



March 4, 2026

VIA E-MAIL (lgf@cot.tn.gov)

Mr. Charlie Lester, Senior Data Analyst
Tennessee Comptroller of the Treasury
Division of Local Government Finance
425 Rep. John Lewis Way N.
Nashville, TN 37243

Dear Mr. Lester:

On behalf of The Harpeth Valley Utilities District of Davidson and Williamson Counties, Tennessee (the "District"), I am submitting this request for report on a proposed waterworks revenue bond (the "Bond"), pursuant to *Tennessee Code Annotated* Section 7-82-501(c)(1).

The Bond will be placed directly with X-Caliber Rural Capital, LLC (the "Bank"), and the proceeds will be used to finance capital projects for the District. The United States Department of Agriculture ("USDA") will guarantee to the Bank the payment of 90% of the debt service on the Bond. Because of the federal guarantee of the payment of the Bond, the Bond will be issued on a taxable basis.

Attached for your review are various documents, schedules and forecasts that have been prepared to support our Report for Publication request.

CONTACT INFORMATION

District Board President:	Bernard Kwas
Primary District Contact:	Jeff Dykstra Fiscal Officer PO Box 210319 Nashville, TN 37221 Phone: 615-354-8548 Email: jdykstra@hvud.com
Bond Counsel:	Jeff Oldham Bass, Berry & Sims PLC 150 Third Avenue South, Suite 2800 Nashville, TN 37201 Phone: 615-742-7704 Email: joldham@bassberry.com

If you have any questions or comments, please feel free to contact me or the District's Fiscal Officer, Jeff Dykstra.
Thank you for considering our request.

Respectfully,

A handwritten signature in blue ink, appearing to read 'John Brown', with a stylized flourish extending to the right.

John Brown
General Manager
(615) 354-8524
jbrown@hvud.com

HARPETH VALLEY UTILITIES DISTRICT OF DAVIDSON AND WILLIAMSON COUNTIES, TENNESSEE

PLAN OF FINANCE

On behalf of the Harpeth Valley Utilities District of Davidson and Williamson Counties, Tennessee (the "District"), I am submitting this plan of finance for a proposed waterworks revenue bond (the "Bond"), pursuant to Tennessee Code Annotated Section 7-82-501(c)(1). The governing body of the District, the Board of Commissioners, intends to consider the bond resolution authorizing the Bond at a meeting on March 24, 2026. In connection with this request, I am enclosing the following:

Description of the Capital Project

- The Bond will be used to provide funds for water system improvements to replace approximately 3,850 linear feet of existing six-inch water main with twelve-inch ductile iron transmission main. The waterlines will have an expected life of at least 40 years.

Debt Policy Statement

- The Bond will be issued in a manner that complies with the District's Debt Policy:
 - The financing will be issued solely for costs of capital projects
 - The permanent financing will be issued at a fixed interest rate, as preferred
 - The financing will be sold by negotiated sale, as permitted
 - The term will not exceed the life of the assets financed

Preliminary Official Statement

- A preliminary official statement will not be prepared since the financing will be direct placement with a bank.

Exhibit A – Proposed bond resolution

Exhibit B – Pro forma financial statements and debt coverage ratios

- List of outstanding bonds and debt service including proposed financing
- Historical data and projections

Exhibit C – Draft Financial Schedules

- Amortization schedule including principal, interest, and total debt service, average cost of borrowing (TIC), sources and uses, and costs of issuance.

Exhibit D – Budget vs. Actual (Draft Audit) financial performance as of December 31, 2025

Exhibit E – Balloon Indebtedness Statement and Rating Report

- Level debt service is expected, and the Bond will not constitute balloon indebtedness, as defined by T.C.A. Section 9-21-133 as the District maintains an AA+ credit rating from S&P Global Ratings (see attached Exhibit E).

EXHIBIT A

Proposed Bond Resolution

A RESOLUTION AUTHORIZING THE ISSUANCE, SALE AND PAYMENT OF UP TO \$1,720,000 IN PRINCIPAL AMOUNT OF A REVENUE BOND OF THE HARPEATH VALLEY UTILITIES DISTRICT OF DAVIDSON AND WILLIAMSON COUNTIES, TENNESSEE AND MAKING PROVISION FOR THE OPERATION OF THE DISTRICT AND THE COLLECTION AND DISPOSITION OF ITS REVENUES

BE IT RESOLVED by the Board of Commissioners of The Harpeth Valley Utilities District of Davidson and Williamson Counties, Tennessee, as follows:

1. Authority; Findings.

- a. The Harpeth Valley Utilities District of Davidson and Williamson Counties, Tennessee (the “District”) is duly incorporated pursuant to Section 7-82-101 et seq., Tennessee Code Annotated (the “Act”).
- b. The District owns and operates a water and sewer system (the “System”).
- c. The District has issued and presently has outstanding its Utilities Revenue Bond, Series 1997, dated August 13, 1998; Utilities Revenue Improvement Bonds, Series 2020, dated February 5, 2020; Utilities Revenue Refunding Bonds, Series 2022, dated June 22, 2022; Utilities Revenue Refunding Bonds, Series 2024A, dated September 4, 2024; Utilities Revenue Bonds, Series 2024B, dated October 24, 2024; Utilities Revenue Refunding Bonds, Series 2025A, dated July 23, 2025; and Utilities Revenue Bonds, Series 2025B, dated September 25, 2025 (collectively, the “Outstanding Parity Lien Bonds”), payable solely from and secured by a lien on the net revenues of the System, pursuant to resolution of the Board of Commissioners of the District adopted on March 22, 1993, as heretofore supplemented and amended (the “Master Resolution”).
- d. Section 7-82-501 of the Act authorizes the District to issue bonds and use the proceeds to finance capital improvements to the System.
- e. The Board of Commissioners of the District finds that it is advisable to finance capital improvements and extensions to the System.
- f. The proposed bond will be issued on parity with the remaining Outstanding Parity Lien Bonds under the terms, conditions and authority of the Master Resolution.
- g. The District has submitted to the Director of the Division of Local Government Finance a request for a report on the District’s plan of finance, as required by the Act. The Director has reported on the plan of finance; the report has been published as required by the Act; and the report is attached hereto as Exhibit B.

2. Definitions. The following terms shall have the following meanings in this Resolution unless the text expressly or by necessary implication requires otherwise:

- a. “Act” shall have the meaning ascribed in Section 1.
- b. “Bank” shall mean X-Caliber Rural Capital, LLC, its successors and assigns.
- c. “Bond” means the revenue bond authorized to be issued by this Resolution.

- d. “Code” means the Internal Revenue Code of 1986, as amended, and any lawful regulations promulgated or proposed thereunder.
- e. “District” shall have the meaning ascribed in Section 1.
- f. “Governing Body” means the Board of Commissioners of the District.
- g. "Loan Agreement" shall mean the Loan Agreement between the District and the Bank;
- h. “Outstanding Parity Lien Bonds” shall have the meaning ascribed in Section 1.
- i. “Project Fund” means 2026 Project Fund established herein.
- j. “Project” shall mean capital improvements to the System.
- k. “Registration Agent” means the person designated by the President of the Governing Body.
- l. “Reserve Fund Requirement” shall mean such amount, if any, as may be required by the Bank or the USDA to be funded as a debt service reserve for the Bond, which amount shall be established by the President and set forth in the Loan Agreement;
- m. “Term Sheet” means the term sheet between the District and the Bank, attached hereto as Exhibit A.
- n. “USDA” means the United States Department of Agriculture, as guarantor of the payment of a portion of the Bond, as described in the Term Sheet.

3. Authorization and Terms of the Bond.

- a. General Terms. For the purpose of providing funds to finance the Project and to pay legal, fiscal and administrative costs incident thereto, the Governing Body hereby authorizes the issuance of its utilities revenue bond in a principal amount not to exceed \$1,720,000 (the “Bond”). The Bond shall be issued in fully registered form, shall have such designation as may be selected by the President and shall be dated its date of issuance. The Bond shall bear interest, shall be payable as to principal and interest, shall be subject to optional and mandatory redemption, and shall have such other terms and conditions as contemplated by the Term Sheet.
- b. Redemption Notices. Notice of any call for redemption shall be given by the Registration Agent on behalf of the District not less than thirty (30) nor more than sixty (60) days prior to the date fixed for redemption by sending an appropriate notice to the registered owner of the Bond.
- c. Registration of Bonds. The District hereby authorizes and directs the Registration Agent to maintain bond registration records with respect to the Bond, to authenticate and deliver the Bond as provided herein, either at original issuance, upon transfer, or as otherwise directed by the District, to effect transfers of the Bond, to give all notices of redemption as required herein, to make all payments of principal and interest with respect to the Bond as provided herein, to cancel and destroy the Bond upon payment at maturity or upon earlier redemption or submission for exchange or transfer, and to furnish the District at least annually an audit confirmation of Bond payments.

- d. Payment of Bonds. The Bond shall be payable, both principal and interest, in lawful money of the United States of America at the main office of the Registration Agent. The Registration Agent shall make all interest payments with respect to the Bond by check or draft on each interest payment date directly to the registered owner as shown on the Bond registration records maintained by the Registration Agent as of the close of business on the fifteenth day of the month next preceding the interest payment date (the "Regular Record Date") by depositing said payment in the United States mail, postage prepaid, addressed to such owners at their addresses shown on said Bond registration records, without, except for final payment, the presentation or surrender of such registered Bond, and all such payments shall discharge the obligations of the District in respect of such Bond to the extent of the payments so made.
- e. Transfer. The Bond is transferable only by presentation to the Registration Agent by the registered owner, or his legal representative duly authorized in writing, of the registered Bond 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 Bond accompanied by appropriate documentation necessary to prove the legal capacity of any legal representative of the registered owner. Upon receipt of the Bond in such form and with such documentation, if any, the Registration Agent shall issue a new Bond to the assignee. The Registration Agent shall not be required to transfer or exchange the Bond during the period commencing on a Regular or Special Record Date and ending on the corresponding interest payment date of such Bond, nor to transfer or exchange the Bond after notice calling such Bond for redemption has been made, nor to transfer or exchange the Bond during the period following the receipt of instructions from the District to call such Bond 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 the Bond, provided that any transfer tax relating to such transaction shall be paid by the registered owner requesting transfer. The person in whose name the 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 Bond shall be overdue.
- f. Execution of Bonds. The Bond shall be executed in such manner as may be prescribed by applicable law, in the name, and on behalf of the District, by the President and attested by the Secretary.
- g. Authentication and Delivery. The Registration Agent is hereby authorized to authenticate and deliver the Bond to the Bank, upon receipt by the District of the proceeds of the sale thereof. The Bond shall not be valid for any purpose unless authenticated by the Registration Agent by the manual signature of an officer thereof on the certificate set forth herein on the Bond form.
- h. Replacement Bonds. In case the Bond shall become mutilated, or be lost, stolen, or destroyed, the District, in its discretion, shall issue, and the Registration Agent, upon written direction from the District, shall authenticate and deliver, a new Bond of like tenor, amount, maturity and date, in exchange and substitution for, and upon the cancellation of, the mutilated Bond, or in lieu of and in substitution for such lost, stolen or destroyed Bond, or if any such Bond shall have matured or shall be about to mature, instead of issuing a substituted Bond the District may pay or authorize payment of such Bond without surrender thereof. In every case the applicant shall furnish evidence satisfactory to the District and the Registration Agent of the destruction, theft or loss of such Bond, and indemnity

satisfactory to the District and the Registration Agent; and the District may charge the applicant for the issue of such new Bond an amount sufficient to reimburse the District for the expense incurred by it in the issue thereof.

4. Source of and Security for Payment. The Bond shall be payable solely from and secured by a pledge of the Net Revenues, on a parity and equality of lien with the Outstanding Parity Lien Bonds and any Parity Bonds hereafter issued. The punctual payment of principal of and premium, if any, and interest on the Bond shall be secured equally and ratably by the Net Revenues without priority by reason of series, number or time of sale or delivery. The Net Revenues are hereby irrevocably pledged to the punctual payment of such principal, premium, if any, and interest as the same become due. The Bond does not constitute a debt of the State of Tennessee, or any political subdivision thereof, or municipal corporation therein, other than the District, and no holder of the Bond shall have recourse to the taxing power of any such entities.
5. Sale of the Bond. The Bond shall be sold to the Bank in accordance with the terms of the Term Sheet. The President of the Governing Body is hereby authorized to enter into the Loan Agreement with the Bank to further evidence the District's obligations with respect to the Bond. The Loan Agreement shall be consistent with the terms of this resolution and the Term Sheet, and shall be subject to approval by the District's bond counsel
6. Application of Proceeds of the Bond and Other District Funds. The proceeds from the sale of the Bond shall be deposited to a separate and segregated fund to be known as the "2026 Project Fund", and for further application solely to the costs of the Project (by payment to third parties or reimbursement of the District for prior payments), and costs of issuance of the Bond. Money in the Project Fund shall be secured in the manner prescribed by applicable statutes relative to the securing of public or trust funds, if any, or, in the absence of such a statute, by a pledge of readily marketable securities having at all times a market value of not less than the amount in the Project Fund. Moneys in the Project Fund shall be invested as directed by an authorized representative of the District in such investments as shall be permitted by Tennessee law. All income derived from such investments shall be retained in the Project Fund and applied to either costs of the Project or, to the extent permitted by applicable federal tax law, payment of interest on the Bond.
7. Applicability of the Master Resolution.
 - a. The Bond shall be issued in compliance with the provisions of the Master Resolution so as to be on a parity of lien with respect to the Outstanding Parity Lien Bonds, and when duly delivered, shall constitute a series of bonds delivered under authority of the Master Resolution. As long as the Bond remains outstanding and unpaid either as to principal or as to interest, or until the discharge and satisfaction of the Bond, as provided in Section 23 of the Master Resolution, as supplemented and amended, the provisions of Sections 7 (Equality of Lien; Pledge of Net Revenues), 8 (Application of Revenues), 9 (Charges for Services Supplied by the System), 10 (Covenants Regarding the Operation of the System), 11 (Remedies of Bond Owners), 12 (Statutory Mortgage Lien), 13 (Resolution a Contract), 14 (Prohibition of Prior Lien; Parity Bonds), 22 (Modification of Resolution) and 23 (Discharge and Satisfaction of Bonds) of the Master Resolution, as amended, shall be equally applicable to any Outstanding Parity Lien Bonds and the Bond and shall inure to the benefit of the owners thereof.
 - b. All references to "Bondholders" or "Owners" in the aforesaid Sections shall be deemed to include owners of the Bond, and all references to the Bonds contained in those Sections

shall be deemed to include the Bond and shall be administered for the benefit of the owners of the Bond.

8. Application of Revenues. From and after the delivery of the Bond hereunder, and as long as the Bond shall be outstanding and unpaid either as to principal or as to interest, or until the discharge and satisfaction of the Bond as provided in Section 23 of the Master Resolution, as amended, the entire income and revenues of the System shall be deposited in the Revenue Fund created by the Master Resolution and shall be used in all respects as provided in the Master Resolution; provided that any deposits to the Bond Fund with respect to the Bond shall, during the period immediately following the issuance thereof and prior to the first principal and interest payment dates therefor, be increased as necessary to cause the full amount of the first interest and principal payment to be accumulated prior to such first principal and interest payment dates.

Following the issuance of the Bond, the revenues of the System shall be applied to the funding of the Reserve Fund Requirement for the Bond, if applicable, in the manner required by the Master Resolution. The Reserve Fund for the Bond shall not secure (or be available for) the holders of the Outstanding Parity Lien Bonds. Likewise, the holder of the Bond shall have no rights to any monies in the Reserve Fund held for the benefit of the Outstanding Parity Lien Bonds or any Parity Bonds.

9. Additional Agreements. The President of the Governing Body is authorized to execute and deliver, on behalf of the District, any agreements or documents necessary or appropriate to carry out the purposes of this Resolution.
10. Repeal of Conflicting Resolutions and Effective Date. All other resolutions and orders, or parts thereof, in conflict with the provisions of this Resolution are, to the extent of such conflict, hereby repealed and this Resolution shall be in immediate effect from and after its adoption.
11. Separability. If any section, paragraph or provision of this Resolution shall be held to be invalid or unenforceable for any reason, the invalidity or unenforceability of such section, paragraph or provision shall not affect any of the remaining provisions of this Resolution.

Adopted and approved on _____, 2026.

President

ATTEST:

Secretary

EXHIBIT A
TERM SHEET
(attached)

EXHIBIT B

REPORT OF DIRECTOR OF THE DIVISION OF LOCAL GOVERNMENT FINANCE

(attached)

STATE OF TENNESSEE)
)
COUNTY OF DAVIDSON)

I hereby certify that I am the duly qualified and acting Secretary of the Board of Commissioners of The Harpeth Valley Utilities District of Davidson and Williamson Counties, Tennessee, and as such official I further certify that attached hereto is a true and correct copy of a resolution duly adopted by the Board of Commissioners of the District held on _____, 2026.

WITNESS my official signature and seal of said District this ____ day of _____, 2026.

Secretary

(SEAL)

EXHIBIT B

Pro Forma Financial Statements and Debt Coverage Ratios

SUMMARY OF OUTSTANDING DEBT^{1,2}

Original Amount Issued	Issue	Date Issued	Maturity Date	Principal Outstanding 1/1/2026
Senior Lien Debt				
\$ 1,139,500	Utilities Revenue Bonds, Series 1997	8/13/1998	9/13/2036	\$ 554,298
\$ 30,770,000	Utilities Revenue Bonds, Series 2020	2/5/2020	9/1/2050	\$ 29,825,000
\$ 37,230,000	Utilities Revenue Bonds, Series 2022	6/22/2022	9/1/2042	\$ 36,490,000
\$ 39,800,000	Utilities Revenue Bonds, Series 2024A	9/4/2024	9/1/2044	\$ 38,445,000
\$ 30,000,000	Utilities Revenue Bonds, Series 2024B	10/24/2024	9/1/1954	\$ 29,345,000
\$ 25,415,000	Utilities Revenue Bonds, Series 2025A	7/9/2025	9/1/2042	\$ 25,415,000
\$ 45,000,000	Utilities Revenue Bonds, Series 2025B	9/9/2025	9/1/2055	\$ 45,000,000
Total Senior Lien Debt				\$ 205,074,298

(1) As of 1/1/2026 and not adjusted for Proposed 2026

(2) Excludes District's Obligation to Metro Nashville of \$124,067 as of 12/31/25

Debt Service on Outstanding Bonds

Fiscal Year	1997 Bonds (From Audit)			2020 Bonds			2022 Bonds			2024A Refunding Bonds		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2026	40,786	27,459	68,245	345,000	1,183,000	1,528,000	260,000	1,627,750	1,887,750	1,410,000	1,846,100	3,256,100
2027	42,925	25,319	68,244	360,000	1,165,750	1,525,750	265,000	1,619,950	1,884,950	1,480,000	1,775,600	3,255,600
2028	45,178	23,066	68,244	375,000	1,147,750	1,522,750	275,000	1,612,000	1,887,000	1,560,000	1,701,600	3,261,600
2029	47,548	20,696	68,244	850,000	1,140,250	1,990,250	1,845,000	1,603,750	3,448,750	2,540,000	1,623,600	4,163,600
2030	50,043	18,201	68,244	890,000	1,097,750	1,987,750	1,935,000	1,511,500	3,446,500	2,665,000	1,496,600	4,161,600
2031	52,669	15,575	68,244	915,000	1,071,050	1,986,050	2,030,000	1,414,750	3,444,750	2,805,000	1,363,350	4,168,350
2032	55,433	12,811	68,244	945,000	1,043,600	1,988,600	2,135,000	1,313,250	3,448,250	2,945,000	1,223,100	4,168,100
2033	58,341	9,903	68,244	980,000	1,005,800	1,985,800	2,245,000	1,206,500	3,451,500	3,090,000	1,075,850	4,165,850
2034	61,403	6,842	68,245	1,020,000	966,600	1,986,600	2,355,000	1,094,250	3,449,250	3,240,000	921,350	4,161,350
2035	64,624	3,620	68,244	1,060,000	925,800	1,985,800	2,470,000	976,500	3,446,500	1,340,000	759,350	2,099,350
2036	35,348	499	35,847	1,105,000	883,400	1,988,400	2,600,000	853,000	3,453,000	1,405,000	692,350	2,097,350
2037				1,145,000	839,200	1,984,200	2,725,000	723,000	3,448,000	1,475,000	622,100	2,097,100
2038				1,195,000	793,400	1,988,400	2,835,000	614,000	3,449,000	1,545,000	548,350	2,093,350
2039				1,240,000	745,600	1,985,600	2,950,000	500,600	3,450,600	1,625,000	471,100	2,096,100
2040				1,290,000	696,000	1,986,000	3,065,000	382,600	3,447,600	1,705,000	389,850	2,094,850
2041				1,340,000	644,400	1,984,400	3,185,000	260,000	3,445,000	1,790,000	304,600	2,094,600
2042				1,395,000	590,800	1,985,800	3,315,000	132,600	3,447,600	1,865,000	233,000	2,098,000
2043				1,450,000	535,000	1,985,000				1,940,000	158,400	2,098,400
2044				1,510,000	477,000	1,987,000				2,020,000	80,800	2,100,800
2045				1,570,000	416,600	1,986,600						
2046				1,635,000	353,800	1,988,800						
2047				1,700,000	288,400	1,988,400						
2048				1,765,000	220,400	1,985,400						
2049				1,835,000	149,800	1,984,800						
2050				1,910,000	76,400	1,986,400						
2051												
2052												
2053												
2054												
2055												
Total	554,298	163,991	718,289	29,825,000	18,457,550	48,282,550	36,490,000	17,446,000	53,936,000	38,445,000	17,287,050	55,732,050

Fiscal Year	2024B Bonds (New Money)			2025A Refunding Bonds			2025B Bonds (New Money)			Existing Senior Lien Debt Service (1)		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2026	490,000	1,280,100	1,770,100	3,465,000	1,347,645	4,812,645	0	1,982,925	1,982,925	6,010,786	9,294,979	15,305,765
2027	515,000	1,255,600	1,770,600	3,765,000	1,045,725	4,810,725	400,000	2,124,563	2,524,563	6,827,925	9,012,507	15,840,432
2028	545,000	1,229,850	1,774,850	3,955,000	857,475	4,812,475	780,000	2,104,563	2,884,563	7,535,178	8,676,304	16,211,482
2029	570,000	1,202,600	1,772,600	735,000	659,725	1,394,725	815,000	2,065,563	2,880,563	7,402,548	8,316,184	15,718,732
2030	600,000	1,174,100	1,774,100	770,000	622,975	1,392,975	855,000	2,024,813	2,879,813	7,765,043	7,945,939	15,710,982
2031	630,000	1,144,100	1,774,100	810,000	584,475	1,394,475	900,000	1,982,063	2,882,063	8,142,669	7,575,363	15,718,032
2032	660,000	1,112,600	1,772,600	850,000	543,975	1,393,975	945,000	1,937,063	2,882,063	8,535,433	7,186,399	15,721,832
2033	695,000	1,079,600	1,774,600	890,000	501,475	1,391,475	1,000,000	1,889,813	2,889,813	8,958,341	6,768,941	15,727,282
2034	730,000	1,044,850	1,774,850	935,000	456,975	1,391,975	1,040,000	1,839,813	2,879,813	9,381,403	6,330,680	15,712,083
2035	765,000	1,008,350	1,773,350	985,000	410,225	1,395,225	1,090,000	1,787,813	2,877,813	7,774,624	5,871,658	13,646,282
2036	800,000	970,100	1,770,100	1,025,000	360,975	1,385,975	1,150,000	1,733,313	2,883,313	8,120,348	5,493,637	13,613,985
2037	840,000	930,100	1,770,100	1,080,000	309,725	1,389,725	1,205,000	1,675,813	2,880,813	8,470,000	5,099,938	13,569,938
2038	885,000	888,100	1,773,100	1,135,000	255,725	1,390,725	1,265,000	1,615,563	2,880,563	8,860,000	4,715,138	13,575,138
2039	930,000	843,850	1,773,850	1,175,000	210,325	1,385,325	1,330,000	1,552,313	2,882,313	9,250,000	4,323,788	13,573,788
2040	975,000	797,350	1,772,350	1,230,000	163,325	1,393,325	1,395,000	1,485,813	2,880,813	9,660,000	3,914,938	13,574,938
2041	1,025,000	748,600	1,773,600	1,280,000	112,588	1,392,588	1,465,000	1,416,063	2,881,063	10,085,000	3,486,250	13,571,250
2042	1,065,000	707,600	1,772,600	1,330,000	58,188	1,388,188	1,540,000	1,342,813	2,882,813	10,510,000	3,065,000	13,575,000
2043	1,105,000	665,000	1,770,000				1,620,000	1,265,813	2,885,813	6,115,000	2,624,213	8,739,213
2044	1,150,000	620,800	1,770,800				1,685,000	1,194,938	2,879,938	6,365,000	2,373,538	8,738,538
2045	1,195,000	574,800	1,769,800				1,765,000	1,119,113	2,884,113	4,530,000	2,110,513	6,640,513
2046	1,245,000	527,000	1,772,000				1,840,000	1,039,688	2,879,688	4,720,000	1,920,488	6,640,488
2047	1,295,000	477,200	1,772,200				1,930,000	954,588	2,884,588	4,925,000	1,720,188	6,645,188
2048	1,345,000	425,400	1,770,400				2,015,000	865,325	2,880,325	5,125,000	1,511,125	6,636,125
2049	1,400,000	371,600	1,771,600				2,110,000	774,650	2,884,650	5,345,000	1,296,050	6,641,050
2050	1,455,000	315,600	1,770,600				2,200,000	679,700	2,879,700	5,565,000	1,071,700	6,636,700
2051	1,515,000	257,400	1,772,400				2,315,000	569,700	2,884,700	3,830,000	827,100	4,657,100
2052	1,575,000	196,800	1,771,800				2,420,000	465,525	2,885,525	3,995,000	662,325	4,657,325
2053	1,640,000	133,800	1,773,800				2,525,000	356,625	2,881,625	4,165,000	490,425	4,655,425
2054	1,705,000	68,200	1,773,200				2,640,000	243,000	2,883,000	4,345,000	311,200	4,656,200
2055							2,760,000	124,200	2,884,200	2,760,000	124,200	2,884,200
Total	29,345,000	22,051,050	51,396,050	25,415,000	8,501,520	33,916,520	45,000,000	40,213,538	85,213,538	205,074,298	124,120,698	329,194,996

(1) - Excludes District's Obligation to Metro Nashville for \$124,067

Debt Service Schedule Including Proposed 2026

Fiscal Year	Existing Senior Lien Debt Service (1)			Proposed 2026 Bonds (2)			Total		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2026	6,010,786	9,294,979	15,305,765	4,517	100,168	104,685	6,015,303	9,395,147	15,410,450
2027	6,827,925	9,012,507	15,840,432	7,090	132,490	139,580	6,835,015	9,144,996	15,980,011
2028	7,535,178	8,676,304	16,211,482	7,273	132,307	139,580	7,542,451	8,808,611	16,351,061
2029	7,402,548	8,316,184	15,718,732	8,242	131,338	139,580	7,410,790	8,447,521	15,858,311
2030	7,765,043	7,945,939	15,710,982	8,903	130,677	139,580	7,773,946	8,076,615	15,850,561
2031	8,142,669	7,575,363	15,718,032	9,617	129,963	139,580	8,152,286	7,705,325	15,857,611
2032	8,535,433	7,186,399	15,721,832	10,010	129,570	139,580	8,545,443	7,315,969	15,861,411
2033	8,958,341	6,768,941	15,727,282	11,191	128,389	139,580	8,969,532	6,897,329	15,866,861
2034	9,381,403	6,330,680	15,712,083	12,088	127,492	139,580	9,393,491	6,458,171	15,851,662
2035	7,774,624	5,871,658	13,646,282	13,058	126,522	139,580	7,787,682	5,998,180	13,785,861
2036	8,120,348	5,493,637	13,613,985	13,737	125,843	139,580	8,134,085	5,619,479	13,753,564
2037	8,470,000	5,099,938	13,569,938	15,207	124,373	139,580	8,485,207	5,224,311	13,709,517
2038	8,860,000	4,715,138	13,575,138	16,426	123,154	139,580	8,876,426	4,838,291	13,714,717
2039	9,250,000	4,323,788	13,573,788	17,743	121,837	139,580	9,267,743	4,445,624	13,713,367
2040	9,660,000	3,914,938	13,574,938	18,813	120,767	139,580	9,678,813	4,035,705	13,714,517
2041	10,085,000	3,486,250	13,571,250	20,675	118,905	139,580	10,105,675	3,605,155	13,710,830
2042	10,510,000	3,065,000	13,575,000	22,333	117,247	139,580	10,532,333	3,182,247	13,714,580
2043	6,115,000	2,624,213	8,739,213	24,124	115,456	139,580	6,139,124	2,739,668	8,878,792
2044	6,365,000	2,373,538	8,738,538	25,725	113,855	139,580	6,390,725	2,487,393	8,878,117
2045	4,530,000	2,110,513	6,640,513	28,122	111,458	139,580	4,558,122	2,221,971	6,780,092
2046	4,720,000	1,920,488	6,640,488	30,377	109,203	139,580	4,750,377	2,029,691	6,780,067
2047	4,925,000	1,720,188	6,645,188	32,813	106,767	139,580	4,957,813	1,826,954	6,784,767
2048	5,125,000	1,511,125	6,636,125	35,137	104,443	139,580	5,160,137	1,615,568	6,775,705
2049	5,345,000	1,296,050	6,641,050	38,262	101,318	139,580	5,383,262	1,397,368	6,780,630
2050	5,565,000	1,071,700	6,636,700	41,331	98,249	139,580	5,606,331	1,169,949	6,776,280
2051	3,830,000	827,100	4,657,100	44,645	94,935	139,580	3,874,645	922,035	4,796,680
2052	3,995,000	662,325	4,657,325	47,954	91,626	139,580	4,042,954	753,951	4,796,905
2053	4,165,000	490,425	4,655,425	52,071	87,509	139,580	4,217,071	577,934	4,795,005
2054	4,345,000	311,200	4,656,200	56,247	83,333	139,580	4,401,247	394,533	4,795,780
2055	2,760,000	124,200	2,884,200	60,758	78,822	139,580	2,820,758	203,022	3,023,780
2056	0	0	0	65,408	74,172	139,580	65,408	74,172	139,580
2057	0	0	0	70,876	68,704	139,580	70,876	68,704	139,580
2058	0	0	0	76,559	63,020	139,580	76,559	63,020	139,580
2059	0	0	0	82,699	56,881	139,580	82,699	56,881	139,580
2060	0	0	0	89,177	50,403	139,580	89,177	50,403	139,580
2061	0	0	0	96,483	43,097	139,580	96,483	43,097	139,580
2062	0	0	0	104,220	35,360	139,580	104,220	35,360	139,580
2063	0	0	0	112,578	27,002	139,580	112,578	27,002	139,580
2064	0	0	0	121,543	18,037	139,580	121,543	18,037	139,580
2065	0	0	0	131,353	8,227	139,580	131,353	8,227	139,580
2066	0	0	0	34,453	442	34,895	34,453	442	34,895
Total	205,074,298	124,120,698	329,194,996	1,719,838	3,863,360	5,583,198	206,794,136	127,984,058	334,778,194

(1) - Excludes District's Obligation to Metro Nashville for \$124,067

(2) - Preliminary, subject to change

Pro Forma Financial Statements & Projected Debt Service Coverage

	<u>Audit - DRAFT</u> 2025	<u>Projected</u> 2026	<u>Projected</u> 2027	<u>Projected</u> 2028	<u>Projected</u> 2029
Revenue and Capital Contributions					
Water Sales	\$ 38,958,053	\$ 41,766,387	\$ 43,846,612	\$ 46,066,497	\$ 48,442,442
Wastewater Sales	12,779,747	13,208,644	13,761,148	14,336,718	14,936,317
Other Income	2,283,274	815,500	815,500	815,500	815,500
Capacity Fees	892,100	1,000,000	1,000,000	1,000,000	1,000,000
Interest Income	2,078,820	1,355,633	585,876	441,164	458,235
<i>Total Revenue</i>	<u>\$ 56,991,994</u>	<u>\$ 58,146,164</u>	<u>\$ 60,009,136</u>	<u>\$ 62,659,879</u>	<u>\$ 65,652,493</u>
Expenses					
Operating Expenses	25,094,487	\$ 24,454,700	\$ 25,403,262	\$ 26,426,136	\$ 27,498,447
Administrative and General	7,386,541	7,136,188	7,331,079	7,533,073	7,742,133
<i>Total Expenses</i>	<u>\$ 32,481,028</u>	<u>\$ 31,590,888</u>	<u>\$ 32,734,342</u>	<u>\$ 33,959,210</u>	<u>\$ 35,240,580</u>
<i>Net Revenue Available for Debt Service</i>	\$ 24,510,966	\$ 26,555,276	\$ 27,274,794	\$ 28,700,669	\$ 30,411,914
Debt Service					
<i>Total Debt Service</i>	\$ 14,215,578	\$ 15,410,450	\$ 16,424,524	\$ 17,948,162	\$ 18,470,590
Debt Service Coverage Ratio	1.72	1.72	1.66	1.60	1.65

(1) - Excludes Depreciation and Amortization

Key Assumptions:

Annual Rate Adjustments: 4% (annually for FY 2027 through FY 2029)

Revenue Bond Issuance:

\$1.7M Series 2026

\$45M new money (Construction project proceeds) from 2027-2029

Operating Expenses:

Personnel at 98% of budget/forecast

Other O&M at 95% of budget/forecast

EXHIBIT C

Draft Financial Schedules

DRAFT FINANCIAL SCHEDULES

SOURCES & USES

Sources of Funds	Dollars
Loan Amount	\$1,720,000
Total Sources	\$1,720,000
Uses of Funds	
Construction Direct Costs	\$1,171,250
Consulting Fees	175,000
Construction Soft Costs	115,000
Construction Contingency	137,000
Costs of Issuance	121,750
Total Uses	\$1,720,000

LOAN STATISTICS

Loan Inputs	
Deal Name	Harpeth Valley
Loan Amount	\$ 1,720,000.00
Dates	
Schedule Start	4/1/2026
Schedule End (Maturity)	4/1/2066
Payments	
Payment Frequency	Monthly
Payments/Yr	12
Payment Count	480
Interest Rate	
Rate Locked?	FALSE
Index	30Y CMT
Index Rate	4.6330%
Spread	3.0000%
Rate Pre-Cap/Floor	7.6330%
<i>IR - Floor</i>	<i>0.0000%</i>
<i>IR - Cap</i>	<i>0.0000%</i>
IR - Actual Rate	7.6330%
Effective Rate Calculator	
Nominal Payment	\$ 11,488.24
Residual Balance	\$ 465,232.19
Effective Rate	7.7452%
Effective Payment	\$ 11,631.66

DEBT SERVICE SCHEDULE

Proposed 2026 Bonds (1)

Fiscal Year	Principal	Interest	Total
2026	4,517	100,168	104,685
2027	7,090	132,490	139,580
2028	7,273	132,307	139,580
2029	8,242	131,338	139,580
2030	8,903	130,677	139,580
2031	9,617	129,963	139,580
2032	10,010	129,570	139,580
2033	11,191	128,389	139,580
2034	12,088	127,492	139,580
2035	13,058	126,522	139,580
2036	13,737	125,843	139,580
2037	15,207	124,373	139,580
2038	16,426	123,154	139,580
2039	17,743	121,837	139,580
2040	18,813	120,767	139,580
2041	20,675	118,905	139,580
2042	22,333	117,247	139,580
2043	24,124	115,456	139,580
2044	25,725	113,855	139,580
2045	28,122	111,458	139,580
2046	30,377	109,203	139,580
2047	32,813	106,767	139,580
2048	35,137	104,443	139,580
2049	38,262	101,318	139,580
2050	41,331	98,249	139,580
2051	44,645	94,935	139,580
2052	47,954	91,626	139,580
2053	52,071	87,509	139,580
2054	56,247	83,333	139,580
2055	60,758	78,822	139,580
2056	65,408	74,172	139,580
2057	70,876	68,704	139,580
2058	76,559	63,020	139,580
2059	82,699	56,881	139,580
2060	89,177	50,403	139,580
2061	96,483	43,097	139,580
2062	104,220	35,360	139,580
2063	112,578	27,002	139,580
2064	121,543	18,037	139,580
2065	131,353	8,227	139,580
2066	34,453	442	34,895
Total	<u>1,719,838</u>	<u>3,863,360</u>	<u>5,583,198</u>

(1) - Preliminary, subject to change

DETAILED COSTS OF ISSUANCE

Costs of Issuance Detail	Dollars
Bond Counsel	\$15,000
Notice Publication	1,750
USDA Guarantee Fees	15,480
Bank Fees/Costs	78,300
Bank Searches & Escrow Expenses	11,220
Total	\$121,750

EXHIBIT D

**Budget vs. Actual financial performance as of December 31, 2025
(Draft/Unaudited)**

Audit - DRAFT

Harpeth Valley Utilities District - Monthly Board Summary

Combined Water and Sewer
For the period ending December 31, 2025

	-A- Monthly Actual December 31, 2025	-B- Monthly Budget December 31, 2025	-C- YTD Actual December 31, 2025	-D- YTD Budget December 31, 2025	-E- YTD Actual vs. Budget	-F- Annual Budget 2025
Revenues						
Sales	\$ 3,925,685	\$ 3,758,144	\$ 51,749,249	\$ 50,979,000	\$ 770,249	\$ 50,979,000
All Other Revenue	242,512	214,875	5,168,573	2,657,500	2,511,073	2,657,500
Non-Cash Revenue	316,386	325,632	1,447,593	2,257,578	(809,985)	2,257,578
Total Revenues	4,484,582	4,298,650	58,365,415	55,894,078	2,471,337	55,894,078
Operating Expenses						
Personnel Expenses	\$ 1,709,892	\$ 1,267,864	\$ 16,875,571	\$ 16,413,774	\$ 461,797	\$ 16,413,774
Operating Expenses	1,146,773	754,757	12,705,311	10,818,890	1,886,421	10,818,890
General Expenses	445,497	278,447	2,911,595	3,274,467	(362,872)	3,274,467
Total Operating Expenses	\$ 3,302,162	\$ 2,301,068	\$ 32,492,476	\$ 30,507,131	\$ 1,985,345	\$ 30,507,131
Non-Operating Expense						
Depreciation	\$ 1,420,838	\$ 1,237,830	\$ 15,183,008	\$ 15,000,000	\$ 183,008	\$ 15,000,000
Interest Expense	775,603	684,407	8,215,231	8,386,053	(170,822)	8,386,053
Total Non-Operating Expense	\$ 2,196,441	\$ 1,922,237	\$ 23,398,239	\$ 23,386,053	\$ 12,186	\$ 23,386,053
Excess of Revenues over Expenses	\$ (1,014,021)	\$ 75,345	\$ 2,474,701	\$ 2,000,894	\$ 473,807	\$ 2,000,894

Line Item Key

Sales - Sales to Customers through the billing system.

Other Revenue - Other, interest income, capacity fees, gain (loss) on sale of assets

Non-Cash Revenue - Amortization, contributions in aid of construction, capital contributions.

Personnel Expenses - Salaries, payroll taxes, employee benefits.

Operating Expenses - Repairs & maintenance, transportation, chemical supplies.

General Expenses- Office and telephone, insurance, professional fees, miscellaneous.

Management Notations:

YTD Revenue as compared to budget	\$ 2,471,337
YTD Expenses as compared to budget	\$ 1,997,531
YTD Totals as compared to budget	\$ 473,807

Audit - DRAFT

Harpeth Valley Utilities District
Consolidated Revenues and Expenses Report
For the period ending December 31, 2025

	Monthly Actual	Monthly Budget	Monthly Percent Actual vs. Budget	YTD Actual	YTD Budget	YTD Percent Actual vs. Budget	Annual Budget
Operating Revenues							
Sales	\$ 3,925,685	\$ 3,758,144	4.46%	\$ 51,749,249	\$ 50,979,000	1.51%	\$ 50,979,000
Other	64,510	66,162	-2.50%	2,283,275	817,500	179.30%	817,500
Total Operating Revenues	\$ 3,990,195	\$ 3,824,305	4.34%	\$ 54,032,524	\$ 51,796,500	4.32%	\$ 51,796,500
Operating Expenses							
Plant Salaries	\$ 574,691	\$ 548,225	4.83%	\$ 6,747,000	\$ 6,768,209	-0.31%	\$ 6,768,209
Payroll Taxes	94,002	46,186	103.53%	662,711	570,199	16.22%	570,199
Employee Benefits	507,981	307,893	64.99%	4,563,190	4,398,472	3.74%	4,398,472
Repairs & Maintenance	484,855	188,699	156.95%	2,741,499	2,265,000	21.04%	2,265,000
Transportation	24,333	10,771	125.92%	146,334	129,250	13.22%	129,250
Utilities	299,697	307,927	-2.67%	4,540,204	4,102,640	10.67%	4,102,640
Outside Services	69,573	15,000	363.82%	220,347	180,000	22.41%	180,000
Chemical Supplies	268,315	232,360	15.47%	5,056,927	4,142,000	22.09%	4,142,000
Miscellaneous Operating	73,109	36,281	101.51%	416,275	458,620	-9.23%	458,620
Total Operating Expenses	\$ 2,396,557	\$ 1,693,342	41.53%	\$ 25,094,487	\$ 23,014,389	9.04%	\$ 23,014,389
Administrative and General Expenses							
Office Salaries	\$ 280,431	\$ 229,379	22.26%	\$ 2,843,129	\$ 2,780,352	2.26%	\$ 2,780,352
Payroll Taxes - Admin	42,713	22,711	88.07%	260,864	280,384	-6.96%	280,384
Employee Benefits - Admin	210,074	113,470	85.14%	1,798,676	1,616,159	11.29%	1,616,159
Office Expense	108,249	99,016	9.32%	1,059,793	1,188,196	-10.81%	1,188,196
Insurance	37,854	65,831	-42.50%	519,041	789,976	-34.30%	789,976
Professional Fees	113,264	72,690	55.82%	716,739	768,875	-6.78%	768,875
Uncollectible Accounts	11,449	-	0.00%	11,449	-	0.00%	-
Miscellaneous Admin	101,571	4,629	2094.16%	188,297	68,800	173.69%	68,800
Total Administrative and General Expenses	\$ 905,606	\$ 607,726	49.02%	\$ 7,397,988	\$ 7,492,741	-1.26%	\$ 7,492,741
Provision for depreciation	\$ 1,420,838	\$ 1,237,830	14.78%	\$ 15,183,008	\$ 15,000,000	1.22%	\$ 15,000,000
Total Operating, Administrative, General, Depreciation Expenses	\$ 4,723,000	\$ 3,538,898	33.46%	\$ 47,675,484	\$ 45,507,131	4.76%	\$ 45,507,131
Operating Income	\$ (732,806)	\$ 285,407	-356.76%	\$ 6,357,041	\$ 6,289,369	1.08%	\$ 6,289,369
Non-Operating Revenue (Expense)							
Interest Expense	\$ (775,603)	\$ (684,407)	-13.32%	\$ (8,215,231)	\$ (8,386,053)	2.04%	\$ (8,386,053)
Interest Income	238,822	70,000	241.17%	2,078,819	840,000	147.48%	840,000
Capacity Fees	24,800	78,713	-68.49%	892,100	1,000,000	-10.79%	1,000,000
Gain/Loss on Sale of Asset	(85,620)	-	0.00%	(85,620)	-	0.00%	-
Amortization	77,513	63,132	22.78%	907,816	757,578	19.83%	757,578
Total Non-Operating Revenue (Expense)	\$ (520,088)	\$ (472,562)	-10.06%	\$ (4,422,117)	\$ (5,788,475)	23.60%	\$ (5,788,475)
Total Operating Expense and Non-Operating Revenue (Expense)	\$ 5,243,089	\$ 4,011,460	30.70%	\$ 52,097,600	\$ 51,295,606	1.56%	\$ 51,295,606
Capital Contributions							
Capital Contributions	238,872	262,500	-9.00%	539,777	1,500,000	-64.01%	1,500,000
Total Capital Contributions Items	\$ 238,872	\$ 262,500		\$ 539,777	\$ 1,500,000		\$ 1,500,000
Excess of Revenues over Expenses	\$ (1,014,021)	\$ 75,345	-1445.84%	\$ 2,474,701	\$ 2,000,894	23.68%	\$ 2,000,894

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Harpeth Valley Utilities District Description of Items Included in Statement Categories

Operating Revenues

Sales:

All revenues for water and sewer service that are related to consumption and monthly service charges.

Other: Includes penalties; availability fees; inspection fees; plan review fees; service connection charges; reconnect charges and miscellaneous charges.

Operating Expenses

Salaries:

All wages for employees in the operations divisions for regular, overtime, vacation, sick and holiday pay.

Payroll Taxes: All payroll taxes for employees in the operations divisions.

Employee Benefits: All retirement, health insurance and disability insurance for employees in the operations division.

Repairs and Maintenance: Cost of all materials and supplies to maintain plant and pump station facilities; supplies for water and sewer lines maintenance; water tank maintenance; grounds maintenance at facilities; laboratory supplies; fuel; electrical repair materials; waste hauling; paving; small tools and equipment; cleaning supplies; laboratory sampling; HVAC repairs; etc.

Transportation: Cost of all vehicle repairs and replacement tires.

Utilities: Cost of electricity and natural gas at all plant, pump stations and building locations. This also includes telephone expense for operations facilities.

Outside Services - Operating: Testing Services -Backflow and meter testing services.

Chemicals: Includes the cost of all chemicals used in the water treatment and wastewater operations.

Miscellaneous: Includes licenses and fees; equipment rental; employee education and travel and meals expense for training; uniforms; safety supplies; computer expense for staff in operations.

Administrative and General Expenses

Salaries:

All wages for employees in the operations divisions for regular, overtime, vacation, sick and holiday pay.

Payroll Taxes: All payroll taxes for employees in the operations divisions.

Employee Benefits: All retirement, health insurance and disability insurance for employees in the operations division.

Office Expense & Telephone:

All telephone systems for facilities and staff; postage shipping; office supplies; bank charges; small tools and equipment for administrative staff; all computer expenses, including maintenance agreements on software.

Insurance General liability insurance and surety amortizations.

Professional Fees: All legal services; engineering (not directly related to capital projects); Accountants; Utility consultants (rate and financial).

Miscellaneous: Includes licenses and fees; equipment rental; employee education and travel and meals expense for conferences and training; safety supplies.

Non-Operating Revenues/Expenses

Interest Expense: Payment of interest on all bond and loans debt.

Interest income: All earnings from monies deposited in banks; all earnings from investments.

Capacity Fees: All new development related payments for water or sewer service provided by the District.

Gain/Loss on Sale of Asset: To record the gain or loss on a sales of a fixed asset item.

Amortization: An accounting practice to spread out the cost of a loan over many periods.

Extraordinary Items

Capital Contributions: Usually non-cash contribution. Once completed, and if facilities are built to the District's standards, developers will turn water and sewer assets over to the District, which become an asset on the District's books. An example would be new subdivision water and sewer lines.

EXHIBIT E

Prior Rating Report

Research Update:

Harpeth Valley Utilities District, TN Series 2025B Revenue Bonds Assigned 'AA+' Rating

August 28, 2025

Overview

- S&P Global Ratings assigned its 'AA+' long-term rating to [Harpeth Valley Utilities District](#) (HVUD), Tenn.'s anticipated \$45 million series 2025B utility system revenue bonds.
- The outlook is stable.

Rationale

Security

The bond proceeds will be used to fund improvements and expansions to the district's water treatment, pumping, and storage capacity facilities. A first-lien water and sewer system net revenue pledge secures the bonds. We consider bond provisions adequate, including a 1.2x debt service coverage (DSC) rate covenant and an additional bonds test equal to 1.2x maximum annual debt service (MADS). As of Dec. 31, 2024, HVUD had \$186.3 million outstanding.

Credit highlights

The rating reflects our opinion of the operational and financial strength of HVUD, coupled with the credit quality of the utility's three largest customers: Mallory Valley Utility District, the City of Brentwood, and the City of Franklin--all of which are municipalities and wholesale customers of the system. For the wholesale customers, contracts establish a take-or-pay minimum payment and permit the district to adjust rates as needed, essentially creating an unlimited step-up provision for wholesale customer class. More than 80% of HVUD's wholesale revenues arise from take-or-pay minimums, which provide additional cash flow certainty, in our view. The three largest wholesale water contract participants remain stable, accounting for more than 60% of purchased water.

The rating is underpinned by HVUD's ability to manage service-area growth and to meet infrastructure-improvement objectives while maintaining its financial profile through

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Harpeth Valley Utilities District, TN Series 2025B Revenue Bonds Assigned 'AA+' Rating

conservative budgeting and prudent approach to water-treatment capacity upgrades to mitigate risks associated with a growing population.

The rating also reflects our view of the district's:

- Broad service area, in which the district provides service to more than 250,000 people;
- Sufficient water supply through two intakes on the Cumberland River, combined with long-term planning to support customer growth;
- Take-or-pay agreements with its wholesale customers that provide the district with flexibility to raise rates as necessary; and
- Solid financial performance, including healthy all-in DSC (averaging 1.8x), and a very strong liquidity position of approximately \$25 million (or about 300 days' cash on hand) at the end of fiscal 2024.

Partially offsetting these strengths is the district's ongoing \$100 million capital program with potential additional debt needs to continue upgrading its facilities, which will likely increase leverage ratios.

Environmental, social, and governance

We assessed HVUD's environmental, social, and governance risks relative to the district's enterprise and financial profile and view these risk factors as neutral to our credit analysis. There are no significant operational risks because the district has sufficient water supply to meet demand. HVUD is investing in additional treatment capacity upgrades to cater to customer growth while also reducing the system's environmental risks, including per- and polyfluoroalkyl substances, which, as of 2024, have been below regulatory standards. Affordability risks are also low given income levels throughout the service area are high, providing significant rate-raising flexibility. In addition, we believe governance risk factors are mitigated by credit-supportive management policies and practices.

Outlook

The stable outlook reflects that the district will generate margins comparable with historical performance because of its credit-supportive wholesale members and retail customers while balancing its capital program to cater to service area growth. We also expect that HVUD customers' access to the Nashville metropolitan statistical area will continue to support the current rating.

Downside scenario

We could lower the rating if there is any decline in creditworthiness of the largest wholesale customers. If there is a change in the contractual relationship between the members and the district, potentially limiting or impeding the district's ability to reallocate obligations or implement unbudgeted rate increases, we could lower the rating as well.

Upside scenario

A higher rating would be predicated on formalized operational and fiscal practices consistent with those of higher-rated peers. In addition, the upside scenario would be underpinned by successful completion of the district's current significant capital program without disruptions to its extremely strong financial metrics.

Credit Opinion

HVUD's 84-square-mile service area includes southwest Davidson and Williamson counties, just south of Nashville. Median household effective buying income for Williamson County stands at about 161% of the national average. The district provides water and wastewater services to customers in southwest Davidson County and water services to Williamson County--including the cities of Brentwood, Franklin, and Fairview--as well as Cheatham County. The district provides treated water to southwestern Davidson County and Williamson County, either by way of its 18,841 direct customer accounts or seven wholesale customers, which account for more than 90,000 total accounts. Management is continuing to plan for steady customer growth benefitting from outgrowth from Nashville.

HVUD's water treatment plant is rated at a capacity of 70 million gallons per day (mgd) due to the ongoing plant expansion. HVUD maintains a water plant master plan, which demonstrates how the existing water plant can be expanded in multiple phases to reach an ultimate capacity of more than 100 mgd. The plan is crafted such that each phase can be executed as growth materializes and additional capacity is needed. HVUD's current debt estimates are an additional \$55 million for primarily capacity expansions through 2030. However, the actual amount and timing of the subsequent improvements will depend on future growth and demand.

While rates are determined annually by the HVUD's board of commissioners, management reports current projections include 5% annual rate increases for the district's retail customers and 3% annual rate increases for wholesale customers through 2028. Historically, water sales account for about 70% of total revenues and wastewater service account for 21%, while the remainder is shored up with other income including capacity fees.

Ratings List

New Issue Ratings

US\$45.0 mil util rev bnds ser 2025B due 09/01/2055

Long Term Rating

AA+/Stable

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