

NEW ISSUE
BOOK-ENTRY-ONLY

Rating: S&P: "A+"

PRELIMINARY OFFICIAL STATEMENT

\$9,995,000*

CITY OF HARRIMAN, TENNESSEE

Electric System Revenue and Tax Bonds, Series 2024

OFFERED FOR SALE NOT SOONER THAN

Wednesday, November 20, 2024 at 10:15 A.M. E.S.T.
Through the Facilities of *PARITY*[®]



SINCE 1931

CUMBERLAND SECURITIES

INDEPENDENT FINANCIAL ADVISOR

November 13, 2024

*Preliminary, subject to change.

This *Preliminary Official Statement* and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the *Official Statement* is delivered in final form. Under no circumstances shall this *Preliminary Official Statement* constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 13, 2024

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(See "MISCELLANEOUS – RATING" herein.)

In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the City, interest on the Bonds (i) 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 (ii) is not treated as an item of tax preference in calculating the alternative minimum tax; 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 an explanation of certain tax consequences under federal law which may result from the ownership of the Bonds, see the discussion under the heading "LEGAL MATTERS - Tax Matters" herein. Under existing law, the 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 "LEGAL MATTERS - Tax Matters" herein).

\$9,995,000*

CITY OF HARRIMAN, TENNESSEE

Electric System Revenue and Tax Bonds, Series 2024

Dated: Date of Issuance (assume December 13, 2024).

Due: June 1 (as indicated below)

The \$9,995,000* Electric System Revenue and Tax Bonds, Series 2024 (the "Bonds") issued by the City of Harriman, Tennessee (the "City") are issuable in fully registered form in denominations of \$5,000 and authorized integral multiples thereof. The Bonds will be issued in book-entry-only form and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as the nominee for DTC, principal and interest with respect to the Bonds shall be payable to Cede & Co., as nominee for DTC, which will, in turn, remit such principal and interest to the DTC participants for subsequent disbursements to the beneficial owners of the Bonds. Individual purchases of the Bonds will be made in book-entry-only form, in denominations of \$5,000 or integral multiples thereof and will bear interest at the annual rates as shown below. Interest on the Bonds is payable semi-annually from the date thereof commencing on June 1, 2025 and thereafter on each June 1 and December 1 by check or draft mailed to the owners thereof as shown on the books and records of Regions Bank, Nashville, Tennessee, the registration and paying agent (the "Registration Agent"). In the event of discontinuation of the book-entry-only system, principal of and interest on the Bonds are payable at the designated trust office of the Registration Agent.

The Bonds are payable from and secured by a pledge of the Net Revenues (as defined herein) to be derived from the operation of the City's electric distribution system (the "System") operated on behalf of the City by the Harriman Utility Board ("HUB"), subject to the payment of the reasonable and necessary costs of operating, maintaining, repairing and insuring the System, and, in the event of a deficiency in such revenues, from unlimited ad valorem taxes to be levied on all taxable property within the City. See section entitled "SECURITIES OFFERED – Security".

The Bonds maturing June 1, 2032 and thereafter are subject to optional redemption prior to maturity on or after June 1, 2031.

<u>Due</u> <u>(June 1)</u>	<u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP**</u>	<u>Due</u> <u>(June 1)</u>	<u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP**</u>
2027	\$190,000				2041	\$345,000			
2028	200,000				2042	360,000			
2029	210,000				2043	375,000			
2030	220,000				2044	390,000			
2031	230,000				2045	405,000			
2032	235,000				2046	425,000			
2033	245,000				2047	445,000			
2034	260,000				2048	460,000			
2035	270,000				2049	480,000			
2036	280,000				2050	500,000			
2037	290,000				2051	525,000			
2038	305,000				2052	545,000			
2039	315,000				2053	570,000			
2040	330,000				2054	590,000			

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire *Preliminary Official Statement* to obtain information essential to make an informed investment decision.

The Bonds are offered when, as and if issued by the City, subject to the approval of the legality thereof by Bass, Berry & Sims PLC, Knoxville, Tennessee, bond counsel, whose opinion will be delivered with the Bonds. Certain legal matters will be passed upon from Owings, Wilson & Coleman, counsel to the City. It is expected that the Bonds will be available for delivery through the facilities of The Depository Trust Company, New York, New York, on or about December __, 2024.

Cumberland Securities Company, Inc.
Municipal Advisor

November __, 2024

*Preliminary, subject to change.

This *Preliminary Official Statement* speaks only as of its date, and the information contained herein is subject to change.

This *Preliminary Official Statement* may contain forecasts, projections, and estimates that are based on current expectations but are not intended as representations of fact or guarantees of results. If and when included in this *Preliminary Official Statement*, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," and analogous expressions are intended to identify forward-looking statements as defined in the Securities Act of 1933, as amended, and any such statements inherently are subject to a variety of risks and uncertainties, which could cause actual results to differ materially from those contemplated in such forward-looking statements. These forward-looking statements speak only as of the date of this *Preliminary Official Statement*. The City disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the City's expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based.

This *Preliminary Official Statement* and the Appendices hereto contain brief descriptions of, among other matters, the City, the Bonds, the Resolution, the Disclosure Certificate (as defined herein), and the security and sources of payment for the Bonds. Such descriptions and information do not purport to be comprehensive or definitive. The summaries of various constitutional provisions and statutes, the Resolution, the Disclosure Certificate, and other documents are intended as summaries only and are qualified in their entirety by reference to such documents and laws, and references herein to the Bonds are qualified in their entirety to the forms thereof included in the Resolution.

The Bonds have not been registered under the Securities Act of 1933, as amended, and the Resolution has not been qualified under the Trust Indenture Act of 1939, in reliance on exemptions contained in such Acts. This *Preliminary Official Statement* does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

No dealer, broker, salesman, or other person has been authorized by the City or the Underwriter to give any information or to make any representations other than those contained in this *Preliminary Official Statement*, and, if given or made, such other information or representations should not be relied upon as having been authorized by the City or the Underwriter. Except where otherwise indicated, all information contained in this *Preliminary Official Statement* has been provided by the City. The information set forth herein has been obtained by the City from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of the Underwriter. The information contained herein is subject to change without notice, and neither the delivery of this *Preliminary Official Statement* nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the City, or the other matters described herein since the date hereof or the earlier dates set forth herein as of which certain information contained herein is given.

**Copyright, American Bankers Association (the "ABA"). CUSIP data herein are provided by CUSIP Global Services, which is managed on behalf of the ABA by S&P Global Market Intelligence, a division of S&P Global Inc. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Bonds and the City makes no representation with respect to such numbers nor undertakes any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 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 Bonds.

CITY OF HARRIMAN, TENNESSEE

OFFICIALS

Honorable Wayne Best
Chris Ahler
Scott Mason
John Owings

Mayor
Chief Finance Officer
City Manager
City Attorney

BOARD OF ALDERMEN

Tim Johnson – Vice Mayor

Johnny Brackett

Brian Frost

Alicia Harris

Travis J. Kirkland, II

HARRIMAN UTILITY BOARD

Ms. Alicia Harris, Chair

Mr. Shawn Smith, Vice Chair

Rev. Lionel Moore, Member

Mr. Jason Shillings, Member

Mr. Alfi Guindi, Member

Candace Vannasdale General Manager

REGISTRATION AND PAYING AGENT

Regions Bank
Nashville, Tennessee

BOND COUNSEL

Bass, Berry & Sims PLC
Knoxville, Tennessee

MUNICIPAL ADVISOR

Cumberland Securities Company, Inc.

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SUMMARY STATEMENT

The information set forth below is provided for convenient reference and does not purport to be complete and is qualified in its entirety by the information and financial statements appearing elsewhere in this *Preliminary Official Statement*. This Summary Statement shall not be reproduced, distributed or otherwise used except in conjunction with the remainder of this *Preliminary Official Statement*.

The Issuer	City of Harriman, Tennessee (the “City” or “Issuer”). See APPENDIX B contained herein.
Securities Offered.....	\$9,995,000* Electric System Revenue and Tax Bonds, Series 2024, maturing June 1, 2027 through June 1, 2054, inclusive, (the “Bonds”) of the City. The Bonds will be dated the date of issuance (assume December 13, 2024). See the section entitled “SECURITIES OFFERED” for additional information.
Security	The Bonds are payable from and secured by a pledge of the Net Revenues (as defined herein) to be derived from the operation of the City’s electric distribution system (the “System”) operated on behalf of the City by the Harriman Utility Board (“HUB”), and, in the event of a deficiency in such Net Revenues, from unlimited ad valorem taxes to be levied on all taxable property within the City. For the definition of Net Revenues of the System, see APPENDIX D – “Summary of Certain Provisions of the Resolution”.
Purpose	The Bonds are being issued for the purpose of providing funds for (i) finance improvements and extensions to the System and (ii) financing the costs of issuing the Bonds.
Optional Redemption	The Bonds are subject to optional redemption prior to maturity on or after June 1, 2031, at the redemption price of par plus accrued interest. See section entitled “SECURITIES OFFERED - Optional Redemption”.
Rates	Rates and fees for electric service provided by the System are established by the HUB. The System is not otherwise subject to rate regulation, and HUB is not aware of any pending legislation which would make its rates and fees subject to regulations.
Tax Matters.....	In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the City, interest on the Bonds (i) 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 (ii) is not an item of tax preference for purposes of the federal alternative minimum tax, except as described under the heading “LEGAL MATTERS-Tax Matters” herein. For an explanation of certain tax consequences under federal law which may result from the ownership of the Bonds, see the discussion under the heading "LEGAL MATTERS - Tax Matters" herein. Under existing law, the Bonds and the income therefrom will be exempt from all state, county and municipal taxation in the State of Tennessee, except certain Tennessee franchise and excise taxes. (See "LEGAL MATTERS - Tax Matters" herein).
Bank Qualification.....	The Bonds will be treated as “qualified tax-exempt obligations” within the meaning of Section 265 of the Internal Revenue Code of 1986, as amended. See the section entitled “LEGAL MATTERS - Tax Matters” for additional information.
Rating.....	S&P: “A+”. See the section entitled “MISCELLANEOUS - Rating” for more information.

* Preliminary, subject to change.

Registration and Paying AgentRegions Bank, Nashville, Tennessee. (the "Registration Agent").

Bond CounselBass, Berry & Sims PLC, Knoxville, Tennessee.

Municipal Advisor.....Cumberland Securities Company, Inc. See the section entitled "MISCELLANEOUS - Municipal Advisor; Related Parities; Others", herein.

Underwriter.....

Book-Entry-Only.....The Bonds will be issued under the Book-Entry-Only System except as otherwise described herein. For additional information, see the section entitled "BASIC DOCUMENTATION – Book–Entry-Only System".

General.....The Bonds are being issued in full compliance with applicable provisions of the Title 7, Chapter 34, and Title 9, Chapter 21, *Tennessee Code Annotated*, as supplemented and revised. See the section entitled "SECURITIES OFFERED – Authority and Purpose." The Bonds will be issued with CUSIP numbers through the facilities of The Depository Trust Company, New York, New York.

DisclosureIn accordance with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, the City will provide the Municipal Securities Rulemaking Board ("MSRB") through the operation of the Electronic Municipal Market Access system ("EMMA") and the State Information Depository ("SID"), if any, annual financial statements and other pertinent credit or event information, including Comprehensive Annual Financial Reports, see the section entitled "MISCELLANEOUS-Continuing Disclosure."

Other Information.....The information in this *Preliminary Official Statement* is deemed "final" within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as of the date which appears on the cover hereof except for the omission of certain pricing and other information. For more information concerning the City or the *Preliminary Official Statement*, contact Wayne Best, Mayor, 408 N. Roane Street, Harriman, Tennessee 37748, Telephone: (865) 882-9414; or the City's Municipal Advisor, Cumberland Securities Company, Inc., Telephone: (865) 988-2663. Additional information regarding BiDCOMP™/PARITY® may be obtained from PARITY®, 1359 Broadway - 2nd Floor, New York, NY 10018, Telephone: (800) 850-7422.

ELECTRIC SYSTEM
Summary of Changes In Net Positions
For the Fiscal Year Ended June 30

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Beginning Net Position	\$29,215,618	\$28,410,945	\$28,433,794	\$29,077,314	\$30,145,630
Revenues	26,127,222	25,000,123	25,311,149	27,004,518	30,314,425
Expenditures	25,972,500	24,071,658	23,622,924	24,969,405	28,976,198
Other Financing Sources:					
Interest Income	17	15	6	3	86,510
Interest Expense	(28,123)	(47,177)	(138,034)	(48,186)	(57,786)
Amortization of Debt	-	-	-	(11,937)	-
Transfers In / Out	(931,289)	(880,716)	(906,677)	(906,677)	(783,312)
Change in Net Assets	(804,673)	587	643,520	1,068,316	583,639
Adjustments	-	21,891	-	-	-
Ending Net Position	\$28,410,945	\$28,433,794	\$29,077,314	\$30,145,630	\$30,729,269

Source: Annual Comprehensive Financial Reports of the Harriman Utility Board of the City of Harriman, Tennessee.

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SUMMARY NOTICE OF SALE

\$9,995,000*

CITY OF HARRIMAN, TENNESSEE

Electric System Revenue and Tax Bonds, Series 2024

NOTICE IS HEREBY GIVEN that the Mayor of the City of Harriman, Tennessee (the “City” or “Issuer”) will receive electronic or written sealed bids until **10:15 a.m. E.S.T. on Wednesday, November 20, 2024** for the purchase of all, but not less than all, of the City's \$9,995,000* Electric System Revenue and Tax Bonds, Series 2024 (the “Bonds”). Electronic bids must be submitted through **PARITY®** as described in the “Detailed Notice of Sale”. In case of written bids, bids will be received by the City’s Municipal Advisor, Cumberland Securities Company, Inc., via facsimile at 865-988-1863. Prior to accepting bids, the City reserves the right to adjust the principal amount and maturity amounts of the Bonds being offered as set forth in the Detailed Notice of Sale, to postpone the sale to a later date, or to cancel the sale based upon market conditions via Bloomberg News Service and/or the **PARITY®** System not later than 9:45 a.m., Eastern Standard Time, on the day of the bid opening. Such notice will specify the revised principal amounts, if any, and any later date selected for the sale, which may be postponed or cancelled in the same manner. If the sale is postponed, a later public sale may be held at the hour and place and on such date as communicated upon at least forty-eight hours’ notice via Bloomberg News Service and/or the **PARITY®** System.

Electronic bids must be submitted through **PARITY®** via the BiDComp Competitive Bidding Service as described in the Detailed Notice of Sale and no other provider of electronic bidding services will be accepted. For the purposes of the bidding process, both written and electronic, the time maintained by **PARITY®** shall constitute the official time with respect to all bids. To the extent any instructions or directions set forth in **PARITY®** conflict with the terms of the Detailed Notice of Sale and this Summary Notice of Sale, the Detailed Notice of Sale and this Summary Notice of Sale shall prevail.

The Bonds will be issued in book-entry-only form (except as otherwise described in the Detailed Notice of Sale) and dated the date of issuance (assume December 13, 2024). The Bonds will mature on June 1 in the years 2027 through 2054, inclusive, with term bonds optional, with interest payable on June 1 and December 1 of each year, commencing June 1, 2025, and will be subject to optional redemption prior to maturity on or after June 1, 2031. Bidders must bid not less than one hundred percent (100.00%) of par or more than one hundred and twenty-five percent (125%) of par for the Bonds. The approving opinion for the Bonds will be furnished at the expense of the City by Bass, Berry & Sims PLC, Bond Counsel, Knoxville, Tennessee. **No rate or rates bid for the Bonds shall be less than four percent (4.00%) or exceed five percent (5.00%) per annum. Additionally, each maturity must have a minimum reoffering price of at least ninety-eight percent (98.0%) of par.** Unless bids are rejected, the Bonds will be awarded by the Mayor of the City on the sale date to the bidder whose bid results in the lowest true interest rate on the Bonds.

In the event that the competitive sale requirements of applicable Treasury Regulations are not met, the City will require bidders to comply with the “hold-the-offering-price rule” for purposes of determining the issue price of the Bonds as described in the Detailed Notice of Sale. Bids will not be subject to cancellation in the event that the competitive sale requirements of applicable Treasury Regulations are not satisfied.

Additional information, including the *Preliminary Official Statement* in near final form and the Detailed Notice of Sale, may be obtained through www.prospectushub.com or from the City’s Municipal

Advisor, Cumberland Securities Company, Inc., (865) 988-2663. Further information regarding **PARITY**[®] may be obtained from i-Deal LLC, 1359 Broadway, 2nd Floor, New York, New York 10018, Telephone: 212-849-5000.

CITY OF HARRIMAN, TENNESSEE

By: Wayne Best, Mayor

DETAILED NOTICE OF SALE

\$9,995,000*

CITY OF HARRIMAN, TENNESSEE

Electric System Revenue and Tax Bonds, Series 2024

NOTICE IS HEREBY GIVEN that the Mayor of the City of Harriman, Tennessee (the “City” or “Issuer”) will receive electronic or written sealed bids until **10:15 a.m. E.S.T. on Wednesday, November 20, 2024** for the purchase of all, but not less than all, of the City's \$9,995,000* Electric System Revenue and Tax Bonds, Series 2024 (the “Bonds”). Electronic bids must be submitted through **PARITY®** as described in this “Detailed Notice of Sale”. In case of written bids, bids will be received by the City’s Municipal Advisor, Cumberland Securities Company, Inc., via facsimile at 865-988-1863. Prior to accepting bids, the City reserves the right to adjust the principal amount and maturity amounts of the Bonds being offered as set forth in this Detailed Notice of Sale, to postpone the sale to a later date, or to cancel the sale based upon market conditions via Bloomberg News Service and/or the **PARITY®** System not later than 9:45 a.m., Eastern Standard Time, on the day of the bid opening. Such notice will specify the revised principal amounts, if any, and any later date selected for the sale, which may be postponed or cancelled in the same manner. If the sale is postponed, a later public sale may be held at the hour and place and on such date as communicated upon at least forty-eight hours’ notice via Bloomberg News Service and/or the **PARITY®** System.

Description of the Bonds. The Bonds will be issued in book-entry-only form without coupons and will be issued or reissued upon transfer, in \$5,000 denominations or multiples thereof, as shall be requested by the purchaser or registered owner thereof, as applicable. Interest on the Bonds will be payable on June 1 and December 1 of each year, commencing June 1, 2025. The Bonds will mature and be payable on June 1 of each year as follows:

<u>YEAR</u> <u>(June 1)</u>	<u>AMOUNT*</u>	<u>YEAR</u> <u>(June 1)</u>	<u>AMOUNT*</u>
2027	\$190,000	2041	\$345,000
2028	200,000	2042	360,000
2029	210,000	2043	375,000
2030	220,000	2044	390,000
2031	230,000	2045	405,000
2032	235,000	2046	425,000
2033	245,000	2047	445,000
2034	260,000	2048	460,000
2035	270,000	2049	480,000
2036	280,000	2050	500,000
2037	290,000	2051	525,000
2038	305,000	2052	545,000
2039	315,000	2053	570,000
2040	330,000	2054	590,000

Bank Qualification. The Bonds are “qualified tax-exempt obligations” within the meaning of Section 265 of the Internal Revenue Code of 1986, as amended.

* Preliminary, subject to change.

Registration and Depository Participation. The Bonds, when issued, will be registered in the name of Cede & Co., DTC's partnership nominee. When the Bonds are issued, ownership interests will be available to purchasers only through a book-entry-only system maintained by DTC (the "Book-Entry-Only System"). One fully-registered bond certificate will be issued for each maturity, in the entire aggregate principal amount of the Bonds and will be deposited with DTC. The Book-Entry-Only System will evidence beneficial ownership interests of the Bonds in the principal amount of \$5,000 for the Bonds and any integral multiple of \$5,000, with transfers of beneficial ownership interest effected on the records of DTC participants and, if necessary, in turn by DTC pursuant to rules and procedures established by DTC and its participants. The successful bidder, as a condition to delivery of the Bonds, shall be required to deposit the bond certificates with DTC, registered in the name of Cede & Co., nominee of DTC. The Bonds will be payable, at maturity or upon earlier redemption to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC, and transfer of principal and interest payments (as applicable) to beneficial owners of the Bonds by Participants of DTC, will be the responsibility of such participants and of the nominees of beneficial owners. The City will not be responsible or liable for such transfer of payments or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. Notwithstanding the foregoing, if the successful bidder for the Bonds certifies that it intends to hold the Bonds for its own account and has no present intent to re-offer the Bonds, the use of the Book-Entry-Only System is not required.

In the event that the Book-Entry-Only System for the Bonds is discontinued and a successor securities depository is not appointed by the City, Bond Certificates in fully registered form will be delivered to, and registered in the names of, the DTC Participants or such other persons as such DTC participants may specify (which may be the indirect participants or beneficial owners), in authorized denominations of \$5,000 for the Bonds or integral multiples thereof. The ownership of Bonds so delivered shall be registered in registration books to be kept by the Registration Agent (named herein) and the City and the Registration Agent shall be entitled to treat the registered owners of the Bonds, as their names appear in such registration books as of the appropriate dates, as the owners thereof for all purposes described herein and in the Resolution authorizing the Bonds.

Security Pledged. The Bonds are payable from and secured by a pledge of the Net Revenues (as defined herein) to be derived from the operation of the City's electric distribution system (the "System") operated on behalf of the City by the Harriman Utility Board ("HUB"), subject to the payment of the reasonable and necessary costs of operating, maintaining, repairing and insuring the System, and, in the event of a deficiency in such revenues, from unlimited ad valorem taxes to be levied on all taxable property within the City. For the definition of Net Revenues of the System, see APPENDIX D – "Summary of Certain Provisions of the Resolution".

Municipal Bond Insurance. The City has provided information to prospective bond insurance companies in order to qualify the Bonds under their respective optional bidding programs. If the successful bidder for the Bonds desires to purchase a municipal bond insurance policy insuring payment of all or a portion of the debt service payable on the Bonds, the successful bidder does so at its own risk and expense and the obligation of the successful bidder to pay for such series Bonds shall not be conditioned on the issuance of a municipal bond insurance policy. The City will cooperate with the successful bidder in obtaining such insurance, but the City will not enter into any additional agreements with a bond insurer. Without limiting the generality of the foregoing, the successful bidder will be responsible for all costs, expenses and charges associated with the issuance of such insurance, including but not limited to the premium for the insurance policy, and excluding only the fees of the rating agency that will be paid by the City.

Purpose. The Bonds are being issued for the purpose of providing funds for (i) finance improvements and extensions to the electric system of the City and operated by HUB and (ii) financing the costs of issuing the Bonds.

Optional Redemption. The Bonds maturing on June 1, 2032 and thereafter are subject to optional redemption prior to maturity at the option of the City on or after June 1, 2031, at any time at the redemption price of par plus accrued interest.

Term Bond Option; Mandatory Redemption. Bidders shall have the option to designate certain consecutive serial maturities of the Bonds as one or more term bonds (“Term Bonds”) bearing a single interest rate. If a successful bidder for the Bonds designates certain consecutive serial maturities of such Bonds to be combined as one or more Term Bonds as allowed herein, then each Term Bond shall be subject to mandatory sinking fund redemption by the City at a redemption price equal to one hundred percent (100%) of the principal amount thereof, together with accrued interest to the date fixed for redemption at the rate stated in the Term Bonds to be redeemed. Each such mandatory sinking fund redemption shall be made on the date on which a consecutive maturity included as part of a Term Bond is payable in accordance with the bid of the successful bidder for the Bonds and in the amount of the maturing principal installment for the Bonds listed herein for such principal payment date.

Bidding Instructions. The City will receive electronic or written bids for the purchase of all, but not less than all, of the Bonds. **Bidders for the Bonds are required to bid as to each maturity of the Bonds an interest rate of not less than four percent (4.00%) or more than five percent (5.00%) per annum. Additionally, each maturity must have a minimum reoffering price of at least ninety-eight percent (98.0%) of par.** A single interest rate shall apply to each single maturity of the Bonds. Bidders must bid not less than one hundred percent (100.00%) of par or no more than one hundred and twenty-five percent (125%) of par.

Electronic bids must be submitted through **PARITY**[®] via BiDCOMP Competitive Bidding System and no other provider of electronic bidding services will be accepted. Subscription to the i-Deal LLC Dalcomp Division’s BiDCOMP Competitive Bidding System is required in order to submit an electronic bid. The City will not confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe. For the purposes of the bidding process, the time as maintained by **PARITY**[®] shall constitute the official time with respect to all bids whether in electronic or written form. To the extent any instructions or directions set forth in **PARITY**[®] conflict with the terms of this Detailed Notice of Sale, this Notice shall prevail. An electronic bid made through the facilities of **PARITY**[®] shall be deemed an offer to purchase in response to this Detailed Notice of Sale and shall be binding upon the bidder as if made by a signed, written bid delivered to the City. The City shall not be responsible for any malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by **PARITY**[®]. The use of **PARITY**[®] facilities are at the sole risk of the prospective bidders.

For further information regarding **PARITY**[®], potential bidders may contact i-Deal LLC at 1359 Broadway, 2nd Floor, New York, NY 10018, Telephone: 212-849-5000.

In the event of a system malfunction in the electronic bidding process bidders may submit bids prior to the established date and time by FACSIMILE transmission sent to the City’s Municipal Advisor, Cumberland Securities Company, Inc. at 865-988-1863. Any facsimile submission is made at the sole risk of the prospective bidder. The City and the Municipal Advisor shall not be responsible for confirming receipt of any facsimile bid or for any malfunction relating to the transmission and receipt of such bids.

Any written bids should be submitted by facsimile to the City’s Municipal Advisor at 865-988-1863. Written bids must be submitted on the Bid Forms included with the *Preliminary Official Statement*.

The City reserves the right to reject all bids for the Bonds and to waive any informalities in the bids accepted.

Unless all bids for the Bonds are rejected, the Bonds will be awarded by the Mayor to the bidder whose bid complies with this notice and results in the lowest true interest rate on the Bonds to be calculated as that rate that, when used in computing the present worth of all payments of principal and interest on the Bonds (compounded semi-annually from the date of the Bonds), produces an amount equal to the purchase price of the Bonds. For purposes of calculating the true interest cost, the principal amount of Term Bonds scheduled for mandatory sinking fund redemption as part of the Term Bond shall be treated as a serial maturity in such year. In the event that two or more bidders offer to purchase the Bonds at the same lowest true interest rate, the Mayor shall determine in his sole discretion which of the bidders shall be awarded the Bonds.

After receipt of the bids, the City reserves the right to adjust and/or revisions to the Bonds, as described below.

Adjustment and/or Revision. While it is the City's intention to sell and issue the approximate par amounts of the Bonds as offered herein, there is no guarantee that adjustment and/or revision may not be necessary in order to properly size the Bonds. Accordingly, the Mayor reserves the right, in his sole discretion, to adjust down the original par amount of the Bonds by up to twenty-five percent (25%). The principal factor to be considered in making any adjustments is the amount of premium bid for particular maturities. Among other factors the Mayor may (but shall be under no obligation to) consider in sizing the par amounts and individual maturities of the Bonds is the size of individual maturities or sinking fund installments and/or other preferences of the City. Additionally, the Mayor reserves the right to change the dated date of the Bonds.

In the event of any such adjustment and/or revision with respect to the Bonds, no rebidding will be permitted, and the portion of such premium or discount (as may have been bid for the Bonds) shall be adjusted in the same proportion as the amount of such revision in par amount of the Bonds bears to the original par amount of such Bonds offered for sale.

The successful bidder for the Bonds will be tentatively notified by not later than 5:00 p.m. (Eastern Standard Time), on the sale date of the exact revisions and/or adjustments required, if any.

Good Faith Deposit. No good faith check will be required to accompany any bid submitted. The successful bidder shall be required to deliver to the City's Municipal Advisor (by wire transfer) the amount of up to two percent (2%) of the aggregate principal amount of the Bonds offered for sale which will secure the faithful performance of the terms of the bid. A wire transfer must be received by the City's Municipal Advisor no later than the close of business on the day following the competitive sale. The wire instructions will be sent to the winning bidder after all bids are received.

The good faith deposit shall be applied (without interest) to the purchase price of the Bonds. If the successful bidder should fail to accept or pay for the Bonds when tendered for delivery and payment, the good faith deposit will be retained by the City as liquidated damages.

In the event of the failure of the City to deliver the Bonds to the purchaser in accordance with the terms of this Notice within forty-five (45) days after the date of the sale, the good-faith deposit will be promptly returned to the purchaser unless the purchaser directs otherwise.

Establishment of Issue Price

Undertakings of the Successful Bidder. The successful bidder for the Bonds shall make a bona fide public offering of the Bonds and shall, within 30 minutes after being notified of the award of the Bonds, advise the City in writing (via facsimile transmission or electronic mail) of the initial public offering prices of the Bonds (the "Initial Reoffering Prices"). The successful bidder must, by facsimile transmission or

delivery received by the City within 24 hours after award, furnish the following information to the City to complete the *Official Statement* in final form, as described below:

- A. Selling compensation (aggregate total anticipated compensation to the underwriters expressed in dollars, based on the expectation that all the Bonds are sold at the prices or yields at which the successful bidder advised the City that the Bonds were initially offered to the public).
- B. The identity of the other underwriters if the successful bidder is part of a group or syndicate.
- C. Any other material information that the City determines is necessary to complete the *Official Statement* in final form.

After the award of the Bonds, the City will prepare copies of the final *Official Statement* and will include therein such additional information concerning the reoffering of the Bonds as the successful bidder may reasonably request; provided, however, that the City will not include in the final *Official Statement* a “NRO” (“not reoffered”) designation with respect to any maturity of the Bonds. The successful bidder will be responsible to the City in all aspects for the accuracy and completeness of information provided by such successful bidders with respect to such reoffering.

The City expects the successful bidder to deliver copies of such *Official Statement* in final form (the “Final Official Statement”) to persons to whom such bidder initially sells the Bonds and the Municipal Securities Rulemaking Board (“MSRB”) via the MSRB’s Electronic Municipal Market Access System (“EMMA”). The successful bidder will be required to acknowledge receipt of the Final Official Statement, to certify that each has made delivery of the Final Official Statement to the MSRB, to acknowledge that the City expects the successful bidder to deliver copies of such Final Official Statement to persons to whom such bidder initially sells the Bonds and to certify that the Bonds will only be offered pursuant to the Final Official Statement and only in states where the offer is legal.

Method for Establishment of Issue Price

- a. The successful bidder shall assist the City in establishing the issue price of the Bonds as more fully described herein. All actions to be taken by the City under this Detailed Notice of Bond Sale to establish the issue price of the Bonds may be taken on behalf of the City by the Municipal Advisor, and any notice or report to be provided to the City may be provided to the Municipal Advisor.
- b. The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the “Competitive Sale Requirements”) because:
 1. the City shall disseminate this Detailed Notice of Bond Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
 2. all bidders shall have an equal opportunity to bid;
 3. the City expects to receive bids for the Bonds from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
 4. the City anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Detailed Notice of Bond Sale.

Any bid submitted pursuant to this Detailed Notice of Bond Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid.

- c. In the event that the Competitive Sale Requirements are not satisfied as to the Bonds, the City shall so advise the successful bidder. In such event, the City intends to treat the (i) the first price at which 10% of a maturity of the Bonds (the “10% Test”) is sold to the public as the issue price of that maturity and/or (ii) the initial offering price to the public as of the sale date of any maturity of the Bonds as the issue price of that maturity (the “Hold-the-Offering-Price Rule”), in each case applied on a maturity-by-maturity basis (and if different interest rates apply within a maturity, to each separate CUSIP number within that maturity). The winning bidder shall advise the City promptly after the award of the Bonds if any maturities of the Bonds satisfy the 10% Test as of the date and time of the award of the Bonds. The Hold-the-Offering-Price Rule shall apply to all maturities that do not satisfy the 10% Test as of the sale date. Bids will not be subject to cancellation in the event that the City determines to apply the Hold-the-Offering-Price Rule to any maturity of the Bonds. Bidders should prepare their bids on the assumption that some or all of the maturities of the Bonds will be subject to the Hold-the-Offering-Price Rule in order to establish the issue price of the Bonds.
- d. By submitting a bid, in the event of application of the Hold-the-Offering-Price Rule, the successful bidder for the Bonds shall be deemed to have (i) confirmed that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the “Initial Offering Price”), or at the corresponding yield or yields, set forth in the bid submitted by the successful bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the Hold-the-Offering-Price Rule shall apply to any person at a price that is higher than the Initial Offering Price to the public during the period starting on the sale date and ending on the earlier of the following:
1. the close of the fifth (5th) business day after the sale date; or
 2. the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the Initial Offering Price to the public.

In the event of application of the Hold-the-Offering-Price Rule to any maturity of the Bonds, any successful bidder will advise the City promptly after the close of the fifth (5th) business day after the sale date whether it has sold 10% of that maturity of the Bonds to the public at a price that is no higher than the Initial Offering Price to the public.

- e. By submitting a bid, each bidder confirms that:
- (i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such third-party distribution agreement, as applicable:
- (A) (1) to report the prices at which it sells to the public any unsold Bonds of each maturity allocated to it to which the Hold-the-Offering-Price Rule applies until the close of the fifth (5th) business day after the sale date and (2) comply with the Hold-the-Offering-Price Rule, if applicable, if and for so long as directed by the successful bidder and as set forth in the related pricing wires,
 - (B) to promptly notify the successful bidder of the Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public, and

(C) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the successful bidder shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public.

(ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter or dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity to which the Hold-the-Offering-Price Rule applies allocated to it until the close of the fifth (5th) business day after the sale date and (B) comply with the Hold-the-Offering-Price Rule, if applicable, if and for so long as directed by the successful bidder or the underwriter and as set forth in the related pricing wires.

- f. The City acknowledges that, in making the representations set forth above, the successful bidder will rely on (i) the agreement of each underwriter to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with requirements for establishing issue price of the Bonds, including but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds.
- g. Sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public shall not constitute sales to the public for purposes of this Detailed Notice of Bond Sale. Further, for purposes of this Detailed Notice of Bond Sale:
1. “public” means any person other than an underwriter or a related party;
 2. “underwriter” means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public);
 3. a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the

capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other); and

4. “sale date” means the date that the Bonds are awarded by the City to the successful bidder.

Issue Price Certificate. The winning bidder will be required to provide the City, at closing, with an issue price certificate consistent with the foregoing and meeting the requirements of bond counsel. The form of the issue price certificate is attached to this Detailed Notice of Sale as Exhibit A if the Competitive Sale Requirements are met, and the form of the issue price certificate is attached to this Detailed Notice of Sale as Exhibit B if the Competitive Sale Requirements are not met.

Legal Opinion. The approving opinion of Bass, Berry & Sims PLC, Knoxville, Tennessee, Bond Counsel along with other certificates including, but not limited to, a tax certificate and a continuing disclosure certificate dated as of the date of delivery of the Bonds will be furnished to the purchaser at the expense of the City. As set forth in the *Preliminary Official Statement*, Bond Counsel's opinion with respect to the Bonds will state that interest on the Bonds will be excluded from gross income for federal income tax purposes; is not an item of tax preference for purposes of the federal law alternative minimum tax. As set forth in the *Preliminary Official Statement*, the owners of the Bonds, however, may be subject to certain additional taxes or tax consequences arising with respect to ownership of the Bonds. Reference is hereby made to the *Preliminary Official Statement* and the form of the opinion contained in Appendix A.

Continuing Disclosure. At the time the Bonds are delivered, the City will execute a Continuing Disclosure Certificate in which it will covenant for the benefit of holders and beneficial owners of the Bonds to provide certain financial information relating to the City by not later than twelve months after each of the City's fiscal years (the “Annual Report”), and to provide notice of the occurrence of certain enumerated events. The Annual Report (and audited financial statements, if filed separately) will be filed with the Municipal Securities Rulemaking Board (the “MSRB”) through the operation of the Electronic Municipal Market Access system (the “EMMA”) and any State Information Depository established in the State of Tennessee (the “SID”). If the City is unable to provide the Annual Report to the MSRB and the SID by the date required, notice of each failure will be sent to the MSRB and the SID on or before such date. The notices of material events will be filed by the City either with the MSRB and the SID. The specific nature of the information to be contained in the Annual Report or the notices of events are summarized in the *Preliminary Official Statement*.

Delivery of Bonds. Delivery of the Bonds is expected within forty-five (45) days. At least five (5) days notice will be given to the successful bidder of such delivery. Delivery will be made in Book-Entry-Only form through the facilities of The Depository Trust Company, New York, New York. Payment for the Bonds must be made in *Federal Funds* or other immediately available funds.

CUSIP Numbers. CUSIP numbers will be assigned to the Bonds at the expense of the City. The City will assume no obligation for assignment of such numbers or the correctness of such numbers and neither failure to record such numbers on Bonds nor any error with respect thereto shall constitute cause for failure or refusal by the purchaser thereof to accept delivery of and make payment for the Bonds.

Official Statements; Other. The City has deemed the *Preliminary Official Statement* to be final as of its date within the meaning of Rule 15c2-12 of the U.S. Securities and Exchange Commission (the “SEC”) except for the omission of certain pricing and other information. The City will furnish the successful bidder at the expense of the City a reasonable number of copies of the *Official Statement* in final form, containing the pricing and other information to be supplied by the successful bidder and to be dated the date of the sale, to be delivered by the successful bidder to the persons to whom each such bidder and members of its bidding group initially sell the Bonds within seven (7) business days. Acceptance of a bid of the Bonds will constitute a

contract between the City and the successful bidder for the provision of such copies within seven business days of the sale date.

Further Information. Additional information, including the *Preliminary Official Statement*, this Detailed Notice of Sale and the Official Bid Form, may be obtained from the City's Municipal Advisor, Cumberland Securities Company, Inc., Telephone: 865-988-2663. Further information regarding **PARITY**[®] may be obtained from i-Deal LLC, 1359 Broadway, 2nd Floor, New York, New York 10018, Telephone: 212-849-5000.

/s/ Wayne Best, Mayor

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EXHIBIT A

CITY OF HARRIMAN, TENNESSEE
[§ _____ **Electric System Revenue and Tax Bonds, Series 2024]**

ISSUE PRICE CERTIFICATE
(if Hold-The-Offering-Price Rule does not apply)

The undersigned, on behalf of [NAME OF UNDERWRITER] (“[SHORT NAME OF UNDERWRITER]”), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the “Bonds”) of the City of Harriman, Tennessee (the “Issuer”).

1. Reasonably Expected Initial Offering Price.

- (a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by [SHORT NAME OF UNDERWRITER] are the prices listed in Schedule A (the “Expected Offering Prices”). The Expected Offering Prices are the prices for the Maturities of the Bonds used by [SHORT NAME OF UNDERWRITER] in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by [SHORT NAME OF UNDERWRITER] to purchase the Bonds.
- (b) [SHORT NAME OF UNDERWRITER] was not given the opportunity to review other bids prior to submitting its bid.
- (c) The bid submitted by [SHORT NAME OF UNDERWRITER] constituted a firm offer to purchase the Bonds.

2. Defined Terms.

- (a) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.
- (b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter.
- (c) *Related party* means an entity that shares with another entity (1) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (2) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (3) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interest of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interest by one entity of the other).
- (d) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is November 20, 2024.
- (e) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in

the initial sale of the Bonds to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [SHORT NAME OF UNDERWRITER]'s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate with respect to the Bonds and with respect to compliance with the federal income tax rules affecting the Bonds, and by Bass, Berry & Sims PLC in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: _____

[NAME OF UNDERWRITER]

By: _____

Name: _____

Title: _____

EXHIBIT B

CITY OF HARRIMAN, TENNESSEE
[§ _____ **Electric System Revenue and Tax Bonds, Series 2024**]

ISSUE PRICE CERTIFICATE
(if Hold-The-Offering-Price Rule applies)

The undersigned, on behalf of [NAME OF UNDERWRITER] (“[SHORT NAME OF UNDERWRITER]”) [and the other members of the underwriting syndicate (together, the “Underwriting Group”)], hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Bonds”) of the City of Harriman, Tennessee (the “Issuer”).

1. ***Sale of the General Rule Maturities.*** As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A.
2. ***Initial Offering Price of the Hold-the-Offering-Price Maturities.***
 - (a) [SHORT NAME OF UNDERWRITER] offered the Hold-The-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.
 - (b) As set forth in the [Detailed Notice of Sale and bid award], [SHORT NAME OF UNDERWRITER] agreed in writing on or prior to the Sale Date that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, [it][they] would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “Hold-the-Offering-Price Rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any third-party distribution agreement shall contain the agreement of each broker-dealer who is a party to the third-party distribution agreement, to comply with the Hold-The-Offering-Price Rule. Pursuant to such agreement, no Underwriter (as defined below) offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.
3. ***Defined Terms.***
 - (a) *General Rule Maturities* means those Maturities of the Bonds listed in Schedule A hereto as the “General Rule Maturities.”
 - (b) *Hold-The-Offering-Price Maturities* means those Maturities of the Bonds listed in Schedule B hereto as the “Hold-The-Offering-Price Maturities.”
 - (c) *Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which [SHORT NAME OF UNDERWRITER] sold at least 10% of such Hold-The-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-The-Offering-Price Maturity.

- (d) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.
- (e) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter.
- (f) *Related party* means an entity that shares with another entity (1) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (2) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (3) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interest of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interest by one entity of the other).
- (g) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is November 20, 2024.
- (h) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [SHORT NAME OF UNDERWRITER]'s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate with respect to the Bonds and with respect to compliance with the federal income tax rules affecting the Bonds, and by Bass, Berry & Sims PLC connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: _____

[NAME OF UNDERWRITER]

By: _____

Name: _____

Title: _____

BID FORM

Wayne Best, Mayor
408 North Roane Steet
Harriman, TN 37748

November 20, 2024

Dear Mayor Best:

For your legally issued, properly executed \$9,995,000* Electric System Revenue and Tax Bonds, Series 2024 (the “Bonds”) of the City of Harriman, Tennessee, in all respects as more fully outlined in your Detailed Notice of Sale, which by reference are made a part hereof, we will pay you a sum of _____ (\$ _____).

The Bonds shall be dated the date of issuance (assume December 13, 2024) and shall be callable in accordance with the Detailed Notice of Sale. The Bonds shall mature on June 1 and bear interest at the following rates:

<u>Maturity (June 1)</u>	<u>Amount*</u>	<u>Rate</u>	<u>Maturity (June 1)</u>	<u>Amount*</u>	<u>Rate</u>
2027	\$190,000	___	2041	\$345,000	___
2028	200,000	___	2042	360,000	___
2029	210,000	___	2043	375,000	___
2030	220,000	___	2044	390,000	___
2031	230,000	___	2045	405,000	___
2032	235,000	___	2046	425,000	___
2033	245,000	___	2047	445,000	___
2034	260,000	___	2048	460,000	___
2035	270,000	___	2049	480,000	___
2036	280,000	___	2050	500,000	___
2037	290,000	___	2051	525,000	___
2038	305,000	___	2052	545,000	___
2039	315,000	___	2053	570,000	___
2040	330,000	___	2054	590,000	___

We have elected the option to designate two or more consecutive serial maturities as term bond maturities as indicated:

- Term Bond 1: Maturities from June 1, 20_____ through June 1, 20_____ @ _____%.
- Term Bond 2: Maturities from June 1, 20_____ through June 1, 20_____ @ _____%.
- Term Bond 3: Maturities from June 1, 20_____ through June 1, 20_____ @ _____%.
- Term Bond 4: Maturities from June 1, 20_____ through June 1, 20_____ @ _____%.
- Term Bond 5: Maturities from June 1, 20_____ through June 1, 20_____ @ _____%.

It is our understanding that the Bonds are offered for sale as “qualified tax exempt obligations” subject to the final approving opinion of Bass, Berry & Sims PLC, Bond Counsel, Knoxville, Tennessee, whose opinion together with the executed Bonds, will be furnished by the City without cost to us.

If our bid is accepted, we agree to provide a good faith deposit for up to 2% of the Bonds on which we have bid by the close of business on the date following the competitive public sale as outlined in the *Detailed Notice of Sale*. Should for any reason we fail to comply with the terms of this bid, this good faith deposit shall be forfeited by us as full liquidated damages. Otherwise, this good faith deposit shall be applied to the purchase price of the Bonds on which we have bid.

This bid is a firm offer for the purchase of the Bonds identified in the Notice of Sale, on the terms set forth in this bid form and the Notice of Sale, and is not subject to any conditions, except as permitted by the Notice of Sale. By submitting this bid, we confirm that we have an established industry reputation for underwriting new issuances of municipal bonds. [If the bidder cannot confirm an established industry reputation for underwriting new issuances of municipal bonds, the preceding sentence should be crossed out.]

Accepted for and on behalf of the
City of Harriman, Tennessee, this
20th day of November, 2024.

Respectfully submitted,

Wayne Best, Mayor

Total interest cost from
December 13, 2024 to final maturity \$ _____
Less: Premium /plus discount, if any \$ _____
Net Interest Cost \$ _____
True Interest Rate _____%

The computations of net interest cost and true interest rate are for comparison purposes only and are not to be considered as part of this proposal.

\$9,995,000*
CITY OF HARRIMAN, TENNESSEE
Electric System Revenue and Tax Bonds, Series 2024

SECURITIES OFFERED

AUTHORITY AND PURPOSE

This *Preliminary Official Statement*, which includes the “Summary Statement” and appendices, is furnished in connection with the offering by the City of Harriman, Tennessee (the “City” or “Issuer”) of its \$9,995,000* Electric System Revenue and Tax Bonds, Series 2024 (the “Bonds”).

The Bonds are authorized to be issued pursuant to the provisions of Title 7, Chapter 34, and Title 9, Chapter 21, *Tennessee Code Annotated*, as amended and other applicable provisions of law and pursuant to a bond resolution (the “Resolution”) duly adopted by the City Council of the City on August 6, 2024.

The Bonds are being issued for the purpose of providing funds for (i) finance improvements and extensions to the electric system of the City and operated by Harriman Utility Board (“HUB”) and (ii) financing the costs of issuing the Bonds.

DESCRIPTION OF THE BONDS

The Bonds will be initially dated and bear interest from the date of issuance (assume December 13, 2024). Interest on the Bonds will be payable semi-annually on June 1 and December 1, commencing June 1, 2025. The Bonds are issuable in registered form only and in \$5,000 denominations or integral multiples thereof as shall be requested by each respective registered owner.

The Bonds shall be signed by the Mayor, shall be attested by the City Clerk. No Bond shall be valid until it has been authorized by the manual signature of an authorized officer or employee of the Registration Agent and the date of authentication noted thereon.

SECURITY

The Bonds are payable from and secured by a pledge of the Net Revenues (as defined below) to be derived from the operation of the City’s electric distribution system (the “System”) operated on behalf of the City by the Harriman Utility Board (“HUB”), and, in the event of a deficiency in such Net Revenues, from unlimited ad valorem taxes to be levied on all taxable property within the City. For the definition of Net Revenues of the System, see APPENDIX D – “Summary of Certain Provisions of the Resolution”.

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* Preliminary, subject to change.

FLOW OF FUNDS

Pursuant to the Resolution, the HUB has agreed to deposit all revenues derived from the operation of the System into the Revenue Fund and to apply such moneys as follows:

- First, to pay operating expenses
- Next, to pay debt service on the Bonds and any Parity Bonds
- Next, to fund debt service reserves for the Bonds and any Parity Bonds, if applicable (the City has not established a debt service reserve for the Bonds)
- Last, to pay debt service on Subordinate Lien Bonds, payment in lieu of taxes and to pay any other legal purpose. See APPENDIX D for a more detailed description of the flow of funds.

RATE COVENANT

“Rate Covenant Requirement” means an amount of Net Revenues which is equal to the sum of (a) 120% of the Debt Service Requirement for the forthcoming Fiscal Year on the Bonds plus (b) 100% of (i) the amounts, if any, required by this resolution or any subsequent resolution to be deposited by the HUB into the Reserve Fund during the forthcoming Fiscal Year, (ii) debt service payable on, or reserve fund funding requirements for, any subordinate lien indebtedness, and (iii) any required payments in lieu of taxes to the City or other governmental entities.

The meanings of the capitalized terms used in this paragraph and not otherwise defined are summarized in APPENDIX D – “Summary of Certain Provisions of the Resolution”.

BOND FUND AND DEBT SERVICE RESERVE FUND

The Resolution establishes a Bond Fund for the Bonds, and any Parity Bonds. The Resolution requires HUB to make monthly deposits to the Bond Fund sufficient to accumulate funds necessary to pay scheduled debt service on the Bonds and any Parity Bonds. The money on deposit in the Bond Fund will be used to pay the principal of and interest on the Bonds and any Parity Bonds as the same become due. Reference APPENDIX D – “Summary of Certain Provisions of the Resolution” for definitions of capitalized terms.

The Resolution does not require that the City to fund a Reserve Fund for the Bonds and the City will not fund a Reserve Fund for the Bonds.

PARITY OF PLEDGE AND ADDITIONAL BONDS

The City may, from time to time, issue Parity Bonds under the terms of the Resolution. Parity Bonds will have a lien on the Net Revenues of the System on a parity with the lien on the Net Revenues of the System securing the Bonds and the Outstanding Parity Bonds. The City may not issue bonds payable from or secured by a lien on the Net Revenues senior to that securing the payment of the Bonds and Parity Bonds. For a description of the requirements for issuing bonds or other obligations on a parity of lien with the Bonds see APPENDIX D – “Summary of Certain Provisions of the Resolution”.

SUBORDINATE LIEN BONDS AND OTHER SYSTEM INDEBTEDNESS

The City may, from time to time, issue Subordinate Lien Bonds under the terms of the Resolution. Subordinate Lien Bonds will either (i) have a lien on the Net Revenues of the System subordinate to the lien on the Net Revenues of the System securing the Bonds, or (ii) be payable from, but not have a lien on the Net Revenues of the System. A portion of the City's General Obligation Bonds, Series 2021A, dated April 9, 2021, and General Obligation Bonds, Series 2021B, dated June 30, 2021, are payable from but not secured by electric system revenues.

ADDITIONAL BORROWING PLANS

The City has authorized not to exceed \$26,000,000 of Electric System Revenue and Tax Bonds. The Bonds are the first tranche of the authorized debt. Additionally, additional capital improvements will be made to the electric system. HUB estimates that some of these capital improvements will be funded with operating earnings and some could be funded with additional debt.

OPTIONAL REDEMPTION

Bonds maturing June 1, 2032, and thereafter, shall be subject to optional redemption prior to maturity at the option of the City on June 1, 2031, and thereafter, as a whole or in part, at any time, at the redemption price of par plus accrued interest to the redemption date.

If less than all the Bonds shall be called for redemption, the maturities to be redeemed shall be designated by the City Council of the City, in its discretion. If less than all the principal amount of the Bonds of a maturity shall be called for redemption, the interests within the maturity to be redeemed shall be selected as follows:

(i) if the Bonds are being held under a Book-Entry-Only System by DTC, or a successor Depository, the amount of the interest of each DTC Participant in the Bonds to be redeemed shall be determined by DTC, or such successor Depository, by lot or such other manner as DTC, or such successor Depository, shall determine; or

(ii) if the Bonds are not being held under a Book-Entry-Only System by DTC, or a successor Depository, the 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 in its discretion shall determine.

MANDATORY REDEMPTION

The bidders have the option of creating term bonds pursuant to the Detailed Notice of Sale. If term bonds are created, then the following provisions will apply. Subject to the credit hereinafter provided, the City shall redeem Bonds maturing June 1, 20__, and June 1, 20__ on the redemption dates set forth below opposite the maturity date, 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. The Bonds within a maturity to be so redeemed shall be selected in the same manner as is described above relating to optional redemption.

The dates of redemption and principal amount of Bonds to be redeemed on said dates are as follows:

<u>Maturity</u>	<u>Redemption Date</u>	<u>Principal Amount of Bonds Redeemed</u>
-----------------	----------------------------	---

*Final Maturity

At its option, to be exercised on or before the forty-fifth (45) day next preceding any such redemption date, the City may (i) deliver to the Registration Agent for cancellation Bonds of the maturity to be redeemed, in any aggregate principal amount desired, and/or (ii) receive a credit in respect of its redemption obligation 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 section) and canceled by the Registration Agent and not theretofore applied as a credit against any redemption obligation. 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 City 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 shall be accordingly reduced. The City shall on or before the forty-fifth (45) day next preceding each payment date furnish the Registration Agent with its certificate indicating whether or not and to what extent the provisions of clauses (i) and (ii) of this subsection are to be availed of with respect to such payment and confirm that funds for the balance of the next succeeding prescribed payment will be paid on or before the next succeeding payment date.

NOTICE OF REDEMPTION

Notice of call for redemption, whether optional or mandatory, shall be given by the Registration Agent on behalf of the City not less than twenty (20) nor more than sixty (60) days prior to the date fixed for redemption by sending an appropriate notice to the registered owners of the Bonds to be redeemed by first-class mail, postage prepaid, at the addresses shown on the Bond registration records of the Registration Agent as of the date of the notice; but neither failure to mail such notice nor any defect in any such notice so mailed shall affect the sufficiency of the proceedings for redemption of any of the Bonds for which proper notice was given. 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”). As long as DTC, or a successor Depository, is the registered owner of the Bonds, all redemption notices shall be mailed by the Registration Agent to DTC, or such successor Depository, as the registered owner of the Bonds, as and when above provided, and neither the City nor the Registration Agent shall be responsible for mailing notices of redemption to DTC Participants or Beneficial Owners. Failure of DTC, or any successor Depository, to provide notice to any DTC Participant or Beneficial Owner will not affect the validity of such redemption. The Registration Agent shall mail said notices as and when directed by the City pursuant to written instructions from an authorized representative of the City (other than for a mandatory sinking fund redemption, notices of which shall be given on the dates provided herein) given at least forty-five (45) days prior to the redemption date (unless a shorter notice period shall be satisfactory to the Registration Agent). From and after the redemption date, all Bonds called for redemption shall cease to bear interest if funds are available at the office of the Registration Agent for the payment thereof and if notice has

been duly provided as set forth herein. In the case of a Conditional Redemption, the failure of the City 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 Depository or the affected Bondholders that the redemption did not occur and that the Bonds called for redemption and not so paid remain outstanding.

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BASIC DOCUMENTATION

REGISTRATION AGENT

The Registration Agent (named herein) will make all interest payments with respect to the Bonds on each interest payment date directly to Cede & Co., as nominee of DTC, 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 check or draft mailed to such owner at its address shown on said Bond registration records, without, except for final payment, the presentation or surrender of such registered Bonds, and all such payments shall discharge the obligations of the City in respect of such Bonds to the extent of the payments so made. Payment of principal of the Bonds shall be made upon presentation and surrender of such Bonds to the Registration Agent as the same shall become due and payable.

Any interest on any Bond which is payable but is not punctually paid or duly provided for on any interest payment date (hereinafter “Defaulted Interest”) shall forthwith cease to be payable to the registered owner on the relevant Regular Record Date; and, in lieu thereof, such Defaulted Interest shall be paid by the City to the persons in whose names the Bonds are registered at the close of business on a date (the “Special Record Date”) for the payment of such Defaulted Interest, which shall be fixed in the following manner: the City shall notify the Registration Agent in writing of the amount of Defaulted Interest proposed to be paid on each Bond and the date of the proposed payment, and at the same time the City shall deposit with the Registration Agent an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Registration Agent for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the persons entitled to such Defaulted Interest. Thereupon, not less than ten (10) days after the receipt by the Registration Agent of the notice of the proposed payment, the Registration Agent shall fix a Special Record Date for the payment of such Defaulted Interest which date shall be not more than fifteen (15) nor less than ten (10) days prior to the date of the proposed payment to the registered owners. The Registration Agent shall promptly notify the City of such Special Record Date and, in the name and at the expense of the City, not less than ten (10) days prior to such Special Record Date, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first class postage prepaid, to each registered owner at the address thereof as it appears in the Bond registration records maintained by the Registration Agent as of the date of such notice. Nothing contained in the Resolution or in the Bonds shall impair any statutory or other rights in law or in equity of any registered owner arising as a result of the failure of the City to punctually pay or duly provide for the payment of principal of, premium, if any, and interest on the Bonds when due.

So long as Cede & Co. is the Registered Owner of the Bonds, as nominee of DTC, references herein to the Bondholders, Holders or Registered Owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds. For additional information, see the following section.

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BOOK-ENTRY-ONLY SYSTEM

The Registration Agent, its successor or the City will make all interest payments with respect to the Bonds on each interest payment date directly to Cede & Co., as nominee of DTC, 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 check or draft mailed to such owner at its address shown on said Bond registration records, without, except for final payment, the presentation or surrender of such registered Bonds, and all such payments shall discharge the obligations of the City in respect of such Bonds to the extent of the payments so made, except as described above. Payment of principal of the Bonds shall be made upon presentation and surrender of such Bonds to the Registration Agent as the same shall become due and payable.

So long as Cede & Co. is the Registered Owner of the Bonds, as nominee of DTC, references herein to the Bondholders, Holders or Registered Owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds.

The Bonds, when issued, will be registered in the name of Cede & Co., DTC’s partnership nominee, except as described above. When the Bonds are issued, ownership interests will be available to purchasers only through a book-entry-only system maintained by DTC (the “Book-Entry-Only System”). One fully registered bond certificate will be issued for each maturity, in the entire aggregate principal amount of the Bonds and will be deposited with DTC.

DTC and its Participants. DTC, the world’s largest securities 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 issues, 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-Only 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. DTCC is owned by the users of its regulated subsidiaries. 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”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchase of Ownership Interests. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The

ownership interest of each actual purchaser of each Security (“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 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 Bonds, except in the event that use of the Book-Entry-Only System for the Bonds is discontinued.

Payments of Principal and Interest. Principal and interest payments on the 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 Registration Agent on the payable date in accordance with their respective holdings shown on DTC’s records, unless DTC has reason to believe it will not receive payment on such date. Payments by Direct and Indirect Participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with municipal securities held for the accounts of customers in bearer form or registered in “street name”, and will be the responsibility of such Participant and not of DTC, the City or the Registration Agent subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, tender price and interest 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 Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the beneficial owners shall be the responsibility of Direct and Indirect Participants.

Notices. 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 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds or 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 Registration Agent and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC’s procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as practicable after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

NONE OF THE CITY, THE UNDERWRITER, THE BOND COUNSEL, THE MUNICIPAL ADVISOR OR THE REGISTRATION AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENT TO, OR THE PROVIDING OF NOTICE FOR, SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES.

Transfers of Bonds. To facilitate subsequent transfers, all 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 an authorized representative of DTC. The deposit of the 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 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 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.

None of the City, the Bond Counsel, the Registration Agent, the Municipal Advisor or the Underwriter will have any responsibility or obligation, legal or otherwise, to any party other than to the registered owners of any Bond on the registration books of the Registration Agent.

DISCONTINUANCE OF BOOK-ENTRY-ONLY SYSTEM

In the event that (i) DTC determines not to continue to act as securities depository for the Bonds or (ii) to the extent permitted by the rules of DTC, the City determines to discontinue the Book-Entry-Only System, the Book-Entry-Only System shall be discontinued. Upon the occurrence of the event described above, the City will attempt to locate another qualified securities depository, and if no qualified securities depository is available, Bond certificates will be printed and delivered to beneficial owners.

No Assurance Regarding DTC Practices. The foregoing information in this section concerning DTC and DTC's Book-Entry-Only System has been obtained from sources that the City believes to be reliable, but the City, the Bond Counsel, the Registration Agent, the Municipal Advisor and the Underwriter do not take any responsibility for the accuracy thereof. So long as Cede & Co. is the registered owner of the Bonds as nominee of DTC, references herein to the holders or registered owners of the Bonds will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds. None of the City, the Bond Counsel, the Registration Agent, the Municipal Advisor or the Underwriter will have any responsibility or obligation to the Participants, DTC or the persons for whom they act with respect to (i) the accuracy of any records maintained by DTC or by any Direct or Indirect Participant of DTC, (ii) payments or the providing of notice to Direct Participants, the Indirect Participants or the Beneficial Owners or (iii) any other action taken by DTC or its partnership nominee as owner of the Bonds.

For more information on the duties of the Registration Agent, please refer to the Resolution. Also, please see the section entitled "SECURITIES OFFERED – Redemption."

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DISPOSITION OF BOND PROCEEDS

The proceeds of the sale of the Bonds shall be deposited in a special fund of HUB known as the "Series 2024 Construction Fund" to be kept separate and apart from all other funds of HUB. Moneys in the Construction Fund shall be disbursed solely to pay the costs of the Project and pay costs of issuance of the Bonds, including necessary legal, accounting and fiscal expenses, printing, engraving, advertising and similar expenses, administrative and clerical costs, Registration Agent fees, bond insurance premiums, if any, and other necessary miscellaneous expenses incurred in connection with the issuance and sale of the Bonds and construction of the Project. Notwithstanding the foregoing, costs of issuance of the Bonds may be withheld from the good faith deposit, if any, or purchase price of the Bonds and paid to the Municipal Advisor to be used to pay costs of issuance of the Bonds. Money in the Construction 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 Construction Fund. Money in the Construction Fund shall be expended only for the purposes authorized by the resolution. Any funds remaining in the Construction Fund after completion of the Project and payment of authorized expenses shall be deposited to the Bond Fund. Moneys in the Construction Fund shall be invested by HUB in such investments as shall be permitted by applicable law.

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LEGAL MATTERS

LITIGATION

There are no claims against the City, including claims in litigation, which, in the opinion of the City, would have a material adverse effect on the City's financial position. There are no suits threatened or pending challenging the legality or validity of the Bonds or the right of the City to sell or issue the Bonds.

TAX MATTERS

Federal

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

- is excluded from a bondholder's federal gross income pursuant to Section 103 of 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; 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 corporation.

The Code imposes requirements on the Bonds that the City must continue to meet after the Bonds are issued. These requirements generally involve the way that Bond proceeds must be invested and ultimately used. If the City does not meet these requirements, it is possible that a bondholder may have to include interest on the Bonds in its federal gross income on a retroactive basis to the date of issue. The City 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 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 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 Bonds or affect the market price of the Bonds. See also section "CHANGES IN FEDERAL AND STATE TAX LAW" below.

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 Bonds, or under State, local or foreign tax law.

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 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 Bonds with bond premium, it should consult its tax advisor regarding the tax accounting treatment of bond premium.

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

Qualified Tax-Exempt Obligations. Under the Code, in the case of certain financial institutions, no deduction from income under the federal tax law will be allowed for that portion of such institution's interest expense which is allocable to tax-exempt interest received on account of tax-exempt obligations acquired after August 7, 1986. The Code, however, provides that certain "qualified tax-exempt obligations", as defined in the Code, will be treated as if acquired on August 7, 1986. Based on an examination of the Code and the factual representations and covenants of the City as to the Bonds, Bond Counsel has determined that the Bonds, upon issuance, will be "qualified tax-exempt obligations" within the meaning of the Code.

Information Reporting and Backup Withholding. Information reporting requirements apply to interest on tax-exempt obligations, including the 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 payor 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 "payor" 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 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 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.

State Taxes

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 interest on the Bonds during the period the 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 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 TAX 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 Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such 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 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 Bonds would be impacted thereby. Purchasers of the 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 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.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

CLOSING CERTIFICATES

Upon delivery of the Bonds, the City will execute in a form satisfactory to Bond Counsel, certain closing certificates including the following: (i) a certificate as to the *Official Statement*, in final form, signed by the Mayor acting in his official capacity to the effect that to the best of his knowledge and belief, and after reasonable investigation, (a) neither the *Official Statement*, in final form, nor any amendment or supplement thereto, contains any untrue statements of material fact or omits to state any

material fact necessary to make statements therein, in light of the circumstances in which they are made, misleading, (b) since the date of the *Official Statement*, in final form, no event has occurred which should have been set forth in such a memo or supplement, (c) there has been no material adverse change in the operation or the affairs of the City since the date of the *Official Statement*, in final form, and having attached thereto a copy of the *Official Statement*, in final form, and (d) there is no litigation of any nature pending or threatened seeking to restrain the issuance, sale, execution and delivery of the Bonds, or contesting the validity of the Bonds or any proceeding taken pursuant to which the Bonds were authorized; (ii) certificates as to the delivery and payment, signed by the Mayor acting in his official capacity, evidencing delivery of and payment for the Bonds; (iii) a signature identification and incumbency certificate, signed by the Mayor and City Clerk acting in their official capacities certifying as to the due execution of the Bonds; and, (iv) a Continuing Disclosure Certificate regarding certain covenants of the City concerning the preparation and distribution of certain annual financial information and notification of certain material events, if any.

APPROVAL OF LEGAL PROCEEDINGS

Certain legal matters relating to the authorization and the validity of the Bonds are subject to the approval of Bass, Berry & Sims PLC, Knoxville, Tennessee, Bond Counsel. Bond Counsel has not prepared the *Preliminary Official Statement* or the *Official Statement*, in final form, or verified their accuracy, completeness or fairness. Accordingly, Bond Counsel expresses no opinion of any kind concerning the *Preliminary Official Statement* or *Official Statement*, in final form, except for the information in the section entitled “LEGAL MATTERS - Tax Matters.” The opinion of Bond Counsel will be limited to matters relating to authorization and validity of the Bonds and to the tax-exemption of interest on the Bonds under present federal income tax laws, both as described above. The legal opinion will be delivered with the Bonds and the form of the opinion is included in APPENDIX A. For additional information, see the section entitled “MISCELLANEOUS – “Competitive Public Sale”, “Additional Information” and “Continuing Disclosure.”

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MISCELLANEOUS

RATING

S&P Global Ratings (“S&P”) has given the Bonds the rating of “A+”.

There is no assurance that such rating will continue for any given period of time or that the ratings may not be suspended, lowered or withdrawn entirely by S&P, if circumstances so warrant. Due to the ongoing uncertainty regarding the economy of the United States of America, including, without limitation, matters such as the future political uncertainty regarding the United States debt limit, obligations issued by state and local governments, such as the Bonds, could be subject to a rating downgrade. Additionally, if a significant default or other financial crisis should occur in the affairs of the United States or of any of its agencies or political subdivisions, then such event could also adversely affect the market for and ratings, liquidity, and market value of outstanding debt obligations, including the Bonds. Any such downward change in or withdrawal of the rating may have an adverse effect on the secondary market price of the Bonds.

The rating reflects only the views of S&P and any explanation of the significance of such rating should be obtained from S&P.

COMPETITIVE PUBLIC SALE

The Bonds will be offered for sale at competitive public bidding on November 20, 2024. Details concerning the public sale were provided to potential bidders and others in the *Preliminary Official Statement* that was dated November 13, 2024.

The successful bidder for the Bonds was an account led by _____, _____, _____ (the “Underwriters”) who contracted with the City, subject to the conditions set forth in the Official Notice of Sale and Bid Form to purchase the Bonds at a purchase price of \$ _____ (consisting of the par amount of the Bonds, less an underwriter’s discount of \$ _____ and less an original issue discount of \$ _____) or _____% of par.

MUNICIPAL ADVISOR; RELATED PARTIES; OTHER

Municipal Advisor. Cumberland Securities Company, Inc., Knoxville, Tennessee, has served as Municipal Advisor (the “Municipal Advisor”) to the City for purposes of assisting with the development and implementation of a bond structure in connection with the issuance of the Bonds. The Municipal Advisor has not been engaged by the City to compile, create, or interpret any information in the *Preliminary Official Statement* and *Official Statement* relating to the City, including without limitation any of the City’s financial and operating data, whether historical or projected. Any information contained in the *Preliminary Official Statement* and *Official Statement* concerning the City, any of its affiliated or contractors and any outside parties has not been independently verified by the Municipal Advisor, and inclusion of such information is not, and should not be construed as, a representation by the Municipal Advisor as to its accuracy or completeness or otherwise. The Municipal Advisor is not a public accounting firm and has not been engaged by the City to review or audit any information in the *Preliminary Official Statement* and *Official Statement* in accordance with accounting standards.

Regions Bank. Regions Bank (the “Bank”) is a wholly-owned subsidiary of Regions Financial Corporation. The Bank provides, among other services, commercial banking, investments and corporate trust services to private parties and to State and local jurisdictions, including serving as registration, paying agent or filing agent related to debt offerings. The Bank will receive compensation for its role in serving as Registration and Paying Agent for the Bonds. In instances where the Bank serves the City in other normal commercial banking capacities, it will be compensated separately for such services.

Official Statements. Certain information relative to the location, economy and finances of the City is found in the *Preliminary Official Statement*, in final form and the *Official Statement*, in final form. Except where otherwise indicated, all information contained in this *Preliminary Official Statement* has been provided by the City. The information set forth herein has been obtained by the City from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by and is not to be construed as a representation of, the Municipal Advisor or the Underwriter. The information contained herein is subject to change without notice, and neither the delivery of this *Preliminary Official Statement* nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the City, or the other matters described herein since the date hereof or the earlier dates set forth herein as of which certain information contained herein is given.

Cumberland Securities Company, Inc. distributed the *Preliminary Official Statement*, in final form, and the *Official Statement*, in final form on behalf of the City and will be compensated and/or reimbursed for such distribution and other such services.

Bond Counsel. From time to time, Bass, Berry & Sims PLC has represented the Bank on legal matters unrelated to the City and may do so again in the future.

Other. Among other services, Cumberland Securities Company, Inc. and the Bank may also assist local jurisdictions in the investment of idle funds and may serve in various other capacities, including Cumberland Securities Company’s role as serving as the City’s Dissemination Agent. If the City chooses to use one or more of these other services provided by Cumberland Securities Company, Inc. and/or the Bank, then Cumberland Securities Company, Inc. and/or the Bank may be entitled to separate compensation for the performance of such services.

DEBT RECORD

There is no record of default on principal or interest payments of the City. Additionally, no agreements or legal proceedings of the City relating to securities have been declared invalid or unenforceable.

CONTINUING DISCLOSURE

The City will at the time the Bonds are delivered execute a Continuing Disclosure Certificate under which it will covenant for the benefit of holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the City by not later than twelve months after the end of each fiscal year commencing with the fiscal year ending June 30, 2024 (the "Annual

Reports"), and to provide notice of the occurrence of certain significant events not later than ten business days after the occurrence of the events and notice of failure to provide any required financial information of the City. The City will provide notice in a timely manner to the MSRB of a failure by the City to provide the annual financial information on or before the date specified in the continuing disclosure agreement. The Annual Reports (and audited financial statements if filed separately) and notices described above will be filed by the City with the Municipal Securities Rulemaking Board ("MSRB") at www.emma.msrb.org and with any State Information Depository which may be established in Tennessee (the "SID"). The specific nature of the information to be contained in the Annual Reports or the notices of events is summarized below. These covenants have been made in order to assist the Underwriters in complying with Securities Exchange Act Rule 15c2-12(b), as it may be amended from time to time (the "Rule 15c2-12").

Five-Year History of Filing. The City filed late on January 3, 2024, the (i) 2022 General Purpose Financial Statements, (ii) the 2022 Five-Year Summary of Revenues, Expenditures and Changes in Fund Balances – General Fund, (iii) the 2022 Fund Balances for the General Fund and Other Governmental Funds. Additionally, the City filed late on September 5, 2024, the (i) 2023 General Purpose Financial Statements, (ii) the 2023 Five-Year Summary of Revenues, Expenditures and Changes in Fund Balances – General Fund, (iii) the 2023 Fund Balances for the General Fund and Other Governmental Funds. Except for the items outlined above, to the best of the City's knowledge, it has complied in all other material respects with its existing continuing disclosure agreements in accordance with Rule 15c2-12 for the past five years.

Content of Annual Report. The City's Annual Report shall contain or incorporate by reference the General Purpose Financial Statements of the City and the Audit Report of HUB for the fiscal year, prepared in accordance with generally accepted auditing standards, provided; however, if the City's audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained herein, and the audited financial statements shall be filed when available.

The Annual Report shall also include in a similar format the information included in APPENDIX B entitled SUPPLEMENTAL INFORMATION STATEMENT.

1. Residential and General Power Rates;
2. Number of Meters in Service;
3. Power usage – MWH;
4. Purchased Power from TVA;
5. Historical Electric Department Use;
6. The Ten Largest Electric Customers;
7. Summary of Bonded Indebtedness – Electric System;
8. Bonded Debt Service Requirements – Electric System Debt;

9. Five Year Summary of Revenues, Expenditures and Changes in Net Position – Electric Department; and
10. Historical Debt Service Coverage on Bonds in Electric System.

Any or all of the items listed above may be incorporated by reference from other documents, including *Official Statements* in final form for debt issues of the City or related public entities, which have been submitted to each of the MSRB or the U.S. Securities and Exchange Commission. If the document incorporated by reference is an *Official Statement*, in final form, it will be available from the MSRB. The City shall clearly identify each such other document so incorporated by reference.

Reporting of Significant Events. The City will file notice regarding material events with the MSRB and the SID, if any, as follows:

1. Upon the occurrence of a Listed Event (as defined in (3) below), the City shall in a timely manner, but in no event more than ten (10) business days after the occurrence of such event, file a notice of such occurrence with the MSRB and SID, if any.
2. For Listed Events where notice is only required upon a determination that such event would be material under applicable Federal securities laws, the City shall determine the materiality of such event as soon as possible after learning of its occurrence.
3. The following are the Listed Events:
 - a. Principal and interest payment delinquencies;
 - b. Non-payment related defaults, if material;
 - c. Unscheduled draws on debt service reserves reflecting financial difficulties;
 - d. Unscheduled draws on credit enhancements reflecting financial difficulties;
 - e. Substitution of credit or liquidity providers, or their failure to perform;
 - f. 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;
 - g. Modifications to rights of Bondholders, if material;
 - h. Bond calls, if material, and tender offers;
 - i. Defeasances;
 - j. Release, substitution, or sale of property securing repayment of the securities, if material;

- k. Rating changes;
- l. Bankruptcy, insolvency, receivership or similar event of the obligated person;
- m. 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;
- n. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- o. Incurrence of a financial obligation (which includes a debt obligation, or a derivative instrument entered into connection with, or pledged as security or as a source of payment for, an existing or planned debt obligation, or a guarantee of debt obligation or derivative instrument) of the City, if material, or agreement as to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material; and
- p. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation (as described above) of the City, any of which reflect financial difficulties.

Termination of Reporting Obligation. The City's obligations under the Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

Amendment; Waiver. Notwithstanding any other provision of the Disclosure Certificate, the City may amend the Disclosure Certificate, and any provision of the Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions concerning the Annual Report and Reporting of Significant Events it 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 an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or beneficial owners of the Bonds.

In the event of any amendment or waiver of a provision of the Disclosure Certificate, the City shall describe such amendment in the next Annual Report, 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 City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given, and (ii) the Annual Report for the year in which the change is made should 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.

Default. In the event of a failure of the City to comply with any provision of the Disclosure Certificate, any Bondholder or any beneficial owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under the Disclosure Certificate. A default under the Disclosure Certificate shall not be deemed an event of default, if any, under the Resolution, and the sole remedy under the Disclosure Certificate in the event of any failure of the City to comply with the Disclosure Certificate shall be an action to compel performance.

BONDHOLDER RISK

CLIMATE CHANGE. Planning for climate change in the State and its impact on the City's operation is an unknown challenge. The State of Tennessee's climate is exceedingly variable and projections of future conditions range significantly. While projections in the State of Tennessee indicate rising average temperatures, precipitation projections are much less clear and often contradictory. Other potential impacts of climate change include changes in the length, intensity, and frequency of droughts and floods. The financial impact of climate change is not yet known, and therefore, its future impact on the City cannot be quantified reliably at this time.

CYBER-SECURITY. Computer networks and data transmission and collection are vital to the efficient operations of the City and the Board. Despite security measures, information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise networks and the information stored there could be disrupted, accessed, publicly disclosed, lost or stolen. Any such disruption, access, disclosure or other loss of information could result in disruptions in operations and the services provided by the City and the Board, legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties and the services provided, and cause a loss of confidence in the City's and the Board's operations, which could materially affect the City's and Board's operations. The City and the Board maintain insurance to mitigate any potential financial losses from cyber-security threats.

FORWARD LOOKING STATEMENTS

The statements contained in this *Preliminary Official Statement* and *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 *Preliminary Official Statement* and *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 *Preliminary Official Statement* and *Official Statement* would prove to be accurate.

ADDITIONAL INFORMATION

Use of the words "shall," "must," or "will" in the *Preliminary Official Statement* and *Official Statement* in summaries of documents or laws to describe future events or continuing obligations is not intended as a representation that such event will occur or obligation will be fulfilled but only that the document or law contemplates or requires such event to occur or obligation to be fulfilled.

Any statements made in the *Preliminary Official Statement* and *Official Statement* involving estimates or matters of opinion, 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 or matters of opinion will be realized. Neither the *Preliminary Official Statement* and *Official Statement* nor any statement which may have been made orally or in writing is to be construed as a contract with the owners of the Bonds.

The references, excerpts and summaries contained herein of certain provisions of the laws of the State of Tennessee, and any documents referred to herein, do not purport to be complete statements of the provisions of such laws or documents, and reference should be made to the complete provisions thereof for a full and complete statement of all matters of fact relating to the Bonds, the security for the payment of the Bonds, and the rights of the holders thereof.

The *Preliminary Official Statement* and *Official Statement*, in final form, and any advertisement of the Bonds, is not to be construed as a contract or agreement between the City and the purchasers of any of the Bonds. Any statements or information printed in the *Preliminary Official Statement* or the *Official Statement*, in final form, involving matters of opinions or of estimates, whether or not expressly so identified, is intended merely as such and not as representation of fact.

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CERTIFICATION OF ISSUER

On behalf of the City and HUB, we hereby certify that to the best of our knowledge and belief, the information contained herein as of this date is true and correct in all material respects, and does not contain an untrue statement of material fact or omit to state a material fact required to be stated where necessary to make the statement made, in light of the circumstance under which they were made, not misleading.

/s/ _____
Mayor

/s/ _____
General Manager of
Harriman Utility Board

ATTEST:

/s/ _____
City Clerk

APPENDIX A

LEGAL OPINION

**LAW OFFICES OF
BASS, BERRY & SIMS PLC
900 SOUTH GAY STREET, SUITE 1700
KNOXVILLE, TENNESSEE 37902**

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City of Harriman, Tennessee (the "Issuer") of the \$_____ Electric System Revenue and Tax Bonds, Series 2024 (the "Bonds") dated _____, 2024. 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 (the "Bond Resolution") of the Board of Mayor and Aldermen 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 Bonds shall be payable from and secured by a pledge of the Net Revenues (as defined in the Bond Resolution) derived from the Issuer's electric distribution system, and, in the event of a deficiency in such revenues, from unlimited ad valorem taxes to be levied on all taxable property within the Issuer. The punctual payment of principal of and premium, if any, and interest on the Bonds shall be secured equally and ratably by the Net Revenues without priority by reason of series, number or time of sale or delivery.

4. Interest on the Bonds 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; 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 Internal Revenue Code of 1986 (the "Code")) for the purpose of computing the alternative minimum tax imposed on corporations. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of 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 and Paragraph 6 below, 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.

6. The Bonds are "qualified tax-exempt obligations" within the meaning of Section 265 of the Code.

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds and the resolutions 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,

46025553.1

APPENDIX B

**SUPPLEMENTAL INFORMATION STATEMENT
HARRIMAN ELECTRIC SYSTEM
OF THE
CITY OF HARRIMAN, TENNESSEE**

THE HARRIMAN ELECTRIC DEPARTMENT

HISTORY AND ORGANIZATION

The Harriman electric department (the “Electric Department”) was founded in 1939 and offers electric service to parts of Roane and Morgan Counties in East Tennessee.

The Electric Department is governed by the Harriman Utility Board (the “HUB”). The Board also provides gas, water, and wastewater services to residents of Harriman and surrounding area in Tennessee.

The Electric Department purchases electricity on the basis of a wholesale contract from the Tennessee Valley Authority which offers some of the lowest electricity rates in the country. The Electric Department has upwards of 11,000 customers and manages more than 700 miles of transmission line.

ELECTRIC POWER BOARD MEMBERS

HUB’s Board of Directors are appointed by the Mayor of Harriman and confirmed by the Harriman City Council. The Board members each serve a four-year term of office and meet monthly in formal board meetings. These citizen directors set policy and approve planning with input from the Board’s staff and ratepayers. Members of the Board as of June 1, 2024, are as follows:

<u>Member</u>	<u>Term Expires</u>	<u>Occupation</u>
Ms. Alicia Harris - Chair	06/30/	U.S. Dept. of Energy
Rev. Lionel Moore - Member	08/31/2026	Retired from TVA
Mr. Shawn Smith - Member	06/30/2025	Nursing Home Administrator
Mr. Jason Shillings - Member	06/30/2026	Maintenance Director
Mr. Alfi Guindi - Member	08/31/2026	Attorney
Mr. Candace Vannasdale – General Manager		

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THE ELECTRIC DISTRIBUTION DEPARTMENT

SERVICE AREA

The Electric Department currently provides electric power to over 11,000 total customers in the parts of Roane and Morgan Counties in East Tennessee with over 700 miles of transmission lines through 6 substations.

TRANSMISSION DEPARTMENT

The Electric Department is connected to the TVA transmission grid at 2 delivery points with a total infeed base capacity of 144 MVA. The current peak Department demand is 52.043 MVA. During Fiscal Year 2024, the Electric Department average load factor was 59.6%, and the Electric Department losses were 5.73%. The Electric Department operates 6 substations and over 700 miles of primary electric line throughout its service area.

DISTRIBUTION DEPARTMENT

The Electric Department's distribution Department serves 11,187 residential, commercial, and industrial customers located within its service area. The 13.2 kV distribution Department consists of approximately 700 miles of primary overhead conductor and approximately 28 miles of underground primary conductor. 5 distribution substations energize the distribution Department through multiple circuits.

SOURCE OF ELECTRIC POWER

The Electric Department does not generate any electric power but purchases its entire supply from the Tennessee Valley Authority ("TVA") pursuant to a power contract dated as of July 1, 1987 (the "Power Contract"). Under the Power Contract, the City agrees to purchase all of its electric power from TVA unless it chooses in the future to exercise TVA's "flexibility option" through which Harriman may produce up to 5% of its load through clean energy generation.

On August 22, 2019, Harriman Electric Department signed a long-term supply agreement with TVA. The initial term of this agreement is for 20 years with an annual evergreen provision. The benefit to the local power company is a 3.1% credit on the distributor's monthly power invoice. As of June 2024, approximately 147 of TVA's 153 municipal and cooperative customers, including four of their five largest customers, signed a similar long-term contract with TVA.

The cost and availability of power to the Electric Department may be affected by, among other things, factors relating to TVA's nuclear program, fuel supply, environmental considerations such as future legislation regulating the mining of coal, the construction and financing of future generating and transmission facilities and other factors relating to TVA's ability to supply the power demands of its customers, including the City. The power sold to the City is supplied from the entire TVA Department and not one specific generating facility.

The Power Contract provides that TVA shall make every reasonable effort to increase the generating capacity of its Department and to provide the transmission facilities required to deliver the output thereof so as to be in a position to supply additional power when and to the extent needed by the City. Neither TVA nor the City is liable for breach of contract if the availability or use of power is interrupted or curtailed or if either party is prevented from performing under the Power Contract by circumstances beyond its control. The amount of power supplied by TVA and the contractual obligation to supply such power are limited by the capacity of TVA's generating and transmission facilities.

The Power Contract specifies the wholesale purchase rates and monthly resale rates to be adhered to by the City, which may be revised periodically by TVA, through the publication of an Adjustment Addendum, to cover increased costs to TVA. See "Electric Rates".

THE TENNESSEE VALLEY AUTHORITY

TVA was established as a wholly-owned corporate agency and instrumentality of the United States of America by the Tennessee Valley Authority Act of 1933, as amended. The Act's objective is the development of the resources of the Tennessee Valley and adjacent areas in order to strengthen the regional and national economy and the national defense. Its specific purposes include: (1) flood control on the Tennessee River and its tributaries, and assistance to flood control on the lower Ohio and the Mississippi Rivers; (2) a modern navigable channel for the Tennessee River; (3) ample supply of power within an area of 80,000 square miles; (4) development and introduction of more efficient soil fertilizers; and (5) greater agricultural and industrial development and improved forestry in the region. TVA made some major changes in managing its governing structure and workforce. The Board changed from a three-member, full-time board to a full-time CEO who reports to a part-time board as of May 2005.

TVA raised rates and fuel cost adjustments by twenty percent to account for the increased oil prices of 2008. This increase was the highest rate increase in three decades. As of early 2009, power rates were decreased by six percent in response to the lower price of fuel. In April of 2011, TVA implemented a wholesale Almost Flat Demand and Energy Rate and a wholesale Time of Use Rate. Power Distributors were able to select one of these two options based on which rate would best accommodate their need. The Electric Department chose the wholesale Time of Use Rate based on extensive analysis by management and an outside rate consultant.

ELECTRIC RATES

Pursuant to the Power Contract, the Electric Department has agreed to adhere to the resale rates set forth in certain schedules established by the TVA. The schedules include the provision that customer billings will be adjusted in accordance with the Adjustment Agenda published by the TVA. The Electric Department is not otherwise subject to rate regulation under existing law, and the Municipality is not aware of any pending legislation to make its electric rates subject to regulation. The Power Contract provides further that if the resale rates set forth therein do not provide sufficient revenues for the operation and maintenance of the Department on a self-supporting, financially sound basis, including debt service, the Municipality and TVA shall agree to changes in rates to provide increased revenues. In like manner, if the rates and changes produce excess revenues, the parties shall agree to rate reductions. Since the date of the Power Contract

the wholesale and resale rates have been adjusted from time to time through TVA's publication of Adjustment Addenda.

RESIDENTIAL AND GENERAL POWER RATES

The following schedule outlines the retail electric rates charged by the Department as of June 30, 2024:

Residential Rates

Customer Charge\$27.01 less than
Energy Charge per kWh..... \$0.10987 per kWh per month

Commercial Rates

- 1. Small Commercial -15,000 kWh or less:
 - Customer Charge: >300 kWh \$40.34
< 300 kWh \$29.19 per delivery point per month
 - Energy Charge: 0.12862 per kWh per month

- 2. Large Commercial - Over 15,000 kWh:
 - Customer Charge: \$111.41 per delivery point per month
 - Demand Charge: First 50 kW of billing demand per month, no demand charge
Excess over 50 kW of billing demand per month, at \$18.22 per kW
 - Energy Charge: First 15,000 kWh per month at \$0.12447 per kWh
Additional kWh per month at 0.07928 per kWh

SUBSTATION, TRANSMISSION & DISTRIBUTION DEPARTMENTS

The HUB Electric Department is connected to the TVA transmission grid through two (2) 161kV delivery points. HUB has a total of 5 distribution substations to convert from either 161 kV or 69 kV down to 13 kV for distribution. The HUB Electric Department includes approximately 700 miles of distribution lines. The peak demand for the HUB Electric Department was 52.043 MW which occurred on January 21, 2024.

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OPERATING AND FINANCIAL HISTORY

OPERATING HISTORY

The following tables present information relating to the number of meters in service, operating revenues of the Electric Department, and data on the largest industrial customers. Unless otherwise stated, such information is presented for the fiscal years ended June 30 in the years shown.

NUMBERS OF METERS IN SERVICE

Fiscal Year	Residential	Commercial (Small)	Commercial (Large)	Street, Athletic & Outdoor Lighting	Total
2020	9,124	1,577	115	4,415	10,969
2021	9,175	1,600	105	4,381	11,034
2022	9,232	1,621	104	4,360	11,109
2023	9,266	1,662	109	4,352	11,187
2024	9,308	1,710	111	4,361	11,276

Source: Harriman Electric Department.

POWER USAGE – MWH

For the Fiscal Year Ended June 30

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Residential	123,346	126,176	125,180	123,045	121,408
Commercial & Industrial (sm)	17,949	18,095	18,738	18,892	18,927
Commercial & Industrial (lg)	49,651	43,196	40,820	92,130	108,700
Street, Athletic & Outdoor Lighting	<u>4,120</u>	<u>3,642</u>	<u>3,370</u>	<u>3,269</u>	<u>3,289</u>
Total	<u>195,066</u>	<u>191,109</u>	<u>188,108</u>	<u>237,336</u>	<u>252,324</u>

Source: Harriman Electric Department.

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PURCHASED POWER FROM TVA

For the Fiscal Year Ended June 30

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
mWh	208,006	202,408	201,476	248,113	267,648
Total Power Cost	\$16,052,449	\$15,348,778	\$16,428,277	\$20,581,713	\$20,063,509
Wholesale Power Cost as % of Sales	66.21%	63.35%	64.16%	70.16%	68.66%

Source: Harriman Electric Department.

HISTORICAL ELECTRIC DEPARTMENT USE

The following table shows historical figures for the population of Harriman, the Electric Department's average number of customers, electric load and electric sales.

<u>Year</u>	<u>City of Harriman Population</u>	<u>Roane County Population</u>	<u>Number of Customers</u>	<u>Sales</u>
2020	5,916	53,841	10,969	\$24,246,272
2021	5,950	53,992	11,034	\$24,229,830
2022	6,094	55,082	11,109	\$25,606,652
2023	6,171	26,096	11,187	\$29,333,406
2024	6,244	57,063	11,276	\$29,220,685

Source: Harriman Electric Department

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TEN LARGEST ELECTRIC CUSTOMERS IN 2024

The ten largest customers in the Electric Department in order of total kWh sales generated are listed below. These ten top electric customers represent 22.6% of the total electric sales dollars.

<u>Name</u>	<u>Annual (kWh) Usage</u>	<u>Annual Sales (Dollars)</u>
Sentinel Technology, LLC	68,527,878	\$3,417,127
Roane Medical Center	7,246,150	753,177
Harriman Utility Board	3,153,792	459,376
Rogers Group Inc Engie Insight	1,373,758	387,184
City of Harriman	1,852,059	360,660
Roane Co Schools	2,087,471	302,613
Kroger Company SMR	2,435,760	266,474
Cumberland Utility	1,718,589	230,445
Harriman Housing	1,567,749	222,143
Food City #634	<u>1,729,200</u>	<u>190,883</u>
TOTALS	<u>91,692,406</u>	<u>\$6,590,082</u>

Source: Harriman Electric Department

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CITY OF HARRIMAN, TENNESSEE
SUMMARY OF BONDED INDEBTEDNESS - Electric System Only

AMOUNT ISSUED	PURPOSE	DUE DATE	INTEREST RATE(S)	AMOUNT (1) OUTSTANDING
1,375,000	(2) General Obligation Bonds, Series 2021A (3)	June 2040	Fixed	825,000
2,095,000	(2) General Obligation Bonds, Series 2021B (4)	June 2041	Fixed	1,785,000
\$ 3,470,000	TOTAL BONDED DEBT			\$ 2,610,000
\$ 9,995,000	(2) Electric System Revenue and Tax Bonds, Series 2024	June 2054	Fixed	\$ 9,995,000
\$ 13,465,000	NET BONDED DEBT			\$ 12,605,000

As of June 30, 2024
(Unaudited)

NOTES:

- (1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the "Annual Comprehensive Financial Report".
- (2) Self supporting debt.
- (3) The City issued its \$9,525,000 General Obligation Bonds, Series 2021A for the water, sewer, electric and gas systems. The portion of the Series 2021A Bonds that financed or refinanced improvements to the City's electric system are additionally payable from but not secured by a pledge of the City's revenues to be derived from the operation of the electric system.
- (4) The City issued its \$4,150,000 General Obligation Bonds, Series 2021B for the water, electric and gas systems. The portion of the Series 2021B Bonds that financed or refinanced improvements to the City's electric system are additionally payable from but not secured by a pledge of the City's revenues to be derived from the operation of the electric system.

CITY OF HARRIMAN, TENNESSEE - ELECTRIC DEPARTMENT
BONDED DEBT SERVICE REQUIREMENTS - Electric System

F. Y. Ended 6/30	Outstanding Electric System Debt As of June 30, 2024 (Unaudited)			Electric System Revenue and Tax Bonds, Series 2024			2024 Bonds		Total Bonded Debt Service Requirements (1)			Percent Total Principal Repaid
	Principal	Interest (2)	TOTAL	Principal	Interest (2)	TOTAL	Principal	Repaid	Principal	Interest	TOTAL	
2025	\$ 245,000	\$ 61,895	\$ 306,895	\$ -	\$ 212,394	\$ 212,394	\$ 245,000	0.00%	\$ 274,289	\$ 274,289	\$ 519,289	1.94%
2026	240,000	54,545	294,545	-	424,788	424,788	240,000		479,333	479,333	719,333	
2027	240,000	47,345	287,345	190,000	424,788	614,788	430,000		472,133	472,133	902,133	
2028	240,000	40,145	280,145	200,000	416,713	616,713	440,000	6.00%	456,858	456,858	896,858	14.32%
2029	240,000	32,945	272,945	210,000	408,213	618,213	450,000		441,158	441,158	891,158	
2030	250,000	25,745	275,745	220,000	399,288	619,288	470,000		425,033	425,033	895,033	
2031	105,000	22,050	127,050	230,000	389,938	619,938	335,000		411,988	411,988	746,988	
2032	105,000	19,950	124,950	235,000	380,163	615,163	340,000		400,113	400,113	740,113	
2033	105,000	18,113	123,113	245,000	370,175	615,175	350,000		388,288	388,288	738,288	
2034	105,000	16,275	121,275	260,000	359,763	619,763	365,000	17.91%	376,038	376,038	741,038	29.08%
2035	105,000	14,175	119,175	270,000	348,713	618,713	375,000		362,888	362,888	737,888	
2036	105,000	12,075	117,075	280,000	337,238	617,238	385,000		349,313	349,313	734,313	
2037	105,000	10,238	115,238	290,000	325,338	615,338	395,000		335,575	335,575	730,575	
2038	105,000	8,400	113,400	305,000	313,013	618,013	410,000		321,413	321,413	731,413	
2039	105,000	6,300	111,300	315,000	300,050	615,050	420,000	32.52%	306,350	306,350	726,350	44.82%
2040	105,000	4,200	109,200	330,000	286,663	616,663	435,000		290,863	290,863	725,863	
2041	105,000	2,100	107,100	345,000	272,638	617,638	450,000		274,738	274,738	724,738	
2042	-	-	-	360,000	257,975	617,975	360,000		257,975	257,975	617,975	
2043	-	-	-	375,000	242,675	617,675	375,000		242,675	242,675	617,675	
2044	-	-	-	390,000	226,738	616,738	390,000		226,738	226,738	616,738	
2045	-	-	-	405,000	210,163	615,163	405,000	54.58%	210,163	210,163	615,163	63.98%
2046	-	-	-	425,000	192,950	617,950	425,000		192,950	192,950	617,950	
2047	-	-	-	445,000	174,888	619,888	445,000		174,888	174,888	619,888	
2048	-	-	-	460,000	155,975	615,975	460,000		155,975	155,975	615,975	
2049	-	-	-	480,000	136,425	616,425	480,000		136,425	136,425	616,425	
2050	-	-	-	500,000	116,025	616,025	500,000	77.69%	116,025	116,025	616,025	82.31%
2051	-	-	-	525,000	94,775	619,775	525,000		94,775	94,775	619,775	
2052	-	-	-	545,000	72,463	617,463	545,000		72,463	72,463	617,463	
2053	-	-	-	570,000	49,300	619,300	570,000		49,300	49,300	619,300	
2054	-	-	-	590,000	25,075	615,075	590,000	100.00%	25,075	25,075	615,075	100.00%
	<u>\$ 2,610,000</u>	<u>\$ 396,495</u>	<u>\$ 3,006,495</u>	<u>\$ 9,995,000</u>	<u>\$ 7,925,294</u>	<u>\$ 17,920,294</u>	<u>\$ 12,605,000</u>		<u>\$ 8,321,789</u>	<u>\$ 20,926,789</u>		

NOTES:

(1) The above figures do not include any short-term debt, if any. For more information, see the notes to the Financial Statements.

(2) Estimated Interest Rates. Estimated Average Coupon of 4.25%.

CITY OF HARRIMAN, TENNESSEE
Five Year Summary of Revenues, Expenditures and
Changes In Net Position - Electric Department
For the Fiscal Year Ended June 30

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Operating Revenues:					
Residential	\$ 14,965,223	\$ 14,932,019	\$ 15,460,142	\$ 16,615,198	\$ 16,848,364
Commercial and Industrial	9,530,417	8,418,392	7,896,547	8,144,599	11,687,632
Street and Outdoor Lighting	899,826	895,861	873,141	846,855	797,410
Customers' Forfeited Discounts	246,766	218,004	230,791	222,700	234,413
Rent	515,826	530,613	548,888	564,016	584,850
Miscellaneous	150,256	180,293	410,160	643,421	173,639
Bad Debt Recoveries / Expenses	(181,092)	(175,059)	(108,520)	(32,271)	(11,883)
Total Operating Revenues	<u>\$ 26,127,222</u>	<u>\$ 25,000,123</u>	<u>\$ 25,311,149</u>	<u>\$ 27,004,518</u>	<u>\$ 30,314,425</u>
Operating Expenses:					
Operation	\$ 17,759,685	\$ 16,052,449	\$ 15,348,788	\$ 16,428,277	\$ 20,221,286
Repairs and Maintenance	1,534,528	1,548,136	1,640,660	1,787,968	1,777,171
Transmission and Distribution	446,034	448,949	561,029	1,553,181	1,637,088
Customers' accounting and collection	575,526	501,326	509,898	490,594	634,624
Administrative and general	3,372,937	3,374,724	3,358,673	2,501,099	2,529,366
Depreciation	2,283,790	2,146,074	2,203,876	2,208,286	2,176,663
Total Operating Expenses	<u>\$ 25,972,500</u>	<u>\$ 24,071,658</u>	<u>\$ 23,622,924</u>	<u>\$ 24,969,405</u>	<u>\$ 28,976,198</u>
Operating income (loss)	\$ 154,722	\$ 928,465	\$ 1,688,225	\$ 2,035,113	\$ 1,338,227
Other Income (expenses):					
Interest income	17	15	6	3	86,510
Interest expense	(28,123)	(47,177)	(138,034)	(48,186)	(57,786)
Amortization debt costs	-	-	-	(11,937)	-
Total other income - net	<u>\$ (28,106)</u>	<u>\$ (47,162)</u>	<u>\$ (138,028)</u>	<u>\$ (60,120)</u>	<u>\$ 28,724</u>
Net Income	\$ 126,616	\$ 881,303	\$ 1,550,197	\$ 1,974,993	\$ 1,366,951
Capital Contributions	-	-	-	-	-
Transfer In / Out	(931,289)	(880,716)	(906,677)	(906,677)	(783,312)
Increase (decrease) in Net Assets	\$ (804,673)	\$ 587	\$ 643,520	\$ 1,068,316	\$ 583,639
Net Assets:					
Prior balance July 1	\$ 29,215,618	\$ 28,411,316	\$ 28,433,794	\$ 29,077,314	\$ 30,145,630
Prior period adjustment	-	21,891	-	-	-
Beginning of year, adjusted	<u>\$ 29,215,618</u>	<u>\$ 28,433,207</u>	<u>\$ 28,433,794</u>	<u>\$ 29,077,314</u>	<u>\$ 30,145,630</u>
Fund Balance June 30	<u><u>\$ 28,410,945</u></u>	<u><u>\$ 28,433,794</u></u>	<u><u>\$ 29,077,314</u></u>	<u><u>\$ 30,145,630</u></u>	<u><u>\$ 30,729,269</u></u>

Source: Annual Comprehensive Financial Report for Harriman Utility Board, Electric Department (Tennessee).

CITY OF HARRIMAN, TENNESSEE - ELECTRIC DEPARTMENT
HISTORICAL DEBT SERVICE COVERAGE ON BONDS

	For the Fiscal Year Ended June 30,				
	2019	2020	2021	2022	2023
Operating Revenue	\$ 26,127,222	\$ 25,000,123	\$ 25,311,149	\$ 27,004,518	\$ 30,314,425
Operating Expenses Before Depreciation	23,688,710	21,925,584	21,419,048	22,761,119	26,799,535
Net Income Before Depreciation And Amortization	2,438,512	3,074,539	3,892,101	4,243,399	3,514,890
Other Income Before Interest Expense (1)	(28,106)	(47,162)	(138,028)	(60,120)	28,724
Income Available For Debt Service	\$ 2,410,406	\$ 3,027,377	\$ 3,754,073	\$ 4,183,279	\$ 3,543,614
Actual Debt Service Requirements (2)					
Bond Coverage	#DIV/0! X	#DIV/0! X	#DIV/0! X	#DIV/0! X	#DIV/0! X
Maximum Estimated Debt Service Requirements on the Outstanding Electric Debt and the Bonds (FY 2030)	\$ 902,133	\$ 902,133	\$ 902,133	\$ 902,133	\$ 902,133
Bond Coverage	2.67 X	3.36 X	4.16 X	4.64 X	3.93 X

Source: Annual Financial Reports for the System

APPENDIX C

**SUPPLEMENTAL INFORMATION STATEMENT
CITY OF HARRIMAN, TENNESSEE**

GENERAL INFORMATION

LOCATION

The City of Harriman (the “City”) is located in the northeastern section of Roane County, Tennessee, (the “County”) approximately 42 miles west of Knoxville, 147 miles east of Nashville and 82 miles north of Chattanooga. The County is bounded by Loudon, Anderson, Morgan, Cumberland, Rhea, Meigs, and McMinn counties. Harriman is the largest city in Roane County and was incorporated as a city in 1891. The other incorporated municipalities in Roane County are Kingston, the County Seat, Oliver Springs and Rockwood. The population of 2020 Census for Harriman was 5,892. The population of Roane County numbered 53,404 persons in 2020 per the U.S. Bureau of the Census.

A portion of the City of Oak Ridge is also located in Roane County. This portion includes facilities run by the U.S. Department of Energy (the “DOE”): the Oak Ridge National Laboratory (the “ORNL”) and the Y-12 National Security Complex (the “Y-12”). These facilities were built during World War II and produced uranium 235 for the first atomic bomb. The project was known as the “The Manhattan Project”.

GENERAL

The land area of the County encompasses 361 square miles.

The County is part of the Knoxville Metropolitan Statistical Area (the “MSA”) that had a population of 903,300 according to the 2020 US Census. The MSA includes Knox (Knoxville and Farragut), Anderson (Oak Ridge and Clinton), Blount (Maryville and Alcoa), Campbell (LaFollette), Grainger (Rutledge), Loudon (Loudon), Morgan (Wartburg), Roane (Harriman) and Union (Maynardville) Counties.

The County is also part of the Knoxville-Sevierville-Harriman Combined Statistical Area (the “CSA”). According to the 2020 Census, the CSA had a population of 1,156,861. The CSA includes Roane, Anderson, Blount, Knox, Loudon, Union, Grainger, Hamblen, Jefferson, Campbell, Cocke and Sevier Counties. The City of Knoxville is the largest city in the CSA with a population of 190,740 according to the 2020 Census.

TRANSPORTATION

The potential for continued growth is high due to Roane County's access to excellent railroad, highway and river transportation facilities. Rail service is provided by the main lines of the CSX and Louisville and Nashville railroads. Both railroads have extensive switching facilities and freight yards in Rockwood. Highway transportation is provided by U.S. Highways 27 and 70, and Interstate Highway 40. Access to Interstate 75 is within 10 miles of the Roane County border. The community airport is Rockwood Municipal located six miles in Rockwood with a 5,000-foot asphalt runway. The nearest commercial airport is the McGee Tyson Airport located in Knoxville about 50 miles to the east.

Barge service is available on the Tennessee, Emory and Clinch Rivers, with a port facility located in Rockwood. Channelization of the Tennessee River to a 9-foot minimum navigable depth from its junction with the Ohio River at Paducah, Kentucky to Knoxville, Tennessee gives the County the benefits of year-round, low cost water transportation and a port on the nation's 10,000 mile-inland waterway system. This system formed largely by the Mississippi River and its tributaries, effectively links the County with the Great Lakes to the north and the Gulf of Mexico to the south. The River borders Knox, Blount, Roane, Loudon, Meigs, Rhea, Marion, Hamilton, Hardin, Wayne, Decatur, Perry, Benton, Humphreys, Henry, Houston and Stewart Counties in the state.

EDUCATION

The *Roane County School System* operates seventeen facilities for students living in the cities of Harriman, Kingston, Oliver Springs and Rockwood and in the County regions. There are seven elementary schools, four middle schools, five high schools and an Educational Center. The fall 2023 enrollment was 6,469 students. The *Oak Ridge City School System* operates seven schools covering pre-school through 12. The fall 2023 enrollment was about 4,348 students.

Source: Tennessee Department of Education.

Knox County Center for Health Sciences. In 2022, Roane State Community College, the Tennessee College of Applied Technology - Knoxville and Covenant Health will build a new healthcare training facility to East Tennessee. It will be a 16,000-square-foot campus with an estimated \$75 million investment. Plans are to construct the facility in West Knoxville on land gifted by Covenant Health, the release stated. The parcel is located near Parkwest Medical Center. See “RECENT DEVELOPMENTS”.

Source: The Oak Ridger.

Oak Ridge Associated Universities (the “ORAU”) is a consortium of 100 colleges and universities and a contractor for the DOE located in Oak Ridge, Tennessee. Founded in 1946, ORAU works with its member institutions that include the University of Tennessee and its satellite campuses. The purposes are to help their students and faculty gain access to federal research facilities throughout the country. ORAU has contracted with the U.S. Nuclear Regulatory Commission since 1992 for radiation training and managing the Radiation Emergency Center / Training Site in Oak Ridge and the Technical Training Center in Chattanooga. Through the Oak Ridge Institute for Science and Education, the DOE facility that ORAU operates, undergraduates, graduates, postgraduates, as well as faculty enjoy access to a multitude of opportunities for study and research. A pioneer in technology transfer, with historic contributions in nuclear medicine and health physics, ORAU today conducts specialized training in nuclear related areas of energy, health and the environment. Appointment and program length range from one month to four years. Many of these programs are especially designed to increase the numbers of underrepresented minority students pursuing degrees in science - and engineering - related disciplines. ORAU currently does about \$100 million in work annually that falls outside the contract for managing the Oak Ridge Institute for Science and Education.

Source: Oak Ridge Associated Universities, University of Tennessee at Chattanooga.

Roane State Community College (the “RSCC”). RSCC, which began operation in 1971 in Harriman, Tennessee, is a two-year higher education institution which serves a fifteen county area.

Fall 2021 enrollment was about 4,957 students. Designed for students who plan to transfer to senior institutions, RSCC academic transfer curricula include two years of instruction in the humanities, mathematics, natural sciences, and social sciences.

RSCC's 138-acre main campus is centrally located in Roane County where a wide variety of programs are offered. RSCC has nine locations across East Tennessee – the Roane County flagship campus; an Oak Ridge campus; campuses in Campbell, Cumberland, Fentress, Loudon, Morgan and Scott Counties; and a center for health science education in west Knoxville.

Source: Roane State Community College.

The Tennessee College of Applied Technology at Harriman. The Tennessee College of Applied Technology at Harriman (the "TCAT-H") is part of a statewide system of 26 vocational-technical schools. The TCAT-H meets a Tennessee mandate that no resident is more than 50 miles from a vocational-technical school. The institution's primary purpose is to meet the occupational and technical training needs of the citizens including employees of existing and prospective businesses and industries in the region. The TCAT-H serves the eastern region of the state including Anderson, Loudon, Meigs, Morgan, Rhea, and Roane Counties. The TCAT-H began operations in 1970, and the main campus is located in Roane County. Fall 2021 enrollment was 793 students.

Source: Tennessee Technology Center at Harriman.

University of Tennessee, Knoxville (the "UT" or "UTK"). UTK is one of the oldest land-grant universities in the nation. There are over 230 buildings on a 600-acre campus. Blount College, UTK's forerunner, was established in Knoxville in 1794, two years before Tennessee became a state. With a fall 2022 enrollment of 33,805 students, UTK is the largest campus in the University of Tennessee System (the "System").

The System is a statewide institution governed by a 26-member Board of Trustees appointed by the governor of Tennessee. Institutions of the System are UTK, UT Health Science Center in Memphis, UT Chattanooga, UT Martin, UT Space Institute in Tullahoma, and UT Institute for Public Service in Knoxville. In addition to the primary campus, the Agricultural Campus houses the UT Institute of Agriculture, a statewide administrative unit that includes the College of Veterinary Medicine, the College of Agricultural Sciences and Natural Resources, the Agricultural Extension Service and the Agricultural Experiment Stations.

UTK is a major research institution, attracting more than \$130 million in externally sponsored programs annually. The Division of Aeromedical Services is one of the country's most respected and comprehensive aeromedical programs. UTK is a co-manager with UT-Battelle, LLC of the nearby Oak Ridge National Lab (the "ORNL"). UT-Battelle, LLC was established in 2000 as a private not-for-profit company for the sole purpose of managing and operating the ORNL for the U.S. Department of Energy (the "DOE"). Formed as a 50-50 limited liability partnership between the UTK and Battelle Memorial Institute, UT-Battelle, LLC is the legal entity responsible for delivering the DOE's research mission at ORNL. Faculty and students experience unparalleled research and learning opportunities at the DOE's largest science and energy lab.

UTK conducts externally-funded research totaling more than \$300 million annually, including some \$17 million annually in research sponsored by ORNL. Areas of joint research with

ORNL include the Bioenergy Science Center's work on cellulosic ethanol; the Center for Computational Sciences' partnership with the National Science Foundation; and the Science Alliance, with divisions in biological, chemical, physical, and mathematical/computer science.

The System and its statewide campuses bring in over \$2 billion in annual income to the State and support more than 50,000 jobs. UTK also generates over \$200 million in state and local tax revenue per year. Students and visitors attending athletic events at each campus spent approximately \$348 million, accounting for \$147.3 million in income and more than 4,800 jobs.

Source: University of Tennessee, UT-Battelle and the News Sentinel.

MEDICAL

Roane County residents have access to two hospitals, Methodist Medical Center and Roane Medical Center, which are both affiliated with Covenant Health. Covenant Health is a comprehensive health system established in 1996 by the consolidation of Fort Sanders Health System, Knoxville, Tennessee, and MMC HealthCare System, parent company of Methodist Medical Center of Oak Ridge, Tennessee. With headquarters located in nearby Knoxville, the system provides comprehensive services throughout East Tennessee. It is also the largest employer in the area.

Methodist Medical Center of Oak Ridge, a 301-bed acute care facility in Oak Ridge, is one of the first hospitals in East Tennessee to offer cutting-edge treatments that benefit people with life-threatening aneurysms; severely damaged knee, hip and shoulder joints; sudden heart failure; and nonhealing wounds. The hospital offers over 30 specialties, from open heart to neurosurgery and boasts one of the highest percentages of board certified physicians in the area. It is a full-service regional medical facility. Methodist Medical Center dates back to 1942 and became part of Covenant Health in 1996.

Source: Covenant Health and Methodist Medical Center.

Roane Medical Center, founded in 1939, is a 105-bed facility located in Harriman. There is a large medical staff of about 140 physicians and nurses. The facility provides a full array of inpatient and outpatient services, including a six-bed critical care unit with intensive/pulmonologist coverage, extensive imaging center including MRI, CT, nuclear imaging, and a Heart Care Center staffed by board certified physicians. The hospital also has a full service ER with 24-hour emergency medicine physician coverage. In 2013 construction was completed of a \$76 million, 145,000-square-foot replacement hospital. In 2008 it joined Covenant Health (based in Knoxville) as the sixth acute care facility in the health system.

Source: Roane Medical Center.

SCIENCE AND ENERGY

The DOE and Oak Ridge

Oak Ridge History

The City of Oak Ridge has a unique history. This area was selected by the United States government in 1942 as the location for its production plants for uranium 235, a component of the first atomic bomb. The original town site was built during World War II to house and furnish necessary facilities for the employees of the uranium plants. This project (known as the

"Manhattan Project") was transferred to the Atomic Energy Commission in 1947, and the community was operated by contractors under the control of the Atomic Energy Commission. In 1955, the Atomic Energy Commission sold the homes and land to the residents. In 1959, the residents voted in favor of incorporation under a modified city manager-council form of government.

Since the 1940's, the nuclear industry has been the largest employer for the City of Oak Ridge and Roane and Anderson Counties when a weapons fabrication division was built by the U.S. Corps of Engineers. As part of the secret World War II "Manhattan Project", the early task of the plant was the separation of fissionable uranium-235 from the more stable uranium-238 by an electro-magnetic process to be utilized in the world's first atomic bomb. Some 80,000 workers were hired for emergency construction of the laboratories and offices on the 56,000-acre site. At the peak of production during the war, 23,000 employees kept the separation units working at a cost of \$500 million for the entire project.

Currently , the DOE occupies approximately 33,000 acres and almost 1,200 buildings within the Oak Ridge city limits, and employs over 13,000 in engineering, skilled and semi-skilled crafts, technical and administrative support. Since October 1999, DOE has contracted with the University of Tennessee and Battelle to manage the ORNL. UT-Battelle began management of the lab on June 1, 2000. Consolidated Nuclear Security, a Bechtel-led contractor team, took over management of the Y-12 nuclear weapons plant effective July 1, 2014 (BWXT, Inc. was the appointed contractor for the Y-12 Plant). DOE awarded its environmental cleanup contract to Bechtel Jacobs from 1997 to 2011. URS-CH2M Oak Ridge took over the cleanup contract in 2011.

Oak Ridge Research

The extensive energy research and development conducted by private and public agencies make Oak Ridge one of the world's great research centers. The presence of the University of Tennessee, the ORNL, Oak Ridge Associated Universities and the Tennessee Valley Authority (the "TVA") makes Oak Ridge a prime location for research facilities, as well as technology-based and conventional manufacturing industries. Science is a worldwide business, and the facilities at DOE in Oak Ridge have attracted a large number of technical people and their families. ORNL campus also houses visiting scientists and researchers that come to work at the world-class facility in an \$8.9 million Guest House (built in 2010) with 47 units.

BioEnergy Sciences Center (the "BESC"). BESC is one of only three sites in the country operated by one of the DOE's new bioenergy research centers. It opened in ORNL in 2007. BESC works to accelerate research in the development of cellulosic ethanol and other biofuels, and make biofuel production cost competitive on a national scale. The new site received \$135 million in federal funding. The University of Tennessee serves as one of the academic partners, providing specialized instrumentation, plant breeding technologies and new microbe discovery. Energy crops like switchgrass, which can be grown on marginal crop land, can produce affordable, domestic renewable fuel without raising food or feed costs. The BESC is dedicated to studying how to economically break down the cellulose in those sources to convert it into usable sugars for ethanol production.

Oak Ridge National Lab. ORNL is a multi-program science and technology laboratory managed for the DOE by UT-Battelle, LLC. Scientists and engineers at ORNL conduct basic and applied research and development to create scientific knowledge and technological solutions that strengthen the nation's leadership in key areas of science; increase the availability of clean, abundant energy; restore and protect the environment; and contribute to national security.

ORNL also performs other work for DOE, including isotope production, information management, and technical program management, and provides research and technical assistance to other organizations. The laboratory is a program of DOE's Oak Ridge Field Office. World-class neutron sources and several supercomputers are located at ORNL for scientific purposes. These unique projects bring about 3,000 scientists to visit each year for varying periods of time, and numerous small industries to be spun off from the experiments and findings. Each job created is expected to have an impact on housing, retail banking, automobile and transportation, hotels, restaurants, hospitals, and business services.

ORNL also is the world leader neutron sources, the Spallation Neutron Source (the “SNS”), the High Flux Isotope Reactor, and a planned third neutron source dubbed the Proton Power Upgrade (the “PPU”) to be completed in the 2030s.

Neutron-scattering research has a lot to do with everyday lives. For example, things like jets; credit cards; pocket calculators; compact discs, computer disks, and magnetic recording tapes; shatter-proof windshields; adjustable seats; and satellite weather information for forecasts have all been improved by neutron-scattering research. Neutron research also helps researchers improve materials used in high-temperature superconductors, powerful lightweight magnets, aluminum bridge decks, and stronger, lighter plastic products.

The world’s most powerful neutron science project is the *Spallation Neutron Source* at ORNL. The giant research complex, spread across 75 acres on Chestnut Ridge a couple of miles from the main ORNL campus, is the world's top source of neutrons for experiments. The SNS is an accelerator-based neutron source built in Roane County by DOE. The SNS provides the most intense pulsed neutron beams in the world for scientific research and industrial development. At a total cost of \$1.4 billion, construction began in 1999 and was completed in 2006. In 2009, SNS reached full power when it set the world record in producing beam power three times more powerful than the previous world record. More neutrons are produced with a higher beam power.

The *Proton Power Upgrade* project to the SNS will double the power capability of the SNS linear accelerator from 1.4 to 2.8 megawatts. This will facilitate new types of experiments and discovery by increasing the beam energy by 30% and the beam current by 50%. This upgrade will enable scientist to work on smaller samples that are easier to handle. The upgrade of the two target stations began in 2021. The first target station is expected to be finished by 2027, and the second of the target stations should be completed between 2032 and 2039.

ORNL is also completing a series of upgrades at the *High Flux Isotope Reactor*. This ORNL facility is sometimes referred to as the lab's "other" billion-dollar machine. It is the world's most powerful research reactor, and it is used to perform experiments similar to - but different from - those to be done at the SNS.

The DOE selected ORNL in 2020 to lead a collaboration, the *Quantum Science Center*, charged with developing quantum technologies that will usher in a new era of innovation. The center supports the National Quantum Initiative Act of 2018 by enhancing America's national security and retaining its global leadership in scientific research and development - goals that require broad expertise and capabilities.

The Quantum Science Center will receive \$115 million over five years from DOE's Office of Science to realize the potential of topological quantum materials for manipulating, transferring and storing quantum information. Quantum materials exhibit exotic properties under specific conditions, and the center will transition this knowledge to the private sector for use in practical applications such as quantum computers and sensors.

The United States aims to invest \$765 million over the next five years in a dozen scientific centers dedicated to the study of artificial intelligence (AI) and quantum information science (QIS), such as quantum computing. Private tech companies such as IBM, Google, and Intel will also contribute to the twin pushes, which call for a total of more than \$1 billion in research investment.

ORNL's *Supercomputers* are housed in a 170,000-square-foot facility that includes over 400 staff and 40,000 square feet of space for computer systems and data storage. The facility will house or has housed six supercomputers - the new exascale computer "Frontier", the "Summit", the "Kraken", the soon-to-be replaced "Titan", and the dismantled "Jaguar".

"Frontier" was ranked as the world's fastest supercomputer when it became fully operational in 2022. "Summit" was the third computer at Oak Ridge to be ranked as the fastest supercomputer in the world in 2018. The "Titan" was the world's fastest at its November 2012 debut, and the "Jaguar" while in operation held the title twice in November 2009 and June 2010. The machines work on breakthrough discoveries in biology, fusion energy, climate prediction, nanoscience and many other fields that will fundamentally change both science and its impact across society.

The first-of-its-kind system, the "Frontier" exascale supercomputer, is capable of calculating one quintillion operations per second. This makes "Frontier" 50 times faster than other supercomputers, including ORNL's "Summit". By solving calculations up to 50 times faster than other top supercomputers - 1,018 calculations per second - "Frontier" enables researchers to deliver breakthroughs in scientific discovery, energy assurance, economic competitiveness, and national security.

This second-generation artificial intelligence system, "Frontier", replaces the "Titan" at ORNL. Built by Cray Inc., the "Frontier" system is valued in excess of \$600 million. Due to the system's advanced nature, the largest, most comprehensive upgrade in the history of ORNL had to be completed to the power and cooling infrastructures of the facility.

The "Summit" supercomputer cost an estimated \$200 million to build and is used for a wide range of scientific applications including combustion science, climate change, energy storage

and nuclear power. “Summit” also serves as an artificial intelligence and deep learning computer, capable of analyzing massive amounts of data and automating critical steps of the discovery process.

The “Summit” was operational in 2018 and is eight times faster than the “Titan”. “Summit” is able to make over 140 quadrillion calculations per second, measured as 140 petaflops. Due to all the energy and heat produced by the calculations, “Summit” produces more heat per square centimeter than tiles on the bottom of a spaceship re-entering Earth's atmosphere. Therefore, “Summit” is cooled by water pumped through plates that sit on top of the computer's chips. In all, “Summit” uses up to 15 megawatts, equivalent to the power 9,000 to 18,000 homes would consume, depending on the time of day. At peak, “Titan” uses about 9 megawatts.

The supercomputer “Titan” will be replaced by the “Frontier” in 2023. The National Oceanic and Atmospheric Administration (the “NOAA”) sponsored the “Titan”, funded with Recovery Act money. NOAA awarded Cray and ORNL a \$47 million contract to provide the “Titan” to work on climate research, energy, efficient engines and materials science. The “Titan” was online in late 2012 after several years of development to replace the “Jaguar” supercomputer at ORNL. When the “Titan” was listed as the world’s fastest computer in late 2012, it marked the fourth time a computer from ORNL has achieved that distinction since 1953. “Titan” was capable of a peak performance of about 27-petaflops. That speed is about 10 times the capability of the first “Jaguar”, which at one time was also the world's fastest computer. The total cost of the “Titan” was estimated to be about \$100 million, but about \$20 million was saved by reusing much of the “Jaguar” structure.

The DOE and the National Science Foundation (the “NSF”) sponsor the supercomputer “Kraken” which came online in 2009. The NSF awarded the University of Tennessee (the “UT”), ORNL and other institutions a \$65 million grant to build “Kraken” to work on a range of scientific challenges, such as climate change and new medicines. UT’s “Kraken” is housed with the ORNL’s “Titan”.

Through interagency agreements, DOE's Oak Ridge facilities have launched a highly successful "work for others" program. Local firms contract with numerous federal agencies to provide services and products. The value of these contracts have grown from approximately \$50 million in 1983 to \$270 million in recent years.

University of Tennessee (the “UT”). The University of Tennessee's flagship campus in Knoxville is home to a wide array of vigorous programs doing research on issues vital to the community, the state, the nation, and the world. The university has collaborative relationships with public and private agencies including ORNL, Battelle Memorial Institute (forming UT-Battelle), St. Jude Children's Research Hospital, the Memphis Bioworks Foundation, and the Boston-Baskin Cancer group (forming UT Cancer Institute).

Cherokee Campus at UT. The Cherokee Farm concept came into being in 2001 as a way to further research by UT and ORNL in computational sciences, climate and environment, advanced materials, biomedical sciences, and renewable energy. UT and ORNL started development of the campus with \$87 million in capital investments and incentives. This is part of

a UT goal to join the ranks of the nation's top 25 public research universities. The former site of UT's 188-acre dairy operation was chosen and development of 77 acres of the property began in 2010. The farm is less than a mile from the Knoxville campus.

The first building, the \$47 million, 142,000-square-foot Joint Institute for Advanced Materials facility, opened in early 2016. The rest of the campus will include 16 building sites. These sites, ranging up to 2 acres, should allow a total of 1.6 million square feet of development. Moving research to the Cherokee campus would free up buildings on the main campus, which could be renovated and used for additional administration and instructional space.

The Joint Institute for Advanced Materials building will house seven high-powered microscopes that researchers from UT, ORNL and elsewhere will use in screening and analyzing materials. The work is oriented toward producing strong, lightweight materials for the automotive and aerospace industries. Researchers will also be able to make use of supercomputers at ORNL.

The first private tenant at Cherokee Farm was announced in May 2016. Civil and Environmental Consultants, Inc. (CEC) is recognized for providing innovative design solutions and integrated expertise in the primary practice areas of civil engineering, ecological sciences, environmental engineering and sciences, survey, waste management and water resources.

National Institute for Mathematical and Biological Synthesis (NIMBioS) is a first-of-its-kind institute dedicated to combining mathematics and biology to solve problems in both scientific fields. The center was funded by a 2008 \$16 million award from the National Science Foundation and is located at the University of Tennessee. A unique aspect of NIMBioS will be its partnership with the Great Smoky Mountains National Park. The park and its Twin Creeks Science Center play a key role in the institute's work, with the park serving as a testing ground for many of the ideas that come from NIMBioS. Partners in NIMBioS include the US Department of Agriculture and the US Department of Homeland Security, IBM and ESRI, a developer of software and technology related to geographic information systems. It draws over 600 researchers each year to Knoxville.

Knoxville Community Development Corporation. Oak Ridge National Lab and the DOE with work with the Knoxville Community Development Corporation on a \$5 million project to combat the climate crisis in helping reduce home energy costs. It's part of the DOE's Advanced Building Construction Initiative. Knoxville's retrofit project was one of seven awardees chosen nationwide. The test will consist of the exteriors of a dozen of single-family housing units that will be retrofitted with a 3D printed shell to fit around the existing buildings. The test will help advance the technology, transform the look of the building's exterior and save residents in energy costs. If the test is successful, the families living in these homes will see 75% reductions in home energy use and achieving decarbonization goals.

Locally, the project is part of Knoxville Community Development Corporation's Transform Western Plan in the Western Heights neighborhood. Part of the plan involves renovating 8 to 12 buildings in the aging section of Western Heights. The panels are made of fiberglass and foam insulation and have an integrated heat pump system. The pumps are tied into the home HVAC system to maximize energy efficiency. The installation is expected to be finished

in four years. Four buildings are expected to be done by the end of 2023. The final piece of the project will involve retrofitting the exterior of the Boys & Girls Clubs building in Western Heights.

Source: City of Oak Ridge, ORNL, Y-12 National Security Complex and the Knoxville News Sentinel.

Oak Ridge Nuclear

BWX Technologies, Inc. (the “BWXT”). A subsidiary of BWXT, Nuclear Fuel Services, Inc., was awarded in 2024 a \$122 million contract extension from the Tennessee Valley Authority for the downblending of highly enriched uranium into low enriched uranium to support the National Nuclear Security Administration’s defense programs objectives. The new contract extends until June 2027. The downblended uranium is needed for various commercial and national defense purposes, for example as fuel material for all naval nuclear reactors.

Integrated Facilities Disposition Program. The DOE has approved a massive \$18 billion Oak Ridge cleanup campaign. The cleanup program would demolish more than 400 contaminated buildings at ORNL and the Y-12 nuclear weapons plant. The program would also focus on mitigating polluted ground water at the sites and other actions to reduce environmental damage. The work began in 2011 and could take up to 45 years to complete. In 2015, \$424 million was set aside for the environmental cleanup activities in Oak Ridge.

The 2009 stimulus act passed by Congress gave the DOE Oak Ridge’s office \$1.9 billion for environmental cleanup projects. The stimulus money sent directly for projects in Oak Ridge, \$1.2 billion, saved or created more than 3,800 new jobs through sub-contracting construction-type jobs as well as technical and specialty positions associated with handling radioactive materials and evaluating environmental risks. The clean-up money was divided among four sites: \$239 million to ORNL, \$292 million to Y-12, \$144 million to East Tennessee Technology Park and \$80 million to the Transuranic Waste Processing Center. At Y-12 alone, seven cleanup projects created more than 2,000 jobs, demolished about 150,000 square feet of old buildings and got rid of about 74,000 cubic meters of waste.

A former gaseous diffusion building was torn down by the DOE as part of its program to convert the former K-25 site for use by private industry. The K-25 Building was part of a series of mammoth buildings to enrich uranium for weapons and fuel for nuclear power plants. The building went into operation in 1951 and was shut down in 1987. The building in size equated to 6 1/2 football fields under one roof. Demolition was completed at the end of 2007. The gigantic K-25 building, a mile-long U-shaped structure that processed the uranium in WWII, was demolished in 2010.

Y-12 National Security Complex. The Y-12 National Security Complex is another large federal plant in Oak Ridge. The ongoing functions of the Y-12 plant are to support the DOE's weapons design labs, recover U-235 from spent nuclear weapons and provide support to other government agencies.

Y-12 has been undergoing a major modernization program. Y-12 is a key facility in the U.S. Nuclear Weapons Complex and is responsible for ensuring the safety, reliability, and security

of the nuclear weapons stockpile and serves as the nation's primary repository of highly enriched uranium. Y-12 houses the country's stockpile of bomb-grade uranium, builds uranium bomb parts and dismantles nuclear weapon systems as needed to support a much smaller nuclear arsenal. The National Nuclear Security Administration (the "NNSA") is planning to transform the nuclear weapons complex to be smaller, more efficient and more cost effective. The goal is by 2020 to have only two facilities where there used to be 700 buildings.

Contractors have already demolished dozens of World War II era buildings at Y-12, about a million square feet since 2001, to reduce the surveillance and maintenance costs, and to support the new programs. Some new office buildings already have been built, including the Jack Case Center that holds about a third of the workforce, or around 1,500 employees. This \$58 million, 420,000-square-foot office building was completed in the summer of 2007. A new 137,000-square-foot visitor's center and auditorium, for about \$18 million, was also completed in 2007.

Mercury Treatment Facility, a water treatment plant designed to capture Y-12 mercury runoff, began site preparation in 2017 and cost \$1.4 million. A four-year construction period for the plant began in 2019 with a projected cost of \$92 million. Once operational, the treatment facility will have a treatment capacity of 3,000 gallons of water per minute and have a 2-million-gallon storage capacity. This facility will enable large scale demolition to begin in the mercury-contaminated areas at Y-12. The two major components at two locations, a headworks facility and a treatment plant, will be connected by a pipeline nearly a mile long. The headworks facility will capture creek flow, store excess stormwater collected during large rainfalls, remove grit, and pump water through the pipeline to the treatment plant.

The \$549 million *Highly Enriched Uranium Materials Facility* at Y-12, a storage complex for weapons-grade uranium, was completed in late 2008. This storage facility replaced multiple aging facilities and allows for storage of its uranium stocks in one central location that represents maximized physical security with minimal vulnerabilities and operating costs. It is designed to protect the large cache of U-235 against any type of terrorist assault. The facility is currently over 85% storage capacity of bomb-grade uranium.

The Tennessee Valley Authority in 2022 voted to expand the use of multiple advanced nuclear reactors, starting with a GE-Hitachi BWRX-300 *small modular reactor* (the "SMR") at its Clinch River site in Oak Ridge. TVA is one of first utilities in the nation to publicly commit to exploring the development of an advanced reactor fleet. The new program will pursue phased activities that will kick off with design and licensing of a potential BWRX-300 SMR at Oak Ridge, for which TVA holds the nation's only early site permit from the Nuclear Regulatory Commission (the "NRC"). TVA expects that phase to last about two to three years. TVA chose GE-Hitachi's (GEH's) BWRX-300 because it is based on light water reactor technology. The BWRX-300 is a 300-MW boiling water reactor that launched in 2017. The reactor design is the 10th evolution of GE's BWR technology, and GEH says it represents "the simplest, yet most innovative BWR design since GE began developing nuclear reactors in 1955."

The *Molten Salt Reactor Experiment* (the "MSR") facility, which use molten salt as liquid fuel and coolant, came online in 1965. The entire facility is part of the DOE's environmental cleanup project since it has become contaminated with the prevalent radioactivity at the site. Work

and research began in 2023 to make the site safe for decommissioning. MSR's were hoped to be a major contributor to the nuclear energy sector with benefits including safety, efficiency, and flexibility in fuels and applications.

The *Uranium Processing Facility* (the "UPF") Project, cornerstone of Y-12's new modernization strategy, will replace current enriched uranium and other processing operations. It will replace Y-12's main production center and cost \$6.5 billion. In 2018, the last approval from the DOE was given to build the final three buildings that will make up the UPF. The \$6.5 billion project will be the largest construction project the state has ever seen, and the project is expected to create more than 2,000 jobs during peak construction. The design phase began in 2006, construction began in 2009, and the facility should be in operation by 2025. Construction of the UPF will accelerate consolidation of aging facilities, bringing production operations currently housed in multiple buildings together, reducing the size of the plant's highest security area by 90 percent, improving the overall security posture, making the plant more secure and saving millions of dollars in annual operating costs. See "RECENT DEVELOPMENTS" for more information.

Source: City of Oak Ridge, ORNL, Y-12 National Security Complex and the Knoxville News Sentinel.

POWER PRODUCTION

Tennessee Valley Authority (the "TVA"). TVA was established as a wholly-owned corporate agency and instrumentality of the United States of America by the Tennessee Valley Authority Act of 1933 (the "TVA Act"), as amended. TVA Act's objective is the development of the resources of the Tennessee Valley and adjacent areas in order to strengthen the regional and national economy and the national defense. Its specific purposes include: (1) flood control on the Tennessee River and its tributaries, and assistance to flood control on the lower Ohio and the Mississippi Rivers; (2) a modern navigable channel for the Tennessee River; (3) ample supply of power within an area of 80,000 square miles in most of Tennessee and parts of Alabama, Mississippi, Kentucky, Georgia, North Carolina and Virginia; (4) development and introduction of more efficient soil fertilizers; and (5) greater agricultural and industrial development and improved forestry in the region.

TVA is the nation's largest, government-owned energy provider. TVA supplies safe, reliable, clean low-cost public power to 153 local power companies and about 60 large industrial customers and federal facilities, generating over half of all electricity from carbon-free resources. These include coal, gas, nuclear and hydroelectric plants as well as renewable resources. In fiscal year 2019:

- TVA sold more than 158.4 billion kilowatt-hours of electricity for revenue of about \$11.2 billion.
- TVA's average retail rate ranked 32nd lowest and 12th lowest in industrial rates among the nation's 100 largest utilities.
- TVA's transmission system achieved 99.999 percent reliability for the 20th year in a row.
- TVA's generation portfolio is 39% nuclear, 19% coal, 26% natural gas, 11% hydro, 3% wind and solar, and 1% energy efficiency programs with a total capacity of 33,727 megawatts.

In 2021, about 80 percent of the nation paid more for energy than customers served by TVA. And TVA's industrial rates are lower than more than 95 percent of the nation.

TVA's generating assets as of 2021 are below:

- 5 fossil plants (25 active units)
- 3 nuclear plants (7 units)
- 29 hydro plants (109 units)
- 1 pumped storage hydroelectric plant (4 units)
- 9 natural gas combustion turbine gas plants (87 units)
- 8 natural gas combined cycle gas plants (14 power blocks, 35 units [21 gas turbines, 14 steam turbines])
- 1 diesel generator site (5 units)
- 14 solar energy sites

In 2021, TVA initiated a decarbonization plan reduce carbon emissions to 70 percent by 2030 and a path to reaching 80 percent by 2035, all while using existing technology and without impacting reliability or costs. TVA also expects to retire the balance of their coal-fired fleet by 2035. TVA will add 10,000 megawatts of solar energy by 2035, representing more than a 15-fold increase from 2021. And by 2050, TVA plans to achieve net-zero carbon emissions by the development of emerging technologies, such as advanced nuclear, long-duration energy storage, carbon-capture technologies and alternative fuels like hydrogen.

TVA will invest nearly \$1.5 billion in transmission improvements between 2022-2025, to include a \$289 million investment in a new System Operations Center and \$90 million in a new Energy Management System.

As of 2018, TVA has contracted or installed around 400 megawatts of solar generating capacity, has more than 1,200 megawatts of wind power, and over 50 megawatts from burning organic garbage. About 13 percent of TVA's power comes from renewable sources, with 3 percent of that comes from wind and solar (it is projected to increase to 5 percent by 2025).

TVA operates eight solar power facilities in Tennessee, including a 97-kilowatt facility at Finley Stadium in Chattanooga, Tennessee. Tennessee is one of the top three hydroelectric power producers east of the Rocky Mountains due to the many TVA hydroelectric power plants located on the Tennessee and Cumberland River systems. Hydroelectric power, although variable, has been contributing about one-eighth of the state's net generation in recent years. Biomass, primarily from wood and wood waste, also contributes a small amount to the state's net generation. TVA also uses methane gas from the Memphis wastewater treatment plant to boost generating capacity at one coal-fired power plant, increasing the plant's capacity by 8 megawatts.

In April of 2011, TVA announced plans to retire 18 coal-fired units at three of its older fossil plants, effectively closing one of the plants. This action is in an unprecedented agreement with the Environmental Protection Agency, four states and three environmental groups to settle complaints that the federal utility violated the Clean Air Act. TVA's board of directors approved the shutdown of two units at the John Sevier plant near Rogersville, TN, six at Widows Creek in

North Alabama and all 10 units at the Johnsonville plant in Middle Tennessee. The permanent shutdowns, called retirements, took place in phases throughout 2017 and affected 300 to 400 workers. The combined idled and retired units will reduce TVA's coal-fired capacity by 2,700 megawatts out of the total 17,000 megawatts generated by the country's largest public utility. The utility also has to invest \$3 billion to \$5 billion on pollution controls and \$350 million on clean energy projects. Penalties include a \$1 million to the National Park Service and the National Forest Service and a civil penalty of \$10 million to various entities, including the states of Alabama, Kentucky and Tennessee.

Kingston Fossil Plant. TVA's Kingston Fossil Plant is located on Watts Bar Reservoir on the Tennessee River near Kingston in Roane County. At the time it was finished in 1955, Kingston was the largest coal-burning power plant in the world. Kingston has nine coal-fired generating units. The winter net dependable generating capacity is 1,456 megawatts. The plant consumes some 14,000 tons of coal a day.

Electricity is produced at each of Kingston's nine coal-fired units by the process of heating water in a boiler to produce steam. Under extremely high pressure, the steam flows into a turbine that spins a generator to make electricity. Kingston generates about 10 billion kilowatt-hours of electricity a year, enough to supply more than 700,000 homes. To reduce sulfur dioxide (SO₂) emissions, all nine units use a blend of low-sulfur coal. Scrubbers are being added to the units to further reduce SO₂. This project cost about \$500 million. TVA spent about \$6 billion on emissions controls at its fossil-fuel plants to ensure that this power supply is generated as cleanly as possible, consistent with efficiency.

Source: Tennessee Valley Authority and The Knoxville News Sentinel.

MANUFACTURING AND COMMERCE

Much of Roane County's growth and prosperity during the last thirty years can be attributed to the fact that Roane County is located at the heart of the Tennessee Valley Authority's electric power system. Another TVA project, the Watts Bar Dam and Hydroelectric Plant, is located eight miles southwest of Roane County. These abundant sources of power and water have attracted a diverse group of manufacturers and businesses to the County.

Industrial Parks

A robust industrial recruitment program is underway to bring high-paying jobs into the County's abundant industrial parks. The County has 4,455 acres already zoned and is being developed for industry. In addition, the County has just adopted an aggressive tax abatement program that will allow attractive tax incentive packages for industries based on economic impact.

CVMR. CVMR is working with the State of Tennessee to establish its global headquarters in Oak Ridge, moving all of its current operations from Toronto, Canada. This can potentially result in 620 new jobs. CVMR has invested \$313 million in the facility in 2016 for the production of advanced metal materials for a variety of industries, including aerospace, energy, automotive and medical devices. Company officials cited the proximity of the Oak Ridge National Laboratory in its decision to move from Canada.

The Oak Ridge facility houses CVMR USA's corporate headquarters, research and development, production of nano materials and metallurgical coating services, customer support, product development and planning for US production facilities. The CVMR Centre of Excellence for Innovation in Powder Metallurgy will collaborate with academic, industrial, government and businesses entities interested in the development of advanced materials and innovative technologies. The Centre will focus on production of new metallurgical products that can benefit the metal industry.

CVMR® Corporation is a privately held multinational, multi-disciplinary organization operating in four continents. The company specializes in project management of large mining operations, mineral processing plant design, construction and commissioning. A large portion of the US plant will be dedicated to the production of metal powders used in 3D Printing (Additive Manufacturing) and producing graphene for advanced products.

Located on the west side of Oak Ridge, *The East Tennessee Technology Park* (the "ETTP") is a compilation of resource-rich industrial facilities which have their beginnings in the Manhattan Project during World War II. The site's original mission was to enrich uranium in the uranium 235 isotope for use in atomic weapons and subsequently for use in the commercial nuclear power industry. The plant was permanently shut down in 1987 and in 1996 reindustrialization went into effect with efforts focusing on restoration of the environment, decontamination and decommissioning of the facilities, and management of legacy wastes. The biggest task includes dismantlement and demolition of the K-25 building – a mile-long, U-shaped structure that was built to process uranium.

The ETTP site also serves as the test location of the next-generation enrichment technology under the U.S. Enrichment Corporation's American Centrifuge Program. This technology will allow the United States to maintain energy security through use of state-of-the-art materials, control systems and manufacturing processes to enrich uranium. Centrifuges are presently tested at the site for eventual use in a full-scale American Centrifuge Plant by the end of the decade.

The goal is to create a brownfields industrial park known as *Heritage Center* under coordination of the Community Reuse Organization of East Tennessee. Also, near the ETTP site is Horizon Center, which includes more than 1,000 acres of pristine greenfield land that is available for private industrial use.

Harriman Industrial Park. This 91-acre park is located on the Tennessee River, adjacent to the 9-foot navigation channel of the waterway system.

The Horizon Center is a greenfield industrial park with more than 1,000 acres ready for immediate development. Horizon Center is a designed to provide building sites and amenities desired by high-tech companies while still preserving the area's scenic beauty. There is one corporate headquarters located in the park, Carbon Fiber Technology, which opened in 2013.

Roane County Industrial Park. Located near Rockwood and Harriman less than 3 miles from I-40, this older and established industrial park has rail access on site. It contains 500 acres of which 80 acres are left for development. This park is where some of the county's larger, long-

term employers are located.

Roane Regional Business and Technology Park. The County's newest industrial park is Roane Regional Business and Technology Park, with 655 acres located east of Kingston on Interstate 40. Anchored by The H.T. Hackney Company of Knoxville, which in early 2005 has built its new distribution and service center and brought 250 initial jobs to the county, the park is also home to other industries: Protean Scientific Instruments; Pegasus Technologies, Dienamic Tooling Systems (DTS) and EOD Technology Inc. The estimated cost of the park development was about \$13,500,000. This new park has an interchange off Interstate 40, an \$18.3 million state Department of Transportation project opened in 2008.

Downtown Programs

Select Tennessee Certified Sites Program (the "STCSP"). The Clinton/I-75 Industrial Park Site 2R has been certified with the STCSP. The STCSP has helped communities prepare industrial sites for private investment and job creation since 2012. The certification process ensures that each certified site meets high quality standards and are primed for development. Certified sites must have documented environmental conditions and geotechnical analysis, existing onsite utilities or a formal plan to extend utilities to the site, and truck-quality road access. The program's goal is to give companies detailed and reliable information during the site selection process and markets the sites to a targeted group of site selection consultants and business leaders in Tennessee's key industry clusters. As of 2024, seventy-three sites in Tennessee have been certified and 23 companies have invested over \$2.01 billion in capital investment to construct facilities on certified sites, accounting for more than 7,494 new job commitments.

Source: Tennessee Department of Economic and Community Development.

Tennessee Downtowns. The City of Clinton has a historically significant downtown that it has improved through the Tennessee Downtowns program. Tennessee Downtowns is an affiliated program of Tennessee Main Street designed to help rural communities to revitalize their downtown areas. The Tennessee Downtowns program helps local communities revitalize traditional commercial districts, enhance community livability, spur job creation and maintain the historic character of downtown districts. The two-year program coaches selected communities and their steering committees through the steps of launching effective renewal efforts. Tennessee Downtowns includes community training in the Main Street America program and a grant for a downtown improvement project. As of April 2024, Tennessee Department of Economic and Community Development (the "TNECD") provides the Tennessee Downtowns program to 90 communities that want to pursue the Main Street America approach to downtown revitalization.

The selected communities all have downtown commercial districts established at least 50 years ago and have demonstrated their readiness to organize efforts for downtown revitalization according to Main Street America principles. The highly competitive selection process was based on historic commercial resources, economic and physical need, demonstrated local effort, overall presentation and probability of success. Grants are awarded to organizations that illustrated the need for improvements and the ability to execute an effective design plan for building facades, wayfinding signage, gateways and streetscapes. As part of the program, each new grant recipient will be required to match 25-percent of the funding received.

Tennessee Downtown communities that complete the program are eligible for additional Downtown Improvement Grants as well as Main Street designation. There are currently 46 nationally accredited Main Street communities in Tennessee, 20 of which successfully completed the Tennessee Downtowns program prior to their national accreditation.

Source: Tennessee Department of Economic and Community Development.

Major Employers within the County

<u>Company</u>	<u>Product</u>	<u>Employees</u>
Oak Ridge National Laboratory	National Defense	5,452
UCOR	National Defense	1,501
Roane State Community College	Education	614
Roane County Government	Government	372
TVA Steam Plant	Electricity	300
H.T. Hackney Co.	Distribution	300
Michael Dunn Center	Healthcare	290
Roane Medical Center	Hospital	289
Kimble Chase Life Science & Research		277
Walmart Stores	Retail	261
GTS Duratek	Disposal of hazardous wastes	250
Roane County Schools	Education	207
Albahealth, LLC	Surgical Hosiery	168

Source: TN Department of Economic & Community Development (2022) and ACFR for the City of Kingston (2023).

In addition to the above-mentioned employers, many residents of Roane County are employed in Oak Ridge at the various facilities of the DOE. A major portion of the production facilities is physically located in Roane County. Latest available figures reveal that DOE, in its various Oak Ridge operations, had over 12,800 employees.

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ECONOMIC DATA

Per Capita Personal Income

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
National	\$53,309	\$55,547	\$59,153	\$64,430	\$65,470
Tennessee	\$46,452	\$48,889	\$51,928	\$56,970	\$58,292
Roane County	\$40,672	\$43,460	\$46,477	\$49,794	\$50,192
Index vs. National	76	78	79	77	77
Index vs. State	88	89	90	87	86
Knoxville MSA	\$45,883	\$48,406	\$51,776	\$57,057	\$58,239
Index vs. National	86	87	88	89	89
Index vs. State	99	99	100	100	100
Knoxville-Sevierville-Harriman CSA	\$43,783	\$46,181	\$49,354	\$54,597	\$55,634
Index vs. National	82	83	83	85	85
Index vs. State	94	94	95	96	95

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Social and Economic Characteristics

	<u>National</u>	<u>Tennessee</u>	<u>Roane County</u>	<u>Kingston</u>	<u>Harriman</u>	<u>Rockwood</u>
Median Value Owner Occupied Housing	\$281,900	\$232,100	\$193,400	\$185,000	\$142,700	\$131,400
% High School Graduates or Higher Persons 25 Years Old and Older	89.10%	89.30%	89.9%	92.8%	85.0%	87.6%
% Persons with Income Below Poverty Level	11.50%	13.30%	13.2%	6.0%	17.4%	17.8%
Median Household Income	\$75,149	\$64,035	\$66,460	\$67,637	\$45,458	\$43,309

Source: U.S. Census Bureau State & County QuickFacts - 2022.

TOURISM AND RECREATION

American Museum of Science and Energy. Drawing thousands of visitors from across the United States and abroad are the American Museum of Science and Energy and the Oak Ridge Graphite Reactor. More than 225,000 persons visit the Museum annually. The museum opened in 1949 in an old wartime cafeteria of the ORNL. Its guided tours took visitors through the peaceful uses of atomic energy. The present facility, opened in 1975, continues to provide the general public with energy information. The museum includes historical photographs, documents and artifacts explaining the story of Oak Ridge and the Manhattan Project. There is an Exploration Station that

offers self-directed activities which explore light and color, sound, problem-solving, static electricity, robotics, vision and more. It also includes exhibits on Y-12 and National Defense, the Earth's energy resources and nuclear reactors and energy.

The X-10 Graphite Reactor at ORNL, formerly known as the Clinton Pile and X-10 Pile, was the world's second artificial nuclear reactor and was the first reactor designed and built for continuous operation. The Graphite Reactor is open to the public and a National Historic Landmark. Also, an overlook display at the Oak Ridge Gaseous Diffusion Plant and facilities of the TVA is available for visitors.

Source: American Museum of Science and Energy.

Arboretum. The Arboretum is a project of the University of Tennessee Forest Resources Research and Education Center located in Oak Ridge. It generally hosts more than 30,000 visitors annually. This 250-acre research and education facility has over 2,500 native and exotic woody plant specimens that represent 800 species, varieties, and cultivars. The Arboretum serves as an outdoor classroom to university students in a variety of fields. It is also a place that provides a natural laboratory for research in plant uses, genetics and adaptability, insect and disease control, and the management of associated natural resources. The facility is recognized as an official Wildlife Observation Area and part of the National Watchable Wildlife Program by the Tennessee Wildlife Resources Agency.

Source: Forest Resources Research and Education Center.

Melton Hill Reservoir. TVA's Melton Hill Dam is located in Loudon County on the Clinch River. Melton Hill Reservoir extends almost 57 miles upstream from Melton Hill Dam to Norris Dam along the county lines of Loudon, Roane, Knox and Anderson Counties. Unlike other TVA reservoirs, Melton Hill is not used for flood control. But because it's used for power production, the level of the water in the reservoir fluctuates about four feet throughout the year. Melton Hill Reservoir has a nationally recognized rowing course and is a spring training site for collegiate teams from throughout the eastern United States. The reservoir has hosted a number of national championships. Melton Hill Reservoir extends the reach of barge traffic 38 miles up the Clinch River to Clinton, Tennessee, making the area attractive to industries that rely on this mode of transportation.

Source: Tennessee Valley Authority.

Parks nearby. Within 50 miles of the County are over a dozen lakeside resorts and State parks with cabins for rent, camping facilities, or both. The State parks - Cove Lake and Norris Dam in Campbell County, Big Ridge in Union County and Cumberland Mountain in Cumberland County - all offer cabins, camping and restaurants. Great Smoky Mountains National Park is a scenic seventy-five-minute drive south of the County. Big South Fork National Recreation Area, with its top rated white water rafting, is only a sixty-minute drive north.

Norris Reservoir. Norris Reservoir extends 73 miles up the Clinch River and 56 miles up the Powell from Norris Dam. It covers 5 counties: Anderson, Campbell, Union, Claiborne and Grainger Counties. Norris provides 809 miles of shoreline and 33,840 acres of water surface. It is the largest reservoir on a tributary of the Tennessee River. Norris Reservoir is an important component of the system TVA set up to reduce the risks of these disasters. The area around the Clinch River receives more than 45 inches of rain a year. In the past, floodwaters on the Clinch

sometimes inundated areas hundreds of miles downstream. The recreational use of Norris Reservoir exceeds that of any other tributary reservoir in the TVA river system. Water sports at Norris include boating, water skiing, swimming, and excellent fishing.

Source: Tennessee Valley Authority.

Watts Bar Reservoir. TVA's Watts Bar Dam is located along the Meigs and Rhea County line on the Tennessee River. Watts Bar Reservoir extends 72.4 miles northeast from the Dam to Fort Loudoun Dam through Rhea, Meigs, Roane and Loudon Counties. Watts Bar, located about midway between Knoxville and Chattanooga, is one of nine TVA dams on the Tennessee River. The reservoir attracts millions of recreational visits each year for boating, fishing, swimming, camping, and other outdoor activities. Watts Bar also creates a slack-water channel for navigation more than 20 miles up the Clinch River and 12 miles up its tributary, the Emory. The lock at Watts Bar handles more than a million tons of cargo a year, and the reservoir plays an important role in flood control. In conjunction with other tributary and main-river reservoirs above Chattanooga, it is of special value to that city, which is the point of greatest flood hazard in the Valley.

Source: Tennessee Valley Authority.

RECENT DEVELOPMENTS

General Aviation Airport. The establishment of a new general aviation airport located in the East Tennessee Technology Park in Oak Ridge on the Roane County side is currently under review. The Metropolitan Knoxville Airport Authority (the "MKAA") will own and manage the new facility. MKAA also owns and maintains the regional commercial air service facility, McGhee Tyson Airport in Alcoa, which is about 25 miles from the City. The East Tennessee Technology Park is located at the former K-25 site located at the ORNL. The estimated cost for the project is between \$40 - \$45 million.

General Fusion Corporation. General Fusion Corporation established in 2021 its first U.S. operations in Tennessee by locating its U.S. headquarters in Oak Ridge. Based in Vancouver, Canada, General Fusion Corporation, the U.S.-based subsidiary of General Fusion, Inc., initially invested \$539,000 and created 20 new jobs in Anderson County. Founded in 2002, General Fusion is working to transform the world's energy supply with practical fusion energy. The company's U.S. headquarters enhances its Technology Commercialization Program, managing collaborations with national laboratories such as Oak Ridge National Laboratory, universities and the U.S. government.

Integrated Facilities Disposition Program. The DOE approved a massive \$14.5 billion Oak Ridge cleanup campaign. The cleanup program would demolish more than 400 contaminated building at ORNL and the Y-12 nuclear weapons plant. The program would also focus on mitigating polluted ground water at the sites and other actions to reduce environmental damage. The work began in 2011 and could take up to 25 years to complete.

The 2009 stimulus act passed by Congress gave the DOE Oak Ridge's office \$1.9 billion for environmental cleanup projects. The stimulus money sent directly for projects in Oak Ridge, \$1.2 billion, saved or created about 3,863 new jobs through sub-contracting construction-type jobs as well as technical and specialty positions associated with handling radioactive materials and

evaluating environmental risks. The clean-up money was divided among four sites: \$239 million to ORNL, \$292 million to Y-12, \$144 million to East Tennessee Technology Park and \$80 million to the Transuranic Waste Processing Center. At Y-12 alone, seven cleanup projects created 2,000 jobs, demolished about 150,000 square feet of old buildings and got rid of about 74,000 cubic meters of waste.

Kairos Power. Kairos Power, a privately funded, advanced nuclear engineering company, will establish a low-power demonstration reactor in Oak Ridge by investing \$100 million. This created 55 jobs and began construction in 2021. Scheduled to be operational in 2026, the Hermes reactor will move forward Kairos Power's iterative development process from prototype toward commercial scale by demonstrating complete nuclear systems, advancing Kairos Power's manufacturing capabilities for critical components, testing the supply chain and facilitating licensing certainty for the KP-FHR.

Kairos Power's low-power demonstration reactor, called Hermes, will demonstrate the company's capability to deliver low-cost nuclear heat. The Hermes reactor is a scaled version of Kairos Power's Fluoride Salt-Cooled High Temperature Reactor (KP-FHR), an advanced reactor technology that aims to be cost competitive with natural gas in the U.S. electricity market in order to provide carbon-free, affordable and safe energy. The project will be a redevelopment of a site at the Heritage Center, a former U.S. Department of Energy site complex.

Kairos Power received \$303 million in funding from the U.S. Department of Energy and Office of Nuclear Energy's program for Risk Reduction projects to support the design, licensing and construction of the Hermes low-power demonstration reactor. Hermes is intended to lead to the development of the Kairos Power KP-X, a commercial-scale KP-FHR. Kairos Power is a mission driven engineering company launched out of a broad research effort at U.S. universities and national laboratories. The company was founded to accelerate the development of an innovative nuclear technology that has the potential to transform the energy landscape in the United States and internationally.

Knox County Center for Health Sciences. In 2022, Roane State Community College, the Tennessee College of Applied Technology - Knoxville and Covenant Health formed a partnership that will bring a new healthcare training facility to East Tennessee. The center is meant to replace Roane State's current Knox County Center for Health Sciences, a 16,000-square-foot campus currently located in West Knoxville and will be the new home of TCAT Knoxville's health science programs. As proposed, the Knox Regional Health Science and Simulation Center would have 130,000 square feet in total, with at least 11,000 square feet devoted to the simulation center.

The total estimated dollar amount for the project is \$75 million, which includes previous funding of \$1 million appropriated in fiscal year 2021-22 for the preliminary design phase. \$67.5 million in state funding is expected for the Knox Regional Health Science and Simulation Center. Roane State is expected to provide at least a \$6.5 million campus match. The facility will enable instructors to provide comprehensive simulations of the work students will be doing when they graduate, in settings similar to clinics and hospitals. Plans are to construct the facility in West Knoxville on land gifted by Covenant Health, the release stated. The parcel is located near Parkwest Medical Center.

Malibu Boats. Malibu Boats in 2023 will invest \$75 million to expand manufacturing operations in Lenoir City. This will create approximately 770 new jobs over the next five years as the company locates some of its Cobalt boat brand production in an existing facility at the Roane Regional Business and Technology Park. The Lenoir City location will be the company's second plant outside of its headquarters in Loudon, Tennessee.

Malibu Boats, LLC is a subsidiary of Malibu Boats, Inc. and one of the largest employers in East Tennessee. The company designs, engineers, manufactures, markets, and sells recreational powerboats globally. Founded in 1982, the parent company employs roughly 3,000 people.

Nuclear Education Funding. The fund assists nuclear power-related businesses choosing to relocate or grow in the Volunteer State and supports the state's universities and research institutions in further developing their nuclear education programs.

The University of Tennessee, Knoxville and Roane State Community College will receive \$50 million in 2024 from Tennessee's Nuclear Energy Fund to support existing nuclear programs as well as develop and implement new nuclear education curriculum. Both campuses, which are in close proximity to Oak Ridge National Laboratory, will play a vital role in attracting nuclear companies to the region with the enhanced curriculum and equipment.

The University of Tennessee will establish a new program for non-nuclear engineers to obtain a minor in nuclear engineering at its Knoxville campus. The additional degree will better prepare these engineers entering the nuclear energy field and will shorten the time needed to provide extensive training by their employers. Separately, funding will also be used to support Roane State Community College in purchasing laboratory equipment for its inaugural nuclear technology program, which launches in the fall of 2024.

Oak Ridge National Laboratory. ORNL is in the final stages of a \$300 million project to provide a modern campus for the next generation of great science. A unique combination of federal, state and private funds is building 13 new facilities. Included in these new facilities will be the Laboratory for Comparative and Functional Genomics, the Center for Nanophase Materials Sciences, the Advanced Microscopy Laboratory, the Oak Ridge Center for Advanced Studies and the joint institutes for computational sciences, biological sciences, and neutron sciences. ORNL has been selected as the site of the Office of Science's National Leadership Computing Facility for unclassified high-performance computing.

In early 2009 and in 2012 ORNL dedicated two solar arrays, respectively. The first one is a 288-foot span of solar array panels that provides 51.25 kilowatts of power to the lab's grid. The latest array cost \$800,000 and provides 200 kilowatts. These arrays will offset nearly half of the power use in one of ORNL's research facilities and expand a green initiative known as the "sustainable campus" project.

Ultra Safe Nuclear Corporation (the "USNC"). USNC will establish new manufacturing operations in Oak Ridge in 2022. USNC will invest \$13 million in its Pilot Fuel Manufacturing facility and will create 31 new jobs over the next five years. Located in the East Tennessee

Technology Park, the Oak Ridge pilot facility will specialize in manufacturing the company's Fully Ceramic Microencapsulated nuclear fuel and refractory ceramic (silicon carbide) materials. The inherently safe FCM fuel is designed for use in USNC's Micro Modular Reactor and other advanced reactors. The facility will be in close proximity to Oak Ridge National Laboratory and the U.S. Department of Energy National Nuclear Security Administration's Y-12 National Security Complex, allowing USNC to leverage the region's highly skilled workforce, which is trained to work on nuclear fuel solutions.

Privately funded, American-owned and controlled, USNC is headquartered in Seattle, Washington, and is a global leader in the deployment of micro reactors and a strong vertical integrator of nuclear power technologies. Today, the company employs more than 150 people across its operations in Canada, France, Poland, South Africa, South Korea, the United Kingdom and the U.S.

Uranium Processing Facility (the "UPF"). The UPF project is being built through a series of seven sub-projects. Two have already been completed under budget and two are currently under construction. The salvage and accountability building, a process support facility and the UPF's 240,000 square-foot main process building were the last of seven sub-projects to receive DOE approval. The main process building will house the facility's primary stockpile maintenance function: recycling uranium from old nuclear warheads to maintain the current arsenal. The designs reached the 90 percent completion milestone in September 2017. The National Nuclear Security Administration (NNSA) said the Uranium Processing Facility will use a "safer, cleaner and more efficient" process to modernize uranium warheads. President Trump signed a \$1.3 trillion government spending bill in March of 2018 that allocated \$663 million for the facility's construction. The money allocated will help keep the construction on schedule for 2025 completion and under its \$6.5 billion budget cap.

Source: City of Oak Ridge, the OakRidger, ORNL, Y-12 National Security Complex and the Knoxville News Sentinel.

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CITY OF HARRIMAN, TENNESSEE
SUMMARY OF BONDED INDEBTEDNESS

AMOUNT ISSUED	PURPOSE	DUE DATE	INTEREST RATE(S)	AMOUNT (1) OUTSTANDING
\$ 2,000,000	Capital Outlay Notes, Series 2016	April 2028	Fixed	\$ 850,000
439,500	Capital Outlay Notes, Series 2018	Sept. 2026	Fixed	180,000
1,339,441	General Obligation Bond, Series 2020 (USDA)	2063	Fixed	1,304,390
735,000	Capital Outlay Notes, Series 2022	June 2035	Fixed	684,300
1,600,000	(2) State Loan Agreement, Series CGO 11-269	Oct.2034	Fixed	879,344
1,792,067	(2) State Loan Agreement, Series DWO 11-109	Dec. 2035	Fixed	870,281
9,525,000	(2) General Obligation Bonds, Series 2021A	June 2040	Fixed	7,400,000
4,150,000	(2) General Obligation Bonds, Series 2021B	June 2041	Fixed	3,555,000
<u>\$ 21,581,008</u>	TOTAL BONDED DEBT			<u>\$ 15,723,315</u>
\$ 9,995,000	(2) Electric System Revenue and Tax Bonds, Series 2024	June 2054	Fixed	\$ 9,995,000
<u>(13,387,067)</u>	Less: Revenue Supported Debt			<u>(22,699,625)</u>
<u>\$ 18,188,941</u>	NET BONDED DEBT			<u>\$ 3,018,690</u>

(Unaudited)

As of June 30, 2024

NOTES:

(1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the "Annual Comprehensive Financial Report".

(2) Self supporting debt.

(3) The City budgets to account for interest rate and/or basis risk.

CITY OF HARRIMAN, TENNESSEE
INDEBTEDNESS AND DEBT RATIOS

INTRODUCTION

The information set forth in the following table is based upon information derived in part from the ACFR, and the table should be read in conjunction with those statements. The table does not include future funding plans whether disclosed or not in this document.

	For Fiscal Year Ended June 30				Unaudited 2024	After Issuance 2024
	2020	2021	2022	2023		
INDEBTEDNESS						
TAX SUPPORTED						
City Tax Supported Debt (1)	\$ 2,240,673	\$ 1,923,104	\$ 2,183,769	\$ 3,361,929	\$ 3,018,690	\$ 3,018,690
Revenue Supported Debt	9,912,265	15,448,789	14,539,333	13,623,029	12,704,625	22,699,625
TOTAL TAX SUPPORTED	\$ 12,152,938	\$ 17,371,893	\$ 16,723,102	\$ 16,984,958	\$ 15,723,315	\$ 25,718,315
TOTAL DEBT						
Less: Revenue Supported Debt	(9,912,265)	(15,448,789)	(14,539,333)	(13,623,029)	(12,704,625)	(22,699,625)
Less: D.S. Fund	(31,271)	(31,271)	-	-	-	-
NET DIRECT DEBT	\$ 2,209,402	\$ 1,891,833	\$ 2,183,769	\$ 3,361,929	\$ 3,018,690	\$ 3,018,690
PROPERTY TAX BASE						
Estimated Actual Value	\$ 397,498,041	\$405,414,901	\$401,958,806	\$542,546,938	\$563,278,630	\$563,278,630
Estimated Appraised Value	355,720,997	405,414,901	401,958,806	395,950,755	411,080,744	411,080,744
Estimated Assessed Value	114,391,109	129,624,057	128,176,430	127,179,496	132,982,286	132,982,286

(1) May not include all short-term notes or capitalized leases.

DEBT RATIOS	For Fiscal Year Ended June 30				After Issuance	
	2020	2021	2022	2023	Unaudited 2024	2024
TOTAL DEBT to Estimated Actual Value	3.06%	4.28%	4.16%	3.13%	2.79%	4.57%
TOTAL DEBT to Appraised Value	3.42%	4.28%	4.16%	4.29%	3.82%	6.26%
TOTAL DEBT to Assessed Value	10.62%	13.40%	13.05%	13.36%	11.82%	19.34%
NET DIRECT DEBT to Estimated Actual Value	0.56%	0.47%	0.54%	0.62%	0.54%	0.54%
NET DIRECT DEBT to Appraised Value	0.62%	0.47%	0.54%	0.85%	0.73%	0.73%
NET DIRECT DEBT to Assessed Value	1.93%	1.46%	1.70%	2.64%	2.27%	2.27%
PER CAPITA RATIOS						
POPULATION (1)	5,892	5,892	6,094	6,094	6,094	6,094
PER CAPITA PERSONAL INCOME (2)	\$46,477	\$49,794	\$50,192	\$50,192	\$50,192	\$50,192
Estimated Actual Value to POPULATION	67,464	68,808	65,960	89,030	92,432	92,432
Assessed Value to POPULATION	19,415	22,000	21,033	20,870	21,822	21,822
TOTAL DEBT to POPULATION	2,063	2,948	2,744	2,787	2,580	4,220
NET DIRECT DEBT to POPULATION	375	321	358	552	495	495
Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	4.44%	5.92%	5.47%	5.55%	5.14%	8.41%
NET DIRECT DEBT Per Capita as a % of PER CAPITA PERSONAL INCOME	0.81%	0.64%	0.71%	1.10%	0.99%	0.99%

(1) Computations are based upon estimates extracted from Tennessee Association of Business publications, the County and Bureau of Census Information.

(2) PER CAPITA PERSONAL INCOME is based upon data available from the U.S. Department of Commerce.

CITY OF HARRIMAN, TENNESSEE
BONDED DEBT SERVICE REQUIREMENTS - General Obligation
As of June 30, 2024 (Unaudited)

F.Y. Ended 6/30	Estimated Total Bonded Debt Service Requirements			% Principal Repaid
	Principal	Interest (2)	TOTAL	
2025	\$ 337,101	\$ 76,689	\$ 413,791	11.17%
2026	346,395	67,658	414,053	
2027	355,699	58,368	414,068	
2028	301,040	50,133	351,173	
2029	83,541	42,763	126,305	
2030	86,181	40,202	126,383	50.02%
2031	88,833	37,558	126,391	
2032	91,428	34,900	126,328	
2033	94,273	32,020	126,294	
2034	97,264	29,121	126,385	
2035	100,168	26,128	126,296	65.66%
2036	27,722	23,106	50,828	
2037	28,416	22,413	50,828	
2038	29,062	21,767	50,828	
2039	29,722	21,106	50,828	
2040	30,342	20,486	50,828	70.47%
2041	31,088	19,740	50,828	
2042	31,794	19,034	50,828	
2043	32,517	18,311	50,828	
2044	33,208	17,620	50,828	
2045	34,011	16,817	50,828	75.85%
2046	34,785	16,044	50,828	
2047	35,575	15,253	50,828	
2048	36,345	14,483	50,828	
2049	37,210	13,618	50,828	
2050	38,056	12,772	50,828	81.88%
2051	38,921	11,907	50,828	
2052	39,776	11,052	50,828	
2053	40,711	10,118	50,828	
2054	41,636	9,192	50,828	
2055	42,583	8,246	50,828	88.63%
2056	43,531	7,297	50,828	
2057	44,540	6,288	50,828	
2058	45,553	5,275	50,828	
2059	46,588	4,240	50,828	
2060	47,639	3,189	50,828	96.18%
2061	48,731	2,098	50,828	
2062	49,838	990	50,828	
2063	16,863	79	16,943	100.00%
	<u>\$ 3,018,690</u>	<u>\$ 848,079</u>	<u>\$ 3,866,768</u>	

NOTES:

(1) The above figures may not include all short-term notes and leases outstanding, if any. For more information, see the notes to the Financial Statements in the "Annual Comprehensive Financial Report".

CITY OF HARRIMAN, TENNESSEE
BONDED DEBT SERVICE REQUIREMENTS
Water and Sewer System
As of June 30, 2024 (Unaudited)

F.Y. Ended 6/30	Total Bonded Debt Service Requirements (1)			% All Principal Repaid
	Principal	Interest	TOTAL	
2025	\$ 555,372	\$ 153,489	\$ 708,861	6.85%
2026	562,412	139,175	701,587	13.78%
2027	564,488	124,682	689,170	20.74%
2028	571,588	110,159	681,747	27.79%
2029	573,700	95,456	669,156	34.87%
2030	550,872	80,723	631,595	41.66%
2031	548,044	73,533	621,577	48.42%
2032	550,264	66,047	616,311	55.20%
2033	552,508	57,731	610,239	62.02%
2034	554,788	49,384	604,172	68.86%
2035	494,856	41,107	535,963	74.96%
2036	425,733	33,885	459,618	80.21%
2037	385,000	27,778	412,778	84.96%
2038	385,000	21,520	406,520	89.70%
2039	385,000	14,940	399,940	94.45%
2040	385,000	8,200	393,200	99.20%
2041	65,000	1,300	66,300	100.00%
	<u>\$ 8,109,625</u>	<u>\$ 1,099,109</u>	<u>\$ 9,208,734</u>	

NOTES:

(1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the "Comprehensive Annual Financial Report".

CITY OF HARRIMAN, TENNESSEE - ELECTRIC DEPARTMENT
BONDED DEBT SERVICE REQUIREMENTS - Electric System

F.Y. Ended	Outstanding Electric System Debt As of June 30, 2024 (Unaudited)			Electric System Revenue and Tax Bonds, Series 2024			2024 Bonds		Total Bonded Debt Service Requirements (1)			Percent Total Principal Repaid
	Principal	Interest(2)	TOTAL	Principal	Interest (2)	TOTAL	Principal	Percent Repaid	Principal	Interest	TOTAL	
6/30	\$ 245,000	\$ 61,895	\$ 306,895	\$ -	\$ 212,394	\$ 212,394	\$ 245,000	0.00%	\$ 245,000	\$ 274,289	\$ 519,289	1.94%
2025	240,000	54,545	294,545	-	424,788	424,788	240,000		240,000	479,333	719,333	
2026	240,000	47,345	287,345	190,000	424,788	614,788	430,000		430,000	472,133	902,133	
2027	240,000	40,145	280,145	200,000	416,713	616,713	440,000		440,000	456,858	896,858	
2028	240,000	32,945	272,945	210,000	408,213	618,213	450,000	6.00%	450,000	441,158	891,158	14.32%
2029	250,000	25,745	275,745	220,000	399,288	619,288	470,000		470,000	425,033	895,033	
2030	105,000	22,050	127,050	230,000	389,938	619,938	335,000		335,000	411,988	746,988	
2031	105,000	19,950	124,950	235,000	380,163	615,163	340,000		340,000	400,113	740,113	
2032	105,000	18,113	123,113	245,000	370,175	615,175	350,000		350,000	388,288	738,288	
2033	105,000	16,275	121,275	260,000	359,763	619,763	365,000	17.91%	365,000	376,038	741,038	29.08%
2034	105,000	14,175	119,175	270,000	348,713	618,713	375,000		375,000	362,888	737,888	
2035	105,000	12,075	117,075	280,000	337,238	617,238	385,000		385,000	349,313	734,313	
2036	105,000	10,238	115,238	290,000	325,338	615,338	395,000		395,000	335,575	730,575	
2037	105,000	8,400	113,400	305,000	313,013	618,013	410,000		410,000	321,413	731,413	
2038	105,000	6,300	111,300	315,000	300,050	615,050	420,000	32.52%	420,000	306,350	726,350	44.82%
2039	105,000	4,200	109,200	330,000	286,663	616,663	435,000		435,000	290,863	725,863	
2040	105,000	2,100	107,100	345,000	272,638	617,638	450,000		450,000	274,738	724,738	
2041	-	-	-	360,000	257,975	617,975	360,000		360,000	257,975	617,975	
2042	-	-	-	375,000	242,675	617,675	375,000		375,000	242,675	617,675	
2043	-	-	-	390,000	226,738	616,738	390,000		390,000	226,738	616,738	
2044	-	-	-	405,000	210,163	615,163	405,000	54.58%	405,000	210,163	615,163	63.98%
2045	-	-	-	425,000	192,950	617,950	425,000		425,000	192,950	617,950	
2046	-	-	-	445,000	174,888	619,888	445,000		445,000	174,888	619,888	
2047	-	-	-	460,000	155,975	615,975	460,000		460,000	155,975	615,975	
2048	-	-	-	480,000	136,425	616,425	480,000		480,000	136,425	616,425	
2049	-	-	-	500,000	116,025	616,025	500,000	77.69%	500,000	116,025	616,025	82.31%
2050	-	-	-	525,000	94,775	619,775	525,000		525,000	94,775	619,775	
2051	-	-	-	545,000	72,463	617,463	545,000		545,000	72,463	617,463	
2052	-	-	-	570,000	49,300	619,300	570,000	100.00%	570,000	49,300	619,300	100.00%
2053	-	-	-	590,000	25,075	615,075	590,000		590,000	25,075	615,075	
2054	-	-	-	9,995,000	7,925,294	17,920,294	12,605,000		12,605,000	8,321,789	20,926,789	
	<u>\$ 2,610,000</u>	<u>\$ 396,495</u>	<u>\$ 3,006,495</u>	<u>\$ 9,995,000</u>	<u>\$ 7,925,294</u>	<u>\$ 17,920,294</u>	<u>\$ 12,605,000</u>		<u>\$ 12,605,000</u>	<u>\$ 8,321,789</u>	<u>\$ 20,926,789</u>	

NOTES:

(1) The above figures do not include any short-term debt, if any. For more information, see the notes to the Financial Statements.

(2) Estimated Interest Rates. Estimated Average Coupon of 4.25%.

CITY OF HARRIMAN, TENNESSEE
BONDED DEBT SERVICE REQUIREMENTS
Gas System
As of June 30, 2024 (Unaudited)

F.Y. Ended 6/30	Total Bonded Debt Service Requirements (1)			% All Principal Repaid
	Principal	Interest	TOTAL	
2025	\$ 125,000	\$ 41,150	\$ 166,150	6.30%
2026	125,000	37,400	162,400	12.59%
2027	125,000	33,650	158,650	18.89%
2028	125,000	29,900	154,900	25.19%
2029	125,000	26,150	151,150	31.49%
2030	120,000	22,400	142,400	37.53%
2031	120,000	20,720	140,720	43.58%
2032	120,000	18,960	138,960	49.62%
2033	120,000	17,060	137,060	55.67%
2034	120,000	15,160	135,160	61.71%
2035	120,000	13,160	133,160	67.76%
2036	120,000	11,160	131,160	73.80%
2037	120,000	9,260	129,260	79.85%
2038	120,000	7,280	127,280	85.89%
2039	120,000	5,160	125,160	91.94%
2040	120,000	3,000	123,000	97.98%
2041	40,000	800	40,800	100.00%
	<u>\$ 1,985,000</u>	<u>\$ 312,370</u>	<u>\$ 2,297,370</u>	

NOTES:

(1) The above figures may not include all short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the "Comprehensive Annual Financial Report".

FINANCIAL INFORMATION

INTRODUCTION

The financial statements of the City of Harriman, Tennessee, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

BASIS OF ACCOUNTING AND PRESENTATION

All governmental funds, expendable trust funds and agency funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as a net current asset. Expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general ruling include: (1) sick pay which is not accrued, and (2) principal and interest on general long-term debt which is recognized when due.

Proprietary funds are accounted for using the accrual basis of accounting, whereby revenues are recognized when they are earned and expenses are recognized when they are incurred. The reserve method is used to estimate the allowance for doubtful accounts for ambulance service receivables.

BUDGETARY PROCESS

All operating departments of the City are required to submit line-item budgets to the City on or before April 1 of each year or on such date as may be prescribed by the City's Budget Committee. The Budget Committee reviews departmental budgets compiled by the City and submitted by the various departments. Normally, a budget is adopted in June or July for the fiscal year that begins on July 1. The City Council has the authority to amend, reduce or add to the budget submitted by City operating departments; however, there is no authority to make transfers among the major funds. The City Council may make amendments within funds during the year.

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CITY OF HARRIMAN, TENNESSEE
Five Year Summary of Revenues, Expenditures and
Changes In Fund Balances - General Fund
For the Fiscal Year Ended June 30

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Revenues:					
Local Taxes	\$ 4,312,549	\$ 4,554,832	\$ 4,943,629	\$ 5,224,787	\$ 5,413,921
Licenses and Permits	3,350	3,460	4,100	3,465	4,595
Intergovernmental revenue	1,291,165	1,065,932	2,868,268	2,003,054	913,320
Charges for current services	144,986	132,020	192,188	257,325	297,881
Fines, forfeitures & penalties	39,335	39,701	25,537	32,238	26,293
Receipts for Use of Facilities	-	-	-	-	27,415
Miscellaneous revenue	68,305	80,269	78,395	187,851	121,102
Total Revenues	<u>\$ 5,859,690</u>	<u>\$ 5,876,214</u>	<u>\$ 8,112,117</u>	<u>\$ 7,708,720</u>	<u>\$ 6,804,527</u>
Expenditures:					
General Government	\$ 2,193,341	\$ 2,728,346	\$ 5,143,229	\$ 3,629,981	\$ 2,797,262
Public Safety	2,488,979	2,137,850	2,242,152	2,360,577	2,328,639
Public Works - Streets	665,507	473,246	935,664	863,254	1,085,468
Health, Recreation & Welfare	830,396	725,859	732,638	966,474	1,134,019
Recreation & Culture	-	-	21,827	-	-
Solid Waste Collection	-	-	-	-	1,271
Capital Outlay	-	-	-	-	1,637,863
Debt Service	-	-	-	-	17,425
Other	32,489	32,489	-	16,980	(1)
Total Expenditures	<u>\$ 6,210,712</u>	<u>\$ 6,097,790</u>	<u>\$ 9,075,510</u>	<u>\$ 7,837,266</u>	<u>\$ 9,001,946</u>
Excess (deficiency) of Revenues Over (Under) Expenditures	(\$351,022)	(\$221,576)	(\$963,393)	(\$128,546)	(\$2,197,419)
Other Sources & Uses:					
Operating Transfers - In	\$ 931,289	\$ 880,716	\$ 906,677	\$ 897,973	\$ 783,312
Operating Transfers - Out	(813,239)	(167,732)	(167,641)	(595,841)	(181,678)
Proceeds from debt	439,500	-	346,983	197,294	1,574,113
Proceeds from sale	-	-	-	-	99,000
Capital Leases	-	-	-	-	-
Total Sources & Uses	<u>\$ 557,550</u>	<u>\$ 712,984</u>	<u>\$ 1,086,019</u>	<u>\$ 499,426</u>	<u>\$ 2,274,747</u>
Net Changes in Fund Balances	\$ 206,528	\$ 491,408	\$ 122,626	\$ 370,880	\$ 77,328
Fund Balance July 1	2,581,345	2,787,873	3,224,389	3,347,015	3,717,895
Prior period adjustment	-	(54,892)	-	-	(508,258)
Fund Balance June 30	<u><u>\$ 2,787,873</u></u>	<u><u>\$ 3,224,389</u></u>	<u><u>\$ 3,347,015</u></u>	<u><u>\$ 3,717,895</u></u>	<u><u>\$ 3,286,965</u></u>

Source: Annual Comprehensive Financial Reports of City of Harriman, Tennessee.

HARRIMAN UTILITIES, TENNESSEE
Five Year Summary of Revenues, Expenditures and
Changes In Net Position - Electric Department
For the Fiscal Year Ended June 30

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Operating Revenues:					
Residential	\$ 14,965,223	\$ 14,932,019	\$ 15,460,142	\$ 16,615,198	\$ 16,848,364
Commercial and Industrial	9,530,417	8,418,392	7,896,547	8,144,599	11,687,632
Street and Outdoor Lighting	899,826	895,861	873,141	846,855	797,410
Customers' Forfeited Discounts	246,766	218,004	230,791	222,700	234,413
Rent	515,826	530,613	548,888	564,016	584,850
Miscellaneous	150,256	180,293	410,160	643,421	173,639
Bad Debt Recoveries / Expenses	(181,092)	(175,059)	(108,520)	(32,271)	(11,883)
Total Operating Revenues	<u>\$ 26,127,222</u>	<u>\$ 25,000,123</u>	<u>\$ 25,311,149</u>	<u>\$ 27,004,518</u>	<u>\$ 30,314,425</u>
Operating Expenses:					
Operation	\$ 17,759,685	\$ 16,052,449	\$ 15,348,788	\$ 16,428,277	\$ 20,221,286
Repairs and Maintenance	1,534,528	1,548,136	1,640,660	1,787,968	1,777,171
Transmission and Distribution	446,034	448,949	561,029	1,553,181	1,637,088
Customers' accounting and collector	575,526	501,326	509,898	490,594	634,624
Administrative and general	3,372,937	3,374,724	3,358,673	2,501,099	2,529,366
Depreciation	2,283,790	2,146,074	2,203,876	2,208,286	2,176,663
Total Operating Expenses	<u>\$ 25,972,500</u>	<u>\$ 24,071,658</u>	<u>\$ 23,622,924</u>	<u>\$ 24,969,405</u>	<u>\$ 28,976,198</u>
Operating income (loss)	\$ 154,722	\$ 928,465	\$ 1,688,225	\$ 2,035,113	\$ 1,338,227
Other Income (expenses):					
Interest income	17	15	6	3	86,510
Interest expense	(28,123)	(47,177)	(138,034)	(48,186)	(57,786)
Amortization debt costs	-	-	-	(11,937)	-
Total other income - net	<u>\$ (28,106)</u>	<u>\$ (47,162)</u>	<u>\$ (138,028)</u>	<u>\$ (60,120)</u>	<u>\$ 28,724</u>
Net Income	\$ 126,616	\$ 881,303	\$ 1,550,197	\$ 1,974,993	\$ 1,366,951
Capital Contributions	-	-	-	-	-
Transfer In / Out	(931,289)	(880,716)	(906,677)	(906,677)	(783,312)
Increase (decrease) in Net Assets	\$ (804,673)	\$ 587	\$ 643,520	\$ 1,068,316	\$ 583,639
Net Assets:					
Prior balance July 1	\$ 29,215,618	\$ 28,411,316	\$ 28,433,794	\$ 29,077,314	\$ 30,145,630
Prior period adjustment	-	21,891	-	-	-
Beginning of year, adjusted	<u>\$ 29,215,618</u>	<u>\$ 28,433,207</u>	<u>\$ 28,433,794</u>	<u>\$ 29,077,314</u>	<u>\$ 30,145,630</u>
Fund Balance June 30	<u><u>\$ 28,410,945</u></u>	<u><u>\$ 28,433,794</u></u>	<u><u>\$ 29,077,314</u></u>	<u><u>\$ 30,145,630</u></u>	<u><u>\$ 30,729,269</u></u>

* Acquired by grants externally restricted for capital acquisitions and construction that reduces contributed capital.

Source: Annual Comprehensive Financial Report for Harriman Utility Board, Water Department (Tennessee).

HARRIMAN UTILITIES, TENNESSEE
Five Year Summary of Revenues, Expenditures and
Changes In Net Position - Gas Department
For the Fiscal Year Ended June 30

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Operating Revenues:					
Residential	\$ 2,979,947	\$ 2,847,161	\$ 2,991,291	\$ 2,970,879	\$ 3,541,329
Customers' Forfeited Discounts	24,843	17,118	21,762	18,637	20,154
Rent	1,109	1,109	-	-	-
Miscellaneous	13,102	22,882	18,385	26,078	15,736
Bad Debt	-	(1,427)	(4,606)	(2,733)	(4,425)
Total Operating Revenues	<u>\$ 3,019,001</u>	<u>\$ 2,886,843</u>	<u>\$ 3,026,832</u>	<u>\$ 3,012,861</u>	<u>\$ 3,572,794</u>
Operating Expenses:					
Purchased Gas	\$ 1,032,840	\$ 774,186	\$ 968,699	\$ 1,378,070	\$ 1,294,925
Transmission and distribution	601,335	652,610	566,685	524,739	602,026
Customers' accounting and collector	264,199	220,651	231,925	239,622	308,605
Administrative and general	818,358	832,342	731,460	768,048	798,215
Depreciation	336,705	353,554	448,415	490,153	420,839
Total Operating Expenses	<u>\$ 3,053,437</u>	<u>\$ 2,833,343</u>	<u>\$ 2,947,184</u>	<u>\$ 3,400,632</u>	<u>\$ 3,424,610</u>
Operating income (loss)	\$ (34,436)	\$ 53,500	\$ 79,648	\$ (387,771)	\$ 148,184
Other Income (expenses):					
Interest income	\$ -	\$ -	\$ -	\$ -	\$ 7,814
Interest expense	(2)	-	(66,588)	(38,670)	(42,201)
Amortization debt costs	-	-	-	(5,933)	-
Total other income - net	<u>\$ (2)</u>	<u>\$ -</u>	<u>\$ (66,588)</u>	<u>\$ (44,603)</u>	<u>\$ (34,387)</u>
Net Income	\$ (34,438)	\$ 53,500	\$ 13,060	\$ (432,374)	\$ 113,797
Transfer In / Out		-	-	-	-
Increase (decrease) in Net Assets	\$ (34,438)	\$ 53,500	\$ 13,060	\$ (432,374)	\$ 113,797
Net Assets:					
Prior balance July 1	\$ 9,165,936	\$ 9,131,345	\$ 9,184,845	\$ 9,197,905	\$ 8,765,531
Prior period adjustment	-	-	-	-	-
Beginning of year, adjusted	<u>\$ 9,165,936</u>	<u>\$ 9,131,345</u>	<u>\$ 9,184,845</u>	<u>\$ 9,197,905</u>	<u>\$ 8,765,531</u>
Fund Balance June 30	<u><u>\$ 9,131,498</u></u>	<u><u>\$ 9,184,845</u></u>	<u><u>\$ 9,197,905</u></u>	<u><u>\$ 8,765,531</u></u>	<u><u>\$ 8,879,328</u></u>

* Acquired by grants externally restricted for capital acquisitions and construction that reduces contributed capital.

Source: Annual Comprehensive Financial Report for Harriman Utility Board, Water Department (Tennessee).

HARRIMAN UTILITIES, TENNESSEE
Five Year Summary of Revenues, Expenditures and
Changes In Net Position - Water Department
For the Fiscal Year Ended June 30

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Operating Revenues:					
Water sales	\$ 2,227,098	\$ 2,352,016	\$ 2,540,255	\$ 2,587,603	\$ 2,922,078
Customer Forfeited Discounts	-	-	-	-	32,367
Bad Debt Expense	1,257	25,198	(12,349)	(7,369)	(10,063)
Miscellaneous	111,449	122,847	182,379	104,297	52,753
Total Operating Revenues	<u>\$ 2,339,804</u>	<u>\$ 2,500,061</u>	<u>\$ 2,710,285</u>	<u>\$ 2,684,531</u>	<u>\$ 2,997,135</u>
Operating Expenses:					
Power and pumping	\$ 338,376	\$ 324,093	\$ 306,644	\$ 354,435	\$ 371,418
Purification	211,927	230,833	290,189	345,480	357,547
Transmission and distribution	221,519	255,607	349,533	483,923	470,066
Customers' accounting and collector	235,668	198,613	204,074	224,353	281,415
Administrative and general	694,942	733,810	638,510	641,410	984,236
Depreciation	580,287	597,407	618,628	646,853	638,941
Total Operating Expenses	<u>\$ 2,282,719</u>	<u>\$ 2,340,363</u>	<u>\$ 2,407,578</u>	<u>\$ 2,696,454</u>	<u>\$ 3,103,623</u>
Operating income (loss)	\$ 57,085	\$ 159,698	\$ 302,707	\$ (11,923)	\$ (106,488)
Other Income (expenses):					
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Interest income	-	3,848	-	-	-
Interest expense	(100,235)	(82,858)	(114,052)	(63,692)	(69,575)
Amortization of Debt Income	-	-	(83,942)	(10,254)	-
Total other income - net	<u>\$ (100,235)</u>	<u>\$ (79,010)</u>	<u>\$ (197,994)</u>	<u>\$ (73,946)</u>	<u>\$ (69,575)</u>
Net Income	\$ (43,150)	\$ 80,688	\$ 104,713	\$ (85,869)	\$ (176,063)
Capital Contributions	-	358,350	190,678	15,373	42,996
Transfer In / Out	509,555	-	-	-	-
Increase (decrease) in Net Assets	\$ 466,405	\$ 439,038	\$ 295,391	\$ (70,496)	\$ (133,067)
Net Assets:					
Prior balance July 1	\$ 11,091,557	\$ 11,392,711	\$ 11,831,483	\$ 12,126,874	\$ 12,056,378
Prior period adjustment	(165,251)	(266)	-	-	-
Beginning of year, adjusted	<u>\$ 10,926,306</u>	<u>\$ 11,392,445</u>	<u>\$ 11,831,483</u>	<u>\$ 12,126,874</u>	<u>\$ 12,056,378</u>
Fund Balance June 30	<u><u>\$ 11,392,711</u></u>	<u><u>\$ 11,831,483</u></u>	<u><u>\$ 12,126,874</u></u>	<u><u>\$ 12,056,378</u></u>	<u><u>\$ 11,923,311</u></u>

* Acquired by grants externally restricted for capital acquisitions and construction that reduces contributed capital.
Source: Annual Comprehensive Financial Report for Harriman Utility Board, Water Department (Tennessee).

HARRIMAN UTILITIES, TENNESSEE
Five Year Summary of Revenues, Expenditures and
Changes In Net Position - Sewer Department
For the Fiscal Year Ended June 30

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Operating Revenues:					
Sewer Charges	\$ 1,691,137	\$ 1,656,406	\$ 1,735,907	\$ 1,838,432	\$ 1,920,097
Bad Debt Expense	403	15,246	(10,139)	(10,092)	(10,686)
Miscellaneous	103,442	(3,125)	23,292	27,260	21,148
Total Operating Revenues	<u>\$ 1,794,982</u>	<u>\$ 1,668,527</u>	<u>\$ 1,749,060</u>	<u>\$ 1,855,600</u>	<u>\$ 1,930,559</u>
Operating Expenses:					
Power and pumping	\$ 269,012	\$ 249,143	\$ 181,003	\$ 180,076	\$ 189,077
Purification	281,090	198,741	211,063	253,218	237,085
Transmission and distribution	166,553	161,751	225,316	217,196	261,412
Customers' accounting and collection	54,947	40,802	37,190	46,844	54,864
Administrative and general	444,353	458,253	414,593	350,128	404,589
Depreciation	584,492	598,561	614,640	625,215	629,798
Total Operating Expenses	<u>\$ 1,800,447</u>	<u>\$ 1,707,251</u>	<u>\$ 1,683,805</u>	<u>\$ 1,672,677</u>	<u>\$ 1,776,825</u>
Operating income (loss)	\$ (5,465)	\$ (38,724)	\$ 65,255	\$ 182,923	\$ 153,734
Other Income (expenses):					
Intergovernmental Revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Interest income	-	-	(129,484)	-	-
Interest expense	(129,872)	(107,358)	(74,091)	(62,181)	(78,094)
Amortization of debt expense	-	-	-	(8,472)	-
Total other income - net	<u>\$ (129,872)</u>	<u>\$ (107,358)</u>	<u>\$ (203,575)</u>	<u>\$ (70,653)</u>	<u>\$ (78,094)</u>
Net Income	\$ (135,337)	\$ (146,082)	\$ (138,320)	\$ 112,270	\$ 75,640
Increase (decrease) in Net Assets	\$ (135,337)	\$ (146,082)	\$ (138,320)	\$ 112,270	\$ 75,640
Capital Contributions	-	-	212,871	-	275,139
Net Assets:					
Prior balance July 1	\$ 12,131,557	\$ 11,958,442	\$ 11,812,408	\$ 11,886,959	\$ 11,999,229
Prior period adjustment	(37,778)	48	-	-	-
Beginning of year, adjusted	<u>\$ 12,093,779</u>	<u>\$ 11,958,490</u>	<u>\$ 11,812,408</u>	<u>\$ 11,886,959</u>	<u>\$ 11,999,229</u>
Fund Balance June 30	<u>\$ 11,958,442</u>	<u>\$ 11,812,408</u>	<u>\$ 11,886,959</u>	<u>\$ 11,999,229</u>	<u>\$ 12,350,008</u>

* Acquired by grants externally restricted for capital acquisitions and construction that reduces contributed capital.

Source: Annual Comprehensive Financial Report for Harriman Utility Board, Sewer Department (Tennessee).

FUND BALANCES, NET ASSETS AND RETAINED EARNINGS

The City maintains fund balances, net assets and retained earnings in most major operating funds. Additionally, several reserves have been established to address specific needs of the City.

The following table depicts fund balances and retained earnings for the last five fiscal years ending June 30:

	<u>For the Fiscal Year Ended June 30</u>				
<u>Fund Type</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<i>Governmental Funds:</i>					
General	\$2,787,873	\$3,224,389	\$3,347,015	\$3,717,895	\$3,286,965
Debt Service	48,614	31,271	-	-	-
American Rescue	-	-	-	-	3
Other Governmental	<u>319,609</u>	<u>330,624</u>	<u>350,847</u>	<u>767,585</u>	<u>575,493</u>
Total	<u>\$3,156,096</u>	<u>\$3,586,284</u>	<u>\$3,697,862</u>	<u>\$4,485,480</u>	<u>\$3,862,461</u>
<i>Enterprise Net Assets:</i>					
Electric Department	\$28,411,316	\$28,433,794	\$29,077,314	\$30,145,630	\$30,729,569
Gas Department	9,131,345	9,184,845	9,197,905	8,765,531	8,879,328
Sewer Department	11,958,490	11,812,408	11,886,959	11,999,229	12,350,008
Water Department	<u>11,392,445</u>	<u>11,831,483</u>	<u>12,126,874</u>	<u>12,056,378</u>	<u>11,923,311</u>
TOTAL	<u>\$60,893,596</u>	<u>\$61,262,530</u>	<u>\$62,289,052</u>	<u>\$62,966,768</u>	<u>\$63,881,916</u>

Source: Annual Comprehensive Financial Reports of City of Harriman, Tennessee

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INVESTMENT AND CASH MANAGEMENT PRACTICES

Investment of idle City operating funds is controlled by State statute and local policies. Generally, such policies limit investment instruments to direct U.S. Government obligations, those issued by U.S. Agencies or Certificates of Deposit. The City is not authorized to invest in reverse repurchase agreements or derivative products. No investment may be made for a period greater than two years without written permission of the State Director of Local Finance.

As required by prevailing statutes, all demand deposits or Certificates of Deposit are secured by similar grade collateral pledged at 110% of market value for amounts in excess of that guaranteed through federally sponsored insurance programs. Deposits with savings and loan associations must be collateralized as outlined above, by an irrevocable letter of credit issued by the Federal Home Loan Bank or by providing notes secured by the first mortgages or first deeds for trust upon residential property in the state equal to at least 150 percent of the amount of uninsured deposits. All collateral must be held in a third party escrow account for the benefit of the City. For reporting purposes, all investments are stated at cost, which approximates market value.

REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES

State Taxation of Property; Classifications of Taxable Property; Assessment Rates

Under the Constitution and laws of the State of Tennessee, all real and personal property is subject to taxation, except to the extent that the General Assembly of the State of Tennessee (the "General Assembly") exempts certain constitutionally permitted categories of property from taxation. Property exempt from taxation includes federal, state and local government property, property of housing authorities, certain low cost housing for elderly persons, property owned and used exclusively for certain religious, charitable, scientific and educational purposes and certain other property as provided under Tennessee law.

Under the Constitution and laws of the State of Tennessee, property is classified into three separate classes for purposes of taxation: Real Property; Tangible Personal Property; and Intangible Personal Property. Real Property includes lands, structures, improvements, machinery and equipment affixed to realty and related rights and interests. Real Property is required constitutionally to be classified into four sub classifications and assessed at the rates as follows:

- (a) Public Utility Property (which includes all property of every kind used or held for use in the operation of a public utility, such as railroad companies, certain telephone companies, freight and private car companies, street car companies, power companies, express companies and other public utility companies), to be assessed at 55% of its value;
- (b) Industrial and Commercial Property (which includes all property of every kind used or held for use for any commercial, mining, industrial, manufacturing, business or similar purpose), to be assessed at 40% of its value;

- (c) Residential Property (which includes all property which is used or held for use for dwelling purposes and contains no more than one rental unit), to be assessed at 25% of its value; and
- (d) Farm Property (which includes all real property used or held for use in agriculture), to be assessed at 25% of its value.

Tangible Personal Property includes personal property such as goods, chattels and other articles of value, which are capable of manual or physical possession and certain machinery and equipment. Tangible Personal Property is required constitutionally to be classified into three sub classifications and assessed at the rates as follows:

- (a) Public Utility Property, to be assessed at 55% of its value;
- (b) Industrial and Commercial Property, to be assessed at 30% of its value; and
- (c) All other Tangible Personal Property (including that used in agriculture), to be assessed at 5% of its value, subject to an exemption of \$7,500 worth of Tangible Personal Property for personal household goods and furnishings, wearing apparel and other tangible personal property in the hands of a taxpayer.

Intangible Personal Property includes personal property, such as money, any evidence of debt owed to a taxpayer, any evidence of ownership in a corporation or other business organization having multiple owners and all other forms of property, the value of which is expressed in terms of what the property represents rather than its own intrinsic value. The Constitution of the State of Tennessee empowers the General Assembly to classify Intangible Personal Property into sub classifications and to establish a ratio of assessment to value in each class or subclass and to provide fair and equitable methods of apportionment of the value to the State of Tennessee for purposes of taxation.

The Constitution of the State of Tennessee requires that the ratio of assessment to value of property in each class or subclass be equal and uniform throughout the State of Tennessee and that the General Assembly direct the method to ascertain the value and definition of property in each class or subclass. Each respective taxing authority is constitutionally required to apply the same tax rate to all property within its jurisdiction.

County Taxation of Property

The Constitution of the State of Tennessee empowers the General Assembly to authorize the several counties and incorporated towns in the State of Tennessee to impose taxes for county and municipal purposes in the manner prescribed by law. Under the *Tennessee Code Annotated*, the General Assembly has authorized the counties in Tennessee to levy an *ad valorem* tax on all taxable property within their respective jurisdictions, the amount of which is required to be fixed by the county legislative body of each county based upon tax rates to be established on the first Monday of July of each year or as soon thereafter as practicable.

All property is required to be taxed according to its value upon the principles established in regard to State taxation as described above, including equality and uniformity. All counties, which levy and collect taxes to pay off any bonded indebtedness, are empowered, through the

respective county legislative bodies, to place all funds levied and collected into a special fund of the respective counties and to appropriate and use the money for the purpose of discharging any bonded indebtedness of the respective counties.

Assessment of Property

County Assessments; County Board of Equalization. The function of assessment is to assess all property (with certain exceptions) to the person or persons owning or claiming to own such property on January 1 for the year for which the assessment is made. All assessment of real and personal property are required to be made annually and as of January 1 for the year to which the assessment applies. Not later than May 20 of each year, the assessor of property in each county is required to (a) make an assessment of all property in the county and (b) note upon the assessor's records the current classification and assessed value of all taxable property within the assessor's jurisdiction.

The assessment records are open to public inspection at the assessor's office during normal business hours. The assessor is required to notify each taxpayer of any change in the classification or assessed value of the taxpayer's property and to cause a notice to be published in a newspaper of general circulation stating where and when such records may be inspected and describing certain information concerning the convening of the county board of equalization. The notice to taxpayers and such published notice are required to be provided and published at least 10 days before the local board of equalization begins its annual session.

The county board of equalization is required (among other things) to carefully examine, compare and equalize the county assessments; assure that all taxable properties are included on the assessments lists and that exempt properties are eliminated from the assessment lists; hear and act upon taxpayer complaints; and correct errors and assure conformity to State law and regulations.

State Assessments of Public Utility Property; State Board of Equalization. The State Comptroller of the Treasury is authorized and directed under Tennessee law to assess for taxation, for State, county and municipal purposes, all public utility properties of every description, tangible and intangible, within the State. Such assessment is required to be made annually as of the same day as other properties are assessed by law (as described above) and takes into account such factors as are prescribed by Tennessee law.

On or before the first Monday in August of each year, the assessments are required to be completed and the State Comptroller of the Treasury is required to send a notice of assessment to each company assessable under Tennessee law. Within ten days after the first Monday in August of each year, any owner or user of property so assessed may file an exception to such assessment together with supporting evidence to the State Comptroller of the Treasury, who may change or affirm the valuation. On or before the first Monday in September of each year, the State Comptroller of the Treasury is required to file with the State Board of Equalization assessments so made. The State Board of Equalization is required to examine such assessments and is authorized to increase or diminish the valuation placed upon any property valued by the State Comptroller of the Treasury.

The State Board of Equalization has jurisdiction over the valuation, classification and assessment of all properties in the State. The State Board of Equalization is authorized to create an assessment appeals commission to hear and act upon taxpayer complaints. The action of the State Board of Equalization is final and conclusive as to all matters passed upon by the Board, subject to judicial review consisting of a new hearing in chancery court.

Periodic Reappraisal and Equalization

Tennessee law requires reappraisal in each county by a continuous six-year cycle comprised of an on-site review of each parcel of real property over a five-year period, or, upon approval of the State Board of Equalization, by a continuous four-year cycle comprised of an on-site review of each parcel of real property over a three-year period, followed by revaluation of all such property in the year following completion of the review period. Alternatively, if approved by the assessor and adopted by a majority vote of the county legislative body, the reappraisal program may be completed by a continuous five-year cycle comprised of an on-site review of each parcel of real property over a four-year period followed by revaluation of all such property in the year following completion of the review period.

After a reappraisal program has been completed and approved by the Director of Property Assessments, the value so determined must be used as the basis of assessments and taxation for property that has been reappraised. The State Board of Equalization is responsible to determine whether or not property within each county of the State has been valued and assessed in accordance with the Constitution and laws of the State of Tennessee.

Valuation for Property Tax Purposes

County Valuation of Property. The value of all property is based upon its sound, intrinsic and immediate value for purposes of sale between a willing seller and a willing buyer without consideration of speculative values. In determining the value of all property of every kind, the assessor is to be guided by, and follow the instructions of, the appropriate assessment manuals issued by the division of property assessments and approved by the State Board of Equalization. Such assessment manuals are required to take into account various factors that are generally recognized by appraisers as bearing on the sound, intrinsic and immediate economic value of property at the time of assessment.

State Valuation of Public Utility Property. The State Comptroller of the Treasury determines the value of public utility property based upon the appraisal of the property as a whole without geographical or functional division of the whole (*i.e.*, the unit rule of appraisal) and on other factors provided by Tennessee law. In applying the unit rule of appraisal, the State Comptroller of the Treasury is required to determine the State's share of the unit or system value based upon factors that relate to the portion of the system relating to the State of Tennessee.

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Certified Tax Rate

Upon a general reappraisal of property as determined by the State Board of Equalization, the county assessor of property is required to (1) certify to the governing bodies of the county and each municipality within the county the total assessed value of taxable property within the jurisdiction of each governing body and (2) furnish to each governing body an estimate of the total assessed value of all new construction and improvements not included on the previous assessment roll and the assessed value of deletions from the previous assessment roll. Exclusive of such new construction, improvements and deletions, each governing body is required to determine and certify a tax rate (herein referred to as the "*Certified Tax Rate*") which will provide the same *ad valorem* revenue for that jurisdiction as was levied during the previous year. The governing body of a county or municipality may adjust the Certified Tax Rate to reflect extraordinary assessment changes or to recapture excessive adjustments.

Tennessee law provides that no tax rate in excess of the Certified Tax Rate may be levied by the governing body of any county or of any municipality until a resolution or ordinance has been adopted by the governing body after publication of a notice of the governing body's intent to exceed the Certified Tax Rate in a newspaper of general circulation and the holding of a public hearing.

The Tennessee Local Government Public Obligations Act of 1986 provides that a tax sufficient to pay when due the principal of and interest on general obligation bonds (such as the Bonds) shall be levied annually and assessed, collected and paid, in like manner with the other taxes of the local government as described above and shall be in addition to all other taxes authorized or limited by law. Bonds issued pursuant to the Local Government Public Obligations Act of 1986 may be issued without regard to any limit on indebtedness provided by law.

Tax Freeze for the Elderly Homeowners

The Tennessee Constitution was amended by the voters in November 2006 to authorize the Tennessee General Assembly to enact legislation providing property tax relief for homeowners age 65 and older. The General Assembly subsequently adopted the Property Tax Freeze Act permitting (but not requiring) local governments to implement a program for "freezing" the property taxes of eligible taxpayers at an amount equal to the taxes for the year the taxpayer becomes eligible. For example, if a taxpayer's property tax bill is \$500 for the year in which he becomes eligible, his property taxes will remain at \$500 even if property tax rates or appraisals increase so long as he continues to meet the program's ownership and income requirements.

Tax Collection and Tax Lien

Property taxes are payable the first Monday in October of each year. The county trustee of each county acts as the collector of all county property taxes and of all municipal property taxes when the municipality does not collect its own taxes.

The taxes assessed by the State of Tennessee, a county, a municipality, a taxing district or other local governmental entity, upon any property of whatever kind, and all penalties, interest and

costs accruing thereon become and remain a first lien on such property from January 1 of the year for which such taxes are assessed. In addition, property taxes are a personal debt of the property owner as of January and, when delinquent, may be collected by suit as any other personal debt. Tennessee law prescribes the procedures to be followed to foreclose tax liens and to pursue legal proceedings against property owners whose property taxes are delinquent.

Assessed Valuations. According to the Tennessee Tax Aggregate Report, property in the County and City reflected a ratio of appraised value to true market value of 0.7298 for Tax Year 2023¹.

<u>Class</u>	<u>Assessed Valuation</u>	<u>Rate</u>	<u>Appraised Value</u>
Public Utilities	\$ 4,150,850	55%	\$ 9,509,393
Commercial and Industrial	64,286,600	40%	220,219,923
Personal Tangible	11,838,896	30%	44,705,103
Residential and Farm	<u>52,705,940</u>	25%	<u>288,844,211</u>
Total	<u>\$132,982,286</u>		<u>\$563,278,630</u>

¹ The tax year coincides with the calendar year, so tax year 2023 is actually Fiscal Year 2023-2024.
Source: 2023 Tennessee Tax Aggregate Report and the City.

The estimated assessed value of property in the City for the fiscal year ending June 30, 2024 (tax year 2023) is \$132,982,286 compared to \$127,179,496 for the fiscal year ending June 30, 2023 (tax year 2022). The estimated actual value of all taxable property for tax year 2023 is \$563,278,630 compared to \$542,546,938 for tax year 2022.

Property Tax Rates and Collections - City-Wide. The following table shows the property tax rates and collections of the City for tax years 2020 through 2024 as well as the aggregate uncollected balances for each fiscal year ending June 30.

PROPERTY TAX RATES AND COLLECTIONS				Fiscal Yr Collections		Aggregate Uncollected Balance	
Tax Year³	Assessed Valuation	Tax Rates	Taxes Levied	Amount	Pct	As of June 30, 2024	
						Amount	Pct
2020	\$129,624,057	\$1.088	\$1,410,373	\$1,299,901	92.2%	\$ 21,798	1.5%
2021	128,176,430	1.09	1,397,649	1,333,357	95.4%	26,173	1.9%
2022	127,179,496	1.09	1,386,257	1,276,547	92.1%	84,653	6.1%
2023	132,982,286	1.09	1,449,506	1,272,666	87.8%	176,840	12.2%
2024	134,989,129*	1.09	1,471,382*	IN PROCESS			

* Estimated

³ The tax year coincides with the calendar year, so tax year 2024 is actually Fiscal Year 2024-2025.

Ten Largest Taxpayers. For the fiscal year ending June 30, 2024 (tax year 2023), the ten largest taxpayers in the City are as follows:

<u>Taxpayer</u>	<u>Business Type</u>	<u>Taxes Due</u>
1. ARHC LLC	Medical	\$ 34,907
2. Kroger Limited	Retail	39,017
3. Lowes	Retail	32,881
4. OHI Asset (TN) Harriman LL	Health Care	20,360
5. S P Partnership	Motel/Hotel	18,651
6. Harriman-TN Property LC	Hospital/Medical	16,165
7. Patel Shashikant Raman	Motel/Hotel Property	15,669
8. HNY LLC	Motel/ Hotel Property	12,259
9. Roane County Medical, LLC	Medical	11,409
10. Knoxville TVA Employees CU	Banking/Financial	<u>11,774</u>
TOTAL		<u>\$213,092</u>

Source: The City.

PENSION PLANS

Employees of the city are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with 5 years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with 5 years of service who became disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after 5 years of service and members joining prior to July 1, 1979, were vested after 4 years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the City of Harriman participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The City is contributory whereby the employee contributes 5 percent of his or her earnable compensation and the employer is responsible for the remaining contribution. State statute allows a political subdivision to become noncontributory if its governing body passes a resolution to that effect. For additional information on the funding status, trend information and actuarial status of

the City's retirement programs, please refer to the appropriate Notes to Financial Statements located in the General Purpose Financial Statements of the City attached herein.

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APPENDIX D

**SUMMARY OF CERTAIN PROVISIONS OF THE
ELECTRIC RESOLUTION**

SUMMARY OF RESOLUTION

The following information is a brief summary of certain provisions of the Resolution, as defined in the Official Statement, a copy of which is available at the office of the Municipality. This summary is not to be considered a complete statement of the Resolution, and, accordingly, is qualified by reference thereto and is subject to the full text thereof.

Definitions of Certain Terms

The following are definitions of certain terms used in the Resolution and in this Official Statement.

“Acquired System” shall mean any electrical power generation, transmission and/or distribution system acquired by the Municipality or HUB and/or any such facilities hereafter constructed or otherwise established by the Municipality or HUB pursuant to the Act.

“Act” shall mean, collectively, Sections 7-34-101 et seq., and Sections 9-21-101, et seq., Tennessee Code Annotated.

“Balloon Indebtedness” shall mean any bonds, notes or other indebtedness, other than Short-Term Indebtedness, 25% or more of the initial principal amount of which matures (or must be redeemed at the option of the holder) during any twelve month period, if such 25% or more is not to be amortized to below 25% by mandatory redemption prior to the beginning of such twelve month period.

“Board” means the board of directors of the Harriman Utilities Board.

“Bond Fund” shall mean the Principal and Interest Sinking Fund established pursuant to the Resolution.

“Bonds” means the Series 2024 Bonds and any Parity Bonds.

“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.

“Code” means the Internal Revenue Code of 1986, as amended, and any lawful regulations promulgated or proposed thereunder.

“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 Capital Appreciation 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.

“Consulting Engineer” means (i) an engineering firm or individual engineer employed by HUB with substantial experience in advising municipal electric power systems as to the construction and maintenance of such systems and in the projection of costs of expansion of such systems or (ii) an engineer or engineers who are employees of HUB whose reports or projections are certified by a Municipal Advisor.

“Credit Facility” means any municipal bond insurance policy, letter of credit, surety bond, line of credit, guarantee, or other agreement under which any person other than the Municipality or HUB provides

additional security for any Bonds and guarantees timely payment of or purchase price equal to the principal of and interest on all or a portion of any Bond and shall include any Reserve Fund Credit Facility.

“Debt Service Requirement” means the total principal, Maturity Amounts and interest coming due, whether at maturity or upon mandatory redemption (less any amount of interest that is capitalized and payable with the proceeds of debt on deposit with the Municipality or HUB or any paying agent for the Bonds or other obligations of the Municipality or HUB payable from all or some portion of Gross Earnings), for any period of 12 consecutive calendar months for which such a determination is made, provided:

(a) The Debt Service Requirement with respect to Variable Rate Indebtedness shall be determined as if the variable rate in effect at all times during future periods equaled, at the option of HUB, either (i) the average of the actual variable rate which was in effect (weighted according to the length of the period during which each such variable rate was in effect) for the most recent 12-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a 12-month period), or (ii) the current average annual fixed rate of interest on securities of similar quality having a similar maturity date, as certified by a Municipal Advisor.

(b) For the purpose of calculating the Debt Service Requirement on Balloon Indebtedness and Short-Term Indebtedness, at the option of HUB, (i) the actual principal and interest on such Balloon Indebtedness and Short Term Indebtedness shall be included in the Debt Service Requirement, subject to the other assumptions as described below, or (ii) such Balloon Indebtedness and Short Term Indebtedness shall be assumed to be amortized in substantially equal annual amounts to be paid for principal and interest over an assumed amortization period of 20 years from the date of issuance at an assumed interest rate (which shall be the interest rate certified by a Municipal Advisor to be the interest rate at which the Municipality could reasonably expect to borrow the same amount by issuing bonds with the same priority of lien as such Balloon Indebtedness and Short Term Indebtedness and with a 20-year term); provided, however, that if the maturity of such Balloon Indebtedness is in excess of 20 years from the date of issuance, then such Balloon Indebtedness shall be assumed to be amortized in substantially equal annual amounts to be paid for principal and interest over an assumed amortization period of years equal to the number of years from the date of issuance of such Balloon Indebtedness to maturity and at the interest rate applicable to such Balloon Indebtedness; provided further that this paragraph shall not be applicable for purposes of determining the Debt Service Requirement for purposes of the Resolution unless the Municipality or HUB has a written commitment from a bank, underwriting firm or other financial institution to refinance at least 90% of the principal amount of such Balloon Indebtedness or Short-Term Indebtedness coming due in the relevant Fiscal Year.

“Defeasance Obligations” shall mean direct obligations of, or obligations, the principal of and interest on which are guaranteed by, the United States of America, which obligations shall not be subject to redemption prior to their maturity other than at the option of the registered owner thereof.

“Financial Guaranty Agreement” shall mean any Financial Guaranty Agreement authorized to be executed in connection with a Reserve Fund Credit Facility.

“Fiscal Year” means the twelve-month period commencing July 1st of each year and ending June 30th of the following year.

“Governing Body” means the City Council of the Municipality.

“Gross Earnings” means all revenues, rentals, earnings and income of the System from whatever source, determined in accordance with generally accepted accounting principles; proceeds from the sale of System property; proceeds of System-related 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 System); provided, however, at the election of the Board, the term “Gross Earnings” shall not include any revenues, rentals, earnings or other income received from the operation of an Acquired System, and any bonds or other obligations issued in connection with such Acquired System shall not be payable from or secured by Net Revenues or be deemed to be Parity Bonds

“HUB” means the Harriman Utilities Board, a board of public utilities formed pursuant to the Municipality’s home rule charter and other applicable laws.

“Loan Agreement” shall mean any agreement or contract entered into by the Municipality or HUB whereby a third party agrees to advance funds to the Municipality or HUB and the Municipality or HUB agrees to repay those funds with interest from all or a portion of Gross Earnings.

“Maturity Amount” shall mean the Compound Accreted Value on the stated maturity date of a Capital Appreciation Bond.

“Maximum Annual Debt Service Requirement” means the maximum annual Debt Service Requirement for any Fiscal Year.

“Municipal Advisor” means an investment banking or financial/municipal advisory firm, commercial bank, or any other person who or which is retained by the Municipality or HUB for the purpose of passing on questions relating to the availability and terms of specified types of debt obligations or the financial condition or operation of the System and is actively engaged in and, in the good faith opinion of HUB, has a favorable reputation for skill and experience in providing Municipal Advisory services of the type with respect to which the Municipal Advisor has been retained.

“Municipality” means the City of Harriman, Tennessee.

“Net Revenues” means (i) 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 and further excluding non-cash or non-recurring items, including but not limited to, non-cash contributions in aid of construction, less (ii) Operating Expenses.

“Operating Expenses” means and shall include but not be limited to, expenses for ordinary repairs, removals and replacements of the System, salaries and wages, employees' health, hospitalization, pension and retirement expenses, fees for services, materials and supplies, rents, administrative and general expenses (including legal, engineering, accounting and Municipal Advisory fees and expenses and costs of other consulting or technical services not funded with proceeds of bonds, notes or other debt obligations), insurance expenses, taxes and other governmental charges, the imposition or amount of which is not subject to control of the Board, any payments made by HUB during any Fiscal Year to purchase electrical power for distribution and sale during or after the end of that Fiscal Year, and other payments made under any electrical power supply contract or commodity swap or other hedging mechanism, and any principal or interest payments made by HUB during any Fiscal Year on bonds, notes or other obligations, including loan agreements, issued or entered into for the purpose of financing the purchase of electrical power, and to the extent so provided by the resolution authorizing such bonds, notes or obligations and to the extent not inconsistent with generally accepted accounting principles. Operating Expenses do not include

payments in lieu of taxes to the Municipality or other governmental jurisdictions, depreciation or obsolescence charges or reserves therefore, amortization of intangibles or other bookkeeping entries of a similar nature, on bonds, notes or other debt obligations of the System payable from Net Revenues of the System, costs or charges made therefor, capital additions, replacements, betterments, extensions or improvements to or retirement from the System which under generally accepted accounting principles are properly chargeable to the capital account or the reserve for depreciation, and do not include losses from the sale, abandonment, reclassification, revaluation or other disposition of any properties of the System, nor such property items, including taxes and fuels, which are capitalized pursuant to the then existing accounting practices of HUB or expenses of an Acquired System if revenues of the Acquired System are not included in Gross Earnings at the election of the Board.

“Original Purchaser” means the original purchaser of the Series 2024 Bonds at competitive sale pursuant to the terms of the Resolution.

“Other Bonds” means the City’s Series 2021A and 2021B General Obligation Bonds, and any other bonds secured by unlimited ad valorem taxes levied on all property within the Municipality that are additionally payable from, but not secured by, revenues derived by the Municipality’s System.

“Parity Bonds” means bonds, notes, Loan Agreements, and other debt obligations, including Balloon Indebtedness, Short-Term Indebtedness and Variable Rate Indebtedness, issued or entered into by the Municipality or HUB on a parity with the Series 2024 Bonds herein authorized in accordance with the restrictive provisions of Article IX hereof, including any bonds or other obligations secured by a pledge of and/or lien on an 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), so long as the Acquired System is not being operated separately from the System as is permitted herein or the revenues from such Acquired System are not excluded from Gross Earnings.

“Rate Covenant Requirement” means an amount of Net Revenues which is equal to the sum of: (a) 120% of the Debt Service Requirement for the forthcoming Fiscal Year on the Bonds plus (b) 100% of (i) the amounts, if any, required by the Resolution or any subsequent resolution to be deposited by the Issuer into the Reserve Fund during the forthcoming Fiscal Year, (ii) debt service payable on, or reserve fund funding requirements for, any subordinate lien indebtedness, and (iii) any required payments in lieu of taxes to the Municipality or other governmental entities.

“Rating” means a rating in one of the categories by a Rating Agency, disregarding pluses, minuses, and numerical gradations.

“Rating Agencies” or “Rating Agency” means Moody's and S&P, or any successors thereto and any other nationally recognized credit rating agency.

“Registration Agent” means the registration and paying agent appointed by the General Manager of HUB, or any successor designated by HUB.

“Reserve Fund” shall mean any Debt Service Reserve Fund established pursuant to Section 6.1(d) of the Resolution.

“Reserve Fund Credit Facility” means a municipal bond insurance policy, surety bond, letter of credit, line of credit, guarantee or other agreement provided by a Reserve Fund Credit Facility 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.

“Reserve Fund Credit Facility Issuer” means the issuer of a Reserve Fund Credit Facility that is, at the time such Reserve Fund Credit Facility is procured by the issuer, assigned a financial strength rating of at least “AA-” by S&P or “Aa3” by Moody's.

“Reserve Fund Requirement” means an amount determined from time to time by the Municipality as a reasonable reserve, if any, for the payment of principal of and interest on a series of Bonds, which shall be set forth in the supplemental resolution authorizing such Bonds.

“Revenue Fund” shall have the meaning ascribed in Section 6.1 of the Resolution.

“Series 2024 Bonds” means the Electric System Revenue and Tax Bonds authorized to be issued by the Resolution.

“Short-Term Indebtedness” means bonds, notes, Loan Agreements or other debt obligations, including Variable Rate Indebtedness, maturing five years or less from their date of issuance, issued by the Municipality or HUB as Parity Bonds in accordance with the Resolution.

“State” means the State of Tennessee.

“System” means the electrical power distribution system operated by HUB, any electrical power distribution and/or transmission system hereafter acquired, constructed or otherwise established, including all improvements and extensions made by HUB while the 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 Board, an Acquired System may be included within the System as defined herein and become a part thereof or, at the election of the Board, not become a part of the System but be operated as a separate and independent system by HUB with the continuing right, upon the election of the Board, to incorporate such separately Acquired System within the System.

“Variable Rate Indebtedness” means any 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 Bonds; provided that if the interest rate shall have been fixed for the remainder of the term thereof, it shall no longer be Variable Rate Indebtedness.

Source of Payment and Security

The Bonds shall be payable from and secured by a pledge of the Net Revenues and, in the event of a deficiency in such revenues, from unlimited ad valorem taxes to be levied on all taxable property within the Municipality. The punctual payment of principal of and premium, if any, and interest on the Bonds 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 Bonds do not constitute a debt of the State of Tennessee.

Application of Revenues

Application of Revenues. From and after the delivery of the Series 2024 Bonds hereunder, and 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, the Gross Earnings of the System shall be deposited as collected by HUB to the Revenue Fund hereby established (the "Revenue Fund"), administered and controlled by the Board. The funds so deposited in the Revenue Fund created under this resolution shall be used only as described in (a), (b), and (e) below:

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

(b) Bond Fund. The money thereafter remaining in the Revenue Fund shall next be used to make deposits into a separate and special fund, to be known as the "Principal and Interest Sinking Fund" (the "Bond Fund") to be kept separate and apart from all other funds of HUB and used to pay principal of and interest on the Bonds as the same become due, either by maturity or mandatory redemption. Such deposits shall be made monthly until the Bonds are paid in full or discharged and satisfied pursuant to Article XII hereof, beginning in the month next following delivery of the Series 2024 Bonds.

For the period commencing with the month next following the delivery of any Bonds, to and including the month of the next interest payment date for such Bonds, each monthly deposit as to interest shall be an amount that, together with all other monthly deposits of approximately equal amounts during such period and amounts otherwise in said Fund, will be equal to interest due on such Bonds on the next interest payment date, and for each six month period thereafter, each monthly deposit as to interest for such Bonds shall be an equal to not less than one-sixth (1/6th) of the interest coming due on such Bonds on the next interest payment date net of any interest earnings on such amounts.

For the period commencing with the month next following the delivery of any Bonds to and including the month of the next principal payment for such Bonds, each monthly deposit as to principal shall be an amount that, together with all other monthly deposits during such period and amounts otherwise in said Fund, will be equal to the principal due on such Bonds on the next principal payment date (provided that, in the event that the next principal payment date is more than 12 months following the month next following delivery of such Bonds, monthly deposits to the Bond Fund in respect of principal shall begin in the month which is 12 months prior to the month of the next principal payment date), and for each twelve-month period thereafter, each monthly deposit as to principal for such Bonds shall be an amount equal to not less than one-twelfth (1/12th) of the principal amount or Maturity Amount, as the case may be, coming due on such Bonds, whether by maturity or mandatory redemption, on the next principal payment date net of any interest earnings on such amounts.

No further deposit shall be required as to any Bonds when the Bond Fund balance is equal to or greater than the amount needed to pay interest on the next interest payment date, the total of the 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 such payments become due or as is otherwise agreed upon with the holder of the Series 2024 Bond, and if interest is not paid semi-annually and/or principal is not paid annually with respect to any Bonds, the deposits may be adjusted by the Municipality or HUB as provided in the resolution authorizing the issuance of such Bonds. Money in the Bond Fund shall be used and is hereby expressly pledged for the purpose of paying principal of and interest on the Bonds.

(c) Repayment of Reserve Fund Credit Facility Issuers. The next available money in the Revenue 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, together with reasonable related expenses

incurred by the Reserve Fund Credit Facility Issuer and interest as provided in the Financial Guaranty Agreement.

(d) Reserve Fund. To the extent any series of the 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 Municipality, 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 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 Revenue Fund thereafter received which shall not then be required to pay Current Expenses, 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 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 Municipality for legally permissible purposes.

At the option of the Municipality, the Municipality 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 Municipality for legally permissible purposes. At any time during the term hereof, the Municipality 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 of Article IX 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 Municipality 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 Municipality, 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 Municipality, 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 Article XII hereof, 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. If the Municipality 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 this resolution other than remedies that would adversely affect owners of Bonds.

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 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 Reserve Fund Requirement for the Series 2024 Bonds shall be \$0, and the Municipality may issue Parity Bonds without a Reserve Fund Requirement, as shall be specified in the bond resolution authorizing such Parity Bonds.

(e) Surplus Funds. The next available money in the Revenue Fund shall be used (i) to make payments in lieu of taxes to the Municipality and other governmental jurisdictions, (ii) for the purpose of the payment of principal of and interest on (including reasonable reserves therefor) any bonds or other obligations payable from revenues of the System, including the Other Bonds and any debt with a subordinate lien on the Net Revenues to the Bonds, and (iii) for any legally permissible purpose, as the Board shall determine.

6.2 Investments and Maintenance of Funds. Money on deposit in the Funds described in this Section may be invested by HUB in such investments as shall be permitted by applicable law, as determined by an authorized representative of HUB, 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 Revenue 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 or are subject to repurchase more than two years from the date the money is so invested. HUB is authorized to enter into contracts with third parties for the investment of funds in any of the Funds described herein.

The Revenue Fund, the Bond Fund, and the Reserve Fund (except to the extent funded with a Reserve Fund Credit Facility or Facilities) shall be held and maintained by HUB and, when not invested, kept on deposit with a bank or financial institution regulated by and the deposits of which are insured by the Federal Deposit Insurance Corporation or similar federal agency. All moneys in such Funds so deposited shall at all times be secured to the extent and in the manner required by applicable State law.

Covenants Regarding the Operation of System

Charges for Services Supplied by the System. While the Bonds remain outstanding and unpaid, HUB covenants and agrees 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 this resolution.

HUB covenants that the System will be operated on a fully metered basis and that HUB will bill customers of the System on a monthly basis and will establish and maintain policies and procedures for discontinuing service to customers with delinquent bills.

Insurance. The Municipality or HUB (as applicable) shall maintain insurance on the properties of the System of a kind and in an amount which would normally be carried by private companies engaged in a similar type and size of business, provided, the Municipality and HUB shall not be required to insure beyond the limits of immunity provided by Sections 29-20-101 et seq., Tennessee Code Annotated, or other applicable law. The proceeds of any such insurance, except public liability insurance, 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.

Books and Accounts; Audits. HUB will cause to be kept proper books and accounts adapted to the System, will cause the books and accounts to be audited in accordance with GAAP at the end of each Fiscal Year by a recognized independent certified public accountant or a firm of such accountant or accountants and, upon written request, will make available to any registered owner of the Bonds the balance sheet and the profit and loss statement of HUB as certified by such accountant or accountants.

All expenses incurred in the making of the audits required by this Section shall be regarded and paid as Operating Expenses. HUB further agrees to cause copies of such audits to be furnished to the registered owner of any of the Bonds, at the written request thereof, within one year after the close of each Fiscal Year. The registered owner of any of the Bonds shall have at all reasonable times the right to inspect the System and the records, accounts and data of HUB relating thereto. If HUB fails to provide the audits and reports required by this Section, the registered owner or owners of twenty-five percent (25%) in principal amount of the Bonds may cause such audits and reports to be prepared at the expense of HUB.

Rate Covenant. HUB shall, through the Board, establish, fix, prescribe and collect rates, charges and fees for the sale or use of System services furnished by the Issuer which, together with other income, are reasonably expected to yield Net Revenues which are at least equal to the Rate Covenant Requirement for the forthcoming Fiscal Year. The Issuer agrees that should the annual financial statement made in accordance with the provisions of the Resolution disclose that during the period covered by such financial statement the Net Revenues were not at least equal to the Rate Covenant Requirement, the Issuer shall revise the schedule of rates, charges and fees insofar as is practicable and further revise Operating Expenses so as to produce the necessary Net Revenues as herein required. The Issuer shall revise the schedules of rates, charges and fees as provided in the preceding sentence within 120 days after the filing of the financial statements pursuant to the Resolution.

Sale or Disposal of System. The Municipality and HUB 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 otherwise disposed of or any of the System facilities sold at fair market value, provided that:

(a) The Municipality and HUB are 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;

(b) Any sale proceeds will be applied either (A) to redemption of Bonds in accordance with the provisions governing repayment of Bonds in advance of maturity, or (B) to the purchase of Bonds at the market price thereof so long as such price does not exceed the amount at which the 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;

(c) (i) 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 or (ii) the operation of the System or revenue producing capacity of the System is not materially impaired by such abandonment, sale or disposition or any facilities acquired in replacement thereof are of equivalent or greater value; and

(d) If the facilities are being sold or disposed to an entity that is not a state or local government and the facilities were financed with the proceeds of Bonds the interest on which is excludable from gross income for federal income tax purposes, the Municipality or HUB shall have received an opinion of nationally 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 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 HUB is in full compliance with the covenants set forth herein immediately following such transfer or exchange.

Notwithstanding anything elsewhere provided in this resolution, and without being subject to any of the foregoing restrictions, with the approval of HUB, the Municipality shall have the right to sell, lease, transfer, or otherwise dispose of the System, as a whole or substantially as a whole, to any municipal corporation, county, political subdivision, governmental corporation, or governmental agency (each of which shall be included within the term "Transferee" as herein used), provided the Transferee thus acquiring the System from the Municipality will assume the performance of and be bound by all of the obligations of the Municipality and HUB to the holders of the Bonds under the covenants and provisions of this resolution.

Budgets. Prior to the beginning of each Fiscal Year, the Board shall prepare, or cause to be prepared, and adopted an annual budget of estimated revenues, Operating Expenses, and capital expenditures for the System for the ensuing Fiscal Year in compliance with the rate covenant requirement set forth in the Resolution, 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.

Franchises. Neither the Municipality nor HUB will 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 or hereafter served by the Municipality or HUB 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; provided, nothing herein contained shall prohibit the transfer or exchange of service areas to provide for more efficient operation of the System so long as HUB is in full compliance with the covenants set forth herein immediately following such transfer or exchange.

Control of System. That for the purpose of assuring the efficient, impartial and nonpolitical operation of said system for the benefit of the Municipality and the Bondholders of the Bonds from time to time outstanding, the complete and independent control and operation of the system shall be vested in the Board, subject, however, to the obligation and duty on the part of said Board to carry out and perform faithfully all of the covenants and agreements contained in this resolution. Notwithstanding anything herein to the contrary, all obligations of the Municipality hereunder with respect to the Bonds and the System shall be exercised and fulfilled by HUB, on behalf of the Municipality. Nothing described above is intended to limit the ability of the Municipality to dispose of the System in the manner described in the Resolution.

Remedies of Bond Owners

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 HUB or the Municipality by the provisions of this 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 hereof.

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 HUB or the Municipality 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 Operating Expenses, and to apply the income and revenues thereof in conformity with the provisions of this resolution.

Prohibition of Prior Lien; Parity Bonds

Prohibition of Prior Liens. Neither the Municipality nor HUB will issue other bonds or obligations of any kind or nature payable from or enjoying a lien on the revenues of the System having priority over the Bonds.

Parity Bonds. Additional bonds, notes, Loan Agreements or obligations may hereafter be issued on a parity with the Bonds under the following conditions but not otherwise:

(a) Any portion (including any maturities or portions thereof whether or not in chronological order and any amounts subject to mandatory redemption) or all of a series of the Bonds may be refunded at maturity, upon redemption in accordance with their terms, or upon payment, prepayment or redemption with the consent of the owners of such bonds, and the refunding bonds so issued shall constitute Parity Bonds secured on a parity with the Bonds thereafter outstanding, if all of the following conditions are satisfied:

(i) HUB shall have obtained a report from a Municipal Advisor demonstrating that the refunding is expected to reduce the total debt service payments on the Bonds, including payments on related Credit Facilities; and

(ii) the requirements of subsections (b)(ii) and (iv) below are met with respect to such refunding.

(b) Parity Bonds (including refunding Parity Bonds which do not meet the requirements of (a)) may also be issued on a parity with outstanding Bonds, and the Parity Bonds so issued shall be secured on a parity with such outstanding Bonds, if all of the following conditions are satisfied:

(i) There shall have been procured and filed with HUB a report by a Municipal Advisor or a certificate by the General Manager of HUB, or his designee, to the effect that the historical Net Revenues for either (A) a period of 12 consecutive months of the most recent 18 consecutive months prior to the issuance of the proposed Parity Bonds or (B) the most recent audited Fiscal Year, were equal to at least 120% of the Maximum Annual Debt Service Requirement on all Bonds which will be outstanding immediately after the issuance of the proposed Parity Bonds, in the then current and each succeeding Fiscal Year, provided, however, (C) the report or certificate may contain pro forma adjustments to historical related Net Revenues equal to the increased annual amount of Net Revenues attributable to improvements to the System that had been placed in service prior to the delivery of the proposed Parity Bonds and that are not fully reflected in the historical related Net Revenues actually received during such historical period used, (D) the report or certificate may contain pro forma adjustments to historical related Net Revenues equal to 100% of the increased annual amount attributable to any revision in the schedule of rates, fees, and charges for the services and facilities furnished by the System, imposed prior to the date of delivery of the proposed Parity Bonds and not fully reflected in the historical related Net Revenues actually received during such historical period used; (E) if the Municipality or HUB has a contract to purchase or otherwise acquire an Acquired System that will become part of the System, the historical Net Revenues may be adjusted to include the anticipated Net Revenues from the Acquired System; and (F) if the Municipality or HUB has entered into a contract to furnish services of the System that is not fully reflected in the historical Net Revenues of the System, such historical Net Revenues may be adjusted to include the anticipated Net Revenues from such contract.

(ii) HUB shall have received, at or before issuance of the Parity Bonds, a report from a Municipal Advisor or a certificate of the General Manager of HUB, or his designee, to the effect that (A) the payments required to be made into the Bond Fund have been made and the balance in the Bond Fund is not less than the balance required hereby as of the date of issuance of the proposed Parity Bonds; and (B) the Reserve Fund is funded to the Reserve Fund Requirement and will be funded to the Reserve Fund Requirement immediately following the issuance of the proposed Parity Bonds.

(iii) The resolution authorizing the proposed Parity Bonds must require the proceeds of such proposed Parity Bonds to be used to make capital improvements to or capital acquisitions for the System, to pre-purchase supplies of electrical power, to fund interest on the proposed Parity Bonds, to refund other obligations issued for such purposes (whether or not such refunding Parity Bonds satisfy the requirements of (a)), for any other legal purpose under applicable law as evidenced by an opinion of Bond Counsel, and/or to pay expenses incidental thereto and to the issuance of the proposed Parity Bonds.

(iv) The Chairman of the Board shall have certified, by written certificate dated as of the date of issuance of the Parity Bonds, that HUB is in compliance with all requirements of this resolution.

(c) Upon the determination of HUB to combine an Acquired System into the System, all outstanding Bonds and any bonds, notes and other obligations of the Acquired System outstanding upon such combination may, at the election of HUB, be payable from Net Revenues of the combined System on a parity and equality of lien with each other, provided that there shall be filed with HUB:

(i) a report by a Municipal Advisor or a certificate by the General Manager of HUB, or his designee, the Net Revenues of such combined System for a period of 12 consecutive months of the most recent 18 consecutive months prior to such combination were equal to at least 120% of the Maximum Annual Debt Service Requirement on all Bonds and any bonds, notes and other obligations of the Acquired System which will be outstanding immediately after the combination, provided, however, (A) the report or certificate may contain pro forma adjustments to historical related Net Revenues equal to the increased annual amount of Net Revenues attributable to improvements to the System that had been placed in service prior to the combination and that are not fully reflected in the historical related Net Revenues actually received during such historical period used, (B) the report or certificate may contain pro forma adjustments to historical related Net Revenues equal to 100% of the increased annual amount attributable to any revision in the schedule of rates, fees, and charges for the services and facilities furnished by the System, imposed prior to the date of the combination and not fully reflected in the historical related Net Revenues actually received during such historical period used; and (C) if the Municipality or HUB has entered into a contract to furnish services of the System that is not fully reflected in the historical Net Revenues of the System, such historical Net Revenues may be adjusted to include the anticipated Net Revenues from such contract.

(ii) A certificate of the Chairman of the Board, as of the date of the combination, that HUB is in compliance with all requirements of this resolution.

Applicability of Resolution to Parity Bonds. All the provisions and covenants of this 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, modification of the Resolution, the defeasance of Bonds, and such other provisions hereof as are appropriate may be incorporated by reference into supplemental resolutions authorizing additional bonds, and said provisions, when so incorporated, shall be equally applicable to the additional bonds issued pursuant to the terms of the Resolution 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 remain outstanding.

Discharge and Satisfaction of Bonds

If the Municipality or HUB shall pay and discharge the indebtedness evidenced by all or any portion of the Bonds in any one or more of the following ways:

(a) By paying or causing to be paid, by deposit of sufficient funds as and when required with the Registration Agent, the principal of and interest on such Bonds as and when the same become due and payable;

(b) By depositing or causing to be deposited with any trust company or financial institution whose deposits are insured by the Federal Deposit Insurance Corporation or similar federal agency and which has trust powers (“an Agent”; which Agent may be the Registration Agent) in trust or

escrow, on or before the date of maturity or redemption, sufficient money or Defeasance Obligations, the principal of and interest on which, when due and payable, will provide sufficient moneys to pay or redeem such Bonds and to pay premium, if any, and interest thereon when due until the maturity or redemption date (provided, if such Bonds are to be redeemed prior to maturity thereof, proper notice of such redemption shall have been given or adequate provision shall have been made for the giving of such notice); or

(c) By delivering such Bonds to the Registration Agent, for cancellation by it;

and if the Municipality or HUB shall also pay or cause to be paid all other sums payable hereunder by the Municipality or HUB with respect to such Bonds, or make adequate provision therefor, and by resolution of the Governing Body instruct any such Escrow Agent to pay amounts when and as required to the Registration Agent for the 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, agreements and obligations of the Municipality and HUB to the holders of such Bonds shall be fully discharged and satisfied and shall thereupon cease, terminate and become void.

If the Municipality or HUB shall pay and discharge the indebtedness evidenced by any of the Bonds in the manner provided in either clause (a) or clause (b) above, then the registered owners thereof shall thereafter be entitled only to payment out of the money or Defeasance Obligations deposited as aforesaid.

Except as otherwise provided in this Section, neither Defeasance Obligations nor moneys deposited with the Registration Agent pursuant to this Section nor principal or interest payments on any such Defeasance Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal and interest on said Bonds; provided that any cash received from such principal or interest payments on such Defeasance Obligations deposited with the Registration Agent, (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to the Municipality as received by the Registration 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 Defeasance Obligations maturing at times and in amounts sufficient to pay when due the principal 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 shall be paid over to HUB, as received by the Registration Agent.

Modification of Resolution

Amendment Without Bondholder Consent. 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 herein; provided such amendment shall not adversely affect the registered owners, without taking into account any bond insurance policy.

Other Amendments. In addition to the amendments to the Resolution without the consent of registered owners as referred to in the Resolution, the registered owners of 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 Municipality 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 Municipality) 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, without the consent of 100% of the registered owners of the Bonds, 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; or
- (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.

Procedure for Modification. Whenever the Municipality shall propose to amend or modify the Resolution under the provisions of the Resolution, 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 Municipality for public inspection.

Whenever at any time within one year from the date of mailing of said notice there shall be filed with the Secretary an instrument or instruments executed by the registered owners of at least a majority in aggregate principal amount of the Bonds then outstanding as in this Section defined, 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 Municipality 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 as in this section defined, 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 in this Section provided, 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 Municipality from taking any action pursuant to the provisions thereof.

Any consent given by the registered owner of a Bond pursuant to the provisions of this Section shall be irrevocable for a period of six 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 during such period. Such consent may be revoked at any time after six 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 Municipality office, but such revocation shall not be effective if the registered owners of a majority in aggregate principal amount of the Bonds outstanding as in this Section defined shall have, prior to the attempted revocation, consented to and approved the amendatory resolution referred to in such revocation.

APPENDIX E

**FINANCIAL STATEMENTS
OF
HARRIMAN UTILITY BOARD
OF THE
CITY OF HARRIMAN, TENNESSEE
FOR THE FISCAL YEAR ENDED
JUNE 30, 2023**

HARRIMAN UTILITY BOARD

AUDIT REPORT

June 30, 2023

Harriman Utility Board
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June 30, 2023

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CRAINE, THOMPSON & JONES, P.C.

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INDEPENDENT AUDITOR'S REPORT

Harriman Utility Board
Harriman, Tennessee

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and the Pension Trust Fund of the Harriman Utility Board, a division of the City of Harriman, Tennessee, as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Harriman Utility Board's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each of the major funds, and the aggregate remaining fund information, the Pension Trust Fund for the Harriman Utility Board, as of June 30, 2023 and 2022, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (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 Harriman Utility Board, 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.

Responsibility 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; this includes 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, which raise substantial doubt about the Harriman Utility Board'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 Responsibility 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.

Harriman Utility Board

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 Harriman Utility Board'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, which raise substantial doubt about the Harriman Utility Board'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.

Emphasis of Matter

As discussed in Note 12, the financial statements present only the Harriman Utility Board and do not purport to, and do not present fairly the financial position of the City of Harriman, Tennessee, as of June 30, 2023 and 2022, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 6 through 13 and the required supplementary information on pages 40 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Harriman Utility Board's basic financial statements. They are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information on pages 45 through 63 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

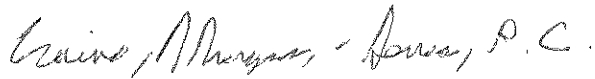
Management is responsible for the other information included in the annual report. The other information comprises the List of Utilities Officials on page 44 but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In

Harriman Utility Board

connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the 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 a report dated December 20, 2023, on our consideration of the Harriman Utility Board's internal control over financial reporting and 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 the 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 internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Harriman Utility Board's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Elaine M. Morgan, CPA". The signature is written in a cursive style.

December 20, 2023
Morristown, Tennessee

Management's Discussion and Analysis

The Harriman Utility Board (HUB) is a self-supporting enterprise of the City of Harriman, Tennessee, operated under the general supervision and control of a five-member board as per Chapter 32 Public Acts of Tennessee 1935. HUB is composed of the Electric, Gas, Water, and Sewer Systems. The Board implemented the Governmental Accounting Standard Board (GASB) Statement No. 34, "Basic Financial Statements and Management Discussion and Analysis for State and Local Governments," for the annual financial report for the year ended June 30, 2003.

The intent of this discussion and analysis is to provide narrative discussion and analysis of the financial activities of HUB. The readers of this discussion and analysis should also review the transmittal letter, financial statements, and note disclosures to enhance the understanding of HUB's financial performance.

Financial Statement Overview

The financial statements presented here are comprised of the Statements of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, the Statement of Cash and Cash Flows, Schedule of Plant, and the accompanying Notes to Financial Statements. The Electric, Gas, Water, and Sewer systems maintain separate accounting records and cash funds, and each operates as a separate self-sufficient entity. The Statement of Net Position presents information on all of HUB's assets and liabilities, with differences between the two reported as Net Position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of HUB is improving or deteriorating.

Table 1

Harriman Utility Board Condensed Statements of Net Position June 30, 2023 and 2022

	2023	2022
Electric Department		
Current and Other Assets		
Cash & Temporary Cash Investments	\$ 8,729,428	\$ 7,556,945
Accounts Receivable, Net of Allowance	3,095,649	3,916,994
Materials & Supplies	610,215	539,731
Other Assets	1,739,152	1,883,941
Total Current and Other Assets	14,174,444	13,897,611
Net Property, Plant & Equipment	31,708,766	30,995,612
 Total Assets	 \$ 45,883,210	 \$ 44,893,223

Current Liabilities		
Accounts Payable	\$ 3,759,197	\$ 3,597,671
Customer Deposits	1,478,229	1,677,405
Accrued Payroll, Taxes, and Vacation/Sick Leave	1,132,193	1,080,610
Other Payables	833,375	253,379
Other Liabilities	4,906,409	4,830,794
Total Current and Other Liabilities	<u>12,109,403</u>	<u>11,439,859</u>
Long Term Debt Outstanding	<u>3,044,538</u>	<u>3,307,734</u>
Total Liabilities	<u>\$ 15,153,941</u>	<u>\$ 14,747,593</u>
Net Position		
Invested in Capital Assets, Net of Related Debt	\$ 28,664,228	\$ 27,687,878
Restricted for Debt Service	-	-
Unrestricted (Deficit)	2,065,041	2,457,752
Total Net Position	<u>\$ 30,729,269</u>	<u>\$ 30,145,630</u>
	<u>2023</u>	<u>2022</u>
Gas Department		
Current and Other Assets		
Cash & Temporary Cash Investments	\$ 1,915,039	\$ 2,750,665
Materials & Supplies	108,997	95,323
Other Assets	1,086,614	761,058
Total Current and Other Assets	<u>3,110,650</u>	<u>3,607,046</u>
Net Property, Plant & Equipment	<u>9,559,649</u>	<u>9,072,823</u>
Total Assets	<u>\$ 12,670,299</u>	<u>\$ 12,679,869</u>
Current and Other Liabilities		
Customer Deposits	\$ 219,739	\$ 221,229
Accrued Payroll, Taxes, and Vacation/Sick Leave	303,122	285,807
Other Liabilities	1,061,945	1,075,288
Total Current and Other Liabilities	<u>1,584,806</u>	<u>1,582,324</u>
Long Term Debt Outstanding	<u>2,206,165</u>	<u>2,332,014</u>
Total Liabilities	<u>\$ 3,790,971</u>	<u>\$ 3,914,338</u>

Net Position

Invested in Capital Assets, Net of Related Debt	\$ 7,353,484	\$ 6,740,809
Restricted for Debt Service	-	-
Unrestricted (Deficit)	1,525,844	2,024,722
	<u>1,525,844</u>	<u>2,024,722</u>
Total Net Position	\$ 8,879,328	\$ 8,765,531

	<u>2023</u>	<u>2022</u>
Water Department		
Current and Other Assets		
Cash & Temporary Cash Investments	\$ 185,772	\$ 442,502
Sinking Funds	912,454	1,267,137
Materials & Supplies	217,764	187,559
Other Assets	876,529	879,603
	<u>2,192,519</u>	<u>2,776,801</u>
Total Current and Other Assets	2,192,519	2,776,801
Net Property, Plant & Equipment	15,867,040	15,704,172
	<u>15,867,040</u>	<u>15,704,172</u>
Total Assets	\$ 18,059,559	\$ 18,480,973

Current and Other Liabilities		
Customer Deposits	\$ 162,168	\$ 160,748
Accrued Payroll, Taxes, and Vacation/Sick Leave	280,728	268,253
Accrued Interest	6,160	6,685
Other Liabilities	1,147,670	1,160,712
	<u>1,596,726</u>	<u>1,596,398</u>
Total Current and Other Liabilities	1,596,726	1,596,398
Long Term Debt Outstanding	4,539,522	4,828,198
	<u>4,539,522</u>	<u>4,828,198</u>
Total Liabilities	\$ 6,136,248	\$ 6,424,596

Net Position		
Invested in Capital Assets, Net of Related Debt	\$ 11,327,518	\$ 10,875,974
Restricted for Debt Service	-	-
Unrestricted (Deficit)	595,793	1,180,404
	<u>595,793</u>	<u>1,180,404</u>
Total Net Position	\$ 11,923,311	\$ 12,056,378

	2023	2022
Sewer Department		
Current and Other Assets		
Cash & Temporary Cash Investments	\$ 600,311	\$ 359,532
Sinking Funds	73,282	185,617
Accounts Receivable, Net of Allowance	156,851	246,449
Materials & Supplies	21,687	16,581
Other Assets	716,280	427,022
Total Current and Other Assets	<u>1,568,411</u>	<u>1,235,201</u>
Net Property, Plant & Equipment	<u>16,145,049</u>	<u>16,400,457</u>
Total Assets	<u>\$ 17,713,460</u>	<u>\$ 17,635,658</u>
Current and Other Liabilities		
Accrued Payroll, Taxes, and Vacation/Sick Leave	\$ 209,562	\$ 192,071
Accrued Interest	5,640	6,128
Other Liabilities	706,494	715,251
Total Current and Other Liabilities	<u>921,696</u>	<u>913,450</u>
Long Term Debt Outstanding	<u>4,441,755</u>	<u>4,722,980</u>
Total Liabilities	<u>\$ 5,363,451</u>	<u>\$ 5,636,430</u>
Net Position		
Invested in Capital Assets, Net of Related Debt	\$ 11,703,294	\$ 11,677,477
Restricted for Debt Service	-	-
Unrestricted (Deficit)	646,714	321,752
Total Net Position	<u>\$ 12,350,008</u>	<u>\$ 11,999,229</u>

As indicated in Table 1, during the year Total Assets increased \$989,987 in the Electric Department, decreased \$(9,570) in the Gas Department, decreased \$(421,415) in the Water Department, and increased \$77,801 in the Sewer Department. This resulted in a total HUB increase of Total Assets of \$636,804 for fiscal year ending June 30, 2023.

Table 2

Harriman Utility Board
Condensed Statements of Revenue, Expenses and Change in Net Position
Years Ended June 30, 2023 and 2022

	Electric Department		Gas Department	
	2023	2022	2023	2022
Sales Revenue	\$ 29,333,406	\$ 25,606,652	\$ 3,541,329	\$ 2,970,879
Forfeited Discounts	234,413	222,700	20,154	18,637
Misc. Service Revenue	183,465	105,909	18,550	26,078
Rent from Utility Property	584,850	564,016	-	-
Other Income	86,510	217,402	7,814	-
Total Revenue	\$30,422,644	\$26,716,679	\$3,587,847	\$3,015,594
Operating Expenses	\$ 23,923,070	\$ 19,578,111	\$ 2,349,544	\$ 2,329,766
Maintenance Expenses	2,623,724	2,645,516	602,026	524,739
Depreciation Expenses	2,176,663	2,208,286	420,839	490,153
Interest Expense	57,786	60,123	42,201	44,603
Taxes & Tax Equivalents	1,057,761	1,156,327	59,440	58,707
Total Expenses	\$ 29,839,004	\$ 25,648,363	\$ 3,474,050	\$ 3,447,968
Change in Net Position	\$ 583,640	\$ 1,068,316	\$ 113,797	\$ (432,374)

	Water Department		Sewer Department	
	2023	2022	2023	2022
Sales Revenue	\$ 2,922,078	\$ 2,587,482	\$ 1,920,098	\$ 1,838,432
Forfeited Discounts	32,367	31,362	17,518	20,398
Misc. Service Revenue	52,753	72,475	3,630	6,862
Grant Revenue	42,996	15,373	275,139	-
Other Income	-	580	-	-
Total Revenue	\$ 3,050,194	\$ 2,707,272	\$ 2,216,385	\$ 1,865,692
Operating Expenses	\$1,991,491	\$1,610,479	\$896,302	\$865,597
Maintenance Expenses	470,066	447,445	261,412	187,363
Depreciation Expenses	638,941	631,786	629,798	615,241
Interest Expense	82,763	88,058	78,094	85,221
Total Expenses	\$ 3,183,261	\$ 2,777,768	\$ 1,865,606	\$ 1,753,422
Change in Net Position	\$ (133,067)	\$ (70,496)	\$ 350,779	\$ 112,270

As indicated in Table 2, during the year Total Revenue increased \$3,705,965 in the Electric Department. This increase was primarily due to the addition of a Bitcoin Mining Facility which is our largest customer. Total Revenue increased \$572,253 in the Gas Department. This is primarily due to a change in the rate structure. We added a Purchased Gas Adjustment (PGA) that helps to prevent large changes in income due to the volatility purchased gas prices. Revenues increased \$342,922 in the Water Department due to rate changes in FY23. Total Revenue increased \$350,693 in the Sewer Department primarily due to American Rescue Plan Act grants being received as well as rate increases for FY23. Also shown in Table 2, during the year Total Expenses increased \$4,190,641 in the Electric Department largely due to higher purchased power costs and the addition of our largest customer. The Fuel Cost Adjustment also affects our Purchased Power bills to TVA. The year ending June 30, 2023 saw Total Expenses increased by \$26,082 in the Gas Department. Purchased Gas increased in FY23 due to increases in the costs of natural gas as well as more gas being purchased. Total Expenses in the Water Department saw an increase of \$405,493 due to increased purification and maintenance expenses. The current fiscal year saw Total Expenses increase \$112,184 in the Sewer Department due to the addition of employees and inflation. All this activity resulted in a total HUB change of Net Position of \$915,149 for fiscal year ending June 30, 2023. This is an increase of \$237,433 from last year's change in Net Position.

Cash and Cash Investments

As of June 30, 2023, HUB had the following cash balances:

Electric	\$ 8,729,428	of which \$6,538,611 is unrestricted internally
Gas	\$ 1,915,039	of which \$1,554,893 is unrestricted internally
Water	\$ 1,098,226	of which \$185,772 is unrestricted internally
Sewer	\$ 600,311	of which \$600,311 is unrestricted internally

The total cash available at June 30, 2023 is \$12,416,286 of which \$8,879,587 is unrestricted internally.

Debt

As of June 30, 2023, HUB had total outstanding debt of \$14,231,919. HUB did not issue any new debt for the Fiscal Year ending 2023.

HUB obtained funding from the State Revolving Fund, CGO 2011-269 for sewer rehabilitation and DWO 2011-109 for water loss monitoring and repair. Both loans are 80% state funding and 20% forgivable funding. The annual interest rate for both loans is 1.35% and repayments of the loans were to begin when 90% of the total balance was drawn. Repayment was begun in November 2014 on the CGO (sewer rehab) loan and in January 2016 on the DWO (water loss) loan. The repayment is scheduled over 20 years with monthly installments. The forgivable portion of each loan will be recognized over 5 years. (Note: the final drawdown amount for the Water loan was \$1,432,067 of \$1,440,000 and \$358,017 of \$360,000 forgivable.)

HUB obtained \$1,200,000 in funding from Branch Banking & Trust(BB&T) in September 2017 to purchase and renovate a new office building. This loan carries an interest rate of 2.360%. The principal will be paid over a 12 year period in annual installments with semi-annual interest installments. HUB also obtained an additional \$500,000 in funding from First Tennessee Bank in December 2018 to finish the renovations of the new office building. The principal on this loan will be paid over a 12 year period with annual interest payments due starting 12/1/2020 and semi-annual interest payments. Renovations were finished at the new office building in April 2019.

HUB issued a Bond Anticipation Note with Regions bank in June of 2020 for an amount up to \$2,500,000. The purpose of this note is to provide financing for large capital projects HUB needs to complete in all departments while HUB puts together a more permanent long-term financing plan for these projects. HUB used the funds for the Natural Gas Cast Iron Replacement Project Phases III and IV. This Note was paid off in June 2021 after the FHN Series 2021A Bonds were issued.

In April of 2021, HUB issued the FHN Series 2021A Bonds to refinance the BB&T Capital Outlay Note, First TN Capital Outlay Note, Regions Bond Anticipation Note and the VII-H-1 Bonds. This issuance allowed HUB to save on future interest costs by refinancing to a True Interest Cost of approximately 1.40%. This debt also provided some new funding for the #2 Water Filter Rehab at our Water Treatment Plant as well as our Clarifier Rehab at the Wastewater Treatment Plant.

In June of 2021, HUB issued the FHN Series 2021B Bonds to provide funding for our Advanced Meter Infrastructure Project. The bonds were issued for 20 years at a True Interest Cost of approximately 1.64%. This project is for our Electric, Water and Gas Departments to install infrastructure that will allow us to read meters remotely as well as improve our operational efficiency for our customers.

Table 3

	2023	2022
FHN Series 2021A Bonds - \$9,525,000	\$ 7,970,000	\$ 8,540,000
FHN Series 2021A Bond Premium (Forgivable) - \$474,117	404,511	435,749
FHN Series 2021B Bonds - \$4,150,000	3,755,000	3,955,000
FHN Series 2021B Bond Premium (Forgivable) - \$227,290	204,439	215,844
State Revolving Loan-\$1,600,000 Sewer	958,208	1,036,016
State Revolving Loan-\$1,440,000 Water (\$1,432,067 drawn)	939,761	1,008,317
Total Outstanding Debt	\$ 14,231,919	\$ 15,190,926

**Harriman Utility Board
Schedule of Plant
June 30, 2023**

Table 4

	Balance June 30, 2022	Additions	Retirements	Balance June 30, 2023	Net of Depreciation
Electric Department					
Transmission Plant	\$ 6,769,984	\$ -	\$ -	\$ 6,769,984	\$ 2,310,487
Distribution Plant	55,627,628	1,990,466	167,087	57,451,007	22,890,759
General Plant	12,117,721	1,590,475	-	13,708,196	6,507,520
Total Electric System	\$ 74,515,333	\$ 3,580,941	\$ 167,087	\$ 77,929,187	\$ 31,708,766
Gas Department					
Transmission Plant	\$ 611,676	\$ -	\$ -	\$ 611,676	\$ 337,434
Distribution Plant	11,764,064	291,861	-	12,055,925	6,650,712
General Plant	3,956,970	704,463	-	4,661,433	2,571,504
Total Gas System	\$ 16,332,710	\$ 996,324	\$ -	\$ 17,329,034	\$ 9,559,650
Water Department					
Treatment Plant	\$ 2,792,553	\$ 6,146	\$ -	\$ 2,798,699	\$ 1,506,368
Distribution Plant	22,583,214	44,507	-	22,627,721	12,179,116
General Plant	3,259,616	793,522	-	4,053,138	2,181,556
Total Water System	\$ 28,635,383	\$ 844,175	\$ -	\$ 29,479,558	\$ 15,867,040
Sewer Department					
Treatment Plant	\$ 12,624,004	\$ 57,406	\$ -	\$ 12,681,410	\$ 6,641,126
Transmission Plant	16,875,492	183,075	-	17,058,567	8,933,399
General Plant	947,357	142,072	-	1,089,429	570,523
Total Sewer System	\$ 30,446,853	\$ 382,553	\$ -	\$ 30,829,406	\$ 16,145,048
Total Utility Plant	\$ 149,930,279	\$ 5,803,993	\$ 167,087	\$ 155,567,185	\$ 73,280,504

As indicated in Table 4 Total Gross Plant Assets increased by \$5,636,906.

Payment in Lieu of Taxes

The HUB Electric System makes in lieu of tax payments to the Cities of Harriman and Oakdale, and to Roane and Morgan Counties. The in lieu of tax payment is based on a formula provided by the State of Tennessee Municipal Electric System Tax Equivalent Law of 1987. The total in lieu of tax payments for the year ended June 30, 2023 was \$783,312, and for 2022 was \$897,973, per agreement with the City of Harriman.

Factors Affecting Future Financial Statements and Rates

The Harriman Utility Board (HUB) continues to upgrade and improve itself. Harriman Utility Board will continue to upgrade its infrastructure in FY2023 through the implementation of an Advanced Meter Infrastructure (AMI). The AMI project will be beneficial to all departments as it provides an infrastructure that can allow HUB to operate more efficiently as well as provide exceptional service to our customers. The Electric Department will also be looking into producing some of its own power through TVA's new Flexibility Agreement. Doing this could allow HUB to save a large amount of money on its purchased power costs. The Electric Department is also exploring the possibility of building out a fiber infrastructure to support operations and to possibly provide broadband internet to Roane County customers. HUB will thoroughly review the feasibility of providing broadband internet prior to making a large investment. The Gas Department will continue working on expanding the gas system to new areas to help increase the customer base. The Water Department will be finishing the installation of AMI ready water meters as well as submitting new projects to CDBG to improve the water system. The information provided by these meters will be beneficial to both HUB and our customers. HUB works on projects to improve its water and sewer systems with money received from the American Rescue Plan Act. HUB will continue to look at options for a new warehouse to replace the warehouse that is 50+ years old. We also expect to see the first phase of a new residential development on the north end of Harriman that will add to the customers for the Electric, Water and Sewer departments. The Midtown area continues to see growth and the Electric and Gas departments will benefit from any growth in that area.

Harriman Utility Board
Statements of Net Position
June 30, 2023

	<u>Electric Department</u>	<u>Gas Department</u>	<u>Sewer Department</u>	<u>Water Department</u>	<u>Totals</u>
Assets					
Current assets:					
Cash - interest bearing	\$ 8,614,328	\$ 1,915,039	\$ 673,594	\$ 1,098,226	\$ 12,301,187
Receivables:					
Trade accounts (net of allowance for doubtful accounts) and grants receivable	2,679,920	-	-	-	2,679,920
Due from (to) other utility departments	415,729	(75,278)	156,851	156,202	653,504
Other	(108,097)	80,865	405,746	242,602	621,116
Total receivables	2,987,552	5,587	562,597	398,804	3,954,540
Materials and supplies inventory	610,215	108,997	21,687	217,764	958,663
Prepaid expenses	5,737	620,647	3,615	17,354	647,353
Total current assets	12,217,832	2,650,270	1,261,493	1,732,148	17,861,743
Emergency reserve fund	115,100	-	-	-	115,100
Total restricted assets	115,100	-	-	-	115,100
Property, plant and equipment:					
Land and land rights	710,688	-	-	-	710,688
Plant in service	75,678,329	16,798,662	30,711,548	28,775,083	151,963,622
Less: Accumulated Depreciation	(46,220,421)	(7,769,386)	(14,684,358)	(13,612,518)	(82,286,683)
	30,168,596	9,029,276	16,027,190	15,162,565	70,387,627
Construction in progress	1,540,170	530,373	117,859	704,475	2,892,877
Net property, plant and equipment	31,708,766	9,559,649	16,145,049	15,867,040	73,280,504
Total assets	44,041,698	12,209,919	17,406,542	17,599,188	91,257,347
Deferred outflows of resources:					
Differences between expected and actual experience	1,381,134	345,285	230,188	345,278	2,301,885
Net difference between projected and actual earnings	313,057	78,264	52,176	78,263	521,761
Changes of assumptions	147,321	36,830	24,553	36,830	245,534
Total deferred outflows of resources	1,841,512	460,380	306,918	460,371	3,069,180
Total assets and deferred outflows of resources	\$ 45,883,210	\$ 12,670,299	\$ 17,713,460	\$ 18,059,559	\$ 94,326,527

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

	Electric Department	Gas Department	Sewer Department	Water Department	Totals
Liabilities and net position					
Trade accounts payable	\$ 3,759,197	\$ -	\$ -	\$ -	\$ 3,759,197
Due to other utility departments	564,053	-	-	89,454	653,507
Accrued payroll and taxes	144,795	-	-	-	144,795
Customers' deposits	1,478,229	219,739	-	162,168	1,860,136
Other payables	269,322	-	1,077	-	270,399
Deferred revenue	667,782	-	-	-	667,782
Total current liabilities (payable from current assets)	6,883,378	219,739	1,077	251,622	7,355,816
Current liabilities (payable from restricted assets):					
Current installments of long-term debt	245,000	120,000	273,804	279,480	918,284
Accrued interest	5,770	3,729	5,640	6,160	21,299
Total current liabilities (payable from restricted assets)	250,770	123,729	279,444	285,640	939,583
Non current liabilities:					
Compensated absences	987,398	303,122	209,563	280,728	1,780,811
Total non current liabilities	987,398	303,122	209,563	280,728	1,780,811
Long- term debt:					
Revenue bonds and revenue refunding bonds	-	-	4,024,404	4,085,281	8,109,685
Notes payable and obligations under capital lease	2,610,000	1,985,000	-	-	4,595,000
Unamortized premiums/discounts	189,538	101,165	143,487	174,761	608,951
Total long-term debt	2,799,538	2,086,165	4,167,891	4,260,042	13,313,636
Long-term liabilities:					
Net pension liability	3,026,105	756,527	504,351	756,527	5,043,510
Total long-term liabilities	3,026,105	756,527	504,351	756,527	5,043,510
Deferred inflows of resources:					
Differences between expected and actual experience	325,823	81,456	54,304	81,456	543,039
Net difference between projected and actual earnings	108,608	27,152	18,101	27,152	181,013
Changes of assumptions	772,321	193,081	128,720	193,081	1,287,203
Total liabilities and deferred inflows of resources	1,206,752	301,689	201,125	301,689	2,011,255
Total liabilities	15,153,941	3,790,971	5,363,451	6,136,248	30,444,611
Net position:					
Net investment in capital assets	28,664,228	7,353,484	11,703,354	11,327,518	59,048,584
Restricted for debt service	-	-	-	-	-
Unrestricted	2,065,041	1,525,844	646,654	595,793	4,833,332
Total net position	30,729,269	8,879,328	12,350,008	11,923,311	63,881,916
Total liabilities and net position	\$ 45,883,210	\$ 12,670,299	\$ 17,713,459	\$ 18,059,559	\$ 94,326,527

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

Harriman Utility Board
Statements of Net Position
June 30, 2022

	<u>Electric Department</u>	<u>Gas Department</u>	<u>Sewer Department</u>	<u>Water Department</u>	<u>Totals</u>
Assets					
Current assets:					
Cash - interest bearing	\$ 7,121,845	\$ 2,750,665	\$ 545,150	\$ 1,709,640	\$ 12,127,300
Receivables:					
Trade accounts (net of allowance for doubtful accounts) and grants receivable	3,678,838	-	-	-	3,678,838
Due from (to) other utility departments	380,072	(151,328)	217,868	188,061	634,673
Other	(141,916)	69,267	142,009	219,350	288,710
Total receivables	3,916,994	(82,061)	359,877	407,411	4,602,221
Materials and supplies inventory	539,731	95,323	16,581	187,559	839,194
Prepaid expenses	5,297	373,474	498	2,555	381,824
Total current assets	11,583,867	3,137,401	922,106	2,307,165	17,950,539
Emergency reserve fund	435,100	-	-	-	435,100
Total restricted assets	435,100	-	-	-	435,100
Property, plant and equipment:					
Land and land rights	710,688	-	-	-	710,688
Plant in service	73,333,374	16,241,219	30,446,853	28,532,284	148,553,730
Less: Accumulated Depreciation	(43,957,672)	(7,259,888)	(14,046,396)	(12,931,212)	(78,195,168)
	30,086,390	8,981,331	16,400,457	15,601,072	71,069,250
Construction in progress	909,222	91,492	-	103,100	1,103,814
Net property, plant and equipment	30,995,612	9,072,823	16,400,457	15,704,172	72,173,064
Total assets	43,014,579	12,210,224	17,322,563	18,011,337	90,558,703
Deferred outflows of resources:					
Differences between expected and actual experience	1,446,556	361,627	241,084	361,620	2,410,887
Net difference between projected and actual earnings	432,088	108,018	72,012	108,017	720,135
Total deferred outflows of resources	1,878,644	469,645	313,096	469,637	3,131,022
Total assets and deferred outflows of resources	\$ 44,893,223	\$ 12,679,869	\$ 17,635,659	\$ 18,480,974	\$ 93,689,725

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

	Electric Department	Gas Department	Sewer Department	Water Department	Totals
Customers' deposits					
Trade accounts payable	\$ 3,597,671	\$ -	\$ -	\$ -	\$ 3,597,671
Due to other utility departments	539,383	-	-	89,453	628,836
Accrued payroll, payroll taxes, and vacation pay	118,320	-	-	-	118,320
Customers' deposits	1,677,405	221,229	-	160,748	2,059,382
Other payables	253,379	-	1,078	-	254,457
Total current liabilities (payable from current assets)	6,186,158	221,229	1,078	250,201	6,658,666
Current liabilities (payable from restricted assets):					
Current installments of long-term debt	245,000	120,000	272,748	278,556	916,304
Accrued interest	6,383	4,029	6,128	6,685	23,225
Total current liabilities (payable from restricted assets)	251,383	124,029	278,876	285,241	939,529
Non current liabilities:					
Compensated absences	962,290	285,807	192,071	268,253	1,708,421
Total non current liabilities	962,290	285,807	192,071	268,253	1,708,421
Long-term debt:					
Revenue bonds and revenue refunding bonds	-	-	4,298,268	4,364,761	8,663,029
Notes payable and obligations under capital lease	2,855,000	2,105,000	-	-	4,960,000
Unamortized premiums/discounts	207,734	107,014	151,964	184,881	651,593
Total long-term debt	3,062,734	2,212,014	4,450,232	4,549,642	14,274,622
Long-term liabilities:					
Net pension liability	2,932,558	733,140	488,760	733,140	4,887,598
Total long-term liabilities	2,932,558	733,140	488,760	733,140	4,887,598
Deferred inflows of resources:					
Differences between expected and actual experience	365,167	91,292	60,862	91,292	608,613
Net difference between projected and actual earnings	148,772	37,193	24,795	37,193	247,953
Changes of assumptions	838,531	209,634	139,755	209,634	1,397,554
Total liabilities and deferred inflows of resources	1,362,470	338,119	225,413	338,119	2,254,121
Total liabilities	14,747,593	3,914,338	5,636,430	6,424,596	30,722,957
Net position:					
Net investment in capital assets	27,687,878	6,740,809	11,677,477	10,875,974	56,982,138
Restricted for debt service	-	-	-	-	-
Unrestricted	2,457,752	2,024,722	321,752	1,180,404	5,984,630
Total net position	30,145,630	8,765,531	11,999,229	12,056,378	62,966,768
Total liabilities and net position	\$ 44,893,223	\$ 12,679,869	\$ 17,635,659	\$ 18,480,974	\$ 93,689,725

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

Harriman Utility Board
Statements of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2023

	Electric Department	Gas Department	Sewer Department	Water Department	Totals
Operating revenues:					
Residential	\$ 16,848,364	\$ 1,931,777	\$ -	\$ -	\$ 18,780,141
Commercial, industrial and interruptible	11,687,632	1,609,552	-	-	13,297,184
Sewer and water charges	-	-	1,920,097	2,922,078	4,842,175
Street and outdoor lighting sales	797,410	-	-	-	797,410
Customers' forfeited discounts	234,413	20,154	17,518	32,367	304,452
Rent from City	21,624	-	-	-	21,624
Rent from others	563,226	-	-	-	563,226
Miscellaneous	173,639	15,736	3,630	52,753	245,758
Bad debt expense	(11,883)	(4,425)	(10,686)	(10,063)	(37,057)
Total operating revenues	30,314,425	3,572,794	1,930,559	2,997,135	38,814,913
Operating expenses:					
Operation	20,221,286	-	-	-	20,221,286
Repairs and maintenance	1,777,171	-	-	-	1,777,171
Purchased gas	-	1,294,925	-	-	1,294,925
Power, pumping and utilities	-	-	189,077	371,418	560,495
Purification	-	-	237,085	357,547	594,632
Transmission and distribution	1,637,088	602,026	261,412	470,066	2,970,592
Customers' accounting and collection	634,624	308,605	54,864	281,415	1,279,508
Administrative and general	2,529,366	798,215	404,589	984,236	4,716,406
Depreciation and amortization	2,176,663	420,839	629,798	638,941	3,866,241
Total operating expenses	28,976,198	3,424,610	1,776,825	3,103,623	37,281,256
Operating income	1,338,227	148,184	153,734	(106,488)	1,533,657
Non-operating revenue (expenses):					
Interest income	86,510	7,814	-	-	94,324
Interest expense	(57,786)	(42,201)	(78,094)	(69,575)	(247,656)
Amortization debt costs	-	-	-	-	-
Total non-operating revenue (expenses)	28,724	(34,387)	(78,094)	(69,575)	(153,332)
Net income-before capital contributions and transfers	1,366,951	113,797	75,640	(176,063)	1,380,325
Capital contributions	-	-	275,139	42,996	318,135
Transfers out	(783,312)	-	-	-	(783,312)
Change in net position	583,639	113,797	350,779	(133,067)	915,148
Net position:					
Beginning of year	30,145,630	8,765,531	11,999,229	12,056,378	62,966,768
End of year	\$ 30,729,269	\$ 8,879,328	\$ 12,350,008	\$ 11,923,311	\$ 63,881,916

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

Harriman Utility Board
Statements of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2022

	Electric Department	Gas Department	Sewer Department	Water Department	Totals
Operating revenues:					
Residential	\$ 16,615,198	\$ 2,970,879	\$ -	\$ -	\$ 19,586,077
Commercial, industrial and interruptible	8,144,599	-	-	-	8,144,599
Sewer and water charges, net of bad debt	-	-	1,838,432	2,587,603	4,426,035
Street and outdoor lighting sales	846,855	-	-	-	846,855
Customers' forfeited discounts	222,700	18,637	20,398	31,362	293,097
Rent from City	21,624	-	-	-	21,624
Rent from others	542,391	-	-	-	542,391
Miscellaneous	643,421	26,078	6,862	72,935	749,296
Bad debt expense	(32,271)	(2,733)	(10,092)	(7,369)	(52,465)
Total operating revenues	27,004,517	3,012,861	1,855,600	2,684,531	34,557,509
Operating expenses:					
Operation	16,428,277	-	-	-	16,428,277
Repairs and maintenance	1,787,968	-	-	-	1,787,968
Purchased gas	-	1,378,070	-	-	1,378,070
Power, pumping and utilities	-	-	180,076	354,435	534,511
Purification	-	-	253,218	345,480	598,698
Transmission and distribution	1,553,184	524,739	217,196	483,923	2,779,042
Customers' accounting and collection	490,590	239,622	46,844	224,353	1,001,409
Administrative and general	2,501,099	768,048	350,128	641,410	4,260,685
Depreciation and amortization	2,208,286	490,153	625,215	646,853	3,970,507
Total operating expenses	24,969,404	3,400,632	1,672,677	2,696,454	32,739,167
Operating income	2,035,113	(387,771)	182,923	(11,923)	1,818,342
Non-operating revenue (expenses):					
Interest income	3	-	-	-	3
Interest expense	(48,186)	(38,670)	(62,181)	(63,692)	(212,729)
Amortization debt costs	(11,937)	(5,933)	(8,472)	(10,254)	(36,596)
Total non-operating revenue (expenses)	(60,120)	(44,603)	(70,653)	(73,946)	(249,322)
Net income-before capital contributions and transfers	1,974,993	(432,374)	112,270	(85,869)	1,569,020
Capital contributions	-	-	-	15,373	15,373
Transfers out	(906,677)	-	-	-	(906,677)
Change in net position	1,068,316	(432,374)	112,270	(70,496)	677,716
Net position:					
Beginning of year	29,077,314	9,197,905	11,886,959	12,126,874	62,289,052
End of year	\$ 30,145,630	\$ 8,765,531	\$ 11,999,229	\$ 12,056,378	\$ 62,966,768

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

Harriman Utility Board
Statements of Cash Flows
For the Year Ended June 30, 2023

	Electric	Gas	Sewer	Water	Totals
Cash flows from operating activities:					
Receipts from customers and users	\$ 31,313,343	\$ 3,572,794	\$ 1,930,559	\$ 2,997,135	\$ 39,813,831
Payments to suppliers and vendors	(24,596,145)	(2,525,438)	(866,243)	(2,102,151)	(30,089,976)
Payments to employees	(1,552,158)	(476,480)	(293,394)	(347,062)	(2,669,094)
Other receipts (payments)	(84,955)	(338,599)	(184,066)	(9,970)	(617,590)
Net cash provided (used in) by operating activities	5,080,086	232,277	586,856	537,952	6,437,171
Cash flows from capital and related financing activities:					
Acquisitions and construction of capital assets					
Additions to plant	(3,084,024)	(907,667)	(374,172)	(834,111)	(5,199,974)
Salvage value of plant retirements	194,205	-	-	-	194,205
Principal paid on revenue and revenue refunding bond maturities	-	-	(272,808)	(278,556)	(551,364)
Principal paid on notes payable and finance leases	(245,000)	(120,000)	-	-	(365,000)
Interest paid on bonds, notes and finance leases	(57,786)	(42,201)	(78,094)	(69,575)	(247,656)
Amortization of debt costs	(18,196)	(5,849)	(8,477)	(10,120)	(42,642)
Capital grants	-	-	275,139	42,996	318,135
Additional long term borrowings	-	-	-	-	-
Net cash provided for (used in) capital and related financing activities	(3,210,801)	(1,075,717)	(458,412)	(1,149,366)	(5,894,296)
Cash flows from noncapital financing activities:					
Transfer out	(783,312)	-	-	-	(783,312)
Net cash provided by (used in) noncapital financing activities	(783,312)	-	-	-	(783,312)
Cash flows from investing activities:					
Interest from cash management activities	86,510	7,814	-	-	94,324
Net cash provided by (used in) investing activities	86,510	7,814	-	-	94,324
Net increase (decrease) in cash and cash equivalents					
	1,172,483	(835,626)	128,444	(611,414)	(146,112)
Cash and cash equivalents at beginning of year	7,556,945	2,750,665	545,150	1,709,640	12,562,400
Cash and cash equivalents at end of year	\$ 8,729,428	\$ 1,915,039	\$ 673,594	\$ 1,098,226	\$ 12,416,288
Summary of cash and cash equivalents at end of year					
Cash - interest bearing	\$ 8,614,328	\$ 1,915,039	\$ 673,594	\$ 1,098,226	\$ 12,301,187
Restricted assets	115,100	-	-	-	115,100
Total	\$ 8,729,428	\$ 1,915,039	\$ 673,594	\$ 1,098,226	\$ 12,416,287
Cash flows from operating activities:					
Operating income	\$ 1,338,227	\$ 148,184	\$ 153,734	\$ (106,488)	\$ 1,533,657
Adjustments to reconcile net income to net cash provided by (used in) operating activities:					
Depreciation and amortization	2,176,663	420,839	629,579	671,243	3,898,324
Change in assets and liabilities:					
(Increase) decrease in accounts receivable	998,918	-	-	-	998,918
(Increase) decrease in inventories	(70,484)	(13,674)	(5,106)	(30,205)	(119,469)
Customers' deposits	(69,916)	(334,821)	(205,836)	(6,192)	(616,765)
(Increase) decrease in deferred outflows	37,132	9,265	6,179	9,266	61,842
Increase (decrease) in accounts payable	161,529	-	-	-	161,529
Increase (decrease) in accrued liabilities	759,364	17,017	17,003	11,951	805,335
Increase (decrease) in net pension liability	93,547	23,387	15,591	23,387	155,912
Increase (decrease) in customer deposits	(199,176)	(1,490)	-	1,420	(199,246)
Increase (decrease) in deferred inflows	(145,718)	(36,430)	(24,288)	(36,430)	(242,865)
Net cash provided by (used in) operating activities	\$ 5,080,086	\$ 232,277	\$ 586,856	\$ 537,952	\$ 6,437,171

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

Harriman Utility Board
Statements of Cash Flows
For the Year Ended June 30, 2022

	Electric	Gas	Sewer	Water	Totals
Cash flows from operating activities:					
Receipts from customers and users	\$ 26,201,136	\$ 3,012,861	\$ 1,855,600	\$ 2,684,531	\$ 33,754,128
Payments to suppliers and vendors	(19,818,029)	(2,468,840)	(815,366)	(1,691,924)	(24,794,159)
Payments to employees	(1,552,158)	(476,480)	(293,394)	(347,062)	(2,669,094)
Other receipts (payments)	(2,218,243)	743,080	(14,964)	1,141,155	(348,972)
Net cash provided (used in) by operating activities	2,612,706	810,621	731,876	1,786,700	5,941,903
Cash flows from capital and related financing activities:					
Acquisitions and construction of capital assets					
Additions to plant	(2,234,577)	(455,072)	(676,667)	(430,107)	\$ (3,796,423)
Salvage value of plant retirements	186,366	-	46,491	31,170	264,027
Principal paid on revenue and revenue refunding bond maturities					
	-	-	(276,764)	(277,632)	(554,396)
Principal paid on notes payable and finance leases					
	(235,000)	(120,000)	-	-	(355,000)
Interest paid on bonds, notes and finance leases					
	(48,186)	(38,670)	(62,181)	(63,692)	(212,729)
(Increase) decrease in unamortized debt expense					
	(11,937)	(5,933)	(8,472)	(10,254)	(36,596)
Capital grants					
	-	-	-	15,373	15,373
Additional long term borrowings					
	-	-	-	-	-
Net cash provided for (used in) capital and related financing activities	(2,343,334)	(619,675)	(977,593)	(735,142)	(4,675,744)
Cash flows from noncapital financing activities:					
Transfer out					
	(906,677)	-	-	-	(906,677)
Net cash provided by (used in) noncapital financing activities	(906,677)	-	-	-	(906,677)
Cash flows from investing activities:					
Interest from cash management activities					
	3	-	-	-	3
Net cash provided by (used in) investing activities	3	-	-	-	3
Net increase (decrease) in cash and cash equivalents					
	(637,302)	190,946	(245,717)	1,051,558	359,485
Cash and cash equivalents at beginning of year					
	8,194,247	2,559,719	790,867	658,082	12,202,915
Cash and cash equivalents at end of year					
	\$ 7,556,945	\$ 2,750,665	\$ 545,150	\$ 1,709,640	\$ 12,562,400
Summary of cash and cash equivalents at end of year					
Cash - non-interest bearing	\$ -	\$ -	\$ -	\$ -	\$ -
Cash - interest bearing	7,121,845	-	-	-	7,121,845
Restricted assets	435,100	2,750,665	545,150	1,709,640	5,440,555
Total	\$ 7,556,945	\$ 2,750,665	\$ 545,150	\$ 1,709,640	\$ 12,562,400
Cash flows from operating activities:					
Operating income	\$ 2,035,113	\$ (387,771)	\$ 182,923	\$ (11,923)	\$ 1,818,342
Adjustments to reconcile net income to net cash provided by (used in) operating activities:					
Depreciation and amortization	2,278,852	484,064	620,684	637,215	4,020,815
Change in assets and liabilities:					
(Increase) decrease in accounts receivable	(803,382)	-	-	-	(803,382)
Customers' deposits	(165,746)	1,739	(1,062)	(5,100)	(170,169)
(Increase) decrease in other assets	(2,100,820)	772,435	13	1,170,511	(157,861)
(Increase) decrease in deferred outflows	(974,456)	(243,615)	(162,409)	(243,615)	(1,624,095)
Increase (decrease) in accounts payable	652,425	-	-	-	652,425
Increase (decrease) in accrued liabilities	(50,608)	(34,206)	(51,112)	18,952	(116,974)
Increase (decrease) in net pension liability	884,591	221,148	147,432	221,148	1,474,319
Increase (decrease) in customer deposits	884,295	3,715	-	6,400	894,410
Increase (decrease) in deferred inflows	(27,558)	(6,888)	(4,593)	(6,888)	(45,927)
Net cash provided by (used in) operating activities	\$ 2,612,706	\$ 810,621	\$ 731,876	\$ 1,786,700	\$ 5,941,903

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

Harriman Utility Board
Statement of Fiduciary Net Position-Pension Trust Fund
For the Year Ended June 30, 2023

	<u>2023</u>	<u>2022</u>
<u>Assets</u>		
Cash & Cash Equivalents	\$ 1,719,203	\$ 1,214,639
Receivable: Investment	15,350	-
Fixed Income	1,998,686	2,194,462
Equities	<u>2,140,142</u>	<u>2,328,429</u>
Total Assets	<u>\$ 5,873,381</u>	<u>\$ 5,737,530</u>
<u>Net Position</u>		
Restricted for pension benefits	<u>\$ 5,873,381</u>	<u>\$ 5,737,530</u>

Harriman Utility Board
Statement of Changes in Fiduciary Net Position-Pension Trust Fund
For the Year Ended June 30, 2023

	<u>2023</u>	<u>2022</u>
<u>Additions</u>		
Employer contributions	\$ 750,000	\$ 734,071
Employee contributions	207,675	177,334
Net increase (decrease) in fair value of investments	<u>(175,323)</u>	<u>179,474</u>
Total Additions	<u>782,352</u>	<u>1,090,879</u>
<u>Deductions</u>		
Benefits	624,106	381,982
Administrative expenses	<u>22,395</u>	<u>22,353</u>
Total Deductions	<u>646,501</u>	<u>404,335</u>
Change in net position	135,851	686,544
Total net position restricted for pension benefits - beginning of year	<u>5,737,530</u>	<u>5,050,986</u>
Total net position restricted for pension benefits - end of year	<u>\$ 5,873,381</u>	<u>\$ 5,737,530</u>

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

Harriman Utility Board
Notes to Financial Statements
June 30, 2023

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

General

The Harriman Utility Board ("the Board") is made up of four self-supporting enterprise funds of the City of Harriman, Tennessee ("the City"). An enterprise fund is used to account for the financing of services to the general public on a continuing basis with costs recovered primarily through user charges. The Board is managed and controlled by a Board of Electric Light and Waterworks Commissioners who are appointed for four-year terms by the mayor and aldermen of the City. The Board manages, operates, and maintains the electric utility servicing the citizens of the City and surrounding areas. The Board issues an annual comprehensive financial report, which is combined with other proprietary funds in the City's comprehensive annual financial report.

The Board manages office space, employees and certain other general and administrative functions for the Electric, Gas, Water, and Sewer Departments. Expenses are allocated to the four Departments based on direct or estimated usage.

The accounting and reporting policies of the Board included in the accompanying financial statements conform to accounting principles generally accepted in the United States of America that are applicable to state and local governments. Accounting principles generally accepted in the United States of America for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board (when applicable). The more significant accounting policies of the Board are described below.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Measurement focus is a term used to describe which transactions are recorded in the financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied. The accompanying financial statements of the Board are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Basis of Presentation

The accounts of the Board are an enterprise fund. An enterprise fund is a proprietary type fund used to account for operations 1) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or 2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating and Non-Operating Revenues and Expenses

Operating revenues and expenses consist of those revenue and expenses that result from ongoing principal operations. Non-operating revenues and expenses are defined as revenues and expenses from non-exchange transactions or ancillary activities. This includes interest income. When an expense is incurred for the purposes for which there are both restricted and unrestricted net position available, the Board's policy is to apply those expenses to restricted net position to the extent such are available and then to unrestricted net position.

Fiscal Year-End

The Board operates on a fiscal year ending on June 30. All references in these notes refer to the fiscal year-end unless otherwise specified.

Cash and Cash Equivalents

The Board considers all demand deposits and short-term, highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

At June 30, 2023 and 2022, the Board's deposits in financial institutions were entirely insured or collateralized with securities held by the Board's agent in the Board's name.

Investments

Investments are recorded at fair value as determined by quoted market prices at the balance sheet date. The Board has not formally adopted an investment policy and places no limit on the amount that may be invested in any one issuer. State statutes authorize the Board to invest in certificates of deposit, U.S. Treasury Obligations, U.S. Agency Issues, and the State local government investment pool. As of June 30, 2023 and 2022, the Board did not have any of these types of investments.

Income Taxes

Whereas the Board is a fund of the City, a nontaxable entity, no provision for income taxes is reflected in the accompanying financial statements.

Materials and Supplies Inventories

Materials and supplies inventories are valued at the lower of cost or market, utilizing the moving average method of determining cost.

Plant and Equipment

Plant and equipment are carried at historical cost, including applicable general and administrative costs and payroll related costs such as pensions, taxes and other employee benefits. All material renewals and betterments are capitalized in accordance with the Board's capitalization policy. The policy is to capitalize items of \$500 or greater. When property is retired or otherwise disposed of, its average cost, together with its cost of removal less salvage, is charged to accumulated depreciation; no gain or loss is recognized.

Plant and equipment are depreciated using the straight-line method of depreciation, which will amortize costs over the estimated useful lives of the assets. The estimated useful lives of plant and equipment are as follows:

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Transmission equipment, fixtures, and devices	40 to 50 years
Distribution transformers, meters, fixtures, and devices	15 to 50 years
Buildings and improvements	50 years
Furniture, fixtures, and equipment	5 to 25 years

The provision for depreciation does not include depreciation on transportation equipment. Those amounts are reported as operating expenses totaling \$441,536 in 2023 and \$474,354 in 2022, in the Statements of Revenues, Expenses and Changes in Net Position. The cost of maintenance and repairs is charged to expense as incurred.

Compensated Absences - The Board recognizes the cost of vacation pay as it is earned. Sick pay benefits, which accumulate to a maximum of 200 days and vest, are recognized when paid. All vacation pay has been accrued and is reflected in the noncurrent liabilities section of the financial statements.

Reclassifications - Certain amounts reported in prior years' financial statements have been reclassified to conform to the classification used in the most recent year.

Revenue Recognition - The Board utilizes a cycle billing method to bill customers. In order to properly match revenues with related costs, unbilled customer revenues are recorded at the end of each year.

Unbilled Revenue - These revenues represent the estimated amount of accounts receivable for services that have not been billed as of the statement of net position date. The amounts are a result of a timing difference between the end of the financial statement cycle (month end) and the billing cycle (various dates within the month for each billing period).

Allowance for Doubtful Accounts - An allowance is maintained for doubtful accounts during the fiscal year. The allowance is adjusted at year end to reflect the current year bad debt expense. Residential operating revenue is netted with bad debt expense for the electric and gas departments; operating revenue is netted with bad debt expense for the sewer and water departments. Since customer receivables are all collected in the electric department, the Board allocates a bad debt expense to the other departments. The bad debt expense in 2023 for electric, gas, sewer, and water are \$37,103, \$4,425, \$10,686, and \$10,063, respectively.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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 Board's participation in the Harriman Utility Board Retirement Plan, and additions to/deductions from the Board's fiduciary net position have been determined on the same basis as they are reported by the Harriman Utility Board Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Harriman Utility Board Retirement Plan. Investments are reported at fair value.

NOTE 2 - POWER CONTRACT

The Electric Department has a power contract with the Tennessee Valley Authority (TVA) whereby the Department purchases all of its electric power from TVA and is subject to certain restrictions and conditions as provided in the contract. The contract with TVA has been extended.

NOTE 3 - RETIREMENT PLAN

Plan Description - Harriman Utility Board is the administrator of a single-employer defined benefit retirement plan.

Measurement Period – The measurement period is April 1, 2022, to March 31, 2023.

Benefits Provided - Employees who retire at age 65 or at age 60 with 35 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 56% of a participant's average monthly earnings reduced proportionately, for each year of credited service less than 15 years. These benefit provisions and all other requirements are established by state statute. All full-time Utility employees, who meet minimum age and length of service requirements, are eligible to participate in the plan. A variety of death benefits are available under various eligibility criteria.

Employees Covered by Benefit Terms - At the measurement date of March 31, 2023, the following employees were covered by the benefit terms:

Inactive Plan Participants:

Retirees and Beneficiaries Currently Receiving Benefits	1
Terminated Employees Entitled to Deferred Benefits	8

Active Plan Participants:

Vested (Fully and Partially)	52
Nonvested	18

Total Membership	<u>79</u>
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Contributions - Utility employees are required to contribute 3% of salary if hired before April 1, 2009, and 5% of their annual salary to the plan if hired on April 1, 2009, or thereafter. The Utility is required to contribute the remaining amounts necessary to fund the plan using the actuarial basis specified by statute. For the year ended June 30, 2023, employer's contributions for the Utility were \$750,000 based on a rate of 13.50% of covered payroll. The employers actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability. The Utility's net pension liability (asset) was measured as of March 31, 2023, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions - The total pension liability as of the March 31, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Salary increases	2% per year
Investment rate of return	6.75%, net of pension plan investment expenses

Pre-retirement mortality is based on the Pri-2012 Mortality Table with fully generational mortality projection using the MP-2020 projection scale. Post-Retirement mortality and Lump Sum mortality is based on the current year's 417(e) Lump Sum Mortality Table Published by the IRS for participants hired before April 1, 2009; post-retirement mortality is based on the Pri-2012 Mortality Table with fully generational mortality projection using the MP-2020 projection scale for participants hired on or after April 1, 2009.

Discount Rate - Pre-retirement: 7.00% per annum; post-retirement: 5.00% per annum (7.00% for participants hired on or after April 1, 2009). Paragraph 43 of Statement No. 67 provides for an alternative method to be used other than the projection of the pension plan's fiduciary net position based on projected contributions, benefit payments and investment earnings. The annual recommended contribution is based on the Entry Age Normal Funding Method where the contribution is equal to the normal cost plus the 20-year closed amortization of the unfunded liabilities. Harriman Utility Board adopted a funding policy as required by recent State of Tennessee legislation. The funding policy states that the Board will contribute at least the actuarially determined contribution as described in the funding policy. Based on actuarial theory if the actuarial experience is within reasonable expectations, and the Board makes at least the actuarially determined contribution, the plan's fiduciary net position will remain positive.

NOTE 3 - RETIREMENT PLAN (CONTINUED)

	Increase(Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	a	b	a-b
Balances as 6/30/2022	\$ 9,938,679	\$ 5,051,081	\$ 4,887,598
Changes for the year:			
Service Cost	374,349		374,349
Interest	708,222		708,222
Change Of Assumption	295,454		295,454
Difference Between Actual and Expected	113,745	24,510	(24,510)
Contributions-Employer		750,000	(750,000)
Contributions-Employee		211,574	(211,574)
Net Investment Income		372,200	(372,200)
Benefit Payments	(397,858)	(397,858)	-
Administrative Expenses		(22,426)	22,426
Net Changes	<u>1,093,912</u>	<u>938,000</u>	<u>155,912</u>
Balances as 6/30/2023	<u>\$ 11,032,591</u>	<u>\$ 5,989,081</u>	<u>\$ 5,043,510</u>

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

	1% Decrease 5.75%	Current Rate 6.75%	1% Increase 7.75%
Net Pension Liability	<u>\$ 7,125,560</u>	<u>\$ 5,043,510</u>	<u>\$ 3,414,951</u>

Pension Expense - For the year ended June 30, 2023, the Utility recognized pension expense of \$750,000.

Deferred outflows of resources and deferred inflows of resources - For the year ended June 30, 2023, the Utility reported deferred outflows of resources related to pensions from the following sources, the period from March 31, 2022 to June 30, 2023:

	Deferred Outflow of Resources	Deferred Inflow of Resources	Net
Differences between expected and actual experience	\$ 2,273,522	\$ (531,016)	\$ 1,742,506
Changes of assumptions	272,727	(1,292,170)	(1,019,443)
Net difference between projected and actual earnings on pension C plan investments	522,947	(188,077)	334,870
Total	<u>\$ 3,069,196</u>	<u>\$ (2,011,263)</u>	<u>\$ 1,057,933</u>

NOTE 3 - RETIREMENT PLAN (CONTINUED)

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	Outflows	Inflows	Net
2024	\$ 462,196	\$ (267,374)	\$ 194,822
2025	414,660	(267,377)	147,283
2026	414,664	(183,141)	231,523
2027	256,191	(183,141)	73,050
2028 and thereafter	1,521,485	(1,110,230)	411,255
Total	<u>\$ 3,069,196</u>	<u>\$ (2,011,263)</u>	<u>\$ 1,057,933</u>

NOTE 4 – FAIR VALUE OF INVESTMENTS

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

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The following table summarizes the assets and liabilities of the Proprietary Fund and Pension Trust Fund for which fair values are determined on a recurring basis as of March 31, 2023 and 2022:

NOTE 4 – FAIR VALUE OF INVESTMENTS (CONTINUED)

	Fair Value Measurements Using			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<u>March 31, 2023</u>				
<u>Pension Trust Fund</u>				
Cash and Cash Equivalents	\$ 1,734,553	\$ -	\$ -	\$ 1,734,553
Fixed Income	1,998,686	-	-	1,998,686
Equities	-	2,140,142	-	2,140,142
Total Investments, at Fair Value	<u>\$ 3,733,239</u>	<u>\$ 2,140,142</u>	<u>\$ -</u>	<u>\$ 5,873,381</u>
<u>March 31, 2022</u>				
<u>Pension Trust Fund</u>				
Cash and Cash Equivalents	\$ 1,214,639	\$ -	\$ -	\$ 1,214,639
Fixed Income	2,194,462	-	-	2,194,462
Equities	-	2,328,429	-	2,328,429
Total Investments, at Fair Value	<u>\$ 3,409,101</u>	<u>\$ 2,328,429</u>	<u>\$ -</u>	<u>\$ 5,737,530</u>

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

NOTE 5 - CONCENTRATION OF CREDIT RISK

Harriman Utility Board provides electric, water, sewer, and gas utility services to the City of Harriman and portions of Roane County and Morgan County. The Utility grants credit to its customers, substantially all of whom are local businesses and residents, and requires payment generally within 15 days of billing. A significant portion of operations is attributable to a relatively small number of industrial plants in Roane County.

NOTE 6 – LONG-TERM DEBT

The Harriman Utility Board (through the City of Harriman) issued general obligation bonds 2021A and 2021B for (a) the acquisition of land and the construction, renovation, extension and equipping of site improvements, facilities and equipment for the electric system; (b) the acquisition of land and the construction, renovation, extension and equipping of site improvements, facilities and equipment for gas, water and sewer systems; (c) the acquisition of all property, real and personal, appurtenant to the foregoing; (d) the conversion to bonds of the General Obligation Capital Outlay Note, Series 2017B, the General Obligation Capital Outlay Note, Series 2018, and the Series VII-H-1. The issuance was dated April 2021 for the 2021A and June 2021 for the 2021B.

NOTE 6 – LONG-TERM DEBT (CONTINUED)

The Harriman Utility Board applied for and obtained funding from the State Revolving Fund, CGO 2011-269 for sewer rehabilitation and DWO 2011-109 for water loss monitoring and repair. Both loans are 80% state funding and 20% forgivable funding. Interest is paid on these loans monthly.

A summary of long-term debt is as follows:

	<u>As Of</u> <u>July 1, 2022</u>	<u>Additions</u> <u>During Period</u>	<u>Retirements</u> <u>During Period</u>	<u>As Of</u> <u>June 30, 2023</u>	<u>Due in</u> <u>One Year</u>
Bonds payable:					
General Obligation Bonds Series 2021A					
\$9,525,000 dated April 2021, payable in varying amounts from \$400,000 to \$570,000, interest rates varying from 1.10% to 3.00%. Maturing in 2040.	\$ 8,540,000	\$ -	\$ 570,000	\$ 7,970,000	\$ 570,000
General Obligation Bonds Series 2021B					
\$4,150,000 dated June 2021, payable in varying amounts from \$195,000 to \$210,000, interest rates varying from 1.75% to 3.00%. Maturing in 2041.	3,955,000	-	200,000	3,755,000	200,000
Total bonds payable	<u>\$ 12,495,000</u>	<u>\$ -</u>	<u>\$ 770,000</u>	<u>\$ 11,725,000</u>	<u>\$ 770,000</u>
Unamortized Premium	<u>\$ 651,593</u>	<u>\$ -</u>	<u>\$ 42,642</u>	<u>\$ 608,951</u>	<u>\$ 42,642</u>
Other loans:					
State Revolving Loan					
\$1,600,000 dated September 6, 2011, interest rate 1.35% during both the draw period and permanent repayment period. Principal repayment began when 90% of loan balance was drawn. (Sewer)	\$ 1,036,016	\$ -	\$ 77,808	\$ 958,208	\$ 78,864
\$1,440,000 dated September 6, 2011, interest rate 1.35% during both the draw period and permanent repayment period. Principal repayment began when 90% of loan balance was drawn. (Water)	1,008,317	-	68,556	939,761	69,480
Total other loans	<u>\$ 2,044,333</u>	<u>\$ -</u>	<u>\$ 146,364</u>	<u>\$ 1,897,969</u>	<u>\$ 148,344</u>

The annual requirements to amortize the Board's long-term debt outstanding as of June 30, 2023, are as follows:

June 30,	<u>Electric Department</u>		<u>Gas Department</u>	
	<u>2021A General Obligation Bonds</u>		<u>2021A General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 140,000	\$ 26,195	\$ 85,000	\$ 28,500
2025	140,000	21,995	85,000	25,950
2026	135,000	17,795	85,000	23,400
2027	135,000	13,745	85,000	20,850
Thereafter	415,000	16,935	1,050,000	117,970
Total	<u>\$ 965,000</u>	<u>\$ 96,665</u>	<u>\$ 1,390,000</u>	<u>\$ 216,670</u>

NOTE 6 – LONG-TERM DEBT (CONTINUED)

Water Department		Sewer Department	
2021A General Obligation Bonds		2021A General Obligation Bonds	
Principal	Interest	Principal	Interest
\$ 150,000	\$ 47,870	\$ 195,000	\$ 67,685
150,000	43,370	195,000	61,835
155,000	38,870	195,000	55,985
155,000	34,220	195,000	50,135
1,665,000	181,950	2,560,000	290,994
<u>\$ 2,275,000</u>	<u>\$ 346,280</u>	<u>\$ 3,340,000</u>	<u>\$ 526,634</u>

June 30,	Electric Department		Gas Department		Water Department	
	2021B General Obligation Bonds		2021B General Obligation Bonds		2021B General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 105,000	\$ 43,050	\$ 35,000	\$ 16,250	\$ 60,000	\$ 26,050
2025	105,000	39,900	40,000	15,200	60,000	24,250
2026	105,000	36,750	40,000	14,000	60,000	22,450
2027	105,000	33,600	40,000	12,800	60,000	20,650
Thereafter	1,470,000	215,775	560,000	82,200	910,000	133,575
Total	<u>\$ 1,890,000</u>	<u>\$ 369,075</u>	<u>\$ 715,000</u>	<u>\$ 140,450</u>	<u>\$ 1,150,000</u>	<u>\$ 226,975</u>

June 30,	Sewer Department		Water Department	
	State Revolving Loan GCO 2011-269		State Revolving Loan GCO 2011-109	
	Principal	Interest	Principal	Interest
2024	\$ 78,864	\$ 12,468	\$ 69,480	\$ 12,264
2025	79,944	11,388	70,428	11,316
2026	81,024	10,308	71,388	10,356
2027	82,128	9,204	72,360	9,384
Thereafter	636,248	32,411	656,105	38,738
Total	<u>\$ 958,208</u>	<u>\$ 75,779</u>	<u>\$ 939,761</u>	<u>\$ 82,058</u>

Customers deposits

NOTE 7 – CAPITAL ASSETS

The following is a schedule of changes in major classes of the Electric Department for the year ended June 30, 2023:

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance</u> <u>June 30, 2023</u>	<u>Depreciation</u> <u>Expense</u>
Distribution plant:					
Capital assets not being depreciated:					
Land and land rights	\$ 710,689	\$ -	\$ -	\$ 710,689	\$ -
Capital assets being depreciated:					
Structure and improvements	678,743	-	-	678,743	19,534
Station equipment	7,425,169	-	-	7,425,169	213,699
Poles, towers and fixtures	19,483,767	215,936	78,772	19,620,931	564,697
Overhead conductors and devices	7,847,813	954,955	14,473	8,788,296	252,930
Underground conduit	500,251	112,718	197	612,772	17,636
Underground conduit and devices	2,044,215	118,141	1,336	2,161,020	62,195
Line transformers	10,588,055	454,317	38,691	11,003,681	316,689
Services	5,881,885	121,552	29,398	5,974,040	171,935
Meters	1,080,935	-	-	1,080,935	31,110
Installations on customers' premises	4,889,519	12,846	4,220	4,898,145	140,970
Street lighting and signal systems	1,877,474	-	-	1,877,474	54,034
Total distribution plant	63,008,515	1,990,466	167,087	64,831,895	1,845,429
General plant:					
Structure and improvements	2,947,502	13,059	-	2,960,561	85,206
Office furniture and equipment	1,139,631	103,002	-	1,242,633	35,763
Transportation equipment	3,273,004	248,286	-	3,521,290	101,344
Shop equipment	159,842	-	-	159,842	4,600
Laboratory equipment	23,526	-	-	23,526	677
Communication equipment	592,385	11,493	-	603,878	17,380
Miscellaneous equipment	2,851,591	145,737	-	2,997,328	86,264
Total general plant	10,987,481	521,577	-	11,509,058	331,234
Plant purchased but not classified	48,000	-	-	48,000	-
Total electric plant in service	74,043,996	2,512,044	167,087	76,388,953	-
Construction in progress	909,287	658,066	27,118	1,540,235	-
Total electric capital assets	74,953,283	3,170,110	194,205	77,929,188	-
Less - accumulated depreciation	43,957,673	2,551,146	288,397	46,220,422	-
Total electric capital assets - net	\$ 30,995,610	\$ 618,964	\$ (94,192)	\$ 31,708,766	\$ 2,176,663

NOTE 7 – CAPITAL ASSETS (CONTINUED)

The following is a schedule of changes in major classes of the Electric Department for the year ended June 30, 2022:

	<u>Balance</u> <u>July 1, 2021</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance</u> <u>June 30, 2022</u>	<u>Depreciation</u> <u>Expense</u>
Distribution plant:					
Capital assets not being depreciated:					
Land and land rights	\$ 710,689	\$ -	\$ -	\$ 710,689	\$ -
Capital assets being depreciated:					
(Structure and improvements	678,743	-	-	678,743	20,452
Station equipment	7,425,169	-	-	7,425,169	223,741
Poles, towers and fixtures	19,360,918	164,628	41,779	19,483,767	587,099
Overhead conductors and devices	7,783,164	76,047	11,398	7,847,813	236,476
Underground conduit	500,610	-	359	500,251	15,074
Underground conduit and devices	1,758,725	286,857	1,367	2,044,215	61,598
Line transformers	10,009,775	583,691	5,411	10,588,055	319,047
Services	5,819,955	53,026	21,097	5,881,885	177,237
Meters	1,080,935	-	-	1,080,935	32,572
Installations on customers' premises	4,875,958	17,877	4,316	4,889,519	147,335
Street lighting and signal systems	1,877,474	-	-	1,877,474	56,573
Total distribution plant	61,882,115	1,182,126	85,727	63,008,515	1,877,204
General plant:					
Structure and improvements	2,947,502	-	-	2,947,502	88,816
Office furniture and equipment	1,071,817	67,814	-	1,139,631	34,340
Transportation equipment	3,188,254	165,720	-	3,273,004	98,625
Shop equipment	159,842	-	-	159,842	4,816
Laboratory equipment	23,526	-	-	23,526	709
Communication equipment	597,385	-	-	592,385	17,850
Miscellaneous equipment	2,841,101	10,489	-	2,851,591	85,926
Total general plant	10,829,427	244,023	-	10,987,481	331,082
Plant purchased but not classified	48,000	-	-	48,000	
Total electric plant in service	72,754,543	1,456,149	166,697	74,043,996	
Construction in progress	150,528	778,728	19,669	909,287	
Total electric capital assets	72,905,071	2,234,577	186,366	74,953,283	
Less - accumulated depreciation	41,659,190	2,572,993	274,510	43,957,671	
Total electric capital assets - net	\$ 31,245,881	\$ (338,416)	\$ (88,144)	\$ 30,995,612	\$ 2,208,286

NOTE 7 – CAPITAL ASSETS (CONTINUED)

The following is a schedule of changes in major classes of the Gas Department for the year ended June 30, 2023 and 2022:

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance</u> <u>June 30, 2023</u>	<u>Depreciation</u> <u>Expense</u>
Gas plant in service:					
Transmission and distribution plant	\$ 12,375,739	\$ 291,861	\$ -	\$ 12,667,600	\$ 318,283
General plant - transportation and equipment	3,826,023	255,684	-	4,081,707	102,556
Total gas plant	16,201,762	547,545	-	16,749,307	
Construction in progress	130,948	448,781	-	579,729	
Total gas capital assets	16,332,710	996,326	-	17,329,036	
Less - accumulated depreciation	7,259,888	509,499	-	7,769,387	
Total gas plant - net	<u>\$ 9,072,822</u>	<u>\$ 486,827</u>	<u>\$ -</u>	<u>\$ 9,559,649</u>	<u>\$ 420,839</u>

	<u>Balance</u> <u>July 1, 2021</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance</u> <u>June 30, 2022</u>	<u>Depreciation</u> <u>Expense</u>
Gas plant in service:					
Transmission and distribution plant	\$ 12,194,851	\$ 180,888	\$ -	\$ 12,375,739	\$ 312,835
General plant - transportation and equipment	3,646,530	179,493	-	3,826,023	96,715
Total gas plant	15,841,382	360,381	-	16,201,762	
Construction in progress	36,257	94,691	-	130,948	
Total gas capital assets	15,877,638	455,072	363,714	16,332,710	
Less - accumulated depreciation	6,770,009	489,879	-	7,259,888	
Total gas plant - net	<u>\$ 9,107,630</u>	<u>\$ (34,807)</u>	<u>\$ 363,714</u>	<u>\$ 9,072,822</u>	<u>\$ 409,550</u>

NOTE 7 – CAPITAL ASSETS (CONTINUED)

The following is a schedule of changes in major classes of the Sewer Department for the year ended June 30, 2023 and 2022:

	Balance July 1, 2022	Additions	Dispositions	Balance June 30, 2023	Depreciation Expense
Sewer plant in service:					
Treatment plant	\$ 12,624,004	\$ 57,406	\$ -	\$ 12,681,410	\$ 260,056
Lines and service	16,875,492	183,075	-	17,058,567	349,818
General plant - transportation and equipment	947,357	24,213	-	971,570	19,924
Total sewer plant	30,446,853	264,694	-	30,711,547	
Construction in progress	-	117,859	-	117,859	
Total sewer capital assets	30,446,853	382,553	-	30,829,406	
Less - accumulated depreciation	14,046,394	637,964	-	14,684,358	
Total sewer plant - net	<u>\$ 16,400,459</u>	<u>\$ (255,411)</u>	<u>\$ -</u>	<u>\$ 16,145,048</u>	<u>\$ 629,798</u>

	Balance July 1, 2021	Additions	Dispositions	Balance June 30, 2022	Depreciation Expense
Sewer plant in service:					
Treatment plant	\$ 12,213,230	\$ 410,773	\$ -	\$ 12,324,004	\$ 254,045
Lines and service	16,640,946	23,546	-	16,875,492	341,732
General plant - transportation and equipment	916,011	31,346	-	947,357	19,463
Total sewer plant	29,770,187	676,666	-	30,446,853	
Construction in progress	46,491	-	46,491	-	
Total sewer capital assets	29,816,678	667,666	46,491	30,446,853	
Less - accumulated depreciation	13,417,327	623,067	-	14,046,394	
Total sewer plant - net	<u>\$ 16,399,351</u>	<u>\$ 47,599</u>	<u>\$ 49,491</u>	<u>\$ 16,400,459</u>	<u>\$ 615,241</u>

NOTE 7 – CAPITAL ASSETS (CONTINUED)

The following is a schedule of changes in major classes of the Water Department for the year ended June 30, 2023 and 2022:

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance</u> <u>June 30, 2023</u>	<u>Depreciation</u> <u>Expense</u>
Water plant in service:					
Source and supply intake and pumping equipment	\$ 914,585	\$ 3,200	\$ -	\$ 917,785	\$ 20,379
Treatment plant	1,877,968	2,946	-	1,880,914	41,765
Transmission and distribution plant	22,583,214	44,507	-	22,627,721	502,441
General plant - transportation and equipment	3,156,517	192,149	-	3,348,666	74,356
Total water plant	28,532,284	242,802	-	28,775,086	
Construction in progress	103,099	601,373	-	704,472	
Total water capital assets	28,635,383	844,175	-	29,479,558	
Less - accumulated depreciation	12,931,212	681,306	-	13,612,518	
Total water plant - net	<u>\$ 15,704,171</u>	<u>\$ 162,869</u>	<u>\$ -</u>	<u>\$ 15,867,040</u>	<u>\$ 638,941</u>

	<u>Balance</u> <u>July 1, 2021</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance</u> <u>June 30, 2022</u>	<u>Depreciation</u> <u>Expense</u>
Water plant in service:					
Source and supply intake and pumping equipment	\$ 895,274	\$ 19,310	\$ -	\$ 914,585	\$ 20,151
Treatment plant	1,874,970	2,998	-	1,877,968	41,297
Transmission and distribution plant	22,321,960	261,255	-	22,583,214	496,814
General plant - transportation and equipment	3,144,239	12,278	-	3,156,517	73,523
Total water plant	28,236,443	295,841	-	28,532,284	
Construction in progress	-	134,266	31,167	103,099	
Total water capital assets	28,236,443	430,107	31,167	28,635,383	
Less - accumulated depreciation	12,283,933	647,279	-	12,931,212	
Total water plant - net	<u>\$ 15,952,510</u>	<u>\$ (217,172)</u>	<u>\$ 31,167</u>	<u>\$ 15,704,171</u>	<u>\$ 631,786</u>

NOTE 8 - TENNESSEE VALLEY AUTHORITY HOME INSULATION PROGRAM

The Electric Department participated in Tennessee Valley Authority's (TVA) Home Insulation Program, which provided non-interest-bearing loans to the Electric Department's customers for insulation costs. Although TVA has discontinued this program, the Electric Department continues to collect payments on outstanding loans, which are forwarded to TVA. The Electric Department is currently participating in TVA's Heat Pump Program and Revised Home Insulation Program, which provides interest-bearing loans to the Electric Department's customers for heat pump and insulation costs.

NOTE 9 - LEASE COMMITMENTS

The Electric Department leases certain facilities used in its operations from Tennessee Valley Authority. The facilities rental charges are based on delivery of bulk transmission voltage. Rental charges under the terms of this contract amounted to \$22,614 in 2023 and \$19,608 for 2022. There are no future minimum payments for facilities leased under the terms of this contract.

Certain short-term arrangements provide for the Department's joint utilization of other local utilities' facilities. Similar arrangements provide for the joint use of the Department's facilities by other utilities. Rental revenue under the terms of these arrangements amounted to \$563,226 in 2023 and \$542,392 in 2022. Rental expenses applicable to such arrangements amounted to \$107,824 in 2023 and \$112,218 in 2022.

NOTE 10 - POSTRETIREMENT HEALTHCARE BENEFITS

HUB currently offers insurance to retirees. The minimum qualification for retirement with HUB is 10 years of service and the age of 55. The insurance offered to retirees is not a defined benefit and is not found anywhere in the employee policy manual. The benefit is determined by the board each year when approving insurance renewal. Retirees currently pay 40% of the total premium. A retiree must maintain continuous coverage with HUB from the time they retire to continue to be eligible for the benefit. There were 37 participants at the end of the fiscal year. Benefits relating to these retirees are expensed when paid and totaled the following for each department:

	<u>Year Ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
Electric	\$ 75,953	\$ 75,006
Gas	14,181	13,003
Water	9,625	9,822
Sewer	12,290	13,584
Total	<u>\$ 112,049</u>	<u>\$ 111,415</u>

NOTE 11 - RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft of damage to and destruction of assets; errors and omissions; natural disasters; and injuries of employees for which the Board carries commercial insurance purchased from independent third parties. The Board has not experienced an insurance settlement in excess of insurance coverage in any of the past three fiscal years. The Board bears the risk of loss up to the deductible amounts.

NOTE 12 - FINANCIAL REPORTING ENTITY

The financial statements in this report are those of the four departments of the Harriman Utility Board and are not intended to represent the financial position of the City of Harriman, Tennessee. The Harriman Utility Board is a division of the City of Harriman, Tennessee and is shown as such in the Annual Comprehensive Financial Report for the City of Harriman, Tennessee.

NOTE 13 – INTERFUND TRANSACTIONS

Interfund receivables and payables consisted of the following as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Electric Department		
Due from Gas Department	\$ -	\$ -
Due from Sewer Department	-	-
Due from Water Department	-	-
Due to Gas Department	(126,881)	151,328
Due to Sewer Department	(157,650)	(128,417)
Due to Water Department	(279,521)	(188,061)
	<u>\$ (564,052)</u>	<u>\$ (165,150)</u>
Gas Department		
Due to Electric Department	\$ -	\$ -
Due from Electric Department	126,881	(151,328)
	<u>\$ 126,881</u>	<u>\$ (151,328)</u>
Sewer Department		
Due to Electric Department	\$ -	\$ -
Due from Water Department	89,450	89,450
Due from Electric Department	157,650	128,417
	<u>\$ 247,100</u>	<u>\$ 217,867</u>
Water Department		
Due to Electric Department	\$ -	\$ -
Due to Sewer Department	(89,450)	(89,450)
Due from Electric Department	279,521	188,061
Due from Sewer Department	-	-
	<u>\$ 190,071</u>	<u>\$ 98,611</u>

These balances resulted from the time lag between dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated events and transactions occurring subsequent to the balance sheet of June 30, 2023, for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through December 20, 2023, the date these financial statements were available to be issued.

NOTE 15 – NET POSITION

GASB Statement No. 63 requires the classification of net position into three components – net investment in capital assets; net position-restricted; and net position-unrestricted. These classifications are defined as follows:

Net investment in capital assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Net position-restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

Net position-unrestricted – This component of net position consists of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

	Electric Department	Gas Department	Sewer Department	Water Department
Net investment in capital assets consists of the following:				
Net capital assets	\$ 31,708,766	\$9,559,649	\$ 16,145,049	\$ 15,867,040
Less related liabilities:				
Current portion of long term debt	245,000	120,000	273,804	279,480
Long term debt, less current portion	2,799,538	2,086,165	4,167,891	4,260,042
Total related liabilities	3,044,538	2,206,165	4,441,695	4,539,522
Net investment in capital assets	<u>\$ 28,664,228</u>	<u>\$7,353,484</u>	<u>\$ 11,703,354</u>	<u>\$ 11,327,518</u>

Unrestricted net position consists of all other items in the balance sheets not reflected above.

NOTE 16 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES OTHER THAN PENSIONS

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows (inflows) of resources. This separate financial statement element, Deferred Outflows (Inflows) of Resources, represents a consumption (acquisition) of net position that applies to a future period and so will not be recognized as an expense (revenue) until then.

REQUIRED SUPPLEMENTARY INFORMATION

Harriman Utility Board
Schedule of Changes In Net Pension Liability and Related Ratios
For the Year Ended June 30, 2023

Total pension liability	2022/2023	2021/2022	2020/2021	2019/2020	2018/2019	2017/2018	2016/2017	2015/2016	2014/2015
Service cost	\$ 374,349	\$ 418,269	\$ 419,601	\$ 409,169	\$ 389,943	\$ 392,299	\$ 366,690	\$ 435,317	\$ 444,451
Interest	708,222	612,773	700,968	723,706	715,090	682,324	703,263	803,018	815,021
Differences between actual & expected experience	113,745	1,284,942	(209,067)	(402,359)	104,574	988,208	813,675	(142,672)	(32,300)
Changes of assumptions	295,454	(216,546)	(1,137,540)	-	-	-	-	(413,038)	-
Benefit payments, including refunds of employee contributions	(397,858)	(976,280)	(1,086,964)	(1,045,283)	(1,183,891)	(2,000,899)	(2,415,831)	(1,662,100)	(1,117,061)
Net change in total pension liability	\$ 1,093,912	\$ 1,123,158	\$(1,313,002)	\$ (314,767)	\$ 25,716	\$ 61,932	\$(532,303)	\$ (979,475)	\$ 110,144
Total pension liability-beginning	9,938,679	8,815,521	10,128,524	10,443,291	10,417,575	10,355,643	10,887,946	11,867,421	11,757,277
Total pension liability-ending (a)	\$ 11,032,591	\$ 9,938,679	\$ 8,815,522	\$ 10,128,524	\$ 10,443,291	\$ 10,417,575	\$ 10,355,643	\$ 10,887,946	\$ 11,867,421
Plan fiduciary net position									
Contributions-employer	\$ 750,000	\$ 845,765	\$ 761,792	\$ 748,202	\$ 730,000	\$ 730,000	\$ 730,000	\$ 730,000	\$ 720,000
Contributions-employee	211,574	214,072	176,546	192,060	173,608	159,690	151,507	130,714	107,500
Net investment income	396,710	(412,095)	752,695	97,355	285,953	291,188	526,965	210,213	318,710
Benefit payments, including refunds of employee contributions	(397,858)	(976,280)	(1,086,964)	(1,045,283)	(1,183,891)	(2,000,899)	(2,415,831)	(1,662,100)	(1,117,061)
Administrative expense	(22,426)	(22,623)	(21,604)	(20,212)	(20,455)	(22,824)	(25,030)	(24,977)	(26,461)
Net change in plan fiduciary net position	\$ 938,000	\$ (351,161)	\$ 582,465	\$ (27,878)	\$ (14,785)	\$ (842,845)	\$(1,032,389)	\$ (616,150)	\$ 2,660
Plan fiduciary net position-beginning	5,051,081	5,402,242	4,819,777	4,847,654	4,862,439	5,705,284	6,737,673	7,353,823	7,351,163
Plan fiduciary net position-ending (b)	\$ 5,989,081	\$ 5,051,081	\$ 5,402,242	\$ 4,819,776	\$ 4,847,654	\$ 4,862,439	\$ 5,705,284	\$ 6,737,673	\$ 7,353,823
Net Pension Liability (asset)-ending (a) - (b)	\$ 5,043,510	\$ 4,887,598	\$ 3,413,280	\$ 5,308,748	\$ 5,595,637	\$ 5,555,136	\$ 4,650,359	\$ 4,150,273	\$ 4,513,598
Plan fiduciary net position as a percentage of total pension liability	54.30%	50.80%	61.30%	47.60%	46.42%	46.68%	55.09%	61.88%	61.9%
Covered-employee payroll	\$ 5,535,413	\$ 5,069,073	\$ 4,834,198	\$ 5,121,776	\$ 4,976,088	\$ 4,579,910	\$ 4,457,059	\$ 4,193,509	\$ 4,742,922
Net pension liability (asset) as a percentage of covered-employee payroll	91.10%	94.40%	70.60%	103.70%	112.45%	121.29%	103.64%	98.97%	95.1%

Note: This schedule was first required for the fiscal year ended June 30, 2014. Future years will be added to this schedule until 10 years of information is available.

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Harriman Utility Board
Schedule of Contributions to Pension Plan Based on Participation
For the Year Ended June 30, 2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 508,087	\$ 524,953	\$ 707,682	\$ 670,536	\$ 722,313	\$ 664,909	\$ 612,257	\$ 740,750	\$ 733,825
Contributions in relation to the actuarially determined contribution	750,000	845,765	761,792	748,202	730,000	730,000	737,500	720,000	720,000
Contribution (deficiency) coverage	\$ (24,193)	\$ (320,812)	\$ (54,110)	\$ (77,666)	\$ (7,687)	\$ (65,091)	\$ (125,243)	\$ 20,750	\$ 13,825
Covered-employee payroll	\$ 5,535,413	\$ 5,069,073	\$ 4,834,198	\$ 5,121,776	\$ 4,976,088	\$ 4,579,910	\$ 4,487,059	\$ 4,193,509	\$ 4,617,044
Contributions as a percentage covered-employee payroll	13.50%	16.70%	15.80%	14.60%	14.67%	14.50%	13.60%	17.17%	15.59%

Note: This schedule was first required for the fiscal year ended June 30, 2014. Future years will be added to this schedule until 10 years of information is available.

Schedule of Investment Returns
For the Year Ended June 30, 2023

	2022/2023	2021/2022	2020/2021	2019/2020	2018/2019	2017/2018	2016/2017	2015/2016	2014/2015
Annual Money-Weighted Rate of Return									
Net of Investment Expenses	7.35%	-7.75%	16.08%	2.22%	6.56%	5.21%	8.41%	2.66%	3.97%

Note: This schedule was first required for the fiscal year ended June 30, 2014. Future years will be added to this schedule until 10 years of information is available.

Actuarial Methods & Assumptions

Valuation date: Actuarially determined contribution rates for 2023 were calculated based on the June 30, 2023 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar
Remaining amortization period	20 years
Asset valuation	Market value
Salary increases	2% per year
Investment Rate of Return	6.75 percent, net of investment expense
Retirement age	65 or 55 with 30 years participation; hired after April 2009, 65 or 60 with 35 years of participation
Mortality	Lump sum mortality table published by the IRS

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Harriman Utility Board
Schedule of Funding Progress
For the Year Ended June 30, 2023

Analysis of Funding Progress

Valuation Date	(1) Net Assets Available for Benefits	(2) Pension Benefit Obligation	(3) Percentage Funded (1) / (2)	(4) Unfunded Pension Benefit Obligation (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded Pension Benefit Obligation as a Percentage of Covered Payroll (4) / (5)
4/1/2014	6,053,680	11,447,497	52.9%	5,393,817	4,082,021	132.1%
4/1/2015	7,353,823	11,867,421	62.0%	4,513,598	4,742,924	95.2%
4/1/2016	6,737,673	10,887,946	61.9%	4,150,273	4,193,509	99.0%
4/1/2017	5,705,284	10,355,643	55.1%	4,650,359	4,487,059	103.6%
4/1/2018	4,862,439	10,417,575	46.7%	5,555,136	4,579,910	121.3%
4/1/2019	4,981,547	10,443,291	47.7%	5,461,744	4,976,088	109.8%
4/1/2020	4,819,777	10,128,523	47.6%	5,308,746	5,121,776	103.7%
4/1/2021	5,402,242	8,815,521	61.3%	3,413,279	4,834,198	70.6%
4/1/2022	5,051,081	9,938,679	50.8%	4,887,598	5,069,073	96.4%
4/1/2023	5,989,071	11,032,591	54.3%	5,043,520	5,535,413	91.1%

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SUPPLEMENTARY INFORMATION

Harriman Utility Board
List of Utility Officials
June 30, 2023

Board Members

Lionel Moore – Member
Alicia Harris - Member
Shawn Smith – Member
Jason Shillings – Member
Lonnie Wright – Member

Management

Candace Vannasdale - Manager

Harriman Utility Board
Combined Statements of Net Position
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Current assets:		
Cash - interest bearing	\$ 12,301,187	\$ 7,121,845
Receivables:		
Trade accounts and grants receivable (net of allowance)	2,679,920	3,678,838
Due from other utility departments	653,504	634,673
Other	621,116	288,710
	<hr/>	<hr/>
Total receivables	3,954,540	4,602,221
Materials and supplies inventory	958,663	839,194
Prepaid expenses	647,353	381,824
	<hr/>	<hr/>
Total current assets	17,861,743	12,945,084
Emergency reserve fund	115,100	5,440,555
	<hr/>	<hr/>
Total restricted assets, cash and investments	115,100	5,440,555
Property, plant and equipment:		
Land and land rights	710,688	710,688
Plant in service	151,963,622	148,553,730
Less: Accumulated Depreciation	(82,286,683)	(78,195,168)
	<hr/>	<hr/>
	70,387,627	71,069,250
Construction in progress	2,892,877	1,103,814
	<hr/>	<hr/>
Net property, plant and equipment	73,280,504	72,173,064
Total assets	<hr/>	<hr/>
	91,257,347	90,558,703
Deferred outflows of resources:		
Differences between expected and actual experience	2,301,885	2,410,887
Net difference between projected and actual earnings	521,761	720,135
Changes of assumptions	245,534	-
	<hr/>	<hr/>
Total deferred outflows of resources	3,069,180	3,131,022
Total assets and deferred outflows of resources	<hr/>	<hr/>
	\$ 94,326,527	\$ 93,689,725

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Harriman Utility Board
Combined Statements of Net Position
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>Liabilities and Net Position</u>		
Current liabilities (payable from current assets):		
Trade accounts payable	\$ 3,759,198	\$ 3,597,672
Due to other utility departments	653,507	628,836
Accrued payroll and taxes	144,795	118,320
Customers' deposits	1,860,136	2,059,382
Other payables	270,399	254,458
Deferred revenue	667,782	-
Total current liabilities (payable from current assets)	7,355,817	6,658,668
Current liabilities (payable from restricted assets):		
Current installments of long term debt	918,284	916,304
Accrued interest	21,299	23,224
Total current liabilities (payable from restricted assets)	939,583	939,528
Non current liabilities:		
Compensated absences	1,780,811	1,708,421
Total non current liabilities	1,780,811	1,708,421
Long-term debt:		
Revenue bonds and revenue refunding bonds	8,109,685	8,663,029
Notes payable and obligations under capital lease	4,595,000	4,960,000
Unamortized premiums/discounts	608,950	651,592
Total long-term debt	13,313,635	14,274,621
Long-term liabilities:		
Net pension liability	5,043,510	4,887,598
Total long-term liabilities	5,043,510	4,887,598
Deferred inflows of resources:		
Differences between expected and actual experience	543,039	608,613
Net difference between projected and actual earnings	181,013	247,953
Changes of assumptions	1,287,203	1,397,554
Total deferred inflows of resources	2,011,255	2,254,121
Net position:		
Net investment in capital assets	59,048,584	56,982,138
Restricted for debt service	-	-
Unrestricted net assets	4,833,332	5,984,630
Total net position	63,881,916	62,966,768
Total liabilities and net position	\$ 94,326,527	\$ 93,689,725

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Harriman Utility Board
Combined Statement of Revenues, Expenses and Changes in
Net Position
For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating revenues:		
Residential, net of bad debt	\$ 18,780,141	\$ 19,586,077
Commercial, industrial and interruptible sales	13,297,184	8,144,599
Sewer and water charges, net of bad debt	4,842,175	4,426,035
Street and outdoor lighting sales	797,410	846,855
Customer's forfeited discounts	304,452	293,097
Rent from City	21,624	21,624
Rent from others	563,226	542,392
Miscellaneous	245,758	749,296
Bad debt expense	(37,057)	(52,465)
	<u>38,814,913</u>	<u>34,557,510</u>
Total operating revenues		
Operating expenses:		
Operation	20,221,286	16,428,277
Repairs and maintenance	1,777,171	1,787,968
Purchased gas	1,294,925	1,378,070
Power, pumping, and utilities	560,495	534,511
Purification	594,632	598,698
Transmission and distribution	2,970,592	2,779,039
Customers' accounting and collection	1,279,508	1,001,413
Administrative and general	4,716,406	4,260,685
Depreciation and amortization	3,866,241	3,970,507
	<u>37,281,256</u>	<u>32,739,168</u>
Total operating expenses		
Operating income	<u>1,533,657</u>	<u>1,818,342</u>
Non-operating revenue (expenses):		
Interest income	94,324	3
Interest expense	(247,656)	(212,729)
Amortization debt costs	-	(36,596)
	<u>(153,332)</u>	<u>(249,322)</u>
Total non-operating revenue (expenses)		
Net income before capital contributions and transfers	1,380,325	1,569,020

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Harriman Utility Board
Combined Statement of Revenues, Expenses and Changes in
Net Position (Continued)
For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Transfers out	(783,312)	(906,677)
Capital contributions	<u>318,135</u>	<u>15,373</u>
Change in net position	915,148	677,716
Net position:		
Beginning of year	<u>62,966,768</u>	<u>62,289,052</u>
End of year	<u>\$ 63,881,916</u>	<u>\$ 62,966,768</u>

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Harriman Utility Board
Combined Statement of Cash Flows
For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 39,813,831	\$ 33,754,128
Payments to suppliers	(30,089,976)	(24,794,159)
Payments to employees	(2,669,094)	(2,669,094)
Other receipts (payments)	(617,590)	(348,972)
	<u>6,437,171</u>	<u>5,941,903</u>
Net cash provided by (used in) operating activities		
Cash flows from capital and related financing activities:		
Acquisitions and construction of capital assets		
Additions to plant	(5,199,974)	(3,796,422)
Salvage value of plant retirements	194,205	264,026
Principal paid on revenue & revenue refunding bond maturities	(551,364)	(554,396)
Principal paid on notes payable & finance leases	(365,000)	(355,000)
Interest paid on bonds, notes & finance leases	(247,656)	(212,729)
Amortization of debt costs	(42,642)	(36,596)
Capital grants	318,135	15,373
Additional long term borrowings	-	-
	<u>(5,894,296)</u>	<u>(4,675,744)</u>
Net cash provided by (used in) for capital and related financing activities		
Cash flows from noncapital financing activities:		
Transfer out	(783,312)	(906,677)
	<u>(783,312)</u>	<u>(906,677)</u>
Net cash provided (used in) by noncapital financing activities		
Cash flows from investing activities:		
Interest from cash management activities	94,324	3
	<u>94,324</u>	<u>3</u>
Net cash provided by (used in) investing activities		
Net increase (decrease) in cash and cash equivalents	(146,112)	359,486
Cash and cash equivalents at beginning of year	<u>12,562,400</u>	<u>12,202,914</u>
Cash and cash equivalents at end of year	<u>\$ 12,416,288</u>	<u>\$ 12,562,400</u>
Summary of cash and cash equivalents at end of year:		
Cash - interest bearing	\$ 12,301,187	\$ 7,121,845
Restricted assets	115,100	5,440,555
	<u>\$ 12,416,287</u>	<u>\$ 12,562,400</u>
Total		

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Harriman Utility Board
Combined Statement of Cash Flows (Continued)
For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating income	\$ 1,533,657	\$ 1,818,342
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	3,898,324	4,020,815
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	998,918	(803,382)
(Increase) decrease in inventories	(119,469)	(170,169)
(Increase) decrease in other assets	(616,765)	(157,861)
(Increase) decrease in deferred outflows	61,842	(1,624,095)
Increase (decrease) in accounts payable	161,529	652,425
Increase (decrease) in accrued liabilities	805,335	(116,974)
Increase (decrease) in net pension liability	155,912	1,474,319
Increase (decrease) in customer deposits	(199,246)	894,410
Increase (decrease) in deferred inflows	(242,865)	(45,927)
Net cash provided by (used in) operating activities	<u>\$ 6,437,171</u>	<u>\$ 5,941,903</u>

Harriman Utility Board
Electric Department
Detail of Operation and Maintenance Expenses
For the Years Ended June 30, 2023 and 2022

	<u>Year Ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
Purchased power and facilities rental	20,581,714	\$ 16,428,277
Distribution expenses:		
Operations supervision and engineering	70,162	53,700
Overhead line expense	264,890	214,635
Safety expenses	31,411	38,495
Underground line expense	4,388	5,815
Street lighting and signal system	65,263	60,122
Meter expenses	165,106	154,123
Customer installation expense - security light	74,952	56,525
Rent	107,824	112,218
Total distribution expenses	<u>783,996</u>	<u>695,633</u>
Customers' accounts expenses:		
Meter reading expense	80,610	97,116
Customers' records and collection expense	494,120	339,071
Total customers' accounts expenses	<u>574,730</u>	<u>436,187</u>
Customers' services and informational expense:		
Customer assistance expense	56,043	49,448
Information and instructional advertising expense	3,850	4,959
Total customers' services and informational expense	<u>59,893</u>	<u>54,407</u>
Administrative and general expenses:		
Administrative and general salaries	620,120	649,790
Payroll taxes	274,449	258,354
Office supplies and expense	330,954	395,492
Outside services employed	66,986	55,533
Property insurance	122,862	125,069
Injuries and damages	85,332	81,675
Employee pensions and benefits	975,482	902,491
Miscellaneous general expenses	56,229	41,398
Total administrative and general expenses	<u>2,532,414</u>	<u>2,509,802</u>
Total operation expenses	<u>\$ 24,532,747</u>	<u>\$ 20,124,306</u>

Harriman Utility Board
 Electric Department
Detail of Operation and Maintenance Expenses
 For the Years Ended June 30, 2023 and 2022

	<u>Year Ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
Distribution plant expenses:		
Supervision and engineering	\$ 275,044	\$ 287,082
Station equipment	109,124	154,141
Overhead line expense	1,119,870	1,123,384
Underground line expense	95,202	85,390
Line transformers	3,893	5,395
Street lighting and signal system	5,033	20,135
Meter expenses	60,712	53,872
Total distribution plant expenses	<u>1,668,878</u>	<u>1,729,399</u>
Administrative and general expenses:		
General plant	<u>55,814</u>	<u>58,569</u>
Total administrative and general expenses	<u>55,814</u>	<u>58,569</u>
Total maintenance expenses	<u>\$ 1,724,692</u>	<u>\$ 1,787,968</u>

Harriman Utility Board
Gas Department
Detail of Operation and Maintenance Expenses
For the Years Ended June 30, 2023 and 2022

	<u>Year Ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
Transmission and distribution expenses:		
Operation of transmission and distribution lines	\$ 131,350	\$ 113,520
Meter and house regulator expenses	1,457	1,456
Maintenance of mains	399,140	345,572
Maintenance of services	64,547	57,179
Maintenance of meters and house regulators	5,532	7,013
	<u>602,026</u>	<u>524,740</u>
Customers' accounts expenses:		
Meter reading and billing expenses	39,072	3,685
Customers' records and collection expenses	269,534	203,537
	<u>308,606</u>	<u>207,222</u>
Administrative and general expenses:		
Salaries of general officers and executives	140,824	216,488
General office salaries and expense	101,660	86,327
Payroll taxes	59,440	58,707
Office supplies and expense	18,020	96,835
Outside services employed	16,744	31,485
Injuries and damages	15,758	17,138
Employee pensions and benefits	282,262	260,997
Maintenance of general plant	10,584	12,607
Property insurance	35,742	36,384
Miscellaneous general expenses	95,058	31,684
	<u>776,092</u>	<u>848,652</u>
Total operation expenses	<u>\$ 1,686,724</u>	<u>\$ 1,580,614</u>

Harriman Utility Board
Sewer Department
Detail of Operation and Maintenance Expenses
For the Years Ended June 30, 2023 and 2022

	<u>Year Ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
Power and pumping expenses:		
Purchased power	\$ 166,218	\$ 156,223
Supplies	-	1,034
Maintenance of power and pumping equipment	22,859	22,819
Total power and pumping expenses	<u>189,077</u>	<u>180,076</u>
Purification expenses:		
Operation labor	143,704	168,431
Purification supplies and expenses	93,380	84,787
Total purification expenses	<u>237,084</u>	<u>253,218</u>
Transmission and distribution expenses:		
Operations supervision and engineering	43,632	50,364
Operation of transmission and distribution lines	2,601	2,288
Maintenance of mains and river lines	153,205	95,304
Maintenance of services	14,426	12,225
Maintenance of labor	47,548	57,014
Total transmission and distribution expenses	<u>261,412</u>	<u>217,195</u>
Customers' accounts expenses:		
Customers' records and collection expense	54,864	46,844
Total customers' accounts expenses	<u>54,864</u>	<u>46,844</u>
Administrative and general expenses:		
Administrative and general salaries	95,017	133,070
Payroll taxes	48,863	14,619
Office supplies and expense	28,306	730
Outside services employed	3,858	28,970
Injuries and damages	14,643	7,861
Employee pensions and benefits	163,485	118,180
Miscellaneous general expenses	43,379	32,311
Maintenance of general plant	6,685	10,961
Rents	1,829	2,029
Property insurance	11,169	11,370
Total administrative and general expenses	<u>417,234</u>	<u>360,101</u>
Total operation expenses	<u>\$ 1,159,671</u>	<u>\$ 1,057,434</u>

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Harriman Utility Board
Water Department
Detail of Operation and Maintenance Expenses
For the Years Ended June 30, 2023 and 2022

	<u>Year Ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
Power and pumping expenses:		
Operation labor	\$ 91,862	\$ 83,233
Purchased power	259,760	243,298
Supplies	412	1,065
Maintenance of power and pumping equipment	19,383	26,840
Total power and pumping expenses	<u>371,417</u>	<u>354,436</u>
Purification expenses:		
Operating supervision and engineering	197,597	231,275
Purification supplies and expenses	159,949	114,205
Total purification expenses	<u>357,546</u>	<u>345,480</u>
Transmission and distribution expenses:		
Operations supervision and engineering	66,735	76,893
Operation of transmission and distribution lines	9,343	4,981
Maintenance of mains and services	330,356	365,125
Maintenance of meters and house regulators	3,553	5,067
Maintenance of fire hydrants and labor	29,007	10,637
Total transmission and distribution expenses	<u>438,994</u>	<u>462,703</u>
Customers' accounts expenses:		
Meter reading and billing	72,142	87,121
Customers' records and collection expense	207,593	137,231
Total customers' accounts expenses	<u>279,735</u>	<u>224,352</u>
Administrative and general expenses:		
Administrative and general salaries	246,368	159,609
Payroll taxes	72,574	30,997
Office supplies and expense	119,169	128,835
Outside services employed	35,022	22,328
Injuries and damages	28,612	617
Employee pensions and benefits	251,220	189,934
Miscellaneous general expenses	40,864	41,894
Maintenance of general plant and rents	25,483	27,444
Property insurance	53,778	54,410
Total administrative and general expenses	<u>873,090</u>	<u>656,068</u>
Total operation expenses	<u>\$ 2,320,782</u>	<u>\$ 2,043,039</u>

See Independent's Auditor Report

Harriman Utility Board
Schedule of Bond and Interest Requirements
June 30, 2023

Year Ended June 30,	Electric Department		Gas Department		Water Department	
	2021A General Obligation Bonds		2021A General Obligation Bonds		2021A General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 140,000	\$ 26,195	\$ 85,000	\$ 28,500	\$ 150,000	\$ 47,870
2025	140,000	21,995	85,000	25,950	150,000	43,370
2026	135,000	17,795	85,000	23,400	155,000	38,870
2027	135,000	13,745	85,000	20,850	155,000	34,220
2028	135,000	9,695	85,000	18,300	155,000	29,570
2029	135,000	5,645	85,000	15,750	155,000	24,920
2030	145,000	1,595	80,000	13,200	130,000	20,270
2031			80,000	12,320	125,000	18,840
2032			80,000	11,360	125,000	17,340
2033			80,000	10,160	125,000	15,465
2034			80,000	8,960	125,000	13,590
2035			80,000	7,760	125,000	11,715
2036			80,000	6,560	120,000	9,840
2037			80,000	5,360	120,000	8,040
2038			80,000	4,080	120,000	6,120
2039			80,000	2,760	120,000	4,140
2040			80,000	1,400	120,000	2,100
	<u>\$ 965,000</u>	<u>\$ 96,665</u>	<u>\$ 1,390,000</u>	<u>\$ 216,670</u>	<u>\$ 2,275,000</u>	<u>\$ 346,280</u>

Year Ended June 30,	Sewer Department			
	2021A General Obligation Bonds		Totals	
	Principal	Interest	Principal	Interest
2024	\$ 195,000	\$ 67,685	\$ 570,000	\$ 170,250
2025	195,000	61,835	570,000	153,150
2026	195,000	55,985	570,000	136,050
2027	195,000	50,135	570,000	118,950
2028	195,000	44,285	570,000	101,850
2029	195,000	38,435	570,000	84,750
2030	195,000	32,585	550,000	67,650
2031	195,000	30,440	400,000	61,600
2032	195,000	28,100	400,000	56,800
2033	195,000	25,174	400,000	50,799
2034	195,000	22,250	400,000	44,800
2035	195,000	19,325	400,000	38,800
2036	200,000	16,400	400,000	32,800
2037	200,000	13,400	400,000	26,800
2038	200,000	10,200	400,000	20,400
2039	200,000	6,900	400,000	13,800
2040	200,000	3,500	400,000	7,000
	<u>\$ 3,340,000</u>	<u>\$ 526,634</u>	<u>\$ 7,970,000</u>	<u>\$ 1,186,249</u>

Harriman Utility Board
Schedule of Bond and Interest Requirements (CONTINUED)
June 30, 2023

Year Ended June 30,	Electric Department		Gas Department	
	2021B General Obligation Bonds		2021B General Obligation Bonds	
	Principal	Interest	Principal	Interest
2024	\$ 105,000	\$ 43,050	\$ 35,000	\$ 16,250
2025	105,000	39,900	40,000	15,200
2026	105,000	36,750	40,000	14,000
2027	105,000	33,600	40,000	12,800
2028	105,000	30,450	40,000	11,600
2029	105,000	27,300	40,000	10,400
2030	105,000	24,150	40,000	9,200
2031	105,000	22,050	40,000	8,400
2032	105,000	19,950	40,000	7,600
2033	105,000	18,113	40,000	6,900
2034	105,000	16,275	40,000	6,200
2035	105,000	14,175	40,000	5,400
2036	105,000	12,075	40,000	4,600
2037	105,000	10,238	40,000	3,900
2038	105,000	8,400	40,000	3,200
2039	105,000	6,300	40,000	2,400
2040	105,000	4,200	40,000	1,600
2041	105,000	2,100	40,000	800

Customers' deposits: \$ 1,890,000 \$ 369,075 \$ 715,000 \$ 140,450

Year Ended June 30,	Water Department			
	2021B General Obligation Bonds		Totals	
	Principal	Interest	Principal	Interest
2024	\$ 60,000	\$ 26,050	\$ 200,000	\$ 85,350
2025	60,000	24,250	205,000	79,350
2026	60,000	22,450	205,000	73,200
2027	60,000	20,650	205,000	67,050
2028	65,000	18,850	210,000	60,900
2029	65,000	16,900	210,000	54,600
2030	65,000	14,950	210,000	48,300
2031	65,000	13,650	210,000	44,100
2032	65,000	12,350	210,000	39,900
2033	65,000	11,213	210,000	36,225
2034	65,000	10,075	210,000	32,550
2035	65,000	8,775	210,000	28,350
2036	65,000	7,475	210,000	24,150
2037	65,000	6,338	210,000	20,475
2038	65,000	5,200	210,000	16,800
2039	65,000	3,900	210,000	12,600
2040	65,000	2,600	210,000	8,400
2041	65,000	1,300	210,000	4,200

Customers' deposits: \$ 1,150,000 \$ 226,975 \$ 3,755,000 \$ 736,500

See Independent's Auditor Report

Harriman Utility Board
Schedule of Bond and Interest Requirements (CONTINUED)
June 30, 2023

Year Ended June 30,	Sewer Department GCO 2011-269		Water Department GCO 2011-109		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 78,864	\$ 12,468	\$ 69,480	\$ 12,264	\$ 148,344	\$ 24,732
2025	79,944	11,388	70,428	11,316	150,372	22,704
2026	81,024	10,308	71,388	10,356	152,412	20,664
2027	82,128	9,204	72,360	9,384	154,488	18,588
2028	83,244	8,088	73,344	8,400	156,588	16,488
2029	84,372	6,960	74,328	7,416	158,700	14,376
2030	85,524	5,808	75,348	6,396	160,872	12,204
2031	86,676	4,656	76,368	5,376	163,044	10,032
2032	87,864	3,468	77,400	4,344	165,264	7,812
2033	89,052	2,280	78,456	3,288	167,508	5,568
2034	90,264	1,068	79,524	2,220	169,788	3,288
2035	29,252	83	80,604	1,140	109,856	1,223
2036			40,733	158	40,733	158
	<u>\$ 958,208</u>	<u>\$ 75,779</u>	<u>\$ 939,761</u>	<u>\$ 82,058</u>	<u>\$ 1,897,969</u>	<u>\$ 157,837</u>

See Independent's Auditor Report

Harriman Utility Board
Schedule Of Changes In Long Term Debt By Individual Issue
June 30, 2023

<u>Loan Info</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Date Of Issue</u>	<u>Final Maturity</u>	<u>Outstanding 7/1/2022</u>	<u>Issued During Period</u>	<u>Paid During Period</u>	<u>Adjusted During Period</u>	<u>Outstanding 6/30/2023</u>
Bonds Payable:									
General Obligation Bonds Series 2021A \$9,525,000 dated April 2021, payable in varying amounts from \$400,000 to \$570,000, interest rates varying from 1.0% to 3.00%. Maturing in 2040.	\$9,525,000	1.1% to 3.0%	4/9/2021	6/1/2040	\$ 8,540,000	\$ -	\$ (570,000)		\$ 7,970,000
General Obligation Bonds Series 2021B \$4,150,000 dated June 2021 payable in varying amounts from \$195,000 to \$210,000, interest rates varying from 1.75% to 3.00%. Maturing in 2041	4,150,000	1.75% to 3.0%	6/30/2021	6/1/2041	3,955,000	-	(200,000)	-	3,755,000
Total Bonds Payable					<u>\$ 12,495,000</u>	<u>\$ -</u>	<u>\$ (770,000)</u>	<u>\$ -</u>	<u>\$ 11,725,000</u>
Other Loans:									
State Revolving Loan \$1,600,000 dated September 6, 2011, interest rate 1.35% during both the draw period and permanent repayment period. Principal repayment began when 90% of loan balance was drawn. (Sewer)	1,600,000	1.35%	9/6/2011	10/1/2034	\$ 1,036,016	\$ -	\$ (77,808)	\$ -	\$ 958,208
State Revolving Loan \$1,440,000 dated September 6, 2011, interest rate 1.35% during both the draw period and permanent repayment period. Principal repayment began when 90% of loan balance was drawn. (Water)	1,440,000	1.35%	9/6/2011	12/1/2035	1,008,317	-	(68,556)	-	939,761
Total Other Loans					<u>\$ 2,044,333</u>	<u>\$ -</u>	<u>\$ (146,364)</u>	<u>\$ -</u>	<u>\$ 1,897,969</u>

See Independent's Auditor Report

**Harriman Utility Board
 Electric Department
Schedule of Utility Rates
 June 30, 2023**

Residential rates:

Customer charge - \$26.95 per month
 Energy charge – 11.49 cents per kwh per month

Commercial rates:

Small commercial - 15,000 kWh or less:

Customer charge - >300 kWh \$40.34, ≤ 300kWh \$29.19 per delivery point per month
 Energy charge – 12.86 cents per kWh per month

Large commercial – over 15,000 kWh:

Customer charge \$111.41 per delivery point per month
 Demand charge - First 50kW of billing demand per month, no demand charge
 - Excess over 50 kW of billing demand per month, at \$17.67 per kW

 Energy charge - First 15,000 kWh per month at 12.63 cents per kWh
 - Additional kWh per month at 8.27 cents per kWh

Pole rental:

25' Pole \$6.37
 30' Pole \$7.27

Outdoor lighting for individual customers:

Monthly fixture charge:

<u>Type of Fixture</u>	<u>Lamp Size</u>		<u>Rated kWh</u>	<u>Charge</u>
	<u>Watts</u>	<u>Lumens</u>		
High pressure sodium	100	8,550	42	\$11.48
	200	18,900	82	17.23
LED	60			11.33
	250			19.01

**Harriman Utility Board
 Gas Department
Schedule of Utility Rates
 June 30, 2023**

The gas rates vary each month. The following rates were in effect for June 30, 2023:

General service rates:

Residential - \$7.51 minimum bill plus \$13.03 per 1,000 cubic feet
 Gas Inspection - \$35.00 first trip, \$35.00 each additional trip

Commercial - \$9.03 minimum bill plus \$13.03 per 1,000 cubic feet
 Gas Inspection - \$50.00 first trip, \$50.00 each additional trip

**Sewer Department
Schedule of Utility Rates
 June 30, 2023**

	<u>Industrial</u>	<u>Residential</u>	<u>Commercial</u>
First 1,000 gallons - minimum bill	\$55.7	\$20.74	\$55.76
Over 1,000 gallons - per thousand gallons	13.47	12.66	13.47

**Water Department
Schedule of Utility Rates
 June 30, 2023**

	Per Thousand Gallons	
	<u>Inside</u>	<u>Outside</u>
	<u>City</u>	<u>City</u>
Commercial:		
First 1,000 gallons - minimum bill	\$23.35	\$27.33
Next 9,000 gallons	7.76	11.17
Excess	6.66	9.49
Residential:		
First 1,000 gallons - minimum bill	\$20.25	\$23.75
Next 9,000 gallons	6.93	10.19
Excess	5.05	6.45

Harriman Utility Board
Schedule of Customers
June 30, 2023

	<u>6/30/2023</u>	<u>6/30/2022</u>
Electric:		
Residential	9,266	9,232
Gen. Power - 50 kW + under	1,662	1,621
Gen. Power - Over 50 kW	109	104
Street and Athletic	39	39
Outdoor Lights	111	113
Security Lights	2,755	2,767
Street Lights	<u>1,447</u>	<u>1,441</u>
Total, excluding security and street lights	<u><u>11,187</u></u>	<u><u>11,109</u></u>
Gas:		
Residential	2,751	2,753
Commercial	422	425
Transportation	<u>-</u>	<u>-</u>
Total	<u><u>3,173</u></u>	<u><u>3,178</u></u>
Sewer:		
Residential - inside	1,910	1,899
Residential - outside	41	41
Commercial - inside	305	298
Commercial - outside	8	8
Industrial - inside	-	-
Industrial - outside	-	1
Miscellaneous	<u>36</u>	<u>38</u>
Total	<u><u>2,300</u></u>	<u><u>2,285</u></u>
Water:		
Residential - inside	2,293	2,288
Residential - outside	2,173	2,148
Commercial - inside	427	418
Commercial - outside	191	182
Industrial - inside	1	1
Industrial - outside	-	-
Commercial Fire Hydrant	2	2
Commercial Sprinkler	17	16
Industrial Sprinkler	<u>-</u>	<u>1</u>
Total	<u><u>5,104</u></u>	<u><u>5,056</u></u>

See Independent's Auditor Report

Harriman Utility Board
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

<u>Federal Grantor/ Passthrough Entity</u>	<u>Program Name</u>	<u>Assistance Listing Number</u>	<u>Balance 7/1/2022</u>	<u>Cash Federal</u>	<u>Receipts State</u>	<u>Federal Expenditures</u>	<u>Balance 6/30/2023</u>
U.S. Department of Agriculture	USDA	10.766	\$ -	\$ 42,996	\$ -	\$ 42,996	\$ -
U.S. Department of Treasury	Coronavirus State and Local Fiscal Recovery Funds	21.027		250,000		250,000	
Appalachian Regional Commission	Appalachian Area Development	23.002		16,848		16,848	
Federal Emergency Management Agency	TEMA			8,291		8,291	
Total federal/state awards			<u>\$ -</u>	<u>\$ 318,135</u>	<u>\$ -</u>	<u>\$ 318,135</u>	<u>\$ -</u>

Notes to Schedule of Expenditures of Federal Awards:

- (1) - For purposes of this schedule, expenditures of federal and state awards are recognized on the accrual basis of accounting.
- (2) - Loans outstanding: At June 30, 2023, there was an outstanding balance of \$1,898,029 on a loan obtained in a previous year through the State Revolving Loan Fund. Payments during the fiscal year totaled \$146,364.
- (3) - Loans outstanding: At June 30, 2022, there was an outstanding balance of \$2,044,393 on a loan obtained in a previous year through the State Revolving Loan Fund. Payments during the fiscal year totaled \$144,396.
- (4) - Elected to use the 10% de minimis indirect cost rate allowed under the uniform guidance.

CRAINE, THOMPSON & JONES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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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

Harriman Utility Board
Harriman, 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 respective financial position of the business-type activities, each of the major funds, and the aggregate remaining fund information, the Pension Trust Fund the Harriman Utility Board as of and for the years ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Harriman Utility Board's basic financial statements, and have issued our report thereon dated December 20, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Harriman Utility Board's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Harriman Utility Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Harriman Utility Board'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 may exist that have not been identified.

Harriman Utility Board

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Harriman Utility Board'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.

A handwritten signature in cursive script, appearing to read "Louis M. ...".

Morristown, Tennessee
December 20, 2023

Harriman Utility Board
Summary Schedule of Prior Year Findings
June 30, 2023

Internal Control Over Financial Reporting

There were no prior findings reported.

Compliance and Other Matters

There were no prior findings reported.

APPENDIX F

**FINANCIAL STATEMENTS
OF
CITY OF HARRIMAN, TENNESSEE
FOR THE FISCAL YEAR ENDED
JUNE 30, 2023**

Financial Statements

CITY OF HARRIMAN, TENNESSEE

Year Ended June 30, 2023

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INDEPENDENT ACCOUNTANTS' AUDIT REPORT

Mayor and City Council
City of Harriman, Tennessee
Harriman, Tennessee

Report on the Audit of the Financial Statements

Qualified Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the fiduciary funds, and each major fund of City of Harriman, Tennessee as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise City of Harriman, Tennessee's basic financial statements as listed in the table of contents.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the fiduciary funds, and each major fund of City of Harriman, Tennessee as of June 30, 2023, the respective changes in its financial position and, where applicable, cash flows thereof and the respective budgetary comparisons of the general fund and American Rescue Plan Act fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Harriman Utility Board, which represent 100 percent of the business-type activities presented in City of Harriman, Tennessee's financial statements. We did not audit the Harriman Utility Board Pension Trust Fund which represents 86 percent of the fiduciary funds presented in City of Harriman, Tennessee's financial statements. Those financial statements were audited by other auditors, whose reports have been furnished to us, and our opinion, as it relates to the amounts included for Harriman Utility Board and the Harriman Utility Post-Employment Benefits Trust is based solely on the reports of the other auditors.

Basis for Qualified Opinions

A detail of the capital assets owned by the Industrial Development Board was not maintained. For this reason, we are unable to satisfy ourselves as to the completeness or value of the capital asset amounts recorded.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City of Harriman, Tennessee 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 the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Harriman, Tennessee's ability to continue as a going concern within twelve months beyond the date of the financial statements, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the

effectiveness of City of Harriman, Tennessee'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 City of Harriman, Tennessee'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.

Emphasis of Matter

As discussed in Note R to the financial statements, City of Harriman, Tennessee has restated its fund balances and net position as of June 30, 2022 to correct the recording of grants receivable, sanitation receivable, accounts payable, long-term liabilities and deferred grant revenue which were not reported correctly. Our opinion is not modified with respect to this matter.

Required Supplementary Information/Management's Discussion and Analysis

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 5 to 14, the schedules of changes in net pension liability(asset) – legacy pension plan, pension contributions – legacy pension plan, changes in net pension liability(asset) – hybrid pension plan, pension contributions – hybrid pension plan, changes in net pension liability(asset) – pension trust fund, pension contributions – pension trust fund and schedule of funding progress on pages 114 to 133 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other information we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise City of Harriman, Tennessee's financial statements. The accompanying information listed in the table of contents as supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements.

The combining and individual nonmajor fund financial statements and the schedules of property taxes receivable, long-term debt requirements, lease obligations - principal and interest requirements by fiscal year, changes in long-term debt by individual issue, changes in lease obligations, expenditures of federal awards and state financial assistance and detail of operations and maintenance expenses – Harriman Utility Board on pages 134 - 180 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and the other auditors. In our opinion, based on our audit and the report of the other auditors, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Information

Management is responsible for the other information included in the financial statements. The other information comprises the schedules of utility rates and metered customers and principal officials but does not include the basic financial statements and our auditors' report thereon. Our opinion on the basic financial statements does not cover the other information, and we 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 August 29, 2024 on our consideration of City of Harriman, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City of Harriman, Tennessee'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 City of Harriman, Tennessee's internal control over financial reporting and compliance.



August 29, 2024

City of Harriman

Council Members

Kenyon Mee
Tim Johnson
Alicia Harris



Council Members

Travis Kirkland
Brian Frost
John Brackett

City Clerk
Theresa Beard

City Manager
Scott Mason

Mayor
Wayne Best

Treasurer
Chris Ahler

Management's Discussion and Analysis For the Year Ended June 30, 2023

The management of City of Harriman, Tennessee (the City) offers readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2023.

Consider the information presented here in conjunction with additional information that we have furnished in the City's basic financial statements, which begin on page 15.

FINANCIAL HIGHLIGHTS

The following are key financial highlights:

- The net position of the City at June 30, 2023 was \$74,923,139 (\$74,823,843 in 2022). Of this amount, \$8,917,547 may be used to meet the City's ongoing obligations to citizens and creditors (\$10,539,228 in 2022).
- The City's net position increased by \$637,816 (less than 1%) during the year ended June 30, 2023 and increased by \$3,623,731 (5%), during the year ended June 30, 2022.
- At June 30, 2023 the City's governmental funds reported combined ending fund balances of \$3,862,461, a decrease of \$84,499 from June 30, 2022. Approximately 66% of this total amount (\$2,573,517) is available for spending at the City's discretion. At June 30, 2022 combined ending fund balances from governmental funds was \$3,946,960, an increase of \$787,618 from June 30, 2021.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets and liabilities with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal 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 related cash flows*. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both the government-wide financial statements distinguish functions of the City that are principally supported by taxes, licenses and permits, and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The governmental activities of the City include the following:

- General government
- Public safety
- Public welfare
- Streets and highways
- Solid waste collection and disposal

The business-type activities of the City include operations of the Harriman Utilities Board Electric, Gas, Water and Sewer Departments.

The government-wide financial statements can be found on pages 15 to 20 of this report.

Fund financial statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirement. Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information present for *governmental funds* with similar information present for *governmental activities* in the government-wide financial statements.

By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains two major and five non-major individual governmental funds that are used to account for expendable financial resources and related liabilities. Information is presented separately in the governmental fund balance sheets and in the governmental fund statement of revenue, expenditures and changes in fund balances for the general fund and American Rescue Plan Act fund, both of which are considered to be major funds. The City also maintains five individual governmental funds that are classified as nonmajor governmental funds and are summarized under the heading "Other Governmental Funds" in the governmental fund presentation.

The City adopts annual appropriation budgets for each of its governmental funds. To demonstrate compliance with the budget, budgetary comparison statements have been provided for all of the City's major funds and are presented on pages 30 to 40. Budget comparisons for nonmajor funds are included as supplementary information on pages 142 to 147.

Proprietary Funds - Proprietary funds are used to account for activities where the emphasis is placed on net income determination. The City maintains its business-type activities in four major proprietary funds. The City uses this type of fund to account for its electric department, gas department, sewer department and water department. Proprietary funds are used to account for activities that are similar to those often found in the private sector.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the electric department, gas department, sewer department and water department operations, all four of which are considered to be major funds of the City. The proprietary fund financial statements can be found on pages 41 to 58 of this report.

Fiduciary fund statements

The fiduciary fund statements provide information on the Harriman Utility Board Pension Trust Fund and the Industrial Development Board.

Notes to the financial statements - The notes provide additional information essential to the full understanding of the data provided in the government fund financial statements.

Internal Control and Compliance Section – This includes the auditors' report on the City's internal controls and compliance.

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. The City's net position was \$74,923,139 at June 30, 2023 and \$74,823,843 at June 30, 2022.

The largest portion of the City's net position reflects its investment in capital assets (e.g., land, buildings, machinery and equipment and infrastructure) less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens so these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. In the governmental activities sector, property tax is the primary debt payment resource. Business-type activities rely primarily on charges for services to repay debt.

A portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$8,917,547 and \$10,539,228 at June 30, 2023 and 2022, respectively) may be used to meet the City's ongoing obligations to citizens and creditors.

At June 30, 2023 and 2022 the City's statement of net position consisted of the following:

	<u>2023</u>	<u>2022</u>
ASSETS		
Current assets	\$ 24,444,627	\$ 26,236,538
Noncurrent assets	601,110	3,771,005
Capital assets, net of accumulated depreciation	<u>82,977,939</u>	<u>80,883,320</u>
TOTAL ASSETS	108,023,676	110,890,863
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pension	<u>3,518,166</u>	<u>4,506,193</u>
	<u>\$ 111,541,841</u>	<u>\$ 115,397,056</u>
LIABILITIES		
Current liabilities	\$ 7,301,049	\$ 11,368,172
Noncurrent liabilities	<u>23,524,344</u>	<u>20,463,620</u>
TOTAL LIABILITIES	30,825,393	31,831,792
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pension	2,043,570	6,433,760
Deferred revenues	<u>3,749,739</u>	<u>2,307,661</u>
	5,793,309	8,741,421

NET POSITION

Net investment in capital assets	65,312,259	63,508,625
Restricted	693,333	775,990
Unrestricted	<u>8,917,547</u>	<u>10,539,228</u>
TOTAL NET POSITION	<u>74,923,139</u>	<u>74,823,843</u>
	<u>\$ 111,541,841</u>	<u>\$ 115,397,056</u>

At June 30, 2023 and 2022, the City reported positive balances in all categories of net position.

Following is a summary of financial activities for the City during the fiscal years ended June 30, 2023 and 2022.

	<u>2023</u>	<u>2022</u>
REVENUE		
Program Revenue:		
Fees, fines and charges for services	\$ 39,625,719	\$ 35,211,334
Operating grants and contributions	219,000	331,091
Capital grants and contributions	318,135	15,373
General Revenue:		
Taxes	5,846,617	5,577,481
Intergovernmental	1,073,035	2,869,403
Insurance recoveries	49,016	98,273
Miscellaneous	13,575	81,578
Interest income	<u>94,414</u>	<u>8,000</u>
TOTAL REVENUE	47,239,512	44,192,533
EXPENSES		
General government	2,917,641	3,455,387
Public safety	2,561,037	2,473,399
Public welfare	1,301,627	837,576
Streets and highways	1,734,233	396,972
Solid waste collection and disposal	492,175	350,177
Interest on long-term debt	66,071	58,094
Electric department	29,033,984	25,038,232
Gas department	3,466,811	3,445,235
Sewer department	1,854,919	1,743,330
Water department	<u>3,173,198</u>	<u>2,770,400</u>
TOTAL EXPENSES	<u>46,601,696</u>	<u>40,568,802</u>

	<u>2023</u>	<u>2022</u>
INCREASE IN NET POSITION	637,815	3,623,731
NET POSITION AT THE BEGINNING OF THE YEAR	74,823,843	71,200,112
Restatement	<u>(538,519)</u>	<u>0</u>
NET POSITION AT THE END OF THE YEAR	<u>\$ 74,923,139</u>	<u>\$ 74,823,843</u>

Governmental activities - Governmental activities decreased the City’s net position during the year ended June 30, 2023 by \$277,333. The City received decreased tax revenue from local and state shared taxes due to Covid restrictions being lifted and the citizens being able to travel more. Operating grants also decreased as Covid relief funding programs began to wind down. Governmental activities increased the City’s net position by \$2,946,015 during the year ended June 30, 2022.

Information regarding these changes can be found on page 17 to 20 of this report.

Business-type activities - Business-type activities increased the City’s net position by \$915,148 for the year ended June 30, 2023, as compared to an increase of \$677,716 for the year ended June 30, 2022. The electric department, gas department, water and sewer department contributed to the increase. The change in net position of the electric department was an increase of \$583,639, as compared to the change in net position for the year ending June 30, 2022 of \$1,068,316. The decrease was primarily the result of the increase in operational expenses of approximately 23%. The change in net position of the gas department was \$113,797, as compared to the change in net position for the year ending June 30, 2022 of \$(432,374). This increase was due primarily to an increase in gas sales. The change in net position of the sewer department was \$350,779, as compared to the change in net position for the year ending June 30, 2022 of \$112,270. This increase was due primarily to an increase in sewer sales. The change in net position of the water department was \$(133,067), as compared to the change in net position for the year ending June 30, 2022 of \$(70,496). This increase was due primarily to increased general and administrative expenses of approximately 53%.

Fund Financial Statements

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds – Unreserved fund balance may serve as a useful measure of the City’s net resources available for spending at the end of the fiscal year. At June 30, 2023 the City’s governmental funds reported combined fund balances of \$3,862,461, a decrease of \$84,499 in comparison with the prior year. Approximately 66% of the fund balance constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is reserved to indicate that it is not available for spending because it has already been restricted (\$92,225), committed (\$508,277) or assigned (\$688,400) for various purposes. Additional information can be found in Note B to the financial statements.

The general fund is the chief operating fund of the City. At June 30, 2023 unassigned fund balance of the general fund was \$2,573,520. As a matter of the general fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. The general fund balance increased \$77,329 during the year ended June 30, 2023.

Nonmajor governmental funds had a fund balance of \$575,493 at June 30, 2023, as compared to \$767,585 at June 30, 2022.

Proprietary funds – The proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the Harriman Utility Board amounted to \$4,833,332 at June 30, 2023, and at June 30, 2022 amounted to \$5,984,630.

Fiduciary funds – The fiduciary fund statements provide information about the assets, liabilities, net position and changes in net position of the Harriman Utility Board Pension Trust Fund and the Industrial Development Board. The net position of the Industrial Development Board fiduciary fund decreased \$41,755 during the year ended June 30, 2023. At June 30, 2023, the Industrial Development Board had a net position of \$983,973. The net position of the Harriman Utility Board Pension Trust Fund fiduciary fund increased \$135,851 during the year ended June 30, 2023. At June 30, 2023, the Harriman Utility Board Pension Trust Fund had a net position of \$5,873,381.

BUDGETARY HIGHLIGHTS

Budget amendments for the year ended June 30, 2023 were not approved by the Mayor and City Council to legally adopted appropriations. For this reason, the final budgeted revenue and expenditures of the general fund, American Rescue Plan Act fund, solid waste management fund, drug enforcement fund, state street aid fund, debt service fund and capital project fund were the same amounts portrayed as the original budgeted revenue and expenditures.

CAPITAL ASSETS

The City’s investment in capital assets for its governmental activities as of June 30, 2023, amounted to \$9,697,435 (net of accumulated depreciation). The investment in capital assets includes land, construction in process, buildings, building improvements, machinery and equipment, leased equipment and infrastructure.

Major capital asset events during the current fiscal year included the following:

- One new pumper fire truck
- Three new police vehicles
- Golf carts for golf course
- Dock at Riverfront Park
- Various construction projects

The City’s investment in capital assets as of June 30, 2023 for governmental activities was \$9,697,435 (\$8,710,256 in 2022) net of accumulated depreciation.

	2023	2022
Land	\$ 650,004	\$ 650,004
Construction in process	576,291	1,081,128
Land improvements	397,927	261,933
Buildings	2,666,965	1,538,703
Building improvements	40,500	40,500
Machinery and equipment	6,069,319	5,520,468
Leased equipment	87,126	0
Infrastructure	7,771,545	7,771,545
Accumulated depreciation	(8,562,240)	(8,154,025)
Total Capital Assets,		
Net of Accumulated Depreciation	\$ 9,697,435	\$ 8,710,256

The City’s net investment in capital assets as of June 30, 2023 for business-type activities was \$73,280,504 (\$72,173,064 in 2022). Additional information on the City’s capital assets can be found on pages 77 to 82 of the notes to the financial statements.

LONG-TERM DEBT

At June 30, 2023 the City's proprietary funds had outstanding debt of \$13,622,969 (\$14,539,333 in 2022). During the year ended June 30, 2023 the proprietary funds retired \$916,364 (\$953,345 in 2022) of debt of its business-type activities. The proprietary fund debt is backed by the full faith and credit of the City.

At June 30, 2023 the City's governmental funds had outstanding debt of \$3,361,881 (\$2,173,177 in 2022) consisting of the following:

	<u>2023</u>	<u>2022</u>
General obligation bonds	\$ 1,325,481	\$ 0
TN municipal bonds	15,400	63,900
General obligation capital outlay notes	2,021,000	1,540,000
Bond anticipation note	<u>0</u>	<u>569,277</u>
	3,361,881	2,173,177
Less: current portion due	<u>(343,240)</u>	<u>(871,777)</u>
Total long-term debt principal	<u>\$ 3,018,641</u>	<u>\$ 1,301,400</u>

During the year ended June 30, 2023 the City issued \$1,505,164 and retired \$316,460 (\$294,600 in 2022) of debt of its governmental funds.

Additional information on the City's long-term debt can be found in Note I of the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Mayor and City Council approved the budget for the year ending June 30, 2024. The estimated revenue and appropriations did not vary significantly from the budget for the year ended June 30, 2023.

Current electric rates are listed on page 181.

Current water and sewer rates are listed on pages 182-183.

The Harriman Utility Board (HUB) continues to upgrade and improve itself. Harriman Utility Board will continue to upgrade its infrastructure in FY2024 through the implementation of an Advanced Meter Infrastructure (AMI). The AMI project will be beneficial to all departments as it provides an infrastructure that can allow HUB to operate more efficiently as well as provide exceptional service to our customers. The Electric Department will also be looking into producing some of its own power through TVA's new Flexibility Agreement. Doing this could allow HUB to save a large amount of money on its purchased power costs. The Electric Department is also exploring the possibility of building out a fiber infrastructure to support operations and to possibly provide broadband internet to Roane County customers. HUB will thoroughly review the feasibility of providing broadband internet prior to making a large investment. The Gas Department will continue working on expanding the gas system to new areas to help increase the customer base. The Water Department will be finishing the installation of AMI ready water meters as well as submitting new projects to CDBG to improve the water system. The information provided by these meters will be beneficial to both HUB and our customers. HUB works on projects to improve its water and sewer systems with money received from the American Rescue Plan Act. HUB will continue to look at options for a new warehouse to replace the warehouse that is 50+ years old. We also expect to see the first phase of a new residential development on the north end of Harriman that will add to the customers for the Electric, Water and Sewer departments. The Midtown area continues to see growth and the Electric and Gas departments will benefit from any growth in that area.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Harriman.

Chris Ahler, Chief Financial Officer
City of Harriman, Tennessee
408 N. Roane Street,
Harriman, TN 37748
Telephone 865-882-9414
chris.ahler@cityofharriman.net

CITY OF HARRIMAN, TENNESSEE

STATEMENT OF NET POSITION

June 30, 2023

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
ASSETS			
Cash	\$ 4,758,498	\$ 12,301,187	\$ 17,059,685
Accounts receivable, net of allowance for uncollectible accounts	35,872	0	35,872
Trade account, net of allowance for uncollectible accounts, and grants receivable	0	2,679,920	2,679,920
Property taxes receivable, net of allowance for uncollectible accounts	1,468,385	0	1,468,385
Grants receivable	11,875	0	11,875
Taxes receivable	673,363	0	673,363
Due from other governments	173,296	0	173,296
Other	0	621,116	621,116
Materials and supplies inventory	0	958,663	958,663
Prepaid expenses	0	647,353	647,353
Emergency reserve fund	0	115,100	115,100
Net pension asset	601,110	0	601,110
Capital assets not being depreciated	1,226,295	3,603,565	4,829,860
Capital assets being depreciated, net of accumulated depreciation	<u>8,471,140</u>	<u>69,676,939</u>	<u>78,148,079</u>
	17,419,834	90,603,843	108,023,676
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	<u>448,986</u>	<u>3,069,180</u>	<u>3,518,166</u>
	<u>\$ 17,868,820</u>	<u>\$ 93,673,023</u>	<u>\$ 111,541,841</u>

See the accompanying notes to the financial statements.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
LIABILITIES			
Accounts payable	\$ 86,404	\$ 3,759,197	\$ 3,845,601
Salaries and vacation payable	158,505	1,925,606	2,084,111
Other payables	24,664	270,399	295,063
Customer deposits	0	1,860,136	1,860,136
Net pension liability	9,992	5,043,510	5,053,502
Accrued interest	0	21,299	21,299
Current portion of long-term leases	17,425	0	17,425
Long-term leases, net of current portion	54,454	0	54,454
Current portion of long-term debt	343,240	918,284	1,261,524
Long-term debt, net of current portion	<u>3,018,641</u>	<u>13,313,636</u>	<u>16,332,277</u>
	3,713,326	27,112,067	30,825,393
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax revenue	1,449,541	0	1,449,541
Deferred inflows related to pension	32,315	2,011,255	2,043,570
Deferred grant revenue	1,632,416	0	1,632,416
Deferred revenue	<u>0</u>	<u>667,782</u>	<u>667,782</u>
	3,114,272	2,679,037	5,793,309
NET POSITION			
Net investment in capital assets	6,263,675	59,048,584	65,312,259
Restricted	693,333	0	693,333
Unrestricted	<u>4,084,215</u>	<u>4,833,332</u>	<u>8,917,547</u>
	<u>11,041,223</u>	<u>63,881,916</u>	<u>74,923,139</u>
	<u>\$ 17,868,820</u>	<u>\$ 93,673,023</u>	<u>\$ 111,541,841</u>

CITY OF HARRIMAN, TENNESSEE

STATEMENT OF ACTIVITIES

Year Ended June 30, 2023

	<u>Expenses</u>	<u>Program Revenue</u>		
		<u>Fees, Fines and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
General government	\$ 2,917,641	\$ 66,329	\$ 188,112	\$ 0
Public safety	2,561,037	38,300	15,100	0
Public welfare	1,301,627	310,950	0	0
Streets and highways	1,734,233	2,195	15,788	0
Solid waste collection and disposal	492,175	393,032	0	0
Interest on long-term debt	<u>66,071</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total governmental activities	9,072,784	810,806	219,000	0
Business-Type Activities:				
Electric department	29,033,984	30,314,425	0	0
Gas department	3,466,811	3,572,794	0	0
Sewer department	1,854,919	1,930,559	0	275,139
Water department	<u>3,173,198</u>	<u>2,997,135</u>	<u>0</u>	<u>42,996</u>
Total business-type activities	<u>37,528,912</u>	<u>38,814,913</u>	<u>0</u>	<u>318,135</u>
	<u>\$ 46,601,696</u>	<u>\$ 39,625,719</u>	<u>\$ 219,000</u>	<u>\$ 318,135</u>

See the accompanying notes to the financial statements.

Net (Expense)Revenue and
Changes In Net Position

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
\$ (2,663,200)	\$ 0	\$ (2,663,200)
(2,507,637)	0	(2,507,637)
(990,677)	0	(990,677)
(1,716,250)	0	(1,716,250)
(99,143)	0	(99,143)
<u>(66,071)</u>	<u>0</u>	<u>(66,071)</u>
(8,042,978)	0	(8,042,978)
0	1,280,441	1,280,441
0	105,983	105,983
0	350,779	350,779
<u>0</u>	<u>(133,067)</u>	<u>(133,067)</u>
<u>0</u>	<u>1,604,136</u>	<u>1,604,136</u>
<u>\$ (8,042,978)</u>	<u>\$ 1,604,136</u>	<u>\$ (6,438,842)</u>

CITY OF HARRIMAN, TENNESSEE

STATEMENT OF ACTIVITIES

(continued)

Year Ended June 30, 2023

NET (EXPENSE)REVENUE FROM PROGRAM ACTIVITIES

General Revenue:

Taxes:

Property tax

In-Lieu of tax payments

Local sales tax

Business tax

Franchise tax

Room occupancy tax

Wholesale beer tax

Wholesale liquor tax

Intergovernmental

Insurance recoveries

Miscellaneous

Interest income

Total general revenue

Transfers

Total general revenue and transfers

CHANGES IN NET POSITION

NET POSITION AT THE BEGINNING OF THE YEAR,

as restated

NET POSITION AT THE END OF THE YEAR

Net (Expense)Revenue and
Changes In Net Position

Governmental Activities	Business-Type Activities	Totals
\$ (8,042,978)	\$ 1,604,136	\$ (6,438,842)
1,379,887	0	1,379,887
26,094	0	26,094
3,323,534	0	3,323,534
271,338	0	271,338
38,519	0	38,519
361,998	0	361,998
304,933	0	304,933
140,314	0	140,314
1,073,035	0	1,073,035
49,016	0	49,016
13,575	0	13,575
90	94,324	94,414
6,982,333	94,324	7,076,657
783,312	(783,312)	0
7,765,645	(688,988)	7,076,657
(277,333)	915,148	637,815
11,318,556	62,966,768	74,285,324
<u>\$ 11,041,223</u>	<u>\$ 63,881,916</u>	<u>\$ 74,923,139</u>

CITY OF HARRIMAN, TENNESSEE

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2023

	<u>General Fund</u>	<u>American Rescue Plan Act</u>	<u>Other Governmental Funds</u>
ASSETS			
Cash	\$ 2,413,892	\$ 1,815,320	\$ 529,286
Accounts receivable	0	0	35,872
Grants receivable	11,875	0	0
Property taxes receivable, net of allowance for uncollectible accounts	1,027,870	0	440,516
Taxes receivable	673,363	0	0
Due from other governments	173,296	0	0
Due from other funds	<u>182,900</u>	<u>0</u>	<u>34,997</u>
	<u>\$ 4,483,196</u>	<u>\$ 1,815,320</u>	<u>\$ 1,040,671</u>

See the accompanying notes to the financial statements.

Totals

\$ 4,758,498
35,872
11,875

1,468,385
673,363
173,296
217,897

\$ 7,339,186

CITY OF HARRIMAN, TENNESSEE

BALANCE SHEET
GOVERNMENTAL FUNDS

(continued)

June 30, 2023

	<u>General Fund</u>	<u>American Rescue Plan Act</u>	<u>Other Governmental Funds</u>
LIABILITIES			
Accounts payable	\$ 86,404	\$ 0	\$ 0
Salaries payable	46,960	0	0
Funds held for others	0	0	24,664
Due to other funds	34,997	182,900	0
	<u>168,361</u>	<u>182,900</u>	<u>24,664</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred property taxes	1,027,870	0	440,516
Deferred grant revenue	0	1,632,416	0
	<u>1,027,870</u>	<u>1,632,416</u>	<u>440,516</u>
FUND BALANCES			
Restricted	25,008	0	67,217
Assigned	688,440	0	0
Committed	0	0	508,277
Unassigned	2,573,517	3	0
	<u>3,286,965</u>	<u>3</u>	<u>575,493</u>
	<u>\$ 4,483,196</u>	<u>\$ 1,815,320</u>	<u>\$ 1,040,671</u>

Totals

\$ 86,404
46,960
24,664
217,897
375,925

1,468,385
1,632,416
3,100,801

92,225
688,440
508,277
2,573,520
3,862,461

\$ 7,339,186

CITY OF HARRIMAN, TENNESSEE

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

June 30, 2023

Total Fund Balance - Governmental Funds	\$ 3,500,463
Capital assets used in governmental activities are reported in the statement of net position; however, they are not current financial resources; therefore, they are not reported in the governmental funds balance sheet.	9,697,435
Some of the City's taxes will be collected after year-end, but are not available soon enough to pay for the current year's expenditures; therefore, they are reported as deferred revenue in the governmental funds balance sheet.	18,844
Long-term liabilities are not due in the current period; therefore, they are not reported in the governmental funds balance sheet.	(3,433,760)
Compensated absences are not due in the current period; therefore, they are not reported in the governmental funds balance sheet.	(111,545)
Net pension assets and liabilities, and the related deferred outflows and deferred inflows, are reported in the statement of net position; however, they are not current financial resources; therefore, they are not reported in the governmental funds balance sheet:	
Net pension asset	601,110
Deferred outflows of resources	448,986
Deferred inflows of resources	<u>(32,315)</u>
Net Position of Governmental Activities	<u>\$ 10,689,217</u>

See the accompanying notes to the financial statements.

CITY OF HARRIMAN, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

Year Ended June 30, 2023

	<u>General Fund</u>	<u>American Rescue Plan Act</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
REVENUE				
Taxes:				
Property tax	\$ 947,191	\$ 0	\$ 413,853	\$ 1,361,044
In-Lieu of tax payments	26,094	0	0	26,094
Local sales tax	3,323,534	0	0	3,323,534
Business tax	271,338	0	0	271,338
Room occupancy tax	361,998	0	0	361,998
Wholesale beer tax	304,933	0	0	304,933
Wholesale liquor tax	140,314	0	0	140,314
Franchise tax	38,519	0	0	38,519
Intergovernmental	913,320	75,030	204,685	1,193,035
Licenses and permits	4,595	0	0	4,595
Receipts for use of facilities	27,415	0	0	27,415
Charges for services	297,881	0	393,031	690,912
Fines and forfeitures	26,293	0	10,163	36,456
Other revenue	121,102	3	11,180	132,285
	<u>6,804,527</u>	<u>75,033</u>	<u>1,032,912</u>	<u>7,912,472</u>
TOTAL REVENUE				
EXPENDITURES				
Current:				
General government	2,797,262	75,030	0	2,872,292
Public safety	2,328,639	0	12,431	2,341,070
Public welfare	1,134,019	0	95,278	1,229,297
Solid waste collection	1,271	0	490,903	492,174
Streets and highways	1,085,468	0	281,633	1,367,101
Capital outlay	1,637,863	0	105,230	1,743,093
Debt service	17,425	0	390,945	408,370
	<u>9,001,946</u>	<u>75,030</u>	<u>1,376,420</u>	<u>10,453,397</u>
TOTAL EXPENDITURES				

See the accompanying notes to the financial statements.

CITY OF HARRIMAN, TENNESSEE

STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

(continued)

Year Ended June 30, 2023

	<u>General Fund</u>	<u>American Rescue Plan Act</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
NET CHANGES IN FUND BALANCES BEFORE OTHER FINANCING SOURCES(USES)	(2,197,419)	3	(343,508)	(2,540,925)
OTHER FINANCING SOURCES(USES)				
Proceeds from issuance of long-term debt and leases	1,574,113	0	0	1,574,113
Proceeds from the sale of properties sold by the Industrial Development Board	99,000	0	0	99,000
Transfers to other funds	(181,678)	0	0	(181,678)
Transfers from other funds	<u>783,312</u>	<u>0</u>	<u>181,678</u>	<u>964,990</u>
	<u>2,274,747</u>	<u>0</u>	<u>181,678</u>	<u>2,456,425</u>
NET CHANGES IN FUND BALANCES	77,329	3	(161,830)	(84,499)
FUND BALANCES AT THE BEGINNING OF THE YEAR, as restated	<u>3,209,637</u>	<u>0</u>	<u>737,323</u>	<u>3,946,960</u>
FUND BALANCES AT THE END OF THE YEAR	<u>\$ 3,286,965</u>	<u>\$ 3</u>	<u>\$ 575,493</u>	<u>\$ 3,862,461</u>

CITY OF HARRIMAN, TENNESSEE

**RECONCILIATION OF THE STATEMENT OF REVENUE,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

Year Ended June 30, 2023

Net Changes in Fund Balances	\$ (84,499)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Acquisition of capital assets	1,743,093
Depreciation expense	(755,913)
Long-term debt provides current financial resources to governmental funds, but the issuance of debt increases long-term debt obligations for governmental activities.	(1,574,113)
Repayment of long-term liabilities is an expenditure in the governmental funds, but reduces long-term liabilities for governmental activities.	333,885
Accruals for long-term compensated absences reported in the statement of activities do not require the use of current financial resources; therefore, they are not reported as expenditures in the statement of revenue, expenditures and changes in fund balances of governmental funds.	(9,883)
Retirement contributions made after the actuarial measurement date are an expenditure in the governmental funds, but increase deferred outflows for governmental activities.	370,400
Pension expense reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental fund financial statements.	(319,144)

See the accompanying notes to the financial statements.

CITY OF HARRIMAN, TENNESSEE

**RECONCILIATION OF THE STATEMENT OF REVENUE,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

(continued)

Year Ended June 30, 2023

Revenue reported in the statement of activities that does not provide current financial resources is not reported as revenue in the governmental fund financial statements:

Deferred property tax revenue - June 30, 2023	<u>18,844</u>
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Change in Net Position of Governmental Activities	<u>\$ (277,333)</u>
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CITY OF HARRIMAN, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
GENERAL FUND**

Year Ended June 30, 2023

	Budget		Actual	Variance Over (Under)
	Original	Final		
REVENUE				
Taxes:				
Property taxes	\$ 1,040,991	\$ 1,040,991	\$ 945,531	\$ (95,460)
Interest and penalty	11,192	11,192	1,659	(9,533)
In-Lieu of tax payments	29,105	29,105	26,094	(3,011)
Local sales tax	3,000,000	3,000,000	3,323,534	323,534
Business tax	270,000	270,000	271,338	1,338
Room occupancy tax	265,000	265,000	361,998	96,998
Wholesale beer tax	302,000	302,000	304,933	2,933
Wholesale liquor tax	121,000	121,000	140,314	19,314
Franchise tax	42,000	42,000	38,519	(3,481)
	5,081,288	5,081,288	5,413,920	332,632
Intergovernmental:				
State income tax	18,000	18,000	0	(18,000)
State beer tax	2,900	2,900	2,690	(210)
State sales tax	680,000	680,000	699,884	19,884
State mixed drink tax	20,000	20,000	28,600	8,600
State telecommunication tax	5,400	5,400	5,228	(172)
State police supplement	26,400	26,400	15,100	(11,300)
Sport betting tax	9,200	9,200	10,505	1,305
City streets	36,200	36,200	15,788	(20,412)
Corporate excise tax	32,000	32,000	16,214	(15,786)
TVA in-lieu of tax payments	64,400	64,400	105,229	40,829
TDOT grant	2,830,000	2,830,000	0	(2,830,000)
Other grants	1,177,145	1,177,145	14,082	(1,163,063)
	4,901,645	4,901,645	913,320	(3,988,325)

See the accompanying notes to the financial statements.

CITY OF HARRIMAN, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET**
GENERAL FUND

(continued)

Year Ended June 30, 2023

	Budget		Actual	Variance Over (Under)
	Original	Final		
Fines and forfeitures	45,000	45,000	26,293	(18,707)
Licenses and permits:				
Beer licenses	3,700	3,700	3,950	250
Building permits	200	200	645	445
	<u>3,900</u>	<u>3,900</u>	<u>4,595</u>	<u>695</u>
Charges for services:				
Solid waste collection	90	90	0	(90)
Highway and streets	1,500	1,500	2,195	695
Parks and recreation	3,525	3,525	573	(2,952)
Tourism	7,400	7,400	13,009	5,609
Special fire protection	1,000	1,000	0	(1,000)
Special police service	2,100	2,100	1,844	(256)
Athletic tournaments	25,000	25,000	81,546	56,546
Golf charges	150,000	150,000	188,408	38,408
Special assessments	0	0	10,065	10,065
Accident report	90	90	243	153
	<u>190,705</u>	<u>190,705</u>	<u>297,882</u>	<u>107,178</u>
Receipts for use of facilities:				
Rent	527	527	27,415	26,888
Other revenue:				
Sale of materials and supplies	25,000	25,000	45,784	20,784
Insurance recoveries	60,000	60,000	49,016	(10,984)
Fire and police donations	5,300	5,300	1,691	(3,609)

CITY OF HARRIMAN, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET**
GENERAL FUND

(continued)

Year Ended June 30, 2023

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Other revenue (continued):				
Miscellaneous revenue	8,700	8,700	24,610	15,910
	<u>99,000</u>	<u>99,000</u>	<u>121,102</u>	<u>22,101</u>
TOTAL REVENUE	10,322,065	10,322,065	6,804,528	(3,517,538)
EXPENDITURES				
Legislative and general government:				
Salaries and wages	4,620	4,620	4,140	(480)
Mayor and Council	10,800	10,800	10,800	0
Dues and subscriptions	3,000	3,000	3,183	183
Operating supplies	19,322	19,322	8,566	(10,756)
Travel	1,000	1,000	891	(109)
	<u>38,742</u>	<u>38,742</u>	<u>27,580</u>	<u>(11,162)</u>
City manager:				
Salary	135,750	135,750	131,972	(3,778)
Telephone	750	750	1,563	813
Gas, oil and grease	1,250	1,250	464	(786)
Travel	2,500	2,500	415	(2,085)
Office supplies	750	750	394	(356)
	<u>141,000</u>	<u>141,000</u>	<u>134,808</u>	<u>(6,192)</u>
Building inspector:				
Salary	46,323	46,323	45,285	(1,038)
Repairs and maintenance	350	350	625	275
Gas, oil and grease	1,500	1,500	1,101	(399)
Telephone	180	180	648	468
Travel	500	500	0	(500)

CITY OF HARRIMAN, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET**
GENERAL FUND

(continued)

Year Ended June 30, 2023

	Budget		Actual	Variance Over (Under)
	Original	Final		
Building inspector(continued):				
Operating supplies	1,500	1,500	1,235	(265)
Operating expense	54,400	54,400	36,921	(17,479)
	<u>104,753</u>	<u>104,753</u>	<u>85,815</u>	<u>(18,938)</u>
Financial administration:				
Salary	234,807	234,807	212,739	(22,068)
Auditing services	18,500	18,500	43,960	25,460
Professional services	36,000	36,000	41,743	5,743
Telephone	5,000	5,000	1,704	(3,296)
Office supplies	27,000	27,000	27,973	973
Dues and subscriptions	2,500	2,500	597	(1,903)
Travel	500	500	0	(500)
Employee education	750	750	110	(640)
	<u>325,057</u>	<u>325,057</u>	<u>328,826</u>	<u>3,769</u>
Public buildings:				
Salaries - regular	82,524	82,524	78,068	(4,456)
Health insurance	39,000	39,000	47,947	8,947
Utilities	60,000	60,000	37,664	(22,336)
Telephone	15,000	15,000	22,496	7,496
Repairs and maintenance	226,090	226,090	139,919	(86,171)
Other contractual services	90,268	90,268	48,486	(41,782)
Supplies	12,500	12,500	16,286	3,786
	<u>525,382</u>	<u>525,382</u>	<u>390,866</u>	<u>(134,516)</u>
City garage:				
Salaries	41,776	41,776	38,965	(2,811)
Utilities	14,000	14,000	11,781	(2,219)
Communications	50	50	0	(50)
Repairs and maintenance	8,500	8,500	8,847	347

CITY OF HARRIMAN, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET**
GENERAL FUND

(continued)

Year Ended June 30, 2023

	Budget		Actual	Variance Over (Under)
	Original	Final		
City garage (continued):				
Supplies	3,000	3,000	3,119	119
	<u>67,326</u>	<u>67,326</u>	<u>62,712</u>	<u>(4,614)</u>
Other general government:				
OASDI - employer's share	236,886	236,886	246,549	9,663
Health insurance	368,314	368,314	428,850	60,536
Retirement	602,932	602,932	509,676	(93,256)
Workers' compensation	86,745	86,745	75,180	(11,565)
Unemployment insurance	2,106	2,106	1,926	(180)
Insurance	66,338	66,338	81,142	14,804
Professional services	1,016	1,016	11,118	10,102
Utilities	210,713	210,713	208,735	(1,978)
911 contributions	90,134	90,134	91,937	1,803
Mixed drink share to school	19,045	19,045	0	(19,045)
Donations	69,750	69,750	67,000	(2,750)
Miscellaneous	7,500	7,500	823	(6,677)
	<u>1,761,479</u>	<u>1,761,479</u>	<u>1,722,936</u>	<u>(38,543)</u>
Police department:				
Salary	1,088,596	1,088,596	1,061,130	(27,466)
Professional services	10,000	10,000	25,965	15,965
Utilities	7,000	7,000	0	(7,000)
Insurance	32,000	32,000	40,997	8,997
Communications	22,000	22,000	36,399	14,399
Repairs and maintenance	29,000	29,000	46,874	17,874
Gas, oil and grease	55,000	55,000	53,969	(1,031)
Office supplies	4,500	4,500	5,027	527
Supplies	10,600	10,600	11,590	990
Equipment	68,707	68,707	21,533	(47,174)
Uniforms	9,000	9,000	9,399	399

CITY OF HARRIMAN, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET**
GENERAL FUND

(continued)

Year Ended June 30, 2023

	Budget		Actual	Variance Over (Under)
	Original	Final		
Police department(continued):				
Drug enforcement	2,050	2,050	195	(1,855)
Employee education	18,000	18,000	19,921	1,921
	<u>1,356,453</u>	<u>1,356,453</u>	<u>1,332,999</u>	<u>(23,454)</u>
Fire department:				
Salary	812,833	812,833	867,128	54,295
Professional services	6,500	6,500	1,699	(4,801)
Training	8,000	8,000	7,328	(672)
Utilities	18,000	18,000	17,936	(64)
Communications	7,500	7,500	11,885	4,385
Repairs and maintenance	30,000	30,000	26,016	(3,984)
Gas, oil and grease	13,000	13,000	13,435	435
Office supplies	1,200	1,200	1,260	60
Supplies	16,200	16,200	15,888	(312)
Small items of equipment	21,000	21,000	28,946	7,946
Uniforms	3,800	3,800	2,175	(1,625)
Fire hydrants	1,800	1,800	1,944	144
	<u>939,833</u>	<u>939,833</u>	<u>995,640</u>	<u>55,807</u>
City court:				
Salary	19,600	19,600	18,800	(800)
Professional service	9,000	9,000	24,835	15,835
Operating supplies	200	200	82	(118)
	<u>28,800</u>	<u>28,800</u>	<u>43,717</u>	<u>14,917</u>
Recreation:				
Salary	347,053	347,053	315,057	(31,996)
Utilities	66,000	66,000	70,694	4,694
Telephone	0	0	467	467
Repairs and maintenance	33,555	33,555	24,603	(8,952)

CITY OF HARRIMAN, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET**
GENERAL FUND

(continued)

Year Ended June 30, 2023

	Budget		Actual	Variance Over (Under)
	Original	Final		
Recreation(continued):				
Gas, oil and grease	8,500	8,500	10,235	1,735
Small items of equipment	163,201	163,201	136,423	(26,778)
Supplies	48,000	48,000	83,868	35,868
Uniforms	1,200	1,200	1,742	542
	<u>667,509</u>	<u>667,509</u>	<u>643,089</u>	<u>(24,420)</u>
Golf course:				
Salary	154,302	154,302	135,052	(19,250)
Utilities	18,000	18,000	15,063	(2,937)
Communications	1,400	1,400	1,949	549
State fees	12,000	12,000	17,441	5,441
Repairs and maintenance	65,800	65,800	69,798	3,998
Gas, oil and grease	5,500	5,500	6,515	1,015
Supplies	7,850	7,850	10,279	2,429
Chemicals	15,000	15,000	15,969	969
Uniforms	400	400	345	(55)
Small items of equipment	13,000	13,000	11,190	(1,810)
	<u>293,252</u>	<u>293,252</u>	<u>283,601</u>	<u>(9,651)</u>
Library:				
Salary	115,255	115,255	115,124	(131)
Utilities	12,000	12,000	11,821	(179)
Computer literacy program	19,600	19,600	19,600	0
Supplies	2,700	2,700	3,757	1,057
	<u>149,555</u>	<u>149,555</u>	<u>150,302</u>	<u>747</u>
Animal control:				
Salary	12,452	12,452	12,600	148
Veterinary services	9,000	9,000	9,495	495
Repairs and maintenance	250	250	0	(250)

CITY OF HARRIMAN, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET**
GENERAL FUND

(continued)

Year Ended June 30, 2023

	Budget		Actual	Variance Over (Under)
	Original	Final		
Supplies	750	750	311	(439)
	<u>22,452</u>	<u>22,452</u>	<u>22,406</u>	<u>(46)</u>
Solid waste collection:				
Salary	0	0	121	121
Collection services	0	0	199	199
Landfill services	0	0	951	951
	<u>0</u>	<u>0</u>	<u>1,271</u>	<u>1,271</u>
Streets and highways:				
Salary	478,369	478,369	349,250	(129,119)
Repairs and maintenance	105,535	105,535	612,885	507,350
Vehicle maintenance	30,000	30,000	37,986	7,986
Gas, oil and grease	27,000	27,000	30,993	3,993
Supplies	40,000	40,000	12,458	(27,542)
Small equipment	20,000	20,000	77	(19,923)
Uniforms	7,510	7,510	4,714	(2,796)
	<u>708,414</u>	<u>708,414</u>	<u>1,048,363</u>	<u>339,949</u>
Tourism:				
Salary	17,690	17,690	9,678	(8,012)
Telephone	500	500	1,364	864
Employee education	500	500	110	(390)
Donations	4,200	4,200	21,546	17,346
Office supplies	200	200	443	243
Travel	300	300	507	207
NRCS grant	300	300	971	671
	<u>23,690</u>	<u>23,690</u>	<u>34,619</u>	<u>10,929</u>
Special projects:				
Interstate lighting	813,491	813,491	304	(813,187)

CITY OF HARRIMAN, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
GENERAL FUND**

(continued)

Year Ended June 30, 2023

	<u>Budget</u>			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Over (Under)</u>
Special projects(continued):				
Special city projects and marketing	11,077	11,077	9,141	(1,936)
Historical commission grant	315,000	315,000	14,500	(300,500)
Hospital site plan USDA	2,000	2,000	2,633	633
TDOT CMAQ grant	0	0	3,800	3,800
TAP grant	<u>779,710</u>	<u>779,710</u>	<u>6,728</u>	<u>(772,982)</u>
	1,921,278	1,921,278	37,106	(1,884,172)
Capital outlay:				
General government	470,029	470,029	641,429	171,400
Public safety	851,048	851,048	851,049	1
Parks	40,958	40,958	40,958	0
Golf course	<u>17,550</u>	<u>17,550</u>	<u>104,426</u>	<u>86,876</u>
	1,379,585	1,379,585	1,637,863	258,277
Debt service	<u>16,980</u>	<u>16,980</u>	<u>17,425</u>	<u>445</u>
TOTAL EXPENDITURES	<u>10,471,540</u>	<u>10,471,540</u>	<u>9,001,946</u>	<u>(1,469,597)</u>
NET CHANGE IN FUND BALANCE BEFORE OTHER FINANCING SOURCES(USES)	(149,475)	(149,475)	(2,197,418)	(2,047,941)

CITY OF HARRIMAN, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET**
GENERAL FUND

(continued)

Year Ended June 30, 2023

	Budget		Actual	Variance Over (Under)
	Original	Final		
OTHER FINANCING SOURCES(USES)				
Proceeds from issuance of long-term debt and lease	300,000	300,000	1,574,113	1,274,113
Proceeds from the sale of properties sold by the Industrial Development Board	0	0	99,000	99,000
Transfer to State Street Aid Fund	(165,756)	(165,756)	(76,245)	89,511
Transfer to Solid Waste Fund	(63,495)	(63,495)	(105,433)	(41,938)
Transfer from Harriman Utility Board	906,677	906,677	783,312	(123,365)
	<u>977,426</u>	<u>977,426</u>	<u>2,274,747</u>	<u>1,297,321</u>
NET CHANGE IN FUND BALANCE	827,951	827,951	77,329	(750,620)
FUND BALANCE AT THE BEGINNING OF THE YEAR, as restated	<u>0</u>	<u>0</u>	<u>3,209,637</u>	<u>3,209,637</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 827,951</u>	<u>\$ 827,951</u>	<u>\$ 3,286,965</u>	<u>\$ 2,459,014</u>

CITY OF HARRIMAN, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
AMERICAN RESCUE PLAN ACT**

Year Ended June 30, 2023

	<u>Budget</u>			Variance Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Under)</u>
REVENUE				
Coronavirus State and Local Fiscal Recovery Funds	\$ 0	\$ 0	\$ 75,030	\$ 75,030
Interest	<u>0</u>	<u>0</u>	<u>3</u>	<u>3.00</u>
TOTAL REVENUE	0	0	75,033	75,033
EXPENDITURES				
Repairs and maintenance	8,000	8,000	74,900	66,900
Office supplies	<u>0</u>	<u>0</u>	<u>130</u>	<u>130</u>
TOTAL EXPENDITURES	<u>8,000</u>	<u>8,000</u>	<u>75,030</u>	<u>67,030</u>
NET CHANGE IN FUND BALANCE	(8,000)	(8,000)	3	8,003
FUND BALANCE AT THE BEGINNING OF THE YEAR	<u>8,000</u>	<u>8,000</u>	<u>0</u>	<u>(8,000)</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3</u>	<u>\$ 3</u>

See the accompanying notes to the financial statements.

CITY OF HARRIMAN, TENNESSEE

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2023

	<u>Electric Department</u>	<u>Gas Department</u>	<u>Sewer Department</u>
<u>ASSETS</u>			
CAPITAL ASSETS			
Land and land rights	\$ 710,688	\$ 0	\$ 0
Plant in service	75,678,329	16,798,662	30,711,548
Construction in progress	<u>1,540,170</u>	<u>530,373</u>	<u>117,859</u>
	77,929,187	17,329,035	30,829,407
Accumulated depreciation	<u>(46,220,421)</u>	<u>(7,769,386)</u>	<u>(14,684,358)</u>
NET CAPITAL ASSETS	31,708,766	9,559,649	16,145,049
CURRENT ASSETS			
Cash - interest bearing	8,614,328	1,915,039	673,594
Trade account, net of allowance for uncollectible accounts, and grants receivable	2,679,920	0	0
Due from(to) other utility departments	415,729	(75,278)	156,851
Other	(108,097)	80,865	405,746
Materials and supplies inventory	610,215	108,997	21,687
Prepaid expenses	<u>5,737</u>	<u>620,647</u>	<u>3,615</u>
TOTAL CURRENT ASSETS	12,217,832	2,650,270	1,261,493

See the accompanying notes to the financial statements.

<u>Water Department</u>	<u>Totals</u>
\$ 0	\$ 710,688
28,775,083	151,963,622
<u>704,475</u>	<u>2,892,877</u>
29,479,558	155,567,187
<u>(13,612,518)</u>	<u>(82,286,683)</u>
15,867,040	73,280,504
1,098,226	12,301,187
0	2,679,920
156,202	653,504
242,602	621,116
217,764	958,663
<u>17,354</u>	<u>647,353</u>
1,732,148	17,861,743

CITY OF HARRIMAN, TENNESSEE

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

(continued)

June 30, 2023

	<u>Electric Department</u>	<u>Gas Department</u>	<u>Sewer Department</u>
<u>LIABILITIES AND NET POSITION</u>			
LONG-TERM DEBT			
Revenue bonds and revenue refunding bonds	\$ 0	\$ 0	\$ 4,024,404
Notes payable and obligations under capital lease	2,610,000	1,985,000	0
Unamortized premiums/discounts	<u>189,538</u>	<u>101,165</u>	<u>143,487</u>
	2,799,538	2,086,165	4,167,891
NET PENSION LIABILITY	3,026,105	756,527	504,351
COMPENSATED ABSENCES	987,398	303,122	209,563
CURRENT LIABILITIES PAYABLE FROM CURRENT ASSETS			
Trade accounts payable	3,759,197	0	0
Due to other utility departments	564,053	0	0
Accrued payroll and taxes	144,795	0	0
Customers' deposits	1,478,229	219,739	0
Other payables	269,322	0	1,077
Deferred revenue	<u>667,782</u>	<u>0</u>	<u>0</u>
	6,883,378	219,739	1,077

<u>Water Department</u>	<u>Totals</u>
\$ 4,085,281	\$ 8,109,685
0	4,595,000
<u>174,761</u>	<u>608,951</u>
4,260,042	13,313,636
756,527	5,043,510
280,728	1,780,811
0	3,759,197
89,454	653,507
0	144,795
162,168	1,860,136
0	270,399
<u>0</u>	<u>667,782</u>
251,622	7,355,816

CITY OF HARRIMAN, TENNESSEE

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

(continued)

June 30, 2023

	<u>Electric Department</u>	<u>Gas Department</u>	<u>Sewer Department</u>
RESTRICTED ASSETS			
Emergency reserve fund	<u>115,100</u>	<u>0</u>	<u>0</u>
TOTAL ASSETS	44,041,698	12,209,919	17,406,542
DEFERRED OUTFLOWS OF RESOURCES			
Differences between expected and actual experience	1,381,134	345,285	230,188
Net difference between projected and actual earnings	313,057	78,264	52,176
Changes of assumptions	<u>147,321</u>	<u>36,830</u>	<u>24,553</u>
	<u>1,841,512</u>	<u>460,380</u>	<u>306,918</u>
	<u>\$ 45,883,210</u>	<u>\$ 12,670,299</u>	<u>\$ 17,713,460</u>

<u>Water Department</u>	<u>Totals</u>
<u>0</u>	<u>115,100</u>
17,599,188	91,257,347
345,278	2,301,885
78,263	521,761
<u>36,830</u>	<u>245,534</u>
<u>460,371</u>	<u>3,069,180</u>
<u>\$ 18,059,559</u>	<u>\$ 94,326,527</u>

CITY OF HARRIMAN, TENNESSEE

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

(continued)

	<u>Electric Department</u>	<u>Gas Department</u>	<u>Sewer Department</u>
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS			
Current installments of long-term debt	245,000	120,000	273,804
Accrued interest	<u>5,770</u>	<u>3,729</u>	<u>5,640</u>
	<u>250,770</u>	<u>123,729</u>	<u>279,444</u>
TOTAL LIABILITIES	13,947,189	3,489,282	5,162,326
DEFERRED INFLOWS OF RESOURCES			
Differences between expected and actual experience	325,823	81,456	54,304
Net difference between projected and actual earnings	108,608	27,152	18,101
Changes of assumptions	<u>772,321</u>	<u>193,081</u>	<u>128,720</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	1,206,752	301,689	201,125
NET POSITION			
Net investment in capital assets	28,664,228	7,353,484	11,703,354
Unrestricted	<u>2,065,041</u>	<u>1,525,844</u>	<u>646,654</u>
	<u>30,729,269</u>	<u>8,879,328</u>	<u>12,350,008</u>
	<u>\$ 45,883,210</u>	<u>\$ 12,670,299</u>	<u>\$ 17,713,460</u>

<u>Water Department</u>	<u>Totals</u>
279,480	918,284
<u>6,160</u>	<u>21,299</u>
<u>285,640</u>	<u>939,583</u>
5,834,559	28,433,356
81,456	543,039
27,152	181,013
<u>193,081</u>	<u>1,287,203</u>
301,689	2,011,255
11,327,518	59,048,584
<u>595,793</u>	<u>4,833,332</u>
<u>11,923,311</u>	<u>63,881,916</u>
<u>\$ 18,059,559</u>	<u>\$ 94,326,527</u>

CITY OF HARRIMAN, TENNESSEE

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS

June 30, 2023

	<u>Electric Department</u>	<u>Gas Department</u>	<u>Sewer Department</u>
OPERATING REVENUE			
Residential	\$ 16,848,364	\$ 1,931,777	\$ 0
Commercial, industrial and interruptible	11,687,632	1,609,552	0
Sewer and water charges	0	0	1,920,097
Street and outdoor lighting sales	797,410	0	0
Customers' forfeited discounts	234,413	20,154	17,518
Rent from city	21,624	0	0
Rent from others	563,226	0	0
Miscellaneous	173,639	15,736	3,630
Bad debt expense	<u>(11,883)</u>	<u>(4,425)</u>	<u>(10,686)</u>
TOTAL OPERATING REVENUE	30,314,425	3,572,794	1,930,559
OPERATING EXPENSES			
Operation	20,221,286	0	0
Repairs and maintenance	1,777,171	0	0
Purchased gas	0	1,294,925	0
Power, pumping and utilities	0	0	189,077
Purification	0	0	237,085
Transmission and distribution	1,637,088	602,026	261,412
Customers' accounting and collection	634,624	308,605	54,864
Administrative and general	2,529,366	798,215	404,589
Depreciation and amortization	<u>2,176,663</u>	<u>420,839</u>	<u>629,798</u>
TOTAL OPERATING EXPENSES	<u>28,976,198</u>	<u>3,424,610</u>	<u>1,776,825</u>
NET OPERATING INCOME	1,338,227	148,184	153,734
NONOPERATING REVENUE(EXPENSE)			
Interest income	86,510	7,814	0
Interest expense	<u>(57,786)</u>	<u>(42,201)</u>	<u>(78,094)</u>
	<u>28,724</u>	<u>(34,387)</u>	<u>(78,094)</u>

See the accompanying notes to the financial statements.

<u>Water Department</u>	<u>Totals</u>
\$ 0	\$ 18,780,141
0	13,297,184
2,922,078	4,842,175
0	797,410
32,367	304,452
0	21,624
0	563,226
52,753	245,758
<u>(10,063)</u>	<u>(37,057)</u>
2,997,135	38,814,913
0	20,221,286
0	1,777,171
0	1,294,925
371,418	560,495
357,547	594,632
470,066	2,970,592
281,415	1,279,508
984,236	4,716,406
<u>638,941</u>	<u>3,866,241</u>
<u>3,103,623</u>	<u>37,281,256</u>
(106,488)	1,533,657
0	94,324
<u>(69,575)</u>	<u>(247,656)</u>
<u>(69,575)</u>	<u>(153,332)</u>

CITY OF HARRIMAN, TENNESSEE

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS

(continued)

June 30, 2023

	<u>Electric Department</u>	<u>Gas Department</u>	<u>Sewer Department</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	1,366,951	113,797	75,640
Capital contributions	<u>0</u>	<u>0</u>	<u>275,139</u>
INCOME BEFORE TRANSFERS	1,366,951	113,797	350,779
Transfers out	<u>(783,312)</u>	<u>0</u>	<u>0</u>
CHANGE IN NET POSITION	583,639	113,797	350,779
NET POSITION AT THE BEGINNING OF THE YEAR	<u>30,145,630</u>	<u>8,765,531</u>	<u>11,999,229</u>
NET POSITION AT THE END OF THE YEAR	<u>\$ 30,729,269</u>	<u>\$ 8,879,328</u>	<u>\$ 12,350,008</u>

<u>Water Department</u>	<u>Totals</u>
(176,063)	1,380,325
<u>42,996</u>	<u>318,135</u>
(133,067)	1,698,460
<u>0</u>	<u>(783,312)</u>
(133,067)	915,148
<u>12,056,378</u>	<u>62,966,768</u>
<u>\$ 11,923,311</u>	<u>\$ 63,881,916</u>

CITY OF HARRIMAN, TENNESSEE

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

Year Ended June 30, 2023

	<u>Electric Department</u>	<u>Gas Department</u>	<u>Sewer Department</u>
CASH PROVIDED(USED) BY OPERATING ACTIVITIES			
Receipts from customers and users	\$ 31,313,343	\$ 3,572,794	\$ 1,930,559
Payments to suppliers and vendors	(24,596,145)	(2,525,438)	(866,243)
Payments to employees	(1,552,158)	(476,480)	(293,394)
Payments for other expenses	<u>(84,955)</u>	<u>(338,599)</u>	<u>(184,066)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	5,080,086	232,277	586,856
CASH PROVIDED(USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES			
Transfers to other funds	(783,312)	0	0
CASH PROVIDED(USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets:			
Additions to plant	(3,084,024)	(907,667)	(374,172)
Salvage value of plant retirements	194,205	0	0
Principal paid on revenue and revenue refunding bond maturities	0	0	(272,808)
Principal paid on notes payable and finance leases	(245,000)	(120,000)	0
Interest paid on bonds, notes and finance leases	(57,786)	(42,201)	(78,094)
Amortization of debt costs	(18,196)	(5,849)	(8,477)
Capital contribution	<u>0</u>	<u>0</u>	<u>275,139</u>
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(3,210,801)	(1,075,717)	(458,412)

See the accompanying notes to the financial statements.

<u>Water Department</u>	<u>Totals</u>
\$ 2,997,135	\$ 39,813,831
(2,102,151)	(30,089,976)
(347,062)	(2,669,094)
(9,970)	(617,590)
537,952	6,437,171
0	(783,312)
(834,111)	(5,199,974)
0	194,205
(278,556)	(551,364)
0	(365,000)
(69,575)	(247,656)
(10,120)	(42,642)
42,996	318,135
(1,149,366)	(5,894,296)

CITY OF HARRIMAN, TENNESSEE

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

(continued)

Year Ended June 30, 2023

	<u>Electric Department</u>	<u>Gas Department</u>	<u>Sewer Department</u>
CASH PROVIDED(USED) BY INVESTING ACTIVITIES			
Interest from cash management activities	<u>86,510</u>	<u>7,814</u>	<u>0</u>
INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	1,172,483	(835,626)	128,444
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>7,556,945</u>	<u>2,750,665</u>	<u>545,150</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 8,729,428</u>	<u>\$ 1,915,039</u>	<u>\$ 673,594</u>
SUMMARY OF CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR			
Cash - interest bearing	\$ 8,614,328	\$ 1,915,039	\$ 673,594
Restricted assets	<u>115,100</u>	<u>0</u>	<u>0</u>
	<u>\$ 8,729,428</u>	<u>\$ 1,915,039</u>	<u>\$ 673,594</u>

<u>Water Department</u>	<u>Totals</u>
<u>0</u>	<u>94,324</u>
(611,414)	(146,112)
<u>1,709,640</u>	<u>12,562,400</u>
<u>\$ 1,098,226</u>	<u>\$ 12,416,288</u>
\$ 1,098,226	\$ 12,301,188
<u>0</u>	<u>115,100</u>
<u>\$ 1,098,226</u>	<u>\$ 12,416,288</u>

CITY OF HARRIMAN, TENNESSEE

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

(continued)

Year Ended June 30, 2023

	<u>Electric Department</u>	<u>Gas Department</u>	<u>Sewer Department</u>
RECONCILIATION OF INCOME(LOSS) FROM OPERATIONS TO NET CASH PROVIDED(USED) BY OPERATING ACTIVITIES			
Income(loss) from operations	\$ 1,338,227	\$ 148,184	\$ 153,734
Adjustments to reconcile income(loss) from operations to net cash provided by operating activities:			
Depreciation and amortization	2,176,663	420,839	629,579
Customer deposits	(69,916)	(334,821)	(205,836)
(Increase)decrease in:			
Accounts receivable	998,918	0	0
Inventory	(70,484)	(13,674)	(5,106)
Deferred outflows of resources	37,132	9,265	6,179
Increase(decrease) in:			
Accounts payable	161,529	0	0
Accrued liabilities	759,364	17,017	17,003
Net pension liability	93,547	23,387	15,591
Customer deposits	(199,176)	(1,490)	0
Deferred inflows of resources	<u>(145,718)</u>	<u>(36,430)</u>	<u>(24,288)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 5,080,086</u>	<u>\$ 232,277</u>	<u>\$ 586,856</u>

<u>Water Department</u>	<u>Totals</u>
\$ (106,488)	\$ 1,533,657
671,243	3,898,324
(6,192)	(616,765)
0	998,918
(30,205)	(119,469)
9,266	61,842
0	161,529
11,951	805,335
23,387	155,912
1,420	(199,246)
<u>(36,430)</u>	<u>(242,865)</u>
<u>\$ 537,952</u>	<u>\$ 6,437,171</u>

CITY OF HARRIMAN, TENNESSEE

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

June 30, 2023

	Industrial Development Board	Harriman Utility Board Pension Trust Fund
	<u> </u>	<u> </u>
ASSETS		
Cash and cash equivalents	\$ 30,273	\$ 1,719,203
Receivable: investment	0	15,350
Fixed income	0	1,998,686
Equities	0	2,140,142
Other receivable	15,000	0
Capital assets	<u>938,700</u>	<u>0</u>
TOTAL ASSETS	<u>\$ 983,973</u>	<u>\$ 5,873,381</u>
RESTRICTED NET POSITION	<u>\$ 983,973</u>	<u>\$ 5,873,381</u>

See the accompanying notes to the financial statements.

CITY OF HARRIMAN, TENNESSEE

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

Year Ended June 30, 2023

	<u>Industrial Development Board</u>	<u>Harriman Utility Board Pension Trust Fund</u>
ADDITIONS		
Employer contributions	\$ 0	\$ 750,000
Employee contributions	0	207,675
Net (decrease) in fair value of investments	0	(175,323)
Gain on sale of property	<u>64,396</u>	<u>0</u>
TOTAL ADDITIONS	64,396	782,352
DEDUCTIONS		
Benefits	0	624,106
Administrative expenses	0	22,395
Proceeds from the sale of properties distributed to City of Harriman, Tennessee	99,000	0
Professional fees	<u>7,152</u>	<u>0</u>
TOTAL DEDUCTIONS	<u>106,152</u>	<u>646,501</u>
NET (DECREASE)INCREASE IN FIDUCIARY NET POSITION	(41,755)	135,851
FIDUCIARY NET POSITION		
AT THE BEGINNING OF THE YEAR	<u>1,025,729</u>	<u>5,737,530</u>
FIDUCIARY NET POSITION AT THE END OF THE YEAR	<u>\$ 983,973</u>	<u>\$ 5,873,381</u>

See the accompanying notes to the financial statements.

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

NOTE A - DESCRIPTION OF ORGANIZATION

City of Harriman, Tennessee (the City) was incorporated in 1891 under the provisions of the State of Tennessee. The City operates under an elected Mayor-Council form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, water, sewer, gas, electric and general administration services. The Council is composed of seven members, including the Mayor, who are elected at-large to four-year staggered terms.

The Harriman Utility Board (HUB) is made up of four self-supporting enterprise funds of the City. An enterprise fund is used to account for the financing services to the general public on a continuing basis with costs recovered primarily through user charges. HUB is managed and controlled by a Board of Electric Light and Waterworks Commissioners who are appointed for four-year terms by the Mayor and City Council. HUB manages, operates, and maintains the electric utility servicing the citizens of the City and surrounding areas.

HUB manages office space, employees and certain other general and administrative functions for the electric, gas, water, and sewer departments. Expenses are allocated to the four departments based on direct or estimated usage.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City, for financial reporting purposes, includes all funds relevant to the operations of City of Harriman, Tennessee. The financial statements presented herein do not include agencies that have been formed under applicable state laws, or separate and distinct units of government apart from the City. As of June 30, 2023 and for the year then ended, the City had no discretely presented component units which were required to be included in these financial statements.

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

Government-Wide and Fund Financial Statements

The government-wide financial statements, which consist of the statement of net position and the statement of activities, report information on all of the nonfiduciary activities of the City. As a general rule, the effect of interfund activity has been eliminated from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as general revenue. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligible requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Property taxes are considered to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under the accrual basis of accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the payment is due.

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

All trade receivables are shown net of an allowance for uncollectible accounts. Property taxes receivable are recognized as of the date an enforceable legal claim to the taxable property arises. In Tennessee, this date is January 1, and is referred to as the lien date. Revenue from property taxes, however, is recognized in the period for which the taxes are levied, which for the City is October 1 of the ensuing fiscal year. Since the receivable for property taxes is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated amount for uncollectible taxes, is reported as deferred revenue in the fund financial statements and unearned revenue in the government-wide financial statements as of June 30.

Property taxes receivable are also reported as of June 30 for the taxes that are levied and uncollected during the current fiscal year as well as the previous eight fiscal years. These property taxes receivable are presented on the general fund balance sheet with offsetting deferred revenue to reflect the amounts not available as of June 30. Property taxes collected within 60 days of year-end are considered available and are accrued as revenue. Property taxes collected later than 60 days after year-end are not considered available and are accrued and reported as deferred revenue. An allowance for uncollectible taxes is also recorded representing the estimated amount of delinquent taxes receivable that will be filed with the Roane County Clerk and Master for collection.

The City reports the following major governmental funds:

The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *American Rescue Act Plan fund* is used to account for costs associated with the American Rescue Plan Act grants.

Additionally, the City reports the following nonmajor governmental funds:

The *solid waste management fund* is used to account for the solid waste service charges legally committed for solid waste management.

The *drug enforcement fund* is used to account for funds restricted for use in drug enforcement.

The *state street aid fund* is used to account for the City's share of motor fuel tax revenue that is legally restricted to the maintenance of streets within the City's boundaries.

The *debt service fund* is used to account for the costs associated with the repayment of the City's debt.

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

The *capital projects fund* is used to account for major capital expenditures not financed by enterprise funds, internal service fund or trust funds.

The City reports the following major proprietary funds:

The *water department* accounts for the activities of the water department, which operates and maintains a water distribution system for residents and businesses on a user charge basis.

The *sewer department* accounts for the activities of the wastewater department, which operates and maintains a wastewater collection system for residents and businesses on a user charge basis.

The *gas department* accounts for the activities of the natural gas department, which operates and maintains a natural gas distribution system for residents and businesses on a user charge basis.

The *electric department* accounts for the activities of the electric utility department, which operates and maintains an electric utility distribution system for residents and businesses on a user charge basis.

All activities necessary to provide these services are accounted for in such a manner as to show a profit or loss similar to comparable private enterprises.

The City reports the following fiduciary fund:

The *Industrial Development Board* accounts for receipts of donations to the Industrial Development Board from other governmental units (the City and HUB) and expenditures approved by the directors of the Industrial Development Board.

The *Harriman Utility Board Pension Trust Fund* accounts for resources that are required to be held in trust for the members and beneficiaries of the Harriman Utility Board pension plan.

The City had no internal service funds as of or for the year ended June 30, 2023.

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

Proprietary fund financial statements include a statement of net position, a statement of revenue, expenses and changes in net position and a statement of cash flows for each major proprietary fund and non-major funds aggregated. Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included in the statement of net position. The statement of revenue, expenses and changes in net position presents increases (revenue) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenue is recognized in the period in which it is earned while expenses are recognized in the period in which the liability is incurred.

Enterprise funds are used for operations that are (a) financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the City's proprietary funds is charges to customers for sales and services. The City also recognizes as operating revenue the portion of connection fees intended to recover the cost of connecting new customers to the system. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting reporting purposes into the following three net position groups:

Net Investment in Capital Assets

This category includes capital assets, net of accumulated depreciation and outstanding principal balances of any debt attributable to the acquisition, construction or improvement of those assets.

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

Net investment in capital assets at June 30, 2023 has been calculated as follows:

Governmental Activities:

Capital assets	\$ 18,259,677
Accumulated depreciation	(8,562,240)
Principal balance on long-term lease	(71,879)
Principal balance on long-term debt	<u>(3,361,881)</u>
	<u>\$ 6,263,675</u>

Business-Type Activities:

Electric department:

Capital assets	\$ 77,929,187
Accumulated depreciation	(46,220,421)
Principal balance on long-term debt	<u>(3,044,538)</u>
	<u>\$ 28,664,228</u>

Gas department:

Capital assets	\$ 17,329,035
Accumulated depreciation	(7,769,386)
Principal balance on long-term debt	<u>(2,206,165)</u>
	<u>\$ 7,353,484</u>

Sewer department:

Capital assets	\$ 30,829,407
Accumulated depreciation	(14,684,358)
Principal balance on long-term debt	<u>(4,441,695)</u>
	<u>\$ 11,703,354</u>

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

Water department:	
Capital assets	\$ 29,479,558
Accumulated depreciation	(13,612,518)
Principal balance on long-term debt	<u>(4,539,522)</u>
	<u>\$ 11,327,518</u>

Restricted

This category includes net position whose use is subject to externally imposed stipulations that can be fulfilled by actions of the City pursuant to those stipulations or that expire by the passage of time. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. Net position at June 30, 2023 was restricted for the following:

Drug enforcement	\$ 32,218
Local Government Investment Pool	1,369
Hooray for Harriman	15,241
Sex offender registration	8,398
Street improvements	34,997
Pension	<u>601,110</u>
	<u>\$ 693,333</u>

Unrestricted

This category includes net position that is not subject to externally imposed stipulations and that does not meet the definition of "Restricted" or "Net Investment in Capital Assets". Unrestricted net position may be designated for specific purposes by action of the Mayor and City Council or may otherwise be limited by contractual agreements with outside parties.

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

Fund Balances

Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* establishes standards for fund balance classifications for state and local governments and requires that resources be classified for accounting reporting purposes into the following fund balances:

Nonspendable Fund Balances

Fund balances reported as nonspendable in the accompanying financial statements represent amounts for prepaid expenses or inventory.

Restricted Fund Balances

Fund balances reported as restricted in the accompanying financial statements represent amounts restricted to specific purposes by externally imposed restrictions or imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balances

Fund balances reported as committed in the accompanying financial statements represent amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The Mayor and City Council commit resources for specific purposes by passing ordinances. Fund balance at June 30, 2023 was committed for the following:

Debt service	\$ 54,177
Solid waste management	35,872
Capital projects	<u>418,227</u>
	<u>\$ 508,277</u>

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

Assigned Fund Balances

Fund balances reported as assigned in the accompanying financial statements represent amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. The intent is expressed by the Mayor and City Council. Fund balance at June 30, 2023 was assigned for the following:

Hospital annuity	\$ 303,534
TVA projects	82,016
UTV reserve	1,249
Recreation	55,430
Street department	17,118
Farmers market	2,143
Temperance building	54,196
Building purchase/demolition	42,000
Beautification	113,194
Public safety	<u>17,560</u>
	<u>\$ 688,440</u>

Unassigned Fund Balance

In accordance with generally accepted accounting principles, the general fund is the only fund of the City that reports amounts for unassigned fund balance. This classification represents fund balance that is not nonspendable and has not been committed to specific purposes within the general fund.

The City would typically use restricted resources first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

Inventories

Materials and supplies are valued at the lower of cost or market, utilizing the moving average method of determining cost.

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

Budgets and Budgetary Accounting

Formal budgetary integration is employed by the City and HUB as a management control device during the year. The budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Unused appropriations lapse at the end of the year.

Cash and Cash Equivalents

For purposes of reporting cash flows, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Accounts Receivables

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property taxes, grants, and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual accounting. Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

The City records an allowance for doubtful accounts for uncollectible property taxes. Receivables for property tax and other receivables are reported net of the estimated uncollectible portion. The City bills and collects its own property taxes. Property taxes are levied (based on the assessed valuation as of January 1) and become payable the following October 1. Property taxes attach as a lien on the property as of the next January 1 and become delinquent on February 28. The county tax assessor provides the property assessment but the City bills and collects its own taxes. Penalties and interest on delinquent taxes are recognized when collected.

The electric department bills all accounts receivable for the gas, sewer, and water departments and pays each department at the time of billing.

Unbilled Revenue

HUB unbilled revenue represents the estimated amount of accounts receivable for services that have not been billed as of the statement of net position date. The amounts are a result of a timing difference between the end of the financial statements cycle (month end) and the billing cycle (various dates within the month for each billing period).

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

Capital Assets

City of Harriman, Tennessee

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns on the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at estimated fair value on the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Depreciation is calculated using the straight-line method over the following estimated useful lives:

Infrastructure	25-40 years
Buildings and improvements	20-50 years
Equipment and vehicles	5-25 years

Harriman Utility Board

Plant and equipment are carried at historical cost, including applicable general and administrative costs and payroll related costs such as pensions, taxes and other employee benefits. All material renewals and betterments are capitalized in accordance with HUB's capitalization policy. The policy is to capitalize items of \$500 or greater. When property is retired or otherwise disposed of, its average costs, together with its cost of removal less salvage, is charged to accumulated depreciation; no gain or loss is recognized. Plant and equipment are depreciated using the straight-line method of depreciation which will amortize costs over the estimated useful lives of the assets. Accumulated depreciation is reported on the statement of net position. Depreciation is calculated using the straight-line method over the following estimated useful lives:

Transmission equipment, fixtures and devices	40-50 years
Distribution transformers, meters, fixtures and devices	15-50 years
Buildings and improvements	50 years
Furniture, fixtures and equipment	5-25 years

The provision for depreciation does not include depreciation on transportation equipment. Those amounts are reported as operating expenses totaling \$441,536 in 2023, in the statement of revenues, expenses and changes in net position - proprietary funds. The cost of maintenance and repairs is charged to expense as incurred.

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

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

Retirement Plan

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 HUB's participation in the Harriman Utility Board Retirement Plan, and additions to/deductions from HUB's fiduciary net position have been determined on the same basis as they are reported by the Harriman Utility Board Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Harriman utility Board Retirement Plan. Investments are reported at fair value.

Prepaid Expenses

HUB's prepaid expenses include payments made to vendors that will benefit periods beyond the end of the current fiscal year.

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

Compensated Absences

City of Harriman, Tennessee

It is the City's policy to permit employees to accumulate a limited amount of earned but unused vacation leave, which will be paid to employees upon separation from the City's service. The cost of vacation leave not used during the fiscal year is considered a liability at year-end. The total cost of accumulated compensated absences as of June 30, 2023 was \$111,545 for the City. Upon termination, the City has no obligation to pay employees for unused sick leave.

Harriman Utility Board

HUB recognizes the cost of vacation pay as it is earned. Sick pay benefits, which accumulate to a maximum of 200 days and vest, are recognized when paid. All vacation pay has been accrued and is reflected in the noncurrent liabilities section of the financial statements.

Revenue Recognition

HUB utilizes a cycle billing method to bill customers. In order to properly match revenues with related costs, unbilled customer revenues are recorded at the end of each year.

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Property Taxes

Property taxes are levied on October 1 and are due and payable at that time. Taxes become delinquent and begin accumulating interest and penalties the following March 1 and attach as an enforceable lien on the property after one year of delinquency.

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

Investments

Investments are recorded at fair value as determined by quoted market prices at the balance sheet date. The City and HUB has not formally adopted an investment policy and places no limit on the amount that may be invested in any one issuer. State statutes authorize the City and HUB to invest in certificates of deposit, U.S. Treasury Obligations, U.S. Agency Issues and the State of Tennessee local government investment pool. As of June 30, 2023, the City and HUB did not have any of these types of investments.

Miscellaneous Income/Deduction Account

HUB normally uses this account to record civic donations and unreimbursed expenses related to community support projects.

Taxes

HUB's municipal utilities are exempt from federal and state income taxes.

Long-Term Liabilities

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of fund net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

Allowance for Uncollectible Accounts

An allowance for uncollectible taxes receivable is provided based upon historical trends. The allowance for uncollectible accounts for the year ended for June 30, 2023 was as follows:

Governmental funds	\$ 201,637
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Harriman Utility Board

An allowance is maintained for uncollectible accounts during the fiscal year. The allowance is adjusted at year end to reflect the current year bad debt expense. Residential operating revenue is netted with bad debt expense for the electric and gas departments; operating revenue is netted with bad debt expense for the sewer and water departments. Since customer receivables are all collected in the electric department, HUB allocates a bad debt expense to the other departments. The bad debt expense for the year ended June 30, 2023 was as follows:

Electric department	\$ 37,103
Gas department	4,425
Sewer department	10,686
Water department	<u>10,063</u>
	<u>\$ 62,277</u>

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

NOTE C - CASH AND INVESTMENTS

Cash represents money on deposit in various banks.

State of Tennessee law authorizes the City and HUB to invest in obligations of the United States of America or its agencies, nonconvertible debt securities of certain federal agencies, other obligations guaranteed as to principal and interest by the United States of America or any of its agencies, secured certificates of deposit and other evidences of deposit in state and federal banks and savings and loan associations, and the Tennessee Department of Treasury Local Government Investment Pool (LGIP). The LGIP contains investments in certificates of deposit, U.S. Treasury securities and repurchase agreements, backed by the U.S. Treasury securities. The Treasurer of the State of Tennessee administers the investment pool.

All deposits with financial institutions in excess of Federal Deposit Insurance Corporation (FDIC) limits are required to be secured by one of two methods. Excess funds can be deposited with a financial institution that participates in the State of Tennessee Bank Collateral Pool. For deposits with financial institutions that do not participate in the State of Tennessee Bank Collateral Pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits.

All cash balances at June 30, 2023 for the City and HUB were entirely insured through either the Federal Deposit Insurance Corporation or the State of Tennessee Bank Collateral Pool.

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

NOTE D - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2023 was as follows:

	<u>Balance</u> <u>7/1/22</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/23</u>
Governmental Activities:				
<u>Capital assets not being depreciated</u>				
Land	\$ 650,004	\$ 0	\$ 0	\$ 650,004
Construction in process	<u>1,081,128</u>	<u>598,929</u>	<u>(1,103,767)</u>	<u>576,291</u>
	1,731,132	598,929	(1,103,767)	1,226,295
<u>Capital assets being depreciated</u>				
Land improvements	261,933	135,993	0	397,927
Buildings	1,538,703	1,128,262	0	2,666,965
Building improvements	40,500	0	0	40,500
Machinery and equipment	5,520,468	896,549	(347,698)	6,069,319
Leased equipment	0	87,126	0	87,126
Infrastructure	<u>7,771,545</u>	<u>0</u>	<u>0</u>	<u>7,771,545</u>
	15,133,149	2,247,930	(347,698)	17,033,382
<u>Accumulated depreciation</u>				
Land improvements	(152,335)	(25,106)	0	(177,440)
Buildings	(744,837)	(102,808)	0	(847,645)
Building improvements	(30,719)	(2,025)	0	(32,744)
Machinery and equipment	(4,754,138)	(331,430)	347,698	(4,737,872)
Leased equipment	0	(17,425)	0	(17,425)
Infrastructure	<u>(2,471,996)</u>	<u>(277,118)</u>	<u>0</u>	<u>(2,749,115)</u>
	<u>(8,154,025)</u>	<u>(755,913)</u>	<u>347,698</u>	<u>(8,562,240)</u>
	<u>\$ 8,710,256</u>	<u>\$ 2,090,946</u>	<u>\$ (1,103,767)</u>	<u>\$ 9,697,435</u>

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

Depreciation expense is charged to the various governmental functions as follows:

General government	\$ 90,002
Public safety	225,950
Public welfare	168,108
Streets and highways	<u>271,853</u>
	<u>\$ 755,913</u>

	<u>Balance</u> <u>7/1/22</u>	<u>Additions</u>	<u>Retirement</u>	<u>Balance</u> <u>6/30/23</u>	<u>Depreciation</u> <u>Expense</u>
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**Business-Type Activities:
Electric Department**

Distribution plant

Capital assets

not being depreciated

Land and land rights	\$ 710,689	\$ 0	\$ 0	\$ 710,689	\$ 0
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Capital assets

being depreciated

Structure and improvements	678,743	0	0	678,743	19,534
Station equipment	7,425,169	0	0	7,425,169	213,699
Poles, towers and fixtures	19,483,767	215,936	(78,772)	19,620,931	564,697
Overhead conductors and devices	7,847,813	954,955	(14,473)	8,788,296	252,930
Underground conduit	500,251	112,718	(197)	612,772	17,636
Underground conduit and devices	2,044,215	118,141	(1,336)	2,161,020	62,195
Line transformers	10,588,055	454,317	(38,691)	11,003,681	316,689
Services	5,881,885	121,552	(29,398)	5,974,040	171,935
Meters	1,080,935	0	0	1,080,935	31,110

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

	<u>Balance 7/1/22</u>	<u>Additions</u>	<u>Retirement</u>	<u>Balance 6/30/23</u>	<u>Depreciation Expense</u>
Business-Type Activities:					
Electric Department					
(continued)					
Installations on customers' premises	4,889,519	12,846	(4,220)	4,898,145	140,970
Street lighting and signal systems	<u>1,877,474</u>	<u>0</u>	<u>0</u>	<u>1,877,474</u>	<u>54,034</u>
Total distribution plant	63,008,515	1,990,466	(167,087)	64,831,895	1,845,429
<u>General plant</u>					
Structure and improvements	2,947,502	13,059	0	2,960,561	85,206
Office furniture and equipment	1,139,631	103,002	0	1,242,633	35,763
Transportation equipment	3,273,004	248,286	0	3,521,290	101,344
Shop equipment	159,842	0	0	159,842	4,600
Laboratory equipment	23,526	0	0	23,526	677
Communication equipment	592,385	11,493	0	603,878	17,380
Miscellaneous equipment	<u>2,851,591</u>	<u>145,737</u>	<u>0</u>	<u>2,997,328</u>	<u>86,264</u>
Total general plant	10,987,481	521,577	0	11,509,058	331,234
Plant purchased but not classified	<u>48,000</u>	<u>0</u>	<u>0</u>	<u>48,000</u>	
Total electric plant in service	74,043,996	2,512,044	(167,087)	76,388,953	

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

	<u>Balance</u> <u>7/1/22</u>	<u>Additions</u>	<u>Retirement</u>	<u>Balance</u> <u>6/30/23</u>	<u>Depreciation</u> <u>Expense</u>
Business-Type Activities:					
Electric Department					
(continued)					
Construction in progress	<u>909,287</u>	<u>658,066</u>	<u>(27,118)</u>	<u>1,540,235</u>	
Total electric capital assets	74,953,283	3,170,110	(194,205)	77,929,188	
Less accumulated depreciation	<u>(43,957,673)</u>	<u>(2,551,146)</u>	<u>288,397</u>	<u>(46,220,422)</u>	
Total electric capital assets	<u>\$ 30,995,610</u>	<u>\$ 618,964</u>	<u>\$ 94,192</u>	<u>\$ 31,708,766</u>	<u>\$ 2,176,663</u>
Business-Type Activities:					
Gas Department					
<u>Gas plant in service</u>					
Transmission and distribution plant	\$ 12,375,739	\$ 291,861	\$ 0	\$ 12,667,600	\$ 318,283
General plant - transportation and equipment	<u>3,826,023</u>	<u>255,684</u>	<u>0</u>	<u>4,081,707</u>	<u>102,556</u>
Total gas plant	16,201,762	547,545	0	16,749,307	
Construction in progress	<u>130,948</u>	<u>448,781</u>	<u>0</u>	<u>579,729</u>	
Total gas capital assets	16,332,710	996,326	0	17,329,036	
Less accumulated depreciation	<u>(7,259,888)</u>	<u>(509,499)</u>	<u>0</u>	<u>(7,769,387)</u>	
Total gas plant	<u>\$ 9,072,822</u>	<u>\$ 486,827</u>	<u>\$ 0</u>	<u>\$ 9,559,649</u>	<u>\$ 420,839</u>

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

	<u>Balance</u> <u>7/1/22</u>	<u>Additions</u>	<u>Retirement</u>	<u>Balance</u> <u>6/30/23</u>	<u>Depreciation</u> <u>Expense</u>
Business-Type Activities:					
Sewer Department					
<u>Sewer plant in service</u>					
Treatment plant	\$ 12,624,004	\$ 57,406	\$ 0	\$ 12,681,410	\$ 260,056
Lines and service	16,875,492	183,075	0	17,058,567	349,818
General plant - transportation and equipment	<u>947,357</u>	<u>24,213</u>	<u>0</u>	<u>971,570</u>	<u>19,924</u>
Total sewer plant	30,446,853	264,694	0	30,711,547	
Construction in progress	<u>0</u>	<u>117,859</u>	<u>0</u>	<u>117,859</u>	
Total sewer capital assets	30,446,853	382,553	0	30,829,406	
Less accumulated depreciation	<u>(14,046,394)</u>	<u>(637,964)</u>	<u>0</u>	<u>(14,684,358)</u>	
Total sewer plant	<u>\$ 16,400,459</u>	<u>\$ (255,411)</u>	<u>\$ 0</u>	<u>\$ 16,145,048</u>	<u>\$ 629,798</u>

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

	<u>Balance</u> 7/1/22	<u>Additions</u>	<u>Retirement</u>	<u>Balance</u> 6/30/23	<u>Depreciation</u> <u>Expense</u>
Business-Type Activities:					
Water Department					
<u>Water plant in service</u>					
Source and supply intake and pumping equipment	\$ 914,585	\$ 3,200	\$ 0	\$ 917,785	\$ 20,379
Treatment plant	1,877,968	2,946	0	1,880,914	41,765
Transmission and distribution plant	22,583,214	44,507	0	22,627,721	502,441
General plant - transportation and equipment	<u>3,156,517</u>	<u>192,149</u>	<u>0</u>	<u>3,348,666</u>	<u>74,356</u>
Total water plant	28,532,284	242,802	0	28,775,086	
Construction in progress	<u>103,099</u>	<u>601,373</u>	<u>0</u>	<u>704,472</u>	
Total water capital assets	28,635,383	844,175	0	29,479,558	
Less accumulated depreciation	<u>(12,931,212)</u>	<u>(681,306)</u>	<u>0</u>	<u>(13,612,518)</u>	
Total water plant	<u>\$ 15,704,171</u>	<u>\$ 162,869</u>	<u>\$ 0</u>	<u>\$ 15,867,040</u>	<u>\$ 638,941</u>

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

NOTE E - PENSION PLAN

The City provides employees post-retirement benefits through two pension plans administered by TCRS: Public Employee Retirement Plan (Legacy) and Public Employee Retirement Plan (Hybrid without Cost Controls).

Public Employee Retirement Plan (Legacy)

Plan Description

Employees of the City are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at <https://treasury.tn.gov/Retirement/Board-and-Governance/Reporting-and-Investment-Policies>.

Benefits Provided

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

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3%, and applied to the current benefit. No COLA is granted if the change in the CPI is less than .5%. A 1% COLA is granted if the CPI change is between .5% and 1%. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

Employees Covered by Benefit Terms

At the measurement date of June 30, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	236
Inactive employees entitled to but not yet receiving benefits	306
Active employees	<u>24</u>
	<u>566</u>

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5% of salary. The City makes employer contributions at the rate set by the TCRS Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2023, employer contributions for the City were \$323,141 based on a rate of 30.00% of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the City's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability(Asset)

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

Actuarial Assumptions

The total pension liability as of the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4.00%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation
Cost of living adjustment	2.125%

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

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

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

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

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. Equity	4.88%	31.00%
Developed market international equity	5.37	14.00
Emerging market international equity	6.09	4.00
Private equity and strategic lending	6.57	20.00
U.S. fixed income	1.20	20.00
Real estate	4.38	10.00
Short-term securities	0.00	<u>1.00</u>
		<u>100.00%</u>

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75% based on a blending of the future capital market projections, historical market returns and expected inflation rate, as described above.

Discount Rate

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

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

Changes in Net Pension Liability(Asset)

	Total Pension Liability <u>(a)</u>	Plan Fiduciary Net Position <u>(b)</u>	Net Pension Liability(Asset) <u>(a)-(b)</u>
Changes for the year ended June 30, 2022:			
Increase(decrease):			
Service cost	\$ 116,027	\$ 0	\$ 116,027
Interest	2,094,630	0	2,094,630
Differences between expected and actual experience	63,852	0	63,852
Contributions-employer	0	396,185	(396,185)
Contributions-employees	0	61,904	(61,904)
Net investment income	0	(1,335,080)	1,335,080
Benefit payments, including refunds of employee contributions	(2,328,446)	(2,328,446)	0
Administrative expense	<u>0</u>	<u>(2,422)</u>	<u>2,422</u>
Net changes for the year ended June 30, 2022	(53,937)	(3,207,859)	3,153,922
Balances at June 30, 2021	<u>32,079,757</u>	<u>35,834,789</u>	<u>(3,755,032)</u>
Balances at June 30, 2022	<u>\$ 32,025,820</u>	<u>\$ 32,626,930</u>	<u>\$ (601,110)</u>

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

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

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

	<u>1% Decrease</u> <u>5.75%</u>	<u>Current</u> <u>Discount Rate</u> <u>6.75%</u>	<u>1% Increase</u> <u>7.75%</u>
Net pension liability(asset)	\$ 2,754,946	\$ (601,110)	\$ (3,428,060)

Pension Expense

For the year ended June 30, 2023, the City recognized pension expense of \$310,223.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Differences between expected and actual experience	\$ 31,926	\$ 0
Net difference between projected and actual earnings on pension plan investments	0	30,466
Contributions subsequent to the measurement date of June 30, 2022	<u>323,141</u>	<u>not applicable</u>
Totals	<u>\$ 355,067</u>	<u>\$ 30,466</u>

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2022,” will be recognized as a reduction (increase) to net pension liability(asset) in the following measurement period.

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

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

<u>Year Ending</u> <u>June 30:</u>	
2024	\$ (187,073)
2025	(207,696)
2026	(341,913)
2027	738,144
2028	0
Thereafter	0

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

Public Employee Retirement Plan (Hybrid without Cost Controls)

Plan Description

Employees of the City are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at <https://treasury.tn.gov/Retirement/Board-and-Governance/Reporting-and-Investment-Policies>.

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

Benefits Provided

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

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3%, and applied to the current benefit. No COLA is granted if the change in the CPI is less than .5%. A 1% COLA is granted if the CPI change is between .5% and 1%. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees Covered by Benefit Terms

At the measurement date of June 30, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	27
Active employees	<u>44</u>
	<u>71</u>

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5% of salary. The City makes employer contributions at the rate set by the TCRS Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2023, employer contributions for the City were \$47,259 based on a rate of 2.36% of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the City's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability(Asset)

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

Actuarial Assumptions

The total pension liability as of the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4.00%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation
Cost of living adjustment	2.125%

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

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

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

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

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. Equity	4.88%	31.00%
Developed market international equity	5.37	14.00
Emerging market international equity	6.09	4.00
Private equity and strategic lending	6.57	20.00
U.S. fixed income	1.20	20.00
Real estate	4.38	10.00
Short-term securities	0.00	<u>1.00</u>
		<u>100.00%</u>

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75% based on a blending of the future capital market projections, historical market returns and expected inflation rate, as described above.

Discount Rate

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

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

Changes in Net Pension Liability(Asset)

	Total Pension Liability <u>(a)</u>	Plan Fiduciary Net Position <u>(b)</u>	Net Pension Liability(Asset) <u>(a)-(b)</u>
Changes for the year ended June 30, 2022:			
Increase(decrease):			
Service cost	\$ 90,717	\$ 0	\$ 90,717
Interest	25,555	0	25,555
Differences between expected and actual experience	320	0	320
Contributions-employer	0	27,106	(27,106)
Contributions-employees	0	81,156	(81,156)
Net investment income	0	(13,617)	13,617
Benefit payments, including refunds of employee contributions	(12,414)	(12,414)	0
Administrative expense	<u>0</u>	<u>(4,018)</u>	<u>4,018</u>
Net changes for the year ended June 30, 2022	104,178	78,213	25,965
Balances at June 30, 2021	<u>294,082</u>	<u>310,055</u>	<u>(15,973)</u>
Balances at June 30, 2022	<u>\$ 398,260</u>	<u>\$ 388,268</u>	<u>\$ 9,992</u>

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

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

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

	<u>1% Decrease</u> <u>5.75%</u>	<u>Current</u> <u>Discount Rate</u> <u>6.75%</u>	<u>1% Increase</u> <u>7.75%</u>
Net pension liability(asset)	\$ 128,415	\$ 9,992	\$ (75,912)

Pension Expense

For the year ended June 30, 2023, the City recognized pension expense of \$18,924.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Differences between expected and actual experience	\$ 10,936	\$ 1,849
Net difference between projected and actual earnings on pension plan investments	6,602	0
Changes in assumptions	29,122	0
Contributions subsequent to the measurement date of June 30, 2022	<u>47,259</u>	<u>not applicable</u>
Totals	<u>\$ 93,919</u>	<u>\$ 1,849</u>

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2022,” will be recognized as a reduction (increase) to net pension liability(asset) in the following measurement period.

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

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

<u>Year Ending</u> <u>June 30:</u>	
2024	\$ 3,932
2025	3,971
2026	3,249
2027	11,555
2028	4,026
Thereafter	18,091

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

Defined Contribution Plan

The City contributes to a defined contribution pension plan under section 401(k) of the Internal Revenue Code administered through the State of Tennessee as part of the Public Employee Retirement System of TCRS. Employees hired on or after October 1, 2015 that work 40 or more hours per week or are elected or appointed officials are eligible to participate in the plan. The plan is a component of the defined benefit plan reported above (TCRS Hybrid without cost controls). Employees are automatically enrolled with a 2% deferral and may opt out. The City contributes 7% of eligible compensation. The City's contribution is a non-matching contribution and employees are fully vested. The City's employer contributions to the plan were \$139,594 for the year ended June 30, 2023.

Deferred Compensation Plan

Employees of the City may participate in a deferred compensation plan adopted under the provisions of *Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments)*.

The deferred compensation plan is available to all employees of the City. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency. The plan is part of the TCRS Hybrid Plan without cost controls. No matching contributions are made.

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

NOTE F – HARRIMAN UTILITY BOARD PENSION PLAN

Plan Description

HUB is the administrator of a single-employer defined benefit retirement plan.

Measurement Period

The measurement period is April 1, 2022 to March 31, 2023.

Benefits Provided

Employees who retire at age 65 or at age 60 with 35 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 56% of a participant's average monthly earnings reduced proportionately, for each year of credited service less than 15 years. These benefit provisions and all other requirements are established by state statute. All full-time HUB employees, who meet minimum age and length of service requirements, are eligible to participate in the plan. A variety of death benefits are available under various eligibility criteria.

Employees Covered by Benefit Terms

At the measurement date of March 31, 2023, the following employees were covered by the benefit terms:

Inactive plan participants:

Retirees and beneficiaries currently receiving benefits	1
Terminated employees entitled to deferred benefits	8

Active plan participants:

Vested(fully and partially)	52
Nonvested	<u>18</u>
	<u>79</u>

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

Contributions

HUB employees are required to contribute 3% of salary if hired before April 1, 2009, and 5% of their annual salary to the plan if hired on April 1, 2009, or thereafter. HUB is required to contribute the remaining amounts necessary to fund the plan using the actuarial basis specified by statute. For the year ended June 30, 2023, employer's contributions for HUB were \$750,000 based on a rate of 13.50% of covered payroll. The employers actuarially determined contribution(ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability. HUB's net pension liability(asset) was measured as of March 31, 2023, and the total pension liability used to calculate net pension liability(asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability as of the March 31, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Salary increases	2% per year
Investment rate of return	6.75%, net of pension plan investment expenses

Pre-retirement mortality is based on the Pri-2012 Mortality Table with fully generational mortality projection using the MP-2020 projection scale. Post-Retirement mortality and Lump Sum mortality is based on the current year's 417(e) Lump Sum Mortality Table published by the IRS for participants hired before April 1, 2009; post-retirement mortality is based on the Pre-2012 Mortality Table with fully generational mortality projection using the MP-2020 projection scale for participants hired on or after April 1, 2009.

Discount Rate

Pre-retirement: 7.00% per annum; post-retirement: 5.00% per annum (7.00% for participants hired on or after April 1, 2009). Paragraph 43 of Statement No. 67 provides for an alternative method to be used other than the projection of the pension plan's fiduciary net position based on projected contributions, benefit payments and investment earnings. The annual recommended contribution is based on the Entry Age Normal Funding Method where the contribution is equal to the normal cost plus the 20-year closed amortization of the unfunded liabilities. HUB adopted a funding policy as required by recent State of Tennessee legislation. The funding policy states that HUB will contribute at least the actuarially determined contribution as described in the funding policy. Based on actuarial theory if the actuarial experience is within reasonable expectations, and HUB makes at least the actuarially determined contribution, the plan's fiduciary net position will remain positive.

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

	Increase(decrease)		
	Total Pension Liability <u>(a)</u>	Plan Fiduciary Net Position <u>(b)</u>	Net Pension Liability <u>(a)-(b)</u>
Changes for the year ended June 30, 2023:			
Changes for the year:			
Service cost	\$ 374,349	\$ 0	\$ 374,349
Interest	708,222	0	708,222
Changes of assumptions	295,454	0	295,454
Differences between expected and actual experience	113,745	24,510	89,235
Contributions-employer	0	750,000	(750,000)
Contributions-employee	0	211,574	(211,574)
Net investment income	0	372,200	(372,200)
Benefit payments	(397,858)	(397,858)	0
Administrative expenses	<u>0</u>	<u>(22,426)</u>	<u>22,426</u>
Net changes for the year ended June 30, 2023	1,093,912	938,000	155,912
Balances at June 30, 2022	<u>9,938,679</u>	<u>5,051,081</u>	<u>4,887,598</u>
Balances at June 30, 2023	<u>\$ 11,032,591</u>	<u>\$ 5,989,081</u>	<u>\$ 5,043,510</u>

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

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

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

<u>1% Decrease</u> <u>5.75%</u>	<u>Discount Rate</u> <u>6.75%</u>	<u>1% Increase</u> <u>7.75%</u>
\$ 7,125,560	\$ 5,043,510	\$ 3,414,951

Pension Expense

For the fiscal year ended June 30, 2023, HUB recognized pension expense of \$750,000.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2023, HUB reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources, the period from March 31, 2022 to June 30, 2023:

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>	<u>Net</u>
Differences between expected and actual experience	\$ 2,273,522	\$ (531,016)	\$ 1,742,506
Changes of assumptions	272,727	(1,292,170)	(1,019,443)
Net difference between projected and actual earnings on investments C plan investments	<u>522,947</u>	<u>(188,077)</u>	<u>334,870</u>
Totals	<u>\$ 3,069,196</u>	<u>\$ (2,011,263)</u>	<u>\$ 1,057,933</u>

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

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

<u>Year Ending June 30:</u>	<u>Outflows</u>	<u>Inflows</u>	<u>Net</u>
2024	\$ 462,196	\$ (267,374)	\$ 194,822
2025	414,660	(267,377)	147,283
2026	414,664	(183,141)	231,523
2027	256,191	(183,141)	73,050
2028 and thereafter	<u>1,521,485</u>	<u>(1,110,230)</u>	<u>411,255</u>
Total	<u>\$ 3,069,196</u>	<u>\$ (2,011,263)</u>	<u>\$ 1,057,933</u>

NOTE G – POSTRETIREMENT HEALTHCARE BENEFITS

HUB currently offers insurance to retirees. The minimum qualifications for retirement with HUB is 10 years of service and the age of 55. The insurance offered to retirees is not a defined benefit and is not found anywhere in the employee policy manual. The benefit is determined by Harriman Utility Board each year when approving insurance renewal. Retirees currently pay 40% of the total premium. A retiree must maintain continuous coverage with HUB from the time they retire to continue to be eligible for the benefit. There were 37 participants at the end of the fiscal year. Benefits relating to these retirees are expensed when paid and totaled the following for each department:

	<u>Year Ended June 30, 2023</u>
Electric	\$ 75,953
Gas	14,181
Water	9,625
Sewer	<u>12,290</u>
Total	<u>\$ 112,049</u>

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

NOTE H – FAIR VALUE OF INVESTMENTS

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

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The following table summarizes the assets and liabilities of the Proprietary Fund and Pension Trust Fund for which fair values are determined on a recurring basis as of March 31, 2023:

	<u>Fair Value Measurements Using</u>			<u>Totals</u>
	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	
<u>Pension Trust Fund</u>				
Cash and cash equivalents	\$ 1,734,553	\$ 0	\$ 0	\$ 1,734,553
Fixed income	1,998,686	0	0	1,998,686
Equities	<u>0</u>	<u>2,140,142</u>	<u>0</u>	<u>2,140,142</u>
Total investments, at fair value	<u>\$ 3,733,239</u>	<u>\$ 2,140,142</u>	<u>\$ 0</u>	<u>\$ 5,873,381</u>

For the year ended June 30, 2023, there were no significant transfers in or out of Levels 1, 2, or 3. There have been no changes in the methodologies used for year ended June 30, 2023.

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

NOTE I - LONG-TERM DEBT

Long-term debt at June 30, 2023 consisted of the following:

Governmental Activities:

Tennessee Municipal Bond, Series 2016, interest rate of 2.65%, principal installments due annually in varying amounts	\$ 15,400
General Obligation Capital Outlay Note, Series 2016, interest rate of 2.187%, principal installments due annually in varying amounts through 2028	1,050,000
General Obligation Capital Outlay Note, Series 2018, interest rate of 3.87%, principal installments due annually in varying amounts	236,000
General Obligation Bond, Series 2020, interest rate of 2.25%, principal installments due annually in varying amounts	1,325,481
General Capital Outlay Notes, Series 2022 interest rate of 3.38%, principal installments due annually in varying amounts through 2035	<u>735,000</u>
	3,361,881
Less current maturities	<u>(343,240)</u>
	<u>\$ 3,018,641</u>

The net revenue of the taxing authority of the City is pledged for the repayment of the principal and interest maturities of the General Obligation Bond, Tennessee Municipal Bond and Capital Outlay Notes.

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

Business-Type Activities:

Harriman Utility Board

General Obligation Bond, Series 2021A, \$9,525,000 dated April 2021, payable in varying amounts from \$400,000 to \$570,000, interest rates varying from 1.10% to 3.00%. Maturing in 2040.	\$ 7,970,000
General Obligation Bond, Series 2021B \$4,150,000 dated June 2021, payable in varying Amounts from \$195,000 to \$210,000, interest rates Varying from 1.75% to 3.00%. Maturing in 2041.	<u>3,755,000</u> 11,725,000
Less current maturities	<u>(770,000)</u>
	<u>\$ 10,955,000</u>
Unamortized premium	<u>\$ 608,951</u>
Other loans:	
State revolving loan, \$1,600,000 dated September 6, 2011, interest rate 1.35% during both the draw period and permanent repayment period. Principal repayment began when 90% of loan balance was drawn (Sewer).	\$ 958,208
State revolving loan, \$1,440,000 dated September 6, 2011, interest rate 1.35% during both the draw period and permanent repayment period. Principal repayment began when 90% of loan balance was drawn (Water).	<u>939,761</u> 1,897,969
Less current maturities	<u>(148,344)</u>
	<u>\$ 1,749,625</u>

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

HUB (through the City) issued general obligations bonds 2021A and 2021B for (a) the acquisition of land and the construction, renovation, extension and equipping of site improvements, facilities and equipment for the electric system; (b) the acquisition of land and the construction, renovation, extension and equipping of site improvements, facilities and equipment for gas, water and sewer systems; (c) the acquisition of all property, real and personal, appurtenant to the foregoing; (d) the conversion to bonds of the General Obligation Capital Outlay Note, Series 2017B, the General Obligation Capital Outlay Note, Series 2018, and the Series VII-H-1. The issuance was dated April 2021 for the 2021A and June 2021 for the 2021B.

HUB applied for and obtained funding from the State Revolving Fund, CGO 2011-269 for sewer rehabilitation and DWO 2011-109 for water loss monitoring and repair. Both loans are 80% state funding and 20% forgivable funding. Interest is paid on these loans monthly.

Maturities of long-term debt as of June 30, 2023 are due as follows:

Governmental Activities:

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2024	\$ 343,240	\$ 85,952	\$ 429,192
2025	337,101	75,689	412,791
2026	346,395	67,658	414,053
2027	355,699	58,368	414,068
2028	301,040	50,133	351,173
2029	83,541	42,763	126,305
2030	86,181	40,202	126,383
2031	88,833	37,558	126,391
2032	91,428	34,900	126,328
2033	94,273	32,020	126,294
2034	97,264	29,121	126,385
2035	100,168	26,128	126,296
2036	27,722	23,106	50,828
2037	28,416	22,413	50,828
2038	29,062	21,767	50,828
2039	29,722	21,106	50,828
2040	30,342	20,486	50,828
2041	31,088	19,740	50,828

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2042	31,794	19,034	50,828
2043	32,517	18,311	50,828
2044	33,208	17,620	50,828
2045	34,011	16,817	50,828
2046	34,785	16,044	50,828
2047	35,575	15,253	50,828
2048	36,345	14,483	50,828
2049	37,210	13,618	50,828
2050	38,056	12,772	50,828
2051	38,921	11,907	50,828
2052	39,776	11,052	50,828
2053	40,711	10,118	50,828
2054	41,636	9,192	50,828
2055	42,583	8,246	50,828
2056	43,531	7,297	50,828
2057	44,540	6,288	50,828
2058	45,553	5,275	50,828
2059	46,588	4,240	50,828
2060	47,639	3,189	50,828
2061	48,731	2,098	50,828
2062	49,838	990	50,828
2063	<u>16,815</u>	<u>79</u>	<u>16,895</u>
	<u>\$ 3,361,881</u>	<u>\$ 933,031</u>	<u>\$ 4,294,912</u>

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

Business-Type Activities:

Harriman Utility Board

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2024	\$ 918,344	\$ 280,332	\$ 1,198,676
2025	925,372	255,204	1,180,576
2026	927,412	229,914	1,157,326
2027	929,488	204,588	1,134,076
2028	936,588	179,238	1,115,826
2029	938,700	153,726	1,092,426
2030	920,872	128,154	1,049,026
2031	773,044	115,732	888,776
2032	775,264	104,512	879,776
2033	777,508	92,593	870,101
2034	779,788	80,638	860,426
2035	719,856	68,373	788,229
2036	650,733	57,108	707,841
2037	610,000	47,276	657,276
2038	610,000	37,200	647,200
2039	610,000	26,400	636,400
2040	610,000	15,400	625,400
2041	210,000	4,200	214,200
	<u>\$ 13,622,969</u>	<u>\$ 2,080,588</u>	<u>\$ 15,703,557</u>

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

Changes in long-term debt for the year ended June 30, 2023 were as follows:

	<u>Balance</u> <u>7/1/22</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance</u> <u>6/30/23</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
<u>Governmental Activities:</u>					
Bonds payable:					
TN Municipal Bond, Series 2016	\$ 30,400	\$ 0	\$ (15,000)	\$ 15,400	\$ 15,400
TN Municipal Bond, Series 2017	33,500	0	(33,500)	0	0
General Obligation Bond Series 2020	0	1,339,441	(13,960)	1,325,481	21,139
Notes payable:					
Regions Bank Bond Anticipation Note	569,277	0	(569,277)	0	0
General Obligation, Capital Outlay Note, Series 2016	1,250,000	0	(200,000)	1,050,000	200,000
General Obligation Capital Outlay Note, Series 2018	290,000	0	(54,000)	236,000	56,000
General Obligation Capital Outlay Note, Series 2022	<u>0</u>	<u>735,000</u>	<u>0</u>	<u>735,000</u>	<u>50,700</u>
	<u>\$ 2,173,177</u>	<u>\$ 2,074,441</u>	<u>\$ (885,737)</u>	<u>\$ 3,361,881</u>	<u>\$ 343,240</u>

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

Business-Type Activities:

Harriman Utility Board

	<u>Balance</u> <u>7/1/22</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance</u> <u>6/30/23</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Bonds payable:					
Series 2021A	\$ 8,540,000	\$ 0	\$ (570,000)	\$ 7,970,000	\$ 570,000
Series 2021B	<u>3,955,000</u>	<u>0</u>	<u>(200,000)</u>	<u>3,755,000</u>	<u>200,000</u>
Total bonds payable	12,495,000	0	(770,000)	11,725,000	770,000
Other loans payable:					
Sewer 2011-269	1,036,016	0	(77,808)	958,208	78,864
Water 2011-109	<u>1,008,317</u>	<u>0</u>	<u>(68,556)</u>	<u>939,761</u>	<u>69,480</u>
Total other loans payable	<u>2,044,333</u>	<u>0</u>	<u>(146,364)</u>	<u>1,897,969</u>	<u>148,344</u>
	<u>\$ 14,539,333</u>	<u>\$ 0</u>	<u>\$ (916,364)</u>	<u>\$ 13,622,969</u>	<u>\$ 918,344</u>

NOTE J – LONG-TERM LEASES

Long-term leases at June 30, 2023 consisted of the following:

Governmental Activities:

Municipal lease, monthly payments of \$2,178, interest rate of 4.28%, secured by equipment	\$ 71,879
Less current maturities	<u>(17,425)</u>
	<u>\$ 54,454</u>

The municipal lease is not renewable and the City will acquire the equipment at the end of the lease.

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

Maturities of long-term leases are as follows:

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2024	\$ 17,425	\$ 5,456	\$ 22,881
2025	17,425	4,945	22,371
2026	17,425	4,413	21,838
2027	17,425	3,858	21,284
2028	<u>2,178</u>	<u>298</u>	<u>2,476</u>
	<u>\$ 71,879</u>	<u>\$ 18,971</u>	<u>\$ 90,850</u>

The electric department leases certain facilities used in its operations from Tennessee Valley Authority. The facilities rental charges are based on delivery of bulk transmission voltage. Rental charges under the terms of this contract amounted to \$22,614 in 2023 and \$19,608 for 2022. There are no future minimum payments for facilities leased under the terms of this contract.

Certain short-term arrangements provide for the electric department's joint utilization of other local utilities' facilities. Similar arrangements provide for the joint use of the electric department's facilities by other utilities. Rental revenue under the terms of these arrangements amounted to \$563,226 in 2023 and \$542,392 in 2022. Rental expenses applicable to such arrangements amounted to \$107,824 in 2023 and \$112,218 in 2022.

NOTE K – TENNESSEE VALLEY AUTHORITY HOME INSULATION PROGRAM

HUB electric department participated in Tennessee Valley Authority's (TVA) Home Insulation Program, which provided non-interest-bearing loans to the electric department's customers for insulation costs. Although TVA has discontinued this program, the electric department continued to collect payments on outstanding loans, which are forwarded to TVA. The electric department is currently participating in TVA's Heat Pump program and Revised Home Insulation Program, which provides interest-bearing loans to the electric department's customers for heat pump and insulation costs.

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

NOTE L - INTERFUND BALANCES

Amounts due from the general fund to the state street aid fund represent amounts owed to the state street aid fund for state shared revenue belonging to the state street aid fund which was not remitted by June 30, 2023. Amounts due from the American Rescue Plan Act fund represent amounts paid by the general fund for Coronavirus State and Local Fiscal Recovery Funds which were not remitted back to the general fund by June 30, 2023. Amounts due between the electric, sewer, water and gas departments are a result of (1) the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made.

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>
General fund	State street aid fund	\$ 34,997
American Rescue Plan Act fund	General fund	182,900
Electric department	Gas department	126,881
Electric department	Sewer department	157,650
Electric department	Water department	279,521
Water department	Sewer department	<u>89,450</u>
		<u>\$ 871,399</u>

NOTE M - TRANSFERS

The following interfund transfers were made during the year ended June 30, 2023:

<u>From</u>	<u>To</u>	<u>Amount</u>
Electric department	General fund	\$ 783,312
General fund	Solid waste management fund	105,433
General fund	State street aid fund	<u>76,245</u>
		<u>\$ 964,990</u>

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

HUB reflects their portion of property tax paid to the City as “Transfers Out” in the statement of revenue, expenses and changes in net position – proprietary funds. The transfer from the electric department to the general fund was for the payment of in-lieu of taxes. The transfers made from the general fund to the solid waste management fund and state street aid fund were to help subsidize the costs of street and highway repairs and sanitation collection fees.

NOTE N - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in the Tennessee Municipal League Risk Management Pool (the Pool) and pays an annual premium to the Pool for its workers’ compensation and general liability insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

HUB is exposed to various risks of loss related to torts; theft of damage to and destruction of assets; errors and omissions; natural disasters; and injuries of employees for which HUB carries commercial insurance purchased from independent third parties. HUB has not experienced an insurance settlement in excess of insurance coverage in any of the past three fiscal years. HUB bears the risk of loss up to the deductible amounts.

NOTE O – POWER CONTRACT

HUB electric department has a power contract with the TVA whereby the electric department purchases all of its electric power from TVA and is subject to certain restrictions and conditions as provided in the contract. The contract with TVA has been extended.

NOTE P – CONCENTRATION OF CREDIT RISK

HUB provides electric, water, sewer and gas utility services to the City and portions of Roane County and Morgan County. HUB grants credit to its customers, substantially all of whom are local businesses and residents, and requires payment generally within 15 days of billing. A significant portion of operations is attributable to a relatively small number of industrial plants in Roane County.

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2023

NOTE Q – EXPENDITURES EXCEEDED APPROPRIATIONS

During the year ended June 30, 2023, expenditures exceeded appropriations in the American Rescue Plan Act fund by \$67,030, the solid waste fund by \$68,684 and the debt service fund by \$33,098. Expenditures that exceed appropriations are a violation of state statutes.

NOTE R – RESTATEMENT

Fund balance and net position at June 30, 2022 has been restated to correct the recording of grants receivable, sanitation receivable, accounts payable, long-term liabilities and deferred grant revenue which were not reported correctly:

	<u>General Fund</u>	<u>Solid Waste Management Fund</u>	<u>State Street Aid Fund</u>	<u>Governmental Activities</u>
Balance at June 30, 2022, as originally reported	\$ 3,717,895	\$ 94,275	\$ 0	\$ 11,857,075
Record taxes receivable	798,878	0	35,701	834,579
Record accounts payable	(100,694)			(100,694)
Adjust sanitation receivables	0	(65,964)	0	(65,964)
Remove and adjust grants receivable	(1,707,558)	0	0	(1,707,558)
Remove long-term liability	389,118	0	0	389,118
Adjust deferred grant revenue	<u>112,000</u>	<u>0</u>	<u>0</u>	<u>112,000</u>
Balance at June 30, 2022, as restated	<u>\$ 3,209,639</u>	<u>\$ 28,311</u>	<u>\$ 35,701</u>	<u>\$ 11,318,556</u>

As a result of the restatement, the change in fund balance/net position for the year ended June 30, 2022 should have been \$508,256 less than originally reported in the general fund, \$65,964 less than originally reported in the solid waste management fund, \$35,701 more than originally reported in the state street aid fund and \$538,519 less than originally reported for the governmental activities.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HARRIMAN, TENNESSEE

CHANGES IN NET PENSION LIABILITY(ASSET)
LEGACY PENSION PLAN

June 30, 2023

	Measurement Date at June 30,		
	2022	2021	2020
<u>Total pension liability(asset)</u>			
Service cost	\$ 116,027	\$ 147,024	\$ 159,384
Interest	2,094,630	2,141,112	2,161,349
Differences between actual and expected experience	63,852	(293,823)	(361,930)
Changes of assumptions	0	1,815,645	0
Benefit payments, including refunds of employee contributions	(2,328,446)	(2,231,517)	(2,219,627)
Net change in total pension liability	(53,937)	1,578,441	(260,824)
Total pension liability - beginning	32,079,757	30,501,316	30,762,140
Total pension liability - ending (a)	32,025,820	32,079,757	30,501,316
<u>Plan fiduciary net position</u>			
Contributions - employer	396,185	559,831	452,579
Contributions - employee	61,904	87,474	71,187
Net investment income	(1,335,080)	7,511,265	1,453,608
Benefit payments, including refunds of employee contributions	(2,328,446)	(2,231,517)	(2,219,627)
Administrative expense	(2,422)	(2,625)	(2,813)
Net change in plan fiduciary net position	(3,207,859)	5,924,428	(245,066)
Plan fiduciary net position - beginning	35,834,789	29,910,361	30,155,427
Plan fiduciary net position - ending (b)	32,626,930	35,834,789	29,910,361
Net pension liability(asset) - ending (a) - (b)	\$ (601,110)	\$ (3,755,032)	\$ 590,955

See the accompanying independent accountants' audit report.

	Measurement Date at June 30,					
	2019	2018	2017	2016	2015	2014
	\$ 172,699	\$ 174,679	\$ 205,917	\$ 191,271	\$ 182,163	\$ 180,817
	2,184,650	2,219,130	2,260,418	2,274,180	2,267,277	2,297,603
	(441,746)	(631,476)	(477,710)	(370,297)	(82,387)	(721,993)
	0	0	759,677	0	0	0
	<u>(2,227,724)</u>	<u>(2,244,152)</u>	<u>(2,250,423)</u>	<u>(2,336,176)</u>	<u>(2,232,048)</u>	<u>(2,092,212)</u>
	(312,121)	(481,819)	497,879	(241,022)	135,005	(335,785)
	<u>31,074,261</u>	<u>31,556,080</u>	<u>31,058,201</u>	<u>31,299,223</u>	<u>31,164,218</u>	<u>31,500,003</u>
	<u>30,762,140</u>	<u>31,074,261</u>	<u>31,556,080</u>	<u>31,058,201</u>	<u>31,299,223</u>	<u>31,164,218</u>
	490,655	533,209	601,661	618,703	600,824	437,805
	76,689	83,340	94,039	96,672	93,879	93,709
	2,147,402	2,336,672	3,027,439	731,448	871,289	4,247,186
	<u>(2,227,724)</u>	<u>(2,244,152)</u>	<u>(2,250,423)</u>	<u>(2,336,176)</u>	<u>(2,232,048)</u>	<u>(2,092,212)</u>
	<u>(3,193)</u>	<u>(3,909)</u>	<u>(3,828)</u>	<u>(3,860)</u>	<u>(2,659)</u>	<u>(3,646)</u>
	483,829	705,160	1,468,888	(893,213)	(668,715)	2,682,842
	<u>29,671,598</u>	<u>28,966,438</u>	<u>27,497,550</u>	<u>28,390,763</u>	<u>29,059,478</u>	<u>26,376,636</u>
	<u>30,155,427</u>	<u>29,671,598</u>	<u>28,966,438</u>	<u>27,497,550</u>	<u>28,390,763</u>	<u>29,059,478</u>
	<u>\$ 606,713</u>	<u>\$ 1,402,663</u>	<u>\$ 2,589,642</u>	<u>\$ 3,560,651</u>	<u>\$ 2,908,460</u>	<u>\$ 2,104,740</u>

CITY OF HARRIMAN, TENNESSEE

CHANGES IN NET PENSION LIABILITY(ASSET)

LEGACY PENSION PLAN

(continued)

June 30, 2023

	Measurement Date at June 30,		
	<u>2022</u>	<u>2021</u>	<u>2020</u>
Plan fiduciary net position as a percentage of total net pension liability	101.88%	111.71%	98.06%
Covered employee payroll	\$ 1,238,078	\$ 1,443,885	\$ 1,414,308
Net pension liability(asset) as a percentage of covered employee payroll	(48.55)%	(260.06)%	41.78%

Notes to Schedule of Changes in Net Pension Liability(Asset)

GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from the TCRS GASB website for prior years' data, if needed.

Changes of Assumptions

In 2021 amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost of living adjustment, and mortality improvements. In 2017 amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost of living adjustment, salary growth and mortality improvements.

	Measurement Date at June 30,					
<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	
98.03%	95.49%	91.79%	88.54%	90.71%	93.25%	
\$ 1,533,774	\$ 1,666,799	\$ 1,880,777	\$ 1,933,447	\$ 1,877,576	\$ 1,874,172	
39.56%	84.15%	137.69%	184.16%	154.91%	112.30%	

CITY OF HARRIMAN, TENNESSEE

PENSION CONTRIBUTIONS
LEGACY PENSION PLAN

June 30, 2023

	Year Ended June 30,			
	2023	2022	2021	2020
Actuarially determined contributions	\$ 323,141	\$ 364,366	\$ 462,043	\$ 416,231
Contributions in relation to the actuarially determined contributions	<u>(323,141)</u>	<u>(396,185)</u>	<u>(462,043)</u>	<u>(452,573)</u>
Contribution deficiency(excess)	<u>\$ 0</u>	<u>\$ (31,819)</u>	<u>\$ 0</u>	<u>\$ (36,342)</u>
Covered employee payroll	\$ 1,077,135	\$ 1,238,078	\$ 1,443,885	\$ 1,414,308
Contributions as a percentage of covered employee payroll	30.00%	32.00%	32.00%	32.00%

GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from the TCRS GASB website for prior years' data, if needed.

Changes of Assumptions

In 2021 the following assumptions were changed: decreased inflation rate from 2.50% to 2.25%; decreased the investment rate of return from 7.25% to 6.75%; decreased the cost of living adjustments from 2.25% to 2.125%; and modified mortality assumptions. In 2017 the following assumptions were changed: decreased inflation rate from 3.00% to 2.50%; decreased the investment rate of return from 7.50% to 7.25%; decreased the cost of living adjustment from 2.50% to 2.25%; decreased salary growth graded ranges from an average of 4.25% to an average of 4.00%; and modified mortality assumptions.

See the accompanying independent accountants' audit report.

2019	2018	Year Ended June 30,		2015	2014
		2017	2016		
\$ 490,654	\$ 533,329	\$ 601,661	\$ 625,454	\$ 638,571	\$ 437,805
<u>(490,654)</u>	<u>(533,329)</u>	<u>(601,661)</u>	<u>(625,454)</u>	<u>(638,571)</u>	<u>(437,805)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 1,533,294	\$1,666,653	\$1,880,777	\$1,877,576	\$2,367,356	\$1,874,172
32.00%	32.00%	31.99%	33.31%	26.97%	23.36%

Notes to Pension Contributions

Valuation date: Actuarially determined contribution rates for the year ended June 30, 2023 were calculated based on the June 30, 2021 actuarial valuation.

Methods and assumptions used to determined contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies by year
Asset valuation	10-year smoothed within a 20% corridor to market value
Inflation	2.25%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4.00%
Investment rate of return	6.75%, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living adjustments	2.125%

CITY OF HARRIMAN, TENNESSEE

CHANGES IN NET PENSION LIABILITY(ASSET)
HYBRID PENSION PLAN

June 30, 2023

	Measurement Date at June 30,		
	<u>2022</u>	<u>2021</u>	<u>2020</u>
<u>Total pension liability(asset)</u>			
Service cost	\$ 90,717	\$ 67,435	\$ 58,076
Interest	25,555	17,458	12,062
Differences between actual and expected experience	320	3,057	(438)
Changes of assumptions	0	34,608	0
Benefit payments, including refunds of employee contributions	<u>(12,414)</u>	<u>(3,684)</u>	<u>(5,575)</u>
Net change in total pension liability	104,178	118,874	64,125
Total pension liability - beginning	<u>294,082</u>	<u>175,208</u>	<u>111,083</u>
Total pension liability - ending (a)	398,260	294,082	175,208
<u>Plan fiduciary net position</u>			
Contributions - employer	27,106	15,529	12,734
Contributions - employee	81,156	47,993	55,851
Net investment income	(13,617)	57,763	7,818
Benefit payments, including refunds of employee contributions	(12,414)	(3,684)	(5,575)
Administrative expense	<u>(4,018)</u>	<u>(3,080)</u>	<u>(2,826)</u>
Net change in plan fiduciary net position	78,213	114,521	68,002
Plan fiduciary net position - beginning	<u>310,055</u>	<u>195,534</u>	<u>127,532</u>
Plan fiduciary net position - ending (b)	<u>388,268</u>	<u>310,055</u>	<u>195,534</u>
Net pension liability(asset) - ending (a) - (b)	<u>\$ 9,992</u>	<u>\$ (15,973)</u>	<u>\$ (20,326)</u>

See the accompanying independent accountants' audit report.

	Measurement Date at June 30,			
	2019	2018	2017	2016
	\$ 42,781	\$ 33,388	\$ 16,124	\$ 5,711
	7,615	3,936	1,424	428
	3,875	9,455	(30)	(3,277)
	0	0	528	0
	(10,875)	0	0	0
	<u>43,396</u>	<u>46,779</u>	<u>18,046</u>	<u>2,862</u>
	<u>67,687</u>	<u>20,908</u>	<u>2,862</u>	<u>0</u>
	<u>111,083</u>	<u>67,687</u>	<u>20,908</u>	<u>2,862</u>
	8,476	10,111	4,615	1,030
	44,611	35,603	20,978	4,681
	7,454	4,467	2,015	73
	(10,875)	0	0	0
	(2,255)	(2,019)	(1,041)	(392)
	<u>47,411</u>	<u>48,162</u>	<u>26,567</u>	<u>5,392</u>
	<u>80,121</u>	<u>31,959</u>	<u>5,392</u>	<u>0</u>
	<u>127,532</u>	<u>80,121</u>	<u>31,959</u>	<u>5,392</u>
	<u>\$ (16,449)</u>	<u>\$ (12,434)</u>	<u>\$ (11,050)</u>	<u>\$ (2,530)</u>

CITY OF HARRIMAN, TENNESSEE

CHANGES IN NET PENSION LIABILITY(ASSET)
HYBRID PENSION PLAN

(continued)

June 30, 2023

	Measurement Date at June 30,		
	<u>2022</u>	<u>2021</u>	<u>2020</u>
Plan fiduciary net position as a percentage of total net pension liability	97.49%	105.43%	111.60%
Covered employee payroll	\$ 1,623,119	\$ 1,265,452	\$ 1,117,019
Net pension liability(asset) as a percentage of covered employee payroll	0.62%	(1.26)%	(1.82)%

Notes to Changes in Net Pension Liability(Asset)

GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from the TCRS GASB website for prior years' data, if needed.

Changes of Assumptions

In 2021 amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, and mortality improvements. In 2017 amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost of living adjustment, salary growth and mortality improvements.

	Measurement Date at June 30,			
	2019	2018	2017	2016
	114.81%	118.37%	152.86%	188.40%
\$	892,227	\$ 712,052	\$ 419,554	\$ 93,618
	(1.84)%	(1.75)%	(2.63)%	(2.70)%

CITY OF HARRIMAN, TENNESSEE

PENSION CONTRIBUTIONS
HYBRID PENSION PLAN

June 30, 2023

	Year Ended June 30,			
	2023	2022	2021	2020
Actuarially determined contributions	\$ 47,259	\$ 27,106	\$ 18,982	\$ 12,734
Contributions in relation to the actuarially determined contributions	<u>(47,259)</u>	<u>(27,106)</u>	<u>(18,982)</u>	<u>(12,734)</u>
Contribution deficiency(excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered employee payroll	\$2,000,089	\$1,623,119	\$1,265,452	\$1,117,018
Contributions as a percentage of covered employee payroll	2.36%	1.67%	1.50%	1.14%

GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from the TCRS GASB website for prior years' data, if needed.

Changes of Assumptions

In 2021 the following assumptions were changed: decreased inflation rate from 2.50% to 2.25%; decreased the investment rate of return from 7.25% to 6.75%; decreased the cost of living adjustments from 2.25% to 2.125%; and modified mortality assumptions. In 2017 the following assumptions were changed: decreased inflation rate from 3.00% to 2.50%; decreased the investment rate of return from 7.50% to 7.25%; decreased the cost of living adjustment from 2.50% to 2.25%; decreased salary growth graded ranges from an average of 4.25% to an average of 4.00%; and modified mortality assumptions.

See the accompanying independent accountants' audit report.

2019	Year Ended June 30,		2016
	2018	2017	
\$ 8,476	\$ 10,111	\$ 4,615	\$ 1,030
<u>(8,476)</u>	<u>(10,111)</u>	<u>(4,615)</u>	<u>(1,030)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 770,545	\$ 919,182	\$ 419,554	\$ 93,618
1.10%	1.10%	1.10%	1.10%

Notes to Pension Contributions

Valuation date: Actuarially determined contribution rates for the year ended June 30, 2023 were calculated based on the June 30, 2021 actuarial valuation.

Methods and assumptions used to determined contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies by year
Asset valuation	10-year smoothed within a 20% corridor to market value
Inflation	2.25%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4.00%
Investment rate of return	6.75%, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living adjustments	2.125%

CITY OF HARRIMAN, TENNESSEE

CHANGES IN NET PENSION LIABILITY(ASSET)
PENSION TRUST FUND

June 30, 2023

	Measurement Date at June 30,		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
<u>Total pension liability</u>			
Service cost	\$ 374,349	\$ 418,269	\$ 419,601
Interest	708,222	612,773	700,968
Differences between actual and expected experience	113,745	1,284,942	(209,067)
Changes of assumptions	295,454	(216,546)	(1,137,540)
Benefit payments, including refunds of employee contributions	<u>(397,858)</u>	<u>(976,280)</u>	<u>(1,086,964)</u>
Net change in total pension liability	1,093,912	1,123,158	(1,313,002)
Total pension liability - beginning	<u>9,938,679</u>	<u>8,815,521</u>	<u>10,128,524</u>
Total pension liability - ending (a)	<u>11,032,591</u>	<u>9,938,679</u>	<u>8,815,522</u>
 <u>Plan fiduciary net position</u>			
Contributions - employer	750,000	845,765	761,792
Contributions - employee	211,574	214,072	176,546
Net investment income	396,710	(412,095)	752,695
Benefit payments, including refunds of employee contributions	<u>(397,858)</u>	<u>(976,280)</u>	<u>(1,086,964)</u>
Administrative expense	<u>(22,426)</u>	<u>(22,623)</u>	<u>(21,604)</u>
Net change in plan fiduciary net position	938,000	(351,161)	582,465
Plan fiduciary net position - beginning	<u>5,051,081</u>	<u>5,402,242</u>	<u>4,819,777</u>
Plan fiduciary net position - ending (b)	<u>5,989,081</u>	<u>5,051,081</u>	<u>5,402,242</u>
 Net pension liability(asset) - ending (a) - (b)	<u>\$ 5,043,510</u>	<u>\$ 4,887,598</u>	<u>\$ 3,413,280</u>

See the accompanying independent accountants' audit report.

Measurement Date at June 30,					
2020	2019	2018	2017	2016	2015
\$ 409,169	\$ 389,943	\$ 392,299	\$ 366,590	\$ 435,317	\$ 444,495
723,706	715,090	682,324	703,263	803,018	815,026
(402,359)	104,574	988,208	813,675	(142,672)	(32,307)
0	0	0	0	(413,038)	0
<u>(1,045,283)</u>	<u>(1,183,891)</u>	<u>(2,000,899)</u>	<u>(2,415,831)</u>	<u>(1,662,100)</u>	<u>(1,117,066)</u>
(314,767)	25,716	61,932	(532,303)	(979,475)	110,148
10,443,291	10,417,575	10,355,643	10,887,946	11,867,421	11,757,273
<u>10,128,524</u>	<u>10,443,291</u>	<u>10,417,575</u>	<u>10,355,643</u>	<u>10,887,946</u>	<u>11,867,421</u>
748,202	730,000	730,000	730,000	730,000	720,000
192,060	173,608	159,690	151,507	130,714	107,059
97,355	285,953	291,188	526,965	210,213	318,701
(1,045,283)	(1,183,891)	(2,000,899)	(2,415,831)	(1,662,100)	(1,117,066)
<u>(20,212)</u>	<u>(20,455)</u>	<u>(22,824)</u>	<u>(25,030)</u>	<u>(24,977)</u>	<u>(26,030)</u>
(27,878)	(14,785)	(842,845)	(1,032,389)	(616,150)	2,664
4,847,654	4,862,439	5,705,284	6,737,673	7,353,823	7,351,159
<u>4,819,776</u>	<u>4,847,654</u>	<u>4,862,439</u>	<u>5,705,284</u>	<u>6,737,673</u>	<u>7,353,823</u>
<u><u>\$ 5,308,748</u></u>	<u><u>\$ 5,595,637</u></u>	<u><u>\$ 5,555,136</u></u>	<u><u>\$ 4,650,359</u></u>	<u><u>\$ 4,150,273</u></u>	<u><u>\$ 4,513,598</u></u>

CITY OF HARRIMAN, TENNESSEE

CHANGES IN NET PENSION LIABILITY(ASSET)
PENSION TRUST FUND

(continued)

June 30, 2023

	Measurement Date at June 30,		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
Plan fiduciary net position as a percentage of total pension liability	54.30%	50.80%	61.30%
Covered employee payroll	\$ 5,535,413	\$ 5,069,073	\$ 4,834,198
Net pension liability(asset) as a percentage of covered employee payroll	91.10%	94.40%	70.60%

Notes to Schedule

This schedule was first required for the fiscal year ended June 30, 2014. Future years will be added to this schedule until 10 years of information is available.

	Measurement Date at June 30,					
	2020	2019	2018	2017	2016	2015
	47.60%	46.42%	46.68%	55.09%	61.88%	61.97%
	\$ 5,121,776	\$ 4,976,088	\$ 4,579,910	\$ 4,457,059	\$ 4,193,509	\$ 4,742,924
	103.70%	112.45%	121.29%	103.64%	98.97%	95.16%

CITY OF HARRIMAN, TENNESSEE

PENSION CONTRIBUTIONS
PENSION TRUST FUND

June 30, 2023

	Year Ended June 30,		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
Actuarially determined contributions	\$ 508,087	\$ 524,953	\$ 707,682
Contributions in relation to the actuarially determined contributions	<u>(750,000)</u>	<u>(845,765)</u>	<u>(761,792)</u>
Contribution deficiency(excess)	<u>\$ (241,913)</u>	<u>\$ (320,812)</u>	<u>\$ (54,110)</u>
Covered employee payroll	\$5,535,413	\$5,069,073	\$4,834,198
Contributions as a percentage of covered employee payroll	13.50%	16.70%	15.80%
Annual money-weighted rate of return net of investment expenses	7.35%	(7.75)%	16.08%

Note to Contributions to Pension

This schedule was first required for the fiscal year ended June 30, 2014. Future years will be added to this schedule until 10 years of information is available.

Valuation date: Actuarially determined contribution rates for 2023 were calculated based on the June 30, 2023 actuarial valuation.

Methods and assumptions used to determined contribution rates:

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar
Remaining amortization period	20 years
Asset valuation	Market value
Salary increases	2% per year
Investment rate of return	6.75%, net of investment expense
Retirement age	65 or 55 with 30 years participation; hired after April 2009, 65 or 60 with 35 years of participation
Mortality	Lump sum mortality table published by the IRS

See the accompanying independent accountants' audit report.

	Year Ended June 30,				
<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 670,536	\$ 722,313	\$ 664,909	\$ 612,257	\$ 740,750	\$ 733,825
<u>(748,202)</u>	<u>(730,000)</u>	<u>(730,000)</u>	<u>(737,500)</u>	<u>(720,000)</u>	<u>(720,000)</u>
<u>\$ (77,666)</u>	<u>\$ (7,687)</u>	<u>\$ (65,091)</u>	<u>\$ (125,243)</u>	<u>\$ 20,750</u>	<u>\$ 13,825</u>
\$ 5,121,776	\$ 4,976,088	\$ 4,579,910	\$ 4,487,059	\$ 4,193,509	\$ 4,617,044
14.60%	14.67%	14.50%	13.60%	17.17%	15.59%
2.22%	6.56%	5.21%	8.41%	2.66%	3.97%

CITY OF HARRIMAN, TENNESSEE

SCHEDULE OF FUNDING PROGRESS

June 30, 2023

<u>Valuation Date</u>	(1) <u>Net Assets Available For Benefits</u>	(2) <u>Pension Benefit Obligation</u>	(3) <u>Percentage Funded (1) / (2)</u>
4/1/2014	\$ 6,053,680	\$ 11,447,497	52.90%
4/1/2015	7,353,823	11,867,421	62.00
4/1/2016	6,737,673	10,887,946	61.90
4/1/2017	5,705,284	10,355,643	55.10
4/1/2018	4,862,439	10,417,575	46.70
4/1/2019	4,981,547	10,443,291	47.70
4/1/2020	4,819,777	10,128,523	47.60
4/1/2021	5,402,242	8,815,521	61.30
4/1/2022	5,051,081	9,938,679	50.80
4/1/2023	5,989,071	11,032,591	54.30

See the accompanying independent accountants' audit report.

(4) Unfunded Pension Benefit Obligation <u>(2) – (1)</u>	(5) Annual Covered Payroll <u>Payroll</u>	(6) Unfunded Pension Benefit Obligation as a Percentage of Covered Payroll <u>(4) / (5)</u>
\$ 5,393,817	\$ 4,082,021	132.10%
4,513,598	4,742,924	95.20
4,150,273	4,193,509	99.00
4,650,359	4,487,059	103.60
5,555,136	4,579,910	121.30
5,461,744	4,976,088	109.80
5,308,746	5,121,776	103.70
3,413,279	4,834,198	70.60
4,887,598	5,069,073	96.40
5,043,520	5,535,416	91.10

SUPPLEMENTARY INFORMATION

CITY OF HARRIMAN, TENNESSEE

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2023

	<u>Solid Waste Management Fund</u>	<u>Drug Enforcement Fund</u>	<u>State Street Aid Fund</u>
ASSETS			
Cash	\$ 0	\$ 56,882	\$ 0
Accounts receivable	35,872	0	0
Property taxes receivable, net of allowance for uncollectible accounts	0	0	0
Due from other funds	<u>0</u>	<u>0</u>	<u>34,997</u>
	<u>\$ 35,872</u>	<u>\$ 56,882</u>	<u>\$ 34,997</u>

See the accompanying notes to the financial statements.

<u>Debt Service Fund</u>	<u>Capital Project Fund</u>	<u>Totals</u>
\$ 54,177 0	\$ 418,227 0	\$ 529,286 35,872
440,516 <u>0</u>	0 <u>0</u>	440,516 <u>34,997</u>
<u>\$ 494,693</u>	<u>\$ 418,227</u>	<u>\$ 1,040,671</u>

CITY OF HARRIMAN, TENNESSEE

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

(continued)

June 30, 2023

	<u>Solid Waste Management Fund</u>	<u>Drug Enforcement Fund</u>	<u>State Street Aid Fund</u>
LIABILITIES			
Funds held for others	0	24,664	0
DEFERRED INFLOWS OF RESOURCES			
Deferred property taxes	0	0	0
FUND BALANCES			
Restricted	0	32,218	34,997
Committed	<u>35,872</u>	<u>0</u>	<u>0</u>
	<u>35,872</u>	<u>32,218</u>	<u>34,997</u>
	<u>\$ 35,872</u>	<u>\$ 56,882</u>	<u>\$ 34,997</u>

<u>Debt Service Fund</u>	<u>Capital Project Fund</u>	<u>Totals</u>
0	0	24,664
440,516	0	440,516
0	0	67,217
<u>54,177</u>	<u>418,227</u>	<u>508,277</u>
<u>54,177</u>	<u>418,227</u>	<u>575,493</u>
<u>\$ 494,693</u>	<u>\$ 418,227</u>	<u>\$ 1,040,671</u>

CITY OF HARRIMAN, TENNESSEE

**COMBINING STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS**

Year Ended June 30, 2023

	<u>Special Revenue Funds</u>		
	<u>Solid Waste Management Fund</u>	<u>Drug Enforcement Fund</u>	<u>State Street Aid Fund</u>
REVENUE			
Taxes:			
Property tax	\$ 0	\$ 0	\$ 0
Intergovernmental	0	0	204,685
Charges for services	393,031	0	0
Fines and forfeitures	0	10,163	0
Other revenue	<u>0</u>	<u>11,180</u>	<u>0</u>
TOTAL REVENUE	393,031	21,342	204,685
EXPENDITURES			
Current:			
Public safety	0	12,431	0
Infrastructure	0	0	0
Solid waste collection	490,903	0	0
Streets and highways	0	0	281,633
Capital outlay	0	0	0
Debt service	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL EXPENDITURES	<u>490,903</u>	<u>12,431</u>	<u>281,633</u>

See the accompanying notes to the financial statements.

<u>Debt Service Fund</u>	<u>Capital Project Fund</u>	<u>Totals</u>
\$ 413,853	\$ 0	\$ 413,853
0	0	204,685
0	0	393,031
0	0	10,163
<u>0</u>	<u>0</u>	<u>11,180</u>
413,853	0	1,032,912
0	0	12,431
0	95,278	95,278
0	0	490,903
0	0	281,633
0	105,230	105,230
<u>390,945</u>	<u>0</u>	<u>390,945</u>
<u>390,945</u>	<u>200,508</u>	<u>1,376,420</u>

CITY OF HARRIMAN, TENNESSEE

COMBINING STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

(continued)

Year Ended June 30, 2023

	<u>Special Revenue Funds</u>		
	<u>Solid Waste Management Fund</u>	<u>Drug Enforcement Fund</u>	<u>State Street Aid Fund</u>
NET CHANGES IN FUND BALANCES BEFORE OTHER FINANCING SOURCES	(97,872)	8,911	(76,949)
OTHER FINANCING SOURCES			
Transfers from other funds	<u>105,433</u>	<u>0</u>	<u>76,245</u>
NET CHANGES IN FUND BALANCES	7,561	8,911	(704)
FUND BALANCES AT THE BEGINNING OF THE YEAR, as restated	<u>28,311</u>	<u>23,306</u>	<u>35,701</u>
FUND BALANCES AT THE END OF THE YEAR	<u><u>\$ 35,872</u></u>	<u><u>\$ 32,218</u></u>	<u><u>\$ 34,997</u></u>

<u>Debt Service Fund</u>	<u>Capital Project Fund</u>	<u>Totals</u>
22,908	(200,508)	(343,508)
<u>0</u>	<u>0</u>	<u>181,678</u>
22,908	(200,508)	(161,830)
<u>31,268</u>	<u>618,736</u>	<u>737,323</u>
<u>\$ 54,177</u>	<u>\$ 418,227</u>	<u>\$ 575,493</u>

CITY OF HARRIMAN, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
SOLID WASTE MANAGEMENT FUND**

Year Ended June 30, 2023

	<u>Budget</u>			Variance Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Under)</u>
REVENUE				
Collection charges	\$ 358,724	\$ 358,724	\$ 393,031	\$ 34,307
EXPENDITURES				
Salaries	13,762	13,762	10,942	(2,820)
OASDI - employer's share	1,310	1,310	850	(460)
Health insurance	3,509	3,509	3,000	(509)
Retirement	5,480	5,480	1,050	(4,430)
Workers' compensation	1,723	1,723	950	(773)
Unemployment insurance	53	53	50	(3)
Landfill services	16,000	16,000	15,065	(935)
Collection fees	365,000	365,000	441,438	76,438
Operating supplies	2,221	2,221	471	(1,750)
Clothing and uniforms	242	242	508	266
Gas, oil, and diesel fuel	6,050	6,050	7,082	1,032
Repairs and maintenance	6,869	6,869	9,497	2,628
TOTAL EXPENDITURES	<u>422,219</u>	<u>422,219</u>	<u>490,903</u>	<u>68,684</u>
NET CHANGE IN FUND BALANCE BEFORE OTHER FINANCING SOURCES	(63,495)	(63,495)	(97,873)	(34,376)
OTHER FINANCING SOURCES				
Transfer from general fund	<u>63,495</u>	<u>63,495</u>	<u>105,433</u>	<u>41,938</u>

See the accompanying notes to the financial statements.

CITY OF HARRIMAN, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
SOLID WASTE MANAGEMENT FUND**

(continued)

Year Ended June 30, 2023

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
NET CHANGE IN FUND BALANCE	0	0	7,560	7,560
FUND BALANCE AT THE BEGINNING OF THE YEAR, as restated	<u>0</u>	<u>0</u>	<u>28,311</u>	<u>28,311</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 35,871</u>	<u>\$ 35,871</u>

CITY OF HARRIMAN, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
DRUG ENFORCEMENT FUND**

Year Ended June 30, 2023

	<u>Budget</u>			Variance Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Under)</u>
REVENUE				
Drug fines	\$ 12,500	\$ 12,500	\$ 10,163	\$ (2,337)
Court fines and fees	5,000	5,000	0	(5,000)
Sale of equipment	8,000	8,000	5,643	(2,357)
Miscellaneous refunds	<u>0</u>	<u>0</u>	<u>5,537</u>	<u>5,537</u>
TOTAL REVENUE	25,500	25,500	21,342	(4,157)
EXPENDITURES				
Education and training	1,500	1,500	5,957	4,457
Contractual services	3,000	3,000	675	(2,325)
Operating supplies	<u>57,678</u>	<u>57,678</u>	<u>5,799</u>	<u>(51,879)</u>
TOTAL EXPENDITURES	<u>62,178</u>	<u>62,178</u>	<u>12,431</u>	<u>(49,747)</u>
NET CHANGE IN FUND BALANCE	(36,678)	(36,678)	8,911	45,589
FUND BALANCE AT THE BEGINNING OF THE YEAR	<u>36,678</u>	<u>36,678</u>	<u>23,306</u>	<u>(13,372)</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 32,218</u>	<u>\$ 32,218</u>

See the accompanying notes to the financial statements.

CITY OF HARRIMAN, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET**
STATE STREET AID FUND

Year Ended June 30, 2023

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUE				
Gasoline and motor fuel tax	\$ 234,244	\$ 234,244	\$ 204,685	\$ (29,559)
EXPENDITURES				
Repairs and maintenance	<u>400,000</u>	<u>400,000</u>	<u>281,633</u>	<u>(118,367)</u>
NET CHANGE IN FUND BALANCE BEFORE OTHER FINANCING SOURCES	(165,756)	(165,756)	(76,949)	88,807
OTHER FINANCING SOURCES				
Transfer from general fund	<u>165,756</u>	<u>165,756</u>	<u>76,245</u>	<u>(89,511)</u>
NET CHANGE IN FUND BALANCE	0	0	(704)	(704)
FUND BALANCE AT THE BEGINNING OF THE YEAR, as restated	<u>0</u>	<u>0</u>	<u>35,701</u>	<u>35,701</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 34,997</u>	<u>\$ 34,997</u>

See the accompanying notes to the financial statements.

CITY OF HARRIMAN, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
DEBT SERVICE FUND**

Year Ended June 30, 2023

	Budget		Actual	Variance Over (Under)
	Original	Final		
REVENUE				
Property taxes-current	\$ 338,042	\$ 338,042	\$ 332,060	\$ (5,982)
Property taxes-delinquent	15,996	15,996	73,168	57,172
Interest and penalty	3,809	3,809	8,625	4,816
TOTAL REVENUE	357,847	357,847	413,853	56,006
EXPENDITURES				
Principal	302,500	302,500	316,460	13,960
Interest	55,347	55,347	74,485	19,138
TOTAL EXPENDITURES	357,847	357,847	390,945	33,098
NET CHANGE IN FUND BALANCE	0	0	22,908	22,908
FUND BALANCE AT THE BEGINNING OF THE YEAR	0	0	31,268	31,268
FUND BALANCE AT THE END OF THE YEAR	\$ 0	\$ 0	\$ 54,177	\$ 54,177

See the accompanying notes to the financial statements.

CITY OF HARRIMAN, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET**
CAPITAL PROJECTS FUND

Year Ended June 30, 2023

	Budget			Variance Over Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Under)</u>
EXPENDITURES				
Supplies	\$ 3,000	\$ 3,000	\$ 278	\$ (2,722)
Repairs and maintenance	220,000	220,000	95,000	(125,000)
Capital outlay	<u>245,400</u>	<u>245,400</u>	<u>105,230</u>	<u>(140,170)</u>
TOTAL EXPENDITURES	<u>468,400</u>	<u>468,400</u>	<u>200,508</u>	<u>(267,892)</u>
NET CHANGE IN FUND BALANCE	(468,400)	(468,400)	(200,508)	267,892
FUND BALANCE AT THE BEGINNING OF THE YEAR	<u>468,400</u>	<u>468,400</u>	<u>618,736</u>	<u>150,336</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 418,227</u>	<u>\$ 418,227</u>

See the accompanying notes to the financial statements.

CITY OF HARRIMAN, TENNESSEE

PROPERTY TAXES RECEIVABLE

June 30, 2023

<u>Year of Levy</u>	<u>Rate</u>	<u>Total Assessment</u>	<u>Levy</u>	<u>Balance June 30, 2022</u>
2023	\$ 1.09	\$ 132,982,286	\$ 1,449,541	\$ 0
2022	1.09	123,792,477	1,386,257	1,386,257
2021	1.09	123,347,830	1,344,549	79,481
2020	1.09	124,740,083	1,357,173	42,489
2019	1.22	110,012,664	1,342,181	23,122
2018	1.22	114,950,402	1,402,433	13,551
2017	1.22	115,012,482	1,403,201	11,166
2016	1.22	116,568,361	1,422,368	2,890
2015	1.22	115,886,916	1,413,473	2,647
2014	1.20	115,490,419	1,387,035	7,030
2013	1.20	114,551,763	1,377,136	7,109
2012	1.20	112,759,559	1,353,115	8,142
2011	1.19	109,032,605	1,297,488	4,781
				<u>\$ 1,588,665</u>

Property taxes unpaid from 2013 through 2021 have been filed with the Roane County Clerk and Master.

See the accompanying independent accountants' audit report.

<u>Taxes Levied</u>	<u>Adjustments</u>	<u>Collections</u>	<u>Balance June 30, 2023</u>
\$ 1,449,541	\$ 0	\$ 0	\$ 1,449,541
0	(17,425)	1,259,122	109,710
0	0	40,504	38,977
0	0	13,877	28,612
0	0	10,045	13,077
0	0	6,144	7,407
0	0	8,144	3,022
0	0	0	2,890
0	0	0	2,647
0	0	0	7,030
0	0	0	7,109
0	0	8,142	0
<u>0</u>	<u>0</u>	<u>4,781</u>	<u>0</u>
<u>\$ 1,449,541</u>	<u>\$ (17,425)</u>	<u>\$ 1,350,759</u>	<u>\$ 1,670,022</u>

CITY OF HARRIMAN, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

June 30, 2023

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
<u>Governmental Activities:</u>			
Tennessee Municipal Bond, Series 2016			
<u>Year Ending June 30:</u>			
2024	\$ 15,400	\$ 408	\$ 15,808
General Obligation Capital Outlay Note, Series 2016			
<u>Year Ending June 30:</u>			
2024	\$ 200,000	\$ 22,964	\$ 222,964
2025	205,000	18,590	223,590
2026	210,000	14,106	224,106
2027	215,000	9,513	224,513
2028	220,000	4,811	224,811
	<u>\$ 1,050,000</u>	<u>\$ 69,984</u>	<u>\$ 1,119,984</u>
General Obligation Capital Outlay Note, Series 2018			
<u>Year Ending June 30:</u>			
2024	\$ 56,000	\$ 8,049	\$ 64,049
2025	58,000	4,844	62,844
2026	60,000	3,560	63,560
2027	62,000	1,200	63,200
	<u>\$ 236,000</u>	<u>\$ 17,653</u>	<u>\$ 253,653</u>

See the accompanying independent accountants' audit report.

CITY OF HARRIMAN, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2023

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
General Obligation Bond, Series 2020			
Year Ending <u>June 30:</u>			
2024	\$ 21,139	\$ 29,689	\$ 50,828
2025	21,701	29,126	50,828
2026	22,195	28,633	50,828
2027	22,699	28,129	50,828
2028	23,140	27,689	50,828
2029	23,741	27,087	50,828
2030	24,281	26,547	50,828
2031	24,833	25,995	50,828
2032	25,328	25,500	50,828
2033	25,973	24,855	50,828
2034	26,564	24,264	50,828
2035	27,168	23,660	50,828
2036	27,722	23,106	50,828
2037	28,416	22,413	50,828
2038	29,062	21,767	50,828
2039	29,722	21,106	50,828
2040	30,342	20,486	50,828
2041	31,088	19,740	50,828
2042	31,794	19,034	50,828
2043	32,517	18,311	50,828
2044	33,208	17,619	50,828
2045	34,011	16,817	50,828
2046	34,785	16,043	50,828
2047	35,575	15,253	50,828
2048	36,345	14,483	50,828
2049	37,210	13,618	50,828
2050	38,056	12,771	50,828
2051	38,921	11,907	50,828
2052	39,776	11,051	50,828
2053	40,711	10,118	50,828

CITY OF HARRIMAN, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2023

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
General Obligation Bond, Series 2020 (continued)			
Year Ending <u>June 30:</u>			
2054	41,636	9,192	50,828
2055	42,583	8,246	50,828
2056	43,531	7,297	50,828
2057	44,540	6,288	50,828
2058	45,553	5,275	50,828
2059	46,588	4,239	50,828
2060	47,639	3,188	50,828
2061	48,731	2,098	50,828
2062	49,838	990	50,828
2063	16,815	79	16,895
	<u>\$ 1,325,481</u>	<u>\$ 673,706</u>	<u>\$ 1,999,187</u>

CITY OF HARRIMAN, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2023

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
General Obligation Capital Outlay Note, Series 2022			
<u>Year Ending</u> <u>June 30:</u>			
2024	\$ 50,700	\$ 24,843	\$ 75,543
2025	52,400	23,129	75,529
2026	54,200	21,358	75,558
2027	56,000	19,526	75,526
2028	57,900	17,633	75,533
2029	59,800	15,676	75,476
2030	61,900	13,655	75,555
2031	64,000	11,563	75,563
2032	66,100	9,400	75,500
2033	68,300	7,166	75,466
2034	70,700	4,857	75,557
2035	73,000	2,467	75,467
	<u>\$ 735,000</u>	<u>\$ 171,275</u>	<u>\$ 906,275</u>

CITY OF HARRIMAN, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2023

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
<u>Business-Type Activities:</u>			
General Obligation Bond, Series 2021A			
Electric Department			
Year Ending			
<u>June 30:</u>			
2024	\$ 140,000	\$ 26,195	\$ 166,195
2025	140,000	21,995	161,995
2026	135,000	17,795	152,795
2027	135,000	13,745	148,745
2028	135,000	9,695	144,695
2029	135,000	5,645	140,645
2030	145,000	1,595	146,595
	<u>\$ 965,000</u>	<u>\$ 96,665</u>	<u>\$ 1,061,665</u>

CITY OF HARRIMAN, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2023

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
General Obligation Bond, Series 2021A			
Gas Department			
<u>Year Ending</u>			
<u>June 30:</u>			
2024	\$ 85,000	\$ 28,500	\$ 113,500
2025	85,000	25,950	110,950
2026	85,000	23,400	108,400
2027	85,000	20,850	105,850
2028	85,000	18,300	103,300
2029	85,000	15,750	100,750
2030	80,000	13,200	93,200
2031	80,000	12,320	92,320
2032	80,000	11,360	91,360
2033	80,000	10,160	90,160
2034	80,000	8,960	88,960
2035	80,000	7,760	87,760
2036	80,000	6,560	86,560
2037	80,000	5,360	85,360
2038	80,000	4,080	84,080
2039	80,000	2,760	82,760
2040	80,000	1,400	81,400
	<u>\$ 1,390,000</u>	<u>\$ 216,670</u>	<u>\$ 1,606,670</u>

CITY OF HARRIMAN, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2023

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
General Obligation Bond, Series 2021A			
Water Department			
Year Ending			
<u>June 30:</u>			
2024	\$ 150,000	\$ 47,870	\$ 197,870
2025	150,000	43,370	193,370
2026	155,000	38,870	193,870
2027	155,000	34,220	189,220
2028	155,000	29,570	184,570
2029	155,000	24,920	179,920
2030	130,000	20,270	150,270
2031	125,000	18,840	143,840
2032	125,000	17,340	142,340
2033	125,000	15,465	140,465
2034	125,000	13,590	138,590
2035	125,000	11,715	136,715
2036	120,000	9,840	129,840
2037	120,000	8,040	128,040
2038	120,000	6,120	126,120
2039	120,000	4,140	124,140
2040	120,000	2,100	122,100
	<u>\$ 2,275,000</u>	<u>\$ 346,280</u>	<u>\$ 2,621,280</u>

CITY OF HARRIMAN, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2023

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
General Obligation Bond, Series 2021A			
Sewer Department			
<u>Year Ending</u>			
<u>June 30:</u>			
2024	\$ 195,000	\$ 67,685	\$ 262,685
2025	195,000	61,835	256,835
2026	195,000	55,985	250,985
2027	195,000	50,135	245,135
2028	195,000	44,285	239,285
2029	195,000	38,435	233,435
2030	195,000	32,585	227,585
2031	195,000	30,440	225,440
2032	195,000	28,100	223,100
2033	195,000	25,174	220,174
2034	195,000	22,250	217,250
2035	195,000	19,325	214,325
2036	200,000	16,400	216,400
2037	200,000	13,400	213,400
2038	200,000	10,200	210,200
2039	200,000	6,900	206,900
2040	200,000	3,500	203,500
	<u>\$ 3,340,000</u>	<u>\$ 526,634</u>	<u>\$ 3,866,634</u>

CITY OF HARRIMAN, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2023

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
General Obligation Bond, Series 2021B			
Electric Department			
Year Ending			
<u>June 30:</u>			
2024	\$ 105,000	\$ 43,050	\$ 148,050
2025	105,000	39,900	144,900
2026	105,000	36,750	141,750
2027	105,000	33,600	138,600
2028	105,000	30,450	135,450
2029	105,000	27,300	132,300
2030	105,000	24,150	129,150
2031	105,000	22,050	127,050
2032	105,000	19,950	124,950
2033	105,000	18,113	123,113
2034	105,000	16,275	121,275
2035	105,000	14,175	119,175
2036	105,000	12,075	117,075
2037	105,000	10,238	115,238
2038	105,000	8,400	113,400
2039	105,000	6,300	111,300
2040	105,000	4,200	109,200
2041	105,000	2,100	107,100
	<u>\$ 1,890,000</u>	<u>\$ 369,076</u>	<u>\$ 2,259,076</u>

CITY OF HARRIMAN, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2023

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
General Obligation Bond, Series 2021B			
Gas Department			
Year Ending			
<u>June 30:</u>			
2024	\$ 35,000	\$ 16,250	\$ 51,250
2025	40,000	15,200	55,200
2026	40,000	14,000	54,000
2027	40,000	12,800	52,800
2028	40,000	11,600	51,600
2029	40,000	10,400	50,400
2030	40,000	9,200	49,200
2031	40,000	8,400	48,400
2032	40,000	7,600	47,600
2033	40,000	6,900	46,900
2034	40,000	6,200	46,200
2035	40,000	5,400	45,400
2036	40,000	4,600	44,600
2037	40,000	3,900	43,900
2038	40,000	3,200	43,200
2039	40,000	2,400	42,400
2040	40,000	1,600	41,600
2041	40,000	800	40,800
	<u>\$ 715,000</u>	<u>\$ 140,450</u>	<u>\$ 855,450</u>

CITY OF HARRIMAN, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2023

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
General Obligation Bond, Series 2021A			
Water Department			
Year Ending			
<u>June 30:</u>			
2024	\$ 60,000	\$ 26,050	\$ 86,050
2025	60,000	24,250	84,250
2026	60,000	22,450	82,450
2027	60,000	20,650	80,650
2028	65,000	18,850	83,850
2029	65,000	16,900	81,900
2030	65,000	14,950	79,950
2031	65,000	13,650	78,650
2032	65,000	12,350	77,350
2033	65,000	11,213	76,213
2034	65,000	10,075	75,075
2035	65,000	8,775	73,775
2036	65,000	7,475	72,475
2037	65,000	6,338	71,338
2038	65,000	5,200	70,200
2039	65,000	3,900	68,900
2040	65,000	2,600	67,600
2041	65,000	1,300	66,300
	<u>\$ 1,150,000</u>	<u>\$ 226,976</u>	<u>\$ 1,376,976</u>

CITY OF HARRIMAN, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2023

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
State Revolving Loan, GCO 2011-269 Sewer Department			
<u>Year Ending June 30:</u>			
2024	\$ 78,864	\$ 12,468	\$ 91,332
2025	79,944	11,388	91,332
2026	81,024	10,308	91,332
2027	82,128	9,204	91,332
2028	83,244	8,088	91,332
2029	84,372	6,960	91,332
2030	85,524	5,808	91,332
2031	86,676	4,656	91,332
2032	87,864	3,468	91,332
2033	89,052	2,280	91,332
2034	90,264	1,068	91,332
2035	29,252	83	29,335
	<u>\$ 958,208</u>	<u>\$ 75,779</u>	<u>\$ 1,033,987</u>

CITY OF HARRIMAN, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2023

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
State Revolving Loan, GCO 2011-109			
Water Department			
Year Ending			
<u>June 30:</u>			
2024	\$ 69,480	\$ 12,264	\$ 81,744
2025	70,428	11,316	81,744
2026	71,388	10,356	81,744
2027	72,360	9,384	81,744
2028	73,344	8,400	81,744
2029	74,328	7,416	81,744
2030	75,348	6,396	81,744
2031	76,368	5,376	81,744
2032	77,400	4,344	81,744
2033	78,456	3,288	81,744
2034	79,524	2,220	81,744
2035	80,604	1,140	81,744
2036	40,733	158	40,891
	<u>\$ 939,761</u>	<u>\$ 82,058</u>	<u>\$ 1,021,819</u>

CITY OF HARRIMAN, TENNESSEE

**LEASE OBLIGATIONS - PRINCIPAL AND
INTEREST REQUIREMENTS BY FISCAL YEAR**

June 30, 2023

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
<u>Governmental Activities:</u>			
Municipal Lease			
<u>Year Ending June 30:</u>			
2024	\$ 17,425	\$ 5,456	\$ 22,881
2025	17,425	4,945	22,371
2026	17,425	4,413	21,838
2027	17,425	3,858	21,284
2028	2,178	298	2,476
	<u>\$ 71,879</u>	<u>\$ 18,971</u>	<u>\$ 90,850</u>

See the accompanying independent accountants' audit report.

CITY OF HARRIMAN, TENNESSEE

CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE

June 30, 2023

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue
Governmental Activities			
<u>Bonds Payable</u>			
Tennessee Municipal Bond, Series 2016	\$ 112,000	2.650%	3/4/2016
Tennessee Municipal Bond, Series 2017	192,500	2.000	3/24/2017
General Obligation Bond, Series 2020	1,339,441	2.250	10/25/2022
<u>Notes Payable</u>			
Regions Bank Bond Anticipation Note General Obligation Capital Outlay Note, Series 2016	1,200,000	Variable	6/19/2020
General Obligation Capital Outlay Note, Series 2018	2,000,000	2.187	4/1/2016
General Obligation Capital Outlay Note, Series 2018	439,500	3.870	9/19/2018
General Obligation Capital Outlay Note, Series 2022	735,000	3.380	6/1/2023

See the accompanying independent accountant's audit report.

<u>Last Maturity Date</u>	<u>Outstanding 7/1/2022</u>	<u>Issued During Period</u>	<u>Paid and/or Matured During Period</u>	<u>Refunded During Period</u>	<u>Outstanding 6/30/2023</u>
2/1/2024	\$ 30,400	\$ 0	\$ 15,000	\$ 0	\$ 15,400
4/1/2028	33,500	0	33,500	0	0
11/25/2062	0	1,339,441	13,960	0	1,325,481
10/25/2022	569,277	0	0	569,277	0
4/1/2028	1,250,000	0	200,000	0	1,050,000
9/1/2026	290,000	0	54,000	0	236,000
6/30/2035	<u>0</u>	<u>735,000</u>	<u>0</u>	<u>0</u>	<u>735,000</u>
	<u>\$ 2,173,177</u>	<u>\$ 2,074,441</u>	<u>\$ 316,460</u>	<u>\$ 569,277</u>	<u>\$ 3,361,881</u>

CITY OF HARRIMAN, TENNESSEE

CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE

(continued)

June 30, 2023

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue
Business-Type Activities			
<u>Bonds Payable</u>			
General Obligation Bond, Series 2021A	\$ 9,525,000	1.100-3.000%	4/9/2021
General Obligation Bond, Series 2021B	4,150,000	1.750-3.000	6/30/2021
<u>Other Loans Payable</u>			
State Revolving Loan (Sewer) 2011-269	1,600,000	1.350	9/6/2011
State Revolving Loan (Water) 2011-109	1,440,000	1.350	9/6/2011

<u>Last Maturity Date</u>	<u>Outstanding 7/1/2022</u>	<u>Issued During Period</u>	<u>Paid and/or Matured During Period</u>	<u>Refunded During Period</u>	<u>Outstanding 6/30/2023</u>
6/1/2040	\$ 8,540,000	\$ 0	\$ 570,000	\$ 0	\$ 7,970,000
6/1/2041	3,955,000	0	200,000	0	3,755,000
10/1/2034	1,036,016	0	77,808	0	958,208
12/1/2035	1,008,317	0	68,556	0	939,761
	<u>\$ 14,539,333</u>	<u>\$ 0</u>	<u>\$ 916,364</u>	<u>\$ 0</u>	<u>\$ 13,622,969</u>

CITY OF HARRIMAN, TENNESSEE

CHANGES IN LEASE OBLIGATIONS

June 30, 2023

<u>Description of Indebtedness</u>	<u>Original Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Issue</u>
<u>Governmental Activities</u>			
Municipal Lease	\$ 87,126	4.280%	7/12/2022
Finance Lease	63,078	9.000	4/22/2014

See the accompanying independent accountants' audit report.

<u>Last Maturity Date</u>	<u>Outstanding 7/1/2022</u>	<u>Issued During Period</u>	<u>Paid and/or Matured During Period</u>	<u>Remeasurements</u>	<u>Outstanding 6/30/2023</u>
7/28/2027	\$ 0	\$ 87,126	\$ 15,247	\$ 0	\$ 71,879
4/1/2023	<u>10,592</u>	<u>0</u>	<u>10,592</u>	<u>0</u>	<u>0</u>
	<u>\$ 10,592</u>	<u>\$ 87,126</u>	<u>\$ 25,839</u>	<u>\$ 0</u>	<u>\$ 71,879</u>

CITY OF HARRIMAN, TENNESSEE

**EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE**

Year Ended June 30, 2023

Federal or State Grantor/ Pass-Through Grantor/ Program Name	Assistance Listing Number	Contract Number	Expenditures
<u>Federal Awards</u>			
U.S. Department of Treasury/ Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	\$ 75,030
U.S. Department of Transportation/ Tennessee Department of Transportation/ Downtown Sidewalk Improvements	14.228	73100-3132-04	3,416
Highway Safety Cluster: U.S. Department of Transportation/ Tennessee Department of Transportation State Law Enforcement Education Grant	20.600	PT-24-055-402	15,100
Community Facility Loans and Grants Cluster U.S. Department of Agriculture/ USDA	10.766	N/A	42,996
U.S. Department of Agriculture/ Community Facilities Loan and Grant	10.766	N/A	171,400
U.S. Department of Treasury/ Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	250,000
Appalachian Regional Commission/ Appalachian Area Development	23.002	N/A	16,848

See the accompanying independent accountants' audit report.

CITY OF HARRIMAN, TENNESSEE

**EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE**

(continued)

Year Ended June 30, 2023

Federal or State Grantor/ Pass-Through Grantor/ Program Name	Assistance Listing Number	Contract Number	Expenditures
Federal Emergency Management Agency TEMA	Unknown	N/A	8,291
Total Federal Awards			583,081
<u>State Financial Assistance</u>			
Tennessee Department of Economic and Community Development/ Historic Development Grant Program	N/A	N/A	8,700
Total Federal Awards and State Financial Assistance			\$ 591,781

BASIS OF PRESENTATION

This schedule summarizes the expenditures of City of Harriman, Tennessee under programs of the federal and state governments for the year ended June 30, 2023. This schedule is presented using the accrual basis of accounting. Because this schedule presents only a selected portion of the operations of City of Harriman, Tennessee, it is not intended and does not present the net position or changes in net position of City of Harriman, Tennessee.

INDIRECT COST RATE

City of Harriman, Tennessee has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

CITY OF HARRIMAN, TENNESSEE

EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE

(continued)

Year Ended June 30, 2023

OUTSTANDING LOAN BALANCES

City of Harriman, Tennessee balances of federal loans outstanding at June 30, 2023 consisted of the following:

<u>Assistance Listing Number</u>	<u>Program Name</u>	<u>Amount</u>
10.766	Community Facilities Loan and Grant	\$ 1,325,481

Harriman Utility Board had an outstanding loan balance of \$1,898,029 at June 30, 2023 on a loan obtained in a previous year through the State Revolving Loan Fund. Payments during the fiscal year ended June 30, 2023 totaled \$146,364.

CITY OF HARRIMAN, TENNESSEE

DETAIL OF OPERATION AND MAINTENANCE EXPENSES
HARRIMAN UTILITY BOARD

June 30, 2023

	<u>Electric Department</u>	<u>Gas Department</u>	<u>Sewer Department</u>
POWER AND PUMPING EXPENSES:			
Purchased power and facilities rental	\$ 20,581,714	\$ 0	\$ 166,218
Operation labor	0	0	0
Supplies	0	0	0
Maintenance of power and pumping equipment	<u>0</u>	<u>0</u>	<u>22,859</u>
TOTAL POWER AND PUMPING EXPENSES	20,581,714	0	189,077
PURIFICATION EXPENSES:			
Operation labor	0	0	143,704
Purification supplies and expenses	<u>0</u>	<u>0</u>	<u>93,380</u>
TOTAL PURIFICATION EXPENSES	0	0	237,084
TRANSMISSION AND DISTRIBUTION EXPENSES:			
Operations supervision and engineering	70,162	0	43,632
Operation of transmission and distribution lines	0	131,350	2,601
Overhead line expense	264,890	0	0
Safety expenses	31,411	0	0
Underground line expense	4,388	0	0
Street lighting and signal system	65,263	0	0
Meter and house regulator expenses	165,106	1,457	0
Maintenance of mains and river lines	0	399,140	153,205
Maintenance of services	0	64,547	14,426
Maintenance of labor	0	0	47,548
Maintenance of meters and house regulators	0	5,532	0

See the accompanying notes to the financial statements.

<u>Water Department</u>	<u>Totals</u>
\$ 259,760	\$ 21,007,692
91,862	91,862
412	412
<u>19,383</u>	<u>42,242</u>
371,417	21,142,208
197,597	341,301
<u>159,949</u>	<u>253,329</u>
357,546	594,630
66,735	180,529
9,343	143,294
0	264,890
0	31,411
0	4,388
0	65,263
0	166,563
330,356	882,701
0	78,973
0	47,548
3,553	9,085

CITY OF HARRIMAN, TENNESSEE

DETAIL OF OPERATION AND MAINTENANCE EXPENSES
HARRIMAN UTILITY BOARD

(continued)

June 30, 2023

	<u>Electric Department</u>	<u>Gas Department</u>	<u>Sewer Department</u>
TRANSMISSION AND DISTRIBUTION EXPENSES(continued):			
Maintenance of fire hydrants and labor	0	0	0
Customer installation expense - security light	74,952	0	0
Rent	<u>107,824</u>	<u>0</u>	<u>0</u>
TOTAL TRANSMISSION AND DISTRIBUTION EXPENSES	783,996	602,026	261,412
CUSTOMERS' ACCOUNTS EXPENSES:			
Meter reading and billing expenses	80,610	39,072	0
Customers' records and collection expense	<u>494,120</u>	<u>269,534</u>	<u>54,864</u>
TOTAL CUSTOMERS' ACCOUNTS EXPENSES	574,730	308,606	54,864
CUSTOMERS' SERVICES AND INFORMATIONAL EXPENSES:			
Customer assistance expense	56,043	0	0
Information and instructional advertising expense	<u>3,850</u>	<u>0</u>	<u>0</u>
TOTAL CUSTOMERS' SERVICES AND INFORMATIONAL EXPENSES	59,893	0	0

<u>Water Department</u>	<u>Totals</u>
29,007	29,007
0	74,952
<u>0</u>	<u>107,824</u>
438,994	2,086,428
72,142	191,824
<u>207,593</u>	<u>1,026,111</u>
279,735	1,217,935
0	56,043
<u>0</u>	<u>3,850</u>
0	59,893

CITY OF HARRIMAN, TENNESSEE

DETAIL OF OPERATION AND MAINTENANCE EXPENSES
HARRIMAN UTILITY BOARD

(continued)

June 30, 2023

	<u>Electric</u> <u>Department</u>	<u>Gas</u> <u>Department</u>	<u>Sewer</u> <u>Department</u>
ADMINISTRATIVE AND GENERAL EXPENSES:			
Salaries of general officers and executives	0	140,824	0
Administrative and general salaries	620,120	101,660	95,017
Payroll taxes	274,449	59,440	48,863
Office supplies and expense	330,954	18,020	28,306
Outside services employed	66,986	16,744	3,858
Injuries and damages	85,332	15,758	14,643
Employee pensions and benefits	975,482	282,262	163,485
Property insurance	122,862	35,742	11,169
Maintenance of general plant	0	10,584	6,685
Rents	0	0	1,829
Miscellaneous general expenses	<u>56,229</u>	<u>95,058</u>	<u>43,379</u>
TOTAL ADMINISTRATIVE AND GENERAL EXPENSES	<u>2,532,414</u>	<u>776,092</u>	<u>417,234</u>
TOTAL OPERATION EXPENSES	<u>\$ 24,532,747</u>	<u>\$ 1,686,724</u>	<u>\$ 1,159,671</u>

<u>Water Department</u>	<u>Totals</u>
0	140,824
246,368	1,063,165
72,574	455,326
119,169	496,449
35,022	122,610
28,612	144,345
251,220	1,672,449
53,778	223,551
25,483	42,752
0	1,829
<u>40,864</u>	<u>235,530</u>
<u>873,090</u>	<u>4,598,830</u>
<u>\$ 2,320,782</u>	<u>\$ 29,699,924</u>

CITY OF HARRIMAN, TENNESSEE

DETAIL OF OPERATION AND MAINTENANCE EXPENSES
HARRIMAN UTILITY BOARD

(continued)

June 30, 2023

	<u>Electric</u> <u>Department</u>	<u>Gas</u> <u>Department</u>	<u>Sewer</u> <u>Department</u>
DISTRIBUTION PLANT EXPENSES:			
Supervision and engineering	\$ 275,044	\$ 0	\$ 0
Station equipment	109,124	0	0
Overhead line expense	1,119,870	0	0
Underground line expense	95,202	0	0
Line transformers	3,893	0	0
Street lighting and signal system	5,033	0	0
Meter expenses	<u>60,712</u>	<u>0</u>	<u>0</u>
TOTAL DISTRIBUTION PLANT EXPENSES	1,668,878	0	0
ADMINISTRATIVE AND GENERAL EXPENSES:			
General plant	<u>55,814</u>	<u>0</u>	<u>0</u>
TOTAL MAINTENANCE EXPENSES	<u>\$ 1,724,692</u>	<u>\$ 0</u>	<u>\$ 0</u>

<u>Water Department</u>	<u>Totals</u>
\$ 0	\$ 275,044
0	109,124
0	1,119,870
0	95,202
0	3,893
0	5,033
<u>0</u>	<u>60,712</u>
0	1,668,878
<u>0</u>	<u>55,814</u>
<u>\$ 0</u>	<u>\$ 1,724,692</u>

OTHER INFORMATION

CITY OF HARRIMAN, TENNESSEE

UTILITY RATES AND METERED CUSTOMERS

June 30, 2023

ELECTRIC DEPARTMENT

Residential Rates

Customer charge \$ 26.95 per month
 Energy charge 11.49 cents per kWh per month

Commercial Rates

Small commercial – 15,000 kWh or less:

Customer charge >300 kWh \$40.34, ≤300 kWh \$29.19 per delivery point per month
 Energy charge 12.86 cents per kWh per month

Large commercial – over 15,000 kWh:

Customer charge \$111.41 per delivery point per month
 Demand charge First 50 kW of billing demand per month, no demand charge
 Excess over 50 kW of billing demand per month, at \$17.67 per kW
 Energy charges First 15,000 kWh per month at 12.63 cents per kWh
 Additional kWh per month at 8.27 cents per kWh

Pole rental:

25' Pole \$6.37
 30' Pole \$7.27

Outdoor lighting for individual customers:

Monthly fixture charge:

Type of Fixture	Lamp Size		Rated kWh	Charge
	Watts	Lumens		
High pressure sodium	100	8,550	42	\$ 11.48
	200	18,900	82	17.23
LED	60			11.33
	250			19.01

See the accompanying independent accountants' audit report.

CITY OF HARRIMAN, TENNESSEE

UTILITY RATES AND METERED CUSTOMERS

(continued)

June 30, 2023

GAS DEPARTMENT

The gas rates vary each month. The following rates were in effect for June 30, 2023:

General service rates:

Residential	\$7.51 minimum bill plus \$13.03 per 1,000 cubic feet
Gas inspection	\$35.00 first trip, \$35.00 each additional trip
Commercial	\$9.03 minimum bill plus \$13.03 per 1,000 cubic feet
Gas inspection	\$50.00 first trip, \$50.00 each additional trip

Commercial Rates

Small commercial – 15,000 kWh or less:

Customer charge	>300 kWh \$40.34, ≤300 kWh \$29.19 per delivery point per month
Energy charge	12.86 cents per kWh per month

SEWER DEPARTMENT

	<u>Industrial</u>	<u>Residential</u>	<u>Commercial</u>
First 1,000 gallons – minimum bill	\$55.70	\$20.74	\$55.76
Over 1,000 gallons – per thousand gallons	13.47	12.66	13.47

CITY OF HARRIMAN, TENNESSEE

UTILITY RATES AND METERED CUSTOMERS

(continued)

June 30, 2023

WATER DEPARTMENT

<u>Usage</u>	<u>Per Thousand Gallons</u>	
	<u>Inside City</u>	<u>Outside City</u>
Commercial:		
First 1,000 gallons – minimum bill	\$ 23.35	\$ 27.33
Next 9,000 gallons	7.76	11.17
Excess	6.66	9.49
Residential:		
First 1,000 gallons – minimum bill	20.25	23.75
Next 9,000 gallons	6.93	10.19
Excess	5.05	6.45

SCHEDULE OF CUSTOMERS:

Electric Department

Residential	9,266
Gen. Power – 50 kW+under	1,662
Gen. Power – Over 50 kW	109
Street and athletic	39
Outdoor lights	111
Security lights	2,755
Street lights	<u>1,447</u>
Total, excluding security and street lights	<u>11,187</u>

Gas Department

Residential	2,751
Commercial	<u>422</u>
Total	<u>3,173</u>

CITY OF HARRIMAN, TENNESSEE

UTILITY RATES AND METERED CUSTOMERS

(continued)

June 30, 2023

Sewer Department

Residential - inside	1,910
Residential - outside	41
Commercial - inside	305
Commercial - outside	8
Miscellaneous	<u>36</u>
Total	<u>2,300</u>

Water Department

Residential - inside	2,293
Residential - outside	2,173
Commercial - inside	427
Commercial - outside	191
Industrial - inside	1
Commercial fire hydrant	2
Commercial sprinkler	<u>17</u>
Total	<u>5,104</u>

CITY OF HARRIMAN, TENNESSEE

PRINCIPAL OFFICIALS

June 30, 2023

City of Harriman, Tennessee

Wayne Best, Mayor
Tim Johnson, Vice-Mayor
Kenyon Mee, Council Member
Travis Kirkland, Council Member
Brian Frost, Council Member
John Brackett, Council Member
Alicia Harris, Council Member
Scott Mason, City Manager
Theresa Beard, City Clerk
Christopher Ahler, Chief Finance Officer, CMFO and Treasurer

Harriman Utility Board

Lionel Moore, Board Member
Alicia Harris, Board Member
Shown Smith, Board Member
Jason Shillings, Board Member
Lonnie Wright, Board Member
Candace Vannasdale, Manager

See the accompanying independent accountants' audit report.

INTERNAL CONTROL

AND

COMPLIANCE

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Mayor and City Council
City of Harriman, Tennessee
Harriman, Tennessee

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America, the financial statements of the governmental activities, the business-type activities and each major fund of City of Harriman, Tennessee as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise City of Harriman, Tennessee's basic financial statements, and have issued our report thereon dated August 29, 2024. Our report includes a reference to other auditors who audited the financial statements of Harriman Utility Board, as described in our report on City of Harriman, Tennessee's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Harriman, Tennessee'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 an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Harriman, Tennessee's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Harriman, Tennessee's internal control.

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 and therefore, material weaknesses or significant deficiencies in internal control may exist that were not been identified. However, as described in the accompanying schedule of findings, recommendations and management responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 City of Harriman, Tennessee's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings, recommendations and management responses as items 2023-001 and 2023-002 to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings, recommendations and management responses as item 2023-003 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Harriman, Tennessee'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings, recommendations and management responses as 2023-001 and 2023-003.

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

A handwritten signature in black ink that reads "Mitchell Emert & Hill". The signature is written in a cursive, flowing style.

August 29, 2024

CITY OF HARRIMAN, TENNESSEE

FINDINGS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

Year Ended June 30, 2023

Finding Number 2023-001 – Budget Overspending

Condition: The American Rescue Plan Act fund, solid waste management fund and debt service fund budgets did not include adequate budget appropriation for total expenses. Total expenses exceeded appropriations by \$67,030, \$68,684 and \$33,098, respectively.

Cause: Budget amendments were not made in the American Rescue Plan Act fund, solid waste management fund and debt service fund to account for the excess of expenditures over the originally budgeted amounts.

Criteria: Sound internal controls include ensuring that public funds may not be spent until a governing body has appropriated them in accordance with Tennessee Code Annotated Section 9-1-116.

Effect or potential effect: Inadequate appropriations for total expenses in each fund could result in inadequate revenue appropriations and a negative change in net assets or a potential fund deficit.

Recommendation: Management should ensure adequate appropriations are made for total expenses in each fund. Budget amendments should be made to account for any unexpected expenses for which there are not adequate appropriations prior to the amounts being expended.

Management Response: We concur. The City will prepare a budget amendment for council to approve prior to the end of the fiscal year.

CITY OF HARRIMAN, TENNESSEE

FINDINGS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

(continued)

Year Ended June 30, 2023

Finding Number 2023-002 – Banking Records

Condition: Bank reconciliations were not reconciled to the amounts recorded in the accounting records. Additionally, some bank transactions were not recorded in the accounting ledgers.

Cause: Unknown

Criteria: Sound internal controls require that all bank transactions are recorded in the accounting ledgers and that all bank statements are reconciled to the amounts recorded in the general ledger in a timely manner.

Effect or potential effect: The absence of all banking transactions in an accounting ledger and the bank reconciliations not being performed correctly could result in a material misstatement in the amounts reported.

Recommendation: Management should ensure that all banking transactions are recorded in the accounting records and that the bank reconciliations are being reconciled to the amounts reported in the accounting ledgers. Management should also ensure that the reconcilements are reviewed by someone other than the preparer and that this review is documented on the reconciliation.

Management Response: We concur. The City is in the process of updating its procedures regarding recording bank transactions on a monthly basis to ensure all transactions are correctly reflected in the accounting system in a timely manner. This will be controlled through timely monthly bank reconciliations.

CITY OF HARRIMAN, TENNESSEE

FINDINGS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

(continued)

Year Ended June 30, 2023

Finding Number 2023-003 – Accounting Records

Condition: Accounting records were not fully closed within two months after the close of the fiscal year end as required by state law.

Cause: Unknown

Criteria: Sound internal controls over financial reporting.

Effect or potential effect: Accounting records which are not closed in a timely manner could result in a delay in the completion of the annual audit.

Recommendation: The official accounting records should be closed and available to the public no later than two months after the close of their fiscal year end in accordance with Tennessee Code Annotated Section 9-2-102.

Management Response: We concur. The City will close the accounting records within the 2 month period required by TCA Section 9-2-102 across all funds.

CITY OF HARRIMAN, TENNESSEE

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

Year Ended June 30, 2023

Financial Statement Findings

<u>Finding Number</u>	<u>Finding Title</u>	<u>Status</u>
2022-001	Incomplete books (original finding #2022-001)	Corrected
2022-002	Lack of oversight of internal controls (original finding #2022-002)	Corrected
2022-003	Insufficient supporting documentation (original finding #2022-003)	Corrected
2022-004	Documentation retention for grants (original finding #2022-004)	Corrected

MANAGEMENT'S CORRECTIVE ACTION PLAN

City of Harriman

Council Members

Kenyon Mee
Tim Johnson
Alicia Harris



Council Members

Travis Kirkland
Brian Frost
John Brackett

City Clerk
Theresa Beard

City Manager
Scott Mason

Mayor
Wayne Best

Treasurer
Chris Ahler

MANAGEMENT'S CORRECTIVE ACTION PLAN

City of Harriman, Tennessee submits the following corrective action plan for the year ended June 30, 2023. The findings from the June 30, 2023 schedule of findings, recommendations and management responses is discussed below. Questions concerning the information provided in this corrective action plan or requests for additional information should be addressed to the City of Harriman, Tennessee.

Chris Ahler, Chief Financial Officer

City of Harriman, Tennessee

408 North Roane Street

Harriman, TN 37748

Telephone 865-882-9414

chris.ahler@cityofharriman.net

No. 2023-001: Material Weakness – Budget Overspending

Recommendation: Accounting duties should be divided among existing personnel to ensure proper segregation of duties. The Mayor and City Council should consider the cost and benefit of adding additional staff members to ensure that proper segregation of duties exists.

Action Taken: We concur. The City will prepare a budget amendment for council to approve prior to the end of the fiscal year.

No. 2023-002: Material Weakness – Banking Records

Recommendation: Management should ensure that all banking transactions are recorded in the accounting records and that the bank reconciliations are being reconciled to the amounts reported in the accounting ledgers.

Action Taken: We concur. The City is in the process of updating its procedures regarding recording bank transactions on a monthly basis to ensure all transaction are correctly reflected in the accounting system in a timely manner. This will be controlled through timely monthly bank reconciliations.

No. 2023-003: Significant Deficiency – Accounting Records

Recommendation: The accounting records should be closed and available to the public no later than two months after the close of their fiscal year end in accordance with Tennessee Code Annotated Section 9-2-102.

Action Taken: We concur. The City will close the accounting records within the 2 month period required by TCA Section 9-2-102 across all funds.

Signature: 
Title: CFO/Treasurer