

OFFICIAL STATEMENT

NEW ISSUE
Book-Entry Only

Rating S&P: “AA+”

In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the District, interest on the Series 2024B Bonds will be excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended, and is not an item of tax preference for purposes of the federal alternative minimum tax except for certain corporations, as more fully described herein. For an explanation of certain tax consequences under federal law which may result from the ownership of the Series 2024B Bonds, see the discussion under the heading “Tax Matters” herein. Under existing law, the Series 2024B Bonds and the income therefrom will be exempt from all state, county and municipal taxation in the State of Tennessee, except Tennessee franchise and excise taxes. (See “Tax Matters” herein).

\$30,000,000

HARPETH VALLEY UTILITIES DISTRICT OF DAVIDSON AND WILLIAMSON COUNTIES, TENNESSEE UTILITIES REVENUE BONDS, SERIES 2024B

Dated: Date of Delivery

Due: September 1, as shown below

The Utilities Revenue Bonds, Series 2024B (the “Series 2024B Bonds”) of the Harpeth Valley Utilities District of Davidson and Williamson Counties, Tennessee (the “District”), will be issued as fully registered bonds, without coupons, in denominations of \$5,000 or any integral multiple thereof and will bear interest at the annual rates shown below. Interest on the Series 2024B Bonds will be payable semi-annually on March 1 and September 1, commencing March 1, 2025. Principal of, premium, if any, and interest on the Series 2024B Bonds will be payable at the principal corporate trust office of U.S. Bank Trust Company, National Association, as Paying Agent and Bond Registrar, provided that interest may be paid by check or draft mailed by the Registration Agent to each registered owner as of the record date.

The Series 2024B Bonds are being issued for the purpose of providing funds to (i) finance capital improvements to the District’s water and sewer system; (ii) fund a debt service reserve fund for the Series 2024B Bonds to the extent other District funds are not provided therefor; and (iii) pay the costs of issuing the Series 2024B Bonds.

The Series 2024B Bonds are payable solely from and secured by a lien upon and pledge of the Net Revenues (as herein defined) of the District’s water and sewer system pursuant to the provisions of the Bond Resolution (as defined herein), on parity with outstanding bonds of the District, as more fully described herein. The Series 2024B Bonds are not obligations of the State of Tennessee, or any of its political subdivisions, other than the District, nor is the State of Tennessee, or any of its political subdivisions, other than the District, liable for the payment of the principal of, premium, if any, or interest on the Series 2024B Bonds. The Bond Resolution does not grant to owners of the Series 2024B Bonds any mortgage on or security interest in any real or personal property of the District other than the lien on the Net Revenues of the District’s water and sewer system and the statutory mortgage lien on said System as described more fully herein. The District has no taxing power.

The Series 2024B Bonds are subject to optional redemption on or after September 1, 2034 at a price of par plus accrued interest, as described herein under the heading “The Series 2024B Bonds – Redemption.” The maturities, interest rates and yields on the Series 2024B Bonds are shown below.

Maturity (September 1)	Amount	Interest Rate	Yield	CUSIP	Maturity (September 1)	Amount	Interest Rate	Yield	CUSIP
2025	\$655,000	5.000%	2.850%	413581RG6	2035	\$ 765,000	5.000%	2.940% ^C	413581RS0
2026	490,000	5.000	2.550	413581RH4	2036	800,000	5.000	3.000 ^C	413581RT8
2027	515,000	5.000	2.450	413581RJ0	2037	840,000	5.000	3.040 ^C	413581RU5
2028	545,000	5.000	2.470	413581RK7	2038	885,000	5.000	3.060 ^C	413581RV3
2029	570,000	5.000	2.500	413581RL5	2039	930,000	5.000	3.150 ^C	413581RW1
2030	600,000	5.000	2.580	413581RM3	2040	975,000	5.000	3.230 ^C	413581RX9
2031	630,000	5.000	2.650	413581RN1	2041	1,025,000	4.000	3.750 ^C	413581RY7
2032	660,000	5.000	2.730	413581RP6	2042	1,065,000	4.000	3.850 ^C	413581RZ4
2033	695,000	5.000	2.810	413581RQ4	2043	1,105,000	4.000	3.900 ^C	413581SA8
2034	730,000	5.000	2.870	413581RR2	2044	1,150,000	4.000	3.950 ^C	413581SB6

\$2,440,000 4.000% Term Bond Due September 1, 2046, Yield 4.000%, CUSIP 413581SD2

\$2,640,000 4.000% Term Bond Due September 1, 2048, Yield 4.050%, CUSIP 413581SF7

\$4,370,000 4.000% Term Bond Due September 1, 2051, Yield 4.080%, CUSIP 413581SJ9

\$4,920,000 4.000% Term Bond Due September 1, 2054, Yield 4.100%, CUSIP 413581SM2

C=yield to September 1, 2034 Call Date.

The Series 2024B Bonds are offered when, as and if issued and received by the Underwriter, subject to the approval of legality by Bass, Berry & Sims PLC, Nashville, Tennessee, Bond Counsel. Certain legal matters will be passed upon for the District by Parker, Lawrence, Cantrell & Smith, Nashville, Tennessee, as Counsel to the District. Stephens Inc. is serving as municipal advisor to the District. It is expected that the Series 2024B Bonds in book-entry form will be available for delivery through The Depository Trust Company on or about October 24, 2024.

October 9, 2024

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document, as the same may be supplemented or amended (collectively, the “Official Statement”) by the Harpeth Valley Utilities District of Davidson and Williamson Counties, Tennessee (the “District”), is an Official Statement with respect to the Series 2024B Bonds described herein that is deemed final by the District as of the date hereof (or of any such supplement or amendment). It is subject to completion with certain information to be established at the time of the sale of the Series 2024B Bonds as permitted by Rule 15c2-12 of the Securities and Exchange Commission.

No dealer, broker, salesman or other person has been authorized by the District or by Stephens Inc. (the “Municipal Advisor”) to give any information or make any representations other than those contained in this Official Statement and, if given or made, such information or representations with respect to the District or the Series 2024B Bonds must not be relied upon as having been authorized by the District or the Municipal Advisor. This Official Statement does not constitute an offer to sell, or solicitation of an offer to buy, any securities other than the securities offered hereby to any person in any jurisdiction where such offer or solicitation of such offer would be unlawful.

The Series 2024B Bonds have not been registered under the Securities Act of 1933, as amended.

This Official Statement should be considered in its entirety and no one factor should be considered more or less important than any other by reason of its position in this Official Statement. Where statutes, reports or other documents are referred to herein, reference should be made to such statutes, reports or other documents for more complete information regarding the rights and obligations of parties thereto, facts and opinions contained therein and the subject matter thereof.

The information and expressions of opinion in this Official Statement are subject to change without notice and neither the delivery of this Official Statement nor any sale made under it shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date as of which information is given in this Official Statement.

In making an investment decision investors must rely on their own examination of the District and the terms of the offering, including the merits and risks involved. No registration statement relating to the Series 2024B Bonds has been filed with the Securities and Exchange Commission or with any state securities agency. The Series 2024B Bonds have not been approved or disapproved by the Commission or any state securities agency, nor has the Commission or any state securities agency passed upon the accuracy or adequacy of this Official Statement. Any representation to the contrary is a criminal offense.

All CUSIP numbers included herein have been assigned by Standard & Poor’s CUSIP Service Bureau, a Division of The McGraw Hill Companies, Inc., and are included solely for the convenience of the Bondholders. Neither the Municipal Advisor nor the District is responsible for the selection or use of these CUSIP numbers, nor is any representation made as to their correctness on the Series 2024B Bonds or as indicated herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2024B Bonds as a result of various subsequent actions, including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2024B Bonds.

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**HARPETH VALLEY UTILITIES DISTRICT
OF DAVIDSON AND WILLIAMSON COUNTIES,
TENNESSEE**

DISTRICT OFFICIALS

BOARD OF COMMISSIONERS

Bernard Kwas, President
David Tucker, Vice President
Wayne Erickson, Secretary

GENERAL MANAGER

John E. Brown

FISCAL OFFICER

Beth Finney

COUNSEL TO THE DISTRICT

Parker, Lawrence, Cantrell & Smith
Nashville, Tennessee

BOND COUNSEL

Bass, Berry & Sims PLC
Nashville, Tennessee

REGISTRATION AGENT AND PAYING AGENT

U.S. Bank Trust Company, National Association
Nashville, Tennessee

MUNICIPAL ADVISOR

Stephens Inc.
Nashville, Tennessee

UNDERWRITER

Mesirow Financial, Inc.
Chicago, Illinois

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SUMMARY STATEMENT

This Summary is expressly qualified by the entire Official Statement, which should be viewed in its entirety by potential investors.

ISSUER	Harpeth Valley Utilities District of Davidson and Williamson Counties, Tennessee (the “District”).
ISSUE	\$30,000,000 Utilities Revenue Bonds, Series 2024B (the “Series 2024B Bonds”).
PURPOSE	The Series 2024B Bonds are being issued for the purpose of providing funds to (i) finance capital improvements to the District’s water and sewer system; (ii) fund a debt service reserve fund for the Series 2024B Bonds to the extent other District funds are not provided therefor; and (iii) pay the costs of issuing the Series 2024B Bonds.
DATED DATE	Settlement Date.
INTEREST DUE	Each March 1 and September 1, commencing March 1, 2025.
PRINCIPAL DUE	September 1, 2025 through September 1, 2054.
SETTLEMENT DATE	October 24, 2024.
OPTIONAL REDEMPTION	The Series 2024B Bonds shall be subject to redemption at the option of the District on and after September 1, 2034 at the price of par plus accrued interest to the redemption date.

SECURITY

The Series 2024B Bonds are payable solely from and secured by a lien upon and pledge of the Net Revenues of the System pursuant to the provisions of the Resolution (capitalized terms having the meanings ascribed herein), on parity with the District's outstanding Utilities Revenue Bond, Series 1997, dated August 13, 1998; Utilities Revenue Refunding Bonds, Series 2015, dated June 10, 2015; Utilities Revenue Refunding Bonds, Series 2016, dated January 27, 2016; Utilities Revenue Improvement Bonds, Series 2020, dated February 5, 2020; Utilities Revenue Refunding Bonds, Series 2022, dated June 22, 2022; and Utilities Revenue Refunding Bonds, Series 2024A, dated September 4, 2024. The Series 2024B Bonds are not obligations of the State of Tennessee, or any of its political subdivisions, other than the District, nor is the State of Tennessee, or any of its political subdivisions, other than the District, liable for the payment of the principal of or interest on the Series 2024B Bonds. The Resolution does not grant to owners of the Series 2024B Bonds any mortgage on or security interest in any real or personal property of the District other than the lien on the Net Revenues of the System and the statutory mortgage lien on the System as described more fully herein. The District has no taxing power.

RATING

"AA+" by S&P Global Ratings ("S&P") based on documents and other information provided by the District. The rating reflects only the view of S&P and neither the District, the Municipal Advisor nor the Underwriter make any representations as to the appropriateness of such rating.

There is no assurance that such rating will continue for any given period of time or that it will not be lowered or withdrawn. Any such downward change in or withdrawal of the rating may have an adverse effect on the secondary market price of the Series 2024B Bonds. Any explanation of the significance of the rating may be obtained from S&P. See "Rating" herein.

TAX MATTERS

In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the District, interest on the Series 2024B Bonds will be excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and interest on the Series 2024B Bonds is not treated as an item of tax preference in calculating the alternative minimum tax under the Code, except for certain corporations, as more fully described herein. For an explanation of certain tax consequences under federal law which may result from the ownership of the Series 2024B Bonds, see the discussion under the heading "Tax Matters" herein. Under existing law, the Series 2024B Bonds and the income therefrom will be exempt from all state, county and municipal taxation in the State of Tennessee, except Tennessee franchise and excise taxes. (See "Tax Matters" herein).

REGISTRATION AND PAYING AGENT	U.S. Bank Trust Company, National Association, Nashville, Tennessee.
MUNICIPAL ADVISOR	Stephens Inc., Nashville, Tennessee.
UNDERWRITER	Mesirow Financial, Inc., Chicago, Illinois.

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OFFICIAL STATEMENT

\$30,000,000

HARPETH VALLEY UTILITIES DISTRICT OF DAVIDSON AND WILLIAMSON COUNTIES, TENNESSEE

UTILITIES REVENUE BONDS, SERIES 2024B

INTRODUCTORY STATEMENT

This Official Statement, including the cover page and the Appendices attached hereto, is furnished in connection with the issuance by Harpeth Valley Utilities District of Davidson and Williamson Counties, Tennessee (the “District”), of its \$30,000,000 Utilities Revenue Bonds, Series 2024B (the “Series 2024B Bonds”). The District is a municipality or public corporation, organized and existing under the laws of the State of Tennessee (the “State”), including particularly The Utility District Law of 1937, codified as Sections 7-82-101, et seq., Tennessee Code Annotated (the “District Act”), and is authorized to issue the Series 2024B Bonds.

The District has outstanding its Utilities Revenue Bond, Series 1997, dated August 13, 1998; Utilities Revenue Refunding Bonds, Series 2015, dated June 10, 2015; Utilities Revenue Refunding Bonds, Series 2016, dated January 27, 2016; Utilities Revenue Improvement Bonds, Series 2020, dated February 5, 2020; Utilities Revenue Refunding Bonds, Series 2022, dated June 22, 2022 and Utilities Revenue Refunding Bonds, Series 2024A, dated September 4, 2024 (the “Outstanding Bonds”).

The District intends to use the proceeds from the sale of the Series 2024B Bonds to finance capital improvements to the District’s water and sewer system; (ii) fund a debt service reserve fund for the Series 2024B Bonds to the extent other District funds are not provided therefor; and (iii) pay the costs of issuing the Series 2024B Bonds.

The Series 2024B Bonds are secured on a parity and equality of lien on the Net Revenues (as herein defined) on parity with the remaining Outstanding Bonds (collectively and together with the Series 2024B Bonds, the “Bonds”). Any additional bonds issued on parity with the Bonds are referred to in this Official Statement as “Parity Bonds.”

The Series 2024B Bonds are issued pursuant to the District Act and a resolution adopted by the Board on September 24, 2024 (the “Bond Resolution”).

The Series 2024B Bonds will be payable solely from and secured by a pledge of the Net Revenues (hereinafter defined) of the District, all as provided in the Bond Resolution. “Net Revenues” of the System consist of Gross Earnings, excluding any profits or losses on the sale or other disposition, not in the ordinary course of business, of investments or fixed or capital assets, less Current Expenses. “Gross Earnings” as used herein means all revenues, rentals, earnings and income of the District from whatever source, determined in accordance with generally accepted accounting principles, including all revenues derived from the operation of the System including tapping privileges and meter and hydrant fees reported as contributions in aid of construction; proceeds from the sale of property; proceeds of insurance and condemnation awards and compensation for damages, to the extent not applied to the payment of the cost of repairs, replacements and improvements; and all amounts realized from the investment of funds of the System, including money in any accounts and funds created by the Bond Resolution and resolutions authorizing any Parity Bonds or subordinate lien bonds (excluding any investment earnings from construction or improvement funds created for the deposit of bond proceeds pending use, to the extent such

income is applied to the purposes for which the bonds were issued, and funds created to defease any outstanding obligations of the District); provided, however, that the term “Gross Earnings” shall not include non-cash contributions in aid of construction; and provided, however, at the election of the Governing Body, the term “Gross Earnings” as used herein shall not include any revenues, rentals, earnings or other income received by the District from the operation of an Acquired System which is being operated as a separate system as permitted under the Bond Resolution.

“Current Expenses” means expenses incurred by the District in the operation of the System, determined in accordance with generally accepted accounting principles, including the reasonable and necessary costs of operating, maintaining, repairing and insuring the System, cost of producing potable water, salaries and wages, cost of material and supplies, and insurance premiums, but shall exclude depreciation and amortization of utility plant and financing costs and interest on any bonds, notes or other obligations of the District.

The “System” shall mean, collectively, the complete water procurement, treatment, storage and distribution system and wastewater collection, treatment and disposal system of the District together with and including all properties of every nature hereafter owned by the District, including all improvements and extensions made by the District while the Bonds and Parity Bonds remain outstanding, and including all real and personal property of every nature comprising part of or used or useful in connection with the foregoing, and including all appurtenances, contracts, leases, franchises, and other intangibles; provided, however, at the election of the Governing Body, an Acquired System may be included within the System as defined herein and become a part thereof or, at the election of the Governing Body, not become a part of the System but be operated as a separate and independent system by the Governing Body with the continuing right, upon the election of the Governing Body, to incorporate such separately Acquired System within the System. For a summary of the definitions, see Appendix C hereto.

This Official Statement includes descriptions of, among other matters, the Series 2024B Bonds, the District and the Bond Resolution. Such descriptions and information do not purport to be comprehensive or definitive. All references to the Bond Resolution are qualified in their entirety by reference to such documents, and references to the Series 2024B Bonds are qualified in their entirety by reference to the form thereof included in such Bond Resolution. During the period of the offering of the Series 2024B Bonds, copies of the Bond Resolution and other documents described herein may be reviewed at the offices of Stephens Inc., One American Center, 3100 West End Avenue, Suite 630, Nashville, Tennessee 37203. After the delivery of the Series 2024B Bonds, copies of such documents will be available for inspection at the principal office of the District. A Summary of the Bond Resolution is attached hereto as Appendix C.

Terms not defined herein shall have the meaning assigned to them in the Summary of the Bond Resolution.

THE PROJECT

The Series 2024B Bonds are being issued to provide funds for improvements and expansions to the District's water treatment, pumping, and storage capacity facilities (the "Project"). The Project is intended to increase the District's water treatment plant's rated capacity from 62 to 69 million gallons per day by 2025 and includes the purchase of additional membrane filtration and feed pump equipment, the construction of a new pretreatment basin, and enhancements to the water plant's backwash and solids handling processes to support the increased plant capacity. The proceeds of the Series 2024B Bonds, net of amounts used to fund the Debt Service Reserve Fund and pay cost of issuance, will be deposited into a segregated construction fund and applied solely to the costs of the Projects. Amounts on deposit in the construction fund will generally not be available for the payment of debt service on the Series 2024B Bonds.

SOURCES AND USES OF FUNDS

The following table sets forth the sources and uses of funds in connection with the issuance of the Series 2024B Bonds.

SOURCES OF FUNDS

Par Amount of Series 2024B Bonds	\$30,000,000.00
Net Reoffering Premium	<u>1,440,092.50</u>
Total Sources	\$31,440,092.50

USES OF FUNDS

Construction Fund	\$30,203,740.72
Debt Service Reserve Fund	808,807.79
Cost of Issuance ¹	<u>427,543.99</u>
Total Uses	\$31,440,092.50

¹ Includes Underwriter's discount.

THE SERIES 2024B BONDS

Security for the Series 2024B Bonds

The Series 2024B Bonds will be payable solely from and secured by a pledge of the Net Revenues of the System, all as provided for in the Bond Resolution. The Outstanding Bonds, the Series 2024B Bonds and any Parity Bonds hereafter issued will be on parity as to the Net Revenues.

The Series 2024B Bonds are payable solely from and secured by a lien upon and pledge of the Net Revenues of the District's System as set forth above pursuant to the provisions of the Bond Resolution. The Series 2024B Bonds are not obligations of the State of Tennessee, or any of its political subdivisions (other than the District) nor is the State of Tennessee, or any of its political subdivisions (other than the District) liable for the payment of the principal of, premium, if any, or interest on the Series 2024B Bonds. The Bond Resolution does not grant to holders of the Series 2024B Bonds any mortgage on or security interest in any real or personal property of the District other than the lien on the Net Revenues of the District's System and the statutory mortgage lien on said System, as more fully described herein. The District has no taxing power.

Prior to the commencement of each Fiscal Year, the Governing Body will cause to be made an estimate of the revenues and expenditures for the Fiscal Year next succeeding, based on rates then in effect, and, based on such estimate, will adjust rates to the extent necessary to produce Net Revenues for the next succeeding Fiscal Year (i) equal to not less than 1.20 times the amount of principal, Compound Accreted Value and interest payable during the next succeeding Fiscal Year on the Outstanding Bonds, the Series 2024B Bonds and the Parity Bonds and subordinate lien bonds, if any, whether by maturity or mandatory redemption, (ii) sufficient, in addition, to provide for any required deposits during the succeeding Fiscal Year to the Reserve Fund and any other funds established by the District pursuant to the Bond Resolution, any resolution authorizing Parity Bonds or subordinate lien bonds or pursuant to sound and prudent operating practices as determined by the Governing Body, and (iii) sufficient to pay any amounts payable during such Fiscal Year under any Financial Guaranty Agreement or with respect to any Reserve Fund Credit Facility.

The District Act provides for the creation of a statutory lien in the nature of a mortgage lien on the System, including all extensions and improvements thereto or combinations thereof subsequently made, which lien shall be in favor of the owner of any of the Series 2024B Bonds, and the System shall remain subject to such statutory lien until the payment in full of the principal of and interest on the Series 2024B Bonds. The Series 2024B Bonds are secured by said statutory lien, on a parity with the statutory lien securing the Outstanding Bonds. The lien herein described does not have the effect of granting to the owner of any Series 2024B Bond any interest, other than as stated above and as provided in Section 7-82-505, Tennessee Code Annotated, in any real or personal property owned by the District.

Any owner of the Series 2024B Bonds may, either at law or in equity, by suit, action, mandamus or other proceeding, in any court of competent jurisdiction, protect and enforce the statutory lien and compel the performance of all duties required to be performed under such Act, including the setting and collection of sufficient rates, the proper accounting therefor, and the performance of any obligations required by covenants in the Bond Resolution. If the District shall fail to pay the principal of or interest on the Series 2024B Bonds, any court having jurisdiction of such failure may appoint a receiver to administer the District and the System, with power to charge and collect rates sufficient to provide for the payment of amounts due on the Series 2024B Bonds and other obligations outstanding against the System, and for the payment of operating expenses, and to apply the income and revenues thereof in conformity with the Bond Resolution.

Description of the Series 2024B Bonds

The Series 2024B Bonds will be dated as of the date of delivery and will bear interest at the rates and mature on the dates set forth on the cover page of this Official Statement. Interest on the Series 2024B Bonds will be payable on March 1, 2025, and semiannually thereafter on each March 1 and September 1 thereafter until maturity. The Series 2024B Bonds will be issued as fully registered bonds in denominations of \$5,000, or any integral multiple thereof. The principal of, premium, if any, and the final payment of interest on the Series 2024B Bonds will be payable at the Nashville, Tennessee corporate trust office of U.S. Bank Trust Company, National Association, as Paying Agent and Bond Registrar (the “Registration Agent”). Except as described in the next sentence, semiannual payments of interest on the Series 2024B Bonds will be paid by check mailed by the Registration Agent to each registered owner of a Series 2024B Bond as shown on its registration books on the 15th day of the calendar month immediately preceding the interest payment date at such owners’ addresses as shown on said registration books, without, except for final payment, the presentation or surrender of said Series 2024B Bonds, and all such payments will discharge the District in respect of said Series 2024B Bonds to the extent of the payments so made. If and to the extent the District fails to pay or cause to be paid, the interest due on any interest payment date, such defaulted interest shall be paid to the person in whose names outstanding Series 2024B Bonds are registered at the close of business on a special record date to be established by the Registration Agent. The Registration Agent is required to give notice of such special record date to registered owners not less than ten (10) days prior to such date.

Debt Service Reserve Fund

The District is required to maintain in the “Debt Service Reserve Fund” an amount equal to the Reserve Fund Requirement in an amount described in the definition of such term under the heading “Definitions” contained in Appendix C hereto and as such defined term has been amended as described under the heading “Prospective Amendments to the Resolution”. Money in the Reserve Fund shall be used solely for the purpose of paying principal or Compound Accredited Value of or interest on the Bonds, the Series 2024B Bonds and any Parity Bonds of which funds are not available in the Bond Fund. Any deficiency in such fund shall be replenished over a period of not to exceed twenty-four months.

Redemption

The Series 2024B Bonds are subject to redemption prior to maturity as follows:

Optional Redemption . The Series 2024B Bonds maturing on or before September 1, 2034 may not be redeemed prior to their maturities. The Series 2024B Bonds maturing on or after September 1, 2035, are subject to redemption prior to maturity at the option of the District on or after September 1, 2034, in whole or in part at any time at par, plus accrued interest to the date of redemption.

If less than all the Series 2024B Bonds shall be called for redemption, the maturities to be redeemed shall be selected by the Board of Commissioners in its discretion. If less than all the Series 2024B Bonds within a single maturity shall be called for redemption, the Series 2024B Bonds within a single maturity shall be selected determined by DTC, or such successor Depository, by lot or such other manner as DTC or such successor Depository, shall determine in the event the Series 2024B Bonds are being held under a Book Entry System. If not held under a Book Entry System and if less than all the Series 2024B Bonds of a maturity shall be called for redemption, the Series 2024B Bonds within the maturity to be redeemed shall be selected by the Registration Agent by lot or such other random manner as the Registration Agent shall elect.

Mandatory Redemption. Subject to the credit hereinafter provided, the District shall redeem Bonds maturing September 1, 2046, September 1, 2048, September 1, 2051 and September 1, 2054 on the redemption dates set forth below opposite the maturity dates, in aggregate principal amounts equal to the respective dollar amounts set forth below opposite the respective redemption dates at a price of par plus accrued interest thereon to the date of redemption. DTC, as securities depository for the series of Bonds of which this Bond is one, or such Person as shall then be serving as the securities depository for the Bonds, shall determine the interest of each Participant in the Bonds to be redeemed using its procedures generally in use at that time. If DTC or another securities depository is no longer serving as securities depository for the Bonds, the Bonds to be redeemed within a maturity shall be selected by the Registration Agent by lot or such other random manner as the Registration Agent in its discretion shall select. The dates of redemption and principal amount of Bonds to be redeemed on said dates are as follows:

Final <u>Maturity</u>	Redemption <u>Date</u>	Principal Amount of Bonds <u>Redeemed</u>
September 1, 2046	September 1, 2045	\$1,195,000
	September 1, 2046	1,245,000
September 1, 2048	September 1, 2047	1,295,000
	September 1, 2048	1,345,000
September 1, 2051	September 1, 2049	1,400,000
	September 1, 2050	1,455,000
	September 1, 2051	1,515,000
September 1, 2054	September 1, 2052	1,575,000
	September 1, 2053	1,640,000
	September 1, 2054	1,705,000

*Final Maturity

At its option, to be exercised on or before the forty-fifth (45th) day next preceding any such redemption date, the District may (i) deliver to the Registration Agent for cancellation Bonds to be redeemed, in any aggregate principal amount desired, and/or (ii) receive a credit in respect of its redemption obligation under this mandatory redemption provision for any Bonds of the maturity to be redeemed which prior to said date have been purchased or redeemed (otherwise than through the operation of this mandatory sinking fund redemption provision) and canceled by the Registration Agent and not theretofore applied as a credit against any redemption obligation under this mandatory sinking fund provision. Each Bond so delivered or previously purchased or redeemed shall be credited by the Registration Agent at 100% of the principal amount thereof on the obligation of the District on such payment date and any excess shall be credited on future redemption obligations in chronological order, and the principal amount of Bonds to be redeemed by operation of this mandatory sinking fund provision shall be accordingly reduced.

Notice of Redemption. Notice of redemption will be given by first class mail at least twenty (20) days and not more than sixty (60) days prior to the redemption date, to all registered owners of Series 2024B Bonds to be redeemed at their addresses of record as they appear on the books of the Registration Agent. Failure to mail any such notice, or any defect therein, will not affect the validity of the proceedings for the redemption of any other Series 2024B Bond. Failure of any bondholder to receive such notice if mailed as aforesaid will not affect the validity of the proceedings for the redemption of such Series 2024B Bond. The

notice may state that it is conditioned upon the deposit of moneys in an amount equal to the amount necessary to effect the redemption with the Registration Agent no later than the redemption date (“Conditional Redemption”). Interest shall cease to accrue on any Series 2024B Bonds duly called for redemption on the redemption date if payment thereof has been duly provided for. In the case of a Conditional Redemption, the failure of the District to make funds available in part or in whole on or before the redemption date shall not constitute an event of default, and the Registration Agent shall give immediate notice to the affected Bondholders that the redemption did not occur and that the Series 2024B Bonds called for redemption and not so paid remain outstanding.

Transfer or Exchange

The Series 2024B Bonds are transferable only by presentation to the Registration Agent by the registered owner, or his legal representative duly authorized in writing, of the registered Series 2024B Bond(s) to be transferred with the form of assignment on the reverse side thereof completed in full and signed with the name of the registered owner as it appears upon the face of the Series 2024B Bond(s) accompanied by appropriate documentation necessary to prove the legal capacity of any legal representative of the registered owner. Upon receipt of the Series 2024B Bond(s) in such form and with such documentation, if any, as shall be required by the Registration Agent, the Registration Agent shall issue a new Series 2024B Bond or Series 2024B Bonds to the assignee(s) in \$5,000 denominations, or integral multiples thereof, as requested by the registered owner requesting transfer. The Registration Agent shall not be required to transfer or exchange any Series 2024B Bond during the period commencing on a Regular or Special Record Date and ending on the corresponding interest payment date of such Series 2024B Bond, nor to transfer or exchange any Series 2024B Bond after the notice calling such Series 2024B Bond for redemption has been sent, nor to transfer or exchange any Series 2024B Bond during the period following the receipt of instructions from the District to call such Series 2024B Bonds for redemption; provided, the Registration Agent, at its option, may make transfers after any of said dates. No charge shall be made to any registered owner for the privilege of transferring any Series 2024B Bond, provided that any transfer tax relating to such transaction shall be paid by the registered owner requesting transfer. The person in whose name any Series 2024B Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes and neither the District nor the Registration Agent shall be affected by any notice to the contrary whether or not any payments due on the Series 2024B Bonds shall be overdue. Series 2024B Bonds, upon surrender to the Registration Agent other than upon final payment, may, at the option of the registered owner, be exchanged for an equal aggregate principal amount of bonds of the same maturity in any authorized denomination or denominations.

Book-Entry-Only System

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Series 2024B Bonds. The Series 2024B Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security will be issued for each maturity of the Series 2024B Bonds, as set forth on the cover hereof each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the

post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's rating of AA+. The DTC rules applicable to its Direct and Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2024B Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2024B Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2024B Bonds ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2024B Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2024B Bonds, except in the event that use of the book-entry system for the Series 2024B Bonds is discontinued.

To facilitate subsequent transfers, all Series 2024B Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by authorized representative of DTC. The deposit of Series 2024B Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2024B Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2024B Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Beneficial Owners of Series 2024B Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2024B Bonds, such as redemptions, tenders, defaults and proposed amendments to the Series 2024B Bond documents. For example, Beneficial Owners of Series 2024B Bonds may wish to ascertain that the nominee holding the Series 2024B Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2024B Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2024B Bonds unless authorized by a Direct Participant in accordance with DTC's MMI procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Series 2024B Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Registration Agent, on the relevant payment date in accordance with their respective holdings shown on DTC's records. Payments by Direct or Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Direct or Indirect Participant and not of DTC, the Registration Agent or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Registration Agent, disbursement of such payments to the Direct Participants is the responsibility of DTC, and disbursements of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2024B Bonds at any time by giving reasonable notice to the District or the Registration Agent. Under such circumstances, in the event that a successor securities depository is not obtained, certificated Series 2024B Bonds will be required to be printed and delivered to the holders of record. Additionally, the District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor depository) with respect to the Series 2024B Bonds. The District understands, however, that under current industry practices, DTC would notify its Direct or Indirect Participants of the District's decision but will only withdraw beneficial interests from a Series 2024B Bond at the request of any Direct or Indirect Participant. In that event, certificates for the Series 2024B Bonds will be printed and delivered to the applicable Direct or Indirect Participant.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District, the Underwriter and the Registration Agent believe to be reliable, but the District, the Registration Agent or the Underwriter do not take any responsibility for the accuracy of such statements. The District, the Underwriter and the Registration Agent do not assume any responsibility for the performance by DTC or its Direct or Indirect Participants of their respective obligations as described herein or under the rules and procedures governing their respective operations.

So long as Cede & Co. is the registered owner of the Series 2024B Bonds, the District will have no obligation or responsibility to the DTC Participants or Indirect Participants, or the persons for which they act as nominees, with respect to payment to or providing of notice to such Participants, or the persons for which they act as nominees.

For a summary of the Bond Resolution, see Appendix C - Summary of Bond Resolution.

MUNICIPAL ADVISOR

Stephens Inc. is serving as Municipal Advisor to the District in connection with the issuance of the Bonds. Stephens Inc., in its capacity as Municipal Advisor, has relied on the opinion of Bond Counsel and

has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal or state income tax status of the Bonds or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies. The information set forth herein has been obtained from the District and other sources believed to be reliable, but has not been independently verified by Municipal Advisor. The Municipal Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds.

The Municipal Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Municipal Advisor does not guarantee the accuracy or completeness of such information.

UNDERWRITING

Mesirow Financial, Inc., Chicago, Illinois, acting for and on behalf of itself and such other securities dealers as it may designate, will purchase the Series 2024B Bonds for an aggregate purchase price of \$31,138,348.51, which is par, less \$301,743.99 underwriter's discount, plus net original issue premium of \$1,440,092.50.

The Underwriter may offer and sell the Series 2024B Bonds to certain dealers (including dealer banks and dealers depositing the Series 2024B Bonds into investment trusts) and others at prices different from the public offering prices stated on the cover page of this Official Statement. Such initial public offering prices may be changed from time to time by the Underwriter.

LITIGATION

The District, like other similar bodies, is subject to a variety of suits and proceedings arising in the ordinary conduct of its affairs. The District, after reviewing the current status of all pending and threatened litigation with its counsel believes that, while the outcome of litigation cannot be predicted, the final settlement of all lawsuits which have been filed and of any actions or claims pending or threatened against the District or its officials in such capacity are adequately covered by insurance or sovereign immunity or will not have a material adverse effect upon the financial position or results of operations of the District.

There is no litigation now pending or, to the knowledge of the District, threatened which restrains or enjoins the issuance or delivery of the Series 2024B Bonds, the use of Net Revenues for the payment of the Series 2024B Bonds, or the use of the proceeds of the Series 2024B Bonds or which questions or contests the validity of the Series 2024B Bonds or the proceedings and authority under which they are to be issued. Neither the creation, organization, nor existence of the District, nor the title of the present members or other officials of the District to their respective offices, is being contested or questioned.

EXPERTS

The Financial Statements of the District for the Fiscal Year ended December 31, 2023, included herein as Appendix B, have been examined by Alexander Thompson Arnold PLLC, independent certified public accountants, whose report thereon also appears in Appendix B, and have been so included in reliance upon the report of Alexander Thompson Arnold PLLC, given upon their authority as experts in accounting and auditing.

TAX MATTERS

Federal Taxes

General. Bass, Berry & Sims PLC, Nashville, Tennessee, is Bond Counsel for the Series 2024B Bonds. Their opinion under existing law, relying on certain statements by the District and assuming compliance by the District with certain covenants, is that interest on the Series 2024B Bonds:

- is excluded from a bondholder's federal gross income under the Internal Revenue Code of 1986, as amended (the "Code"), and
- is not a preference item for a bondholder under the federal alternative minimum tax on individuals under the Code; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2023.

The "Code" imposes requirements on the Series 2024B Bonds that the District must continue to meet after the Series 2024B Bonds are issued. These requirements generally involve the way that Bond proceeds must be invested and ultimately used. If the District does not meet these requirements, it is possible that a bondholder may have to include interest on the Series 2024B Bonds in its federal gross income on a retroactive basis to the date of issue. The District has covenanted to do everything necessary to meet these requirements of the Code.

A bondholder who is a particular kind of taxpayer may also have additional tax consequences from owning the Series 2024B Bonds. This is possible if a bondholder is:

- an S corporation,
- a United States branch of a foreign corporation,
- a financial institution,
- a property and casualty or a life insurance company,
- an individual receiving Social Security or railroad retirement benefits,
- an individual claiming the earned income credit,
- a borrower of money to purchase or carry the Series 2024B Bonds, or
- an applicable corporation, as defined in Section 59(k) of the Code.

If a bondholder is in any of these categories, it should consult its tax advisor.

Bond Counsel is not responsible for updating its opinion in the future. It is possible that future events or changes in applicable law could change the tax treatment of the interest on the Series 2024B Bonds or affect the market price of the Series 2024B Bonds.

Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel on the federal income tax treatment of interest on the Series 2024B Bonds, or under State, local or foreign tax law.

Original Issue Discount. A Bond will have "original issue discount" if the price paid by the original purchaser of such Bond is less than the principal amount of such Bond. Bond Counsel's opinion is that any original issue discount on these Series 2024B Bonds as it accrues is excluded from a bondholder's federal gross income under the Internal Revenue Code. The tax accounting treatment of original issue discount is complex. It accrues on an actuarial basis and as it accrues a bondholder's tax basis in these Series 2024B

Bonds will be increased. If a bondholder owns one of these Series 2024B Bonds, it should consult its tax advisor regarding the tax treatment of original issue discount.

Bond Premium. If a bondholder purchases a Bond for a price that is more than the principal amount, generally the excess is “bond premium” on that Bond. The tax accounting treatment of bond premium is complex. It is amortized over time and as it is amortized a bondholder’s tax basis in that Bond will be reduced. The holder of a Bond that is callable before its stated maturity date may be required to amortize the premium over a shorter period, resulting in a lower yield on such Series 2024B Bonds. A bondholder in certain circumstances may realize a taxable gain upon the sale of a Bond with bond premium, even though the Bond is sold for an amount less than or equal to the owner’s original cost. If a bondholder owns any Series 2024B Bonds with bond premium, it should consult its tax advisor regarding the tax accounting treatment of bond premium.

Information Reporting and Backup Withholding. Information reporting requirements apply to interest on tax-exempt obligations, including the Series 2024B Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with a Form W-9, “Request for Taxpayer Identification Number and Certification,” or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to “backup withholding,” which means that the payer is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a “payer” generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Series 2024B Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Series 2024B Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner’s Federal income tax once the required information is furnished to the Internal Revenue Service.

Prospective bondholders should consult their own tax advisors regarding the foregoing matters.

State Taxes

Under existing law, the Series 2024B Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) Tennessee excise taxes on interest on the Series 2024B Bonds during the period the Series 2024B Bonds are held or beneficially owned by any organization or entity, or other than a sole proprietorship or general partnership doing business in the State of Tennessee, and (b) Tennessee franchise taxes by reason of the inclusion of the book value of the Series 2024B Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee.

Changes in Federal and State Law

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Series 2024B Bonds or otherwise prevent holders of the Series 2024B Bonds from realizing the full benefit of the tax exemption of interest on the Series 2024B Bonds. Further, such proposals may impact the marketability or market value of the Series 2024B Bonds simply by being proposed. It cannot be predicted if any proposal might be enacted into law or whether such law would have impact on the Series 2024B Bonds or in what

form any other proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Series 2024B Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series 2024B Bonds would be impacted thereby. Purchasers of the Series 2024B Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series 2024B Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

APPROVAL OF LEGAL PROCEEDINGS

Legal matters incident to the authorization and issuance of the Series 2024B Bonds are subject to the approving opinion of Bass, Berry & Sims, PLC, Bond Counsel. The form of such opinion appears as Appendix E. Certain legal matters will be passed upon for the District by its counsel, Parker, Lawrence, Cantrell & Smith.

RATING

S&P Global Ratings has assigned the Series 2024B Bonds the rating of “AA+”. An explanation of the significance of such rating may be obtained from S&P Global Ratings. A rating is not a recommendation to buy, sell or hold the Series 2024B Bonds, and there is no assurance that the rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agencies if, in their judgment, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Series 2024B Bonds. The Underwriter and the District have undertaken no responsibility after issuance of the Series 2024B Bonds to assure the maintenance of the ratings or to oppose such revision or withdrawal.

CONTINUING DISCLOSURE

The District will at the time the Series 2024B Bonds are delivered execute a Continuing Disclosure Agreement under which it will covenant for the benefit of holders and beneficial owners of the Series 2024B Bonds to provide certain financial information and operating data relating to the District and the System by not later than 270 days after the end of each fiscal year commencing with the fiscal year ending December 31, 2024 (the “Annual Report”), and to provide notice of the occurrence of certain enumerated events, if determined by the District to be material under applicable federal securities laws. The Annual Report (and audited financial statements if filed separately) will be filed by the District with the Municipal Securities Rulemaking Board (“MSRB”) at www.emma.msrb.org and any State Information Depository which may be established in Tennessee (the “SID”). If the District is unable to provide the Annual Report to the MSRB and the SID, if any, by the date set forth above for the filing of the Annual Report, notice of such failure shall be sent to the MSRB and the SID, if any, on or before such date. The notices of material events will be filed by the District with the MSRB at www.emma.msrb.org and with any SID. These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12 (b), as it may be amended from time to time (the “Rule”). In the past five years, the District has not failed to comply in any material respect with the previous undertakings. For the purpose of making timely filings in the future, the District’s Fiscal Officer has been assigned responsibility for monitoring the continuing disclosure undertakings and filing or causing to be filed all Annual Reports as and when required. The form of the Continuing Disclosure Agreement is attached hereto as Appendix D. The specific

nature of the information to be contained in the Annual Report or the notices of material events is described in Appendix D.

INVESTMENT CONSIDERATIONS

General

The purchase of the Series 2024B Bonds is subject to a number of investment considerations. The following is a discussion of certain investment considerations, which, among others, could affect the ability of the District to pay the principal of and interest and premium, if any, on the Series 2024B Bonds and which could also affect the marketability of, or the market price for, the Series 2024B Bonds. Such discussion is not, and is not intended to be, a comprehensive compilation of all possible investment considerations nor a substitute for an independent evaluation of the information presented in this Official Statement, including the Appendices attached hereto. Each prospective purchaser of any Series 2024B Bond should read this Official Statement, including the Appendices attached hereto, in its entirety and consult such prospective purchaser's own investment or legal advisor for a more complete explanation of the matters that should be considered when purchasing an investment such as the Series 2024B Bonds.

Enforceability of Remedies

The remedies available to the holders or beneficial owners of the Series 2024B Bonds upon any event of default under the Resolution are in many respects dependent upon judicial actions which are often subject to discretion and delay.

The enforceability of remedies or rights with respect to the Series 2024B Bonds may be limited by state and federal laws, rulings and decisions affecting remedies and by bankruptcy, insolvency or other laws affecting creditors' rights or remedies heretofore or hereafter enacted.

Under existing law, municipalities must obtain the consent of state governments in order to avail themselves of federal bankruptcy protection under Title 11 of the United States Code. There is currently no law in the State granting such consent. The various legal opinions to be delivered concurrently with the delivery of the Series 2024B Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency, moratorium, or other similar laws affecting the rights of creditors generally or as to the availability of any particular remedy.

Redemption Prior to Maturity

The Series 2024B Bonds are subject to optional redemption prior to maturity, as more fully described herein. See "THE SERIES 2024B BONDS - Redemption" herein. A prospective investor should consider these redemption rights when making any investment decision. Following redemption, the holders or beneficial owners of the Series 2024B Bonds may not be able to reinvest their funds at a comparable interest rate.

Secondary Market Prices

No assurance can be given that a secondary market for any of the Series 2024B Bonds will be available and no assurance can be given that the initial offering prices for the Series 2024B Bonds will continue for any period of time.

The Series 2024B Bonds may not constitute a liquid investment, and there is no assurance that a liquid secondary market will exist for the Series 2024B Bonds in the event a holder or beneficial owner

thereof determines to solicit purchasers of the Series 2024B Bonds. Even if a liquid secondary market exists, there can be no assurance as to the price for which the Series 2024B Bonds may be sold. Such price may be lower than that paid by the current holder or beneficial owner of the Series 2024B Bonds, depending on existing market conditions and other factors.

Adverse Weather Events

Numerous scientific studies have detailed changing global weather patterns and the potential for increasing extreme weather events across the world. The District's location in the southern United States near various waterways increases its vulnerability to flooding and extreme heat. In addition to flooding and extreme heat, the District faces other threats due to changing weather patterns, including possible drought conditions that could become more severe and frequent. The District cannot predict the timing, extent or severity of any adverse weather events and their impact on the District's operations and finances.

Cyber Security

The District utilizes various computer systems and network technology to perform many of its vital operations. Such operations often include the storage and transmission of sensitive information. As a result, the District may be the target of cyberattacks attempting to gain access to such information. In addition to intentional attacks, information breaches may occur due to unintentional employee error. A successful cyberattack or unintentional breach may require the expenditure of an unknown amount of money or time to resolve, substantially interrupt District services and operations and subject the District to legal action. The District has no knowledge of, nor historical record of, any successful cyber security breach or related attack. Attempted cyber security attacks, whether anonymous or targeted, occur on a periodic frequency that is not uncommon to organizations or entities similar to the District. To mitigate against such risks, the District has instituted various policies and procedures to protect its network infrastructure, including a cyber-security training requirement for certain departments, as well as general cyber security training and awareness for all employees. The District also maintains insurance against cyber security incidents. Despite the District's measures to safeguard its network infrastructure, there are no guarantees that such measures will be successful.

COVID-19 and Other Public Health Emergencies

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has affected and continues to affect the entire world, including middle Tennessee. In March 2020, in response to the COVID-19 outbreak, the Governor of the State issued a state of emergency and the World Health Organization declared the COVID-19 outbreak to be a global health emergency. The spread of COVID-19 led, from time to time, to quarantine and other "social distancing" measures. These measures included: (i) the closure, from time to time, of nonessential businesses, (ii) recommendations and warnings to limit nonessential travel and promote telecommuting, (iii) the postponement or cancellation of or reduced capacity at large-scale gatherings such as conventions, concerts and sporting events, (iv) limits on operations and customer capacity at commercial and retail establishments and (v) the closure, from time to time, of school buildings and community centers. The Governor of the State lifted the state of emergency in April 2021. The World Health Organization declared an end to the global health emergency in May 2023. The District is unable to predict whether and to what extent any increases in COVID-19 cases or the emergence of any other epidemic or pandemic may disrupt the local or global economy, or whether any such disruption may adversely affect the operations or financial condition of the District.

Various types of information regarding employment, income trends, and business activity in the District's service area are detailed in Appendix A, including historical data collected both before and during the COVID-19 pandemic. Certain data and other information collected prior to and during the COVID-19 outbreak may not reflect current conditions. For example, some of the largest employers and taxpayers in

the service area may have been forced to reduce their employment during the COVID-19 outbreak and may be similarly affected as a result of any future epidemic, pandemic or other public health emergency. For additional information, see Appendix A to the Official Statement.

FUTURE ISSUES

The District continues to experience growth and associated increases in water demand within its service area and by its municipal customers. This growth will require improvements and expansions to its water treatment, pumping, and storage capacity facilities. The first phase of the District's plan will require approximately \$60 million in capital improvements over the next two years. This phase will increase the District's water treatment plant's rated capacity from 62 to 69 million gallons per day by 2025 and includes the purchase of additional membrane filtration and feed pump equipment, the construction of a new pretreatment basin, and improvements to the water plant's backwash and solids handling processes to support the increased plant capacity. Approximately \$30 million of these improvements will be financed with the Series 2024B Bonds and approximately \$30 million more will be financed through the issuance of bonds in 2025.

The second phase of the District's planned expansion and related improvements will expand the water plant's capacity to 74 million gallons per day and includes raw water pump station improvements, construction of a second high service (finished) water pumping station, and a new transmission main to deliver finished drinking water to the District's water distribution system. The District estimates the cost of the Project and these additional improvements to be approximately \$100 million through 2028. The second phase will be funded from a combination of District operating revenues and future bonds.

The final amount, timing and source of funding for future improvements will depend on future growth, demand, construction schedules and costs, and will continue to be evaluated by the District as part of its ongoing capital planning process.

FORWARD LOOKING STATEMENTS

The statements contained in this Official Statement, and in any other information provided that are not purely historic, are forward-looking statements, including statements regarding the expectations, hopes, intentions, or strategies regarding the future.

Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available on the date hereof, and assumes no obligation to update any such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business and policy decisions, all of which are difficult or impossible to predict accurately and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

MISCELLANEOUS

The foregoing summaries do not purport to be complete and are expressly made subject to the exact provisions of the complete documents. The District has furnished certain information in this Official Statement relating to its operations and present and proposed facilities. For details of all terms and conditions, purchasers are referred to the Bond Resolution, copies of which may be obtained from the District.

Any statement made in this Official Statement involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

(signature page follows)

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The execution and delivery of this Official Statement was duly authorized by the District.

HARPETH VALLEY UTILITIES DISTRICT OF
DAVIDSON AND WILLIAMSON COUNTIES,
TENNESSEE

By: /s/ Bernard Kwas
Bernard Kwas
President, Board of Commissioners

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APPENDIX A

GENERAL INFORMATION CONCERNING THE DISTRICT

THE DISTRICT

Organization

The District was incorporated on August 4, 1959 by Order of the County Judge of Davidson County, Tennessee (the “Order”), pursuant to the provisions of the District Act which provide that such an incorporated municipality or public corporation shall exist in perpetuity and possess the powers set forth in the District Act. The District is authorized to issue and sell the Series 2024B Bonds in furtherance of the purposes for which it is organized.

Powers

The District Act provides that the District is empowered to conduct, operate and maintain a system or systems for the furnishing of water, sewer and sewage disposal services. To carry out such purposes, the District has the power and authority to acquire, construct, reconstruct, improve, better, extend, consolidate, maintain and operate such system or systems within or without the District, and to purchase from, and furnish, deliver and sell to any municipality, the State, any public institution and the public, generally, any of its services. The District has the power of eminent domain and has the power to issue its negotiable bonds for the purpose of constructing, acquiring, reconstructing, improving, bettering or extending any of its facilities or systems and to pledge to the payment of such negotiable bonds all or any part of the revenues derived from the operation of such facilities, systems or combination thereof. The District has no taxing power.

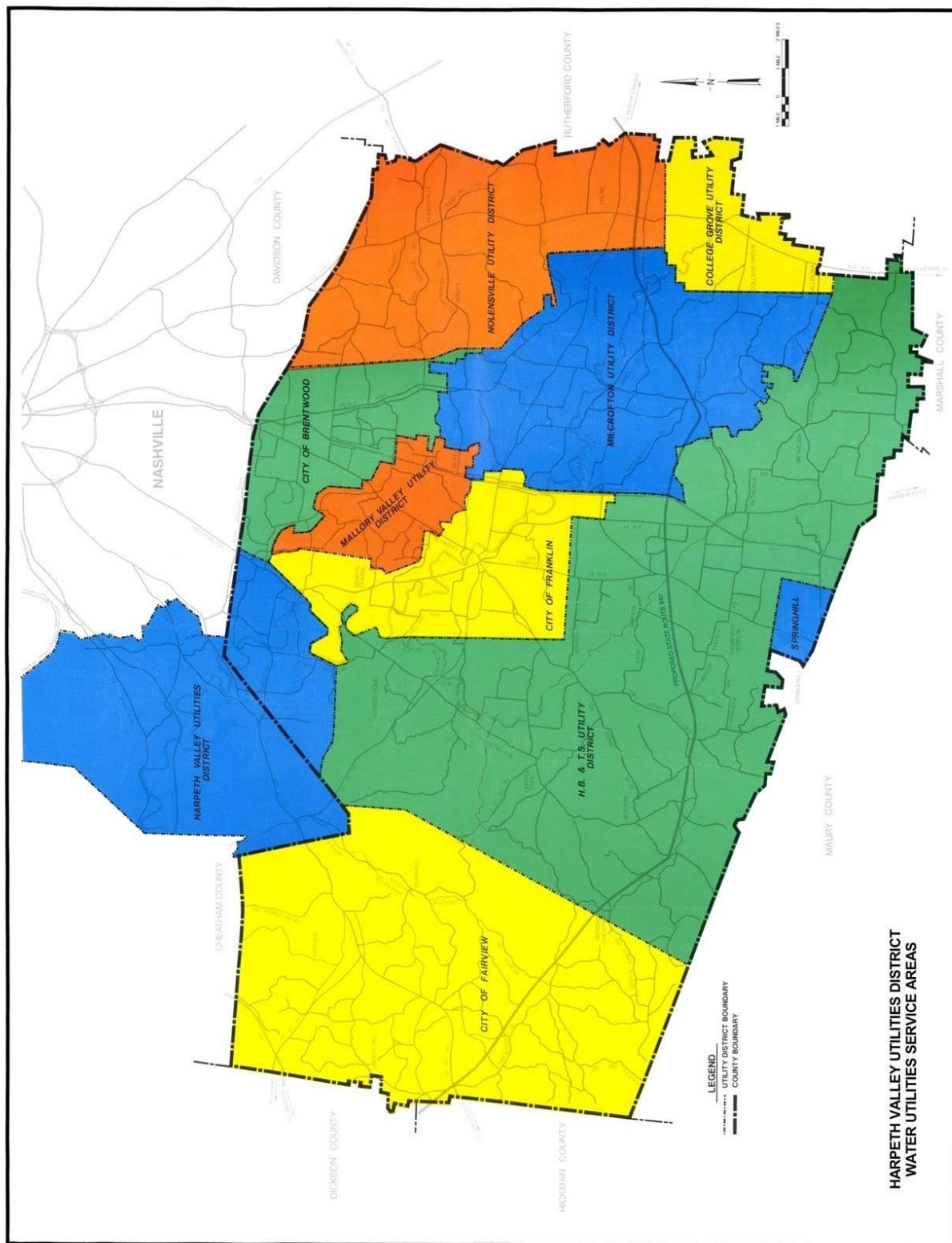
Service Area

The District provides (i) retail water and wastewater services to customers in the southwest portion of The Metropolitan Government of Nashville and Davidson County (“Metro Nashville”), including Bellevue, and the northwest portion of Williamson County, Tennessee, and (ii) wholesale water services to multiple local governmental entities, including the cities of Brentwood, Franklin and Fairview, Cheatham County, Mallory Valley Utility District, HB & TS Utility District, Milcrofton Utility District, Nolensville-College Grove Utility District (via transmission through Mallory Valley Utility District), River Road Utility District, and the Water Authority of Dickson County. There are approximately 84 square miles within the District’s boundaries.

In 2023, the District provided direct water service to approximately 17,681 connections for residential customers, 553 connections for commercial customers, 356 connections for irrigation customers, 93 connections for multi-unit customers, and 23 connections for municipal customers. As of the end of fiscal 2023, approximately 15% of the District’s water billing revenue was derived from sales to residential customers, 3% from sales to commercial customers, 3% from sales to irrigation customers, 4% from sales to multi-unit customers and 75% to municipalities/utility districts. A map outlining the District’s boundaries and the communities it serves is set forth on the succeeding page of this Official Statement.

As of the end of fiscal 2023, the District also provided sewer service to approximately 14,608 connections for residential customers, 91 connections for multi-unit customers and 403 connections for commercial customers. Currently approximately 57% of the District’s sewer billing revenue is derived

from sales to residential customers, 33% from multi-unit customers and 10% to commercial customers. The District does not provide sewer service to its municipal customers.



The District Act provides that as long as the District continues to furnish any of the services which it is authorized to furnish, it shall continue to be the sole public corporation having the power to furnish such services in the District, and no other person, firm or corporation shall furnish or attempt to furnish any of such services in the District, unless and until it shall have been established that the public convenience and necessity require other or additional services.

However, under Section 6-51-101 et seq., Tennessee Code Annotated (the “Municipal Property and Services Act”), a city or town has a priority right to perform or provide municipal and utility functions and services within its corporate boundaries, including within any territory also included in the boundaries of a utility district. In the case of the District, a portion of its service area lies within the corporate boundaries of Metro Nashville. If Metro Nashville determined to provide water and sewer services within this portion of the District’s service area, the Municipal Property and Services Act would require Metro Nashville and the District to reach an agreement in writing for the allocation and conveyance to the Metro Nashville of any or all public functions, rights, duties and property, assets and liabilities of the District that justice and reason may require. The Municipal Property and Services Act dictates that the agreement must either (i) require Metro Nashville to operate the utility property in such territory and account for the revenues therefrom in such manner as not to impair the obligations of contract with reference to any outstanding bonds of the District or (ii) require Metro Nashville to assume the operation of the District in such territory and the payment of such bonds in accordance with their terms.

Notwithstanding the foregoing, as long as any utility district is the obligor with respect to a loan from the United States Department of Agriculture, Rural Development (the “USDA”), the provisions of federal law preempt the provisions of the Municipal Property and Services Act and prohibit a city or town from diminishing, through annexation or otherwise, any portion of the district’s right to serve customers within its service area. The District is an obligor with respect to a loan from the USDA, which does not mature until 2036. Federal law empowers the USDA, in certain circumstances, to require an obligor to repay or refinance its USDA loan, and the District cannot offer any assurances that it will maintain its USDA loan through 2036.

Pursuant to a 1979 regional facilities plan for wastewater collection and treatment systems (the “Regional Wastewater Plan”), the District consummated a wastewater treatment agreement (the “Waste Treatment Agreement”) with Metro Nashville, which enabled the District to transport its raw sewage or a portion thereof to the wastewater system of Metro Nashville for treatment and ultimate disposal.

On February 20, 1996, Metro Nashville and the District entered into a settlement agreement (the “Settlement Agreement”) which resolved several matters in dispute between Metro and the District under the Waste Treatment Agreement, and which resulted in the District constructing, operating, and maintaining its own wastewater treatment facility on the Cumberland River (as more fully described below). As of January 2001, the District discontinued use of Metro Nashville’s facilities for wastewater treatment and disposal. Under the Settlement Agreement, the District remains obligated to pay to Metro Nashville monthly contributions for infrastructure improvements to the Metro Nashville system which indirectly benefits the District’s treatment facilities. The payment currently is \$62,500 per month and continues at such rate through the final payment in February, 2026. None of the payments to Metro are secured by revenues or any other property of the District.

In the Settlement Agreement, Metro also committed, to the extent it lawfully could do so, that it would not takeover or assume the District’s water and wastewater customers residing in Metro Nashville, without the consent of the District, for 30 years after the date of the Settlement Agreement (2026).

Government

All corporate powers of the District are vested in and exercised by the Board of Commissioners of the District. The Board consists of three members, serving staggered four-year terms. The members of the Board are appointed to office by the County Mayor of Williamson County and the Probate Judge of Davidson County. The Board prepares a list of three nominees to fill a vacancy in order of preference. The said County Mayor and Probate Judge elect the new member of the Board by a majority vote. If there is a tie vote, the nominee whose name stood highest on the list submitted by the Board becomes the new member of the Board. If the County Mayor and Probate Judge fail to act upon the list of candidates within 21 days, the first name on the list of nominees is appointed to fill the vacancy by operation of law. If the County Mayor and Probate Judge reject all of the candidates on the list, the Board must continue to submit new lists of nominees until such procedure shall result in the vacancy being filled. Each appointed commissioner must reside within the District's boundaries or be a customer of the District.

Pursuant to the District Act, the Board acts by a majority of its members. The Board is authorized by the District Act to, among other things, exercise by vote, ordinance or resolution all of the general and specific powers of the District, to make all necessary rules, regulations and by-laws for the management and conduct of the affairs of the District and to issue bonds of the District by resolution of the Board.

Pursuant to the District Act, the members of the Board may receive compensation for their services not to exceed \$350 per meeting for not more than twelve meetings per year.

The current membership of the Board is as follows:

<u>NAME AND OCCUPATION</u>	<u>FIRST APPOINTED COMMISSIONER</u>	<u>CURRENT TERM EXPIRES</u>
Bernard Kwas, President of Board Executive Vice President, Western Regional Executive Officer, Commercial Bank	August, 2010	August, 2026
David Tucker, Vice-President of Board Metro Water Services	August, 2017	August, 2025
Wayne Erickson, Secretary of Board Co-Owner of Spiro Graphics, Inc.	October, 2018	August, 2027

Administrative Personnel

The General Manager of the District serves at the discretion of the Board and is responsible for the appointment and selection of all personnel of the District.

In 1998, the Board named John E. Brown General Manager of the District. Mr. Brown has a bachelor's degree in business administration and has over forty years' experience in the water and wastewater industry. As General Manager of the District, Mr. Brown has managed over \$400 million in construction for the District consisting of three expansions of the District's water treatment plant which has a present treatment capacity of 62 million gallons per day, a high service pump station, and large diameter water transmission lines to serve the District's municipal customers (cities and other utility districts in Williamson County). Mr. Brown has also overseen the construction of the new administration and customer service facilities for the District and the relocation of operations to such facility. Mr. Brown has served on the Water and Wastewater Finance Board for the State of Tennessee. He has also formerly served as

Treasurer, Vice President and President of the Tennessee Association of Utility Districts, as well as served on the TAUD Board of Directors.

Jay Tant was hired as an Assistant Manager for the District in 2012. Mr. Tant has over thirty-one years of experience in the water and wastewater industry. The experience includes twelve years working for a consulting engineering firm and managing various water and wastewater improvement projects. This experience also includes eight years working for a municipal water and wastewater department developing and managing capital plans, managing regulatory compliance and quality control programs and serving as a technical advisor to the utility's senior management team. Mr. Tant has a bachelor's degree in civil engineering and is a Registered Professional Engineer in Tennessee. Mr. Tant was promoted to Assistant General Manager in 2014 after the retirement of John H. Barnes who served as the Assistant General Manager since 1999.

Beth Finney was hired as Fiscal Officer of the District in April 2014. Ms. Finney has a bachelor's degree in business administration and over thirty-three years of experience in the water and wastewater industry. Ms. Finney's experience includes fifteen years of working for a water and sewer authority in Georgia in various roles, including purchasing agent, special projects coordinator and systems and procedures analyst. Ms. Finney also served for eight years, as a financial analyst in the management consulting divisions for two engineering firms, specializing in rate studies and financial planning services, as well as workflow process.

Jeff Dykstra was hired as Assistant Fiscal Officer of the District in June of 2024. Mr. Dykstra has a bachelor's degree in business administration and over sixteen years of experience in the water and wastewater industry as a management and rate consultant for two engineering and consulting firms, serving as a principal consultant. Mr. Dykstra has extensive experience in financial planning and business management for utilities across the United States including, bond feasibility studies, rates, fees, and charges, cost of service rate making, revenue sufficiency, capital funding, valuation and acquisition, and utility management services.

Janice Garrett joined the District in 2013. Ms. Garrett has over twenty-seven years of experience in accounting management, human resources, and payroll processes. Ms. Garrett graduated Summa Cum Laude from Sullivan University in Lexington, Kentucky, obtaining two bachelor's degrees, one in Finance and one in Accounting. Previously, she was with Dealers' Financial Services, where she was the Assistant Vice President. Ms. Garrett serves the District as Controller.

The supervisory personnel responsible for the operation of the District include the following:

<u>NAME AND POSITION</u>	<u>YEAR EMPLOYED</u>
Bruce Trotter Superintendent, Water Treatment and Wastewater Treatment Plants	2012
Sam Harrison Senior Engineer	2014
Paolo Fonda Manager of Distribution Systems	2022
Michelle Sadler Office Manager	1997
Keith Guthrie Superintendent of Collections System	1996

Employees

The District has 90 full-time employees. Thirty-two employees are devoted to the water system, twenty-three employees are devoted to the sewer system, fifteen employees are devoted to support services such as inspections, meter reading and the auto shop, and twenty employees are office employees including the general manager, assistant general manager, other supervisory personnel, and customer service representatives. All of the District's supervisory personnel, who are required to be certified, are certified by the Tennessee Department of Environment and Conservation for the operation of the water system and the sewer system.

The turnover in the District's work force has averaged three employees per year over the last three years.

At the present time, no employees of the District are represented by unions. Officials of the District are unaware of any attempts by any union to organize employees of the District, and the District characterizes its relationship with its employees as satisfactory.

Regulation of the District

State and Local Regulation. The District is required by law to maintain a set of rules and procedures regarding the adjustment of all complaints which may be made to the District concerning the availability of utility services to persons in need thereof, the quality of service performed, the adjustment of bills and all other complaints of any nature. In addition, the District is required to have its books and records audited annually by an independent certified public accountant or by the Department of Audit of the Comptroller of the Treasury of the State, and annually to file such audit with the Comptroller of the Treasury of the State and the County Mayor of Williamson County and Probate Judge of Davidson County.

Prior to taking any action to issue bonds, the District must submit to the State Director of Local Finance for review the resolution authorizing the issuance of the bonds, together with a statement showing as of the beginning of the then current fiscal year the total outstanding bonds, notes, warrants, refunding bonds and other evidences of indebtedness of the District, together with maturity dates thereof, interest rates, special provisions for payment, the project to be funded by the bonds, the current financial statement of the District and any other pertinent financial information and, prior to the issuance of any refunding bonds, the plan of refunding. The Director of State and Local Finance may transmit comments to the District within 15 days from the date such information is received. If such comments are received, they must be published once in a newspaper of general circulation in the county of the principal office of the District and any other counties in which the District operates during the week following receipt. Only upon the receipt and publication of such comments, or upon expiration of 15 days from the receipt of the statement and information by the Director of State and Local Finance, whichever is earlier, may the District take action with respect to the proposed bond issue.

Rate Regulation. The Board determines the rates paid by the District's customers. Any customer of the District may file with the Board a protest concerning such rates. After the Board makes its determination, the customer may seek review of the Board's decision to the Tennessee Board of Utility Regulations ("TBOUR") action.

In 1987, the Tennessee General Assembly created the Utility Management Review Board ("UMRB") to provide state oversight in utility management. The review board promulgated its rules and regulations and began hearing cases in January 1989. Subsequently, in 2023 the Tennessee General Assembly assigned the responsibilities of the UMRB to TBOUR. TBOUR's primary function has been financial oversight of utility districts. Each utility district is audited, and financially distressed districts are

reported to TBOUR. A utility district is generally considered to be financially distressed if it is in default on any outstanding indebtedness, it has operated with net losses for two consecutive years, and/or it has a deficit total net assets. TBOUR has the authority to study the possibility of consolidating a financially distressed utility district with other districts or municipal or county public utility systems. If the review board concludes that consolidation is in the public's best interest, it may negotiate a merger under the auspices of the Chancery Court. However, the most common actions taken by TBOUR are rate restructuring, improvements in accounting methods and reporting, and reductions in operating expenses by correcting leaks. The District has never been required to appear before TBOUR as a financially distressed utility district. In addition to the above, TBOUR has the power to review the rates charged and services provided by the District.

Licenses, Permits and Approvals. The District has received all licenses, permits and approvals necessary for the operation of the System. The District is subject to regulation with regard to water quality and other environmental matters by various federal, state and local authorities.

Population

The following table reflects the population of Davidson County and Williamson, Tennessee (collectively, the "Counties") and the State of Tennessee.

<u>Year</u>	<u>Davidson County</u>	<u>Williamson County</u>	<u>Tennessee</u>
1980	477,811	58,108	4,600,252
1990	512,139	81,789	4,890,626
2000	570,434	128,101	5,703,719
2010	627,794	184,082	6,355,518
2020	716,059	249,552	6,926,091
2023	712,334	264,460	7,126,489

Source: United States Census Bureau

Unemployment Rates

Set forth below are the average annual unemployment rates for the United States, the State of Tennessee and the Counties for the years 2019 through 2023.

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
United States	3.70%	8.10%	5.40%	3.60%	3.60%
Tennessee	3.30%	7.50%	4.50%	3.40%	3.30%
Davidson County	2.50%	8.30%	4.40%	2.80%	2.70%
Williamson County	2.40%	4.80%	2.60%	2.40%	2.50%

Source: United States Bureau of Labor Statistics

Largest Employers

The District derives most of its revenue from direct customers in the southwestern portion of Davidson County and from wholesale customers in Williamson County. The following tables highlights some of the major employers within these areas.

Williamson County

Employer	Estimated Employees	Product or Service
Williamson County School District	6,173	Education
Optum	2,052	Healthcare IT Software for Hospital Management
Williamson County Government	1,650	County Government
United Health Group	1,512	Healthcare Claims Resolution and Information Management
Tractor Supply Company	1,451	Retail
Williamson Medical Center	1,330	Health Services
Lee Company	1,200	Home Services
Community Health Systems	1,104	Health Services - Headquarters
Lampo Group, Inc.	1,044	Publishing, Radio and Education
Comdata	1,000	Transaction Process Solutions

Source: TN Department of Economic & Community Development.

Davidson County

Employer	Estimated Employees	Product or Service
Vanderbilt University Medical Center	27,340	Health Services
State of Tennessee	25,000	Government
U.S. Government	13,000	Government
Metro Nashville Public Schools	11,000	Education
HCA Holdings, Inc.	10,001	Healthcare - Headquarters
Metro Nashville Government	9,000	Government
Vanderbilt University	5,718	Education
Asurion	3,600	IT Services/Insurance
Saint Thomas Medical Service	2,900	Health Services

Source: TN Department of Economic & Community Development.

Per Capita Income

Set forth below are the per capita personal income figures for the United States, the State of Tennessee and the Counties for the years 2018 through 2022.

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
United States	\$53,310	\$55,539	\$59,159	\$64,411	\$65,475
Tennessee	\$46,455	\$48,874	\$51,941	\$56,966	\$58,321
Davidson County	\$65,647	\$69,964	\$73,177	\$81,145	\$85,551
Williamson County	\$91,380	\$94,556	\$99,108	\$111,083	\$119,937

Source: United States Bureau of Economic Analysis

The System

The District provides services consisting of (i) the treatment and distribution of water to its customers through its water system, and (ii) the collection, processing and disposal of wastewater through its wastewater system.

HARPETH VALLEY UTILITIES DISTRICT WATER CUSTOMER BASE (FY 2023)

<u>CUSTOMER</u>	<u>ESTIMATED METERS/CUSTOMERS</u>	<u>AVERAGE DAILY WATER PURCHASED (million gallons)</u>
Direct Customers of the District	18,706	5.19
City of Brentwood	10,056	7.26
Water Authority of Dickson County	21,000	0.44
City of Franklin	18,237	4.58
HB & TS Utility District	11,725	4.11
Mallory Valley Utility District	5,678	8.48
Milcrofton Utility District	11,000	2.98
River Road Utility District	1,245	0.19

Water System

The District's water system was first placed in service in 1963, initially serving 450 customers with a treatment capacity of 0.576 million gallons per day. Customer growth and increased demand have resulted in plant additions and significant expansions. The District's current water treatment capacity is 62 million gallons per day.

Customers of the Water System. The following table sets forth the number and types of customers served by the District's water system during each of the years listed.

<u>YEAR</u>	<u>RESIDENTIAL</u> ¹	<u>COMMERCIAL</u>	<u>IRRIGATION</u>	<u>MUNICIPAL (METERS)</u>	<u>TOTAL</u>
2010	15,614	455	271	22	16,362
2011	15,750	465	273	20	16,508
2012	15,845	472	275	20	16,612
2013	16,002	489	283	20	16,794
2014	16,102	501	289	20	16,912
2015	16,274	485	298	19	17,076
2016	16,476	467	307	19	17,269
2017	16,701	485	322	19	17,527
2018	16,874	616+	333	19	17,842
2019	17,067	630+	335	20	18,051
2020	17,281	646+	340	20	18,287
2021	17,447	652+	343	22	18,464
2022	17,616	656+	353	22	18,647
2023	17,774	663+	356	23	18,816

¹Includes multi-unit customers

+Includes Fire lines

Other than the municipal customers discussed below, the District does not have a single customer that accounts for as much as 2% of its sales.

Water Sale Contracts. In addition to furnishing water service to customers located within the boundaries of the District, the District has entered into long term contracts to provide water on a wholesale basis to seven municipal customers located outside the boundaries of the District. The customers served, the gallons sold to each customer during the year ended December 31, 2023, the percentage of total water sales of the District represented by such sales and the termination dates of the contracts are as follows:

<u>NAME</u>	<u>MILLION GALLONS SOLD IN 2023</u>	<u>PERCENT OF TOTAL SALES OF DISTRICT</u>	<u>TERMINATION DATE OF CONTRACT</u>
Mallory Valley Utility District of Williamson Co.	3,096	26%	10/27/2058
City of Brentwood	2,651	22%	08/24/2028
City of Franklin	1,671	14%	01/27/2043
H.B. and T.S. Utility District of Williamson Co.	1,501	12%	09/23/2053
Milcrofton Utility District of Williamson Co.	1,086	9%	10/27/2048
Water Authority of Dickson Co.	161	1%	04/09/2029
River Road Utility District of Cheatham Co.	69	less than 1%	03/24/2054

Each of the contracts provides for a minimum monthly bill and a maximum daily demand. Each contract also states that the customer is not prohibited from purchasing water from sources other than the District, provided the customer pays the minimum bill. The minimum bill will be reduced to the extent the District fails or is unable to make available the water for the minimum bill. Such contracts provide for billing in accordance with the District's schedule of rates, charges and fees in effect at the time of such billing. All of said entities are presently being billed at the current schedule of rates, charges and fees.

None of these wholesale customers is obligated beyond the term of its contract to purchase water from the District, and the District cannot offer any assurances that these customers will continue to purchase water from the District beyond the terms of their respective contracts. Should any of these customers choose not to continue to purchase water from the District beyond the term of its contract, the District's revenues (as well as the incremental operating expenses associated with the production of water for such customer) would be reduced.

Water Consumption. For each of the fiscal years indicated, the following table sets forth the number of gallons of water sold to the District's customers.

<u>YEAR</u>	<u>RESIDENTIAL</u> ¹	<u>COMMERCIAL</u>	<u>IRRIGATION</u>	<u>MUNICIPAL</u>	<u>TOTAL</u>
2010	1,430	128	156	6,904	8,618
2011	1,385	125	137	6,732	8,379
2012	1,439	146	141	7,149	8,875
2013	1,252	128	92	7,006	8,478
2014	1,306	135	99	7,079	8,619
2015	1,335	143	102	7,076	8,656
2016	1,397	142	135	8,665	10,339
2017	1,349	147	126	9,168	10,790
2018	1,397	155	136	9,166	10,854
2019	1,441	166	154	9,555	11,316
2020	1,473	149	154	9,369	11,145
2021	1,463	159	124	9,431	11,177
2022	1,560	168	172	10,277	12,177
2023	1,558	174	163	10,236	12,131

(in millions of gallons)

¹Includes multi-unit customers

Water Treatment and Distribution Facilities. The District obtains water from two intakes located on the Cumberland River. One intake has a capacity of 6.0 million gallons per day using three centrifugal pumps. The newer intake is capable of pumping 65 million gallons per day using five vertical turbine pumps. All pumps are electrically driven.

The District's current plant site maintains three distinct treatment plants, with Plant B and C comprised of conventional treatment processes using rapid sand filtration. The two plants consist of pre-settling basins, flash mix basis, flocculation basins, sedimentation basins, and dual media rapid sand filters. The newest plant, completed in 2016, is a Kruger Actiflo Carb/Membrane process, which was selected due to its small footprint and the ability to remove high levels of total organic carbon, endocrine disrupting compounds, and emerging contaminants of concern. The membrane filtration process produces a superior filtrate or permeate since the effective pore diameter of the membranes are over 100 times smaller than the effective pore diameter of a traditional mixed media filter. The combination of the three treatment plants provide a current treatment capacity of 62 million gallons per day. The membrane building was constructed to hold a total of eight membrane racks, each rack treating approximately four million gallons per day. The District initially installed three racks in 2016, an additional two racks in 2020 and the additional three racks to be installed as needed with future growth. The treated water is stored in a 5 million gallon clear well prior to being pumped to the system from the high service pump station. The high service pump station has a capacity of 60 million gallons per day. The water treatment facility is also equipped with a stand-by power generating system to insure uninterrupted treatment of water supply.

The new membrane building also includes a state-of-the-art laboratory space. New laboratories on site as well as wastewater laboratory across the Cumberland River were combined under one roof, resulting in one centralized location for all analytical needs. Separate lab spaces for microbiology, wet chemistry, organic chemistry, future metals, sample receiving, equipment and supply storage create efficient workflow and minimize any chance of cross contamination. The District is equipped and proficient in sampling/analysis for drinking water, wastewater, and biosolids process control and of course meets Federal/State regulatory criteria along with related environmental programs. The additional capabilities with new equipment, new methods and certifications will allow the District to perform more "in-house" testing, resulting in quicker analytical data and faster decisions for any needed process control changes at the plants or in the distribution system.

The District's distribution system consists of approximately 389 miles of water lines, ranging in size from 3-inch to 48-inch in diameter. There are two large booster pump stations within the District capable of pumping 63 million gallons per day, with upgrade capacity of 88 million gallons per day. The District also has seven smaller pump stations located in various areas.

Water Billing. The following table sets forth the annual water billings of the District for the years listed.

<u>YEAR</u>	<u>RESIDENTIAL</u> ¹	<u>COMMERCIAL</u> ²	<u>IRRIGATION</u>	<u>MUNICIPAL</u>	<u>TOTAL</u>
2010	\$5,313	\$448	\$517	\$13,683	\$19,961
2011	5,364	441	484	13,464	19,753
2012	5,583	513	529	15,272	21,897
2013	5,287	453	364	16,535	22,639
2014	5,923	478	405	18,053	24,859
2015	5,967	501	417	18,045	24,930
2016	6,279	498	548	22,098	29,423
2017	6,126	514	512	23,380	30,532
2018	5,923	731	794	23,374	30,822
2019	6,060	814	895	24,349	32,118
2020	6,144	771	880	23,881	31,676
2021	6,145	822	765	24,231	31,963
2022	6,797	871	1,052	26,904	35,624
2023	6,731	911	1,018	26,810	35,470

(in thousands)

¹Includes multi-unit customers

²Includes fire lines beginning in 2018

Sewer System

Customers of the Sewer System. The following table sets forth the number and type of sewer customers served by the District in the years listed.

<u>YEAR</u>	<u>RESIDENTIAL</u> ¹	<u>COMMERCIAL</u>	<u>TOTAL</u>
2010	12,715	361	13,076
2011	12,856	364	13,220
2012	12,936	369	13,305
2013	13,075	382	13,457
2014	13,171	389	13,560
2015	13,314	372	13,686
2016	13,494	357	13,851
2017	13,697	370	14,067
2018	13,874	393	14,267
2019	14,047	394	14,441
2020	14,248	399	14,647
2021	14,392	399	14,791
2022	14,530	401	14,931
2023	14,699	403	15,102

¹Includes multi-unit customers

The District does not have a single customer that accounts for as much as 2% of its sewer billings.

Sewage Collection, Treatment and Disposal Facilities. The District's sewer system was originally placed in service in 1965 with a small plant adjacent to the Harpeth River, provided service to 13 customers, and had a treatment plant capacity of 300,000 gallons of wastewater per day.

In early 2001, the District completed construction and put into service a 25 million gallon a day peak flow (10 million gallon day average) wastewater treatment plant adjacent to the Cumberland River in

Bells Bend. The 400-acre site provides room for a “mirror image” plant to be placed immediately next to the existing facility when future growth requires it. Currently the plant efficiently treats wastewater using 100-percent aerobic treatment system that produces several million pounds of biosolids annually used to fertilize fields around the plant. Along with the Class B land application process, the plant processes include oxidation ditches, clarifiers and ultraviolet disinfection of the effluent with discharge into the Cumberland River. The wastewater plant is also equipped with a standby power generating system to ensure uninterrupted processing of waste materials.

Associated with the wastewater treatment plant, a pump station, the Overall Creek Pump Station, was designed and constructed to pump flows to the wastewater treatment plant. The design capacity of the pump station is 37 million gallons per day.

The existing collection system contains over 230 miles of sewer collection lines and 30 pump stations.

Sewer Billings. The following table sets forth the billings of the sewer system for the years listed.

<u>YEAR</u>	<u>RESIDENTIAL</u> ¹	<u>COMMERCIAL</u>	<u>TOTAL</u>
2010	\$6,731	\$674	\$7,405
2011	6,891	671	7,562
2012	7,628	786	8,414
2013	7,917	718	8,635
2014	8,278	747	9,025
2015	8,454	786	9,240
2016	8,504	794	9,298
2017	8,620	846	9,466
2018	8,558	933	9,491
2019	8,499	1,007	9,506
2020	9,027	958	9,985
2021	9,128	1,026	10,154
2022	9,383	1,083	10,466
2023	9,890	1,167	11,057
		(in thousands)	

¹Includes multi-unit customers

Water and Sewer Rates

A schedule of rates and charges for water was originally adopted by the District in 1963. Sewer service charges were added to the District's rate structure in 1965. The District's current rates for water and sewer service and usage became effective on February 1, 2024. The schedule of monthly rates currently in effect in the District is as follows:

SCHEDULES OF WATER AND SEWER RATES

Residential Rates		
<u>Water Metered</u>	<u>Water Rate</u>	<u>Wastewater Rate</u>
Monthly Customer Charge based on meter size:		
5/8" or 3/4" meter	\$11.97	\$13.29
1" meter	24.41	13.29
1 1/2" meter	45.15	13.29
2" meter	70.04	13.29
3" meter	136.40	13.29
In addition, monthly usage charge:		
First 5,000 gallons	\$1.50 per 1,000 gallons	\$6.86 per 1,000 gallons
Next 5,000 gallons	2.26 per 1,000 gallons	6.86 per 1,000 gallons
Next 10,000 gallons	4.75 per 1,000 gallons	6.86 per 1,000 gallons
All Additional Usage	7.59 per 1,000 gallons	6.86 per 1,000 gallons

Commercial Rates		
<u>Water Metered</u>	<u>Water Rate</u>	<u>Wastewater Rate</u>
Monthly Customer Charge based on meter size:		
5/8" or 3/4" meter	\$11.97	\$13.29
1" meter	24.41	33.23
1 1/2" meter	45.15	66.44
2" meter	70.04	106.31
3" meter	136.40	212.63
4" meter	211.05	332.23
6" meter	418.43	664.46
8" meter	667.28	1,063.14
In addition, monthly usage charge:		
All Usage	\$4.31 per 1,000 gallons	\$7.21 per 1,000 gallons

Note: Assembly meters will be charged a \$3.50 monthly customer charge for the large size of the meter and the applicable monthly charge from the chart above for the small size of the meter. Dedicated fire line meters regardless of size will be charged a \$3.50 monthly customer charge, but will not be charged the monthly customer charge by meter size set forth above.

Multi-Unit Rates		
<u>Water Metered</u>	<u>Water Rate</u>	<u>Wastewater Rate</u>
Monthly Customer Charge based on meter size:		
5/8" or 3/4" meter	\$11.97	\$13.29
1" meter	24.41	33.23
1 1/2" meter	45.15	66.44
2" meter	70.04	106.31
3" meter	136.40	212.63
4" meter	211.05	332.23
6" meter	418.43	664.46
8" meter	667.28	1,063.14
In addition, monthly usage charge:		
All Usage	\$3.32 per 1,000 gallons	\$8.93 per 1,000 gallons

Note: Assembly meters will be charged a \$3.50 monthly customer charge for the large size of the meter and the applicable monthly charge from the chart above for the small size of the meter. Dedicated fire line meters regardless of size will be charged a \$3.50 monthly customer charge, but will not be charged the monthly customer charge by meter size set forth above.

Utility/Municipal Rates	
Water Metered	Water Rate
Monthly Customer Charge based on meter size:	
5/8" or 3/4" meter	\$11.97
1" meter	24.41
1 1/2" meter	45.15
2" meter	70.04
3" meter	136.40
4" meter	211.05
6" meter	418.43
8" meter	667.28
10" meter	957.60
In addition, monthly usage charge:	
All Usage	\$2.65 per 1,000 gallons

Irrigation Rates	
Water Metered	Water Rate
Monthly Customer Charge based on meter size:	
5/8" or 3/4" meter	\$11.97
1" meter	24.41
1 1/2" meter	45.15
2" meter	70.04
3" meter	136.40
4" meter	211.05
6" meter	418.43
8" meter	667.28
In addition, monthly usage charge:	
All Usage	\$5.80 per 1,000 gallons

In the fall of the year immediately preceding a scheduled increase, the District's management shall recommend for approval by the District's Board the specific amendment required to the District's Schedule of Rates, Charges and Fees. In accordance therewith, at its November 28, 2023 meeting, based on prior Water and Wastewater Rate Studies, the District's management recommended, and the Board of Commissioners approved, a 5% increase for the District direct water customers, a 6% increase for the District direct sewer customers and a 2% increase to municipal customers for fiscal year 2024, beginning with billing on or after January 1, 2024 for all customers.

Environmental Matters

The District expects governmental regulation of its operations will continue to become more comprehensive, particularly regarding environmental matters. The District is unable to predict the effect, if any, which such increased governmental regulation will have on its present or future operations and on the operation of the System. Changes in applicable regulations could require changes in facilities, personnel, rates or services, which could adversely affect the District's Net Revenues and impair its ability to pay the principal of and interest on its bonded debts.

The operations of the District are subject to the Federal Clean Water Act, as amended (33 U.S.C. 1251, et seq.), the Tennessee Water Quality Control Act of 1977, as amended (T.C.A. § 69-3-101, et seq.), and regulations of the Tennessee Department of Environment and Conservation ("TDEC"). The District is presently discharging under National Pollution Discharge Elimination System permit #TN0074748. This permit has an expiration date of February 28, 2025.

Pension Plan

The District has a single-employer defined benefit pension plan covering substantially all of its employees that have reached the age of 21. Benefit provisions are established and amended by the Board of Commissioners. Employees become fully vested after five years of participation. The benefits are based

on 2% and 2.15% of average monthly earnings multiplied by years of qualified service before August 1, 1990, and after July 31, 1990, respectively.

The contribution requirement is determined annually by actuarial valuation. The District is in compliance with Tennessee Code §9-3-504(c), and is currently funding over 100% of the cost of plan as determined by actuarial valuation. Contributions are made monthly.

The annual required contribution for fiscal 2024 was determined as a projection of the August 1, 2023 actuarial valuation using the entry age normal cost method with a 20 year level dollar amortization of the initial unfunded liability and of any subsequent gains and losses. The actuarial assumptions include an investment rate of return of 7.25%. The projected salary increase assumption is 2.5% per year. For valuation purposes, assets were valued at market value.

For additional information concerning the District's pension plan and related retirement matters, see Note 4 to the Audited Financial Statements set forth in Appendix B.

SUMMARY OF OUTSTANDING DEBT⁽¹⁾⁽²⁾

Original Amount Issued	Issue	Date Issued	Maturity Date	Principal Outstanding 10/24/2024
Senior Lien Debt				
\$1,139,500	Utilities Revenue Bonds, Series 1997	08/13/98	09/13/36	\$599,319
\$38,195,000	Utilities Revenue Refunding Bonds, Series 2015	06/10/15	09/01/28	\$14,940,000
\$27,260,000	Utilities Revenue Refunding Bonds, Series 2016	01/27/16	09/01/42	\$24,400,000
\$30,770,000	Utilities Revenue Bonds, Series 2020	02/05/20	09/01/50	\$30,150,000
\$37,230,000	Utilities Revenue Refunding Bonds, Series 2022	06/22/22	09/01/42	\$36,745,000
\$39,800,000	Utilities Revenue Refunding Bonds, Series 2024A	09/04/24	09/01/44	\$39,800,000
\$30,000,000	Utilities Revenue Bonds, Series 2024B	10/24/24	09/01/54	\$30,000,000
Total Senior Lien Debt				\$176,634,319

DEBT RECORD

There is no record of a default of paying principal and interest on any debt from information available.

(1) As of 10/24/2024.

(2) Excludes District's Obligation to Metro Nashville of \$1,520,251 as of 12/31/2023.

Source: Audited Financial Statement for the Fiscal Year ending December 31, 2023 prepared by ATA, PLLC.

Debt Service Schedule

Fiscal Year	Existing Senior Lien Debt Service ⁽¹⁾			Utilities Revenue Bonds, Series 2024B			New Senior Lien Debt		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2024	\$6,268	\$5,106	\$11,374				\$6,268	\$5,106	\$11,374
2025	5,988,753	6,452,255	12,441,008	\$655,000	\$1,119,569	\$1,774,569	6,643,753	7,571,824	14,215,577
2026	6,225,786	6,217,283	12,443,069	490,000	1,280,100	1,770,100	6,715,786	7,497,383	14,213,169
2027	6,497,925	5,943,294	12,441,219	515,000	1,255,600	1,770,600	7,012,925	7,198,894	14,211,819
2028	6,775,178	5,667,091	12,442,269	545,000	1,229,850	1,774,850	7,320,178	6,896,941	14,217,119
2029	6,482,548	5,390,171	11,872,719	570,000	1,202,600	1,772,600	7,052,548	6,592,771	13,645,319
2030	6,785,043	5,077,926	11,862,969	600,000	1,174,100	1,774,100	7,385,043	6,252,026	13,637,069
2031	7,097,669	4,768,800	11,866,469	630,000	1,144,100	1,774,100	7,727,669	5,912,900	13,640,569
2032	7,425,433	4,445,036	11,870,469	660,000	1,112,600	1,772,600	8,085,433	5,557,636	13,643,069
2033	7,773,341	4,096,528	11,869,869	695,000	1,079,600	1,774,600	8,468,341	5,176,128	13,644,469
2034	8,146,403	3,717,516	11,863,919	730,000	1,044,850	1,774,850	8,876,403	4,762,366	13,638,769
2035	6,479,624	3,320,245	9,799,869	765,000	1,008,350	1,773,350	7,244,624	4,328,595	11,573,219
2036	6,730,348	3,037,874	9,768,222	800,000	970,100	1,770,100	7,530,348	4,007,974	11,538,322
2037	7,010,000	2,713,675	9,723,675	840,000	930,100	1,770,100	7,850,000	3,643,775	11,493,775
2038	7,325,000	2,401,875	9,726,875	885,000	888,100	1,773,100	8,210,000	3,289,975	11,499,975
2039	7,620,000	2,106,550	9,726,550	930,000	843,850	1,773,850	8,550,000	2,950,400	11,500,400
2040	7,955,000	1,767,450	9,722,450	975,000	797,350	1,772,350	8,930,000	2,564,800	11,494,800
2041	8,310,000	1,413,250	9,723,250	1,025,000	748,600	1,773,600	9,335,000	2,161,850	11,496,850
2042	8,665,000	1,060,900	9,725,900	1,065,000	707,600	1,772,600	9,730,000	1,768,500	11,498,500
2043	3,390,000	693,400	4,083,400	1,105,000	665,000	1,770,000	4,495,000	1,358,400	5,853,400
2044	3,530,000	557,800	4,087,800	1,150,000	620,800	1,770,800	4,680,000	1,178,600	5,858,600
2045	1,570,000	416,600	1,986,600	1,195,000	574,800	1,769,800	2,765,000	991,400	3,756,400
2046	1,635,000	353,800	1,988,800	1,245,000	527,000	1,772,000	2,880,000	880,800	3,760,800
2047	1,700,000	288,400	1,988,400	1,295,000	477,200	1,772,200	2,995,000	765,600	3,760,600
2048	1,765,000	220,400	1,985,400	1,345,000	425,400	1,770,400	3,110,000	645,800	3,755,800
2049	1,835,000	149,800	1,984,800	1,400,000	371,600	1,771,600	3,235,000	521,400	3,756,400
2050	1,910,000	76,400	1,986,400	1,455,000	315,600	1,770,600	3,365,000	392,000	3,757,000
2051				1,515,000	257,400	1,772,400	1,515,000	257,400	1,772,400
2052				1,575,000	196,800	1,771,800	1,575,000	196,800	1,771,800
2053				1,640,000	133,800	1,773,800	1,640,000	133,800	1,773,800
2054				1,705,000	68,200	1,773,200	1,705,000	68,200	1,773,200
Total	\$146,634,319	\$72,359,425	\$218,993,744	\$30,000,000	\$23,170,619	\$53,170,619	\$176,634,319	\$95,530,044	\$272,164,363

(1) - As of 10/24/2024. Excludes the District's Obligation to Metro Nashville of \$1,520,251 as of 12/31/2023.

Summary of Operations

The Summary of Operations for the District for the fiscal years ended December 31, 2019, 2020, 2021, 2022 and 2023 set forth below have been derived from the District's audited financial statements and should be read in conjunction with said statements. The following Summary of Operations and Debt Service Coverage Ratios do not purport to represent a Statement of Cash Flows of the District. The 2023 audited financial statements appear as Appendix B hereto. For a summary of debt service requirements and current and proposed debt service coverage ratios following the issuance of the Series 2024B Bonds, see "Debt Service Schedule", "Historic Debt Service Coverage Table" and "Projected Debt Service Coverage Table" herein.

	2019	2020	2021	2022	2023
Operating Revenues					
Sales	\$41,623,542	\$41,660,492	\$42,116,882	\$46,089,951	\$46,527,187
Other Operating Income	1,181,449	4,174,596	1,128,202	980,838	1,384,648
<i>Total Operating Revenues</i>	<u>\$42,804,991</u>	<u>\$45,835,088</u>	<u>\$43,245,084</u>	<u>\$47,070,789</u>	<u>\$47,911,835</u>
Operating Expenses					
Plant Salaries	5,178,110	5,154,796	5,096,610	5,554,154	5,578,649
Payroll Taxes	393,851	390,902	391,491	431,592	436,039
Employee Benefits	3,008,760	3,297,307	3,039,855	3,528,372	3,602,561
Repairs and Maintenance	1,455,414	1,117,011	1,532,954	2,100,517	1,967,076
Transportation	85,039	63,200	91,334	84,049	96,213
Utilities	3,640,648	3,416,894	3,546,790	4,309,897	4,091,727
Outside Services - Operating	83,924	72,453	70,960	106,142	181,966
Chemical Supplies	2,695,726	2,599,851	2,540,115	3,487,733	4,732,534
Miscellaneous	286,504	412,796	340,441	364,611	383,553
<i>Total Operating Expenses</i>	<u>16,827,976</u>	<u>16,525,210</u>	<u>16,650,550</u>	<u>19,967,067</u>	<u>21,070,318</u>
Administrative and General Expenses					
Office Salaries	1,998,267	2,143,111	2,185,674	2,135,799	2,013,844
Payroll Taxes	139,439	146,141	148,511	156,930	156,721
Employee Benefits	1,124,390	1,323,870	1,247,059	1,368,994	1,286,244
Office Expenses and Telephone	762,496	791,078	855,560	763,402	896,026
Insurance	373,436	375,681	390,549	430,936	530,156
Uncollectable Accounts	-	-	-	-	-
Professional Fees	664,744	551,073	297,078	686,850	483,577
Miscellaneous	99,581	145,914	111,504	63,039	58,040
<i>Total Administrative and General Expenses</i>	<u>5,162,353</u>	<u>5,476,868</u>	<u>5,235,935</u>	<u>5,605,950</u>	<u>5,424,608</u>
Provision for Depreciation	11,604,671	12,130,885	12,971,907	13,593,329	14,138,132
Total Operating Expenses	33,595,000	34,132,963	34,858,392	39,166,346	40,633,057
Total Operating Income (Loss)	9,209,991	11,702,125	8,386,692	7,904,443	7,278,778
Non-Operating Revenue (Expense)	(6,842,528)	(7,733,756)	(7,637,650)	(7,402,911)	(7,052,759)
Interest Income	712,867	380,904	32,591	406,511	1,790,772
Capacity Fees	1,603,731	3,392,357	4,280,303	647,450	1,587,624
Gain (Loss) From Disposition of Capital Assets	(27,541)	(168,008)	(38,907)	(84,964)	(55,015)
Amortization	325,056	451,990	463,529	553,868	659,184
<i>Total Non-Operating Revenue (Expenses)</i>	<u>(4,228,415)</u>	<u>(3,676,513)</u>	<u>(2,900,134)</u>	<u>(5,880,046)</u>	<u>(3,070,194)</u>
Income (Loss) before capital contributions	\$ 4,981,576	\$ 8,025,612	\$ 5,486,558	\$ 2,024,397	\$ 4,208,584
Capital Contributions					
Contribution in Aid of Construction	174,375	-	-	-	-
Capital Contributions	3,110,584	3,326,555	1,710,093	3,967,419	2,551,092
<i>Total Capital Contributions</i>	<u>3,284,959</u>	<u>3,326,555</u>	<u>1,710,093</u>	<u>3,967,419</u>	<u>2,551,092</u>
Change in Net Position	<u>\$8,266,535</u>	<u>\$11,352,167</u>	<u>\$7,196,651</u>	<u>\$5,991,816</u>	<u>\$6,759,676</u>

Sources: Audited Financial Statements for the Fiscal Years ending December 31, 2019 through 2023 prepared by ATA, PLLC.

Historic Debt Service Coverage Table

	<u>Audited</u> 2019	<u>Audited</u> 2020	<u>Audited</u> 2021	<u>Audited</u> 2022	<u>Audited</u> 2023
Revenue and Capital Contributions					
Water Sales	\$ 32,117,452	\$ 31,675,387	\$ 31,962,718	\$ 35,624,119	\$ 35,470,951
Wastewater Sales	9,506,090	9,985,105	10,154,164	10,465,832	11,056,236
Other Income	1,181,449	4,174,596	1,128,202	980,838	1,384,648
Capacity Fees	1,603,731	3,392,357	4,280,303	647,450	1,587,624
Contributions in Aid of Construction	174,375				
Interest Income	712,867	380,904	32,591	406,511	1,790,772
<i>Total Revenue</i>	<u>\$ 45,295,964</u>	<u>\$ 49,608,349</u>	<u>\$ 47,557,978</u>	<u>\$ 48,124,750</u>	<u>\$ 51,290,231</u>
Expenses⁽¹⁾					
Operating Expenses	16,827,976	16,525,210	16,650,550	19,967,067	21,070,318
Administrative Expenses	5,162,353	5,476,868	5,235,935	5,605,950	5,424,608
<i>Total Expenses</i>	<u>\$ 21,990,329</u>	<u>\$ 22,002,078</u>	<u>\$ 21,886,485</u>	<u>\$ 25,573,017</u>	<u>\$ 26,494,926</u>
Net Revenue Available for Debt Service	\$ 23,305,635	\$ 27,606,271	\$ 25,671,493	\$ 22,551,733	\$ 24,795,305
Debt Service					
Total Debt Service	\$ 11,519,369	\$ 12,209,052	\$ 12,734,469	\$ 13,047,709	\$ 12,749,057
Debt Service Coverage	<u>2.02x</u>	<u>2.26x</u>	<u>2.02x</u>	<u>1.73x</u>	<u>1.94x</u>

(1) - Excludes Depreciation and Amortization

Sources: Audited Financial Statements for the Fiscal Years ending December 31, 2019 through 2023 prepared by ATA, PLLC and District Officials.

Projected Debt Service Coverage Table

The management of the District has prepared the forecasted financial information set forth below to present the forecasted debt service coverage after issuance of the Series 2024B Bonds. The prospective financial information was not prepared with a view toward public disclosure or with a view towards complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information, but, in the view of the District's management, was prepared on a reasonable basis, reflects the best currently available estimates and judgments and presents, to the best of management's knowledge and belief, the expected course of action and the expected future financial performance of the District. However, this information is not fact and should not be relied upon as necessarily indicative of future results, and readers of this Official Statement are cautioned not to place undue reliance on the forecasted financial information. Neither the District's independent auditors, nor any other independent accountants or financial advisors, have compiled, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.

The assumptions and estimates underlying the prospective financial information are inherently uncertain and, though considered reasonable by the management of the District as of the date hereof, are subject to a wide variety of significant business, economic and competitive risks and uncertainties that could cause actual results to differ materially from those forecasted.

Accordingly, there can be no assurance that forecasted results are indicative of the future performance of the District or that actual results will not be materially higher or lower than those forecasted. Inclusion of the prospective financial information in this Official Statement should not be regarded as a representation by any person that the forecasted results will be achieved.

The District does not generally publish its business plans and strategies or make external forecasts of its anticipated financial position or results of operations. Accordingly, the District does not intend to update or otherwise revise the prospective financial information to reflect circumstances existing since its preparation or to reflect the occurrence of unanticipated events, even in the event that any or all of the underlying assumptions are shown to be in error. Furthermore, the District does not intend to update or revise the prospective financial information to reflect changes in general economic or industry conditions.

	<u>Projected</u> 2024	<u>Projected</u> 2025	<u>Projected</u> 2026	<u>Projected</u> 2027
Revenue and Capital Contributions				
Water Sales	\$ 36,577,786	\$ 38,848,944	\$ 41,609,403	\$ 43,692,071
Wastewater Sales	11,826,218	12,448,054	13,093,857	13,773,119
Other Income	776,500	776,500	776,500	776,500
Capacity Fees	1,000,000	1,000,000	1,000,000	1,000,000
Interest Income	1,485,069	1,047,088	790,710	462,630
<i>Total Revenue</i>	<u>\$ 51,665,573</u>	<u>\$ 54,120,586</u>	<u>\$ 57,270,470</u>	<u>\$ 59,704,320</u>
Expenses⁽¹⁾				
Operating Expenses	20,718,227	21,360,043	22,027,793	22,721,945
Administrative Expenses	6,447,559	6,651,957	6,864,392	7,086,024
<i>Total Expenses</i>	<u>\$ 27,165,786</u>	<u>\$ 28,012,000</u>	<u>\$ 28,892,185</u>	<u>\$ 29,807,969</u>
Net Revenue Available for Debt Service	\$ 24,499,787	\$ 26,108,586	\$ 28,378,285	\$ 29,896,351
Debt Service				
Total Debt Service	<u>\$ 12,748,707</u>	<u>\$ 14,215,577</u>	<u>\$ 16,265,899</u>	<u>\$ 17,041,499</u>
Debt Service Coverage	<u>1.92x</u>	<u>1.84x</u>	<u>1.74x</u>	<u>1.75x</u>

(1) - Excludes Depreciation and Amortization

Key Assumptions:

Annual Rate Adjustments: 5% water retail, 3% water municipal, and 5% sewer retail (annually for FY 2025 through FY 2027)

Revenue Bond Issue Assumptions:

\$30M new money (construction project proceeds) in 2024 - debt service beginning in FY 2025

\$31M new money (construction project proceeds) in 2025 - debt service beginning in FY 2026

\$18M new money (construction project proceeds) in 2027 - debt service beginning in FY 2027 (Interest only in 1st year)

Operating Expenses:

Personnel @ 100% of budget/forecast

Other O&M @ 92% of budget/forecast

Source: The District

APPENDIX B

**INDEPENDENT AUDITORS' OPINION
AND FINANCIAL STATEMENTS**

HARPETH VALLEY UTILITIES DISTRICT
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
DECEMBER 31, 2023 and 2022

HARPETH VALLEY UTILITIES DISTRICT

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INTRODUCTORY SECTION

**HARPETH VALLEY UTILITIES DISTRICT
DIRECTORY**

December 31, 2023

COMMISSIONERS

Bernard Kwas, President
David Tucker, Vice-President
Wayne Erickson, Secretary

MANAGEMENT TEAM

John Brown, General Manager
Jay Tant, Assistant General Manager

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

ATA, PLLC
Jackson, Tennessee

FINANCIAL SECTION



Independent Auditor's Report

Board of Commissioners
Harpeth Valley Utilities District
Nashville, Tennessee

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the major fund of Harpeth Valley Utilities District (the District), as of and for the years ended December 31, 2023 and 2022, and the financial statements of the Harpeth Valley Utilities District Defined Benefit Plan (fiduciary fund) as of and for the years ended July 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the major fund as of December 31, 2023 and 2022, and the Harpeth Valley Utilities District Defined Benefit Plan (fiduciary fund) as of July 31, 2023 and 2022, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 audit. 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 these 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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS 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, the Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Based on Participation in the Defined Benefit Plan, Schedule of Contributions Based on Participation in the Defined Benefit Plan, Schedule of Investment Returns in the Defined Benefit Plan, and Notes to Required Supplementary Information, as listed in the table of contents, 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 audits 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 supplementary and other information section, except for that which is marked "unaudited", are presented for purposes of additional analysis and are 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 audits 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 supplementary and other information, except for that which is marked "unaudited" 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 section and supplementary and other information that is marked "unaudited", but does not include the basic financial statements and our auditor's report thereon. Our opinion 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 March 26, 2024 on our consideration of 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 District's internal control over financial reporting and compliance.

ATA, PLLC

Jackson, Tennessee
March 26, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Harpeth Valley Utilities District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2023 and 2022. All amounts, unless otherwise indicated, are expressed in actual dollars.

FINANCIAL HIGHLIGHTS

Management believes the District's financial condition is strong. The District is well within its more stringent financial policies and guidelines set by the Board and management. In March of 2019, Standard & Poor's (S & P) conducted their periodic review of the District's financial strength and the District's rating was raised to AA+. The rationale for the higher rating included strong economic indicators from the utility districts and cities served, and the strong long-term contracts with take-or-pay minimum bills that provide cash flow certainty. The continued growth and economy of the greater Nashville area was also cited in the report.

- Total assets at year-end were \$374.76 million, deferred outflows of resources were \$10.44 million and exceeded liabilities and deferred inflows of resources in the amount of \$197.29 million (net position).
- Capital assets increased by \$252 Thousand, due primarily as a result of additions to the water transmission system, sewer forcemain and gravity lines and sewer rehabilitation projects.
- Operating revenues were \$47.91 million, an increase from 2022 in the amount of \$841 thousand or 1.79%. The increase is primarily due to increases in wastewater and other revenues during the year.
- Total operating expenses were \$40.63 million, an increase from year 2022 in the amount of \$1.47 million or 3.74%. Administrative and general expenses decreased \$181 thousand; employee benefits increased \$74 thousand, depreciation expense increased \$545 thousand, Chemical supplies increased 1.24 million, and repair and maintenance decreased \$133 thousand. The increases in expenses are primarily a result of higher variable cost of chemicals due to increased production along with rising cost of goods and payroll expenses as a result of inflation.
- The operating income for the year was \$7.28 million as compared to operating income of \$7.90 million during the 2022 fiscal year.
- Ratios of operating income (loss) to total operating revenue were 0.15, and 0.17, for 2023, and 2022, respectively.
- The Change in Net Position in 2023 was \$6.76 million versus a net increase of \$5.99 million in 2022. The increase is primarily due to the aforementioned increases in sales.

OVERVIEW OF THE FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

The MD&A serves as an introduction to, and should be read in conjunction with, the 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 strategic plan, budget, bond resolutions and other management tools were used for this analysis. The Financial Statements and Supplementary Information are made up of four sections: 1) the introductory section, 2) the financial section, 3) the supplementary and other information section, 4) and the internal control and compliance section. The introductory section includes the District's directory. The financial section includes the MD&A, the independent auditor's report, and the financial statements with accompanying notes and the required supplementary information. The supplementary and other information section includes selected

MANAGEMENT'S DISCUSSION AND ANALYSIS

financial and operational information. The internal control and compliance section includes the report on internal control and compliance. These sections make up the financial report presented here.

REQUIRED FINANCIAL STATEMENTS

A Proprietary Fund is used to account for the operations of the District, which is financed and operated in a manner similar to private business enterprises where the intent is that the costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

The financial statements report information about the District, using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities.

A Fiduciary fund is used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The District maintains one fiduciary fund used to report resources held related to the District's Defined Benefit Plan

The *Statement of Net Position* includes all of the District's assets, liabilities and deferred inflows/outflows of resources with the difference reported as net position. It also provides the basis for computing rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District.

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 measures the success of the District's operations and can be used to determine whether the District has successfully recovered all of its costs. This statement also measures the District's profitability and credit worthiness.

The *Statement of Cash Flows* presents changes in cash and cash equivalents, resulting from operational, financing, and investing activities. This statement presents cash receipt and cash disbursement information, without consideration of the earnings event, when an obligation arises.

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.

FINANCIAL ANALYSIS

One of the most important questions asked about the District's finances is "Is the District, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District's activities in a way that will help answer this question. These two statements report the net position of the District, and the changes in the net position. Net position is one way to measure the financial health or financial position of the District. Over time, increases or decreases in the District's net position is an

MANAGEMENT'S DISCUSSION AND ANALYSIS

indicator of whether its financial health is improving or deteriorating. However, you will need to also consider other non-financial factors such as changes in economic conditions, customer growth, and legislative mandates.

The District's total net position increased by \$6.76 million for the fiscal year ended December 31, 2023 and \$5.99 million for the fiscal year ended December 31, 2022. The District does not use any of the tap fee revenue for annual operations of the District; instead, the funds are set aside in a capital fund for payments of future capital projects. In essence, the District's practice is to fund growth projects with growth revenue.

The analysis below focuses on the District's net position (Table 1A and 1B) and changes in net position (Table 2A and 2B) during the years.

Table 1A
CONDENSED STATEMENTS OF NET POSITION

	December 31, 2023	December 31, 2022	Increase (Decrease)	
			\$	%
Capital assets				
Producing assets	\$ 318,788,734	\$ 321,007,146	\$ (2,218,412)	-0.69%
Construction in progress	11,827,609	9,356,874	2,470,735	26.41%
Current assets, restricted assets and other noncurrent assets	44,147,487	44,159,563	(12,076)	-0.03%
Total assets	<u>374,763,830</u>	<u>374,523,583</u>	<u>240,247</u>	0.06%
Deferred outflows of resources				
Pension related	6,079,282	4,633,709	1,445,573	31.20%
Cash surrender value of life insurance	3,030,191	3,069,029	(38,838)	-1.27%
Net bond reacquisition cost	1,332,351	1,426,144	(93,793)	-6.58%
Total deferred outflows of resources	<u>10,441,824</u>	<u>9,128,882</u>	<u>1,312,942</u>	14.38%
Current liabilities	11,099,621	10,671,339	428,282	4.01%
Non current liabilities	9,427,374	7,548,854	1,878,520	24.88%
Long-term liabilities	164,361,925	171,836,376	(7,474,451)	-4.35%
Total liabilities	<u>184,888,920</u>	<u>190,056,569</u>	<u>(5,167,649)</u>	-2.72%
Deferred inflows of resources				
Pension related	-	-	-	-100.00%
Retirement plan compensation	3,030,191	3,069,029	(38,838)	-1.27%
Total deferred inflows of resources	<u>3,030,191</u>	<u>3,069,029</u>	<u>(38,838)</u>	-1.27%
Net position:				
Net investment in capital assets	158,780,194	152,171,702	6,608,492	4.34%
Restricted for debt service	13,409,368	13,482,081	(72,713)	-0.54%
Unrestricted	25,096,981	24,873,084	223,897	0.90%
Total net position	<u>\$ 197,286,543</u>	<u>\$ 190,526,867</u>	<u>\$ 6,759,676</u>	3.55%

MANAGEMENT'S DISCUSSION AND ANALYSIS

Table 1B
CONDENSED STATEMENTS OF NET POSITION

	December 31, 2022	December 31, 2021	Increase (Decrease)	
			\$	%
Capital assets				
Producing assets	\$ 321,007,146	\$ 311,198,830	\$ 9,808,316	3.15%
Construction in progress	9,356,874	9,739,569	(382,695)	-3.93%
Current assets, restricted assets and other noncurrent assets	44,159,563	55,534,751	(11,375,188)	-20.48%
Total assets	<u>374,523,583</u>	<u>376,473,150</u>	<u>(1,949,567)</u>	-0.52%
Deferred outflows of resources				
Pension	4,633,709	2,873,469	1,760,240	61.26%
Cash surrender value of life insurance	3,069,029	4,007,763	(938,734)	-23.42%
Net bond reacquisition cost	1,426,144	1,457,543	(31,399)	-2.15%
Total deferred outflows of resources	<u>9,128,882</u>	<u>8,338,775</u>	<u>790,107</u>	9.48%
Current liabilities	10,671,339	11,327,322	(655,983)	-5.79%
Non current liabilities	7,548,854	5,430,120	2,118,734	39.02%
Long-term liabilities	171,836,376	179,411,912	(7,575,536)	-4.22%
Total liabilities	<u>190,056,569</u>	<u>196,169,354</u>	<u>(6,112,785)</u>	-3.12%
Deferred inflows of resources				
Pension related	-	99,757	(99,757)	100.00%
Retirement plan compensation	3,069,029	4,007,763	(938,734)	-23.42%
Total deferred inflows of resources	<u>3,069,029</u>	<u>4,107,520</u>	<u>(1,038,491)</u>	-25.28%
Net position:				
Net investment in capital assets	152,171,702	148,242,002	3,929,700	2.65%
Restricted for debt service	13,482,081	13,588,643	(106,562)	-0.78%
Unrestricted	24,873,084	22,704,406	2,168,678	9.55%
Total net position	<u>\$ 190,526,867</u>	<u>\$ 184,535,051</u>	<u>\$ 5,991,816</u>	3.25%

Changes in the District's net position can be determined by reviewing the following condensed Statement of Revenues, Expense, and Changes in Net Position for the year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Table 2A

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	December 31, 2023	December 31, 2022	Increase (Decrease)	
			\$	%
Revenues				
Water service revenues (net of allowance \$58,116 and \$25,847)	\$ 35,470,951	\$ 35,624,119	\$ (153,168)	-0.43%
Wastewater service revenue	11,056,236	10,465,832	590,404	5.64%
Other revenues	1,384,648	980,838	403,810	41.17%
Total operating revenues	<u>47,911,835</u>	<u>47,070,789</u>	<u>841,046</u>	1.79%
Expenses				
Operating:				
Water operations	15,385,571	14,412,567	973,004	6.75%
Wastewater operations	5,684,746	5,554,500	130,246	2.34%
Administrative and general:				
Water administrative and general	4,052,592	3,708,231	344,361	9.29%
Wastewater administrative and general	1,372,016	1,897,719	(525,703)	-27.70%
Depreciation				
Water depreciation	8,810,103	8,430,369	379,734	4.50%
Wastewater depreciation	5,328,029	5,162,960	165,069	3.20%
Total operating expenses	<u>40,633,057</u>	<u>39,166,346</u>	<u>1,466,711</u>	3.74%
Non-operating revenue (expense):				
Water non-operating expenses	(3,444,112)	(4,791,627)	1,347,515	-28.12%
Wastewater non-operating expenses	373,918	(1,088,419)	1,462,337	-134.35%
Total Non-operating expenses	<u>(3,070,194)</u>	<u>(5,880,046)</u>	<u>2,809,852</u>	-47.79%
Total expenses	<u>43,703,251</u>	<u>45,046,392</u>	<u>(1,343,141)</u>	-2.98%
Capital contributions	<u>2,551,092</u>	<u>3,967,419</u>	<u>(1,416,327)</u>	-35.70%
Change in net position	<u>6,759,676</u>	<u>5,991,816</u>	<u>767,860</u>	12.82%
Total net position - beginning	<u>190,526,867</u>	<u>184,535,051</u>	<u>5,991,816</u>	3.25%
Total net position - ending	<u>\$ 197,286,543</u>	<u>\$ 190,526,867</u>	<u>\$ 6,759,676</u>	3.55%

MANAGEMENT'S DISCUSSION AND ANALYSIS

Table 2B

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	December 31, 2022	December 31, 2021	Increase (Decrease)	
			\$	%
Revenues				
Water service revenues (Net of allowance \$23,917 and \$20,304)	\$ 35,624,119	\$ 31,962,718	\$ 3,661,401	11.46%
Wastewater service revenue	10,465,832	10,154,164	311,668	3.07%
Other revenues	980,838	1,128,202	(147,364)	-13.06%
Total Operating Revenues	<u>47,070,789</u>	<u>43,245,084</u>	<u>3,825,705</u>	8.85%
Expenses				
Operating:				
Water operations	14,412,567	11,650,508	2,762,059	23.71%
Wastewater operations	5,554,500	5,000,042	554,458	11.09%
Administrative and general:				
Water administrative and general	3,708,231	3,548,396	159,835	4.50%
Wastewater administrative and general	1,897,719	1,687,539	210,180	12.45%
Depreciation				
Water depreciation	8,430,369	8,144,795	285,574	3.51%
Wastewater depreciation	5,162,960	4,827,112	335,848	6.96%
Total operating expenses	<u>39,166,346</u>	<u>34,858,392</u>	<u>4,307,954</u>	12.36%
Non-operating revenue (expense):				
Water non operating expenses	(4,791,627)	(3,720,694)	(1,070,933)	28.78%
Wastewater non-operating expenses	(1,088,419)	820,560	(1,908,979)	-232.64%
Total Non-operating expenses	<u>(5,880,046)</u>	<u>(2,900,134)</u>	<u>(2,979,912)</u>	102.75%
Total expenses	<u>45,046,392</u>	<u>37,758,526</u>	<u>7,287,866</u>	19.30%
Capital contributions	<u>3,967,419</u>	<u>1,710,093</u>	<u>2,257,326</u>	132.00%
Change in net position	5,991,816	7,196,651	(1,204,835)	-16.74%
Total net position - beginning	<u>184,535,051</u>	<u>177,338,400</u>	<u>7,196,651</u>	4.06%
Total net position - ending	<u>\$ 190,526,867</u>	<u>\$ 184,535,051</u>	<u>\$ 5,991,816</u>	3.25%

Operating revenues showed a 10.79% increase across the three-year period due primarily to increases in sales. Operating expenses showed a 16.57% increase from 2021 to 2023. The increases in expenses were primarily due to the following:

- Increased water and wastewater operating personnel and personnel related expense.
- Increased depreciation.
- Economic inflation impacting the operational costs of the utility in conjunction with larger sales volumes resulting in higher cost of sales and services.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2023 and 2022 the system had \$330.62 and \$330.36 million (net of accumulated depreciation) invested in a broad range of utility capital assets. This investment includes land, distribution systems and their related equipment, and various types of equipment. Based on the uses of the aforementioned assets, they are classified for financial purposes as land, utility plant and service rights, and construction in progress.

The following tables summarize the District's capital assets, net of accumulated depreciation, and changes therein, for the years ended December 31, 2023 and 2022. These changes are presented in detail in Note 3E to the financial statements.

Table 3A

CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

	December 31, 2023	December 31, 2022	Increase (Decrease)	
			\$	%
Land	\$ 8,809,878	\$ 8,809,878	\$ -	0.00%
Utility plant and service rights	309,978,856	312,197,268	(2,218,412)	-0.71%
Construction in progress	11,827,609	9,356,874	2,470,735	26.41%
Total capital assets	<u>\$ 330,616,343</u>	<u>\$ 330,364,020</u>	<u>\$ 252,323</u>	0.08%

Table 3B

CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

	December 31, 2022	December 31, 2021	Increase (Decrease)	
			\$	%
Land	\$ 8,809,878	\$ 8,809,878	\$ -	0.00%
Utility plant and service rights	312,197,268	302,388,952	9,808,316	3.24%
Construction in progress	9,356,874	9,739,569	(382,695)	-3.93%
Total capital assets	<u>\$ 330,364,020</u>	<u>\$ 320,938,399</u>	<u>\$ 9,425,621</u>	2.94%

The District's ongoing capital improvement plans focus on all aspects of the District. Each year, staff with the assistance of consultants, updates the capital improvement program for the water distribution system, wastewater collection system, and treatment facilities. The plan is updated to ensure assets are properly maintained and can meet the capacity needs of the District's customers.

Beginning in 2023, and continuing for the next three to five years, the water treatment plant will undergo a phased expansion from 62 MGD to 76 MGD. This expansion will include the addition of membrane filters, upgrades and additions at the raw water pump station, construction of an additional pre-treatment unit and the addition of a solids handling forcemain. Some additional improvements at the wastewater plant and the Overall Creek Pump Station at the wastewater plant's headworks will also be undertaken towards the end of the project. Construction scope and pricing is currently being developed.

Over the past six years the District has spent over \$35 million dollars to complete several large transmission lines and two ground storage tank projects. The projects will improve redundancy for critical areas of the system. During 2023 several distribution water lines went under contract for replacement as they reach the end of their useful life. Those projects are underway and should be completed by 2025 for a total cost of \$23 million. Continued focus on replacement of distribution lines

MANAGEMENT'S DISCUSSION AND ANALYSIS

will improve reliability and reduce water loss. Using the American Water Works Association Schedule of Unaccounted Water software and performance indicators, the District calculated an Infrastructure Leakage index of 1.65 in 2023, as compared to 1.36 in 2022.

Approximately \$10 million of improvements have been programmed in upcoming years for continued sewer system basin improvements. The improvements include pump station upgrades, rehabilitation of existing gravity sewer and the construction of additional conveyance lines. These improvements will increase system capacity, and address inflow and infiltration issues, which ultimately will reduce system overflows. The need for the specific projects has been identified through the District's ongoing Wastewater Capacity, Management, Operations and Maintenance Program (CMOM). Ongoing improvements for system overflow are the result of the managed program.

Debt Administration

The District has outstanding bonds and notes payable of \$158.49 million as of December 31, 2023. Principal payments are due in the upcoming fiscal year in the amount of \$6.66 million with interest payments totaling \$6.83 million also due. Details relating to the outstanding debt can be found in Note 3F. With the series of bond refinancing over the past several years, the District saved approximately \$18 million in principal and interest expense over the life of the bonds, and brought all debt up to current, lower costs bond issues.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The District will continue to function under the current operations. Management strives to keep the customer costs as reasonable as possible, while maintaining the District's financial position.

Economic growth in the immediate service area, as well as the general population served by the District continues to be strong. Although the District anticipates continued revenue from tap fees for 2024 based on the number of developments currently being reviewed, for budgeting purposes the District budgets a lower number, typically using less than the 10-year average.

Since 2018 the District has been implementing changes to rate structures that are designed to align rates to the customer classes based on the cost of service studies. Continued review of all rates, fees and charges have driven increases to water and sewer rates since 2019, with a pause during 2020 due to the pandemic. The volumetric and base fees rates were increased by 5% for water and 6% for sewer beginning January 1, 2024 was approved.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any information provided in this report or requests for any additional information should be directed to the Fiscal Officer, General Manager or Assistant General Manager at the mailing address of P.O. Box 210319, Nashville, Tennessee 37221, or by telephone at (615) 352-7076.

HARPETH VALLEY UTILITIES DISTRICT
STATEMENTS OF NET POSITION
December 31, 2023 and 2022

ASSETS	<u>2023</u>	<u>2022</u>
Current assets:		
Cash and cash equivalents	\$ 3,038,285	\$ 2,434,391
Accounts receivable - customer (less allowance of \$55,099 and \$22,314)	1,166,981	868,666
Inventory	2,404,601	1,983,321
Prepaid expenses	763,799	741,961
Total current assets	<u>7,373,666</u>	<u>6,028,339</u>
Restricted assets:		
Cash and cash equivalents	4,324,912	5,072,968
Investments	11,187,544	11,443,865
Accrued interest receivable	144,125	113,014
Total restricted cash accounts	<u>15,656,581</u>	<u>16,629,847</u>
Capital assets:		
Capital assets not being depreciated		
Land and land rights	8,809,878	8,809,878
Construction in progress	11,827,609	9,356,874
Total capital assets not being depreciated	<u>20,637,487</u>	<u>18,166,752</u>
Capital assets being depreciated		
Water and sewer plants	515,028,406	503,326,654
Service area rights purchased from Metropolitan Government	9,415,984	9,415,984
Less accumulated depreciation and amortization	<u>(214,465,534)</u>	<u>(200,545,370)</u>
Total capital assets being depreciated	<u>309,978,856</u>	<u>312,197,268</u>
Total capital assets	<u>330,616,343</u>	<u>330,364,020</u>
Other non-current assets:		
Board designated funds:		
Cash and cash equivalents	18,678,013	19,054,091
Investments	2,161,585	2,112,201
Total Board designated funds	<u>20,839,598</u>	<u>21,166,292</u>
Prepaid interest and insurance cost	277,642	335,085
Total other non-current assets	<u>21,117,240</u>	<u>21,501,377</u>
Total assets	<u>374,763,830</u>	<u>374,523,583</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Pension related	6,079,282	4,633,709
Cash surrender value of life insurance	3,030,191	3,069,029
Net bond reacquisition cost	1,332,351	1,426,144
Total deferred outflows of resources	<u>10,441,824</u>	<u>9,128,882</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 385,205,654</u>	<u>\$ 383,652,465</u>

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

HARPETH VALLEY UTILITIES DISTRICT
STATEMENTS OF NET POSITION
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
LIABILITIES		
Current liabilities (payable from current assets):		
Accounts payable and accrued expenses	\$ 1,083,713	\$ 864,688
Current portion of accrued compensated absences	294,471	302,943
Current portion of bonds and notes payable	<u>626,535</u>	<u>597,748</u>
Total Current liabilities (payable from current assets)	<u>2,004,719</u>	<u>1,765,379</u>
Current liabilities (payable from restricted assets):		
Current portion of long-term debt	6,847,689	6,570,297
Accrued interest expense	<u>2,247,213</u>	<u>2,335,663</u>
Total Current liabilities (payable from restricted assets):	<u>9,094,902</u>	<u>8,905,960</u>
Long-term Debt, Including Obligation to Metropolitan Government	<u>164,361,925</u>	<u>171,836,376</u>
Other Noncurrent liabilities:		
Net pension liability	8,406,712	6,505,274
Accrued compensated absences	883,412	908,830
Customer advances	<u>137,250</u>	<u>134,750</u>
Total noncurrent liabilities	<u>9,427,374</u>	<u>7,548,854</u>
Total Liabilities	<u>184,888,920</u>	<u>190,056,569</u>
DEFERRED INFLOWS OF RESOURCES:		
Retirement plan compensation	<u>3,030,191</u>	<u>3,069,029</u>
Total deferred inflows of resources	<u>3,030,191</u>	<u>3,069,029</u>
Total liabilities and deferred inflows of resources	<u>187,919,111</u>	<u>193,125,598</u>
NET POSITION		
Net investment in capital assets	158,780,194	152,171,702
Restricted for debt service	13,409,368	13,482,081
Unrestricted	<u>25,096,981</u>	<u>24,873,084</u>
Total net position	<u>197,286,543</u>	<u>190,526,867</u>
Total Net Position, Liabilities and Deferred Inflows of Resources	<u>\$ 385,205,654</u>	<u>\$ 383,652,465</u>

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

HARPETH VALLEY UTILITIES DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
December 31, 2023 and 2022

	2023	2022
Operating revenues:		
Sales (net of allowance \$58,116 and \$25,847)	\$ 46,527,187	\$ 46,089,951
Other operating revenue	1,384,648	980,838
Total operating revenues	<u>47,911,835</u>	<u>47,070,789</u>
Operating expenses:		
Plant salaries	5,578,649	5,554,154
Payroll taxes	436,039	431,592
Employee benefits	3,602,561	3,528,372
Repairs and maintenance	1,967,076	2,100,517
Transportation	96,213	84,049
Utilities	4,091,727	4,309,897
Chemical supplies	4,732,534	3,487,733
Miscellaneous	383,553	364,611
Outside services - operating	181,966	106,142
Administrative and general expenses	5,424,608	5,605,950
Provision for depreciation	14,138,132	13,593,329
Total operating expenses	<u>40,633,057</u>	<u>39,166,346</u>
Operating income (loss)	<u>7,278,778</u>	<u>7,904,443</u>
Non-operating revenue (expenses)		
Interest expense	(7,052,759)	(7,402,911)
Interest income	1,790,772	406,511
Capacity fees	1,587,624	647,450
Gain (loss) from disposition of capital assets	(55,015)	(84,964)
Amortization	659,184	553,868
Total non-operating expense	<u>(3,070,194)</u>	<u>(5,880,046)</u>
Income (loss) before capital contributions	<u>4,208,584</u>	<u>2,024,397</u>
Capital contributions	<u>2,551,092</u>	<u>3,967,419</u>
	<u>2,551,092</u>	<u>3,967,419</u>
Change in net position	6,759,676	5,991,816
Total net position - beginning	<u>190,526,867</u>	<u>184,535,051</u>
Total net position - ending	<u>\$ 197,286,543</u>	<u>\$ 190,526,867</u>

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

HARPETH VALLEY UTILITIES DISTRICT
STATEMENTS OF CASH FLOWS
December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Cash received from customers	\$ 47,616,020	\$ 47,555,362
Cash payments to employees	(12,657,030)	(13,839,256)
Cash payments to suppliers	(13,678,851)	(13,932,401)
Net cash provided by (used in) operating activities	<u>21,280,139</u>	<u>19,783,705</u>
Cash flows from investing activities:		
Purchase of certificate of deposits	(11,187,544)	(11,443,865)
Maturity of certificate of deposits	11,443,865	11,743,837
Interest and dividends on investments	1,759,661	312,142
Sales (purchases) of investments	(49,384)	122,792
Decrease (increase) in cash surrender value of life insurance	38,838	938,734
Net cash provided by (used in) investing activities	<u>2,005,436</u>	<u>1,673,640</u>
Cash flows from capital and related financing activities:		
Principal paid on debt	(6,357,852)	(6,379,505)
Interest paid on debt	(7,141,209)	(7,499,990)
Capacity fees	1,587,624	647,450
Capital contributions	2,551,092	3,967,419
Construction and acquisition of plant	(14,445,470)	(23,103,914)
Net cash provided by (used in) financing activities:	<u>(23,805,815)</u>	<u>(32,368,540)</u>
Increase (decrease) in cash and cash equivalents	(520,240)	(10,911,195)
Cash and cash equivalents - beginning	<u>26,561,450</u>	<u>37,472,645</u>
Cash and cash equivalents - ending	<u>26,041,210</u>	<u>26,561,450</u>
Cash and cash equivalents:		
Unrestricted cash and cash equivalents	3,038,285	2,434,391
Restricted cash and cash equivalents	4,324,912	5,072,968
Board designated cash and cash equivalents	18,678,013	19,054,091
Total cash and cash equivalents	<u>\$ 26,041,210</u>	<u>\$ 26,561,450</u>

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

HARPETH VALLEY UTILITIES DISTRICT
STATEMENTS OF CASH FLOWS
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Reconciliation of operating income to net cash provided (used)		
by operating activities:		
Net operating income (loss)	\$ 7,278,778	\$ 7,904,443
Adjustments to reconcile net income to net cash		
provided by operating activities:		
Provision for depreciation	14,138,132	13,593,329
Pension related items	455,865	275,319
(Increase) decrease in current assets:		
Accounts receivable	(298,315)	479,573
Inventory	(421,280)	(253,611)
Prepaid expenses	(21,838)	(147,807)
Increase (decrease) in current liabilities:		
Accounts payable	219,025	(1,105,031)
Accrued vacation	(33,890)	(28,776)
Retirement plan compensation	(38,838)	(938,734)
Customer advances	<u>2,500</u>	<u>5,000</u>
Net cash provided by (used in) operating activities	<u>\$ 21,280,139</u>	<u>\$ 19,783,705</u>

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

HARPETH VALLEY UTILITIES DISTRICT
STATEMENTS OF FIDUCIARY NET POSITION - DEFINED BENEFIT PLAN
July 31, 2023 and 2022

Assets	2023	2022
Mutual funds	\$ 7,678,844	\$ 9,246,105
Annuity	1,605,678	1,606,503
Cash value of insurance	<u>1,270,437</u>	<u>1,477,887</u>
 Net position available for benefits	 10,554,959	 12,330,495
 Liabilities	 <u>-</u>	 <u>-</u>
 Net position restricted for pensions	 <u>\$ 10,554,959</u>	 <u>\$ 12,330,495</u>

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

HARPETH VALLEY UTILITIES DISTRICT
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION - DEFINED BENEFIT PLAN
July 31, 2023 and 2022

Additions		
Contributions	2023	2022
Employer	\$ 1,549,157	\$ 1,508,898
Investment income		
Net depreciation in fair value of investments	503,790	(1,177,148)
Total gain (loss)	503,790	(1,177,148)
Total additions	2,052,947	331,750
Deductions		
Benefit payments	3,828,482	263,416
Total deductions	3,828,482	263,416
Increase (decrease) in fiduciary net position	(1,775,535)	68,334
Net position restricted for pensions		
Beginning of year	12,330,495	12,262,161
End of year	\$ 10,554,960	\$ 12,330,495

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

HARPETH VALLEY UTILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Harpeth Valley Utilities District of Davidson and Williamson Counties, Tennessee (the "District") was incorporated on August 4, 1959 as a public corporation pursuant to the provisions of The Utility District Law of 1937 for the purpose of constructing, operating and maintaining a system for the furnishing of water and wastewater services for the public.

The financial statements of the Harpeth Valley Utilities District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to the governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

The Harpeth Valley Utilities District's financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- The organization is legally separate (can sue and be sued in their own name),
- The District holds the corporate powers of the organization,
- The District appoints a voting majority of the organization's board,
- The District is able to impose its will on the organization,
- The organization has the potential to impose a financial benefit/burden on the District, and
- There is fiscal dependency by the organization on the District.

Based on the aforementioned criteria, the Harpeth Valley Utilities District has no component units.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The District's financial statements proprietary and fiduciary funds are reported using the economic resources measurement focus and the full accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The District's proprietary fund distinguishes operating revenues and expense from non-operating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges for sales to customers for sales and service. Operating expenses for the District include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

HARPETH VALLEY UTILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

Additionally, the government reports the following fiduciary funds:

The defined benefit pension plan which accumulates the resources for pension benefit payments to qualified employees. The pension trust fund reports on a July 31 year end.

C. Assets, Liabilities, and Deferred Outflows/Inflows of Resources and Net Position

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments held by the District are carried at fair market value. Gains or losses on investments disposed of are recorded to non-operating revenues or expenses.

State statutes authorize the District to invest in certificates of deposit, obligations of the U.S. Treasury, agencies and instrumentalities, obligations guaranteed by the U.S. government or its agencies, repurchase agreements and the state's investment pool.

Investments – Fiduciary Fund

The Plan's investments consist of a PNC Institutional Asset Management Portfolio. The Plan also has a Nationwide annuity and cash value of life insurance policies. Mutual funds are stated at fair market value. The annuity is valued at contract value and the insurance policies at cash surrender value.

Payment of Benefits – Fiduciary Plan

Benefits are recorded when the participant has met all of the Plan requirements to receive a benefit. At July 31, 2023 and 2022 no benefits were payable and not paid.

Accounts Receivable

Trade receivables result from unpaid billings for water and wastewater service to customers. All trade receivables are shown net of an allowance for uncollectible accounts. The allowance for uncollectible customer accounts recorded by the District is based on past history of uncollectible accounts and management's analysis of current accounts.

The District does not accrue the unbilled revenue receivable between the dates of the most recent meter readings to the date of the statement of net position.

Inventories and Prepaid Items

All inventories are valued at the lower of average cost or market, using the moving average cost method. The cost of such inventories is recorded as expensed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. The cost of prepaid items is recorded as expenses when consumed rather than when purchased.

Restricted Assets

Certain cash accounts and investments are classified as restricted assets on the statement of net position because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The District's restricted assets consist of cash and cash equivalents,

HARPETH VALLEY UTILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

investments and accrued interest income on funds restricted for debt service and construction. The District elects to use restricted assets before unrestricted assets when the situation arises when either can be used.

Capital Assets

The property, plant, and equipment are stated at original cost including all direct cost of materials and labor during the construction period. All donated material is stated at the current fair market value.

The costs of replacements, normal maintenance, and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. Property, plant, and equipment of the District are depreciated using the straight-line method over the following useful lives:

Line rights	7 - 40 years
Water treatment rights	40 years
Source of supply plant	40 years
Water and wastewater treatment plants	13 - 50 years
Pumping plants	13 - 50 years
Transmission, distribution, and collection plants	16 - 50 years
General plant	6 - 50 years

Depreciation is calculated using either the unit or group method. The unit method is used for tanks, pumps and other specifically identifiable assets. The group method is used for most other depreciable assets. Gains or losses on sales or disposals of assets depreciated using the unit method, which are identifiable, are included in the operating results. When assets accounted for using the group method are disposed of, the cost of removal or proceeds from disposal of such are charged, or credited, to the allowance for depreciation and amortization.

The carrying value of long-lived assets held and used are reviewed whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. For purpose of evaluating the recoverability of long-lived assets, the recoverability test is performed using undiscounted net cash flows before consideration of interest expense. Should the sum of the expected future net cash flows are less than the carrying value of the asset being evaluated, an impairment loss would be recognized. The evaluation of asset impairment requires the District to make assumptions about future cash flows over the life of the asset being evaluated. Assets to be disposed of are reported at the lower of their carrying amount or fair value less costs to sell and are no longer depreciated.

The District's policy is to capitalize assets with a historical cost of \$2,000 or more. Service area rights purchased from Metropolitan Government are amortized using the straight-line method over the term of the agreement (30 years).

HARPETH VALLEY UTILITIES DISTRICT NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

Accrued Absences

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits in conformity with GASB Statement No. 16, *Accounting for Compensated Absences*. The District accrues vacation and sick pay benefits as earned by its employees. The liability was \$1.18 million and \$1.21 million at December 31, 2023 and 2022.

Long-term Obligations

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Actual results from applying the straight-line method are not materially different from those that would result from the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. The District will continue to report bond cost as an asset and amortize those over the life of the bonds instead of expensing those costs in the current year in accordance with certain provisions included in GASB Statement No. 62 – *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This regulatory option as part of GASB Statement No. 65 is available due to the above-mentioned cost being used for rate setting by the utility.

Fair Value Measurements

Assets and liabilities recorded at fair value in the statement of net position are categorized based on the level of judgment associated with the inputs used to measure their fair value. Level inputs, as defined by ASC 820, Fair Value Measurements, are as follows:

Level 1 -Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

Level 2 - Inputs include quoted prices for similar assets and liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.

Level 3 - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

HARPETH VALLEY UTILITIES DISTRICT NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

Customer Advances

Customer advances are monies that are received from customers, in advance of construction. These monies are either 100% refundable, partially refundable, or are to be recorded to revenue by the District at a later date. Changes in customer advances are presented below:

	2023	2022
Customer advances at beginning of year	\$ 134,750	\$ 129,750
Advances collected	22,500	20,000
Advances refunded	(20,000)	(15,000)
Customer advances at end of year	<u>\$ 137,250</u>	<u>\$ 134,750</u>

Capital Contributions

Contributed utility plant is recorded in accordance with the provisions of GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions* and GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis' for State and Local Governments*. These statements require that capital contributions be recorded in the statement of revenue, expenses and changes in net position as a separate line item after non-operating revenues and expenses, rather than as direct additions to contributed capital, as under previous standards.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The District has three items that qualify for this form of reporting - deferred outflows related to pension, cash surrender value of life insurance and unamortized bond reacquisition costs as of December 31, 2023 and 2022.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for this form of reporting - the retirement plan compensation as of December 31, 2023 and 2022 discussed in Note 4D.

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. It is the Districts policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

HARPETH VALLEY UTILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

Net Position

Equity is classified as net position and displayed in the following three components:

- Net investment in capital assets - Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds that are attributable to the acquisition, construction, or improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination.
- Restricted for debt service – Consists of restricted cash and investments.
- Unrestricted - All other net position that do not meet the description of the above categories.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's participation in the Pension Plan, and additions to/deductions from the District's fiduciary net position have been determined on the same basis as they are reported by the Pension Plan. For this purpose, benefits are recognized when due and payable in accordance with the benefit terms of the Pension Plan. Investments are reported at fair value.

D. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent amounts and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from the estimates that were used.

E. Impacts of Recently Issued Accounting Pronouncements

In May of 2020, the Governmental Accounting Standards Board issued GASB Statement No. 96 related to Subscription-Based Information Technology Arrangements. This Statement improves accounting and financial reporting by state and local governments for SBITAs and is effective for fiscal years beginning after June 15, 2022. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain SBITA assets and liabilities for SBITA that previously were recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for SBITA accounting based on the foundational principle that SBITA are financings of the right to use an underlying subscription based asset. This implementation resulted in no impact on the current year or prior year financial statements.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

The fiscal year 2024 budget was approved unanimously at the December 2023 Board meeting. The budget is not legally adopted but only used as a management tool.

HARPETH VALLEY UTILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS
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NOTE 3 – DETAILED NOTES

A. Deposits and Investments

Custodial Credit Risk

The District's policies limit deposits and investments to those instruments allowed by applicable state laws and described in Note 1. State statute required that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the District's agent in the District's name, or by the Federal Reserve Banks acting as third-party agents. State statutes also authorize the District to invest in bonds, notes or treasury bills of the United States, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, and the state pooled investment fund. Statutes also require that securities underlying repurchase agreements must have a market value at least equal to the amount of funds invested in the repurchase transaction. As of December 31, 2023 and 2022, all bank deposits were fully collateralized or insured.

Investments

All certificates of deposit are either fully insured by the Federal Deposit Insurance Corporation or fully collateralized through the State of Tennessee collateral pool. All U.S. Treasury bills and notes and Federal Home Loan Bank notes are guaranteed by the Federal government.

The District's investments at December 31, 2023 and 2022 consist of the following:

	2023	2022
Certificates of deposit and treasury bills	\$ 11,187,544	\$ 11,443,865
Investments	2,161,585	2,112,201
Total	<u>\$ 13,349,129</u>	<u>\$ 13,556,066</u>

At December 31, 2023, the future maturities of the District's investments are as follows:

Type of Investment	Carrying Amount	Maturity Fiscal 2024
Certificates of deposit and treasury bills	\$ 11,187,544	\$ 11,187,544
Investments	2,161,585	2,161,585
Total	<u>\$ 13,349,129</u>	<u>\$ 13,349,129</u>

Details of the District's classifications of the funds required by the Bond Indenture and Board designated categories are described below.

HARPETH VALLEY UTILITIES DISTRICT

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	December 31, 2023		December 31, 2022	
	Cost	Market	Cost	Market
Bond Payment Funds:				
Bond Payment Funds				
Certificates of deposit and treasury bills	\$ 4,324,912	\$ 4,324,912	\$ 5,072,968	\$ 5,072,968
Debt Service Reserve				
Certificates of deposit and treasury bills	11,187,544	11,187,544	11,443,865	11,443,865
Accrued interest receivable	144,125	144,125	113,014	113,014
Total Restricted Assets	<u>\$ 15,656,581</u>	<u>\$ 15,656,581</u>	<u>\$ 16,629,847</u>	<u>\$ 16,629,847</u>
	December 31, 2023		December 31, 2022	
	Cost	Market	Cost	Market
Board Designated Funds:				
Cash and cash equivalents	\$ 18,678,013	\$ 18,678,013	\$ 19,054,091	\$ 19,054,091
Certificates of deposit and treasury bills	-	-	-	-
Investments	2,161,585	2,182,899	2,112,201	2,275,850
Total Board Designated Funds	<u>\$ 20,839,598</u>	<u>\$ 20,860,912</u>	<u>\$ 21,166,292</u>	<u>\$ 21,329,941</u>

Investment policy – fiduciary fund: The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Board of Commissioners by a majority vote of its members. It is the policy of the Board of Commissioners to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The following is the asset allocation as of July 31, 2023 and 2022:

	2023		2022	
	Market Value	Percentage of Total	Market Value	Percentage of Total
Mutual funds	<u>\$ 7,678,844</u>	72.75%	<u>\$ 9,246,105</u>	74.99%

The following investments represent more than 5% of the fiduciary net position and are not issued or explicitly guaranteed by the U.S. government at July 31, 2023:

Fidelity International Index	\$ 946,528
Brandywine Global Corporate	\$ 747,125
Vanguard Large Cap Indx-Adm	\$ 2,098,636
Vanguard Sm-Cap Indx-548	\$ 627,479

The following investments represent more than 5% of the fiduciary net position and are not issued or explicitly guaranteed by the U.S. government at July 31, 2022:

Dodge & Cox Income Fund	\$ 630,144
Fidelity International Index	\$ 989,291
Brandywine Global Corporate	\$ 922,590
Vanguard Large Cap Indx-Adm	\$ 2,188,425
Vanguard Sm-Cap Indx-548	\$ 708,021

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For the year ended July 31, 2023 and 2022, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 4.50 percent and (9.17) percent, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The blended rate of return for the pension plan in 2023 was 15.8%. This return includes the annuity and insurance products held within the plan. The investment rate of return on the pension funds invested in the market was 4.50% for the plan fiscal year ending July 31, 2023.

B. Receivables

Receivables as of the fiscal year end were made up of the following:

	2023	2022	Increase (Decrease)	
			\$	%
Billed service for utility customers	\$ 1,222,080	\$ 890,980	\$ 331,100	37.16%
Less: allowance for doubtful	(55,099)	(22,314)	(32,785)	146.93%
Total	<u>\$ 1,166,981</u>	<u>\$ 868,666</u>	<u>\$ 298,315</u>	34.34%

C. Restricted Assets

Restricted assets as of the fiscal year end were made up of the following:

	2023	2022	Increase (Decrease)	
			\$	%
Cash and equivalents	\$ 4,324,912	\$ 5,072,968	\$ (748,056)	-14.75%
Investments	11,187,544	11,443,865	(256,321)	-2.24%
Accrued interest receivable	144,125	113,014	31,111	27.53%
Total	<u>\$ 15,656,581</u>	<u>\$ 16,629,847</u>	<u>\$ (973,266)</u>	-5.85%

HARPETH VALLEY UTILITIES DISTRICT
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D. Net Position

Net position represents the difference between assets and liabilities and deferred outflows/inflows of resources. The restricted net position amounts were as follows:

	<u>2023</u>	<u>2022</u>
Net investment in capital assets		
Net property, plant and equipment in services	\$ 330,616,343	\$ 330,364,020
Long term debt (including current portion)		
net of unspent construction bond proceeds	<u>(171,836,149)</u>	<u>(178,192,318)</u>
Total net investment in capital assets,		
net of related debt	<u>158,780,194</u>	<u>152,171,702</u>
Net position restricted for capital activity and debt service		
Restricted cash and equivalents	4,324,912	5,072,968
Restricted investments	11,187,544	11,443,865
Accrued interest income on restricted assets	144,125	113,014
Deductions:		
Unspent bond proceeds	-	(812,103)
Accrued interest expense payable from		
restricted assets	<u>(2,247,213)</u>	<u>(2,335,663)</u>
Total net position restricted for capital activity		
and debt service	<u>13,409,368</u>	<u>13,482,081</u>
Unrestricted net position	<u>25,096,981</u>	<u>24,873,084</u>
Total net position	<u>\$ 197,286,543</u>	<u>\$ 190,526,867</u>

Net invested in capital assets represents the utility plant in service that the District has full ownership of through settlement of the debt issued in order to obtain and construct those assets.

Net position restricted for capital activity and debt service represents assets owned by the District that have been restricted by the related bond issues or to be used in servicing the District's debt.

HARPETH VALLEY UTILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

E. Capital Assets

Capital asset activity during the year was as follows:

Description	Balance at December 31, 2022	Additions	Disposals	Balance at December 31, 2023
Capital assets, not being depreciated				
Land and land rights	\$ 8,809,878	\$ -	\$ -	\$ 8,809,878
Construction in progress	9,356,874	7,955,092	(5,484,357)	11,827,609
Total plant, not being depreciated	18,166,752	7,955,092	(5,484,357)	20,637,487
Capital assets, being depreciated				
Water and wastewater plants:				
Line rights	178,750	-	-	178,750
Water treatment rights	181,950	-	-	181,950
Source of supply plant	6,689	-	-	6,689
Water and wastewater treatment plants	177,640,100	1,654,726	-	179,294,826
Pumping plants	29,631,075	865,305	(14,795)	30,481,585
Transmission, distribution, and collection plant	278,637,930	8,570,592	(205,141)	287,003,381
General plant	17,050,160	884,112	(53,047)	17,881,225
Intangible service area rights purchased from Metropolitan Government	9,415,984	-	-	9,415,984
Total plant, being depreciated	512,742,638	11,974,735	(272,983)	524,444,390
Accumulated depreciation	(200,545,370)	(14,138,132)	217,968	(214,465,534)
Total plant, being depreciated, net	312,197,268	(2,163,397)	(55,015)	309,978,856
Net plant	\$ 330,364,020	\$ 5,791,695	\$ (5,539,372)	\$ 330,616,343

HARPETH VALLEY UTILITIES DISTRICT
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Description	Balance at December 31, 2021	Additions	Disposals	Balance at December 31, 2022
Capital assets, not being depreciated				
Land and land rights	\$ 8,809,878	\$ -	\$ -	\$ 8,809,878
Construction in progress	9,739,569	17,332,649	(17,715,344)	9,356,874
Total plant, not being depreciated	18,549,447	17,332,649	(17,715,344)	18,166,752
Capital assets, being depreciated				
Water and wastewater plants:				
Line rights	178,750	-	-	178,750
Water treatment rights	181,950	-	-	181,950
Source of supply plant	6,689	-	-	6,689
Water and wastewater treatment plants	176,376,595	2,765,759	(1,502,254)	177,640,100
Pumping plants	29,330,982	313,322	(13,229)	29,631,075
Transmission, distribution, and collection plant	258,526,287	20,313,380	(201,737)	278,637,930
General plant	17,074,231	94,148	(118,219)	17,050,160
Intangible service area rights purchased from Metropolitan Government	9,415,984	-	-	9,415,984
Total plant, being depreciated	491,091,468	23,486,609	(1,835,439)	512,742,638
Accumulated depreciation	(188,702,516)	(13,593,329)	1,750,475	(200,545,370)
Total plant, being depreciated, net	302,388,952	9,893,280	(84,964)	312,197,268
Net plant	\$ 320,938,399	\$ 27,225,929	\$ (17,800,308)	\$ 330,364,020

Depreciation expense amounted to \$14.14 and \$13.59 million for the fiscal years ended December 31, 2023 and 2022.

F. Long-term Debt

At year end, the District's long-term liabilities consisted of the following:

Utilities Revenue Bond, Series 1997

Purpose

The Series 1997 Bond were issued for the purpose of paying part of the cost of improvements and extensions to its water system.

Description of the Series 1997 Bonds

Principal and interest of \$5,687 is payable monthly until maturity. The interest rate on the unpaid balance is 5.125%. The last payment is due on September 13, 2036. The Series 1997 Bonds may be prepaid at any time.

Utilities Revenue Refunding Bonds, Series 2013

Purpose

The Series 2013 Bonds were issued on May 16, 2013 for the purpose of refunding the District's outstanding Utilities Revenue Improvement Bonds, Series 2004, maturing September 1, 2015

HARPETH VALLEY UTILITIES DISTRICT
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and thereafter and paying certain expenses incurred in connection with the issuance of the Series 2013 Bonds.

The Refunding

In accordance with the Bond resolution, the proceeds from the Series 2013 Bonds, excluding the amounts to pay issuance expenses, were deposited in an escrow fund created pursuant to a Refunding Escrow Agreement dated May 16, 2013 for the purpose of defeasing the Series 2004 Bonds. The escrow agent has purchased direct obligations of the United States of America with the escrowed funds. The principal of and the interest on the governmental securities will be sufficient to provide for payment until maturity or redemption, as applicable, of the principal and interest on the Refunded Bonds. Neither the principal of, nor the interest on, the governmental securities will be available for any purpose other than payment of the Series 2004 Bonds.

The deposit of the government securities to the Escrow Fund constitutes an irrevocable deposit for the benefit of the owners of the Refunded Bonds. The Refunded Bonds have been deemed paid and have ceased to be entitled to any lien, benefit or security. The District's obligations under the Refunded Bonds have been satisfied.

Description of the Series 2013 Bonds

Interest on the Series 2013 Bonds is payable semiannually on each March 1 and September 1 until maturity.

\$10,680,000 Serial Bonds

The Bonds bear interest at the rates and mature on the dates set forth below:

Series 2013 Bonds			
Maturity	Amount	Rate	Price or Yield
September 1, 2024	1,305,000	4.000	2.280
September 1, 2025	1,330,000	4.000	2.400
September 1, 2026	1,385,000	4.000	2.520
September 1, 2027	1,435,000	4.000	2.690
September 1, 2028	1,495,000	4.000	2.780
September 1, 2029	1,830,000	4.000	2.860
September 1, 2030	1,900,000	3.000	3.250
	<u>\$ 10,680,000</u>		

Optional Redemption

The Series 2013 Bonds maturing on or after September 1, 2024, are subject to redemption prior to maturity at the option of the District on or after September 1, 2023, in whole or in part at any time at par, plus accrued interest to the date of redemption. Bond not yet redeemed at December 31, 2023.

If less than all the Bonds shall be called for redemption, the maturities to be redeemed shall be determined by the Governing Body in its discretion.

\$8,315,000 4.00% Term Bonds due September 1, 2024, Priced to Yield 2.280%

Mandatory Redemption (3.00% Term Bonds)

HARPETH VALLEY UTILITIES DISTRICT
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The Series 2013 Bonds maturing September 1, 2034 are subject to mandatory redemption on the dates and in the amounts set forth below. The Term Bonds to be redeemed will be selected by the Registration Agent and will be redeemed at a redemption price equal to 100% of the principal amount, plus interest to the redemption date.

Series 2013 Bonds		
Maturity	Date of Redemption	Amount
September 1, 2034	September 1, 2031	\$ 1,960,000
	September 1, 2032	2,035,000
	September 1, 2033	2,120,000
	September 1, 2034	2,200,000
		<u>\$ 8,315,000</u>

The mandatory redemptions are shown as principal reductions during the year of required redemption.

Utilities Revenue Bonds, Series 2014

Purpose

The Series 2014 Bonds were issued on May 21, 2014 for the purpose of (i) funding the upgraded water treatment plant, acquire and construct additional improvements and pay capitalized interest during the construction of the improvements and up to six months thereafter; (ii) fund debt service reserve fund to the extent other District funds are not provided therefor; and (iii) pay the cost of issuing the Series 2014 Bonds.

Description of the Series 2014 Bonds

Interest on the Series 2014 Bonds is payable semiannually on each March 1 and September 1 until maturity.

\$8,650,000 Serial Bonds

The Serial Bonds bear interest at the rates and mature on the dates set forth below:

Series 2014 Bonds			
Maturity	Amount	Rate	Price or Yield
September 1, 2024	275,000	3.000	2.530
September 1, 2029	960,000	5.000	3.140
September 1, 2030	1,010,000	5.000	3.220
September 1, 2031	1,065,000	5.000	3.300
September 1, 2032	1,125,000	5.000	3.380
September 1, 2033	1,175,000	5.000	3.450
September 1, 2034	1,230,000	5.000	3.510
September 1, 2039	1,810,000	4.000	4.120
	<u>\$ 8,650,000</u>		

HARPETH VALLEY UTILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

Optional Redemption

The Series 2014 Bonds maturing on or after September 1, 2025, are subject to redemption prior to maturity at the option of the District on or after September 1, 2024, in whole or in part at any time at par, plus accrued interest to the date of redemption.

If less than all the Bonds shall be called for redemption, the maturities to be redeemed shall be determined by the Governing Body in its discretion.

\$1,200,000 4.00% Term Bonds due September 1, 2028, Priced to Yield 3.250%

Mandatory Redemption (4.00% Term Bonds)

The Series 2014 Bonds maturing September 1, 2028 are subject to mandatory redemption on the dates and in the amounts set forth below. The Term Bonds to be redeemed will be selected by the Registration Agent and will be redeemed at a redemption price equal to 100% of the principal amount, plus interest to the redemption date.

Series 2014 Bonds		
Maturity	Date of Redemption	Amount
September 1, 2028	September 1, 2025	\$ 280,000
	September 1, 2026	290,000
	September 1, 2027	305,000
	September 1, 2028	325,000
		<u>\$ 1,200,000</u>

The mandatory redemptions are shown as principal reductions during the year of required redemption.

\$6,490,000 4.50% Term Bonds due September 1, 2038, Priced to Yield 4.000%

Mandatory Redemption (4.50% Term Bonds)

The Series 2014 Bonds maturing September 1, 2038 are subject to mandatory redemption on the dates and in the amounts set forth below. The Term Bonds to be redeemed will be selected by the Registration Agent and will be redeemed at a redemption price equal to 100% of the principal amount, plus interest to the redemption date.

Series 2014 Bonds		
Maturity	Date of Redemption	Amount
September 1, 2038	September 1, 2035	\$ 1,520,000
	September 1, 2036	1,585,000
	September 1, 2037	1,655,000
	September 1, 2038	1,730,000
		<u>\$ 6,490,000</u>

The mandatory redemptions are shown as principal reductions during the year of required redemption.

\$10,400,000 5.00% Term Bonds due September 1, 2044, Priced to Yield 3.770%

Mandatory Redemption (5.00% Term Bonds)

HARPETH VALLEY UTILITIES DISTRICT NOTES TO FINANCIAL STATEMENTS

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The Series 2014 Bonds maturing September 1, 2044 are subject to mandatory redemption on the dates and in the amounts set forth below. The Term Bonds to be redeemed will be selected by the Registration Agent and will be redeemed at a redemption price equal to 100% of the principal amount, plus interest to the redemption date.

Series 2014 Bonds		
Maturity	Date of Redemption	Amount
September 1, 2044	September 1, 2040	\$ 1,880,000
	September 1, 2041	1,975,000
	September 1, 2042	2,075,000
	September 1, 2043	2,180,000
	September 1, 2044	2,290,000
		<u>\$ 10,400,000</u>

The mandatory redemptions are shown as principal reductions during the year of required redemption.

Utilities Revenue Refunding Bonds, Series 2015

Purpose

The Series 2015 Bonds were issued on June 10, 2015 for the purpose of refunding the District's outstanding Utilities Revenue Refunding Bonds, Series 2005, maturing September 1, 2018 and thereafter and Utilities Revenue Refunding Bonds, Series 2005A, maturing September 1, 2016 and thereafter, and to pay the cost of issuing Series 2015 Bonds.

The Refunding

In accordance with the Bond resolution, the proceeds from the Series 2015 Bonds, excluding the amounts to pay issuance expenses, were deposited in an escrow fund created pursuant to a Refunding Escrow Agreement dated June 10, 2013 for the purpose of defeasing the Series 2005 and 2005A Bonds. The escrow agent has purchased direct obligations of the United States of America with the escrowed funds. The principal of and the interest on the governmental securities will be sufficient to provide for payment until maturity or redemption, as applicable, of the principal and interest on the Refunded Bonds. Neither the principal of, nor the interest on, the governmental securities will be available for any purpose other than payment of the Series 2005 and 2005A Bonds.

The deposit of the government securities to the Escrow Fund constitutes an irrevocable deposit for the benefit of the owners of the Refunded Bonds. The Refunded Bonds have been deemed paid and have ceased to be entitled to any lien, benefit or security. The District's obligations under the Refunded Bonds have been satisfied.

Description of the Series 2015 Bonds

Interest on the Series 2015 Bonds is payable semiannually on each March 1 and September 1 until maturity.

\$6,865,000 Serial Bonds

The Bonds bear interest at the rates and mature on the dates set forth below:

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Series 2015 Bonds			
Maturity	Amount	Rate	Price or
			Yield
September 1, 2024	180,000	3.000	2.470
September 1, 2024	3,170,000	5.000	2.470
September 1, 2025	1,915,000	3.250	2.580
September 1, 2025	1,600,000	5.000	2.580
	<u>\$ 6,865,000</u>		

Optional Redemption

The Series 2015 Bonds maturing on or after September 1, 2026, are subject to redemption prior to maturity at the option of the District on or after September 1, 2025, in whole or in part at any time at par, plus accrued interest to the date of redemption.

If less than all the Bonds shall be called for redemption, the maturities to be redeemed shall be determined by the Governing Body in its discretion.

\$11,425,000 Term Bonds

The Bonds bear interest at the rates and mature on the dates set forth below:

Series 2015 Bonds			
Maturity	Amount	Rate	Price or
			Yield
September 1, 2026	\$ 1,800,000	3.500	2.820
September 1, 2026	1,850,000	5.000	2.710
September 1, 2027	3,810,000	4.000	2.970
September 1, 2028	3,965,000	4.000	3.140
	<u>\$ 11,425,000</u>		

Utilities Revenue Refunding Bonds, Series 2016

Purpose

The Series 2016 Bonds were issued on January 27, 2016 for the purpose of refunding the District's outstanding Utilities Revenue Refunding Bonds, Series 2007, maturing September 1, 2018 and thereafter and to pay the cost of issuing Series 2016 Bonds.

The Refunding

In accordance with the Bond resolution, the proceeds from the Series 2016 Bonds, excluding the amounts to pay issuance expenses, were deposited in an escrow fund created pursuant to a Refunding Escrow Agreement dated January 19, 2016 for the purpose of advance refunding the Series 2007 Bonds. The escrow agent has purchased direct obligations of the United States of America with the escrowed funds. The principal of and the interest on the governmental securities will be sufficient to provide for payment until maturity or redemption, as applicable, of the principal and interest on the Refunded Bonds. Neither the principal of, nor the interest on, the governmental securities will be available for any purpose other than payment of the Series 2007 Bonds.

The deposit of the government securities to the Escrow Fund constitutes an irrevocable deposit for the benefit of the owners of the Refunded Bonds. The Refunded Bonds have been deemed

HARPETH VALLEY UTILITIES DISTRICT
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paid and have ceased to be entitled to any lien, benefit or security. The District's obligations under the Refunded Bonds have been satisfied.

Description of the Series 2016 Bonds

Interest on the Series 2016 Bonds is payable semiannually on each March 1 and September 1 until maturity.

\$5,865,000 Serial Bonds

The Bonds bear interest at the rates and mature on the dates set forth below:

Series 2016 Bonds			
Maturity	Amount	Rate	Price or Yield
September 1, 2024	455,000	4.000	1.740
September 1, 2025	500,000	3.000	1.870
September 1, 2026	520,000	4.000	2.020
September 1, 2027	540,000	4.000	2.310
September 1, 2028	555,000	4.000	2.440
September 1, 2035	1,545,000	3.000	3.230
September 1, 2038	1,750,000	3.250	3.400
	<u>\$ 5,865,000</u>		

\$2,445,000 4.00% Term Bonds due September 1, 2030, Priced to Yield 2.620%

Mandatory Redemption (4.00% Term Bonds)

The Series 2016 Bonds maturing September 1, 2030 are subject to mandatory redemption on the dates and in the amounts set forth below. The Term Bonds to be redeemed will be selected by the Registration Agent and will be redeemed at a redemption price equal to 100% of the principal amount, plus interest to the redemption date.

Series 2016 Bonds		
Term Bonds		
Maturity	Date of Redemption	Amount
September 1, 2030	September 1, 2029	\$ 1,200,000
	September 1, 2030	<u>1,245,000</u>
		<u>\$ 2,445,000</u>

\$2,640,000 4.00% Term Bonds due September 1, 2032, Priced to Yield 2.810%

Mandatory Redemption (4.00% Term Bonds)

The Series 2016 Bonds maturing September 1, 2032 are subject to mandatory redemption on the dates and in the amounts set forth below. The Term Bonds to be redeemed will be selected by the Registration Agent and will be redeemed at a redemption price equal to 100% of the principal amount, plus interest to the redemption date.

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Series 2016 Bonds		
Term Bonds		
Maturity	Date of Redemption	Amount
September 1, 2032	September 1, 2031	\$ 1,295,000
	September 1, 2032	1,345,000
		<u>\$ 2,640,000</u>

\$2,870,000 5.00% Term Bonds due September 1, 2034, Priced to Yield 2.610%

Mandatory Redemption (5.00% Term Bonds)

The Series 2016 Bonds maturing September 1, 2034 are subject to mandatory redemption on the dates and in the amounts set forth below. The Term Bonds to be redeemed will be selected by the Registration Agent and will be redeemed at a redemption price equal to 100% of the principal amount, plus interest to the redemption date.

Series 2016 Bonds		
Term Bonds		
Maturity	Date of Redemption	Amount
September 1, 2034	September 1, 2033	\$ 1,400,000
	September 1, 2034	1,470,000
		<u>\$ 2,870,000</u>

\$3,250,000 5.00% Term Bonds due September 1, 2037, Priced to Yield 2.760%

Mandatory Redemption (5.00% Term Bonds)

The Series 2016 Bonds maturing September 1, 2037 are subject to mandatory redemption on the dates and in the amounts set forth below. The Term Bonds to be redeemed will be selected by the Registration Agent and will be redeemed at a redemption price equal to 100% of the principal amount, plus interest to the redemption date.

Series 2016 Bonds		
Term Bonds		
Maturity	Date of Redemption	Amount
September 1, 2037	September 1, 2036	\$ 1,585,000
	September 1, 2037	1,665,000
		<u>\$ 3,250,000</u>

\$7,785,000 5.00% Term Bonds due September 1, 2042, Priced to Yield 2.910%

Mandatory Redemption (5.00% Term Bonds)

The Series 2016 Bonds maturing September 1, 2042 are subject to mandatory redemption on the dates and in the amounts set forth below. The Term Bonds to be redeemed will be selected by the Registration Agent and will be redeemed at a redemption price equal to 100% of the principal amount, plus interest to the redemption date.

HARPETH VALLEY UTILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS
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Series 2016 Bonds		
Term Bonds		
Maturity	Date of Redemption	Amount
September 1, 2042	September 1, 2039	\$ 1,805,000
	September 1, 2040	1,895,000
	September 1, 2041	1,995,000
	September 1, 2042	2,090,000
		<u>\$ 7,785,000</u>

Utilities Revenue Bonds, Series 2020

Purpose

The Series 2020 Bonds were issued on February 5, 2020 for the purpose of (i) finance the cost of projects which may include interest on the Series 2020 Bonds during the construction of the improvements and up to six months thereafter; (ii) pay the cost of issuing the Series 2020 Bonds.

Description of the Series 2020 Bonds

Interest on the Series 2020 Bonds is payable semiannually on each March 1 and September 1 until maturity.

\$2,575,000 Serial Bonds

The Serial Bonds bear interest at the rates and mature on the dates set forth below:

Series 2020 Bonds			
Maturity	Amount	Rate	Price or Yield
September 1, 2024	320,000	2.000	1.100
September 1, 2025	325,000	5.000	1.130
September 1, 2026	345,000	5.000	1.210
September 1, 2027	360,000	5.000	1.300
September 1, 2028	375,000	2.000	1.420
September 1, 2029	850,000	5.000	1.510
	<u>\$ 2,575,000</u>		

Optional Redemption

The Series 2020 Bonds maturing on or after September 1, 2031, are subject to redemption prior to maturity at the option of the District on or after September 1, 2031, in whole or in part at any time at par, plus accrued interest to the date of redemption.

If less than all the Bonds shall be called for redemption, the maturities to be redeemed shall be determined by the Governing Body in its discretion.

\$1,805,000 3.00% Term Bonds due September 1, 2031, Priced to Yield 2.000%

Mandatory Redemption (3.00% Term Bonds)

The Series 2020 Bonds maturing September 1, 2031 are subject to mandatory redemption on the dates and in the amounts set forth below. The Term Bonds to be redeemed will be selected by the Registration Agent and will be redeemed at a redemption price equal to 100% of the principal amount, plus interest to the redemption date.

HARPETH VALLEY UTILITIES DISTRICT NOTES TO FINANCIAL STATEMENTS

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Series 2020 Bonds		
Term Bonds		
Maturity	Date of Redemption	Amount
September 1, 2031	September 1, 2030	\$ 890,000
	September 1, 2031	915,000
		<u>\$ 1,805,000</u>

The mandatory redemptions are shown as principal reductions during the year of required redemption.

\$4,005,000 4.00% Term Bonds due September 1, 2035, Priced to Yield 1.950%

Mandatory Redemption (4.00% Term Bonds)

The Series 2020 Bonds maturing September 1, 2035 are subject to mandatory redemption on the dates and in the amounts set forth below. The Term Bonds to be redeemed will be selected by the Registration Agent and will be redeemed at a redemption price equal to 100% of the principal amount, plus interest to the redemption date.

Series 2020 Bonds		
Term Bonds		
Maturity	Date of Redemption	Amount
September 1, 2035	September 1, 2032	\$ 945,000
	September 1, 2033	980,000
	September 1, 2034	1,020,000
	September 1, 2035	1,060,000
		<u>\$ 4,005,000</u>

The mandatory redemptions are shown as principal reductions during the year of required redemption.

\$5,975,000 4.00% Term Bonds due September 1, 2040, Priced to Yield 2.160%

Mandatory Redemption (4.00% Term Bonds)

The Series 2020 Bonds maturing September 1, 2040 are subject to mandatory redemption on the dates and in the amounts set forth below. The Term Bonds to be redeemed will be selected by the Registration Agent and will be redeemed at a redemption price equal to 100% of the principal amount, plus interest to the redemption date.

Series 2020 Bonds		
Term Bonds		
Maturity	Date of Redemption	Amount
September 1, 2040	September 1, 2036	\$ 1,105,000
	September 1, 2037	1,145,000
	September 1, 2038	1,195,000
	September 1, 2039	1,240,000
	September 1, 2040	1,290,000
		<u>\$ 5,975,000</u>

HARPETH VALLEY UTILITIES DISTRICT
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The mandatory redemptions are shown as principal reductions during the year of required redemption.

\$7,265,000 4.00% Term Bonds due September 1, 2045, Priced to Yield 2.350%

Mandatory Redemption (4.00% Term Bonds)

The Series 2020 Bonds maturing September 1, 2045 are subject to mandatory redemption on the dates and in the amounts set forth below. The Term Bonds to be redeemed will be selected by the Registration Agent and will be redeemed at a redemption price equal to 100% of the principal amount, plus interest to the redemption date.

Series 2020 Bonds		
Term Bonds		
Maturity	Date of Redemption	Amount
September 1, 2045	September 1, 2041	\$ 1,340,000
	September 1, 2042	1,395,000
	September 1, 2043	1,450,000
	September 1, 2044	1,510,000
	September 1, 2045	<u>1,570,000</u>
		<u>\$ 7,265,000</u>

The mandatory redemptions are shown as principal reductions during the year of required redemption.

\$8,845,000 4.00% Term Bonds due September 1, 2050, Priced to Yield 2.450%

Mandatory Redemption (4.00% Term Bonds)

The Series 2020 Bonds maturing September 1, 2050 are subject to mandatory redemption on the dates and in the amounts set forth below. The Term Bonds to be redeemed will be selected by the Registration Agent and will be redeemed at a redemption price equal to 100% of the principal amount, plus interest to the redemption date.

Series 2020 Bonds		
Term Bonds		
Maturity	Date of Redemption	Amount
September 1, 2050	September 1, 2046	\$ 1,635,000
	September 1, 2047	1,700,000
	September 1, 2048	1,765,000
	September 1, 2049	1,835,000
	September 1, 2050	<u>1,910,000</u>
		<u>\$ 8,845,000</u>

The mandatory redemptions are shown as principal reductions during the year of required redemption.

Utilities Revenue Refunding Bonds, Series 2022

Purpose

The Series 2022 Bonds were issued on June 22, 2022 for the purpose of refunding the District's outstanding Utilities Revenue Refunding Bonds, Series 2012a, maturing September 1, 2030 and thereafter and to pay the cost of issuing Series 2022 Bonds.

HARPETH VALLEY UTILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS
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The Refunding

In accordance with the Bond resolution, the proceeds from the Series 2022 Bonds, excluding the amounts to pay issuance expenses, were deposited in an escrow fund created pursuant to a Refunding Escrow Agreement dated June 22, 2022 for the purpose of advance refunding the Series 2012a Bonds. The escrow agent has purchased direct obligations of the United States of America with the escrowed funds. The principal of and the interest on the governmental securities will be sufficient to provide for payment until maturity or redemption, as applicable, of the principal and interest on the Refunded Bonds. Neither the principal of, nor the interest on, the governmental securities will be available for any purpose other than payment of the Series 2012a Bonds.

The deposit of the government securities to the Escrow Fund constitutes an irrevocable deposit for the benefit of the owners of the Refunded Bonds. The Refunded Bonds have been deemed paid and have ceased to be entitled to any lien, benefit or security. The District's obligations under the Refunded Bonds have been satisfied.

Description of the Series 2022 Bonds

Interest on the Series 2022 Bonds is payable semiannually on each March 1 and September 1 until maturity.

\$36,990,000 Serial Bonds

The Bonds bear interest at the rates and mature on the dates set forth below:

Series 2022 Bonds			
Maturity	Amount	Rate	Price or Yield
September 1, 2024	245,000	3.000	1.920
September 1, 2025	255,000	3.000	2.040
September 1, 2026	260,000	3.000	2.100
September 1, 2027	265,000	3.000	2.190
September 1, 2028	275,000	3.000	2.320
September 1, 2029	1,845,000	5.000	2.480
September 1, 2030	1,935,000	5.000	2.550
September 1, 2031	2,030,000	5.000	2.620
September 1, 2032	2,135,000	5.000	2.690
September 1, 2033	2,245,000	5.000	2.790
September 1, 2034	2,355,000	5.000	2.830
September 1, 2035	2,470,000	5.000	2.870
September 1, 2036	2,600,000	5.000	2.900
September 1, 2037	2,725,000	4.000	3.220
September 1, 2038	2,835,000	4.000	3.260
September 1, 2039	2,950,000	4.000	3.300
September 1, 2040	3,065,000	4.000	3.340
September 1, 2041	3,185,000	4.000	3.370
September 1, 2042	3,315,000	4.000	3.410
	<u>\$ 36,990,000</u>		

HARPETH VALLEY UTILITIES DISTRICT
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Bond Resolutions

SECURITY FOR THE SERIES 2013, SERIES 2014 SERIES 2015, SERIES 2016, SERIES 2020 AND SERIES 2022 BONDS

The Series 2013, Series 2014, Series 2015, Series 2016 Bonds, Series 2020 and Series 2022 Bonds are payable solely from and secured by a lien upon and pledge of the net revenue of the District's System as set forth pursuant to the provisions of the Bond Resolutions. The Bond Resolutions do not grant to holders of the Series 2013, Series 2014, Series 2015, Series 2016 Bonds, Series 2020 or Series 2022 Bonds any mortgage on or security interest in any real or personal property of the District other than the lien on the net revenue of the District's System and the statutory mortgage lien on said System. The Series 2013, Series 2014, Series 2015, Series 2016 Bonds, Series 2020 and Series 2022 Bonds are on parity with each other.

Obligation to Metropolitan Government (Direct Borrowing)

Under the terms of a settlement agreement related to the annexation of sewer infrastructure with Metropolitan Nashville and Davidson County, the District has an obligation to the Metropolitan Government shown separately from the bonds in this report as notes. The payments are fixed at \$62,500 per month through February 28, 2026. The obligation to Metropolitan Government is non-interest bearing, therefore the District has imputed interest at a rate of 6%.

Summary of Long-Term Debt Outstanding

The annual requirements, by type of issue, to amortize all long-term debt outstanding except accrued annual leave at December 31, 2023, are as follows:

Year Ending	Bonds		Notes (Direct Borrowing)		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
December 31,						
2024	5,986,820	6,761,887	677,207	72,793	6,664,027	6,834,680
2025	6,243,753	6,503,655	718,977	31,023	6,962,730	6,534,678
2026	6,490,786	6,256,084	124,067	932	6,614,853	6,257,016
2027	6,757,925	5,985,594	-	-	6,757,925	5,985,594
2028	7,035,178	5,713,791	-	-	7,035,178	5,713,791
2029-2033	36,699,034	24,165,211	-	-	36,699,034	24,165,211
2034-2038	36,606,375	15,797,111	-	-	36,606,375	15,797,111
2039-2043	36,935,000	7,573,750	-	-	36,935,000	7,573,750
2044-2048	10,470,000	1,870,700	-	-	10,470,000	1,870,700
2049-2050	3,745,000	226,200	-	-	3,745,000	226,200
	<u>\$ 156,969,871</u>	<u>\$ 80,853,983</u>	<u>\$ 1,520,251</u>	<u>\$ 104,748</u>	<u>\$ 158,490,122</u>	<u>\$ 80,958,731</u>

Debt expense associated with the above bond issues was recorded as other assets and is being amortized on a straight-line basis over the life of the issue.

The District complied with all significant debt covenants and restrictions as set forth in the bond agreements.

All notes and bonds of the Utility are secured by the revenues and receipts of the water and sewer system.

HARPETH VALLEY UTILITIES DISTRICT
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In the event of default of direct borrowing, the lender can exercise one or more of the following options: (1) Make all or any of the outstanding notes payable balance immediately due and accrued interest at highest post maturity interest rate, (2) Use any remedy allowed by state or federal law.

There are no unused lines of credit for the Utility at December 31, 2023.

Long-term liability activity for the year ended December 31, 2023 and 2022, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
2023					
Bonds Payable	\$ 162,689,855	\$ -	\$ 5,719,984	\$ 156,969,871	\$ 5,986,820
Obligation to Metro Nashville	2,158,116	-	637,865	1,520,251	677,207
Unamortized Premium/(Discount)	16,354,960	-	1,052,517	15,302,443	1,052,291
Deferred Loss on Refunding	(2,198,510)	-	(242,094)	(1,956,416)	(242,094)
	<u>\$ 179,004,421</u>	<u>\$ -</u>	<u>\$ 7,168,272</u>	<u>\$ 171,836,149</u>	<u>\$ 7,474,224</u>
Compensated Absences	<u>\$ 1,211,773</u>	<u>\$ (33,890)</u>	<u>\$ -</u>	<u>\$ 1,177,883</u>	<u>\$ 294,471</u>
2022					
Bonds Payable	\$ 172,313,095	\$ 37,230,000	\$ 46,853,240	\$ 162,689,855	\$ 5,719,984
Obligation to Metro Nashville	2,758,924	-	600,808	2,158,116	637,865
Unamortized Premium/(Discount)	14,048,691	4,410,501	2,104,232	16,354,960	1,052,290
Deferred Loss on Refunding	(3,094,074)	787,592	(107,972)	(2,198,510)	(242,094)
	<u>\$ 186,026,636</u>	<u>\$ 42,428,093</u>	<u>\$ 49,450,308</u>	<u>\$ 179,004,421</u>	<u>\$ 7,168,045</u>
Compensated Absences	<u>\$ 1,240,549</u>	<u>\$ (28,776)</u>	<u>\$ -</u>	<u>\$ 1,211,773</u>	<u>\$ 302,943</u>

NOTE 4 – OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During the year ended December 31, 2022, the District purchased commercial insurance for all the above risks. Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in the amount of coverage provided.

B. Subsequent Events

Management has evaluated subsequent events through March 26, 2024, the date in which the financial statements were available to be issued.

C. Defined Benefit Plan

General information: The Retirement Plan Committee accounts for the activity of the Harpeth Valley Utilities District Defined Benefit Plan. The Plan is a single employer public employee retirement System (PERS) with the investment held by PNC Bank, and investments managed by RW Baird. Future Plan by Ascensus is the plans third party administrator, with the district being the plan

HARPETH VALLEY UTILITIES DISTRICT NOTES TO FINANCIAL STATEMENTS

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administrator of record. All employees of the Harpeth Valley Utilities District participate as of August 1st following their date of hire or reaching age 20.5.

Benefits Provided: The Plan provides retirement benefits. Retirement benefits vest at a rate of 20% per year beginning with one year of service. Employees may retire after age 55 and the completion of 10 years of service with a reduction for early commencement.

Normal retirement benefit: The amount of retirement benefit to be provided for each Participant who retires on the Participant's Normal Retirement Date shall be 2.15% per year of future service times compensation plus 2% per year of past service times compensation. Past service is prior to August 1, 1990. Compensation is defined as the highest five consecutive year average salary over all service.

Pre-retirement death benefit: The pre-retirement death benefit is a lump sum payable on the death of a participant and is 100 times the normal retirement benefit.

Early or late retirement benefit: The benefit is actuarially reduced for each year by which retirement age proceeds normal retirement age, or if retirement is after normal retirement, the benefit is the greater of the in-service benefit as of the retirement date and the normal retirement benefit actuarially increased to the retirement date.

Normal form of retirement income: The normal form of retirement income is a single life annuity with ten years certain. A qualified joint and survivor annuity are the required standard option.

Contributions: Harpeth Valley Utilities District is required to contribute the amounts necessary to fund the Plan, as determined by the actuary. For the year ended July 31, 2023 and 2022, the employee contribution rate was 0.00%. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The District's contribution rate and required contribution for the year ended July 31, 2023 and 2022 were 23.40% and \$1,338,672, and 21.43% and \$1,244,819, respectively. Actual contributions for the years ended equaled \$1,549,157 and \$1,508,898.

At July 31, 2023 and 2022 membership consisted of:

	<u>2023</u>	<u>2022</u>
Active	84	89
Retired	6	5
Prior Terminated	11	11
Total	<u>101</u>	<u>105</u>

Funded status and funding progress: As of July 31, 2023, and 2022 the actuarial accrued liability for benefits was \$18,963,435 and \$18,835,770 and the net pension liability was \$8,406,712 and \$6,505,274. Total covered payroll was \$6,620,377 and \$7,040,401 and the ratio of net pension liability to covered payroll was 126.98% and 92.40%

Net pension liability: The components of the net pension liability of the Harpeth Valley Utilities District Defined Benefit Plan at July 31, 2023 and 2022 were as follows:

HARPETH VALLEY UTILITIES DISTRICT NOTES TO FINANCIAL STATEMENTS

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	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 7/31/2022	\$ 18,835,770	\$ 12,330,496	\$ 6,505,274
Changes for the year:			
Service cost	648,779	-	648,779
Interest	1,274,045	-	1,274,045
Differences between expected and actual experience	1,781,806	-	1,781,806
Contributions - employer	-	1,549,157	(1,549,157)
Contributions - employee	-	-	-
Net investment income	-	500,090	(500,090)
Benefit payments, including refunds of employee contributions	(3,823,020)	(3,823,020)	-
Administrative expense	246,055	-	246,055
Change in assumptions	-	-	-
Net changes	127,665	(1,773,773)	1,901,438
Balances at 7/31/2023	<u>\$ 18,963,435</u>	<u>\$ 10,556,723</u>	<u>\$ 8,406,712</u>

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 7/31/2021	\$ 16,632,119	\$ 12,262,161	\$ 4,369,958
Changes for the year:			
Service cost	697,949	-	697,949
Interest	1,247,205	-	1,247,205
Differences between expected and actual experience	512,988	-	512,988
Contributions - employer	-	1,508,898	(1,508,898)
Contributions - employee	-	-	-
Net investment income	-	(1,186,072)	1,186,072
Benefit payments, including refunds of employee contributions	(254,491)	(254,491)	-
Administrative expense	-	-	-
Change in assumptions	-	-	-
Net changes	2,203,651	68,335	2,135,316
Balances at 7/31/2022	<u>\$ 18,835,770</u>	<u>\$ 12,330,496</u>	<u>\$ 6,505,274</u>

Sensitivity of the net pension liability to changes in the discount rate: The following presents the net pension liability calculated using the discount of 7.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

HARPETH VALLEY UTILITIES DISTRICT NOTES TO FINANCIAL STATEMENTS

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<u>2023</u>	1% Decrease (6.25 %)	Current Rate (7.25 %)	1% Increase (8.25 %)
Net pension liability	\$ 9,812,432	\$ 8,406,712	\$ 7,137,536

(Dollar amounts in thousands)

<u>2022</u>	1% Decrease (6.25 %)	Current Rate (7.25 %)	1% Increase (8.25 %)
Net pension liability	\$ 9,205,655	\$ 6,505,274	\$ 4,238,659

(Dollar amounts in thousands)

Net Pension Liability: The System's net pension liability was measured as of July 31, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability in the August 1, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method:	Entry Age Normal % Salary
Asset Method	5 year smoothing of asset gains and losses.
Interest Rates	7.25%, net of investment expenses
Annual Pay increases	2.50%, compounded annually
Ad-hoc Cost-of-living increases	N/A
Mortality Rates	PubG-2010 Amount-Weighted Mortality Tables, projected generationally with scale MP-2021 applied from 2010
Retirement Rates	All active and terminated vested participants are assumed to retire at the later of age 65 and attained age
Termination Rates	Crocker-Sarason-Straight T-1, 2-Year setback for males and females.

The actuarial assumptions used in the August 1, 2023, valuation were based on the results of an actuarial experience study for the period August 1, 2022 through July 31, 2023. The actuarial assumptions used in the August 1, 2022 valuation were based on the results of an actuarial experience study for the period August 1, 2021 through July 31, 2022.

Discount rate: The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employees do not contribute to the plan and that contributions from the employer will be made at contractually required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current

HARPETH VALLEY UTILITIES DISTRICT NOTES TO FINANCIAL STATEMENTS

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active and inactive employees. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Expense, Deferred Outflows of Resources, and Deferred inflows of resources: For the year ended July 31, 2023 and 2022, the District recognized pension expense of \$2,002,091 and \$1,780,384. At July 31, 2023 and 2022 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>2023</u>	<u>Deferred outflows of Resources</u>	<u>Deferred inflows of Resources</u>
Differences between expected and actual experience	3,425,068	-
Changes of assumptions	786,399	-
Net difference between projected and actual earnings on plan investments	1,265,935	-
Pension contributions subsequent to the measurement date	601,880	-
Total	<u>6,079,282</u>	<u>-</u>
	<u>Deferred outflows of Resources</u>	<u>Deferred inflows of Resources</u>
<u>2022</u>		
Differences between expected and actual experience	1,938,174	-
Changes of assumptions	614,959	-
Net difference between projected and actual earnings on plan investments	1,475,764	-
Pension contributions subsequent to the measurement date	604,812	-
Total	<u>4,633,709</u>	<u>-</u>

The amount shown above for "Contributions subsequent to the measurement date of July 31, 2023," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

Year ended, July 31:		
2024	\$	787,273
2025	\$	669,029
2026	\$	855,927
2027	\$	431,814
2028	\$	369,527
Thereafter	\$	2,363,832

Payables to the Harpeth Valley Utilities District Defined Benefit Plan: At July 31, 2023 and 2022, Harpeth Valley Utility District reported a payable of \$0 for the outstanding amount of contributions due to the defined benefit plan for the year.

Risk and Uncertainties

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

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

D. Retirement Plan Compensation

The District has entered into deferred compensation agreements with several key employees totaling \$3,030,191 and \$3,069,029 at December 31, 2023 and 2022. Under the terms of these agreements, death and retirement benefits are funded by life insurance policies to which the District contributes 10% of each key employee's compensation every year. Retirement benefits are payable when the employee reaches age 65, if the employee is still employed by the District. These benefits are limited to ownership of the contract's underlying life insurance policy or the cash value of the policy at the time of the employee's retirement. Death benefits are paid to the employees' beneficiaries in an amount equal to the proceeds of the policy less the cash surrender value, which the District retains. All distributions under the agreements are made in one lump sum payment subsequent to the occurrence of death or reaching age 65.

In accordance with the terms of deferred compensation agreements for certain retired employees, the District has purchased annuity contracts to fund the monthly deferred compensation payments to them. The amount of annuities payable to these retired employees and included in the retirement plan and deferred compensation liability was \$0 at December 31, 2023 and 2022.

E. Settlement Agreement with Metropolitan Nashville and Davidson County

Metropolitan Nashville and Davidson County ("Metro") filed suit in 1989 against the District in the Chancery Court of Davidson County, Tennessee as a result of the District's disagreement as to the amount due relating to an approximate \$7 million assessment sought by Metro from the District in connection with past, present and future treatment of the District's wastewater and planned improvements to Metro's wastewater facilities.

On February 2, 1996, a Settlement Agreement between Metro and the District was executed and the lawsuits between the District and Metro were dismissed. The Agreement resolved certain disputes and controversies between Metro and the District related to (1) a "Trunk and Treatment Agreement" dated June 27, 1979, (2) certain capital costs of expanding certain Metro Facilities to treat the District's wastewater, and (3) resolution of ordinances No. R95-102 and No. 095-149.

As part of the Agreement, the District agreed to contribute toward additional infrastructure improvements that Metro had undertaken or will undertake pursuant to an Order of the Commissioner of the Tennessee Department of Environment and Conservation, dated March 30, 1990, which benefit all residents of Davidson County; and Metro agreed not, to the extent legally permissible to so commit, to proceed to take over or assume the District's water and wastewater customers residing in Davidson County, without the consent and agreement of the District, for 30 years after the date of the Settlement Agreement.

The District has accounted for the infrastructure portion of the settlement agreement as a non-interest-bearing note payable to Metro. The District has imputed interest at a rate of 6%. A summary of future debt maturities is shown in Note 3(F) to the financial statements. In connection with the note payable, the District has recorded \$9,415,984 as "Service area rights" which is shown as a component of utility plant on the statement of net position

F. Fair Values of Financial Instruments

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NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

Required disclosures concerning the estimated fair value of financial instruments are presented below. The estimated fair value amounts have been determined based on the District's assessment of available market information and appropriate valuation methodologies. The following table summarizes required fair value disclosures and measurements at December 31, 2023 and 2022:

<u>2023</u>	<u>Carrying Amount</u>	<u>Estimated Fair Value</u>	<u>Assets/ Liabilities Measured at Fair Value</u>	<u>Fair Value Measurements Using</u>		
				<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash, cash equivalents	26,041,210	26,041,210	26,041,210	26,041,210	-	-
Investments	13,349,129	13,349,129	13,349,129	13,349,129	-	-

<u>2022</u>	<u>Carrying Amount</u>	<u>Estimated Fair Value</u>	<u>Assets/ Liabilities Measured at Fair Value</u>	<u>Fair Value Measurements Using</u>		
				<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash, cash equivalents	26,561,450	26,561,450	26,561,450	26,561,450	-	-
Investments	13,556,066	13,556,066	13,556,066	13,556,066	-	-

The following methods were used to estimate fair value of each class of significant financial instruments:

- Cash and Cash Equivalents (both restricted and nonrestricted)
Cash and cash equivalents are reflected at carrying value, which is considered their fair value.
- Accounts Receivables, Accounts payable, and Accrued Expenses
The carrying value approximates fair value due to the short-term nature of those instruments.
- Investments and Annuities (both restricted and unrestricted)
Fair value is estimated based upon quoted market prices, where available, and on Level 1 inputs.
- Cash Surrender Value of Life Insurance
The carrying values of cash surrender value of life insurance policies approximate its fair value.
- Long-Term Debt, Including Obligation to Metropolitan Government
Fair value is estimated based upon market prices, and discounted cash flow analysis based on the current incremental borrowing rate.

The fair value estimates presented herein are based on pertinent information available to management as of December 31, 2023 and 2022. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been

HARPETH VALLEY UTILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

comprehensively revalued for purposes of the financial statements since that date, and current estimates of fair value may differ significantly from the amounts presented herein.

Fiduciary Plan

The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Plan has the following recurring fair value measurements as of July 31, 2023 and 2022:

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (level 2)	Significant Unobservable Inputs (Level 3)
	Total			
Investments by fair value level	\$ 7,678,844	\$ 7,678,844	\$ -	\$ -
Mutual funds	\$ 7,678,844	\$ 7,678,844	\$ -	\$ -

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (level 2)	Significant Unobservable Inputs (Level 3)
	Total			
Investments by fair value level	\$ 9,246,105	\$ 9,246,105	\$ -	\$ -
Mutual funds	\$ 9,246,105	\$ 9,246,105	\$ -	\$ -

The fair value of the mutual funds are based on quoted prices in active markets and therefore are Level 1 investments.

G. Contingent Liabilities and Losses

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures, which may be disallowed by the grantors, cannot be determined at this time.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

HARPETH VALLEY UTILITIES DISTRICT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED
RATIOS BASED ON PARTICIPATION IN THE DEFINED BENEFIT PLAN
July 31,

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability									
Service cost	\$ 648,779	\$ 697,949	\$ 664,824	\$ 667,507	\$ 606,522	\$ 573,636	\$ 561,762	\$ 513,017	\$ 503,692
Interest	1,274,045	1,247,205	1,138,508	1,044,110	944,437	847,945	689,507	657,103	625,443
Changes in benefit terms	-	-	-	-	-	-	-	-	-
Differences between actual & expected experience	1,781,806	512,988	399,011	443,221	227,884	25,941	900,581	30,713	-
Change of assumptions	246,055	-	85,691	264,660	-	-	530,883	-	-
Benefit payments, including refunds of employee contributions	<u>(3,823,020)</u>	<u>(254,491)</u>	<u>(1,389,301)</u>	<u>(840,248)</u>	<u>(89,815)</u>	<u>(209,140)</u>	<u>(809,365)</u>	<u>(795,902)</u>	<u>(607,640)</u>
Net change in total pension liability	127,665	2,203,651	898,733	1,579,250	1,689,028	1,238,382	1,873,368	404,931	521,495
Total pension liability - beginning	<u>18,835,770</u>	<u>16,632,119</u>	<u>15,733,386</u>	<u>14,154,136</u>	<u>12,465,108</u>	<u>11,226,726</u>	<u>9,353,358</u>	<u>8,948,427</u>	<u>8,426,932</u>
Total pension liability - ending (a)	<u>18,963,435</u>	<u>18,835,770</u>	<u>16,632,119</u>	<u>15,733,386</u>	<u>14,154,136</u>	<u>12,465,108</u>	<u>11,226,726</u>	<u>9,353,358</u>	<u>8,948,427</u>
Plan fiduciary net position									
Contributions - employer	1,549,157	1,508,898	1,499,933	1,571,919	1,500,000	1,700,000	1,151,206	932,168	929,071
Contributions - employee	-	-	-	-	-	-	-	-	-
Net investment income	500,090	(1,186,072)	1,696,482	130,776	118,132	93,616	232,483	34,493	(356,912)
Benefit payments, including refunds of employee contributions	<u>(3,823,020)</u>	<u>(254,491)</u>	<u>(1,389,301)</u>	<u>(840,248)</u>	<u>(89,815)</u>	<u>(209,140)</u>	<u>(809,365)</u>	<u>(795,902)</u>	<u>(607,640)</u>
Administrative expense	-	-	-	-	-	-	-	-	-
Net change in plan fiduciary net position	(1,773,773)	68,335	1,807,114	862,447	1,528,317	1,584,476	574,324	170,759	(35,481)
Plan fiduciary net position - beginning	<u>12,330,496</u>	<u>12,262,161</u>	<u>10,455,047</u>	<u>9,592,600</u>	<u>8,064,283</u>	<u>6,479,807</u>	<u>5,905,483</u>	<u>5,734,724</u>	<u>5,770,205</u>
Plan fiduciary net position - ending (b)	<u>10,556,723</u>	<u>12,330,496</u>	<u>12,262,161</u>	<u>10,455,047</u>	<u>9,592,600</u>	<u>8,064,283</u>	<u>6,479,807</u>	<u>5,905,483</u>	<u>5,734,724</u>
Net pension liability (asset) - ending (a) - (b)	\$ 8,406,712	\$ 6,505,274	\$ 4,369,958	\$ 5,278,339	\$ 4,561,536	\$ 4,400,825	\$ 4,746,919	\$ 3,447,875	\$ 3,213,703
Plan fiduciary net position as a percentage of total pension liability	55.67%	65.46%	73.73%	66.45%	67.77%	64.69%	57.72%	63.14%	64.09%
Covered - employee payroll	\$ 6,620,377	\$ 7,040,401	\$ 6,811,945	\$ 6,940,424	\$ 6,395,834	\$ 6,048,467	\$ 5,932,360	\$ 4,963,935	\$ 4,838,062
Net pension liability (asset) as a percentage of covered - employee payroll	126.98%	92.40%	64.15%	76.05%	71.32%	72.76%	80.02%	69.46%	66.43%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

HARPETH VALLEY UTILITIES DISTRICT
SCHEDULE OF CONTRIBUTIONS BASED ON PARTICIPATION IN THE
DEFINED BENEFIT PLAN
For the Year Ended December 31,

	<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>
Actuarially determined contribution	\$ 1,338,672	\$ 1,244,817	\$ 1,279,665	\$ 1,223,003	\$ 1,080,088	\$ 1,051,604	\$ 1,048,189	\$ 845,331	\$ 781,098
Contributions in relation to the actuarially determined contribution	<u>1,549,157</u>	<u>1,508,898</u>	<u>1,499,933</u>	<u>1,571,919</u>	<u>1,498,772</u>	<u>1,825,002</u>	<u>1,352,649</u>	<u>886,505</u>	<u>933,837</u>
Contribution deficiency (excess)	<u>\$ (210,485)</u>	<u>\$ (264,081)</u>	<u>\$ (220,268)</u>	<u>\$ (348,916)</u>	<u>\$ (418,684)</u>	<u>\$ (773,398)</u>	<u>\$ (304,460)</u>	<u>\$ (41,174)</u>	<u>\$ (152,739)</u>
Covered-employee payroll	\$ 8,404,634	\$ 8,112,234	\$ 7,251,534	\$ 7,312,006	\$ 7,024,462	\$ 7,008,729	\$ 6,486,530	\$ 6,050,483	\$ 5,953,101
Contributions as a percentage of covered - employee payroll	18.43%	18.60%	20.68%	21.50%	21.34%	26.04%	20.85%	14.65%	15.69%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

HARPETH VALLEY UTILITIES DISTRICT
SCHEDULE OF INVESTMENT RETURNS IN THE DEFINED BENEFIT PLAN
For the Year Ended July 31,

Annual money-weighted rate of return, net of investment expense	<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>
	4.50%	-9.17%	16.29%	1.32%	1.35%	1.33%	3.79%	0.60%	-6.01%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

See independent auditor's report.

HARPETH VALLEY UTILITIES DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended July 31, 2023

The total pension liability as of July 31, 2023 was determined using the following actuarial assumptions:

Measurement Date	July 31, 2023
Actuarial Cost Method	Entry Age Normal % Salary
Asset Method	5 year smoothing of asset gains and losses.
Interest Rates	
Discount Rate	7.25%
Expected Long Term	7.25%
Rate of Return Municipal Bond Rate	N/A
Inflation	2.50%
Annual Pay Increases	2.50%
Ad-hoc Cost-of-Living Increases	N/A
Mortality Rates	Pub-2010 General Employee Mortality Table without adjustment, with generational improvement scale MP-2021 applied from 2010 The Pub-2010 General Survivor Mortality Table without adjustment, with generational improvement scale MP-2021 applied from 2010 is used for survivors.
Retirement Rates	All active and terminated vested participants are assumed to retire at the later of age 65 and attained age
Disability Rates	None
Termination Rates	Crocker-Sarason-Straight T-1, 2-Year setback for males and females.
Payment Form	100% of active participants assumed to elect a Lump Sum
Marital Status and Ages	100% of participants are assumed to be married with femal spouses 3 years younger
Lump Sum Assumptions	
Interest Rate	7.25%
Mortality table	PubG-2010 Amount-Weighted Mortality Tables, projected generationally with scale MP-2021 applied from 2010

See independent auditor's report.

SUPPLEMENTARY AND OTHER INFORMATION SECTION

HARPETH VALLEY UTILITIES DISTRICT
SCHEDULES OF OPERATING INCOME AND EXPENSES
For the Years Ended December 31, 2023

Operating revenues:	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Sales (net of allowance \$58,116 in water and \$0 in sewer)	\$ 35,470,951	\$ 11,056,236	\$ 46,527,187
Net sales	<u>35,470,951</u>	<u>11,056,236</u>	<u>46,527,187</u>
Other operating revenues	<u>975,030</u>	<u>409,618</u>	<u>1,384,648</u>
Total operating revenues	<u>36,445,981</u>	<u>11,465,854</u>	<u>47,911,835</u>
Operating expenses:			
Plant salaries	3,710,852	1,867,797	5,578,649
Payroll taxes	290,683	145,356	436,039
Employee benefits	2,336,923	1,265,638	3,602,561
Repairs and maintenance	1,317,244	649,832	1,967,076
Transportation	62,625	33,588	96,213
Utilities	3,276,551	815,176	4,091,727
Outside services - operating	181,966	-	181,966
Chemical supplies	3,914,740	817,794	4,732,534
Miscellaneous	293,988	89,565	383,553
	<u>15,385,572</u>	<u>5,684,746</u>	<u>21,070,318</u>
Administrative and general expenses:			
Office salaries	1,504,525	509,319	2,013,844
Payroll taxes	116,487	40,234	156,721
Employee benefits	957,125	329,118	1,286,244
Office expenses and telephone	681,873	214,153	896,026
Insurance	396,493	133,663	530,156
Professional fees	349,618	133,959	483,577
Miscellaneous	46,470	11,570	58,040
Total administrative and general expenses	<u>4,052,591</u>	<u>1,372,016</u>	<u>5,424,608</u>
Provision for depreciation	<u>8,810,103</u>	<u>5,328,029</u>	<u>14,138,132</u>
Total operating expenses	<u>28,248,266</u>	<u>12,384,791</u>	<u>40,633,057</u>
Total operating income (loss)	<u>\$ 8,197,715</u>	<u>\$ (918,937)</u>	<u>\$ 7,278,778</u>

See independent auditor's report.

HARPETH VALLEY UTILITIES DISTRICT
SCHEDULES OF OPERATING INCOME AND EXPENSES
For the Years Ended December 31, 2023

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Non-operating revenue (expense):			
Interest expense	\$ (5,385,624)	\$ (1,667,135)	\$ (7,052,759)
Interest income	895,386	895,386	1,790,772
Capacity fees	605,382	982,242	1,587,624
Gain (loss) from disposition of capital assets	(55,015)	-	(55,015)
Amortization	<u>495,759</u>	<u>163,425</u>	<u>659,184</u>
Total non-operating revenue (expense)	(3,444,112)	373,918	(3,070,194)
Charged to water treatment plant			
from waste water treatment plant ***	<u>(909,708)</u>	<u>909,708</u>	<u>-</u>
Income (loss) before capital contributions	<u>3,843,895</u>	<u>364,689</u>	<u>4,208,584</u>
Capital contributions	<u>1,046,039</u>	<u>1,505,053</u>	<u>2,551,092</u>
Change in net position	<u>\$ 4,889,934</u>	<u>\$ 1,869,742</u>	<u>\$ 6,759,676</u>

The District reports a transfer from water to sewer based on the direct cost of treating and disposing of water plant backwash residuals at the wastewater treatment plant. This transfer is representative of cost allocations from the cost of service studies performed for rate analysis.

See independent auditor's report.

HARPETH VALLEY UTILITIES DISTRICT
SCHEDULE OF LONG-TERM DEBT
December 31, 2023

Year Ended December 31,	Utilities Revenue		Utilities Revenue Refunding		Utilities Revenue Improvement		Utilities Revenue Refunding		Utilities Revenue Refunding	
	Bonds, Series 1997		Bonds, Series 2013		Bonds, Series 2014		Bonds, Series 2015		Bonds, Series 2016	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 36,820	\$ 31,424	\$ 1,305,000	\$ 740,800	\$ 275,000	\$ 1,268,950	\$ 3,350,000	\$ 772,638	\$ 455,000	\$ 1,099,675
2025	38,753	29,492	1,330,000	688,600	280,000	1,260,700	3,515,000	608,738	500,000	1,081,475
2026	40,786	27,459	1,385,000	635,400	290,000	1,249,500	3,650,000	466,500	520,000	1,066,475
2027	42,925	25,319	1,435,000	580,000	305,000	1,237,900	3,810,000	311,000	540,000	1,045,675
2028	45,178	23,066	1,495,000	522,600	325,000	1,225,700	3,965,000	158,600	555,000	1,024,075
2029	47,548	20,696	1,830,000	462,800	960,000	1,212,700	-	-	1,200,000	1,001,875
2030	50,043	18,201	1,900,000	389,600	1,010,000	1,164,700	-	-	1,245,000	953,875
2031	52,669	15,575	1,960,000	332,600	1,065,000	1,114,200	-	-	1,295,000	904,075
2032	55,433	12,811	2,035,000	254,200	1,125,000	1,060,950	-	-	1,345,000	852,275
2033	58,341	9,903	2,120,000	172,800	1,175,000	1,004,700	-	-	1,400,000	798,475
2034	61,403	6,842	2,200,000	88,000	1,230,000	945,950	-	-	1,470,000	728,475
2035	64,624	3,620	-	-	1,520,000	884,450	-	-	1,545,000	654,975
2036	35,348	499	-	-	1,585,000	816,050	-	-	1,585,000	608,625
2037	-	-	-	-	1,655,000	744,725	-	-	1,665,000	529,375
2038	-	-	-	-	1,730,000	670,250	-	-	1,750,000	446,125
2039	-	-	-	-	1,810,000	592,400	-	-	1,805,000	389,250
2040	-	-	-	-	1,880,000	520,000	-	-	1,895,000	299,000
2041	-	-	-	-	1,975,000	426,000	-	-	1,995,000	204,250
2042	-	-	-	-	2,075,000	327,250	-	-	2,090,000	104,500
2043	-	-	-	-	2,180,000	223,500	-	-	-	-
2044	-	-	-	-	2,290,000	114,500	-	-	-	-
	<u>\$ 629,871</u>	<u>\$ 224,907</u>	<u>\$ 18,995,000</u>	<u>\$ 4,867,400</u>	<u>\$ 26,740,000</u>	<u>\$ 18,065,075</u>	<u>\$ 18,290,000</u>	<u>\$ 2,317,476</u>	<u>\$ 24,855,000</u>	<u>\$ 13,792,525</u>

See independent auditor's report.

HARPETH VALLEY UTILITIES DISTRICT
SCHEDULE OF LONG-TERM DEBT
December 31, 2023

Year Ended December 31,	Utilities Revenue Bonds, Series 2020		Utilities Revenue Refunding Bonds, Series 2022		Obligation to Metropolitan		Total Requirements		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
2024	\$ 320,000	\$ 1,205,650	\$ 245,000	\$ 1,642,750	\$ 677,207	\$ 72,793	\$ 6,664,027	\$ 6,834,680	\$ 13,498,707
2025	325,000	1,199,250	255,000	1,635,400	718,977	31,023	6,962,730	6,534,678	13,497,408
2026	345,000	1,183,000	260,000	1,627,750	124,067	932	6,614,853	6,257,016	12,871,869
2027	360,000	1,165,750	265,000	1,619,950	-	-	6,757,925	5,985,594	12,743,519
2028	375,000	1,147,750	275,000	1,612,000	-	-	7,035,178	5,713,791	12,748,969
2029	850,000	1,140,250	1,845,000	1,603,750	-	-	6,732,548	5,442,071	12,174,619
2030	890,000	1,097,750	1,935,000	1,511,500	-	-	7,030,043	5,135,626	12,165,669
2031	915,000	1,071,050	2,030,000	1,414,750	-	-	7,317,669	4,852,250	12,169,919
2032	945,000	1,043,600	2,135,000	1,313,250	-	-	7,640,433	4,537,086	12,177,519
2033	980,000	1,005,800	2,245,000	1,206,500	-	-	7,978,341	4,198,178	12,176,519
2034	1,020,000	966,600	2,355,000	1,094,250	-	-	8,336,403	3,830,117	12,166,520
2035	1,060,000	925,800	2,470,000	976,500	-	-	6,659,624	3,445,345	10,104,969
2036	1,105,000	883,400	2,600,000	853,000	-	-	6,910,348	3,161,574	10,071,922
2037	1,145,000	839,200	2,725,000	723,000	-	-	7,190,000	2,836,300	10,026,300
2038	1,195,000	793,400	2,835,000	614,000	-	-	7,510,000	2,523,775	10,033,775
2039	1,240,000	745,600	2,950,000	500,600	-	-	7,805,000	2,227,850	10,032,850
2040	1,290,000	696,000	3,065,000	382,600	-	-	8,130,000	1,897,600	10,027,600
2041	1,340,000	644,400	3,185,000	260,000	-	-	8,495,000	1,534,650	10,029,650
2042	1,395,000	590,800	3,315,000	132,600	-	-	8,875,000	1,155,150	10,030,150
2043	1,450,000	535,000	-	-	-	-	3,630,000	758,500	4,388,500
2044	1,510,000	477,000	-	-	-	-	3,800,000	591,500	4,391,500
2045	1,570,000	416,600	-	-	-	-	1,570,000	416,600	1,986,600
2046	1,635,000	353,800	-	-	-	-	1,635,000	353,800	1,988,800
2047	1,700,000	288,400	-	-	-	-	1,700,000	288,400	1,988,400
2048	1,765,000	220,400	-	-	-	-	1,765,000	220,400	1,985,400
2049	1,835,000	149,800	-	-	-	-	1,835,000	149,800	1,984,800
2050	1,910,000	76,400	-	-	-	-	1,910,000	76,400	1,986,400
	<u>\$ 30,470,000</u>	<u>\$ 20,862,450</u>	<u>\$ 36,990,000</u>	<u>\$ 20,724,150</u>	<u>\$ 1,520,251</u>	<u>\$ 104,748</u>	<u>\$ 158,490,122</u>	<u>\$ 80,958,731</u>	<u>\$ 239,448,853</u>

See independent auditor's report.

HARPETH VALLEY UTILITIES DISTRICT
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
December 31, 2023

Description of Indebtness	Original amount		Interest rate	Date of issue	Last maturity date	Outstanding 1/1/2023	Issued during period	Paid and/or matured	Refunded during period	Outstanding 12/31/2023
	of issue							during period		
Notes Payable										
Payable through Water and Sewer System										
Obligation to Metro (Direct Borrowing)	9,415,984	6.00%	February 1, 1996	February 28, 2026	2,158,116	-	637,865	-	-	1,520,251
Total Notes Payable	<u>\$ 9,415,984</u>				<u>\$ 2,158,116</u>	<u>\$ -</u>	<u>\$ 637,865</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,520,251</u>
Bonds Payable										
Payable through Water and Sewer System										
Utility Revenue Bonds, Series 1997	1,139,500	5.13%	August 13, 1998	September 13, 2036	664,855	-	34,984	-	-	629,871
Utilities Revenue Refunding Bonds, Series 2013	29,225,000	4.00%	May 16, 2013	September 1, 2034	20,245,000	-	1,250,000	-	-	18,995,000
Utilities Revenue Improvement Bonds, Series 2014	28,490,000	3.00-5.00%	May 21, 2014	September 1, 2044	27,015,000	-	275,000	-	-	26,740,000
Utilities Revenue Refunding Bonds, Series 2015	38,195,000	3.00-5.00%	June 10, 2015	September 1, 2028	21,480,000	-	3,190,000	-	-	18,290,000
Utilities Revenue Refunding Bonds, Series 2016	27,260,000	3.00-4.00%	January 27, 2016	September 1, 2042	25,285,000	-	430,000	-	-	24,855,000
Utility Revenue Bonds, Series 2020	30,770,000	2.00-5.00%	February 5, 2020	September 1, 2050	30,770,000	-	300,000	-	-	30,470,000
Utility Revenue Bonds, Series 2022	37,230,000	3.00-5.00%	June 22, 2022	September 1, 2042	37,230,000	-	240,000	-	-	36,990,000
Total Bonds Payable	<u>\$ 192,309,500</u>				<u>\$ 162,689,855</u>	<u>\$ -</u>	<u>\$ 5,719,984</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 156,969,871</u>

See independent auditor's report.

HARPETH VALLEY UTILITIES DISTRICT
WATER AND WASTEWATER RATES IN FORCE
December 31, 2023

Residential Rates		
Water Metered	Water Rate	Wastewater Rate
Monthly Customer Charge		
5/8" or 3/4" Meter	\$11.40	\$12.54
1" Meter	\$23.25	\$12.54
1 1/2" Meter	\$43.00	\$12.54
2" Meter	\$66.70	\$12.54
3" Meter	\$129.90	\$12.54
First 5,000 gallons	1.43 per 1,000 gallons	6.47 per 1,000 gallons
Next 5,000 gallons	2.15 per 1,000 gallons	6.47 per 1,000 gallons
Next 10,000 gallons	4.52 per 1,000 gallons	6.47 per 1,000 gallons
All additional usage	7.23 per 1,000 gallons	6.47 per 1,000 gallons

Irrigation Rates	
Water Metered	Water Rate
Monthly Customer Charge	
5/8" or 3/4" Meter	\$11.40
1" Meter	\$23.25
1 1/2" Meter	\$43.00
2" Meter	\$66.70
3" Meter	\$129.90
4" Meter	\$201.00
6" Meter	\$398.50
8" Meter	\$635.50
All Usage	5.52 per 1,000 gallons

Multi-Unit Residential Rates		
Water Metered	Water Rate	Wastewater Rate
Monthly Customer Charge		
5/8" or 3/4" Meter	\$11.40	\$12.54
1" Meter	\$23.25	\$31.35
1 1/2" Meter	\$43.00	\$62.68
2" Meter	\$66.70	\$100.29
3" Meter	\$129.90	\$200.59
4" Meter	\$201.00	\$313.42
6" Meter	\$398.50	\$626.85
8" Meter	\$635.50	\$1,002.96
All Usage	3.16 per 1,000 gallons	8.42 per 1,000 gallons

Commercial Rates		
Water Metered	Water Rate	Wastewater Rate
Monthly Customer Charge		
5/8" or 3/4" Meter	\$11.40	\$12.54
1" Meter	\$23.25	\$31.35
1 1/2" Meter	\$43.00	\$62.68
2" Meter	\$66.70	\$100.29
3" Meter	\$129.90	\$200.59
4" Meter	\$201.00	\$313.42
6" Meter	\$398.50	\$626.85
8" Meter	\$635.50	\$1,002.96
All Usage	4.10 per 1,000 gallons	6.80 per 1,000 gallons

Utility/Municipal Rates	
Water Metered	Water Rate
Monthly Customer Charge	
5/8" or 3/4" Meter	\$11.40
1" Meter	\$23.25
1 1/2" Meter	\$43.00
2" Meter	\$66.70
3" Meter	\$129.90
4" Meter	\$201.00
6" Meter	\$398.50
8" Meter	\$635.50
10" Meter	\$912.00
All Usage	2.60 per 1,000 gallons

See independent auditor's report.

HARPETH VALLEY UTILITIES DISTRICT

SCHEDULE OF UNACCOUNTED WATER - UNAUDITED

December 31, 2023

AWWA Free Water Audit Software:
Reporting Worksheet

WAS v5.0
American Water Works Association

? Click to access definition

+ Click to add a comment

Water Audit Report for: Harpeth Valley Utilities District (0000286)
Reporting Year: 2023 1/2023 - 12/2023

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

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

WATER SUPPLIED

----- Enter grading in column 'E' and 'J' ----->

Volume from own sources:	+	?	9	11,738.589	MG/Yr
Water imported:	+	?	n/a	0.000	MG/Yr
Water exported:	+	?	10	9,209.905	MG/Yr

WATER SUPPLIED:

2,528.684 MG/Yr

AUTHORIZED CONSUMPTION

Billed metered:	+	?	7	1,892.253	MG/Yr
Billed unmetered:	+	?	10	0.000	MG/Yr
Unbilled metered:	+	?	10	143.652	MG/Yr
Unbilled unmetered:	+	?	7	31.609	MG/Yr

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

AUTHORIZED CONSUMPTION:

2,067.513 MG/Yr

WATER LOSSES (Water Supplied - Authorized Consumption)

461.171 MG/Yr

Apparent Losses

Unauthorized consumption: a grading of 5 is applied but not displayed

Unauthorized consumption:	+	?	7	6.322	MG/Yr
Customer metering inaccuracies:	+	?	7	107.153	MG/Yr
Systematic data handling errors:	+	?	7	4.731	MG/Yr

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

Apparent Losses:

118.205 MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses:

342.966 MG/Yr

WATER LOSSES:

461.171 MG/Yr

NON-REVENUE WATER

= Water Losses + Unbilled Metered + Unbilled Unmetered

NON-REVENUE WATER:

636.431 MG/Yr

SYSTEM DATA

Length of mains:	+	?	8	389.0	miles
Number of active AND inactive service connections:	+	?	8	19,034	conn./mile main
Service connection density:	+	?	7	49	conn./mile main

Are customer meters typically located at the curbside or property line? Yes (length of service line, beyond the property boundary, that is the responsibility of the utility)

Average length of customer service line: Average length of customer service line has been set to zero and a data grading score of 10 has been applied

Average operating pressure: 115.0 psi

COST DATA

Total annual cost of operating water system:	+	?	10	\$33,633.894	\$/Year
Customer retail unit cost (applied to Apparent Losses):	+	?	10	\$7.73	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	+	?	10	\$612.62	\$/Million gallons

☐ Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

*** YOUR SCORE IS: 86 out of 100 ***

A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score

PRIORITY AREAS FOR ATTENTION:

Based on the information provided, audit accuracy can be improved by addressing the following components:

1: Billed metered

2: Unauthorized consumption

3: Systematic data handling errors

See independent auditor's report.

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HARPETH VALLEY UTILITIES DISTRICT

SCHEDULE OF UNACCOUNTED WATER - UNAUDITED

December 31, 2023

AWWA Free Water Audit Software:
System Attributes and Performance Indicators

WAS v5.0
 American Water Works Association

Water Audit Report for: Harpeth Valley Utilities District (0000286)

Reporting Year: 2023 1/2023 - 12/2023

*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 86 out of 100 ***

System Attributes:

Apparent Losses:	118,205	MG/Yr
+	Real Losses:	342,966 MG/Yr
=	Water Losses:	461,171 MG/Yr
Unavoidable Annual Real Losses (UARL): 208.18 MG/Yr		
Annual cost of Apparent Losses: \$913,726		
Annual cost of Real Losses: \$210,107 Valued at Variable Production Cost		
Return to Reporting Worksheet to change this assumption		

Performance Indicators:

Financial:	Non-revenue water as percent by volume of Water Supplied:	25.2%	Real Losses valued at Variable Production Cost
	Non-revenue water as percent by cost of operating system:	3.7%	
Operational Efficiency:	Apparent Losses per service connection per day:	17.01	gallons/connection/day
	Real Losses per service connection per day:	49.37	gallons/connection/day
	Real Losses per length of main per day*:	N/A	
	Real Losses per service connection per day per psi pressure:	0.43	gallons/connection/day/psi
From Above, Real Losses = Current Annual Real Losses (CARL):		342.97	million gallons/year
Infrast 7 e Leakage Index (ILI) [CARL/UARL]:		1.65	

* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline

See independent auditor's report.

HARPETH VALLEY UTILITIES DISTRICT
SCHEDULE OF INSURANCE COVERAGE - UNAUDITED
December 31, 2023

Workers Compensation		
By accident	\$	100,000
By disease	\$	500,000
Comprehensive general liability:		
Bodily injury and property damage		
Single limit	\$	1,000,000
Aggregate	\$	3,000,000
Excess Liability		
Aggregate	\$	4,000,000
Automobile liability:		
Bodily injury and property damage		
Single limit	\$	1,000,000
Uninsured Motorist	\$	500,000
Loss of or damage to property, including buildings		
service equipment, tractors, and supplies,		
caused by peril or vandalism	\$	282,391,976
Commercial Crime:		
Employee theft	\$	500,000
Forgery and alteration	\$	100,000
Theft, disappearance and destruction	\$	50,000
Computer fraud	\$	250,000
Equipment floater		
Scheduled equipment	\$	3,035,897
Leased, rented, or borrowed equipment	\$	200,000
Wrongful acts and professional liability (Directors, Officers and public officials):		
Per claim limit	\$	1,000,000
Aggregate limit	\$	3,000,000
Employment practices liability		
Per claim limit	\$	1,000,000
Aggregate limit	\$	3,000,000
Network security and data breach coverage		
Aggregate limit	\$	250,000
Flood Insurance		
Limited Coverage	\$	474,000
General Flood Limit	\$	5,000,000
Earthquake and Earth Movement	\$	10,000,000

See independent auditor's report.

HARPETH VALLEY UTILITIES DISTRICT
SCHEDULE OF OPERATING STATISTICS, WATER - UNAUDITED
For the Years Ended December 31,

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Revenues					
Residential Sales (net of allowance)	\$ 5,326,920	\$ 5,462,320	\$ 4,869,321	\$ 4,910,245	\$ 4,920,226
Multi-Family Sales	1,404,414	1,334,933	1,275,659	1,233,282	1,139,935
Commercial Sales	911,351	870,832	821,575	771,103	813,605
Municipal Sales	26,810,281	26,903,958	24,231,383	23,881,230	24,348,656
Irrigation Sales	1,017,985	1,052,076	764,780	879,527	895,030
Other Operating Revenue	975,030	755,404	759,186	3,660,467	846,632
Interest Income	895,386	169,510	10,755	188,274	354,740
Capacity Fees	605,382	250,450	1,576,800	1,203,096	684,537
Capital Contributions	1,046,039	1,450,793	594,332	1,580,340	1,569,217
Total	<u>\$ 38,992,788</u>	<u>\$ 38,250,276</u>	<u>\$ 34,903,791</u>	<u>\$ 38,307,564</u>	<u>\$ 35,572,578</u>
Expenses					
Operating Expense	\$ 15,385,572	\$ 14,412,567	\$ 11,650,508	\$ 11,388,054	\$ 11,702,285
Administrative & General Expense	4,052,591	3,708,231	3,548,396	3,669,177	3,465,448
Provision for Depreciation	8,810,103	8,430,369	8,144,795	7,506,003	7,423,709
Interest Expense	5,385,624	5,559,682	5,659,609	5,632,414	4,796,659
Other Income (Expense) (a)	(440,744)	(348,095)	(351,360)	(181,559)	(195,092)
Transfer Out to Wastewater	909,708	1,287,552	1,383,094	1,293,426	1,368,914
Total Expenses	<u>\$ 34,102,854</u>	<u>\$ 33,050,306</u>	<u>\$ 30,035,042</u>	<u>\$ 29,307,515</u>	<u>\$ 28,561,923</u>
Change in Net Position (loss)	<u>\$ 4,889,934</u>	<u>\$ 5,199,970</u>	<u>\$ 4,868,749</u>	<u>\$ 9,000,049</u>	<u>\$ 7,010,655</u>
Gallons Billed (Million Gallons)					
Residential Volume	1,136	1,160	1,068	1,092	1,083
Multi-Family Volume	422	400	395	380	358
Commercial Volume	174	168	159	149	166
Municipal Volume	10,236	10,277	9,431	9,369	9,555
Irrigation Volume	163	172	124	154	154
Total Gallons Billed	<u>12,131</u>	<u>12,177</u>	<u>11,177</u>	<u>11,144</u>	<u>11,316</u>
Number of Accounts					
Residential	17,681	17,524	17,351	17,184	16,972
Multi-Family	93	92	90	90	89
Commercial	553	550	548	544	534
Municipal	23	22	22	20	20
Irrigation	356	353	343	340	335
Total Number of Accounts (b)	<u>18,706</u>	<u>18,541</u>	<u>18,354</u>	<u>18,178</u>	<u>17,950</u>

Notes:

a) Other expense includes amortizations and gain (loss) on sale of assets.

b) Number of accounts derived by using an average of all 12 months account totals. Total does not include firelines.

See independent auditor's report.

HARPETH VALLEY UTILITIES DISTRICT
SCHEDULE OF OPERATING STATISTICS, WASTEWATER - UNAUDITED
For the Years Ended December 31,

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Revenues					
Residential Sales	\$ 6,261,305	\$ 6,006,861	\$ 5,909,700	\$ 5,905,604	\$ 5,609,865
Multi-Family Sales	3,628,311	3,375,620	3,218,483	3,121,191	2,889,562
Commercial Sales	1,166,620	1,083,351	1,025,981	958,310	1,006,663
Other Operating Revenue	409,618	225,434	369,016	514,129	334,817
Interest Income	895,386	237,001	21,836	192,630	358,127
Capacity Fees	982,242	397,000	2,703,503	2,189,261	919,194
Capital Contributions	1,505,053	2,516,626	1,115,761	1,746,215	1,715,742
Transfer In from Water	909,708	1,287,552	1,383,094	1,293,426	1,368,914
Total	<u>\$ 15,758,243</u>	<u>\$ 15,129,445</u>	<u>\$ 15,747,374</u>	<u>\$ 15,920,766</u>	<u>\$ 14,202,884</u>
Expenses					
Operating Expense	5,684,746	5,554,500	5,000,042	5,137,156	5,125,691
Administrative & General Expense	1,372,016	1,897,719	1,687,539	1,807,691	1,696,905
Provision for Depreciation	5,328,029	5,162,960	4,827,112	4,624,882	4,180,962
Interest Expense	1,667,135	1,843,229	1,978,041	2,101,342	2,045,869
Other Expense (a)	<u>(163,425)</u>	<u>(120,809)</u>	<u>(73,262)</u>	<u>(102,423)</u>	<u>(102,423)</u>
Total Expenses	<u>\$ 13,888,501</u>	<u>\$ 14,337,599</u>	<u>\$ 13,419,472</u>	<u>\$ 13,568,648</u>	<u>\$ 12,947,004</u>
Change in Net Position (loss)	<u>\$ 1,869,742</u>	<u>\$ 791,846</u>	<u>\$ 2,327,902</u>	<u>\$ 2,352,118</u>	<u>\$ 1,255,880</u>
Gallons Billed (Million Gallons)					
Residential Volume	626	627	633	636	610
Multi-Family Volume	363	400	395	380	358
Commercial Volume	<u>117</u>	<u>130</u>	<u>126</u>	<u>117</u>	<u>129</u>
Total Gallons Billed	<u>1,106</u>	<u>1,157</u>	<u>1,154</u>	<u>1,133</u>	<u>1,097</u>
Number of Accounts					
Residential	14,608	14,440	14,304	14,160	13,960
Multi-Family	91	90	88	88	87
Commercial	<u>403</u>	<u>401</u>	<u>399</u>	<u>399</u>	<u>394</u>
Total Number of Accounts (b)	<u>15,102</u>	<u>14,931</u>	<u>14,791</u>	<u>14,647</u>	<u>14,441</u>

Notes:

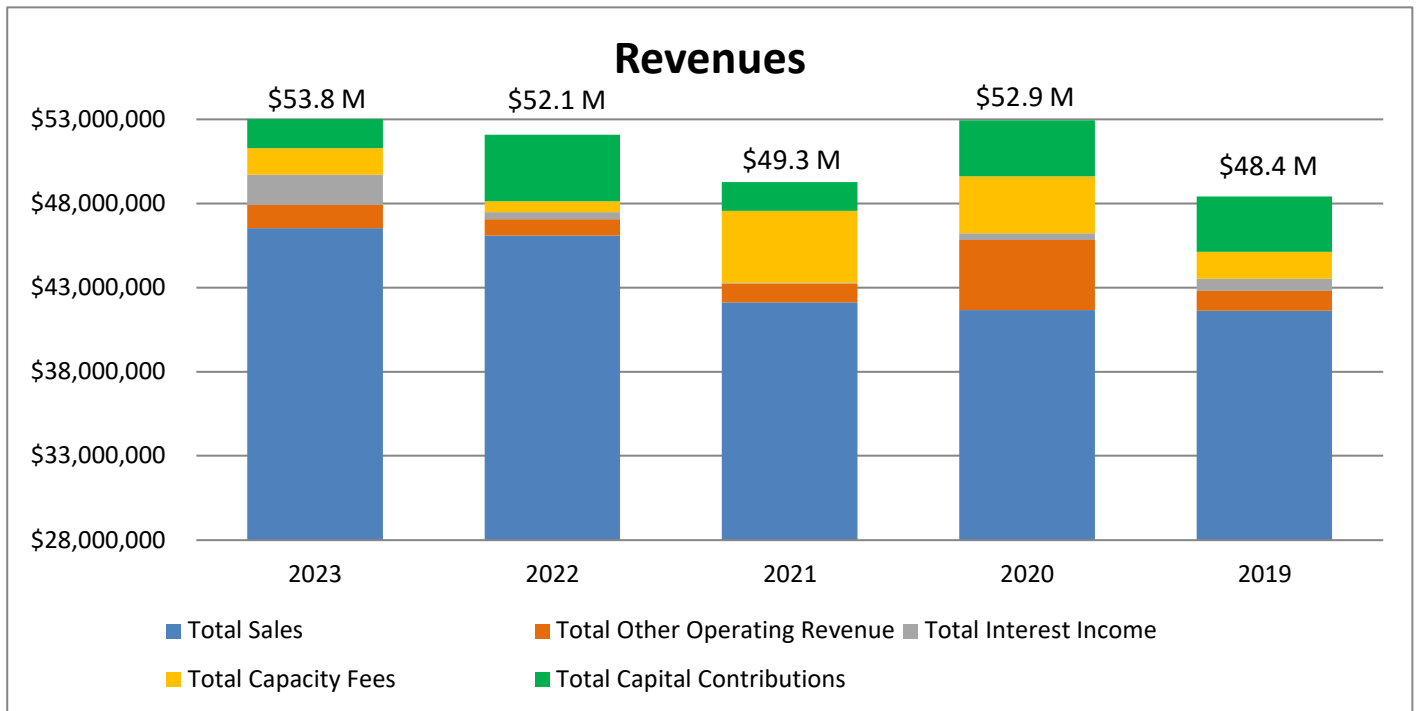
a) Other expense includes amortizations and gain (loss) on sale of assets.

b) Number of accounts derived by using an average of all 12 months account totals.

See independent auditor's report.

HARPETH VALLEY UTILITIES DISTRICT
SCHEDULE OF OPERATING STATISTICS, COMBINED - UNAUDITED
For the Years Ended December 31,

	2023	2022	2021	2020	2019
Revenues					
Total Sales (Net of allowance)	\$ 46,527,187	\$ 46,089,951	\$ 42,116,882	\$ 41,660,492	\$ 41,623,542
Total Other Operating Revenue	1,384,648	980,838	1,128,202	4,174,596	1,181,449
Total Interest Income	1,790,772	406,511	32,591	380,904	712,867
Total Capacity Fees	1,587,624	647,450	4,280,303	3,392,357	1,603,731
Total Capital Contributions	<u>2,551,092</u>	<u>3,967,419</u>	<u>1,710,093</u>	<u>3,326,555</u>	<u>3,284,959</u>
Total	<u>\$ 53,841,323</u>	<u>\$ 52,092,169</u>	<u>\$ 49,268,071</u>	<u>\$ 52,934,904</u>	<u>\$ 48,406,548</u>
Expenses					
Operating Expense	\$ 21,070,318	\$ 19,967,067	\$ 16,650,550	\$ 16,525,210	\$ 16,827,976
Administrative & General Expense	5,424,608	5,605,950	5,235,935	5,476,868	5,162,353
Provision for Depreciation	14,138,132	13,593,329	12,971,907	12,130,885	11,604,671
Interest Expense	7,052,759	7,402,911	7,637,650	7,733,756	6,842,528
Other Expense (a)	<u>(604,169)</u>	<u>(468,904)</u>	<u>(424,622)</u>	<u>(283,982)</u>	<u>(297,515)</u>
Total Expenses	<u>\$ 47,081,647</u>	<u>\$ 46,100,353</u>	<u>\$ 42,071,420</u>	<u>\$ 41,582,737</u>	<u>\$ 40,140,013</u>
Change in Net Position (loss)	<u>\$ 6,759,676</u>	<u>\$ 5,991,816</u>	<u>\$ 7,196,651</u>	<u>\$ 11,352,167</u>	<u>\$ 8,266,535</u>
Financial					
Plant in Service (net)	<u>\$ 330,616,343</u>	<u>\$ 330,364,020</u>	<u>\$ 320,938,399</u>	<u>\$ 316,403,136</u>	<u>\$ 298,919,329</u>



See independent auditor's report.

HARPETH VALLEY UTILITIES DISTRICT
SCHEDULE OF OPERATING STATISTICS, COMBINED - UNAUDITED
For the Years Ended December 31,

	2023	2022	2021	2020	2019
Water System					
Total Water Pumped (MG)	11,737	11,755	10,569	10,676	10,833
Total Annual Rainfall (inches)	48.71	49.60	62.00	62.00	73.40
Miles of Water Lines*	389	404	395	387	382
Number of Water Pumping Stations	8	7	7	7	8
Number of Water Storage Tanks	13	12	12	12	12
Storage Capacity in Tanks (MG)	21.25	17.25	17.25	17.25	17.25

	2023	2022	2021	2020	2019
Wastewater System					
Average Daily WWTP Flow (MGD) **	4.37	4.47	4.57	4.92	4.96
Miles of Wastewater Lines	230	229	227	226	219
Number of Wastewater Pumping Stations	30	30	30	30	30

Debt Service Coverage Ratio

	2023	2022
Revenue		
Water Sales	35,470,951	35,624,119
Wastewater Sales	11,056,236	10,465,832
Other Operating income	1,384,648	980,838
Capacity Fees	1,587,624	647,450
Interest Income	1,790,772	406,511
Total Revenue	<u>51,290,231</u>	<u>48,124,750</u>
Expenses		
Operating Expenses	21,070,318	19,967,067
Administrative and General	5,424,608	5,605,950
Total Expenses	<u>26,494,925</u>	<u>25,573,017</u>
Net Revenue Available for Debt Service	<u>24,795,306</u>	<u>22,551,733</u>
Current Annual Senior Debt Service		
Total Debt Service	<u>12,749,057</u>	<u>13,047,709</u>
Annual Senior Debt Service Coverage Ratio	<u>1.94</u>	<u>1.73</u>

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION



**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
Harpeth Valley Utilities District
Nashville, 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 major fund Harpeth Valley Utilities District, as of and for the year ended December 31, 2023, and the Harpeth Valley Utilities District Defined Benefit Plan as of and for the year ended July 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 26, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Harpeth Valley Utilities 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 Harpeth Valley Utilities District's internal control. Accordingly, we do not express an opinion on the effectiveness of Harpeth Valley Utilities 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 have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Harpeth Valley Utilities 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

ATA, PLLC

Jackson, Tennessee
March 26, 2024

HARPETH VALLEY UTILITIES DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
December 31, 2023

Financial Statement Findings:

No current year findings reported.

**HARPETH VALLEY UTILITIES DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS**

December 31, 2023

Financial Statement Findings:

No prior year findings reported.

APPENDIX C

SUMMARY OF RESOLUTION

The Utilities Revenue Bonds, Series 2024B (the “Series 2024B Bonds”), are authorized and issued pursuant to a resolution of the Board of Commissioners of the District adopted on September 24, 2024 (the “2024B Resolution”). The 2024 Resolution is supplementary to resolutions which have authorized the District’s outstanding Utilities Revenue Bond, Series 1997 (the “Series 1997 Bond”); Utilities Revenue Refunding Bonds, Series 2015 (the “Series 2015 Bonds”); Utilities Revenue Refunding Bonds, Series 2016 (the “Series 2016 Bonds”); Utilities Revenue Improvement Bonds, Series 2020, dated February 5, 2020 (the “Series 2020 Bonds”); Utilities Revenue Refunding Bonds, Series 2022, dated June 22, 2022 (the “Series 2022 Bonds”) and Utilities Revenue Refunding Bonds, Series 2024A, dated September 4, 2024 (the “Series 2024A Bonds”). These resolutions, together with the 2024B Resolution, are hereinafter referred to as the “Resolution.” The terms of the Resolution are equally applicable to the Series 1997 Bond, the Series 2015 Bonds, the Series 2016 Bonds, the Series 2020 Bonds, the Series 2022 Bonds, the Series 2024A and the Series 2024B Bonds.

Definitions

For purposes of this discussion and as used hereinafter, the following capitalized terms shall have the following meanings.

“Acquired System” shall mean any water procurement, treatment, storage or distribution system or sewage collection, transmission or treatment system, or combination thereof which the District may now or hereafter be authorized by State law or its order of incorporation to own and operate which is acquired by the District pursuant to State law, which, at the election of the Governing Body, may be included within the System as defined herein and become a part thereof or, at the election of the Governing Body, not become a part of the System but be operated as a separate and independent system by the Governing Body with the continuing right, upon the election of the Governing Body, to incorporate such separately operated acquired system into the System;

“Board” shall mean the Board of Commissioners of the District;

“Bonds” shall mean the Series 1997 Bond, the Series 2013 Bonds, the Series 2014 Bonds, the Series 2015 Bonds, the Series 2016 Bonds, the Series 2020 Bonds, the Series 2022 Bonds, the Series 2024A Bonds and the Series 2024B Bonds and any Parity Bonds so long as any such Bonds are issued and outstanding and have not been paid in full or discharged and defeased as described herein;

“Capital Appreciation Bonds” shall mean bonds which bear interest at a stated interest rate of 0.0% per annum, have a value on any applicable date equal to the Compound Accreted Value thereof on that date, and are payable only at maturity or earlier redemption;

“Compound Accreted Value” shall mean the value at any applicable date of any Capital Appreciation Bonds computed as the original principal amount thereof for each maturity date plus an amount equal to interest on said principal amount (computed on the basis of a 360-day year of twelve 30-day months) compounded semiannually on such dates as shall be established by the resolution authorizing the Parity Bonds from the dated date to said applicable date at an interest rate which will produce at maturity the Maturity Amount for such maturity date;

“Credit Facility” shall mean any municipal bond insurance policy, letter of credit, surety bond, line of credit, guarantee, or other agreement under which any person other than the District provides additional security for any Bonds or Parity Bonds and guarantees timely payment of or purchase price equal to the principal of and interest on all or a portion of any Bond or Parity Bond and shall include any Reserve Fund Credit Facility;

“Current Expenses” shall mean expenses incurred by the District in the operation of the System, determined in accordance with generally accepted accounting principles, including the reasonable and necessary costs of operating, maintaining, repairing and insuring the System, the cost of producing potable water, salaries and wages, cost of material and supplies, and insurance premiums, but shall exclude depreciation, amortization of utility plant and financing costs and interest on any bonds, notes or other obligations of the District;

“Current Interest Bonds” shall mean bonds that pay interest semi-annually or at other periodic intervals of not greater than one year;

“Financial Guaranty Agreement” shall mean any Financial Guaranty Agreement executed and delivered in connection with a Reserve Fund Credit Facility;

“Fiscal Year” means the twelve-month period commencing January 1 of each year and ending December 31 of the same year;

“General Fund” means the General Fund established pursuant to the Resolution;

“Governing Body” means the Board of Commissioners of the District;

“Gross Earnings” shall mean all revenues, rentals, earnings and income of the District from whatever source, determined in accordance with generally accepted accounting principles, including all revenues derived from the operation of the System, including tapping privileges and meter and hydrant fees reported as contributions in aid of construction; proceeds from the sale of property; proceeds of insurance and condemnation awards and compensation for damages, to the extent not applied to the payment of the cost of repairs, replacements and improvements; and all amounts realized from the investment of funds of the System, including money in any accounts and funds created by the Resolution and resolutions authorizing any Parity Bonds or subordinate lien bonds (excluding any investment earnings from construction or improvement funds created for the deposit of bond proceeds pending use, to the extent such income is applied to the purposes for which the bonds were issued, and funds created to defease any outstanding obligations of the District); provided, however, that the term “Gross Earnings” shall not include non-cash contributions in aid of construction; and provided further, that, at the election of the Governing Body, the term “Gross Earnings” as used herein shall not include any revenues, rentals, earnings or other income received by the District from the operation of an Acquired System which is being operated as a separate system as permitted herein;

“Loan Agreement” shall mean any agreement or contract entered into by the District whereby a third party agrees to advance funds to the District and the District agrees to repay those funds with interest;

“Maturity Amount” shall mean the Compound Accreted Value on the stated maturity date of a Capital Appreciation Bond as shall be established by the resolution authorizing the Capital Appreciation Bond or any bond purchase agreement relating thereto;

“Maximum Annual Principal and Interest Requirement” shall mean the maximum amount of principal and Compound Accreted Value of and interest on the Bonds and Parity Bonds, including principal

payable by reason of mandatory redemption, required to be paid during a Fiscal Year during the term of the Bonds and Parity Bonds; provided, with respect to Short-Term Indebtedness, the annual principal and interest requirement for purposes of this definition shall be calculated as that amount necessary to amortize the Short-Term Indebtedness in twenty approximately equal annual payments of principal and interest; provided (i) if interest on the Short-Term Indebtedness is intended to be excludable from gross income for purposes of federal income taxation, the interest rate for Short-Term Indebtedness shall be assumed to be an interest rate equal to the most recently published Twenty-Five Revenue Bond Index as published in The Bond Buyer (or comparable index if no longer published) plus fifty (50) basis points, or (ii) if interest on the Short-Term Indebtedness is not intended to be excludable from gross income for purposes of federal income taxation, the interest rate shall be assumed to be an interest rate equal to the most recently published rates on U.S. Treasury Obligations with comparable maturities as the Twenty-Five Revenue Bond Index, plus fifty (50) basis points. Any reimbursement or guaranty payment made to a Credit Facility Issuer pursuant to a Financial Guaranty Agreement shall not be included in the calculation of principal or interest for purposes of determining the Maximum Annual Principal and Interest Requirement;

“Net Revenues” means Gross Earnings, excluding any profits or losses on the sale or other disposition, not in the ordinary course of business, of investments or fixed or capital assets, less Current Expenses;

“Parity Bonds” shall mean bonds, notes, Loan Agreements, and other debt obligations, including Short-Term Indebtedness and Variable Rate Bonds, issued or entered into by the District on a parity with the Bonds herein authorized in accordance with the restrictive provisions of the Resolution, provided in the event of the acquisition of any Acquired System, any bonds or other obligations secured by a pledge of and/or lien on such Acquired System and the revenues derived from the operation of such Acquired System (provided such pledge and lien are subject only to normal and customary expenses of operating, maintaining, repairing and insuring any such System) may become Parity Bonds secured by a lien on the revenues of the System and the statutory mortgage lien on the System provided that the requirements of the Resolution are met with respect to such bonds and the terms of the resolution authorizing such bonds permit such and so long as the Acquired System is not being operated separately from the System as is permitted herein;

“Reserve Fund” means the Debt Service Reserve Fund established pursuant to the Resolution and described herein;

“Reserve Fund Credit Facility” shall mean a municipal bond insurance policy, surety bond, letter of credit, line of credit, guarantee or other agreement provided by a Reserve Fund Credit Facility Issuer which provides for payment of amounts equal to all or any portion of the Reserve Fund Requirement in the event of an insufficiency of moneys in the Bond Fund to pay when due principal of and interest on all or a portion of the Bonds and Parity Bonds;

“Reserve Fund Credit Facility Issuer” shall mean the issuer of a Reserve Fund Credit Facility rated in the highest rating category by Standard & Poor’s Rating Group, if rated by Standard & Poor’s, and Moody’s Investors Service, Inc., if rated by Moody’s and, A.M. Best & Company, if rated by A.M. Best & Company;

“Reserve Fund Requirement” means the least of (a) the Maximum Annual Principal and Interest Requirement on the Bonds and Parity Bonds (excluding Short-Term Indebtedness) during the term of the Bonds and Parity Bonds; (b) 125% of the average annual principal and interest requirement, including the payment of Compound Accreted Value when due, on a Fiscal Year basis, including principal payable by reason of the mandatory redemption provisions of any Bonds or Parity Bonds, on the Bonds and Parity Bonds (excluding Short-Term Indebtedness) during the term of the Bonds and Parity Bonds, or (c) 10% of

the stated principal amount of the Bonds and Parity Bonds (excluding Short-Term Indebtedness), as from time to time interpreted under the Code;

“Short-Term Indebtedness” shall mean bonds, notes, Loan Agreements or other debt obligations, including Variable Rate Indebtedness, maturing five (5) years or less from their date of issuance, issued by the District as Parity Bonds in accordance with the restrictive provisions of the Resolution;

“State” means the State of Tennessee;

“System” shall mean the complete water procurement, treatment, storage and distribution system and wastewater collection, treatment and disposal system of the District, together with, and including all properties of every nature hereafter owned by the District, including all improvements and extensions made by the District while the Bonds or Parity Bonds remain outstanding, and including all real and personal property of every nature comprising part of or used or useful in connection with the foregoing, and including all appurtenances, contracts, leases, franchises, and other intangibles; provided, however, at the election of the Governing Body, an Acquired System may be included within the System as defined herein and become a part thereof or, at the election of the Governing Body, not become a part of the System but be operated as a separate and independent system by the Governing Body with the continuing right, upon the election of the Governing Body, to incorporate such separately Acquired System within the System; and

“Variable Rate Indebtedness” shall mean any Parity Bonds, the interest rate on which is subject to periodic adjustment, at intervals, at such times and in such manner as shall be determined by resolution authorizing such Parity Bonds. For purposes of calculating the Reserve Fund Requirement, determining compliance with the covenant as to rates contained in the Resolution, and determining compliance with the requirements of the Resolution relating to the issuance of Parity Bonds, Variable Rate Indebtedness shall be assumed to bear interest at the highest of: (i) the actual rate on the date of calculation, or, if the indebtedness is not yet outstanding, the initial rate (if established and binding), (ii) if the indebtedness has been outstanding for at least twelve months, the average rate over the twelve months immediately preceding the date of calculation, and (iii)(A) if interest on the Variable Rate Bonds is intended to be excludable from gross income for purposes of federal income taxation, an interest rate equal to the most recently published Twenty-Five Revenue Bond Index as published in The Bond Buyer (or comparable index if no longer published) plus fifty (50) basis points, or (B) if interest on the Variable Rate Bonds is not intended to be excludable from gross income for purposes of federal income taxation, an interest rate equal to the most recently published rates on direct U.S. Treasury Obligations with comparable maturities, plus fifty (50) basis points. For purposes of any rate covenant measuring actual debt service coverage during a test period, Variable Rate Bonds shall be deemed to bear interest at the actual rate per annum applicable during the test period.

Funds and Application of Revenues

As long as any of the Bonds shall be outstanding and unpaid either as to principal or as to interest, or until the discharge and satisfaction of all the Bonds as provided in the Resolution, the entire revenues, rentals, earnings and income of the System shall be applied as summarized below. All such revenues, rentals, earnings and income of the System shall be deposited as collected in the General Fund and used only as follows:

(a) The first available money in the General Fund shall be used from month to month for the payment of Current Expenses.

(b) The next available money in the General Fund shall next be used to make deposits into a separate and special fund, to be known as the “Bond and Interest Sinking Fund,” to be kept separate and

apart from all other funds of the District and used to pay principal and Compound Accreted Value of and interest on the Bonds and Parity Bonds as the same become due, either by maturity or mandatory redemption. Such deposits shall be made monthly until the Bonds and Parity Bonds are paid in full or discharged and satisfied pursuant to the defeasance provisions of the Resolution summarized herein under the heading "Discharge and Satisfaction of Bonds". Each monthly deposit shall consist of an interest component and a principal component. The interest component shall be an amount equal to one-sixth (1/6th) of the interest coming due on the Current Interest Bonds and any Parity Bonds that are Current Interest Bonds then outstanding on the next succeeding interest payment date. The principal component shall be an amount which shall be established annually on each September 1 for all payments to be made during the ensuing twelve-month period commencing in September of each year and ending in August of the next year and shall be not less than one-twelfth (1/12th) of the total of the Compound Accreted Value and principal amounts, as the case may be, coming due, whether by maturity or mandatory redemption, on the Bonds and Parity Bonds then outstanding during such twelve-month period. No further deposit shall be required when the Bond Fund balance is equal to or greater than the amount needed to pay interest on the next interest payment date and the total of the Compound Accreted Values or principal amounts payable, either by maturity or mandatory redemption, during the applicable twelve-month period. Notwithstanding the foregoing, deposits for payment of interest and principal on Variable Rate Indebtedness shall be made as set forth in the resolution authorizing such Variable Rate Indebtedness. Money in the Bond Fund shall be used solely and is hereby expressly and exclusively pledged for the purpose of paying principal and Compound Accreted Value of and interest on the Bonds and Parity Bonds.

(c) The next available money in the General Fund shall be paid to any Reserve Fund Credit Facility Issuer or Issuers (pro rata, if more than one) to the extent needed to reimburse the Reserve Fund Credit Facility Issuer for amounts advanced by the Reserve Fund Credit Facility Issuer or Issuers under the Reserve Fund Credit Facility, including any amounts payable under any Financial Guaranty Agreement.

(d) To the extent the Reserve Fund Requirement for the Bonds and Parity Bonds is not fully satisfied by a Reserve Fund Credit Facility or Facilities or funds of the District, or a combination thereof, the next available money in the General Fund shall be used to make deposits into a separate and special fund, to be known and designated as the "Debt Service Reserve Fund" to be kept separate and apart from all other funds of the District. No deposit shall be required to be made to the Reserve Fund unless the amount in the Reserve Fund, together with the Reserve Fund Credit Facility or Facilities, if any, becomes less than the Reserve Fund Requirement. In the event deposits to the Reserve Fund shall be required pursuant to the preceding sentence, said deposits shall be payable monthly as hereafter provided and each deposit shall be in a minimum amount equal to 1/24th of the difference between the Reserve Fund Requirement and the amount in said Fund, together with the Reserve Fund Credit Facility or Facilities, if any, immediately following the occurrence of such deficiency, so that any deficiency in said Fund shall be replenished over a period of not greater than twenty-four (24) consecutive months; provided, any monthly payments in excess of said minimum payments shall be a credit against the next ensuing payment or payments. Any deposits required to be made hereunder shall be made monthly at the same time as deposits are made to the Bond Fund, commencing the first month in which the amount in the Fund, together with the Reserve Fund Credit Facility or Facilities, if any, is less than the Reserve Fund Requirement. All deposits to the Reserve Fund shall be made from the first money in the General Fund thereafter received which shall not then be required to pay Current Expenses, to be transferred into the Bond Fund, or to be paid to the Reserve Fund Credit Facility Issuer or Issuers as above provided. Money in the Reserve Fund shall be used solely for the purpose of paying principal or Compound Accreted Value of or interest on the Bonds and any Parity Bonds for the payment of which funds are not available in the Bond Fund.

At the option of the District, the District may satisfy the Reserve Fund Requirement, or a portion thereof, by providing for the benefit of owners of the Bonds and Parity Bonds a Reserve Fund Credit Facility or Facilities in an amount not greater than the Reserve Fund Requirement applicable to the Bonds and any

Parity Bonds. In the event any Reserve Fund Credit Facility Issuer, or any successor thereto, shall cease to have a rating required for a Reserve Fund Credit Facility Issuer or any Reserve Fund Credit Facility becomes unenforceable for any reason, within 90 days from the date the District receives notice of either of said events, the District shall either substitute a new Reserve Fund Credit Facility or Facilities or commence funding the Reserve Fund from Net Revenues as required by the preceding paragraph hereof, or a combination thereof. At any time during the term hereof, the District shall have the right and option to substitute a new Reserve Fund Credit Facility or Facilities for any Reserve Fund Credit Facility or Facilities previously delivered, upon notice to the Registration Agent and the Reserve Fund Credit Facility Issuer or Issuers and delivery of a Reserve Fund Credit Facility or Facilities in substitution therefor. In the event of the issuance of Parity Bonds pursuant to the parity bond provisions of the Resolution or the substitution of a Reserve Fund Credit Facility or Facilities for less than the full amount of the Reserve Fund Requirement, the District shall satisfy the Reserve Fund Requirement by depositing funds to the Reserve Fund or obtaining a Reserve Fund Credit Facility or Facilities, or any combination thereof, in an aggregate amount equal to the Reserve Fund Requirement for the Bonds and Parity Bonds taking into account any funds then held therein or the amount of any Reserve Fund Credit Facility or Facilities then in effect. The President is authorized to act for the District in determining whether to provide the Reserve Fund Credit Facility for the Bonds.

In the event of the necessity of a withdrawal of funds from the Reserve Fund during a time when the Reserve Fund Requirement is being satisfied by a Reserve Fund Credit Facility or Facilities and funds of the District, the funds shall be disbursed completely before any demand is made on the Reserve Fund Credit Facility. In the event all or a portion of the Reserve Fund Requirement is satisfied by more than one Reserve Fund Credit Facility, any demand for payment shall be pro rata between or among the Reserve Fund Credit Facilities. If a disbursement is made by demand on a Reserve Fund Credit Facility, the District, from Revenues after payment of Current Expenses and required deposits to the Bond Fund, shall reimburse the Reserve Fund Credit Facility Issuer for all amounts advanced under the Reserve Fund Credit Facility (pro rata, if more than one Reserve Fund Credit Facility), including all amounts payable under any Financial Guaranty Agreement or Agreements, and then replenish the Reserve Fund as provided herein.

In the event the Reserve Fund Requirement, or any part thereof, shall be satisfied with a Reserve Fund Credit Facility or Facilities, notwithstanding the terms of provisions of the Resolution summarized under the heading "Discharge and Satisfaction of Bonds" herein, the terms, covenants, liability and liens provided or created herein or in any resolution supplemental hereto shall remain in full force and effect and said terms, covenants, liability and liens shall not terminate until all amounts payable under any Financial Guaranty Agreement have been paid in full and all obligations thereunder performed in full.

It shall be the responsibility of the Registration Agent to maintain adequate records, verified with the Reserve Fund Credit Facility Issuer or Issuers, as to the amount available to be drawn at any given time under the Reserve Fund Credit Facility or Facilities and as to the amounts paid and owing to the Reserve Fund Credit Facility Issuer or Issuers under the terms of any Financial Guaranty Agreement.

(e) If the District enters into an interest rate swap or other interest rate hedging transaction with respect to the payment of interest with respect to the Bonds or Parity Bonds, the amounts that the District pays or receives under such interest rate swap or other hedging transaction shall be taken into account in calculating the interest requirements on such Bonds or Parity Bonds. Such payments shall be made or such funds received at such times and in such amounts as shall be established by a supplemental resolution authorizing the interest rate swap or other hedging transaction. In the case of Variable Rate Indebtedness in which financial covenants are based on the synthetic fixed rate under a swap, utilization of the synthetic fixed rate under a swap for purposes of performing any required calculations under the applicable legal documentation shall be permitted only if such documentation and the applicable swap satisfy the following requirements:

1. The swap provider must be rated least A-/A3 or better by Standard & Poor's and Moody's (the "Initial Rating Requirement").

2. Assuming satisfaction of the Initial Rating Requirement, and thereafter as long as the long-term indebtedness of the swap provider or the claims paying ability of the swap provider does not fall below Baa2 or BBB by either Standard & Poor's or Moody's (the "Minimum Rating Requirement"), all interest rate assumptions for purposes of establishing or demonstrating compliance with financial covenants (e.g., rate covenant, reserve requirement, additional bonds test) may be based upon the synthetic fixed interest rate under the swap.

3. Failure to maintain a swap provider holding the Minimum Rating Requirement or, if the issuer elects, failure to replace any such swap provider by another swap provider which holds the Initial Rating Requirement within ten business days, will have the following effects: (1) compliance with any required rate covenant for the preceding Fiscal Year will be based on the actual interest paid on the Variable Rate Indebtedness during such Fiscal Year without regard to the swap; (2) in the case of Reserve Fund Requirement, the amount required to be on deposit therein will be re-calculated based on the variable rate, calculated as of the date of original issuance of the Variable Rate Indebtedness and any resulting deficiency will be restored within the same twelve-(12) month restoration period established herein; and (3) any "forward-looking" financial covenant based upon "Debt Service," "Annual Debt Service" or "Maximum Annual Debt Service" will be based upon the variable rate.

4. For short-dated swaps having terms or weighted average maturities of ten years or less, whereupon related bonds automatically convert to a pre-set fixed rate, the embedded swap provider must meet the Initial Rating Requirement. With respect to financial covenants, the synthetic fixed rate based on the swap may be utilized for purposes of demonstrating or establishing compliance with the applicable covenant. Failure to maintain a swap provider holding the Minimum Rating Requirement during the embedded swap period will require replacement of the Swap provider within ten business days. Failure to replace will require re-calculation of the applicable financial covenants as described above.

(f) Money thereafter remaining in the General Fund may be used to pay principal of and interest on (including reasonable reserves therefor) any bonds or other obligations payable from the revenues of the System but junior and subordinate in all respects to the Bonds.

(g) The next available money in the General Fund shall be used to fund such additional reserves and funds as in the judgment and determination of the Governing Body are necessary for the sound and prudent operation of the System.

(h) Money on deposit in the Funds described in this Section may be invested at the direction of the District in such investments as shall be permitted by applicable law, as determined by an authorized representative of the District, all such investments to mature not later than the date on which the money so invested shall be required for the purpose for which the respective Fund was created. All income derived from such investments shall be regarded as Revenues of the System and shall be deposited in the General Fund. Such investments shall at any time necessary be liquidated and the proceeds thereof applied to the purpose for which the respective Fund was created; provided, however, that in no event shall moneys in the Reserve Fund be invested in instruments that mature more than two (2) years from the date the money is so invested. The District is authorized to enter into contracts with third parties for the investment of funds in any of the Funds described herein.

(i) The money in the General Fund shall be allotted and paid into the funds hereinbefore described in the order in which said funds are listed on a cumulative basis, and, if in any month the money in the General Fund shall be insufficient to place the required amount in said funds, the deficiency shall be made up in the following month or months after payment into all Funds enjoying a prior claim to the Revenues shall have been met in full.

(j) Money on deposit in the funds described above may be invested by the District in such investments as shall be permitted by applicable law, all such investments to mature not later than the date on which the money so invested shall be required for the purpose for which the respective Fund was created. All income derived from such investments shall be regarded as revenues of the System and shall be credited to the General Fund. Such investments shall at any time necessary be liquidated and the proceeds thereof applied to the purpose for which the respective Fund was created.

(k) The General Fund shall be held and maintained by the District and, when not invested, kept on deposit with a financial institution regulated by and the deposits of which are insured by the Federal Deposit Insurance Corporation or similar federal agency. All moneys in the General Fund so deposited shall at all times be secured to the extent and in the manner required by applicable State law.

(l) All monies which the fiscal agent shall have withdrawn from any account or fund described above under its control, and holds for the payment of the principal of or interest on any Bonds, or shall have received from any other source and set aside, shall be held in trust for the respective holders of such bonds for five (5) years and after such period shall be paid to the District and any unpaid Bond owner shall look only to the District for payment thereof.

Charges for Services Supplied by the System

While the Bonds remain outstanding and unpaid, the District has covenanted and agreed that it will permit no free service to be furnished to any consumer or user whatsoever; that the charges for all services supplied through the medium of the System to all consumers and users shall be reasonable and just, taking into account and consideration the cost and value of the System and the cost of maintaining, operating, repairing and insuring the System, a proper and necessary allowance for the depreciation thereof, and the amounts necessary for the payment of principal of and interest on all obligations payable from revenues of the System; and that there shall be charged against all users of the services of the System such rates and amounts as shall be fully adequate to comply with the covenants of the Resolution.

The District has covenanted that the System will be operated on a fully metered basis and that the District will bill its customers on a monthly basis and, to the extent permitted by applicable law or regulation, will discontinue service to any customer whose bill remains unpaid sixty (60) days following the mailing of such bill, until such bill, service charges and penalties shall have been paid in full.

General Covenants

Maintenance and Operation of the System. The District will maintain the System in good condition and operate the System in an efficient manner and at reasonable cost and conduct all activities associated therewith or incident thereto.

Insurance. The District will maintain insurance on properties of the System of a kind and in an amount that would normally be carried by private companies engaged in a similar type and size of business. The proceeds of any insurance, except public liability insurance, received by the District shall be used to replace the part or parts of the System damaged or destroyed, or, if not so used, shall be placed in the Revenue Fund.

Accounting Records and Reports. The District will cause to be kept proper books and accounts adapted to the System, and shall cause the books and accounts to be audited at the end of each Fiscal Year by a recognized independent certified public accountant or firm of such accountants, and, upon request, will make generally available to the owners of any of the Bonds the audited financial statements of the District as certified by such accountant or accountants.

Each such audit, in addition to whatever matters may be thought proper by the accountant or accountants to be included therein, shall include at least the following: (i) a statement in detail of the revenues and expenditures of the System and the excess of revenues over expenditures for the Fiscal Year; (ii) a statement showing beginning and ending balances of each fund described in the Bond Resolution; (iii) a balance sheet as of the end of the Fiscal Year; (iv) the accountants' comments regarding the manner in which the District has carried out the requirements of the Resolution and the accountants' recommendations with respect to any change or improvement in the operation of the System; (v) a list of the insurance policies in force at the end of the Fiscal Year, setting out as to each policy the amount of the policy, the risks covered, the name of the insurer and the expiration date of the policy; (vi) the number and classification of customer service connections to the System as of the end of the Fiscal Year; (vii) the disposition of any Bond proceeds during the Fiscal Year; and (viii) a statement as to all breaches or defaults by the District of its covenants under the Resolution of which the accountants have knowledge or, in the alternative, a statement that they have no knowledge of any such breach or default.

The District will furnish copies of such audits to the owner of any of the Bonds, upon written request thereof, within 120 days after the close of each Fiscal Year. The owners of any of the Bonds shall have at all reasonable times the right to inspect the System and the records, accounts and data of the District relating thereto. If the District shall fail to provide such audits and reports, the owner or owners of twenty-five percent (25%) in principal amount of the outstanding Bonds may cause such audits and reports to be prepared at the expense of the District.

Performance of Duties. The District will faithfully and punctually perform all duties with reference to the System required by the constitution and laws of the State of Tennessee, including the making and collecting of reasonable and sufficient rates for the services rendered by the System as provided by the Resolution, and will apply the revenues of the System to the purposes and Funds specified in the Resolution.

Rate Covenant. Prior to the commencement of each Fiscal Year, the Governing Body will cause to be made an estimate of the revenues and expenditures for the Fiscal Year next succeeding, based on rates then in effect, and, based on such estimate, the Governing Body shall adjust such rates to the extent necessary to produce Net Revenues for the next succeeding Fiscal Year (i) equal to not less than 1.20 times the amount of principal, Compound Accreted Value and interest payable during the next succeeding Fiscal Year on the outstanding Bonds, Parity Bonds, if any, and subordinate lien bonds, if any, whether by maturity or mandatory redemption, (ii) sufficient, in addition, to provide for any required deposits during the succeeding Fiscal Year to the Reserve Fund and any other funds established by the District pursuant to the Resolution, any resolution authorizing Parity Bonds or subordinate lien bonds or pursuant to sound and prudent operating practices as determined by the Governing Body, and (iii) sufficient to pay any amounts payable during such Fiscal Year under any Financial Guaranty Agreement or with respect to any Reserve Fund Credit Facility.

Transfer of Possession and Control of the System. The District will not sell, lease, mortgage, or in any manner dispose of the System, or any part thereof, including any and all extensions and additions that may be made thereto, or any facility necessary for the operation thereof; provided, however, the use of any of the System facilities may at any time be permanently abandoned or any of the System facilities sold at fair market value, provided that:

(1) The District is in full compliance with all covenants and undertakings in connection with all bonds, notes and other obligations then outstanding and payable from the revenues of the System and any required reserve funds for such bonds, notes and other obligations have been fully established and contributions thereto are current;

(2) Any sale proceeds will be applied either (A) to redemption of Bonds and Parity Bonds in accordance with the provisions governing repayment of Bonds and Parity Bonds in advance of maturity, or (B) to the purchase of Bonds or Parity Bonds at the market price thereof so long as such price does not exceed the amount at which the Bonds or Parity Bonds could be redeemed on such date or the next optional redemption date as set forth herein or in the resolutions authorizing the Parity Bonds, or (C) to the construction or acquisition of facilities in replacement of the facilities so disposed of or other facilities constituting capital improvements to the System, or (D) the deposit to a replacement fund to be used to make capital improvements to the System;

(3) The abandonment, sale or disposition is for the purpose of disposing of facilities which are no longer necessary or no longer useful to the operation of the System and the operation of the System or its revenue producing capacity is not materially impaired by such abandonment, sale or disposition or any facilities acquired in replacement thereof are of equivalent or greater value; and

(4) The District shall have received an opinion of recognized bond counsel to the effect that such sale, lease, mortgage or other disposition will not jeopardize the exclusion from federal income taxation of interest on any Bonds or Parity Bonds then outstanding intended to be excludable from gross income for federal income tax purposes.

Nothing herein is intended to prohibit the lease purchase of equipment or facilities of the System hereafter to be put in service or to prohibit the transfer or exchange of service areas to provide for more efficient operation of the System so long as the District is in full compliance with the covenants set forth herein immediately following such transfer or exchange.

Budget. Prior to the beginning of each Fiscal Year, the Governing Body shall prepare, or cause to be prepared, and adopted an annual budget of estimated revenues, Current Expenses, and capital expenditures for the System for the ensuing Fiscal Year and will undertake to operate the System within such budget to the best of its ability. Copies of such budgets and amendments thereto will be made available to any registered owner of a Bond upon written request. The District has covenanted that Current Expenses and capital expenditures incurred in any Fiscal Year will not exceed the reasonable and necessary amounts therefor and that the District will not expend any amounts or incur any obligations therefor in excess of the amounts provided for Current Expenses and capital expenditures in the budget except upon resolution of the Governing Body.

Fidelity Bond Coverage. All officers or employees of the District or persons other than banks or other financial institutions having custody of funds of the District shall be under fidelity bond at all times in reasonable and customary amounts.

Competing Franchises. The District will not construct, finance or grant a franchise for the development or operation of facilities that compete for service with the services to be provided by the System or consent to the provision of any such services in the area currently served by the District by any other public or private entity and will take all steps necessary and proper, including appropriate legal action to prevent any such entity from providing such service; providing nothing contained in the Resolution shall prohibit the transfer or exchange of service areas to provide for more efficient operation of the System so

long as the District is in full compliance with the covenants set forth in the Master Bond Resolution immediately following such transfer or exchange.

Governance of the District. For the purpose of assuring the efficient, impartial and non-political operation of the System for the benefit of the District and the owners of the Bonds from time to time outstanding, the complete and independent control and operation of the System shall continue to be vested in the Governing Body, subject, however, to the obligation and duty on the part of the Governing Body to carry out and perform faithfully all of the covenants and agreements contained herein. It is agreed with the owners from time to time of the Bonds and made a part of the contract rights that will vest in such owners at the time of delivery of the Bonds that the System will be so operated by the Governing Body.

Remedies of Bond Owners

Except as otherwise set forth in the Resolution, the owners of the Bonds and Parity Bonds shall have all the rights of action and remedies afforded by the common law, the constitution and statutes of the State of Tennessee and of the United States of America for the enforcement of payment of their Bonds and of the pledge of Net Revenues, and of all covenants of the District pursuant to the Resolution, including all the benefits and rights granted by the District Act relating to the creation of the statutory mortgage lien.

Any registered owner of any of the Bonds may either at law or in equity, by suit, action, mandamus or other proceedings, in any court of competent jurisdiction enforce and compel performance of all duties imposed upon the District by the provisions of the Resolution, including the making and collecting of sufficient rates, the proper application of and accounting for revenues of the System, and the performance of all duties imposed by the terms of the Resolution.

If any default be made in the payment of principal of, premium, if any, or interest on the Bonds, then upon the filing of suit by any registered owner of said Bonds, any court having jurisdiction of the action may appoint a receiver to administer the System in behalf of the District with power to charge and collect rates sufficient to provide for the payment of all bonds and obligations outstanding against the System and for the payment of Current Expenses, and to apply the income and revenues thereof in conformity with the provisions of the Resolution.

Additional Bonds

The Resolution provides that the District shall issue no other bonds or obligations of any kind or nature payable from or enjoying a lien or claim on the revenues of the System having priority over the lien of the Bonds.

The Resolution further provides for the issuance of bonds on a parity with the Bonds under the following conditions, but not otherwise:

- (a) Additional bonds, notes, Loan Agreements or obligations may be issued on a parity with the Bonds and Parity Bonds without regard to the requirements of subsection (c) of this Section, if such bonds, notes, Loan Agreements or obligations shall be issued for the purpose of refunding any of the Bonds or Parity Bonds which shall have matured or become subject to mandatory redemption, or which shall mature or shall become subject to mandatory redemption not later than three months after the date of delivery of such refunding bonds, notes, Loan Agreements or obligations and for the payment of which insufficient money is available in the Bond Fund.
- (b) Additional bonds, notes, Loan Agreements or obligations may be issued on a parity with the Bonds and Parity Bonds without regard to the requirements of subsection (c) of this Section, if

such bonds, notes, Loan Agreements or obligations shall be issued for the purpose of refunding any outstanding Bonds or Parity Bonds under circumstances not resulting in the defeasance of all of the Bonds and Parity Bonds, provided the Maximum Annual Principal and Interest Requirement computed with respect to all Bonds and Parity Bonds to be outstanding as of the date of issuance of such additional bonds, notes, Loan Agreements or obligations (and after giving effect to the application of the proceeds thereof) shall not be greater than 105% of the Maximum Annual Principal and Interest Requirement computed with respect to all Bonds and Parity Bonds outstanding as of the date immediately preceding the issuance of such additional bonds, notes, Loan Agreements or obligations.

(c) For the purpose of refunding any outstanding Bonds or Parity Bonds, under circumstances not resulting in the defeasance of all of the Bonds and Parity Bonds, and/or extending, improving or replacing the System, and/or acquiring an Acquired System or any additional System improvements, if all of the following conditions shall have been met:

(1) Either:

(A) the Net Revenues of the System for the most recent Fiscal Year for which the annual audit required by the terms hereof has been delivered must have been equal to at least 1.20 times the Maximum Annual Principal and Interest Requirement computed with respect to the bonds, notes, Loan Agreements or obligations proposed to be issued and all outstanding Bonds and Parity Bonds other than any Bonds or Parity Bonds intended to be refunded by the proposed additional bonds, notes, Loan Agreements or obligations, plus the amounts payable to the Reserve Fund pursuant to the requirements hereof and amounts payable under any Financial Guaranty Agreement and in connection with any Reserve Fund Credit Facility; provided, however, if the annual audit for the most recent Fiscal Year has not been delivered within nine (9) months after the end of such Fiscal Year, Parity Bonds may not be issued pursuant to this subsection (c)(1)(A) unless the District obtains from the certified public accountant engaged by the District to audit its financial records a certification as the coverage required by this subparagraph; or

(B) (i) the Net Revenues of the System for the most recent Fiscal Year for which the annual audit required by the terms hereof has been delivered must be equal at least to 1.20 times the Maximum Annual Principal and Interest Requirement computed with respect to the bonds, notes, Loan Agreements or obligations proposed to be issued and all outstanding Bonds and Parity Bonds other than any Bonds or Parity Bonds intended to be refunded by the proposed bonds, notes, Loan Agreements or obligations; provided, however, that if the annual audit for the most recent Fiscal Year has not been delivered within nine (9) months after the end of such Fiscal Year, Parity Bonds may not be issued pursuant to this subsection (c)(1)(B) unless the District obtains from the certified public accountant engaged by the District to audit its financial records a certification as the coverage required by this subparagraph; provided, further, that if prior to the issuance of such additional bonds, notes, Loan Agreements or obligations the District shall have adopted a revised schedule of rates for the System and resolved to put such rate schedule in effect at or prior to the issuance of the additional bonds, notes, Loan Agreements or obligations, then the Net Revenues for the Fiscal Year immediately preceding the issuance of such additional bonds, notes, Loan Agreements or obligations, as certified by an independent engineer or engineering firm or a nationally recognized firm of financial feasibility consultants having a

favorable reputation for skill and experience in the financial feasibility of water and sewer systems, that would have resulted from such rates had they been in effect for such period, may be used in lieu of the actual Net Revenues for such Fiscal Year; and (ii) the Net Revenues for each of the next three (3) Fiscal Years ending after the issuance of the additional bonds, notes, Loan Agreements or obligations, as estimated by an independent engineer or engineering firm, or a nationally recognized firm of financial feasibility consultants, having a favorable reputation for skill and experience in the financial feasibility of water and sewer systems, must be equal to at least 1.20 times the Maximum Annual Principal and Interest Requirement computed with respect to the additional bonds, notes, Loan Agreements or obligations proposed to be issued and all outstanding Bonds and Parity Bonds other than any Bonds or Parity Bonds intended to be refunded by the proposed additional bonds, notes, Loan Agreements or obligations; provided, however, that if the proposed additional bonds, notes, Loan Agreements or obligations are to be issued for the acquisition or construction of any extension, improvement or replacement to the System or the acquisition of an Acquired System, then the estimate of Net Revenues may be for the next three (3) Fiscal Years ending after the time that such improvement, extension or replacement is expected to be placed in service and the period of construction thereof, subject to reduction in debt service during the period of construction in an amount equal to any capitalized interest funded from proceeds of the additional bonds;

(2) The payments required to be made into the Bond Fund and the Reserve Fund must be current;

(3) The proceeds of the additional bonds, notes, Loan Agreements or obligations may be used only to (i) make improvements, extensions, renewals or replacements to the System or to refund Bonds or Parity Bonds, (ii) fund necessary reserves related thereto (iii) fund capitalized interest related to the additional bonds, notes, Loan Agreements or other obligations, and (iv) pay the costs and expenses of issuance and sale of the additional bonds.

All the provisions and covenants of the Resolution relating to negotiability and registration of Bonds, creation and investment of funds and the application of revenues, the operation of the System and charges for services of the System, the remedies of owners of the Bonds, the issuance of additional bonds or obligations, modification of the Resolution, the defeasance of Bonds, and such other provisions thereof as are appropriate may be incorporated by reference into supplemental resolutions authorizing additional bonds or obligations, and said provisions, when so incorporated, shall be equally applicable to the additional bonds or obligations issued pursuant to the terms of the Section summarized above in all respects and with like force and effect as though said provisions were recited in full in said supplemental resolutions and shall continue to be applicable so long as any such bonds or obligations remain outstanding.

Resolution a Contract

The provisions of the Resolution will constitute a contract between the District and the owners of the Bonds and Parity Bonds shall not be amended, except as provided in the Resolution, until such time as all of the Bonds and Parity Bonds shall have been discharged and satisfied as provided in the Resolution.

Amendment of the Resolution

The Resolution may be amended without the consent of or notice to the registered owners of the Bonds for the purpose of curing any ambiguity or formal defect or omission therein.

The Resolution may also be amended if such amendment shall have been consented to by a majority in aggregate principal amount of the Bonds at any time outstanding (not including in any case any Bonds which may then be held or owned by or for the account of the District but including such refunding bonds as may have been issued for the purpose of refunding any of such Bonds if such refunding bonds shall not then be owned by the District) shall have the right from time to time to consent to and approve the adoption by the Governing Body of a resolution or resolutions modifying any of the terms or provisions contained in the Resolution; provided, however, that the Resolution may not be so modified or amended in such manner as to:

- a. Make any change in the maturities or redemption dates of the Bonds;
- b. Make any change in the rates of interest borne by the Bonds;
- c. Reduce the amount of the principal payments or redemption premiums payable on the Bonds;
- d. Modify the terms of payment of principal of or interest on the Bonds or impose any conditions with respect to such payments;
- e. Affect the rights of the registered owners of less than all of the Bonds then outstanding;
- f. Reduce the percentage of the principal amount of the Bonds the consent of the registered owners of which is required to effect a further modification.

Whenever the District shall propose to amend or modify the Resolution under the provisions of the Section hereby summarized, it shall cause notice of the proposed amendment to be mailed by first-class mail, postage prepaid, to the owner of each Bond then outstanding. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy of the proposed amendatory resolution is on file in the office of the District for public inspection.

Whenever at any time within one (1) year from the date of mailing of said notice there shall be filed with the Secretary of the Governing Body an instrument or instruments executed by the registered owners of at least a majority in aggregate principal amount of the Bonds then outstanding, which instrument or instruments shall refer to the proposed amendatory resolution described in said notice and shall specifically consent to and approve the adoption thereof, thereupon, but not otherwise, the District may adopt such amendatory resolution and such resolution shall become effective and binding upon the owners of all Bonds.

If the registered owners of at least a majority in aggregate principal amount of the Bonds outstanding, at the time of the adoption of such amendatory resolution, or the predecessors in title of such owners, shall have consented to and approved the adoption thereof as herein provided, no registered owner of any Bonds, whether or not such owner shall have consented to or shall have revoked any consent as provided in the Resolution, shall have any right or interest to object to the adoption of such amendatory resolution or to object to any of the terms or provisions therein contained or to the operation thereof or to enjoin or restrain the District from taking any action pursuant to the provisions thereof.

Any consent given by the registered owner of a Bond pursuant to the provisions of the Resolution shall be irrevocable for a period of six (6) months from the date of the publication of the notice above provided for and shall be conclusive and binding upon all future registered owners of the same Bond and Parity Bond during such period. Such consent may be revoked at any time after six (6) months from the

date of publication of such notice by the registered owner who gave such consent or by a successor in title by filing notice of such revocation at the District office, but such revocation shall not be effective if the registered owners of a majority in aggregate principal amount of the Bonds outstanding shall have, prior to the attempted revocation, consented to and approved the amendatory resolution referred to in such revocation.

The fact and date of the execution of any instrument under the provisions of the Section summarized hereby may be proved by the certificate of any officer in any jurisdiction who by the laws thereof is authorized to take acknowledgments of deeds within such jurisdiction, that the person signing such instrument acknowledged before him the execution thereof, or may be proved by an affidavit of a witness to such execution sworn to before such officer.

The amount (number(s)) of the Bonds owned by any person executing such instrument and the date of the ownership of the same shall be proved by reference to the Bond registration records maintained by the Registration Agent, which records shall constitute conclusive proof of the ownership thereof.

Discharge and Satisfaction of Bonds

If the District shall pay and discharge the indebtedness evidenced by any of the Bonds in any one or more of the following ways, to wit:

1. by paying or causing to be paid, by depositing sufficient funds as and when required with the Registration Agent for the Bonds being retired, the principal of, premium, if any, and interest on such Bonds, as and when the same become due and payable; or

2. by depositing or causing to be deposited with any trust company or any financial institution which has trust powers and which is regulated by and the deposits of which are insured by the Federal Deposit Insurance Corporation or similar federal agency (an "Agent"; which may be the Registration Agent) in trust or escrow, at or prior to the maturity or redemption date of the Bonds, Federal Obligations in such amount as will, together with the income or increment to accrue thereon without consideration of any reinvestment thereof, be fully sufficient to pay or redeem such Bonds and to pay interest thereon until the maturity or redemption date; and/or

3. by delivering such Bonds to the Registration Agent for cancellation by it;

and if the District shall also pay or cause to be paid all other sums payable under the terms of the Resolution by the District with respect to such Bonds, or make adequate provision therefor, and by resolution of the Governing Body instruct any such Agent to pay amounts when and as required to the Registration Agent for payment of principal of and interest and redemption premiums, if any, on such Bonds when due, then and in that case the indebtedness evidenced by such Bonds shall be discharged and satisfied and all covenants, liens and pledges entered into, created, or imposed hereunder, including the pledge of and lien on the Net Revenues and the statutory mortgage lien set forth herein, shall be fully discharged and satisfied with respect to such Bonds and the owners thereof and shall thereupon cease, terminate and become void.

If the District shall pay and discharge the indebtedness evidenced by any such Bonds in the manner provided above then the registered owners thereof shall thereafter be entitled only to payment out of the money or Federal Obligations deposited as aforesaid.

Except as otherwise provided herein, neither Federal Obligations nor moneys deposited with the Agent pursuant to the Resolution nor principal or interest payments on any such Federal Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust or escrow for, the payment of the principal of and premium, if any, and interest on said Bonds; provided that any cash received from such principal or interest payments on such Federal Obligations deposited with the Agent, (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to the District as received by the Agent and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Federal Obligations maturing at times and in amounts sufficient to pay when due the principal and premium, if any, and interest to become due on said Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments, to the extent not needed for the payment of such principal, premium and interest, shall be paid over to the District, as received by the Agent. For the purposes of the Section of the Resolution summarized above, Federal Obligations shall mean and include any bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States of America, including obligations of Federal agencies to the extent unconditionally guaranteed by the United States of America, which bonds or other obligations shall not be subject to redemption prior to their maturity other than at the option of the registered owner thereof.

Nothing contained in the Section summarized above shall be construed to alter or change the redemption provisions set forth in the Resolution. No optional redemption privilege shall be exercised with respect to the Bonds except at the option and election of the District. The right of redemption set forth herein shall not be exercised by any Registration Agent or Agent unless expressly so directed in writing by an authorized representative of the District.

Prospective Amendments to the Resolution

The 2020 Resolution approved the amendments to the Resolution described below. These amendments will become effective only upon the payment in full, or the discharge of, the Series 1997 Bond, the Series 2013 Bonds, the Series 2014 Bonds, the Series 2015 Bonds and the Series 2016 Bonds, or upon the amendment of the Resolution in accordance with the provisions thereof to permit the effectiveness of said amendments prior to the payment or defeasance of the Series 1997 Bond, the Series 2013 Bonds, the Series 2014 Bonds, the Series 2015 Bonds, Series 2016 Bonds, Series 2020 Bonds, the Series 2022 Bonds and the Series 2024A Bonds. The purchasers of the Series 2024B Bonds shall be deemed to have purchased the Series 2024B Bonds subject to these amendments.

The definition of “Reserve Fund” in the Resolution is revised to read as follows: “Reserve Fund” means the Debt Service Reserve Fund established pursuant to the Resolution, with an account therein for each series of bonds which has a Reserve Fund Requirement; provided an account therein may be utilized for more than one series of bonds if all such series of bonds are specified in the resolution authorizing such bonds to share a pledge of such account and have a combined Reserve Fund Requirement. Nothing herein shall prohibit the District from issuing one or more series of bonds without a Reserve Fund Requirement and no deposit to the Reserve Fund and no Reserve Fund Credit Facility shall be required in connection therewith.

The definition of “Reserve Fund Credit Facility Issuer” in the Resolution is revised to read as follows: “Reserve Fund Credit Facility Issuer” means the issuer of a Reserve Fund Credit Facility rated, at the time at which such Reserve Fund Credit Facility is purchased, in the second-highest rating category (without regard to gradations within such category) by each Rating Agency that rates such Reserve Fund Credit Facility Issuer and which also rates any Bonds secured by such Reserve Fund Credit Facility.

The definition of “Reserve Fund Requirement” in the Resolution is revised to read as follows: “Reserve Fund Requirement” means an amount determined from time to time by the District as a reasonable reserve, if any, for the payment of principal of and interest on a series of bonds pursuant to the resolution authorizing such bonds.

The portion of the Resolution set forth in subsection (d) above under “Funds and Application of Revenues” is amended and restated as follows:

To the extent any series of bonds has a Reserve Fund Requirement and such Reserve Fund Requirement is not fully satisfied by a Reserve Fund Credit Facility or Facilities or funds of the District, or a combination thereof, the next available money in the Revenue Fund shall be used to make deposits into the applicable subaccount of the Reserve Fund. No deposit shall be required to be made to the Reserve Fund unless the amount in the Reserve Fund, together with the Reserve Fund Credit Facility or Facilities, if any, becomes less than the applicable Reserve Fund Requirement. In the event deposits to the Reserve Fund shall be required pursuant to the preceding sentence, said deposits shall be payable monthly as hereafter provided and each deposit shall be in a minimum amount equal to 1/24th of the difference between the Reserve Fund Requirement and the amount in each subaccount of said Fund, together with the Reserve Fund Credit Facility or Facilities, if any, immediately following the occurrence of such deficiency, so that any deficiency in any subaccount of said Fund shall be replenished over a period of not greater than 24 consecutive months; provided, any monthly payments in excess of said minimum payments shall be a credit against the next ensuing payment or payments. Any deposits required to be made hereunder shall be made monthly at the same time as deposits are made to the Bond Fund, commencing the first month in which the amount in the Fund, together with the Reserve Fund Credit Facility or Facilities, if any, is less than the Reserve Fund Requirement. Money in the Reserve Fund shall be used solely for the purpose of paying principal of or interest on the bonds for the payment of which funds are not available in the Bond Fund. Funds in excess of the Reserve Fund Requirement may be released to be used by the District for legally permissible purposes. If in any month the amounts on deposit in the Revenue Fund, after application of such amounts pursuant to subsections (a) – (c) above, are insufficient to fully fund all accounts of the Reserve Fund as described in this subsection (d), then such available amounts shall be applied pro rata among accounts of the Reserve Fund pro rata in proportion to the respective amounts required to be deposited to such accounts in such month.

At the option of the District, the District may satisfy the Reserve Fund Requirement applicable to a series of bonds, or a portion thereof, by providing for the benefit of owners of such series of bonds a Reserve Fund Credit Facility or Facilities, at any time, in an amount not greater than the Reserve Fund Requirement applicable to such series of bonds and release an equal amount of funds on deposit in the corresponding subaccount of the Reserve Fund to be used by the District for legally permissible purposes. At any time during the term hereof, the District shall have the right and option to substitute a new Reserve Fund Credit Facility or Facilities for any Reserve Fund Credit Facility or Facilities previously delivered, upon notice to the Registration Agent and the Reserve Fund Credit Facility Issuer or Issuers and delivery of a Reserve Fund Credit Facility or Facilities in substitution therefor. In the event of the issuance of Parity Bonds pursuant to the restrictive provisions hereof with a Reserve Fund Requirement or the substitution of a Reserve Fund Credit Facility or Facilities for less than the full amount of the Reserve Fund Requirement, the District shall satisfy the applicable Reserve Fund Requirement by depositing funds to the Reserve Fund or obtaining a Reserve Fund Credit Facility or Facilities, or any combination thereof, in an aggregate amount equal to the applicable Reserve Fund Requirement for the series of bonds taking into account any funds then held therein or the amount of any Reserve Fund Credit Facility or Facilities then in effect.

In the event of the necessity of a withdrawal of funds from the Reserve Fund during a time when the Reserve Fund Requirement is being satisfied by a Reserve Fund Credit Facility or Facilities and funds of the District, the funds shall be disbursed completely before any demand is made on the Reserve Fund Credit Facility. In the event all or a portion of the Reserve Fund Requirement for a series of bonds is satisfied by more than one Reserve Fund Credit Facility, any demand for payment shall be pro rata between or among the Reserve Fund Credit Facilities. If a disbursement is made by demand on a Reserve Fund Credit Facility, the District shall reimburse the Reserve Fund Credit Facility Issuer for all amounts advanced under the Reserve Fund Credit Facility (pro rata, if more than one Reserve Fund Credit Facility), including all amounts payable under any Financial Guaranty Agreement or Agreements, and then replenish the Reserve Fund as provided herein.

In the event the Reserve Fund Requirement, or any part thereof, shall be satisfied with a Reserve Fund Credit Facility or Facilities, notwithstanding the defeasance provisions of the Resolution, the terms, covenants, liability and liens provided or created in the Resolution or in any resolution supplemental thereto shall remain in full force and effect and said terms, covenants, liability and liens shall not terminate until all amounts payable under any Financial Guaranty Agreement have been paid in full and all obligations thereunder performed in full. If the District shall fail to pay when due all amounts payable under any Financial Guaranty Agreement, the Reserve Fund Credit Facility Issuer shall be entitled to exercise any and all remedies available at law or under the Resolution consistent with the terms of the Financial Guaranty Agreement.

It shall be the responsibility of the Registration Agent to maintain adequate records, verified with the Reserve Fund Credit Facility Issuer or Issuers, as to the amount available to be drawn at any given time under the Reserve Fund Credit Facility or Facilities and as to the amounts paid and owing to the Reserve Fund Credit Facility or Facilities and as to the amounts paid and owing to the Reserve Fund Credit Facility Issuer or Issuers under the terms of any Financial Guaranty Agreement and to provide notice to the Reserve Fund Credit Facility Issuer at least two days before any payment is due. The Reserve Fund Credit Facility Issuer shall receive notice of the resignation or removal of the Registration Agent and the appointment of a successor thereto.

Notwithstanding anything herein to the contrary, the District may issue Parity Bonds without a Reserve Fund Requirement, as shall be specified in the bond resolution authorizing such Parity Bonds.

The 2024B Resolution establishes the Reserve Fund Requirement for the Series 2024B Bonds in the manner defined above under the heading “Definitions” but eliminates the Reserve Fund Requirement for the Series 2024B Bonds upon the effectiveness of the prospective amendments described in this section.

APPENDIX D

HARPETH VALLEY UTILITIES DISTRICT OF DAVIDSON AND WILLIAMSON COUNTIES, TENNESSEE

\$30,000,000 UTILITIES REVENUE BONDS, SERIES 2024B

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this “Disclosure Agreement”) is executed and delivered this 24th day of October, 2024 by the Harpeth Valley Utilities District of Davidson and Williamson Counties, Tennessee (the “Issuer”) in connection with the issuance of its \$30,000,000 Utilities Revenue Bonds, Series 2024B (the “Bonds”). The Issuer hereby covenants and agrees as follows:

SECTION 1. Purpose of and Authority for the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Issuer for the benefit of the Registered Owners and the Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with Rule 15c2-12(b)(5) (the “Rule”) of the Securities and Exchange Commission (the “SEC”). This Disclosure Agreement is being executed and delivered by the Issuer under the authority of the Resolution.

SECTION 2. Definitions. In addition to the terms otherwise defined herein, the following capitalized terms shall have the following meanings:

“Beneficial Owner” shall mean any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Fiscal Year” shall mean any period of twelve consecutive months adopted by the Issuer as its fiscal year for financial reporting purposes, and shall initially mean the period beginning on January 1 of each calendar year and ending December 31 of the same calendar year.

“MSRB” shall mean the Municipal Securities Rulemaking Board.

“Official Statement” shall mean the Official Statement of the Issuer, dated October 9, 2024, relating to the Bonds.

“Participating Underwriters” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Registered Owner” means any person who is identified as a holder of Bonds on the registration records maintained by or on behalf of the Issuer with respect to the Bonds.

“Resolution” means the bond resolution adopted by the Board of Commissioners of the Issuer on September 24, 2024.

“State” shall mean the State of Tennessee.

“State Repository” shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule.

SECTION 3. Continuing Disclosure. The Issuer hereby agrees to provide or cause to be provided the information set forth below:

(a) *Annual Financial Information*. For Fiscal Years ending on or after December 31, 2024, the Issuer shall provide annual financial information and operating data within 270 days after the end of the Fiscal Year. The annual financial information and operating data shall include:

(i) The Issuer's audited financial statements, prepared in accordance with generally accepted accounting principles, or, if the Issuer's audited financial statements are not available, then the Issuer's unaudited financial statements; and

(ii) Operating data of the type included under the following headings of the Official Statement, which data may be presented in a format other than as set in the Official Statement:

- (A) Summary of Operations for the preceding year
- (B) The numbers and types of customers of the District's water system
- (C) The identity of the customers, the gallons sold, the percentage of water sales and the termination dates of the contracts for those customers who have entered into long term contracts with the District
- (D) The amount of water consumed by the District's customers during the previous year
- (E) The annual water billings of the District for the prior year
- (F) The number and type of sewer customers and the sewer usage for the prior year
- (G) The billings of the sewer system for the prior year
- (H) The debt service coverage for the preceding year
- (I) The schedule of rates and charges for water and sewer services

(b) *Audited Financial Statements*. For Fiscal Years ending on or after December 31, 2024, the Issuer shall provide audited financial statements, prepared in accordance with generally accepted accounting principles, if and when available, if such audited financial statements are not included with the annual financial information described in subsection (a) above.

(c) *Event Notices*. The Issuer will provide notice of the following events relating to the Bonds in a timely manner, not in excess of ten business days after the occurrence of the event:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

- (vii) Modifications to rights of Bondholders, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) Defeasances (including disclosure as to whether the Bonds have been defeased to their maturity or to a preceding call date);
- (x) Release, substitution, or sale of property securing repayment of the securities, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar event of the obligated person;
- (xiii) The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (xv) Incurrence of a financial obligation* of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Issuer, any of which affect security holders, if material; and
- (xvi) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Issuer, any of which reflect financial difficulties.

* As used in subsections (xv) and (xvi), the term “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “financial obligation” does not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

(d) *Notice of Failure to File Annual Financial Information.* The Issuer will provide timely notice of its failure to provide the annual financial information described in subsection (a) above within the time frame prescribed by subsection (a).

(e) *Notice of Amendment of Disclosure Agreement.* The Issuer will provide timely notice of an amendment to this Disclosure Agreement pursuant to the terms of Section 5(a) below.

SECTION 4. Methods of Providing Information.

(a) All disclosures required by Section 3 shall be transmitted to the MSRB using the MSRB’s Electronic Municipal Market Access System (“EMMA”) or by such other method as may be subsequently determined by the MSRB.

(b) Information shall be provided to the MSRB in an electronic format as prescribed by the MSRB, either directly, or indirectly through an indenture trustee or a designated dissemination agent.

(c) All transmissions to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

(d) Any required disclosure may be incorporated by reference to other documents filed with the MSRB in the manner required by subsection (a) above. The Issuer shall clearly identify each such other document so incorporated by reference.

(e) All disclosures transmitted to the MSRB hereunder shall be simultaneously transmitted to any State Repository.

SECTION 5. Amendment.

(a) This Disclosure Agreement may be amended or modified so long as: (i) any such amendments are not violative of any rule or regulation of the SEC or MSRB, or other federal or state regulatory body; (ii) the amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the obligated person, or type of business conducted; (iii) this Disclosure Agreement, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (iv) the amendment does not materially impair the interests of Beneficial Owners or Registered Owners, as determined either by parties unaffiliated with the Issuer (such as bond counsel), or by approving vote of the Beneficial Owners and Registered Owners pursuant to the terms of the Resolution at the time of the amendment.

(b) In the event of any amendment or modification to the financial information or operating data required to be filed pursuant to Section 3(a) above, the Issuer shall describe such amendment in the next filing pursuant to Section 3(a), and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, the next filing pursuant to Section 3(a) or 3(b), as applicable, shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 7. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, in addition to that which is required by this Disclosure Agreement. If the Issuer chooses to include any information in any disclosure required hereunder, in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future disclosure.

SECTION 8. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Registered Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 9. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Agreement, any Registered Owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed a default under the Resolution, and the sole remedy under this Disclosure Agreement in the event of any failure of any party to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 10. Dissemination Agent. The Issuer may, from time to time, appoint a dissemination agent to assist it in carrying out its obligations under this Disclosure Agreement, and the Issuer may, from time to time, discharge the dissemination agent, with or without appointing a successor dissemination agent.

SECTION 11. Governing Law. This Disclosure Agreement shall be governed by and construed in accordance with the laws of the State.

SECTION 12. Severability. In case any one or more of the provisions of this Disclosure Agreement shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of this Disclosure Agreement, but this Disclosure Agreement shall be construed and enforced as if such illegal or invalid provision had not been contained herein.

HARPETH VALLEY UTILITIES DISTRICT OF
DAVIDSON AND WILLIAMSON COUNTIES,
TENNESSEE

By: _____
President of the Board of Commissioners

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APPENDIX E

FORM OF OPINION OF BOND COUNSEL FOR THE SERIES 2024B BONDS

October 24, 2024

The Harpeth Valley Utilities District
of Davidson and Williamson Counties, Tennessee
Nashville, Tennessee

Mesirow Financial, Inc.
Chicago, Illinois

Re: The Harpeth Valley Utilities District of Davidson and Williamson Counties, Tennessee Utilities Revenue Bonds, Series 2024B

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by The Harpeth Valley Utilities District of Davidson and Williamson Counties, Tennessee (the “Issuer”) of \$30,000,000 Utilities Revenue Bonds, Series 2024B, dated the date hereof (the “Bonds”). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify such facts by independent investigation.

Based on our examination, we are of the opinion, as of the date hereof, as follows:

1. The Bonds have been duly authorized, executed and issued in accordance with the constitution and laws of the State of Tennessee and constitute valid and binding obligations of the Issuer.
2. The resolution of the Board of Commissioners of the Issuer authorizing the Bonds has been duly and lawfully adopted, is in full force and effect and is a valid and binding agreement of the Issuer enforceable in accordance with its terms.
3. The principal of and interest on the Bonds are payable solely from and secured by a pledge of revenues to be derived from the operation of the water and sewer system of the Issuer, subject only to the payment of the reasonable and necessary costs of operating, maintaining, repairing and insuring said system, on a parity and equality of lien with the District’s outstanding Utilities Revenue Bond, Series 1997, dated August 13, 1998; Utilities Revenue Refunding Bonds, Series 2015, dated June 10, 2015; Utilities Revenue Refunding Bonds, Series 2016, dated January 27, 2016; Utilities Revenue Improvement Bonds, Series 2020, dated February 5, 2020; Utilities Revenue Refunding Bonds, Series 2022, dated June 22, 2022; and Utilities Revenue Refunding Bonds, Series 2024A, dated September 4, 2024. We express no opinion as to the sufficiency of such revenues for the payment of principal of and interest on the Bonds.

4. Interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals under the Code; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2023. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended (the “Code”), that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The Issuer has covenanted to comply with all such requirements. Except as set forth in this Paragraph 4, we express no opinion regarding other federal tax consequences arising with respect to the Bonds.

5. Under existing law, the Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) Tennessee excise taxes on all or a portion of the interest on any of the Bonds during the period such Bonds are held or beneficially owned by any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee, and (b) Tennessee franchise taxes by reason of the inclusion of the book value of the Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership doing business in the State of Tennessee.

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds and the resolution authorizing the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights heretofore or hereafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

This opinion is given as of the date hereof, and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Yours truly,

Bass Berry & Sims PLC