

CITY OF HARRIMAN, TENNESSEE

WAYNE BEST, MAYOR



Historic Temperance Building, circa 1891

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For Fiscal Year Ended June 30, 2022

INTRODUCTORY SECTION

CITY OF HARRIMAN, TENNESSEE

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CITY OF HARRIMAN, TENNESSEE

CITY OFFICIALS

June 30, 2022

Mayor

Wayne Best

Aldermen

Kenyon Mee

Tim Johnson, Vice Mayor

Charles (Buddy) Holley

Brian Frost

Lonnie Wright

Sam Russell

City Attorney

Tom McFarland

City Judge

Charles Crass

City Manager

Scott Mason

City Treasurer, Budget and Finance, Chief Finance Officer, CMFO

Dr. Charles Kerley

Christopher Ahler

City Clerk

Theresa Beard

Fire Chief

Brad Daniels

Police Chief

Baron Tapp

Street Department Director

Darrell Langley

Parks & Recreation Department Assistant Director

Charlie Jones

FINANCIAL SECTION

CRAINE, THOMPSON & JONES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Harriman, Tennessee
Harriman, Tennessee

Report on the Audit of the Financial Statements

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Harriman, Tennessee (the "City"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City'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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Harriman, Tennessee, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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

The City of Harriman, Tennessee's 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 City of Harriman, Tennessee's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter:

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 the 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required pension schedules on pages 7-17 and 70-77, respectively, 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 the City of Harriman, Tennessee's basic financial statements. The budgetary comparison schedules, combining and individual nonmajor fund financial statements, other supplementary information, and schedule of expenditures of federal awards and state financial assistance, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedules, combining and individual nonmajor fund financial statements, financial schedules (all included as other supplementary information) and the schedule of expenditures of federal awards and state financial assistance is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures

applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules, combining and individual nonmajor fund financial statements, other supplementary information, and schedule of expenditures of federal awards and state financial assistance are 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 ACFR. The other information comprises the information included in the ACFR but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2023, on our consideration of the City of Harriman, Tennessee'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 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.

Craine, Thompson & Jones, P.C.

Morristown, Tennessee
December 8, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Harriman, Tennessee (the City), we offer 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, 2022. We encourage readers to consider the information presented here in tandem with the City's financial statements.

Financial Highlights

- The assets of the City exceeded its liabilities at June 30, 2022, by \$74,823,843 (net position), an increase of \$3,623,731 over FY 2021.
- The City's governmental activities net position increased \$2,946,015 for FY 2022. Business activities net position increased \$667,716 for FY 2022.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,485,480.
- At the end of the current fiscal year, fund balance for the general fund was \$3,717,895 (an amount equivalent to about 47% of total general fund expenditures, excluding transfers). General Fund balance increased by \$370,880 over that of FY 2021. The general fund total amount includes a restricted fund balance of \$8,405, an assigned fund balance of \$545,765, and an unassigned fund balance of \$3,163,725.

Overview of the Financial Statements

This discussion and analysis are 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 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 government'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, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave for example).

The government-wide financial statements distinguish between functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) and other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The City's governmental activities include general government, public works, public safety, and public welfare, and recreation. The City's business-type activities of the city include the Electric, Water, Sewer and the Natural Gas services. The detailed government-wide financial statements are included in this report.

Fund financial statements. A fund is used to group related accounts that are 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 are 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 requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. To assist the reader, both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances in this report present the reconciliations that facilitate this comparison between governmental funds and governmental activities.

The City maintains six individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and American Rescue Plan Act funds that are considered to be major. Individual fund data for the four non-major governmental funds are provided in the form of a presentation as other governmental funds in the financial statements (and detailed in combining statements in the supplemental schedules in this report). The City adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the major governmental funds to demonstrate compliance with this budget, as well as for the non-major funds.

The basic governmental fund financial statements are presented in this report.

Proprietary funds. The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its electric, water, sewer and natural gas operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the Electric, Water, Sewer and the Natural Gas Funds.

The basic proprietary fund financial statements and combining statements are included in this report. Refer to the separately issued financial statements of Harriman Utility Board for more detailed information.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found in this report.

Other information. Supplementary schedules and reports on compliance and internal control are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules are included in this report.

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Financial Analysis of the City as a Whole

Net position. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$74,823,843 at the close of this fiscal year. The largest portion of the City's total 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 is still outstanding. Capital assets provide services to citizens. Consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it is 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 activities rely primarily on charges for services to repay debt.

Approximately 1.04%, \$775,990, of the City's net position represents resources that are subject to external restrictions on how they may be used. Unrestricted net position totaled \$4,554,598 related to governmental activities and \$5,984,630 related to business type activities for a total of \$10,539,228 for FY 2022.

The *Net Position* table below provides an abbreviated summary of the City's net position broken down by governmental and business-type activities.

City of Harriman, Tennessee

Net Position

	Governmental Activities		Business Activities		Total	Total
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 11,621,904	\$ 6,013,145	\$ 18,385,639	\$ 16,894,740	\$ 30,007,543	\$ 22,907,885
Capital assets	8,710,256	7,625,235	72,173,064	72,705,373	80,883,320	\$ 80,330,608
Total Assets	20,332,160	13,638,380	90,558,703	89,600,113	110,890,863	103,238,493
Total deferred outflows of resources	1,375,171	674,060	3,131,022	1,506,927	4,506,193	2,180,987
Current liabilities	2,061,555	1,267,899	9,306,617	7,870,711	11,368,172	9,138,610
Long-term liabilities	1,301,400	2,552,430	19,162,220	18,647,230	20,463,620	21,199,660
Other liabilities	-	-	-	-	-	-
Total Liabilities	3,362,955	3,820,329	28,468,837	26,517,941	31,831,792	30,338,270
Total deferred inflows of resources	6,487,301	1,581,051	2,254,120	2,300,047	8,741,421	3,881,098
Net Position:						
Invested in capital assets, net of related debt	6,526,487	5,355,148	56,982,138	56,561,162	63,508,625	61,916,310
Restricted	775,990	327,984	-	-	775,990	327,984
Unrestricted	4,554,598	3,227,928	5,984,630	5,727,890	10,539,228	8,955,818
Total Net Position	\$ 11,857,075	\$ 8,911,060	\$ 62,966,768	\$ 62,289,052	\$ 74,823,843	\$ 71,200,112

The City reports *Deferred Inflows of Resources* which consists of pension changes and property taxes assessed for calendar year 2022, but which will not be collected until fiscal year 2023. These amounts were reported in previous years as unearned revenue. *Deferred Outflows of Resources* consist of the accumulated decrease in fair value of hedging derivative instruments and pension deferrals.

Changes in net position. The *Program Activities and Changes in Net Position* table below summarizes the City's net position broken down by governmental and business-type activities.

Revenues are partitioned into charges for services, grants and contributions, and tax revenue. Expenses are summarized by major categories of services provided by government.

The City's net position increased for governmental activities by \$2,946,015. Some annual variations occurred in grants and contributions revenue. Net position in business-type activities increased by \$677,716.

The City's *Charges for Services* (\$35,211,334) is the largest category of program revenue being made up in large part from revenue collected by business activities (\$34,557,510). Under governmental revenues, the largest revenue category is *Taxes and Other Revenue* (\$8,634,732). Taxes are the primary revenue support for governmental activities. Of the \$40,568,802 of city-wide expenses, the governmental activity accounts for \$7,571,605 and business activities add \$32,997,197.

**City of Harriman, Tennessee
Program Activities and Changes in Net Position**

	Governmental Activities		Business Activities		Total	Total
	2022	2021	2022	2021	2022	2021
Revenues:						
Charges for services	\$ 653,824	\$ 573,940	\$ 34,557,510	\$ 32,797,326	\$ 35,211,334	\$ 33,371,266
Grants and contributions	331,091	1,553,153	15,373	403,549	\$ 346,464	1,956,702
Taxes and other revenue	8,634,732	7,544,065	3	6	8,634,735	7,544,071
Total Revenues	9,619,647	9,671,158	34,572,886	33,200,881	44,192,533	42,872,039
Expenses:						
General Government	3,805,564	4,059,291	-	-	3,805,564	4,059,291
Public Safety	2,473,399	2,376,953	-	-	2,473,399	2,376,953
Public Works	396,972	1,009,512	-	-	396,972	1,009,512
Public health, recreation and libraries	833,576	776,579	-	-	833,576	776,579
American Rescue Plan Act	4,000	-	-	-	4,000	-
Interest on long term debt	58,094	60,709	-	-	58,094	60,709
Electric, water, sewer and natural gas	-	-	32,997,197	31,267,682	32,997,197	31,267,682
Total Expenses	7,571,605	8,283,044	32,997,197	31,267,682	40,568,802	39,550,726
Changes in net position before transfers and special item	2,048,042	1,388,114	1,575,689	1,933,199	3,623,731	3,321,313
Transfers	897,973	906,677	(897,973)	(906,677)	-	-
Change in net position	2,946,015	2,294,791	677,716	1,026,522	3,623,731	3,321,313
Capital contributions	-	-	-	-	-	-
Net position - beginning	8,911,060	6,616,269	62,289,052	61,262,530	71,200,112	67,878,799
Net position - ending	\$ 11,857,075	\$ 8,911,060	\$ 62,966,768	\$ 62,289,052	\$ 74,823,843	\$ 71,200,112

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds listing is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, net assignments by source plus unassigned fund balances (\$4,485,480) may serve as a useful measure of the government's net resources available for spending at the end of the fiscal year.

In the following table, *Governmental Funds: Fund Balances*, the general fund is shown to have operated at a revenue-to-expenditure deficit of \$128,546. The deficit is due to increased personnel charges and to grant local share payments. Other financing sources increased fund balance by \$499,426, leaving a net increase of \$370,880.

As of the end of the current fiscal year, all governmental funds had a combined ending fund balance of \$4,485,480. Within the governmental funds, \$157,254 is restricted primarily for drug enforcement and solid waste management, as well as streets and library improvements that will be funded by State grants and donations by the Tennessee Valley Authority. Other fund balances include assigned funds of \$1,164,501 that are identified by source but available for spending as unrestricted. Typical funds balances that are designated as unassigned funds were \$3,163,725. However, except for the restricted funds, all others are available for use in any general funding activities if needed. As a measure of the general fund's liquidity, it may be useful to compare assigned and unassigned fund balance to total general fund expenditures. Liquid fund balance represents forty-seven percent of total general fund expenditures, excluding transfers.

City of Harriman, Tennessee Governmental Funds: Fund Balances

	General Fund		Other Funds		Total	Total
	2022	2021	2022	2021	2022	2021
Total revenues	\$ 7,708,720	\$ 8,112,117	\$ 958,755	\$ 937,282	\$ 8,667,475	\$ 9,049,399
Total expenditures	7,837,266	9,075,510	1,137,858	1,115,971	8,975,124	\$ 10,191,481
Revenues minus expenditures	(128,546)	(963,393)	(179,103)	(178,689)	(307,649)	(1,142,082)
Other financing sources	499,426	1,086,019	595,841	167,641	1,095,267	1,253,660
Net change in fund balance	370,880	122,626	416,738	(11,048)	787,618	111,578
Fund balance - beginning	3,347,015	3,224,389	350,847	361,895	3,697,862	3,586,284
Fund balance - ending	3,717,895	3,347,015	767,585	350,847	4,485,480	3,697,862
Fund Balance Distribution						
Restricted	8,405	8,405	148,849	150,883	157,254	159,288
Assigned	545,765	571,372	618,736	199,964	1,164,501	771,336
Unassigned	3,163,725	2,767,238	-	-	3,163,725	2,767,238
Total	\$ 3,717,895	\$ 3,347,015	\$ 767,585	\$ 350,847	\$ 4,485,480	\$ 3,697,862

Proprietary funds. The City’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The *Statement of Net Position-Proprietary Funds Business Activities* in this report indicates that unrestricted net position at the end of the year was \$5,984,630. The unrestricted in the Electric Department was \$2,457,752, \$2,024,722 for the Gas Department, \$321,752 for the Sewer Department, and \$1,180,404 for the Water Department. For all departments net positions are greater than restrictions. Therefore, the total net positions are positive.

General Fund Budgetary Highlights Differences between the original and final budget and final budget expenditures in the current period are attributable in large part to the variances in projected grant revenue and associated expenditure. Secondly, other variances in budget and expenditure are attributable to the unanticipated expenditures in finance, events coordinator, city hall buildings, special city projects, highways and streets and recreation.

Capital Asset and Debt Administration

Capital assets. The City’s investment in capital assets for its governmental and business-type activities as of June 30, 2022, amounts to \$80,883,320 (net of accumulated depreciation) up from \$80,330,608 in FY 2021. Investment in capital assets includes buildings, machinery and equipment, vehicles, and construction in progress.

The *Capital Assets* table below summarizes the City’s investment in capital assets and is broken down by governmental and business-type activities.

Business activities assets represent 89% of city-wide total assets net of depreciation. In business activities, *Buildings and system* is the single largest category (\$63,066,810). In governmental activities, \$5,299,549 of infrastructure value represents 61% of assets net of depreciation. Machinery and equipment, \$766,330, represents 9% of assets net of depreciation.

City of Harriman, Tennessee Capital Assets (Combined Depreciated and Not Depreciated)

	Governmental Activities		Business Activities		Total	Total
	2022	2021	2022	2021	2022	2021
Land and Improvements	\$ 759,602	\$ 780,730	\$ 710,688	\$ 710,688	\$ 1,470,290	\$ 1,491,418
Buildings and system	803,647	870,800	63,066,810	64,512,890	63,870,457	65,383,690
Machinery and Equipment	766,330	755,919	7,291,752	7,248,584	8,058,082	8,004,503
Infrastructure	5,299,549	4,062,087	-	-	5,299,549	4,062,087
Construction in Process	1,081,128	1,155,699	1,103,814	233,211	2,184,942	1,388,910
Total Capital Assets	\$ 8,710,256	\$ 7,625,235	\$ 72,173,064	\$ 72,705,373	\$ 80,883,320	\$ 80,330,608

Outstanding debt. As shown in the long-term debt table below, the City business activities had total long-term debt outstanding of \$15,190,926 at the end of the current fiscal year.

87% of long-term debt is associated with the City’s electric, water, sewer, and natural gas funds. Long-term debt associated with governmental activities represents 13% of total long-term debt.

City of Harriman, Tennessee
Debt Outstanding Bonds, Notes, and Leases

Notes and leases payable:	Governmental Activities		Business Activities		Total	Total
	2022	2021	2022	2021	2022	2021
Capital Lease, backhoe	10,591	24,605	-	-	10,591	24,605
Tennessee Municipal Bond	1,603,900	1,898,500	-	-	1,603,900	1,898,500
Costruction Loan, USDA	-	346,982	-	-	-	346,982
General Obligation Bonds, Series 2021	-	-	12,495,000	13,260,000	12,495,000	13,260,000
Bond Premium	-	-	651,593	695,482	651,593	695,482
Bond Anticipation Notes	569,277	-	-	-	569,277	-
State Revolving Loan	-	-	2,044,333	2,188,789	2,044,333	2,188,789
Total Capital Assets	<u>\$ 2,183,768</u>	<u>\$ 2,270,087</u>	<u>\$ 15,190,926</u>	<u>\$ 16,144,271</u>	<u>\$ 17,374,694</u>	<u>\$ 18,414,358</u>

Currently known factors effecting future years

The City continues to see revenue increases across all major sources in FY2023.

The post-Covid environment has significantly stimulated the local economy in Roane County as well as the retail center of Harriman. This is evidenced by the 6% increase in local option sales tax from FY2021. A combination of abnormally high inflation as well as a shift in consumer behavior amongst our local population (local shopping versus driving to retail centers outside of Roane Co) has helped drive this growth. Additionally, we have benefitted from an increase in population thanks to several housing developments and renovation activities in the county.

With Tennessee being the most-moved-to state in the Union as of the end of 2022, we can expect that population increases across the county are likely to continue.

One huge strength of Harriman’s is that we are the retail hub for Roane County. So, as population increases in any of the towns surrounding Harriman, we will likely see an increase in local expenditures which drives growth in local option sales tax. Sales tax growth in this manner benefits the city because there is not a significant increase in cost associated with additional strain on local services and infrastructure.

Significant revenue increases were seen in occupancy tax as well as our parks and recreation department. The golf course is a driver of the revenue growth in the parks and recreation department.

One apparent risk going forward is increased interest rates. The Federal Reserve has indicated their main focus is getting inflation under control and is prepared to take the necessary actions to get it back down to 2%. This could result in a prolonged high-interest-rate environment. Higher interest rates may negatively impact investment in local commercial and residential real estate markets as well as discretionary spending. In a more extreme situation, a national recession could result from these higher interest rates. However, the impact of a national recession could be somewhat mitigated locally given

the diversity of employers in the area. There is a good mix of federal, state, and local government jobs as well as private sector (for profit) employers in the area.

Requests for Information

This financial report is designed to provide a general overview of the City of Harriman Tennessee's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Christopher Ahler, City Treasurer and Finance Officer, 408 N. Roane St, Harriman, TN 37748.

City of Harriman, Tennessee
Statement of Net Position
June 30, 2022

	Governmental Activities	Business-Type Activities	Total Primary Government
ASSETS			
Cash and cash equivalents	\$ 4,614,107	\$ 7,121,845	\$ 11,735,952
Receivables (net of allowance for uncollectibles)	3,236,792	4,602,221	7,839,013
Inventories	-	839,194	839,194
Prepaids	-	381,824	381,824
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	-	5,440,555	5,440,555
Net pension asset - TCRS Legacy	3,755,032	-	3,755,032
Net pension asset - TCRS Hybrid	15,973	-	15,973
Capital assets (net of accumulated depreciation):			
Land and improvements	759,602	710,688	1,470,290
Buildings and system	803,647	63,066,810	63,870,457
Machinery and equipment	766,330	7,291,752	8,058,082
Infrastructure	5,299,549	-	5,299,549
Construction in progress	1,081,128	1,103,814	2,184,942
Total assets	20,332,160	90,558,703	110,890,863
Deferred outflows of resources:			
Deferred pension outflows - TCRS Legacy	1,304,007	-	1,304,007
Deferred pension outflows - TCRS Hybrid	71,164	-	71,164
Deferred pension outflows - HUB Pension	-	3,131,022	3,131,022
Total deferred outflows of resources	1,375,171	3,131,022	4,506,193
Total assets and deferred outflows of resources	\$ 21,707,331	\$ 93,689,725	\$ 115,397,056
LIABILITIES			
Accounts payable and other current liabilities	\$ 1,057,758	\$ 3,831,957	\$ 4,889,715
Liabilities payable from restricted assets	-	939,529	939,529
Customers' deposits	-	2,059,382	2,059,382
Derivative instruments-interest rate swap	-	-	-
Compensated absences	121,428	1,559,445	1,680,873
Long-term liabilities:			
Due within one year	882,369	916,304	1,798,673
Due in more than one year	1,301,400	14,274,622	15,576,022
Net pension liability - TCRS Legacy	-	-	-
Net pension liability - HUB Pension	-	4,887,598	4,887,598
Total liabilities	3,362,955	28,468,837	31,831,792
Deferred Inflows of Resources			
Deferred pension inflows - TCRS Legacy	4,146,246	-	4,146,246
Deferred pension inflows - TCRS Hybrid	33,394	-	33,394
Deferred pension inflows - HUB Pension	-	2,254,120	2,254,120
Unavailable revenues	2,307,661	-	2,307,661
Total deferred inflows of resources	6,487,301	2,254,120	8,741,421
Total liabilities and deferred inflows of resources	\$ 9,850,256	\$ 30,722,957	\$ 40,573,213
NET POSITION			
Net investment in capital assets	\$ 6,526,487	\$ 56,982,138	\$ 63,508,625
Restricted for:			
American Rescue Plan Act	-	-	-
Drug Enforcement	23,306	-	23,306
Solid Waste Management	94,275	-	94,275
Local Government Investment Pool	1,369	-	1,369
Hooray for Harriman	(362)	-	(362)
Sex Offender Registration	7,398	-	7,398
Debt Service	31,268	-	31,268
Capital Projects	618,736	-	618,736
Unrestricted	4,554,598	5,984,630	10,539,228
Total net position	\$ 11,857,075	\$ 62,966,768	\$ 74,823,843

The notes to the financial statements are an integral part of this statement.

City of Harriman, Tennessee
Statement of Activities
June 30, 2022

Functional/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary government							
Governmental activities:							
General government	\$ 3,805,564	\$ 9,833	\$ -	\$ -	\$ (3,795,731)	\$ -	\$ (3,795,731)
Public safety	2,473,399	58,707	12,000	-	(2,402,692)	-	(2,402,692)
Public works/Highways and streets	396,972	350,177	319,091	-	272,296	-	272,296
Health, recreation, and culture	833,576	235,107	-	-	(598,469)	-	(598,469)
American Rescue Plan Act	4,000	-	-	-	(4,000)	-	(4,000)
Interest on long-term debt	58,094	-	-	-	(58,094)	-	(58,094)
Total government activities	7,571,605	653,824	331,091	-	(6,586,690)	-	(6,586,690)
Business-type activities:							
Electric	25,038,232	27,004,518	-	-	-	1,966,286	1,966,286
Gas	3,445,235	3,012,861	-	-	-	(432,374)	(432,374)
Sewer	1,743,330	1,855,600	-	-	-	112,270	112,270
Water	2,770,400	2,684,531	-	15,373	-	(70,496)	(70,496)
Total business-type activities	32,997,197	34,557,510	-	15,373	-	1,575,686	1,575,686
Total primary government	\$ 40,568,802	\$ 35,211,334	\$ 331,091	\$ 15,373	(6,586,690)	1,575,686	(5,011,004)
General revenues:							
Property taxes					\$ 1,409,363	\$ -	\$ 1,409,363
Interest & penalty collected					11,592	-	11,592
Alcoholic beverages					445,536	-	445,536
Business tax					240,643	-	240,643
Franchise tax					41,125	-	41,125
Local sales tax					3,090,379	-	3,090,379
Hotel/motel tax					338,843	-	338,843
Use of money					-	3	3
Intergovernmental					1,890,489	-	1,890,489
Other revenue					1,166,762	-	1,166,762
Transfers - In lieu of tax payments					897,973	(897,973)	-
Total general revenues and transfers					9,532,705	(897,970)	8,634,735
Special item							
Insurance recoveries						-	-
Total general revenues, transfers and special items					9,532,705	(897,970)	8,634,735
Change in net position					2,946,015	677,716	3,623,731
Net position - beginning					8,911,060	62,289,052	71,200,112
Prior period adjustment					-	-	-
Net position - ending					\$ 11,857,075	\$ 62,966,768	\$ 74,823,843

The notes to the financial statements are an integral part of this statement.

City of Harriman, Tennessee
Balance Sheet - Governmental Funds
June 30, 2022

	General Fund	American Rescue Plan Act (ARPA)	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and cash equivalents	\$ 3,017,792	\$ 905,723	\$ 690,592	\$ 4,614,107
Receivables (net of allowance for uncollectibles)	2,802,511	-	434,281	3,236,792
Total assets	5,820,303	905,723	1,124,873	7,850,899
Liabilities and Fund Balance				
Liabilities:				
Accounts payable	239,538	-	22,646	262,184
Accrued payroll and related liabilities	38,035	-	-	38,035
Other current liabilities	389,915	-	-	389,915
Warrants payable	367,625	-	(1)	367,624
Total liabilities	1,035,113	-	22,645	1,057,758
Deferred Inflows of Resources				
Deferred revenue	1,067,295	905,723	334,643	2,307,661
Total deferred inflows of resources	1,067,295	905,723	334,643	2,307,661
Fund Balances:				
Restricted for:				
Drug Enforcement	-	-	23,306	23,306
Solid Waste Management	-	-	94,275	94,275
Local Government Investment Pool	1,369	-	-	1,369
Hooray for Harriman	(362)	-	-	(362)
Sex Offender Registration	7,398	-	-	7,398
Debt Service	-	-	31,268	31,268
ARPA	-	-	-	-
Assigned:				
Capital Projects	-	-	618,736	618,736
Hospital Lease Fund	-	-	-	-
Hospital Annuity	333,349	-	-	333,349
TVA Projects	82,414	-	-	82,414
UTV Reserve	1,249	-	-	1,249
Recreation	41,163	-	-	41,163
Street Department	15,618	-	-	15,618
Farmers Market	2,053	-	-	2,053
Temperance Building	-	-	-	-
Building Purchase/Demolition	42,000	-	-	42,000
Beautification	7,716	-	-	7,716
Public Safety	20,203	-	-	20,203
Unassigned	3,163,725	-	-	3,163,725
Total fund balances	3,717,895	-	767,585	4,485,480
Total liabilities, deferred inflows of resources and fund balances	\$ 5,820,303	\$ 905,723	\$ 1,124,873	\$ 7,850,899

The notes to the financial statements are an integral part of this statement.

City of Harriman, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds
to Statement of Net Position
June 30, 2022

Differences in amounts reported for governmental activities in the statement of net position on page 22:

Fund balances - total governmental funds	\$ 4,485,480
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	8,710,256
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The net pension asset - Hybrid Plan is considered a long-term asset and, therefore, not reported in the funds.	15,973
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The net pension asset - Legacy Plan is considered a long-term asset and, therefore, not reported in the funds.	3,755,032
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Deferred results and contributions to pension plans made after the measurement date are recorded as expenditures in the governmental funds but must be deferred in the statement of net position. These items consist of:

Deferred outflows - TCRS Legacy	1,304,007
Deferred outflows - TCRS Hybrid	71,164
Deferred inflows - TCRS Legacy	(4,146,246)
Deferred inflows - TCRS Hybrid	(33,394)

Long-term liabilities are not due and payable in the current period and are not reported in the funds. All liabilities, both due in one year and due in more than one year, are reported in the statement of net position. These items consists of:

Bonds and notes payable	(2,183,769)
Compensated absences	<u>(121,428)</u>

Net position of governmental activities	<u>\$ 11,857,075</u>
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City of Harriman, Tennessee
Statement of Revenue, Expenditures, and Changes in
Fund Balances - Governmental Funds
For the Year Ended June 30, 2022

	General Fund	American Rescue Plan Act (ARPA)	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 5,224,787	\$ -	\$ 567,220	\$ 5,792,007
Licenses and permits	3,465	-	-	3,465
Intergovernmental revenue	2,003,054	4,000	-	2,007,054
Charges for services	257,325	-	350,177	607,502
Fines	32,238	-	10,619	42,857
Investment earnings	-	-	-	-
Contributions and donations	-	-	-	-
Payments in lieu of taxes	-	-	-	-
Other local revenues	187,851	-	26,739	214,590
Total revenues	7,708,720	4,000	954,755	8,667,475
Expenditures:				
Current:				
General government	3,629,981	4,000	31,228	3,665,209
Public safety	2,360,577	-	39,392	2,399,969
Public works/Highways and streets	863,254	-	710,544	1,573,798
Health, recreation, and culture	966,474	-	-	966,474
Lease Payments	16,980	-	-	16,980
Debt Service:				
Principal	-	-	294,600	294,600
Interest	-	-	58,094	58,094
Capital Outlay:				
Infrastructure	-	-	-	-
Total expenditures	7,837,266	4,000	1,133,858	8,975,124
Excess (deficiency) of revenues over (under) expenditures	(128,546)	-	(179,103)	(307,649)
Other financing sources (uses):				
Proceeds from issuance of debt	197,294	-	-	197,294
Transfers in	897,973	-	595,841	1,493,814
Transfers out	(595,841)	-	-	(595,841)
Total other financing sources and uses	499,426	-	595,841	1,095,267
Net changes in fund balances	370,880	-	416,738	787,618
Fund balances - July 1, 2021	3,347,015	-	350,847	3,697,862
Prior period adjustment	-	-	-	-
Fund balances - June 30, 2022	\$ 3,717,895	\$ -	\$ 767,585	\$ 4,485,480

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

City of Harriman, Tennessee
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2022

Differences in amounts reported for governmental activities in the statement of activities on page 22:

Net change in fund balances - total governmental funds	\$ 787,618
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlay reported as expenditures in the governmental funds that met the capitalization threshold are shown as capital assets in the statement of net position.	1,782,734
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Depreciation expense on governmental capital assets are included in the statement of activities.	(628,469)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The net effect of these differences in the treatment of long-term debt and related items is as follows:

Notes issued	(197,294)
Principal repayments	294,600
Leases issued	-
Lease payments	14,103

Certain items reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds. These items are as follows:

Change in compensated absences	(59,449)
Change in net pension asset - TCRS Hybrid	(19,869)
Change in net pension liability - TCRS Legacy	548,750
Deferred pension contributions	423,291

Change in net position of governmental activities	<u>\$ 2,946,015</u>
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The accompanying notes are an integral part of this statement.

City of Harriman, Tennessee
General Fund - Statement of Revenue, Expenditures,
and Changes in Fund Balance-Budget and Actual
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		
Revenues:				
Local taxes:				
Property taxes-current	\$ 993,502	\$ 993,502	\$ 1,056,669	\$ 63,167
Property taxes-delinquent	60,000	60,000	-	(60,000)
Interest and penalty on taxes	11,000	11,000	11,592	592
Local sales tax-Co. Trustee	2,900,000	2,900,000	3,090,379	190,379
Wholesale beer tax	302,000	302,000	299,785	(2,215)
Wholesale liquor tax	121,000	121,000	119,462	(1,538)
Business tax	270,000	270,000	240,643	(29,357)
Cable TV franchise tax	42,000	42,000	41,125	(875)
Room Occupancy tax	265,000	265,000	338,843	73,843
Mixed drink tax	20,000	20,000	26,289	6,289
Total local taxes	4,984,502	4,984,502	5,224,787	240,285
Licenses and permits:				
Beer licenses	3,700	3,700	2,950	(750)
Liquor licenses	-	-	-	-
Building permits	100	100	115	15
Peddler's permit	100	100	400	300
Total licenses and permits	3,900	3,900	3,465	(435)
Intergovernmental revenue:				
Federal and state disaster relief	-	-	-	-
Fire safety grant	33,422	33,422	1,341	(32,081)
Housing Authority in lieu of tax	6,000	6,000	7,575	1,575
Harriman Gardens in lieu of tax	20,387	20,387	20,387	-
State education law/fire salary supp	26,400	26,400	12,000	(14,400)
CDBG (city/HUB) grants	350,000	350,000	-	(350,000)
State - TEA-21 grants	506,768	506,768	-	(506,768)
State - STP Projects	554,635	554,635	1,440	(553,195)
TDOT CMAQ grant	2,362,980	2,362,980	122,200	(2,240,780)
Governor's state grant	82,889	82,889	82,089	(800)
TDOT grants planning	90,000	90,000	-	(90,000)
NRCS grant	870,613	870,613	779,294	(91,319)
Other state grants	317,021	317,021	51,423	(265,598)
Other federal grants - Rural Development	-	-	-	-
Other revenue allocations - TDOT Lighting	1,241,020	1,241,020	-	(1,241,020)
State city streets & transportation	12,700	12,700	11,253	(1,447)
State sales tax	650,000	650,000	679,336	29,336
Telecommunications sales tax	5,400	5,400	5,685	285
State income tax	18,000	18,000	7,189	(10,811)
State beer tax	3,000	3,000	-	(3,000)
State street contract maintenance	25,000	25,000	27,459	2,459
State grants - other than Home	136,871	136,871	103,125	(33,746)
TVA tax	77,000	77,000	64,173	(12,827)
Corporate excise tax	-	-	20,013	20,013
Sports betting	5,000	5,000	5,810	810
State excise tax	32,000	32,000	1,262	(30,738)
Total intergovernmental revenue	7,427,106	7,427,106	2,003,054	(5,424,052)

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

City of Harriman, Tennessee
General Fund - Statement of Revenue, Expenditures,
and Changes in Fund Balance-Budget and Actual
For the Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
User charges:				
Sex offender registration	2,100	2,100	1,500	(600)
Office revenue	25	25	750	725
Special police - driving school	-	-	13,600	13,600
TIC fund	1,000	1,000	1,958	958
Fire department safety & donations	-	-	2,000	2,000
Accident report charges	90	90	345	255
Police Vending Machines	-	-	-	-
Golf course charges	150,000	150,000	159,545	9,545
Reserve recreation department	3,500	3,500	-	(3,500)
Reserve rec softball	25	25	185	160
Reserve youth athletic	25,000	25,000	72,876	47,876
Reserve street department	1,500	1,500	2,065	565
Community center fees	500	500	2,501	2,001
Property clean up	1,500	1,500	-	(1,500)
City court fines and costs	25,000	25,000	17,690	(7,310)
Court fines/costs-county court	20,000	20,000	14,548	(5,452)
Total user charges	230,240	230,240	289,563	59,323
Other local revenues:				
Defense reutilization & marketing (DMRO)	5,000	5,000	-	(5,000)
Interest earnings-other	200	200	69	(131)
Public Entity Partners	40,000	40,000	8,000	(32,000)
Reserve Farmers Market	90	90	-	(90)
Lease of property	2	2	2	-
Auction surplus equipment	25,000	25,000	7,528	(17,472)
Insurance recoveries	10,000	10,000	98,273	88,273
TVA image repair	-	-	-	-
Industrial Board sales	-	-	50,000	50,000
Contribution to public safety	-	-	3,000	3,000
Reserved for Hooray for Harriman	4,200	4,200	15,134	10,934
Reserved retirement annuity	3,200	3,200	-	(3,200)
Reserved for Princess Theatre	-	-	125	125
Miscellaneous refunds	7,000	7,000	5,720	(1,280)
Reserve police department	300	300	-	(300)
Total other local revenues	94,992	94,992	187,851	92,859
Total revenues	12,740,740	12,740,740	7,708,720	(5,032,020)
Other financing sources:				
Sale of notes	4,757,821	4,757,821	197,294	(4,560,527)
Transfers in	906,677	906,677	897,973	(8,704)
Total other financing sources	5,664,498	5,664,498	1,095,267	(4,569,231)
Total revenues and other financing sources	18,405,238	18,405,238	8,803,987	(9,601,251)

Expenditures:

General government:

Legislative:

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

City of Harriman, Tennessee
General Fund - Statement of Revenue, Expenditures,
and Changes in Fund Balance-Budget and Actual
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		
Salaries	3,600	3,600	3,600	-
Board and committee members	10,800	10,800	10,800	-
Publications and subscriptions	3,000	2,879	3,121	(242)
Travel	1,000	2,000	-	2,000
Operating supplies	15,000	23,306	6,694	16,612
Total legislative	33,400	42,585	24,215	18,370
Judicial:				
Salaries	10,000	10,000	10,000	-
Wages	-	-	-	-
Telephone	-	-	-	-
Other professional services	4,000	3,905	4,095	(190)
Travel	-	-	-	-
Operating supplies	200	200	-	200
Total judicial	14,200	14,105	14,095	10
Elections:				
Other professional services	-	-	-	-
Personal property ID and valuation	4,321	4,085	4,558	(473)
Total elections	4,321	4,085	4,558	(473)
Financial administration:				
Salaries	91,030	81,404	100,984	(19,580)
Employer education/training	750	396	1,104	(708)
Publications and subscriptions	2,500	3,363	1,637	1,726
Telephone and communications	5,000	8,114	1,886	6,228
Accounting and auditing	18,500	13,725	23,275	(9,550)
Other professional services	-	-	-	-
Travel	500	1,000	-	1,000
Other contractual services	36,000	35,768	36,232	(464)
Office supplies and materials	25,000	26,372	25,020	1,352
Office furniture and equipment	2,000	1,631	2,369	(738)
Total financial administration	181,280	171,773	192,507	(20,734)
City attorney:				
Salaries	10,000	10,000	9,600	400
Contractual legal services	5,000	2,225	7,775	(5,550)
Total city attorney	15,000	12,225	17,375	(5,150)
Sinking fund commission:				
Salaries	720	720	720	-
Finance:				
Salaries	77,407	52,767	102,379	(49,612)
Travel	2,000	2,977	1,023	1,954
Total finance	79,407	55,744	103,402	(47,658)

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

City of Harriman, Tennessee
General Fund - Statement of Revenue, Expenditures,
and Changes in Fund Balance-Budget and Actual
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		
Events coordinator:				
Salaries	12,954	9,733	16,175	(6,442)
Employee education/training	-	-	-	-
Telephone	500	494	506	(12)
Travel	-	-	-	-
Office supplies and materials	200	99	301	(202)
Reserve for Hooray for Harriman	4,200	(16,225)	24,710	(40,935)
Marketing	-	-	-	-
Total city coordinator	17,854	(5,899)	41,692	(47,591)
City manager:				
Salaries	127,515	117,630	137,899	(20,269)
Telephone	1,250	687	1,813	(1,126)
Training, travel expense, and dues	5,000	8,630	1,370	7,260
Office supplies and materials	3,000	5,279	721	4,558
Gas, oil, and etc.	300	(375)	975	(1,350)
Motor vehicle parts	500	922	78	844
Total city manager	137,565	132,773	142,856	(10,083)
City hall buildings:				
Salaries	58,170	49,064	67,494	(18,430)
Utility services	65,000	78,023	51,977	26,046
Telephone	15,000	10,567	19,433	(8,866)
Other professional services	25,000	50,000	-	50,000
Repair and maintenance	12,000	13,298	10,702	2,596
Repair and maint. buildings	121,000	200,213	41,787	158,426
Operating supplies	10,000	(9,029)	29,029	(38,058)
Reserve Farmers Market	90	180	-	180
Insurance	35,000	31,017	38,983	(7,966)
Building and office rental	15,000	12,000	18,000	(6,000)
Building and grounds - Thp	-	(42,344)	42,344	(84,688)
Building and grounds - Governor's	-	(39,200)	39,200	(78,400)
TDOT grants streetscape and trails	93,000	-	-	-
Farmer's Market grant	90	180	-	180
Grounds improvements	45,000	81,549	8,451	73,098
Technology	5,000	10,000	-	10,000
Total city hall buildings	499,350	445,518	367,400	78,118
Special city projects:				
Grants, Contributions, Indemn	-	-	-	-
HOME grants	317,021	317,021	48,310	268,711
Interstate lighting	769,065	769,065	33,616	735,449
Hospital site plan USDA	3,988,756	3,988,756	1,041,572	2,947,184
TDOT CMAQ Grant	2,367,980	2,367,980	57,097	2,310,883
TAP Grant	779,710	779,710	26,497	753,213
Margrave RR bridge	919,779	1,157,886	-	1,157,886
STP Projects	747,202	747,202	-	747,202
Special City projects and marketing	7,000	9,774	4,226	5,548

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

City of Harriman, Tennessee
General Fund - Statement of Revenue, Expenditures,
and Changes in Fund Balance-Budget and Actual
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		
Parks, soccer, facilities	-	(25,990)	25,990	(51,980)
TVA Marketing	1,992	3,587	398	3,189
NRCS Grant	1,231,774	1,231,774	531,888	699,886
TVA Public Library	1,725	3,450	-	3,450
Total special city projects	11,132,004	11,350,215	1,769,594	9,580,621
Other general government :				
OASI (employer's share)	236,889	240,587	263,434	(22,847)
Hospital and health insurance	368,314	345,868	390,761	(44,893)
Retirement-current	602,932	670,033	535,831	134,202
Workmen's compensation	86,745	97,751	75,739	22,012
Unemployment insurance	2,106	2,160	2,052	108
Electric	210,713	210,713	210,713	-
Other professional	1,016	(9,159)	11,191	(20,350)
Sundry	8,000	9,625	6,375	3,250
Insurance	66,338	60,327	72,349	(12,022)
Premiums on surety bonds	500	1,000	-	1,000
Donation to Roane Alliance	10,000	10,000	10,000	-
Contribution-911 system	90,134	90,134	90,134	-
United Way Children's fund	250	250	250	-
Cornstalk Heights Association	6,500	8,000	5,000	3,000
Chamber of Commerce	-	-	-	-
Child Advocacy Center	1,000	1,000	1,000	-
Mixed drink tax	19,045	15,629	22,461	(6,832)
DAV Van allocation	2,000	2,000	2,000	-
Donation to Roane State Expo	50,000	50,000	50,000	-
Total other general government	1,762,482	1,805,918	1,749,290	56,628
Total general government	13,877,583	14,029,762	4,427,704	9,602,058
Public safety:				
Police:				
Salaries	979,054	967,206	994,064	(26,858)
Employee education/training	20,000	19,820	20,180	(360)
Utility services	10,000	18,214	1,786	16,428
Telephone	20,000	2,559	37,441	(34,882)
Police K-9	1,000	1,900	100	1,800
Professional services	12,000	13,109	10,891	2,218
Repair/maintenance - radio equipment	15,000	12,862	17,138	(4,276)
Repair/maintenance - buildings	1,500	1,150	1,850	(700)
Sundry	4,000	329	7,671	(7,342)
Supplies & materials-SO registry	2,100	3,700	500	3,200
Reserve - Police Dept.	300	(1,486)	2,086	(3,572)
DRMO (defense reutilization & marketing)	5,000	4,143	5,857	(1,714)
Printing expenses	800	1,027	573	454
Uniforms and equipment	5,000	5,735	4,265	1,470
Other operating supplies	4,000	4,813	3,187	1,626
Gas, oil, diesel, fuel, grease	35,000	7,381	62,619	(55,238)
Vehicle maintenance	10,000	10,001	9,999	2
Vehicle repairs	6,000	(1,046)	13,046	(14,092)

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

City of Harriman, Tennessee
General Fund - Statement of Revenue, Expenditures,
and Changes in Fund Balance-Budget and Actual
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		
Safety equipment	3,000	3,628	2,372	1,256
Insurance	32,000	27,494	36,506	(9,012)
Forensics	800	811	789	22
Machinery & equipment	39,000	38,689	39,311	(622)
Equipment repair	500	977	23	954
Technology	12,000	13,650	10,350	3,300
Total police	1,218,054	1,156,666	1,282,604	(125,938)
Fire protection and control:				
Salaries	760,898	715,267	808,985	(93,718)
Employee education	10,000	16,010	3,990	12,020
Utility services	18,500	20,952	16,048	4,904
Telephone	7,500	3,340	11,660	(8,320)
Fire hydrant upkeep	2,000	3,372	628	2,744
Other professional services	6,000	5,095	6,905	(1,810)
Repair/maintenance-radio	2,500	1,985	3,015	(1,030)
Repair/maintenance-buildings	5,000	2,870	7,130	(4,260)
Sundry	2,000	1,214	2,786	(1,572)
Reserve fire department - TIC	1,000	1,254	746	508
Printing expenses	1,500	178	2,822	(2,644)
Office supplies and materials	-	-	-	-
Clothing and uniforms	4,000	4,293	3,707	586
Other operating supplies	15,000	18,912	11,088	7,824
Gas, oil, diesel fuel	11,000	5,969	16,031	(10,062)
Vehicle maintenance	3,500	1,850	5,150	(3,300)
Vehicle repair	20,000	(1,572)	41,572	(43,144)
Equipment-fire fighting	12,000	7,622	16,378	(8,756)
Equipment - FEMA grant	-	-	-	-
Machinery & equipment	59,500	59,164	59,836	(672)
Repairs - fire fighting equipment	2,000	2,460	1,540	920
Office machinery and equipment	-	-	-	-
Technology	6,500	1,845	11,155	(9,310)
Total fire protection and control	950,398	872,080	1,031,172	(159,092)
Building inspection:				
Salaries	34,846	31,718	41,377	(9,659)
Telephone	172	(773)	1,117	(1,890)
Professional services	-	-	-	-
Travel	-	(350)	(350)	-
Operating supplies	1,413	960	1,866	(906)
Gas, oil, diesel fuel	842	-	1,684	(1,684)
Vehicle maintenance	41	82	-	82
Property clean up	3,294	6,263	325	5,938
Vehicle repair	467	827	107	720
Machinery and equipment	867	1,058	675	383
Total building inspection	41,942	39,785	46,801	(7,016)
Total public safety	2,210,394	2,068,531	2,360,577	(292,046)

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

City of Harriman, Tennessee
General Fund - Statement of Revenue, Expenditures,
and Changes in Fund Balance-Budget and Actual
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		
Public works:				
Highways and streets:				
Salaries	344,808	338,685	366,625	(27,940)
Professional services	24,140	48,280	-	48,280
Urban Streets - State TDOT reimbursable	13,000	26,000	-	26,000
Repair and maintenance-roads	95,000	(69,973)	256,817	(326,790)
Operating supplies	15,000	17,136	12,864	4,272
Clothing and uniforms	7,510	11,268	3,752	7,516
Reserve - Street Dept	1,500	3,000	-	3,000
Gas, oil, diesel fuel	20,000	9,808	13,500	(3,692)
Vehicle maintenance	7,000	4,816	9,184	(4,368)
Vehicle repair	19,000	4,407	33,593	(29,186)
Building materials	20,000	29,983	10,017	19,966
TDOT CMAQ grant	-	-	-	-
Margrave Rr Bridge 20/10% LGIP	-	-	-	-
Machinery & equipment	20,000	(97,995)	137,995	(235,990)
STP projects	-	-	-	-
Total highway and streets	<u>586,958</u>	<u>325,415</u>	<u>844,347</u>	<u>(518,932)</u>
City garage:				
Salaries	38,757	77,514	-	77,514
Utility services	12,000	10,591	13,409	(2,818)
Telephone	50	100	-	100
Repair/maintenance-buildings	2,500	2,842	2,158	684
Operating supplies	2,500	1,660	3,340	(1,680)
Total city garage	<u>55,807</u>	<u>92,707</u>	<u>18,907</u>	<u>73,800</u>
Total public works	<u>642,765</u>	<u>418,122</u>	<u>863,254</u>	<u>(445,132)</u>
Health:				
Salaries	300	300	300	-
Rabies and animal control:				
Salaries	10,000	10,120	12,039	(1,919)
Travel	-	-	-	-
Other contractual services	5,000	(263)	10,263	(10,526)
Operating supplies	750	919	581	338
Gas, oil, diesel fuel	-	-	-	-
Vehicle maintenance	1,000	2,000	-	2,000
Tires, tubes, etc.	-	-	-	-
Machinery and equipment	-	-	-	-
Total rabies and control	<u>16,750</u>	<u>12,776</u>	<u>22,883</u>	<u>(10,107)</u>
Recreation:				
Salaries	265,127	280,439	250,617	29,822
Utility services	38,000	35,497	40,503	(5,006)
Telephone	5,000	5,936	4,064	1,872
Operating supplies	2,000	(3,990)	7,990	(11,980)
Recreation supplies	25,000	(12,094)	62,094	(74,188)

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

City of Harriman, Tennessee
General Fund - Statement of Revenue, Expenditures,
and Changes in Fund Balance-Budget and Actual
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		
Clothing and uniforms	1,200	1,414	986	428
Gas, oil, diesel fuel, grease, etc.	4,000	(2,170)	10,170	(12,340)
Motor vehicle parts	1,000	337	1,663	(1,326)
Tires, tubes, etc.	1,000	982	1,018	(36)
Reserve - rec softball	25	50	-	50
Machinery and equipment	3,000	2,613	3,387	(774)
Other repair/maintenance supplies	18,000	10,425	25,575	(15,150)
Reserve - rec department	3,500	7,000	-	7,000
Parks and recreation facilities	199,500	295,893	103,107	192,786
Total recreation	566,352	622,332	511,174	111,158
Recreation centers:				
Salaries	31,359	31,369	31,450	(81)
Utility services	17,000	12,674	21,326	(8,652)
Telephone	400	632	168	464
Operating supplies	3,500	1,284	5,716	(4,432)
Other repair and maint. supplies	18,000	26,657	9,343	17,314
Total recreation centers	70,259	72,616	68,003	4,613
Golf course:				
Salaries	116,519	126,830	106,524	20,306
Employee education and training	-	-	-	-
Dues and subscriptions	100	200	-	200
Utility services	14,000	11,525	16,475	(4,950)
Telephone	1,500	1,518	1,482	36
Repair/maintenance services	60,000	78,330	41,670	36,660
Repair/maint.-carts	3,000	5,793	207	5,586
Repair/maintenance-buildings	28,000	54,742	1,258	53,484
Office supplies & materials	800	1,418	181	1,237
Operating supplies	1,000	938	1,062	(124)
Chemical, laboratory, medical	8,000	666	15,334	(14,668)
Food	4,000	5,734	2,266	3,468
Clothing and uniforms	500	667	333	334
Other operating supplies	500	369	631	(262)
Gas, oil, diesel fuel	3,200	(818)	7,218	(8,036)
Golf course-vehicle maintenance	500	868	132	736
Other repair and maintenance	2,000	2,627	1,373	1,254
Supplies for resale	1,000	989	1,011	(22)
Other state fees	12,000	8,486	15,514	(7,028)
Prizes and awards	1,000	1,353	647	706
Machinery & equipment	20,000	27,752	12,248	15,504
Total golf course	277,619	329,987	225,566	104,421
Libraries:				
Salaries	103,027	101,334	105,040	(3,706)
Utility services	11,800	12,919	10,682	2,237
Operating supplies	2,700	2,174	3,226	(1,052)
Contribution-library system	19,600	19,600	19,600	-
Office machinery & equipment	400	800	-	800

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

City of Harriman, Tennessee
General Fund - Statement of Revenue, Expenditures,
and Changes in Fund Balance-Budget and Actual
For the Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Total libraries	<u>137,527</u>	<u>136,827</u>	<u>138,548</u>	<u>(1,721)</u>
Total health, recreation & culture	<u>1,068,807</u>	<u>1,174,838</u>	<u>966,474</u>	<u>208,364</u>
Total current expenditures	<u>17,799,549</u>	<u>17,691,253</u>	<u>8,618,009</u>	<u>9,073,244</u>
Lease payments:				
Lease-golf course-carts	14,013	14,013	14,013	-
Lease - street department backhoe	-	-	-	-
Interest - street department backhoe	-	-	-	-
Interest - golf course - carts	<u>2,967</u>	<u>2,967</u>	<u>2,967</u>	<u>-</u>
Total lease payments	<u>16,980</u>	<u>16,980</u>	<u>16,980</u>	<u>-</u>
Total expenditures	<u>17,816,529</u>	<u>17,708,233</u>	<u>8,634,989</u>	<u>9,073,244</u>
Other financing uses:				
Transfers out	<u>972,329</u>	<u>987,625</u>	<u>595,841</u>	<u>391,784</u>
Total expenditures and other financing uses	<u>18,788,858</u>	<u>18,695,858</u>	<u>9,230,830</u>	<u>9,465,028</u>
Net change in fund balance	<u>(383,620)</u>	<u>(290,620)</u>	<u>(426,843)</u>	<u>136,223</u>
Fund balance, July 1, 2021	<u>2,469,943</u>	<u>2,467,309</u>	<u>3,347,015</u>	<u>(879,706)</u>
Prior period adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2022	<u>\$ 2,086,323</u>	<u>\$ 2,176,689</u>	<u>\$ 2,920,172</u>	<u>\$ (743,483)</u>

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

City of Harriman, Tennessee
Statement of Net Position - Proprietary Funds
June 30, 2022

	<u>Electric Department</u>	<u>Gas Department</u>	<u>Sewer Department</u>	<u>Water Department</u>	<u>Totals</u>
Assets					
Current assets:					
Cash - interest bearing	\$ 7,121,845	\$ -	\$ -	\$ -	\$ 7,121,845
Receivables:					
Trade accounts (net of allowance for doubtful accounts) and grants receivable	3,678,838	-	-	-	3,678,838
Due from (to) other utility departments	380,072	(151,328)	217,868	188,061	634,673
Other	(141,916)	69,267	142,009	219,350	288,710
Total receivables	3,916,994	(82,061)	359,877	407,411	4,602,221
Materials and supplies inventory	539,731	95,323	16,581	187,559	839,194
Prepaid expenses	5,297	373,474	498	2,555	381,824
Total current assets	11,583,867	386,736	376,956	597,525	12,945,084
Bond and interest fund:					
Cash - interest bearing	-	-	-	-	-
Emergency reserve fund	435,100	2,750,665	545,150	1,709,640	5,440,555
Total restricted assets	435,100	2,750,665	545,150	1,709,640	5,440,555
Property, plant and equipment:					
Land and land rights	710,688	-	-	-	710,688
Plant in service	73,333,374	16,241,219	30,446,853	28,532,284	148,553,730
Less: Accumulated Depreciation	(43,957,672)	(7,259,888)	(14,046,396)	(12,931,212)	(78,195,168)
	30,086,390	8,981,331	16,400,457	15,601,072	71,069,250
Construction in progress	909,222	91,492	-	103,100	1,103,814
Net property, plant and equipment	30,995,612	9,072,823	16,400,457	15,704,172	72,173,064
Total assets	43,014,579	12,210,224	17,322,563	18,011,337	90,558,703
Deferred outflows of resources:					
Deferred pension outflows - HUB Pension	1,878,644	469,645	313,096	469,637	3,131,022
Accumulated decrease in fair value of hedging derivative instrument	-	-	-	-	-
Total deferred outflows of resources	1,878,644	469,645	313,096	469,637	3,131,022
Total assets and deferred outflows of resources	\$ 44,893,223	\$ 12,679,869	\$ 17,635,659	\$ 18,480,974	\$ 93,689,725

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

City of Harriman, Tennessee
Statement of Net Position - Proprietary Funds
June 30, 2022

	Electric Department	Gas Department	Sewer Department	Water Department	Totals
Liabilities and net position					
Trade accounts payable	\$ 3,597,671	\$ -	\$ -	\$ -	\$ 3,597,671
Due to other utility departments	539,383	-	-	89,453	628,836
Accrued payroll, payroll taxes and vacation pay	1,080,610	285,807	192,071	268,253	1,826,741
Customers' deposits	1,677,405	221,229	-	160,748	2,059,382
Derivative instruments-interest rate swap	-	-	-	-	-
Other payables	253,379	-	1,079	-	254,458
Total current liabilities (payable from current assets)	7,148,448	507,036	193,150	518,454	8,367,088
Current liabilities (payable from restricted assets):					
Current installments of long-term debt	245,000	120,000	272,748	278,556	916,304
Accrued interest	6,383	4,029	6,128	6,685	23,225
Total current liabilities (payable from restricted assets)	251,383	124,029	278,876	285,241	939,529
Long-term debt:					
Revenue bonds and revenue refunding bonds	-	-	4,298,268	4,364,761	8,663,029
Notes payable and obligations under capital lease	2,855,000	2,105,000	-	-	4,960,000
Unamortized Premiums/Discounts	207,734	107,014	151,964	184,881	651,593
Total long-term debt	3,062,734	2,212,014	4,450,232	4,549,642	14,274,622
Long-term liabilities:					
Net pension liability - HUB Pension	2,932,558	733,140	488,760	733,140	4,887,598
Total long-term liabilities	2,932,558	733,140	488,760	733,140	4,887,598
Total liabilities	13,395,123	3,576,219	5,411,018	6,086,477	28,468,837
Deferred inflows of resources:					
Deferred pension inflows - HUB Pension	1,352,470	338,119	225,412	338,119	2,254,120
Net position:					
Net investment in capital assets	27,687,878	6,740,809	11,677,477	10,875,974	56,982,138
Restricted for debt service	-	-	-	-	-
Unrestricted	2,457,752	2,024,722	321,752	1,180,404	5,984,630
Total net position	30,145,630	8,765,531	11,999,229	12,056,378	62,966,768
Total liabilities, deferred inflows of resources, and net position	\$ 44,893,223	\$ 12,679,869	\$ 17,635,659	\$ 18,480,974	\$ 93,689,725

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

City of Harriman, Tennessee
Statement of Revenues, Expenses, and Changes
in Net Position - Proprietary Funds
Year Ended June 30, 2022

	<u>Electric Department</u>	<u>Gas Department</u>	<u>Sewer Department</u>	<u>Water Department</u>	<u>Totals</u>
Operating revenues:					
Residential	\$ 16,615,198	\$ 2,970,879	\$ -	\$ -	\$ 19,586,077
Commercial, industrial & interruptible	8,144,599	-	-	-	8,144,599
Sewer and water charges, net of bad debt	-	-	1,838,432	2,587,603	4,426,035
Street and outdoor lighting sales	846,855	-	-	-	846,855
Customers' forfeited discounts	222,700	18,637	20,398	31,362	293,097
Rent from City	21,624	-	-	-	21,624
Rent from others	542,392	-	-	-	542,392
Miscellaneous	643,421	26,078	6,862	72,935	749,296
Bad debt (recoveries) expense	(32,271)	(2,733)	(10,092)	(7,369)	(52,465)
Total operating revenues	27,004,518	3,012,861	1,855,600	2,684,531	34,557,510
Operating expenses:					
Operation	16,428,277	-	-	-	16,428,277
Repairs and maintenance	1,787,968	-	-	-	1,787,968
Purchased gas	-	1,378,070	-	-	1,378,070
Power, pumping and utilities	-	-	180,076	354,435	534,511
Purification	-	-	253,218	345,480	598,698
Transmission and distribution	1,553,181	524,739	217,196	483,923	2,779,039
Customers' accounting and collection	490,594	239,622	46,844	224,353	1,001,413
Administrative and general	2,509,803	768,048	350,128	641,410	4,269,389
Depreciation and amortization	2,208,286	490,153	625,215	646,853	3,970,507
Total operating expenses	24,978,109	3,400,632	1,672,677	2,696,454	32,747,872
Operating income	2,026,409	(387,771)	182,923	(11,923)	1,809,638
Non-operating revenue (expenses):					
Interest income	3	-	-	-	3
Interest expense	(48,186)	(38,670)	(62,181)	(63,692)	(212,729)
Amortization of debt costs	(11,937)	(5,933)	(8,472)	(10,254)	(36,596)
Total non-operating revenue (expenses)	(60,120)	(44,603)	(70,653)	(73,946)	(249,322)
Net income (loss)-before transfers	1,966,289	(432,374)	112,270	(85,869)	1,560,316
Capital contributions	-	-	-	15,373	15,373
Transfers in	-	-	-	-	-
Transfers out	(897,973)	-	-	-	(897,973)
Change in net position	1,068,316	(432,374)	112,270	(70,496)	677,716
Net position:					
Beginning of year	29,077,314	9,197,905	11,886,959	12,126,874	62,289,052
Prior period adjustment	-	-	-	-	-
End of year	\$ 30,145,630	\$ 8,765,531	\$ 11,999,229	\$ 12,056,378	\$ 62,966,768

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

City of Harriman, Tennessee
Statement of Cash Flows - Proprietary Funds
Year Ended June 30, 2022

	Electric Department	Gas Department	Sewer Department	Water Department	Totals
Cash flows from operating activities:					
Receipts from customers and users	\$ 26,201,136	\$ 3,012,861	\$ 1,855,600	\$ 2,684,531	\$ 33,754,128
Payments to suppliers and vendors	(19,818,029)	(2,468,840)	(815,366)	(1,691,924)	(24,794,159)
Payments to employees	(1,552,158)	(476,480)	(293,394)	(347,062)	(2,669,094)
Other receipts (payments)	(2,218,243)	743,080	(14,964)	1,141,155	(348,972)
Net cash provided by operating activities	2,612,706	810,621	731,876	1,786,700	5,941,903
Cash flows from capital and related financing activities:					
Acquisitions and construction of capital assets					
Additions to plant	(2,234,577)	(455,072)	(676,667)	(430,107)	(3,796,423)
Salvage value of plant retirements	186,366	-	46,492	31,170	264,028
Principal paid on revenue and revenue refunding bond maturities					
	-	-	(276,764)	(277,632)	(554,396)
Principal paid on notes payable and capitalized leases					
	(235,000)	(120,000)	-	-	(355,000)
Interest paid on bonds, notes and capitalized leases					
	(48,186)	(38,670)	(62,181)	(63,692)	(212,729)
Amortization of debt costs					
	(11,937)	(5,933)	(8,472)	(10,254)	(36,596)
Capital grants					
	-	-	-	15,373	15,373
Additional long term borrowings					
	-	-	-	-	-
Net cash used for capital and related financing activities	(2,343,334)	(619,675)	(977,592)	(735,142)	(4,675,743)
Cash flows from noncapital financing activities:					
Transfer out					
	(906,677)	-	-	-	(906,677)
Net cash provided by noncapital financing activities	(906,677)	-	-	-	(906,677)
Cash flows from investing activities:					
Interest from cash management activities					
	3	-	-	-	3
Net cash provided by investing activities	3	-	-	-	3
Net increase (decrease) in cash and cash equivalents					
	(637,302)	190,946	(245,716)	1,051,558	359,486
Cash and cash equivalents at beginning of year	8,194,247	2,559,719	790,866	658,082	12,202,914
Cash and cash equivalents at end of year	\$ 7,556,945	\$ 2,750,665	\$ 545,150	\$ 1,709,640	\$ 12,562,400
Summary of cash and cash equivalents at end of year					
Cash - interest bearing					
	\$ 7,121,845	\$ -	\$ -	\$ -	\$ 7,121,845
Restricted assets					
	435,100	2,750,665	545,150	1,709,640	5,440,555
Total	\$ 7,556,945	\$ 2,750,665	\$ 545,150	\$ 1,709,640	\$ 12,562,400
Cash flows from operating activities:					
Operating income	\$ 2,035,113	\$ (387,771)	\$ 182,923	\$ (11,923)	\$ 1,818,342
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization					
	2,278,852	484,064	620,684	637,215	4,020,815
Change in assets and liabilities:					
Accounts receivable	(803,382)	-	-	-	(803,382)
Inventories	(165,746)	1,739	(1,062)	(5,100)	(170,169)
Other assets	(2,100,820)	772,435	13	1,170,511	(157,861)
Deferred outflows	(974,456)	(243,615)	(162,409)	(243,615)	(1,624,095)
Accounts payable	652,425	-	-	-	652,425
Accrued liabilities	(50,608)	(34,206)	(51,112)	18,952	(116,974)
Net pension liability	884,591	221,148	147,432	221,148	1,474,319
Customer deposits	884,295	3,715	-	6,400	894,410
Deferred inflows	(27,558)	(6,888)	(4,593)	(6,888)	(45,927)
Net cash provided by operating activities	\$ 2,612,706	\$ 810,621	\$ 731,876	\$ 1,786,700	\$ 5,941,903

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

City of Harriman, Tennessee
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2022

	Industrial Development Board	Harriman Utility Board Pension Trust Fund
	<hr/>	<hr/>
<u>Assets</u>		
Cash and cash equivalents	\$ 67,029	\$ 1,214,639
Fixed income	-	2,194,462
Equities	-	2,328,429
Other receivable	20,000	-
Property, plant and equipment	938,700	-
	<hr/>	<hr/>
Total assets	<u>\$ 1,025,729</u>	<u>\$ 5,737,530</u>
 <u>Net Position</u>		
Restricted	<u>\$ 1,025,729</u>	<u>\$ 5,737,530</u>

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

City of Harriman, Tennessee
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
June 30, 2022

	<u>Industrial Development Board</u>	<u>Harriman Utility Board Pension Trust Fund</u>
<u>Additions</u>		
Employer contributions	\$ -	\$ 734,071
Employee contributions	-	177,334
Net increase in the fair value of investments	-	179,474
Gain (loss) on sale of property	(6,418,850)	-
Total assets	<u>(6,418,850)</u>	<u>1,090,879</u>
<u>Deductions</u>		
Benefits	-	381,982
Administrative expenses	-	22,353
Contribution to City	50,000	-
Professional fees	7,035	-
Total deductions	<u>57,035</u>	<u>404,335</u>
Change in net position	(6,475,885)	686,544
Net position - beginning of year	<u>7,501,614</u>	<u>5,050,986</u>
Net position - end of year	<u>\$ 1,025,729</u>	<u>\$ 5,737,530</u>

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

CITY OF HARRIMAN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Reporting Entity

The City of Harriman (the “City”) was incorporated under the laws of the State of Tennessee in 1891 and operates under an elected Mayor-Council form of government. The Council is composed of five members, including the Mayor, who are elected at-large to four-year staggered terms.

The financial reporting entity consists of (a) primary government (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of the relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. A legally separate organization should be reported as a component unit if they are financially accountable to the primary government. The primary government is financially accountable if it appoints a voting majority of the organization’s governing body and (1) is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. A legally separate tax exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; (3) the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

The City’s financial reporting entity comprises of the Primary Government: The City of Harriman. The primary government includes Harriman Utility Board (HUB) as an enterprise fund.

The City has a separately elected governing body, is legally separate and is fiscally independent of other state and local governments. All funds, organizations, institutions, agencies, departments and officers that are not legally separate of the primary government, for financial reporting purposes, are part of the primary government and are included in the financial statements of the City.

As required by accounting principles generally accepted in the United States of America (GAAP), the accompanying basic financial statements includes all the funds and the account groups relevant to the operations of the City.

Blended Component Unit

Blended component units, although legally separate entities, are, in substance, part of the primary government’s operations and are reported with similar funds of the primary government. Currently, the City has no blended component units.

Discretely Presented Component Units

Discretely Presented Component Units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the City has no discretely presented component units.

(Continued)

CITY OF HARRIMAN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basic Financial Statements

The **Basic Financial Statements** consists of the following:

- 1) Government-wide financial statements – comprised of a statement of net position and a statement of activities;
- 2) Fund financial statements – comprised of a series of statements focusing on information about the City's major governmental funds (separate financial statements are presented for the governmental and fiduciary funds);
- 3) Notes to the basic financial statements.

These statements report all of the non-fiduciary activities of the primary government and its component units, as applicable. Governmental activities are normally supported by taxes and intergovernmental revenues. The fiduciary fund of the primary government is not included in the government-wide financial statement; however, separate financial statements are presented.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities. Direct expenses are those that are clearly identifiable with a specific program or function. Program revenues include (a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Revenues that are not classified as program revenues, including all taxes and other items, are presented as general revenues.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The *government-wide financial statements* are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenue is recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. 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 eligibility requirements imposed by the provider have been met.

The *governmental fund financial statements* are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis, revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues 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 accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are reported only when payment is due. The City recognizes vacation and other compensated absences when paid. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt are reported as other financing sources. Materials and supplies inventories are valued at the lower of cost or market, using the moving average method of determining cost. Inventories are recorded as assets when purchased and charged to operations when used.

Property taxes, sales tax, grants from other governments, and interest on investments are susceptible to accrual. Revenues from fines, forfeits and penalties, and franchise fees become measurable and available when cash is received by the City and are recognized as revenue at that time.

(Continued)

CITY OF HARRIMAN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

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 government, except those required to be accounted for in another fund.
- The *Proprietary Fund* consists of enterprise funds used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Harriman uses enterprise funds (Electric, Gas, Sewer, and Water) to account for the electric, gas, water and wastewater services provided by the HUB. Each of HUB's enterprise funds operates as a self-sufficient entity.

Additionally, the City reports the following fund types:

Governmental Funds:

- The *Special Revenue Funds* are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for particular purposes, and include the State Street Aid Fund, the Solid Waste Management Fund, and the Drug Fund.
- The City establishes *Capital Project Funds* to account for major capital expenditures not financed by enterprise funds, internal service funds or trust funds. The *Debt Service Fund* accounts for the accumulation of resources for, and the payment of, interest and principal on general long-term debt.

Fiduciary Fund:

- *Fiduciary Funds* (Agency) are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. Therefore, the fiduciary financial statements are excluded from the government-wide financial statements. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City has one agency fund, the Industrial Development Board Fund (IDB). The IDB Fund accounts for the receipt of donations to the IDB from other governmental units (the City and HUB), and expenditures approved by the IDB directors for payment by the City on its behalf. The City Council of the City of Harriman elects the directors of the IDB, but the City has no other responsibility for the IDB, except as described regarding the agency fund.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

As a general rule, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions to this general rule are payment in lieu of taxes and other charges for sales and purchases of goods and services between various functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

(Continued)

CITY OF HARRIMAN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources, as they are needed. Likewise, when committed, assigned and unassigned funds are available for expenditure, committed funds are spent first, assigned funds next, and unassigned funds last.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Budgets and Budgetary Accounting

An annual budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds except for the capital projects funds with project-length budgets. All annual appropriations lapse at fiscal year-end.

The appropriated budget is prepared by fund, function, and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control (i.e., the level at which expenditures may not exceed appropriations) is the fund level.

The original and final budgets as approved and amended by City Council are disclosed in the supplemental schedules.

Cash and Cash Equivalents

For purposes of reporting cash flows, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Accounts Receivables

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property taxes, grants, and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual accounting. Governmental funds report unavailable 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.

(Continued)

CITY OF HARRIMAN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivables (Continued)

The Electric Department bills all accounts receivable for the Gas, Sewer, and Water Departments and pays each department at the time of billing.

Inventories

Inventories of the proprietary funds, which consist of construction materials and supplies of HUB, are valued using the lower of cost or market, utilizing the moving average method of determining cost, and are recorded as expenditures when consumed. Inventories of the governmental funds are recorded as assets when purchased.

Investments

Investments, including the HUB Pension Trust Fund, are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value. Any change in the fair value of investments recorded at fair value is included in net increase in fair value of investments.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (i.e., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide statement of net position but are not reported in the fund financial statements. The City defines capital assets as those assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Capital assets are valued at cost or estimated historical cost if purchased or constructed and updated for additions and retirements during the year. Donated capital assets are valued at their fair market value as of the date donated. Major outlays for capital assets and improvements are capitalized as projects are constructed. The City capitalizes net interest costs and interest earned as part of the cost of construction when material. No interest was capitalized during the fiscal year ended June 30, 2022.

Utility Plant is stated at historical cost, net of customers' direct contributions toward construction, and renewals and betterments are capitalized. Retirements and cost of removal, less salvage, are charged to accumulated depreciation.

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.

All capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives in the governmental activities:

	<u>Estimated Lives</u>
Infrastructure	25 – 40 years
Buildings and improvements	20 – 50 years
Equipment and vehicles	5 – 25 years

(Continued)

CITY OF HARRIMAN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

Capital assets of the proprietary funds are accounted for in the respective proprietary fund and are stated at cost or estimated fair market value when original cost is not available. The proprietary funds have a capitalization policy of \$2,500 or greater which is set by the HUB Board. 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 for the proprietary funds is depreciated using the straight-line method, which will amortize the cost over the estimated useful lives of the assets. The estimated useful lives of plant and equipment for the proprietary funds are as follows:

	<u>Estimated Lives</u>
Transmission equipment, fixtures, and devices	40 to 50 years
Distribution transformers, meters, fixtures, and devices	15 to 20 years
Buildings and improvements	50 years
Furniture, fixtures, and equipment	5 to 25 years

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow or resources (as either an expense or expenditure) until that period. The City reports deferred contributions on pension plans and certain amounts related to pensions, as detailed as (2) below. Deferred contributions for the pension plan were made during the fiscal year but are after the measurement date of the actuarial report. These amounts will be recognized during the next measurement period.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has two types of items, which arise under a modified accrual basis of accounting and full accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported in the governmental funds balance sheet and government-wide statement of net position. (1) The governmental funds and governmental activities report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. (2) Certain amounts related to pensions must be deferred. Differences between projected and actual earnings on pension plan investments are deferred and amortized over five years. Changes in pension plan assumptions are deferred and amortized over the expected remaining service lives of employees.

Compensated Absences

The City's governmental funds recognize vacation pay when paid. Sick pay benefits, which accumulate to a maximum of 100 days but do not vest, are recognized when paid. HUB recognizes the cost of vacation pay as it is earned. Sick pay benefits, which accumulate to a maximum of 200 days but do not vest, are recognized when paid. The City's entire compensated absences liability and expense is reported on the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements, and are payable with expendable available resources.

(Continued)

CITY OF HARRIMAN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental and business-type activities statement of net position. Similarly, long-term debt and other obligations of the City are recorded as liabilities in the appropriate fund. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses when incurred.

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 debt service expenditures.

Net Position

The government-wide financial statements and proprietary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

Net investment in capital assets 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 improvements of those assets.

Restricted net position consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position consists of all other net positions that do not meet the definition of “restricted” or “net investment in capital assets.”

Fund Balance

Governmental funds utilize a fund balance presentation for equity. Fund balance is categorized as nonspendable, restricted, committed, assigned or unassigned.

Nonspendable fund balance includes amounts that cannot be spent because they are not in spendable form, or for legal or contractual reasons, must be kept intact. This classification includes inventories, prepaid amounts, advances to other funds and long-term receivables.

Restricted fund balance represents constraints placed on the use of these resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or other governments; or imposed by law (through constitutional provisions or enabling legislation).

(Continued)

CITY OF HARRIMAN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

Committed fund balance represents amounts that can only be used for specific purposes as determined through formal action through adoption of an ordinance by the City Council, the City's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless City Council removes the constraints by taking the same formal action to modify or rescind the commitment. Committed fund balances include non-liquidated encumbrances for capital projects at year-end that are carried forward to the next fiscal year. Committed fund balances differ from restricted fund balances because the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned fund balance represents amounts that are constrained by the City's intent to be used for specific purposes, but do not meet the criteria to be classified as restricted or committed. The City Council has a fund balance policy that allows assigned amounts to be re-assigned by City Council, or management. Assigned fund balance includes (a) all amounts that are reported in the governmental funds (other than the General Fund) that are not classified as nonspendable, restricted, or committed, and (b) amounts that are not restricted or committed in a special revenue, capital projects or permanent fund, are assigned for purposes in accordance with the nature of their fund type. Assignment within the General Fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the City itself. Assigned Fund Balance is an appropriation of existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues.

Unassigned fund balance is the residual classification of the General Fund. This classification represents General Fund balance that has not been assigned to other funds, and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted fund balances first, then unrestricted amounts – committed, assigned and unassigned – as appropriate opportunities arise, but reserve the right to selectively spend unassigned resources first and to defer the use of these other classified funds.

None of the net position is restricted by enabling legislation.

Interfund Transactions

During the course of normal operations, transactions occur between individual funds for goods provided or services rendered. Short-term interfund loans are classified as "due to/from other funds". Interfund transactions consist of identified services performed for other funds or costs billed to other funds and are recorded as expenditures in the fund receiving the services and as a reimbursement, reducing expenditures, in the fund performing the services except for sales of electric and water/sewer services to other City departments. All other interfund transactions are reported as transfers.

During fiscal year 2014, the City entered into long-term agreements with eligible homeowners whereby the City receives funds through the Tennessee Housing Development Agency (THDA) as a pass through from the Department of Housing and Urban Development (HUD), (the 2011 Home Program), to make improvements to properties in the City of Harriman that were identified as very low- and lower-income households. When the projects are completed, the loans will be amortized over the life of the loan period as forgivable loans provided that the homeowner adheres to the restrictive covenants. As the collectability of the loans is remote, the City does not report the current balance within the basic financial statements. As of June 30, 2022 all projects were completed.

(Continued)

CITY OF HARRIMAN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Property Tax Revenues:

Property taxes attach as an enforceable lien on the property as of January 1 and are levied for the calendar year in October. They are payable immediately and become past due March 1 of the succeeding year and are subject to assessment of penalties and interest. On February 1 of the following year, the delinquent property taxes are filed with the office of the Roane County Clerk and Master by the Trustee's office.

Property taxes are recognized when they become available. Available includes those property taxes receivable, which are expected to be collected within 60 days after year-end.

Property taxes levied for 2022 are recorded as receivables and deferred inflows of resources. The allowance recorded for uncollectible taxes of approximately \$201,637 was based on historical collection data.

Program Revenues:

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment (i.e., licenses and permits), 2) fines and forfeitures, and 3) grants and contributions (including gas excise and commercial vehicle taxes) that are restricted to meeting the operational or capital requirements of a particular function or segment. All other taxes and fees, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Proprietary Funds Operating and Nonoperating Revenues:

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues 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 revenues of the public works fund are electric, gas, sewer, and water charges to customers for sales and services. All revenues not meeting this definition are reported as nonoperating revenues.

Pensions

For purposes of measuring the net pension liability or asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of City of Harriman's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from City of Harriman'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 the TCRS. Investments are reported at fair value.

Reclassifications

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

CITY OF HARRIMAN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Compliance with Finance Related Legal and Contractual Provisions

The City incurred no material violations of finance related legal and contractual provisions.

NOTE 3 – CASH DEPOSITS AND INVESTMENTS

Cash Deposits

The City reports its cash and other investments under GASB Statement No. 40, “Deposit and Investment Risk Disclosures”. This statement eliminated or modified portions of the disclosures previously required by GASB Statement No. 3. GASB Statement No. 40 is designed to improve financial reporting of deposit and investment risks.

State statutes authorize investments in certificates of deposit, U.S. Treasury Obligations, U.S. Agency Issues and the State local government investment pool. The City has not adopted an investment policy and places no limit on the amount that may be invested in any one issuer.

As of June 30, 2022, the City and HUB had deposits on hand with financial institutions which were in excess of FDIC coverage, however, the full amounts were collateralized with securities held by the City’s or HUB’s agent on behalf of the City or HUB.

Custodial Credit Risk

The City’s policies limit deposits and investments to those instruments allowed by applicable state laws. State statutes require that deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of the uninsured deposits. The deposits must be covered by the federal deposit insurance or the Tennessee Bank Collateral Pool, by collateral held in the City’s agent in the City’s name, or by Federal Reserve Banks acting as third-party agents. The City’s policy is to require banks with which the City maintains deposits to collateralize funds in excess of FDIC coverage either through the State of Tennessee Bank Collateral Pool, a properly executed collateral agreement, or the State of Tennessee Local Government Investment Pool.

Credit Risk

The City’s policies are designed to maximize its earnings, while protecting the security and providing maximum liquidity, in accordance with all applicable state laws.

NOTE 4 – RECEIVABLES

Receivables at June 30, 2022, consist of the following:

	General	Nonmajor Governmental	Business Activities	Total
Funds				
Receivables:				
Property taxes	\$ 1,229,922	\$ 385,633	\$ -	\$1,615,555
Accounts receivable	-	184,275	3,682,591	3,866,866
Other	1,728,545	54	923,383	2,651,982
Gross receivables	2,958,467	569,962	4,605,974	8,134,403
Less: Allowance for uncollectible	(155,956)	(135,681)	(3,753)	(295,390)
Net receivables	\$ 2,802,511	\$ 434,281	\$ 4,602,221	\$7,839,013

CITY OF HARRIMAN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 5 – INTERFUND TRANSFERS

Transfers within the City are substantially for the purpose of transferring cash receipt collection on utility accounts. Resources are accumulated in a fund or component unit to support and simplify the administration of various projects or programs. Interfund transfers are transactions between transferring funds out of one fund to support the operations of another fund.

Transfers Out	Transfers In	Amount
HUB – Electric Department	General Fund	\$ 897,973
General Fund	Capital Projects	450,000
General Fund	State Street Aid	169,193
General Fund	Solid Waste Management Fund	<u>(23,352)</u>
		<u>\$ 1,493,814</u>

NOTE 6 – INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balance as of June 30, 2022, is as follows:

Receivable Fund	Payable Fund	Amount
HUB – Electric Department	HUB – Sewer Department	\$ -
HUB – Electric Department	HUB – Gas Department	151,328
HUB – Sewer Department	HUB – Water Department	89,450
HUB – Sewer Department	HUB – Electric Department	128,417
HUB – Water Department	HUB – Electric Department	<u>188,061</u>
		<u>\$ 557,256</u>

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

NOTE 7 – CAPITAL ASSETS

The following is a summary of changes in capital assets and accumulated depreciation for the year ended June 30, 2022:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Non-depreciable capital assets:				
Land	\$ 650,004	\$ -	\$ -	\$ 650,004
Construction in progress	<u>1,155,699</u>	<u>874,677</u>	<u>949,248</u>	<u>1,081,128</u>
Total non-depreciable assets	<u>1,805,703</u>	<u>874,677</u>	<u>949,248</u>	<u>1,731,132</u>

(Continued)

CITY OF HARRIMAN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 7 – CAPITAL ASSETS (Continued)

Depreciable capital assets:				
Land improvements	261,933	-	-	261,933
Buildings	1,538,703	-	-	1,538,703
Building improvements	40,500	-	-	40,500
Machinery and equipment	5,261,665	258,803	-	5,520,468
Infrastructure	<u>6,229,646</u>	<u>1,541,899</u>	-	<u>7,771,545</u>
	<u>13,332,447</u>	<u>1,800,702</u>	-	<u>15,133,149</u>
Less accumulated depreciation:				
Land improvements	131,208	21,127	-	152,335
Buildings	683,578	65,128	-	748,706
Building improvements	24,825	2,025	-	26,850
Machinery and equipment	4,505,745	248,393	-	4,754,138
Infrastructure	<u>2,167,559</u>	<u>304,437</u>	-	<u>2,471,996</u>
	<u>7,512,915</u>	<u>641,110</u>	-	<u>8,154,025</u>
Total depreciable assets, net	<u>5,819,532</u>	<u>1,159,592</u>	-	<u>6,979,124</u>
Total capital assets, net	<u>\$ 7,625,235</u>	<u>\$ 2,034,269</u>	<u>\$ 949,248</u>	<u>\$ 8,710,256</u>

Depreciation expense was charged to functions/programs of the governmental activities of the primary government as follows:

General government	\$ 66,938
Public safety	166,792
Highways and streets	304,309
Culture and recreation	<u>103,071</u>
Total	<u>\$ 641,110</u>

	Beginning Balance	Additions	Adjustments/ Retirements	Ending Balance
Business-type Activities				
Non-depreciable capital assets:				
Land and land rights	\$ 710,688	\$ -	\$ -	\$ 710,688
Plant purchased but not classified	48,000	-	-	48,000
Construction in progress	<u>233,211</u>	<u>967,930</u>	<u>97,327</u>	<u>1,103,814</u>
Total non-depreciable assets	<u>991,899</u>	<u>967,930</u>	<u>97,327</u>	<u>1,862,502</u>
Depreciable capital assets:				
Buildings and system	130,269,661	2,321,897	85,726	132,505,832
Machinery and equipment	<u>15,574,274</u>	<u>506,663</u>	<u>81,039</u>	<u>15,999,898</u>
	<u>145,843,935</u>	<u>2,828,560</u>	<u>166,765</u>	<u>148,505,730</u>
Less accumulated depreciation:				
Buildings and system	65,804,771	3,937,114	254,863	69,487,022
Machinery and equipment	<u>8,325,690</u>	<u>402,103</u>	<u>19,647</u>	<u>8,708,146</u>
	<u>74,130,461</u>	<u>4,339,217</u>	<u>274,510</u>	<u>78,195,168</u>
Total depreciable assets, net	<u>71,713,474</u>	<u>(1,510,657)</u>	<u>(107,745)</u>	<u>70,310,562</u>
Total capital assets, net	<u>\$ 72,705,373</u>	<u>\$ (542,727)</u>	<u>\$ (10,418)</u>	<u>\$ 72,173,064</u>

(Continued)

CITY OF HARRIMAN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 7 – CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions/programs of the business-type activities of the primary government as follows:

Electric	\$ 2,572,993
Gas	489,878
Sewer	629,067
Water	<u>647,279</u>
 Total	 \$ <u>4,339,217</u>

NOTE 8 – LONG-TERM OBLIGATIONS

BONDS AND NOTES PAYABLE

Governmental Activities

General Obligation Bonds - The City has outstanding general obligation bonds related to governmental activities totaling \$1,898,500. Bonds are issued to provide for infrastructure improvements and equipment. The bonds are generally issued as serial bonds with level debt service payments.

Direct Borrowing - The City entered into a construction loan agreement with USDA for renovation of the City administrative office building. Funds are drawn down as work progresses through a bond anticipation note with Regions Bank. The maximum loan amount with Regions Bank is \$1,200,000 and will be refinanced into a permanent mortgage loan payable with USDA over 40 years with an interest rate of 2.25%.

<u>Series</u>	<u>Original Principal</u>	<u>Interest Rates</u>	<u>Final Maturity</u>	<u>Principal June 30, 2022</u>
<u>Bonds:</u>				
General Obligation, Series 2016	\$ 112,000	2.65%	02/01/24	\$ 30,400
General Obligation, Series 2016	2,000,000	2.19%	04/01/28	1,250,000
General Obligation, Series 2017	192,500	2.00%	04/01/23	33,500
General Obligation, Series 2018	439,500	3.87%	09/01/26	290,000
<u>Direct Borrowing:</u>				
Bond Anticipation Note	<u>1,200,000</u>	Variable		<u>569,277</u>
 Total government long-term obligations	 \$ <u>3,944,000</u>			 \$ <u>2,173,177</u>

Business-type Activities

General Obligation Bonds – HUB (through the City) issued general obligation bonds, Series 2021A and 2021B, for the acquisition of land and the construction, renovation, extension, and equipping of site improvements, facilities and equipment for the electric system; the acquisition of land and the construction, renovation, extension, and equipping of site improvements, facilities, and equipment for gas, water, and sewer systems; the acquisition of all property, real and personal, appurtenant to the foregoing; and 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.

Direct Borrowings – 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 monthly. The annual interest rate for both loans is 1.35% and repayments of the loans are to begin when 90% of the total balance has been drawn. Both loan draws exceeded 90% of the total in 2016 and repayment has started. The repayment is scheduled over 20 years with monthly installments. The loan forgiveness portion of both loans has been completed.

(Continued)

CITY OF HARRIMAN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 8 – LONG-TERM OBLIGATIONS (Continued)

	Original Principal	Interest Rates	Final Maturity	Principal June 30, 2022
<u>Bonds:</u>				
Local Government Public Improvement Bond Series, Series 2010	\$ 8,815,000	5.00%	06/2040	\$ -
General Obligation, Series 2021A	9,525,000	1.1-3.0%	06/2040	8,540,000
General Obligation, Series 2021B	4,150,000	1.75-3.0%	06/2041	3,955,000
Bond Premium	701,408			651,593
<u>Direct Borrowings:</u>				
State Revolving Loan, Sewer	1,600,000	1.35%	09/2031	1,036,016
State Revolving Loan, Water	1,440,000	1.35%	09/2031	1,008,317
State Revolving Loan, Forgivable over 5 years	360,000	1.35%	09/2020	-
Total business-type long-term obligations	\$ 25,890,000			\$ 15,191,026

The various bond indentures contain significant limitations and restrictions on annual debt service requirements. The City and HUB are in compliance with all significant limitations and restrictions. Premiums related to issuance of bonds are being amortized over the life of the bonds.

Principal and interest requirements to maturity for bonds and notes payable are as follows:

	Governmental Activities				Business-Type Activities			
	Bonds		Bond Anticipation Note		Bonds		Direct Borrowings	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 271,400	\$ 27,047	\$ 569,277	\$ 9,632	\$ 770,000	\$ 278,700	\$ 146,364	\$ 26,712
2024	263,000	19,950	-	-	770,000	255,600	148,344	24,732
2025	270,000	13,074	-	-	775,000	232,500	150,372	22,704
2026	277,000	6,214	-	-	775,000	209,250	152,412	20,664
2027-2031	220,000	-	-	-	3,705,000	709,750	793,692	71,688
2032-2036	-	-	-	-	3,050,000	385,174	653,149	18,049
2037-2041	-	-	-	-	2,650,000	130,475	-	-
	\$1,301,400	\$ 66,285	\$ 569,277	\$ 9,632	\$12,495,000	\$ 2,201,449	\$ 2,044,333	\$ 184,549

Finance Lease Obligations

The City has a capital lease obligation in place for golf carts with Yamaha Finance. The lease amount is \$63,078 for a 9-year term at 9% interest.

(Continued)

CITY OF HARRIMAN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 8 – LONG-TERM OBLIGATIONS (Continued)

Remaining principal and interest requirements for the City’s finance lease is as follows:

	<u>Governmental Activities</u>	
	<u>Capital Lease</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 10,591	\$ 1,972
2024	-	-
2025	-	-
2026	-	-
2027	-	-
	<u>\$ 10,591</u>	<u>\$ 1,972</u>

Changes in Long-term Liabilities

Changes in long-term liabilities for the fiscal year ended June 30, 2022, were as follows:

	<u>Balance</u>		<u>Additions</u>		<u>Reductions</u>		<u>Balance</u>		<u>Due Within</u>
	<u>July 1, 2021</u>						<u>June 30, 2022</u>		<u>One Year</u>
Primary Government									
GOVERNMENTAL ACTIVITIES									
Bonds:									
Tennessee municipal bond, series 2016	\$ 45,000	\$ -	\$ -	\$ 14,600	\$ 30,400	\$ 15,000			
Tennessee municipal bond, series 2016	1,445,000	-	-	195,000	1,250,000	200,000			
Tennessee municipal bond, series 2017	66,500	-	-	33,000	33,500	33,500			
Tennessee municipal bond, series 2018	342,000	-	-	52,000	290,000	54,000			
Direct Borrowing:									
USDA Construction Loan	346,982	222,295	-	-	569,277	569,277			
Leases Payable:									
Regions Equipment Finance	-	-	-	-	-	-			
Yamaha Finance	24,605	-	-	14,013	10,592	10,592			
Other Liabilities:									
Compensated absences	61,979	121,428	61,979	121,428	40,476	40,476			
Total governmental activities	<u>\$ 2,332,066</u>	<u>\$ 928,018</u>	<u>\$ 370,592</u>	<u>\$ 2,889,492</u>	<u>\$ 353,568</u>	<u>\$ 353,568</u>			

(Continued)

CITY OF HARRIMAN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 8 – LONG-TERM OBLIGATIONS (Continued)

	Balance <u>July 1, 2021</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2022</u>	<u>Due Within One Year</u>
BUSINESS-TYPE ACTIVITIES					
Bonds:					
Local Government Public					
Improvement Bond, Series 2010	\$ -	\$ -	\$ -	\$ -	\$ -
Bond Anticipation Note	-	-	-	-	-
General Obligation, Series 2021A	9,110,000	-	570,000	8,540,000	570,000
General Obligation, Series 2021B	4,150,000	-	195,000	3,955,000	200,000
Bond Premium	695,482	-	43,889	651,593	36,272
Other loans:					
State Revolving Loan, Sewer	1,112,840	-	76,824	1,036,016	76,764
State Revolving Loan, Forgivable (Sewer)	-	-	-	-	-
State Revolving Loan, Water	1,075,949	-	67,632	1,008,317	68,556
State Revolving Loan, Forgivable (Water)	-	-	-	-	-
General Obligation, Capital Outlay	-	-	-	-	-
General Obligation, Capital Outlay	-	-	-	-	-
Other Liabilities:					
Compensated absences	<u>1,559,445</u>	<u>1,708,427</u>	<u>1,559,445</u>	<u>1,708,427</u>	<u>1,708,427</u>
Total business-type activities	<u>\$ 17,703,716</u>	<u>\$ 1,708,427</u>	<u>\$ 2,512,790</u>	<u>\$ 16,899,353</u>	<u>\$ 2,660,019</u>

All general obligation bonds, notes payable, and capital leases payable are included in the calculation of net investment in capital assets.

Interest paid during the year ended June 30, 2022, on governmental long-term debt totaled \$58,094 including \$2,967 related to the leases for fire and golf equipment, all of which is included in direct expenses of the primary government in the Statement of Activities. No interest was capitalized during 2022.

Interest paid during the year ended June 30, 2022 on business-type activities long-term debt totaled \$212,729 to finance various capital projects. No interest was capitalized during 2022.

Governmental activities compensated absences are generally liquidated by the general fund.

NOTE 9 – RESTRICTED NET POSITION

Governmental Activities

Restricted net position represents \$23,306 restricted for drug enforcement, \$618,736 restricted for capital projects, \$94,275 restricted for solid waste management, \$1,369 restricted for local government investment pool, \$(362) restricted for Hooray for Harriman, \$7,398 restricted for sex offender registration, and \$31,268 restricted for debt service. Total restricted fund balances for June 30, 2022 were \$775,990.

Additionally, the City has assigned fund balance of \$571,372 as of June 30, 2022 which has been assigned for various projects and reserves.

Business-type Activities

Restricted net position represents \$0 for HUB.

CITY OF HARRIMAN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 10 – 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.

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

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

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Former Hospital Property

The City of Harriman leased certain properties housing activities of the Roane Medical Center Hospital Authority (a Tennessee private act hospital authority) (the "Hospital Authority") to Covenant Health effective May 14, 2008. In February 2013, pursuant to the lease agreement, Covenant Health moved into a new hospital facility, and no longer uses the former hospital properties. Accordingly, the City and the Hospital Authority have enlisted the Industrial Development Board to actively market for sale the former hospital properties. The Hospital Authority is a quasi-governmental entity and reports its activities separately from the City of Harriman. The former hospital property was sold in April 2022.

Princess Theater

The City entered an agreement to lease and operate the Princess Theater with Roane State Community College in December 2009 for a five-year term, at a rate of \$1 per year, for the purpose of educational, entertainment and community activities. The Princess Theater was donated to the City in June 2006 and renovated in part utilizing funds (the Princess Trailhead project funds) granted to the City totaling approximately \$317,000, plus matching funds donated to the City by the Princess Theater Foundation (the Foundation) of approximately \$63,000. In addition, the Foundation received a donation from the Tennessee Valley Authority (TVA) of approximately \$1.7 million to complete the primary renovation of the Princess Theater, which re-opened in March 2012. The costs of renovation paid for by the TVA donation have been capitalized on the books of the Foundation and have not been treated as a donation to the City.

Contingent Liabilities

Although the City is involved in litigation from incidents occurring through June 30, 2022, management of the City is of the opinion that liability from litigation, if any, will not have a material effect on the City's financial position. No amounts have been accrued for potential losses as the City is not able to estimate such amounts.

(Continued)

CITY OF HARRIMAN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 12 – COMMITMENTS AND CONTINGENCIES (Continued)

Federal and State Grants

The City has received funds from federal and state grants for specific purposes which are subject to review by the grantor agencies. Such reviews could lead to a request for reimbursement to the grantor agencies for any expenditure disallowed under the terms of the grants. Management believes that such disallowed costs, if any, would be immaterial.

NOTE 13 – EMPLOYEE RETIREMENT PLANS (TCRS)

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) of the Tennessee Consolidated Retirement System

General Information about the Pension Plan

Plan description. Employees of the City of Harriman 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 publicly available financial report that can be obtained at <https://treasury.tn.gov/Retirement/Boards-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 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 percent 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 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

(Continued)

CITY OF HARRIMAN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 13 – EMPLOYEE RETIREMENT PLANS (TCRS) (Continued)

Employees covered by benefit terms. At the measurement date of June 30, 2021 the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	233
Inactive employees entitled to but not yet receiving benefits	318
Active employees	<u>28</u>
Total Employees	<u>579</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 percent of salary. The City of Harriman makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2022, the employer contributions for the City of Harriman were \$396,185 based on a rate of 32 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the City of Harriman'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)

Pension liabilities (assets). The City of Harriman's net pension liability (asset) was measured as of June 30, 2021, 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, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	6.75 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.125 percent

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2021, 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.

Changes of assumptions. In 2021, the following assumptions were changed: decreased inflation rate from 2.50 percent to 2.25 percent; decreased the investment rate of return from 7.25 percent to 6.75 percent; decreased the cost-of-living adjustment from 2.25 percent to 2.125 percent; and modified mortality assumptions.

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 was 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 percent.

(Continued)

CITY OF HARRIMAN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 13 – EMPLOYEE RETIREMENT PLANS (TCRS) (Continued)

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%
Developed market international equity	5.37%	14%
Emerging market international equity	6.09%	4%
Private equity and strategic lending	6.57%	20%
U.S. fixed income	1.20%	20%
Real estate	4.38%	10%
Short-term securities	0.00%	1%
		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75 percent based on a blending of the three factors described above.

Discount rate. The discount rate used to measure the total pension liability was 6.75 percent. 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 of Harriman 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 the Net Pension Liability (Asset)

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Pension</u>	<u>Net Pension Liability (Asset)</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a) – (b)</u>
Balance at 6/30/20	\$ 30,501,316	\$ 29,910,361	\$ 590,955
Changes for the year:			
Service cost	147,024	-	147,024
Interest	2,141,112	-	2,141,112
Differences between expected and actual experience	(293,823)	-	(293,823)
Change in assumptions	1,815,645	-	1,815,645
Contributions – employer	-	559,831	(559,831)
Contributions – employees	-	87,474	(87,474)
Net investment income	-	7,511,265	(7,511,265)
Benefit payments, including refunds of employee contributions	(2,231,517)	(2,231,517)	-
Administrative expense	-	(2,625)	2,625
Net changes	<u>1,578,441</u>	<u>5,924,428</u>	<u>(4,345,987)</u>
Balance at 6/30/21	<u>\$ 32,079,757</u>	<u>\$ 35,834,789</u>	<u>\$ (3,755,032)</u>

(Continued)

CITY OF HARRIMAN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 13 – EMPLOYEE RETIREMENT PLANS (TCRS) (Continued)

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of the City of Harriman calculated using the discount rate of 6.75 percent, 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 percent) or 1-percentage-point higher (7.75 percent) than the current rate:

	<u>1% Decrease (5.75%)</u>	<u>Current Discount Rate (6.75%)</u>	<u>1% Increase (7.75%)</u>
City of Harriman’s Net pension liability (asset)	\$ (335,034)	\$ (3,755,032)	\$ (6,631,334)

Pension Expense (Negative Pension Expense) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension expense (negative pension expense). For the year ended June 30, 2022, the City of Harriman recognized pension expense (negative pension expense) of \$(548,750).

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2022, the City of Harriman reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 146,911
Net difference between projected and actual earnings on pension plan investments	-	3,999,335
Changes in assumptions	907,822	-
Contributions subsequent to the measurement date of June 30, 2021	<u>396,185</u>	<u>-</u>
Total	<u>\$ 1,304,007</u>	<u>\$ 4,146,246</u>

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2021,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

Year Ended June 30:	
2023	\$ (255,382)
2024	(957,143)
2025	(945,840)
2026	(1,080,057)
2027	-
Thereafter	<u>-</u>
	<u>\$ (3,238,422)</u>

(Continued)

CITY OF HARRIMAN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 13 – EMPLOYEE RETIREMENT PLANS (TCRS) (Continued)

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

Payable to the Plan

At June 30, 2022, the City of Harriman reported a payable of \$0 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2022.

Public Employee Retirement Plan (Hybrid without Cost Controls) of Tennessee Consolidated Retirement System

General Information about the Pension Plan

Plan description. Employees of the City of Harriman are provided a hybrid without cost controls 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 publicly available financial report that can be obtained at <https://treasury.tn.gov/Retirement/Boards-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 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Benefits are determined by a formula using the member's highest five consecutive years average compensation and the member's service credit. Reduced benefits for early retirement are available at age 60 and vested or pursuant to the rule of 80 in which the member's age and service credit total 80. 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 nonservice-related disability eligibility. The service-related and nonservice-related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent 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 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. 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, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	-
Inactive employees entitled to but not yet receiving benefits	18
Active employees	<u>38</u>
Total	<u>56</u>

(Continued)

CITY OF HARRIMAN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 13 – EMPLOYEE RETIREMENT PLANS (TCRS) (Continued)

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 percent of salary. The City of Harriman makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2022, the employer contributions for the City of Harriman were \$27,106 based on a rate of 1.67 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the City of Harriman'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)

Pension liabilities (assets). The City of Harriman's net pension liability (asset) was measured as of June 30, 2021, 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 June 30, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	6.75 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.125 percent

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2021, 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.

Changes of assumptions. In 2021, the following assumptions were changed: decreased inflation rate from 2.50 percent to 2.25 percent; decreased the investment rate of return from 7.25 percent to 6.75 percent; decreased the cost-of-living adjustment from 2.25 percent to 2.125 percent; and modified mortality assumptions.

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 was 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 percent. 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:

(Continued)

CITY OF HARRIMAN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 13 – EMPLOYEE RETIREMENT PLANS (TCRS) (Continued)

Net Pension Liability (Asset) (Continued)

Long-Term Expected

<u>Asset Class</u>	<u>Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	4.88%	31%
Developed market international equity	5.37%	14%
Emerging market international equity	6.09%	4%
Private equity and strategic lending	6.57%	20%
U.S. fixed income	1.20%	20%
Real estate	4.38%	10%
Short-term securities	0.00%	1%
		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75 percent based on a blending of the three factors described above.

Discount rate. The discount rate used to measure the total pension liability was 6.75 percent. 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 of Harriman 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 the Net Pension Liability (Asset)

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u> (a)	<u>Plan Fiduciary Net Pension</u> (b)	<u>Net Pension Liability (Asset)</u> (a) – (b)
Balance at 6/30/20	\$ 175,208	\$ 195,534	\$ (20,326)
Changes for the year:			
Service cost	67,435	-	67,435
Interest	17,458	-	17,458
Differences between expected and actual experience	3,057	-	3,057
Changes in assumptions	34,608	-	34,608
Contributions – employer	-	15,529	(15,529)
Contributions – employees	-	47,993	(47,993)
Net investment income	-	57,763	(57,763)
Benefit payments, including refunds of employee contributions	(3,684)	(3,684)	-
Administrative expense	-	(3,080)	3,080
Net changes	<u>118,874</u>	<u>114,521</u>	<u>4,353</u>
Balance at 6/30/21	<u>\$ 294,082</u>	<u>\$ 310,055</u>	<u>\$ (15,973)</u>

(Continued)

CITY OF HARRIMAN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 13 – EMPLOYEE RETIREMENT PLANS (TCRS) (Continued)

Changes in the Net Pension Liability (Asset) (Continued)

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 percent, 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 percent) or 1-percentage-point higher (7.75 percent) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net pension liability (asset)	\$ 76,757	\$ (15,973)	\$ (83,152)

Pension Expense (Negative Pension Expense) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension expense (negative pension expense). For the year ended June 30, 2022, the City recognized pension expense (negative pension expense) of \$19,869.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 12,011	\$ 2,143
Net difference between projected and actual earnings on pension plan investments	-	31,251
Changes in assumptions	32,047	-
Contributions subsequent to the measurement date of June 30, 2021	27,106	-
Total	\$ 71,164	\$ 33,394

The amount shown as “Contributions subsequent to the measurement date of June 30, 2021,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

Year Ended June 30:	
2023	\$ (3,739)
2024	(3,626)
2025	(3,587)
2026	(4,309)
2027	3,997
Thereafter	21,943
	\$ 10,679

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

(Continued)

CITY OF HARRIMAN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 13 – EMPLOYEE RETIREMENT PLANS (TCRS) (Continued)

Payable to the Plan

At June 30, 2022, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2022.

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.

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.

NOTE 14 – HUB PENSION TRUST FUND

General Information about the Pension 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, 2021, to March 31, 2022.

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 the 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, 2022, the following employees were covered by the benefit terms:

Inactive retirees and beneficiaries currently receiving benefits	1
Inactive terminated employees entitled to deferred benefits	6
Active participants, fully and partially vested	48
Active participants, nonvested	19
Total membership	<u>74</u>

(Continued)

CITY OF HARRIMAN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 14 – HUB PENSION TRUST FUND (Continued)

General Information about the Pension Plan (Continued)

Contributions. HUB employees are required to contribute 3% of salary if hired before April 1, 2009, and 5% of their annual salary 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, 2022, employer's contributions for HUB were \$845,765 based on a rate of 16.70% 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. HUB's net pension liability (asset) was measured as of March 31, 2022, and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation at that date.

Actuarial assumptions. The total pension liability as of the March 31, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Salary increases	2.00 percent per year
Investment rate of return	7.00 percent, net of pension plan investment expenses

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

Discount rate. Pre-retirement: 7.00 percent per annum; Post-retirement: 5.00 percent per annum (7.00 percent 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.

(Continued)

CITY OF HARRIMAN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 14 – HUB PENSION TRUST FUND (Continued)

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) – (b)
Balance at June 30, 2021	\$ 8,815,521	\$ 5,402,142	\$ 3,413,379
Changes for the year:			
Service cost	418,269	-	418,269
Interest	612,773	-	612,773
Changes of assumption	(216,546)	-	(216,546)
Difference between actual and expected experience	1,284,942	-	1,284,942
Contributions – employer	-	845,765	(845,765)
Contributions – employees	-	214,072	(214,072)
Net investment income	-	(412,095)	412,095
Benefit payments, including refunds of employee contributions	(976,280)	(976,280)	-
Administrative expenses	-	(22,623)	22,623
Net changes	<u>1,123,158</u>	<u>(351,161)</u>	<u>1,474,319</u>
Balance at June 30, 2022	<u>\$ 9,938,679</u>	<u>\$ 5,051,081</u>	<u>\$ 4,887,598</u>

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 7.00 percent, 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 (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net pension liability (asset)	<u>\$ 5,928,770</u>	<u>\$ 4,089,133</u>	<u>\$ 2,587,365</u>

Pension expense. For the year ended June 30, 2022, HUB recognized pension expense of \$845,765.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2022, HUB reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources, the period of March 31, 2021, to June 30, 2022:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,393,234	\$ (587,496)
Net difference between projected and actual earnings on pension plan investments	737,730	(252,702)
Changes of assumption	-	(1,413,922)
Total	<u>\$ 3,130,964</u>	<u>\$ (2,254,120)</u>

(Continued)

CITY OF HARRIMAN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 14 – HUB PENSION TRUST FUND (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
2023	\$ 439,499	\$ (262,473)
2024	430,721	(262,473)
2025	383,185	(262,476)
2026	383,189	(178,240)
2027 and thereafter	1,494,370	(1,288,458)
Total	\$ 3,130,964	\$ (2,254,120)

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

NOTE 15 – 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 the 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.

For the year ended June 30, 2022, the City had the following investments in the proprietary fund and the HUB Pension Trust Fund:

	Fair Value	Fair Value Hierarchy
HUB Pension Trust Fund:		
Cash and Cash Equivalents	\$ 1,214,639	Level 1
Fixed Income	2,194,462	Level 1
Equities	2,328,429	Level 2
	\$ 5,737,530	

For the year ended June 30, 2022, there were no significant transfers in or out of Levels 1, 2, or 3. There have been no changes in the valuation methodologies used for 2022.

CITY OF HARRIMAN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 16 – RISK MANAGEMENT

City of Harriman

The City insures itself against potential losses by purchasing various types of insurance coverage including property coverage, crime coverage, and other coverage through participation in a risk management pool, subject to deductibles and limitations as defined in the policy. The pool requires each participant in the pool to share the liability for claims if the pool becomes insolvent. At present, the City has no indication that it will incur a liability as a result of its participation in the pool. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

Harriman Utility Board

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.

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

NOTE 17 – OTHER EMPLOYEE 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 considered a defined benefit as it is not found anywhere within the employee policy manual. The benefit is determined by the HUB 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 2022.

Benefits relating to the retirees are expensed when paid. During the year ended June 30, 2022, HUB recognized the following expense related to the benefit: \$75,006 for Electric, \$13,003 for Gas, \$9,822 for Sewer, and \$13,584 for Water.

NOTE 18 - LEASES

Effective July 1, 2021, the City adopted GASB 87, *Leases*. The City's lease of golf carts is reflected in the financial statements as a finance lease. The remaining balance is due within one year.

CITY OF HARRIMAN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 19 – SUBSEQUENT EVENTS

Management has evaluated events and transactions subsequent to the balance sheet date through the date of the auditor's report (the date the financial statements were available to be issued) for potential recognition or disclosure in the financial statements. Management has identified the following item requiring recognition or disclosure.

The Regions Bank bond anticipation note was closed October 25, 2022, with the balance included in the USDA loan for the City's municipal office renovation.

City of Harriman, Tennessee
Schedule of Changes in Net Pension Liability (Asset) and Related
Ratios Based on Participation in the Public Employee Pension Plan of the TCRS - Legacy
Fiscal Year Ending June 30
Last 10 Fiscal Years

	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability								
Service cost	\$ 147,024	\$ 159,384	\$ 172,699	\$ 174,679	\$ 205,917	\$ 191,271	\$ 182,163	\$ 180,817
Interest	2,141,112	2,161,349	2,184,650	2,219,130	2,260,418	2,274,180	2,267,277	2,297,603
Changes in benefit terms	-	-	-	-	-	-	-	-
Difference between expected and actual experience	(293,823)	(361,930)	(441,746)	(631,476)	(477,710)	(370,297)	(82,387)	(721,993)
Changes in assumptions	1,815,645	-	-	-	759,677	-	-	-
Benefit payments, including refund of member contributions	(2,231,517)	(2,219,627)	(2,227,724)	(2,244,152)	(2,250,423)	(2,336,176)	(2,232,048)	(2,092,212)
Net change in total pension liability	1,578,441	(260,824)	(312,121)	(481,819)	497,879	(241,022)	135,005	(335,785)
Total pension liability - beginning	30,501,316	30,762,140	31,074,261	31,556,080	31,058,201	31,299,223	31,164,218	31,500,003
Total pension liability - ending (a)	\$ 32,079,757	\$ 30,501,316	\$ 30,762,140	\$ 31,074,261	\$ 31,556,080	\$ 31,058,201	\$ 31,299,223	\$ 31,164,218
Plan fiduciary net position								
Contributions - employer	\$ 559,831	\$ 452,579	\$ 490,655	\$ 533,209	\$ 601,661	\$ 618,703	\$ 600,824	\$ 437,805
Contributions - employee	87,474	71,187	76,689	83,340	94,039	96,672	93,879	93,709
Net investment income	7,511,265	1,453,608	2,147,402	2,336,672	3,027,439	731,448	871,289	4,247,186
Benefit payments, including refund of member contributions	(2,231,517)	(2,219,627)	(2,227,724)	(2,244,152)	(2,250,423)	(2,336,176)	(2,232,048)	(2,092,212)
Administrative expense	(2,625)	(2,813)	(3,193)	(3,909)	(3,828)	(3,860)	(2,659)	(3,646)
Net change in plan fiduciary net position	5,924,428	(245,066)	483,829	705,160	1,468,888	(893,213)	(668,715)	2,682,842
Plan fiduciary net position - beginning	29,910,361	30,155,427	29,671,598	28,966,438	27,497,550	28,390,763	29,059,478	26,376,636
Plan fiduciary net position - ending (b)	\$ 35,834,789	\$ 29,910,361	\$ 30,155,427	\$ 29,671,598	\$ 28,966,438	\$ 27,497,550	\$ 28,390,763	\$ 29,059,478
Net pension liability - ending (a) - (b)	\$ (3,755,032)	\$ 590,955	\$ 606,713	\$ 1,402,663	\$ 2,589,642	\$ 3,560,651	\$ 2,908,460	\$ 2,104,740
Plan fiduciary net position as a percentage of the total pension liability	111.71%	98.06%	98.03%	95.49%	91.79%	88.54%	90.71%	93.25%
Covered payroll	\$ 1,443,885	\$ 1,414,308	\$ 1,533,774	\$ 1,666,799	\$ 1,880,777	\$ 1,933,447	\$ 1,877,576	\$ 1,874,172
Net pension liability as a percentage of covered payroll	-260.06%	41.78%	39.56%	84.15%	137.69%	184.16%	154.91%	112.30%

Notes to Schedule:

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 improvement.

This schedule will present 10 years as information is available. 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 the previously supplied data from the TCRS GASB website for prior years' data, if needed.

City of Harriman, Tennessee
Schedule of Contributions Based on Participation in
the Public Employee Pension Plan of the TCRS - Legacy
Fiscal Year Ending June 30
Last 10 Fiscal Years

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 364,366	\$ 462,043	\$ 416,231	\$ 490,654	\$ 533,329	\$ 601,661	\$ 625,454	\$ 638,571	\$ 437,805
Contributions in relation to the actuarially determined contribution	396,185	462,043	452,578	490,654	533,329	601,661	625,454	638,571	437,805
Contribution deficiency (excess)	\$ (31,819)	\$ -	\$ (36,347)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 1,238,078	\$ 1,443,885	\$ 1,414,308	\$ 1,533,294	\$ 1,666,653	\$ 1,880,777	\$ 1,877,576	\$2,367,356	\$1,874,172
Contributions as a percentage of covered payroll	32.00%	32.00%	32.00%	32.00%	32.00%	31.99%	33.31%	26.97%	23.36%

Note:
This schedule will present 10 years as information is available. 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 the previously supplied data from the TCRS GASB website for prior years' data, if needed.

City of Harriman, Tennessee
Schedule of Changes in Net Pension Liability (Asset) and Related
Ratios Based on Participation in the Public Employee Pension Plan of the TCRS - Hybrid
Fiscal Year Ending June 30
Last 10 Fiscal Years

	2021	2020	2019	2018	2017	2016
Total pension liability						
Service cost	\$ 67,435	\$ 58,076	\$ 42,781	\$ 33,388	\$ 16,124	\$ 5,711
Interest	17,458	12,062	7,615	3,936	1,424	428
Changes in benefit terms	-	-	-	-	-	-
Difference between expected and actual experience	3,057	(438)	3,875	9,455	(30)	(3,277)
Changes in assumptions	34,608	-	-	-	528	-
Benefit payments, including refund of member contributions	(3,684)	(5,575)	(10,875)	-	-	-
Net change in total pension liability	118,874	64,125	43,396	46,779	18,046	2,862
Total pension liability - beginning	175,208	111,083	67,687	20,908	2,862	-
Total pension liability - ending (a)	\$ 294,082	\$ 175,208	\$ 111,083	\$ 67,687	\$ 20,908	\$ 2,862
Plan fiduciary net position						
Contributions - employer	\$ 15,529	\$ 12,734	\$ 8,476	\$ 10,111	\$ 4,615	\$ 1,030
Contributions - employee	47,993	55,851	44,611	35,603	20,978	4,681
Net investment income	57,763	7,818	7,454	4,467	2,015	73
Benefit payments, including refund of member contributions	(3,684)	(5,575)	(10,875)	-	-	-
Administrative expense	(3,080)	(2,826)	(2,255)	(2,019)	(1,041)	(392)
Other	-	-	-	-	-	-
Net change in plan fiduciary net position	114,521	68,002	47,411	48,162	26,567	5,392
Plan fiduciary net position - beginning	195,534	127,532	80,121	31,959	5,392	-
Plan fiduciary net position - ending (b)	\$ 310,055	\$ 195,534	\$ 127,532	\$ 80,121	\$ 31,959	\$ 5,392
Net pension liability - ending (a) - (b)	\$ (15,973)	\$ (20,326)	\$ (16,449)	\$ (12,434)	\$ (11,051)	\$ (2,530)
Plan fiduciary net position as a percentage of the total pension liability	105.43%	111.60%	114.81%	118.37%	152.86%	188.40%
Covered payroll	\$ 1,265,452	\$ 1,117,019	\$ 892,227	\$ 712,052	\$ 419,554	\$ 93,618
Net pension liability as a percentage of covered payroll	-1.26%	-1.82%	-1.84%	-1.75%	-2.63%	-2.70%

Note:

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 improvement.

This schedule will present 10 years as information is available. 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 the previously supplied data from the TCRS GASB website for prior years' data, if needed.

City of Harriman, Tennessee
Schedule of Contributions Based on Participation in
the Public Employee Pension Plan of the TCRS - Hybrid
Fiscal Year Ending June 30
Last 10 Fiscal Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined contribution	\$ 27,106	\$ 18,982	\$ 12,734	\$ 8,476	\$ 10,111	\$ 4,615	\$ 1,030
Contributions in relation to the actuarially determined contribution	27,106	18,982	12,734	8,476	10,111	4,615	1,030
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,623,116	\$ 1,265,452	\$ 1,117,018	\$ 770,545	\$ 919,182	\$ 419,554	\$ 93,618
Contributions as a percentage of covered payroll	1.67%	1.50%	1.14%	1.10%	1.10%	1.10%	1.10%

Note:

This schedule will present 10 years as information is available. 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 the previously supplied data from the TCRS GASB website for prior years' data, if needed.

City of Harriman, Tennessee
Harriman Utility Board
Schedule of Changes in Harriman's Net Pension Liability (Asset) and Related
Ratios - Harriman Utility Board Pension
Last 10 Fiscal Years

	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability								
Service cost	\$ 418,269	\$ 419,601	\$ 409,169	\$ 389,943	\$ 392,299	\$ 366,590	\$ 435,317	\$ 444,495
Interest	612,773	700,968	723,706	715,090	682,324	703,263	803,018	815,026
Difference between expected and actual experience	1,284,942	(209,067)	(402,359)	104,574	988,208	813,675	(142,672)	(32,307)
Changes in assumptions	(216,546)	(1,137,540)	-	-	-	-	(413,038)	-
Benefit payments, including refunds of employee contributions	(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	1,123,158	(1,313,002)	(314,767)	25,716	61,932	(532,303)	(979,475)	110,148
Total pension liability - beginning	8,815,522	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)	\$ 9,938,680	\$ 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	\$ 845,765	\$ 761,792	\$ 748,202	\$ 730,000	\$ 730,000	\$ 730,000	\$ 730,000	\$ 720,000
Contributions - employee	214,072	176,546	192,060	173,608	159,690	151,507	130,714	107,059
Net investment income	(412,095)	752,695	97,355	285,953	291,188	526,965	210,213	318,701
Benefit payments, including refunds of employee contributions	(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	(22,623)	(21,604)	(20,212)	(20,455)	(22,824)	(25,030)	(24,977)	(26,030)
Net change in plan fiduciary net position	(351,161)	582,465	(27,878)	(14,785)	(842,845)	(1,032,389)	(616,150)	2,664
Plan fiduciary net position - beginning	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)	\$ 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 - ending (a) - (b)	\$ 4,887,599	\$ 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	50.82%	61.28%	47.59%	46.42%	46.68%	55.09%	61.88%	61.97%
Covered payroll	\$ 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 as a percentage of covered payroll	96.42%	70.61%	103.65%	112.45%	121.29%	104.34%	98.97%	95.16%

Note:
This schedule will present 10 years as information is available.

City of Harriman, Tennessee
Harriman Utility Board
Schedule of Harriman's Contributions - Harriman Utility Board Pension

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 524,953	\$ 707,682	\$ 670,536	\$ 722,313	\$ 664,909	\$ 612,257	\$ 740,750	\$ 740,771	\$ 733,825
Contributions in relation to the actuarially determined contribution	845,765	761,792	748,202	730,000	730,000	737,500	720,000	720,000	720,000
Contribution deficiency (overage)	<u>\$ (320,812)</u>	<u>\$ (54,110)</u>	<u>\$ (77,666)</u>	<u>\$ (7,687)</u>	<u>\$ (65,091)</u>	<u>\$ (125,243)</u>	<u>\$ 20,750</u>	<u>\$ 20,771</u>	<u>\$ 13,825</u>
Covered-employee payroll	\$ 5,069,073	\$ 4,834,198	\$ 5,121,776	\$ 4,976,088	\$ 4,579,910	\$ 4,487,059	\$ 4,193,509	\$ 4,483,514	\$ 4,742,924
Contributions as a percentage of covered-employee payroll	16.68%	15.76%	14.61%	14.67%	15.94%	16.44%	17.17%	16.06%	15.18%

Note:
This schedule will present 10 years as information is available.

City of Harriman, Tennessee

Notes to Pension Schedules

June 30, 2022

NOTE 1 – PUBLIC EMPLOYEE RETIREMENT PLAN OF THE TCRS – LEGACY AND HYBRID WITHOUT COST CONTROLS

Valuation date: Actuarially determined contribution rates for fiscal year 2022 were calculated based on the June 30, 2020, actuarial valuation.

Methods and assumptions used to determine 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 percent corridor to market value
Inflation	2.50 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment Rate of Return	7.25 percent, 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	2.25 percent

Changes of assumptions: In 2017, the following assumptions were changed: decreased inflation rate from 3.00 to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

NOTE 2 – HARRIMAN UTILITY BOARD PENSION PLAN

Actuarial Methods and Assumptions

Valuation date: Actuarially determined contribution rates for fiscal year 2022 were calculated based on the June 31, 2022, 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	2.00 percent per year
Investment Rate of Return	7.00 percent, net of investment expense

City of Harriman, Tennessee

Notes to Pension Schedules

June 30, 2022

NOTE 2 – HARRIMAN UTILITY BOARD PENSION PLAN (Continued)

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

Changes of assumptions: In 2016, amounts reported as changes in assumptions resulted from changes to the investment rate of return, salary growth, and mortality improvements.

Investment Returns

	2022	2021	2020	2019	2018	2017	2016	2015
Annual money-weighted rate of return*								
Net of investment expenses*	(7.75)%	16.08%	2.22%	6.56%	5.21%	8.41%	2.66%	3.97%

*This will present 10 years as information is available

Funded Status and Funding Progress

Actuarial valuation date	April 1, 2022
Net assets available for benefit	\$ 5,051,081
Pension benefit obligation	<u>9,938,679</u>
Unfunded pension benefit obligation	\$ 4,887,598
Percentage funded	50.8%
Annual covered payroll	\$ 5,069,073
Unfunded pension benefit obligation as a percent of payroll	96.4%

OTHER SUPPLEMENTARY SECTION

City of Harriman, Tennessee
Nonmajor Governmental Funds - Combining Balance Sheets
June 30, 2022

	Special Revenue Funds			Debt Service Fund	Capital Project Fund	Total Nonmajor Governmental Funds
	Solid Waste Management	Drug Fund	State Streets Aid Fund			
Assets:						
Cash and cash equivalent	\$ -	\$ 45,952	\$ -	\$ 25,959	\$ 618,681	\$ 690,592
Receivables (net allowance for uncollectibles)	94,275	-	-	339,952	54	434,281
Total assets	<u>94,275</u>	<u>45,952</u>	<u>-</u>	<u>365,911</u>	<u>618,735</u>	<u>1,124,873</u>
Liabilities and Fund Balance						
Liabilities:						
Accounts payable	-	22,646	-	-	-	22,646
Warrants payable	-	-	-	-	(1)	(1)
Total liabilities	<u>-</u>	<u>22,646</u>	<u>-</u>	<u>-</u>	<u>(1)</u>	<u>22,645</u>
Deferred inflows of resources:						
Unavailable revenues - property taxes	-	-	-	334,643	-	334,643
Fund Balance						
Restricted - Drug enforcement	-	23,306	-	-	-	23,306
Restricted - Debt service	-	-	-	31,268	-	31,268
Restricted - Solid waste	94,275	-	-	-	-	94,275
Restricted - Capital projects fund	-	-	-	-	618,736	618,736
Total fund balance	<u>94,275</u>	<u>23,306</u>	<u>-</u>	<u>31,268</u>	<u>618,736</u>	<u>767,585</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 94,275</u>	<u>\$ 45,952</u>	<u>\$ -</u>	<u>\$ 365,911</u>	<u>\$ 618,735</u>	<u>\$ 1,124,873</u>

City of Harriman, Tennessee
Nonmajor Government Funds - Combining Schedule of Revenues, Expenditures,
and Changes in Fund Balances
Year Ended June 30, 2022

	Special Revenue Funds					Total
	Solid Waste Management	Drug Enforcement	State Streets Aid Fund	Debt Service Fund	Capital Projects	
Revenue:						
Taxes	\$ -	\$ -	\$ 214,526	\$ 352,694	\$ -	\$ 567,220
Service charges and fees	350,177	-	-	-	-	350,177
Fines	-	10,619	-	-	-	10,619
Other local revenues	-	26,739	-	-	-	26,739
Total revenues	350,177	37,358	214,526	352,694	-	954,755
Expenditures:						
General government	-	-	-	-	31,228	31,228
Public safety	-	39,392	-	-	-	39,392
Public works/Highways and streets	326,825	-	383,719	-	-	710,544
Debt service:						
Principal	-	-	-	294,600	-	294,600
Interest	-	-	-	58,094	-	58,094
Total Expenditures	326,825	39,392	383,719	352,694	31,228	1,133,858
Excess of revenue over (under) expenditures	23,352	(2,034)	(169,193)	-	(31,228)	(179,103)
Other financing sources (uses):						
Operating transfers (out) in	(23,352)	-	169,193	-	450,000	595,841
Total other financing sources (uses)	(23,352)	-	169,193	-	450,000	595,841
Net change in fund balances	-	(2,034)	-	-	418,772	416,738
Fund balance, July 1, 2021	94,275	25,340	-	31,268	199,964	350,847
Fund Balance, June 30, 2022	\$ 94,275	\$ 23,306	\$ -	\$ 31,268	\$ 618,736	\$ 767,585

City of Harriman, Tennessee
Solid Waste Fund - Schedule of Revenues, Expenditures,
and Changes in Fund Balances - Budget and Actual
For the Year ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		
Revenues:				
Refuse collection charges	\$ 350,667	\$ 350,667	\$ 346,448	\$ (4,219)
Trash collection charges	5,000	5,000	3,729	(1,271)
Other financing sources:				
Transfers in	9,294	9,294	-	(9,294)
Total revenues and other financing sources	364,961	364,961	350,177	(14,784)
Expenditures:				
Public works:				
Sanitation:				
Salaries	14,153	14,153	10,339	3,814
OASI (employer's share)	1,083	978	1,188	(210)
Hospital and health insurance	2,900	2,867	2,933	(66)
Retirement-current	4,529	4,529	1,006	3,523
Workers' compensation	1,424	1,424	940	484
Unemployment insurance	48	48	48	-
Professional services	20,000	20,000	0	20,000
Landfill services	15,935	15,935	7,662	8,273
Collection fees	294,039	294,257	315,130	(20,873)
Operating supplies	1,450	2,140	760	1,380
Clothing and uniforms	200	(211)	611	(822)
Gas,Oil,Diesel Fuel	5,000	6,214	3,786	2,428
Vehicle maintenance	3,500	5,579	1,421	4,158
Vehicle repair	700	(2,953)	4,353	(7,306)
Capital lease equipment	-	-	0	-
Total expenditures	364,961	364,960	350,177	14,783
Net change in fund balance	-	1	-	(1)
Fund balance, July 1, 2021	94,275	94,275	94,275	-
Fund balance, June 30, 2022	<u>\$ 94,275</u>	<u>\$ 94,276</u>	<u>\$ 94,275</u>	<u>\$ (1)</u>

City of Harriman, Tennessee
**Drug Enforcement Fund - Schedule of Revenues, Expenditures,
and Changes in Fund Balances - Budget and Actual**
For the Year ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenue:				
User charges:				
Police equitable sharing program reserve	\$ 500	\$ -	\$ -	\$ -
U. S. Marshall service equitable share	-	-	-	-
Donations	-	-	-	-
County court fines & costs	11,000	11,000	10,619	(381)
Court release of drug escrow	3,000	3,000	3,937	937
Total user charges	14,500	14,000	14,556	556
Other local revenues:				
Sale of equipment	3,000	2,000	22,802	20,802
Miscellaneous refunds	-	-	-	-
Total other local revenues	3,000	2,000	22,802	20,802
Total revenues	17,500	16,000	37,358	21,358
Expenditures:				
Public safety:				
Court ordered refunds from escrow	-	1,271	-	(1,271)
Employee education and training	3,200	3,200	1,275	(1,925)
Contractual services	3,000	1,729	2,963	1,234
Operating supplies	36,676	34,574	35,154	580
Machinery & equipment	-	2,102	-	(2,102)
Total public safety	42,876	42,876	39,392	(3,484)
Total expenditures	42,876	42,876	39,392	(3,484)
Net change in fund balance	(25,376)	(26,876)	(2,034)	24,842
Fund balance, July 1, 2021	(63,673)	(74,741)	25,340	100,081
Fund balance, June 30, 2022	\$ (89,049)	\$ (101,617)	\$ 23,306	\$ 124,923

City of Harriman, Tennessee
State Street Aid Fund - Schedule of Revenues, Expenditures,
and Changes in Fund Balances - Budget and Actual
For the Year ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes				
State gasoline and motor fuel tax	\$ 120,244	\$ 120,244	\$ 110,156	\$ (10,088)
Added 3 cent gas tax	37,800	37,800	35,402	(2,398)
1989 increase gas tax - city	70,556	70,556	68,968	(1,588)
Total taxes	<u>228,600</u>	<u>228,600</u>	<u>214,526</u>	<u>(14,074)</u>
Other financing sources				
Operating transfer from general fund	<u>163,034</u>	<u>163,034</u>	<u>169,193</u>	<u>6,159</u>
Total revenues and other financing sources	<u>391,634</u>	<u>391,634</u>	<u>383,719</u>	<u>(7,915)</u>
Expenditures:				
Street lighting	<u>391,634</u>	<u>366,915</u>	<u>383,719</u>	<u>(16,804)</u>
Total state street aid	<u>391,634</u>	<u>366,915</u>	<u>383,719</u>	<u>(16,804)</u>
Total expenditures	<u>391,634</u>	<u>366,915</u>	<u>383,719</u>	<u>(16,804)</u>
Net change in fund balance	-	24,719	-	(24,719)
Fund balance, July 1, 2021	<u>19,709</u>	<u>344</u>	<u>-</u>	<u>(344)</u>
Fund balance, June 30, 2022	<u>\$ 19,709</u>	<u>\$ 25,063</u>	<u>\$ -</u>	<u>\$ (25,063)</u>

City of Harriman, Tennessee
Debt Service Fund - Statement of Revenue, Expenditures,
and Changes in Fund Balance-Budget and Actual
For the Year ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		
Revenue:				
Property taxes-current	\$ 326,314	\$ 326,314	\$ 352,694	\$ 26,380
Property taxes-delinquent	26,941	26,941	-	(26,941)
Int., penalty & court costs	6,473	6,473	-	(6,473)
Transfers in	25,959	25,959	-	(25,959)
Total revenue	385,687	385,687	352,694	(32,993)
Expenditures:				
New Con Fire Truck Principal	52,000	52,000	52,000	-
Principal 2016 TMBF Con	14,600	14,600	14,600	-
Principal 2016 Capital Outlay	195,000	195,000	195,000	-
Principal New Lighting	-	(1,426)	-	(1,426)
Principal 2017 BB&T Police Cars	33,000	33,000	33,000	-
Interest 2017 BB&T Police Cars	1,330	1,330	1,330	-
Interest 2016 TMBF Con	1,193	1,193	1,193	-
New Con Fire Truck Interest	14,203	14,203	12,229	1,974
Interest Regions BAN	16,800	18,226	11,740	6,486
Interest Capital Outlay 2016	31,602	31,602	31,602	-
Interest New Lighting	-	-	-	-
Total debt service	359,728	359,728	352,694	7,034
Net change in fund balance	25,959	25,959	-	(25,959)
Fund balance, July 1, 2021	90,582	90,582	31,268	(59,314)
Prior period adjustment	-	-	-	-
Fund balance, June 30, 2022	\$ 116,541	\$ 116,541	\$ 31,268	\$ (85,273)

The accompanying notes are an integral part of this statement.

City of Harriman, Tennessee
Capital Projects Fund - Schedule of Revenues, Expenditures,
and Changes in Fund Balances - Budget and Actual
For the Year ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Other financing sources:				
Reserved for capital equipment	\$ 100,000	\$ 100,000	\$ -	\$ (100,000)
Transfers in	450,000	450,000	450,000	-
Total revenue	<u>550,000</u>	<u>550,000</u>	<u>450,000</u>	<u>(100,000)</u>
Expenditures:				
Operating supplies	21,600	21,600	5,353	16,247
Roads, street, and parking lots	178,000	178,000	19,000	159,000
Capital bldg & equip res - Temperance	200,000	200,000	5,000	195,000
Infrastructure	250,400	250,400	1,875	248,525
Total general government	<u>650,000</u>	<u>650,000</u>	<u>31,228</u>	<u>618,772</u>
Net change in fund balance	(100,000)	(100,000)	418,772	518,772
Fund balance, July 1, 2021	<u>12</u>	<u>(142)</u>	<u>199,964</u>	<u>200,106</u>
Fund balance, June 30, 2022	<u>\$ (99,988)</u>	<u>\$ (100,142)</u>	<u>\$ 618,736</u>	<u>\$ 718,878</u>

City of Harriman, Tennessee
Special Revenue Fund - ARPA - Schedule of Revenues, Expenditures,
and Changes in Fund Balances - Budget and Actual
For the Year ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Federal ARPA #1	\$ -	\$ -	\$ 4,000	\$ 4,000
Total taxes	-	-	4,000	4,000
Total revenues and other financing sources	-	-	4,000	4,000
Expenditures:				
ARPA Consultant Services	-	(4,000)	4,000	(8,000)
Total state street aid	-	(4,000)	4,000	(8,000)
Total expenditures	-	(4,000)	4,000	(8,000)
Net change in fund balance	-	4,000	-	(4,000)
Fund balance, July 1, 2021	-	-	-	-
Fund balance, June 30, 2022	\$ -	\$ 4,000	\$ -	\$ (4,000)

City of Harriman, Tennessee
Schedule of Property Tax Rates and Assessments
June 30, 2022

Year	Tax Rate Per \$100	Assessment	Levy
2022	1.0900	\$ 123,792,477	\$ 1,349,338
2021	1.0900	123,347,830	1,344,549
2020	1.0880	124,740,083	1,357,173
2019	1.2200	110,012,664	1,342,181
2018	1.2200	114,950,402	1,402,433
2017	1.2200	115,012,482	1,403,201
2016	1.2200	116,568,361	1,422,368
2015	1.2200	115,886,916	1,413,473
2014	1.2000	115,490,419	1,387,035
2013	1.2000	114,551,763	1,377,136
2012	1.2000	112,759,559	1,353,115

Uncollected Delinquent Accounts: The City of Hariman has filed delinquent taxes with the Roane County Trustee for collection at June 30, 2022.

City of Harriman, Tennessee
Schedule of Changes in Property Tax Receivable
 June 30, 2022

<u>Tax Year</u>	<u>Property Tax Receivable Balance June 30, 2021</u>	<u>Property Tax Levied</u>	<u>Abatements and Adjustments</u>	<u>Tax Collections</u>	<u>Property Tax Receivable Balance June 30, 2022</u>
2022	\$ -	\$ 1,401,938	\$ -	\$ -	1,401,938
2021	1,397,649	-	(5,448)	(1,309,998)	82,203
2020	108,352	-	1,132	(62,571)	46,913
2019	43,440	-	(5,295)	(13,382)	24,763
2018	26,211	-	(1,005)	(11,391)	13,815
2017	20,071	-	(2,175)	(6,619)	11,277
2016	9,531	-	(2,058)	(4,389)	3,084
2015	6,611	-	(2,979)	(683)	2,949
2014	10,109	-	(1,473)	(667)	7,969
2013	8,782	-	(1,015)	(112)	7,655
2012	8,559	-	(247)	(104)	8,208
2011	7,840	-	(2,948)	(111)	4,781
	<u>\$ 1,647,155</u>	<u>\$ 1,401,938</u>	<u>\$ (23,511)</u>	<u>\$ (1,410,027)</u>	<u>\$ 1,615,555</u>

City of Harriman, Tennessee
Schedule of Changes in Long-term Debt by Individual Issue
 June 30, 2022

	Original Issue	Interest Rate	Date Of Issue	Final Maturity	Outstanding 6/30/2021	Issued During Period	Paid During Period	Adjusted During Period	Outstanding 6/30/2022
Governmental Activities									
<u>NOTES PAYABLE</u>									
<u>Payable through Debt Service Fund</u>									
Regions Bank Bond Anticipation Note	\$ 1,200,000	Variable	6/19/2020	10/25/2022	\$ 346,982	\$ 222,295	\$ -	\$ -	\$ 569,277
Total Notes Payable through Debt Service Fund					\$ 346,982	\$ 222,295	\$ -	\$ -	\$ 569,277
<u>FINANCE LEASE</u>									
<u>Payable through Debt Service Fund</u>									
Golf Carts	\$ 63,078	9.00%	4/22/2014	4/1/2023	\$ 24,605	\$ -	\$ (14,013)	\$ -	\$ 10,592
Total Capital Leases Payable through Debt Service Fund					\$ 24,605	\$ -	\$ (14,013)	\$ -	\$ 10,592
<u>BONDS PAYABLE</u>									
<u>Payable through Debt Service Fund</u>									
Construction Bond, Series 2016	\$ 112,000	2.65%	3/4/2016	2/1/2024	\$ 45,000	\$ -	\$ (14,600)	\$ -	\$ 30,400
General Obligation, Series 2016	2,000,000	2.19%	4/1/2016	4/1/2028	1,445,000	-	(195,000)	-	1,250,000
General Obligation, Series 2017	192,500	2.00%	3/24/2017	4/1/2028	66,500	-	(33,000)	-	33,500
General Obligation, Series 2018	439,500	3.87%	9/19/2018	9/1/2026	342,000	-	(52,000)	-	290,000
Total Bonds Payable through Debt Service Fund					\$ 1,898,500	\$ -	\$ (294,600)	\$ -	\$ 1,603,900
Business-Type Activities									
<u>OTHER LOANS PAYABLE</u>									
State Revolving Loan, Sewer	\$ 1,600,000	1.35%	9/6/2011	10/1/2034	\$ 1,112,840	\$ -	\$ (76,764)	\$ (60)	\$ 1,036,016
State Revolving Loan, Water	1,440,000	1.35%	9/6/2011	10/1/2034	1,075,949	-	(67,632)	-	1,008,317
General Obligation, Capital Outlay, Electric	1,200,000	2.36%	10/25/2017	6/1/2030	-	-	-	-	-
General Obligation, Capital Outlay, Electric	500,000	4.05%	12/28/2018	6/1/2030	-	-	-	-	-
Total Other Loans Payable					\$ 2,188,789	\$ -	\$ (144,396)	\$ (60)	\$ 2,044,333
<u>BONDS PAYABLE</u>									
Public Improvement, Series 2010	\$ 8,815,000	5.00%	6/1/2012	6/1/2024	\$ -	\$ -	\$ -	\$ -	\$ -
Bond Anticipation Note, Gas	2,500,000	Various	6/20/2020	6/1/2022	-	-	-	-	-
General Obligation, Series 2021A	9,525,000	1.1-3.0%	4/9/2021	6/1/2040	9,110,000	-	(570,000)	-	8,540,000
General Obligation, Series 2021B	4,150,000	1.75-3.0%	6/30/2021	6/1/2041	4,150,000	-	(195,000)	-	3,955,000
Total Bonds Payable					\$ 13,260,000	\$ -	\$ (765,000)	\$ -	\$ 12,495,000
Bond Premium	\$ 701,408				\$ 695,482	\$ -	\$ (43,889)	\$ -	\$ 651,593

City of Harriman, Tennessee
Schedule of Debt Service Requirements
 Governmental Activities
 June 30, 2022

Year Ending June 30,	Tennessee Municipal Bond, Series 2016		Tennessee Municipal Bond, Series 2016		Tennessee Municipal Bond, Series 2017		Tennessee Municipal Bond, Series 2018		Total Bonds		Bond Anticipation Note		Yamaha Finance Capital Lease		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 15,000	\$ 806	\$ 200,000	\$ 22,964	\$ 33,500	\$ 670	\$ 54,000	\$ 10,178	\$ 302,500	\$ 34,618	\$ 569,277	\$ 9,632	\$ 10,592	\$ 1,972	\$ 882,369	\$ 46,222
2024	15,400	408	200,000	18,590	-	-	56,000	8,049	271,400	27,047	-	-	-	-	271,400	27,047
2025	-	-	205,000	14,106	-	-	58,000	5,844	263,000	19,950	-	-	-	-	263,000	19,950
2026	-	-	210,000	9,514	-	-	60,000	3,560	270,000	13,074	-	-	-	-	270,000	13,074
2027	-	-	215,000	5,015	-	-	62,000	1,199	277,000	6,214	-	-	-	-	277,000	6,214
2028	-	-	220,000	-	-	-	-	-	220,000	-	-	-	-	-	220,000	-
2029	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	\$ 30,400	\$ 1,214	\$ 1,250,000	\$ 70,189	\$ 33,500	\$ 670	\$ 290,000	\$ 28,830	\$ 1,603,900	\$ 100,903	\$ 569,277	\$ 9,632	\$ 10,592	\$ 1,972	\$ 2,183,769	\$ 112,507

City of Harriman, Tennessee
Harriman Utility Board
Schedule of Debt Service Requirements
Business-type Activities - Sewer Department
June 30, 2022

Year Ending June 30,	2021A General Obligation Bonds		GCO 2011-269		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 195,000	\$ 73,535	\$ 77,808	\$ 13,524	\$ 272,808	\$ 87,059
2024	195,000	67,685	78,864	12,468	273,864	80,153
2025	195,000	61,835	79,944	11,388	274,944	73,223
2026	195,000	55,985	81,024	10,308	276,024	66,293
2027	195,000	50,135	82,128	9,204	277,128	59,339
2028	195,000	44,285	83,244	8,088	278,244	52,373
2029	195,000	38,435	84,372	6,960	279,372	45,395
2030	195,000	32,585	85,524	5,808	280,524	38,393
2031	195,000	30,440	86,676	4,656	281,676	35,096
2032	195,000	28,100	87,864	3,468	282,864	31,568
2033	195,000	25,174	89,052	2,280	284,052	27,454
2034	195,000	22,250	90,264	1,068	285,264	23,318
2035	195,000	19,325	29,252	83	224,252	19,408
2036	200,000	16,400	-	-	200,000	16,400
2037	200,000	13,400	-	-	200,000	13,400
2038	200,000	10,200	-	-	200,000	10,200
2039	200,000	6,900	-	-	200,000	6,900
2040	200,000	3,500	-	-	200,000	3,500
Total	\$ 3,535,000	\$ 600,169	\$ 1,036,016	\$ 89,303	\$ 4,571,016	\$ 689,472

City of Harriman, Tennessee
Harriman Utility Board
Schedule of Debt Service Requirements
Business-type Activities - Water Department
June 30, 2022

Year Ending June 30,	2021A General Obligation Bonds		GCO 2011-269		2021B General Obligation Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 150,000	\$ 52,370	\$ 68,556	\$ 13,188	\$ 60,000	\$ 27,850	\$ 278,556	\$ 93,408
2024	150,000	47,870	69,480	12,264	60,000	26,050	279,480	86,184
2025	150,000	43,370	70,428	11,316	60,000	24,250	280,428	78,936
2026	155,000	38,870	71,388	10,356	60,000	22,450	286,388	71,676
2027	155,000	34,220	72,360	9,384	60,000	20,650	287,360	64,254
2028	155,000	29,570	73,344	8,400	65,000	18,850	293,344	56,820
2029	155,000	24,920	74,328	7,416	65,000	16,900	294,328	49,236
2030	130,000	20,270	75,348	6,396	65,000	14,950	270,348	41,616
2031	125,000	18,840	76,368	5,376	65,000	13,650	266,368	37,866
2032	125,000	17,340	77,400	4,344	65,000	12,350	267,400	34,034
2033	125,000	15,465	78,456	3,288	65,000	11,213	268,456	29,966
2034	125,000	13,590	79,524	2,220	65,000	10,075	269,524	25,885
2035	125,000	11,715	80,604	1,140	65,000	8,775	270,604	21,630
2036	120,000	9,840	40,733	158	65,000	7,475	225,733	17,473
2037	120,000	8,040	-	-	65,000	6,338	185,000	14,378
2038	120,000	6,120	-	-	65,000	5,200	185,000	11,320
2039	120,000	4,140	-	-	65,000	3,900	185,000	8,040
2040	120,000	2,100	-	-	65,000	2,600	185,000	4,700
Total	\$2,425,000	\$ 398,650	\$ 1,008,317	\$ 95,246	\$ 1,210,000	\$ 254,825	\$ 4,643,317	\$ 748,721

City of Harriman, Tennessee
Harriman Utility Board
Schedule of Debt Service Requirements
Business-type Activities - Electric and Gas Departments
June 30, 2022

Year Ending June 30,	2021A General Obligation Bonds		2021B General Obligation Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 140,000	\$ 30,395	\$ 105,000	\$ 46,200	\$ 245,000	\$ 76,595
2024	140,000	26,195	105,000	43,050	245,000	69,245
2025	140,000	21,995	105,000	39,900	245,000	61,895
2026	135,000	17,795	105,000	36,750	240,000	54,545
2027	135,000	13,745	105,000	33,600	240,000	47,345
2028	135,000	9,695	105,000	30,450	240,000	40,145
2029	135,000	5,645	105,000	27,300	240,000	32,945
2030	145,000	1,595	105,000	24,150	250,000	25,745
2031	-	-	105,000	22,050	105,000	22,050
2032	-	-	105,000	19,950	105,000	19,950
2033	-	-	105,000	18,113	105,000	18,113
2034	-	-	105,000	16,275	105,000	16,275
2035	-	-	105,000	14,175	105,000	14,175
2036	-	-	105,000	12,075	105,000	12,075
2037	-	-	105,000	10,238	105,000	10,238
2038	-	-	105,000	8,400	105,000	8,400
2039	-	-	105,000	6,300	105,000	6,300
2040	-	-	105,000	4,200	105,000	4,200
2041	-	-	105,000	2,100	105,000	2,100
Total	<u>\$ 1,105,000</u>	<u>\$ 127,060</u>	<u>\$ 1,995,000</u>	<u>\$ 415,275</u>	<u>\$ 3,100,000</u>	<u>\$ 542,335</u>

Year Ending June 30,	2021A General Obligation Bonds		2021B General Obligation Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 85,000	\$ 31,050	\$ 35,000	\$ 17,300	\$ 120,000	\$ 48,350
2024	85,000	28,500	35,000	16,250	120,000	44,750
2025	85,000	25,950	40,000	15,200	125,000	41,150
2026	85,000	23,400	40,000	14,000	125,000	37,400
2027	85,000	20,850	40,000	12,800	125,000	33,650
2028	85,000	18,300	40,000	11,600	125,000	29,900
2029	85,000	15,750	40,000	10,400	125,000	26,150
2030	80,000	13,200	40,000	9,200	120,000	22,400
2031	80,000	12,320	40,000	8,400	120,000	20,720
2032	80,000	11,360	40,000	7,600	120,000	18,960
2033	80,000	10,160	40,000	6,900	120,000	17,060
2034	80,000	8,960	40,000	6,200	120,000	15,160
2035	80,000	7,760	40,000	5,400	120,000	13,160
2036	80,000	6,560	40,000	4,600	120,000	11,160
2037	80,000	5,360	40,000	3,900	120,000	9,260
2038	80,000	4,080	40,000	3,200	120,000	7,280
2039	80,000	2,760	40,000	2,400	120,000	5,160
2040	80,000	1,400	40,000	1,600	120,000	3,000
2041	-	-	40,000	800	40,000	800
Total	<u>\$ 1,475,000</u>	<u>\$ 247,720</u>	<u>\$ 750,000</u>	<u>\$ 157,750</u>	<u>\$ 2,225,000</u>	<u>\$ 405,470</u>

City of Harriman, Tennessee
Harriman Utility Board
Electric Department
Schedule of Utility Rates
June 30, 2022

Residential rates:

Customer charge \$26.95 per month
Energy charge \$0.1149 per kWh per month

Commercial rates:

Small commercial - 15,000 kWh or less:
Customer charge

\$29.19, if <300 kWh used per month, or \$40.34 per delivery point per month
\$0.1315 per kWh per month

Energy charge

Large commercial - over 15,000 kWh:

Customer charge

\$111.41 per delivery point per month

Demand charge

\$0.00 for first 50kW of billing demand per month, \$17.67 per kWh in excess of first 50 kW of billing demand

Energy charge

\$0.1292 per kWh per month for first 15,000 kWh; \$0.0855 per kWh per month for additional kWh

Pole Rental:

25' pole \$6.37 per month
30' pole \$7.27 per month

Outdoor lighting for individual customers:

Monthly fixture charges:

Type of Fixture	Lamp Size		Rated kWh	Charge
	Watts	Lumens		
High pressure sodium	100	8,550	42	\$ 11.59
	200	18,900	82	\$ 17.45
LED	60	N/A	N/A	\$ 11.40
	250	N/A	N/A	\$ 19.16

City of Harriman, Tennessee
Harriman Utility Board
Gas Department
Schedule of Utility Rates
June 30, 2022

Gas rates vary each month. The following rates were in effect for June 30, 2022.

General service rates:

Residential	
Minimum	\$7.51 minimum bill plus \$13.03 per 1,000 cubic feet
Gas Inspection	\$35.00 for first trip and \$35.00 each additional trip
Commercial	
Minimum	\$9.03 minimum bill plus \$13.03 per 1,000 cubic feet
Gas Inspection	\$50.00 for first trip and \$50.00 each additional trip

City of Harriman, Tennessee
Harriman Utility Board
Sewer Department
Schedule of Utility Rates
June 30, 2022

Industrial		
First 1,000 gallons - minimum bill	\$	56.84
Over 1,000 gallons - per thousand gallons	\$	13.07
Residential		
First 1,000 gallons - minimum bill	\$	20.74
Over 1,000 gallons - per thousand gallons	\$	12.66
Commercial		
First 1,000 gallons - minimum bill	\$	56.84
Over 1,000 gallons - per thousand gallons	\$	13.07

City of Harriman, Tennessee
Harriman Utility Board
Water Department
Schedule of Utility Rates
June 30, 2022

	<u>Per Thousand Gallons</u>	
	<u>Inside City</u>	<u>Outside City</u>
Commercial:		
First 2,000 gallons - minimum bill	\$ 22.56	\$ 26.41
Next 8,000 gallons	7.76	11.17
Excess	5.66	6.45
Residential:		
First 2,000 gallons - minimum bill	\$ 20.25	\$ 23.75
Next 8,000 gallons	\$ 6.93	\$ 10.19
Excess	\$ 5.05	\$ 6.45

City of Harriman, Tennessee
Harriman Utility Board
Schedule of Utility Customers
June 30, 2022

	<u>2022</u>	<u>2021</u>
Electric:		
Residential	9,232	9,175
Gen. Power - 50 kW + under	1,621	1,600
Gen. Power - Over 50 kW	104	105
Street and Athletic	39	39
Outdoor Lights	115	115
Security Lights	2,767	2,782
Street Lights	1,441	1,445
Total electric , excluding security and street lights	<u>11,111</u>	<u>11,034</u>
Gas:		
Residential	2,753	2,751
Commercial	425	422
Total gas	<u>3,178</u>	<u>3,173</u>
Sewer:		
Residential - inside	1,899	1,880
Residential - outside	41	41
Commercial - inside	298	296
Commercial - outside	8	8
Industrial - inside	-	-
Industrial - outside	1	1
Miscellaneous	38	36
Total sewer	<u>2,285</u>	<u>2,262</u>
Water:		
Residential - inside	2,288	2,262
Residential - outside	2,148	2,121
Commercial - inside	418	413
Commercial - outside	182	177
Industrial - inside	1	1
Commercial Fire Hydrant	2	2
Commercial Sprinkler	16	16
Industrial Sprinkler	1	1
Total water	<u>5,056</u>	<u>4,993</u>

City of Harriman, Tennessee
Officials' Bonds
June 30, 2022

City Treasurer:		
Charles Kerley/Chris Ahler	\$	50,000
Public Official		
Sinking Fund:		
Peggy Truxell	\$	10,000
Commissioner/Secretary		

City of Harriman, Tennessee
Schedule of Federal and State Financial Assistance
For the Year Ended June 30, 2022

Grantor Agency	Program Title	CFDA #	Grant #	Accrued (Deferred) Revenue 6/30/2021	Receipts	Expenditures	Accrued (Deferred) Revenue 6/30/2022
<u>FEDERAL FINANCIAL ASSISTANCE</u>							
U.S. Department of Housing and Urban Development	CDBG	14.228	N/A	\$ -	\$ -	\$ -	\$ -
U.S. Department of Housing and Urban Development	HOME	14.239	N/A	7,686	51,423	48,310	4,573
U.S. Department of Agriculture	NRCS	10.923	N/A	671,893	779,294	107,401	-
U.S. Department of Agriculture	Community Facilities Loan & Grant	10.766	N/A	-	-	1,300,622	1,300,622
U.S. Department of Agriculture	USDA	10.766	N/A	-	15,373	15,373	-
U.S. Department of Transportation	Highway Planning & Construction	20.205	N/A	152,810	122,200	83,594	114,204
U. S. Department of the Interior, National Park Service	Historic Preservation Fund	15.904	N/A	-	-	7,250	7,250
Coronavirus State and Local Fiscal Recovery Funds	ARPA	21.027	N/A	-	909,723	112,000	(797,723)
Total Federal Financial Assistance				<u>832,389</u>	<u>1,878,013</u>	<u>1,674,550</u>	<u>628,926</u>
<u>STATE FINANCIAL ASSISTANCE</u>							
Tennessee Department of Transportation	Interstate Lighting	N/A	N/A	90,829	-	33,616	124,445
Tennessee Department of Environment and Conservation	LPRF	N/A	N/A	245,474	103,125	25,990	168,339
State of Tennessee	Law Enforcement Education	N/A	N/A	-	-	12,000	12,000
Total State Financial Assistance				<u>336,303</u>	<u>103,125</u>	<u>71,606</u>	<u>304,784</u>
				<u>\$ 1,168,692</u>	<u>\$ 1,981,138</u>	<u>\$ 1,746,156</u>	<u>\$ 933,710</u>

City of Harriman, Tennessee
Notes to the Schedule of Federal and State Awards
June 30, 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying schedule of federal and state awards includes the federal and state grant activity of the City of Harriman, Tennessee, and is presented on the modified accrual basis of accounting. Therefore, some amounts may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Measurement Focus

The determination of when an award is expended is based on when the activity related to the award occurred.

Amount Provided to Subrecipients

The City had no programs that provided amounts to subrecipients.

Indirect Cost Rate

The City did not elect to use the 10-percent de minimis indirect cost rate; however, no indirect costs were allocated to the federal awards during the year ended June 30, 2022.

NOTE 2 – OUTSTANDING LOAN BALANCES

The City had \$569,277 outstanding loan balance on a bond anticipation note and grant expenditures of \$731,345 for a total of \$1,300,622 to be refinanced by a USDA federal loan at June 30, 2022.

COMPLIANCE SECTION

CRAINE, THOMPSON & JONES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

225 WEST FIRST NORTH STREET
SUITE 300, MILLENNIUM SQUARE
P.O. BOX 1779
MORRISTOWN, TENNESSEE 37816-1779
PHONE: (423) 586-7650

248 BRUCE STREET
SUITE 8
SEVIERVILLE, TENNESSEE 37862
PHONE: (865) 366-1480
FAX: (423) 586-0705

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*

Honorable 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, 2022, 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 December 8, 2023.

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 our opinions 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.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings questioned costs as items 2022-001, 2022-002, and 2022-003 that we consider to be significant deficiencies.

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 and questioned costs as item 2022-004.

City of Harriman, Tennessee's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Harriman, Tennessee's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City of Harriman, Tennessee's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Craine, Thompson & Jones, P.C.

Morristown, Tennessee
December 8, 2023

CRAINE, THOMPSON & JONES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

225 WEST FIRST NORTH STREET
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

Honorable Mayor and City Council
City of Harriman, Tennessee
Harriman, Tennessee

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Harriman, Tennessee's (the "City") 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 the City's major federal programs for the year ended June 30, 2022. The City'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, the City 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 December 8, 2023.

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 the City 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 the City'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 the City'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 the City'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 the City'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 the City'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 the City'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 the City'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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2022-004. Our opinion on each major federal program is not modified with respect to these matters. *Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-004, to be significant deficiencies.

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. *Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Craine, Thompson & Jones, P.C.

Morristown, TN
December 8, 2023

CITY OF HARRIMAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2022

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued : Unmodified

Internal control over financial reporting:

-Material weakness(es) identified?	_____	Yes	_____	X	No
-Significant deficiency(ies) identified?	X	Yes	_____		
-Non-compliance material to financial statements noted ?	_____	Yes	_____	X	No

Federal Awards

Internal control over major federal programs:

-Material weakness(es) identified?	_____	Yes	_____	X	No
-Significant deficiency(ies) identified?	X	Yes	_____		

Type of auditors report issued on compliance for major federal programs : Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)? X Yes _____

Major federal programs for the City of Harriman, Tennessee, for the fiscal year ended June 30, 2022, are:

Program Name	CFDA#
US Department of Housing and Urban Development	14.239
US Department of Agriculture	10.766
US Department of Agriculture	10.923
Highway Planning and Construction	20.205
Coronavirus State & Local Recovery Funds	21.027
Dollar Threshold used to distinguish between Type A & Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	X Yes _____ No

CITY OF HARRIMAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2022

Section II - Financial Statement Findings

2022-001	Books were incomplete, not closed, and balance sheet accounts not reconciled prior to audit.
Condition:	1) A new bank account opened for credit card payments was not included in the general ledger. Deposits, credit card processing fees, and associated property tax revenue was not recorded. 2) Bank accounts for LGIP, sinking fund commission, and capital projects were not reconciled and all activity not reflected in the accounting records. 3) Warrants payable was not reconciled at fiscal year-end. 4) The special revenue fund – ARPA was set up but was not included in the year-end report initially submitted for audit. All revenue was included in the fiscal year revenue with none being deferred until earned. 5) Quarterly payroll tax returns are not reviewed and approved prior to filing. Allowing for exclusion of elected officials, the TN unemployment returns are underreported compared to the Forms 941.
Criteria:	According to the TN Audit Manual, the books are to be closed and ready for audit within two months of fiscal year end. This includes reconciling general ledger accounts and booking necessary year end journal entries.
Cause:	Bank accounts were not reconciled, and balance sheet accounts were not reconciled and adjusted prior to audit fieldwork.
Effect:	Records submitted for audit were incomplete. The audit report submission to the State of Tennessee and Federal Audit Clearinghouse were not timely.
Recommendation:	The City should establish appropriate processes to ensure that the general ledger accounts are correctly reconciled each month as well as at fiscal year-end. This will ensure complete and accurate financial information in order to meet filing deadlines.
Management response:	The City began accepting credit card payments for property taxes in October 2021. However, a process to reconcile these receipts was not created. The City has implemented a new procedure effective March 2023 to reconcile the credit card account for property tax collection and is currently being reconciled on a monthly basis. The Sinking Fund account has been closed and will no longer have any activity associated with it. LGIP and Capital Projects fund are being reconciled monthly and quarterly respectively. ARPA fund now has its own bank account which is reconciled with the corresponding general ledger fund account monthly.
2022-002	Lack of oversight of internal controls over the accounting function.
Condition:	The CFO/Treasurer position is an accounting position. The individual in this role must possess the skills, knowledge, and experience necessary for the oversight of the accounting staff including approval of the financial reports and general ledger reconciliations prepared as well as to assume responsibility for the preparation of the Annual Comprehensive Financial Report.
Criteria:	The City is responsible for establishing proper internal controls over financial reporting and preparation of the Annual Comprehensive Financial Report.
Cause:	The former CFO/Treasurer retired during the fiscal year.
Effect:	Due to the lack of oversight and knowledge of accounting internal controls, financial information was incomplete and accounts were not reconciled prior to audit.
Recommendation:	We recommend adding an additional individual with the necessary skills, knowledge, and experience, or contracting with a qualified accounting firm to supplement the accounting function on at least a quarterly basis for account reconciliations and annual audit preparation.
Management response:	The CFO/Treasurer for the City has completed his CMFO training and is working closely with our MTAS finance representative to complete his training for his position. The finance officer is also enrolled in the Certified Governmental Finance Manager (CGFM) program offered through the Association for Governmental Accounting (AGA). Additionally, the City has employed a retired auditor to assist with certain audit preparation functions.
2022-003	Insufficient supporting documentation.
Condition:	Payment was made without sufficient supporting documentation and calculation.
Criteria:	Prior to generating a payment, accounting personnel should require an invoice, check request, purchase order, etc., to support the payment. According to the initial minutes approving the payment, the amount is to be reviewed every year.
Cause:	Supporting documentation attached to an annual payment to a vendor that is to receive 2% of the hotel/motel/occupancy tax was a handwritten note to pay the amount paid in prior years and included no calculation to verify whether the amount paid was accurate.
Effect:	The payment made to the vendor was \$50,000 vs. the calculated amount of \$67,000.
Recommendation:	Supporting documentation should include a check request with the calculation that has been approved prior to payment.
Management response:	Established in 2011, the charter change for this payment does not designate an exact amount to be paid. It establishes an increase in the occupancy tax so that a payment (of an amount to be determined by council through budget resolution) can be made to help support the operations associated with the Roane County Expo Center. There is a standing order to make this payment each year as it was created legislatively to support the Center. The City will request an invoice for the originally requested amount of \$50,000 from the Expo Center annually and process the invoice according to existing internal policies.

CITY OF HARRIMAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2022

Section III - Federal Award Findings

<u>2022-004</u>	Documentation retention for grants.
Condition:	1) Documentation of all charges and agreements on grant contracts is not being maintained for three years after final payment on the contract. 2) Documentation was not provided to TDOT that the City has a purchasing policy or that it follows the Municipal Purchasing Law.
Criteria:	1) Contract CPD190966, Section D.19 <u>Records</u> , states that the subrecipient shall maintain documentation of all charges and agreements on the contract for three years after final payment on the contract. 2 CFR 200.318 (i) states that non-federal entities must maintain "records sufficient to detail the history of procurement." 23 CFR 172.7(a)(1)(iv)(F) states that solicitation, proposals, evaluation, and selection documentation should be retained for qualifications-based selections. 2) Government Auditing Standards Chapter A.06(h) states that "inadequate controls for the safeguarding of assets..." is a control deficiency. Without implementing and following a purchasing policy, improper actions could be taken by the subrecipient.
Cause:	1) The City did not retain documentation related to evaluation of RFQ responses and selection of the engineering services provider for TDOT Contract CPD190166 (CMAQ). 2) The City did not provide documentation that it has a written purchasing policy governing how competitive bidding will take place and large purchases will be approved.
Effect:	Improper actions could be taken by the City for purchasing, bidding, and contractor selection.
Recommendation:	Development and maintenance of purchasing, bidding, and contractor selection policies in accordance with the Municipal Purchasing Law to be followed, kept on file, and provided to monitoring agencies. We recommend retention of grant records and documentation in accordance with laws and regulations as well as the grant contract.
Management response:	There was a significant amount of turnover at the City between FY2021 and FY2022. This has contributed to issues with process and procedure regarding grant activity. The City is now keeping a centralized, comprehensive spreadsheet that captures all data associated with grants. Going forward, this spreadsheet will allow for completely transparent records that can be generated almost instantly. Additionally, if there were to be turnover in the future, the new process will make for a smooth transition to the new employee working with grants.

CITY OF HARRIMAN
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2022

There were no prior year audit findings.

City of Harriman

Council Members

Kenyon Mee
Tim Johnson
Alicia Harris



Council Members

Travis Kirkland
Brian Frost
John Brackett

City Clerk
Theresa Beard

City Manager
Scott Mason

Mayor
Wayne Best

Treasurer
Chris Ahler

MANAGEMENT'S CORRECTIVE ACTION PLAN

For the Year Ended June 30, 2022

The City of Harriman, Tennessee respectfully submits the following corrective action plan for the fiscal year ended June 30, 2022.

Name and address of independent public accounting firm:

Craine Thompson and Jones
225 West First North Street
Morristown, TN 37816-1779

Audit Period: June 30, 2022

The findings from the June 30, 2022 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS – FINANCIAL STATEMENT AUDIT

Finding 2022-001

Recommendation: The City should establish appropriate processes to ensure that the general ledger accounts are correctly reconciled each month as well as at fiscal year-end. This will ensure complete and accurate financial information in order to meet filing deadlines.

Planned Corrective Actions: The City began accepting credit card payments for property taxes in October 2021. However, a process to reconcile these receipts was not created. The City has implemented a new procedure effective March 2023 to reconcile the credit card account for property tax collection and is currently being reconciled on a monthly basis. The Sinking Fund account has been closed and will no longer have any activity associated with it. LGIP and Capital Projects fund are being reconciled monthly

and quarterly respectively. ARPA fund now has its own bank account which is reconciled with the corresponding general ledger fund account monthly.

Responsible Person: Chris Ahler CFO/Treasurer

Anticipated Completion Date: March 31, 2023

Finding 2022-02

Recommendation: We recommend adding an additional individual with the necessary skills, knowledge, and experience, or contracting with a qualified accounting firm to supplement the accounting function on at least a quarterly basis for account reconciliations and annual audit preparation.

Planned Corrective Actions: The CFO/Treasurer for the city has completed his CMFO training and is working closely with our MTAS finance representative to complete his training for his position. The finance officer is also enrolled in the Certified Governmental Finance Manager (CGFM) program offered through the Association for Governmental Accounting (AGA). Additionally, the City has employed a retired auditor to assist with certain audit preparation functions.

Responsible Person: Chris Ahler CFO/Treasurer

Anticipated Completion Date: May 31, 2023

Finding 2022-03

Recommendation: Supporting documentation should include a check request with the calculation that has been approved prior to payment.

Planned Corrective Actions: Established in 2011, the charter change for this payment does not designate an exact amount to be paid. It establishes an increase in the occupancy tax so that a payment (of an amount to be determined by council through budget resolution) can be made to help support the operations associated with the Roane County Expo Center. There is a standing order to make this payment each year as it was created legislatively to support the Center. The City will request an invoice for the originally requested amount of \$50,000 from the Expo Center annually and process the invoice according to existing internal policies.

Responsible Person: Chris Ahler CFO/Treasurer

Anticipated Completion Date: July 1, 2023

Finding 2022-04

Recommendation: Develop maintenance of purchasing, bidding, and contractor selection policies in accordance with the Municipal Purchasing Law to be fullered, kept on file, and provided to monitoring agencies. We recommend retention of grant records and documentation in accordance with laws and regulations as well as the grant contract.

Planned Corrective Actions: There was a significant amount of turnover at the City between FY2021 and FY 2022. This has contributed to issues with process and procedure regarding grant activity. The City is now keeping a centralized, comprehensive spreadsheet that captures all data associated with grants. Going forward, this spreadsheet will allow for completely transparent records that can be generated almost instantly. Additionally, if there were to be turnover in the future, the new process will make for a smooth transition to the new employee working with grants.

Responsible Person: Scott Mason, City Manager

Anticipated Completion Date: July 31, 2023

Respectfully submitted,

A handwritten signature in black ink, appearing to read "C. Ahler", with a stylized flourish at the end.

Christopher E. Ahler, CFO/Treasurer