)
Other Postemployment Benefits (OPEB) Liability		8,680	(90,594)
Deferred Outflows and Inflows for Pension Plans		(275,812)	725,524
Deferred Outflows and Inflows for OPEB		<u>(3,238)</u>	<u>24,798</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$	<u>16,096,412</u>	\$ <u>15,643,804</u>
Noncash Investing, Capital and Financing Activities:			
Gain (Loss) on Investments	\$	369,517	\$ 76,779
Net Amortization (Accretion) of Bond Premiums and Discounts		225,205	249,691
Amortization of Deferred Cost of Defeased Bonds		(30,450)	(31,618)
Amortization of Debt Issuance Costs		(27,235)	(27,627)
Developers Contributions of Capital Assets		6,245,195	1,907,380
Change in Fair Value of Derivative Instrument - Interest Rate Swap		0	270,240

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,	<u>2024</u>	<u>2023</u>
ASSETS			
Investments, at Fair Value			
Cash and Cash Equivalents	\$	1,111,642	\$ 158,697
Mutual Funds:			
Domestic Equity		4,099,649	3,961,746
International Equity		2,366,268	2,835,609
Fixed Income		4,069,261	3,019,322
Real Estate		626,736	560,601
Market Neutral & Alternative		<u>246,534</u>	<u>658,262</u>
Total Investments		<u>12,520,090</u>	<u>11,194,237</u>
TOTAL ASSETS	\$	<u>12,520,090</u>	\$ <u>11,194,237</u>
LIABILITIES AND NET POSITION			
LIABILITIES			
Accounts Payable	\$	<u>0</u>	\$ <u>0</u>
NET POSITION			
Restricted for Pension		12,505,039	11,174,237
Restricted for OPEB		<u>15,051</u>	<u>20,000</u>
TOTAL NET POSITION		<u>12,520,090</u>	<u>11,194,237</u>
TOTAL LIABILITIES AND NET POSITION	\$	<u>12,520,090</u>	\$ <u>11,194,237</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>2024</u>	<u>2023</u>
ADDITIONS		
Employer Contributions	\$ 720,000	\$ 668,000
Net Investment Earnings (Loss)	<u>1,065,985</u>	<u>890,658</u>
Total Additions	<u>1,785,985</u>	<u>1,558,658</u>
DEDUCTIONS		
Benefit Payments:		
Annuity Payments	454,453	413,505
Lump Sum Payments	0	318,019
Administrative Expenses	<u>5,679</u>	<u>(648)</u>
Total Deductions	<u>460,132</u>	<u>730,876</u>
CHANGE IN NET POSITION	1,325,853	827,782
TOTAL NET POSITION, BEGINNING OF YEAR	<u>11,194,237</u>	<u>10,366,455</u>
TOTAL NET POSITION, END OF YEAR	<u>\$ 12,520,090</u>	<u>\$ 11,194,237</u>

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

WEST KNOX UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2024 and 2023

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 restricted for 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.

Reclassifications - Certain items in the 2023 financial statements may have been reclassified to conform to the 2024 financial statements.

Subsequent Events - Management has evaluated subsequent events through December 18, 2024, 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, 2024 and 2023, the District had the following deposits and investments:

	Proprietary Fund				Fiduciary Funds			
	2024		2023		2024		2023	
	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	\$ 20,671,994	N/A	\$ 21,062,537	N/A	\$ 0	N/A	\$ 0	N/A
Investments:								
Federal Agency Debt Securities	8,789,270	0.8	5,108,346	1.3	0	N/A	0	N/A
U.S. Treasuries	10,355,949	1.1	13,368,277	0.7	0	N/A	0	N/A
Cash & Cash Equivalents	81,082	N/A	103,235	N/A	1,111,642	N/A	158,697	N/A
Certificates of Deposit	8,487,502	1.0	7,871,690	1.3	0	N/A	0	N/A
Mutual Funds	0	N/A	0	N/A	11,408,448	N/A	11,035,540	N/A
Total Investments	27,713,803		26,451,548		12,520,090		11,194,237	
Total	\$ 48,385,797		\$ 47,514,085		\$ 12,520,090		\$ 11,194,237	

A summary of the deposits and investments on the proprietary fund balance sheets at June 30, 2024 and 2023 is as follows:

	2024	2023
Current Assets:		
Cash and Cash Equivalents	\$ 20,671,994	\$ 21,062,537
Investments, at Fair Value	27,713,803	26,451,548
Total	\$ 48,385,797	\$ 47,514,085

As of June 30, 2024 and 2023, the District's investments were in the following:

	Proprietary Fund		Fiduciary Funds	
	2024	2023	2024	2023
Federal Agency Debt Securities	31.7%	19.3%	0.0%	0.0%
U.S. Treasuries	37.4%	50.5%	0.0%	0.0%
Cash & Cash Equivalents	0.29%	0.39%	8.9%	1.4%
Certificates of Deposits	30.6%	29.8%	0.0%	0.0%
Mutual Funds	0.0%	0.0%	91.1%	98.6%
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 \$20,671,994 and \$21,062,537 at June 30, 2024 and 2023, 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, 2024 and 2023, with a carrying amount of \$27,713,803 and \$26,451,548, respectively, are in U.S. government and federal agency debt securities, 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 2024 and 2023 consisted of the following:

	2024	2023
Interest Income	\$ 1,498,498	\$ 460,775
Realized and Unrealized Gains (Losses) - Net	369,517	76,779
Total Net Investment Income	\$ 1,868,015	\$ 537,554

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, 2024 and 2023, the District's investments in marketable debt securities were rated as follows:

	2024		2023	
	Fair Value	Moody's	Fair Value	Moody's
Federal Agency Debt Securities	\$ 8,789,270	Aaa	\$ 5,108,346	Aaa
U.S. Treasuries	10,355,949	N/A	13,368,277	N/A
Total	\$ 19,145,219		\$ 18,476,623	

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 2024 and 2023, 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, 2024 and 2023:

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.

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, 2024 and 2023:

	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, 2024				
Investments				
Proprietary Fund				
Federal Agency Debt Securities	\$ 0	\$ 8,789,270	\$ 0	\$ 8,789,270
U.S. Treasuries	10,355,949	0	0	10,355,949
Total Proprietary Fund	10,355,949	8,789,270	0	19,145,219
Pension and OPEB Trust Funds				
Mutual Funds	11,408,448	0	0	11,408,448
Total Investments, at Fair Value	\$ 21,764,397	\$ 8,789,270	\$ 0	\$ 30,553,667
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	\$ 24,403,817	\$ 5,108,346	\$ 0	\$ 29,512,163

For the fiscal years 2024 and 2023, 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 2024 and 2023.

NOTE 4 - CAPITAL ASSETS

A summary of capital asset activity and changes in accumulated depreciation for the year ended June 30, 2024 is as follows:

	Balance 07/01/23	Additions	Deletions Retirements Transfers	Balance 06/30/24
Capital Assets Not Being Depreciated				
Water System:				
Land and Easements	\$ 408,587	\$ 0	\$ 0	\$ 408,587
Construction in Progress	100,128	3,940,570	(751,217)	3,289,481
Wastewater System:				
Land and Easements	4,410,495	3,250	0	4,413,745
Construction in Progress	6,451,511	2,931,488	(3,079,055)	6,303,944
Office Property and Equipment:				
Land and Easements	244,189	0	0	244,189
Total Capital Assets Not Being Depreciated	<u>11,614,910</u>	<u>6,875,308</u>	<u>(3,830,272)</u>	<u>14,659,946</u>
Capital Assets Being Depreciated				
Water System:				
Mains, Lines and Equipment	71,230,398	3,608,509	0	74,838,907
Treatment Facilities	37,809,424	153,279	0	37,962,703
Wastewater System:				
Collection Lines and Equipment	129,372,757	3,234,343	0	132,607,100
Treatment Facilities	84,026,038	3,528,179	0	87,554,217
General & Office Property and Equipment	10,057,786	622,976	(9,780)	10,670,982
Total Capital Assets Being Depreciated	<u>332,496,403</u>	<u>11,147,286</u>	<u>(9,780)</u>	<u>343,633,909</u>
Less Accumulated Depreciation				
Water System:				
Mains, Lines and Equipment	(31,725,626)	(1,689,482)	0	(33,415,108)
Treatment Facilities	(16,038,128)	(975,000)	0	(17,013,128)
Wastewater System:				
Collection Lines and Equipment	(38,656,911)	(3,042,219)	0	(41,699,130)
Treatment Facilities	(18,559,201)	(2,520,554)	0	(21,079,755)
General & Office Property and Equipment	(5,504,205)	(569,210)	9,780	(6,063,635)
Total Accumulated Depreciation	<u>(110,484,071)</u>	<u>(8,796,465)</u>	<u>9,780</u>	<u>(119,270,756)</u>
Total Capital Assets Being Depreciated, Net	<u>222,012,332</u>	<u>2,350,821</u>	<u>0</u>	<u>224,363,153</u>
Total Capital Assets	<u>\$ 233,627,242</u>	<u>\$ 9,226,129</u>	<u>\$ (3,830,272)</u>	<u>\$ 239,023,099</u>

Depreciation expense was \$8,796,465 for 2024.

NOTE 4 - CAPITAL ASSETS (Continued)

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 5 - CONSTRUCTION IN PROGRESS

Construction in progress including the remaining contractual commitments at June 30, 2024 and 2023 consists of:

Project	2024		2023	
	Actual To Date	Remaining Contractual Commitments	Actual To Date	Remaining Contractual Commitments
Ball Camp Road Water and Sewer Lines Relocation - Engineering	\$ 5,765,153	\$ 812,064	\$ 3,405,988	\$ 3,391,397
Highgate Sewer Line Interceptor	407,950	0	173,280	0
Beaver Ridge Water Line - Daughtery WTP	107,708	0	100,128	0
Meter Change Out Project	2,985,757	0	0	0
Flying J Pump Station Replacement Phase 2	0	0	2,678,197	0
Pellissippi Sewer Lift Station Upgrade	130,841	0	124,046	0
Solway-Burchfield Heights Water	196,016	0	0	0
Other Small Projects	0	0	70,000	0
Total	\$ 9,593,425	\$ 812,064	\$ 6,551,639	\$ 3,391,397

NOTE 6 - REVENUE BONDS

Overview

Revenue bonds at June 30, 2024 and 2023 consisted of the following:

	2024	2023
<u>Revenue Bonds:</u>		
Water and Sewer Revenue Refunding Bonds, Series 2022, \$25,435,000 Issued March 31, 2022	\$ 24,965,000	\$ 25,270,000
Local Government Public Improvement Revenue Bonds, Series V-F-1, \$15,000,000 Issued June 28, 2019	14,170,000	14,470,000
Water and Sewer Revenue Bonds, Series 2019, \$20,000,000 Issued June 28, 2019	18,755,000	19,190,000
Water and Sewer Revenue Bonds, Series 2018, \$8,535,000 Issued November 1, 2018	7,940,000	8,145,000
Water and Sewer Revenue Bonds, Series 2016, \$27,015,000 Issued December 22, 2016	23,850,000	24,275,000
Local Government Public Improvement Revenue Bonds, Series 2016 V-E-1, \$25,000,000 Issued December 23, 2016	20,485,000	21,120,000
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	20,880,000	22,280,000
Total Revenue Bonds	148,370,000	152,075,000
Add: Unamortized Premium	2,941,947	3,167,152
	151,311,947	155,242,152
Less: Current Portion	(3,865,000)	(3,705,000)
Total	\$ 147,446,947	\$ 151,537,152

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, 2024 and 2023 the ratio was 1.76 and 1.69, respectively.

Interest expense for 2024 and 2023 consisted of the following:

	<u>2024</u>	<u>2023</u>
Interest Paid	\$ 6,191,337	\$ 6,114,297
Change in Accrued Interest Payable	7,754	(189,208)
Amortization of Bond Issuance Costs	27,235	27,627
Amortization of Bond Premiums	(225,205)	(249,691)
Amortization of Deferred Cost of Refunding	<u>30,450</u>	<u>31,618</u>
Total	<u>\$ 6,031,571</u>	<u>\$ 5,734,643</u>

Activity

Long-term debt activity during 2024 and 2023 was as follows:

	2024				
	<u>Balance July 1, 2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2024</u>	<u>Due Within One Year</u>
Revenue Bonds	\$ 152,075,000	\$ 0	\$ (3,705,000)	\$ 148,370,000	\$ 3,865,000
Other Revenue Bond Items: Add: Bond Premiums	<u>3,167,152</u>	<u>0</u>	<u>(225,205)</u>	<u>2,941,947</u>	<u>0</u>
Total	<u>\$ 155,242,152</u>	<u>\$ 0</u>	<u>\$ (3,930,205)</u>	<u>\$ 151,311,947</u>	<u>\$ 3,865,000</u>

	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>\$ (3,684,691)</u>	<u>\$ 155,242,152</u>	<u>\$ 3,705,000</u>

NOTE 6 - REVENUE BONDS (Continued)

Debt Service

The annual debt service requirements for revenue bonds as of June 30, 2024 are as follows:

Fiscal Years Ending June 30,	Revenue Bonds					Total
	Principal	Coupon Interest	BABS Treasury Rebate	Net Interest		
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	4,545,000	5,471,862	(400,268)	5,071,594	9,616,594	
2030-2034	25,675,000	24,469,569	(2,001,340)	22,468,229	48,143,229	
2035-2039	31,050,000	19,232,450	(2,001,340)	17,231,110	48,281,110	
2040-2044	39,190,000	12,495,325	(1,551,402)	10,943,923	50,133,923	
2045-2049	23,325,000	3,371,238	(87,794)	3,283,444	26,608,444	
2050-2054	8,120,000	936,000	0	936,000	9,056,000	
Total	\$ 148,370,000	\$ 89,654,106	\$ (7,643,216)	\$ 82,010,890	\$ 230,380,890	

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 4.40% 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 \$4,219 and \$4,280 for 2024 and 2023.

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, 2024 and 2023 was 4.70% and 4.56%. 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 3.79% 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 3.55% 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 4.08% 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, 2024 and 2023 was 3.45% and 4.85%. 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 2024 and 2023 were \$400,268 and \$400,268, respectively. During FY 2024 and 2023, 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, 2024 and 2023 was 3.34% and 4.83%. 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 \$26,231 and \$27,338 for 2024 and 2023.

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.

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.

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.

NOTE 7 - INTEREST RATE SWAP (Continued)

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.

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

The fair value balance and notional amount outstanding at June 30, 2024 and 2023, classified by type and changes in fair value for 2024 and 2023 are reported in the financial statements as follows:

Type	Change in Fair Value		Fair Value		Notional Amount
	Classification	Amount	Classification	Amount	
Investment Derivative:					
Pay Fixed Interest Rate Sw ap:					
2024	Investment (Loss)	\$ 0	Debt	\$ 0	\$ N/A
2023	Investment (Loss)	\$ 270,240	Debt	\$ 0	\$ N/A

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, 2024 and 2023, the following number of employees were covered by the benefit terms:

	2024	2023
Inactive Employees, or Beneficiaries, Currently Receiving Benefits	12	10
Inactive Employees, Entitled to, but not yet Receiving Benefits	19	18
Active Employees	44	47
Total	75	75

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, 2024 and 2023, the District's contributions were approximately 21% and 20%, respectively, of annual covered payroll.

NOTE 8 - RETIREMENT PLANS (Continued)

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

Plan Financial Statements

The District's Statements of Fiduciary Net Position contain the following amounts for the DB Plan as of June 30:

	<u>2024</u>	<u>2023</u>
ASSETS		
Investments, at Fair Value		
Cash and Cash Equivalents	\$ 1,111,498	\$ 138,697
Mutual Funds:		
Domestic Equity	4,089,485	3,961,746
International Equity	2,365,639	2,835,609
Fixed Income	4,065,970	3,019,322
Real Estate	625,913	560,601
Market Neutral & Alternative	<u>246,534</u>	<u>658,262</u>
Total Investments	<u>12,505,039</u>	<u>11,174,237</u>
TOTAL ASSETS	<u>\$ 12,505,039</u>	<u>\$ 11,174,237</u>
LIABILITIES AND NET POSITION		
LIABILITIES		
Accounts Payable	\$ <u>0</u>	\$ <u>0</u>
NET POSITION		
Restricted for Pension	<u>12,505,039</u>	<u>11,174,237</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 12,505,039</u>	<u>\$ 11,174,237</u>

The District's Statements of Changes in Fiduciary Net Position contain the following amounts for the DB Plan for the years ended June 30:

	<u>2024</u>	<u>2023</u>
ADDITIONS		
Employer Contributions	\$ 720,000	\$ 648,000
Net Investment Earnings (Loss)	<u>1,065,255</u>	<u>890,658</u>
Total Additions	<u>1,785,255</u>	<u>1,538,658</u>
DEDUCTIONS		
Benefit Payments:		
Annuity Payments	454,453	413,505
Lump Sum Payments	0	318,019
Administrative Expenses	<u>0</u>	<u>(648)</u>
Total Deductions	<u>454,453</u>	<u>730,876</u>
CHANGE IN NET POSITION	1,330,802	807,782
NET POSITION, BEGINNING OF YEAR	<u>11,174,237</u>	<u>10,366,455</u>
NET POSITION, END OF YEAR	<u>\$ 12,505,039</u>	<u>\$ 11,174,237</u>

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, 2024 and 2023, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of July 1, 2023 and 2022.

Actuarial Assumptions - The total pension liability in the July 1, 2023 and 2022 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: 20 Years (2023), 21 (2022)
- 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: 7.00% (2023), 7.25% (2022)
- Salary Increases: 4.00% per Annum
- Lump Sums: 50% Election Rate; 4.50% (2023) and 4.25% (2022) 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-2021 (2023 and 2022) projected on a fully generational basis

The actuarial assumptions used in the July 1, 2023 and 2022 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% per annum for the years ending June 30, 2024 and 2023. The target allocation and best estimates of average long-term expected real rates of return, net of 2.47% inflation, for each major asset class as of June 30, 2024 and 2023 are summarized in the following table:

Asset Class	Target Allocation	Average Long-Term Expected Real Rate of Return	
		2024	2023
Domestic Equity	33%	6.57%	6.57%
International Equity	14%	7.72%	7.72%
Fixed Income	39%	2.49%	2.49%
Market Neutral/Alternative	7%	3.97%	3.97%
Real Estate	5%	4.89%	4.89%
Cash & Other	2%	0.74%	0.74%
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 2024 and 2023 was 9.44% and 8.54%, 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 2024 and 2023 was 7.00% and 7.25%, respectively. 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 requires 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, 2024 and 2023 are shown below:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
For the Fiscal Year Ended June 30, 2024			
Balances at June 30, 2023	\$ 16,567,803	\$ 11,174,237	\$ 5,393,566
Changes for the Year:			
Service Cost	224,498	0	224,498
Interest	1,201,256	0	1,201,256
Difference between Expected and Actual Experience	644,702	0	644,702
Changes of Assumptions	596,550	0	596,550
Contributions - Employer	0	720,000	(720,000)
Net Investment Income (Loss)	0	1,065,255	(1,065,255)
Benefit Payments - Annuities	(454,453)	(454,453)	0
Net Changes	<u>2,212,553</u>	<u>1,330,802</u>	<u>881,751</u>
Balances at June 30, 2024	<u>\$ 18,780,356</u>	<u>\$ 12,505,039</u>	<u>\$ 6,275,317</u>
For the Fiscal Year Ended June 30, 2023			
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>

The DB Plan's fiduciary net position as a percentage of the total pension liability was 66.59% and 67.45% for the years ended June 30, 2024 and 2023, respectively.

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, 2024 and 2023, calculated using the discount rate of 7.00% and 7.25%, respectively, 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 or 1-percentage-point higher than the current rate:

Net Pension Liability	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
2024	\$ <u>8,409,122</u>	\$ <u>6,275,317</u>	\$ <u>4,474,470</u>
	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
2023	\$ <u>7,360,401</u>	\$ <u>5,393,566</u>	\$ <u>3,735,748</u>

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

For the years ended June 30, 2024 and 2023, the District recognized pension expense of \$1,330,162 and \$1,149,871, respectively for the Plan. At June 30, 2024 and 2023, the District reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	2024		2023	
	Deferred Outflows of Resources	Deferred Inflows Resources	Deferred Outflows of Resources	Deferred Inflows Resources
Differences Between Expected and Actual Experience	\$ 1,068,003	\$ 111,475	\$ 829,491	\$ 143,416
Changes of Assumptions	600,785	145,889	212,507	194,468
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	<u>385,485</u>	<u>0</u>	<u>821,205</u>	<u>0</u>
Total	<u>\$ 2,054,273</u>	<u>\$ 257,364</u>	<u>\$ 1,863,203</u>	<u>\$ 337,884</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,	
2025	\$ 554,974
2026	833,207
2027	221,162
2028	<u>187,566</u>
Total	<u>\$ 1,796,909</u>

Payable to Pension Plan

At June 30, 2024 and 2023, 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, 2023 and 2022, the following employees were covered by the benefit terms:

	2023	2022
Inactive Employees, or Beneficiaries, Currently Receiving Benefits	0	1
Inactive Employees, Entitled to, but not yet Receiving Benefits	0	0
Active Employees	0	0
Total	0	1

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, 2023 and 2022, 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, 2023 and 2022 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, 2023 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, 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 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. 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 2023 and 2022. 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 2023 and 2022 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 2023 and 2022. 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, 2023 and 2022 are shown below:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
<u>For the Fiscal Year Ended June 30, 2024</u>			
Balances at June 30, 2022	\$ 12,445	\$ 722,253	\$ (709,808)
Changes for the Year			
Interest	721	0	721
Difference between Expected and Actual Experience	(9,627)	0	(9,627)
Net Investment Income	0	48,427	(48,427)
Benefit Payments - Annuities	(3,539)	(3,539)	0
Administrative Expenses	0	(106)	106
Net Changes	<u>(12,445)</u>	<u>44,782</u>	<u>(57,227)</u>
Balances at June 30, 2023	<u>\$ 0</u>	<u>\$ 767,035</u>	<u>\$ (767,035)</u>
<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	<u>(11,357)</u>	<u>(34,722)</u>	<u>23,365</u>
Balances at June 30, 2022	<u>\$ 12,445</u>	<u>\$ 722,253</u>	<u>\$ (709,808)</u>

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 2023 and 2022, 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%)
2023	\$ <u>(767,035)</u>	\$ <u>(767,035)</u>	\$ <u>(767,035)</u>
2022	\$ <u>(709,576)</u>	\$ <u>(709,808)</u>	\$ <u>(710,029)</u>

Pension Income and Deferred Inflows of Resources

For the fiscal years ended June 30, 2023 and 2022, the District recognized (negative) pension expense of \$(61,449) and \$(61,563) for the TCRS Plan. For the fiscal years ended June 30, 2023 and 2022, the District reported deferred outflows of resources and deferred inflows of resources as follows:

	2024		2023	
	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>5,728</u>	\$ <u>0</u>	\$ <u>1,506</u>	\$ <u>0</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,	
2025	\$ (3,799)
2026	(6,503)
2027	15,990
2028	<u>40</u>
Total	\$ <u>5,728</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, 2024 and 2023, 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, 2024 and 2023 are as follows:

Plan	Net Pension Liability (Asset)	Deferred Outflows	Deferred Inflows	Pension Expense (Reduction)
2024				
WKUD Defined Benefit Plan	\$ 6,275,317	\$ 2,054,273	\$ 257,364	\$ 1,330,162
TCRS Defined Benefit Plan	(767,035)	5,728	0	(61,449)
Total	\$ 5,508,282	\$ 2,060,001	\$ 257,364	\$ 1,268,713
2023				
WKUD Defined Benefit Plan	\$ 5,393,566	\$ 1,863,203	\$ 337,884	\$ 1,149,871
TCRS Defined Benefit Plan	(709,808)	1,506	0	(61,563)
Total	\$ 4,683,758	\$ 1,864,709	\$ 337,884	\$ 1,088,308

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 \$228,421 and \$192,603 as of June 30, 2024 and 2023, respectively. During 2024 and 2023 there were no forfeitures. As of June 30, 2024 and 2023 there were 41 and 36 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, 2024 and 2023 and there were 27 and 24 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 actuarial valuation date of July 1, 2022, the following employees of the District were covered by the benefit terms of the Plan:

Inactive Employees, or Beneficiaries, Currently Receiving Benefits	3
Inactive Employees, Entitled to, but not yet Receiving Benefits	0
Active Employees	<u>80</u>
Total	<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, 2024, the District paid \$8,387 to the Plan for OPEB benefits as they came due (\$4,247 for the year ended June 30, 2023).

Plan Financial Statements

The District's Statements of Fiduciary Net Position contain the following amounts for the OPEB Plan as of June 30:

	<u>2024</u>	<u>2023</u>
ASSETS		
Investments, at Fair Value		
Cash and Cash Equivalents	\$ 144	\$ 20,000
Mutual Funds:		
Domestic Equity	10,164	0
International Equity	629	0
Fixed Income	3,291	0
Real Estate	<u>823</u>	<u>0</u>
Total Investments	<u>15,051</u>	<u>20,000</u>
TOTAL ASSETS	<u><u>\$ 15,051</u></u>	<u><u>\$ 20,000</u></u>
LIABILITIES AND NET POSITION		
LIABILITIES		
Accounts Payable	\$ <u>0</u>	\$ <u>0</u>
NET POSITION		
Restricted for OPEB	<u>15,051</u>	<u>20,000</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 15,051</u></u>	<u><u>\$ 20,000</u></u>

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

Plan Financial Statements (Continued)

The District's Statements of Changes in Fiduciary Net Position contain the following amounts for the OPEB Plan for the years ended June 30:

	2024	2023
ADDITIONS		
Employer Contributions	\$ 0	\$ 20,000
Net Investment Earnings (Loss)	730	0
Total Additions	730	20,000
DEDUCTIONS		
Administrative Expenses	5,679	0
Total Deductions	5,679	0
CHANGE IN NET POSITION	(4,949)	20,000
NET POSITION, BEGINNING OF YEAR	20,000	0
NET POSITION, END OF YEAR	\$ 15,051	\$ 20,000

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	3.93% in 2024 (3.65% in 2023)
Annual Payroll Increase	2.50%
Healthcare Cost Trend Rates	6.0% grading down to an ultimate trend rate of 5.0% in 2026 (6.5% in 2023)

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, 2024 was 3.93% (3.65% as of June 30, 2023). 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.

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

Changes in the Total OPEB Liability

	Increase (Decrease)			Net OPEB Liability (Asset) (a) - (b) - (c)
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Non-Trust Contributions (c)	
	(a)	(b)	(c)	
<u>Balances at June 30, 2022</u>	\$ 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)
<u>Balances at June 30, 2023</u>	\$ 141,314	\$ 20,000	\$ 0	\$ 121,314
Changes for the Year				
Service Cost	9,840	0	0	9,840
Interest	5,365	0	0	5,365
Expected Investment Income	0	730	0	(730)
Changes in Assumptions	(3,087)	0	0	(3,087)
Contributions - Employer	0	0	8,387	(8,387)
Benefit Payments	(8,387)	0	(8,387)	0
Administrative Expenses	0	(5,679)	0	5,679
Net Changes	3,731	(4,949)	0	8,680
<u>Balances at June 30, 2024</u>	\$ 145,045	\$ 15,051	\$ 0	\$ 129,994

The OPEB Plan's fiduciary net position as a percentage of the total pension liability was 10.38% and 14.15% for the years ended June 30, 2024 and 2023, respectively.

Changes in Assumptions - The discount rate was changed from 3.65% as of June 30, 2023 to 3.93% as of June 30, 2024. 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.

<u>Total OPEB Liability</u>	1% Decrease (2.93%)	Discount Rate (3.93%)	1% Increase (4.93%)
	2024	\$ 141,242	\$ 129,994
	1% Decrease (2.65%)	Discount Rate (3.65%)	1% Increase (4.65%)
2023	\$ 132,127	\$ 121,314	\$ 111,099

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

Changes in the Total OPEB Liability (Continued)

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.

	Healthcare		
	1% Decrease (5.00%) decreasing to 4.00%)	Cost Trend Rates (6.00%) decreasing to 5.00%)	1% Increase 7.00% decreasing to 6.00%)
<u>Total OPEB Liability</u>			
2024	\$ <u>116,458</u>	\$ <u>129,994</u>	\$ <u>145,530</u>
	Healthcare		
	1% Decrease (5.50%) decreasing to 4.00%)	Cost Trend Rates (6.50%) decreasing to 5.00%)	1% Increase (7.50%) decreasing to 6.00%)
2023	\$ <u>109,032</u>	\$ <u>121,314</u>	\$ <u>135,338</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 \$13,829 and (\$41,549) for fiscal years ended June 30, 2024 and 2023, respectively.

Deferred Outflows of Resources and Deferred Inflows of Resources - For the fiscal years ended June 30, 2024 and 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits from the following sources:

	<u>2024</u>		<u>2023</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	\$ 15,515	\$ 18,185	\$ 20,489	\$ 28,437
Changes in Assumptions	14,094	16,420	21,539	17,282
Net Difference Between Projected and Actual Earnings on OPEB Investments	<u>4,543</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 34,152</u>	<u>\$ 34,605</u>	<u>\$ 42,028</u>	<u>\$ 45,719</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>		
2025		\$ 4,259
2026		2,485
2027		2,225
2028		(5,030)
2029		(3,957)
Thereafter		<u>(435)</u>
Total		<u>\$ (453)</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 2024 and 2023 is as follows:

	<u>2024</u>	<u>2023</u>
Net Investment in Capital Assets:		
Net Capital Assets	\$ 239,023,099	\$ 233,627,242
Less: Revenue Bonds - Net of Discounts, Premiums, Deferred Refunding Losses and Debt Issuance Costs	(150,786,691)	(154,659,211)
Less: Reclassification from Restricted for Capital Assets Activity	<u>(468,883)</u>	<u>(24,816)</u>
	<u>87,767,525</u>	<u>78,943,215</u>
Restricted for Capital Assets Activity:		
Less: Accounts Payable for Capital Assets	(468,883)	(24,816)
Reclassified to Net Investment in Capital Assets	<u>468,883</u>	<u>24,816</u>
	<u>0</u>	<u>0</u>
Restricted for Pensions	<u>767,035</u>	<u>709,808</u>
Unrestricted	<u>45,330,636</u>	<u>44,696,764</u>
Total Net Position	<u>\$ 133,865,196</u>	<u>\$ 124,349,787</u>

NOTE 11 - NET WATER REVENUES

Net water revenues earned during 2024 and 2023 were as follows:

	<u>2024</u>	<u>2023</u>
Gross Water Revenues	\$ 12,875,870	\$ 12,360,814
Less: Provision for Bad Debt Expense	<u>(90,009)</u>	<u>(72,084)</u>
Net Water Revenues	<u>\$ 12,785,861</u>	<u>\$ 12,288,730</u>

NOTE 12 - CAPITAL CONTRIBUTIONS

Capital contributions during 2024 and 2023 were as follows:

	<u>2024</u>	<u>2023</u>
Cash Contributions from:		
Developers	\$ <u>174,175</u>	\$ <u>611,045</u>
Non-Cash Capital Contributions from:		
Donated Lines by Developers	\$ <u>6,245,195</u>	\$ <u>1,907,380</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 6.7% and 7.0% of water and wastewater net revenues for 2024 and 2023, 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,

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability										
Service Cost	\$ 224,498	\$ 245,776	\$ 240,109	\$ 252,529	\$ 274,169	\$ 253,077	\$ 225,046	\$ 303,182	\$ 286,353	\$ 275,339
Interest	1,201,256	1,156,739	1,076,388	1,015,234	940,408	919,228	898,067	867,851	946,685	852,188
Changes of Benefit Terms	0	0	0	0	0	(951,309)	0	0	0	0
Differences between Expected and Actual Experience	644,702	(175,357)	621,177	106,057	473,338	5,350	580,975	376,284	(1,532,910)	(204,492)
Changes of Assumptions	596,550	3,567	(268,964)	75,181	(31,637)	382,654	195,120	0	0	641,644
Benefit Payments	(454,453)	(731,524)	(406,360)	(773,362)	(437,617)	(261,129)	(1,898,086)	(1,280,675)	(344,348)	(193,224)
Net Change in Total Pension Liability	2,212,553	499,201	1,262,350	675,639	1,218,661	347,871	1,122	266,642	(644,220)	1,371,455
Total Pension Liability - Beginning	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
Total Pension Liability - Ending (a)	\$ 18,780,356	\$ 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
Plan Fiduciary Net Position										
Contributions - Employer	\$ 720,000	\$ 648,000	\$ 648,000	\$ 702,000	\$ 1,098,000	\$ 720,000	\$ 1,080,000	\$ 1,170,000	\$ 990,000	\$ 1,002,000
Net Investment Income (Loss)	1,065,255	890,658	(1,755,632)	2,591,046	25,099	410,204	562,525	732,379	(70,346)	121,395
Benefit Payments	(454,453)	(731,524)	(406,360)	(773,362)	(437,617)	(261,129)	(1,898,086)	(1,280,675)	(344,348)	(193,224)
Administrative Expense	0	648	0	278	(23)	(3,067)	(8,142)	(7,286)	(2,323)	(1,613)
Net Change in Plan Fiduciary Net Position	1,330,802	807,782	(1,513,992)	2,519,962	685,459	866,008	(263,703)	614,418	572,983	928,558
Plan Fiduciary Net Position - Beginning	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
Plan Fiduciary Net Position - Ending (b)	\$ 12,505,039	\$ 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
Net Pension Liability - Ending (a) - (b)	\$ 6,275,317	\$ 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
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.59%	67.45%	64.51%	80.24%	66.24%	67.19%	62.15%	64.26%	60.65%	53.21%
Covered Payroll	\$ 3,355,321	\$ 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
Net Pension Liability as a Percentage of Covered Payroll	187.03%	168.22%	182.89%	88.33%	143.99%	130.14%	144.34%	152.21%	179.56%	220.00%

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,

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially Determined Contribution (ADC)	\$ 683,337	\$ 519,793	\$ 422,596	\$ 588,358	\$ 584,736	\$ 629,455	\$ 599,266	\$ 603,158	\$ 804,412	\$ 692,994
Contributions in Relation to the Actuarially Determined Contribution	720,000	648,000	648,000	702,000	1,098,000	720,000	1,080,000	1,170,000	990,000	1,002,000
Contribution Deficiency (Excess)	\$ (36,663)	\$ (128,207)	\$ (225,404)	\$ (113,642)	\$ (513,264)	\$ (90,545)	\$ (480,734)	\$ (566,842)	\$ (185,588)	\$ (309,006)
Covered Payroll	\$ 3,355,321	\$ 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
Contributions as a Percentage of Covered Payroll	21.46%	20.21%	20.78%	21.19%	33.14%	22.12%	32.78%	39.66%	36.74%	36.41%

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, 2023, 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015, and 2014
Actuarial determined contribution rates are calculated as of June 30, 2024, 2023, 2022, 2021, 2020, 2019, 2018, 2017, 2016, and 2015.	
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% (2024, 2023, 2022, 2021, 2020, 2019, 2018, 2017, 2016) & 3.0% (2015) 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 (2024, 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)
Mortality:	PRI-2012 Blue Collar Mortality Table with Scale MP-21 projected on a fully generational basis (2024, 2023, 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)

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>2024</u>	<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>
Annual Money-Weighted Rate of Return (Loss), Net of Investment Expenses	<u>9.44%</u>	<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>

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,

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability										
Interest	\$ 721	\$ 1,408	\$ 2,859	\$ 2,870	\$ 3,021	\$ 3,204	\$ 3,129	\$ 3,297	\$ 5,507	\$ 5,729
Differences between Expected and Actual Experience	(9,627)	(6,890)	(10,842)	10,638	10,424	9,637	10,118	9,507	(19,190)	9,424
Change of Assumptions	0	0	(1,804)	0	0	0	4,405	0	0	0
Benefit Payments	(3,539)	(5,875)	(11,702)	(15,609)	(15,447)	(15,269)	(15,091)	(15,006)	(16,556)	(19,677)
Net Change in Total Pension Liability	(12,445)	(11,357)	(21,489)	(2,101)	(2,002)	(2,428)	2,561	(2,202)	(30,239)	(4,524)
Total Pension Liability - Beginning	12,445	23,802	45,291	47,392	49,394	51,822	49,261	51,463	81,702	86,226
Total Pension Liability - Ending (a)	\$ 0	\$ 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	\$ 48,427	\$ (28,847)	\$ 156,431	\$ 29,302	\$ 42,014	\$ 44,425	\$ 56,014	\$ 13,161	\$ 15,299	\$ 73,216
Benefit Payments	(3,539)	(5,875)	(11,702)	(15,609)	(15,447)	(15,269)	(15,091)	(15,006)	(16,556)	(19,677)
Administrative Expense	(106)	0	0	0	0	0	0	0	0	(33)
Net Change in Plan Fiduciary Net Position	44,782	(34,722)	144,729	13,693	26,567	29,156	40,923	(1,845)	(1,257)	53,506
Plan Fiduciary Net Position - Beginning	722,253	756,975	612,246	598,553	571,986	542,830	501,907	503,752	505,009	451,503
Plan Fiduciary Net Position - Ending (b)	\$ 767,035	\$ 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)	\$ (767,035)	\$ (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	N/A	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	\$ 0
Net Pension Liability as a Percentage of Covered Payroll	N/A									

Notes:

- A. 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.
- B. 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.
- C. The amount presented for each fiscal year is based upon the measurement period which is the TCRS prior fiscal year end.
- D. *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.
- E. *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,

	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability							
Service Cost	\$ 9,840	\$ 9,774	\$ 17,829	\$ 17,254	\$ 9,723	\$ 8,937	\$ 8,178
Interest	5,365	4,944	5,061	4,795	4,384	4,384	5,124
Changes in Benefit Terms	0	(54,606)	0	0	0	0	0
Differences between Expected and Actual Experience	0	(25,299)	0	35,411	0	(39,774)	0
Change in Assumptions	(3,087)	(1,160)	(22,968)	26,482	13,388	9,266	(2,966)
Benefit Payments	(8,387)	(4,247)	(8,950)	(3,295)	(5,436)	(5,610)	(8,415)
Net Change in Total OPEB Liability	<u>3,731</u>	<u>(70,594)</u>	<u>(9,028)</u>	<u>80,647</u>	<u>22,059</u>	<u>(22,797)</u>	<u>1,921</u>
Total OPEB Liability - Beginning	<u>141,314</u>	<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>\$ 145,045</u>	<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	\$ 8,387	\$ 24,247					
Expected Investment Income	730	0					
Benefit Payments	(8,387)	(4,247)					
Administration Expenses	(5,679)	0					
Net Change in Plan Fiduciary Net Position	<u>(4,949)</u>	<u>20,000</u>					
Total Plan Fiduciary Net Position - Beginning	<u>20,000</u>	<u>0</u>					
Total Plan Fiduciary Net Position - Ending	<u>\$ 15,051</u>	<u>\$ 20,000</u>					
Net OPEB Liability - Ending	<u>\$ 129,994</u>	<u>\$ 121,314</u>					
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	10.38%	14.15%					
Covered-Employee Payroll	N/A	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	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,

	2024	2023
Actuarially Determined Contribution (ADC)	\$ 13,011	\$ 12,502
Contributions in Relation to the Actuarially Determined Contribution	(8,387)	(24,247)
Contribution Deficiency / (Excess)	\$ 4,624	\$ (11,745)
 Covered Payroll	 N/A	 N/A
Contributions as a Percentage of Covered Payroll	N/A	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.

Actuarial Methods & Assumptions:

Valuation Dates: 7/1/2022

Actuarial determined contribution rates are calculated as of June 30, 2023.

Methods and Assumptions used to calculate the Actuarially Determined Contribution:

Actuarial Cost Method:	Individual Entry Age Normal
Amortization Method:	Level percentage of payroll
Asset Valuation Method:	Market value of assets
Asset Smoothing Method:	N/A
Inflation:	2.5%
Salary Increases:	3.5%
Investment Rate of Return:	6.57%
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>2024</u>	<u>2023</u>
Annual Money-Weighted Rate of Return (Loss), Net of Investment Expenses	<u>6.57%</u>	<u>N/A</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.

SUPPLEMENTARY INFORMATION SECTION

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

June 30, 2024

	<u>Pension Trust Fund</u>	<u>OPEB Trust Fund</u>	<u>Total</u>
ASSETS			
Investments, at Fair Value			
Cash and Cash Equivalents	\$ 1,111,498	\$ 144	\$ 1,111,642
Mutual Funds:			
Domestic Equity	4,089,485	10,164	4,099,649
International Equity	2,365,639	629	2,366,268
Fixed Income	4,065,970	3,291	4,069,261
Real Estate	625,913	823	626,736
Market Neutral & Alternative	<u>246,534</u>	<u>0</u>	<u>246,534</u>
Total Investments	<u>12,505,039</u>	<u>15,051</u>	<u>12,520,090</u>
TOTAL ASSETS	<u>\$ 12,505,039</u>	<u>\$ 15,051</u>	<u>\$ 12,520,090</u>
LIABILITIES AND NET POSITION			
LIABILITIES			
Accounts Payable	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
NET POSITION			
Restricted for Pension	12,505,039	0	12,505,039
Restricted for OPEB	<u>0</u>	<u>15,051</u>	<u>15,051</u>
TOTAL NET POSITION	<u>12,505,039</u>	<u>15,051</u>	<u>12,520,090</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 12,505,039</u>	<u>\$ 15,051</u>	<u>\$ 12,520,090</u>

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	11,174,237	0	11,174,237
Restricted for OPEB	<u>0</u>	<u>20,000</u>	<u>20,000</u>
TOTAL NET POSITION	<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 CHANGES IN FIDUCIARY NET POSITION
PENSION AND OPEB TRUST FUNDS

For the Year Ended June 30, 2024

	<u>Pension</u> <u>Trust Fund</u>	<u>OPEB</u> <u>Trust Fund</u>	<u>Total</u>
ADDITIONS			
Employer Contributions	\$ 720,000	\$ 0	\$ 720,000
Net Investment Earnings (Loss)	<u>1,065,255</u>	<u>730</u>	<u>1,065,985</u>
Total Additions	<u>1,785,255</u>	<u>730</u>	<u>1,785,985</u>
DEDUCTIONS			
Benefit Payments:			
Annuity Payments	454,453	0	454,453
Administrative Expenses	<u>0</u>	<u>5,679</u>	<u>5,679</u>
Total Deductions	<u>454,453</u>	<u>5,679</u>	<u>460,132</u>
CHANGE IN NET POSITION	1,330,802	(4,949)	1,325,853
TOTAL NET POSITION RESTRICTED FOR PENSION & OPEB, BEGINNING OF YEAR	<u>11,174,237</u>	<u>20,000</u>	<u>11,194,237</u>
TOTAL NET POSITION RESTRICTED FOR PENSION & OPEB, END OF YEAR	<u>\$ 12,505,039</u>	<u>\$ 15,051</u>	<u>\$ 12,520,090</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 Trust Fund</u>	<u>OPEB 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
SCHEDULE OF DEBT SERVICE REQUIREMENTS

June 30, 2024

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
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	933,182	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	\$ 20,880,000	\$ 5,755,350	\$ 17,325,000	\$ 15,514,534	\$ 20,485,000	\$ 12,149,800	\$ 23,850,000	\$ 14,149,206	\$ 7,940,000	\$ 4,370,812

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%.

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

June 30, 2024

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 Principal	Total Interest	Total Debt Service
	Principal	Interest	Principal	Interest (d)	Principal	Interest			
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	5,433,821	9,638,821
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	\$ 18,755,000	\$ 8,528,650	\$ 14,170,000	\$ 10,983,188	\$ 24,965,000	\$ 10,559,350	\$ 148,370,000	\$ 82,010,890	\$ 230,380,890

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, 2024

	Original Amount of Issue	Interest Rate	Date of Issue	Final Maturity Date	Outstanding July 1, 2023	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding June 30, 2024
Bonds Payable									
V-B-1 Local Gov't Public Improvement Revenue Bonds	\$ 35,425,000	Variable	% 8/1/2009	6/1/2035	\$ 22,280,000	\$ 0	\$ 1,400,000	\$ 0	\$ 20,880,000
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	24,275,000	0	425,000	0	23,850,000
V-E-1 Local Gov't Public Improvement Revenue Bonds	25,000,000	Variable	12/23/2016	6/1/2046	21,120,000	0	635,000	0	20,485,000
2018 Water and Sewer Revenue Bonds	8,535,000	3.00 - 4.00	11/1/2018	6/1/2048	8,145,000	0	205,000	0	7,940,000
2019 Water and Sewer Revenue Bonds	20,000,000	3.00 - 5.00	6/28/2019	6/1/2049	19,190,000	0	435,000	0	18,755,000
V-F-1 Local Gov't Public Improvement Revenue Bonds	15,000,000	Variable	6/28/2019	6/1/2054	14,470,000	0	300,000	0	14,170,000
2022 Water and Sewer Revenue Refunding Bonds	25,435,000	3.00 - 5.00	3/31/2022	6/1/2045	25,270,000	0	305,000	0	24,965,000
Total Bonds Payable					<u>152,075,000</u>	<u>0</u>	<u>3,705,000</u>	<u>0</u>	<u>148,370,000</u>
Total					<u>\$ 152,075,000</u>	<u>\$ 0</u>	<u>\$ 3,705,000</u>	<u>\$ 0</u>	<u>\$ 148,370,000</u>

WEST KNOX UTILITY DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE

June 30, 2024

Federal Agency/Pass-Through Agency/State Grantor Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Amount Pass-Through to Subrecipients	Expenditures
Federal Awards:				
<u>Federal Emergency Management Agency:</u>				
Pass-Through Program From:				
Tennessee Department of Military,				
Tennessee Emergency Management Agency				
Disaster Grants - Public Assistance	97.036	PA-04-TN-4691-PW-00027	\$ 0	\$ 5,413
Disaster Grants - Public Assistance	97.036	PA-04-TN-4691-PW-00031	0	7,500
Disaster Grants - Public Assistance	97.036	PA-04-TN-4691-PW-00060	0	10,293
Disaster Grants - Public Assistance	97.036	PA-04-TN-4691-PW-00067	0	1,547
			<u>\$ 0</u>	<u>\$ 24,753</u>

NOTE 1 - BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards and State Financial Assistance includes the federal award related grant activity of the West Knox Utility District and is presented on the accrual basis of accounting. The expenditures reported in this schedule were incurred in fiscal year 2023. In accordance with the requirements of CFDA 97.036, the expenditures have been reported in fiscal year 2024 when the grant was approved by the Federal Emergency Management Agency.

NOTE 2 - INDIRECT COST RATE

The District did not elect to use the 10% de minimus indirect cost rate as allowed under Uniform Guidance.

WEST KNOX UTILITY DISTRICT
SCHEDULES OF WATER RATES AND STATISTICS

June 30, 2024 and 2023

1. As of June 30, 2024 and 2023, the District serviced water and wastewater customers as shown below. Hotels, motels and apartments are billed on a commercial, per unit basis.

2024	Water Customers	Billing Units	Wastewater Customers	Billing Units
Residential	28,220	28,220	23,355	23,355
Commercial	1,133	1,133	702	702
Multi-Space Units	40	3,298	40	1,382
Total	<u>29,393</u>	<u>32,651</u>	<u>24,097</u>	<u>25,439</u>
2023				
Residential	27,244	27,244	22,474	22,474
Commercial	1,098	1,098	679	679
Multi-Space Units	39	3,297	39	1,381
Total	<u>28,381</u>	<u>31,639</u>	<u>23,192</u>	<u>24,534</u>

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

	2024	2023
(a) Residential Water Rate:		
Customer Charge	\$14.00 minimum bill \$4.00 per 1,000 Gal.	\$14.00 minimum bill \$4.00 per 1,000 Gal.
(b) Commercial, Municipal, Public Schools, Hospital Service Rate:		
Customer Charge	Based upon Meter Size \$4.00 per 1,000 Gal.	Based upon Meter Size \$4.00 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 \$4.00 per 1,000 Gal.

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

	2024	2023
(a) Residential Rate:		
1st	\$26.77 minimum bill	\$26.77 minimum bill
Next	12,000 Gal. - \$7.64 per 1,000 Gal.	12,000 Gal. - \$7.64 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.	\$7.64 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.	\$7.64 per 1,000 Gal.

- (d) Industrial Rate determined on an individual basis.

	2024	2023
4. Wastewater Treated (In Thousands of Gallons)	<u>1,411,430</u>	<u>1,391,260</u>

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	57-59
Revenue Capacity	
These schedules contain information to help the reader assess the District's operating revenues and customer statistics	60-65
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.....	66-67
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.....	68-69
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.....	70-71

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		
2024	\$ 87,767,525	\$ 0	\$ 0	\$ 767,035	\$ 45,330,636	\$ 133,865,196
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

WEST KNOX UTILITY DISTRICT

CHANGES IN NET POSITION

Last Ten Fiscal Years

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Operating Revenues					
Water, Net	\$ 12,785,861	\$ 12,288,730	\$ 11,300,941	\$ 10,748,092	\$ 10,789,576
Wastewater	18,989,971	18,270,556	16,985,622	16,159,287	16,180,046
Connection Fees	2,054,478	1,186,351	1,588,684	1,998,500	1,481,283
Low Pressure Pump Fees	115,085	77,097	591,000	1,419,000	789,450
Customer Forfeited Discounts	286,355	324,845	297,445	310,671	288,068
Service Fees	145,245	127,666	179,070	162,207	140,700
Wastewater Inspection Fees	26,165	10,925	20,375	23,910	17,580
Miscellaneous	432,218	362,739	274,634	291,548	229,841
Total Operating Revenues	<u>34,835,378</u>	<u>32,648,909</u>	<u>31,237,771</u>	<u>31,113,215</u>	<u>29,916,544</u>
Operating Expenses:					
Water Purification & Supply	1,841,410	1,842,004	1,558,296	1,364,413	1,473,656
Wastewater Collection & Treatment	5,117,322	4,924,109	5,349,306	5,353,888	4,752,955
Water Treatment & Distribution	5,277,853	4,781,387	3,885,100	3,927,958	3,936,095
Wastewater CMOM Program	1,909,163	1,556,725	1,364,990	1,142,385	1,257,520
Shop & General Maintenance	485,540	502,507	453,514	342,125	302,950
Customer Accounting	499,777	449,788	426,850	431,720	358,761
Administrative & General	3,983,403	3,557,871	3,288,992	3,213,556	3,092,193
Depreciation	8,796,465	8,635,823	8,458,253	8,191,238	5,756,766
Total Operating Expenses	<u>27,910,933</u>	<u>26,250,214</u>	<u>24,785,301</u>	<u>23,967,283</u>	<u>20,930,896</u>
Operating Income	<u>6,924,445</u>	<u>6,398,695</u>	<u>6,452,470</u>	<u>7,145,932</u>	<u>8,985,648</u>
Non-Operating Revenues (Expenses):					
Investment Income, Net	1,868,015	537,554	(507,170)	169,735	1,052,950
Interest Expense	(6,031,571)	(5,734,643)	(5,140,744)	(4,968,442)	(5,636,465)
Change in Fair Value of Derivative - Interest Rate Swap	0	270,240	1,192,911	1,000,407	(668,570)
Other	335,150	14,304	9,493	(8,087)	(2,733,429)
Total Non-Operating Revenues (Expenses), Net	<u>(3,828,406)</u>	<u>(4,912,545)</u>	<u>(4,445,510)</u>	<u>(3,806,387)</u>	<u>(7,985,514)</u>
Increase (Decrease) in Net Position Before Capital Contributions	<u>3,096,039</u>	<u>1,486,150</u>	<u>2,006,960</u>	<u>3,339,545</u>	<u>1,000,134</u>
Capital Contributions:					
Cash Contributions	174,175	611,045	185,837	108,644	0
Developers Contributions of Capital Assets	6,245,195	1,907,380	5,252,662	1,115,642	2,876,640
Total Capital Contributions	<u>6,419,370</u>	<u>2,518,425</u>	<u>5,438,499</u>	<u>1,224,286</u>	<u>2,876,640</u>
Change in Net Position	<u>\$ 9,515,409</u>	<u>\$ 4,004,575</u>	<u>\$ 7,445,459</u>	<u>\$ 4,563,831</u>	<u>\$ 3,876,774</u>

WEST KNOX UTILITY DISTRICT
CHANGES IN NET POSITION (Continued)

Last Ten Fiscal Years

	2019	2018	2017	2016	2015
Operating Revenues					
Water, Net	\$ 9,487,077	\$ 9,195,039	\$ 9,609,490	\$ 9,089,180	\$ 8,611,641
Wastewater	14,253,528	13,051,070	13,303,536	12,123,653	10,875,487
Connection Fees	983,807	1,180,754	950,074	945,437	893,658
Low Pressure Pump Fees	375,000	171,150	107,100	30,600	43,350
Customer Forfeited Discounts	352,785	507,151	340,649	297,708	285,589
Service Fees	146,565	158,336	130,075	129,075	120,201
Wastewater Inspection Fees	12,035	15,900	11,675	14,225	13,600
Miscellaneous	466,135	352,573	303,529	282,617	199,593
Total Operating Revenues	26,076,932	24,631,973	24,756,128	22,912,495	21,043,119
Operating Expenses:					
Water Purification & Supply	1,171,594	1,366,020	1,206,442	1,164,483	1,103,041
Wastewater Collection & Treatment	3,578,095	3,837,316	3,172,119	3,036,124	2,438,755
Water Treatment & Distribution	3,451,334	2,939,754	3,287,313	2,879,875	2,894,879
Wastewater CMOM Program	1,247,631	1,414,184	1,591,203	1,560,603	1,545,363
Shop & General Maintenance	278,583	327,055	422,083	389,611	333,439
Customer Accounting	157,447	136,472	136,867	131,648	121,724
Administrative & General	2,659,965	2,925,821	2,313,634	2,102,988	2,089,427
Depreciation	5,861,519	5,878,528	5,604,703	5,375,093	5,269,866
Total Operating Expenses	18,406,168	18,825,150	17,734,364	16,640,425	15,796,494
Operating Income	7,670,764	5,806,823	7,021,764	6,272,070	5,246,625
Non-Operating Revenues (Expenses):					
Investment Income, Net	1,149,793	781,765	73,202	187,435	55,893
Interest Expense	(4,917,374)	(4,134,864)	(3,644,922)	(2,642,317)	(2,067,955)
Change in Fair Value of Derivative - Interest					
Rate Swap	(444,607)	578,958	993,190	(905,655)	(3,396,726)
Debt Issuance Expense	(712,442)	0	(468,987)	(245,259)	0
Other	(143,946)	32,207	11,478	26,286	0
Total Non-Operating Revenues (Expenses), Net	(5,068,576)	(2,741,934)	(3,036,039)	(3,579,510)	(5,408,788)
Increase (Decrease) in Net Position					
Before Capital Contributions	2,602,188	3,064,889	3,985,725	2,692,560	(162,163)
Capital Contributions:					
Cash Contributions	0	200,914	117,499	173,054	0
Developers Contributions of Capital Assets	1,935,855	3,241,701	2,165,251	1,784,270	1,074,426
Total Capital Contributions	1,935,855	3,442,615	2,282,750	1,957,324	1,074,426
Change in Net Position	\$ 4,538,043	\$ 6,507,504	\$ 6,268,475	\$ 4,649,884	\$ 912,263

**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				
2024	32,651	25,439	\$ 14.00	\$ 4.00	\$ 26.77	\$ 7.64
2023	31,639	24,534	14.00	4.00	26.77	7.64
2022	31,085	24,050	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

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	
2024	2,519,993	2,080,246	439,747	17.45
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

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>
2024	1,118	1,053	2,171
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

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				
2024	28,220	1,133	40	29,393
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
Wastewater				
2024	23,355	702	40	24,097
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

WEST KNOX UTILITY DISTRICT
WATER AND WASTEWATER RATES (*)

Last Ten Fiscal Years

Water Rates

<u>Base Rate</u>	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Residential	\$14.00	\$14.00	\$13.65	\$13.05	\$13.05	\$13.05	\$13.05	\$13.05	\$13.05	\$13.05
Commercial	(b)	(b)	21.00	21.00	21.00	21.00	21.00	21.00	16.00	16.00
Hotel/Motel (per unit)	6.11	6.11	6.11	6.11	6.11	6.11	6.11	6.11	6.11	6.11

Usage Rates

(Per 1,000 Gallons)

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

Wastewater Rates

Base Rate

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

Usage Rates

(Per 1,000 Gallons)

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

***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	FY 2024		FY 2015	
		(a) Total Annual Sales	Percentage of Total Sales	(a) Total Annual Sales	Percentage of Total Sales
Parkwest Medical Center	Medical	\$ 417,042	1.31 %	\$ 366,818	1.88 %
Goldelm at Metropolitan	Rental Real Estate	315,009	0.99	242,979	1.25
Woodlands West Apartments	Rental Real Estate	276,153	0.87	255,719	1.31
Country Club Apartments	Rental Real Estate	219,209	0.69	167,881	0.86
Knox County Board of Education	School System	183,893	0.58	N/A	N/A
Brendon Park Apartments	Rental Real Estate	164,918	0.52	153,549	0.79
Holiday Inn Cedar Bluff	Hospitality	186,228	0.59	136,151	0.70
Goldelm at Cedar Bluff	Rental Real Estate	149,274	0.47	132,118	N/A
Blue Beacon Truck Wash	Semi-Truck Wash	115,509	0.36	N/A	N/A
SCBP Knoxville Associates	Rental Real Estate	112,418	0.35	N/A	N/A
Warren House Apartments	Rental Real Estate	N/A	N/A	100,559	0.52
Hampton Inn	Hospitality	N/A	N/A	81,529	0.42
Tennessee Veterans Home	Medical	N/A	N/A	51,512	0.26
Total		<u>\$ 2,139,653</u>	<u>6.73 %</u>	<u>\$ 1,688,815</u>	<u>7.99 %</u>

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

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

(c) Goldelm at Cedar Bluff Apartments was formerly known as Cedar Bluff 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
2024	\$ 151,311,947	\$ 0	\$ 151,311,947	32,651	\$ 4,634
2023	155,242,152	0	155,242,152	31,639	4,907
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

- 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	
2024	\$ 36,508,051	\$ 19,114,468	\$ 17,393,583	\$ 3,705,000	\$ 6,191,337	\$ 9,896,337	1.76
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

- 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
2023	502,471	N/A	N/A	3.2%	3.7%
2022	497,745	31,402,606	63,494	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%

- 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	2024		2015	
		Number of Employees	% of Total Knox County Workforce	Number of Employees	% of Total Knox County Workforce
U.S. DOE - Oak Ridge	Government	16,975	6.67 %	11,637	5.14 %
Covenant Health	Health Care	11,963	4.70	10,458	4.62
University of Tennessee	Education	11,197	4.40	6,660	2.94
Knox County Schools	Education	10,118	3.98	6,804	3.01
Walmart	Retail	6,614	2.60	6,006	2.65
University Health System	Health Care	5,387	2.12	4,224	1.87
Clayton Homes	Manufacturing	5,047	1.98	N/A	N/A
DENSO Manufacturing TN	Automotive Manuf	5,000	1.96	3,500	1.55
K-VA-T Food Stores/Food City	Retail Grocery	4,023	1.58	4,078	1.80
State of Tennessee	Government	3,811	1.50	3,226	1.43
Tennova Healthcare	Health Care	N/A	N/A	4,067	1.80
Total		80,135	31.49 %	60,660	26.81 %

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>2024</u>	<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>
WATER										
Water Plant Operations	10	9	8	8	8	8	9	9	10	9
Water Plant Maintenance	2	2	2	2	4	3	2	2	2	2
Water Systems Maintenance	21	20	18	19	18	19	17	17	16	13
WATER SUBTOTAL	<u>33</u>	<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>
SEWER										
Sewer Plant Operations	4	4	4	4	4	3	3	3	3	3
Sewer Plant Maintenance	12	12	11	11	10	9	8	10	9	10
Sewer Systems Maintenance (CMOM)	14	12	10	10	11	13	13	10	11	13
SEWER SUBTOTAL	<u>30</u>	<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>
ENGINEERING/ INSPECTION/CONSTRUCTION										
Engineering	8	9	5	6	6	6	5	1	1	1
Inspections	2	2	2	2	2	2	2	2	2	2
Construction	3	3	5	5	2	2	2	2	2	2
ENG/INSP/CONS SUB TOTAL	<u>13</u>	<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>
ADMINISTRATION										
Billing/Customer Service	8	8	7	8	8	8	7	8	8	7
Meter Reading	4	4	4	4	4	4	3	3	3	2
Human Resources	1	1	1	1	1	1	1	1	1	1
Finance & Accounting	2	2	2	2	2	2	1	1	1	1
Executive Administration	2	2	2	2	2	2	2	2	2	2
ADMINISTRATION SUB TOTAL	<u>17</u>	<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>
TOTAL EMPLOYEES	<u>93</u>	<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>

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>
2024	1,411.43	2,190.00	778.57	64.4 %
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

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Area in Square Miles:	72	72	72	72	72	72	72	72	72	72
Water System:										
Miles of Water Mains	422	419	416	414	408	398	394	396	389	390
Number of Treatment Plants	2	2	2	2	2	2	2	2	2	2
Number of Water Customers	29,393	28,381	27,787	27,052	26,094	25,261	25,950	25,007	23,429	22,800
Number of Fire Hydrants	1,717	1,678	1,650	1,601	1,473	1,473	1,473	1,435	1,373	1,354
Daily Average Water										
Treated in Gallons	7.12 million	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
Maximum Daily Capacity of Plants in Gallons	18.00 million									
Wastewater System:										
Miles of Sanitary Sewers	335	328	323	313	312	295	292	296	289	286
Number of Treatment Plants	1	1	1	1	1	1	1	1	1	1
Number of Service Connections	24,097	23,192	22,710	22,016	21,249	20,485	19,835	19,173	18,691	18,188
Daily Average Treatment										
in Gallons	3.87 million	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
Maximum Daily Capacity of Treatment Plant in Gallons	6 million	4 million								

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

COMPLIANCE SECTION

CERTIFIED PUBLIC ACCOUNTANTS

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, 2024, 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 18, 2024.

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 audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 18, 2024

WEST KNOX UTILITY DISTRICT
SCHEDULE OF DISPOSITION OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2024

There were no prior year findings to report.