

Financial Statements

CITY OF HARRIMAN, TENNESSEE

Year Ended June 30, 2023

TABLE OF CONTENTS

	<u>Page Nos.</u>
INDEPENDENT ACCOUNTANTS' AUDIT REPORT	1-4
MANAGEMENT'S DISCUSSION AND ANALYSIS	5-14
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position	15-16
Statement of Activities	17-20
Fund Financial Statements:	
Balance Sheet - Governmental Funds	21-24
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	25
Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds	26-27
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	28-29
Statement of Revenue, Expenditures and Changes in Fund Balance - Actual and Budget - General Fund	30-39
Statement of Revenue, Expenditures and Changes in Fund Balance - Actual and Budget - American Rescue Plan Act	40
Statement of Net Position - Proprietary Funds	41-48
Statement of Revenue, Expenses and Changes in Net Position - Proprietary Funds	49-52
Statement of Cash Flows - Proprietary Funds	53-58

TABLE OF CONTENTS
(continued)

	<u>Page Nos.</u>
Statement of Fiduciary Net Position - Fiduciary Funds	59
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	60
Notes to the Financial Statements	61-113
REQUIRED SUPPLEMENTARY INFORMATION	
Changes in Net Pension Liability(Asset) - Legacy Pension Plan	114-117
Pension Contributions - Legacy Pension Plan	118-119
Changes in Net Pension Liability(Asset) - Hybrid Pension Plan	120-123
Pension Contributions - Hybrid Pension Plan	124-125
Changes in Net Pension Liability(Asset) - Pension Trust Fund	126-129
Pension Contributions - Pension Trust Fund	130-131
Schedule of Funding Progress	132-133
SUPPLEMENTARY INFORMATION	
Combining and Individual Nonmajor Fund Financial Statements:	
Combining Balance Sheet - Nonmajor Governmental Funds	134-137
Combining Statement of Revenue, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	138-141
Statement of Revenue, Expenditures and Changes in Fund Balance - Actual and Budget - Solid Waste Management Fund	142-143
Statement of Revenue, Expenditures and Changes in Fund Balance - Actual and Budget - Drug Enforcement Fund	144
Statement of Revenue, Expenditures and Changes in Fund Balance - Actual and Budget - State Street Aid Fund	145
Statement of Revenue, Expenditures and Changes in Fund Balance - Actual and Budget - Debt Service Fund	146

TABLE OF CONTENTS
(continued)

	<u>Page Nos.</u>
Statement of Revenue, Expenditures and Changes in Fund Balance - Actual and Budget - Capital Projects Fund	147
Property Taxes Receivable	148-149
Long-Term Debt Requirements	150-162
Lease Obligations - Principal and Interest Requirements by Fiscal Year	163
Changes in Long-Term Debt by Individual Issue	164-167
Changes in Lease Obligations	168-169
Expenditures of Federal Awards and State Financial Assistance	170-172
Detail of Operation and Maintenance Expenses - Harriman Utility Board	173-180
OTHER INFORMATION	
Utility Rates and Metered Customers	181-184
Principal Officials	185
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 <i>Government Auditing Standards</i>	186-187
Findings, Recommendations and Management Responses	188-190
Summary Schedule of Prior Year Findings	191
MANAGEMENT'S CORRECTIVE ACTION PLAN	
Management's Corrective Action Plan	192-193

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
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Harriman, TN 37748
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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.

	Governmental Activities	Business-Type Activities	Totals
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	783,312	0	181,678	964,990
	<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)
	22,452	22,452	22,406	(46)
Solid waste collection:				
Salary	0	0	121	121
Collection services	0	0	199	199
Landfill services	0	0	951	951
	0	0	1,271	1,271
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)
	708,414	708,414	1,048,363	339,949
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
	23,690	23,690	34,619	10,929
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>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</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	779,710	779,710	6,728	(772,982)
	<u>1,921,278</u>	<u>1,921,278</u>	<u>37,106</u>	<u>(1,884,172)</u>
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	17,550	17,550	104,426	86,876
	<u>1,379,585</u>	<u>1,379,585</u>	<u>1,637,863</u>	<u>258,277</u>
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

	<u>Budget</u>			Variance Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Under)</u>
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	<u>906,677</u>	<u>906,677</u>	<u>783,312</u>	<u>(123,365)</u>
	<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

	Budget			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Over 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
6,160	21,299
<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
595,793	4,833,332
<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> <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:					
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 (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
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	16,815	79	16,895
	<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

	2023	Year Ended June 30,		2020
	2022	2021		
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,			
<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	
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.

<u>2020</u>	<u>2019</u>	Measurement Date at June 30,		<u>2016</u>	<u>2015</u>
		<u>2018</u>	<u>2017</u>		
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> </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

	Special Revenue Funds		
	Solid Waste Management Fund	Drug Enforcement Fund	State Street Aid Fund
NET CHANGES IN FUND BALANCES BEFORE OTHER FINANCING SOURCES	(97,872)	8,911	(76,949)
OTHER FINANCING SOURCES			
Transfers from other funds	105,433	0	76,245
NET CHANGES IN FUND BALANCES	7,561	8,911	(704)
FUND BALANCES AT THE BEGINNING OF THE YEAR, as restated	28,311	23,306	35,701
FUND BALANCES AT THE END OF THE YEAR	\$ 35,872	\$ 32,218	\$ 34,997

<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

	Budget		Actual	Variance Over (Under)
	Original	Final		
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

	<u>Budget</u>			Variance Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Under)</u>
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	<u>3,809</u>	<u>3,809</u>	<u>8,625</u>	<u>4,816</u>
TOTAL REVENUE	357,847	357,847	413,853	56,006
EXPENDITURES				
Principal	302,500	302,500	316,460	13,960
Interest	<u>55,347</u>	<u>55,347</u>	<u>74,485</u>	<u>19,138</u>
TOTAL EXPENDITURES	<u>357,847</u>	<u>357,847</u>	<u>390,945</u>	<u>33,098</u>
NET CHANGE IN FUND BALANCE	0	0	22,908	22,908
FUND BALANCE AT THE BEGINNING OF THE YEAR	<u>0</u>	<u>0</u>	<u>31,268</u>	<u>31,268</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 54,177</u>	<u>\$ 54,177</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
CAPITAL PROJECTS FUND**

Year Ended June 30, 2023

	Budget		Actual	Variance
	Original	Final		Over (Under)
EXPENDITURES				
Supplies	\$ 3,000	\$ 3,000	\$ 278	\$ (2,722)
Repairs and maintenance	220,000	220,000	95,000	(125,000)
Capital outlay	245,400	245,400	105,230	(140,170)
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			
<u>Year Ending</u> <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			
Year Ending			
<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			
Year Ending			
<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			
<u>Year Ending</u>			
<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</u>			
<u>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			
<u>Year Ending 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</u> <u>Department</u>	<u>Gas</u> <u>Department</u>	<u>Sewer</u> <u>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</u> <u>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><u>\$ 0</u></u>	<u><u>\$ 1,724,692</u></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