

NEW ISSUE
BOOK-ENTRY-ONLY

Rating: S&P: "AA" (AG)
Underlying: "A+"

PRELIMINARY OFFICIAL STATEMENT

\$7,500,000*

CITY OF HARRIMAN, TENNESSEE

Electric System Revenue and Tax Bonds, Series 2025

OFFERED FOR SALE NOT SOONER THAN

Thursday, November 20, 2025 at 10:15 A.M. E.S.T.
Through the Facilities of *PARITY*®



SINCE 1931

CUMBERLAND SECURITIES
INDEPENDENT FINANCIAL ADVISOR

November 11, 2025

*Preliminary, subject to change.

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

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 11, 2025

NEW ISSUE
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Ratings: S&P: “AA” (AG)
Underlying: “A+”

In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the City, interest on the Bonds (i) will be excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”) and (ii) is not an item of tax preference for purposes of the federal alternative minimum tax, except as described under the heading “LEGAL MATTERS-Tax Matters” herein.

\$7,500,000*
CITY OF HARRIMAN, TENNESSEE
Electric System Revenue and Tax Bonds, Series 2025

Dated: Date of Issuance (assume December 12, 2025).

Due: June 1 (as indicated below)

The \$7,500,000* Electric System Revenue and Tax Bonds, Series 2025 (the “Bonds”) issued by the City of Harriman, Tennessee (the “City”) are issuable in fully registered form in denominations of \$5,000 and authorized integral multiples thereof. The Bonds will be issued in book-entry-only form and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as the nominee for DTC, principal and interest with respect to the Bonds shall be payable to Cede & Co., as nominee for DTC, which will, in turn, remit such principal and interest to the DTC participants for subsequent disbursements to the beneficial owners of the Bonds. Individual purchases of the Bonds will be made in book-entry-only form, in denominations of \$5,000 or integral multiples thereof and will bear interest at the annual rates as shown below. Interest on the Bonds is payable semi-annually from the date thereof commencing on June 1, 2026 and thereafter on each June 1 and December 1 by check or draft mailed to the owners thereof as shown on the books and records of Regions Bank, Nashville, Tennessee, the registration and paying agent (the “Registration Agent”). In the event of discontinuation of the book-entry-only system, principal of and interest on the Bonds are payable at the designated trust office of the Registration Agent.

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

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by **ASSURED GUARANTY INC.**

The Bonds maturing June 1, 2033 and thereafter are subject to optional redemption prior to maturity on or after June 1, 2032.

<u>Due</u> <u>(June 1)</u>	<u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP**</u>	<u>Due</u> <u>(June 1)</u>	<u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP**</u>
2028	\$100,000				2042	\$255,000			
2029	140,000				2043	270,000			
2030	145,000				2044	280,000			
2031	155,000				2045	295,000			
2032	160,000				2046	310,000			
2033	170,000				2047	325,000			
2034	175,000				2048	340,000			
2035	185,000				2049	355,000			
2036	195,000				2050	370,000			
2037	205,000				2051	390,000			
2038	215,000				2052	410,000			
2039	225,000				2053	430,000			
2040	235,000				2054	450,000			
2041	245,000				2055	470,000			

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

The Bonds are offered when, as and if issued by the City, subject to the approval of the legality thereof by Bass, Berry & Sims PLC, Knoxville, Tennessee, bond counsel, whose opinion will be delivered with the Bonds. Certain legal matters will be passed upon from Owings, Wilson & Coleman, counsel to the City. It is expected that the Bonds will be available for delivery through the facilities of The Depository Trust Company, New York, New York, on or about December __, 2025.

Cumberland Securities Company, Inc.
Municipal Advisor

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

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

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

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

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

Assured Guaranty Inc. ("AG") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AG has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this *Preliminary Official Statement* or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AG supplied by AG and presented under the heading "**APPENDIX G – BOND INSURANCE AND SPECIMENT MUNICIPAL BOND INSURANCE POLICY**".

**Copyright, American Bankers Association (the "ABA"). CUSIP data herein are provided by CUSIP Global Services, which is managed on behalf of the ABA by S&P Global Market Intelligence, a division of S&P Global Inc. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Bonds and the City makes no representation with respect to such numbers nor undertakes any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

CITY OF HARRIMAN, TENNESSEE

OFFICIALS

Honorable Wayne Best
Chris Ahler
Scott Mason
John Owings

Mayor
Chief Finance Officer
City Manager
City Attorney

BOARD OF ALDERMEN

Alicia Harris – Vice Mayor
Johnny Brackett
Tim Johnson
Cheryl Laxton
Lonnie Wright

HARRIMAN UTILITY BOARD

Ms. Alicia Harris, Chair
Mr. Shawn Smith, Vice Chair
Rev. Lionel Moore, Member

Mr. Jason Shillings, Member
Mr. Alfi Guindi, Member

Candace Vannasdale General Manager

REGISTRATION AND PAYING AGENT

Regions Bank
Nashville, Tennessee

BOND COUNSEL

Bass, Berry & Sims PLC
Knoxville, Tennessee

MUNICIPAL ADVISOR

Cumberland Securities Company, Inc.

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SUMMARY STATEMENT

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

The Issuer	City of Harriman, Tennessee (the “City” or “Issuer”). See APPENDIX B contained herein.
Securities Offered.....	\$7,500,000* Electric System Revenue and Tax Bonds, Series 2025, maturing June 1, 2028 through June 1, 2055, inclusive, (the “Bonds”) of the City. The Bonds will be dated the date of issuance (assume December 12, 2025). See the section entitled “SECURITIES OFFERED” for additional information.
Security	The Bonds are payable from and secured by a pledge of the Net Revenues (as defined herein) to be derived from the operation of the City’s electric distribution system (the “System”) operated on behalf of the City by the Harriman Utility Board (“HUB”), and, in the event of a deficiency in such Net Revenues, from unlimited ad valorem taxes to be levied on all taxable property within the City. For the definition of Net Revenues of the System, see APPENDIX D – “Summary of Certain Provisions of the Resolution”.
Bond Insurance.....	Concurrently with the issuance of the Bonds, Assured Guaranty Inc. (“AG”) will issue its Municipal Bond Insurance Policy for the Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy in Appendix G to this <i>Preliminary Official Statement</i> .
Purpose	The Bonds are being issued for the purpose of providing funds to (i) finance improvements and extensions to the System and (ii) financing the costs of issuing the Bonds.
Optional Redemption	The Bonds are subject to optional redemption prior to maturity on or after June 1, 2032, at the redemption price of par plus accrued interest. See section entitled “SECURITIES OFFERED - Optional Redemption”.
Rates	Rates and fees for electric service provided by the System are established by the HUB. The System is not otherwise subject to rate regulation, and HUB is not aware of any pending legislation which would make its rates and fees subject to regulation.
Tax Matters.....	In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the City, interest on the Bonds (i) is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”) and (ii) is not an item of tax preference for purposes of the federal alternative minimum tax, except as described under the heading “LEGAL MATTERS-Tax Matters” herein.
Bank Qualification.....	The Bonds will be treated as “qualified tax-exempt obligations” within the meaning of Section 265 of the Internal Revenue Code of 1986, as amended. See the section entitled “LEGAL MATTERS - Tax Matters” for additional information.
Rating.....	S&P: “AG Insured “AA”, “A+” (underlying). See the section entitled “MISCELLANEOUS - Ratings” for more information.

* Preliminary, subject to change.

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

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

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

Underwriter.....

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

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

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

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

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

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Beginning Net Position	\$28,410,945	\$28,433,794	\$29,077,314	\$30,145,630	\$30,729,269
Revenues	25,000,123	25,311,149	27,004,518	30,314,425	30,082,907
Expenditures	24,071,658	23,622,924	24,969,405	28,976,198	29,207,866
Other Financing Sources:					
Interest Income	15	6	3	86,510	254,005
Interest Expense	(47,177)	(138,034)	(48,186)	(57,786)	(50,440)
Amortization of Debt	-	-	(11,937)	-	-
Transfers In / Out	(880,716)	(906,677)	(906,677)	(783,312)	(801,745)
Change in Net Assets	587	643,520	1,068,316	583,639	276,861
Adjustments	21,891	-	-	-	-
Ending Net Position	\$28,433,794	\$29,077,314	\$30,145,630	\$30,729,269	\$31,006,130

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

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SUMMARY NOTICE OF SALE

\$7,500,000*

CITY OF HARRIMAN, TENNESSEE

Electric System Revenue and Tax Bonds, Series 2025

NOTICE IS HEREBY GIVEN that the Mayor of the City of Harriman, Tennessee (the “City” or “Issuer”) will receive electronic or written sealed bids until **10:15 a.m. E.S.T. on Thursday, November 20, 2025** for the purchase of all, but not less than all, of the City's \$7,500,000* Electric System Revenue and Tax Bonds, Series 2025 (the “Bonds”). Electronic bids must be submitted through **PARITY®** as described in the “Detailed Notice of Sale”. In case of written bids, bids will be received by the City’s Municipal Advisor, Cumberland Securities Company, Inc., via facsimile at 865-988-1863. Prior to accepting bids, the City reserves the right to adjust the principal amount and maturity amounts of the Bonds being offered as set forth in the Detailed Notice of Sale, to postpone the sale to a later date, or to cancel the sale based upon market conditions via Bloomberg News Service and/or the **PARITY®** System not later than 9:45 a.m., Eastern Standard Time, on the day of the bid opening. Such notice will specify the revised principal amounts, if any, and any later date selected for the sale, which may be postponed or cancelled in the same manner. If the sale is postponed, a later public sale may be held at the hour and place and on such date as communicated upon at least forty-eight hours’ notice via Bloomberg News Service and/or the **PARITY®** System.

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

The Bonds will be issued in book-entry-only form (except as otherwise described in the Detailed Notice of Sale) and dated the date of issuance (assume December 12, 2025). The Bonds will mature on June 1 in the years 2028 through 2055, inclusive, with term bonds optional, with interest payable on June 1 and December 1 of each year, commencing June 1, 2026, and will be subject to optional redemption prior to maturity on or after June 1, 2032. Bidders must bid not less than one hundred percent (100.00%) of par or more than one hundred and twenty-five percent (125%) of par for the Bonds. The approving opinion for the Bonds will be furnished at the expense of the City by Bass, Berry & Sims PLC, Bond Counsel, Knoxville, Tennessee. **No rate or rates bid for the Bonds shall be less than four percent (4.00%) or exceed five percent (5.00%) per annum. Additionally, each maturity must have a minimum reoffering price of at least ninety-eight percent (98.0%) of par.** Unless bids are rejected, the Bonds will be awarded by the Mayor of the City on the sale date to the bidder whose bid results in the lowest true interest rate on the Bonds.

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

Additional information, including the *Preliminary Official Statement* in near final form and the Detailed Notice of Sale, may be obtained through www.prospectushub.com or from the City's Municipal Advisor, Cumberland Securities Company, Inc., (865) 988-2663. Further information regarding **PARITY**[®] may be obtained from i-Deal LLC, 1359 Broadway, 2nd Floor, New * Preliminary, subject to change. :: 212-849-5000.

CITY OF HARRIMAN, TENNESSEE

By: Wayne Best, Mayor

DETAILED NOTICE OF SALE

\$7,500,000*

CITY OF HARRIMAN, TENNESSEE

Electric System Revenue and Tax Bonds, Series 2025

NOTICE IS HEREBY GIVEN that the Mayor of the City of Harriman, Tennessee (the “City” or “Issuer”) will receive electronic or written sealed bids until **10:15 a.m. E.S.T. on Thursday, November 20, 2025** for the purchase of all, but not less than all, of the City's \$7,500,000* Electric System Revenue and Tax Bonds, Series 2025 (the “Bonds”). Electronic bids must be submitted through **PARITY®** as described in this “Detailed Notice of Sale”. In case of written bids, bids will be received by the City’s Municipal Advisor, Cumberland Securities Company, Inc., via facsimile at 865-988-1863. Prior to accepting bids, the City reserves the right to adjust the principal amount and maturity amounts of the Bonds being offered as set forth in this Detailed Notice of Sale, to postpone the sale to a later date, or to cancel the sale based upon market conditions via Bloomberg News Service and/or the **PARITY®** System not later than 9:45 a.m., Eastern Standard Time, on the day of the bid opening. Such notice will specify the revised principal amounts, if any, and any later date selected for the sale, which may be postponed or cancelled in the same manner. If the sale is postponed, a later public sale may be held at the hour and place and on such date as communicated upon at least forty-eight hours’ notice via Bloomberg News Service and/or the **PARITY®** System.

Description of the Bonds. The Bonds will be issued in book-entry-only form without coupons and will be issued or reissued upon transfer, in \$5,000 denominations or multiples thereof, as shall be requested by the purchaser or registered owner thereof, as applicable. Interest on the Bonds will be payable on June 1 and December 1 of each year, commencing June 1, 2026. The Bonds will mature and be payable on June 1 of each year as follows:

<u>YEAR</u> <u>(June 1)</u>	<u>AMOUNT*</u>	<u>YEAR</u> <u>(June 1)</u>	<u>AMOUNT*</u>
2028	\$100,000	2042	\$255,000
2029	140,000	2043	270,000
2030	145,000	2044	280,000
2031	155,000	2045	295,000
2032	160,000	2046	310,000
2033	170,000	2047	325,000
2034	175,000	2048	340,000
2035	185,000	2049	355,000
2036	195,000	2050	370,000
2037	205,000	2051	390,000
2038	215,000	2052	410,000
2039	225,000	2053	430,000
2040	235,000	2054	450,000
2041	245,000	2055	470,000

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

Registration and Depository Participation. The Bonds, when issued, will be registered in the name of Cede & Co., DTC’s partnership nominee. When the Bonds are issued, ownership interests will be

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

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

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

Municipal Bond Insurance. The City has purchased municipal bond insurance and will pay the premium for the insurance policy, and the fees of the S&P Global Rating.

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

Optional Redemption. The Bonds maturing on June 1, 2033 and thereafter are subject to optional redemption prior to maturity at the option of the City on or after June 1, 2032, at any time at the redemption price of par plus accrued interest.

Term Bond Option; Mandatory Redemption. Bidders shall have the option to designate certain consecutive serial maturities of the Bonds as one or more term bonds (“Term Bonds”) bearing a single interest rate. If a successful bidder for the Bonds designates certain consecutive serial maturities of such Bonds to be combined as one or more Term Bonds as allowed herein, then each Term Bond shall be subject to mandatory sinking fund redemption by the City at a redemption price equal to one hundred percent (100%) of the principal amount thereof, together with accrued interest to the date fixed for redemption at the rate

stated in the Term Bonds to be redeemed. Each such mandatory sinking fund redemption shall be made on the date on which a consecutive maturity included as part of a Term Bond is payable in accordance with the bid of the successful bidder for the Bonds and in the amount of the maturing principal installment for the Bonds listed herein for such principal payment date.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Undertakings of the Successful Bidder. The successful bidder for the Bonds shall make a bona fide public offering of the Bonds and shall, within 30 minutes after being notified of the award of the Bonds, advise the City in writing (via facsimile transmission or electronic mail) of the initial public offering prices of the Bonds (the "Initial Reoffering Prices"). The successful bidder must, by facsimile transmission or delivery received by the City within 24 hours after award, furnish the following information to the City to complete the *Official Statement* in final form, as described below:

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

After the award of the Bonds, the City will prepare copies of the final *Official Statement* and will include therein such additional information concerning the reoffering of the Bonds as the successful bidder may reasonably request; provided, however, that the City will not include in the final *Official Statement* a "NRO" ("not reoffered") designation with respect to any maturity of the Bonds. The successful bidder will

be responsible to the City in all aspects for the accuracy and completeness of information provided by such successful bidders with respect to such reoffering.

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

Method for Establishment of Issue Price

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

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

- c. In the event that the Competitive Sale Requirements are not satisfied as to the Bonds, the City shall so advise the successful bidder. In such event, the City intends to treat the (i) the first price at which 10% of a maturity of the Bonds (the “10% Test”) is sold to the public as the issue price of that maturity and/or (ii) the initial offering price to the public as of the sale date of any maturity of the Bonds as the issue price of that maturity (the “Hold-the-Offering-Price Rule”), in each case applied on a maturity-by-maturity basis (and if different interest rates apply within a maturity, to each separate CUSIP number within that maturity). The winning bidder shall advise the City promptly after the award of the Bonds if any maturities of the Bonds satisfy the 10% Test as of the date and time of the award of the Bonds. The Hold-the-Offering-Price Rule shall apply to all maturities that do not satisfy the 10% Test as of the sale date. Bids will not be subject to cancellation in the event that the City determines to apply the Hold-the-Offering-Price Rule to any maturity of the Bonds. Bidders should prepare their bids on the assumption that some or all of the maturities of the Bonds will be subject to the Hold-the-Offering-Price Rule in order to establish the issue price of the Bonds.

- d. By submitting a bid, in the event of application of the Hold-the-Offering-Price Rule, the successful bidder for the Bonds shall be deemed to have (i) confirmed that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the “Initial Offering Price”), or at the corresponding yield or yields, set forth in the bid submitted by the successful bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the Hold-the-Offering-Price Rule shall apply to any person at a price that is higher than the Initial Offering Price to the public during the period starting on the sale date and ending on the earlier of the following:
1. the close of the fifth (5th) business day after the sale date; or
 2. the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the Initial Offering Price to the public.

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

- e. By submitting a bid, each bidder confirms that:

(i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such third-party distribution agreement, as applicable:

- (A) (1) to report the prices at which it sells to the public any unsold Bonds of each maturity allocated to it to which the Hold-the-Offering-Price Rule applies until the close of the fifth (5th) business day after the sale date and (2) comply with the Hold-the-Offering-Price Rule, if applicable, if and for so long as directed by the successful bidder and as set forth in the related pricing wires,
- (B) to promptly notify the successful bidder of the Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public, and
- (C) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the successful bidder shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public.

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

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

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

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

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

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

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

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

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

/s/ Wayne Best, Mayor

EXHIBIT A

CITY OF HARRIMAN, TENNESSEE
[§ _____ **Electric System Revenue and Tax Bonds, Series 2025]**

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

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

1. Reasonably Expected Initial Offering Price.

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

2. Defined Terms.

- (a) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.
- (b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter.
- (c) *Related party* means an entity that shares with another entity (1) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (2) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (3) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interest of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interest by one entity of the other).
- (d) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is November 20, 2025.
- (e) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in

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

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

Dated: _____

[NAME OF UNDERWRITER]

By: _____

Name: _____

Title: _____

EXHIBIT B

CITY OF HARRIMAN, TENNESSEE
[§ _____ **Electric System Revenue and Tax Bonds, Series 2025**]

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

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

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

- (d) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.
- (e) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter.
- (f) *Related party* means an entity that shares with another entity (1) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (2) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (3) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interest of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interest by one entity of the other).
- (g) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is November 20, 2025.
- (h) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the Public).

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

Dated: _____

[NAME OF UNDERWRITER]

By: _____

Name: _____

Title: _____

BID FORM

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

November 20, 2025

Dear Mayor Best:

For your legally issued, properly executed \$7,500,000* Electric System Revenue and Tax Bonds, Series 2025 (the "Bonds") of the City of Harriman, Tennessee, in all respects as more fully outlined in your Detailed Notice of Sale, which by reference are made a part hereof, we will pay you a sum of _____ (\$ _____).

The Bonds shall be dated the date of issuance (assume December 12, 2025) and shall be callable in accordance with the Detailed Notice of Sale. The Bonds shall mature on June 1 and bear interest at the following rates:

<u>Maturity (June 1)</u>	<u>Amount*</u>	<u>Rate</u>	<u>Maturity (June 1)</u>	<u>Amount*</u>	<u>Rate</u>
2028	\$100,000	___	2042	\$255,000	___
2029	140,000	___	2043	270,000	___
2030	145,000	___	2044	280,000	___
2031	155,000	___	2045	295,000	___
2032	160,000	___	2046	310,000	___
2033	170,000	___	2047	325,000	___
2034	175,000	___	2048	340,000	___
2035	185,000	___	2049	355,000	___
2036	195,000	___	2050	370,000	___
2037	205,000	___	2051	390,000	___
2038	215,000	___	2052	410,000	___
2039	225,000	___	2053	430,000	___
2040	235,000	___	2054	450,000	___
2041	245,000	___	2055	470,000	___

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

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

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

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

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

Accepted for and on behalf of the
 City of Harriman, Tennessee, this
 20th day of November, 2025.

Respectfully submitted,

 Wayne Best, Mayor

Total interest cost from
 December 12, 2025 to final maturity \$ _____
 Less: Premium /plus discount, if any \$ _____
 Net Interest Cost \$ _____
 True Interest Rate %

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

\$7,500,000*
CITY OF HARRIMAN, TENNESSEE
Electric System Revenue and Tax Bonds, Series 2025

SECURITIES OFFERED

AUTHORITY AND PURPOSE

This *Preliminary Official Statement*, which includes the “Summary Statement” and appendices, is furnished in connection with the offering by the City of Harriman, Tennessee (the “City” or “Issuer”) of its \$7,500,000* Electric System Revenue and Tax Bonds, Series 2025 (the “Bonds”).

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

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

DESCRIPTION OF THE BONDS

The Bonds will be initially dated and bear interest from the date of issuance (assume December 12, 2025). Interest on the Bonds will be payable semi-annually on June 1 and December 1, commencing June 1, 2026. The Bonds are issuable in registered form only and in \$5,000 denominations or integral multiples thereof as shall be requested by each respective registered owner.

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

SECURITY

The Bonds are payable from and secured by a pledge of the Net Revenues (as defined below) to be derived from the operation of the City’s electric distribution system (the “System”) operated on behalf of the City by the Harriman Utility Board (“HUB”) on a parity of lien with bonds previously issued and hereafter issued under the Resolution, including the Electric System Revenue and Tax Bonds, Series 2024, dated December 13, 2024 (the “Series 2024 Bonds”), and, in the event of a deficiency in such Net Revenues, from unlimited ad valorem taxes to be levied on all taxable property within the City. For the definition of Net Revenues of the System, see APPENDIX D – “Summary of Certain Provisions of the Resolution”.

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* Preliminary, subject to change.

FLOW OF FUNDS

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

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

RATE COVENANT

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

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

BOND FUND AND DEBT SERVICE RESERVE FUND

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

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

PARITY OF PLEDGE AND ADDITIONAL BONDS

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

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SUBORDINATE LIEN BONDS AND OTHER SYSTEM INDEBTEDNESS

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

ADDITIONAL BORROWING PLANS

The City has authorized not to exceed \$26,000,000 of Electric System Revenue and Tax Bonds. The Bonds are the second tranche of the authorized debt. The City will have approximately \$8,725,000 of additional bonds to issue in 2026. Additionally, additional capital improvements will be made to the electric system. HUB estimates that some of these capital improvements will be funded with operating earnings and some could be funded with additional debt.

OPTIONAL REDEMPTION

Bonds maturing June 1, 2033, and thereafter, shall be subject to optional redemption prior to maturity at the option of the City on June 1, 2032, and thereafter, as a whole or in part, at any time, at the redemption price of par plus accrued interest to the redemption date.

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

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

(ii) if the Bonds are not being held under a Book-Entry-Only System by DTC, or a successor Depository, the Bonds within the maturity to be redeemed shall be selected by the Registration Agent by lot or such other random manner as the Registration Agent in its discretion shall determine.

MANDATORY REDEMPTION

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

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

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

*Final Maturity

At its option, to be exercised on or before the forty-fifth (45) day next preceding any such redemption date, the City may (i) deliver to the Registration Agent for cancellation Bonds of the maturity to be redeemed, in any aggregate principal amount desired, and/or (ii) receive a credit in respect of its redemption obligation for any Bonds of the maturity to be redeemed which prior to said date have been purchased or redeemed (otherwise than through the operation of this section) and canceled by the Registration Agent and not theretofore applied as a credit against any redemption obligation. Each Bond so delivered or previously purchased or redeemed shall be credited by the Registration Agent at 100% of the principal amount thereof on the obligation of the City on such payment date and any excess shall be credited on future redemption obligations in chronological order, and the principal amount of Bonds to be redeemed by operation shall be accordingly reduced. The City shall on or before the forty-fifth (45) day next preceding each payment date furnish the Registration Agent with its certificate indicating whether or not and to what extent the provisions of clauses (i) and (ii) of this subsection are to be availed of with respect to such payment and confirm that funds for the balance of the next succeeding prescribed payment will be paid on or before the next succeeding payment date.

NOTICE OF REDEMPTION

Notice of call for redemption, whether optional or mandatory, shall be given by the Registration Agent on behalf of the City not less than twenty (20) nor more than sixty (60) days prior to the date fixed for redemption by sending an appropriate notice to the registered owners of the Bonds to be redeemed by first-class mail, postage prepaid, at the addresses shown on the Bond registration records of the Registration Agent as of the date of the notice; but neither failure to mail such notice nor any defect in any such notice so mailed shall affect the sufficiency of the proceedings for redemption of any of the Bonds for which proper notice was given. The notice may state that it is conditioned upon the deposit of moneys in an amount equal to the amount necessary to effect the redemption with the Registration Agent no later than the redemption date (“Conditional Redemption”). As long as DTC, or a successor Depository, is the registered owner of the Bonds, all redemption notices shall be mailed by the Registration Agent to DTC, or such successor Depository, as the registered owner of the Bonds, as and when above provided, and neither the City nor the Registration Agent shall be responsible for mailing notices of redemption to DTC Participants or Beneficial Owners. Failure of DTC, or any successor Depository, to provide notice to any DTC Participant or Beneficial Owner will not affect the validity of such redemption. The Registration Agent shall mail said notices as and when directed by the City pursuant to written instructions from an authorized representative of the City (other than for a mandatory sinking fund redemption, notices of which shall be given on the dates provided herein) given at least forty-five (45) days prior to the redemption date (unless a shorter notice period shall be satisfactory to the Registration Agent). From and after the redemption date, all Bonds called for redemption shall cease to bear interest if

funds are available at the office of the Registration Agent for the payment thereof and if notice has been duly provided as set forth herein. In the case of a Conditional Redemption, the failure of the City to make funds available in part or in whole on or before the redemption date shall not constitute an event of default, and the Registration Agent shall give immediate notice to the Depository or the affected Bondholders that the redemption did not occur and that the Bonds called for redemption and not so paid remain outstanding.

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BASIC DOCUMENTATION

REGISTRATION AGENT

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

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

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

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BOOK-ENTRY-ONLY SYSTEM

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

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

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

DTC and its Participants. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized Book-Entry-Only transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the Book-Entry-Only System for the Bonds is discontinued.

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

Notices. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds or their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registration Agent and request that copies of notices be provided directly to them.

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

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

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

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

DISCONTINUANCE OF BOOK-ENTRY-ONLY SYSTEM

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

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

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

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DISPOSITION OF BOND PROCEEDS

The proceeds of the sale of the Bonds shall be deposited in a special fund of HUB known as the "Series 2025 Construction Fund" to be kept separate and apart from all other funds of HUB. Moneys in the Construction Fund shall be disbursed solely to pay the costs of the Project and pay costs of issuance of the Bonds, including necessary legal, accounting and fiscal expenses, printing, engraving, advertising and similar expenses, administrative and clerical costs, Registration Agent fees, bond insurance premiums, if any, and other necessary miscellaneous expenses incurred in connection with the issuance and sale of the Bonds and construction of the Project. Notwithstanding the foregoing, costs of issuance of the Bonds may be withheld from the good faith deposit, if any, or purchase price of the Bonds and paid to the Municipal Advisor to be used to pay costs of issuance of the Bonds. Money in the Construction Fund shall be secured in the manner prescribed by applicable statutes relative to the securing of public or trust funds, if any, or, in the absence of such a statute, by a pledge of readily marketable securities having at all times a market value of not less than the amount in the Construction Fund. Money in the Construction Fund shall be expended only for the purposes authorized by the resolution. Any funds remaining in the Construction Fund after completion of the Project and payment of authorized expenses shall be deposited to the Bond Fund. Moneys in the Construction Fund shall be invested by HUB in such investments as shall be permitted by applicable law.

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LEGAL MATTERS

LITIGATION

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

TAX MATTERS

Federal

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

- is excluded from a bondholder's federal gross income pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and
- is not treated as an item of preference in calculating the federal alternative minimum tax; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations.

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

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

- an S corporation,
- a United States branch of a foreign corporation,
- a financial institution,
- a property and casualty or a life insurance company,
- an individual receiving Social Security or railroad retirement benefits,
- an individual claiming the earned income credit, or
- a borrower of money to purchase or carry the Bonds.

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

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

Bonds or affect the market price of the Bonds. See also section "CHANGES IN FEDERAL AND STATE TAX LAW" below.

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

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

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

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

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

If an owner purchasing a Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the

interest on the Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

State Taxes

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

CHANGES IN FEDERAL AND STATE TAX LAW

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

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

CLOSING CERTIFICATES

Upon delivery of the Bonds, the City will execute in a form satisfactory to Bond Counsel, certain closing certificates including the following: (i) a certificate as to the *Official Statement*, in final form, signed by the Mayor acting in his official capacity to the effect that to the best of his knowledge and belief, and after reasonable investigation, (a) neither the *Official Statement*, in final form, nor any amendment or supplement thereto, contains any untrue statements of material fact or omits to state any material fact necessary to make statements therein, in light of the circumstances in which they are made, misleading, (b) since the date of the *Official Statement*, in final form, no event has occurred which should have been set forth in such a memo or supplement, (c) there has been no material

adverse change in the operation or the affairs of the City since the date of the *Official Statement*, in final form, and having attached thereto a copy of the *Official Statement*, in final form, and (d) there is no litigation of any nature pending or threatened seeking to restrain the issuance, sale, execution and delivery of the Bonds, or contesting the validity of the Bonds or any proceeding taken pursuant to which the Bonds were authorized; (ii) certificates as to the delivery and payment, signed by the Mayor acting in his official capacity, evidencing delivery of and payment for the Bonds; (iii) a signature identification and incumbency certificate, signed by the Mayor and City Clerk acting in their official capacities certifying as to the due execution of the Bonds; and, (iv) a Continuing Disclosure Certificate regarding certain covenants of the City concerning the preparation and distribution of certain annual financial information and notification of certain material events, if any.

APPROVAL OF LEGAL PROCEEDINGS

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

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MISCELLANEOUS

RATING

S&P Global Ratings (“S&P”) is expected to assign the Bonds the insured rating of “AA” (stable outlook) based on the issuance and delivery of the Municipal Bond Insurance Policy for the Bonds by Assured Guaranty Inc. (“AG”) concurrently with the issuance of the Bonds. Additionally, the Bonds have been assigned an underlying rating of “A+” from S&P.

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

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

COMPETITIVE PUBLIC SALE

The Bonds will be offered for sale at competitive public bidding on November 20, 2025. Details concerning the public sale were provided to potential bidders and others in the *Preliminary Official Statement* that was dated November 11, 2025.

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

MUNICIPAL ADVISOR; RELATED PARTIES; OTHER

Municipal Advisor. Cumberland Securities Company, Inc., Knoxville, Tennessee, has served as Municipal Advisor (the “Municipal Advisor”) to the City for purposes of assisting with the development and implementation of a bond structure in connection with the issuance of the Bonds. The Municipal Advisor has not been engaged by the City to compile, create, or interpret any information in the *Preliminary Official Statement* and *Official Statement* relating to the City, including without limitation any of the City’s financial and operating data, whether historical or projected. Any information contained in the *Preliminary Official Statement* and *Official Statement* concerning the City, any of its affiliated or contractors and any outside parties has not been

independently verified by the Municipal Advisor, and inclusion of such information is not, and should not be construed as, a representation by the Municipal Advisor as to its accuracy or completeness or otherwise. The Municipal Advisor is not a public accounting firm and has not been engaged by the City to review or audit any information in the *Preliminary Official Statement* and *Official Statement* in accordance with accounting standards.

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

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

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

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

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

DEBT RECORD

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

CONTINUING DISCLOSURE

The City will at the time the Bonds are delivered execute a Continuing Disclosure Certificate under which it will covenant for the benefit of holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the City by not later than twelve months after the end of each fiscal year commencing with the fiscal year ending June 30, 2025 (the "Annual Reports"), and to provide notice of the occurrence of certain significant events not later than ten business days after the occurrence of the events and notice of failure to provide any required financial information of the City. The City will provide notice in a timely manner to the MSRB of a failure by the City to provide the annual financial information on or before the date specified in the continuing disclosure agreement. The Annual Reports (and audited financial statements if filed separately) and notices described above will be filed by the City with the Municipal Securities Rulemaking Board ("MSRB") at www.emma.msrb.org and with any State Information Depository which may be established in Tennessee (the "SID"). The specific nature of the information to be contained in the Annual Reports or the notices of events is summarized below. These covenants have been made in order to assist the Underwriters in complying with Securities Exchange Act Rule 15c2-12(b), as it may be amended from time to time (the "Rule 15c2-12").

Five-Year History of Filing. The City filed late on January 3, 2024, the (i) 2022 General Purpose Financial Statements, (ii) the 2022 Five-Year Summary of Revenues, Expenditures and Changes in Fund Balances – General Fund, and (iii) the 2022 Fund Balances for the General Fund and Other Governmental Funds. Additionally, the City filed late on September 5, 2024, the (i) 2023 General Purpose Financial Statements, (ii) the 2023 Five-Year Summary of Revenues, Expenditures and Changes in Fund Balances – General Fund, and (iii) the 2023 Fund Balances for the General Fund and Other Governmental Funds. The late filings were caused by the General Purpose Financial Statements not being available until the day they were filed. Except for the items outlined above, to the best of the City's knowledge, it has complied in all other material respects with its existing continuing disclosure agreements in accordance with Rule 15c2-12 for the past five years.

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

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

1. Residential and General Power Rates;
2. Number of Meters in Service;
3. Power usage – MWH;
4. Purchased Power from TVA;

5. Historical Electric Department Use;
6. The Ten Largest Electric Customers;
7. Summary of Bonded Indebtedness – Electric System;
8. Bonded Debt Service Requirements – Electric System Debt;
9. Five Year Summary of Revenues, Expenditures and Changes in Net Position – Electric Department; and
10. Historical Debt Service Coverage on Bonds in Electric System.

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

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

1. Upon the occurrence of a Listed Event (as defined in (3) below), the City shall in a timely manner, but in no event more than ten (10) business days after the occurrence of such event, file a notice of such occurrence with the MSRB and SID, if any.
2. For Listed Events where notice is only required upon a determination that such event would be material under applicable Federal securities laws, the City shall determine the materiality of such event as soon as possible after learning of its occurrence.
3. The following are the Listed Events:
 - a. Principal and interest payment delinquencies;
 - b. Non-payment related defaults, if material;
 - c. Unscheduled draws on debt service reserves reflecting financial difficulties;
 - d. Unscheduled draws on credit enhancements reflecting financial difficulties;
 - e. Substitution of credit or liquidity providers, or their failure to perform;
 - f. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
 - g. Modifications to rights of Bondholders, if material;

- h. Bond calls, if material, and tender offers;
- i. Defeasances;
- j. Release, substitution, or sale of property securing repayment of the securities, if material;
- k. Rating changes;
- l. Bankruptcy, insolvency, receivership or similar event of the obligated person;
- m. The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- n. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- o. Incurrence of a financial obligation (which includes a debt obligation, or a derivative instrument entered into connection with, or pledged as security or as a source of payment for, an existing or planned debt obligation, or a guarantee of debt obligation or derivative instrument) of the City, if material, or agreement as to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material; and
- p. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation (as described above) of the City, any of which reflect financial difficulties.

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

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

(a) If the amendment or waiver relates to the provisions concerning the Annual Report and Reporting of Significant Events it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

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

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

In the event of any amendment or waiver of a provision of the Disclosure Certificate, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

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

BONDHOLDER RISK

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

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

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FORWARD LOOKING STATEMENTS

The statements contained in this *Preliminary Official Statement* and *Official Statement*, and in any other information provided that are not purely historic, are forward-looking statements, including statements regarding the expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this *Preliminary Official Statement* and *Official Statement* are based on information available on the date hereof, and assumes no obligation to update any such forward-looking statements.

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

ADDITIONAL INFORMATION

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

Any statements made in the *Preliminary Official Statement* and *Official Statement* involving estimates or matters of opinion, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates or matters of opinion will be realized. Neither the *Preliminary Official Statement* and *Official Statement* nor any statement which may have been made orally or in writing is to be construed as a contract with the owners of the Bonds.

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

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

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CERTIFICATION OF THE ISSUER

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

/s/ _____
Mayor

/s/ _____
General Manager of
Harriman Utility Board

ATTEST:

/s/ _____
City Clerk

APPENDIX A

LEGAL OPINION

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

Ladies and Gentlemen:

We have acted as bond counsel to the City of Harriman, Tennessee (the "Issuer") in connection with the issuance of \$_____ Electric System Revenue and Tax Bonds, Series 2025, dated _____, 2025 (the "Bonds"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

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

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

1. The Bonds have been duly authorized, executed and issued in accordance with the constitution and laws of the State of Tennessee and constitute valid and binding obligations of the Issuer.

2. The resolution (the "Bond Resolution") of the Board of Mayor and Aldermen of the Issuer authorizing the Bonds has been duly and lawfully adopted, is in full force and effect and is a valid and binding agreement of the Issuer enforceable in accordance with its terms.

3. The Bonds shall be payable from and secured by a pledge of the Net Revenues (as defined in the Bond Resolution) derived from the Issuer's electric distribution system, and, in the event of a deficiency in such revenues, from unlimited ad valorem taxes to be levied on all taxable property within the Issuer. The punctual payment of principal of and premium, if any, and interest on the Bonds shall be secured equally and ratably by the Net Revenues without priority by reason of series, number or time of sale or delivery.

4. Interest on the Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and is not an item of tax preference for purposes of the federal alternative minimum tax; however, such interest on the Bonds may be taken into account for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes under Section 103 of the Code. Failure to comply with certain of such requirements could cause interest on the Bonds to be so includable in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. The Issuer has covenanted to comply with all such requirements.

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

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

The rights of the owners of the Bonds and the enforceability of the Bonds and the resolutions authorizing the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting the rights and remedies of creditors, and by equity principles, whether considered at law or in equity.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds. Further, we express no opinion herein regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein.

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

Yours truly,

APPENDIX B

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

THE HARRIMAN ELECTRIC DEPARTMENT

HISTORY AND ORGANIZATION

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

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

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

ELECTRIC POWER BOARD MEMBERS

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

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

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THE ELECTRIC DISTRIBUTION DEPARTMENT

SERVICE AREA

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

TRANSMISSION DEPARTMENT

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

DISTRIBUTION DEPARTMENT

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

SOURCE OF ELECTRIC POWER

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

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

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

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

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

THE TENNESSEE VALLEY AUTHORITY

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

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

ELECTRIC RATES

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

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

RESIDENTIAL AND GENERAL POWER RATES

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

Residential Rates

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

Commercial Rates

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

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

SUBSTATION, TRANSMISSION & DISTRIBUTION DEPARTMENTS

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

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OPERATING AND FINANCIAL HISTORY

OPERATING HISTORY

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

NUMBERS OF METERS IN SERVICE

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

Source: Harriman Electric Department.

POWER USAGE – MWH

For the Fiscal Year Ended June 30

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

Source: Harriman Electric Department.

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PURCHASED POWER FROM TVA

For the Fiscal Year Ended June 30

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

Source: Harriman Electric Department.

HISTORICAL ELECTRIC DEPARTMENT USE

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

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

Source: Harriman Electric Department

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TEN LARGEST ELECTRIC CUSTOMERS IN 2024

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

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

Source: Harriman Electric Department

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

Unaudited
As of June 30, 2025

AMOUNT ISSUED (Electric Only)	PURPOSE	DUE DATE	INTEREST RATE(S)	AMOUNT (1) OUTSTANDING
1,375,000	(2) General Obligation Bonds, Series 2021A (3)	June 2040	Fixed	685,000
2,095,000	(2) General Obligation Bonds, Series 2021B (4) Electric System Revenue and Tax Bonds, Series 2024	June 2041	Fixed	1,680,000
9,775,000	(2) (Issued 11-20-2024)	June 2054	Fixed	9,775,000
\$ 13,245,000	TOTAL BONDED DEBT			\$ 12,140,000
\$ 7,500,000	(2) Electric System Revenue and Tax Bonds, Series 2025	June 2055	Fixed	\$ 7,500,000
\$ 20,745,000	NET BONDED DEBT			\$ 19,640,000

NOTES:

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

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

F. Y. Ended	Unaudited Outstanding Electric System Debt As of June 30, 2025			Electric System Revenue and Tax Bonds, Series 2025			2025 Bonds			Total Bonded Debt Service Requirements (1)			Percent Total Principal Repaid
	Principal	Interest (2)	TOTAL	Principal	Interest (2)	TOTAL	Percent Principal Repaid	Principal	Interest	TOTAL			
2026	\$ 240,000	\$ 467,514	\$ 707,514	\$ -	\$ 174,167	\$ 174,167	0.00%	\$ 240,000	\$ 641,680	\$ 881,680	1.22%		
2027	365,000	460,314	825,314	-	356,250	356,250		365,000	816,564	1,181,564			
2028	435,000	446,864	881,864	100,000	356,250	456,250		535,000	803,114	1,338,114			
2029	440,000	429,914	869,914	140,000	351,500	491,500		580,000	781,414	1,361,414			
2030	460,000	412,714	872,714	145,000	344,850	489,850	5.13%	605,000	757,564	1,362,564	11.84%		
2031	330,000	398,519	728,519	155,000	337,963	492,963		485,000	736,481	1,221,481			
2032	340,000	385,169	725,169	160,000	330,600	490,600		500,000	715,769	1,215,769			
2033	350,000	371,581	721,581	170,000	323,000	493,000		520,000	694,581	1,214,581			
2034	365,000	357,494	722,494	175,000	314,925	489,925		540,000	672,419	1,212,419			
2035	375,000	342,394	717,394	185,000	306,613	491,613	16.40%	560,000	649,006	1,209,006	25.10%		
2036	385,000	329,494	714,494	195,000	297,825	492,825		580,000	627,319	1,207,319			
2037	400,000	316,456	716,456	205,000	288,563	493,563		605,000	605,019	1,210,019			
2038	410,000	302,819	712,819	215,000	278,825	493,825		625,000	581,644	1,206,644			
2039	420,000	288,519	708,519	225,000	268,613	493,613		645,000	557,131	1,202,131			
2040	435,000	273,819	708,819	235,000	257,925	492,925	30.73%	670,000	531,744	1,201,744	41.01%		
2041	450,000	258,519	708,519	245,000	246,763	491,763		695,000	505,281	1,200,281			
2042	355,000	242,619	597,619	255,000	235,125	490,125		610,000	477,744	1,087,744			
2043	370,000	228,419	598,419	270,000	223,013	493,013		640,000	451,431	1,091,431			
2044	385,000	213,619	598,619	280,000	210,188	490,188	48.67%	665,000	423,806	1,088,806	57.84%		
2045	400,000	198,219	598,219	295,000	196,888	491,888		695,000	395,106	1,090,106			
2046	415,000	182,219	597,219	310,000	182,875	492,875		725,000	365,094	1,090,094			
2047	435,000	165,619	600,619	325,000	168,150	493,150		760,000	333,769	1,093,769			
2048	450,000	147,675	597,675	340,000	152,713	492,713		790,000	300,388	1,090,388			
2049	470,000	129,113	599,113	355,000	136,563	491,563	71.33%	825,000	265,675	1,090,675	78.00%		
2050	490,000	109,725	599,725	370,000	119,700	489,700		860,000	229,425	1,089,425			
2051	510,000	89,513	599,513	390,000	102,125	492,125		900,000	191,638	1,091,638			
2052	530,000	68,475	598,475	410,000	83,600	493,600		940,000	152,075	1,092,075			
2053	555,000	46,613	601,613	430,000	64,125	494,125		985,000	110,738	1,095,738			
2054	575,000	23,719	598,719	450,000	43,700	493,700		1,025,000	67,419	1,092,419			
2055	-	-	-	470,000	22,325	492,325	100.00%	470,000	22,325	492,325	100.00%		
	<u>\$ 12,140,000</u>	<u>\$ 7,687,644</u>	<u>\$ 19,827,644</u>	<u>\$ 7,500,000</u>	<u>\$ 6,775,717</u>	<u>\$ 14,275,717</u>		<u>\$ 19,640,000</u>	<u>\$ 14,463,361</u>	<u>\$ 34,103,361</u>			

NOTES:

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

(2) Estimated Interest Rates. Estimated Average Coupon of 4.75%.

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

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Operating Revenues:					
Residential	\$ 14,932,019	\$ 15,460,142	\$ 16,615,198	\$ 16,848,364	\$ 16,654,356
Commercial and Industrial	8,418,392	7,896,547	8,144,599	11,687,632	11,773,392
Street and Outdoor Lighting	895,861	873,141	846,855	797,410	792,938
Customers' Forfeited Discounts	218,004	230,791	222,700	234,413	227,075
Rent	530,613	548,888	564,016	584,850	602,120
Miscellaneous	180,293	410,160	643,421	173,639	113,070
Bad Debt Recoveries / Expenses	(175,059)	(108,520)	(32,271)	(11,883)	(80,044)
Total Operating Revenues	<u>\$ 25,000,123</u>	<u>\$ 25,311,149</u>	<u>\$ 27,004,518</u>	<u>\$ 30,314,425</u>	<u>\$ 30,082,907</u>
Operating Expenses:					
Operation	\$ 16,052,449	\$ 15,348,788	\$ 16,428,277	\$ 20,221,286	\$ 20,063,509
Repairs and Maintenance	1,548,136	1,640,660	1,787,968	1,777,171	1,956,520
Transmission and Distribution	448,949	561,029	1,553,181	1,637,088	1,691,401
Customers' accounting and collection	501,326	509,898	490,594	634,624	654,060
Administrative and general	3,374,724	3,358,673	2,501,099	2,529,366	2,787,892
Depreciation	2,146,074	2,203,876	2,208,286	2,176,663	2,054,484
Total Operating Expenses	<u>\$ 24,071,658</u>	<u>\$ 23,622,924</u>	<u>\$ 24,969,405</u>	<u>\$ 28,976,198</u>	<u>\$ 29,207,866</u>
Operating income (loss)	\$ 928,465	\$ 1,688,225	\$ 2,035,113	\$ 1,338,227	\$ 875,041
Other Income (expenses):					
Interest income	15	6	3	86,510	254,005
Interest expense	(47,177)	(138,034)	(48,186)	(57,786)	(50,440)
Amortization debt costs	-	-	(11,937)	-	-
Total other income - net	<u>\$ (47,162)</u>	<u>\$ (138,028)</u>	<u>\$ (60,120)</u>	<u>\$ 28,724</u>	<u>\$ 203,565</u>
Net Income	\$ 881,303	\$ 1,550,197	\$ 1,974,993	\$ 1,366,951	\$ 1,078,606
Capital Contributions	-	-	-	-	-
Transfer In / Out	(880,716)	(906,677)	(906,677)	(783,312)	(801,745)
Increase (decrease) in Net Assets	\$ 587	\$ 643,520	\$ 1,068,316	\$ 583,639	\$ 276,861
Net Assets:					
Prior balance July 1	\$ 28,411,316	\$ 28,433,794	\$ 29,077,314	\$ 30,145,630	\$ 30,729,269
Prior period adjustment	21,891	-	-	-	-
Beginning of year, adjusted	<u>\$ 28,433,207</u>	<u>\$ 28,433,794</u>	<u>\$ 29,077,314</u>	<u>\$ 30,145,630</u>	<u>\$ 30,729,269</u>
Fund Balance June 30	<u>\$ 28,433,794</u>	<u>\$ 29,077,314</u>	<u>\$ 30,145,630</u>	<u>\$ 30,729,269</u>	<u>\$ 31,006,130</u>

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

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

	For the Fiscal Year Ended June 30,				
	2020	2021	2022	2023	2024
Operating Revenue	\$ 25,000,123	\$ 25,311,149	\$ 27,004,518	\$ 30,314,425	\$ 30,082,907
Operating Expenses Before Depreciation	21,925,584	21,419,048	22,761,119	26,799,535	27,153,382
Net Income Before Depreciation And Amortization	3,074,539	3,892,101	4,243,399	3,514,890	2,929,525
Other Income Before Interest Expense (1)	(47,162)	(138,028)	(60,120)	28,724	203,565
Income Available For Debt Service	\$ 3,027,377	\$ 3,754,073	\$ 4,183,279	\$ 3,543,614	\$ 3,133,090
Actual Debt Service Requirements (2)	\$ 181,177	\$ 225,869	\$ 283,186	302,786	295,440
Bond Coverage	16.71 X	16.62 X	14.77 X	11.70 X	10.60 X
Maximum Estimated Debt Service Requirements on the Outstanding Electric Debt (Subordinated) and the Bonds (FY 2028)	\$ 1,362,564	\$ 1,362,564	\$ 1,362,564	\$ 1,362,564	\$ 1,362,564
Bond Coverage	2.22 X	2.76 X	3.07 X	2.60 X	2.30 X

Source: Annual Financial Reports for the System

APPENDIX C

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

GENERAL INFORMATION

LOCATION

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

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

GENERAL

The land area of the County encompasses 361 square miles.

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

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

TRANSPORTATION

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

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

EDUCATION

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

Source: Tennessee Department of Education.

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

Source: The Oak Ridger.

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

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

Roane State Community College Oak Ridge Campus. Roane State Community College, which began operation in 1971 in Harriman, Tennessee, is a two-year higher education institution which serves a fifteen county area. Fall 2023 enrollment was about 5,018 students. Designed for students who plan to transfer to senior institutions, the Roane State academic transfer curricula include two years of instruction in the humanities, mathematics, natural sciences, and social

sciences. Approximately 21 college transfer programs and/or options are offered by the college.

Roane State's 104-acre main campus is centrally located in Roane County where a wide variety of programs are offered. Roane State has nine locations across East Tennessee – the Roane County flagship campus; an Oak Ridge campus; campuses in Campbell, Cumberland, Fentress, Loudon, Morgan and Scott Counties; and a center for health science education in West Knoxville.

Source: Roane State Community College.

The Tennessee College of Applied Technology at Harriman. The Tennessee College of Applied Technology at Harriman (the “TCAT-H”) is part of a statewide system of 26 vocational-technical schools. The TCAT-H meets a Tennessee mandate that no resident is more than 50 miles from a vocational-technical school. The institution’s primary purpose is to meet the occupational and technical training needs of the citizens including employees of existing and prospective businesses and industries in the region. The TCAT-H serves the eastern region of the state including Anderson, Loudon, Meigs, Morgan, Rhea, and Roane Counties. The TCAT-H began operations in 1970, and the main campus is located in Roane County. Fall 2022 enrollment was 882 students.

Source: Tennessee Technology Center at Harriman.

University of Tennessee, Knoxville (the “UT” or “UTK”). UTK is one of the oldest land-grant universities in the nation. There are over 230 buildings on a 600-acre campus. Blount College, UTK's forerunner, was established in Knoxville in 1794, two years before Tennessee became a state. With a fall 2023 enrollment of 36,304 students, UTK is the largest campus in the University of Tennessee System (the “System”).

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

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

UTK conducts externally funded research totaling more than \$300 million annually, including some \$17 million annually in research sponsored by ORNL. Areas of joint research with ORNL include the Bioenergy Science Center’s work on cellulosic ethanol; the Center for Computational Sciences’ partnership with the National Science Foundation; and the Science Alliance, with divisions in biological, chemical, physical, and mathematical/computer science.

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

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

MEDICAL

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

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

Source: Covenant Health and Methodist Medical Center.

Roane Medical Center, founded in 1939, is a 105-bed facility located in Harriman. There is a large medical staff of about 140 physicians and nurses. The facility provides a full array of inpatient and outpatient services, including a six-bed critical care unit with intensive/pulmonologist coverage, extensive imaging center including MRI, CT, nuclear imaging, and a Heart Care Center staffed by board certified physicians. The hospital also has a full service ER with 24-hour emergency medicine physician coverage. The Knox Regional Health Science and Simulation Center was built in 2023 and is the new home for TCAT-Knoxville's health science programs. In 2013 construction was completed of a \$76 million, 145,000-square-foot replacement hospital. In 2008 it joined Covenant Health (based in Knoxville) as the sixth acute care facility in the health system.

Source: Roane Medical Center.

SCIENCE AND ENERGY

The DOE and Oak Ridge

Oak Ridge History

The City of Oak Ridge has a unique history. This area was selected by the United States government in 1942 as the location for its production plants for uranium 235, a component of the first atomic bomb. The original town site was built during World War II to house and furnish necessary facilities for the employees of the uranium plants. This project (known as the "Manhattan Project") was transferred to the Atomic Energy Commission in 1947, and the community was operated by contractors under the control of the Atomic Energy Commission. In 1955, the Atomic Energy Commission sold the homes and land to the residents. In 1959, the residents voted in favor of incorporation under a modified city manager-council form of government.

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

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

Oak Ridge Research

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

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

Oak Ridge National Lab. ORNL is a multi-program science and technology laboratory managed for the DOE by UT-Battelle, LLC. Scientists and engineers at ORNL conduct basic and applied research and development to create scientific knowledge and technological solutions that strengthen the nation's leadership in key areas of science; increase the availability of clean, abundant energy; restore and protect the environment; and contribute to national security. Over 5,000 research guests were hosted in 2024, and over 80 patents were received by ORNL researchers during the same year.

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Between 2020-2024, employment and funding for national security, science, energy, and partnerships have all increased. ORNL has grown from 4,900 employees and a budget of \$1.8 billion to 7,200 employees and a budget of \$2.6 billion. In 2024, more than \$1 billion was spent on modernization (office and parking spaces). The local economic impact of the lab is estimated to be \$223 million in 2024.

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

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

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

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

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

The *Proton Power Upgrade* project to the SNS will double the power capability of the SNS linear accelerator from 1.4 to 2.8 megawatts. This will facilitate new types of experiments and discovery by increasing the beam energy by 30% and the beam current by 50%. This upgrade will enable scientist to work on smaller samples that are easier to handle. The upgrade of the two target

stations began in 2021. The first target station is expected to be finished by 2027, and the second of the target stations should be completed between 2032 and 2039.

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

A new *Stable Isotope Production and Research Center* is under construction as of 2024 to help secure the U.S. stable isotope supply. ORNL-produced isotopes have a wide variety of applications, from powering the Perseverance Rover on Mars, detecting hidden explosives at airports, and to image tumors and treat cancer.

LEGEND-1000 is an international high-energy physics collaboration in 2025 involving 290 scientists, 55 institutions and 12 countries. The experiment design includes the use of 1,000 kilograms of the ultrapure germanium isotope that ORNL plans to produce for a deep underground laboratory in Europe that will shield neutrinos passing through from cosmic rays. This will explore the Standard Model of particle physics and possibly find a new theory to explain how the universe is assembled and behaves.

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

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

The new *Center for AI Security Research* at ORNL is scientifically analyzing vulnerabilities, threats and risks related to emerging and advanced artificial intelligence (the "AI"). ORNL aims to collaborate with industrial firms such as IBM, Google, Elon Musk's xAI company (building a supercomputer in Memphis as of 2024), and Intel that are building more data centers with powerful supercomputers for AI purposes to help them make these machines more energy efficient. This is expected to be more than \$1 billion in research investments.

ORNL's *Supercomputers* are housed in a 170,000-square-foot facility that includes over 400 staff and 40,000 square feet of space for computer systems and data storage. The facility will house or has housed six supercomputers - the new exascale computer "Frontier", the "Summit", the "Kraken", the soon-to-be replaced "Titan", and the dismantled "Jaguar". In 2027, there will be a new exascale supercomputer named "Discovery" installed that is expected to be faster than all the others.

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“Frontier” was ranked as the world’s fastest supercomputer when it became fully operational in 2022 and again in 2024 (it is currently ranked number 2 as of late 2024). “Summit” was the third computer at Oak Ridge to be ranked as the fastest supercomputer in the world in 2018. The “Titan” was the world’s fastest at its November 2012 debut, and the “Jaguar” while in operation held the title twice in November 2009 and June 2010. The machines work on breakthrough discoveries in biology, fusion energy, climate prediction, nanoscience and many other fields that will fundamentally change both science and its impact across society.

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

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

The “Summit” supercomputer cost an estimated \$200 million to build and is used for a wide range of scientific applications including combustion science, climate change, energy storage and nuclear power. “Summit” also serves as an artificial intelligence and deep learning computer, capable of analyzing massive amounts of data and automating critical steps of the discovery process.

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

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

The DOE and the National Science Foundation (the “NSF”) sponsor the supercomputer “Kraken” which came online in 2009. The NSF awarded the University of Tennessee (the “UT”), ORNL and other institutions a \$65 million grant to build “Kraken” to work on a range of scientific

challenges, such as climate change and new medicines. UT's "Kraken" is housed with the ORNL's "Titan".

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

Other projects at ORNL include working with the *ITER fusion facility* under construction as of 2024 in France. ORNL will be the headquarters for that facility that will be responsible for fabricating and delivering important components to the international ITER fusion facility. ORNL is also building a *Materials Plasma Exposure eXperiment (the "MPEX")* in 2024 to help scientists identify promising candidate materials for inner walls of vessels that will most likely hold up against the superhot fusion plasmas they contain.

In collaboration with *Volkswagen*, ORNL broke a record in 2024 by demonstrating high-speed wireless charging of an electric vehicle, energizing it with 270 kilowatts in 15 minutes. The specially equipped car was aligned with electromagnetic coils in a mat on which the car is parked. Widespread use of this technology for faster charging could make EV's more attractive to potential consumers.

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

University of Tennessee (the "UT"). The University of Tennessee's flagship campus in Knoxville is home to a wide array of vigorous programs doing research on issues vital to the community, the state, the nation, and the world. The university has collaborative relationships with public and private agencies including ORNL, Battelle Memorial Institute (forming UT-Battelle), St. Jude Children's Research Hospital, the Memphis Bioworks Foundation, and the Boston-Baskin Cancer group (forming UT Cancer Institute). The *UT-Oak Ridge Innovation Institute* focuses on clean manufacturing, advanced materials, energy storage and radiopharmaceutical therapies.

Cherokee Campus at UT. The Cherokee Farm concept came into being in 2001 as a way to further research by UT and ORNL in computational sciences, climate and environment, advanced materials, biomedical sciences, and renewable energy. UT and ORNL started development of the campus with \$87 million in capital investments and incentives. This is part of a UT goal to join the ranks of the nation's top 25 public research universities. The former site of UT's 188-acre dairy operation was chosen and development of 77 acres of the property began in 2010. The farm is less than a mile from the Knoxville campus.

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

be renovated and used for additional administration and instructional space.

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

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

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

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

Locally, the project is part of Knoxville Community Development Corporation's Transform Western Plan in the Western Heights neighborhood. Part of the plan involves renovating 8 to 12 buildings in the aging section of Western Heights. The panels are made of fiberglass and foam insulation and have an integrated heat pump system. The pumps are tied into the home HVAC system to maximize energy efficiency. The installation is expected to be finished in four years. Four buildings are expected to be done by the end of 2023. The final piece of the project will involve retrofitting the exterior of the Boys & Girls Clubs building in Western Heights.

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

Oak Ridge Nuclear

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

for example as fuel material for all naval nuclear reactors.

Integrated Facilities Disposition Program. The DOE has approved a massive \$18 billion Oak Ridge cleanup campaign. The cleanup program would demolish more than 400 contaminated buildings at ORNL and the Y-12 nuclear weapons plant. The program would also focus on mitigating polluted ground water at the sites and other actions to reduce environmental damage. The work began in 2008 and could take up to 45 years to complete. In 2015, \$424 million was set aside for the environmental cleanup activities in Oak Ridge.

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

K-25, a group of former gaseous diffusion buildings, was torn down by the DOE as part of its program to convert the former K-25 site for use by private industry. K-25 was once the largest building in the world. The building in size equated to 6 1/2 football fields under one roof. The gigantic K-25 building was a mile-long, U-shaped structure that was built to process the uranium in WWII.

In 1945, the uranium from K-25 was fed into Y-12's machines to be enriched even further. From there, it was shipped to Los Alamos, New Mexico, where a team of scientists led by J. Robert Oppenheimer fed the fuel into Little Boy, the bomb dropped on Hiroshima on Aug. 6, 1945. In 1946, K-25 began producing bomb-grade uranium by itself, and the electromagnetic separation plant at Y-12 was shut down. K-25 and its sister building K-27 were shut down in 1964 and all gaseous diffusion operations in Oak Ridge ended in 1985.

Bechtel Jacobs began demolishing K-25 in 2008 and passed the project on to its successor United Cleanup Oak Ridge in 2011. UCOR finished the job in 2013. The five main gaseous diffusion buildings were all demolished by 2016 and the historic cleanup project ended in 2020.

The site has been known by many names in its 80-year history: the Oak Ridge Gaseous Diffusion Plant, the East Tennessee Technology Park and the Heritage Center and Horizon Center. The large brown site is slated for the new Oak Ridge General Aviation Airport and nuclear power startups (see "RECENT DEVELOPMENTS" for more information).

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

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Y-12 has been undergoing a major modernization program. Y-12 is a key facility in the U.S. Nuclear Weapons Complex and is responsible for ensuring the safety, reliability, and security of the nuclear weapons stockpile and serves as the nation's primary repository of highly enriched uranium. Y-12 houses the country's stockpile of bomb-grade uranium, builds uranium bomb parts and dismantles nuclear weapon systems as needed to support a much smaller nuclear arsenal. The National Nuclear Security Administration (the "NNSA") is planning to transform the nuclear weapons complex to be smaller, more efficient and more cost effective. The goal is to have only two facilities where there used to be 700 buildings.

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

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

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

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

The *Molten Salt Reactor Experiment* (the "MSR") facility, which use molten salt as liquid fuel and coolant, came online in 1965. The entire facility is part of the DOE's environmental cleanup

project since it has become contaminated with the prevalent radioactivity at the site. Work and research began in 2023 to make the site safe for decommissioning. MSRs were hoped to be a major contributor to the nuclear energy sector with benefits including safety, efficiency, and flexibility in fuels and applications.

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

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

POWER PRODUCTION

Tennessee Valley Authority (the “TVA”)

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

TVA is primarily a wholesaler of power. TVA manages 16,400 miles of transmission line to deliver 99.999% reliability that connects supplies power to 153 local power providers. power companies that supply electricity to approximately 10 million people across seven Southeastern states with 61 directly served customers, including 54 industrial customers and 7 military and federal installations. These include coal, gas, nuclear, and hydroelectric plants as well as renewable resources.

About 80 percent of the nation paid more for energy than customers served by TVA. TVA’s industrial rates are lower than more than 95 percent of the nation. As of 2024, TVA has ranked the top utility for economic development for 19 consecutive years. Projected capital investments in the region are expected to be 326,000 jobs in \$45.9 billion with investment.

TVA’s generation portfolio is 39% nuclear, 14% coal, 34% natural gas, 9% hydro, and 4% wind and solar with a total capacity of 32,190 megawatts as of 2024.

TVA'S GENERATING ASSETS
(as of 2024)

Located Over Seven States

3 Nuclear Sites
4 Coal-Fired Sites
29 Hydroelectric Sites
1 Pumped-Storage Site
9 Combustion Turbine Gas Site
8 Combined Cycle Gas Sites
9 Solar Energy Sites
1 Diesel Generation Site

Located in Tennessee

2 Nuclear Sites
3 Coal-Fired Plants
19 Hydroelectric Dams
1 Pumped-Storage Hydroelectric Plant
8 Natural Gas-Fueled Facilities
13 Non-Power Dams
9,455 Miles of Transmission Line
298 Substations & Switchyards

Tennessee

TVA supplies energy for over 7 million people through 82 local power companies and for 26 large, direct-served customers in Tennessee. TVA also manages 33 reservoirs, 179,510 acres of public land, and 7,700 miles of shoreline within the state. Projected capital investments for Tennessee are expected to be 30,760 jobs with \$3.6 billion in investment. TVA employs 7,592 people in the state as of 2024.

Hydropower and Flood Control

Tennessee is one of the top three hydroelectric power producers east of the Rocky Mountains due to the many TVA hydroelectric power plants located on the Tennessee and Cumberland River systems. Hydroelectric power, although variable, has been contributing about one-eighth of the state's net generation in recent years.

Managing the Tennessee River System TVA includes managing the Tennessee River system and 293,000 acres of public land, 11,000 miles of shoreline, and 650,000 surface acres of reservoir water. TVA dams on the Tennessee River system provide multiple public benefits: food control, navigation, power production, recreation, water quality and water supply, and protection of natural resources.

Solar and Other Fuels

TVA will add 10,000 megawatts of solar energy by 2035, representing more than a 15-fold increase from 2021. And by 2050, TVA plans to achieve net-zero carbon emissions by the development of emerging technologies, such as advanced nuclear, long-duration energy storage, carbon-capture technologies and alternative fuels like hydrogen. TVA has contracted or installed around 400 megawatts of solar generating capacity, has more than 1,200 megawatts of wind power, and over 50 megawatts from burning organic garbage. About 13 percent of TVA's power comes from renewable sources, with 3 percent of that comes from wind and solar. Biomass, primarily from wood and wood waste, also contributes a small amount to the state's net generation. TVA also uses methane gas from the Memphis wastewater treatment plant to boost generating capacity at one coal-fired power plant, increasing the plant's capacity by 8 megawatts.

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Transmission System Improvements

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

The U.S. Department of Energy awarded a \$250 million grant in late 2024 to TVA and 10 of its local power companies that will fund 84 projects aimed at strengthening the electric grid and building renewable energy. These projects will help the utility add up to 2,400 megawatts of capacity to its grid, moving enough additional electricity to power 1.4 million homes, and speed development of solar and wind projects. It will allow the utility to create its first interconnection with the Southwest Power Pool, which manages much of the Midwest's wind-heavy grid, adding 800 megawatts of wind to TVA's system. Updates to the grid could reduce the duration of local power outages by 94%, creating \$250 million in economic benefits, according to a TVA news release. TVA anticipates the money will create approximately 800 jobs over five years.

Modular Reactors

TVA applied for an \$800 million federal grant to help finance small modular nuclear reactors to be built at its Clinch River Nuclear Site in Oak Ridge. The grant could cut the timeline for building the reactors by two years, with a plan for commercial operation by 2033. TVA plans to build up to four 300-megawatt reactors at the site. Small modular reactors are not just smaller than large traditional nuclear power plants but could be built faster and in more places. Nuclear energy is the largest single source of clean energy in the U.S., at around 20% of the electricity supply.

TVA began exploring options for advanced reactors in 2010 and submitted an early site permit in 2016. The project was the first of its kind to receive an early site permit from the U.S. Nuclear Regulatory Commission in 2019, and the TVA Board of Directors has approved \$350 million to fund early development. TVA listed 11 partners applying for the grant money, including Bechtel, BWX Technologies, Duke Energy, GE Hitachi Nuclear Energy, Oak Ridge Associated Universities and the state of Tennessee.

The Clinch River Site, a 1,200-acre tract at the far south end of Oak Ridge, has been designated for several projects in the past. It was to be the home to the Clinch River Breeder Reactor and Babcock & Wilcox and Bechtel's mPower small modular reactors. Both projects were terminated before they were built.

Carbon Reduction

TVA has initiated a decarbonization plan reduce carbon emissions to 70 percent by 2030 and a path to reaching 80 percent by 2035, all while using existing technology and without impacting reliability or costs. By 2035, TVA plans to have retired all of its coal plants to fulfill a goal for net-zero carbon emissions by 2050. TVA has already shut down 32 of the 59 coal-fired units it once operated, cutting the share of its power generated by burning coal from nearly two-thirds of TVA's generation in the 1980s to less than 20 percent in fiscal 2018. TVA estimates the shutdown of the aging facilities, which would have required an estimated \$1.3 billion in equipment and maintenance investments over an extended life of the plants, will save TVA \$320 million. In an agreement with the Environmental Protection Agency, the utility will invest \$3 billion to \$5 billion on pollution controls and \$350 million on clean energy projects.

TVA's *Bull Run Fossil Plant* was located on Bull Run Creek near Oak Ridge in Anderson County. It was shut down in late 2023. The Bull Run Fossil Plant was the only single-generator coal-fired power plant in the TVA system and went into operation in 1967. The plant had a capacity of generating 881 megawatts of power, or enough to supply about 400,000 homes. When it came online in 1967, Bull Run was the largest power generator in the world by volume of steam produced and outperformed the largest units of its time by 50%. It had an 800-foot chimney and \$140 million price tag or \$1.4 billion in today's dollars.

TVA has closed seven coal plants since 2012 and replaced most of the electricity generation with natural gas, a fossil fuel that emits less carbon pollution than coal but is mainly made of methane and transported in pipelines.

TVA is in process of converting its Kingston Fossil Plant located on Watts Bar Reservoir in Roane County to the *Kingston Energy Complex*, that will include natural gas, solar, and battery storage to balance supply and demand. This is expected to be complete by 2029. The Kingston Energy Complex will be a combination of 1,550 megawatts of natural gas, 100 megawatts of batteries and up to four megawatts of solar panels. The complex next to the existing coal plant in Roane County will generate enough electricity for around 900,000 homes. The natural gas plants – split between two different turbine technologies – will come online in 2027, while the battery system will come online in a second phase by 2029. The energy complex is likely to have between 30 and 40 employees, while the coal plant employed approximately 200 people.

U.S. utilities are quickly building power-grid-level batteries that can store nearly 21,000 megawatts of electricity across the country in 2024, compared to just 4,000 megawatts in 2010, according to the U.S. Energy Information Administration. Energy storage in batteries is especially important to developers of solar and wind energy, which depend on the weather.

At the time it was finished in 1955, TVA's *Kingston Fossil Plant* was the largest coal-burning power plant in the world with nine coal-fired generating units. The plant supplied power for more than 800,000 homes consumed 14,000 tons of coal a day.

Source: Tennessee Valley Authority and The Knoxville News Sentinel.

Norris Dam. TVA's Norris Dam, the first dam TVA built, is located in Anderson County on the Clinch River. Construction of the Dam began in 1933, just a few months after the creation of TVA, and was completed in 1936. Norris Dam is 265 feet high and stretches 1,860 feet across the Clinch River. The generating capacity of Norris is 131,400 kilowatts of electricity. In 2005 TVA opened a new visitor center at the dam. Visitors can learn about the history of Norris, hydropower operations, and TVA's management of the river system.

Source: Tennessee Valley Authority.

MANUFACTURING AND COMMERCE

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

Industrial Parks

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

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

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

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

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

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

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

private industrial use.

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

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

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

State Programs

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

Source: Tennessee Department of Economic and Community Development.

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

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

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

Source: Tennessee Department of Economic and Community Development.

Major Employers within the County

<u>Company</u>	<u>Product</u>	<u>Employees</u>
Oak Ridge National Laboratory	National Defense	5,452
UCOR	National Defense	1,501
Roane State Community College	Education	614
Roane County Government	Government	372
TVA Steam Plant	Electricity	300
H.T. Hackney Co.	Distribution	300
Michael Dunn Center	Healthcare	290
Roane Medical Center	Hospital	289
Kimble Chase Life Science & Research		277
Walmart Stores	Retail	261
GTS Duratek	Disposal of hazardous wastes	250
Roane County Schools	Education	207
Albahealth, LLC	Surgical Hosiery	168
Richards Industries	Rebuilt Nozzles	150
Food City Grocery	Retail	150

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

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

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ECONOMIC DATA

Per Capita Personal Income

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

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

Social and Economic Characteristics

	<u>National</u>	<u>Tennessee</u>	<u>Roane County</u>	<u>Kingston</u>	<u>Harriman</u>	<u>Rockwood</u>
Median Value Owner Occupied Housing	\$303,400	\$256,800	\$212,300	\$204,200	\$162,500	\$132,100
% High School Graduates or Higher Persons 25 Years Old and Older	89.40%	89.60%	89.3%	92.4%	84.1%	88.4%
% Persons with Income Below Poverty Level	11.10%	14.00%	13.4%	6.6%	22.8%	18.7%
Median Household Income	\$78,538	\$67,097	\$66,218	\$70,532	\$42,183	\$37,867

Source: U.S. Census Bureau State & County QuickFacts - 2023.

TOURISM AND RECREATION

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

electricity, robotics, vision and more. It also includes exhibits on Y-12 and National Defense, the Earth's energy resources and nuclear reactors and energy.

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

Source: American Museum of Science and Energy.

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

Source: Forest Resources Research and Education Center.

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

Source: Tennessee Valley Authority.

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

Norris Reservoir. Norris Reservoir extends 73 miles up the Clinch River and 56 miles up the Powell from Norris Dam. It covers 5 counties: Anderson, Campbell, Union, Claiborne and Grainger Counties. Norris provides 809 miles of shoreline and 33,840 acres of water surface. It is the largest reservoir on a tributary of the Tennessee River. Norris Reservoir is an important component of the system TVA set up to reduce the risks of these disasters. The area around the Clinch River receives more than 45 inches of rain a year. In the past, floodwaters on the Clinch sometimes inundated areas hundreds of miles downstream. The recreational use of Norris Reservoir exceeds that of any other tributary reservoir in the TVA river system. Water sports at Norris include boating, water skiing,

swimming, and excellent fishing.

Source: Tennessee Valley Authority.

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

Source: Tennessee Valley Authority.

RECENT DEVELOPMENTS

General Aviation Airport. The establishment of a new general aviation airport located in the East Tennessee Technology Park in Oak Ridge on the Roane County side is currently under review. The Metropolitan Knoxville Airport Authority (the "MKAA") will own and manage the new facility. MKAA also owns and maintains the regional commercial air service facility, McGhee Tyson Airport in Alcoa, which is about 25 miles from the City. The East Tennessee Technology Park is 1,300 acres in size and is located at the former K-25 site located at the ORNL. The estimated cost for the project is between \$40 - \$45 million. The City secured \$11 million in 2023

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

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

Kairos Power's low-power demonstration reactor, called Hermes, will demonstrate the company's capability to deliver low-cost nuclear heat. The Hermes reactor is a scaled version of Kairos Power's Fluoride Salt-Cooled High Temperature Reactor (KP-FHR), an advanced reactor technology that aims to be cost competitive with natural gas in the U.S. electricity market in order to

provide carbon-free, affordable and safe energy. The project will be a redevelopment of a site at the Heritage Center, part of the former K-25 site complex.

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

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

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

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

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

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

The University of Tennessee, Knoxville and Roane State Community College received \$50 million in 2024 from Tennessee's Nuclear Energy Fund to support existing nuclear programs as well as develop and implement new nuclear education curriculum. Both campuses, which are in close

proximity to Oak Ridge National Laboratory, will play a vital role in attracting nuclear companies to the region with the enhanced curriculum and equipment.

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

Orano USA. Orano USA constructed a new, multi-billion-dollar, state-of-the-art centrifuge uranium enrichment facility in Oak Ridge in 2024. The uranium enrichment center is a multi-structure commercial production site covering approximately 750,000 square feet, making it one of the largest in North America. Facility operations created more than 300 new direct jobs in Roane County.

With U.S. headquarters in Bethesda, Maryland, and global headquarters in Paris, France, Orano is a leading technology and services provider for the commercial and federal nuclear industries. The company specializes in uranium mining/conversion/enrichment, used nuclear fuel management and recycling, decommissioning shutdown nuclear energy facilities, federal site clean-up and closure and developing nuclear medicines to fight cancer.

Orano will be the second company to locate in Tennessee utilizing the Nuclear Energy Fund, which assists nuclear energy-related businesses choosing to relocate or grow in the Volunteer State and supports the state's universities and research institutions in further developing their nuclear education programs.

Type One Energy. In 2024 Type One Energy began planning a nuclear fusion prototype at the retired Bull Run coal plant. Type One Energy expects to begin building its prototype by 2026 and to launch a pilot power plant with a third party by 2030. With a \$223 million investment over the next five years, it plans to create more than 300 jobs in the region with an average salary of \$130,000. \$82.4 million has been funded as of 2025, which includes money from Bill Gates' Breakthrough Energy Ventures. Type One Energy also will move its headquarters from Oak Ridge to Knoxville.

Type One Energy's stellarator, a device shaped like a twisted doughnut, uses complex magnetic fields to contain burning plasma several times hotter than the core of the sun. Various companies and institutions have been developing the technology for decades as a source of clean energy. The controlled plasma in the device releases heat to generate electricity with no carbon emissions or radioactive waste. It is estimated that just one gram of fusion fuel in a stellarator can generate as much energy as 11 tons of coal. The promise of a virtually limitless supply of clean energy from fusion became more real after a Department of Energy lab in California successfully ignited a fusion reaction that created more energy than it took to produce in 2022.

Ultra Safe Nuclear Corporation (the "USNC"). USNC established new manufacturing operations in Oak Ridge in 2022. USNC invested \$13 million in its Pilot Fuel Manufacturing facility and will create approximately 31 new jobs over the next five years. Located in the East Tennessee Technology Park, the Oak Ridge pilot facility specializes in manufacturing the company's

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

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

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

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

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CITY OF HARRIMAN, TENNESSEE
SUMMARY OF BONDED INDEBTEDNESS

AMOUNT ISSUED	PURPOSE	DUE DATE	INTEREST RATE(S)	AMOUNT (1) OUTSTANDING
\$ 2,000,000	Capital Outlay Notes, Series 2016	April 2028	Fixed	\$ 645,000
439,500	Capital Outlay Notes, Series 2018	Sept. 2026	Fixed	122,000
1,339,441	General Obligation Bond, Series 2020 (USDA)	2063	Fixed	1,282,688
735,000	Capital Outlay Notes, Series 2022	June 2035	Fixed	631,900
1,600,000	(2) State Loan Agreement, Series CGO 11-269	Oct.2034	Fixed	799,400
1,792,067	(2) State Loan Agreement, Series DWO 11-109	Dec. 2035	Fixed	799,853
9,525,000	(2) General Obligation Bonds, Series 2021A	June 2040	Fixed	6,830,000
4,150,000	(2) General Obligation Bonds, Series 2021B	June 2041	Fixed	3,350,000
9,775,000	Electric System Revenue and Tax Bonds, Series 2024 (2) (Issued 11-20-2024)	June 2054	Fixed	9,775,000
\$ 31,356,008				\$ 24,235,841
	TOTAL BONDED DEBT			
\$ 7,500,000	(2) Electric System Revenue and Tax Bonds, Series 2025	June 2055	Fixed	\$ 7,500,000
(10,892,067)	Less: Revenue Supported Debt			(29,054,253)
\$ 27,963,941				<u>\$ 2,681,588</u>

NOTES:

- (1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the "Annual Comprehensive Financial Report".
- (2) Self supporting debt.
- (3) The City budgets to account for interest rate and/or basis risk.

CITY OF HARRIMAN, TENNESSEE
INDEBTEDNESS AND DEBT RATIOS

INTRODUCTION

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

	For Fiscal Year Ended June 30				Unaudited 2025	After Issuance 2025
	2021	2022	2023	2024		
INDEBTEDNESS						
TAX SUPPORTED						
City Tax Supported Debt (1)	\$ 1,923,104	\$ 2,183,769	\$ 3,361,929	\$ 3,018,690	\$ 2,681,588	\$ 2,681,588
Revenue Supported Debt	15,448,789	14,539,333	13,623,029	12,704,625	21,554,253	29,054,253
TOTAL TAX SUPPORTED	\$ 17,371,893	\$ 16,723,102	\$ 16,984,958	\$ 15,723,315	\$ 24,235,841	\$ 31,735,841
TOTAL DEBT						
Less: Revenue Supported Debt	(15,448,789)	(14,539,333)	(13,623,029)	(12,704,625)	(21,554,253)	(29,054,253)
Less: D.S. Fund	(31,271)	-	-	-	-	-
NET DIRECT DEBT	\$ 1,891,833	\$ 2,183,769	\$ 3,361,929	\$ 3,018,690	\$ 2,681,588	\$ 2,681,588

PROPERTY TAX BASE					
Estimated Actual Value	\$405,414,901	\$401,958,806	\$542,546,938	\$563,278,630	\$669,869,972
Estimated Appraised Value	405,414,901	401,958,806	395,950,755	411,080,744	412,773,877
Estimated Assessed Value	129,624,057	128,176,430	127,179,496	132,982,286	135,043,023

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

DEBT RATIOS	For Fiscal Year Ended June 30				After Issuance	
	2021	2022	2023	2024	Unaudited 2025	2025
TOTAL DEBT to Estimated Actual Value	4.28%	4.16%	3.13%	2.79%	3.62%	4.74%
TOTAL DEBT to Appraised Value	4.28%	4.16%	4.29%	3.82%	5.87%	7.69%
TOTAL DEBT to Assessed Value	13.40%	13.05%	13.36%	11.82%	17.95%	23.50%
NET DIRECT DEBT to Estimated Actual Value	0.47%	0.54%	0.62%	0.54%	0.40%	0.40%
NET DIRECT DEBT to Appraised Value	0.47%	0.54%	0.85%	0.73%	0.65%	0.65%
NET DIRECT DEBT to Assessed Value	1.46%	1.70%	2.64%	2.27%	1.99%	1.99%
PER CAPITA RATIOS						
POPULATION (1)	5,892	6,094	6,094	6,094	6,094	6,094
PER CAPITA PERSONAL INCOME (2)	\$49,794	\$50,192	\$50,192	\$50,192	\$50,192	\$50,192
Estimated Actual Value to POPULATION	68,808	65,960	89,030	92,432	109,923	109,923
Assessed Value to POPULATION	22,000	21,033	20,870	21,822	22,160	22,160
TOTAL DEBT to POPULATION	2,948	2,744	2,787	2,580	3,977	5,208
NET DIRECT DEBT to POPULATION	321	358	552	495	440	440
Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	5.92%	5.47%	5.55%	5.14%	7.92%	10.38%
NET DIRECT DEBT Per Capita as a % of PER CAPITA PERSONAL INCOME	0.64%	0.71%	1.10%	0.99%	0.88%	0.88%

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

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

CITY OF HARRIMAN, TENNESSEE
BONDED DEBT SERVICE REQUIREMENTS - City Paid Debt
As of June 30, 2025 (Unaudited)

F.Y. Ended 6/30	Estimated Total Bonded Debt Service Requirements			% Principal Repaid
	Principal	Interest (2)	TOTAL	
2026	\$ 346,395	\$ 67,658	\$ 414,053	12.92%
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	43.74%
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	61.34%
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	66.75%
2041	31,088	19,740	50,828	
2042	31,794	19,034	50,828	
2043	32,517	18,311	50,828	
2044	33,208	17,620	50,828	
2045	34,011	16,817	50,828	72.82%
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	79.60%
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	87.20%
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	95.70%
2061	48,731	2,098	50,828	
2062	49,838	990	50,828	
2063	16,863	79	16,943	100.00%
	<u>\$ 2,681,588</u>	<u>\$ 771,389</u>	<u>\$ 3,452,978</u>	

NOTES:

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

CITY OF HARRIMAN, TENNESSEE
BONDED DEBT SERVICE REQUIREMENTS
Water and Sewer System
As of June 30, 2025 (Unaudited)

F.Y. Ended 6/30	Total Bonded Debt Service Requirements (1)			% All Principal Repaid
	Principal	Interest	TOTAL	
2026	\$ 562,412	\$ 139,175	\$ 701,587	7.44%
2027	564,488	124,682	689,170	14.92%
2028	571,588	110,159	681,747	22.48%
2029	573,700	95,456	669,156	30.08%
2030	550,872	80,723	631,595	37.37%
2031	548,044	73,533	621,577	44.63%
2032	550,264	66,047	616,311	51.91%
2033	552,508	57,731	610,239	59.22%
2034	554,788	49,384	604,172	66.57%
2035	494,856	41,107	535,963	73.12%
2036	425,733	33,885	459,618	78.75%
2037	385,000	27,778	412,778	83.85%
2038	385,000	21,520	406,520	88.95%
2039	385,000	14,940	399,940	94.04%
2040	385,000	8,200	393,200	99.14%
2041	65,000	1,300	66,300	100.00%
	<u>\$ 7,554,253</u>	<u>\$ 945,620</u>	<u>\$ 8,499,873</u>	

NOTES:

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

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

F.Y. Ended	Unaudited Outstanding Electric System Debt As of June 30, 2025			Electric System Revenue and Tax Bonds, Series 2025			2025 Bonds			Total Bonded Debt Service Requirements (1)			Percent Total Principal Repaid
	Principal	Interest (2)	TOTAL	Principal	Interest (2)	TOTAL	Principal	Interest	TOTAL	Principal	Interest	TOTAL	
2026	\$ 240,000	\$ 467,514	\$ 707,514	\$ -	\$ 174,167	\$ 174,167	\$ 240,000	\$ 641,680	\$ 881,680	\$ 240,000	\$ 641,680	\$ 881,680	1.22%
2027	365,000	460,314	825,314	-	356,250	356,250	365,000	816,564	1,181,564	365,000	816,564	1,181,564	
2028	435,000	446,864	881,864	100,000	356,250	456,250	535,000	803,114	1,338,114	535,000	803,114	1,338,114	
2029	440,000	429,914	869,914	140,000	351,500	491,500	580,000	781,414	1,361,414	580,000	781,414	1,361,414	
2030	460,000	412,714	872,714	145,000	344,850	489,850	605,000	757,564	1,362,564	605,000	757,564	1,362,564	11.84%
2031	330,000	398,519	728,519	155,000	337,963	492,963	485,000	736,481	1,221,481	485,000	736,481	1,221,481	
2032	340,000	385,169	725,169	160,000	330,600	490,600	500,000	715,769	1,215,769	500,000	715,769	1,215,769	
2033	350,000	371,581	721,581	170,000	323,000	493,000	520,000	694,581	1,214,581	520,000	694,581	1,214,581	
2034	365,000	357,494	722,494	175,000	314,925	489,925	540,000	672,419	1,212,419	540,000	672,419	1,212,419	
2035	375,000	342,394	717,394	185,000	306,613	491,613	560,000	649,006	1,209,006	560,000	649,006	1,209,006	25.10%
2036	385,000	329,494	714,494	195,000	297,825	492,825	580,000	627,319	1,207,319	580,000	627,319	1,207,319	
2037	400,000	316,456	716,456	205,000	288,563	493,563	605,000	605,019	1,210,019	605,000	605,019	1,210,019	
2038	410,000	302,819	712,819	215,000	278,825	493,825	625,000	581,644	1,206,644	625,000	581,644	1,206,644	
2039	420,000	288,519	708,519	225,000	268,613	493,613	645,000	557,131	1,202,131	645,000	557,131	1,202,131	
2040	435,000	273,819	708,819	235,000	257,925	492,925	670,000	531,744	1,201,744	670,000	531,744	1,201,744	41.01%
2041	450,000	258,519	708,519	245,000	246,763	491,763	695,000	505,281	1,200,281	695,000	505,281	1,200,281	
2042	355,000	242,619	597,619	255,000	235,125	490,125	610,000	477,744	1,087,744	610,000	477,744	1,087,744	
2043	370,000	228,419	598,419	270,000	223,013	493,013	640,000	451,431	1,091,431	640,000	451,431	1,091,431	
2044	385,000	213,619	598,619	280,000	210,188	490,188	665,000	423,806	1,088,806	665,000	423,806	1,088,806	
2045	400,000	198,219	598,219	295,000	196,888	491,888	695,000	395,106	1,090,106	695,000	395,106	1,090,106	57.84%
2046	415,000	182,219	597,219	310,000	182,875	492,875	725,000	365,094	1,090,094	725,000	365,094	1,090,094	
2047	435,000	165,619	600,619	325,000	168,150	493,150	760,000	333,769	1,093,769	760,000	333,769	1,093,769	
2048	450,000	147,675	597,675	340,000	152,713	492,713	790,000	300,388	1,090,388	790,000	300,388	1,090,388	
2049	470,000	129,113	599,113	355,000	136,563	491,563	825,000	265,675	1,090,675	825,000	265,675	1,090,675	
2050	490,000	109,725	599,725	370,000	119,700	489,700	860,000	229,425	1,089,425	860,000	229,425	1,089,425	78.00%
2051	510,000	89,513	599,513	390,000	102,125	492,125	900,000	191,638	1,091,638	900,000	191,638	1,091,638	
2052	530,000	68,475	598,475	410,000	83,600	493,600	940,000	152,075	1,092,075	940,000	152,075	1,092,075	
2053	555,000	46,613	601,613	430,000	64,125	494,125	985,000	110,738	1,095,738	985,000	110,738	1,095,738	
2054	575,000	23,719	598,719	450,000	43,700	493,700	1,025,000	67,419	1,092,419	1,025,000	67,419	1,092,419	
2055	-	-	-	470,000	22,325	492,325	470,000	22,325	492,325	470,000	22,325	492,325	100.00%
	<u>\$ 12,140,000</u>	<u>\$ 7,687,644</u>	<u>\$ 19,827,644</u>	<u>\$ 7,500,000</u>	<u>\$ 6,775,717</u>	<u>\$ 14,275,717</u>	<u>\$ 19,640,000</u>	<u>\$ 14,463,361</u>	<u>\$ 34,103,361</u>	<u>\$ 19,640,000</u>	<u>\$ 14,463,361</u>	<u>\$ 34,103,361</u>	

NOTES:

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

(2) Estimated Interest Rates. Estimated Average Coupon of 4.75%.

CITY OF HARRIMAN, TENNESSEE
BONDED DEBT SERVICE REQUIREMENTS
Gas System
As of June 30, 2025 (Unaudited)

F.Y. Ended 6/30	Total Bonded Debt Service Requirements (1)			% All Principal Repaid
	Principal	Interest	TOTAL	
2026	\$ 125,000	\$ 37,400	\$ 162,400	6.72%
2027	125,000	33,650	158,650	13.44%
2028	125,000	29,900	154,900	20.16%
2029	125,000	26,150	151,150	26.88%
2030	120,000	22,400	142,400	33.33%
2031	120,000	20,720	140,720	39.78%
2032	120,000	18,960	138,960	46.24%
2033	120,000	17,060	137,060	52.69%
2034	120,000	15,160	135,160	59.14%
2035	120,000	13,160	133,160	65.59%
2036	120,000	11,160	131,160	72.04%
2037	120,000	9,260	129,260	78.49%
2038	120,000	7,280	127,280	84.95%
2039	120,000	5,160	125,160	91.40%
2040	120,000	3,000	123,000	97.85%
2041	40,000	800	40,800	100.00%
	<u>\$ 1,860,000</u>	<u>\$ 271,220</u>	<u>\$ 2,131,220</u>	

NOTES:

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

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FINANCIAL INFORMATION

INTRODUCTION

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

BASIS OF ACCOUNTING AND PRESENTATION

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

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

BUDGETARY PROCESS

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

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

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Revenues:					
Local Taxes	\$ 4,554,832	\$ 4,943,629	\$ 5,224,787	\$ 5,413,921	\$ 5,462,448
Licenses and Permits	3,460	4,100	3,465	4,595	4,430
Intergovernmental revenue	1,065,932	2,868,268	2,003,054	913,320	988,217
Charges for current services	132,020	192,188	257,325	297,881	325,717
Fines, forfeitures & penalties	39,701	25,537	32,238	26,293	30,130
Receipts for Use of Facilities	-	-	-	27,415	21,424
Miscellaneous revenue	80,269	78,395	187,851	121,102	94,824
Total Revenues	<u>\$ 5,876,214</u>	<u>\$ 8,112,117</u>	<u>\$ 7,708,720</u>	<u>\$ 6,804,527</u>	<u>\$ 6,927,190</u>
Expenditures:					
General Government	\$ 2,728,346	\$ 5,143,229	\$ 3,629,981	\$ 2,797,262	\$ 2,910,970
Public Safety	2,137,850	2,242,152	2,360,577	2,328,639	2,374,445
Public Works - Streets	473,246	935,664	863,254	1,085,468	562,524
Health, Recreation & Welfare	725,859	732,638	966,474	1,134,019	1,187,121
Recreation & Culture	-	21,827	-	-	-
Solid Waste Collection	-	-	-	1,271	85
Capital Outlay	-	-	-	1,637,863	662,384
Debt Service	-	-	-	17,425	35,425
Other	32,489	-	16,980	(1)	-
Total Expenditures	<u>\$ 6,097,790</u>	<u>\$ 9,075,510</u>	<u>\$ 7,837,266</u>	<u>\$ 9,001,946</u>	<u>\$ 7,732,955</u>
Excess (deficiency) of Revenues Over (Under) Expenditures	(\$221,576)	(\$963,393)	(\$128,546)	(\$2,197,419)	(\$805,765)
Other Sources & Uses:					
Operating Transfers - In	\$ 880,716	\$ 906,677	\$ 897,973	\$ 783,312	\$ 801,747
Operating Transfers - Out	(167,732)	(167,641)	(595,841)	(181,678)	(185,865)
Proceeds from debt	-	346,983	197,294	1,574,113	-
Proceeds from sale	-	-	-	99,000	-
Capital Leases	-	-	-	-	-
Total Sources & Uses	<u>\$ 712,984</u>	<u>\$ 1,086,019</u>	<u>\$ 499,426</u>	<u>\$ 2,274,747</u>	<u>\$ 615,882</u>
Net Changes in Fund Balances	\$ 491,408	\$ 122,626	\$ 370,880	\$ 77,328	(\$189,883)
Fund Balance July 1	2,787,873	3,224,389	3,347,015	3,717,895	3,286,965
Prior period adjustment	(54,892)	-	-	(508,258)	(2)
Fund Balance June 30	<u><u>\$ 3,224,389</u></u>	<u><u>\$ 3,347,015</u></u>	<u><u>\$ 3,717,895</u></u>	<u><u>\$ 3,286,965</u></u>	<u><u>\$ 3,097,080</u></u>

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

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

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Operating Revenues:					
Residential	\$ 14,932,019	\$ 15,460,142	\$ 16,615,198	\$ 16,848,364	\$ 16,654,356
Commercial and Industrial	8,418,392	7,896,547	8,144,599	11,687,632	11,773,392
Street and Outdoor Lighting	895,861	873,141	846,855	797,410	792,938
Customers' Forfeited Discounts	218,004	230,791	222,700	234,413	227,075
Rent	530,613	548,888	564,016	584,850	602,120
Miscellaneous	180,293	410,160	643,421	173,639	113,070
Bad Debt Recoveries / Expenses	(175,059)	(108,520)	(32,271)	(11,883)	(80,044)
Total Operating Revenues	<u>\$ 25,000,123</u>	<u>\$ 25,311,149</u>	<u>\$ 27,004,518</u>	<u>\$ 30,314,425</u>	<u>\$ 30,082,907</u>
Operating Expenses:					
Operation	\$ 16,052,449	\$ 15,348,788	\$ 16,428,277	\$ 20,221,286	\$ 20,063,509
Repairs and Maintenance	1,548,136	1,640,660	1,787,968	1,777,171	1,956,520
Transmission and Distribution	448,949	561,029	1,553,181	1,637,088	1,691,401
Customers' accounting and collection	501,326	509,898	490,594	634,624	654,060
Administrative and general	3,374,724	3,358,673	2,501,099	2,529,366	2,787,892
Depreciation	2,146,074	2,203,876	2,208,286	2,176,663	2,054,484
Total Operating Expenses	<u>\$ 24,071,658</u>	<u>\$ 23,622,924</u>	<u>\$ 24,969,405</u>	<u>\$ 28,976,198</u>	<u>\$ 29,207,866</u>
Operating income (loss)	\$ 928,465	\$ 1,688,225	\$ 2,035,113	\$ 1,338,227	\$ 875,041
Other Income (expenses):					
Interest income	15	6	3	86,510	254,005
Interest expense	(47,177)	(138,034)	(48,186)	(57,786)	(50,440)
Amortization debt costs	-	-	(11,937)	-	-
Total other income - net	<u>\$ (47,162)</u>	<u>\$ (138,028)</u>	<u>\$ (60,120)</u>	<u>\$ 28,724</u>	<u>\$ 203,565</u>
Net Income	\$ 881,303	\$ 1,550,197	\$ 1,974,993	\$ 1,366,951	\$ 1,078,606
Capital Contributions	-	-	-	-	-
Transfer In / Out	(880,716)	(906,677)	(906,677)	(783,312)	(801,745)
Increase (decrease) in Net Assets	\$ 587	\$ 643,520	\$ 1,068,316	\$ 583,639	\$ 276,861
Net Assets:					
Prior balance July 1	\$ 28,411,316	\$ 28,433,794	\$ 29,077,314	\$ 30,145,630	\$ 30,729,269
Prior period adjustment	21,891	-	-	-	-
Beginning of year, adjusted	<u>\$ 28,433,207</u>	<u>\$ 28,433,794</u>	<u>\$ 29,077,314</u>	<u>\$ 30,145,630</u>	<u>\$ 30,729,269</u>
Fund Balance June 30	<u><u>\$ 28,433,794</u></u>	<u><u>\$ 29,077,314</u></u>	<u><u>\$ 30,145,630</u></u>	<u><u>\$ 30,729,269</u></u>	<u><u>\$ 31,006,130</u></u>

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

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

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Operating Revenues:					
Residential & Commercial	\$ 2,847,161	\$ 2,991,291	\$ 2,970,879	\$ 3,541,329	\$ 3,125,144
Customers' Forfeited Discounts	17,118	21,762	18,637	20,154	21,293
Rent	1,109	-	-	-	-
Miscellaneous	22,882	18,385	26,078	15,736	18,416
Bad Debt	(1,427)	(4,606)	(2,733)	(4,425)	(6,492)
Total Operating Revenues	<u>\$ 2,886,843</u>	<u>\$ 3,026,832</u>	<u>\$ 3,012,861</u>	<u>\$ 3,572,794</u>	<u>\$ 3,158,361</u>
Operating Expenses:					
Purchased Gas	\$ 774,186	\$ 968,699	\$ 1,378,070	\$ 1,294,925	\$ 953,585
Transmission and distribution	652,610	566,685	524,739	602,026	591,339
Customers' accounting and collection	220,651	231,925	239,622	308,605	306,115
Administrative and general	832,342	731,460	768,048	798,215	761,929
Depreciation	353,554	448,415	490,153	420,839	435,412
Total Operating Expenses	<u>\$ 2,833,343</u>	<u>\$ 2,947,184</u>	<u>\$ 3,400,632</u>	<u>\$ 3,424,610</u>	<u>\$ 3,048,380</u>
Operating income (loss)	\$ 53,500	\$ 79,648	\$ (387,771)	\$ 148,184	\$ 109,981
Other Income (expenses):					
Interest income	\$ -	\$ -	\$ -	\$ 7,814	\$ 39,145
Interest expense	-	(66,588)	(38,670)	(42,201)	(38,602)
Amortization debt costs	-	-	(5,933)	-	-
Total other income - net	<u>\$ -</u>	<u>\$ (66,588)</u>	<u>\$ (44,603)</u>	<u>\$ (34,387)</u>	<u>\$ 543</u>
Net Income	\$ 53,500	\$ 13,060	\$ (432,374)	\$ 113,797	\$ 110,524
Transfer In / Out	-	-	-	-	-
Increase (decrease) in Net Assets	\$ 53,500	\$ 13,060	\$ (432,374)	\$ 113,797	\$ 110,524
Net Assets:					
Prior balance July 1	\$ 9,131,345	\$ 9,184,845	\$ 9,197,905	\$ 8,765,531	\$ 8,765,531
Prior period adjustment	-	-	-	-	-
Beginning of year, adjusted	<u>\$ 9,131,345</u>	<u>\$ 9,184,845</u>	<u>\$ 9,197,905</u>	<u>\$ 8,765,531</u>	<u>\$ 8,879,328</u>
Fund Balance June 30	<u><u>\$ 9,184,845</u></u>	<u><u>\$ 9,197,905</u></u>	<u><u>\$ 8,765,531</u></u>	<u><u>\$ 8,879,328</u></u>	<u><u>\$ 8,989,852</u></u>

Source: Annual Comprehensive Financial Report for Harriman Utility Board.

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

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Operating Revenues:					
Water sales	\$ 2,352,016	\$ 2,540,255	\$ 2,587,603	\$ 2,922,078	\$ 3,170,304
Customer Forfeited Discounts	-	-	-	32,367	35,412
Bad Debt Expense	25,198	(12,349)	(7,369)	(10,063)	(21,258)
Miscellaneous	122,847	182,379	104,297	52,753	62,557
Total Operating Revenues	<u>\$ 2,500,061</u>	<u>\$ 2,710,285</u>	<u>\$ 2,684,531</u>	<u>\$ 2,997,135</u>	<u>\$ 3,247,015</u>
Operating Expenses:					
Power and pumping	\$ 324,093	\$ 306,644	\$ 354,435	\$ 371,418	\$ 364,038
Purification	230,833	290,189	345,480	357,547	337,349
Transmission and distribution	255,607	349,533	483,923	470,066	509,915
Customers' accounting and collection	198,613	204,074	224,353	281,415	279,654
Administrative and general	733,810	638,510	641,410	984,236	854,669
Depreciation	597,407	618,628	646,853	638,941	644,507
Total Operating Expenses	<u>\$ 2,340,363</u>	<u>\$ 2,407,578</u>	<u>\$ 2,696,454</u>	<u>\$ 3,103,623</u>	<u>\$ 2,990,132</u>
Operating income (loss)	\$ 159,698	\$ 302,707	\$ (11,923)	\$ (106,488)	\$ 256,883
Other Income (expenses):					
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Interest income	3,848	-	-	-	-
Interest expense	(82,858)	(114,052)	(63,692)	(69,575)	(63,277)
Amortization of Debt Income	-	(83,942)	(10,254)	-	-
Total other income - net	<u>\$ (79,010)</u>	<u>\$ (197,994)</u>	<u>\$ (73,946)</u>	<u>\$ (69,575)</u>	<u>\$ (63,277)</u>
Net Income	\$ 80,688	\$ 104,713	\$ (85,869)	\$ (176,063)	\$ 193,606
Capital Contributions	358,350	190,678	15,373	42,996	883,247
Transfer In / Out	-	-	-	-	-
Increase (decrease) in Net Assets	\$ 439,038	\$ 295,391	\$ (70,496)	\$ (133,067)	\$ 1,076,853
Net Assets:					
Prior balance July 1	\$ 11,392,711	\$ 11,831,483	\$ 12,126,874	\$ 12,056,378	\$ 12,056,378
Prior period adjustment	(266)	-	-	-	-
Beginning of year, adjusted	<u>\$ 11,392,445</u>	<u>\$ 11,831,483</u>	<u>\$ 12,126,874</u>	<u>\$ 12,056,378</u>	<u>\$ 11,923,311</u>
Fund Balance June 30	<u><u>\$ 11,831,483</u></u>	<u><u>\$ 12,126,874</u></u>	<u><u>\$ 12,056,378</u></u>	<u><u>\$ 11,923,311</u></u>	<u><u>\$ 13,000,164</u></u>

Source: Annual Comprehensive Financial Report for Harriman Utility Board.

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

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Operating Revenues:					
Sewer Charges	\$ 1,656,406	\$ 1,735,907	\$ 1,838,432	\$ 1,920,097	\$ 1,957,769
Bad Debt Expense	15,246	(10,139)	(10,092)	(10,686)	(13,900)
Miscellaneous	(3,125)	23,292	27,260	21,148	34,733
Total Operating Revenues	<u>\$ 1,668,527</u>	<u>\$ 1,749,060</u>	<u>\$ 1,855,600</u>	<u>\$ 1,930,559</u>	<u>\$ 1,978,602</u>
Operating Expenses:					
Power and pumping	\$ 249,143	\$ 181,003	\$ 180,076	\$ 189,077	\$ 167,786
Purification	198,741	211,063	253,218	237,085	240,267
Transmission and distribution	161,751	225,316	217,196	261,412	281,330
Customers' accounting and collection	40,802	37,190	46,844	54,864	61,672
Administrative and general	458,253	414,593	350,128	404,589	439,073
Depreciation	598,561	614,640	625,215	629,798	635,870
Total Operating Expenses	<u>\$ 1,707,251</u>	<u>\$ 1,683,805</u>	<u>\$ 1,672,677</u>	<u>\$ 1,776,825</u>	<u>\$ 1,825,998</u>
Operating income (loss)	\$ (38,724)	\$ 65,255	\$ 182,923	\$ 153,734	\$ 152,604
Other Income (expenses):					
Intergovernmental Revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Interest income	-	(129,484)	-	-	-
Interest expense	(107,358)	(74,091)	(62,181)	(78,094)	(71,190)
Amortization of debt expense	-	-	(8,472)	-	-
Total other income - net	<u>\$ (107,358)</u>	<u>\$ (203,575)</u>	<u>\$ (70,653)</u>	<u>\$ (78,094)</u>	<u>\$ (71,190)</u>
Net Income	\$ (146,082)	\$ (138,320)	\$ 112,270	\$ 75,640	\$ 81,414
Increase (decrease) in Net Assets	\$ (146,082)	\$ (138,320)	\$ 112,270	\$ 75,640	\$ 81,414
Capital Contributions	-	212,871	-	275,139	417,779
Net Assets:					
Prior balance July 1	\$ 11,958,442	\$ 11,812,408	\$ 11,886,959	\$ 11,999,229	\$ 12,350,008
Prior period adjustment	48	-	-	-	-
Beginning of year, adjusted	<u>\$ 11,958,490</u>	<u>\$ 11,812,408</u>	<u>\$ 11,886,959</u>	<u>\$ 11,999,229</u>	<u>\$ 12,350,008</u>
Fund Balance June 30	<u><u>\$ 11,812,408</u></u>	<u><u>\$ 11,886,959</u></u>	<u><u>\$ 11,999,229</u></u>	<u><u>\$ 12,350,008</u></u>	<u><u>\$ 12,849,201</u></u>

Source: Annual Comprehensive Financial Report for Harriman Utility Board.

FUND BALANCES, NET ASSETS AND RETAINED EARNINGS

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

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

	<u>For the Fiscal Year Ended June 30</u>				
<u>Fund Type</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
<i>Governmental Funds:</i>					
General	\$3,224,389	\$3,347,015	\$3,717,895	\$3,286,965	\$3,097,080
Debt Service	31,271	-	-	-	-
American Rescue	-	-	-	3	6
Other Governmental	<u>330,624</u>	<u>350,847</u>	<u>767,585</u>	<u>575,493</u>	<u>493,237</u>
Total	<u>\$3,586,284</u>	<u>\$3,697,862</u>	<u>\$4,485,480</u>	<u>\$3,862,461</u>	<u>\$3,590,324</u>
<i>Enterprise Net Assets:</i>					
Electric Department	\$28,433,794	\$29,077,314	\$30,145,630	\$30,729,569	\$31,006,130
Gas Department	9,184,845	9,197,905	8,765,531	8,879,328	8,989,852
Sewer Department	11,812,408	11,886,959	11,999,229	12,350,008	12,849,201
Water Department	<u>11,831,483</u>	<u>12,126,874</u>	<u>12,056,378</u>	<u>11,923,311</u>	<u>13,000,164</u>
TOTAL	<u>\$61,262,530</u>	<u>\$62,289,052</u>	<u>\$62,966,768</u>	<u>\$63,881,916</u>	<u>\$65,845,347</u>

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

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INVESTMENT AND CASH MANAGEMENT PRACTICES

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

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

REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES

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

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

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

- (a) Public Utility Property (which includes all property of every kind used or held for use in the operation of a public utility, such as railroad companies, certain telephone companies, freight and private car companies, street car companies, power companies, express companies and other public utility companies), to be assessed at 55% of its value;
- (b) Industrial and Commercial Property (which includes all property of every kind used or held for use for any commercial, mining, industrial, manufacturing, business or similar purpose), to be assessed at 40% of its value;
- (c) Residential Property (which includes all property which is used or held for use for dwelling purposes and contains no more than one rental unit), to be assessed at 25% of its value; and

- (d) Farm Property (which includes all real property used or held for use in agriculture), to be assessed at 25% of its value.

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

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

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

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

County Taxation of Property

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

All property is required to be taxed according to its value upon the principles established in regard to State taxation as described above, including equality and uniformity. All counties, which levy and collect taxes to pay off any bonded indebtedness, are empowered, through the respective county legislative bodies, to place all funds levied and collected into a special fund of the respective counties and to appropriate and use the money for the purpose of discharging any bonded indebtedness of the respective counties.

Assessment of Property

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

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

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

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

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

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

Periodic Reappraisal and Equalization

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

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

Valuation for Property Tax Purposes

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

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

Certified Tax Rate

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

municipality may adjust the Certified Tax Rate to reflect extraordinary assessment changes or to recapture excessive adjustments.

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

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

Tax Freeze for the Elderly Homeowners

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

Tax Collection and Tax Lien

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

The taxes assessed by the State of Tennessee, a county, a municipality, a taxing district or other local governmental entity, upon any property of whatever kind, and all penalties, interest and costs accruing thereon become and remain a first lien on such property from January 1 of the year for which such taxes are assessed. In addition, property taxes are a personal debt of the property owner as of January and, when delinquent, may be collected by suit as any other personal debt. Tennessee law prescribes the procedures to be followed to foreclose tax liens and to pursue legal proceedings against property owners whose property taxes are delinquent.

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Assessed Valuations. According to the Tennessee Tax Aggregate Report and the City, property in the County and City reflected a ratio of appraised value to true market value of 1.00 for Tax Year 2025¹.

<u>Class</u>	<u>Estimated Assessed Valuation</u>	<u>Rate</u>	<u>Estimated Appraised Value</u>
Public Utilities (2024 Tax Year)	\$ 3,727,507	55%	\$ 8,516,625
Commercial and Industrial	91,092,840	40%	227,732,100
Personal Tangible	9,265,911	30%	30,886,370
Residential and Farm	<u>103,076,100</u>	25%	<u>412,304,400</u>
Total	<u>\$207,162,358</u>		<u>\$679,439,495</u>

¹ The tax year coincides with the calendar year, so tax year 2025 is actually Fiscal Year 2025-2026.
Source: 2024 Tennessee Tax Aggregate Report and the City.

The estimated assessed value of property in the City for the fiscal year ending June 30, 2026 (tax year 2025) is \$207,162,358 compared to \$135,043,023 for the fiscal year ending June 30, 2025 (tax year 2024). The estimated actual value of all taxable property for tax year 2025 is \$679,439,495 compared to \$669,869,972 for tax year 2024.

Property Tax Rates and Collections - City-Wide. The following table shows the property tax rates and collections of the City for tax years 2020 through 2025 as well as the aggregate uncollected balances for each fiscal year ending June 30.

PROPERTY TAX RATES AND COLLECTIONS				Fiscal Yr Collections		Aggregate Uncollected Balance	
Tax Year ³	Assessed Valuation	Tax Rates	Taxes Levied	Amount	Pct	As of June 30, 2025 Amount	Pct
2020	\$129,624,057	\$1.088	\$1,410,373	\$1,299,901	92.2%	20,284	1.4%
2021	128,176,430	1.09	1,397,649	1,333,357	95.4%	22,268	1.6%
2022	127,179,496	1.09	1,386,257	1,276,547	92.1%	58,672	4.2%
2023	132,982,286	1.09	1,449,506	1,272,666	87.8%	148,500	10.2%
2024	135,043,023	1.09	1,471,968	1,309,155	88.9%	162,813	11.1%
2025	204,570,276	0.0724	1,436,776	IN PROCESS			

³ The tax year coincides with the calendar year, so tax year 2025 is actually Fiscal Year 2025-2026.

Ten Largest Taxpayers. For the fiscal year ending June 30, 2025 (tax year 2024), the ten largest taxpayers in the City are as follows:

<u>Taxpayer</u>	<u>Business Type</u>	<u>Taxes Due</u>
1. Kroger Limited	Retail	\$30,437
2. ARHC LLC	Medical	27,216
3. Lowes	Retail	27,137
4. SP Partnership	Hotel/Motel	16,603
5. Patel Raman	Motel/Hotel	13,936
6. Harriman-TN Property LC	Hospital/Medical	13,439
7. OHI Harriman LLC	Healthcare	9,633
8. Roane Plaza Shopping Center	Retail	9,227
9. Harriman DG	Retail	8,953
10. Roane County	Government	<u>8,950</u>
TOTAL		<u>\$165,531</u>

Source: The City.

PENSION PLANS

Employees of the city are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with 5 years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with 5 years of service who became disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty.

Members joining the system after July 1, 1979, become vested after 5 years of service and members joining prior to July 1, 1979, were vested after 4 years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the City of Harriman participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The City is contributory whereby the employee contributes 5 percent of his or her earnable compensation and the employer is responsible for the remaining contribution. State statute allows a political subdivision to become noncontributory if its governing body passes a resolution to that effect. For additional information on the funding status, trend information and actuarial status of the City's retirement programs, please refer to the appropriate Notes to Financial Statements located in the General Purpose Financial Statements of the City attached herein.

APPENDIX D

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

SUMMARY OF RESOLUTION

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

Definitions of Certain Terms

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

“Gross Earnings” means all revenues, rentals, earnings and income of the System from whatever source, determined in accordance with generally accepted accounting principles; proceeds from the sale of System property; proceeds of System-related insurance and condemnation awards and compensation for

damages, to the extent not applied to the payment of the cost of repairs, replacements and improvements; and all amounts realized from the investment of funds of the System, including money in any accounts and funds created by the Resolution, and resolutions authorizing any Parity Bonds or subordinate lien bonds (excluding any investment earnings from construction or improvement funds created for the deposit of bond proceeds pending use, to the extent such income is applied to the purposes for which the bonds were issued, and funds created to defease any outstanding obligations of the System); provided, however, at the election of the Board, the term “Gross Earnings” shall not include any revenues, rentals, earnings or other income received from the operation of an Acquired System, and any bonds or other obligations issued in connection with such Acquired System shall not be payable from or secured by Net Revenues or be deemed to be Parity Bonds

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

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

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

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

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

“Municipality” means the City of Harriman, Tennessee.

“Net Revenues” means (i) Gross Earnings, excluding any profits or losses on the sale or other disposition, not in the ordinary course of business, of investments or fixed or capital assets and further excluding non-cash or non-recurring items, including but not limited to, non-cash contributions in aid of construction, less (ii) Operating Expenses.

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

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

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

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

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

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

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

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

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

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

“Reserve Fund Credit Facility” means a municipal bond insurance policy, surety bond, letter of credit, line of credit, guarantee or other agreement provided by a Reserve Fund Credit Facility which provides for payment of amounts equal to all or any portion of the Reserve Fund Requirement in the event

of an insufficiency of moneys in the Bond Fund to pay when due principal of and interest on all or a portion of the Bonds.

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

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

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

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

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

“State” means the State of Tennessee.

“System” means the electrical power distribution system operated by HUB, any electrical power distribution and/or transmission system hereafter acquired, constructed or otherwise established, including all improvements and extensions made by HUB while the Bonds remain outstanding, and including all real and personal property of every nature comprising part of or used or useful in connection with the foregoing, and including all appurtenances, contracts, leases, franchises, and other intangibles; provided, however, at the election of the Board, an Acquired System may be included within the System as defined herein and become a part thereof or, at the election of the Board, not become a part of the System but be operated as a separate and independent system by HUB with the continuing right, upon the election of the Board, to incorporate such separately Acquired System within the System.

“Variable Rate Indebtedness” means any Bonds, the interest rate on which is subject to periodic adjustment, at intervals, at such times and in such manner as shall be determined by resolution authorizing such Bonds; provided that if the interest rate shall have been fixed for the remainder of the term thereof, it shall no longer be Variable Rate Indebtedness.

Source of Payment and Security

The Bonds shall be payable from and secured by a pledge of the Net Revenues and, in the event of a deficiency in such revenues, from unlimited ad valorem taxes to be levied on all taxable property within the Municipality. The punctual payment of principal of and premium, if any, and interest on the Bonds shall be secured equally and ratably by the Net Revenues without priority by reason of series, number or time of sale or delivery. The Net Revenues are hereby irrevocably pledged to the punctual payment of such principal, premium, if any, and interest as the same become due. The Bonds do not constitute a debt of the State of Tennessee.

Application of Revenues

Application of Revenues. From and after the delivery of the Series 2024 Bonds hereunder, and as long as any of the Bonds shall be outstanding and unpaid either as to principal or as to interest, or until the

discharge and satisfaction of all the Bonds, the Gross Earnings of the System shall be deposited as collected by HUB to the Revenue Fund hereby established (the "Revenue Fund"), administered and controlled by the Board. The funds so deposited in the Revenue Fund created under this resolution shall be used only as described in (a), (b), and (e) below:

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

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

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

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

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

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

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

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

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

In the event of the necessity of a withdrawal of funds from the Reserve Fund during a time when the Reserve Fund Requirement is being satisfied by a Reserve Fund Credit Facility or Facilities and funds of the Municipality, the funds shall be disbursed completely before any demand is made on the Reserve Fund Credit Facility. In the event all or a portion of the Reserve Fund Requirement is satisfied by more than one Reserve Fund Credit Facility, any demand for payment shall be pro rata between or among the Reserve Fund Credit Facilities. If a disbursement is made by demand on a Reserve Fund Credit Facility, the Municipality, from Revenues after payment of Current Expenses and required deposits to the Bond Fund, shall reimburse the Reserve Fund Credit Facility Issuer for all amounts advanced under the Reserve

Fund Credit Facility (pro rata, if more than one Reserve Fund Credit Facility), including all amounts payable under any Financial Guaranty Agreement or Agreements, and then replenish the Reserve Fund as provided herein.

In the event the Reserve Fund Requirement, or any part thereof, shall be satisfied with a Reserve Fund Credit Facility or Facilities, notwithstanding the terms of Article XII hereof, the terms, covenants, liability and liens provided or created herein or in any resolution supplemental hereto shall remain in full force and effect and said terms, covenants, liability and liens shall not terminate until all amounts payable under any Financial Guaranty Agreement have been paid in full and all obligations thereunder performed in full. If the Municipality shall fail to pay when due all amounts payable under any Financial Guaranty Agreement, the Reserve Fund Credit Facility Issuer shall be entitled to exercise any and all remedies available at law or under this resolution other than remedies that would adversely affect owners of Bonds.

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

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

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

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

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

Covenants Regarding the Operation of System

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

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

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

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

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

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

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

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

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

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

(d) If the facilities are being sold or disposed to an entity that is not a state or local government and the facilities were financed with the proceeds of Bonds the interest on which is excludable from gross income for federal income tax purposes, the Municipality or HUB shall have received an opinion of nationally recognized bond counsel to the effect that such sale, lease, mortgage or other disposition will not jeopardize the exclusion from federal income taxation of interest on any Bonds then outstanding intended to be excludable from gross income for federal income tax purposes.

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

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

Budgets. Prior to the beginning of each Fiscal Year, the Board shall prepare, or cause to be prepared, and adopted an annual budget of estimated revenues, Operating Expenses, and capital expenditures for the System for the ensuing Fiscal Year in compliance with the rate covenant requirement set forth in the Resolution, and will undertake to operate the System within such budget to the best of its ability. Copies of such budgets and amendments thereto will be made available to any registered owner of a Bond upon written request.

Franchises. Neither the Municipality nor HUB will construct, finance or grant a franchise for the development or operation of facilities that compete for service with the services to be provided by the System or consent to the provision of any such services in the area currently or hereafter served by the Municipality or HUB by any other public or private entity and will take all steps necessary and proper, including appropriate legal action to prevent any such entity from providing such service; provided, nothing herein contained shall prohibit the transfer or exchange of service areas to provide for more efficient operation of the System so long as HUB is in full compliance with the covenants set forth herein immediately following such transfer or exchange.

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

Remedies of Bond Owners

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

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

Prohibition of Prior Lien; Parity Bonds

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Discharge and Satisfaction of Bonds

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

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

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

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

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

and if the Municipality or HUB shall also pay or cause to be paid all other sums payable hereunder by the Municipality or HUB with respect to such Bonds, or make adequate provision therefor, and by resolution of the Governing Body instruct any such Escrow Agent to pay amounts when and as required to the Registration Agent for the payment of principal of and interest and redemption premiums, if any, on such Bonds when due, then and in that case the indebtedness evidenced by such Bonds shall be discharged and satisfied and all covenants, agreements and obligations of the Municipality and HUB to the holders of such Bonds shall be fully discharged and satisfied and shall thereupon cease, terminate and become void.

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

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

Modification of Resolution

Amendment Without Bondholder Consent. The Resolution may be amended without the consent of or notice to the registered owners of the Bonds for the purpose of curing any ambiguity or formal defect or omission herein; provided such amendment shall not adversely affect the registered owners, without taking into account any bond insurance policy.

Other Amendments. In addition to the amendments to the Resolution without the consent of registered owners as referred to in the Resolution, the registered owners of a majority in aggregate principal amount of the Bonds at any time outstanding (not including in any case any Bonds which may then be held or owned by or for the account of the Municipality but including such refunding bonds as may have been issued for the purpose of refunding any of such Bonds if such refunding bonds shall not then be owned by the Municipality) shall have the right from time to time to consent to and approve the adoption by the Governing Body of a resolution or resolutions modifying any of the terms or provisions contained in the Resolution; provided, however, that the Resolution may not be so modified or amended in such manner, without the consent of 100% of the registered owners of the Bonds, as to:

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

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

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

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

Any consent given by the registered owner of a Bond pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of the publication of the notice above provided for and shall be conclusive and binding upon all future registered owners of the same Bond during such period. Such consent may be revoked at any time after six months from the date of publication of such notice by the registered owner who gave such consent or by a successor in title by filing notice of such revocation at the Municipality office, but such revocation shall not be effective if the registered owners of a majority in aggregate principal amount of the Bonds outstanding as in this Section defined shall have, prior to the attempted revocation, consented to and approved the amendatory resolution referred to in such revocation.

APPENDIX E

**FINANCIAL STATEMENTS
OF
HARRIMAN UTILITY BOARD
OF THE
CITY OF HARRIMAN, TENNESSEE
FOR THE FISCAL YEAR ENDED
JUNE 30, 2024**

HARRIMAN UTILITY BOARD

AUDIT REPORT

June 30, 2024

Harriman Utility Board
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June 30, 2024

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INDEPENDENT AUDITOR'S REPORT

Harriman Utility Board
Harriman, Tennessee

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and the Pension Trust Fund of the Harriman Utility Board, a division of the City of Harriman, Tennessee, as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Harriman Utility Board's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities, each of major fund, the aggregate remaining fund information, and the Pension Trust Fund for the Harriman Utility Board, as of June 30, 2024 and 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller general of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Harriman Utility Board, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Harriman Utility Board's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists.

Harriman Utility Board

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Harriman Utility Board's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Harriman Utility Board's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Emphasis of Matter

As discussed in Note 12, the financial statements present only the Harriman Utility Board and do not purport to, and do not present fairly the financial position of the City of Harriman, Tennessee, as of June 30, 2024 and 2023, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 6 through 13 and the required supplementary information on pages 41 through 43 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Harriman Utility Board's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal award is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the List of Utilities Officials on page 45 but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

Harriman Utility Board

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2024, on our consideration of the Harriman Utility Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Harriman Utility Board'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 Harriman Utility Board's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Craig D. Harper, CPA". The signature is written in a cursive style.

December 27, 2024
Morristown, Tennessee

Management’s Discussion and Analysis

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

The intent of this discussion and analysis is to provide narrative discussion and analysis of the financial activities of HUB.

Financial Statement Overview

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

Table 1

Harriman Utility Board Condensed Statements of Net Position June 30, 2024, 2023 and 2022

	2024	2023	2022
Electric Department			
Current and Other Assets			
Cash & Temporary Cash Investments	\$ 7,137,413	\$ 8,729,428	\$ 7,556,945
Accounts Receivable, Net of Allowance	3,087,796	3,095,649	3,678,838
Materials & Supplies	669,242	610,215	539,731
Other Assets	987,967	532,400	2,122,097
Total Current and Other Assets	11,882,418	12,967,692	13,897,611
Net Property, Plant & Equipment	33,316,110	31,708,766	30,995,612
Total Assets	\$ 45,198,528	\$ 44,676,458	\$ 44,893,223

Current Liabilities			
Accounts Payable	\$ 4,177,801	\$ 3,759,197	\$ 3,597,671
Customer Deposits	1,403,559	1,478,229	1,677,405
Accrued Payroll, Taxes, and Vacation/Sick Leave	1,277,794	1,132,193	1,080,610
Other Payables	1,570,239	833,375	792,762
Other Liabilities	3,398,005	4,134,195	4,744,145
Total Current and Other Liabilities	<u>11,827,398</u>	<u>11,337,189</u>	<u>11,892,593</u>
Long Term Debt Outstanding	<u>2,365,000</u>	<u>2,610,000</u>	<u>2,855,000</u>
Total Liabilities	<u>\$ 14,192,398</u>	<u>\$ 13,947,189</u>	<u>\$ 14,747,593</u>

Net Position

Net Investment in Capital Assets	\$ 30,534,765	\$ 28,664,228	\$ 27,687,878
Restricted for Debt Service	-	-	-
Unrestricted	471,360	2,065,041	2,457,752
Total Net Position	<u>\$ 31,006,125</u>	<u>\$ 30,729,269</u>	<u>\$ 30,145,630</u>

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Gas Department			
Current and Other Assets			
Cash & Temporary Cash Investments	\$ 1,944,842	\$ 1,915,039	\$ 2,750,665
Materials & Supplies	106,315	108,997	95,323
Other Assets	618,350	784,924	761,058
Total Current and Other Assets	<u>2,669,507</u>	<u>2,808,960</u>	<u>3,607,046</u>
Net Property, Plant & Equipment	<u>9,724,008</u>	<u>9,559,649</u>	<u>9,072,823</u>
Total Assets	<u>\$ 12,393,515</u>	<u>\$ 12,368,609</u>	<u>\$ 12,679,869</u>

Current and Other Liabilities			
Customer Deposits	\$ 236,963	\$ 219,739	\$ 221,229
Accrued Payroll, Taxes, and Vacation/Sick Leave	338,835	303,122	285,807
Other Liabilities	967,873	981,421	1,302,302
Total Current and Other Liabilities	<u>1,543,671</u>	<u>1,504,282</u>	<u>1,809,338</u>
Long Term Debt Outstanding	<u>1,860,000</u>	<u>1,985,000</u>	<u>2,105,000</u>
Total Liabilities	<u>\$ 3,403,671</u>	<u>\$ 3,489,282</u>	<u>\$ 5,723,676</u>

Net Position

Net Investment in Capital Assets	\$ 7,643,690	\$ 7,353,484	\$ 6,740,809
Restricted for Debt Service	-	-	-
Unrestricted	1,346,154	1,525,836	2,024,722

Total Net Position	\$ 8,989,844	\$ 8,879,320	\$ 8,765,531
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	2024	2023	2022
Water Department			
Current and Other Assets			
Cash & Temporary Cash Investments	\$ 284,807	\$ 185,772	\$ 442,502
Sinking Funds	613,272	912,454	1,267,137
Materials & Supplies	227,084	217,764	187,559
Other Assets	623,189	574,840	879,603
Total Current and Other Assets	1,748,352	1,890,830	2,776,801
Net Property, Plant & Equipment	16,808,026	15,867,040	15,704,172
Total Assets	\$ 18,556,378	\$ 17,757,870	\$ 18,480,973

Current and Other Liabilities			
Customer Deposits	\$ 162,876	\$ 162,168	\$ 160,748
Accrued Payroll, Taxes, and Vacation/Sick Leave	304,199	280,728	268,253
Accrued Interest	5,636	6,160	6,685
Other Liabilities	1,278,651	1,300,222	1,624,149
Total Current and Other Liabilities	1,751,362	1,749,278	2,059,835
Long Term Debt Outstanding	3,804,853	4,085,281	4,364,761
Total Liabilities	\$ 5,556,215	\$ 5,834,559	\$ 8,484,431

Net Position

Net Investment in Capital Assets	\$ 12,558,102	\$ 11,327,518	\$ 10,875,974
Restricted for Debt Service	-	-	-
Unrestricted	442,067	595,796	1,180,404

Total Net Position	\$ 13,000,169	\$ 11,923,314	\$ 12,056,378
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	2024	2023	2022
Sewer Department			
Current and Other Assets			
Cash & Temporary Cash Investments	\$ 1,559,233	\$ 600,311	\$ 359,532
Sinking Funds	72,313	73,282	185,617
Accounts Receivable, Net of Allowance	213,181	156,851	217,868
Materials & Supplies	21,518	21,687	16,581
Other Assets	263,642	515,153	455,603
Total Current and Other Assets	2,129,887	1,367,284	1,235,201
Net Property, Plant & Equipment	15,607,744	16,145,049	16,400,457
Total Assets	\$ 17,737,631	\$ 17,512,333	\$ 17,635,658
Current and Other Liabilities			
Accrued Payroll, Taxes, and Vacation/Sick Leave	\$ 226,757	\$ 209,562	\$ 192,071
Accrued Interest	5,153	5,640	6,128
Other Liabilities	907,060	922,719	1,139,963
Total Current and Other Liabilities	1,138,970	1,137,921	1,338,162
Long Term Debt Outstanding	3,749,460	4,024,404	4,298,268
Total Liabilities	\$ 4,888,430	\$ 5,162,325	\$ 5,636,430
Net Position			
Net Investment in Capital Assets	\$ 11,448,389	\$ 11,703,354	\$ 11,677,477
Restricted for Debt Service	-	-	-
Unrestricted (Deficit)	1,400,812	646,655	321,752
Total Net Position	\$ 12,849,201	\$ 12,350,009	\$ 11,999,229

As indicated in Table 1, during the year Total Assets increased \$522,090 in the Electric Department from 2023 to 2024 and decreased \$216,765 from 2022 to 2023, increased \$24,906 in the Gas Department from 2023 to 2024 and decreased \$(311,260) from 2022 to 2023, increased \$798,508 in the Water Department from 2023 to 2024 and decreased \$(723,103) from 2022 to 2023, and increased \$225,298 in the Sewer Department from 2023 to 2024 and decreased \$(123,325) from 2022 to 2023.

This resulted in a total HUB increase of Total Assets of \$1,570,782 for fiscal year ending June 30, 2024 and an decrease of \$(1,374,453) for the fiscal year ending 2023.

Table 2

Harriman Utility Board
Condensed Statements of Revenue, Expenses and Change in Net Position
Years Ended June 30, 2024, 2023 and 2022

	Electric Department			Gas Department		
	2024	2023	2022	2024	2023	2022
Sales Revenue	\$29,220,685	\$29,333,406	\$ 25,606,652	\$ 3,125,144	\$ 3,541,329	\$ 2,970,879
Forfeited Discounts	227,075	234,413	222,700	21,293	20,154	18,637
Misc. Service Revenue	202,189	183,465	105,909	18,416	18,550	26,078
Rent from Utility Property	602,120	584,850	564,016	-	-	-
Other Income	165,065	86,510	217,402	39,145	7,814	-
Total Revenue	\$30,417,134	\$30,422,644	26,716,679	\$3,203,998	\$3,587,847	3,015,594
Operating Expenses	\$24,079,445	\$23,923,070	\$ 19,578,111	\$ 1,969,992	\$ 2,347,469	\$ 2,329,766
Maintenance Expenses	2,860,198	2,623,724	2,645,516	591,339	602,026	524,739
Depreciation Expenses	2,054,484	2,176,663	2,208,286	435,412	420,839	490,153
Interest Expense	50,440	57,786	60,123	38,603	42,201	44,603
Taxes & Tax Equivalents	1,095,708	1,057,761	1,156,327	58,129	59,440	58,707
Total Expenses	\$30,140,275	\$29,839,004	\$ 25,648,363	\$ 3,093,475	\$ 3,471,975	\$ 3,447,968
Change in Net Position	\$ 276,859	\$ 583,640	\$ 1,068,316	\$ 110,523	\$ 115,872	\$ (432,374)
	Water Department			Sewer Department		
	2024	2023	2022	2024	2023	2022
Sales Revenue	\$ 3,170,304	\$ 2,922,078	\$ 2,587,482	\$ 1,957,769	\$ 1,920,098	\$ 1,838,432
Forfeited Discounts	35,412	32,367	31,362	21,903	17,518	20,398
Misc. Service Revenue	62,557	52,753	72,475	12,830	3,630	6,862
Grant Revenue	883,248	42,996	15,373	417,779	275,139	-
Other Income	-	-	580	-	-	-
Total Revenue	\$ 4,151,521	\$ 3,050,194	\$ 2,707,272	\$ 2,410,281	\$ 2,216,385	\$ 1,865,692
Operating Expenses	1,776,957	1,915,801	1,610,479	871,277	846,790	865,597
Maintenance Expenses	509,915	470,066	447,445	281,330	261,412	187,363
Depreciation Expenses	644,507	638,941	631,786	635,869	629,798	615,241
Interest Expense	75,541	82,763	88,058	71,190	78,094	85,221
Taxes & Tax Equivalents	67,746	72,574	-	51,422	48,863	-
Total Expenses	\$ 3,074,666	\$ 3,180,145	\$ 2,777,768	\$ 1,911,088	\$ 1,864,957	\$ 1,753,422
Change in Net Position	\$ 1,076,855	\$ (129,951)	\$ (70,496)	\$ 499,193	\$ 351,428	\$ 112,270

As indicated in Table 2, during the year Total Revenue decreased \$(5,510) in the Electric Department from 2023 to 2024. This decrease was primarily due to the decline in residential sales in 2024. Total Revenue increased \$3,705,965 in the Electric Department from 2022 to 2023. This increase was primarily due to the addition of a Bitcoin Mining Facility which is our largest customer.

Total Revenue decreased \$(383,848) in the Gas Department from 2023 to 2024. This is primarily due to a change in rate structure. We added a Purchased Gas Adjustment (PGA) that helps to prevent large changes in income due to the volatility in purchased gas prices. There was an overall decline in sales volume in 2024 compared to 2023. Total Revenue increased \$572,253 in the Gas Department from 2022 to 2023. This was primarily due to a change in rate structure.

Revenues increased \$1,101,327 in the Water Department from 2023 to 2024 due to rate changes in FY24. The majority of the increase was the result of receiving \$883,248 in grant funds in 2024. Revenues increased \$342,922 in the Water Department from 2022 to 2023 due to rate changes in FY23. Total Revenue increased \$193,896 in the Sewer Department from 2023 to 2024 primarily due to American Rescue Plan Act grants being received as well as rate increases for FY23.

Total Revenue increased \$350,693 in the Sewer Department from 2022 to 2023 primarily due to American Rescue Plan Act grants being received as well as rate increases for FY23.

Also shown in Table 2, during the year Total Expenses increased \$301,271 in the Electric Department from 2023 to 2024 due to higher Operational and Maintenance cost over 2023. The Purchased Power cost was up due to the expiration of the Pandemic Relief Credit in 2024. Total Expenses increased \$4,190,641 in the Electric Department from 2022 to 2023 largely due to higher purchased power costs and the addition of our largest customer. The Fuel Cost Adjustment also affects our Purchased Power bills to TVA.

The year ending June 30, 2023 saw Total Expenses decreased by \$(378,500) in the Gas Department from 2023 to 2024. Purchased Gas decreased in FY24 due to declining costs of natural gas even though more gas was being purchased. Total Expenses increased by \$26,082 in the Gas Department from 2022 to 2023. This was due to increases in the costs of natural gas as well as more gas being purchased.

Total Expenses in the Water Department saw a decrease of \$(105,479) from 2023 to 2024 due to a decrease in Administrative and General Expenses. Total Expenses in the Water Department saw an increase of \$405,493 due to increased purification and maintenance expenses from 2022 to 2023.

The current fiscal year saw Total Expenses increased \$46,131 in the Sewer Department due to the addition of employees and inflation from 2023 to 2024. Total Expenses increased \$112,184 in the Sewer Department due to normal inflationary costs from 2022 to 2023.

All this activity resulted in a total HUB change of Net Position of \$1,963,430 for fiscal year ending June 30, 2024. This is an increase of \$1,042,441 from last year's change in Net Position.

Cash and Cash Investments

As of June 30, 2024, HUB had the following cash balances:

Electric	\$ 7,137,413	of which \$7,013,558 is unrestricted internally
Gas	\$ 1,944,842	of which \$1,650,642 is unrestricted internally
Water	\$ 898,079	of which \$284,807 is unrestricted internally
Sewer	\$ 1,631,547	of which \$1,559,233 is unrestricted internally

The total cash available at June 30, 2024 is \$11,611,881 of which \$10,508,240 is unrestricted internally.

Debt

As of June 30, 2024, HUB had total outstanding debt of \$13,271,002. As of June 30, 2023, HUB had total outstanding debt of \$14,231,919. HUB did not issue any new debt for the Fiscal Year ending 2023 or 2024.

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

In April of 2021, HUB issued the FHN Series 2021A Bonds to refinance the BB&T Capital Outlay Note, First TN Capital Outlay Note, Regions Bond Anticipation Note and the VII-H-1 Bonds. This issuance allowed HUB to save on future

interest costs by refinancing to a True Interest Cost of approximately 1.40%. This debt also provided some new funding for the #2 Water Filter Rehab at our Water Treatment Plant as well as our Clarifier Rehab at the Wastewater Treatment Plant.

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

Table 3

	2024	2023	2022
FHN Series 2021A Bonds - \$9,525,000	\$ 7,400,000	\$ 7,970,000	\$ 8,540,000
FHN Series 2021A Bond Premium (Forgivable) - \$474,117	373,280	404,511	435,749
FHN Series 2021B Bonds - \$4,150,000	3,555,000	3,755,000	3,955,000
FHN Series 2021B Bond Premium (Forgivable) - \$227,290	193,037	204,439	215,844
State Revolving Loan-\$1,600,000 Sewer	879,404	958,208	1,036,016
State Revolving Loan-\$1,440,000 Water (\$1,432,067 drawn)	870,281	939,761	1,008,317
Total Outstanding Debt	\$ 13,271,002	\$ 14,231,919	\$ 15,190,926

**Harriman Utility Board
Schedule of Plant
June 30, 2024**

Table 4

	Balance June 30, 2023	Additions	Retirements	Balance June 30, 2024	Net of Depreciation	Balance June 30, 2022
Electric Department						
Transmission Plant	\$ 6,769,984	\$ 500	\$ -	\$ 6,770,484	\$ 2,116,769	\$ 6,769,984
Distribution Plant	57,451,007	2,158,300	471,556	59,137,751	23,521,592	55,627,628
General Plant	13,708,196	2,429,183	610,915	15,526,464	7,677,749	12,117,721
Total Electric System	\$ 77,929,187	\$ 4,587,983	\$ 1,082,471	\$ 81,434,699	\$ 33,316,110	\$ 74,515,333
Gas Department						
Transmission Plant	\$ 611,676	\$ -	\$ -	\$ 611,676	\$ 330,024	\$ 611,676
Distribution Plant	12,055,925	239,338	-	12,295,263	6,633,792	11,764,064
General Plant	4,661,433	454,388	-	5,115,821	2,760,192	3,956,970
Total Gas System	\$ 17,329,034	\$ 693,726	\$ -	\$ 18,022,760	\$ 9,724,008	\$ 16,332,710
Water Department						
Treatment Plant	\$ 2,798,699	\$ 30,116	\$ -	\$ 2,828,815	\$ 1,550,179	\$ 2,792,553
Distribution Plant	22,627,721	445,566	-	23,073,287	12,714,963	22,583,214
General Plant	4,053,138	718,045	-	4,771,183	2,542,884	3,259,616
Total Water System	\$ 29,479,558	\$ 1,193,727	\$ -	\$ 30,673,285	\$ 16,808,026	\$ 28,635,383
Sewer Department						
Treatment Plant	\$ 12,681,410	\$ 16,087	\$ -	\$ 12,697,497	\$ 6,454,654	\$ 12,624,004
Transmission Plant	17,058,567	85,776	-	17,144,343	8,649,018	16,875,492
General Plant	1,089,431	4,573	-	1,094,004	504,072	947,357
Total Sewer System	\$ 30,829,408	\$ 106,436	\$ -	\$ 30,935,844	\$ 15,607,744	\$ 30,446,853
Total Utility Plant	\$ 155,567,187	\$ 6,581,872	\$ 1,082,471	\$ 161,066,588	\$ 75,455,888	\$ 149,930,279

As indicated in Table 4 Total Gross Plant Assets increased by \$5,499,401 from 2023 to 2024 and \$5,636,906 from 2022 to 2023.

Payment in Lieu of Taxes

The HUB Electric System makes in lieu of tax payments to the Cities of Harriman and Oakdale, and to Roane and Morgan Counties. The in lieu of tax payment is based on a formula provided by the State of Tennessee Municipal Electric System Tax Equivalent Law of 1987. The total in lieu of tax payments for the year ended June 30, 2024 was \$801,747, for 2023 was \$783,312, and for 2022 was \$897,973 per agreement with the City of Harriman.

Factors Affecting Future Financial Statements and Rates

The Harriman Utility Board (HUB) continues to upgrade and improve itself. Harriman Utility Board will continue to upgrade its infrastructure in 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.

Harriman Utility Board
Statements of Net Position
June 30, 2024

	Electric Department	Gas Department	Sewer Department	Water Department	Totals
<u>Assets</u>					
Current assets:					
Cash - interest bearing	\$ 7,092,313	\$ 1,944,842	\$ 1,631,547	\$ 898,080	\$ 11,566,782
Receivables:					
Trade accounts (net of allowance for doubtful accounts) and grants receivable	3,087,796	-	-	-	3,087,796
Due from (to) other utility departments	304,809	(44,301)	213,181	189,998	663,687
Other	64,375	73,843	159,290	269,031	566,539
Total receivables	3,456,980	29,542	372,471	459,029	4,318,022
Materials and supplies inventory	669,242	106,315	21,518	227,084	1,024,159
Prepaid expenses	6,557	435,751	2,315	11,111	455,734
Total current assets	11,225,092	2,516,450	2,027,851	1,595,304	17,364,697
Emergency reserve fund	45,100	-	-	-	45,100
Total restricted assets	45,100	-	-	-	45,100
Property, plant and equipment:					
Land and land rights	99,773	-	-	-	99,773
Plant in service	77,995,874	17,104,994	30,814,212	29,259,072	155,174,152
Less: Accumulated Depreciation	(48,118,589)	(8,298,753)	(15,328,101)	(13,865,259)	(85,610,702)
	29,977,058	8,806,241	15,486,111	15,393,813	69,663,223
Construction in progress	3,339,052	917,767	121,633	1,414,213	5,792,665
Net property, plant and equipment	33,316,110	9,724,008	15,607,744	16,808,026	75,455,888
Total assets	44,586,302	12,240,458	17,635,595	18,403,330	92,865,685
Deferred outflows of resources:					
Deferred pension outflows	612,226	153,057	102,037	153,049	1,020,369
Total deferred outflows of resources	612,226	153,057	102,037	153,049	1,020,369
Total assets and deferred outflows of resources	\$ 45,198,528	\$ 12,393,515	\$ 17,737,632	\$ 18,556,379	\$ 93,886,054

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

	Electric Department	Gas Department	Sewer Department	Water Department	Totals
Liabilities and net position					
Trade accounts payable	\$ 4,177,801	\$ -	\$ -	\$ -	\$ 4,177,801
Due to other utility departments	598,901	-	-	89,454	688,355
Accrued payroll and taxes	185,838	-	-	-	185,838
Customers' deposits	1,403,559	236,962	-	162,876	1,803,397
Other payables	396,144	-	1,081	-	397,225
Unearned revenue	575,194	-	-	-	575,194
Total current liabilities (payable from current assets)	7,337,437	236,962	1,081	252,330	7,827,810
Current liabilities (payable from restricted assets):					
Current installments of long-term debt	245,000	125,000	274,884	280,428	925,312
Accrued interest	5,158	3,429	5,153	5,635	19,375
Total current liabilities (payable from restricted assets)	250,158	128,429	280,037	286,063	944,687
Non current liabilities:					
Compensated absences	1,091,956	338,828	226,758	304,200	1,961,742
Total non current liabilities	1,091,956	338,828	226,758	304,200	1,961,742
Long- term debt:					
Revenue bonds and revenue refunding bonds	-	-	3,749,460	3,804,853	7,554,313
Notes payable and obligations under capital lease	2,365,000	1,860,000	-	-	4,225,000
Unamortized premiums/discounts	171,345	95,318	135,011	164,643	566,317
Total long-term debt	2,536,345	1,955,318	3,884,471	3,969,496	12,345,630
Long-term liabilities:					
Net pension liability	2,976,502	744,126	496,084	744,126	4,960,838
Total long-term liabilities	2,976,502	744,126	496,084	744,126	4,960,838
Total liabilities	14,192,398	3,403,663	4,888,431	5,556,215	28,040,707
Net position:					
Net investment in capital assets	30,534,765	7,643,690	11,448,389	12,558,102	62,184,946
Restricted for debt service	-	-	-	-	-
Unrestricted	471,365	1,346,162	1,400,812	442,062	3,660,401
Total net position	31,006,130	8,989,852	12,849,201	13,000,164	65,845,347
Total liabilities and net position	\$ 45,198,528	\$ 12,393,515	\$ 17,737,632	\$ 18,556,379	\$ 93,886,054

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

Harriman Utility Board
Statements of Net Position
June 30, 2023

	Electric Department	Gas Department	Sewer Department	Water Department	Totals
<u>Assets</u>					
Current assets:					
Cash - interest bearing	\$ 8,614,328	\$ 1,915,039	\$ 673,594	\$ 1,098,226	\$ 12,301,187
Receivables:					
Trade accounts (net of allowance for doubtful accounts) and grants receivable	2,679,920	-	-	-	2,679,920
Due from (to) other utility departments	415,729	(75,278)	156,851	156,202	653,504
Other	(108,097)	80,865	405,746	242,602	621,116
Total receivables	2,987,552	5,587	562,597	398,804	3,954,540
Materials and supplies inventory	610,215	108,997	21,687	217,764	958,663
Prepaid expenses	5,737	620,647	3,615	17,354	647,353
Total current assets	12,217,832	2,650,270	1,261,493	1,732,148	17,861,743
Emergency reserve fund	115,100	-	-	-	115,100
Total restricted assets	115,100	-	-	-	115,100
Property, plant and equipment:					
Land and land rights	710,688	-	-	-	710,688
Plant in service	75,678,329	16,798,662	30,711,548	28,775,083	151,963,622
Less: Accumulated Depreciation	(46,220,421)	(7,769,386)	(14,684,358)	(13,612,518)	(82,286,683)
	30,168,596	9,029,276	16,027,190	15,162,565	70,387,627
Construction in progress	1,540,170	530,373	117,859	704,475	2,892,877
Net property, plant and equipment	31,708,766	9,559,649	16,145,049	15,867,040	73,280,504
Total assets	44,041,698	12,209,919	17,406,542	17,599,188	91,257,347
Deferred outflows of resources:					
Deferred pension outflows	634,760	158,690	105,792	158,682	1,057,924
Total deferred outflows of resources	634,760	158,690	105,792	158,682	1,057,924
Total assets and deferred outflows of resources	\$ 44,676,458	\$ 12,368,609	\$ 17,512,334	\$ 17,757,870	\$ 92,315,271

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

	Electric Department	Gas Department	Sewer Department	Water Department	Totals
Liabilities and net position					
Trade accounts payable	\$ 3,759,197	\$ -	\$ -	\$ -	\$ 3,759,197
Due to other utility departments	564,053	-	-	89,454	653,507
Accrued payroll, payroll taxes, and taxes	144,795	-	-	-	144,795
Customers' deposits	1,478,229	219,738	-	162,168	1,860,135
Other payables	269,322	-	1,077	-	270,399
Unearned revenue	667,782	-	-	-	667,782
Total current liabilities (payable from current assets)	6,883,378	219,738	1,077	251,622	7,355,815
Current liabilities (payable from restricted assets):					
Current installments of long-term debt	245,000	120,000	273,804	279,480	918,284
Accrued interest	5,770	3,729	5,640	6,160	21,299
Total current liabilities (payable from restricted assets)	250,770	123,729	279,444	285,640	939,583
Non current liabilities:					
Compensated absences	987,398	303,122	209,563	280,728	1,780,811
Total non current liabilities	987,398	303,122	209,563	280,728	1,780,811
Long- term debt:					
Revenue bonds and revenue refunding bonds	-	-	4,024,404	4,085,281	8,109,685
Notes payable and obligations under capital lease	2,610,000	1,985,000	-	-	4,595,000
Unamortized premiums/discounts	189,538	101,165	143,487	174,761	608,951
Total long-term debt	2,799,538	2,086,165	4,167,891	4,260,042	13,313,636
Long-term liabilities:					
Net pension liability	3,026,105	756,527	504,351	756,527	5,043,510
Total long-term liabilities	3,026,105	756,527	504,351	756,527	5,043,510
Total liabilities	13,947,189	3,489,281	5,162,326	5,834,559	28,433,355
Net position:					
Net investment in capital assets	28,664,228	7,353,484	11,703,354	11,327,518	59,048,584
Restricted for debt service	-	-	-	-	-
Unrestricted	2,065,041	1,525,844	646,654	595,793	4,833,332
Total net position	30,729,269	8,879,328	12,350,008	11,923,311	63,881,916
Total liabilities and net position	\$ 44,676,458	\$ 12,368,609	\$ 17,512,334	\$ 17,757,870	\$ 92,315,271

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

Harriman Utility Board
Statements of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2024

	Electric Department	Gas Department	Sewer Department	Water Department	Totals
Operating revenues:					
Residential	\$ 16,654,356	\$ 1,755,689	\$ -	\$ -	\$ 18,410,045
Commercial, industrial and interruptible	11,773,392	1,369,455	-	-	13,142,847
Sewer and water charges	-	-	1,957,769	3,170,304	5,128,073
Street and outdoor lighting sales	792,938	-	-	-	792,938
Customers' forfeited discounts	227,075	21,293	21,903	35,412	305,683
Rent from City	21,624	-	-	-	21,624
Rent from others	580,496	-	-	-	580,496
Miscellaneous	113,070	18,416	12,830	62,557	206,873
Bad debt expense	(80,044)	(6,492)	(13,900)	(21,258)	(121,694)
Total operating revenues	30,082,907	3,158,361	1,978,602	3,247,015	38,466,885
Operating expenses:					
Operation	20,063,509	-	-	-	20,063,509
Repairs and maintenance	1,956,520	-	-	-	1,956,520
Purchased gas	-	953,585	-	-	953,585
Power, pumping and utilities	-	-	167,786	364,038	531,824
Purification	-	-	240,267	337,349	577,616
Transmission and distribution	1,691,401	591,339	281,330	509,915	3,073,985
Customers' accounting and collection	654,060	306,115	61,672	279,654	1,301,501
Administrative and general	2,787,892	761,929	439,073	854,669	4,843,563
Depreciation and amortization	2,054,484	435,412	635,870	644,507	3,770,273
Total operating expenses	29,207,866	3,048,380	1,825,998	2,990,132	37,072,376
Operating income	875,041	109,981	152,604	256,883	1,394,509
Non-operating revenue (expenses):					
Interest income	254,005	39,145	-	-	293,150
Interest expense	(50,440)	(38,602)	(71,190)	(63,277)	(223,509)
Amortization debt costs	-	-	-	-	-
Total non-operating revenue (expenses)	203,565	543	(71,190)	(63,277)	69,641
Net income before capital contributions and transfers	1,078,606	110,524	81,414	193,606	1,464,150
Capital contributions	-	-	417,779	883,247	1,301,026
Transfers out	(801,745)	-	-	-	(801,745)
Change in net position	276,861	110,524	499,193	1,076,853	1,963,431
Net position:					
Beginning of year	30,729,269	8,879,328	12,350,008	11,923,311	63,881,916
End of year	<u>\$ 31,006,130</u>	<u>\$ 8,989,852</u>	<u>\$ 12,849,201</u>	<u>\$ 13,000,164</u>	<u>\$ 65,845,347</u>

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

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

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

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

Harriman Utility Board
Statements of Cash Flows
For the Year Ended June 30, 2024

	Electric	Gas	Sewer	Water	Totals
Cash flows from operating activities:					
Receipts from customers and users	\$ 29,375,987	\$ 3,158,361	\$ 1,978,602	\$ 3,247,015	\$ 37,759,965
Payments to suppliers and vendors	(25,241,847)	(2,262,597)	(1,025,637)	(2,038,054)	(30,568,135)
Payments to employees	(1,082,481)	(295,057)	(147,610)	(293,235)	(1,818,383)
Other receipts (payments)	(120,477)	154,173	186,915	(60,751)	159,860
Net cash provided by (used in) operating activities	2,931,182	754,880	992,270	854,975	5,533,307
Cash flows from capital and related financing activities:					
Acquisitions and construction of capital assets					
Additions to plant	(4,418,423)	(693,723)	(224,299)	(1,193,727)	(6,530,171)
Salvage value of plant retirements	756,599	93,950	125,731	(391,766)	584,514
Principal paid on revenue and revenue refunding bond maturities	-	-	(273,864)	(279,480)	(553,344)
Principal paid on notes payable and finance leases	(245,000)	(120,000)	-	-	(365,000)
Interest paid on bonds, notes and finance leases	(50,440)	(38,602)	(71,190)	(63,277)	(223,509)
Amortization of debt costs	(18,193)	(5,847)	(8,476)	(10,119)	(42,635)
Capital grants	-	-	417,781	883,248	1,301,029
Additional long term borrowings	-	-	-	-	-
Net cash provided for (used in) capital and related financing activities	(3,975,457)	(764,222)	(34,317)	(1,055,121)	(5,829,116)
Cash flows from noncapital financing activities:					
Transfer out	(801,745)	-	-	-	(801,745)
Net cash provided by (used in) noncapital financing activities	(801,745)	-	-	-	(801,745)
Cash flows from investing activities:					
Interest from cash management activities	254,005	39,145	-	-	293,150
Net cash provided by (used in) investing activities	254,005	39,145	-	-	293,150
Net increase (decrease) in cash and cash equivalents	(1,592,015)	29,803	957,953	(200,146)	(804,403)
Cash and cash equivalents at beginning of year	8,729,428	1,915,039	673,594	1,098,226	12,416,287
Cash and cash equivalents at end of year	\$ 7,137,413	\$ 1,944,842	\$ 1,631,547	\$ 898,080	\$ 11,611,884
Summary of cash and cash equivalents at end of year					
Cash - interest bearing	\$ 7,092,313	\$ 1,944,842	\$ 1,631,547	\$ 898,080	\$ 11,566,784
Restricted assets	45,100	-	-	-	45,100
Total	\$ 7,137,413	\$ 1,944,842	\$ 1,631,547	\$ 898,080	\$ 11,611,884
Cash flows from operating activities:					
Operating income	\$ 875,041	\$ 109,981	\$ 152,604	\$ 256,883	\$ 1,394,509
Adjustments to reconcile net income to net cash provided by (used in) operating activities:					
Depreciation and amortization	2,054,482	435,412	635,870	644,507	3,770,271
Change in assets and liabilities:					
(Increase) decrease in accounts receivable	(706,920)	-	-	-	(706,920)
(Increase) decrease in inventories	(59,027)	2,682	169	(9,320)	(65,496)
(Increase) decrease in other assets	(820)	160,941	191,427	(53,982)	297,566
(Increase) decrease in deferred outflows	(70,054)	5,633	3,755	5,633	(55,033)
Increase (decrease) in accounts payable	656,093	-	-	-	656,093
Increase (decrease) in accrued liabilities	306,660	35,408	16,712	22,947	381,727
Increase (decrease) in net pension liability	(49,603)	(12,401)	(8,267)	(12,401)	(82,672)
Increase (decrease) in customer deposits	(74,670)	17,224	-	708	(56,738)
Net cash provided by (used in) operating activities	\$ 2,931,182	\$ 754,880	\$ 992,270	\$ 854,975	\$ 5,533,307

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

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

	Electric	Gas	Sewer	Water	Totals
Cash flows from operating activities:					
Receipts from customers and users	\$ 31,313,343	\$ 3,572,794	\$ 1,930,559	\$ 2,997,135	\$ 39,813,831
Payments to suppliers and vendors	(24,596,145)	(2,525,438)	(866,243)	(2,102,151)	(30,089,977)
Payments to employees	(1,552,158)	(476,480)	(293,394)	(347,062)	(2,669,094)
Other receipts (payments)	(84,955)	(338,599)	(184,066)	(9,970)	(617,590)
Net cash provided by (used in) operating activities	5,080,085	232,277	586,856	537,952	6,437,170
Cash flows from capital and related financing activities:					
Acquisitions and construction of capital assets					
Additions to plant	(3,084,024)	(907,667)	(374,172)	(834,111)	\$ (5,199,974)
Salvage value of plant retirements	194,205	-	-	-	194,205
Principal paid on revenue and revenue refunding bond maturities					
	-	-	(272,808)	(278,556)	(551,364)
Principal paid on notes payable and finance leases					
	(245,000)	(120,000)	-	-	(365,000)
Interest paid on bonds, notes and finance leases					
	(57,786)	(42,201)	(78,094)	(69,575)	(247,656)
Amortization of debt costs					
	(18,196)	(5,849)	(8,477)	(10,120)	(42,642)
Capital grants					
	-	-	275,139	42,996	318,135
Additional long term borrowings					
	-	-	-	-	-
Net cash provided for (used in) capital and related financing activities	(3,210,801)	(1,075,717)	(458,412)	(1,149,366)	(5,894,296)
Cash flows from noncapital financing activities:					
Transfer out	(783,312)	-	-	-	(783,312)
Net cash provided by (used in) noncapital financing activities	(783,312)	-	-	-	(783,312)
Cash flows from investing activities:					
Interest from cash management activities	86,510	7,814	-	-	94,324
Net cash provided by (used in) investing activities	86,510	-	-	-	94,324
Net increase (decrease) in cash and cash equivalents					
	1,172,483	(835,626)	128,444	(611,414)	(146,113)
Cash and cash equivalents at beginning of year					
	7,556,945	2,750,665	545,150	1,709,640	12,562,400
Cash and cash equivalents at end of year					
	\$ 8,729,428	\$ 1,915,039	\$ 673,594	\$ 1,098,226	\$ 12,416,287
Summary of cash and cash equivalents at end of year					
Cash - interest bearing					
	\$ 8,614,328	\$ 1,915,039	\$ 673,594	\$ 1,098,226	\$ 12,301,187
Restricted assets					
	115,100	-	-	-	115,100
Total					
	\$ 8,729,428	\$ 1,915,039	\$ 673,594	\$ 1,098,226	\$ 12,416,287
Cash flows from operating activities:					
Operating income	\$ 1,338,227	\$ 148,184	\$ 153,734	\$ (106,488)	\$ 1,533,657
Adjustments to reconcile net income to net cash provided by (used in) operating activities:					
Depreciation and amortization					
	2,176,662	420,838	629,579	671,243	3,898,322
Change in assets and liabilities:					
(Increase) decrease in accounts receivable					
	998,918	-	-	-	998,918
Customers' deposits					
	(70,484)	(13,674)	(5,106)	(30,205)	(119,469)
(Increase) decrease in other assets					
	(69,916)	(334,821)	(205,836)	(6,192)	(616,765)
(Increase) decrease in deferred outflows					
	(108,586)	(27,164)	(18,109)	(27,164)	(181,023)
Increase (decrease) in accounts payable					
	161,529	-	-	-	161,529
Increase (decrease) in accrued liabilities					
	759,364	17,017	17,003	11,951	805,335
Increase (decrease) in net pension liability					
	93,547	23,387	15,591	23,387	155,912
Increase (decrease) in customer deposits					
	(199,176)	(1,490)	-	1,420	(199,246)
Net cash provided by (used in) operating activities	\$ 5,080,085	\$ 232,277	\$ 586,856	\$ 537,952	\$ 6,437,170

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

Harriman Utility Board
Statement of Fiduciary Net Position-Pension Trust Fund
For the Year Ended June 30, 2024

	<u>2024</u>	<u>2023</u>
<u>Assets</u>		
Cash & Cash Equivalents	\$ 1,314,762	\$ 1,719,203
Receivable: Investment Income	19,310	15,350
Investments: Fixed Income	2,276,042	1,998,686
Equities	2,690,585	2,140,142
Total Assets	<u>\$ 6,300,699</u>	<u>\$ 5,873,381</u>
<u>Net Position</u>		
Restricted for pension benefits	<u>\$ 6,300,699</u>	<u>\$ 5,873,381</u>

Harriman Utility Board
Statement of Changes in Fiduciary Net Position-Pension Trust Fund
For the Year Ended June 30, 2024

	<u>2024</u>	<u>2023</u>
<u>Additions</u>		
Employer contributions	\$ 770,909	\$ 750,000
Employee contributions	215,059	207,675
Investment Income	698,045	(175,323)
Total Additions	<u>1,684,013</u>	<u>782,352</u>
<u>Deductions</u>		
Benefit payments/refunds	1,233,819	624,106
Administrative expenses	22,876	22,395
Total Deductions	<u>1,256,695</u>	<u>646,501</u>
Net increase in fiduciary net position	427,318	135,851
Total net position restricted for pension benefits - beginning of year	<u>5,873,381</u>	<u>5,737,530</u>
Total net position restricted for pension benefits - end of year	<u>\$ 6,300,699</u>	<u>\$ 5,873,381</u>

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

Harriman Utility Board
Notes to Financial Statements
June 30, 2024

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

General

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Basis of Presentation

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

The Board has a pension trust fund, where the assets are held by Home Federal Bank. The activity of this fund is reported on the Statement of Fiduciary Net Position.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating and Non-Operating Revenues and Expenses

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

Fiscal Year-End

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

Cash and Cash Equivalents

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

At June 30, 2024 and 2023, the Board's deposits in financial institutions were entirely insured or collateralized with securities held by the Board's agent in the Board's name.

Investments

Investments are recorded at fair value as determined by quoted market prices at the balance sheet date. The Board has not formally adopted an investment policy and places no limit on the amount that may be invested in any one issuer. State statutes authorize the Board to invest in certificates of deposit, U.S. Treasury Obligations, U.S. Agency Issues, and the State of Tennessee local government investment pool. As of June 30, 2024 and 2023, the Board did not have any of these types of investments.

Income Taxes

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

Materials and Supplies Inventories

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

Plant and Equipment

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

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The provision for depreciation does not include depreciation on transportation equipment. Those amounts are reported as operating expenses totaling \$584,514 in 2024 and \$441,536 in 2023, in the Statements of Revenues, Expenses and Changes in Net Position. The cost of maintenance and repairs is charged to expense as incurred.

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

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

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

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

Allowance for Doubtful Accounts – An allowance is maintained for doubtful accounts during the fiscal year. The allowance is adjusted at year end to reflect the current year bad debt expense. Residential operating revenue is netted with bad debt expense for the electric and gas departments; operating revenue is netted with bad debt expense for the sewer and water departments. Since customer receivables are all collected in the electric department, the Board allocates a bad debt expense to the other departments. The bad debt expense in 2024 for electric, gas, sewer, and water are \$80,044, \$6,492, \$13,900, and \$21,258, respectively.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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

NOTE 2 - POWER CONTRACT

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

NOTE 3 - RETIREMENT PLAN

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

Measurement Period – The measurement period is April 1, 2023, to March 31, 2024.

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

Employees Covered by Benefit Terms - At the measurement date of March 31, 2024, 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	9

Active Plan Participants:

Vested (Fully and Partially)	54
Nonvested	14

Total Membership	<u>78</u>
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Contributions - Utility employees are required to contribute 3% of salary if hired before April 1, 2009, and 5% of their annual salary to the plan if hired on April 1, 2009, or thereafter. The Utility is required to contribute the remaining amounts necessary to fund the plan using the actuarial basis specified by statute. For the year ended June 30, 2024, employer's contributions for the Utility were \$779,870 based on a rate of 13.80% of covered payroll. 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. The Utility's net pension liability (asset) was measured as of March 31, 2024, 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, 2024, 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	6.5%, net of pension plan investment expenses

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

Discount Rate - Pre-retirement: 6.50% per annum; post-retirement: 5.00% per annum (6.50% for participants hired on or after April 1, 2009). Paragraph 43 of Statement No. 67 provides for an alternative method to be used other than the projection of the pension plan's fiduciary net position based on projected contributions, benefit payments, and investment earnings. The annual recommended contribution is based on the Entry Age Normal Funding Method where the contribution is equal to the normal cost plus the 20-year closed amortization of the unfunded liabilities. Harriman Utility Board adopted a funding policy as required by recent State of Tennessee legislation.

NOTE 3 - RETIREMENT PLAN (CONTINUED)

The funding policy states that the Board will contribute at least the actuarially determined contribution as described in the funding policy. Based on actuarial theory if the actuarial experience is within reasonable expectations, and the Board makes at least the actuarially determined contribution, the plan's fiduciary net position will remain positive.

	Increase(Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	a	b	a-b
Balances as 6/30/2023	<u>\$ 11,032,591</u>	<u>\$ 5,989,081</u>	<u>\$ 5,043,510</u>
Changes for the year:			
Service Cost	345,646		345,646
Interest	739,039		739,039
Change Of Assumption	220,986		220,986
Experience (Gains)/Losses	116,460		116,460
Difference Between Actual and Expected		192,778	(192,778)
Contributions-Employer		779,870	(779,870)
Contributions-Employee		135,306	(135,306)
Net Investment Income		419,885	(419,885)
Benefit Payments	(873,282)	(873,282)	-
Administrative Expenses		(23,037)	23,037
Net Changes	<u>548,849</u>	<u>631,520</u>	<u>(82,671)</u>
Balances as 6/30/2024	<u>\$ 11,581,440</u>	<u>\$ 6,620,601</u>	<u>\$ 4,960,839</u>

Sensitivity of the net pension liability (asset) to changes in the discount rate - The following presents the net pension liability (asset) of the Utility calculated using the discount rate of 6.50% , 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 (5.50%) or 1-percentage-point higher (7.50%) than the current rate:

	1% Decrease	Current Rate	1% Increase
	5.50%	6.50%	7.50%
Net Pension Liability	<u>\$ 7,533,264</u>	<u>\$ 5,341,179</u>	<u>\$ 3,549,532</u>

Pension Expense - For the year ended June 30, 2024, the Utility recognized pension expense of \$779,870.

Deferred outflows of resources and deferred inflows of resources - For the year ended June 30, 2024, the Utility reported deferred outflows of resources related to pensions from the following sources, the period from March 31, 2023 to June 30, 2024:

	Deferred Outflow of Resources	Deferred Inflow of Resources	Net
Difference between expected and actual experience	\$ 2,147,560	\$ (474,529)	\$ 1,673,031
Net difference between projected and actual earnings on pension	316,942	(253,164)	63,778
Changes of assumptions	453,987	(1,170,418)	(716,431)
Total	<u>\$ 2,918,489</u>	<u>\$ (1,898,111)</u>	<u>\$ 1,020,378</u>

NOTE 3 - RETIREMENT PLAN (CONTINUED)

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

Year Ended June 30:	Outflows	Inflows	Net
2025	\$ 440,617	\$ (305,933)	\$ 134,684
2026	440,621	(221,697)	218,924
2027	282,148	(221,697)	60,451
2028	282,148	(216,793)	65,355
Thereafter	1,472,955	(931,991)	540,964
Total	<u>\$ 2,918,489</u>	<u>\$ (1,898,111)</u>	<u>\$ 1,020,378</u>

NOTE 4 – FAIR VALUE OF INVESTMENTS

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

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

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

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

The following table summarizes the assets and liabilities of the Proprietary Fund and Pension Trust Fund for which fair values are determined on a recurring basis as of March 31, 2024 and 2023:

NOTE 4 – FAIR VALUE OF INVESTMENTS (CONTINUED)

	Fair Value Measurements Using			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
March 31, 2024				
Pension Trust Fund				
Cash and Cash Equivalents	\$ 1,334,072	\$ -	\$ -	\$ 1,334,072
Fixed Income	2,276,042	-	-	2,276,042
Equities	-	2,690,585	-	2,690,585
Total Investments, at Fair Value	<u>\$ 3,610,114</u>	<u>\$ 2,690,585</u>	<u>\$ -</u>	<u>\$ 6,300,699</u>
March 31, 2023				
Pension Trust Fund				
Cash and Cash Equivalents	\$ 1,734,553	\$ -	\$ -	\$ 1,734,553
Fixed Income	1,998,686	-	-	1,998,686
Equities	-	2,140,142	-	2,140,142
Total Investments, at Fair Value	<u>\$ 3,733,239</u>	<u>\$ 2,140,142</u>	<u>\$ -</u>	<u>\$ 5,873,381</u>

For the fiscal years 2024 and 2023, there were no significant transfers in or out of Levels 1, 2, or 3. There have been no changes in the methodologies used for fiscal years 2024 and 2023.

NOTE 5 - CONCENTRATION OF CREDIT RISK

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

NOTE 6 – LONG-TERM DEBT

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

NOTE 6 – LONG-TERM DEBT (CONTINUED)

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

A summary of long-term debt is as follows:

	<u>As Of</u> <u>July 1, 2023</u>	<u>Additions</u> <u>During Period</u>	<u>Retirements</u> <u>During Period</u>	<u>As Of</u> <u>June 30, 2024</u>	<u>Due in</u> <u>One Year</u>
Bonds payable:					
General Obligation Bonds Series 2021A					
\$9,525,000 dated April 2021, payable in varying amounts from \$400,000 to \$570,000, interest rates varying from 1.10% to 3.00%. Maturing in 2040.	\$ 7,970,000	\$ -	\$ 570,000	\$ 7,400,000	\$ 570,000
General Obligation Bonds Series 2021B					
\$4,150,000 dated June 2021, payable in varying amounts from \$195,000 to \$210,000, interest rates varying from 1.75% to 3.00%. Maturing in 2041.	3,755,000	-	200,000	3,555,000	205,000
Total bonds payable	<u>\$ 11,725,000</u>	<u>\$ -</u>	<u>\$ 770,000</u>	<u>\$ 10,955,000</u>	<u>\$ 775,000</u>
Unamortized Premium	<u>\$ 608,951</u>	<u>\$ -</u>	<u>\$ 34,099</u>	<u>\$ 574,852</u>	<u>\$ -</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	\$ -	\$ 78,864	\$ 879,344	\$ 79,944
\$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)	939,761	-	69,480	870,281	70,368
Total other loans	<u>\$ 1,897,969</u>	<u>\$ -</u>	<u>\$ 148,344</u>	<u>\$ 1,749,625</u>	<u>\$ 150,312</u>

The annual requirements to amortize the Board's long-term debt outstanding as of June 30, 2024, are as follows:

	<u>Electric Department</u>		<u>Gas Department</u>	
	<u>2021A General Obligation Bonds</u>		<u>2021A General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
June 30,				
2025	\$ 140,000	\$ 21,995	\$ 85,000	\$ 25,950
2026	135,000	17,795	85,000	23,400
2027	135,000	13,745	85,000	20,850
2028	135,000	9,695	85,000	18,300
Thereafter	280,000	7,240	965,000	99,670
Total	<u>\$ 825,000</u>	<u>\$ 70,470</u>	<u>\$ 1,305,000</u>	<u>\$ 188,170</u>

NOTE 6 – LONG-TERM DEBT (CONTINUED)

	Water Department		Sewer Department	
	2021A General Obligation Bonds		2021A General Obligation Bonds	
June 30,	Principal	Interest	Principal	Interest
2025	\$ 150,000	\$ 43,370	\$ 195,000	\$ 61,835
2026	155,000	38,870	195,000	55,985
2027	155,000	34,220	195,000	50,135
2028	155,000	29,570	195,000	44,285
Thereafter	1,510,000	152,380	2,365,000	246,709
Total	<u>\$ 2,125,000</u>	<u>\$ 298,410</u>	<u>\$ 3,145,000</u>	<u>\$ 458,949</u>

	Electric Department		Gas Department		Water Department	
	2021B General Obligation Bonds		2021B General Obligation Bonds		2021B General Obligation Bonds	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 105,000	\$ 39,900	\$ 40,000	\$ 15,200	\$ 60,000	\$ 24,250
2026	105,000	36,750	40,000	14,000	60,000	22,450
2027	105,000	33,600	40,000	12,800	60,000	20,650
2028	105,000	30,450	40,000	11,600	65,000	18,850
Thereafter	1,365,000	185,325	520,000	70,600	845,000	114,725
Total	<u>\$ 1,785,000</u>	<u>\$ 326,025</u>	<u>\$ 680,000</u>	<u>\$ 124,200</u>	<u>\$ 1,090,000</u>	<u>\$ 200,925</u>

	Sewer Department		Water Department	
	State Revolving Loan GCO 2011-269		State Revolving Loan GCO 2011-109	
June 30,	Principal	Interest	Principal	Interest
2024	\$ 79,944	\$ 11,388	\$ 70,428	\$ 11,316
2025	81,024	10,308	71,388	10,356
2026	82,128	9,204	72,360	9,384
2027	83,244	8,088	73,344	8,400
Thereafter	553,004	24,323	582,761	30,338
Total	<u>\$ 879,344</u>	<u>\$ 63,311</u>	<u>\$ 870,281</u>	<u>\$ 69,794</u>

	Balance As Of			Balance As Of		Due in
	July 1, 2023	Increases	Decreases	June 30, 2024	One Year	
Compensated absences	<u>\$ 1,780,811</u>	<u>\$ 180,931</u>		<u>\$ 1,961,742</u>	<u>\$</u>	<u>-</u>

NOTE 7 – CAPITAL ASSETS

The following is a schedule of changes in major classes of the Electric Department for the year ended June 30, 2024:

	Balance			Balance	Depreciation
	July 1, 2023	Additions	Dispositions	June 30, 2024	Expense
Distribution plant:					
Capital assets not being depreciated:					
Land and land rights	\$ 710,689	\$ -	\$ 610,915	\$ 99,774	\$ -
Capital assets being depreciated:					
Structure and improvements	678,743	-	-	678,743	17,890
Station equipment	7,425,169	9,175	-	7,434,344	195,948
Poles, towers and fixtures	19,620,931	336,328	-	19,957,259	526,017
Overhead conductors and devices	8,788,296	39,848	-	8,828,144	232,685
Underground conduit	612,772	212,806	-	825,578	21,760
Underground conduit and devices	2,161,020	58,480	-	2,219,500	58,500
Line transformers	11,003,681	1,199,756	113,885	12,089,552	318,646
Services	5,974,040	-	68,566	5,905,474	155,652
Meters	1,080,935	-	-	1,080,935	28,490
Installations on customers' premises	4,898,145	13,302	-	4,911,447	129,452
Street lighting and signal systems	1,877,474	-	-	1,877,474	49,485
Total distribution plant	64,831,895	1,869,694	793,367	65,908,223	1,734,525
General plant:					
Structure and improvements	2,960,561	16,272	-	2,976,833	78,461
Office furniture and equipment	1,242,633	146,944	-	1,389,577	36,625
Transportation equipment	3,521,290	441,110	-	3,962,400	104,438
Shop equipment	159,842	-	-	159,842	4,213
Laboratory equipment	23,526	-	-	23,526	620
Communication equipment	603,878	4,107	-	607,985	16,025
Miscellaneous equipment	2,997,328	21,869	-	3,019,197	79,577
Total general plant	11,509,058	630,302	-	12,139,360	319,959
Plant purchased but not classified	48,000		-	48,000	
Total electric plant in service	76,388,953	2,499,996	793,367	78,095,582	
Construction in progress	1,540,235	1,918,431	119,549	3,339,116	
Total electric capital assets	77,929,188	4,418,427	912,916	81,434,699	
Less - accumulated depreciation	46,220,422	2,699,951	801,784	48,118,589	
Total electric capital assets - net	\$ 31,708,766	\$ 1,718,476	\$ 111,132	\$ 33,316,110	\$ 2,054,484

NOTE 7 – CAPITAL ASSETS (CONTINUED)

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

	Balance			Balance	Depreciation
	July 1, 2022	Additions	Dispositions	June 30, 2023	Expense
Distribution plant:					
Capital assets not being depreciated:					
Land and land rights	\$ 710,689	\$ -	\$ -	\$ 710,689	\$ -
Capital assets being depreciated:					
Structure and improvements	678,743	-	-	678,743	19,534
Station equipment	7,425,169	-	-	7,425,169	213,699
Poles, towers and fixtures	19,483,767	215,936	78,772	19,620,931	564,697
Overhead conductors and devices	7,847,813	954,955	14,473	8,788,296	252,930
Underground conduit	500,251	112,718	197	612,772	17,636
Underground conduit and devices	2,044,215	118,141	1,336	2,161,020	62,195
Line transformers	10,588,055	454,317	38,691	11,003,681	316,689
Services	5,881,885	121,552	29,398	5,974,040	171,935
Meters	1,080,935	-	-	1,080,935	31,110
Installations on customers' premises	4,889,519	12,846	4,220	4,898,145	140,970
Street lighting and signal systems	1,877,474	-	-	1,877,474	54,034
Total distribution plant	63,008,515	1,990,465	167,087	64,831,895	1,845,429
General plant:					
Structure and improvements	2,947,502	13,059	-	2,960,561	85,206
Office furniture and equipment	1,139,631	103,002	-	1,242,633	35,763
Transportation equipment	3,273,004	248,286	-	3,521,290	101,344
Shop equipment	159,842	-	-	159,842	4,600
Laboratory equipment	23,526	-	-	23,526	677
Communication equipment	592,385	11,493	-	603,878	17,380
Miscellaneous equipment	2,851,591	145,737	-	2,997,328	86,264
Total general plant	10,987,481	521,577	-	11,509,058	331,234
Plant purchased but not classified	48,000	-	-	48,000	
Total electric plant in service	74,043,996	2,512,044	167,087	76,388,953	
Construction in progress	909,287	658,066	27,118	1,540,235	
Total electric capital assets	74,953,283	3,170,110	194,205	77,929,188	
Less - accumulated depreciation	43,957,673	2,551,146	288,397	46,220,422	
Total electric capital assets - net	\$ 30,995,610	\$ 618,964	\$ (94,192)	\$ 31,708,766	\$ 2,176,663

NOTE 7 – CAPITAL ASSETS (CONTINUED)

The following is a schedule of changes in major classes of the Gas Department for the year ended June 30, 2024 and 2023:

	Balance July 1, 2023	Additions	Dispositions	Balance June 30, 2024	Depreciation Expense
Gas plant in service:					
Transmission and distribution plant	\$ 12,667,600	\$ 239,338	\$ -	\$ 12,906,938	\$ 329,500
General plant - transportation and equipment	4,081,707	66,994	-	4,148,701	105,912
Total gas plant	16,749,307	306,332	-	17,055,639	
Construction in progress	579,729	387,394	-	967,123	
Total gas capital assets	17,329,036	693,726	-	18,022,762	
Less - accumulated depreciation	7,769,387	529,366	-	8,298,753	
Total gas plant - net	<u>\$ 9,559,649</u>	<u>\$ 164,360</u>	<u>\$ -</u>	<u>\$ 9,724,009</u>	<u>\$ 435,412</u>

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

NOTE 7 – CAPITAL ASSETS (CONTINUED)

The following is a schedule of changes in major classes of the Sewer Department for the year ended June 30, 2024 and 2023:

	Balance July 1, 2023	Additions	Dispositions	Balance June 30, 2024	Depreciation Expense
Sewer plant in service:					
Treatment plant	\$ 12,681,410	\$ 16,088	\$ -	\$ 12,697,498	\$ 262,020
Lines and service	17,058,567	85,775	-	17,144,342	353,784
General plant - transportation and equipment	971,570	800	-	972,370	20,065
Total sewer plant	30,711,547	102,663	-	30,814,210	
Construction in progress	117,859	121,633	117,857	121,635	
Total sewer capital assets	30,829,406	224,296	117,857	30,935,845	
Less - accumulated depreciation	14,684,358	643,743	-	15,328,101	
Total sewer plant - net	<u>\$ 16,145,048</u>	<u>\$ (419,447)</u>	<u>\$ 117,857</u>	<u>\$ 15,607,744</u>	<u>\$ 635,870</u>

	Balance July 1, 2022	Additions	Dispositions	Balance June 30, 2023	Depreciation Expense
Sewer plant in service:					
Treatment plant	\$ 12,624,004	\$ 57,406	\$ -	\$ 12,681,410	\$ 260,056
Lines and service	16,875,492	183,075	-	17,058,566	349,818
General plant - transportation and equipment	947,357	24,213	-	971,570	19,924
Total sewer plant	30,446,853	264,694	-	30,711,546	
Construction in progress	-	117,859	-	117,859	
Total sewer capital assets	30,446,853	382,553	-	30,829,405	
Less - accumulated depreciation	14,046,394	637,964	-	14,684,358	
Total sewer plant - net	<u>\$ 16,400,459</u>	<u>\$ (255,411)</u>	<u>\$ -</u>	<u>\$ 16,145,049</u>	<u>\$ 629,798</u>

NOTE 7 – CAPITAL ASSETS (CONTINUED)

The following is a schedule of changes in major classes of the Water Department for the year ended June 30, 2024 and 2023:

	Balance			Balance	Depreciation
	July 1, 2023	Additions	Dispositions	June 30, 2024	Expense
Water plant in service:					
Source and supply intake and pumping equipment	\$ 917,785	\$ 30,116	\$ -	\$ 947,901	\$ 20,700
Treatment plant	1,880,914	-	-	1,880,914	41,074
Transmission and distribution plant	22,627,721	445,567	-	23,073,288	503,860
General plant - transportation and equipment	3,348,666	8,307	-	3,356,973	73,307
Total water plant	28,775,086	483,990	-	29,259,076	
Construction in progress	704,472	917,915	208,178	1,414,209	
Total water capital assets	29,479,558	1,401,905	208,178	30,673,285	
Less - accumulated depreciation	13,612,518	252,741	-	13,865,259	
Total water plant - net	<u>\$ 15,867,040</u>	<u>\$1,149,164</u>	<u>\$ 208,178</u>	<u>\$ 16,808,026</u>	<u>\$ 638,941</u>
	Balance			Balance	Depreciation
	July 1, 2022	Additions	Dispositions	June 30, 2023	Expense
Water plant in service:					
Source and supply intake and pumping equipment	\$ 914,585	\$ 3,200	\$ -	\$ 917,785	\$ 20,379
Treatment plant	1,877,968	2,946	-	1,880,914	41,765
Transmission and distribution plant	22,583,214	44,507	-	22,627,721	502,441
General plant - transportation and equipment	3,156,517	192,149	-	3,348,666	74,356
Total water plant	28,532,284	242,802	-	28,775,086	
Construction in progress	103,099	601,373	-	704,472	
Total water capital assets	28,635,383	844,175	-	29,479,558	
Less - accumulated depreciation	12,931,212	681,306	-	13,612,518	
Total water plant - net	<u>\$ 15,704,171</u>	<u>\$ 162,869</u>	<u>\$ -</u>	<u>\$ 15,867,040</u>	<u>\$ 638,941</u>

NOTE 8 - TENNESSEE VALLEY AUTHORITY HOME INSULATION PROGRAM

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

NOTE 9 - LEASE COMMITMENTS

The Electric Department leases certain facilities used in its operations from Tennessee Valley Authority. The facilities' rental charges are based on delivery of bulk transmission voltage. Rental charges under the terms of this contract amounted to \$23,772 in 2024 and \$22,614 for 2023. There are no future minimum payments for facilities leased under the terms of this contract.

Certain short-term arrangements provide for the Department's joint utilization of other local utilities' facilities. Similar arrangements provide for the joint use of the Department's facilities by other utilities. Rental revenue under the terms of these arrangements amounted to \$580,496 in 2024 and \$563,226 in 2023. Rental expenses applicable to such arrangements amounted to \$108,384 in 2024 and \$107,824 in 2023.

NOTE 10 - POSTRETIREMENT HEALTHCARE BENEFITS

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

	Year Ended June 30,	
	2024	2023
Electric	\$ 87,883	\$ 75,953
Gas	14,612	14,181
Water	10,256	9,625
Sewer	10,027	12,290
Total	<u>\$ 122,777</u>	<u>\$ 112,049</u>

NOTE 11 - RISK MANAGEMENT

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

NOTE 12 - FINANCIAL REPORTING ENTITY

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

NOTE 13 – INTERFUND TRANSACTIONS

Interfund receivables and payables consisted of the following as of June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Electric Department		
Due from Gas Department	\$ -	\$ -
Due from Sewer Department	-	-
Due from Water Department	-	-
Due to Gas Department	(118,079)	(126,881)
Due to Sewer Department	(170,871)	(157,650)
Due to Water Department	(309,951)	(279,521)
	<u>\$ (598,901)</u>	<u>\$ (564,052)</u>
Gas Department		
Due to Electric Department	\$ -	\$ -
Due from Electric Department	118,079	126,881
	<u>\$ 118,079</u>	<u>\$ 126,881</u>
Sewer Department		
Due to Electric Department	\$ -	\$ -
Due from Water Department	89,450	89,450
Due from Electric Department	170,871	157,650
	<u>\$ 260,321</u>	<u>\$ 247,100</u>
Water Department		
Due to Electric Department	\$ -	\$ -
Due to Sewer Department	(89,450)	(89,450)
Due from Electric Department	309,951	279,521
Due from Sewer Department	-	-
	<u>\$ 220,501</u>	<u>\$ 190,071</u>

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

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated events and transactions occurring subsequent to the balance sheet date of June 30, 2024, for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through December 27, 2024, the date these financial statements were available to be issued.

NOTE 15 – NET POSITION

GASB Statement No. 63 requires the classification of net position into three components – net investment in capital assets; net position-restricted; and net position-unrestricted.

These classifications are defined as follows:

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

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

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

	Electric Department	Gas Department	Sewer Department	Water Department
Net investment in capital assets consists of the following:				
Net capital assets	\$ 33,316,110	\$9,724,008	\$ 15,607,744	\$ 16,808,026
Less related liabilities:				
Current portion of long term debt	245,000	125,000	274,884	280,428
Long term debt, less current portion	2,536,345	1,955,318	3,884,471	3,969,496
Total related liabilities	2,781,345	2,080,318	4,159,355	4,249,924
Net investment in capital assets	\$ 30,534,765	\$7,643,690	\$ 11,448,389	\$ 12,558,102

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

Harriman Utility Board
Schedule of Changes In Net Pension Liability and Related Ratios
For the Year Ended June 30, 2024

Total pension liability	2023/2024	2022/2023	2021/2022	2020/2021	2019/2020	2018/2019	2017/2018	2016/2017	2015/2016	2014/2015
Service cost	\$ 345,646	\$ 374,349	\$ 418,269	\$ 419,601	\$ 409,169	\$ 389,943	\$ 392,299	\$ 366,590	\$ 435,317	\$ 444,495
Interest	739,039	708,222	612,773	700,968	723,706	715,090	682,324	703,263	803,018	815,026
Differences between actual & expected experience	116,460	113,745	1,284,942	(209,067)	(402,359)	104,574	988,208	813,675	(142,672)	(32,307)
Changes of assumptions	220,986	295,454	(216,546)	(1,137,540)	-	-	-	-	(413,038)	-
Benefit payments, including refunds of employee contributions	(873,282)	(397,858)	(976,280)	(1,086,964)	(1,045,283)	(1,183,891)	(2,000,899)	(2,415,831)	(1,662,100)	(1,117,066)
Net change in total pension liability	\$ 548,849	\$ 1,093,912	\$ 1,123,158	\$(1,133,002)	\$ (314,767)	\$ 25,716	\$ 61,932	\$(532,303)	\$ (979,475)	\$ 110,148
Total pension liability-beginning	11,032,591	9,938,679	8,815,521	10,128,524	10,443,291	10,417,575	10,355,643	10,887,946	11,867,421	11,757,273
Total pension liability-ending (a)	\$ 11,581,440	\$ 11,032,591	\$ 9,938,679	\$ 8,815,522	\$ 10,128,524	\$ 10,443,291	\$ 10,417,575	\$ 10,355,643	\$ 10,887,946	\$ 11,867,421
Plan fiduciary net position										
Contributions-employer	\$ 779,870	\$ 750,000	\$ 845,765	\$ 761,792	\$ 748,202	\$ 730,000	\$ 730,000	\$ 730,000	\$ 730,000	\$ 720,000
Contributions-employee	135,306	211,574	214,072	176,546	192,060	173,608	159,690	151,507	130,714	107,509
Net investment income	612,663	396,710	(412,095)	752,695	97,355	285,953	291,188	526,965	210,213	318,701
Benefit payments, including refunds of employee contributions	(873,282)	(397,858)	(976,280)	(1,086,964)	(1,045,283)	(1,183,891)	(2,000,899)	(2,415,831)	(1,662,100)	(1,117,066)
Administrative expense	(23,037)	(22,426)	(22,623)	(2,1604)	(20,212)	(20,455)	(22,824)	(25,030)	(24,977)	(26,480)
Net change in plan fiduciary net position	\$ 631,520	\$ 938,000	\$ (351,161)	\$ 582,465	\$ (27,878)	\$ (14,785)	\$(842,845)	\$(1,032,389)	\$ (616,150)	\$ 2,664
Plan fiduciary net position-beginning	5,989,071	5,051,081	5,402,242	4,819,777	4,847,654	4,862,439	5,705,284	6,737,673	7,353,823	7,351,159
Plan fiduciary net position-ending (b)	\$ 6,620,591	\$ 5,989,081	\$ 5,051,081	\$ 5,402,242	\$ 4,819,776	\$ 4,847,654	\$ 4,862,439	\$ 5,705,284	\$ 6,737,673	\$ 7,353,823
Net Pension Liability (asset)-ending (a) - (b)	\$ 4,960,849	\$ 5,043,510	\$ 4,887,598	\$ 3,413,280	\$ 5,308,748	\$ 5,595,637	\$ 5,555,136	\$ 4,650,359	\$ 4,150,273	\$ 4,513,598

Plan fiduciary net position as a percentage of total pension liability	57.20%	54.30%	50.80%	61.30%	47.60%	46.42%	46.68%	55.09%	61.88%	61.97%
Covered-employee payroll	\$ 5,667,605	\$ 5,535,413	\$ 5,069,073	\$ 4,834,198	\$ 5,121,776	\$ 4,976,088	\$ 4,579,910	\$ 4,457,059	\$ 4,193,509	\$ 4,742,924
Net pension liability (asset) as a percentage of covered-employee payroll	87.50%	91.10%	94.40%	70.60%	103.70%	112.45%	121.29%	103.64%	98.97%	95.16%

Information regarding the investment policy may be obtained from the Harriman Utility Board, the following is a summary of the added allocation as of March 31, 2024:

Asset Class	Target Allocation
Equity	42.70%
Fixed income	36.10%
Cash & receivables	21.20%
Total	100.00%

The components of the net pension liability at March 31, 2024 were as follows:

Total pension liability	\$ 11,641,878
Plan fiduciary net position	(6,300,699)
Net pension liability	\$ 5,341,179

Plan fiduciary net position as a percentage of total pension liability 54.12%

Harriman Utility Board
Schedule of Contributions to Pension Plan Based on Participation
For the Year Ended June 30, 2024

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 629,312	\$ 508,087	\$ 524,953	\$ 707,682	\$ 670,536	\$ 722,313	\$ 664,909	\$ 612,257	\$ 740,750	\$ 733,825
Contributions in relation to the actuarially determined contribution	779,870	750,000	845,765	761,792	748,202	730,000	730,000	737,500	720,000	720,000
Contribution (deficiency) overage	\$ (150,558)	\$ (241,913)	\$ (320,812)	\$ (54,110)	\$ (77,666)	\$ (7,687)	\$ (65,091)	\$ (125,243)	\$ 20,750	\$ 13,825
Covered-employee payroll	\$ 5,667,605	\$ 5,535,413	\$ 5,069,073	\$ 4,834,198	\$ 5,121,776	\$ 4,976,088	\$ 4,579,910	\$ 4,487,059	\$ 4,193,509	\$ 4,617,044
Contributions as a percentage covered-employee payroll	13.80%	13.50%	16.70%	15.80%	14.60%	14.67%	14.50%	13.60%	17.17%	15.59%

Schedule of Investment Returns
For the Year Ended June 30, 2024

	2023/2024	2022/2023	2021/2022	2020/2021	2019/2020	2018/2019	2017/2018	2016/2017	2015/2016	2014/2015
Annual Money-Weighted Rate of Return Net of Investment Expenses	10.87%	7.35%	-7.75%	16.08%	2.22%	6.56%	5.21%	8.41%	2.66%	3.97%

For the year ended March 31, 2024, the annual money-weighted rate of return based on monthly cash flows on pension plan investments, net of pension plan investment expense, was 12.9%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Actuarial Methods & Assumptions

Valuation date: Actuarially determined contribution rates for 2024 were calculated based on the April 1, 2024 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar
Remaining amortization period	20 years
Asset valuation	Market value
Salary increases	2% per year
Investment Rate of Return	6.50 percent, net of investment expense
Retirement age	65 or 55 with 30 years participation; hired after April 2009, 65 or 60 with 35 years of participation
Mortality	Lump sum mortality table published by the IRS

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Harriman Utility Board
Schedule of Funding Progress
For the Year Ended June 30, 2024

Analysis of Funding Progress

Valuation Date	(1) Net Assets Available for Benefits	(2) Pension Benefit Obligation	(3) Percentage Funded (1) / (2)	(4) Unfunded Pension Benefit Obligation (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded Pension Benefit Obligation as a Percentage of Covered Payroll (4) / (5)
4/1/2015	7,353,823	11,867,421	62.0%	4,513,598	4,742,924	95.2%
4/1/2016	6,737,673	10,887,946	61.9%	4,150,273	4,193,509	99.0%
4/1/2017	5,705,284	10,355,643	55.1%	4,650,359	4,487,059	103.6%
4/1/2018	4,862,439	10,417,575	46.7%	5,555,136	4,579,910	121.3%
4/1/2019	4,981,547	10,443,291	47.7%	5,461,744	4,976,088	109.8%
4/1/2020	4,819,777	10,128,523	47.6%	5,308,746	5,121,776	103.7%
4/1/2021	5,402,242	8,815,521	61.3%	3,413,279	4,834,198	70.6%
4/1/2022	5,051,081	9,938,679	50.8%	4,887,598	5,069,073	96.4%
4/1/2023	5,989,071	11,032,591	54.3%	5,043,520	5,535,413	91.1%
4/1/2024	6,620,601	11,581,440	57.2%	4,960,839	5,667,605	87.5%

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SUPPLEMENTARY INFORMATION

Harriman Utility Board
List of Utility Officials
June 30, 2024

Board Members

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

Management

Candace Vannasdale - Manager

Harriman Utility Board
Combined Statements of Net Position
June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Assets		
Current assets:		
Cash - interest bearing	\$ 11,566,782	\$ 12,301,187
Receivables:		
Trade accounts and grants receivable (net of allowance)	3,087,796	2,679,920
Due from other utility departments	663,687	653,504
Other	566,539	621,116
	<hr/>	<hr/>
Total receivables	4,318,022	3,954,540
Materials and supplies inventory	1,024,159	958,663
Prepaid expenses	455,734	647,353
	<hr/>	<hr/>
Total current assets	17,364,697	17,861,743
Emergency reserve fund	45,100	115,100
	<hr/>	<hr/>
Total restricted assets, cash and investments	45,100	115,100
	<hr/>	<hr/>
Property, plant and equipment:		
Land and land rights	99,773	710,688
Plant in service	155,174,152	151,963,622
Less: Accumulated Depreciation	(85,610,702)	(82,286,683)
	<hr/>	<hr/>
69,663,223	70,387,627	
Construction in progress	5,792,665	2,892,877
	<hr/>	<hr/>
Net property, plant and equipment	75,455,888	73,280,504
	<hr/>	<hr/>
Total assets	92,865,685	91,257,347
	<hr/>	<hr/>
Deferred outflows of resources:		
Deferred pension outflows	1,020,369	1,057,924
	<hr/>	<hr/>
Total deferred outflows of resources	1,020,369	1,057,924
	<hr/>	<hr/>
Total assets and deferred outflows of resources	<u>\$ 93,886,054</u>	<u>\$ 92,315,271</u>

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Harriman Utility Board
Combined Statements of Net Position
June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<u>Liabilities and Net Position</u>		
Current liabilities (payable from current assets):		
Trade accounts payable	\$ 4,177,802	\$ 3,759,198
Due to other utility departments	688,355	653,507
Accrued payroll and taxes	185,838	144,795
Customers' deposits	1,803,397	1,860,136
Other payables	397,225	270,399
Deferred revenue	575,194	667,782
	<hr/>	<hr/>
Total current liabilities (payable from current assets)	7,827,811	7,355,817
	<hr/>	<hr/>
Current liabilities (payable from restricted assets):		
Current installments of long term debt	925,312	918,284
Accrued interest	19,375	21,299
	<hr/>	<hr/>
Total current liabilities (payable from restricted assets)	944,687	939,583
	<hr/>	<hr/>
Non current liabilities:		
Compensated absences	1,961,742	1,780,811
	<hr/>	<hr/>
Total non current liabilities	1,961,742	1,780,811
	<hr/>	<hr/>
Long-term debt:		
Revenue bonds and revenue refunding bonds	7,554,313	8,109,685
Notes payable and obligations under capital lease	4,225,000	4,595,000
Unamortized premiums/discounts	566,316	608,950
	<hr/>	<hr/>
Total long-term debt	12,345,629	13,313,635
	<hr/>	<hr/>
Long-term liabilities:		
Net pension liability	4,960,838	5,043,510
	<hr/>	<hr/>
Total long-term liabilities	4,960,838	5,043,510
	<hr/>	<hr/>
Net position:		
Net investment in capital assets	62,184,946	59,048,584
Restricted for debt service	-	-
Unrestricted net assets	3,660,401	4,833,332
	<hr/>	<hr/>
Total net position	65,845,347	63,881,916
	<hr/>	<hr/>
Total liabilities and net position	\$ 93,886,054	\$ 92,315,272
	<hr/> <hr/>	<hr/> <hr/>

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Harriman Utility Board
Combined Statement of Revenues, Expenses and Changes in
Net Position
For the Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Operating revenues:		
Residential, net of bad debt	\$ 18,410,045	\$ 18,780,141
Commercial, industrial and interruptible sales	13,142,847	13,297,184
Sewer and water charges, net of bad debt	5,128,073	4,842,175
Street and outdoor lighting sales	792,938	797,410
Customer's forfeited discounts	305,683	304,452
Rent from City	21,624	21,624
Rent from others	580,496	563,226
Miscellaneous	206,873	245,758
Bad debt expense	(121,694)	(37,057)
	<u>38,466,885</u>	<u>38,814,913</u>
Total operating revenues		
Operating expenses:		
Operation	20,063,509	20,221,286
Repairs and maintenance	1,956,520	1,777,171
Purchased gas	953,585	1,294,925
Power, pumping, and utilities	531,824	560,495
Purification	577,616	594,632
Transmission and distribution	3,073,985	2,970,592
Customers' accounting and collection	1,301,501	1,279,508
Administrative and general	4,843,563	4,716,406
Depreciation and amortization	3,770,273	3,866,241
	<u>37,072,376</u>	<u>37,281,256</u>
Total operating expenses		
Operating income	<u>1,394,509</u>	<u>1,533,657</u>
Non-operating revenue (expenses):		
Interest income	293,150	94,324
Interest expense	(223,509)	(247,656)
Amortization debt costs	-	-
	<u>69,641</u>	<u>(153,332)</u>
Total non-operating revenue (expenses)		
Net income before capital contributions and transfers	1,464,150	1,380,325

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Harriman Utility Board
Combined Statement of Revenues, Expenses and Changes in
Net Position (Continued)
For the Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Transfers out	(801,745)	(783,312)
Capital contributions	<u>1,301,026</u>	<u>318,135</u>
Change in net position	1,963,431	915,148
Net position:		
Beginning of year	<u>63,881,916</u>	<u>62,966,768</u>
End of year	<u>\$ 65,845,347</u>	<u>\$ 63,881,916</u>

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Harriman Utility Board
Combined Statement of Cash Flows
For the Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 37,759,965	\$ 39,813,831
Payments to suppliers	(30,568,135)	(30,089,976)
Payments to employees	(1,818,383)	(2,669,094)
Other receipts (payments)	159,860	(617,590)
	<u>5,533,307</u>	<u>6,437,171</u>
Net cash provided by (used in) operating activities		
Cash flows from capital and related financing activities:		
Acquisitions and construction of capital assets		
Additions to plant	(6,530,171)	(5,199,974)
Salvage value of plant retirements	584,514	194,205
Principal paid on revenue & revenue refunding bond maturities	(553,344)	(551,364)
Principal paid on notes payable & finance leases	(365,000)	(365,000)
Interest paid on bonds, notes & finance leases	(223,509)	(247,656)
Amortization of debt costs	(42,635)	(42,642)
Capital grants	1,301,029	318,135
Additional long term borrowings	-	-
	<u>(5,829,116)</u>	<u>(5,894,296)</u>
Net cash provided by (used in) for capital and related financing activities		
Cash flows from noncapital financing activities:		
Transfer out	(801,745)	(783,312)
	<u>(801,745)</u>	<u>(783,312)</u>
Net cash provided (used in) by noncapital financing activities		
Cash flows from investing activities:		
Interest from cash management activities	293,150	94,324
	<u>293,150</u>	<u>94,324</u>
Net cash provided by (used in) investing activities		
Net increase (decrease) in cash and cash equivalents	(804,403)	(146,112)
Cash and cash equivalents at beginning of year	12,416,287	12,562,400
Cash and cash equivalents at end of year	<u>\$ 11,611,884</u>	<u>\$ 12,416,288</u>
Summary of cash and cash equivalents at end of year:		
Cash - interest bearing	\$ 11,566,784	\$ 12,301,187
Restricted assets	45,100	115,100
	<u>\$ 11,611,884</u>	<u>\$ 12,416,287</u>
Total		

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Harriman Utility Board
Combined Statement of Cash Flows (Continued)
For the Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Operating income	\$ 1,394,509	\$ 1,533,657
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	3,770,271	3,898,324
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(706,920)	998,918
(Increase) decrease in inventories	(65,496)	(119,469)
(Increase) decrease in other assets	297,566	(616,765)
(Increase) decrease in deferred outflows	(55,033)	(181,024)
Increase (decrease) in accounts payable	656,093	161,529
Increase (decrease) in accrued liabilities	381,727	805,335
Increase (decrease) in net pension liability	(82,672)	155,912
Increase (decrease) in customer deposits	(56,738)	(199,246)
	<u>5,533,307</u>	<u>6,437,171</u>
Net cash provided by (used in) operating activities	<u>\$ 5,533,307</u>	<u>\$ 6,437,171</u>

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Harriman Utility Board
Electric Department
Detail of Operation and Maintenance Expenses
For the Years Ended June 30, 2024 and 2023

	<u>Year Ended June 30,</u>	
	<u>2024</u>	<u>2023</u>
Purchased power and facilities rental	20,174,388	\$ 20,581,714
Distribution expenses:		
Operations supervision and engineering	59,784	70,162
Overhead line expense	153,214	264,890
Safety expenses	54,453	31,411
Underground line expense	1,989	4,388
Street lighting and signal system	93,637	65,263
Meter expenses	186,976	165,106
Customer installation expense - security light	129,286	74,952
Rent	108,384	107,824
Total distribution expenses	<u>787,723</u>	<u>783,996</u>
Customers' accounts expenses:		
Meter reading expense	70,234	80,610
Customers' records and collection expense	521,736	494,120
Total customers' accounts expenses	<u>591,970</u>	<u>574,730</u>
Customers' services and informational expense:		
Customer assistance expense	57,876	56,043
Information and instructional advertising expense	4,214	3,850
Total customers' services and informational expense	<u>62,090</u>	<u>59,893</u>
Administrative and general expenses:		
Administrative and general salaries	753,401	620,120
Payroll taxes	293,962	274,449
Office supplies and expense	314,501	330,954
Outside services employed	89,412	66,986
Property insurance	126,937	122,862
Injuries and damages	98,785	85,332
Employee pensions and benefits	1,100,461	975,482
Miscellaneous general expenses	64,284	56,229
Total administrative and general expenses	<u>2,841,743</u>	<u>2,532,414</u>
Total operation expenses	<u>\$ 24,457,914</u>	<u>\$ 24,532,747</u>

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Harriman Utility Board
Electric Department
Detail of Operation and Maintenance Expenses
For the Years Ended June 30, 2024 and 2023

	Year Ended June 30,	
	2024	2023
Distribution plant expenses:		
Supervision and engineering	\$ 269,296	\$ 275,044
Station equipment	124,549	109,124
Overhead line expense	1,270,814	1,119,870
Underground line expense	111,441	95,202
Line transformers	10,325	3,893
Street lighting and signal system	7,382	5,033
Meter expenses	70,944	60,712
	<hr/>	<hr/>
Total distribution plant expenses	1,864,751	1,668,878
	<hr/>	<hr/>
Administrative and general expenses:		
General plant	28,474	55,814
	<hr/>	<hr/>
Total administrative and general expenses	28,474	55,814
	<hr/>	<hr/>
Total maintenance expenses	<u>\$ 1,893,225</u>	<u>\$ 1,724,692</u>

Harriman Utility Board
Gas Department
Detail of Operation and Maintenance Expenses
For the Years Ended June 30, 2024 and 2023

	<u>Year Ended June 30,</u>	
	<u>2024</u>	<u>2023</u>
Transmission and distribution expenses:		
Operation of transmission and distribution lines	\$ 135,074	\$ 131,350
Meter and house regulator expenses	2,718	1,457
Maintenance of mains	362,170	399,140
Maintenance of services	68,797	64,547
Maintenance of meters and house regulators	22,580	5,532
	<u>591,339</u>	<u>602,026</u>
Customers' accounts expenses:		
Meter reading and billing expenses	48,998	39,072
Customers' records and collection expenses	257,117	269,534
	<u>306,115</u>	<u>308,606</u>
Administrative and general expenses:		
Salaries of general officers and executives	168,910	140,824
General office salaries and expense	114,180	101,660
Payroll taxes	58,129	59,440
Office supplies and expense	11,968	18,020
Outside services employed	16,688	16,744
Injuries and damages	15,827	15,758
Employee pensions and benefits	231,039	282,262
Maintenance of general plant	7,145	10,584
Property insurance	36,927	35,742
Miscellaneous general expenses	98,271	95,058
	<u>759,084</u>	<u>776,092</u>
Total operation expenses	<u>\$ 1,656,538</u>	<u>\$ 1,686,724</u>

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Harriman Utility Board
Sewer Department
Detail of Operation and Maintenance Expenses
For the Years Ended June 30, 2024 and 2023

	<u>Year Ended June 30,</u>	
	<u>2024</u>	<u>2023</u>
Power and pumping expenses:		
Purchased power	\$ 150,116	\$ 166,218
Supplies	403.00	-
Maintenance of power and pumping equipment	17,267	22,859
	<hr/>	<hr/>
Total power and pumping expenses	167,786	189,077
	<hr/>	<hr/>
Purification expenses:		
Operation labor	142,800	143,704
Purification supplies and expenses	97,466	93,380
	<hr/>	<hr/>
Total purification expenses	240,266	237,084
	<hr/>	<hr/>
Transmission and distribution expenses:		
Operations supervision and engineering	56,832	43,632
Operation of transmission and distribution lines	3,645	2,601
Maintenance of mains and river lines	120,279	153,205
Maintenance of services	11,836	14,426
Maintenance of labor	88,738	47,548
	<hr/>	<hr/>
Total transmission and distribution expenses	281,330	261,412
	<hr/>	<hr/>
Customers' accounts expenses:		
Customers' records and collection expense	61,672	54,864
	<hr/>	<hr/>
Total customers' accounts expenses	61,672	54,864
	<hr/>	<hr/>
Administrative and general expenses:		
Administrative and general salaries	119,585	95,017
Payroll taxes	51,422	48,863
Office supplies and expense	28,026	28,306
Outside services employed	908	3,858
Injuries and damages	15,575	14,643
Employee pensions and benefits	180,953	163,485
Miscellaneous general expenses	30,120	43,379
Maintenance of general plant	10,768	6,685
Rents	1,829	1,829
Property insurance	11,540	11,169
	<hr/>	<hr/>
Total administrative and general expenses	450,726	417,234
	<hr/>	<hr/>
Total operation expenses	<u>\$ 1,201,780</u>	<u>\$ 1,159,671</u>

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Harriman Utility Board
Water Department
Detail of Operation and Maintenance Expenses
For the Years Ended June 30, 2024 and 2023

	Year Ended June 30,	
	2024	2023
Power and pumping expenses:		
Operation labor	\$ 100,419	\$ 91,862
Purchased power	238,877	259,760
Supplies	410	412
Maintenance of power and pumping equipment	24,331	19,383
	<hr/>	<hr/>
Total power and pumping expenses	364,037	371,417
	<hr/>	<hr/>
Purification expenses:		
Operating supervision and engineering	146,148	197,597
Purification supplies and expenses	191,201	159,949
	<hr/>	<hr/>
Total purification expenses	337,349	357,546
	<hr/>	<hr/>
Transmission and distribution expenses:		
Operations supervision and engineering	60,414	66,735
Operation of transmission and distribution lines	14,106	9,343
Maintenance of mains and services	368,411	330,356
Maintenance of meters and house regulators	5,961	3,553
Maintenance of fire hydrants and labor	13,387	29,007
	<hr/>	<hr/>
Total transmission and distribution expenses	462,279	438,994
	<hr/>	<hr/>
Customers' accounts expenses:		
Meter reading and billing	80,670	72,142
Customers' records and collection expense	197,411	207,593
	<hr/>	<hr/>
Total customers' accounts expenses	278,081	279,735
	<hr/>	<hr/>
Administrative and general expenses:		
Administrative and general salaries	293,235	246,368
Payroll taxes	67,746	72,574
Office supplies and expense	105,243	119,169
Outside services employed	15,516	35,022
Injuries and damages	27,117	28,612
Employee pensions and benefits	230,054	251,220
Miscellaneous general expenses	31,464	40,864
Maintenance of general plant and rents	26,305	25,483
Property insurance	55,391	53,778
	<hr/>	<hr/>
Total administrative and general expenses	852,071	873,090
	<hr/>	<hr/>
Total operation expenses	<u>\$ 2,293,817</u>	<u>\$ 2,320,782</u>

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Harriman Utility Board
Schedule of Bond and Interest Requirements
June 30, 2024

Year Ended June 30,	Electric Department		Gas Department		Water Department	
	2021A General Obligation Bonds		2021A General Obligation Bonds		2021A General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2025	140,000	21,995	85,000	25,950	150,000	43,370
2026	135,000	17,795	85,000	23,400	155,000	38,870
2027	135,000	13,745	85,000	20,850	155,000	34,220
2028	135,000	9,695	85,000	18,300	155,000	29,570
2029	135,000	5,645	85,000	15,750	155,000	24,920
2030	145,000	1,595	80,000	13,200	130,000	20,270
2031			80,000	12,320	125,000	18,840
2032			80,000	11,360	125,000	17,340
2033			80,000	10,160	125,000	15,465
2034			80,000	8,960	125,000	13,590
2035			80,000	7,760	125,000	11,715
2036			80,000	6,560	120,000	9,840
2037			80,000	5,360	120,000	8,040
2038			80,000	4,080	120,000	6,120
2039			80,000	2,760	120,000	4,140
2040			80,000	1,400	120,000	2,100
	<u>\$ 825,000</u>	<u>\$ 70,470</u>	<u>\$ 1,305,000</u>	<u>\$ 188,170</u>	<u>\$ 2,125,000</u>	<u>\$ 298,410</u>

Year Ended June 30,	Sewer Department			
	2021A General Obligation Bonds			
			Totals	
	Principal	Interest	Principal	Interest
2025	195,000	61,835	\$ 570,000	\$ 153,150
2026	195,000	55,985	570,000	136,050
2027	195,000	50,135	570,000	118,950
2028	195,000	44,285	570,000	101,850
2029	195,000	38,435	570,000	84,750
2030	195,000	32,585	550,000	67,650
2031	195,000	30,440	400,000	61,600
2032	195,000	28,100	400,000	56,800
2033	195,000	25,174	400,000	50,799
2034	195,000	22,250	400,000	44,800
2035	195,000	19,325	400,000	38,800
2036	200,000	16,400	400,000	32,800
2037	200,000	13,400	400,000	26,800
2038	200,000	10,200	400,000	20,400
2039	200,000	6,900	400,000	13,800
2040	200,000	3,500	400,000	7,000
	<u>\$ 3,145,000</u>	<u>\$ 458,949</u>	<u>\$ 7,400,000</u>	<u>\$ 1,015,999</u>

Harriman Utility Board
Schedule of Bond and Interest Requirements (CONTINUED)
June 30, 2024

Year Ended June 30,	Electric Department 2021B General Obligation Bonds		Gas Department 2021B General Obligation Bonds	
	Principal	Interest	Principal	Interest
2025	105,000	39,900	40,000	15,200
2026	105,000	36,750	40,000	14,000
2027	105,000	33,600	40,000	12,800
2028	105,000	30,450	40,000	11,600
2029	105,000	27,300	40,000	10,400
2030	105,000	24,150	40,000	9,200
2031	105,000	22,050	40,000	8,400
2032	105,000	19,950	40,000	7,600
2033	105,000	18,113	40,000	6,900
2034	105,000	16,275	40,000	6,200
2035	105,000	14,175	40,000	5,400
2036	105,000	12,075	40,000	4,600
2037	105,000	10,238	40,000	3,900
2038	105,000	8,400	40,000	3,200
2039	105,000	6,300	40,000	2,400
2040	105,000	4,200	40,000	1,600
2041	105,000	2,100	40,000	800
	<u>\$ 1,785,000</u>	<u>\$ 326,025</u>	<u>\$ 680,000</u>	<u>\$ 124,200</u>

Year Ended June 30,	Water Department 2021B General Obligation Bonds		Totals	
	Principal	Interest	Principal	Interest
2025	60,000	24,250	\$ 205,000	\$ 79,350
2026	60,000	22,450	205,000	73,200
2027	60,000	20,650	205,000	67,050
2028	65,000	18,850	210,000	60,900
2029	65,000	16,900	210,000	54,600
2030	65,000	14,950	210,000	48,300
2031	65,000	13,650	210,000	44,100
2032	65,000	12,350	210,000	39,900
2033	65,000	11,213	210,000	36,225
2034	65,000	10,075	210,000	32,550
2035	65,000	8,775	210,000	28,350
2036	65,000	7,475	210,000	24,150
2037	65,000	6,338	210,000	20,475
2038	65,000	5,200	210,000	16,800
2039	65,000	3,900	210,000	12,600
2040	65,000	2,600	210,000	8,400
2041	65,000	1,300	210,000	4,200
	<u>\$ 1,090,000</u>	<u>\$ 200,925</u>	<u>\$ 3,555,000</u>	<u>\$ 651,150</u>

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Harriman Utility Board
Schedule of Bond and Interest Requirements (CONTINUED)
June 30, 2024

Year Ended	Sewer Department		Water Department		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
<u>June 30,</u>						
	79,944	11,388	70,428	11,316	\$ 150,372	\$ 22,704
2025	81,024	10,308	71,388	10,356	152,412	20,664
2026	82,128	9,204	72,360	9,384	154,488	18,588
2027	83,244	8,088	73,344	8,400	156,588	16,488
2028	84,372	6,960	74,328	7,416	158,700	14,376
2029	85,524	5,808	75,348	6,396	160,872	12,204
2030	86,676	4,656	76,368	5,376	163,044	10,032
2031	87,864	3,468	77,400	4,344	165,264	7,812
2032	89,052	2,280	78,456	3,288	167,508	5,568
2033	90,264	1,068	79,524	2,220	169,788	3,288
2034	29,252	83	80,604	1,140	109,856	1,223
2035			40,733	158	40,733	158
2036						
	<u>\$ 879,344</u>	<u>\$ 63,311</u>	<u>\$ 870,281</u>	<u>\$ 69,794</u>	<u>\$ 1,749,625</u>	<u>\$ 133,105</u>

Harriman Utility Board
Schedule Of Changes In Long Term Debt By Individual Issue
June 30, 2024

<u>Loan Info</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Date Of Issue</u>	<u>Final Maturity</u>	<u>Outstanding 7/1/2023</u>	<u>Issued During Period</u>	<u>Paid During Period</u>	<u>Adjusted During Period</u>	<u>Outstanding 6/30/2024</u>
Bonds Payable:									
General Obligation Bonds Series 2021A \$9,525,000 dated April 2021, payable in varying amounts from \$400,000 to \$570,000, interest rates varying from 1.10% to 3.00%. Maturing in 2040.	\$ 9,525,000	1.1% to 3.0%	4/9/2021	6/1/2040	\$ 7,970,000	\$ -	\$ (570,000)		\$ 7,400,000
General Obligation Bonds Series 2021B \$4,150,000 dated June 2021 payable in varying amounts from \$195,000 to \$210,000, interest rates varying from 1.75% to 3.00%. Maturing in 2041.	4,150,000	1.75% to 3.0%	6/30/2021	6/1/2041	<u>3,755,000</u>	<u>-</u>	<u>(200,000)</u>	<u>-</u>	<u>3,555,000</u>
Total Bonds Payable					<u>\$ 11,725,000</u>	<u>\$ -</u>	<u>\$ (770,000)</u>	<u>\$ -</u>	<u>\$ 10,955,000</u>
Other Loans:									
State Revolving Loan \$1,600,000 dated September 6, 2011, interest rate 1.35% during both the draw period and permanent repayment period. Principal repayment began when 90% of loan balance was drawn. (Sewer)	1,600,000	1.35%	9/6/2011	10/1/2034	\$ 958,208	\$ -	\$ (78,864)	\$ -	\$ 879,344
State Revolving Loan \$1,440,000 dated September 6, 2011, interest rate 1.35% during both the draw period and permanent repayment period. Principal repayment began when 90% of loan balance was drawn. (Water)	1,440,000	1.35%	9/6/2011	12/1/2035	<u>939,761</u>	<u>-</u>	<u>(69,480)</u>	<u>-</u>	<u>870,281</u>
Total Other Loans					<u>\$ 1,897,969</u>	<u>\$ -</u>	<u>\$ (148,344)</u>	<u>\$ -</u>	<u>\$ 1,749,625</u>

**Harriman Utility Board
Electric Department
Schedule of Utility Rates
June 30, 2024**

Residential rates:

Customer charge - \$27.01 per month
Energy charge – 10.97 cents per kwh per month

Commercial rates:

Small commercial - 15,000 kWh or less:

Customer charge - >300 kWh \$40.34, ≤ 300kWh \$29.19 per delivery point per month
Energy charge – 12.68 cents per kWh per month

Large commercial – over 15,000 kWh:

Customer charge \$111.41 per delivery point per month
Demand charge - First 50kW of billing demand per month, no demand charge
- Excess over 50 kW of billing demand per month, at \$18.22 per kW

Energy charge - First 15,000 kWh per month at 12.45 cents per kWh
- Additional kWh per month at 7.93 cents per kWh

Pole rental:

25' Pole	\$6.80
30' Pole	\$7.70

Outdoor lighting for individual customers:

Monthly fixture charge:

<u>Type of Fixture</u>	<u>Lamp Size</u>		<u>Rated kWh</u>	<u>Charge</u>
	<u>Watts</u>	<u>Lumens</u>		
High pressure sodium	100	8,550	42	\$12.43
	200	18,900	82	18.47
LED	60			11.24
	250			17.85

**Harriman Utility Board
Gas Department
Schedule of Utility Rates
June 30, 2024**

The gas rates vary each month. The following rates were in effect for June 30, 2024:

General service rates:

Residential - \$7.51 minimum bill plus \$15.47 per 1,000 cubic feet
Gas Inspection - \$35.00 first trip, \$35.00 each additional trip

Commercial - \$9.03 minimum bill plus \$15.47 per 1,000 cubic feet
Gas Inspection - \$50.00 first trip, \$50.00 each additional trip

**Sewer Department
Schedule of Utility Rates
June 30, 2024**

	<u>Industrial</u>	<u>Residential</u>	<u>Commercial</u>
First 1,000 gallons - minimum bill	\$57.44	\$22.00	\$57.44
Over 1,000 gallons - per thousand gallons	13.90	13.45	13.90

**Water Department
Schedule of Utility Rates
June 30, 2024**

	Per Thousand Gallons	
	Inside	Outside
	<u>City</u>	<u>City</u>
Commercial:		
Customer charge	\$24.35	\$28.33
Over 1,000 gallons	8.10	11.70
Residential:		
Customer charge	\$23.25	\$26.75
Over 1,000 gallons	7.30	10.70

Harriman Utility Board
Schedule of Customers
June 30, 2024

	<u>6/30/2024</u>	<u>6/30/2023</u>
Electric:		
Residential	9,308	9,266
Gen. Power - 50 kW + under	1,710	1,662
Gen. Power - Over 50 kW	111	109
Street and Athletic	37	39
Outdoor Lights	110	111
Security Lights	2,769	2,755
Street Lights	1,445	1,447
	<hr/>	<hr/>
Total, excluding security and street lights	11,276	11,187
	<hr/> <hr/>	<hr/> <hr/>
Gas:		
Residential	2,755	2,751
Commercial	420	422
Transportation	-	-
	<hr/>	<hr/>
Total	3,175	3,173
	<hr/> <hr/>	<hr/> <hr/>
Sewer:		
Residential - inside	1,935	1,910
Residential - outside	41	41
Commercial - inside	303	305
Commercial - outside	8	8
Industrial - inside	-	-
Industrial - outside	-	-
Miscellaneous	37	36
	<hr/>	<hr/>
Total	2,324	2,300
	<hr/> <hr/>	<hr/> <hr/>
Water:		
Residential - inside	2,322	2,293
Residential - outside	2,185	2,173
Commercial - inside	420	427
Commercial - outside	193	191
Industrial - inside	-	1
Industrial - outside	-	-
Commercial Fire Hydrant	-	2
Commercial Sprinkler	-	17
Industrial Sprinkler	-	-
	<hr/>	<hr/>
Total	5,120	5,104
	<hr/> <hr/>	<hr/> <hr/>

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CRAINE, THOMPSON & JONES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

225 WEST FIRST NORTH STREET
SUITE 300, MILLENNIUM SQUARE
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Harriman Utility Board
Harriman, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the respective financial position of the business-type activities, each of the major funds, and the aggregate remaining fund information, the Pension Trust Fund the Harriman Utility Board as of and for the years ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Harriman Utility Board's basic financial statements, and have issued our report thereon dated December 27, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Harriman Utility Board's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Harriman Utility Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Harriman Utility Board's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

JAMES W. CRAINE, CPA
MIRA J. CRAINE, CPA

WHITNEY D. MCGOWAN, CPA

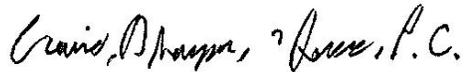
Harriman Utility Board

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Harriman Utility Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Craig D. Hays, CPA". The signature is written in a cursive style.

Morristown, Tennessee
December 27, 2024

Harriman Utility Board
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

Assistance Listing Number	Federal Grantor	Passthrough Entity	Program Name	Contract Number	Federal Expenditures
21.027	U.S. Department of the Treasury	City of Harriman through State of Tennessee Department of Environment and Conservation	Coronavirus State and Local Recovery Funds under the American Rescue Plan Act	#20-1892	\$ 131,720
14.228	U.S Housing & Urban Development	City of Harriman through State of Tennessee Department of Economic and Community Development	Community Development Block Grant Program (Rural Development)	N/A	\$ 635,256
23.002	Appalachain Regional Commission	N/A	Appalachain Regional Commission Grant Program	N/A	\$ 61,625
Total federal/state awards					\$ 828,601

Harriman Utility Board
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

NOTE 1 – BASIS OF PRESENTATION

The schedule of expenditures of federal awards includes the federal grant activity of the Harriman Utility Board and is presented on the accrual basis of accounting.

NOTE 2 – SUMMARY OF SIGNIFICAN ACCOUNTING POLICIES

The Harriman Utility Board expended funds on multiple water and sewer improvement projects. These expenditures are required to be considered as federal awards expended.

The Harriman Utility Board has not elected to use the 10% de minimus indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 – OUTSTANDING LOANS

The Harriman Utility Board has the following loan funding balance outstanding as of June 30, 2024. There are no expenditures from this loan to include in federal expenditures presented in the schedule:

Assistance Listing Number	Program Name	Fiscal Year Repayments	Outstanding Balance
66.458	Clean Water State Revolving Fund	\$ 78,864	\$ 879,404
66.468	Drinking Water State Revolving Fund	\$ 69,480	\$ 870,281

Harriman Utility Board
Schedule of Findings and Questioned Costs
June 30, 2024

Section I – Summary of Auditor’s Results

Financial Statements

The auditor’s report expressed an unmodified opinion on the financial statements of the Harriman Utility Board.

Internal control over financial reporting:

Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

The auditor’s report on compliance for the major federal award programs for the Harriman Utility Board expressed an unmodified opinion on compliance for major federal programs.

Internal control over major federal programs:

Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Any auditor’s findings disclosed that are required to be reported in accordance with 2 CFR, Section 200.516(a)?	No

Identification of major federal programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program</u>
21.027	Coronavirus State and Local Fiscal Recovery Funds under the American Rescue Plan
14.228	Community Development Block Grant Program
23.002	Appalachian Regional Commission Grant Program

Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
---	-----------

Auditee qualified as low risk auditee?	No
--	----

Section II – Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

Harriman Utility Board
Summary Schedule of Prior Year Findings
June 30, 2024

Internal Control Over Financial Reporting

There were no prior findings reported.

Compliance and Other Matters

There were no prior findings reported.

CRAINE, THOMPSON & JONES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

Harriman Utility Board
Harriman, Tennessee

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Harriman Utility Board's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Harriman Utility Board's major federal programs for the year ended June 30, 2024. Harriman Utility Board's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Harriman Utility Board complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Harriman Utility Board and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Harriman Utility Board's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Harriman Utility Board's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Harriman Utility Board's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Harriman Utility Board's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Harriman Utility Board's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Harriman Utility Board's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Harriman Utility Board's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Morristown, Tennessee

December 27, 2024

APPENDIX F

**FINANCIAL STATEMENTS
OF
CITY OF HARRIMAN, TENNESSEE
FOR THE FISCAL YEAR ENDED
JUNE 30, 2024**

Financial Statements

CITY OF HARRIMAN, TENNESSEE

Year Ended June 30, 2024

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INDEPENDENT ACCOUNTANTS' AUDIT REPORT

Mayor and City Council
City of Harriman, Tennessee
Harriman, Tennessee

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of City of Harriman, Tennessee as of and for the year ended June 30, 2024, 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, 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, business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of City of Harriman, Tennessee, as of June 30, 2024, and 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 100 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 Opinions

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 net position of the Industrial Development Board as of June 30, 2023 to correct recorded capital asset balances 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, 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 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 schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements for Federal Awards*, and is also not a part of the basic 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 and expenditures of federal awards 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 June 12, 2025 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.



June 12, 2025

City of Harriman, Tennessee
408 North Roane Street
Harriman, TN 37748
(865) 882-9414

Management's Discussion and Analysis
For the Year Ended June 30, 2024

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, 2024.

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 16.

FINANCIAL HIGHLIGHTS

The following are key financial highlights:

- The net position of the City at June 30, 2024 was \$77,470,311 (\$74,923,139 in 2023). Of this amount, \$7,747,295 may be used to meet the City's ongoing obligations to citizens and creditors (\$8,917,547 in 2023).
- The City's net position increased by \$2,547,173 (3%) during the year ended June 30, 2024 and increased by \$637,816 (less than 1%), during the year ended June 30, 2023.
- At June 30, 2024 the City's governmental funds reported combined ending fund balances of \$3,590,324, a decrease of \$272,135 from June 30, 2023. Approximately 86% of this total amount (\$3,073,448) is available for spending at the City's discretion. At June 30, 2023 combined ending fund balances from governmental funds was \$3,862,460, a decrease of \$84,499 from June 30, 2022.

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 16 to 23 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 32 to 42. Budget comparisons for nonmajor funds are included as supplementary information on pages 144 to 149.

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 43 to 60 of this report.

Component Unit

The discretely presented component unit columns provide information on the Industrial Development Board of City of Harriman, Tennessee.

Fiduciary fund statements

The fiduciary fund statements provide information on the Harriman Utility Board Pension Trust Fund.

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 \$77,470,311 at June 30, 2024 and \$74,923,139 at June 30, 2023.

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 (\$7,748,265 and \$8,917,547 at June 30, 2024 and 2023, respectively) may be used to meet the City's ongoing obligations to citizens and creditors.

At June 30, 2024 and 2023 the City's statement of net position consisted of the following:

	<u>2024</u>	<u>2023</u>
ASSETS		
Current assets	\$ 23,322,147	\$ 24,444,627
Noncurrent assets	862,160	601,110
Capital assets, net of accumulated depreciation	<u>85,386,649</u>	<u>82,977,939</u>
TOTAL ASSETS	109,570,956	108,023,676
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pension	<u>1,632,634</u>	<u>3,518,166</u>
	<u>\$ 111,203,590</u>	<u>\$ 111,541,841</u>
LIABILITIES		
Current liabilities	\$ 6,092,466	\$ 7,301,049
Noncurrent liabilities	<u>24,438,678</u>	<u>23,524,344</u>
TOTAL LIABILITIES	30,531,144	30,825,393
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pension	1,555	2,043,570
Deferred revenues	<u>3,200,583</u>	<u>3,749,739</u>
	3,202,138	5,793,309

NET POSITION

Net investment in capital assets	68,758,797	65,312,259
Restricted	963,248	693,333
Unrestricted	<u>7,748,265</u>	<u>8,917,547</u>
TOTAL NET POSITION	<u>77,470,311</u>	<u>74,923,139</u>
	<u>\$ 111,203,590</u>	<u>\$ 111,541,841</u>

At June 30, 2024 and 2023, 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, 2024 and 2023.

	<u>2024</u>	<u>2023</u>
REVENUE		
Program Revenue:		
Fees, fines and charges for services	\$ 39,287,554	\$ 39,625,719
Operating grants and contributions	74,470	219,000
Capital grants and contributions	1,792,190	318,135
General Revenue:		
Taxes	5,976,194	5,846,617
Intergovernmental	1,086,610	1,073,035
Insurance recoveries	64,510	49,016
Miscellaneous	34,495	13,575
Interest income	<u>293,236</u>	<u>94,414</u>
TOTAL REVENUE	48,609,259	47,239,512
EXPENSES		
General government	3,076,402	2,917,641
Public safety	2,589,754	2,561,037
Public welfare	1,350,790	1,301,627
Streets and highways	1,142,909	1,734,233
Solid waste collection and disposal	508,040	492,175
Interest on long-term debt	98,308	66,071
Electric department	29,258,306	29,033,984
Gas department	3,086,982	3,466,811
Sewer department	1,897,188	1,854,919
Water department	<u>3,053,409</u>	<u>3,173,198</u>
TOTAL EXPENSES	<u>46,062,088</u>	<u>46,601,696</u>

	<u>2024</u>	<u>2023</u>
INCREASE IN NET POSITION	2,547,173	637,815
NET POSITION AT THE BEGINNING OF THE YEAR	<u>74,923,139</u>	<u>74,285,324</u>
NET POSITION AT THE END OF THE YEAR	<u>\$ 77,470,311</u>	<u>\$ 74,923,139</u>

Governmental activities - Governmental activities increased the City’s net position during the year ended June 30, 2024 by \$583,742. The City had an increase in capital grant revenue due to the Coronavirus State and Local Fiscal Recovery Funds being expended. Governmental activities decreased the City’s net position by \$277,333 during the year ended June 30, 2023.

Information regarding these changes can be found on page 20 to 23 of this report.

Business-type activities - Business-type activities increased the City’s net position by \$1,963,431 for the year ended June 30, 2024, as compared to an increase of \$915,148 for the year ended June 30, 2023. 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 \$276,861, as compared to the change in net position for the year ending June 30, 2023 of \$583,639. The decrease was primarily the result of the increase in operational expenses of approximately 8%. The change in net position of the gas department was \$110,524, as compared to the change in net position for the year ending June 30, 2023 of \$113,797. This increase was due primarily to a decrease in gas sales. The change in net position of the sewer department was \$499,193, as compared to the change in net position for the year ending June 30, 2023 of \$350,779. This increase was due primarily to an increase in sewer sales. The change in net position of the water department was \$1,076,853, as compared to the change in net position for the year ending June 30, 2023 of \$(133,067). This increase was due primarily to increased capital grants and contributions.

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, 2024 the City’s governmental funds reported combined fund balances of \$3,590,324, a decrease of \$272,135 in comparison with the prior year. Approximately 86% 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 (\$101,088) or committed (\$415,787) 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, 2024 unassigned fund balance of the general fund was \$3,073,442. 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 decreased \$189,884 during the year ended June 30, 2024.

Nonmajor governmental funds had a fund balance of \$493,237 at June 30, 2024, as compared to \$575,492 at June 30, 2023.

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 \$3,660,401 at June 30, 2024, and at June 30, 2023 amounted to \$4,833,332.

Component unit – The component unit column provides information about the assets, liabilities, net position and changes in net position of the Industrial Development Board of City of Harriman, Tennessee. The net position of the Industrial Development Board decreased \$38,463 during the year ended June 30, 2024. At June 30, 2024, the Industrial Development Board had a net position of \$4,124,010.

Fiduciary funds – The fiduciary fund statements provide information about the assets, liabilities, net position and changes in net position of Harriman Utility Board Pension Trust Fund. The net position of the Harriman Utility Board Pension Trust Fund fiduciary fund increased \$427,318 during the year ended June 30, 2024. At June 30, 2024, the Harriman Utility Board Pension Trust Fund had a net position of \$6,300,699.

BUDGETARY HIGHLIGHTS

Budget amendments for the year ended June 30, 2024 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, 2024, amounted to \$9,930,761 (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:

- Pickleball court
- Dock at Riverfront Park
- Police vehicles
- Fire department equipment
- Various construction projects

The City’s investment in capital assets as of June 30, 2024 for governmental activities was \$9,930,761 (\$9,916,110 in 2023) net of accumulated depreciation.

	2024	2023
Land	\$ 650,004	\$ 650,004
Construction in process	876,388	576,291
Land improvements	485,562	397,927
Buildings	2,830,145	2,666,965
Building improvements	40,500	40,500
Machinery and equipment	4,753,357	6,069,319
Leased equipment	87,126	87,126
Leased buildings	253,290	253,290
Infrastructure	7,771,545	7,771,545
Accumulated depreciation	(7,817,154)	(8,596,857)
Total Capital Assets,		
Net of Accumulated Depreciation	\$ 9,930,761	\$ 9,916,110

The City’s net investment in capital assets as of June 30, 2024 for business-type activities was \$75,455,888 (\$73,280,504 in 2023). Additional information on the City’s capital assets can be found on pages 78 to 83 of the notes to the financial statements.

LONG-TERM DEBT

At June 30, 2024 the City's proprietary funds had outstanding debt of \$12,704,625 (\$13,622,969 in 2023). During the year ended June 30, 2024 the proprietary funds retired \$918,344 (\$916,364 in 2023) 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, 2024 the City's governmental funds had outstanding debt of \$3,069,342 (\$3,361,881 in 2023) consisting of the following:

	<u>2024</u>	<u>2023</u>
General obligation bonds	\$ 1,304,342	\$ 1,325,481
TN municipal bonds	0	15,400
General obligation capital outlay notes	<u>1,765,000</u>	<u>2,021,000</u>
	3,069,342	3,361,881
Less: current portion due	<u>(387,801)</u>	<u>(343,240)</u>
Total long-term debt principal	<u>\$ 2,681,541</u>	<u>\$ 3,018,641</u>

During the year ended June 30, 2024 the City retired \$292,539 (\$316,460 in 2023) 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, 2025. The estimated revenue and appropriations did not vary significantly from the budget for the year ended June 30, 2024.

Current electric rates are listed on page 175.

Current water and sewer rates are listed on pages 176.

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
Telephone 865-882-9414
chris.ahler@cityofharriman.net

CITY OF HARRIMAN, TENNESSEE

STATEMENT OF NET POSITION

June 30, 2024

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
ASSETS			
Cash	\$ 4,073,558	\$ 11,566,782	\$ 15,640,340
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	3,087,796	3,087,796
Property taxes receivable, net of allowance for uncollectible accounts	1,595,592	0	1,595,592
Grants receivable	24,018	0	24,018
Taxes receivable	666,203	0	666,203
Due from other governments	180,794	0	180,794
Other	0	566,539	566,539
Materials and supplies inventory	0	1,024,159	1,024,159
Prepaid expenses	0	455,734	455,734
Emergency reserve fund	0	45,100	45,100
Net pension asset	862,160	0	862,160
Capital assets not being depreciated	1,526,392	5,892,438	7,418,830
Capital assets being depreciated, net of accumulated depreciation	<u>8,404,369</u>	<u>69,563,450</u>	<u>77,967,819</u>
	17,368,958	92,201,998	109,570,956
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	<u>612,265</u>	<u>1,020,369</u>	<u>1,632,634</u>
	<u>\$ 17,981,224</u>	<u>\$ 93,222,367</u>	<u>\$ 111,203,590</u>

See the accompanying notes to the financial statements.

Component Unit
Industrial Development Board
\$ 35,010
10,000
0
0
0
0
0
0
0
0
0
0
0
4,079,000
<u>0</u>
4,124,010
<u>0</u>
<u>\$ 4,124,010</u>

CITY OF HARRIMAN, TENNESSEE

STATEMENT OF NET POSITION

(continued)

June 30, 2024

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
LIABILITIES			
Accounts payable	\$ 134,534	\$ 4,177,801	\$ 4,312,335
Salaries and vacation payable	197,762	2,172,248	2,370,010
Other payables	26,065	397,225	423,290
Customer deposits	0	1,803,397	1,803,397
Net pension liability	14,046	4,960,838	4,974,884
Accrued interest	0	19,375	19,375
Current portion of long-term leases	24,352	0	24,352
Long-term leases, net of current portion	263,216	0	263,216
Current portion of long-term debt	387,801	925,312	1,313,113
Long-term debt, net of current portion	<u>2,681,541</u>	<u>12,345,630</u>	<u>15,027,171</u>
	3,729,318	26,801,826	30,531,144
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax revenue	1,471,993	0	1,471,993
Deferred inflows related to pension	1,555	0	1,555
Deferred grant revenue	1,153,396	0	1,153,396
Deferred revenue	<u>0</u>	<u>575,194</u>	<u>575,194</u>
	2,626,944	575,194	3,202,138
NET POSITION			
Net investment in capital assets	6,573,851	62,184,946	68,758,797
Restricted	963,248	0	963,248
Unrestricted	<u>4,087,864</u>	<u>3,660,401</u>	<u>7,748,265</u>
	<u>11,624,964</u>	<u>65,845,347</u>	<u>77,470,311</u>
	<u>\$ 17,981,224</u>	<u>\$ 93,222,367</u>	<u>\$ 111,203,590</u>

CITY OF HARRIMAN, TENNESSEE

STATEMENT OF ACTIVITIES

Year Ended June 30, 2024

	<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	\$ 3,076,402	\$ 11,217	\$ 0	\$ 479,021
Public safety	2,589,754	63,629	33,743	12,143
Public welfare	1,350,790	329,610	0	0
Streets and highways	1,142,909	1,401	11,152	0
Solid waste collection and disposal	508,040	414,812	0	0
Interest on long-term debt	98,308	0	0	0
Total governmental activities	8,766,203	820,669	44,895	491,164
Business-Type Activities:				
Electric department	29,258,306	30,082,907	0	0
Gas department	3,086,982	3,158,361	0	0
Sewer department	1,897,188	1,978,602	0	417,779
Water department	3,053,409	3,247,015	0	883,247
Total business-type activities	37,295,885	38,466,885	0	1,301,026
Total primary government	<u>\$ 46,062,088</u>	<u>\$ 39,287,554</u>	<u>\$ 44,895</u>	<u>\$ 1,792,190</u>
Component Unit:				
Industrial Development Board	<u>\$ 60,163</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

See the accompanying notes to the financial statements.

Net (Expense)Revenue and Changes In Net Position

Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Totals	Industrial Development Board
\$ (2,586,164)	\$ 0	\$ (2,586,164)	\$ 0
(2,480,239)	0	(2,480,239)	0
(1,021,180)	0	(1,021,180)	0
(1,130,356)	0	(1,130,356)	0
(93,228)	0	(93,228)	0
(98,308)	0	(98,308)	0
(7,409,475)	0	(7,409,475)	0
0	824,601	824,601	0
0	71,379	71,379	0
0	499,193	499,193	0
0	1,076,853	1,076,853	0
0	2,472,026	2,472,026	0
<u>\$ (7,409,475)</u>	<u>\$ 2,472,026</u>	<u>\$ (4,937,449)</u>	<u>\$ 0</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (60,163)</u>

CITY OF HARRIMAN, TENNESSEE

STATEMENT OF ACTIVITIES

(continued)

Year Ended June 30, 2024

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 originally reported

Restatement

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

Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Totals	Industrial Development Board
\$ (7,409,475)	\$ 2,472,026	\$ (4,937,449)	\$ (60,163)
1,468,057	0	1,468,057	0
47,425	0	47,425	0
3,390,062	0	3,390,062	0
242,947	0	242,947	0
26,215	0	26,215	0
366,175	0	366,175	0
294,334	0	294,334	0
140,979	0	140,979	0
1,116,186	0	1,116,186	0
64,510	0	64,510	0
34,495	0	34,495	21,700
86	293,150	293,236	0
7,191,471	293,150	7,484,621	21,700
801,745	(801,745)	0	0
7,993,216	(508,595)	7,484,621	21,700
583,743	1,963,431	2,547,174	(38,463)
11,041,223	63,881,916	74,923,139	983,973
0	0	0	3,178,500
11,041,223	63,881,916	74,923,139	4,162,473
\$ 11,624,965	\$ 65,845,347	\$ 77,470,312	\$ 4,124,010

CITY OF HARRIMAN, TENNESSEE

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2024

	<u>General Fund</u>	<u>American Rescue Plan Act</u>	<u>Other Governmental Funds</u>
ASSETS			
Cash	\$ 2,285,850	\$ 1,340,302	\$ 447,405
Accounts receivable	0	0	35,872
Grants receivable	24,018	0	0
Property taxes receivable, net of allowance for uncollectible accounts	1,116,908	0	478,684
Taxes receivable	666,203	0	0
Due from other governments	180,794	0	0
Due from other funds	<u>186,900</u>	<u>0</u>	<u>36,017</u>
	<u>\$ 4,460,673</u>	<u>\$ 1,340,302</u>	<u>\$ 997,978</u>

See the accompanying notes to the financial statements.

Totals

\$ 4,073,558
35,872
24,018

1,595,592
666,203
180,794
222,917

\$ 6,798,954

CITY OF HARRIMAN, TENNESSEE

BALANCE SHEET
GOVERNMENTAL FUNDS

(continued)

June 30, 2024

	<u>General Fund</u>	<u>American Rescue Plan Act</u>	<u>Other Governmental Funds</u>
LIABILITIES			
Accounts payable	\$ 134,534	\$ 0	\$ 0
Salaries payable	76,127	0	0
Funds held for others	0	0	26,065
Due to other funds	36,017	186,900	0
	<u>246,678</u>	<u>186,900</u>	<u>26,065</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred property taxes	1,116,914	0	478,678
Deferred grant revenue	0	1,153,396	0
	<u>1,116,914</u>	<u>1,153,396</u>	<u>478,678</u>
FUND BALANCES			
Restricted	23,639	0	77,449
Committed	0	0	415,787
Unassigned	3,073,442	6	0
	<u>3,097,080</u>	<u>6</u>	<u>493,237</u>
	<u>\$ 4,460,673</u>	<u>\$ 1,340,302</u>	<u>\$ 997,978</u>

Totals

\$ 134,534
76,127
26,065
222,917
459,643

1,595,592
1,153,396
2,748,988

101,088
415,787
3,073,448
3,590,324

\$ 6,798,954

CITY OF HARRIMAN, TENNESSEE

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

June 30, 2024

Total Fund Balance - Governmental Funds	\$ 3,590,324
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.	9,930,761
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.	123,599
Long-term liabilities are not due in the current period; therefore, they are not reported in the governmental funds balance sheet.	(3,356,910)
Compensated absences are not due in the current period; therefore, they are not reported in the governmental funds balance sheet.	(121,634)
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	848,114
Deferred outflows of resources	612,265
Deferred inflows of resources	<u>(1,555)</u>
Net Position of Governmental Activities	<u>\$ 11,624,964</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, 2024

	<u>General Fund</u>	<u>American Rescue Plan Act</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
REVENUE				
Taxes:				
Property tax	\$ 954,312	\$ 0	\$ 408,990	\$ 1,363,302
In-Lieu of tax payments	47,425	0	0	47,425
Local sales tax	3,390,062	0	0	3,390,062
Business tax	242,947	0	0	242,947
Room occupancy tax	366,175	0	0	366,175
Wholesale beer tax	294,334	0	0	294,334
Wholesale liquor tax	140,979	0	0	140,979
Franchise tax	26,215	0	0	26,215
Intergovernmental	988,217	479,021	206,059	1,673,297
Licenses and permits	4,430	0	0	4,430
Receipts for use of facilities	21,424	0	0	21,424
Charges for services	325,717	0	414,812	740,529
Fines and forfeitures	30,130	0	23,935	54,065
Other revenue	94,824	3	4,485	99,312
	<u>6,927,190</u>	<u>479,024</u>	<u>1,058,282</u>	<u>8,464,496</u>
TOTAL REVENUE				
EXPENDITURES				
Current:				
General government	2,910,970	479,021	0	3,389,991
Public safety	2,374,445	0	19,207	2,393,652
Public welfare	1,187,121	0	0	1,187,121
Solid waste collection	85	0	507,955	508,040
Streets and highways	562,524	0	297,762	860,286
Capital outlay	662,384	0	122,020	784,404
Debt service	35,425	0	379,460	414,885
	<u>7,732,955</u>	<u>479,021</u>	<u>1,326,403</u>	<u>9,538,379</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, 2024

	<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)	(805,765)	3	(268,120)	(1,073,883)
OTHER FINANCING SOURCES(USES)				
Transfers to other funds	(185,865)	0	0	(185,865)
Transfers from other funds	801,747	0	185,865	987,612
	<u>615,882</u>	<u>0</u>	<u>185,865</u>	<u>801,747</u>
NET CHANGES IN FUND BALANCES	(189,884)	3	(82,255)	(272,135)
FUND BALANCES AT THE BEGINNING OF THE YEAR	<u>3,286,965</u>	<u>3</u>	<u>575,492</u>	<u>3,862,460</u>
FUND BALANCES AT THE END OF THE YEAR	<u>\$ 3,097,080</u>	<u>\$ 6</u>	<u>\$ 493,237</u>	<u>\$ 3,590,324</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, 2024

Net Changes in Fund Balances	\$ (272,135)
<p>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:</p>	
Acquisition of capital assets	784,404
Depreciation expense	(743,255)
Abandoned construction projects	(26,497)
<p>Repayment of long-term liabilities is an expenditure in the governmental funds, but reduces long-term liabilities for governmental activities.</p>	
	295,527
<p>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.</p>	
	(10,089)
<p>Retirement contributions made after the actuarial measurement date are an expenditure in the governmental funds, but increase deferred outflows for governmental activities.</p>	
	501,297
<p>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.</p>	
	(50,262)
<p>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:</p>	
Deferred property tax revenue - June 30, 2023	(18,844)
Deferred property tax revenue - June 30, 2024	<u>123,599</u>
Change in Net Position of Governmental Activities	<u>\$ 583,742</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
GENERAL FUND**

Year Ended June 30, 2024

	Budget		Actual	Variance Over (Under)
	Original	Final		
REVENUE				
Taxes:				
Property taxes	\$ 1,245,000	\$ 1,245,000	\$ 948,576	\$ (296,424)
Interest and penalty	7,000	7,000	5,736	(1,264)
In-lieu of tax payments	29,105	29,105	47,425	18,320
Local sales tax	3,200,000	3,200,000	3,390,062	190,062
Business tax	240,000	240,000	242,947	2,947
Room occupancy tax	335,000	335,000	366,175	31,175
Wholesale beer tax	300,000	300,000	294,334	(5,666)
Wholesale liquor tax	120,000	120,000	140,979	20,979
Franchise tax	40,000	40,000	26,215	(13,785)
	5,516,105	5,516,105	5,462,449	(53,656)
Intergovernmental:				
State income tax	0	0	172	172
State beer tax	3,000	3,000	2,590	(410)
State sales tax	680,000	680,000	723,618	43,618
State mixed drink tax	25,000	25,000	29,214	4,214
State telecommunication tax	5,500	5,500	5,314	(186)
State police supplement	25,600	25,600	33,743	8,143
Gasoline inspection tax	14,756	14,756	29,575	14,819
Sport betting tax	8,000	8,000	11,199	3,199
City streets	11,200	11,200	11,152	(48)
Corporate excise tax	20,000	20,000	21,617	1,617
TVA in-lieu of tax payments	80,000	80,000	107,101	27,101
Grants	4,349,720	4,349,720	12,923	(4,336,797)
	5,222,776	5,222,776	988,217	(4,234,558)

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, 2024

	Budget		Actual	Variance Over (Under)
	Original	Final		
Fines and forfeitures	22,000	22,000	30,130	8,130
Licenses and permits:				
Beer licenses	3,700	3,700	3,750	50
Building permits	300	300	680	380
	<u>4,000</u>	<u>4,000</u>	<u>4,430</u>	<u>430</u>
Charges for services:				
Solid waste collection	1,500	1,500	0	(1,500)
Highway and streets	2,000	2,000	1,401	(599)
Parks and recreation	500	500	0	(500)
Tourism	11,000	11,000	22,319	11,319
Special fire protection	1,000	1,000	8,564	7,564
Special police service	1,500	1,500	1,000	(500)
Athletic tournaments	70,000	70,000	78,098	8,098
Golf charges	160,000	160,000	207,769	47,769
Special assessments	4,000	4,000	6,305	2,305
Accident report	150	150	261	111
	<u>251,650</u>	<u>251,650</u>	<u>325,717</u>	<u>74,067</u>
Receipts for use of facilities:				
Rent	27,502	27,502	21,424	(6,078)
Other revenue:				
Sale of materials and supplies	8,000	8,000	0	(8,000)
Insurance recoveries	10,000	10,000	64,510	54,510
Fire and police donations	1,500	1,500	1,869	369

CITY OF HARRIMAN, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET**
GENERAL FUND

(continued)

Year Ended June 30, 2024

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Other revenue (continued):				
Miscellaneous revenue	25,000	25,000	28,445	3,445
	<u>44,500</u>	<u>44,500</u>	<u>94,824</u>	<u>50,324</u>
TOTAL REVENUE	11,088,533	11,088,533	6,927,190	(4,161,343)
EXPENDITURES				
Legislative and general government:				
Salaries and wages	3,900	3,900	3,900	0
Mayor and Council	10,800	10,800	10,800	0
Dues and subscriptions	3,200	3,200	3,247	47
Operating supplies	16,322	16,322	10,050	(6,272)
Travel	1,000	1,000	304	(696)
	<u>35,222</u>	<u>35,222</u>	<u>28,301</u>	<u>(6,921)</u>
City manager:				
Salary	152,025	152,025	157,652	5,627
Telephone	1,000	1,000	1,751	751
Gas, oil and grease	950	950	360	(590)
Travel	1,750	1,750	928	(822)
Office supplies	500	500	303	(197)
	<u>156,225</u>	<u>156,225</u>	<u>160,994</u>	<u>4,769</u>
Building inspector:				
Salary	50,034	50,034	46,292	(3,742)
Repairs and maintenance	350	350	0	(350)
Gas, oil and grease	1,500	1,500	901	(599)
Telephone	300	300	690	390
Travel	500	500	865	365

CITY OF HARRIMAN, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET**
GENERAL FUND

(continued)

Year Ended June 30, 2024

	Budget		Actual	Variance Over (Under)
	Original	Final		
Building inspector(continued):				
Operating supplies	1,300	1,300	727	(573)
Operating expense	54,400	54,400	44,762	(9,638)
	<u>108,384</u>	<u>108,384</u>	<u>94,237</u>	<u>(14,147)</u>
Financial administration:				
Salary	203,488	203,488	202,557	(931)
Auditing services	42,000	42,000	28,000	(14,000)
Professional services	40,000	40,000	42,165	2,165
Telephone	1,500	1,500	1,623	123
Office supplies	27,000	27,000	30,028	3,028
Dues and subscriptions	500	500	695	195
Travel	500	500	0	(500)
Employee education	1,000	1,000	0	(1,000)
	<u>315,988</u>	<u>315,988</u>	<u>305,068</u>	<u>(10,920)</u>
Public buildings:				
Salaries - regular	101,200	101,200	91,932	(9,268)
Health insurance	50,000	50,000	58,499	8,499
Utilities	50,000	50,000	38,890	(11,110)
Telephone	17,500	17,500	25,255	7,755
Repairs and maintenance	175,500	175,500	128,274	(47,226)
Other contractual services	36,068	36,068	9,673	(26,395)
Supplies	14,000	14,000	22,881	8,881
	<u>444,268</u>	<u>444,268</u>	<u>375,404</u>	<u>(68,864)</u>
City garage:				
Salaries	40,812	40,812	37,956	(2,856)
Utilities	14,000	14,000	12,273	(1,727)
Communications	50	50	0	(50)
Repairs and maintenance	3,000	3,000	381	(2,619)

CITY OF HARRIMAN, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET**
GENERAL FUND

(continued)

Year Ended June 30, 2024

	Budget		Actual	Variance Over (Under)
	Original	Final		
City garage (continued):				
Supplies	3,000	3,000	3,774	774
	<u>60,862</u>	<u>60,862</u>	<u>54,384</u>	<u>(6,478)</u>
Other general government:				
OASDI - employer's share	295,000	295,000	261,633	(33,367)
Health insurance	452,000	452,000	484,630	32,630
Retirement	536,316	536,316	500,097	(36,219)
Workers' compensation	77,000	77,000	100,730	23,730
Unemployment insurance	2,106	2,106	2,022	(84)
Insurance	91,200	91,200	122,340	31,140
Professional services	14,666	14,666	14,666	0
Utilities	210,713	210,713	185,052	(25,661)
911 contributions	91,937	91,937	97,913	5,976
Mixed drink share to school	19,045	19,045	0	(19,045)
Donations	66,250	66,250	65,250	(1,000)
Miscellaneous	8,500	8,500	3,258	(5,242)
	<u>1,864,733</u>	<u>1,864,733</u>	<u>1,837,591</u>	<u>(27,142)</u>
Police department:				
Salary	1,155,775	1,155,775	1,117,759	(38,016)
Health insurance	1,000	1,000	890	(110)
Professional services	30,000	30,000	30,790	790
Utilities	0	0	3,694	3,694
Insurance	42,000	42,000	36,361	(5,639)
Communications	22,000	22,000	31,960	9,960
Repairs and maintenance	28,000	28,000	24,085	(3,915)
Gas, oil and grease	55,000	55,000	54,044	(956)
Office supplies	5,500	5,500	2,480	(3,020)
Supplies	10,700	10,700	9,238	(1,462)
Equipment	21,352	21,352	21,750	398

CITY OF HARRIMAN, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET**
GENERAL FUND

(continued)

Year Ended June 30, 2024

	Budget		Actual	Variance Over (Under)
	Original	Final		
Police department(continued):				
Uniforms	7,500	7,500	7,000	(500)
Drug enforcement	500	500	450	(50)
Employee education	18,000	18,000	9,423	(8,577)
	<u>1,397,327</u>	<u>1,397,327</u>	<u>1,349,924</u>	<u>(47,403)</u>
Fire department:				
Salary	911,012	911,012	898,333	(12,679)
Professional services	6,500	6,500	6,367	(133)
Training	10,000	10,000	7,453	(2,547)
Utilities	18,000	18,000	20,760	2,760
Communications	8,000	8,000	9,906	1,906
Repairs and maintenance	30,000	30,000	32,660	2,660
Gas, oil and grease	13,000	13,000	15,254	2,254
Office supplies	1,200	1,200	1,682	482
Supplies	16,500	16,500	12,558	(3,942)
Small items of equipment	24,000	24,000	12,564	(11,436)
Uniforms	5,500	5,500	5,120	(380)
Fire hydrants	5,000	5,000	1,864	(3,136)
	<u>1,048,712</u>	<u>1,048,712</u>	<u>1,024,521</u>	<u>(24,191)</u>
City court:				
Salary	35,000	35,000	36,342	1,342
Professional service	24,500	24,500	18,530	(5,970)
Operating supplies	50	50	120	70
	<u>59,550</u>	<u>59,550</u>	<u>54,992</u>	<u>(4,558)</u>
Recreation:				
Salary	381,767	381,767	323,207	(58,560)
Utilities	70,000	70,000	79,541	9,541
Telephone	0	0	1,249	1,249

CITY OF HARRIMAN, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET**
GENERAL FUND

(continued)

Year Ended June 30, 2024

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Recreation(continued):				
Repairs and maintenance	28,620	28,620	25,745	(2,875)
Gas, oil and grease	8,750	8,750	10,681	1,931
Small items of equipment	98,335	98,335	148,532	50,197
Supplies	62,500	62,500	91,812	29,312
Uniforms	1,200	1,200	1,407	207
	<u>651,172</u>	<u>651,172</u>	<u>682,174</u>	<u>31,002</u>
Golf course:				
Salary	184,150	184,150	125,078	(59,072)
Training	250	250	0	(250)
Utilities	17,000	17,000	24,061	7,061
Communications	1,500	1,500	1,957	457
State fees	14,000	14,000	19,896	5,896
Repairs and maintenance	64,000	64,000	45,364	(18,636)
Gas, oil and grease	6,000	6,000	5,720	(280)
Supplies	9,300	9,300	14,439	5,139
Chemicals	16,000	16,000	13,889	(2,111)
Uniforms	400	400	348	(52)
Small items of equipment	18,000	18,000	8,390	(9,610)
	<u>330,600</u>	<u>330,600</u>	<u>259,142</u>	<u>(71,458)</u>
Library:				
Salary	117,695	117,695	115,079	(2,616)
Utilities	13,000	13,000	11,428	(1,572)
Computer literacy program	20,500	20,500	19,600	(900)
Supplies	2,700	2,700	4,347	1,647
	<u>153,895</u>	<u>153,895</u>	<u>150,454</u>	<u>(3,441)</u>

CITY OF HARRIMAN, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET**
GENERAL FUND

(continued)

Year Ended June 30, 2024

	Budget		Actual	Variance Over (Under)
	Original	Final		
Animal control:				
Salary	13,075	13,075	13,075	0
Veterinary services	7,500	7,500	11,317	3,817
Repairs and maintenance	750	750	146	(604)
Gas, oil and grease	1,000	1,000	0	(1,000)
Supplies	750	750	49	(701)
	<u>23,075</u>	<u>23,075</u>	<u>24,587</u>	<u>1,512</u>
Solid waste collection:				
Salary	0	0	85	85
Streets and highways:				
Salary	480,819	480,819	369,934	(110,885)
Repairs and maintenance	124,500	124,500	77,659	(46,841)
Vehicle maintenance	40,000	40,000	36,288	(3,712)
Gas, oil and grease	35,000	35,000	24,315	(10,685)
Supplies	40,000	40,000	29,886	(10,114)
Small equipment	20,000	20,000	14,431	(5,569)
Uniforms	7,500	7,500	4,479	(3,021)
	<u>747,819</u>	<u>747,819</u>	<u>556,992</u>	<u>(190,827)</u>
Tourism:				
Salary	36,444	36,444	35,757	(687)
Telephone	500	500	457	(43)
Employee education	250	250	0	(250)
Donations	15,000	15,000	33,607	18,607
Office supplies	1,000	1,000	507	(493)
Travel	320	320	0	(320)
NRCS grant	1,500	1,500	436	(1,064)
	<u>55,014</u>	<u>55,014</u>	<u>70,764</u>	<u>15,750</u>

CITY OF HARRIMAN, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
GENERAL FUND**

(continued)

Year Ended June 30, 2024

	Budget		Actual	Variance Over (Under)
	Original	Final		
Special projects:				
Special city projects and marketing	7,000	7,000	5,400	(1,600)
Historical commission grant	300,000	300,000	0	(300,000)
Safe streets for all grant	67,200	67,200	0	(67,200)
TAP grant	779,710	779,710	132	(779,578)
	<u>1,153,910</u>	<u>1,153,910</u>	<u>5,532</u>	<u>(1,148,378)</u>
Capital outlay:				
General government	3,464,278	3,464,278	326,594	(3,137,684)
Public safety	240,948	240,948	206,995	(33,953)
Parks	128,795	128,795	128,795	0
	<u>3,834,021</u>	<u>3,834,021</u>	<u>662,385</u>	<u>(3,171,637)</u>
Debt service	<u>34,980</u>	<u>34,980</u>	<u>35,425</u>	<u>445</u>
TOTAL EXPENDITURES	<u>12,475,757</u>	<u>12,475,757</u>	<u>7,732,958</u>	<u>(4,742,800)</u>
NET CHANGE IN FUND BALANCE BEFORE OTHER FINANCING SOURCES(USES)	(1,387,224)	(1,387,224)	(805,768)	581,457

CITY OF HARRIMAN, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET**
GENERAL FUND

(continued)

Year Ended June 30, 2024

	Budget		Actual	Variance Over (Under)
	Original	Final		
OTHER FINANCING SOURCES(USES)				
Proceeds from the sale of properties sold by the Industrial Development Board	50,000	50,000	0	(50,000)
Transfer to State Street Aid Fund	(175,000)	(175,000)	(92,723)	82,277
Transfer to Solid Waste Fund	(63,495)	(63,495)	(93,142)	(29,647)
Transfer to Capital Projects Fund	(332,000)	(332,000)	0	332,000
Transfer from Harriman Utility Board	840,000	840,000	801,747	(38,253)
	<u>319,505</u>	<u>319,505</u>	<u>615,882</u>	<u>296,377</u>
NET CHANGE IN FUND BALANCE	(1,067,719)	(1,067,719)	(189,886)	877,834
FUND BALANCE AT THE BEGINNING OF THE YEAR	<u>2,446,415</u>	<u>2,446,415</u>	<u>3,286,965</u>	<u>840,550</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 1,378,696</u>	<u>\$ 1,378,696</u>	<u>\$ 3,097,080</u>	<u>\$ 1,718,384</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, 2024

	<u>Budget</u>			Variance Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Under)</u>
REVENUE				
Coronavirus State and Local Fiscal Recovery Funds	\$ 0	\$ 0	\$ 479,021	\$ 479,021
Interest	<u>0</u>	<u>0</u>	<u>3</u>	<u>3</u>
TOTAL REVENUE	0	0	479,024	479,024
EXPENDITURES				
Repairs and maintenance	25,000	25,000	0	(25,000)
Office supplies	0	0	4,021	4,021
Capital contribution to Harriman Utility Board	0	0	475,000	475,000
Capital outlay	<u>375,000</u>	<u>375,000</u>	<u>0</u>	<u>(375,000)</u>
TOTAL EXPENDITURES	<u>400,000</u>	<u>400,000</u>	<u>479,021</u>	<u>79,021</u>
NET CHANGE IN FUND BALANCE	(400,000)	(400,000)	3	400,003
FUND BALANCE AT THE BEGINNING OF THE YEAR	<u>400,000</u>	<u>400,000</u>	<u>3</u>	<u>(399,997)</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 6</u>	<u>\$ 6</u>

See the accompanying notes to the financial statements.

CITY OF HARRIMAN, TENNESSEE

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2024

	<u>Electric Department</u>	<u>Gas Department</u>	<u>Sewer Department</u>
<u>ASSETS</u>			
CAPITAL ASSETS			
Land and land rights	\$ 99,773	\$ 0	\$ 0
Plant in service	77,995,874	17,104,994	30,814,212
Construction in progress	<u>3,339,052</u>	<u>917,767</u>	<u>121,633</u>
	81,434,699	18,022,761	30,935,845
Accumulated depreciation	<u>(48,118,589)</u>	<u>(8,298,753)</u>	<u>(15,328,101)</u>
NET CAPITAL ASSETS	33,316,110	9,724,008	15,607,744
CURRENT ASSETS			
Cash - interest bearing	7,092,313	1,944,842	1,631,547
Trade account, net of allowance for uncollectible accounts, and grants receivable	3,087,796	0	0
Due from(to) other utility departments	304,809	(44,301)	213,181
Other	64,375	73,843	159,290
Materials and supplies inventory	669,242	106,315	21,518
Prepaid expenses	<u>6,557</u>	<u>435,751</u>	<u>2,315</u>
TOTAL CURRENT ASSETS	11,225,092	2,516,450	2,027,851

See the accompanying notes to the financial statements.

<u>Water Department</u>	<u>Totals</u>
\$ 0	\$ 99,773
29,259,072	155,174,152
<u>1,414,213</u>	<u>5,792,665</u>
30,673,285	161,066,590
<u>(13,865,259)</u>	<u>(85,610,702)</u>
16,808,026	75,455,888
898,080	11,566,782
0	3,087,796
189,998	663,687
269,031	566,539
227,084	1,024,159
<u>11,111</u>	<u>455,734</u>
1,595,304	17,364,697

CITY OF HARRIMAN, TENNESSEE

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

(continued)

June 30, 2024

	<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	\$ 3,749,460
Notes payable and obligations under capital lease	2,365,000	1,860,000	0
Unamortized premiums/discounts	<u>171,345</u>	<u>95,318</u>	<u>135,011</u>
	2,536,345	1,955,318	3,884,471
NET PENSION LIABILITY	2,976,502	744,126	496,084
COMPENSATED ABSENCES	1,091,956	338,828	226,758
CURRENT LIABILITIES PAYABLE FROM CURRENT ASSETS			
Trade accounts payable	4,177,801	0	0
Due to other utility departments	598,901	0	0
Accrued payroll and taxes	185,838	0	0
Customers' deposits	1,403,559	236,962	0
Other payables	396,144	0	1,081
Deferred revenue	<u>575,194</u>	<u>0</u>	<u>0</u>
	7,337,437	236,962	1,081

<u>Water Department</u>	<u>Totals</u>
\$ 3,804,853	\$ 7,554,313
0	4,225,000
164,643	566,317
<u>3,969,496</u>	<u>12,345,630</u>
744,126	4,960,838
304,200	1,961,742
0	4,177,801
89,454	688,355
0	185,838
162,876	1,803,397
0	397,225
<u>0</u>	<u>575,194</u>
<u>252,330</u>	<u>7,827,810</u>

CITY OF HARRIMAN, TENNESSEE

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

(continued)

June 30, 2024

	<u>Electric Department</u>	<u>Gas Department</u>	<u>Sewer Department</u>
RESTRICTED ASSETS			
Emergency reserve fund	<u>45,100</u>	<u>0</u>	<u>0</u>
TOTAL ASSETS	44,586,302	12,240,458	17,635,595
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension outflows	<u>612,226</u>	<u>153,057</u>	<u>102,037</u>
	<u>\$ 45,198,528</u>	<u>\$ 12,393,515</u>	<u>\$ 17,737,632</u>

<u>Water Department</u>	<u>Totals</u>
<u>0</u>	<u>45,100</u>
18,403,330	92,865,685
<u>153,049</u>	<u>1,020,369</u>
<u>\$ 18,556,379</u>	<u>\$ 93,886,054</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	125,000	274,884
Accrued interest	<u>5,158</u>	<u>3,429</u>	<u>5,153</u>
	<u>250,158</u>	<u>128,429</u>	<u>280,037</u>
TOTAL LIABILITIES	14,192,398	3,403,663	4,888,431
NET POSITION			
Net investment in capital assets	30,534,765	7,643,690	11,448,389
Unrestricted	<u>471,365</u>	<u>1,346,162</u>	<u>1,400,812</u>
	<u>31,006,130</u>	<u>8,989,852</u>	<u>12,849,201</u>
	<u>\$ 45,198,528</u>	<u>\$ 12,393,515</u>	<u>\$ 17,737,632</u>

<u>Water Department</u>	<u>Totals</u>
280,428	925,312
<u>5,635</u>	<u>19,375</u>
<u>286,063</u>	<u>944,687</u>
5,556,215	28,040,707
12,558,102	62,184,946
<u>442,062</u>	<u>3,660,401</u>
<u>13,000,164</u>	<u>65,845,347</u>
<u>\$ 18,556,379</u>	<u>\$ 93,886,054</u>

CITY OF HARRIMAN, TENNESSEE

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS

June 30, 2024

	<u>Electric Department</u>	<u>Gas Department</u>	<u>Sewer Department</u>
OPERATING REVENUE			
Residential	\$ 16,654,356	\$ 1,755,689	\$ 0
Commercial, industrial and interruptible	11,773,392	1,369,455	0
Sewer and water charges	0	0	1,957,769
Street and outdoor lighting sales	792,938	0	0
Customers' forfeited discounts	227,075	21,293	21,903
Rent from city	21,624	0	0
Rent from others	580,496	0	0
Miscellaneous	113,070	18,416	12,830
Bad debt expense	<u>(80,044)</u>	<u>(6,492)</u>	<u>(13,900)</u>
TOTAL OPERATING REVENUE	30,082,907	3,158,361	1,978,602
OPERATING EXPENSES			
Operation	20,063,509	0	0
Repairs and maintenance	1,956,520	0	0
Purchased gas	0	953,585	0
Power, pumping and utilities	0	0	167,786
Purification	0	0	240,267
Transmission and distribution	1,691,401	591,339	281,330
Customers' accounting and collection	654,060	306,115	61,672
Administrative and general	2,787,892	761,929	439,073
Depreciation and amortization	<u>2,054,484</u>	<u>435,412</u>	<u>635,870</u>
TOTAL OPERATING EXPENSES	<u>29,207,866</u>	<u>3,048,380</u>	<u>1,825,998</u>
NET OPERATING INCOME	875,041	109,981	152,604
NONOPERATING REVENUE(EXPENSE)			
Interest income	254,005	39,145	0
Interest expense	<u>(50,440)</u>	<u>(38,602)</u>	<u>(71,190)</u>
	<u>203,565</u>	<u>543</u>	<u>(71,190)</u>

See the accompanying notes to the financial statements.

<u>Water Department</u>	<u>Totals</u>
\$ 0	\$ 18,410,045
0	13,142,847
3,170,304	5,128,073
0	792,938
35,412	305,683
0	21,624
0	580,496
62,557	206,873
<u>(21,258)</u>	<u>(121,694)</u>
3,247,015	38,466,885
0	20,063,509
0	1,956,520
0	953,585
364,038	531,824
337,349	577,616
509,915	3,073,985
279,654	1,301,501
854,669	4,843,563
<u>644,507</u>	<u>3,770,273</u>
<u>2,990,132</u>	<u>37,072,376</u>
256,883	1,394,509
0	293,150
<u>(63,277)</u>	<u>(223,509)</u>
<u>(63,277)</u>	<u>69,641</u>

CITY OF HARRIMAN, TENNESSEE

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS

(continued)

June 30, 2024

	<u>Electric Department</u>	<u>Gas Department</u>	<u>Sewer Department</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	1,078,606	110,524	81,414
Capital contributions	<u>0</u>	<u>0</u>	<u>417,779</u>
INCOME BEFORE TRANSFERS	1,078,606	110,524	499,193
Transfers out	<u>(801,745)</u>	<u>0</u>	<u>0</u>
CHANGE IN NET POSITION	276,861	110,524	499,193
NET POSITION AT THE BEGINNING OF THE YEAR	<u>30,729,269</u>	<u>8,879,328</u>	<u>12,350,008</u>
NET POSITION AT THE END OF THE YEAR	<u>\$ 31,006,130</u>	<u>\$ 8,989,852</u>	<u>\$ 12,849,201</u>

<u>Water Department</u>	<u>Totals</u>
193,606	1,464,150
<u>883,247</u>	<u>1,301,026</u>
1,076,853	2,765,176
<u>0</u>	<u>(801,745)</u>
1,076,853	1,963,431
<u>11,923,311</u>	<u>63,881,916</u>
<u>\$ 13,000,164</u>	<u>\$ 65,845,347</u>

CITY OF HARRIMAN, TENNESSEE

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

Year Ended June 30, 2024

	<u>Electric Department</u>	<u>Gas Department</u>	<u>Sewer Department</u>
CASH PROVIDED(USED) BY OPERATING ACTIVITIES			
Receipts from customers and users	\$ 29,375,987	\$ 3,158,361	\$ 1,978,602
Payments to suppliers and vendors	(25,241,847)	(2,262,597)	(1,025,637)
Payments to employees	(1,082,481)	(295,057)	(147,610)
Payments for other expenses	<u>(120,477)</u>	<u>154,173</u>	<u>186,915</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,931,182	754,880	992,270
CASH PROVIDED(USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES			
Transfers to other funds	(801,745)	0	0
CASH PROVIDED(USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets:			
Additions to plant	(4,418,423)	(693,723)	(224,299)
Salvage value of plant retirements	756,599	93,950	125,731
Principal paid on revenue and revenue refunding bond maturities	0	0	(273,864)
Principal paid on notes payable and finance leases	(245,000)	(120,000)	0
Interest paid on bonds, notes and finance leases	(50,440)	(38,602)	(71,190)
Amortization of debt costs	(18,193)	(5,847)	(8,476)
Capital contribution	<u>0</u>	<u>0</u>	<u>417,781</u>
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(3,975,457)	(764,222)	(34,317)

See the accompanying notes to the financial statements.

<u>Water Department</u>	<u>Totals</u>
\$ 3,247,015	\$ 37,759,965
(2,038,054)	(30,568,135)
(293,235)	(1,818,383)
(60,751)	159,860
854,975	5,533,307
0	(801,745)
(1,193,727)	(6,530,171)
(391,766)	584,514
(279,480)	(553,344)
0	(365,000)
(63,277)	(223,509)
(10,119)	(42,635)
883,248	1,301,029
(1,055,121)	(5,829,116)

CITY OF HARRIMAN, TENNESSEE

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

(continued)

Year Ended June 30, 2024

	<u>Electric Department</u>	<u>Gas Department</u>	<u>Sewer Department</u>
CASH PROVIDED(USED) BY INVESTING ACTIVITIES			
Interest from cash management activities	<u>254,005</u>	<u>39,145</u>	<u>0</u>
INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	(1,592,015)	29,803	957,953
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>8,729,428</u>	<u>1,915,039</u>	<u>673,594</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 7,137,413</u>	<u>\$ 1,944,842</u>	<u>\$ 1,631,547</u>
SUMMARY OF CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR			
Cash - interest bearing	\$ 7,092,313	\$ 1,944,842	\$ 1,631,547
Restricted assets	<u>45,100</u>	<u>0</u>	<u>0</u>
	<u>\$ 7,137,413</u>	<u>\$ 1,944,842</u>	<u>\$ 1,631,547</u>

<u>Water Department</u>	<u>Totals</u>
<u>0</u>	<u>293,150</u>
(200,146)	(804,403)
<u>1,098,226</u>	<u>12,416,287</u>
<u>\$ 898,080</u>	<u>\$ 11,611,884</u>
\$ 898,080	\$ 11,566,784
<u>0</u>	<u>45,100</u>
<u>\$ 898,080</u>	<u>\$ 11,611,884</u>

CITY OF HARRIMAN, TENNESSEE

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

(continued)

Year Ended June 30, 2024

	<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	\$ 875,041	\$ 109,981	\$ 152,604
Adjustments to reconcile income(loss) from operations to net cash provided by operating activities:			
Depreciation and amortization	2,054,482	435,412	635,870
Customer deposits	0	0	0
(Increase)decrease in:			
Accounts receivable	(706,920)	0	0
Inventory	(59,027)	2,682	169
Other assets	(820)	160,941	191,427
Deferred outflows of resources	(70,054)	5,633	3,755
Increase(decrease) in:			
Accounts payable	656,093	0	0
Accrued liabilities	306,660	35,408	16,712
Net pension liability	(49,603)	(12,401)	(8,267)
Customer deposits	<u>(74,670)</u>	<u>17,224</u>	<u>0</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 2,931,182</u>	<u>\$ 754,880</u>	<u>\$ 992,270</u>

<u>Water Department</u>	<u>Totals</u>
\$ 256,883	\$ 1,394,509
644,507	3,770,271
0	0
0	(706,920)
(9,320)	(65,496)
(53,982)	297,566
5,633	(55,033)
0	656,093
22,947	381,727
(12,401)	(82,672)
<u>708</u>	<u>(56,738)</u>
<u>\$ 854,975</u>	<u>\$ 5,533,307</u>

CITY OF HARRIMAN, TENNESSEE

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

June 30, 2024

	<u>Harriman Utility Board Pension Trust Fund</u>
ASSETS	
Cash and cash equivalents	\$ 1,314,762
Receivable: investment	19,310
Fixed income	2,276,042
Equities	<u>2,690,585</u>
	TOTAL ASSETS \$ <u>6,300,699</u>
RESTRICTED NET POSITION	<u>\$ 6,300,699</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, 2024

	<u>Harriman Utility Board Pension Trust Fund</u>
ADDITIONS	
Employer contributions	\$ 770,909
Employee contributions	215,059
Net increase in fair value of investments	<u>698,045</u>
TOTAL ADDITIONS	1,684,013
DEDUCTIONS	
Benefits	1,233,819
Administrative expenses	<u>22,876</u>
TOTAL DEDUCTIONS	<u>1,256,695</u>
NET INCREASE IN FIDUCIARY NET POSITION	427,318
FIDUCIARY NET POSITION AT THE BEGINNING OF THE YEAR	<u>5,873,381</u>
FIDUCIARY NET POSITION AT THE END OF THE YEAR	<u><u>\$ 6,300,699</u></u>

See the accompanying notes to the financial statements.

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2024

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, gas, sewer and water departments who services 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, and its component unit. The discretely presented component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationships with the City.

Discretely Presented Component Unit - The Industrial Development Board of City of Harriman, Tennessee meets the criteria for discretely presented component units of the City. The component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City. The Industrial Development Board was organized to promote industrial development in the City and the surrounding area in accordance with Title 7, Chapter 53, of *Tennessee Code Annotated*. The Industrial Development Board of the City is governed by a seven-member board of directors appointed by the City.

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2024

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 and its component unit. 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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.

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2024

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.

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 Plan Act fund* is used to account for costs associated with the American Rescue Plan Act grants.

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2024

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.

The *capital projects fund* is used to account for major capital expenditures not financed by enterprise funds, internal service funds 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.

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2024

The City reports the following fiduciary fund:

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, 2024.

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.

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2024

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.

Net investment in capital assets at June 30, 2024 has been calculated as follows:

Governmental Activities:

Capital assets	\$ 17,747,915
Accumulated depreciation	(7,817,154)
Principal balance on long-term lease	(287,568)
Principal balance on long-term debt	<u>(3,069,342)</u>
	<u>\$ 6,573,851</u>

Business-Type Activities:

Electric department:

Capital assets	\$ 81,434,699
Accumulated depreciation	(48,118,589)
Principal balance on long-term debt	<u>(2,781,345)</u>
	<u>\$ 30,534,765</u>

Gas department:

Capital assets	\$ 18,022,761
Accumulated depreciation	(8,298,753)
Principal balance on long-term debt	<u>(2,080,318)</u>
	<u>\$ 7,643,690</u>

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2024

Sewer department:	
Capital assets	\$ 30,935,845
Accumulated depreciation	(15,328,101)
Principal balance on long-term debt	<u>(4,159,355)</u>
	<u>\$ 11,448,389</u>
 Water department:	
Capital assets	\$ 30,673,285
Accumulated depreciation	(13,865,259)
Principal balance on long-term debt	<u>(4,249,924)</u>
	<u>\$ 12,558,102</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, 2024 was restricted for the following:

Drug enforcement	\$ 41,432
Hooray for Harriman	15,241
Sex offender registration	8,398
Street improvements	36,017
Pension	<u>862,160</u>
	<u>\$ 963,248</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, 2024

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, 2024 was committed for the following:

Debt service	\$ 83,707
Solid waste management	35,872
Capital projects	<u>296,207</u>
	<u>\$ 415,788</u>

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2024

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.

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.

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.

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2024

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, 2024

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 \$584,514 in 2024 in the statement of revenue, 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, 2024

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, 2024

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, 2024 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. The total cost of accumulated compensated absences as of June 30, 2024 was \$1,961,742 for HUB.

Revenue Recognition

HUB utilizes a cycle billing method to bill customers. In order to properly match revenue with related costs, unbilled customer revenue 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, 2024

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, 2024, 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, 2024

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, 2024 was as follows:

Governmental funds	\$ 201,628
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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, 2024 was as follows:

Electric department	\$ 80,044
Gas department	6,492
Sewer department	13,900
Water department	<u>21,258</u>
	<u>\$ 121,694</u>

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2024

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, 2024 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, 2024

NOTE D - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2024 was as follows:

	<u>Balance</u> <u>7/1/23</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/24</u>
Governmental Activities:				
<u>Capital assets not being depreciated</u>				
Land	\$ 650,004	\$ 0	\$ 0	\$ 650,004
Construction in process	<u>576,291</u>	<u>326,594</u>	<u>(26,497)</u>	<u>876,388</u>
	1,226,295	326,594	(26,497)	1,526,392
<u>Capital assets being depreciated</u>				
Land improvements	397,927	87,635	0	485,562
Buildings	2,666,965	163,180	0	2,830,145
Building improvements	40,500	0	0	40,500
Leased buildings	253,290	0	0	253,290
Machinery and equipment	6,069,319	206,995	(1,522,958)	4,753,357
Leased equipment	87,126	0	0	87,126
Infrastructure	<u>7,771,545</u>	<u>0</u>	<u>0</u>	<u>7,771,545</u>
	17,286,672	457,810	(1,522,958)	16,221,524
<u>Accumulated depreciation</u>				
Land improvements	(177,440)	(36,892)	0	(214,332)
Buildings	(847,645)	(129,468)	0	(977,113)
Building improvements	(32,744)	(2,025)	0	(34,769)
Leased buildings	(34,616)	(10,132)	0	(44,748)
Machinery and equipment	(4,737,872)	(270,194)	1,522,958	(3,485,108)
Leased equipment	(17,425)	(17,425)	0	(34,850)
Infrastructure	<u>(2,749,115)</u>	<u>(277,118)</u>	<u>0</u>	<u>(3,026,233)</u>
	<u>(8,596,857)</u>	<u>(743,255)</u>	<u>1,522,958</u>	<u>(7,817,154)</u>
	<u>\$ 9,916,110</u>	<u>\$ 41,149</u>	<u>\$ (26,497)</u>	<u>\$ 9,930,761</u>

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2024

Depreciation expense is charged to the various governmental functions as follows:

General government	\$ 128,358
Public safety	196,101
Public welfare	162,669
Streets and highways	<u>256,127</u>
	<u>\$ 743,255</u>

	<u>Balance</u> <u>7/1/23</u>	<u>Additions</u>	<u>Retirement</u>	<u>Balance</u> <u>6/30/24</u>	<u>Depreciation</u> <u>Expense</u>
Business-Type Activities:					
Electric Department					
<u>Distribution plant</u>					
<u>Capital assets</u>					
<u>not being depreciated</u>					
Land and land rights	\$ 710,689	\$ 0	\$ 610,915	\$ 99,774	\$ 0
<u>Capital assets</u>					
<u>being depreciated</u>					
Structure and improvements	678,743	0	0	678,743	17,890
Station equipment	7,425,169	9,175	0	7,434,344	195,948
Poles, towers and fixtures	19,620,931	336,328	0	19,957,259	526,017
Overhead conductors and devices	8,788,296	39,848	0	8,828,144	232,685
Underground conduit	612,772	212,806	0	825,578	21,760
Underground conduit and devices	2,161,020	58,480	0	2,219,500	58,500
Line transformers	11,003,681	1,199,756	113,885	12,089,552	318,646
Services	5,974,040	0	68,566	5,905,474	155,652
Meters	1,080,935	0	0	1,080,935	28,490

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2024

	<u>Balance</u> <u>7/1/23</u>	<u>Additions</u>	<u>Retirement</u>	<u>Balance</u> <u>6/30/24</u>	<u>Depreciation</u> <u>Expense</u>
Business-Type Activities:					
Electric Department					
(continued)					
Installations on customers' premises	4,898,145	13,302	0	4,911,447	129,452
Street lighting and signal systems	<u>1,877,474</u>	<u>0</u>	<u>0</u>	<u>1,877,474</u>	<u>49,485</u>
	64,831,895	1,869,694	793,367	65,908,223	1,734,525
<u>General plant</u>					
Structure and improvements	2,960,561	16,272	0	2,976,833	78,461
Office furniture and equipment	1,242,633	146,944	0	1,389,577	36,625
Transportation equipment	3,521,290	441,110	0	3,962,400	104,438
Shop equipment	159,842	0	0	159,842	4,213
Laboratory equipment	23,526	0	0	23,526	620
Communication equipment	603,878	4,107	0	607,985	16,025
Miscellaneous equipment	<u>2,997,328</u>	<u>21,869</u>	<u>0</u>	<u>3,019,197</u>	<u>79,577</u>
	11,509,058	630,302	0	12,139,360	<u>319,959</u>
Plant purchased but not classified	<u>48,000</u>	<u>0</u>	<u>0</u>	<u>48,000</u>	
	76,388,953	2,499,996	793,367	78,095,582	

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2024

	<u>Balance</u> <u>7/1/23</u>	<u>Additions</u>	<u>Retirement</u>	<u>Balance</u> <u>6/30/24</u>	<u>Depreciation</u> <u>Expense</u>
Business-Type Activities:					
Electric Department					
(continued)					
Construction in progress	<u>1,540,235</u>	<u>1,918,431</u>	<u>119,549</u>	<u>3,339,116</u>	
	77,929,188	4,418,427	912,916	81,434,699	
Less accumulated depreciation	<u>46,220,422</u>	<u>2,699,951</u>	<u>801,784</u>	<u>48,118,589</u>	
Total electric capital assets	<u>\$ 31,708,766</u>	<u>\$ 1,718,476</u>	<u>\$ 111,132</u>	<u>\$ 33,316,110</u>	<u>\$ 2,054,484</u>
Business-Type Activities:					
Gas Department					
<u>Gas plant in service</u>					
Transmission and distribution plant	\$ 12,667,600	\$ 239,338	\$ 0	\$ 12,906,938	\$ 329,500
General plant - transportation and equipment	<u>4,081,707</u>	<u>66,994</u>	<u>0</u>	<u>4,148,701</u>	<u>105,912</u>
	16,749,307	306,332	0	17,055,639	
Construction in progress	<u>579,729</u>	<u>387,394</u>	<u>0</u>	<u>967,123</u>	
	17,329,036	693,726	0	18,022,762	
Less accumulated depreciation	<u>7,769,387</u>	<u>529,366</u>	<u>0</u>	<u>8,298,753</u>	
Total gas plant	<u>\$ 9,559,649</u>	<u>\$ 164,360</u>	<u>\$ 0</u>	<u>\$ 9,724,008</u>	<u>\$ 435,412</u>

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2024

	<u>Balance</u> <u>7/1/23</u>	<u>Additions</u>	<u>Retirement</u>	<u>Balance</u> <u>6/30/24</u>	<u>Depreciation</u> <u>Expense</u>
Business-Type Activities:					
Sewer Department					
<u>Sewer plant in service</u>					
Treatment plant	\$ 12,681,410	\$ 16,088	\$ 0	\$ 12,697,498	\$ 262,020
Lines and service	17,058,567	85,775	0	17,144,342	353,784
General plant - transportation and equipment	<u>971,570</u>	<u>800</u>	<u>0</u>	<u>972,370</u>	<u>20,065</u>
	30,711,547	102,663	0	30,814,210	
Construction in progress	<u>117,859</u>	<u>121,633</u>	<u>117,857</u>	<u>121,635</u>	
	30,829,406	224,296	117,857	30,935,845	
Less accumulated depreciation	<u>14,684,358</u>	<u>643,743</u>	<u>0</u>	<u>15,328,101</u>	
Total sewer plant	<u>\$ 16,145,048</u>	<u>\$ (419,447)</u>	<u>\$ 117,857</u>	<u>\$ 15,607,744</u>	<u>\$ 635,870</u>

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2024

	<u>Balance</u> <u>7/1/23</u>	<u>Additions</u>	<u>Retirement</u>	<u>Balance</u> <u>6/30/24</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	\$ 917,785	\$ 30,116	\$ 0	\$ 947,901	\$ 20,700
Treatment plant	1,880,914	0	0	1,880,914	41,074
Transmission and distribution plant	22,627,721	445,567	0	23,073,288	503,860
General plant - transportation and equipment	<u>3,348,666</u>	<u>8,307</u>	<u>0</u>	<u>3,356,973</u>	<u>73,307</u>
	28,775,086	483,990	0	29,259,076	
Construction in progress	<u>704,472</u>	<u>917,915</u>	<u>208,178</u>	<u>1,414,209</u>	
	29,479,558	1,401,905	208,178	30,673,285	
Less accumulated depreciation	<u>13,612,518</u>	<u>252,741</u>	<u>0</u>	<u>13,865,259</u>	
Total water plant	<u>\$ 15,867,040</u>	<u>\$ 1,149,164</u>	<u>\$ 208,178</u>	<u>\$ 16,808,026</u>	<u>\$ 638,941</u>

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2024

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, 2024

Employees Covered by Benefit Terms

At the measurement date of June 30, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	229
Inactive employees entitled to but not yet receiving benefits	300
Active employees	<u>20</u>
	<u>549</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, 2024, employer contributions for the City were \$302,261 based on a rate of 32.00% 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, 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 June 30, 2023 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, 2024

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2023 actuarial valuation 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>

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.

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2024

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.

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, 2023:			
Increase(decrease):			
Service cost	\$ 110,106	\$ 0	\$ 110,106
Interest	2,091,000	0	2,091,000
Differences between expected and actual experience	25,368	0	25,368
Contributions-employer	0	323,140	(323,140)
Contributions-employees	0	53,857	(53,857)
Net investment income	0	2,127,394	(2,127,394)
Benefit payments, including refunds of employee contributions	(2,316,307)	(2,316,307)	0
Administrative expense	<u>0</u>	<u>(16,867)</u>	<u>16,867</u>
Net changes for the year ended June 30, 2023	(89,833)	171,217	(261,050)
Balances at June 30, 2022	<u>32,025,820</u>	<u>32,626,930</u>	<u>(601,110)</u>
Balances at June 30, 2023	<u>\$ 31,935,987</u>	<u>\$ 32,798,147</u>	<u>\$ (862,160)</u>

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2024

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> 5.75%	<u>Current</u> <u>Discount Rate</u> 6.75%	<u>1% Increase</u> 7.75%
Net pension liability(asset)	\$ 2,457,954	\$ (862,160)	\$ (3,658,500)

Negative Pension Expense

For the year ended June 30, 2024, the City recognized negative pension expense of \$132,106.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2024, 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	\$ 0	\$ 0
Net difference between projected and actual earnings on pension plan investments	195,656	0
Contributions subsequent to the measurement date of June 30, 2023	<u>302,261</u>	<u>not applicable</u>
Totals	<u>\$ 497,917</u>	<u>\$ 0</u>

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2023,” 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, 2024

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>	
2025	\$ (205,915)
2026	(340,132)
2027	739,925
2028	1,781
2029	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, 2024

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, 2023, 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	36
Active employees	<u>49</u>
	<u>85</u>

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2024

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, 2024, employer contributions for the City were \$53,150 based on a rate of 2.39% 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, 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 June 30, 2023 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, 2024

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2023 actuarial valuation 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, 2024

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, 2024

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, 2023:			
Increase(decrease):			
Service cost	\$ 123,620	\$ 0	\$ 123,620
Interest	35,028	0	35,028
Differences between expected and actual experience	20,732	0	20,732
Contributions-employer	0	47,260	(47,260)
Contributions-employees	0	100,126	(100,126)
Net investment income	0	30,759	(30,759)
Benefit payments, including refunds of employee contributions	(5,908)	(5,908)	0
Administrative expense	<u>0</u>	<u>(2,819)</u>	<u>2,819</u>
Net changes for the year ended June 30, 2023	173,472	169,418	4,054
Balances at June 30, 2022	<u>398,260</u>	<u>388,268</u>	<u>9,992</u>
Balances at June 30, 2023	<u>\$ 571,732</u>	<u>\$ 557,686</u>	<u>\$ 14,046</u>

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2024

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)	\$ 174,631	\$ 14,046	\$ (103,824)

Pension Expense

For the year ended June 30, 2024, the City recognized pension expense of \$36,482.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2024, 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	\$ 28,200	\$ 1,555
Net difference between projected and actual earnings on pension plan investments	6,801	0
Changes of assumptions	26,197	0
Contributions subsequent to the measurement date of June 30, 2023	<u>53,150</u>	<u>not applicable</u>
Totals	<u>\$ 114,348</u>	<u>\$ 1,555</u>

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2023,” 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, 2024

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>	
2025	\$ 6,070
2026	5,348
2027	13,654
2028	6,125
2029	6,099
Thereafter	22,357

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 \$153,724 for the year ended June 30, 2024.

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, 2024

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, 2023 to March 31, 2024.

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, 2024, 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	9

Active plan participants:

Vested (fully and partially)	54
Nonvested	<u>14</u>
	<u>78</u>

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2024

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, 2024, employer's contributions for HUB were \$779,870 based on a rate of 13.80% 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, 2024, 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, 2024, 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	6.50%, net of pension plan investment expenses

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

Discount Rate

Pre-retirement: 6.50% per annum; post-retirement: 5.00% per annum (6.50% 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, 2024

	Increase(decrease)		
	Total Pension Liability <u>(a)</u>	Plan Fiduciary Net Position <u>(b)</u>	Net Pension Liability <u>(a)-(b)</u>
Changes for the year ended June 30, 2024:			
Changes for the year:			
Service cost	\$ 345,646	\$ 0	\$ 345,646
Interest	739,039	0	739,039
Changes of assumptions	220,986	0	220,986
Differences between expected and actual experience	116,460	192,778	(76,318)
Contributions-employer	0	779,870	(779,870)
Contributions-employee	0	135,306	(135,306)
Net investment income	0	419,885	(419,885)
Benefit payments	(873,282)	(873,282)	0
Administrative expenses	<u>0</u>	<u>(23,037)</u>	<u>23,037</u>
Net changes for the year ended June 30, 2024	548,849	631,520	(82,671)
Balances at June 30, 2023	<u>11,032,591</u>	<u>5,989,081</u>	<u>5,043,510</u>
Balances at June 30, 2024	<u>\$ 11,581,440</u>	<u>\$ 6,620,601</u>	<u>\$ 4,960,838</u>

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2024

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 6.50%, 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 (5.50%) or 1-percentage-point higher (7.50%) than the current rate:

<u>1% Decrease</u> <u>5.50%</u>	<u>Discount Rate</u> <u>6.50%</u>	<u>1% Increase</u> <u>7.50%</u>
\$ 7,533,264	\$ 5,341,179	\$ 3,549,532

Pension Expense

For the fiscal year ended June 30, 2024, HUB recognized pension expense of \$779,870.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2024, HUB reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources, the period from March 31, 2023 to June 30, 2024:

	<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	\$ 2,147,560	\$ (474,529)	\$ 1,673,031
Net difference between projected and actual earnings on investments	316,942	(253,164)	63,778
Changes of assumptions	<u>453,987</u>	<u>(1,170,418)</u>	<u>(716,431)</u>
Totals	<u>\$ 2,918,489</u>	<u>\$ (1,898,111)</u>	<u>\$ 1,020,378</u>

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2024

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>
2025	\$ 440,617	\$ (305,933)	\$ 134,684
2026	440,621	(221,697)	218,924
2027	282,148	(221,697)	60,451
2028	282,148	(216,793)	65,355
Thereafter	<u>1,472,955</u>	<u>(931,991)</u>	<u>540,964</u>
Total	<u>\$ 2,918,489</u>	<u>\$ (1,898,111)</u>	<u>\$ 1,020,378</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 at least 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, 2024</u>
Electric	\$ 87,883
Gas	14,612
Water	10,256
Sewer	<u>10,027</u>
Total	<u>\$ 122,777</u>

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2024

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, 2024:

	<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	\$ 1,334,072	\$ 0	\$ 0	\$ 1,334,072
Fixed income	2,276,042	0	0	2,276,042
Equities	<u>0</u>	<u>2,690,585</u>	<u>0</u>	<u>2,690,585</u>
Total investments, at fair value	<u>\$ 3,610,114</u>	<u>\$ 2,690,585</u>	<u>\$ 0</u>	<u>\$ 6,300,699</u>

For the year ended June 30, 2024, 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, 2024.

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2024

NOTE I - LONG-TERM DEBT

Long-term debt at June 30, 2024 consisted of the following:

Governmental Activities:

General Obligation Capital Outlay Note, Series 2016, Interest rate of 2.187%, principal installments due annually in varying amounts through 2028	\$ 850,000
General Obligation Capital Outlay Note, Series 2018, interest rate of 3.87%, principal installments due annually in varying amounts	180,000
General Obligation Bond, Series 2020, interest rate of 2.25%, principal installments due annually in varying amounts	1,304,342
General Capital Outlay Notes, Series 2022 interest rate of 3.38%, principal installments due annually in varying amounts through 2035	<u>735,000</u>
	3,069,342
Less current maturities	<u>(387,801)</u>
	<u>\$ 2,681,541</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, 2024

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.	\$ 7,400,000
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>3,555,000</u> 10,955,000
Less current maturities	<u>(775,000)</u>
	<u>\$ 10,180,000</u>
Unamortized premium	<u>\$ 574,852</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).	\$ 879,344
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>870,281</u> 1,749,625
Less current maturities	<u>(150,312)</u>
	<u>\$ 1,599,313</u>

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2024

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, 2024 are due as follows:

Governmental Activities:

Direct borrowings and placements

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2025	\$ 387,801	\$ 75,689	\$ 463,491
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

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2024

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2041	31,088	19,740	50,828
2042	31,794	19,034	50,828
2043	32,517	18,311	50,828
2044	33,208	17,620	50,828
2045	34,011	16,817	50,828
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>\$ 3,069,342</u>	<u>\$ 847,079</u>	<u>\$ 3,916,420</u>

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2024

Business-Type Activities:

Harriman Utility Board

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
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	<u>210,000</u>	<u>4,200</u>	<u>214,200</u>
	<u>\$ 12,704,625</u>	<u>\$ 1,800,256</u>	<u>\$ 14,504,881</u>

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2024

Changes in long-term debt for the year ended June 30, 2024 were as follows:

	<u>Balance</u> <u>7/1/23</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance</u> <u>6/30/24</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
<u>Governmental Activities:</u>					
Bonds payable:					
TN Municipal Bond,					
Series 2016	\$ 15,400	\$ 0	\$ (15,400)	\$ 0	\$ 0
General Obligation Bond		0			
Series 2020	1,325,481	0	(21,139)	1,304,342	21,701
Notes payable:					
General Obligation,					
Capital Outlay					
Note, Series 2016	1,050,000	0	(200,000)	850,000	205,000
General Obligation					
Capital Outlay					
Note, Series 2018	236,000	0	(56,000)	180,000	58,000
General Obligation					
Capital Outlay					
Note, Series 2022	<u>735,000</u>	<u>0</u>	<u>0</u>	<u>735,000</u>	<u>103,100</u>
	<u>\$ 3,361,881</u>	<u>\$ 0</u>	<u>\$ (292,539)</u>	<u>\$ 3,069,342</u>	<u>\$ 387,801</u>

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2024

Business-Type Activities:

Harriman Utility Board

	<u>Balance</u> <u>7/1/23</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance</u> <u>6/30/24</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Bonds payable:					
Series 2021A	\$ 7,970,000	\$ 0	\$ (570,000)	\$ 7,400,000	\$ 570,000
Series 2021B	<u>3,755,000</u>	<u>0</u>	<u>(200,000)</u>	<u>3,555,000</u>	<u>205,000</u>
Total bonds payable	11,725,000	0	(770,000)	10,955,000	775,000
Other loans payable:					
Sewer 2011-269	958,208	0	(78,864)	879,344	79,944
Water 2011-109	<u>939,761</u>	<u>0</u>	<u>(69,480)</u>	<u>870,281</u>	<u>70,368</u>
Total other loans payable	<u>1,897,969</u>	<u>0</u>	<u>(148,344)</u>	<u>1,749,625</u>	<u>150,312</u>
	<u>\$ 13,622,969</u>	<u>\$ 0</u>	<u>\$ (918,344)</u>	<u>\$ 12,704,625</u>	<u>\$ 925,312</u>

NOTE J - LONG-TERM LEASES

Long-term leases at June 30, 2024 consisted of the following:

Governmental Activities:

Building lease, monthly payments of \$1,500, interest rate of 4.75%, secured by building	\$ 233,114
Municipal lease, monthly payments of \$2,178, interest rate of 4.28%, secured by equipment	<u>54,454</u>
	287,568
Less current maturities	<u>(24,352)</u>
	<u>\$ 263,216</u>

The municipal lease, secured by equipment is not renewable and the City will acquire the equipment at the end of the lease. The building lease, secured by a building is renewable for a twenty five year term at the end of the lease.

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2024

Maturities of long-term leases are as follows:

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2025	\$ 24,352	\$ 16,018	\$ 40,371
2026	24,681	15,157	39,838
2027	25,026	14,258	39,284
2028	10,140	10,337	20,476
2029	8,340	9,660	18,000
2030	8,736	9,264	18,000
2031	9,151	8,849	18,000
2032	9,586	8,414	18,000
2033	10,041	7,959	18,000
2034	10,518	7,482	18,000
2035	11,018	6,982	18,000
2036	11,541	6,459	18,000
2037	12,089	5,911	18,000
2038	12,663	5,337	18,000
2039	13,265	4,735	18,000
2040	13,895	4,105	18,000
2041	14,555	3,445	18,000
2042	15,246	2,754	18,000
2043	15,971	2,029	18,000
2044	16,729	1,271	18,000
2045	<u>10,024</u>	<u>476</u>	<u>10,500</u>
	<u>\$ 287,568</u>	<u>\$ 150,901</u>	<u>\$ 438,469</u>

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2024

Changes in long-term leases for the year ended June 30, 2024 were as follows:

	<u>Balance</u> <u>7/1/23</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>6/30/24</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
<u>Governmental Activities:</u>					
Building lease	\$ 239,727	\$ 0	\$ 6,613	\$ 233,114	\$ 6,927
Municipal lease	<u>71,879</u>	<u>0</u>	<u>17,425</u>	<u>54,454</u>	<u>17,425</u>
	<u>\$ 311,606</u>	<u>\$ 0</u>	<u>\$ 24,038</u>	<u>\$ 287,568</u>	<u>\$ 24,352</u>

The electric department leases certain facilities used in its operations from the 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 \$23,772 in 2024. 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 \$580,496 in 2024. Rental expenses applicable to such arrangements amounted to \$108,384 in 2024.

NOTE K - TENNESSEE VALLEY AUTHORITY HOME INSULATION PROGRAM

HUB electric department participated in the Tennessee Valley Authority's (TVA) Home Insulation Program, which provided noninterest-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, 2024

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 were not remitted by June 30, 2024. 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, 2024. Amounts due between the electric, sewer, water and gas departments are a result of the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made.

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>
General fund	State street aid fund	\$ 36,017
American Rescue Plan Act fund	General fund	186,900
Electric department	Gas department	118,079
Electric department	Sewer department	170,871
Electric department	Water department	309,951
Water department	Sewer department	<u>89,450</u>
		<u>\$ 911,268</u>

NOTE M - POWER CONTRACT

HUB electric department has a power contract with 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 N - 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, 2024

NOTE O - TRANSFERS

The following interfund transfers were made during the year ended June 30, 2024:

<u>From</u>	<u>To</u>	<u>Amount</u>
Electric department	General fund	\$ 801,745
General fund	Solid waste management fund	93,142
General fund	State street aid fund	<u>92,723</u>
		<u>\$ 987,610</u>

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 P - 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 Q - EXPENDITURES EXCEEDED APPROPRIATIONS

During the year ended June 30, 2024, expenditures exceeded appropriations in the American Rescue Plan Act fund by \$79,021, the drug enforcement fund by \$207 and the debt service fund by \$967. Expenditures that exceed appropriations are a violation of state statutes.

CITY OF HARRIMAN, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2024

NOTE R - RESTATEMENT

Net position of the Industrial Development Board (a component unit of the City of Harriman) at June 30, 2023 has been restated to correct capital asset balances which were not reported correctly:

	<u>Industrial Development Board</u>
Balance at June 30, 2023, as originally reported	\$ 983,973
Correct capital asset balances	<u>3,178,500</u>
Balance at June 30, 2023, as restated	<u>\$ 4,162,473</u>

The effects on the change in net position for the Industrial Development Board as a result of this restatement for the year ended June 30, 2023 were unable to be determined.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HARRIMAN, TENNESSEE

CHANGES IN NET PENSION LIABILITY(ASSET)
LEGACY PENSION PLAN

June 30, 2024

	Measurement Date at June 30,			
	2023	2022	2021	2020
<u>Total pension liability(asset)</u>				
Service cost	\$ 110,106	\$ 116,027	\$ 147,024	\$ 159,384
Interest	2,091,000	2,094,630	2,141,112	2,161,349
Differences between actual and expected experience	25,368	63,852	(293,823)	(361,930)
Changes of assumptions	0	0	1,815,645	0
Benefit payments, including refunds of employee contributions	(2,316,307)	(2,328,446)	(2,231,517)	(2,219,627)
Net change in total pension liability	(89,833)	(53,937)	1,578,441	(260,824)
Total pension liability - beginning	32,025,820	32,079,757	30,501,316	30,762,140
Total pension liability - ending (a)	31,935,987	32,025,820	32,079,757	30,501,316
<u>Plan fiduciary net position</u>				
Contributions - employer	323,140	396,185	559,831	452,579
Contributions - employee	53,857	61,904	87,474	71,187
Net investment income	2,127,394	(1,335,080)	7,511,265	1,453,608
Benefit payments, including refunds of employee contributions	(2,316,307)	(2,328,446)	(2,231,517)	(2,219,627)
Administrative expense	(16,867)	(2,422)	(2,625)	(2,813)
Net change in plan fiduciary net position	171,217	(3,207,859)	5,924,428	(245,066)
Plan fiduciary net position - beginning	32,626,930	35,834,789	29,910,361	30,155,427
Plan fiduciary net position - ending (b)	32,798,147	32,626,930	35,834,789	29,910,361
Net pension liability(asset) - ending (a) - (b)	\$ (862,160)	\$ (601,110)	\$(3,755,032)	\$ 590,955

See the accompanying independent accountants' audit report.

2019	2018	Measurement Date at June 30,		2015	2014
		2017	2016		
\$ 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)
31,074,261	31,556,080	31,058,201	31,299,223	31,164,218	31,500,003
<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
(2,227,724)	(2,244,152)	(2,250,423)	(2,336,176)	(2,232,048)	(2,092,212)
<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
29,671,598	28,966,438	27,497,550	28,390,763	29,059,478	26,376,636
<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, 2024

	<u>2023</u>	<u>Measurement Date at June 30,</u>		<u>2020</u>
		<u>2022</u>	<u>2021</u>	
Plan fiduciary net position as a percentage of total net pension liability	102.70%	101.88%	111.71%	98.06%
Covered employee payroll	\$ 1,077,135	\$ 1,238,078	\$ 1,443,885	\$ 1,414,308
Net pension liability(asset) as a percentage of covered employee payroll	(80.04)%	(48.55)%	(260.06)%	41.78%

Notes to Schedule of Changes in Net Pension Liability(Asset)

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.

<u>2019</u>	<u>2018</u>	Measurement Date at June 30,		<u>2015</u>	<u>2014</u>
		<u>2017</u>	<u>2016</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, 2024

	<u>2024</u>	<u>Year Ended June 30,</u>		<u>2021</u>
		<u>2023</u>	<u>2022</u>	
Actuarially determined contributions	\$ 277,986	\$ 317,001	\$ 364,366	\$ 462,043
Contributions in relation to the actuarially determined contributions	<u>(302,261)</u>	<u>(323,140)</u>	<u>(396,185)</u>	<u>(462,043)</u>
Contribution deficiency(excess)	<u>\$ (24,275)</u>	<u>\$ (6,139)</u>	<u>\$ (31,819)</u>	<u>\$ 0</u>
Covered employee payroll	\$ 944,567	\$ 1,077,135	\$ 1,238,078	\$ 1,414,308
Contributions as a percentage of covered employee payroll	32.00%	30.00%	32.00%	32.00%

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.

	Year Ended June 30,				
2020	2019	2018	2017	2016	2015
\$ 416,231	\$ 490,654	\$ 533,329	\$ 601,661	\$ 625,454	\$ 638,571
<u>(452,573)</u>	<u>(490,654)</u>	<u>(533,329)</u>	<u>(601,661)</u>	<u>(625,454)</u>	<u>(638,571)</u>
<u>\$ (36,342)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 1,414,308	\$ 1,533,294	\$ 1,666,653	\$ 1,880,777	\$ 1,877,576	\$ 2,367,356
32.00%	32.00%	32.00%	31.99%	33.31%	26.97%

Notes to Pension Contributions

Valuation date: Actuarially determined contribution rates for the year ended June 30, 2024 were calculated based on the June 30, 2022 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, 2024

	Measurement Date at June 30,		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
<u>Total pension liability(asset)</u>			
Service cost	\$ 123,620	\$ 90,717	\$ 67,435
Interest	35,028	25,555	17,458
Differences between actual and expected experience	20,732	320	3,057
Changes of assumptions	0	0	34,608
Benefit payments, including refunds of employee contributions	<u>(5,908)</u>	<u>(12,414)</u>	<u>(3,684)</u>
Net change in total pension liability	173,472	104,178	118,874
Total pension liability - beginning	<u>398,260</u>	<u>294,082</u>	<u>175,208</u>
Total pension liability - ending (a)	571,732	398,260	294,082
<u>Plan fiduciary net position</u>			
Contributions - employer	47,260	27,106	15,529
Contributions - employee	100,126	81,156	47,993
Net investment income	30,759	(13,617)	57,763
Benefit payments, including refunds of employee contributions	<u>(5,908)</u>	<u>(12,414)</u>	<u>(3,684)</u>
Administrative expense	<u>(2,819)</u>	<u>(4,018)</u>	<u>(3,080)</u>
Net change in plan fiduciary net position	169,418	78,213	114,521
Plan fiduciary net position - beginning	<u>388,268</u>	<u>310,055</u>	<u>195,534</u>
Plan fiduciary net position - ending (b)	<u>557,686</u>	<u>388,268</u>	<u>310,055</u>
Net pension liability(asset) - ending (a) - (b)	<u>\$ 14,046</u>	<u>\$ 9,992</u>	<u>\$ (15,973)</u>

See the accompanying independent accountants' audit report.

Measurement Date at June 30,				
2020	2019	2018	2017	2016
\$ 58,076	\$ 42,781	\$ 33,388	\$ 16,124	\$ 5,711
12,062	7,615	3,936	1,424	428
(438)	3,875	9,455	(30)	(3,277)
0	0	0	528	0
(5,575)	(10,875)	0	0	0
64,125	43,396	46,779	18,046	2,862
111,083	67,687	20,908	2,862	0
175,208	111,083	67,687	20,908	2,862
12,734	8,476	10,111	4,615	1,030
55,851	44,611	35,603	20,978	4,681
7,818	7,454	4,467	2,015	73
(5,575)	(10,875)	0	0	0
(2,826)	(2,255)	(2,019)	(1,041)	(392)
68,002	47,411	48,162	26,567	5,392
127,532	80,121	31,959	5,392	0
195,534	127,532	80,121	31,959	5,392
\$ (20,326)	\$ (16,449)	\$ (12,434)	\$ (11,050)	\$ (2,530)

CITY OF HARRIMAN, TENNESSEE

CHANGES IN NET PENSION LIABILITY(ASSET)
HYBRID PENSION PLAN

(continued)

June 30, 2024

	Measurement Date at June 30,		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
Plan fiduciary net position as a percentage of total net pension liability	97.54%	97.49%	105.43%
Covered employee payroll	\$ 2,002,521	\$ 1,623,119	\$ 1,265,452
Net pension liability(asset) as a percentage of covered employee payroll	0.70%	0.62%	(1.26)%

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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
111.60%	114.81%	118.37%	152.86%	188.40%
\$ 1,117,019	\$ 892,227	\$ 712,052	\$ 419,554	\$ 93,618
(1.82)%	(1.84)%	(1.75)%	(2.63)%	(2.70)%

CITY OF HARRIMAN, TENNESSEE

PENSION CONTRIBUTIONS
HYBRID PENSION PLAN

June 30, 2024

	2024	Year Ended June 30,		2021
	<u>2023</u>	<u>2022</u>	<u>2021</u>	
Actuarially determined contributions	\$ 53,150	\$ 47,260	\$ 27,106	\$ 18,982
Contributions in relation to the actuarially determined contributions	<u>(53,150)</u>	<u>(47,260)</u>	<u>(27,106)</u>	<u>(18,982)</u>
Contribution deficiency(excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered employee payroll	\$ 2,225,347	\$ 2,002,521	\$ 1,623,119	\$ 1,265,452
Contributions as a percentage of covered employee payroll	2.39%	2.36%	1.67%	1.50%

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.

	Year Ended June 30,				
2020	2019	2018	2017	2016	
\$ 12,734	\$ 8,476	\$ 10,111	\$ 4,615	\$ 1,030	
(12,734)	(8,476)	(10,111)	(4,615)	(1,030)	
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	
\$ 1,117,018	\$ 770,545	\$ 919,182	\$ 419,554	\$ 93,618	
1.14%	1.10%	1.10%	1.10%	1.10%	

Notes to Pension Contributions

Valuation date: Actuarially determined contribution rates for the year ended June 30, 2024 were calculated based on the June 30, 2022 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, 2024

	Measurement Date at June 30,			
	2024	2023	2022	2021
<u>Total pension liability</u>				
Service cost	\$ 345,646	\$ 374,349	\$ 418,269	\$ 419,601
Interest	739,039	708,222	612,773	700,968
Differences between actual and expected experience	116,460	113,745	1,284,942	(209,067)
Changes of assumptions	220,986	295,454	(216,546)	(1,137,540)
Benefit payments, including refunds of employee contributions	(873,282)	(397,858)	(976,280)	(1,086,964)
Net change in total pension liability	548,849	1,093,912	1,123,158	(1,313,002)
Total pension liability - beginning	11,032,591	9,938,679	8,815,521	10,128,524
Total pension liability - ending (a)	11,581,440	11,032,591	9,938,679	8,815,522
<u>Plan fiduciary net position</u>				
Contributions - employer	779,870	750,000	845,765	761,792
Contributions - employee	135,306	211,574	214,072	176,546
Net investment income	612,663	396,710	(412,095)	752,695
Benefit payments, including refunds of employee contributions	(873,282)	(397,858)	(976,280)	(1,086,964)
Administrative expense	(23,037)	(22,426)	(22,623)	(21,604)
Net change in plan fiduciary net position	631,520	938,000	(351,161)	582,465
Plan fiduciary net position - beginning	5,989,071	5,051,081	5,402,242	4,819,777
Plan fiduciary net position - ending (b)	6,620,591	5,989,081	5,051,081	5,402,242
Net pension liability(asset) - ending (a) - (b)	\$ 4,960,849	\$ 5,043,510	\$ 4,887,598	\$ 3,413,280

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>\$ 5,308,748</u>	<u>\$ 5,595,637</u>	<u>\$ 5,555,136</u>	<u>\$ 4,650,359</u>	<u>\$ 4,150,273</u>	<u>\$ 4,513,598</u>	

CITY OF HARRIMAN, TENNESSEE

CHANGES IN NET PENSION LIABILITY(ASSET)
PENSION TRUST FUND

(continued)

June 30, 2024

	Measurement Date at June 30,			
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Plan fiduciary net position as a percentage of total pension liability	57.20%	54.30%	50.80%	61.30%
Covered employee payroll	\$ 5,667,605	\$ 5,535,413	\$ 5,069,073	\$ 4,834,198
Net pension liability(asset) as a percentage of covered employee payroll	87.50%	91.10%	94.40%	70.60%

Information regarding the investment policy may be obtained from the Harriman Utility Board, the following is a summary of the added allocation as of March 31, 2024:

<u>Asset Class</u>	<u>Target Allocation</u>
Equity	42.70%
Fixed income	36.10
Cash and receivables	21.20
Total	<u>100.00%</u>

The components of the net pension liability at March 31, 2024 were as follows:

Total pension liability	\$11,641,878
Plan fiduciary net position	<u>(6,300,699)</u>
Net pension liability	<u>\$ 5,341,179</u>
Plan fiduciary net position as a percentage of total pension liability	54.12%

<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, 2024

	2024	Year Ended June 30,		2021
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Actuarially determined contributions	\$ 629,312	\$ 508,087	\$ 524,953	\$ 707,682
Contributions in relation to the actuarially determined contributions	<u>(779,870)</u>	<u>(750,000)</u>	<u>(845,765)</u>	<u>(761,792)</u>
Contribution deficiency(excess)	<u>\$ (150,558)</u>	<u>\$ (241,913)</u>	<u>\$ (320,812)</u>	<u>\$ (54,110)</u>
Covered employee payroll	\$ 5,667,605	\$ 5,535,413	\$ 5,069,073	\$ 4,834,198
Contributions as a percentage of covered employee payroll	13.80%	13.50%	16.70%	15.80%
Annual money-weighted rate of return net of investment expenses	10.87%	7.35%	(7.75)%	16.08%

Note to Pension Contributions

For the year ended March 31, 2024, the annual money-weighted rate of return based on monthly cash flows on pension plan investments, net of pension plan investment expense, was 12.9%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Valuation date: Actuarially determined contribution rates for 2024 were calculated based on the April 1, 2024 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	6.50%, 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, 2024

<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>
4/1/2015	\$ 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
4/1/2024	6,620,601	11,581,440	57.20

See the accompanying independent accountants' audit report.

SUPPLEMENTARY INFORMATION

CITY OF HARRIMAN, TENNESSEE

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2024

	<u>Solid Waste Management Fund</u>	<u>Drug Enforcement Fund</u>	<u>State Street Aid Fund</u>
ASSETS			
Cash	\$ 0	\$ 67,497	\$ 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>36,017</u>
	<u>\$ 35,872</u>	<u>\$ 67,497</u>	<u>\$ 36,017</u>

See the accompanying notes to the financial statements.

<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals</u>
\$ 83,701 0	\$ 296,207 0	\$ 447,405 35,872
478,684 <u>0</u>	0 <u>0</u>	478,684 <u>36,017</u>
<u>\$ 562,385</u>	<u>\$ 296,207</u>	<u>\$ 997,978</u>

CITY OF HARRIMAN, TENNESSEE

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

(continued)

June 30, 2024

	<u>Solid Waste Management Fund</u>	<u>Drug Enforcement Fund</u>	<u>State Street Aid Fund</u>
LIABILITIES			
Funds held for others	\$ 0	\$ 26,065	\$ 0
DEFERRED INFLOWS OF RESOURCES			
Deferred property taxes	0	0	0
FUND BALANCES			
Restricted	0	41,431	36,017
Committed	<u>35,872</u>	<u>0</u>	<u>0</u>
	<u>35,872</u>	<u>41,431</u>	<u>36,017</u>
	<u>\$ 35,872</u>	<u>\$ 67,497</u>	<u>\$ 36,017</u>

<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals</u>
\$ 0	\$ 0	\$ 26,065
478,678	0	478,678
0	0	77,449
<u>83,707</u>	<u>296,207</u>	<u>415,787</u>
<u>83,707</u>	<u>296,208</u>	<u>493,236</u>
<u>\$ 562,385</u>	<u>\$ 296,208</u>	<u>\$ 997,978</u>

CITY OF HARRIMAN, TENNESSEE

**COMBINING STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS**

Year Ended June 30, 2024

	Special Revenue Funds		
	Solid Waste Management Fund	Drug Enforcement Fund	State Street Aid Fund
REVENUE			
Taxes:			
Property tax	\$ 0	\$ 0	\$ 0
Intergovernmental	0	0	206,059
Charges for services	414,811	0	0
Fines and forfeitures	0	23,935	0
Other revenue	0	4,485	0
TOTAL REVENUE	414,811	28,419	206,059
EXPENDITURES			
Current:			
Public safety	0	19,207	0
Solid waste collection	507,954	0	0
Streets and highways	0	0	297,762
Capital outlay	0	0	0
Debt service	0	0	0
TOTAL EXPENDITURES	507,954	19,207	297,762

See the accompanying notes to the financial statements.

<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals</u>
\$ 408,990	\$ 0	\$ 408,990
0	0	206,059
0	0	414,811
0	0	23,935
<u>0</u>	<u>0</u>	<u>4,485</u>
408,990	0	1,058,280
0	0	19,207
0	0	507,954
0	0	297,762
0	122,020	122,020
<u>379,460</u>	<u>0</u>	<u>379,460</u>
<u>379,460</u>	<u>122,020</u>	<u>1,326,403</u>

CITY OF HARRIMAN, TENNESSEE

**COMBINING STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS**

(continued)

Year Ended June 30, 2024

	<u>Special Revenue Funds</u>		
	<u>Solid Waste Management Fund</u>	<u>Drug Enforcement Fund</u>	<u>State Street Aid Fund</u>
NET CHANGES IN FUND BALANCES BEFORE OTHER FINANCING SOURCES	(93,141)	9,212	(91,704)
OTHER FINANCING SOURCES			
Transfers from other funds	<u>93,142</u>	<u>0</u>	<u>92,723</u>
NET CHANGES IN FUND BALANCES	1	9,212	1,019
FUND BALANCES AT THE BEGINNING OF THE YEAR	<u>35,871</u>	<u>32,218</u>	<u>34,997</u>
FUND BALANCES AT THE END OF THE YEAR	<u>\$ 35,872</u>	<u>\$ 41,431</u>	<u>\$ 36,017</u>

<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals</u>
29,530	(122,020)	(268,123)
<u>0</u>	<u>0</u>	<u>185,865</u>
29,530	(122,020)	(82,258)
<u>54,177</u>	<u>418,227</u>	<u>575,491</u>
<u>\$ 83,707</u>	<u>\$ 296,208</u>	<u>\$ 493,237</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, 2024

	Budget		Actual	Variance Over (Under)
	Original	Final		
REVENUE				
Collection charges	\$ 450,042	\$ 450,042	\$ 414,811	\$ (35,231)
EXPENDITURES				
Salaries	14,153	14,153	12,322	(1,831)
OASDI - employer's share	1,083	1,083	950	(133)
Health insurance	2,900	2,900	3,200	300
Retirement	4,529	4,529	1,200	(3,329)
Workers' compensation	1,424	1,424	1,000	(424)
Unemployment insurance	48	48	50	2
Landfill services	15,935	15,935	19,207	3,272
Collection fees	465,042	465,042	452,946	(12,096)
Operating supplies	1,450	1,450	1,431	(19)
Clothing and uniforms	200	200	498	298
Gas, oil, and diesel fuel	5,000	5,000	6,079	1,079
Repairs and maintenance	4,200	4,200	9,072	4,872
TOTAL EXPENDITURES	515,964	515,964	507,954	(8,009)
NET CHANGE IN FUND BALANCE BEFORE OTHER FINANCING SOURCES	(65,922)	(65,922)	(93,141)	(27,221)
OTHER FINANCING SOURCES				
Transfer from general fund	25,000	25,000	93,142	68,142

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, 2024

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
NET CHANGE IN FUND BALANCE	(40,922)	(40,922)	1	40,923
FUND BALANCE AT THE BEGINNING OF THE YEAR	<u>40,922</u>	<u>40,922</u>	<u>35,871</u>	<u>(5,051)</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 35,872</u>	<u>\$ 35,872</u>

CITY OF HARRIMAN, TENNESSEE

**STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
DRUG ENFORCEMENT FUND**

Year Ended June 30, 2024

	<u>Budget</u>			Variance Over <u>(Under)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUE				
Drug fines	\$ 10,000	\$ 10,000	\$ 23,935	\$ 13,935
Court fines and fees	3,000	3,000	0	(3,000)
Sale of equipment	5,000	5,000	221	(4,779)
Miscellaneous refunds	<u>5,000</u>	<u>5,000</u>	<u>4,264</u>	<u>(736)</u>
TOTAL REVENUE	23,000	23,000	28,419	5,420
EXPENDITURES				
Education and training	6,000	6,000	4,230	(1,770)
Contractual services	3,000	3,000	2,963	(37)
Operating supplies	<u>10,000</u>	<u>10,000</u>	<u>12,014</u>	<u>2,014</u>
TOTAL EXPENDITURES	<u>19,000</u>	<u>19,000</u>	<u>19,207</u>	<u>207</u>
NET CHANGE IN FUND BALANCE	4,000	4,000	9,212	5,213
FUND BALANCE AT THE BEGINNING OF THE YEAR				
	<u>0</u>	<u>0</u>	<u>32,218</u>	<u>32,218</u>
FUND BALANCE AT THE END OF THE YEAR				
	<u>\$ 4,000</u>	<u>\$ 4,000</u>	<u>\$ 41,431</u>	<u>\$ 37,431</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, 2024

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUE				
Gasoline and motor fuel tax	\$ 228,600	\$ 228,600	\$ 206,059	\$ (22,541)
EXPENDITURES				
Repairs and maintenance	<u>435,000</u>	<u>435,000</u>	<u>297,762</u>	<u>(137,238)</u>
NET CHANGE IN FUND BALANCE BEFORE OTHER FINANCING SOURCES	(206,400)	(206,400)	(91,704)	114,696
OTHER FINANCING SOURCES				
Transfer from general fund	<u>188,000</u>	<u>188,000</u>	<u>92,723</u>	<u>(95,277)</u>
NET CHANGE IN FUND BALANCE	(18,400)	(18,400)	1,019	19,419
FUND BALANCE AT THE BEGINNING OF THE YEAR	<u>18,400</u>	<u>18,400</u>	<u>34,997</u>	<u>16,597</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 36,017</u>	<u>\$ 36,017</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, 2024

	<u>Budget</u>			Variance Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Under)</u>
REVENUE				
Property taxes-current	\$ 399,200	\$ 399,200	\$ 384,810	\$ (14,390)
Property taxes-delinquent	25,000	25,000	23,076	(1,924)
Interest and penalty	<u>5,000</u>	<u>5,000</u>	<u>1,104</u>	<u>(3,896)</u>
TOTAL REVENUE	429,200	429,200	408,990	(20,210)
EXPENDITURES				
Principal	292,539	292,539	292,592	53
Interest	<u>85,954</u>	<u>85,954</u>	<u>86,868</u>	<u>914</u>
TOTAL EXPENDITURES	<u>378,493</u>	<u>378,493</u>	<u>379,460</u>	<u>967</u>
NET CHANGE IN FUND BALANCE	50,707	50,707	29,530	(21,177)
FUND BALANCE AT THE BEGINNING OF THE YEAR	<u>0</u>	<u>0</u>	<u>54,177</u>	<u>54,177</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 50,707</u>	<u>\$ 50,707</u>	<u>\$ 83,707</u>	<u>\$ 33,000</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, 2024

	<u>Budget</u>			Variance Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Under)</u>
EXPENDITURES				
Capital outlay	395,000	395,000	122,020	(272,980)
OTHER FINANCING SOURCES				
Transfer from general fund	<u>332,000</u>	<u>332,000</u>	<u>0</u>	<u>(332,000)</u>
NET CHANGE IN FUND BALANCE	(63,000)	(63,000)	(122,020)	(59,020)
FUND BALANCE AT THE BEGINNING OF THE YEAR	<u>63,000</u>	<u>63,000</u>	<u>418,227</u>	<u>355,227</u>
FUND BALANCE AT THE END OF THE YEAR	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 296,207</u>	<u>\$ 296,207</u>

See the accompanying notes to the financial statements.

CITY OF HARRIMAN, TENNESSEE

PROPERTY TAXES RECEIVABLE

June 30, 2024

<u>Year of Levy</u>	<u>Rate</u>	<u>Total Assessment</u>	<u>Levy</u>	<u>Balance June 30, 2023</u>
2024	\$ 1.09	\$ 135,043,023	\$ 1,471,993	\$ 0
2023	1.09	132,982,286	1,449,541	1,449,541
2022	1.09	123,792,477	1,386,257	109,710
2021	1.09	123,347,830	1,344,549	38,977
2020	1.09	124,740,083	1,357,173	28,612
2019	1.22	110,012,664	1,342,181	13,077
2018	1.22	114,950,402	1,402,433	7,407
2017	1.22	115,012,482	1,403,201	3,022
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	<u>7,109</u>
				<u>\$ 1,670,022</u>

Property taxes unpaid from 2013 through 2022 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, 2024</u>
\$ 1,471,993	\$ 0	\$ 0	\$ 1,471,993
0	9,864	1,275,102	184,303
0	0	53,651	56,059
0	0	12,842	26,135
0	0	7,880	20,732
0	0	4,135	8,942
0	0	2,132	5,275
0	0	356	2,666
0	0	334	2,556
0	298	0	2,945
0	939	0	7,969
<u>0</u>	<u>566</u>	<u>30</u>	<u>7,645</u>
<u>\$ 1,471,993</u>	<u>\$ 11,667</u>	<u>\$ 1,356,462</u>	<u>\$ 1,797,220</u>

CITY OF HARRIMAN, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

June 30, 2024

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
<u>Governmental Activities:</u>			
General Obligation Capital Outlay Note, Series 2016			
Year Ending <u>June 30:</u>			
2025	\$ 205,000	\$ 18,590	\$ 223,590
2026	210,000	14,106	224,106
2027	215,000	9,513	224,513
2028	<u>220,000</u>	<u>4,811</u>	<u>224,811</u>
	<u>\$ 850,000</u>	<u>\$ 47,021</u>	<u>\$ 897,021</u>

General Obligation Capital Outlay Note, Series 2018

Year Ending <u>June 30:</u>			
2025	\$ 58,000	\$ 4,844	\$ 62,844
2026	60,000	3,560	63,560
2027	<u>62,000</u>	<u>1,200</u>	<u>63,200</u>
	<u>\$ 180,000</u>	<u>\$ 9,604</u>	<u>\$ 189,604</u>

See the accompanying independent accountants' audit report.

CITY OF HARRIMAN, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2024

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
General Obligation Bond, Series 2020			
<u>Year Ending</u> <u>June 30:</u>			
2025	\$ 21,701	\$ 29,127	\$ 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	17,620	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

CITY OF HARRIMAN, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2024

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
General Obligation Bond, Series 2020 (continued)			
<u>Year Ending</u> <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	4,240	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>\$ 1,304,342</u>	<u>\$ 644,023</u>	<u>\$ 1,948,364</u>

CITY OF HARRIMAN, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2024

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
General Obligation Capital Outlay Note, Series 2022			
<u>Year Ending</u> <u>June 30:</u>			
2025	\$ 103,100	\$ 23,129	\$ 126,229
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>\$ 146,432</u>	<u>\$ 881,432</u>

CITY OF HARRIMAN, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2024

	<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>			
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>\$ 825,000</u>	<u>\$ 70,470</u>	<u>\$ 895,470</u>

CITY OF HARRIMAN, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2024

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
General Obligation Bond, Series 2021A			
Gas Department			
Year Ending			
<u>June 30:</u>			
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>\$ 1,305,000</u>	<u>\$ 188,170</u>	<u>\$ 1,493,170</u>

CITY OF HARRIMAN, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2024

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
General Obligation Bond, Series 2021A			
Water Department			
Year Ending			
<u>June 30:</u>			
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>\$ 2,125,000</u>	<u>\$ 298,410</u>	<u>\$ 2,423,410</u>

CITY OF HARRIMAN, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2024

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
General Obligation Bond, Series 2021A			
Sewer Department			
Year Ending			
<u>June 30:</u>			
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>\$ 3,145,000</u>	<u>\$ 458,949</u>	<u>\$ 3,603,949</u>

CITY OF HARRIMAN, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2024

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
General Obligation Bond, Series 2021B			
Electric Department			
Year Ending			
<u>June 30:</u>			
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>\$ 1,785,000</u>	<u>\$ 326,025</u>	<u>\$ 2,111,026</u>

CITY OF HARRIMAN, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2024

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
General Obligation Bond, Series 2021B			
Gas Department			
Year Ending			
<u>June 30:</u>			
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>\$ 680,000</u>	<u>\$ 124,200</u>	<u>\$ 804,200</u>

CITY OF HARRIMAN, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2024

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
General Obligation Bond, Series 2021A			
Water Department			
Year Ending			
<u>June 30:</u>			
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>\$ 1,090,000</u>	<u>\$ 200,926</u>	<u>\$ 1,290,926</u>

CITY OF HARRIMAN, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2024

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
State Revolving Loan, GCO 2011-269 Sewer Department			
Year Ending <u>June 30:</u>			
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>\$ 879,344</u>	<u>\$ 63,311</u>	<u>\$ 942,655</u>

CITY OF HARRIMAN, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2024

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
State Revolving Loan, GCO 2011-109 Water Department			
Year Ending <u>June 30:</u>			
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>\$ 870,281</u>	<u>\$ 69,794</u>	<u>\$ 940,075</u>

CITY OF HARRIMAN, TENNESSEE

LEASE OBLIGATIONS, PRINCIPAL AND INTEREST REQUIREMENTS BY FISCAL YEAR

June 30, 2024

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
<u>Governmental Activities:</u>			
Municipal Lease			
<u>Year Ending June 30:</u>			
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>\$ 54,454</u>	<u>\$ 13,515</u>	<u>\$ 67,969</u>

See the accompanying independent accountants' audit report.

CITY OF HARRIMAN, TENNESSEE

**LEASE OBLIGATIONS, PRINCIPAL AND
INTEREST REQUIREMENTS BY FISCAL YEAR**

(continued)

June 30, 2024

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Building Lease			
Year Ending June 30:			
2025	\$ 6,927	\$ 11,073	\$ 18,000
2026	7,256	10,744	18,000
2027	7,601	10,399	18,000
2028	7,962	10,038	18,000
2029	8,340	9,660	18,000
2030	8,736	9,264	18,000
2031	9,151	8,849	18,000
2032	9,586	8,414	18,000
2033	10,041	7,959	18,000
2034	10,518	7,482	18,000
2035	11,018	6,982	18,000
2036	11,541	6,459	18,000
2037	12,089	5,911	18,000
2038	12,663	5,337	18,000
2039	13,265	4,735	18,000
2040	13,895	4,105	18,000
2041	14,555	3,445	18,000
2042	15,246	2,754	18,000
2043	15,971	2,029	18,000
2044	16,729	1,271	18,000
2045	10,024	476	10,500
	<u>\$ 233,114</u>	<u>\$ 137,386</u>	<u>\$ 370,500</u>

CITY OF HARRIMAN, TENNESSEE

CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE

June 30, 2024

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
General Obligation Bond, Series 2020	1,339,441	2.250	10/25/2022
<u>Notes Payable</u>			
General Obligation Capital Outlay Note, Series 2016	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.

Last Maturity Date	Outstanding 7/1/2023	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 6/30/2024
2/1/2024	\$ 15,400	\$ 0	\$ 15,400	\$ 0	\$ 0
11/25/2062	1,325,481	0	21,139	0	1,304,342
4/1/2028	1,050,000	0	200,000	0	850,000
9/1/2026	236,000	0	56,000	0	180,000
6/30/2035	735,000	0	0	0	735,000
	<u>\$ 3,361,881</u>	<u>\$ 0</u>	<u>\$ 292,539</u>	<u>\$ 0</u>	<u>\$ 3,069,342</u>

CITY OF HARRIMAN, TENNESSEE

CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE

(continued)

June 30, 2024

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 7/1/2023</u>	<u>Issued During Period</u>	<u>Paid and/or Matured During Period</u>	<u>Refunded During Period</u>	<u>Outstanding 6/30/2024</u>
6/1/2040	\$ 7,970,000	\$ 0	\$ 570,000	\$ 0	\$ 7,400,000
6/1/2041	3,755,000	0	200,000	0	3,555,000
10/1/2034	958,208	0	78,864	0	879,344
12/1/2035	939,761	0	69,480	0	870,281
	<u>\$ 13,622,969</u>	<u>\$ 0</u>	<u>\$ 918,344</u>	<u>\$ 0</u>	<u>\$ 12,704,625</u>

CITY OF HARRIMAN, TENNESSEE

CHANGES IN LEASE OBLIGATIONS

June 30, 2024

<u>Description of Indebtedness</u>	<u>Original Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Issue</u>
<u>Governmental Activities</u>			
Building Lease	\$ 450,000	4.75%	2/7/2020
Municipal Lease	87,126	4.28	7/12/2022

See the accompanying independent accountants' audit report.

<u>Last Maturity Date</u>	<u>Outstanding 7/1/2023</u>	<u>Issued During Period</u>	<u>Paid and/or Matured During Period</u>	<u>Remeasurements</u>	<u>Outstanding 6/30/2024</u>
2/7/2045	\$ 239,727	\$ 0	\$ 6,613	\$ 0	\$ 233,114
7/28/2027	71,879	0	17,425	0	54,454
	<u>\$ 311,606</u>	<u>\$ 0</u>	<u>\$ 24,038</u>	<u>\$ 0</u>	<u>\$ 287,568</u>

CITY OF HARRIMAN, TENNESSEE

EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2024

Federal Grantor/ Pass-Through Grantor/ Program Name	Assistance Listing Number	Contract Number	Expenditures
U.S. Department of Treasury/ Tennessee Department of Finance and Administration/ Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	\$ 479,021
U.S. Department of Treasury/ Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	<u>131,720</u>
Total Coronavirus State and Local Fiscal Recovery Funds			610,741
U.S. Department of Transportation/ Tennessee Department of Safety and Homeland Security/ Community-Based Traffic Safety Enforcement and Education	20.600	Z24THS124	12,143
U.S. Housing and Urban Development/ Tennessee Department of Economic and Community Development/ Community Development Block Grant Program (Rural Development)	14.228	N/A	635,256

See the accompanying independent accountants' audit report.

CITY OF HARRIMAN, TENNESSEE

EXPENDITURES OF FEDERAL AWARDS

(continued)

Year Ended June 30, 2024

<u>Federal Grantor/ Pass-Through Grantor/ Program Name</u>	<u>Assistance Listing Number</u>	<u>Contract Number</u>	<u>Expenditures</u>
Appalachian Regional Commission/ Appalachian Regional Commission Grant Program	23.002	N/A	<u>61,625</u>
			<u>\$ 1,319,765</u>

BASIS OF PRESENTATION

This schedule summarizes the expenditures of City of Harriman, Tennessee under programs of the federal government for the year ended June 30, 2024. 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.

OUTSTANDING LOAN BALANCES

City of Harriman, Tennessee balances of federal loans outstanding at June 30, 2024 consisted of the following:

<u>Assistance Listing Number</u>	<u>Program Name</u>	<u>Amount</u>
10.766	Community Facilities Loan and Grant	\$ 1,304,342

Harriman Utility Board had an outstanding loan balance of \$1,749,685 at June 30, 2024 on a loan obtained in a previous year through the State Revolving Loan Fund. Payments during the fiscal year ended June 30, 2024 totaled \$148,344.

OTHER INFORMATION

CITY OF HARRIMAN, TENNESSEE

UTILITY RATES AND METERED CUSTOMERS

June 30, 2024

ELECTRIC DEPARTMENT

Residential Rates

Customer charge \$ 27.01 per month
 Energy charge 10.97 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 12.68 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 \$18.22 per kW
 Energy charges First 15,000 kWh per month at 12.45 cents per kWh
 Additional kWh per month at 7.93 cents per kWh

Pole rental:

25' Pole \$6.80
 30' Pole \$7.70

Outdoor lighting for individual customers:

Monthly fixture charge:

<u>Type of Fixture</u>	<u>Lamp Size</u>		<u>Rated kWh</u>	<u>Charge</u>
	<u>Watts</u>	<u>Lumens</u>		
High pressure sodium	100	8,550	42	\$ 12.43
	200	18,900	82	18.47
LED	60			11.24
	250			17.85

See the accompanying independent accountants' audit report.

CITY OF HARRIMAN, TENNESSEE

UTILITY RATES AND METERED CUSTOMERS

(continued)

June 30, 2024

GAS DEPARTMENT

The gas rates vary each month. The following rates were in effect for June 30, 2024:

General service rates:

Residential	\$7.51 minimum bill plus \$15.47 per 1,000 cubic feet
Gas inspection	\$35.00 first trip, \$35.00 each additional trip
Commercial	\$9.03 minimum bill plus \$15.47 per 1,000 cubic feet
Gas inspection	\$50.00 first trip, \$50.00 each additional trip

SEWER DEPARTMENT

	<u>Industrial</u>	<u>Residential</u>	<u>Commercial</u>
First 1,000 gallons – minimum bill	\$57.44	\$22.00	\$57.44
Over 1,000 gallons – per thousand gallons	13.90	13.45	13.90

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	\$ 24.35	\$ 28.33
Over 1,000 gallons	8.10	11.70
Residential:		
First 1,000 gallons – minimum bill	23.25	26.75
Over 1,000 gallons	7.30	10.70

CITY OF HARRIMAN, TENNESSEE

UTILITY RATES AND METERED CUSTOMERS

(continued)

June 30, 2024

SCHEDULE OF CUSTOMERS:

Electric Department

Residential	9,308
Gen. Power – 50 kW+under	1,710
Gen. Power – Over 50 kW	111
Street and athletic	37
Outdoor lights	110
Security lights	2,769
Street lights	<u>1,445</u>
Total, excluding security and street lights	<u>11,276</u>

Gas Department

Residential	2,755
Commercial	<u>420</u>
Total	<u>3,175</u>

Sewer Department

Residential - inside	1,935
Residential - outside	41
Commercial - inside	303
Commercial - outside	8
Miscellaneous	<u>37</u>
Total	<u>2,324</u>

CITY OF HARRIMAN, TENNESSEE

UTILITY RATES AND METERED CUSTOMERS

(continued)

June 30, 2024

Water Department

Residential - inside	2,322
Residential - outside	2,185
Commercial - inside	420
Commercial - outside	<u>193</u>
Total	<u><u>5,120</u></u>

CITY OF HARRIMAN, TENNESSEE

PRINCIPAL OFFICIALS

June 30, 2024

City of Harriman, Tennessee

Wayne Best, Mayor
Tim Johnson, Vice-Mayor
Cheryl Laxton, Council Member
Lonnie Wright, 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
Shawn 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, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of City of Harriman, Tennessee as of and for the year ended June 30, 2024, 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 June 12, 2025. 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 2024-001 and 2024-002 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 2024-003 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 2024-001 and 2024-003.

City of Harriman, Tennessee Responses to Findings

City of Harriman, Tennessee responses to the findings identified in our audit are described in the accompanying schedule of findings, recommendations and management responses. City of Harriman, Tennessee responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.



June 12, 2025

CITY OF HARRIMAN, TENNESSEE

FINDINGS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

Year Ended June 30, 2024

Finding Number 2024-001 – Budget Overspending

Condition: The American Rescue Plan Act fund, drug enforcement fund and debt service fund budgets did not include adequate budget appropriation for total expenses. Total expenses exceeded appropriations by \$79,021, \$207 and \$967, 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, 2024

Finding Number 2024-002 – 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 transaction 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, 2024

Finding Number 2024-003 – 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, 2024

Financial Statement Findings

<u>Finding Number</u>	<u>Finding Title</u>	<u>Status</u>
2023-001	Budget Overspending (original finding #2023-001)	Repeated/ (2024-001)
2023-002	Banking Records (original finding #2023-002)	Repeated/ (2024-002)
2023-003	Accounting Records (original finding #2023-003)	Repeated/ (2024-003)

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Mayor and Board of Directors
City of Harriman, Tennessee
Harriman, Tennessee

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Harriman, Tennessee's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect of City of Harriman, Tennessee's major federal programs for the year ended June 30, 2024. City of Harriman, Tennessee's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

In our opinion and the opinion of the other auditors, City of Harriman, Tennessee complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended June 30, 2024.

We did not audit the major federal programs of Harriman Utility Board, which includes 100 percent of the programs tested as major programs listed in the schedule of findings and questioned costs. Those programs were audited by other auditors, whose reports have been furnished to us, and our opinion, as it relates to the programs tested for Harriman Utility Board is based solely on the reports of the other auditors.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements; Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance 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 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Harriman, Tennessee's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to City of Harriman, Tennessee's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Harriman, Tennessee's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Harriman, Tennessee's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City of Harriman, Tennessee's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Harriman, Tennessee's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City of Harriman, Tennessee's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Mitchell Emert + Hill

June 12, 2025

CITY OF HARRIMAN, TENNESSEE

FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2024

SUMMARY OF AUDIT RESULTS

1. The Independent Accountants' Audit Report expresses an unmodified opinion on the financial statements of City of Harriman, Tennessee.
2. Significant deficiencies or material weaknesses in internal control over financial reporting were disclosed.
3. No instances of noncompliance material to the financial statements were disclosed.
4. No significant deficiencies or material weaknesses in internal control over major federal programs were disclosed.
5. The Independent Accountants' Report on Compliance for Each Major Program and on Internal Control Over Compliance As Required by the Uniform Guidance expresses an unmodified opinion on City of Harriman, Tennessee's compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its major federal programs.
6. No findings or questioned costs were disclosed which would be required to be reported in accordance with the Uniform Guidance (2 CFR 200.516(a)).

7. The following programs were tested as major programs:

<u>Program Name</u>	<u>Assistance Listing No.</u>
Coronavirus State and Local Fiscal Recovery Funds under the American Rescue Plan	21.027
Community Development Block Grant Program	14.228
Appalachian Regional Commission Grant Program	23.002

8. The threshold for distinguishing Types A and B programs was \$750,000.
9. City of Harriman, Tennessee was not determined to not be a low-risk auditee.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings or questioned costs were disclosed which would be required to be reported in accordance with the Uniform Guidance.

MANAGEMENT'S CORRECTIVE ACTION PLAN

City of Harriman

Council Members

Cheryl Laxton
Tim Johnson
Alicia Harris



Council Members

Lonnie Wright
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, 2024. The findings from the June 30, 2024 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. 2024-001: 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. 2024-002: 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.

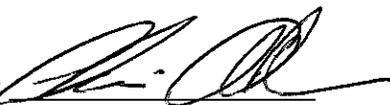
Action Taken: We concur. The City is in the process of updating its procedures regarding recording bank transactions on a monthly basis to ensure all transaction are correctly reflected in the accounting system in a timely manner. This will be controlled through timely monthly bank reconciliations.

No. 2024-003: 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

APPENDIX G

**BOND INSURANCE
AND
SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Inc. (“AG”) will issue its Municipal Bond Insurance Policy (the “Policy”) for the Bonds. The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an appendix to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, Maryland, California, Connecticut or Florida insurance law.

Assured Guaranty Inc.

AG is a Maryland domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. (“AGL” and together with its subsidiaries, “Assured Guaranty”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO.” AGL, through its subsidiaries, provides credit enhancement products to the U.S. and non-U.S. public finance (including infrastructure) and structured finance markets and participates in the asset management business through ownership interests in Sound Point Capital Management, LP and certain of its investment management affiliates. Only AG is obligated to pay claims under the insurance policies AG has issued, and not AGL or any of its shareholders or other affiliates.

AG’s financial strength is rated “AA” (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”), “AA+” (stable outlook) by Kroll Bond Rating Agency, Inc. (“KBRA”) and “A1” (stable outlook) by Moody’s Investors Service, Inc. (“Moody’s”). Each rating of AG should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AG in its sole discretion. In addition, the rating agencies may at any time change AG’s long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AG. AG only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AG on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Merger of Assured Guaranty Municipal Corp. Into Assured Guaranty Inc.

On August 1, 2024, Assured Guaranty Municipal Corp., a New York domiciled financial guaranty insurance company and an affiliate of AG (“AGM”), merged with and into AG, with AG as the surviving company (such transaction, the “Merger”). Upon the Merger, all liabilities of AGM, including insurance policies issued or assumed by AGM, became obligations of AG.

Current Financial Strength Ratings

On August 4, 2025, KBRA announced that it had affirmed AG’s insurance financial strength rating of “AA+” (stable outlook).

On June 30, 2025, S&P announced that it had affirmed AG’s financial strength rating of “AA” (stable outlook).

On July 10, 2024, Moody’s, following Assured Guaranty’s announcement of the Merger, announced that it had affirmed AG’s insurance financial strength rating of “A1” (stable outlook).

AG can give no assurance as to any further ratings action that S&P, Moody’s and/or KBRA may take. For more information regarding AG’s financial strength ratings and the risks relating thereto, see AGL’s Annual Report on Form 10-K for the fiscal year ended December 31, 2024.

Capitalization of AG

At September 30, 2025:

- The policyholders' surplus of AG was approximately \$3,268 million.
- The contingency reserve of AG was approximately \$1,481 million.
- The net unearned premium reserves and net deferred ceding commission income of AG and its subsidiaries (as described below) were approximately \$2,431 million. Such amount includes (i) 100% of the net unearned premium reserve and net deferred ceding commission income of AG and (ii) the net unearned premium reserves and net deferred ceding commissions of AG's wholly owned subsidiary Assured Guaranty UK Limited ("AGUK"), and its 99.9999% owned subsidiary Assured Guaranty (Europe) SA ("AGE").

The policyholders' surplus, contingency reserve, and net unearned premium reserves and net deferred ceding commission income of AG were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGUK and AGE were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AG are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2024 (filed by AGL with the SEC on February 28, 2025);
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2025 (filed by AGL with the SEC on May 9, 2025);
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2025 (filed by AGL with the SEC on August 8, 2025); and
- (iv) the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2025 (filed by AGL with the SEC on November 7, 2025).

All information relating to AG included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Inc.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AG included herein under the caption "BOND INSURANCE – Assured Guaranty Inc." or included in a document incorporated by reference herein (collectively, the "AG Information") shall be modified or superseded to the extent that any subsequently included AG Information (either directly or through incorporation by reference) modifies or supersedes such previously included AG Information. Any AG Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AG makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AG has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AG supplied by AG and presented under the heading "BOND INSURANCE".



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No.: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY INC. ("AG"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AG, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AG shall have received Notice of Nonpayment, AG will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AG, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AG. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AG is incomplete, it shall be deemed not to have been received by AG for purposes of the preceding sentence and AG shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AG shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AG hereunder. Payment by AG to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AG under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AG shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AG which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AG may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AG pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AG and shall not be deemed received until received by both and (b) all payments required to be made by AG under this Policy may be made directly by AG or by the Insurer's Fiscal Agent on behalf of AG. The Insurer's Fiscal Agent is the agent of AG only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AG to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AG agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AG to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AG, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY INC.

By _____
Authorized Officer

1633 Broadway, New York, N.Y. 10019

(212) 974-0100

Form 500 (8/24)