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General Manager

**HARRIMAN UTILITY BOARD**

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December 21, 2023

Tennessee Comptroller of the Treasury  
ATTN: The Honorable Jason E. Mumpower  
State Capitol  
Nashville, Tennessee 37243

Dear Comptroller Mumpower:

The Harriman Utility Board (HUB) approved a resolution authorizing the submittal of a Fiber to Distribution (Utility Use) and Fiber to the Home Business Plan to your office for review pursuant to T.C.A.7-52- 602. The enclosed plan outlines HUB's plan to establish a fiber optic system to support its electric operations which also allows for broadband service to all of its electric rate payer base inside Roane County.

We are confident this plan will improve electric reliability within the HUB service area and will also provide a much better broadband service for our rate payers to support work-at-home, online education, telehealth, and other needs of our community.

Thank you for your consideration of our plan. If you have any questions, please do not hesitate to contact me by e-mail at [cvannasdale@hub-tn.com](mailto:cvannasdale@hub-tn.com) or by phone at 865-882-3242.

We look forward to working with you.

Kind regards,

Candace D. Vannasdale, P.E.  
General Manager

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## **Introduction**

The Harriman Utility Board (HUB), an independently governed board of the City of Harriman, provides electric, natural gas, water, and wastewater services to more than 12,136 customers in Harriman and parts of Roane and Morgan Counties in Tennessee.

HUB's electric system spans more than 155 square miles and serves more than 12,136 customers each day. In order to meet the changing needs and expectations of its customers, HUB will need to make upgrades on its electric grid and implement innovative technologies that improve the reliability, affordability, resiliency, and efficiency of its service.

HUB is undergoing immense change, implementing new technologies that are foundational for a more modernized grid. This year, we are focused on the implementation of advanced metering technology (AMI). Next year, we hope to deploy fiber. Adding AMI and fiber alongside our existing SCADA and outage management technology is essential to achieving other results and preparing for the future. In the future, HUB plans to benefit from a modernized grid, including improved security, reduced peak loads, increased integration of renewables, and lower operational costs. "Smart grid" technologies are made possible by two-way communication technologies, control systems, and computer processing. All of this depends on fast and reliable communication throughout the service territory that can be best provided by an extensive fiber network.

The future of HUB's electric grid depends upon fiber.

To support the cost for grid modernization and provide better internet service to its customers, HUB wishes to provide broadband service.

Since its inception in 1939, HUB has been committed to serving its customers and improving their quality of life by providing utility services that are safe, reliable, and affordable. In 2020, that mission became more important than ever. With the world facing a global pandemic, the necessity of vital utilities became much more apparent to utility providers, local and state governments, and customers.

The COVID-19 pandemic also highlighted the Harriman community's reliance on high-speed broadband services. As the need for remote learning and work rose quickly, so did the demand for high-speed internet. The gaps in current services became evident, as that demand was not met in many households, especially in rural areas. These needs and others generated interest in HUB's research from both local and state government officials.

In 2023, HUB recognized there was a potential need for expanded internet access in its community and decided to conduct a feasibility study to provide fiber-based internet to customers in the electric service area.

Customers have also recognized that both large and small municipalities across Tennessee offer broadband as a utility service and increasingly expect HUB to take the same position. They, like local government officials and interest groups, recognize the potential economic growth benefits experienced by similar-sized cities in East Tennessee and beyond who have chosen to provide this service.

HUB understands the issues facing its customers and understands their desire to have reliable, fast, and affordable internet service that is widely available. HUB is also uniquely positioned to provide these services due to infrastructure upgrades that are planned or have already been implemented.

**HUB's Grid Modernization: Positioned for Success**

HUB's electric system serves a 155-square-mile service area and relies on 728.27 miles of service lines to serve approximately 11,187 customers.

During the mid-2000s, HUB became a TVA Generation Partner. This program allows customers in the HUB service area to install a renewable electricity generation resource to produce electricity that feeds back into the TVA electric grid.

Green energy production and consumption became much more widespread during this timeframe with several HUB customers opting to participate in TVA's Green Power Switch. This program allows HUB customers to support TVA-produced renewable energy by purchasing blocks of green power.

Today, HUB serves approximately 11,187 electric customers in a two-county service region, 5,104 water customers, 3,173 natural gas customers, and 2,300 wastewater customers. The electric department has \$31,245,881 in assets, the water and wastewater departments have \$32,012,089 in assets, and the gas department has \$9,559,648 in assets.

**The Future of HUB's Grid**

The future of HUB's electric grid depends upon fiber.

Fiber infrastructure plays a critical role for "smart grid" technologies that require low latency and high reliability communication to make real-time decisions for the electric grid.

Over the next several years, HUB plans to expand its Fault Location Isolation and Restoration (FLISR) program from 12 to up to 40 devices across the electric distribution system. These devices will be connected by fiber to create a self-healing, highly reliable electric system. HUB expects reliability to increase year-over-year with the installation of new devices connected via the fiber network.

The reliability and speed offered by an expansive fiber network will position HUB to begin to pilot new applications enhancing operational, financial, and environmental benefits to the electric distribution system. It will eventually connect all HUB infrastructure and improve the reliability of HUB's Supervisory Control and Data Acquisition (SCADA) network.

The electric system will also use the fiber infrastructure to improve communications for Distributed Energy Resources (DER). Solar generating partners are the main provider of these resources today, but this infrastructure would also provide communications for future types of generation. These intelligent controllers will provide real-time visibility to distributed generation devices which would reduce peak demand loads on the electric grid. These devices would also provide an added level of safety to our crews by allowing remote disconnection of these DERs during restoration efforts.

The fiber network will also allow HUB to operate a more efficient electric system, saving energy and money, by allowing Volt/VAR Optimization applications to be deployed onto HUB's electric infrastructure. Based on the successes of other distributors within the TVA service territory, HUB plans to pilot Volt/VAR applications on its own electric system as the fiber network expands.



Finally, the fiber infrastructure will position HUB to implement Demand Response (DR) programs on the electric system and offer customers controllable thermostats, water heaters, and other heavy electric load devices within their homes. These devices reduce peak demand loads on the electric grid and can reduce peak power generation, which ultimately has environmental benefits.

The electric system will use the fiber infrastructure to improve its Automated Metering Infrastructure (AMI). HUB is currently implementing a wireless AMI solution, which will benefit from the fiber infrastructure. Each AMI base station will be equipped with reliable and low-latency connectivity, improving the performance of this network. Having a fiber infrastructure in place provides ultimate flexibility for future generations of AMI for HUB customers.

The electric fiber network required for these systems positions HUB to be able to provide improved broadband services to meet the growing needs of its customers and community. The Gigabit-speed internet and other broadband services that HUB plans to offer at competitive rates will deliver greater value to its customers, and at the same time will generate new revenues for HUB to help offset the cost of its infrastructure upgrades to the further benefit of its electric utility customers.

### **Management Statement**

HUB has prepared a business plan to provide fiber optic high-speed broadband services within a portion of its electric service area, financially separate from the electric, natural gas, water, and wastewater systems. HUB plans to use a third-party voice over IP provider to deliver telephone service through access of HUB's fiber system. In order to show the net financial benefits to HUB of allowing a third-party voice over IP provider to utilize HUB's network, the business plan reflects revenues collected for and the pass through of voice over IP telephone service costs from a third-party voice over IP provider. The business plan meets the statutory conditions of T.C.A. 7-52-601. If approved, HUB plans to establish a fifth utility division and establish sufficient control against cross-subsidization of revenues/expenses with the other four utility divisions. The new Fiber Division will adhere to the same organizational policies as other HUB divisions and provide its own audited financial statements.

- ✓ The proposed business plan does not serve any area where a privately held cable television operator is providing cable services over a cable system and in total serves 6,000 or fewer subscribers over one or more cable systems.
- ✓ The proposed business plan does not serve any area where there is an existing telephone cooperative that has been providing cable service for not less than ten (10) years under the authority of the Federal Communications Commission.

As per T.C.A. 7-52-602, HUB's Board of Directors provided approval through resolution for submittal of the business plan to the State of Tennessee Comptroller of the Treasury on December 21, 2023. A copy of the resolution can be found in the business plan's appendix.

Also included in the business plan's appendix, are HUB's most current audited consolidated financial statements for the year ended **2023**.

**Harriman Utility Board of Directors:**

Lonnie Wright, Chairman  
Alicia Harris, Vice Chair, Council Representative  
Shawn Smith  
Jason Shillings  
Lionel Moore

**Senior Executive Management:**

Candace Vannasdale, General manager  
Dusty Fagan  
Heath Lewis, Manager of Electric  
Frankie Davis, Manager of Gas, Water & Sewer

HUB's Board Members and General Manager can be contacted by mail at: P.O. Box 434, Harriman, Tennessee 37748 or by phone: 865-882-3242.

## Product Offerings

HUB's discussions with potential broadband customers highlighted that customer service, reliability, and speed were the main attributes upon which they valued their broadband service. Through our research, prices paid for existing service by customers surveyed were as follows:

### Exhibit One: Price Range

Price Range	Respondents
Greater than \$95	48%
\$80 to 94	14%
\$65 to 79	11%
\$50 to 64	17%
Under \$50	10%

Responses to the survey showed that more than 79% of responders were very interested and more than 18% of the responses stated they were somewhat interested in switching from their current provider to a high-speed fiber broadband internet service.

Based upon this information and market pricing details we were able to pull for 15 other utility broadband projects across the southeast, HUB has positioned a product lineup that provides superior speeds while maintaining a very competitive market value.

HUB's proposed residential internet services begin at 200 Mbps for both download and upload speeds. The price of \$54.95/month is below the average price of existing competitors while offering twice the data rate plus symmetrical service. HUB will also include an enhanced customer experience with the managed router and wi-fi service through local technical support.

### Exhibit Two: Internet Services - Residential

HUB RESIDENTIAL INTERNET SERVICES	PRICING
RESIDENTIAL 200 MBPS	\$54.95 monthly
RESIDENTIAL 1 GBPS	\$79.95 monthly
RESIDENTIAL 2 GBPS	\$99.00 monthly

HUB also plans to provide internet services to business customers ranging from a basic 1 Gbps data symmetrical service for small businesses to professional data services beginning at \$399.95 monthly for 2 Gbps symmetrical service. Similar to HUB's residential products, HUB seeks to provide business internet services with superior speeds at a competitive market value. HUB will also include an enhanced customer experience with the managed services that provides dedicated local technical support to business internet customers.

**Exhibit Three - Internet Services - Business**

<b>HUB BUSINESS INTERNET SERVICES</b>	<b>PRICING</b>
BUSINESS Lite 1 GBPS	\$99.95 monthly
BUSINESS Pro 2.0 GBPS	\$199.95 monthly
BUSINESS Enterprise 2.0 GBPS *	\$399.95 monthly*

Professional engineered internet services will include guaranteed service response times and custom solutions based on customer needs.

The market for voice over IP and land line telephone has declined with the growth of cellular services over the last decade, especially in customers under the age of 65. Approximately 19% of HUB's customers indicated they have a traditional home telephone. Most of those customers pay less than \$35 a month for phone services. Long distance (LD) services are widely varied in the Harriman market among eligible providers. However, most do provide an unlimited LD package. HUB plans to contract with a third-party voice over IP provider that will utilize HUB's broadband network to provide standard features such as caller identification and call waiting as part of the phone service.

**Exhibit Four - VOIP**

<b>VOIP RESIDENTIAL AND COMMERCIAL PHONE SERVICES</b>	<b>PRICING</b>
Residential Voice	\$24.95 monthly
Business Voice	\$29.95 monthly

Within HUB's product model, any electric system customer that desires voice over IP services would be required to purchase internet services.

HUB is not planning on offering traditional cable television services or its own video streaming service to its broadband customers under its current business plan. HUB's high speed broadband service will support a wide variety of third-party video streaming services and other similar applications. HUB expects that its customers will select one or more video streaming services from the various providers in the marketplace (such as Hulu, Netflix, and YouTube TV) for their video content. However, HUB has several options for providing its own branded video streaming service with minimal additional capital cost to its business plan, and HUB may offer video streaming service in the future. Should business conditions support or require the addition of its own video streaming service, HUB is prepared to add a video streaming service to its broadband service offerings, but HUB does not anticipate providing its own video streaming service at this time.

## Competitive Environment

Broadband Service within HUB's operating area varies greatly. Even though HUB is not offering traditional television service, we are considering CATV providers competition because most of HUB's target broadband customers will be replacing their current television service with streaming services. For both internet and television services, Comcast/Xfinity is the leading provider in the Harriman market followed by AT&T. This limited competition and the demand for choice was evident in the results of HUB's Rate Payer Survey. A large majority of the customers surveyed would be interested in purchasing internet services from HUB if pricing would be comparable. Approximately 78% of customers surveyed were very interested and 19% were somewhat interested in HUB becoming an option for providing high-speed broadband services.

Shown below are current residential retail rates from existing providers and proposed HUB products for comparison. These figures were gathered in the Summer 2023 (promotional discounts and other fees and charges not reflected). Note that some providers only serve a small portion of HUB's overall electric service territory.

### Exhibit Five - Competition

PROVIDER ORDER BY MARKET SHARE	300 MBPS INTERNET ONLY	1,000 MBPS INTERNET ONLY
<b>HUB (PROPOSED)</b>	\$54.95 200 MPBS	\$79.95 Symmetrical
<b>COMCAST/XFINITY</b>	\$96 (400 MBPS - not symmetrical)	\$116
<b>AT&amp;T</b>	\$65	\$80

HUB believes that offering a high-speed internet service with symmetrical download and upload speeds with no limit on data usage will differentiate HUB's service from existing providers. Incumbent providers do not offer these attributes and, as such, HUB's products provide a distinct and unique choice for service in the Harriman area. These product attributes, along with competitive pricing, position HUB's products well in the competitive environment.

Municipal providers of broadband services in the region have experienced take rates between 50 and 70%. In addition, HUB's survey results indicated that 97% of respondents are at least somewhat interested in HUB providing broadband services.

More than 79% of survey responders indicated that with a similar price and product they would switch internet service to HUB. HUB is planning for a conservative take rate of only 40% for eligible electric system customers as fiber broadband services become available. HUB's financial projections are based on this take rate. We project this take rate to both business and residential customers based on the results of the marketing study residential survey.

To illustrate the conservative nature of the 40% take rate, estimated margin models for take rates is provided below:

**Exhibit Six - Operating Profit Margin**

<b>Take Rate</b>	<b>Profit Margin</b>
60%	39.30%
55%	37.42%
50%	35.24%
45%	33.17%
40%	30.02%
35%	28.48%
30%	24.63
25%	20.99%
20%	17.19%

Leading providers in the market often provide promotional discounts for the first year of service. While HUB does not anticipate promotional pricing, the retail rate listed above remains competitive with the market.

There are areas in our service territory that do not have access to wired internet service because it is not currently economically feasible for the incumbent providers to extend their systems into those areas. There are several examples that have been reported to HUB through our research where the cost to serve individual residences or businesses is simply not feasible in the current competitive environment. Details presented in this business case position HUB to allow for equality of service across the entire HUB operating region inside Roane County (same level of service, business and residential).

## **Marketing Plan**

HUB's Communications Department, including two planned full-time sales and marketing employees, and senior management will execute a marketing plan building on HUB's brand of reliable and affordable services. HUB will launch a marketing program in the fall of 2024 and has budgeted over \$500k over the three year build out period to fund the program with ongoing investment expected in marketing thereafter.

HUB will begin to build an awareness campaign in the months leading up to the onset of construction of the broadband system. Existing print and digital platforms - including HUB customer bills, HUB's customer website, Facebook, Instagram, and Twitter - will be used to promote the benefits of HUB fiber, including, and not limited to highlighting the community and commercial benefits.

HUB will also work with community partners and utilize existing media partnerships to increase awareness and brand visibility in its electric service territory.

As the system is built, and fiber services become available, HUB will use targeted print and digital advertising to reach customers who are eligible to begin services. A series of concurrent campaigns will be used to focus on the areas where HUB fiber is available through targeted digital advertisements, paid and targeted social media placement, and print bill messaging.

HUB will also use traditional media, like local newspapers and broadcast networks, to advertise HUB broadband internet services. Well-designed print advertisements will be placed in local business journals and a variety of 30-second television commercials will be aired on stations in the Harriman market, highlighting benefits to both commercial and residential customers.

Direct sales employees will contact newly eligible customers as the system grows to ensure each potential fiber customer understands the capability and benefits of the new product. In total, HUB anticipates the addition of two full-time sales and marketing employees during the peak of the build-out period.

As the system is completed and becomes more universally available, HUB will run consistent campaigns on the previously mentioned platforms to highlight promotions and packages available to eligible customers. HUB will also expand campaign platforms to include billboards, signage, and partnerships that are visible to customers in the fiber service territory. Each message will include a call to action to visit HUB's customer website where they can easily browse options and sign up for services.

To supplement the marketing and sales teams, HUB customer service representatives and employees will be educated to share information about the benefits of HUB broadband services and to help promote the products at work and in the community.

## Fiber to Home Business Plan

### Cost Benefit Analysis

HUB's Fiber Division will provide internet service to both residential and commercial customers with voice over IP as an optional additional service for both residential commercial customers. HUB plans to use a third-party provider for hosting of voice over IP services. HUB has projected a 40% take rate among its electric system residential customers, but market analysis indicates that take rates approaching 50% are likely. Projected annual revenue beginning in the first year for the Fiber Division is shown below with average customer counts as installs ramp up each month:

#### Exhibit Seven - Revenue Summary

Year	Revenue	Internet Customer Count
Year 1	\$0.1 million	1,098
Year 2	\$2.1 million	2,444
Year 3	\$3.1 million	2,810
Year 4	\$3.5 million	2,927
Year 5	\$3.6 million	2,927

Capital investment for the Fiber Division for communication components of the fiber network totaling \$3.465 million will be made over the three year build out period. In addition, the Fiber Division will incur total expenditures including. Corporate, Costs of Goods Sold, and Operation and Maintenance (O&M) expenditures estimated at \$24.4 million over a 10 year period which are explained in the sections below. Projections indicate that breakeven will occur in year four as cumulative revenues exceed cumulative expenditures.

### Cost Allocation

In addition to direct O&M expenditures, HUB's Fiber Division will pay Access and Electric Distribution System Utilization Fees to the Electric Division.

The access fee allocation is derived from the proportional share of fiber related depreciation, O&M expenses, tax equivalents, and cost of capital with total debt service of the Electric Division based on customer count for each system. (Further detail can be found in the financial statement section). See the chart below for the allocation estimate for the first five years of the project below.

#### Exhibit Eight - Cost Allocation

	6/30/2025	6/30/2026	6/30/2027	6/29/2028	6/29/2029
Electric Portion of Costs	\$ 369,496	\$ 1,369,344	\$ 1,566,424	\$ 1,602,348	\$ 1,641,237
Fiber Division Access Fee	71,875	266,368	304,705	311,693	319,258
Total Amount to Allocate	\$ 441,371	\$ 1,635,712	\$ 1,871,129	\$ 1,914,042	\$ 1,960,494



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HUB's Electric Division will initially use fiber for services at the retail customer level to test and pilot various electric system applications utilizing the fiber network and for other electric system uses outlined in the Introduction section above. HUB's Fiber Division is initially projected to pay the Electric Division 100% of annual depreciation for services and the correlating tax equivalents as part of the access fee calculation. This access fee assigns 100% of the costs of the "service" fiber - i.e., drop fiber to the home and secondary fiber off of the main rings, to the broadband business unit. The Access Fee and Joint Asset fees below cover these costs as well as the Fiber Division's portion of core network functions, any head-end/electronics owned by HUB, and services provided by HUB. However, as the services are more fully utilized by metering or other applications in the future, the proportional shares to the Fiber Division and the Electric Division will be re-evaluated. Below is the detail for the projected Access Fee for the first five years.

### **Exhibit Nine - Access Fee Breakdown**

	<b>6/30/2025</b>		<b>6/30/2026</b>		<b>6/30/2027</b>		<b>6/29/2028</b>		<b>6/29/2029</b>	
PILOTs Services and Fees	\$	-	\$	40,000	\$	45,000	\$	46,500	\$	52,500
Access Fee - Broadband	\$	71,875	\$	266,368	\$	304,705	\$	311,693	\$	319,258
Joint Asset Fee	\$	74,792	\$	74,792	\$	74,792	\$	74,792	\$	76,288
Total	\$	146,668	\$	381,161	\$	424,497	\$	432,985	\$	448,046

The Electric Distribution System Utilization Fee is calculated at HUB's current \$36 annual pole attachment rate for each fiber related attachment. The electric distribution system utilization rate is derived from the approved Tennessee Valley Authority methodology reflecting depreciation and maintenance expenses of HUB's electric distribution system not related to wire, fiber, or conduit. This fee will also be evaluated periodically to ensure fairness of allocation among the utility divisions of HUB.

A projection of total fees paid to the Electric Division from the Fiber Division by fiscal year for the first five years is shown below:

#### **Exhibit Ten - Access & Utilization Fee**

<b>ACCESS FEE</b>		<b>6/30/2025</b>		<b>6/30/2026</b>		<b>6/30/2027</b>		<b>6/29/2028</b>		<b>6/29/2029</b>
PILOTs Services and Fees	\$	-	\$	40,000	\$	45,000	\$	46,500	\$	52,500
Access Fee - Broadband	\$	71,875	\$	266,368	\$	304,705	\$	311,693	\$	319,258
Joint Asset Fee	\$	74,792	\$	74,792	\$	74,792	\$	74,792	\$	76,288
Total	\$	146,668	\$	381,161	\$	424,497	\$	432,985	\$	448,046
<b>UTILIZATION FEE</b>										
Pole Rental	\$	-	\$	150,032	\$	233,967	\$	261,180	\$	263,792
Total	\$	-	\$	150,032	\$	233,967	\$	261,180	\$	263,792
Grand Total	\$	146,668	\$	531,193	\$	658,465	\$	694,165	\$	711,838

It is projected that these fees will continue each year of operations and will be reevaluated at least every five years or sooner to ensure that the Fiber Division is covering all costs related to service from its own operations. HUB's Fiber Division will also pay its proportional share of shared expenses with HUB's other four divisions as explained in detail in the General and Administrative section below. HUB's Fiber Division will reflect the same allocation methodology of HUB's other utility divisions as part of HUB's existing financial controls and financial reporting requirements.

#### **Operations**

HUB will leverage experienced professionals and consultants to assist in guidance through the design and setup phase. HUB anticipates that early phases of plant construction will require heavy utilization of experienced third-party construction contractors with internal management oversight. As the build out continues into later phases, HUB will shift from relying heavily on third-party contractors to operations being primarily performed by HUB employees with supplemental support from third-party contractors.

During the first year, there will be areas built to serve between 7,000 and 8,000 eligible customers. Customer installations will be completed by an installation contractor through the three-year deployment. Throughout the deployment, HUB will begin hiring HUB employee installation technicians that can install and troubleshoot customer issues. HUB seeks an appropriate balance of HUB employees and contractors that will support future installations and troubleshooting.

Upon the completion of the three-year plant build, HUB anticipates that its electric system operations (including an expanded fiber network) would continue to be operationally managed and maintained with a combination of both employees and third-party hourly contract labor.

### Staffing

With the establishment of the HUB Fiber Division, additional full-time positions in the areas of marketing, sales, technical support, field installations, and information technology are planned. The fiber system will fund these new positions as they are directly related to service delivery to the fiber at home customer.

A summary of additional full-time positions to support the fiber system by fiscal year are listed below. A total of 11 full-time positions are projected at full fiber deployment in year three.

#### **Exhibit Eleven - Staffing**

Admin	1.00
Accounting	1.00
Customer Service	<u>1.00</u>
	3.00
<b>Sales &amp; Marketing</b>	
Sales	1.00
Marketing	<u>1.00</u>
	2.00
<b>Operations</b>	
Central Office Manager	1.00
Warehouse Techs	2.00
Install and Repair	1.00
Maintenance	1.00
Technicians	<u>1.00</u>
	6.00
Total FTEs	11.00

### Sales

HUB plans to hire two experienced sales and marketing employees in the first year of system construction and increase the workforce through the first several years of service. The sales and marketing team will be responsible for customer outreach and engagement, building awareness, and adding customers to the HUB network.

The sales and marketing team will focus on both commercial and residential customers, supporting marketing efforts, and ensuring customers are educated on their purchases and building lasting relationships. The team will use a combination of phone, digital, print, and personal outreach to promote residential and business packages.

The sales and marketing team will follow up on leads generated by marketing campaigns and assist customers with service agreements. They will coordinate with construction team leads to have a detailed understanding of where new customers are being added, focusing their direct outreach in those areas.

### General and Administrative

HUB's Fiber Division will participate in the allocation of shared expenditures for general and administrative services including accounting, information services, and human resources. The fiber system's proportional share will be derived from customer count annually until year five where net assets and revenue from sales will also be a component of the allocation of shared expenses. Shown below in Exhibit Seventeen are the projected proportional share of allocated expenditures for the Fiber Division by fiscal year.

The Fiber Division will also incur direct expenses to operate the system including installation of services inside the premise, customer operations, and sales. Reflected in the Fiber Division's direct expenses are salaries and benefits for approximately 11 full-time employees at full build out in FY28. Shown below in Exhibit Sixteen is the projected annual operation and maintenance expenditures for the fiber system by fiscal year (excluding cost of services for television and phone).

### **Network Construction**

HUB anticipates more than 363 miles of fiber to be constructed by the Electric Division over the three-year build out period. Most of the build will be aerial (80%) with a remainder being underground. Aerial construction costs include make ready and pole replacement expenditures for a small portion of the electric system. Capital investment for service installation will lag the build out of the fiber backbone in year one of the project.

### **Funding Proposal**

The Fiber Division will invest \$3.465 million over the three year build out period on communication equipment to enable fiber to home services.

The Fiber Division will incur approximately \$24.4 million in operating expenses over a 10 year period. Included in the operating expenses for the fiber system are access fee and electric distribution system utilization fees to the electric system annually that reflects its portion of depreciation, cost of capital, taxes, and distribution system maintenance. The fiber system will also contribute its proportional share of organizational shared expenses along with HUB's other divisions.

Franchise, excise, sales, and local privilege taxes will be paid by the Fiber Division similar to other providers of broadband services. HUB plans to directly flow through the cost for those taxes to the customer.

The Electric Division will provide \$6.65 million in loans to the Fiber Division over the first two years to fund capital and operational expenses with anticipated re-payment by full build out in year eight.

HUB's Fiber Division projected revenue is based on a 40% take rate for eligible electric system customers with all areas reached by the end of year three. Combined projected customers by product service is shown below by fiscal year:

### **Exhibit Twelve - Take Rates and Revenue Summary:**

	<b>One</b>	<b>Two</b>	<b>Three</b>	<b>Four</b>	<b>Five</b>
	<b>6/30/2025</b>	<b>6/30/2026</b>	<b>6/30/2027</b>	<b>6/30/2028</b>	<b>6/30/2029</b>
Internet Plan One - Res 200 M	93	495	735	827	828
Internet Plan Two - Res 1 Gbps	128	682	1013	1,138	1,138
Internet Plan Three - Res Multi Gig	70	371	553	620	621
Internet Plan One - Bus Lite	23	122	182	204	204
Internet Plan Two - Bus Pro	11	61	90	102	102
Internet Plan Three - Bus Enterprise	4	20	30	34	34
Voice Plan - Res	44	232	345	388	388
Voice Plan - Bus	115	610	908	1,020	1,020

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The associated projected revenue from sales for the Fiber Division is reflected below:

Revenue By Type	One		Two		Three		Four		Five	
Internet Plan One - Res 200 M	\$	30,702	\$	326,398	\$	485,776	\$	555,749	\$	585,547
Internet Plan Two - Res 1 Gbps	\$	61,422	\$	652,981	\$	971,828	\$	1,105,599	\$	1,132,915
Internet Plan Three - Res Multi Gig	\$	41,486	\$	441,038	\$	656,394	\$	743,109	\$	752,421
Internet Plan One - Bus Lite	\$	13,767	\$	146,358	\$	217,823	\$	249,643	\$	247,316
Internet Plan Two - Bus Pro	\$	13,770	\$	146,394	\$	217,878	\$	247,255	\$	247,255
Internet Plan Three - Bus Enterprise	\$	9,181	\$	97,608	\$	145,270	\$	164,041	\$	164,041
Voice Plan - Res	\$	6,535	\$	69,469	\$	103,390	\$	120,825	\$	116,169
Voice Plan - Bus	\$	20,626	\$	219,280	\$	326,354	\$	366,690	\$	366,690
Managed Wifi	\$	-	\$	-	\$	-	\$	-	\$	-
<b>Total Revenue</b>	<b>\$</b>	<b>197,489</b>	<b>\$</b>	<b>2,099,527</b>	<b>\$</b>	<b>3,124,714</b>	<b>\$</b>	<b>3,552,910</b>	<b>\$</b>	<b>3,612,355</b>

### Use of Proceeds

The Fiber Division will use the \$6.65 million loan proceeds to fund the purchase of capitalized communication equipment, direct and shared operating expenses, taxes, and access and electric distribution system utilization fees to the Electric Division. The Fiber Division will pay monthly interest to the Electric Division estimated at \$1.17 million over the life of the loan, which will be repaid by in full over 84 months. The first principal payment will begin in Year 1 of the project and end in Year 8. An interest rate of 7.0%.

### Loan Payback Schedule

Projected net income and cash position indicates that the Fiber Division will become cash solvent by year three and will re-pay the loans to the Electric Division in year eight 84 months after first payment mid-year of Year 1.

### Exhibit Thirteen - Principal by Year

Year 1 - \$375k  
Year 2 - \$791k  
Year 3 - \$847k  
Year 4 - \$909k  
Year 5 - \$974k  
Year 6 - \$1.1 Million  
Year 7 - \$1.1 Million  
Year 8 - \$590k

## Exhibit 14 - Fiber Division Forecast.

## Broadband Division

Retail Internet Service Provider for:

HUB

## Forecasted Statement of Cash Flow

	One 6/30/2025	Two 6/30/2026	Three 6/30/2027	Four 6/29/2028	Five 6/29/2029	Six 6/29/2030	Seven 6/29/2031	Eight 6/28/2032	Nine 6/28/2033	Ten 6/28/2034
<b>Beginning Cash</b>	\$ -	\$ 2,743,693	\$ 1,578,019	\$ 1,527,672	\$ 1,967,370	\$ 2,434,774	\$ 2,901,506	\$ 3,221,792	\$ 3,875,508	\$ 4,449,090
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>										
Net Income (Loss)	(1,022,839)	(455,227)	349,538	728,362	1,072,387	1,142,197	1,228,178	1,047,760	704,280	32,955
Adjustments to Reconcile Net Income (Loss) to Net Cash From Operating Activities:										
Add: Depreciation	275,383	669,453	725,305	620,601	370,014	370,014	396,164	379,519	52,301	78,452
<b>Net Cash From Operating Activities</b>	(747,455)	214,225	1,074,844	1,348,962	1,442,400	1,512,211	1,624,342	1,427,279	756,582	111,407
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>										
Paid In Capital	-	-	-	-	-	-	-	-	-	-
Proceeds from Loan from HUB	6,655,299	-	-	-	-	-	-	-	-	-
Repayments of Loan	(375,177)	(790,799)	(847,966)	(909,265)	(974,996)	(1,045,479)	(1,121,056)	(590,562)	0	-
<b>Net Cash From Financing Activities</b>	6,280,122	(790,799)	(847,966)	(909,265)	(974,996)	(1,045,479)	(1,121,056)	(590,562)	0	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>										
Capital Expenditures	(2,788,974)	(589,101)	(277,224)	-	-	-	(183,000)	(183,000)	(183,000)	(183,000)
<b>Net Cash From Investing Activities</b>	(2,788,974)	(589,101)	(277,224)	-	-	-	(183,000)	(183,000)	(183,000)	(183,000)
<b>Increase (Decrease) in Cash</b>	\$ 2,743,693	\$ (1,165,674)	\$ (50,346)	\$ 439,697	\$ 467,404	\$ 466,732	\$ 320,286	\$ 653,717	\$ 573,582	\$ (71,593)
<b>Ending Cash</b>	\$ 2,743,693	\$ 1,578,019	\$ 1,527,672	\$ 1,967,370	\$ 2,434,774	\$ 2,901,506	\$ 3,221,792	\$ 3,875,508	\$ 4,449,090	\$ 4,377,497

**CONFIDENTIAL PRIVILEGED**

**Revenue By Service**

	<b>One</b>	<b>Two</b>	<b>Three</b>	<b>Four</b>	<b>Five</b>	<b>Six</b>	<b>Seven</b>	<b>Eight</b>	<b>Nine</b>	<b>Ten</b>
Internet Plan One - Res 200 M	\$ 30,702	\$ 326,398	\$ 485,776	\$ 555,749	\$ 585,547	\$ 585,547	\$ 585,547	\$ 615,346	\$ 615,346	\$ 655,078
Internet Plan Two - Res 1 Gbps	61,422	652,981	971,828	1,105,599	1,132,915	1,132,915	1,160,231	1,187,546	1,187,546	1,214,862
Internet Plan Three - Res Multi Gig	41,486	441,038	656,394	743,109	752,421	752,421	782,220	782,220	782,220	797,119
Internet Plan One - Bus Lite	13,767	146,358	217,823	249,643	247,316	247,316	257,111	257,111	257,111	262,009
Internet Plan Two - Bus Pro	13,770	146,394	217,878	247,255	247,255	247,255	252,153	252,153	252,153	254,601
Internet Plan Three - Bus Enterprise	9,181	97,608	145,270	164,041	164,041	164,041	165,673	165,673	165,673	166,490
Voice Plan - Res	6,535	69,469	103,390	120,825	116,169	120,825	120,825	120,825	139,449	139,449
Voice Plan - Bus	20,626	219,280	326,354	366,690	366,690	391,176	391,176	391,176	391,176	427,906
<b>TOTAL REVENUE</b>	<b>\$ 197,489</b>	<b>\$ 2,099,527</b>	<b>\$ 3,124,714</b>	<b>\$ 3,552,910</b>	<b>\$ 3,612,355</b>	<b>\$ 3,641,498</b>	<b>\$ 3,714,937</b>	<b>\$ 3,772,051</b>	<b>\$ 3,790,675</b>	<b>\$ 3,917,515</b>

**Broadband Division**  
**Retail Internet Service Provider for:**  
**HUB**  
**Forecasted Balance Sheet**

	One 6/30/2025	Two 6/30/2026	Three 6/30/2027	Four 6/29/2028	Five 6/29/2029	Six 6/29/2030	Seven 6/29/2031	Eight 6/28/2032	Nine 6/28/2033	Ten 6/28/2034
<b>ASSETS</b>										
Cash	\$ 2,743,693	\$ 1,578,019	\$ 1,527,672	\$ 1,967,370	\$ 2,434,774	\$ 2,901,506	\$ 3,221,792	\$ 3,875,508	\$ 4,449,090	\$ 4,377,497
<b>Total Current Assets</b>	2,743,693	1,578,019	1,527,672	1,967,370	2,434,774	2,901,506	3,221,792	3,875,508	4,449,090	4,377,497
Plant In Service - Electronics and GSA	2,788,974	3,378,075	3,655,299	3,655,299	3,655,299	3,655,299	3,838,299	4,021,299	4,204,299	4,387,299
Accumulated Depreciation	(275,383)	(944,836)	(1,670,141)	(2,290,742)	(2,660,755)	(3,030,769)	(3,426,933)	(3,806,451)	(3,858,753)	(3,937,205)
Net Plant in Service	2,513,591	2,433,239	1,985,158	1,364,557	994,544	624,530	411,366	214,848	345,546	450,094
<b>Total Assets</b>	<b>\$ 5,257,284</b>	<b>\$ 4,011,258</b>	<b>\$ 3,512,831</b>	<b>\$ 3,331,927</b>	<b>\$ 3,429,318</b>	<b>\$ 3,526,036</b>	<b>\$ 3,633,158</b>	<b>\$ 4,090,356</b>	<b>\$ 4,794,636</b>	<b>\$ 4,827,591</b>
<b>LIABILITIES</b>										
Interdivisional Loan	6,280,122	5,489,324	4,641,358	3,732,093	2,757,097	1,711,618	590,562	(0)	-	-
<b>Total Liabilities</b>	6,280,122	5,489,324	4,641,358	3,732,093	2,757,097	1,711,618	590,562	(0)	-	-
<b>EQUITY</b>										
Paid In Capital	-	-	-	-	-	-	-	-	-	-
Retained Earnings	(1,022,839)	(1,478,066)	(1,128,528)	(400,166)	672,221	1,814,418	3,042,596	4,090,356	4,794,636	4,827,591
<b>Total Equity</b>	<b>(1,022,839)</b>	<b>(1,478,066)</b>	<b>(1,128,528)</b>	<b>(400,166)</b>	<b>672,221</b>	<b>1,814,418</b>	<b>3,042,596</b>	<b>4,090,356</b>	<b>4,794,636</b>	<b>4,827,591</b>
<b>Total Liabilities and Equity</b>	<b>\$ 5,257,284</b>	<b>\$ 4,011,258</b>	<b>\$ 3,512,831</b>	<b>\$ 3,331,927</b>	<b>\$ 3,429,318</b>	<b>\$ 3,526,036</b>	<b>\$ 3,633,158</b>	<b>\$ 4,090,356</b>	<b>\$ 4,794,636</b>	<b>\$ 4,827,591</b>



**ACCESS FEE**

	6/30/2025	6/30/2026	6/30/2027	6/29/2028	6/29/2029	6/29/2030	6/29/2031	6/28/2032	6/28/2033	6/28/2034
PILOTs Services and Fees	\$ -	\$ 40,000	\$ 45,000	\$ 46,500	\$ 52,500	\$ 55,750	\$ 75,000	\$ 85,500	\$ 87,500	\$ 90,250
Access Fee - Broadband	\$ 71,875	\$ 266,368	\$ 304,705	\$ 311,693	\$ 319,258	\$ 327,444	\$ 336,301	\$ 338,911	\$ 421,553	\$ 421,448
Joint Asset Fee	\$ 74,792	\$ 74,792	\$ 74,792	\$ 74,792	\$ 76,288	\$ 77,814	\$ 79,370	\$ 80,958	\$ 82,577	\$ 84,228
Total	\$ 146,668	\$ 381,161	\$ 424,497	\$ 432,985	\$ 448,046	\$ 461,008	\$ 490,672	\$ 505,368	\$ 591,630	\$ 595,926

**UTILIZATION FEE**

Pole Rental	\$ -	\$ 150,032	\$ 233,967	\$ 261,180	\$ 263,792	\$ 266,430	\$ 269,094	\$ 271,785	\$ 274,503	\$ 277,248
Utilization Share Fee	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 300,000	\$ 1,000,000	\$ 1,750,000
Total	\$ -	\$ 150,032	\$ 233,967	\$ 261,180	\$ 263,792	\$ 266,430	\$ 269,094	\$ 571,785	\$ 1,274,503	\$ 2,027,248
Grand Total	\$ 146,668	\$ 531,193	\$ 658,465	\$ 694,165	\$ 711,838	\$ 727,438	\$ 759,766	\$ 1,077,153	\$ 1,866,133	\$ 2,623,174

### **Conclusion**

HUB's proposed Fiber Division is projected to serve more than 7,317 customers while passing more than 6,467 homes and 850 businesses with internet and voice services across a two-county area in Harriman, Tennessee. Full deployment is projected to be complete within five years with a complete repayment of interdivisional debt by year eight. HUB forecasts a 40% market share.

Benefits to HUB's electric system from the investment in fiber across its distribution system include enhanced fault location, improved reliability of services, and optimal position for automated metering.

HUB is committed to serving the community and its customers with fiber optic technology that will enhance the operation and reliability of its electric service and make Gigabit-speed internet and broadband services available to all of its qualifying electric customers.

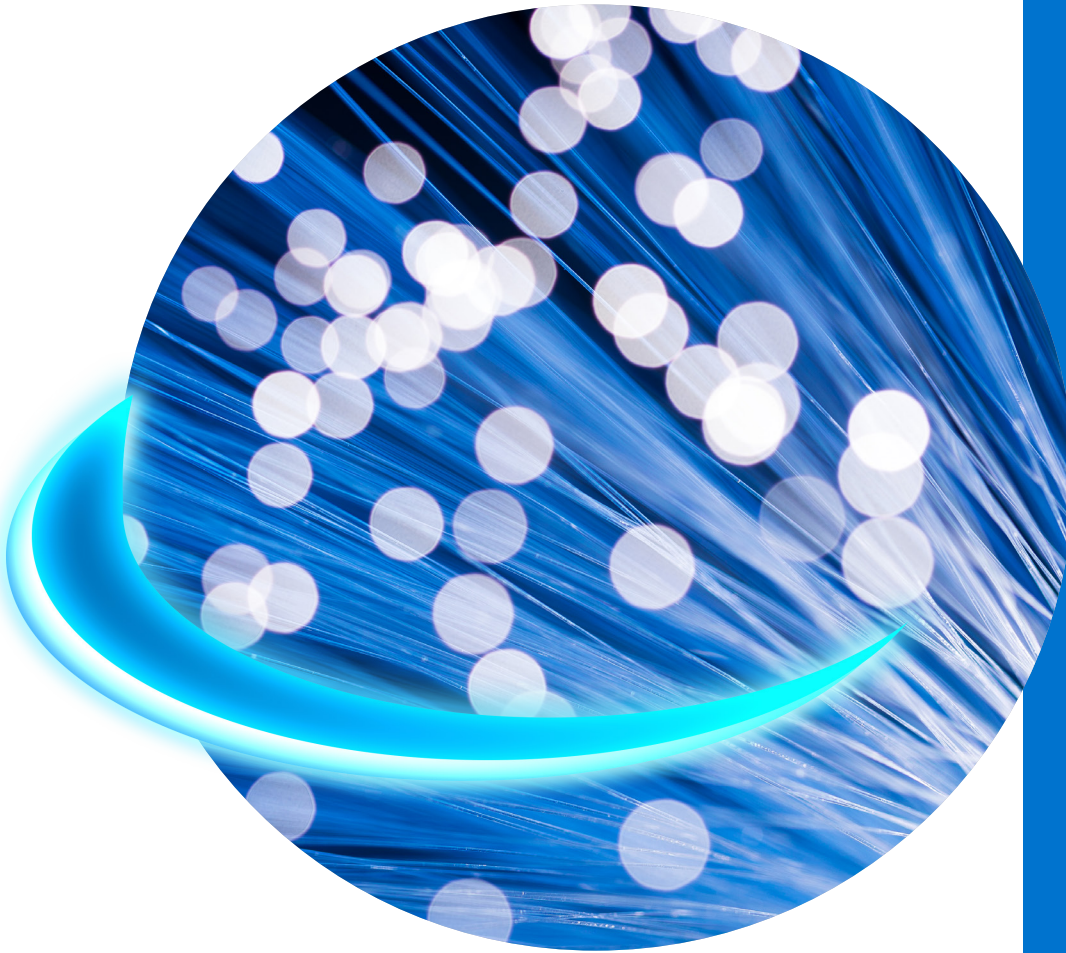
### **Appendices**

Appendix A - Purchase Intent Study Report

Appendix B - Resolution 1433 - Approval to Submit Business Plan

Appendix C - FY 2023 Consolidated Audited Financial Statements

Appendix D - Loan Amortization Schedule



# HUB

Harriman Utility Board

**SURVEY LOCATION:**

Roane County, TN

**CUSTOMERS SERVED:**

12,136 approximately

**COMPLETED SURVEYS:**

400

**CONFIDENCE LEVEL:**

95% with +/- 4.1% margin of error

**DATE PREPARED:**

Revised August 11, 2023

**DATE SURVEY FIELDLED:**

June 2023

**PREPARED BY:**

EPB Broadband Solutions &  
The Johnson Group

**CONTACTS:**

Sandra Tilley  
tilleysc@epb.net

Bill Stiles  
bstiles@johnngroup.com

Brand Awareness & Purchase Intent Study



Broadband Solutions

In June 2023, EPB Broadband Solutions and The Johnson Group conducted research among residential and business customers of Harriman Utility Board (HUB) to evaluate the company’s opportunities for high-speed fiber optic internet, television, and related services within its market area.

The final research sample included 400 HUB customers who were contacted online through email and social media, managed by an independent data collection company located in Chattanooga, Tennessee. The profile of those participating in the research matches or approximates the Harriman service area for age, race, and income levels. All participants were from Roane County, Tennessee.

Respondents could come from business customers or residential customers, but almost all participants, 98% of them, were from the residential side of HUB’s customer base. Only 2% — seven people — were business customers.

This report is based exclusively on consumer questionnaires collected through the research and does not reflect any other research, data or input from HUB or any other sources.

Collection Source:	
Email/Online	100%

Based on the number of households in the HUB market area, a randomly collected sample of 400 yields a confidence interval (margin of error) of +/- 4.1% at the 95% confidence level. A profile of participants is provided beginning on page 60.

All graphs and percentages may not add to 100% due to:

- 1. Exclusion of “no/none,” “don’t know/NA,” “not applicable,” and “other” or “refused” answers.
- 2. Rounding percentages.
- 3. More than one answer being an option.
- 4. If a graph includes only certain parts of a scale (i.e. only showing very interested or somewhat interested, but there are other parts of the scale which contribute to the 100%).

## SURVEY DEMOGRAPHICS

Gender	Census Count
Male	50%
Female	50%

Age Group	Census Count
18-34	16%
35-44	21%
45-54	21%
55-64	19%
65 & Over	23%

Children at Home	Census Count
No	61%
Yes	39%

Education Level	Census Count
Less than high school	1%
High school diploma	20%
Technical college degree/Some college	32%
College degree	33%
Post-graduate/Professional degree	14%

Residence Type	Census Count
Own a home	88%
Rent	9%

Income	Census Count
Less than \$25,000	9%
\$25,000 to \$49,999	19%
\$50,000 to \$74,999	22%
\$75,000 to \$99,999	18%
\$100,000 and Higher	30%

## Overview



Broadband Solutions

## SURVEY DEMOGRAPHICS

Race/Ethnicity	Census Count
White, Non-Hispanic	95%
Black or African American	2%
Hispanic or Latino	1%
All Others/Refused	2%

Working From Home Status	Overall	Under 65 Only
No, not working from home	60%	51%
Yes, some of the time	24%	29%
Yes, all of the time	17%	20%

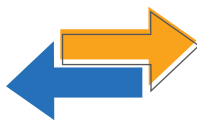
## Overview

The following statistics and quotes are from our survey results and highlight some of the key findings.



86%

Reported they were very interested in having Fiber Optic high-speed internet that does not lag or buffer.



79%

Said they were interested in switching. Another 18% are somewhat interested.

5.7

Out of 10, 5.7 indicated they were unsatisfied with their current service provider.

\$\$\$  
\$95.00

48% of the market reported they spend \$95.00 or more a month, with the average spend overall being \$81.00.



57%

Of the market leader, Comcast/Xfinity, expressed negativity for their internet service.

8.2

HUB has a high customer satisfaction rating at 8.2 with a Net Promoter Score (NPS) of 30.

## Major Observations



Broadband Solutions

Based on responses to the research, consumers in the Roane County area seem highly interested in high-speed broadband and related services from Harriman Utility Board. Here are some of the major findings to watch for in this report:

- 86% of HUB customers said they are very interested in having fiber optic, high-speed internet that does not lag or buffer. After reading a description of the capabilities of fiber-optic broadband internet, 79% said they are very interested in switching to such a service. Another 18% said they are somewhat interested in switching.
- One reason for the high interest in fiber optic, high-speed internet is the overall dissatisfaction the consumers have with their current providers. Using a 10-point scale to measure satisfaction, consumers assessed their internet services at a lackluster 5.7. A majority (57%) of the market leader, Comcast/Xfinity, customer's, feel negatively about their home internet services. The primary complaints are about high expense and low value. Additionally, other large sources of dissatisfaction include reliability issues (40%), slow internet speeds (29%), and customer service (29%).
- Very few in the HUB market area have gig-speed internet, only 6%. There is significant interest in it, though not as keen as interest in fiber optic high-speed broadband in general. The results suggest a low level of awareness of gig-speed and its potential.
- Consumers are far more satisfied with the current services of HUB. The utility scored 8.2 for consumer satisfaction from all customers and earned a net promoter score (NPS) of 30.
- Average spend for home internet among all HUB customers is approximately \$81 per month. 48% of the market spends more than \$95.00 monthly for internet, most of those being Comcast/Xfinity customers (54%).

## Major Observations



Broadband Solutions



- Streaming content to devices or to smart TVs is the most popular use for home internet among HUB customers. 78% are streaming to devices either every day, or frequently — at least several times a week. And, more than half of all HUB customers (55%) have more than five internet connected devices at home with a quarter of them (24%) with more than 10.
- 39% of respondents report having traditional cable or satellite TV, most of them buying from Comcast/Xfinity. 61% do not have a traditional paid television service at the present time. This tracks with the number of customers who are streaming content.
- Cord cutting, meaning streaming all TV content versus buying it through a traditional cable company, generates high interest. 48% said they are very interested and another 36% said they are at least somewhat interested in streaming all their content.
- While interest in streaming and cord cutting is high, 65% of traditional cable users said they are very interested in buying state-of-the-art TV from HUB as part of a high-speed broadband package. Another 33% are somewhat interested.
- If you look at only those with traditional TV among those with Comcast/Xfinity TV, for example, 73% are very interested and 24% are somewhat interested. Interest among AT&T customers is higher still. This increased interest most likely stems from the low or indifferent customer satisfaction ratings these consumers have with their current TV providers.
- Half (50%) of consumers with cable or satellite TV are not under a contract. Most of those with a contract are with Comcast/Xfinity. At least 47% of those contracts will expire within the next 12 months.

## Major Observations



Broadband Solutions

# Research Report

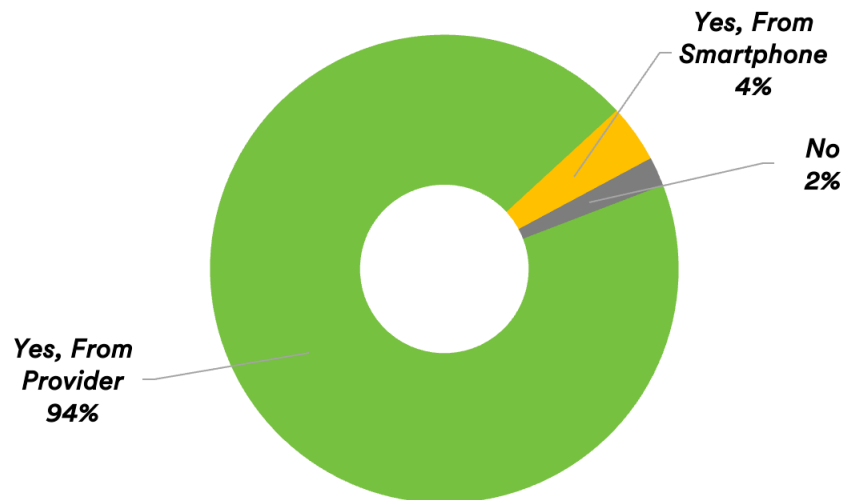
## INTERNET ACCESS

Almost everyone in the research, 98% of all respondents, have internet services of some type in their homes. For 4% of them, internet access comes through their smartphones only. Those most likely to not have internet from a provider tend to be lower income, earning less than \$25,000 annually. Even among that group, however, 86% purchase internet from some company, most likely Comcast/Xfinity.

Among those earning more than \$75,000 annually, 96% purchase internet from Comcast or another provider.

Those most likely to purchase internet from a provider are between age 55 and 64, where the purchase rate reaches 97%. The rate is 96% for those over 65.

**Do you have Internet Services in Your Residence?**



Households with children tend to buy home internet at high levels. In the Harriman area, among those with children at home, 94% have internet from a provider and 5% rely on a smartphone.

# Research Report

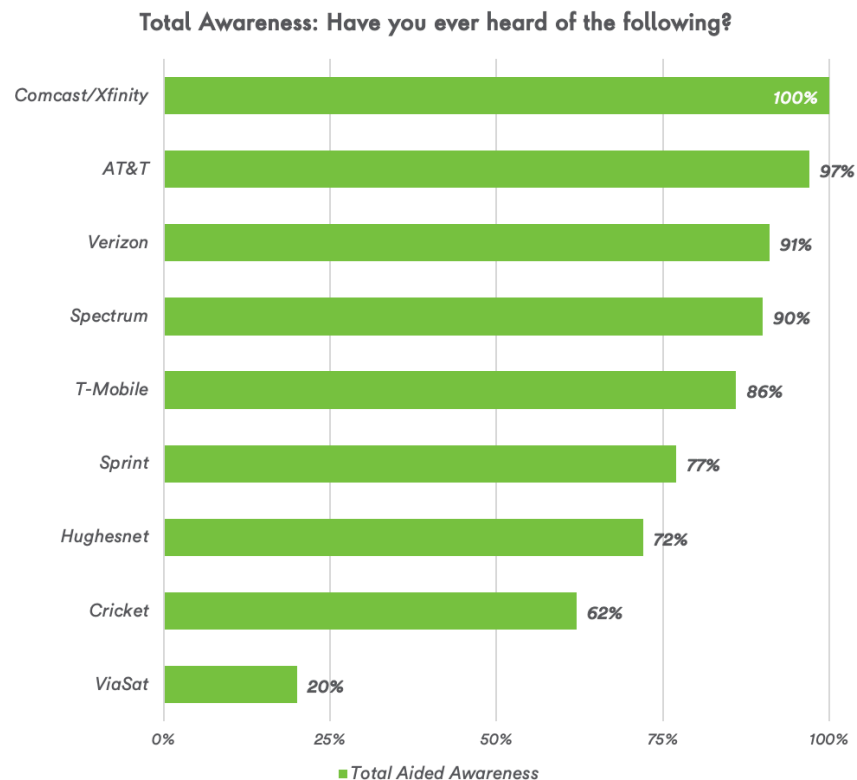
## COMPETITOR AWARENESS AND CUSTOMER SHARE

To measure top-of-mind awareness among internet competitors, the research asked HUB customers to name the first internet provider that comes to mind. It is clear that Comcast/Xfinity is the top-of-mind brand by far. As illustrated in the chart below, 81% of HUB customers named Comcast/Xfinity top of mind.

AT&T is the second best-known internet provider, but it is way behind in the market area at only 9%. Three percent (3%) said T-Mobile's name first. Combined, all wireless companies named top-of-mind by Harriman consumers totaled 12% of responses.

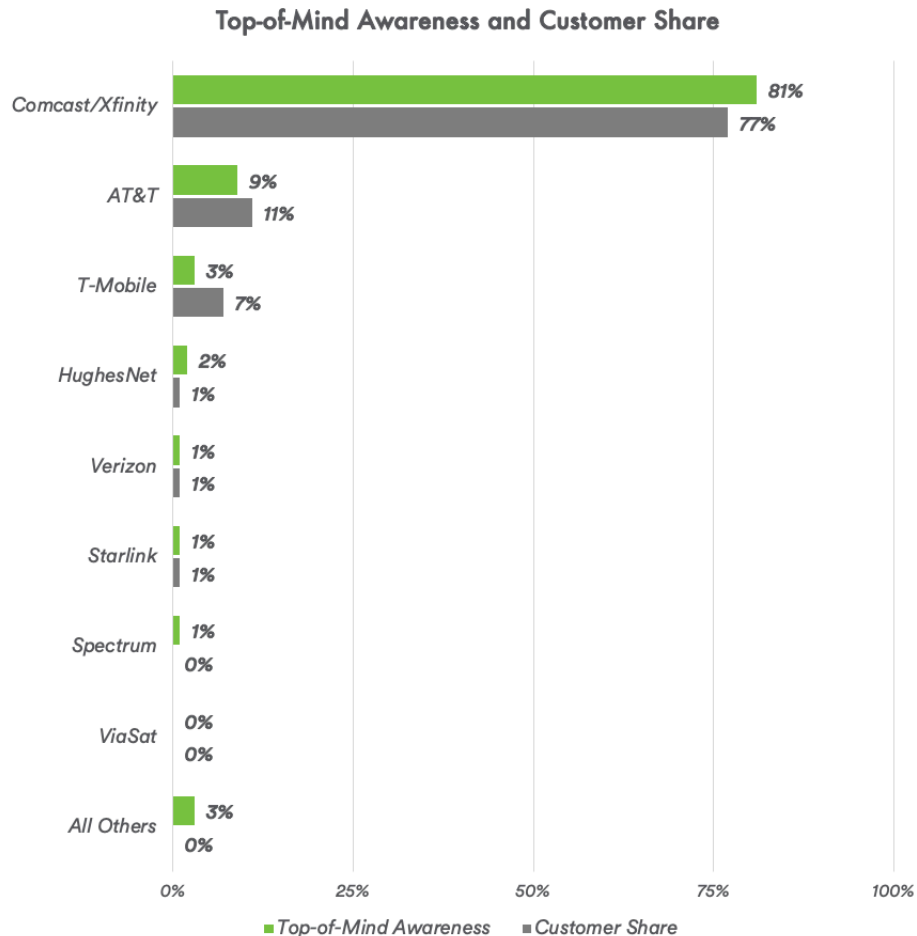
Total unaided awareness of Comcast/Xfinity (all mentions as opposed to only top-of-mind) is 92% in Harriman. As can be seen in the chart below, aided awareness for Comcast is 100%. Aided awareness is simply the share of customers who said, yes, they have heard of a particular provider name.

Total unaided awareness of AT&T was 40% and aided awareness reached 97%.



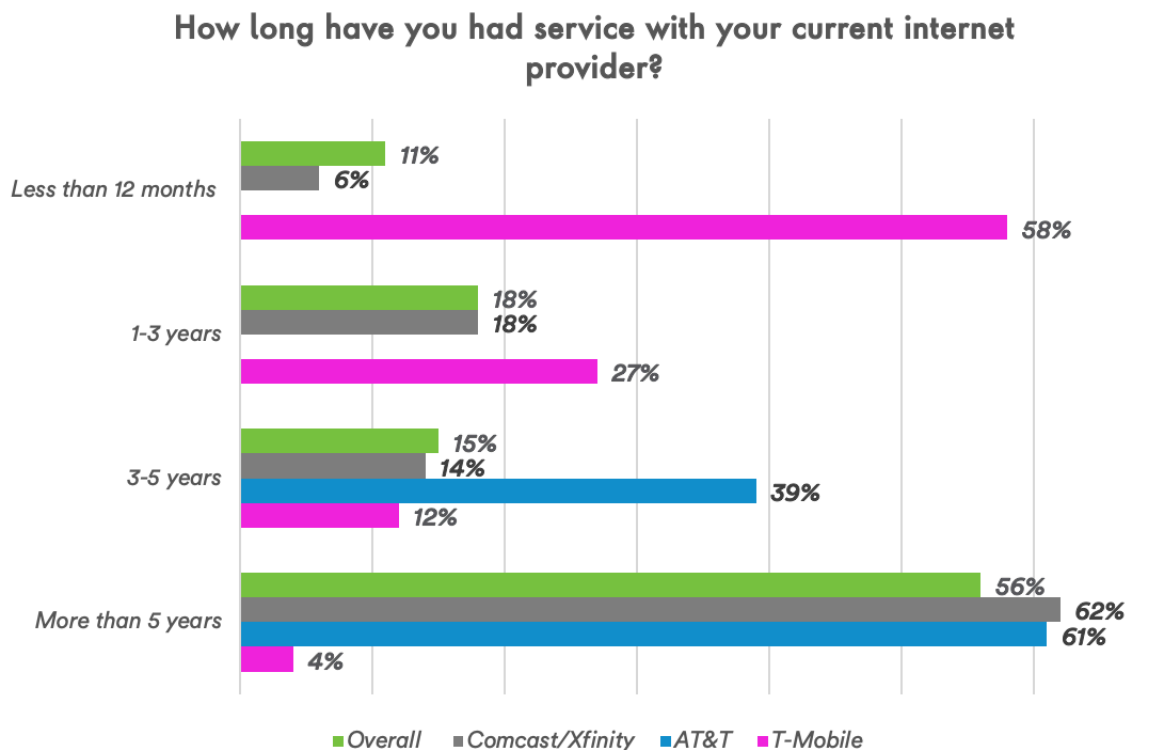
# Research Report

Brand awareness is typically a reflection of use, either currently or in the recent past. When asked what internet provider they actually use at home, HUB customers named the same major brands at pretty much the same levels and same order as top-of-mind awareness. For example, as shown below, 81% of consumers named Comcast/Xfinity top of mind and 77% said they use that provider.



Most Comcast/Xfinity and AT&T internet customers in Roane County have had their internet service at least five years. However, the following chart suggests that T-Mobile is having some success reaching Roane County consumers within the past year. Of the 26 consumers who said they use T-Mobile, 15 of them purchased it within the past year.

# Research Report



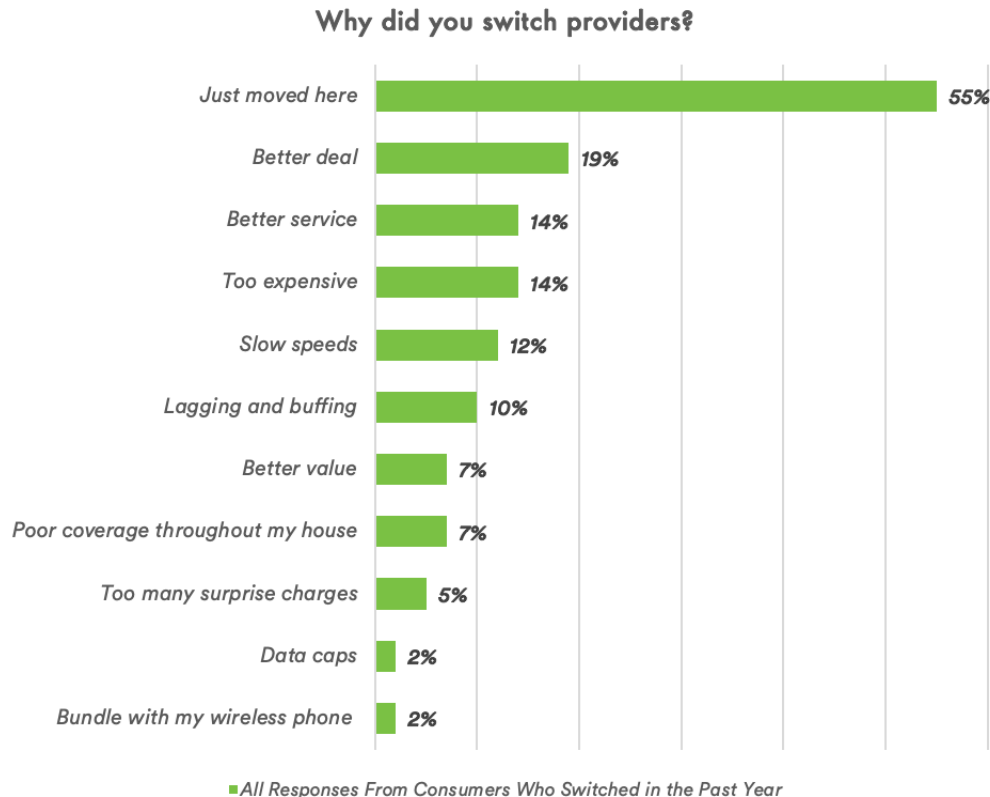
It is interesting that the research found no one who has purchased AT&T internet within the past three years. One possible scenario is that some HUB customers are switching from AT&T to T-Mobile, probably for wireless and internet.

A total of 42 HUB customers, about 10% of the sample, changed their internet provider in the past year. The primary reason for the change was relocation (55%), however consumers were also interested in saving money or getting better value. Those who moved to T-Mobile were mostly motivated by saving money.

It is not all about the money, however. The quality of service and issues with speeds and buffering were also important. Those who moved away from Comcast/Xfinity were more motivated by these issues.

Note that in the following chart, consumers could provide more than one reason for their switch in providers.

# Research Report



## SATISFACTION WITH CURRENT INTERNET PROVIDERS

HUB customers with home internet were asked to rate their satisfaction with their current services using a 10-point scale. The higher the number, the better the rating. Ratings of 9 and 10 are considered positives, while scores of 6 or below are considered negatives. Scores of 7 to 8 are indicators of consumer indifference.

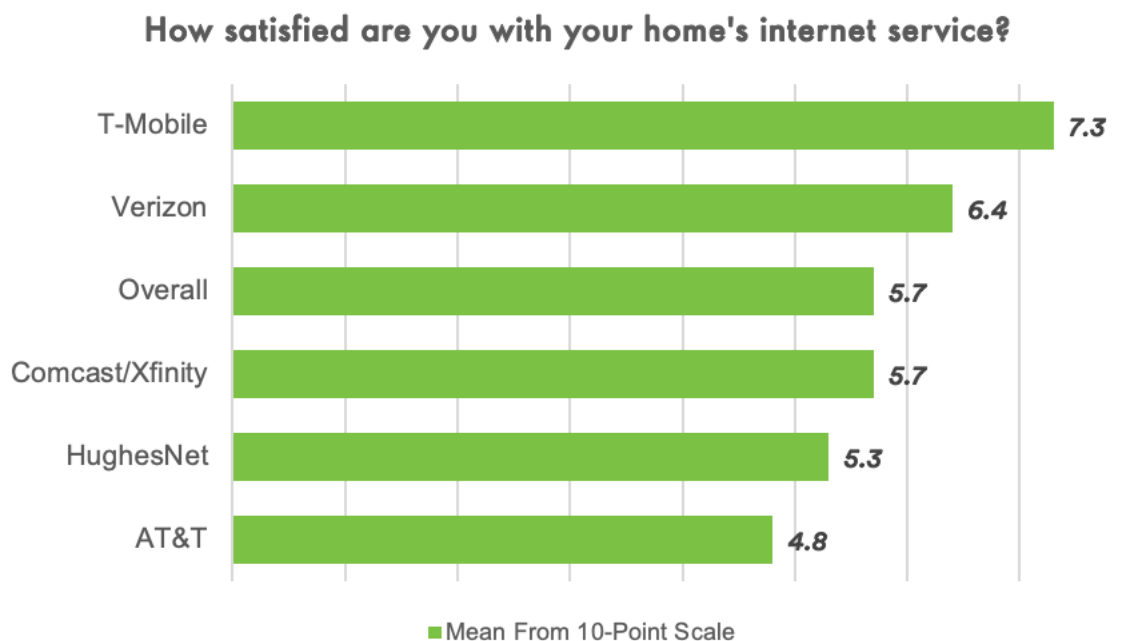
The ratings champ is T-Mobile at 7.3 on the 10-point scale. The new customers of T-Mobile seem happy with their decision so far, though, keep in mind, their numbers are small, but potentially growing.

Roane County consumers who use Comcast/Xfinity rate their services at a lackluster 5.7. Only 13% of Comcast/Xfinity customers indicated they are highly positive about their services by providing that 9 or 10 rating. The majority, 57% of Comcast/Xfinity customers, feel negatively about their home internet services.

# Research Report

AT&T customers provide the lowest ratings, an insight into why the brand does not seem to be attracting new converts.

Overall, home internet customers in the Harriman area rated their satisfaction with all providers an average of 5.7, the same score as Comcast/Xfinity. This, of course, reflects Comcast's dominant market penetration, a customer base that is not very satisfied with what they have.



Satisfaction levels are consistently low across all age and income groups. The least satisfied consumers include those few who spend more than \$95 monthly for internet service (3.8), and those between the ages of 25 and 34 (5.0).

## REASONS FOR DISSATISFACTION

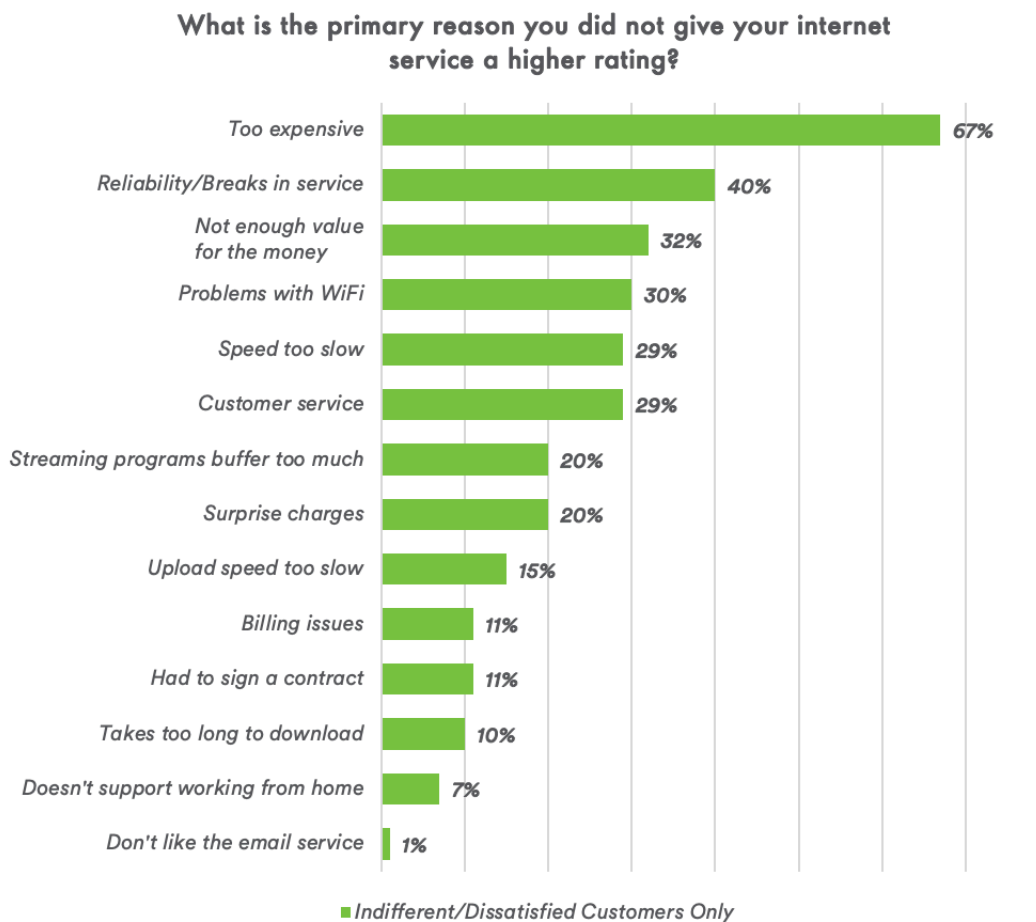
Those who rated their satisfaction with internet services at 7 or lower were asked what they do not like. The result is a long list of negatives, led by frustration with the expense of the service. Of the 269 consumers who rated their satisfaction as low, 67% of them cited expense as a reason why. Another 32% cited a lack of value and 20% said surprise charges.

# Research Report

Other large sources of dissatisfaction include reliability issues (40%), slow internet speeds (29%), and customer service (29%). The chart below displays the primary reasons HUB-area internet users are dissatisfied.

Participants were allowed to provide more than one reason for their dissatisfaction, so total responses exceed 100%.

Some issues are overlapping. If you add together those who reference expense, value, surprise charges and billing, total citations far exceed 100%. Those who are unhappy with speed, taking too long to download or upload, or buffering while streaming, and limited bandwidth also exceed 100%.





# Research Report

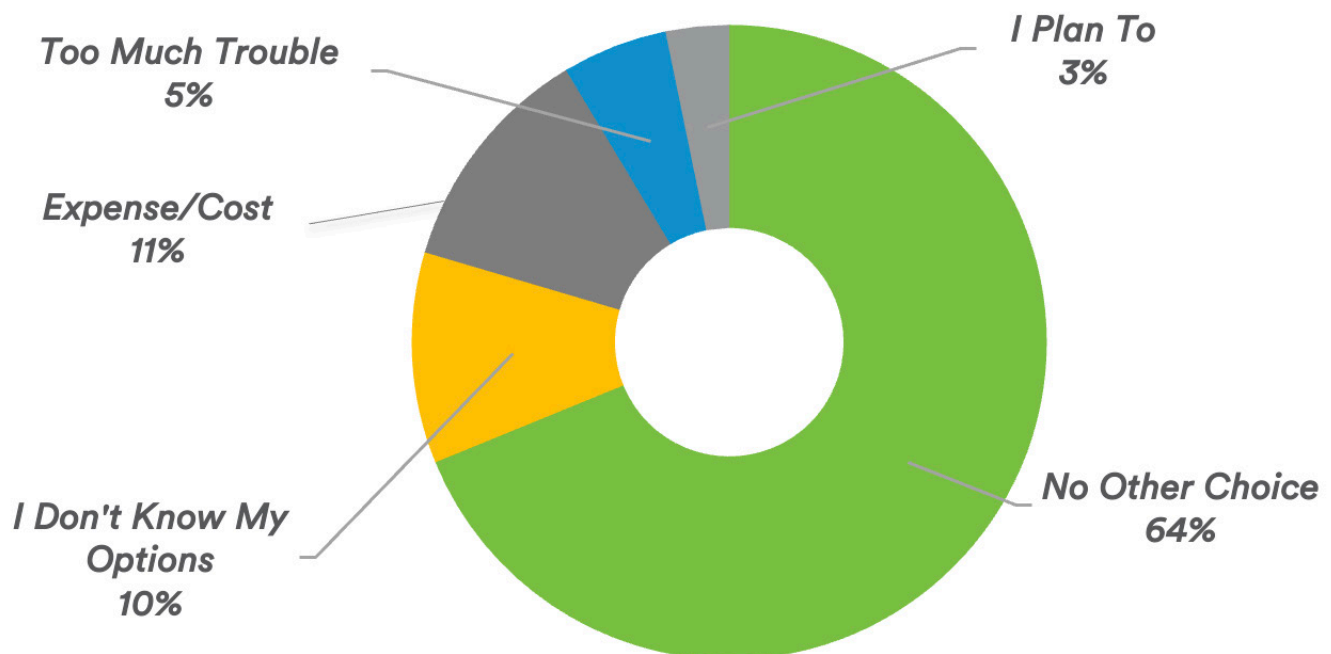
Most responses are from Comcast/Xfinity customers, so those results are similar to the overall findings. They dislike their service's expense and lack of value more than anything else. Seventy-nine percent said their Comcast/Xfinity service is too expensive and 33% said it offers too little value.

The few unhappy T-Mobile customers are more likely to complain about reliability and speed.

## WHY NOT SWITCH?

Those who rated their internet services at 6 or lower were asked why they do not switch. The most prominent reason is that they have no alternatives or do not know what their options might be. Only 3% said they are planning a switch already.

### Why have you not switched?



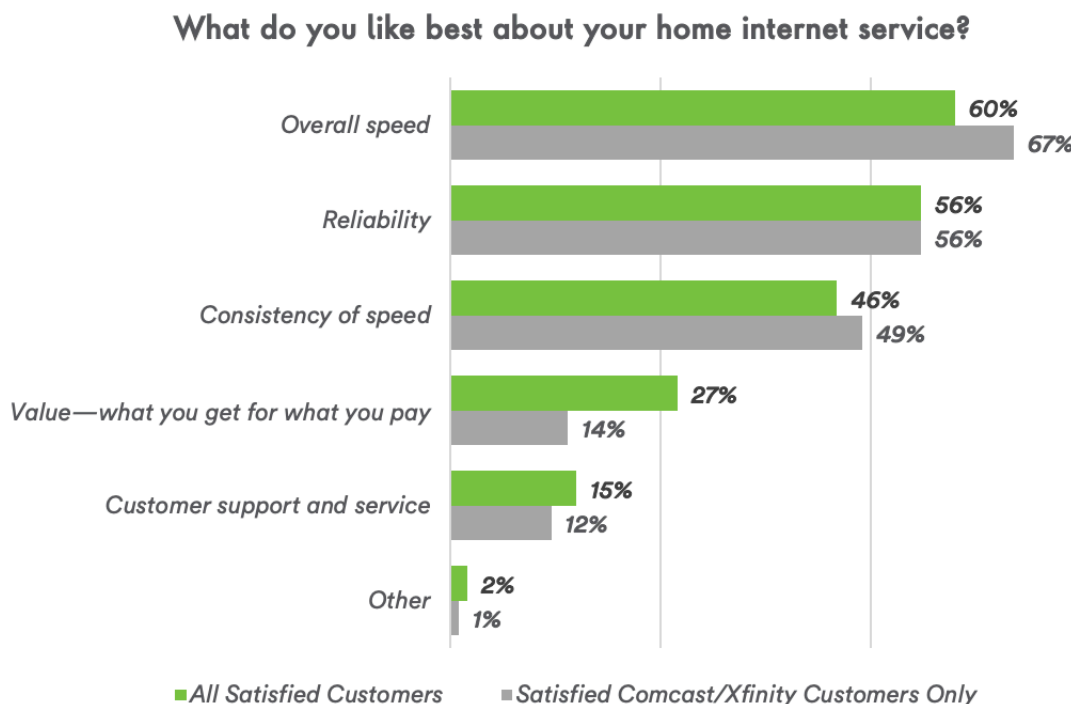
# Research Report

Feeling that there is no other choice is the primary response from Comcast/Xfinity customers, at 64%. Another 10% said they do not know their options.

## REASONS FOR SATISFACTION

About a third of Harriman-area internet users (31%) rate their services favorably. These consumers, most of them with Comcast of course, are far more likely to express satisfaction with their internet speed and reliability rather than price or value.

As can be seen in the following chart, sources of satisfaction are overall speed, reliability, and consistency of speed. The overall response is contrasted with the Comcast-only response, a comparison that best illustrates Comcast's strengths among happy customers.



# Research Report

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## SPENDING FOR INTERNET SERVICES

The research asked consumers how much they spend per month on home internet. Keep in mind that consumers often round off their responses and might include taxes in their answers.

As can be seen in the chart on the following page, 48% of respondents said they spend \$95 per month or more. Most of these are Comcast/Xfinity customers. In other markets surveyed by EPB Broadband Solutions, Comcast/Xfinity users tend to spend more than the community average, and that is true in Harriman.

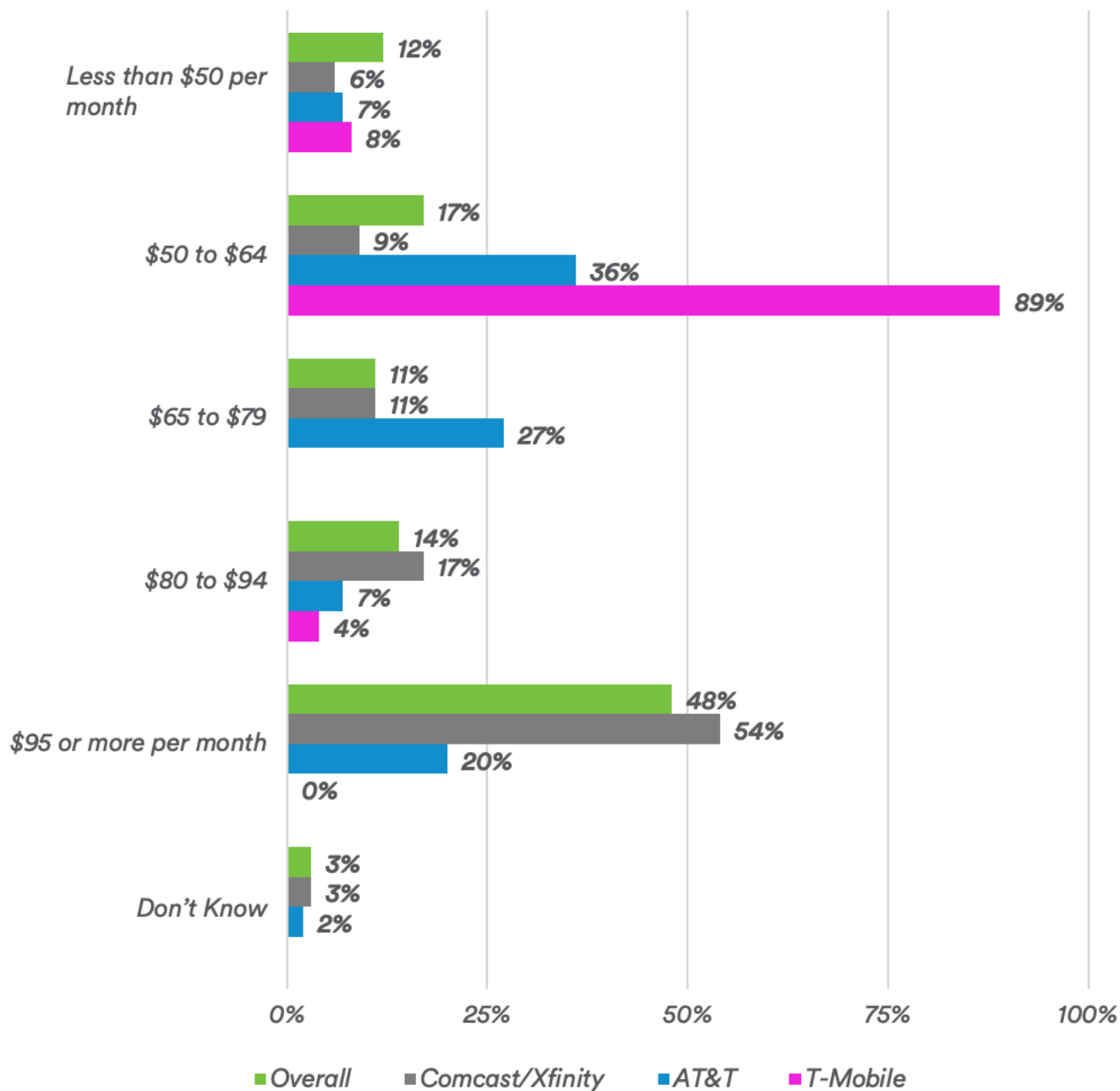
Remember that the sample sizes for competitors other than Comcast/Xfinity are small, so the monthly spend data on those brands should be viewed more as indicators of price rather than fact.

It seems clear that T-Mobile is the value leader, however. Even though there are only 26 T-Mobile users in the sample, 89% of them pay between \$50 and \$65 per month. Only 6% of Comcast users said they pay that little.

AT&T seems to be at the midpoint, with 63% of its users paying between \$50 and \$79 monthly. Data from Verizon customers (one person) or HughesNet (four people) is too sparse for comment.

# Research Report

## How much do you spend per month on home internet?



# Research Report

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Based on all responses, it appears the median spend among all HUB customers with home internet is approximately \$81 per month. This was calculated by casting out the few responses that seemed artificially low (\$20 or less) or high (\$130 or more), and then factoring total spend by the total number of customers in sample.

## CURRENT INTERNET STREAMING HABITS

### *Streaming to Devices*

Streaming content to devices or to smart TVs is the most popular use for home internet among HUB customers. A total of 66% stream to a computer, tablet or smartphone every day and another 12% stream to devices frequently, at least several times per week.

Frequent streaming to devices is most prevalent among those age 25-45, with 90% of that group streaming every day. Among adults 45 to 54, 73% stream every day. Among those 55 to 64, 52% stream every day. It is not until you reach age 65 and over that daily streaming totals less than a majority. Among older consumers, 32% stream daily and 16% stream frequently.

Daily use is also high among those with children at home, where 84% stream every day.

### *Streaming Videos, Movies or Shows from an App*

HUB customers stream from apps like Prime, Disney Plus and Hulu at equally high rates. Two-thirds, 67%, stream app content every day, and another 13% stream apps at least several times per week.

Like streaming in general, app use is most popular among those under age 45, where daily use registers 90%.

Older adults also use apps at significant levels. Among those age 55 to 64, 56% stream daily. Among those 65 and older, 39% are daily users.

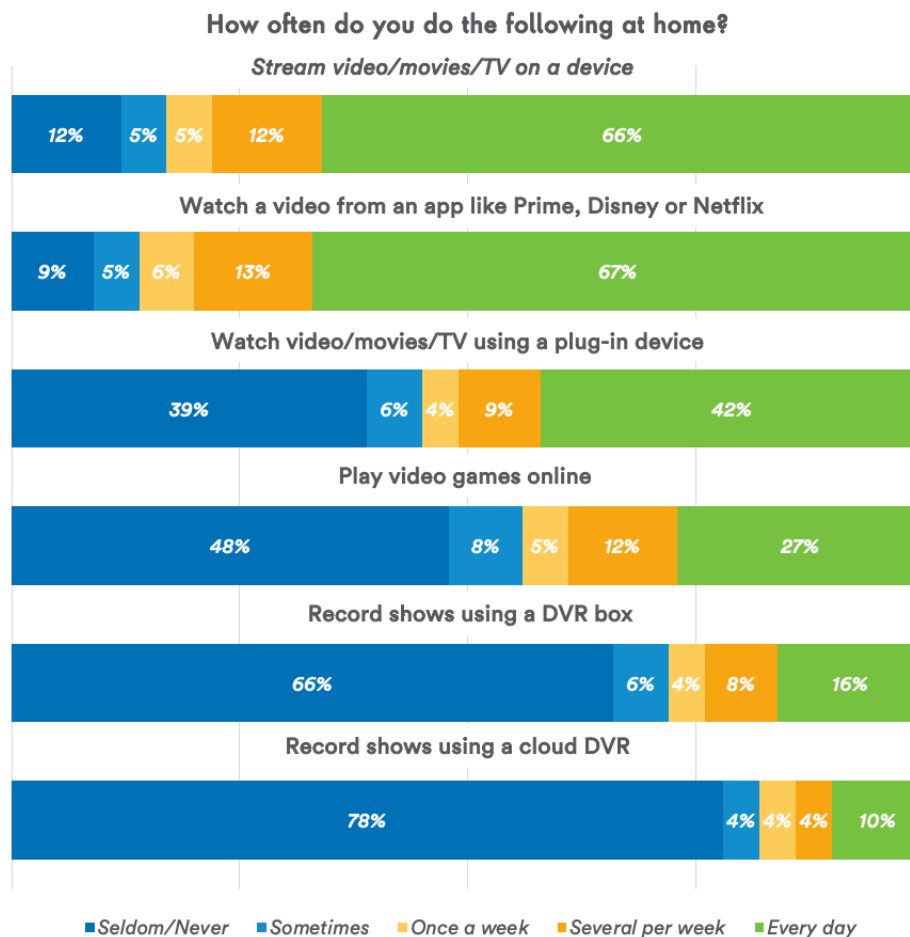
Among those with children in the home, 85% stream video apps every day.

# Research Report

## *Streaming Through a Plug-in Device Like Apple TV, Chromecast or Firestick*

Overall, 42% of HUB customers stream daily through a plug-in device like Apple TV, Google Chromecast, or Amazon Firestick. Use is higher among those 25 to 44 (59%) and among those with children at home (55%).

Daily use of these devices declines to 28% among those over age 55.



# Research Report

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## *Play Video Games Online*

Most Harriman area adults are not regular gamers, though it is likely their children are. For example, even though only 27% of respondents said they play video games daily, 45% of homes with children said someone in their household plays every day.

Those age 25 to 34 and 35 to 44 game more often than those over age 45. Among younger adults, 42% game daily and 15% game several times a week. Gaming is also more popular among those who are paying more than \$95 monthly for internet, with 32% of them gaming daily and 16% gaming frequently, at least a few times a week.

## *Record Shows Using a DVR Box*

Streaming has made DVR recording unimportant for most consumers. Within the Harriman market area 66% said they seldom or never record to a DVR box. Only 16% use one daily while 8% use a DVR a few times a week. Older adults are slightly more likely to use a DVR. Among those ages 18-34, 84% seldom or never record on a DVR.

## *Record Shows Using a Cloud DVR*

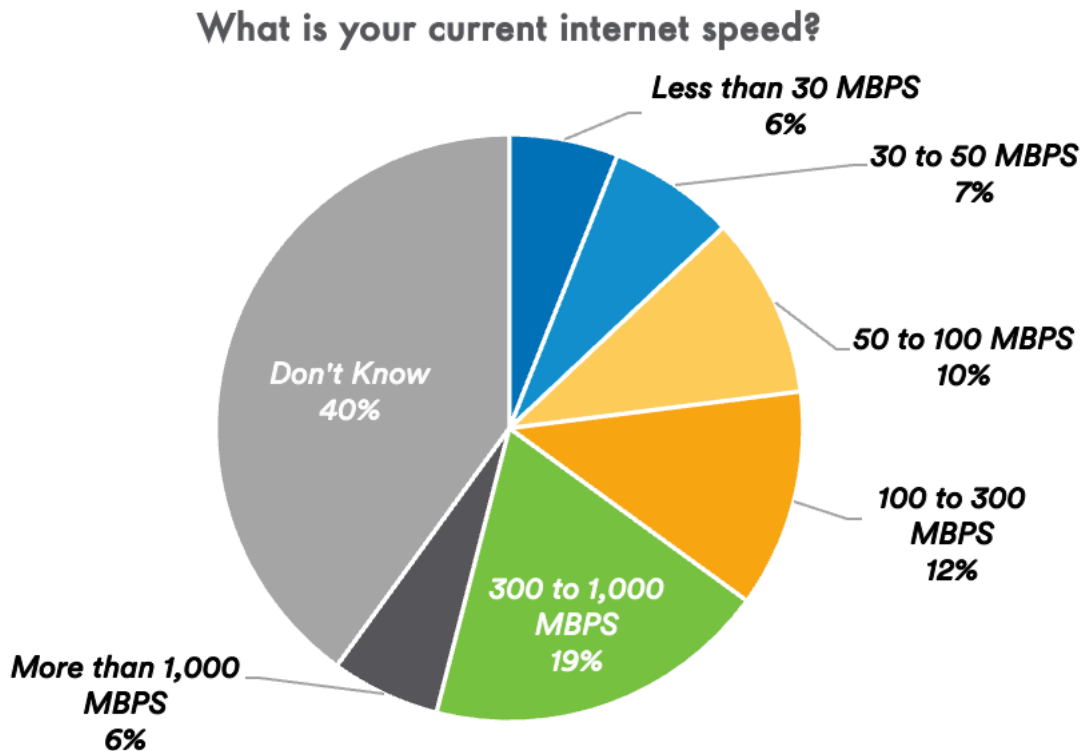
Using a cloud DVR is even less popular. Only 10% of respondents said they use one daily and 4% use one at least several times a week. The vast majority, 78%, seldom or never use one.

## **PERCEPTIONS OF INTERNET SPEED**

Forty percent of HUB customers with home internet do not know the speed of the internet service they are buying. The remaining 60% are highly divided between 30 Mbps and 1000 Mbps, with 300 Mbps to 1,000 Mbps the most popular option.

As the chart below shows, 19% buy speeds from 300 Mbps to 1,000 Mbps. Another 12% said they purchase 100 Mbps to 300 Mbps. These are most likely to be Comcast/Xfinity users. Only 6% said they have a gig or more of internet speed, all but one of them Comcast/Xfinity customers. There is one lone T-Mobile customer who claims to have 1,000 Mbps.

# Research Report



Almost a quarter of consumers (23%) purchase less than 100 Mbps. Add that group to those who use wireless services for internet access, and that creates a sizable slice of the Roane County market that has internet access that might be described as slow or unreliable. This could represent a meaningful marketing opportunity.

## INTERNET PAUSE OR BUFFERING

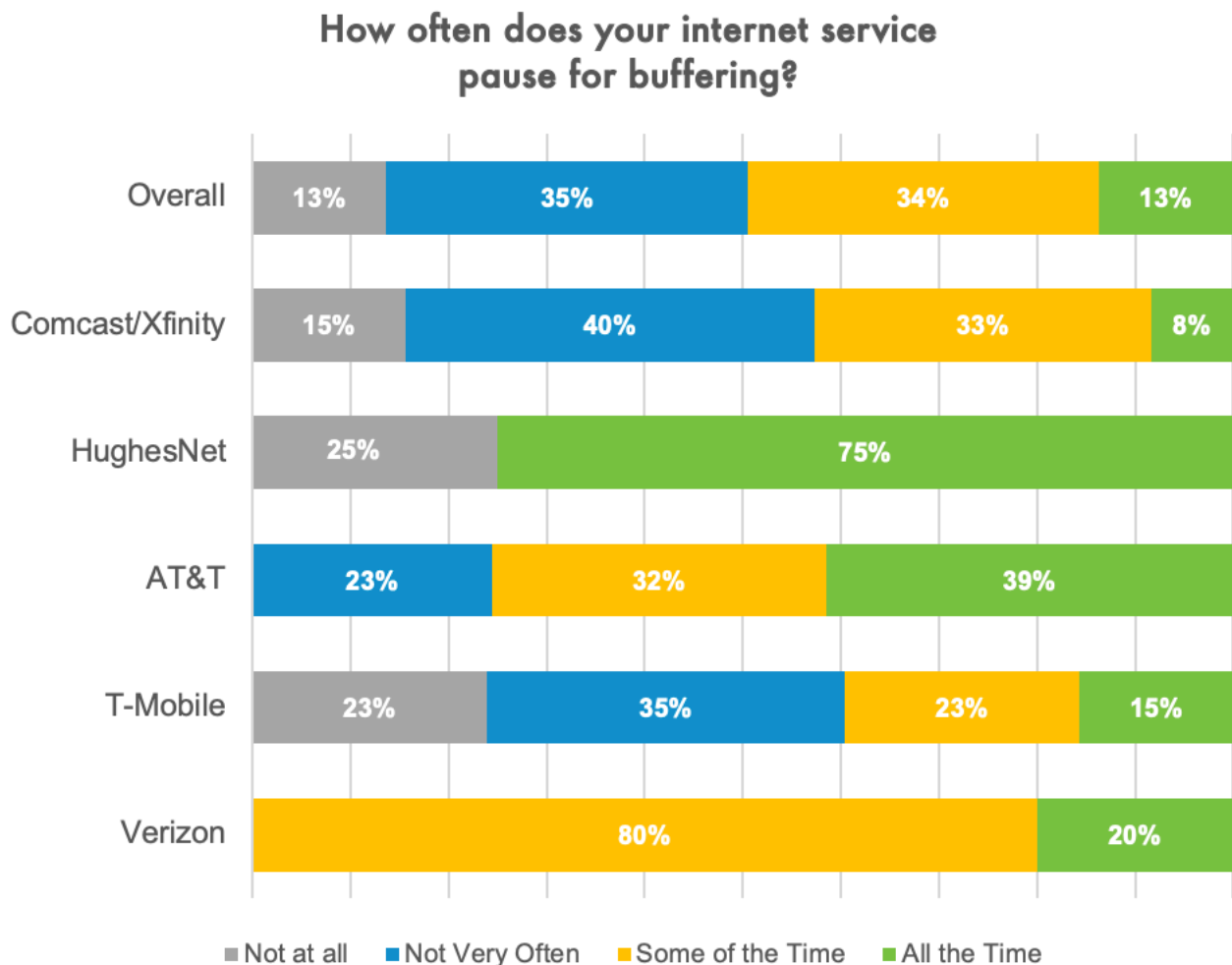
Almost half of respondents (47%) reported their internet pauses or buffers either all the time or some of the time. Overall, 13% said it happens all the time and 34% said it happens some of the time. Performance is a little better among Comcast/Xfinity users, where 8% said it happens all the time and 33% said it happens some of the time. Fifteen percent of Comcast/Xfinity customers said not at all.



# Research Report

Among those with AT&T internet services, 39% said pausing and buffering happen all the time and another 32% said it happens some of the time. All AT&T customers report speed related issues at least some of the time.

Even though most T-Mobile customers are happy with their new services, 15% report pausing and buffering all the time while 23% report it some of the time.



# Research Report

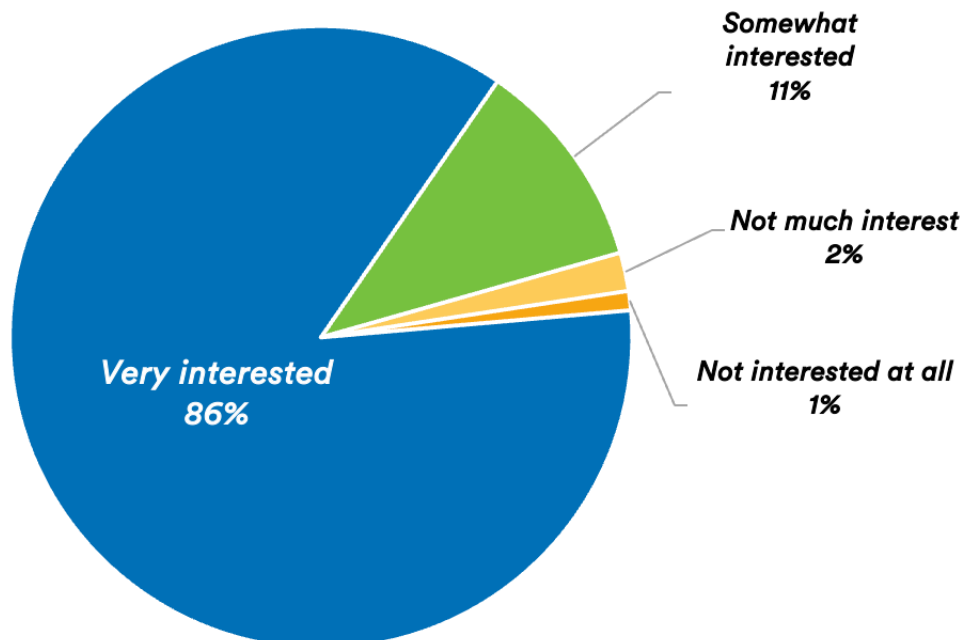
The preceding chart provides a visual representation of buffering issues by competitor. Keep in mind that the customer base for home internet providers other than Comcast/Xfinity is small, so their results should be viewed as indicators of customer experience and not necessarily as measures.

## INTEREST IN HIGH-SPEED INTERNET THAT DOES NOT LAG OR BUFFER

While almost half of HUB customers have at least some problems with lagging or buffering, a large majority, 86%, said they are very interested in a fiber optic, high-speed internet service that does not lag or pause.

An additional 11% said they are somewhat interested in a better, fiber-optic alternative. Only 3% of HUB customers expressed disinterest in this idea.

**How interested are you in having fiber optic, high-speed internet that does not lag or buffer?**

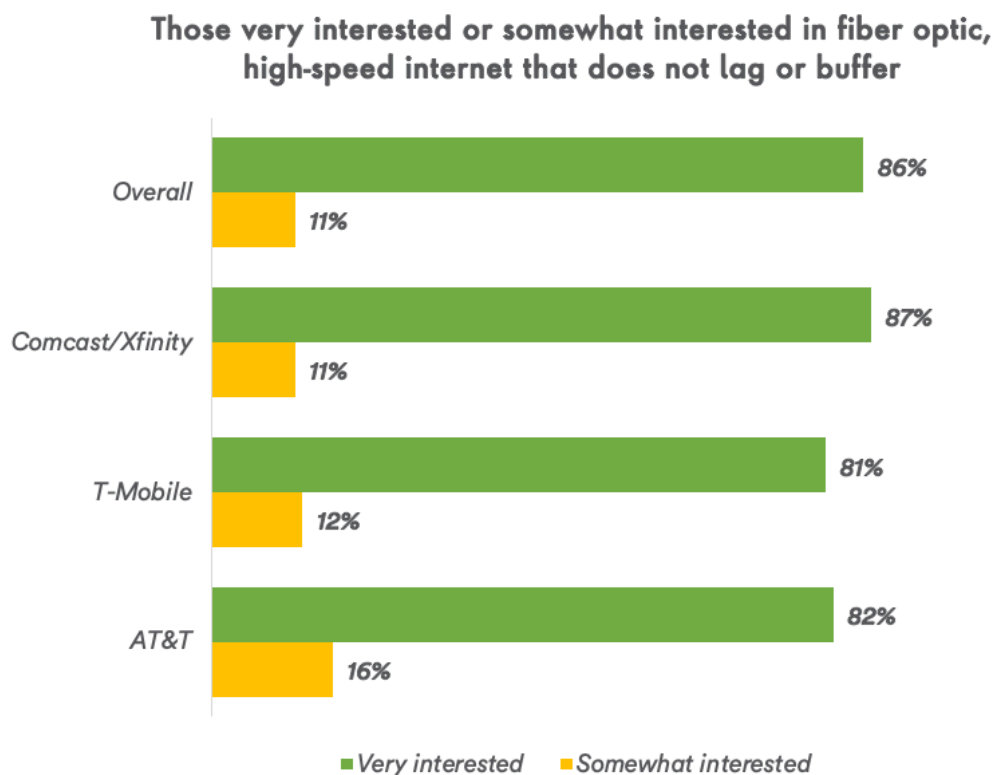


# Research Report

Those *very interested* in fiber optic internet that never lags or buffers increases to:

- 95% among those age 35 to 44
- 90% among those 55 to 64
- 92% among those with children in the home
- 89% among those with household income above \$100,000
- 92% among those who pay more than \$95 for internet services now
- 89% among those who pay from \$80 to \$95 now

Among customers of Comcast/Xfinity home internet, 87% said they are very interested and another 11% are somewhat interested in a faster, fiber optic alternative. There is also significant interest among AT&T users, with 82% very interested and 16% somewhat interested. Even among T-Mobile customers, 81% are very interested and 12% somewhat interested. The small number of Verizon and HughesNet users show equal interest.



# Research Report

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## USE OF INTERNET-CONNECTED DEVICES

HUB customers use a wide variety of internet connected devices, with smart TVs, watches and digital assistants being the most popular. About eight of every 10 homes (79%) has a smart television. Use is even higher among those 35 to 44 (92%), those with children at home (87%), and those who earn more than \$75,000 annually (87%).

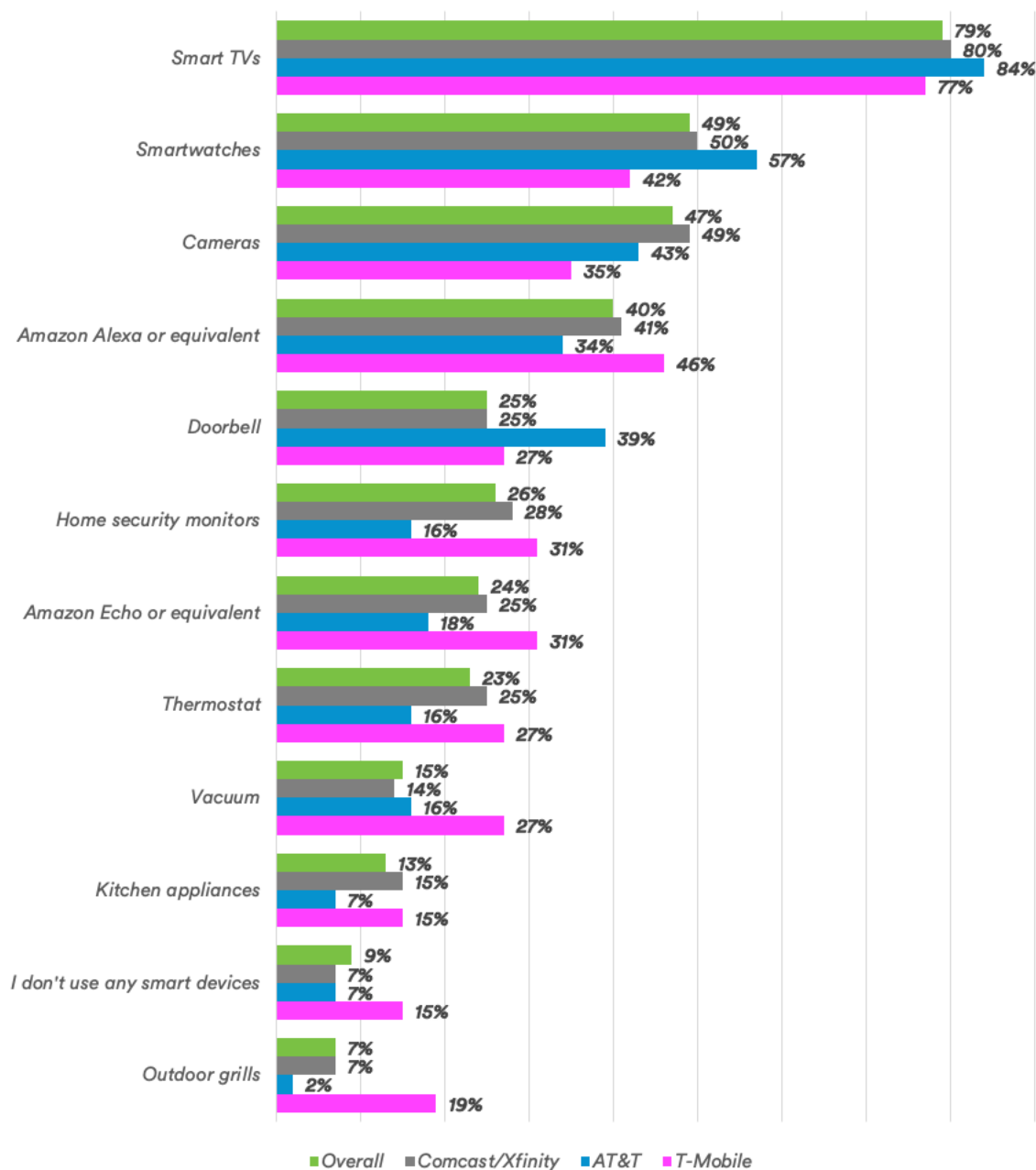
About half of all consumers (49%) reported using a smartwatch. Use of internet-connected watches is greatest among those 35 to 44 (68%) and those at higher income levels (60%).

Use of digital assistants like Alexa and Amazon Echo are quite high. If use of all such devices is added together, then 64% of homes have them.

Security monitors and cameras are also very popular. Almost half of HUB customers report using internet-connected cameras and 26% have home security.

# Research Report

Do you currently use any of the following smart, internet-connected devices?

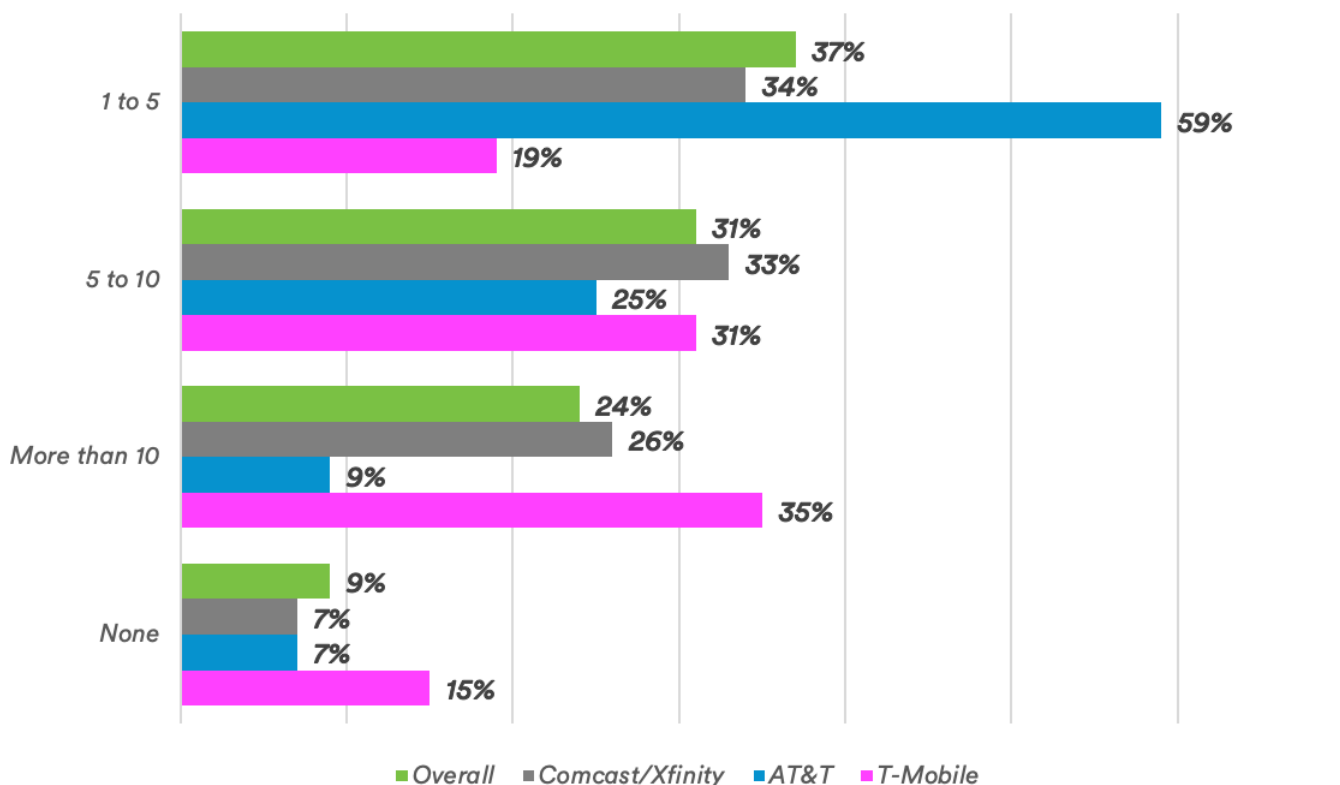


# Research Report

More than half of all HUB customers (55%) have more than five internet connected devices at home. A quarter of them (24%) have more than 10. Those with more than 10 are more likely to be homes with children (34%), or making more than \$100,000 annually (30%), or age 25 to 34 (31%).

Only 9% of HUB customers report having no internet-connected devices at all. For the most part these are consumer over age 55 or those who earn less than \$50,000 per year.

## In total, how many smart, internet-connected devices do you have?



# Research Report

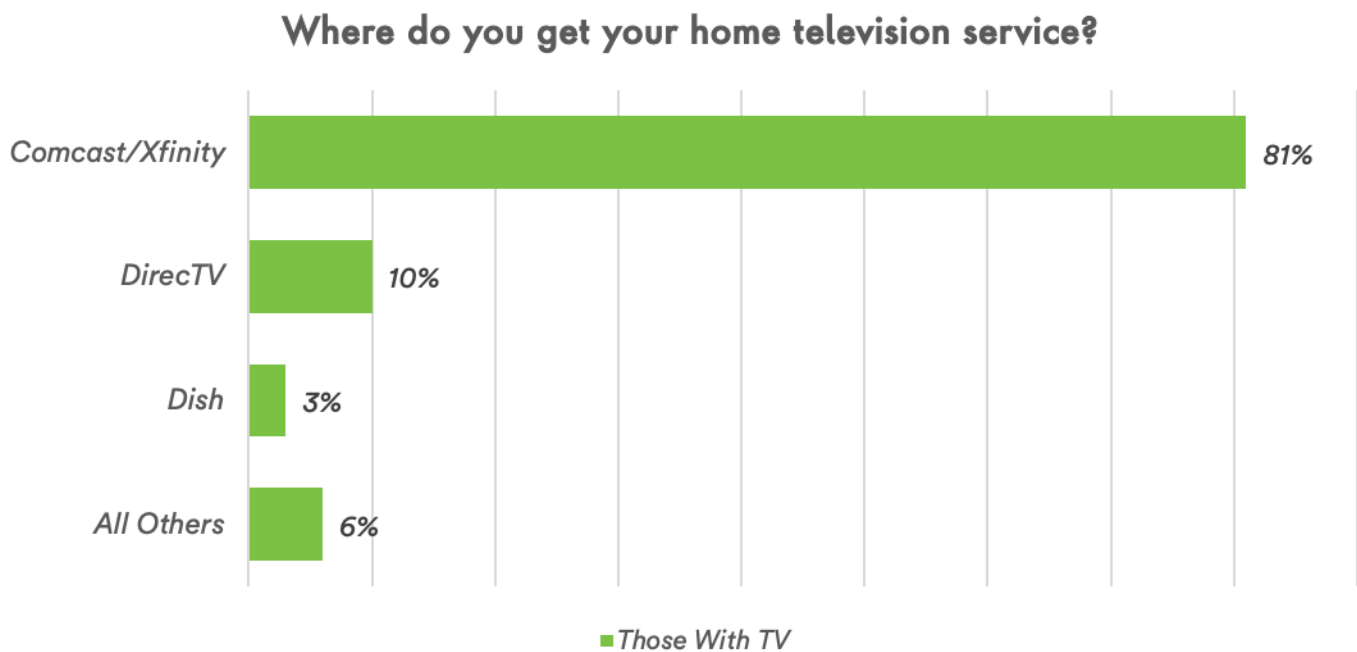
## SOURCES OF TELEVISION SERVICES

A total of 39% of HUB customers in the research said they have cable TV service in their homes. That means, conversely, 61% of HUB customers do not have a traditional, paid television service at the present time.

Most traditional TV users, 81% of them, are Comcast/Xfinity customers. A small share, 13%, have either Direct TV or Dish Network. A few customers — nine of them — report some other option.

Reliance on cable for television typically increases with age, and that is true in Roane County. Among those age 65 and older, 56% report using traditional cable, compared to only 15% of those 25 to 34. Among those 45 to 64, 43% use cable, compared to 26% among those 35 to 44.

Women are also more likely than men to have cable, 41% to 35%.



# Research Report

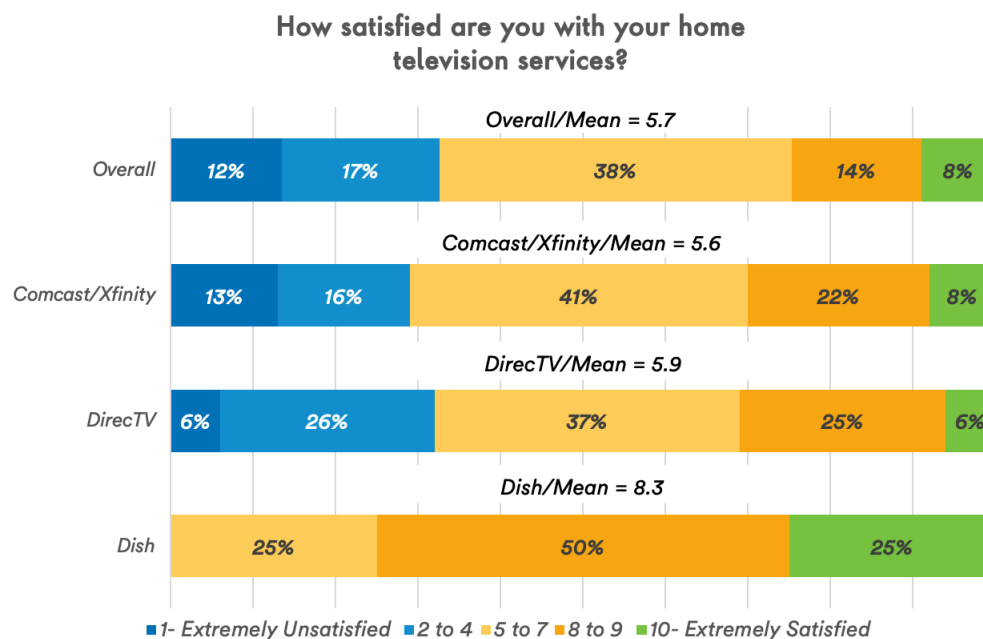
Income is not a predictor of cable television use. All income levels buy it at similar levels. However, those who spend the most on internet services are also more likely to buy cable TV. Again, these are mostly Comcast/Xfinity users.

## SATISFACTION WITH TELEVISION SERVICES

Whether their TV comes from traditional cable or a satellite dish, many consumers in the HUB service area seem unimpressed or indifferent about the service. Overall, using the 10-point scale where 10 means the highest satisfaction and 1 means no satisfaction at all, area consumers provided a 5.7 overall rating. Only 17% of TV users rated their service with a 9 or a 10.

Ratings for Comcast/Xfinity, the market leader, were slightly lower at 5.6. Satellite services score only a little better, but keep in mind that these services were rated by very few customers. Out of the survey sample of 400 consumers, only 16 said they use DirectTV and four said they use Dish.

Older consumers tend to watch more TV, and they are somewhat more satisfied than younger consumers. Those age 65 and older rated their satisfaction at 6.5. That compares 5.4 among those 55 to 64 and 5.1 among those 45 to 54.





# Research Report

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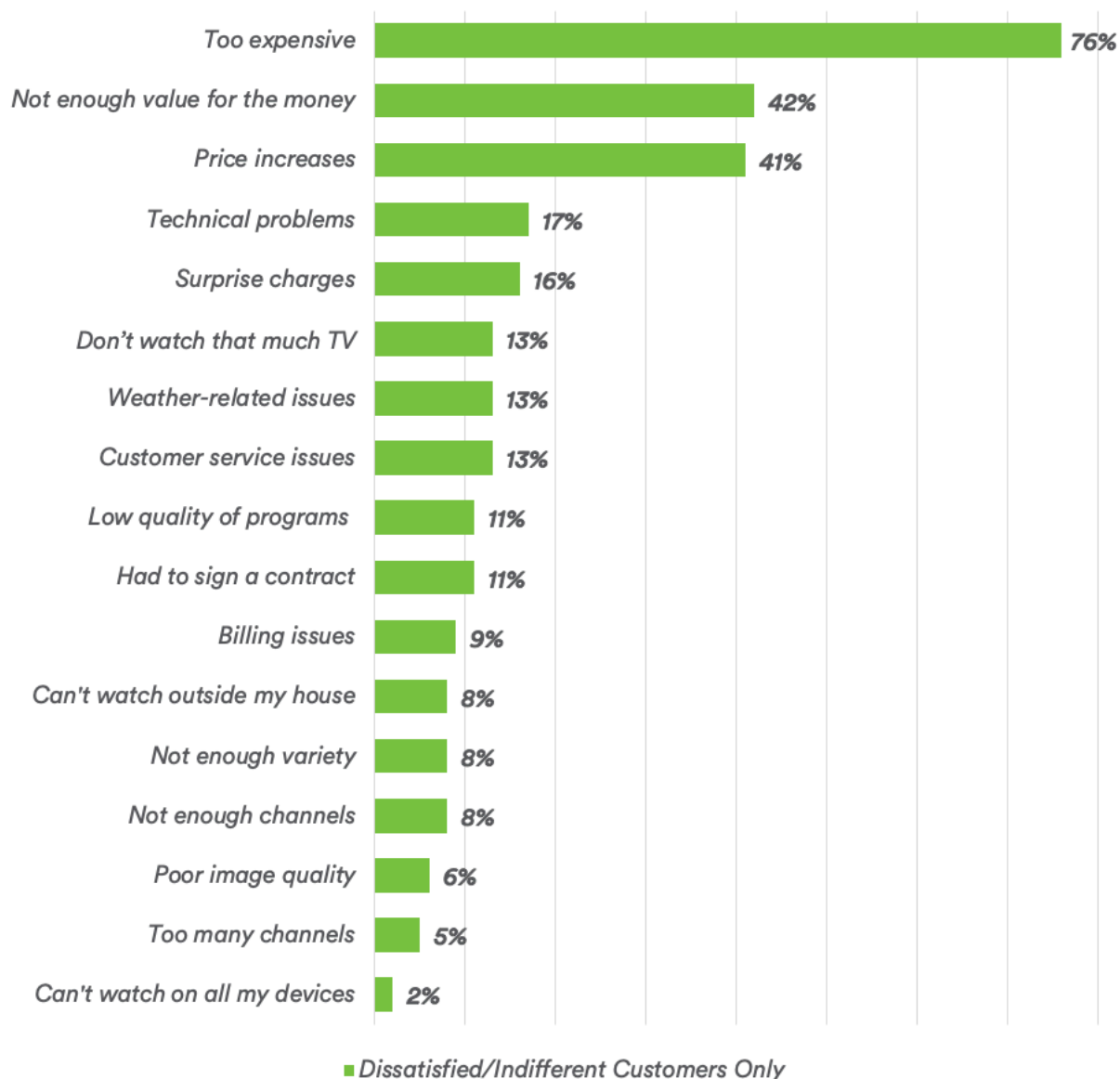
Everyone who rated their TV services at 7 or lower were asked why they did not give their TV service a higher rating. The chart on the following page shows the reasons why HUB customers are indifferent or gave negative ratings of their Comcast, satellite or similar services.

There are many factors that drive TV satisfaction scores downward. As with internet services, HUB customers are most dissatisfied with the high expense and resulting lack of value of their TV services. There are also related negatives such as price increases and surprise charges.

Compared to some areas where EPB has studied TV customers, Roane consumers express lower levels of complaint about technical issues and customer service. TV users in the HUB area seem more focused on pocketbook concerns. Even those at higher income levels complain about the high expense of TV. For example, 81% of those who earn more than \$100,000 annually said their service is too expensive. Expense was the top concern at every income level.

# Research Report

## What is the primary reason you did not give your television service a higher rating?

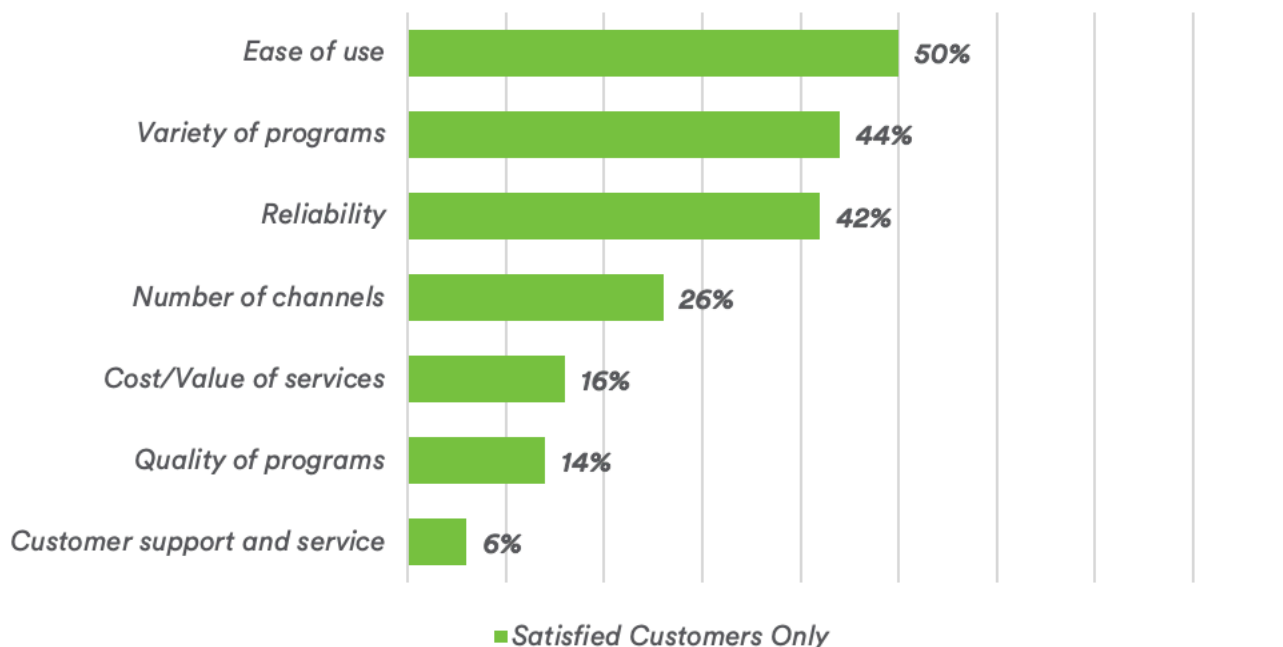


Of course, some consumers are happier with their TV services and view them differently. Those in the HUB area who rated their TV with a 9 or a 10 were asked what they like best about their TV services. They focused on ease of use and reliability.

Only 16% identified price or value as a positive, however.

# Research Report

## What do you like best about your television service?

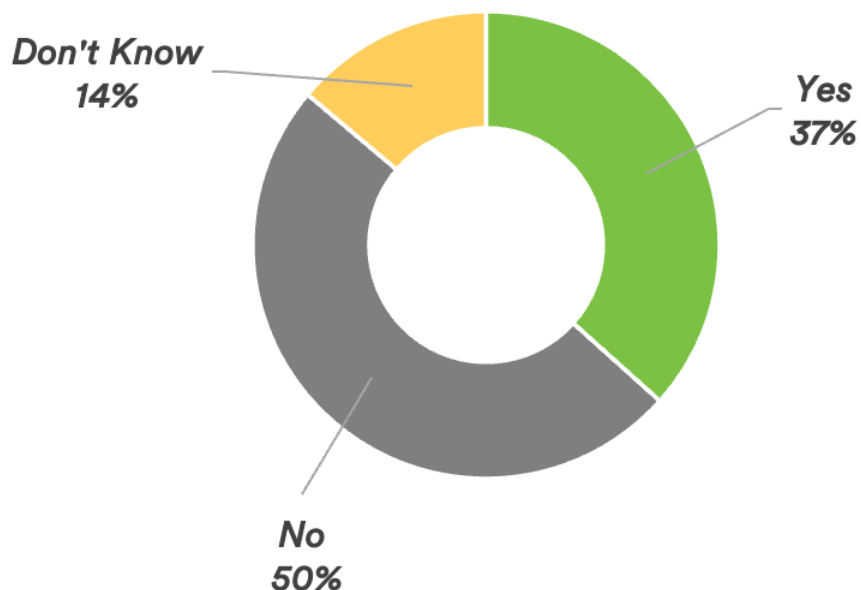


## TV CONTRACTS

Just over a third (37%) of those with paid television services said they are currently under a contract. At least 50% said they are not. That means that about half of the current HUB customer base is free to make a change in their television services if they choose to do so.

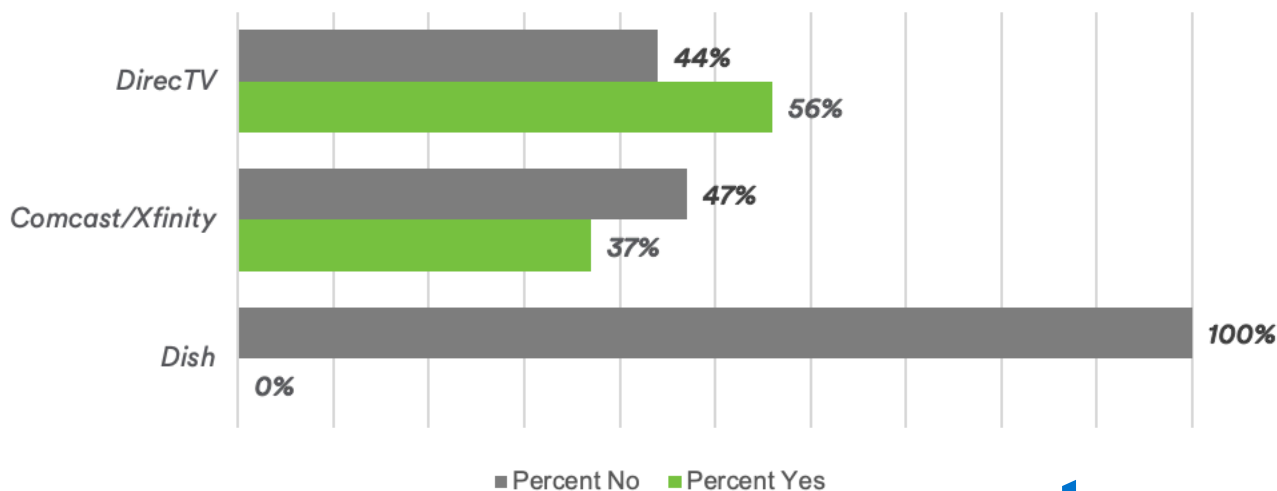
## Research Report

**Are you currently under contract with a satellite or cable television service?**



Since Comcast/Xfinity is the dominant TV provider in Roane, it's expected that the response to the contract question among Comcast users would be similar to the overall response, and it is. The chart below shows responses by provider. Keep in mind, however, that the count of satellite users shown here is very small.

**Are you currently under contract with a satellite or cable television provider?**



# Research Report

It appears that close to half (46%) of Comcast/Xfinity customers who are under a contract will come to term within a year. The small number of satellite customers make their renewal projections less reliable. Note that about a third of those under a contract said they do not know when their contract comes to term.

<b>Contract Renewal Timeline</b>	<b>Comcast/Xfinity</b>	<b>DirecTV</b>
<b>3 Months or Less</b>	<b>7%</b>	<b>33%</b>
<b>3 to 6 Months</b>	<b>11%</b>	<b>11%</b>
<b>6 to 12 Months</b>	<b>28%</b>	<b>0%</b>
<b>12 to 18 Months</b>	<b>7%</b>	<b>11%</b>
<b>More than 18 Months</b>	<b>11%</b>	<b>11%</b>
<b>Don't Know</b>	<b>37%</b>	<b>33%</b>

There were no Dish customers who reported any contracts.

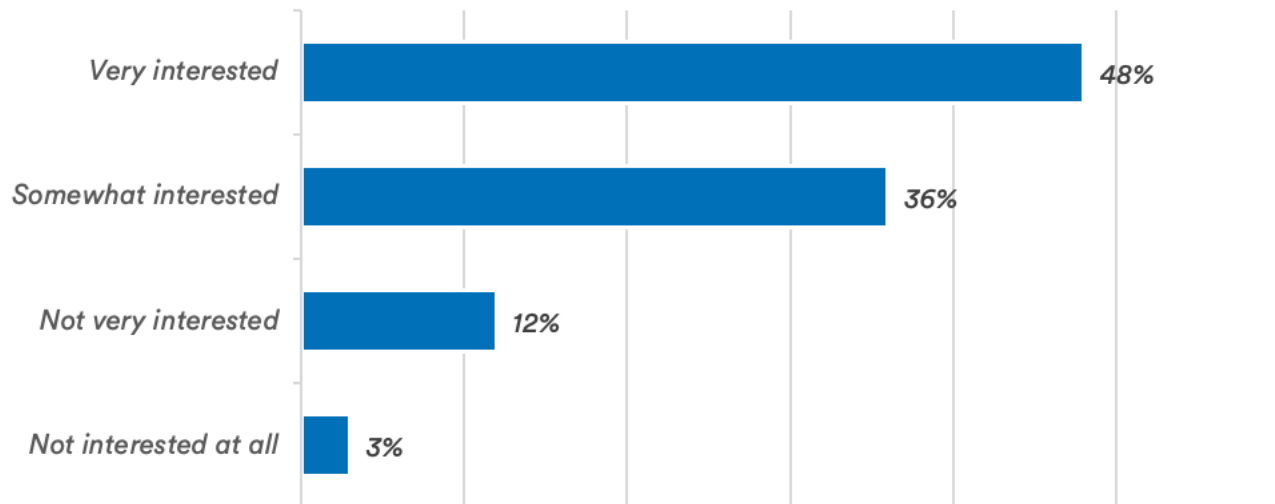
## CUTTING THE CORD

Consumers were asked how interested they would be in cutting the cord, meaning getting rid of cable or satellite services and streaming all their television content from apps. Research results indicate HUB customers are interested in the idea.

When posed with the cutting-the-cord question, 48% said they are very interested and another 36% said they are at least somewhat interested in doing so.

# Research Report

**How interested are you in "cutting the cord" —meaning streaming all your TV content versus buying it through a traditional cable company?**



Younger and more affluent consumers are the most interested in cord-cutting, though the idea remains popular among most demographic groups. For example, among those who earn more than \$100,000, 52% are very interested and 38% are somewhat interested. Among those age 35 to 44, 64% said they are very interested.

Older consumers are always the least interested in cutting the cord, but even among the over-65 in Roane, 32% are very interested and 44% are somewhat interested.

Keep in mind that 61% of HUB customers in the study said they do not have traditional cable television services, and 88% said that they stream TV content at least some of the time. Since most everyone watches television, one can summarize that Roane households either use an antenna to access over-the-air television for free, or they have already cut the cord and are streaming content.

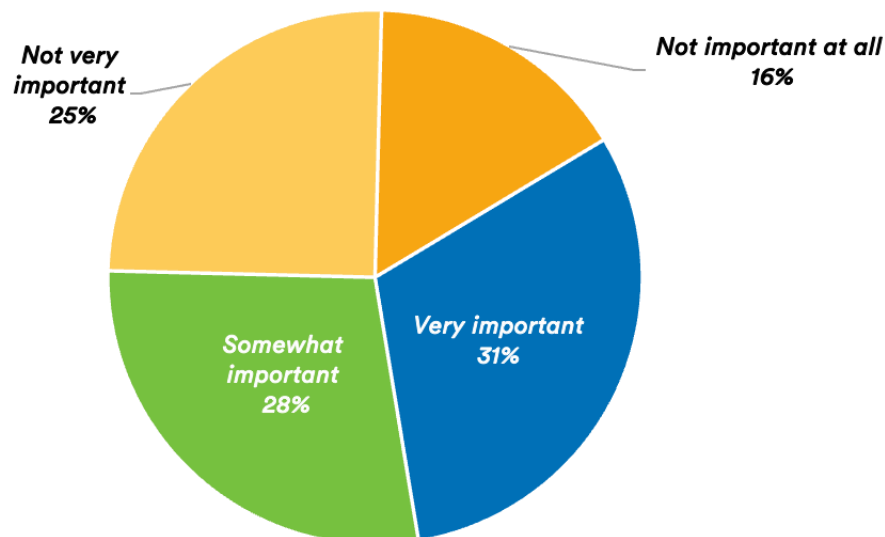
# Research Report

## IMPORTANCE OF BUYING INTERNET AND TV FROM THE SAME COMPANY

In this era of smartphones and streaming services, consumers are increasingly comfortable with the idea that their internet services and television content do not have to come from the same sources. However, in the HUB service area, the minds of most consumers aren't there yet.

As can be seen in the following chart, 59% consider buying both services from a single source to be at least somewhat important. Only 16% think it is not important at all. This is quite different than some other markets surveyed by EPB Broadband Solutions.

**How important is it to buy TV service and internet services from the same company?**



Another difference in the Harriman market is that younger consumers are more likely than older ones to consider getting both services from one source to be important. Among those 25 to 44, 48% said they consider it very important. Only 19% of those over age 65, and 23% of those 55 to 64, said they feel that way.

The results suggest a lack of awareness about how internet and television can be purchased today and how common splitting the services can be.

# Research Report

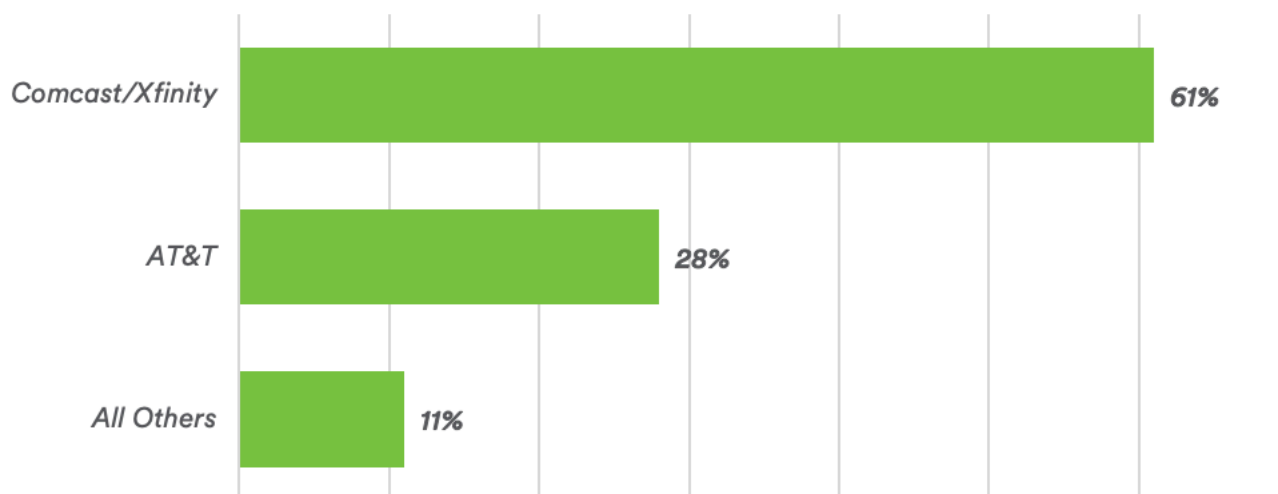
## LANDLINE HOME PHONE USE

Only 19% of HUB customers — just 74 out of the 400 research participants — said they have a landline home phone. Use of landline phones drops dramatically among younger consumers. Those most likely to have one are over age 65 (40%). Among those 55 to 64, 23% have a landline.

However, among those age 25 to 34, no one — zero — has a home phone. Among those 35 to 44, only 6% has one.

Most of the phones in use in the HUB service area, 61% of them, are provided by Comcast/Xfinity. The second most popular provider is AT&T with 28% penetration.

### What company provides your landline phone service?



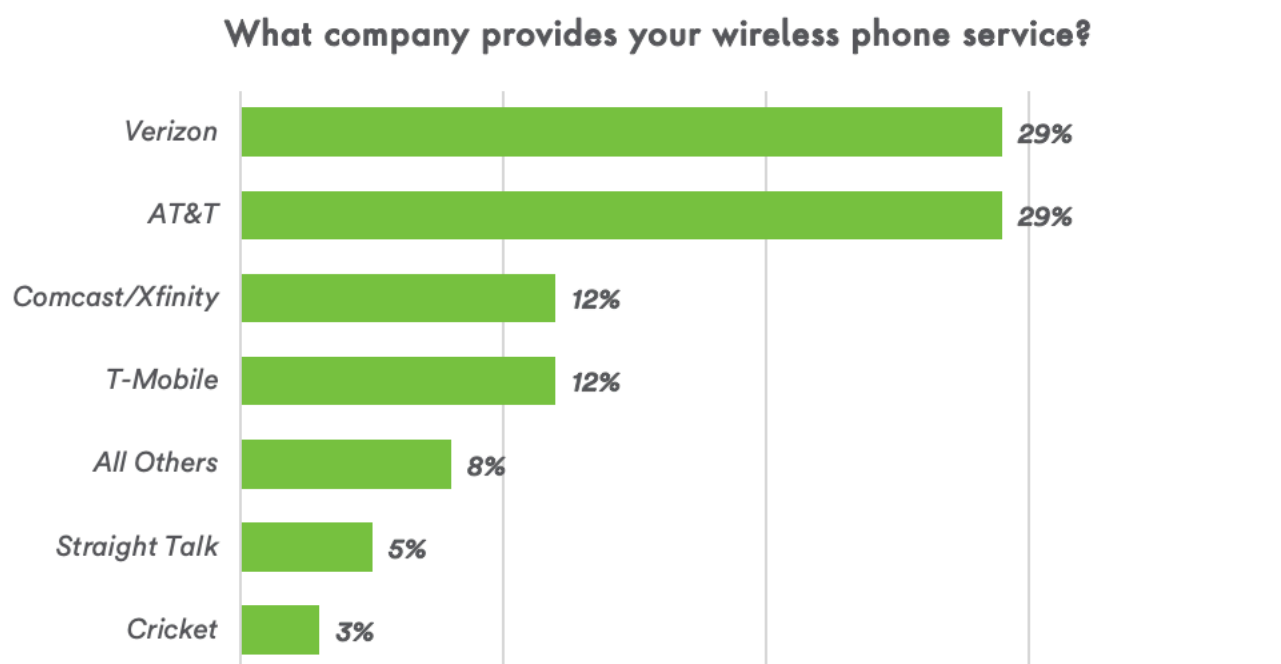


# Research Report

## WIRELESS PHONE SERVICES

Virtually everyone in the study, 398 of all participants, said they have a wireless phone.

Verizon and AT&T are tied as the market leader in this study, with each of them at 29% of the research sample.



Despite its strengths for internet and television services, only 12% reported using Comcast/Xfinity for wireless, the same percentage that reported using T-Mobile. The “other” responses included services like TracFone, PureTalk, and Mint Mobile.

Upper income adults tend to favor AT&T while those in the \$50,000 to \$100,000 range favor Verizon. Those who earn less than \$25,000 are more likely to use Cricket, or one of the “other” responses.

# Research Report

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All 49 users of Comcast/Xfinity wireless also purchase internet services from the company. Twenty-six (26) also purchase TV. In addition, 39 reported that their wireless phone is bundled with their internet service, TV service or both.

## PURCHASE INTENT

Research participants were asked to read or listen to the following description of a new, fiber optic, broadband internet service:

*100% high-speed broadband internet using fiber optic technology provides the fastest and best internet services available, much faster than traditional cable or satellite services. Among the benefits of high-speed fiber broadband internet are:*

- *The fastest available speeds. You should rarely, if ever, see buffering or lag when downloading or uploading files or streaming video.*
- *The only service with the area's fastest upload and download speeds.*
- *Movies, streaming TV, or games are higher in visual quality and sound quality.*
- *Even though the service is so much better, costs are competitive with other forms of internet.*
- *No loss of speed to your devices, no matter how many people and how many devices are online at the same time.*
- *No loss of speed when your neighbors are all online.*
- *No slowing of internet services even at the busiest times of the day.*
- *Upload photos, videos, and large files faster.*

*Finally, high-speed fiber broadband internet has the bandwidth to power all your personal technology and digital services such as:*

- *Flawless video conferencing.*
- *Digital assistants like Alexa and Google Home.*
- *Smart speakers and sound systems.*
- *Digital telephones.*
- *Wireless security systems, smart doorbells, and smart lights.*
- *Robotic vacuums, smart appliances, and more.*

# Research Report

After reading or hearing the above description of high-speed broadband internet services, consumers were asked a series of questions designed to gauge their interests in switching from whatever they have now to the new, fiber optic, high-speed broadband option.

The initial questions did not reveal the HUB name as the service provider.

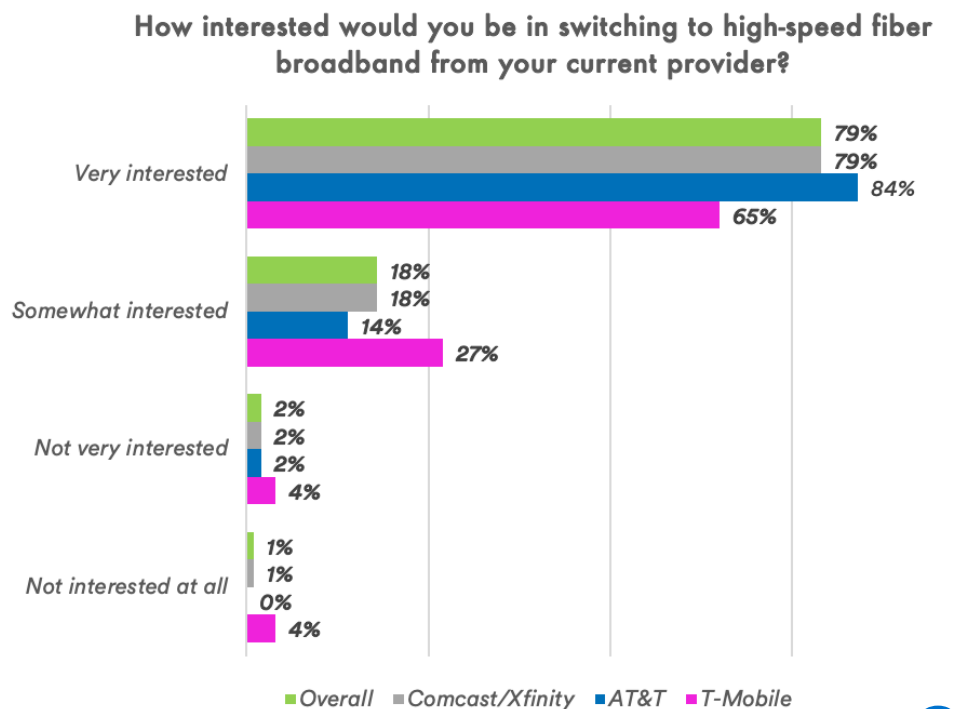
The charts that follow show the overall responses to the offers and compare them to the Comcast/Xfinity customer responses. Comcast/Xfinity is the only competitor with enough market influence to matter.

## ***Interest In High-Speed Broadband Internet***

The first question was as follows:

*If high-speed fiber broadband internet services as described here were available in your area, how interested would you be in switching from your current provider?*

Overall, 79% of research respondents said they are very interested in switching to the described service. In addition, 18% said they are somewhat interested.



# Research Report

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Interest is highest among AT&T users (84%) and those with children at home (86%). There is also increased interest among those who pay more than \$95 for internet (85%) and those who earn more than \$100,000 (86%).

The very few not interested responses tend to come from those who are over age 55 and who have no children at home.

## ***Interest In High-Speed Broadband Internet With Gig Speed As The Starting Speed***

The second question was:

*If the high-speed fiber broadband internet service offered gig-speed internet as their starting speed at about the same price you are paying today, how interested would you be in switching from your current provider?*

The new information here is that the proposed fiber optic broadband would offer a minimum speed of a gig, or 1,000 Mbps.

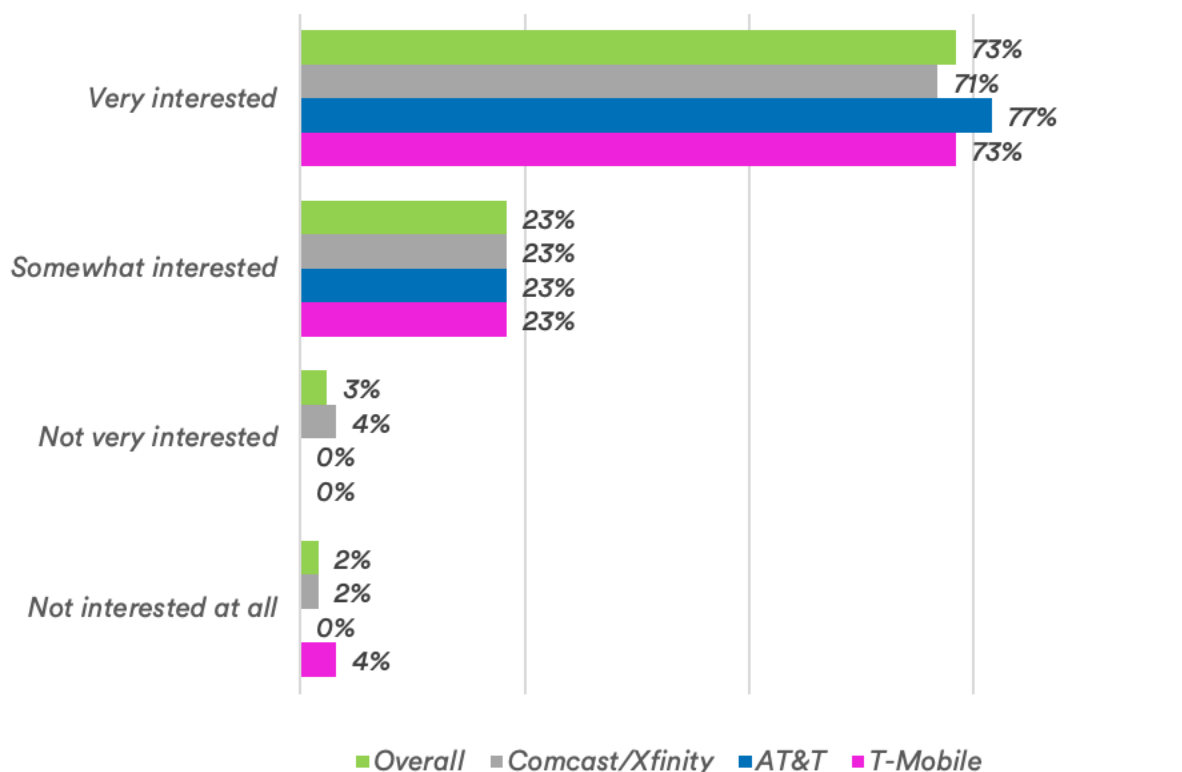
Reactions to the gig offer resulted in slightly lower levels of interest. Overall, 73% said they are very interested and 23% said they are somewhat interested. This remains a very strong response, however.

Only 5% responded negatively, almost all of them Comcast/Xfinity users.

Given the very low level of gig use in the Roane County market now — only 6% — it could be that consumers do not know the value of a gig, or they consider it something they don't really need.

# Research Report

## How interested would you be in switching to high-speed fiber broadband with gig speed as the starting speed?



### ***Interest In High-Speed Broadband Internet Service That Also Offers State-Of-The-Art Television.***

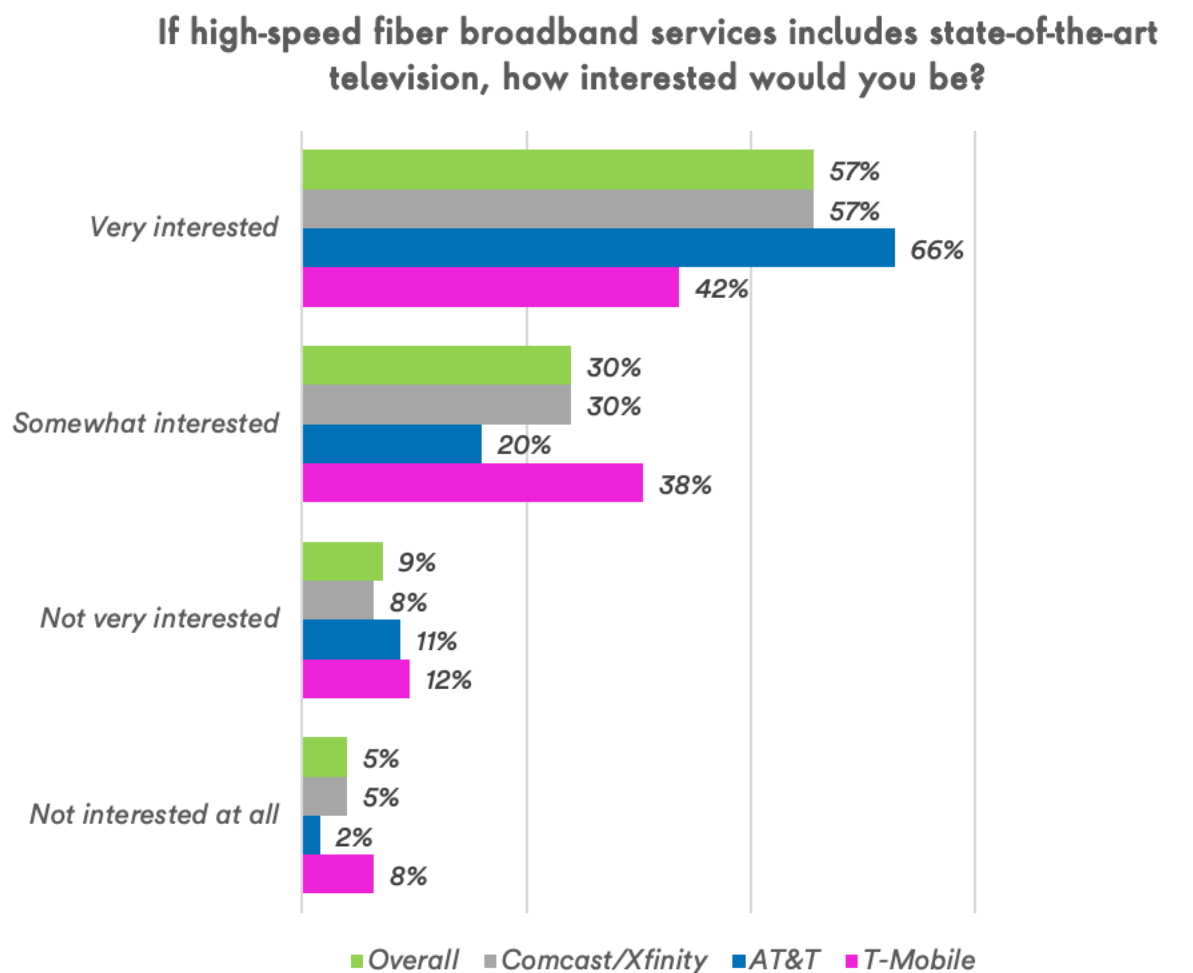
The third question was:

*If high-speed fiber broadband internet services also offered state-of-the-art television, with hundreds of the most popular channels, including the best in live sports, plus the power to stream all your favorite apps like Netflix on multiple devices, how interested would you be in switching from your current services?*

The new information here is that the proposed high-speed, broadband internet would also include state-of-the-art television services.

# Research Report

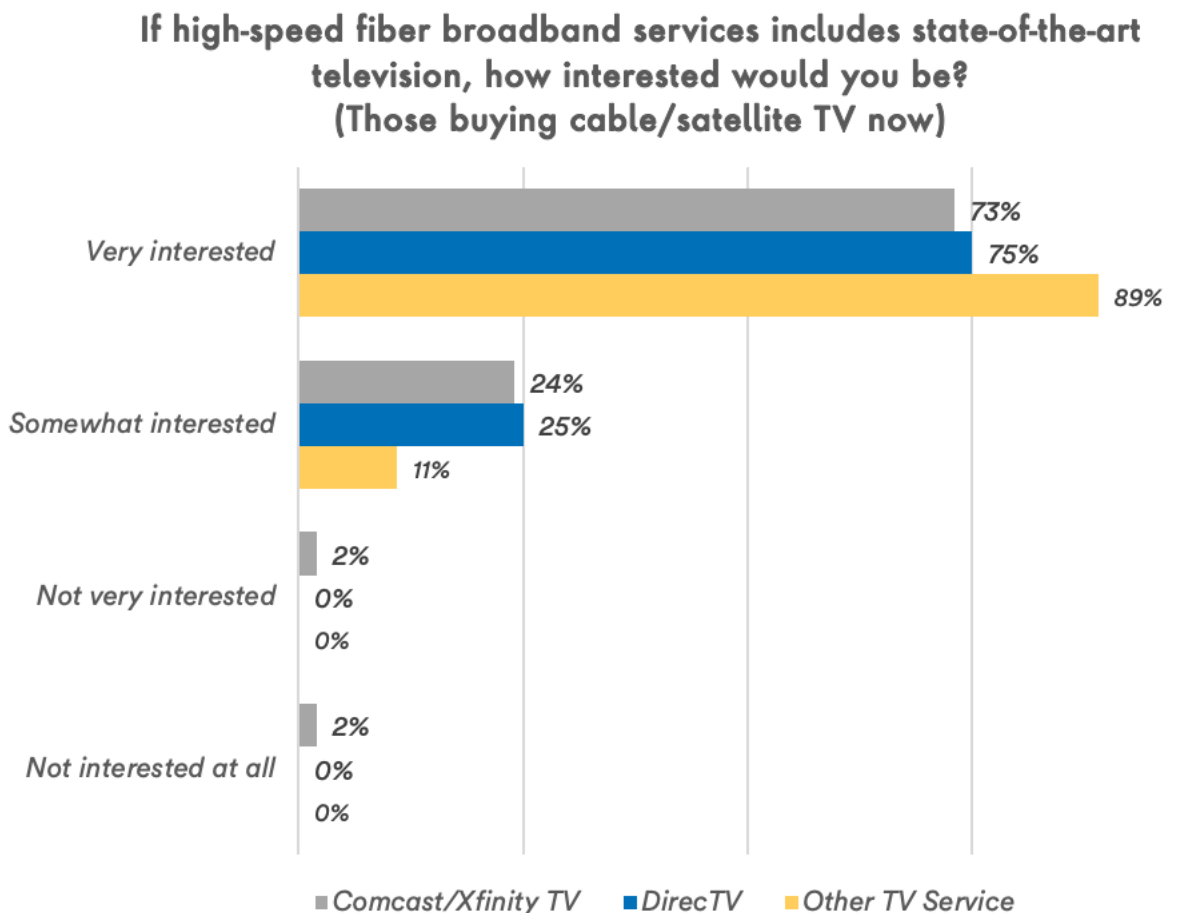
It is expected that interest in television services will push down overall interest. This is because many consumers have already cut the cord, never had traditional cable TV, or they are thinking seriously about giving it up. In the HUB service area, those who remain very interested in the new service declines to 57% overall while the somewhat interested increases to 30%.



# Research Report

If you look only at those with traditional TV, however, you get a very different picture. Among those with Comcast/Xfinity TV, for example, 73% are very interested and 24% are somewhat interested. Interest among AT&T customers is higher still.

All DirectTV users are either very interested (75%) or somewhat interested (25%).



## ***Interest In High-Speed Broadband Internet Service That Also Offers A Landline Phone.***

The fourth question was:

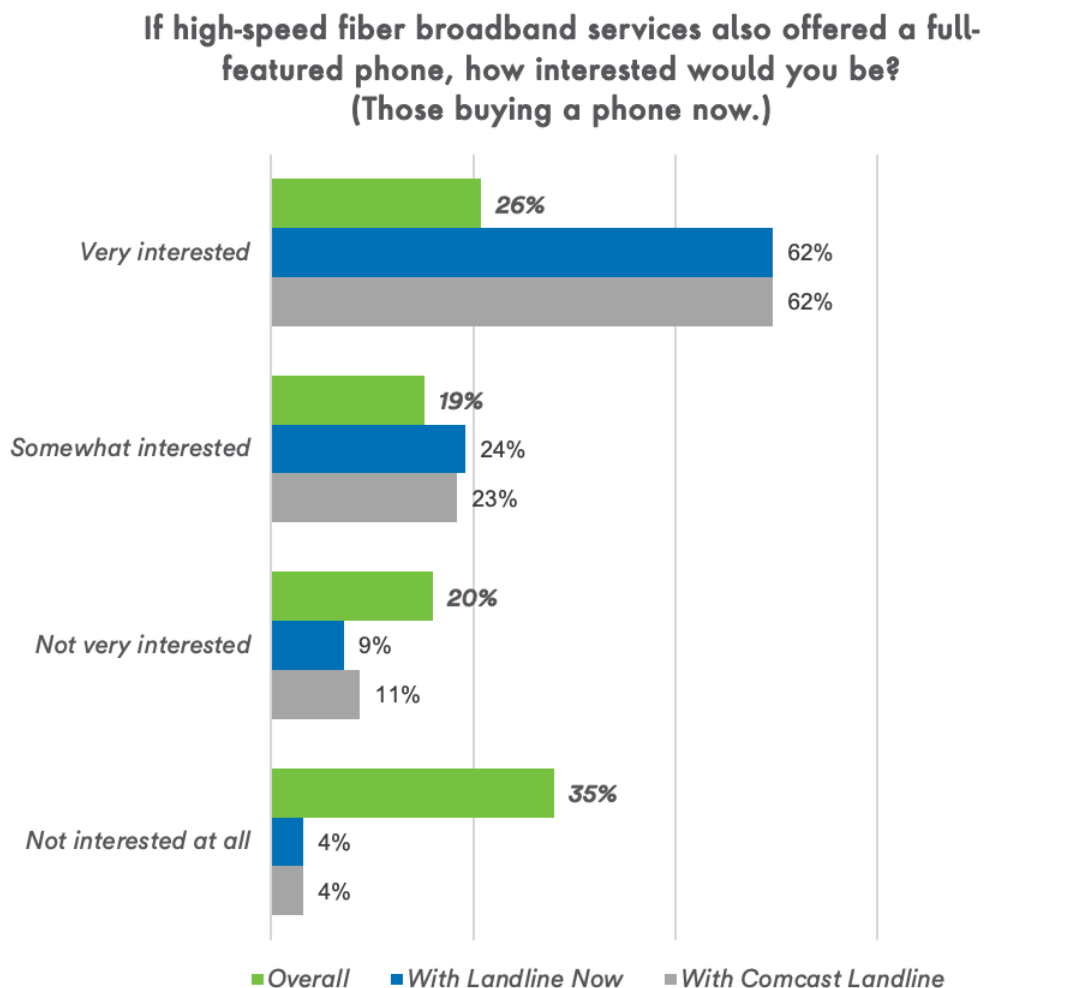
*If high-speed fiber broadband internet services also offered a full-featured, reliable landline phone service, how interested would you be?*

## Research Report

Overall interest in a product that includes a landline phone declines considerably, with only 26% very interested and 19% somewhat interested. Interest in this product is only slightly higher among those over age 55, with 21% very interested.

Most people do not have a phone and they don't really want one. It is logical that interest in a phone will be higher those who have a phone now. As noted earlier in the report, that is only 19% of research respondents, a total of 74 respondents.

But among those 74 people, interest in the offer is much higher. Most of those with a landline likely get it from Comcast/Xfinity, 62% of whom are very interested in a new broadband option.





# Research Report

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Those older than 55 are especially interested in this option. Among those 55 to 64 with a landline, 83% are very interested with 11% somewhat interested. Moving to the over-65 group, 56% are very interested and 28% are somewhat interested.

## ***Interest In High-Speed Broadband Internet Service That Also Offers Wireless Phone Service At A Competitive Price.***

The fifth question was:

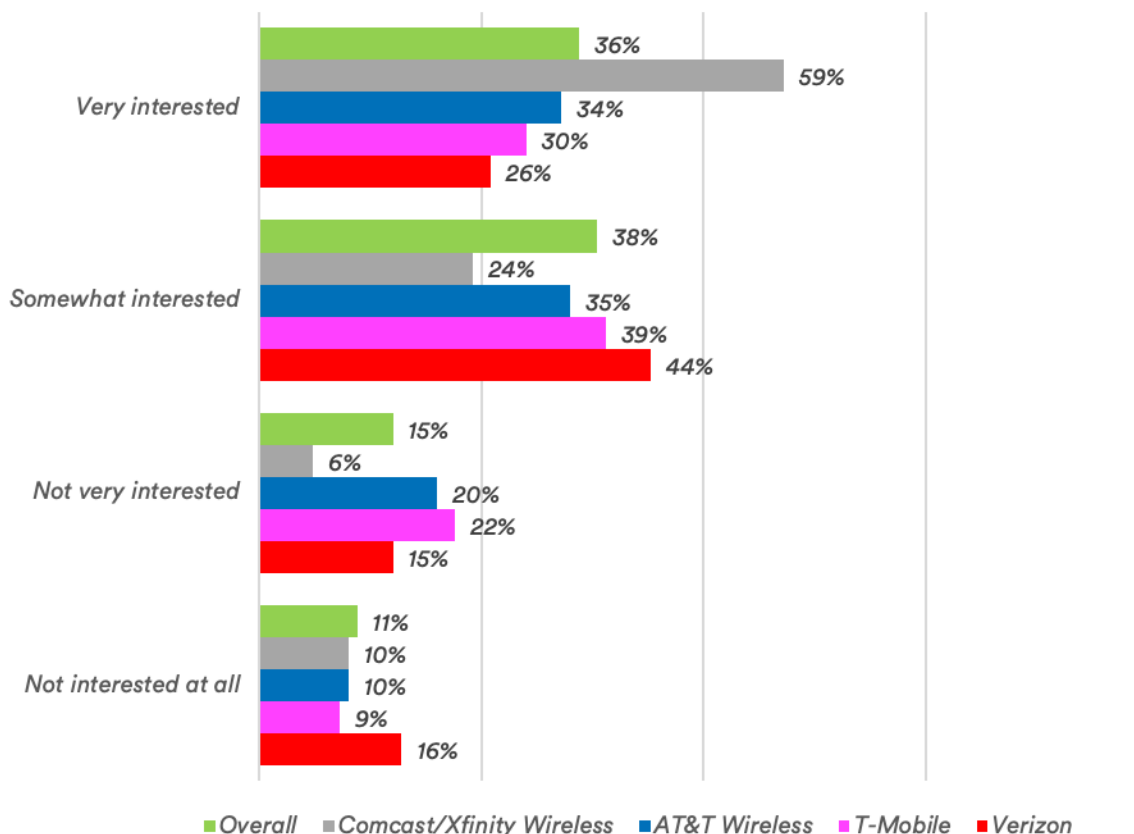
*If the high-speed fiber broadband internet service as described above also offered cellular phone service at a competitive price with quality and coverage similar to what you have now, how interested would you be?*

Very high interest in a wireless phone bundled with broadband increases to 38% with another 40% somewhat interested. The response with similar across all the major wireless brands, with the exception of Comcast.

Interest among those who already bundle cellular services with Comcast/Xfinity is substantially higher, with 59% very interested and 24% somewhat interested.

## Research Report

**If the high-speed fiber broadband services offered cellular phone service with price, quality and coverage similar to what you have, how interested would you be?**



As noted earlier, T-Mobile customers tend to be new to their wireless and interest bundle, which might explain their lower levels of interest.

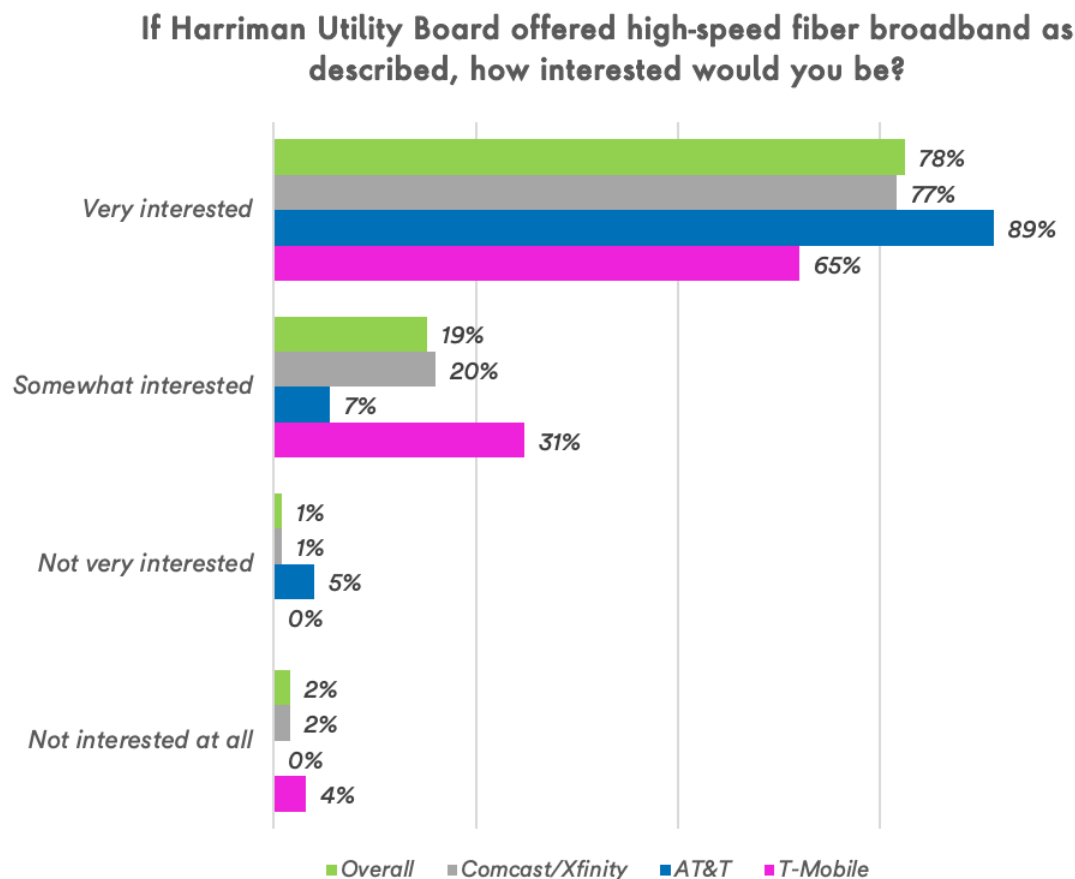
# Research Report

## Interest In High-Speed Broadband Internet From HUB

The sixth question introduced Harriman Utility Board as the potential new broadband provider. The question was:

*If Harriman Utility Board were to offer high-speed fiber broadband internet services as described above, how interested would you be in switching from your current provider?*

As can be seen in the chart below, interest remains very strong for high-speed broadband from HUB. Only 3% expressed little or no interest. In fact, responses are almost exactly the same as question one where the HUB name was not yet known.



# Research Report

Interest remains very high across all income and age levels. Even among those over age 65, 97% said they are either very interested or somewhat interested.

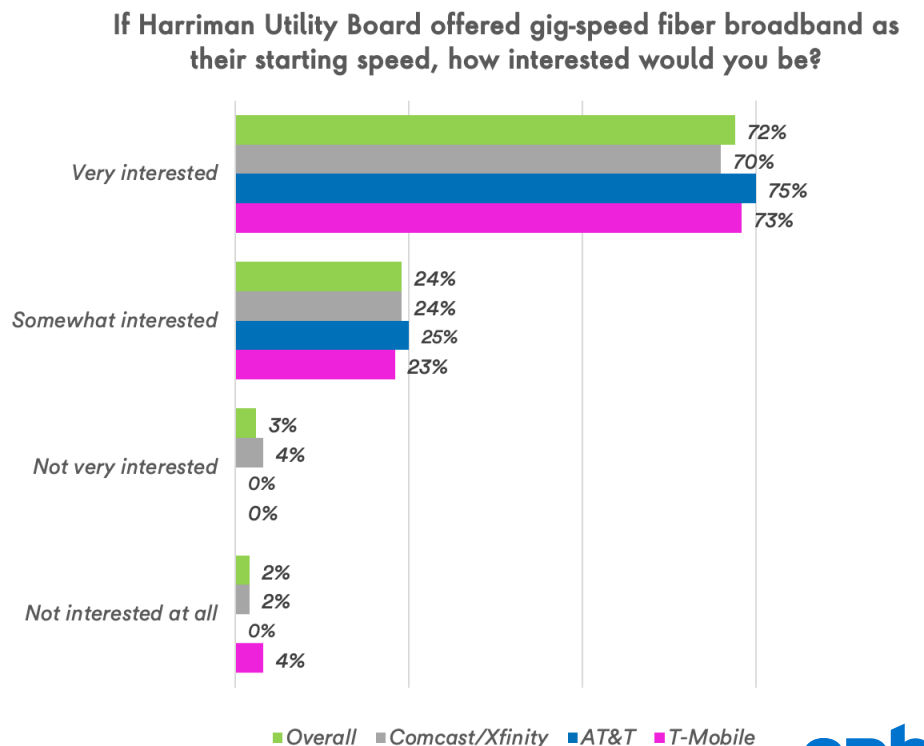
Interest remains greatest among AT&T users but is almost as strong among Comcast/Xfinity customers. There is no significant difference among those who purchase television from Comcast, with 75% of them very interested and 25% somewhat interested.

## ***Interest In Gig-Speed Broadband Internet From HUB***

The seventh question asked consumers about their interest in gig-speed internet from HUB. The question was:

*If Harriman Utility Board were to offer gig-speed internet as their starting speed at about the same price you are paying today, how interested would you be in switching from your current provider?*

Interest in getting the gig from HUB remains consistent with responses to question two. Among all consumers, more than 90% are interested in this gig-speed option from HUB.



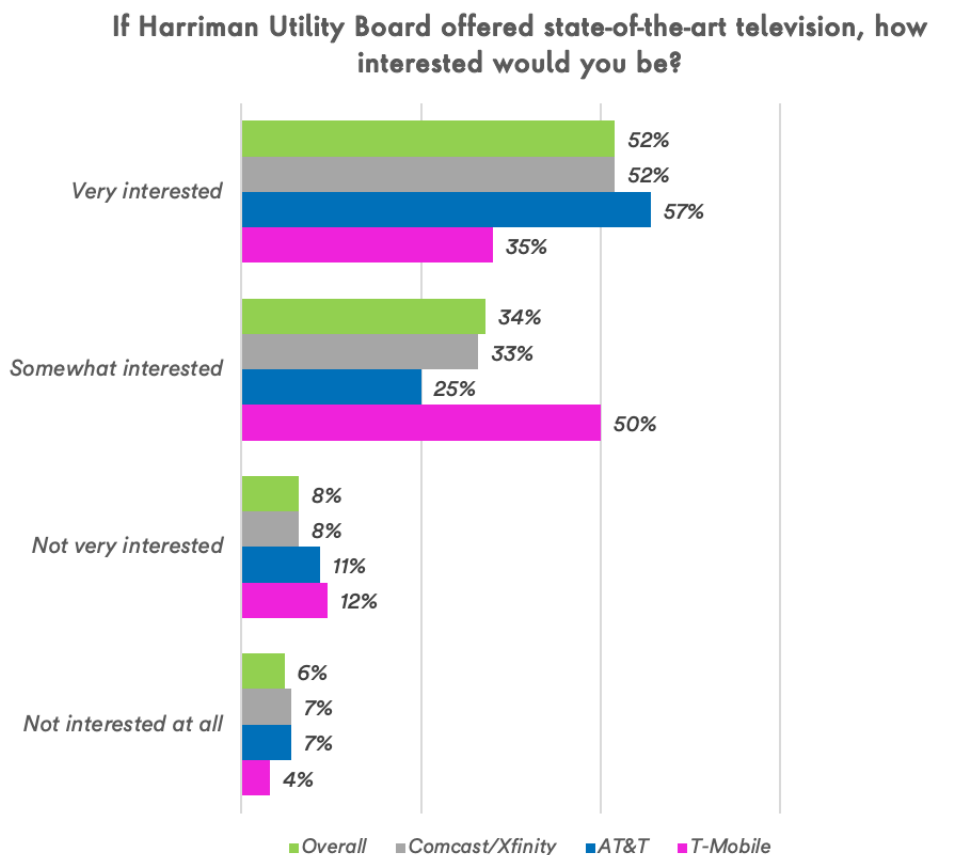
# Research Report

## Interest In Internet Plus Television From HUB

Question number eight added the option of getting television services from HUB. The question was:

*If Harriman Utility Board were to also offer state-of-the-art television, with hundreds of the most popular channels, including the best in live sports, plus the power to stream all your favorite apps like Netflix on multiple devices at the same time, how interested would you be in switching?*

Once again, responses remain consistent with the prior TV question that was asked without the HUB name. Results are bit lower here, but only by a few points.

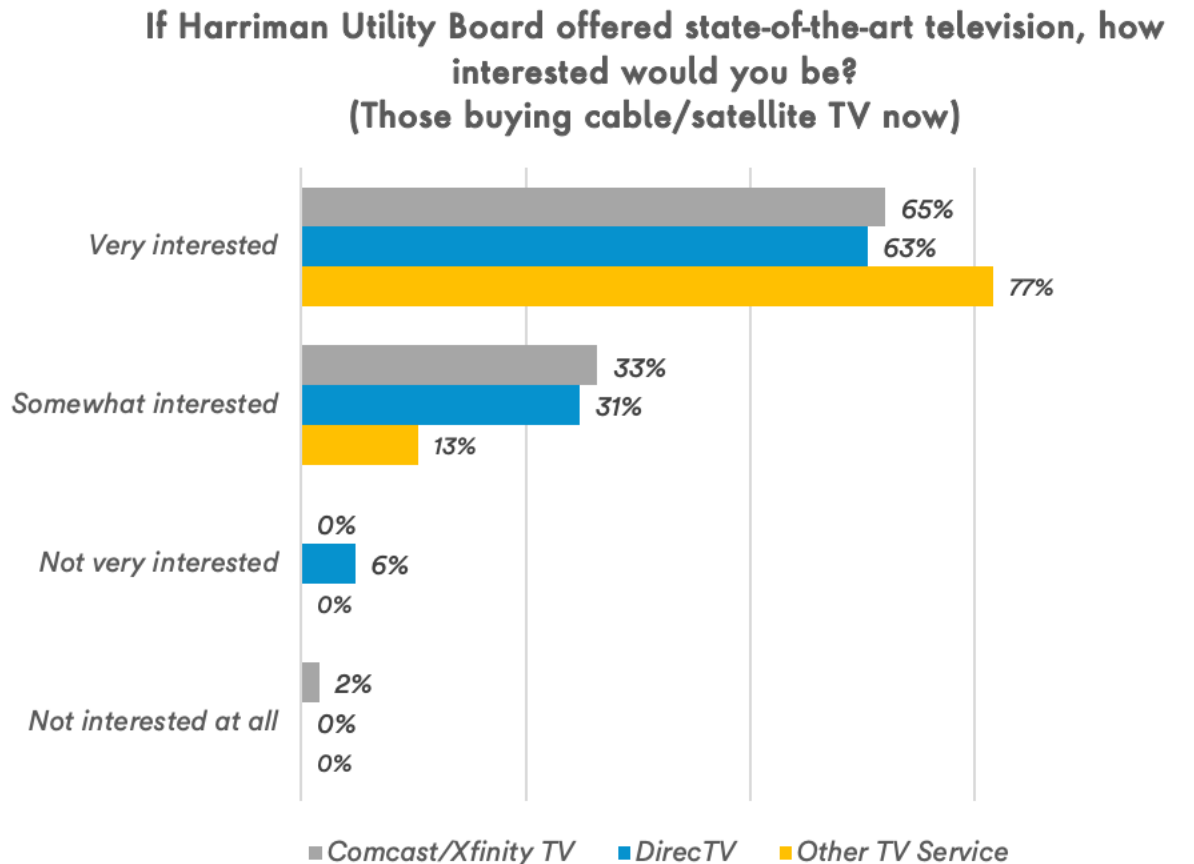


## Research Report

As detailed earlier, some consumers do not want television services at all, and these pull the responses down, perhaps artificially.

When you cut the data only by those who purchase traditional TV currently, then 65% of Comcast/Xfinity users are very interested and 33% are somewhat interested.

Almost everyone who uses any other service is also highly interested.



# Research Report

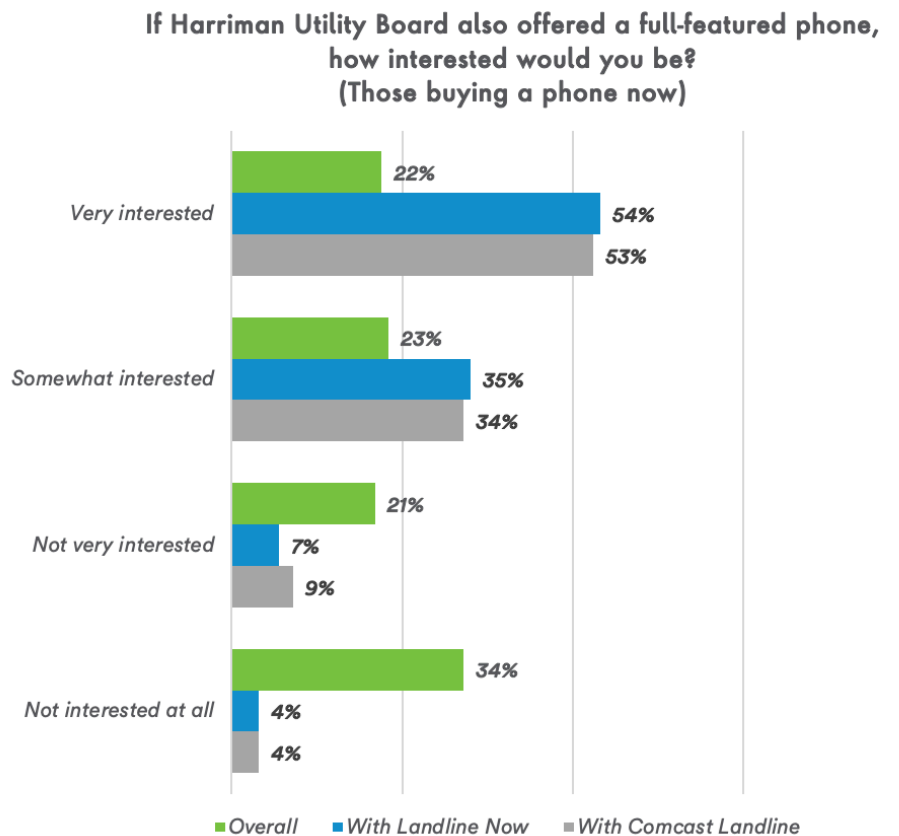
## Interest In Internet Plus Landline Phone From HUB

Question nine added the option of getting a landline home phone from HUB as well as internet. The question as worded was:

*If Harriman Utility Board were to also offer full-featured, reliable landline phone service, how interested would you be?*

Once again, home phones are not very popular, no matter who offers them. Only 22% of respondents overall said they are very interested. The response to this question is similar to question four.

However, if you filter the data to look at only by those who have a landline now, meaning they want one, the response is very different. As illustrated in the following chart, 54% of those with a phone now are very interested in the idea of new, fiber optic high-speed broadband that also includes home phone services.



# Research Report

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The interest holds up among older consumers with landlines now. Among those 65 and older, 50% are very interested and 42% are somewhat interested. Among those 55 to 64, 67% are very interested while 22% are somewhat interested.

## ***Interest In Internet Plus Wireless Phone From HUB***

Question 10 was about getting a wireless phone from HUB. The question was:

*If Harrison Utility Board were to also offer wireless phone service at a competitive price, how interested would you be?*

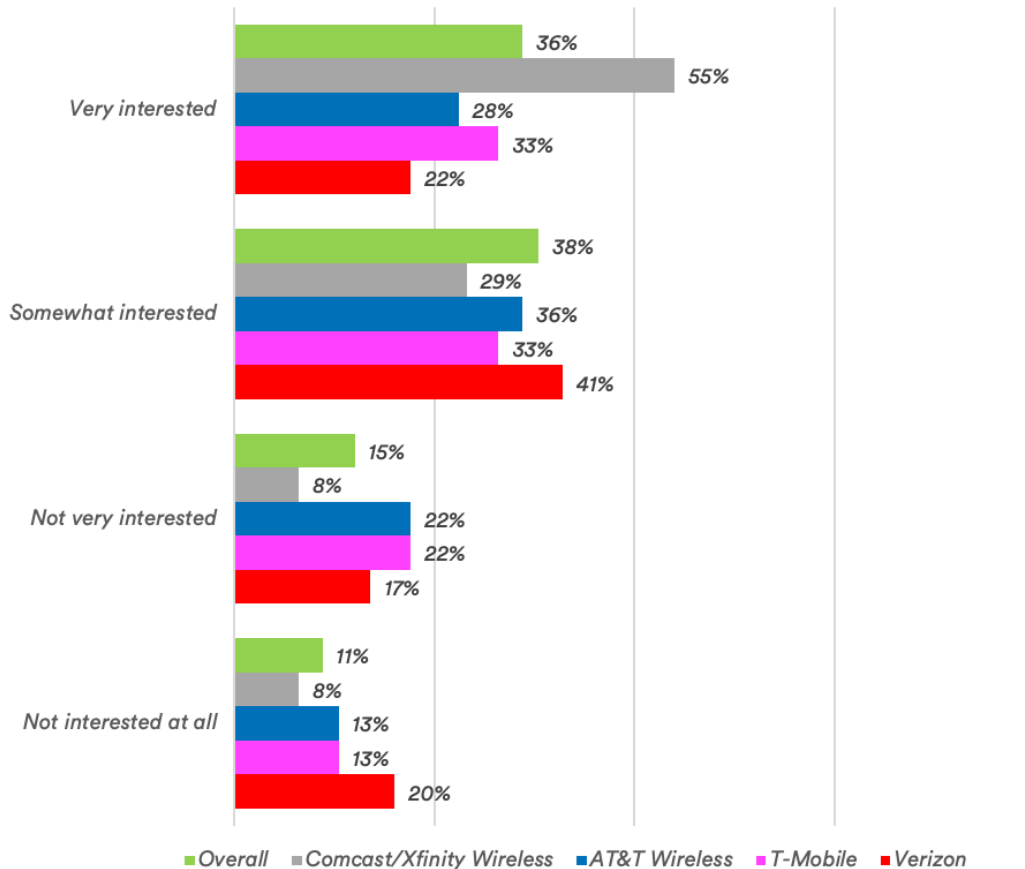
Once again, when you look at responses from current wireless consumers, there is significant interest in this offer, especially among Comcast/Xfinity wireless users.

AT&T and Verizon users are more skeptical, perhaps because they have been with their services for such a long time, and they have invested in expensive phones connected to those brands. Yet a majority of all brand users express at least some interest in an HUB alternative.



# Research Report

**If Harriman Utility Board also offered cellular phone service with price, quality and coverage similar to what you have, how interested would you be?**



The group most interested in wireless from HUB is the over 65 set, 45% of who are very interested in this idea.

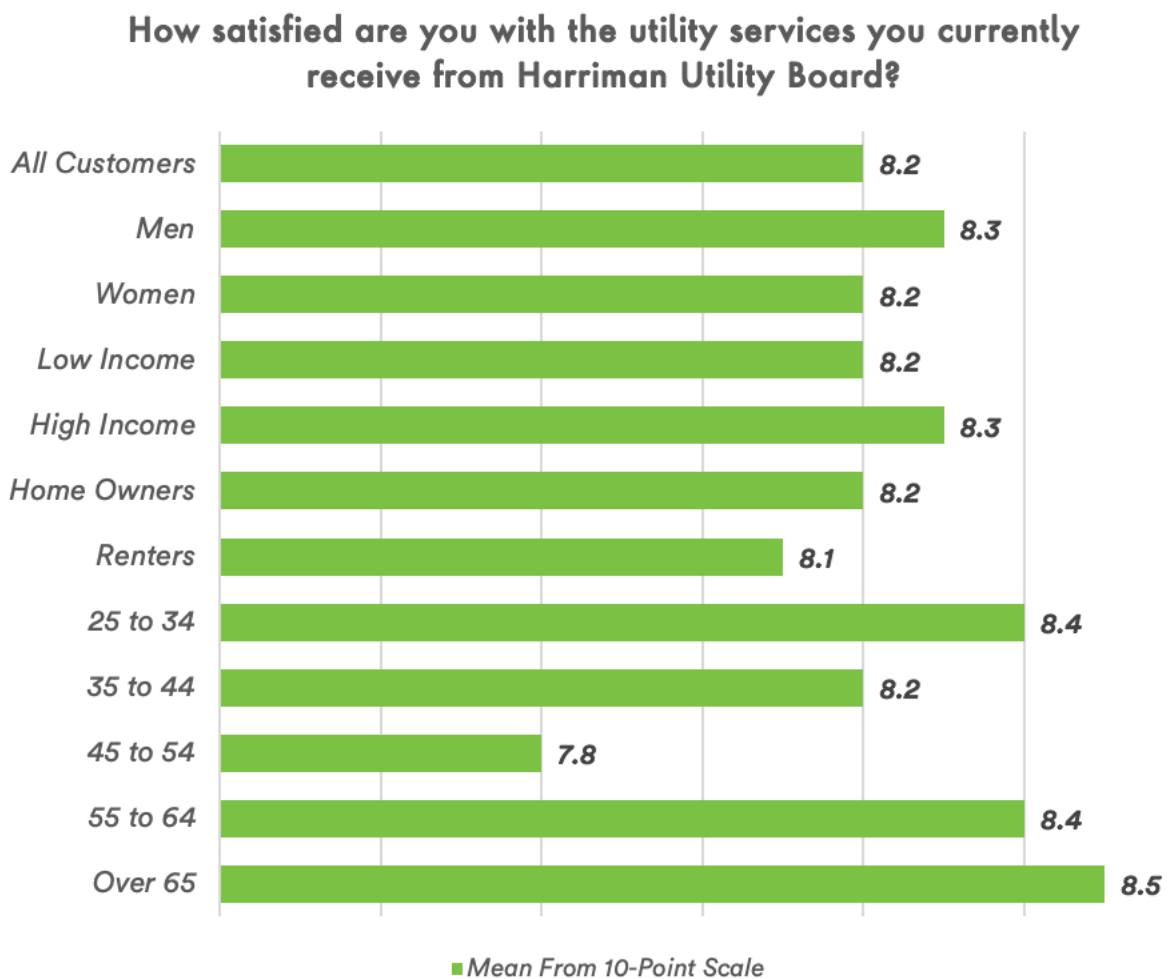
## SATISFACTION WITH HUB

HUB customers were asked to rate their satisfaction with the utility using the same 10-point scale used earlier to evaluate internet and TV services. Once again, a score of 9 or 10 represents a satisfied customer. Scores of 7 or 8 represent indifference. Scores of 6 or below indicate a customer who is not satisfied.

# Research Report

As can be seen in the table below HUB customers give the utility a favorable average score of 8.2 overall. Average scores above 8 are very good.

The table below shows HUB's mean score among from key customer groups. Only with the 45 to 54 age group did the mean slip below 8.

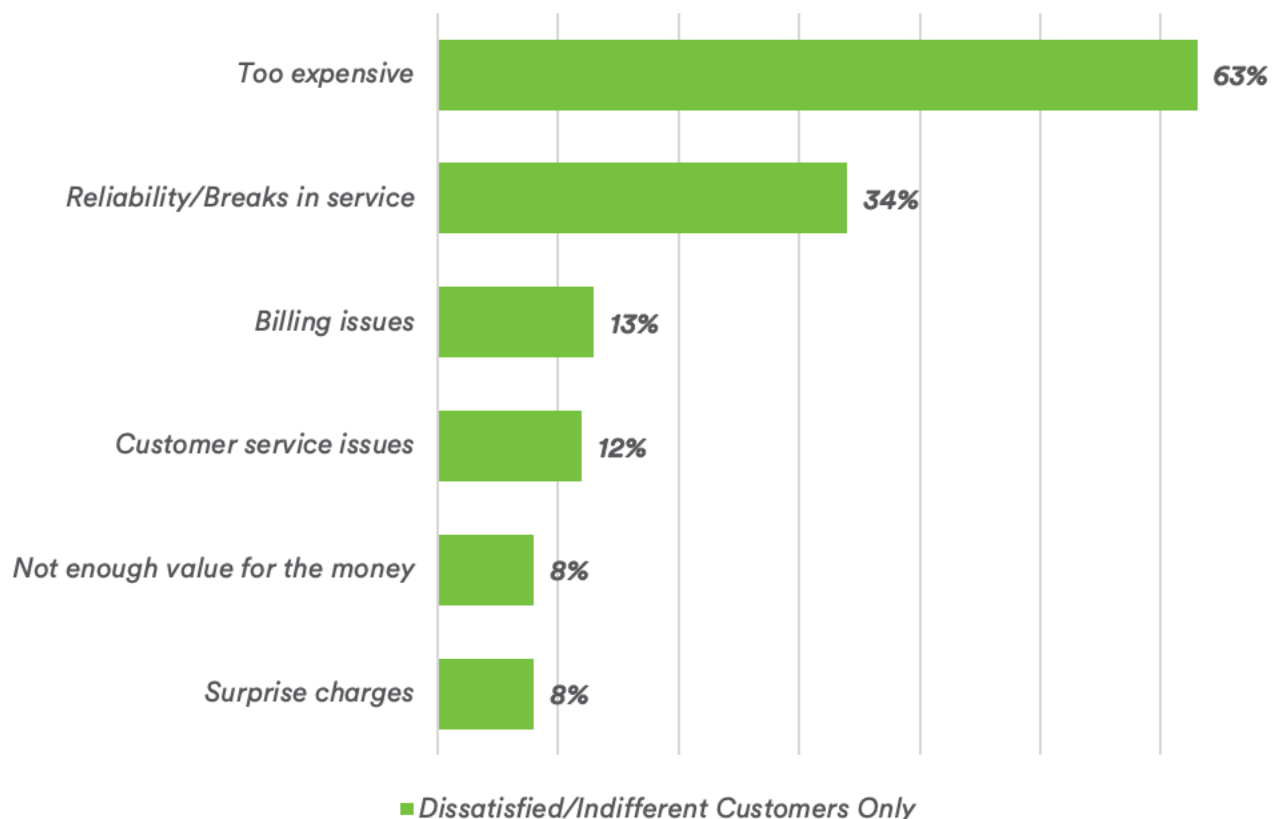


Over half of all respondents (54%) provided HUB with a 9 or 10 rating. Those most likely to give the utility a 10 rating include younger consumers, those age 25 to 34, 44% of whom gave the highest score.

# Research Report

Overall, 25% of respondents gave the utility a rating of 7 or less. Those who provided a lower rating were asked what they do not like about HUB. Just as with internet services, the cost of services is the number one complaint. Of the 101 customers who provided a lower rating, 64 of them cited expense as the reason why.

## What is the primary reason you did not give your utility service a higher rating?



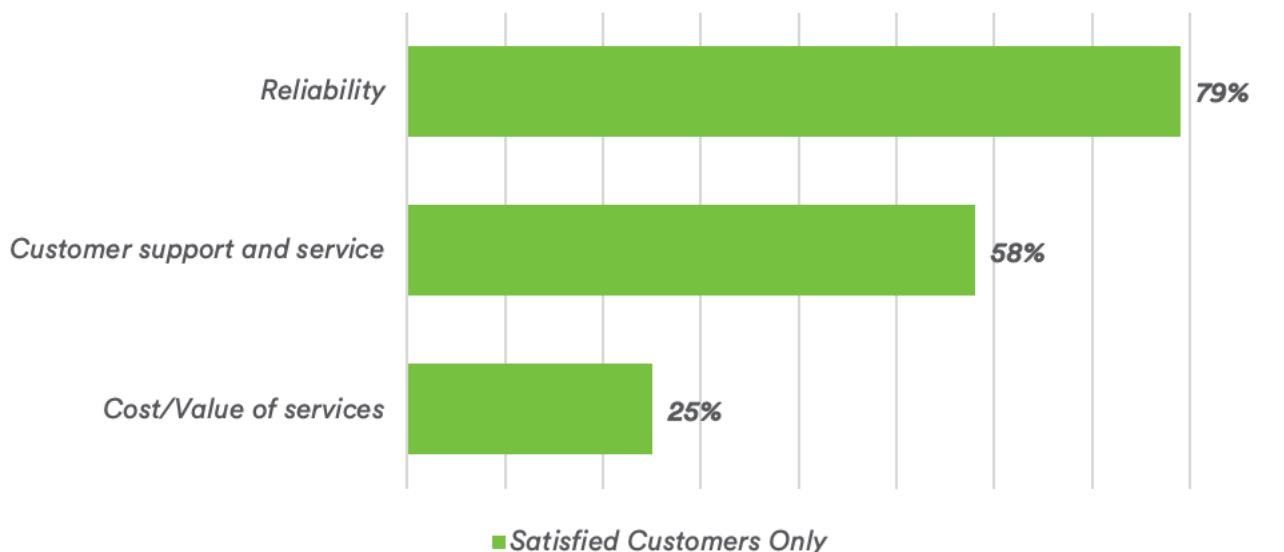
# Research Report

What HUB customers like best about HUB is reliability. Of the 299 who rated HUB more favorably, 235 mentioned reliability as a primary reason why. Over half of responses mentioned customer service or support and 25% mentioned value. Customers could offer more than one response.

What HUB customers like best about their services remains consistent across all income and age groupings with only a few small exceptions. Reliability is most important to older adults. Among those over age 65, 86% mentioned HUB's reliability as a source of satisfaction.

Those who earn less than \$50,000 are more likely to point to value as something they appreciate.

## What do you like best about your utility service?



# Research Report

## HUB NET PROMOTER SCORE

A net promoter score is a measure of a customer's willingness to recommend a brand to someone else. The score is calculated by deducting customer responses of 6 and below from those of 9 and 10. Scores of 7 and 8 are not factored into the score at all.

For HUB, the net promoter score is 30, which was calculated as follows:

$$\begin{array}{|c|} \hline \text{9 and 10 scores} = 53\% \\ \hline \end{array} \quad - \quad \begin{array}{|c|} \hline \text{0 to 6 scores} = 23\% \\ \hline \end{array} \quad = \quad \begin{array}{|c|} \hline 30 \\ \hline \end{array}$$

For most organizations, a net promoter score of 55 is considered favorable. Bain & Company, the creators of the net promoter score formula, consider any score above 20 to be a good score. Scores higher than 50 are unusual and highly enviable.

## IMPORTANCE OF HIGH-SPEED INTERNET

Participants were asked to rate the importance of having access to high-speed internet to their lives. As can be seen in the following chart, almost everyone said it is important to them, at least at some level. Only 3% of respondents indicated access to high-speed internet is not important.

Those with children at home are more likely to value access to high-speed internet, with 97% of that group expressing extreme, very high or essential importance.

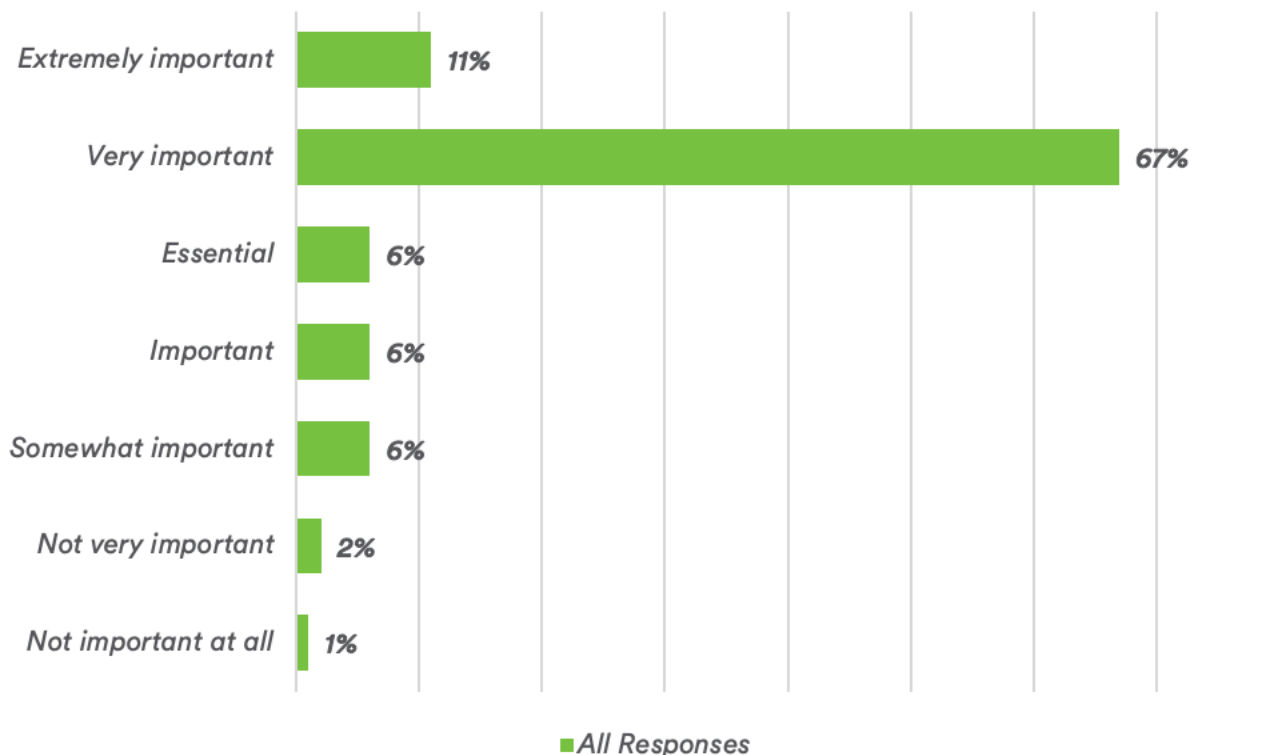
Similarly, 89% of those earning more than \$75,000 express similarly strong ratings of importance.

Consumers of all ages consider access to high-speed internet to be important, though it is typical that younger consumers assign greater importance. In Harriman, 92% of those under age 45 consider access to be extremely important, very important or essential.

Older consumers see the importance too. Among those 55 to 64, 85% said access is essential, very, or extremely important. Among those over age 65, 70% expressed the same responses.

# Research Report

## How important is having access to high-speed internet to your life?



### RESEARCH PARTICIPANT PROFILE

Participants in this study were randomly generated using email and social media from contact lists provided by HUB. Randomization means that every customer had an equal chance of being surveyed. Randomization tends to yield a diverse sample that leads to greater confidence in survey results. All participants were screened to include only HUB customers.

Rounding allows some tables to exceed 100%.

Without a quota in place, it is common in community surveys to collect more responses from women than men, and that is the case here. According to the 2022 census updates, gender distribution in Roane County is close to 50/50.

# Research Report

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## *Gender:*

<b>Male</b>	<b>50%</b>
<b>Female</b>	<b>50%</b>

The study yielded good representation among consumers of all ages. Like many rural areas, the population of the HUB service area tends to be older. The median age is over 47. The higher share of respondents over 65 is consistent with the actual adult population.

## *Age:*

<b>18-34</b>	<b>16%</b>
<b>35-44</b>	<b>21%</b>
<b>45-54</b>	<b>21%</b>
<b>55-64</b>	<b>19%</b>
<b>65+</b>	<b>23%</b>

About one in four adults in the research said they have children under the age of 18 living in their homes. Of those, 60% have more than one child.

## *Children at Home:*

<b>No</b>	<b>61%</b>
<b>Yes</b>	<b>39%</b>

# Research Report

Roane County is widely educated. Census data reports that 91% of all adults have a high school diploma and 21% have a bachelor's degree or more. Close to half of participants in the research reported they have a college degree or professional degree.

## ***Educational Level:***

<b>Less than high school</b>	<b>1%</b>
<b>High school diploma</b>	<b>20%</b>
<b>Technical college degree/Some college</b>	<b>32%</b>
<b>College degree</b>	<b>33%</b>
<b>Post-graduate/Professional degree</b>	<b>14%</b>

Most participants said they own their homes. Those who rent tend to be under age 45 and earning less than \$50,000 annually.

## ***Residence Type:***

<b>Own a home</b>	<b>88%</b>
<b>Rent</b>	<b>9%</b>

The median household income in Roane County is reported at \$55,578. Most respondents in the research earn more than the median, though lower income households are well represented.

## ***Income:***

<b>Less than \$25,000</b>	<b>9%</b>
<b>\$25,000 to \$49,999</b>	<b>19%</b>
<b>\$50,000 to \$74,999</b>	<b>22%</b>
<b>\$75,000 to \$99,999</b>	<b>18%</b>
<b>\$100,000 and Higher</b>	<b>30%</b>



# Research Report

According to census data, the population of Roane County is over 95% White, 3% Black/African American and 3% Hispanic/Latino. The research sample reflects the larger community.

<b><i>Race:</i></b>	
<b>White, Non-Hispanic</b>	<b>95%</b>
<b>Black or African American</b>	<b>2%</b>
<b>Latino or Hispanic</b>	<b>1%</b>
<b>All Others/Refused</b>	<b>2%</b>

Participants were asked if they currently work from home either full time or part of the time. Overall, 60% of the research sample said they are not working from home currently, but that total includes those who are older and perhaps retired. The table below shows the total, overall research sample response and the response from those under the age of 65.

<b><i>Working From Home Status</i></b>	<b>Overall</b>	<b>Under 65 Only</b>
<b>No, not working from home</b>	<b>60%</b>	<b>51%</b>
<b>Yes, some of the time</b>	<b>24%</b>	<b>29%</b>
<b>Yes, all of the time</b>	<b>17%</b>	<b>20%</b>

Appendix B

October 30, 2023

A RESOLUTION AUTHORIZING THE FILING OF A BUSINESS PLAN WITH THE  
OFFICE OF THE COMPTROLLER OF THE TREASURY OF THE STATE OF TENNESSEE

---

WHEREAS, Harriman Utility Board ("HUB"), provides electric service to Harriman, Tennessee and to parts of a two-county service area; and

WHEREAS, HUB has deemed it advisable to consider offering various broadband services to a portion of its customers; and

WHEREAS, HUB has developed a feasibility study and prepared a business plan for the offering of broadband services; and

WHEREAS, Tennessee Code Annotated, Title 7, Chapter 52, Part 6 requires that broadband business plans be submitted to the Comptroller of the Treasury for the State of Tennessee for review prior to the provision of broadband services;

NOW, THEREFORE, BE IT RESOLVED, BY THE BOARD OF DIRECTORS OF HARRIMAN UTILITY BOARD, THAT:

1. The attached business plan for the offering of broadband services is hereby approved for filing with the Comptroller.
2. The General Manager is authorized and directed to submit this business plan to the Comptroller of the Treasury for the State of Tennessee for review and comment.
3. The General Manager is authorized to take such further steps as may be necessary to effectuate this Resolution.

ADOPTED THIS 30<sup>th</sup> day of October, 2023.

  
Chairman

Attest:

  
Secretary

***HARRIMAN UTILITY BOARD***

***AUDIT REPORT***

**June 30, 2023**

**Harriman Utility Board**  
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**June 30, 2023**

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# CRANE, THOMPSON & JONES, P.C.

## CERTIFIED PUBLIC ACCOUNTANTS

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### INDEPENDENT AUDITOR'S REPORT

Harriman Utility Board  
Harriman, Tennessee

#### Report on the Audit of the Financial Statements

##### Opinions

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

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

##### Basis for Opinions

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

##### Responsibility of Management for the Financial Statements

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

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

##### Auditor's Responsibility for the Audit of the Financial Statements

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

JAMES W. CRANE, CPA  
MIRA J. CRANE, CPA

WHITNEY D. MCGOWAN, CPA

## **Harriman Utility Board**

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

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

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

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

### **Emphasis of Matter**

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

### **Required Supplementary Information**

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

### **Supplementary Information**

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

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

### **Other Information**

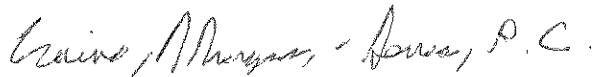
Management is responsible for the other information included in the annual report. The other information comprises the List of Utilities Officials on page 44 but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other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

## **Harriman Utility Board**

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated December 20, 2023, on our consideration of the Harriman Utility Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of the testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Harriman Utility Board's internal control over financial reporting and compliance.

A handwritten signature in cursive script, appearing to read "Elaine Morgan, CPA".

**December 20, 2023**  
**Morristown, Tennessee**

## Management's Discussion and Analysis

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

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

### Financial Statement Overview

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

**Table 1**

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

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



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

**Net Position**

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

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

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

**Net Position**

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

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

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

Table 2

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

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

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

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

### **Cash and Cash Investments**

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

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

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

### **Debt**

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

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

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

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

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

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

**Table 3**

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

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

**Table 4**

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

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

### **Payment in Lieu of Taxes**

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

### **Factors Affecting Future Financial Statements and Rates**

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

**Harriman Utility Board**  
**Statements of Net Position**  
**June 30, 2023**

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

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



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

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

**Harriman Utility Board**  
**Statements of Net Position**  
**June 30, 2022**

	<b>Electric Department</b>	<b>Gas Department</b>	<b>Sewer Department</b>	<b>Water Department</b>	<b>Totals</b>
<b><u>Assets</u></b>					
Current assets:					
Cash - interest bearing	\$ 7,121,845	\$ 2,750,665	\$ 545,150	\$ 1,709,640	\$ 12,127,300
Receivables:					
Trade accounts (net of allowance for doubtful accounts) and grants receivable	3,678,838	-	-	-	3,678,838
Due from (to) other utility departments	380,072	(151,328)	217,868	188,061	634,673
Other	(141,916)	69,267	142,009	219,350	288,710
<b>Total receivables</b>	<b>3,916,994</b>	<b>(82,061)</b>	<b>359,877</b>	<b>407,411</b>	<b>4,602,221</b>
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
<b>Total current assets</b>	<b>11,583,867</b>	<b>3,137,401</b>	<b>922,106</b>	<b>2,307,165</b>	<b>17,950,539</b>
Emergency reserve fund	435,100	-	-	-	435,100
<b>Total restricted assets</b>	<b>435,100</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>435,100</b>
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
<b>Less: Accumulated Depreciation</b>	<b>(43,957,672)</b>	<b>(7,259,888)</b>	<b>(14,046,396)</b>	<b>(12,931,212)</b>	<b>(78,195,168)</b>
	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
<b>Net property, plant and equipment</b>	<b>30,995,612</b>	<b>9,072,823</b>	<b>16,400,457</b>	<b>15,704,172</b>	<b>72,173,064</b>
<b>Total assets</b>	<b>43,014,579</b>	<b>12,210,224</b>	<b>17,322,563</b>	<b>18,011,337</b>	<b>90,558,703</b>
Deferred outflows of resources:					
Differences between expected and actual experience	1,446,556	361,627	241,084	361,620	2,410,887
Net difference between projected and actual earnings	432,088	108,018	72,012	108,017	720,135
<b>Total deferred outflows of resources</b>	<b>1,878,644</b>	<b>469,645</b>	<b>313,096</b>	<b>469,637</b>	<b>3,131,022</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 44,893,223</b>	<b>\$ 12,679,869</b>	<b>\$ 17,635,659</b>	<b>\$ 18,480,974</b>	<b>\$ 93,689,725</b>

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

	Electric Department	Gas Department	Sewer Department	Water Department	Totals
<b>Customers' deposits</b>					
Trade accounts payable	\$ 3,597,671	\$ -	\$ -	\$ -	\$ 3,597,671
Due to other utility departments	539,383	-	-	89,453	628,836
Accrued payroll, payroll taxes, and vacation pay	118,320	-	-	-	118,320
Customers' deposits	1,677,405	221,229	-	160,748	2,059,382
Other payables	253,379	-	1,078	-	254,457
<b>Total current liabilities (payable from current assets)</b>	<b>6,186,158</b>	<b>221,229</b>	<b>1,078</b>	<b>250,201</b>	<b>6,658,666</b>
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
<b>Total current liabilities (payable from restricted assets)</b>	<b>251,383</b>	<b>124,029</b>	<b>278,876</b>	<b>285,241</b>	<b>939,529</b>
Non current liabilities:					
Compensated absences	962,290	285,807	192,071	268,253	1,708,421
<b>Total non current liabilities</b>	<b>962,290</b>	<b>285,807</b>	<b>192,071</b>	<b>268,253</b>	<b>1,708,421</b>
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
<b>Total long-term debt</b>	<b>3,062,734</b>	<b>2,212,014</b>	<b>4,450,232</b>	<b>4,549,642</b>	<b>14,274,622</b>
Long-term liabilities:					
Net pension liability	2,932,558	733,140	488,760	733,140	4,887,598
<b>Total long-term liabilities</b>	<b>2,932,558</b>	<b>733,140</b>	<b>488,760</b>	<b>733,140</b>	<b>4,887,598</b>
Deferred inflows of resources:					
Differences between expected and actual experience	365,167	91,292	60,862	91,292	608,613
Net difference between projected and actual earnings	148,772	37,193	24,795	37,193	247,953
Changes of assumptions	838,531	209,634	139,755	209,634	1,397,554
<b>Total liabilities and deferred inflows of resources</b>	<b>1,362,470</b>	<b>338,119</b>	<b>225,413</b>	<b>338,119</b>	<b>2,254,121</b>
<b>Total liabilities</b>	<b>14,747,593</b>	<b>3,914,338</b>	<b>5,636,430</b>	<b>6,424,596</b>	<b>30,722,957</b>
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
<b>Total net position</b>	<b>30,145,630</b>	<b>8,765,531</b>	<b>11,999,229</b>	<b>12,056,378</b>	<b>62,966,768</b>
<b>Total liabilities and net position</b>	<b>\$ 44,893,223</b>	<b>\$ 12,679,869</b>	<b>\$ 17,635,659</b>	<b>\$ 18,480,974</b>	<b>\$ 93,689,725</b>

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



**Harriman Utility Board**  
**Notes to Financial Statements**  
**June 30, 2023**

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

General

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Basis of Presentation

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

## **NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **Operating and Non-Operating Revenues and Expenses**

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

### **Fiscal Year-End**

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

### **Cash and Cash Equivalents**

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

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

### **Investments**

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

### **Income Taxes**

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

### **Materials and Supplies Inventories**

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

### **Plant and Equipment**

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

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

## **NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

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

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

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

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

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

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

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

## **NOTE 2 - POWER CONTRACT**

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



**NOTE 3 - RETIREMENT PLAN (CONTINUED)**

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

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

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

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

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

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

**NOTE 3 - RETIREMENT PLAN (CONTINUED)**

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

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

**NOTE 4 – FAIR VALUE OF INVESTMENTS**

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

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

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

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

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

**NOTE 4 – FAIR VALUE OF INVESTMENTS (CONTINUED)**

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

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

**NOTE 5 - CONCENTRATION OF CREDIT RISK**

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

**NOTE 6 – LONG-TERM DEBT**

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

**NOTE 6 – LONG-TERM DEBT (CONTINUED)**

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

A summary of long-term debt is as follows:

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

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

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



**NOTE 6 – LONG-TERM DEBT (CONTINUED)**

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

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

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

**NOTE 7 – CAPITAL ASSETS**

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

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

**NOTE 7 – CAPITAL ASSETS (CONTINUED)**

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

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

**NOTE 7 – CAPITAL ASSETS (CONTINUED)**

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

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

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

**NOTE 7 – CAPITAL ASSETS (CONTINUED)**

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

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

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

**NOTE 7 – CAPITAL ASSETS (CONTINUED)**

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

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

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

#### **NOTE 8 - TENNESSEE VALLEY AUTHORITY HOME INSULATION PROGRAM**

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

#### **NOTE 9 - LEASE COMMITMENTS**

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

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

#### **NOTE 10 - POSTRETIREMENT HEALTHCARE BENEFITS**

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

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

#### **NOTE 11 - RISK MANAGEMENT**

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

**NOTE 12 - FINANCIAL REPORTING ENTITY**

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

**NOTE 13 – INTERFUND TRANSACTIONS**

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

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

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



#### **NOTE 14 – SUBSEQUENT EVENTS**

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

#### **NOTE 15 – NET POSITION**

GASB Statement No. 63 requires the classification of net position into three components – net investment in capital assets; net position-restricted; and net position-unrestricted.

These classifications are defined as follows:

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

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

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

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

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

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

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

**REQUIRED SUPPLEMENTARY INFORMATION**

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

Total pension liability	2022/2023	2021/2022	2020/2021	2019/2020	2018/2019	2017/2018	2016/2017	2015/2016	2014/2015
Service cost	\$ 374,349	\$ 418,269	\$ 419,601	\$ 409,169	\$ 389,943	\$ 392,299	\$ 366,590	\$ 435,317	\$ 444,416
Interest	708,222	612,773	700,968	723,706	715,090	682,324	703,263	803,018	815,021
Differences between actual & expected experience	113,745	1,284,942	(209,067)	(402,359)	104,574	988,208	813,675	(142,672)	(32,300)
Changes of assumptions	295,454	(216,546)	(1,137,540)	-	-	-	-	(413,038)	-
Benefit payments, including refunds of employee contributions	(397,858)	(976,280)	(1,086,964)	(1,045,283)	(1,183,891)	(2,000,899)	(2,415,831)	(1,662,100)	(1,117,061)
<b>Net change in total pension liability</b>	<b>\$ 1,093,912</b>	<b>\$ 1,123,158</b>	<b>\$ (1,313,002)</b>	<b>\$ (314,767)</b>	<b>\$ 25,716</b>	<b>\$ 61,932</b>	<b>\$ (532,303)</b>	<b>\$ (979,475)</b>	<b>\$ 110,144</b>
<b>Total pension liability-beginning</b>	<b>9,938,679</b>	<b>8,815,521</b>	<b>10,128,524</b>	<b>10,443,291</b>	<b>10,417,575</b>	<b>10,355,643</b>	<b>10,887,946</b>	<b>11,867,421</b>	<b>11,757,277</b>
<b>Total pension liability-ending (a)</b>	<b>\$ 11,032,591</b>	<b>\$ 9,938,679</b>	<b>\$ 8,815,522</b>	<b>\$ 10,128,524</b>	<b>\$ 10,443,291</b>	<b>\$ 10,417,575</b>	<b>\$ 10,355,643</b>	<b>\$ 10,887,946</b>	<b>\$ 11,867,421</b>
<b>Plan fiduciary net position</b>									
Contributions-employer	\$ 750,000	\$ 845,765	\$ 761,792	\$ 748,202	\$ 730,000	\$ 730,000	\$ 730,000	\$ 730,000	\$ 720,000
Contributions-employee	211,574	214,072	176,546	192,060	173,608	159,690	151,507	130,714	107,500
Net investment income	396,710	(412,095)	752,695	97,355	285,953	291,188	526,965	210,213	318,711
Benefit payments, including refunds of employee contributions	(397,858)	(976,280)	(1,086,964)	(1,045,283)	(1,183,891)	(2,000,899)	(2,415,831)	(1,662,100)	(1,117,061)
Administrative expense	(22,426)	(22,623)	(21,604)	(20,212)	(20,455)	(22,824)	(25,030)	(24,977)	(26,466)
<b>Net change in plan fiduciary net position</b>	<b>\$ 938,000</b>	<b>\$ (351,161)</b>	<b>\$ 582,465</b>	<b>\$ (27,878)</b>	<b>\$ (14,785)</b>	<b>\$ (842,845)</b>	<b>\$ (1,032,389)</b>	<b>\$ (616,150)</b>	<b>\$ 2,660</b>
<b>Plan fiduciary net position-beginning</b>	<b>5,051,081</b>	<b>5,402,242</b>	<b>4,819,777</b>	<b>4,847,654</b>	<b>4,862,439</b>	<b>5,705,284</b>	<b>6,737,673</b>	<b>7,353,823</b>	<b>7,351,163</b>
<b>Plan fiduciary net position-ending (b)</b>	<b>\$ 5,989,081</b>	<b>\$ 5,051,081</b>	<b>\$ 5,402,242</b>	<b>\$ 4,819,776</b>	<b>\$ 4,847,654</b>	<b>\$ 4,862,439</b>	<b>\$ 5,705,284</b>	<b>\$ 6,737,673</b>	<b>\$ 7,353,823</b>
<b>Net Pension Liability (asset)-ending (a) - (b)</b>	<b>\$ 5,043,510</b>	<b>\$ 4,887,598</b>	<b>\$ 3,413,280</b>	<b>\$ 5,308,748</b>	<b>\$ 5,595,637</b>	<b>\$ 5,555,136</b>	<b>\$ 4,650,359</b>	<b>\$ 4,150,273</b>	<b>\$ 4,513,598</b>
<b>Plan fiduciary net position as a percentage of total pension liability</b>	<b>54.30%</b>	<b>50.80%</b>	<b>61.30%</b>	<b>47.60%</b>	<b>46.42%</b>	<b>46.68%</b>	<b>55.09%</b>	<b>61.88%</b>	<b>61.9%</b>
<b>Covered-employee payroll</b>	<b>\$ 5,535,413</b>	<b>\$ 5,069,073</b>	<b>\$ 4,834,198</b>	<b>\$ 5,121,776</b>	<b>\$ 4,976,088</b>	<b>\$ 4,579,910</b>	<b>\$ 4,457,059</b>	<b>\$ 4,193,509</b>	<b>\$ 4,742,922</b>
<b>Net pension liability (asset) as a percentage of covered-employee payroll</b>	<b>91.10%</b>	<b>94.40%</b>	<b>70.60%</b>	<b>103.70%</b>	<b>112.45%</b>	<b>121.29%</b>	<b>103.64%</b>	<b>98.97%</b>	<b>95.1%</b>

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

See Independent's Auditor Report

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 508,087	\$ 524,953	\$ 707,682	\$ 670,536	\$ 722,313	\$ 664,909	\$ 612,257	\$ 740,750	\$ 733,825
Contributions in relation to the actuarially determined contribution	750,000	845,765	761,792	748,202	730,000	730,000	737,500	720,000	720,000
Contribution (deficiency) overage	\$ (241,913)	\$ (320,812)	\$ (54,110)	\$ (77,666)	\$ (7,687)	\$ (65,091)	\$ (125,243)	\$ 20,750	\$ 13,825
Covered-employee payroll	\$ 5,535,413	\$ 5,069,073	\$ 4,834,198	\$ 5,121,776	\$ 4,976,088	\$ 4,579,910	\$ 4,467,059	\$ 4,193,509	\$ 4,617,044
Contributions as a percentage covered-employee payroll	13.50%	13.70%	15.80%	14.60%	14.67%	14.50%	13.60%	17.17%	15.59%

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

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

	2022/2023	2021/2022	2020/2021	2019/2020	2018/2019	2017/2018	2016/2017	2015/2016	2014/2015
Annual Money-Weighted Rate of Return									
Net of Investment Expenses	7.35%	-7.75%	13.08%	2.22%	6.56%	5.21%	8.41%	2.66%	3.97%

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

**Actuarial Methods & Assumptions**

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

*Methods and assumptions used to determine contribution rates:*

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

See Independent's Auditor Report

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

Analysis of Funding Progress

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

See Independent's Auditor Report

**SUPPLEMENTARY INFORMATION**

**Harriman Utility Board**  
**List of Utility Officials**  
**June 30, 2023**

**Board Members**

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

**Management**

Candace Vannasdale - Manager

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

\$ 965,000	\$ 96,665	\$ 1,390,000	\$ 216,670	\$ 2,275,000	\$ 346,280
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Year Ended June 30,	Sewer Department		Totals	
	2021A General Obligation Bonds			
	Principal	Interest	Principal	Interest
2024	\$ 195,000	\$ 67,685	\$ 570,000	\$ 170,250
2025	195,000	61,835	570,000	153,150
2026	195,000	55,985	570,000	136,050
2027	195,000	50,135	570,000	118,950
2028	195,000	44,285	570,000	101,850
2029	195,000	38,435	570,000	84,750
2030	195,000	32,585	550,000	67,650
2031	195,000	30,440	400,000	61,600
2032	195,000	28,100	400,000	56,800
2033	195,000	25,174	400,000	50,799
2034	195,000	22,250	400,000	44,800
2035	195,000	19,325	400,000	38,800
2036	200,000	16,400	400,000	32,800
2037	200,000	13,400	400,000	26,800
2038	200,000	10,200	400,000	20,400
2039	200,000	6,900	400,000	13,800
2040	200,000	3,500	400,000	7,000

\$ 3,340,000	\$ 526,634	\$ 7,970,000	\$ 1,186,249
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**Harriman Utility Board**  
**Schedule of Bond and Interest Requirements (CONTINUED)**  
**June 30, 2023**

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

Customers' deposits:	\$ 1,890,000	\$ 369,075	\$ 715,000	\$ 140,450
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Year Ended June 30,	Water Department		Totals	
	2021B General Obligation Bonds			
	Principal	Interest	Principal	Interest
2024	\$ 60,000	\$ 26,050	\$ 200,000	\$ 85,350
2025	60,000	24,250	205,000	79,350
2026	60,000	22,450	205,000	73,200
2027	60,000	20,650	205,000	67,050
2028	65,000	18,850	210,000	60,900
2029	65,000	16,900	210,000	54,600
2030	65,000	14,950	210,000	48,300
2031	65,000	13,650	210,000	44,100
2032	65,000	12,350	210,000	39,900
2033	65,000	11,213	210,000	36,225
2034	65,000	10,075	210,000	32,550
2035	65,000	8,775	210,000	28,350
2036	65,000	7,475	210,000	24,150
2037	65,000	6,338	210,000	20,475
2038	65,000	5,200	210,000	16,800
2039	65,000	3,900	210,000	12,600
2040	65,000	2,600	210,000	8,400
2041	65,000	1,300	210,000	4,200

Customers' deposits:	\$ 1,150,000	\$ 226,975	\$ 3,755,000	\$ 736,500
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**Harriman Utility Board**  
**Schedule of Bond and Interest Requirements (CONTINUED)**  
**June 30, 2023**

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

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

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

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

Residential rates:

Customer charge - \$26.95 per month

Energy charge – 11.49 cents per kwh per month

Commercial rates:

Small commercial - 15,000 kWh or less:

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

Energy charge – 12.86 cents per kWh per month

Large commercial – over 15,000 kWh:

Customer charge \$111.41 per delivery point per month

Demand charge - First 50kW of billing demand per month, no demand charge

- Excess over 50 kW of billing demand per month, at \$17.67 per kW

Energy charge - First 15,000 kWh per month at 12.63 cents per kWh

- Additional kWh per month at 8.27 cents per kWh

Pole rental:

25' Pole        \$6.37

30' Pole        \$7.27

Outdoor lighting for individual customers:

Monthly fixture charge:

<u>Type of Fixture</u>	<u>Lamp Size</u>		<u>Rated kWh</u>	<u>Charge</u>
	<u>Watts</u>	<u>Lumens</u>		
High pressure sodium	100	8,550	42	\$11.48
	200	18,900	82	17.23
LED	60			11.33
	250			19.01

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

The gas rates vary each month. The following rates were in effect for June 30, 2023:

General service rates:

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

**Sewer Department**  
**Schedule of Utility Rates**  
**June 30, 2023**

	<u><b>Industrial</b></u>	<u><b>Residential</b></u>	<u><b>Commercial</b></u>
First 1,000 gallons - minimum bill	\$55.7	\$20.74	\$55.76
Over 1,000 gallons - per thousand gallons	13.47	12.66	13.47

**Water Department**  
**Schedule of Utility Rates**  
**June 30, 2023**

	<b>Per Thousand Gallons</b>	
	<b>Inside</b>	<b>Outside</b>
	<u><b>City</b></u>	<u><b>City</b></u>
Commercial:		
First 1,000 gallons - minimum bill	\$23.35	\$27.33
Next 9,000 gallons	7.76	11.17
Excess	6.66	9.49
Residential:		
First 1,000 gallons - minimum bill	\$20.25	\$23.75
Next 9,000 gallons	6.93	10.19
Excess	5.05	6.45



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

	<u>6/30/2023</u>	<u>6/30/2022</u>
<b>Electric:</b>		
Residential	9,266	9,232
Gen. Power - 50 kW + under	1,662	1,621
Gen. Power - Over 50 kW	109	104
Street and Athletic	39	39
Outdoor Lights	111	113
Security Lights	2,755	2,767
Street Lights	<u>1,447</u>	<u>1,441</u>
Total, excluding security and street lights	<u>11,187</u>	<u>11,109</u>
<b>Gas:</b>		
Residential	2,751	2,753
Commercial	422	425
Transportation	<u>-</u>	<u>-</u>
Total	<u>3,173</u>	<u>3,178</u>
<b>Sewer:</b>		
Residential - inside	1,910	1,899
Residential - outside	41	41
Commercial - inside	305	298
Commercial - outside	8	8
Industrial - inside	-	-
Industrial - outside	-	1
Miscellaneous	<u>36</u>	<u>38</u>
Total	<u>2,300</u>	<u>2,285</u>
<b>Water:</b>		
Residential - inside	2,293	2,288
Residential - outside	2,173	2,148
Commercial - inside	427	418
Commercial - outside	191	182
Industrial - inside	1	1
Industrial - outside	-	-
Commercial Fire Hydrant	2	2
Commercial Sprinkler	17	16
Industrial Sprinkler	<u>-</u>	<u>1</u>
Total	<u>5,104</u>	<u>5,056</u>

See Independent's Auditor Report

**Harriman Utility Board**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2023**

<u>Federal Grantor/ Passthrough Entity</u>	<u>Program Name</u>	<u>Assistance Listing Number</u>	<u>Balance 7/1/2022</u>	<u>Cash Federal</u>	<u>Receipts State</u>	<u>Federal Expenditures</u>	<u>Balance 6/30/2023</u>
U.S. Department of Agriculture	USDA	10.766	\$ -	\$ 42,996	\$ -	\$ 42,996	\$ -
U.S. Department of Treasury	Coronavirus State and Local Fiscal Recovery Funds	21.027		250,000		250,000	
Appalachian Regional Commission	Appalachian Area Development	23.002		16,848		16,848	
Federal Emergency Management Agency	TEMA			8,291		8,291	
Total federal/state awards			<u>\$ -</u>	<u>\$318,135</u>	<u>\$ -</u>	<u>\$ 318,135</u>	<u>\$ -</u>

Notes to Schedule of Expenditures of Federal Awards:

- (1) - For purposes of this schedule, expenditures of federal and state awards are recognized on the accrual basis of accounting.
- (2) - Loans outstanding: At June 30, 2023, there was an outstanding balance of \$1,898,029 on a loan obtained in a previous year through the State Revolving Loan Fund. Payments during the fiscal year totaled \$146,364.
- (3) - Loans outstanding: At June 30, 2022, there was an outstanding balance of \$2,044,393 on a loan obtained in a previous year through the State Revolving Loan Fund. Payments during the fiscal year totaled \$144,396.
- (4) - Elected to use the 10% de minimis indirect cost rate allowed under the uniform guidance.

# CRANE, THOMPSON & JONES, P.C.

## CERTIFIED PUBLIC ACCOUNTANTS

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### INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Harriman Utility Board  
Harriman, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the respective financial position of the business-type activities, each of the major funds, and the aggregate remaining fund information, the Pension Trust Fund the Harriman Utility Board as of and for the years ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Harriman Utility Board's basic financial statements, and have issued our report thereon dated December 20, 2023.

#### Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Harriman Utility Board's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Harriman Utility Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Harriman Utility Board's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

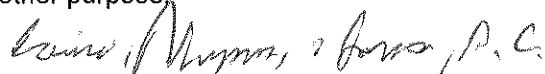
## Harriman Utility Board

### Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Harriman Utility Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in dark ink, appearing to read "Kevin M. Hays, P.C.", is written over the printed name.

Morristown, Tennessee  
December 20, 2023

**Harriman Utility Board**  
**Summary Schedule of Prior Year Findings**  
**June 30, 2023**

Internal Control Over Financial Reporting

There were no prior findings reported.

Compliance and Other Matters

There were no prior findings reported.

## Appendix D

### Interdivisional Loan

Annual Interest Rate	7.00%
Years	7
Payments Per year	12
Amount	\$ 6,655,299.00

Payment number	Payment	Principal	Interest	Balance
1	(\$100,446.30)	(\$61,623.72)	(\$38,822.58)	\$6,593,675.28
2	(\$100,446.30)	(\$61,983.19)	(\$38,463.11)	\$6,531,692.09
3	(\$100,446.30)	(\$62,344.76)	(\$38,101.54)	\$6,469,347.33
4	(\$100,446.30)	(\$62,708.44)	(\$37,737.86)	\$6,406,638.89
5	(\$100,446.30)	(\$63,074.24)	(\$37,372.06)	\$6,343,564.65
6	(\$100,446.30)	(\$63,442.17)	(\$37,004.13)	\$6,280,122.48
7	(\$100,446.30)	(\$63,812.25)	(\$36,634.05)	\$6,216,310.23
8	(\$100,446.30)	(\$64,184.49)	(\$36,261.81)	\$6,152,125.74
9	(\$100,446.30)	(\$64,558.90)	(\$35,887.40)	\$6,087,566.84
10	(\$100,446.30)	(\$64,935.49)	(\$35,510.81)	\$6,022,631.35
11	(\$100,446.30)	(\$65,314.28)	(\$35,132.02)	\$5,957,317.07
12	(\$100,446.30)	(\$65,695.28)	(\$34,751.02)	\$5,891,621.79
13	(\$100,446.30)	(\$66,078.50)	(\$34,367.79)	\$5,825,543.28
14	(\$100,446.30)	(\$66,463.96)	(\$33,982.34)	\$5,759,079.32
15	(\$100,446.30)	(\$66,851.67)	(\$33,594.63)	\$5,692,227.65
16	(\$100,446.30)	(\$67,241.64)	(\$33,204.66)	\$5,624,986.02
17	(\$100,446.30)	(\$67,633.88)	(\$32,812.42)	\$5,557,352.14
18	(\$100,446.30)	(\$68,028.41)	(\$32,417.89)	\$5,489,323.73
19	(\$100,446.30)	(\$68,425.24)	(\$32,021.06)	\$5,420,898.48
20	(\$100,446.30)	(\$68,824.39)	(\$31,621.91)	\$5,352,074.09
21	(\$100,446.30)	(\$69,225.87)	(\$31,220.43)	\$5,282,848.23
22	(\$100,446.30)	(\$69,629.68)	(\$30,816.61)	\$5,213,218.54
23	(\$100,446.30)	(\$70,035.86)	(\$30,410.44)	\$5,143,182.69
24	(\$100,446.30)	(\$70,444.40)	(\$30,001.90)	\$5,072,738.29
25	(\$100,446.30)	(\$70,855.32)	(\$29,590.97)	\$5,001,882.96
26	(\$100,446.30)	(\$71,268.65)	(\$29,177.65)	\$4,930,614.32
27	(\$100,446.30)	(\$71,684.38)	(\$28,761.92)	\$4,858,929.94
28	(\$100,446.30)	(\$72,102.54)	(\$28,343.76)	\$4,786,827.40
29	(\$100,446.30)	(\$72,523.14)	(\$27,923.16)	\$4,714,304.26
30	(\$100,446.30)	(\$72,946.19)	(\$27,500.11)	\$4,641,358.07
31	(\$100,446.30)	(\$73,371.71)	(\$27,074.59)	\$4,567,986.36
32	(\$100,446.30)	(\$73,799.71)	(\$26,646.59)	\$4,494,186.65
33	(\$100,446.30)	(\$74,230.21)	(\$26,216.09)	\$4,419,956.44

# Interdivisional Loan

Annual Interest Rate 7.00%  
 Years 7  
 Payments Per year 12  
 Amount \$ 6,655,299.00

Payment number	Payment	Principal	Interest	Balance
34	(\$100,446.30)	(\$74,663.22)	(\$25,783.08)	\$4,345,293.22
35	(\$100,446.30)	(\$75,098.75)	(\$25,347.54)	\$4,270,194.46
36	(\$100,446.30)	(\$75,536.83)	(\$24,909.47)	\$4,194,657.63
37	(\$100,446.30)	(\$75,977.46)	(\$24,468.84)	\$4,118,680.17
38	(\$100,446.30)	(\$76,420.66)	(\$24,025.63)	\$4,042,259.51
39	(\$100,446.30)	(\$76,866.45)	(\$23,579.85)	\$3,965,393.06
40	(\$100,446.30)	(\$77,314.84)	(\$23,131.46)	\$3,888,078.22
41	(\$100,446.30)	(\$77,765.84)	(\$22,680.46)	\$3,810,312.38
42	(\$100,446.30)	(\$78,219.48)	(\$22,226.82)	\$3,732,092.90
43	(\$100,446.30)	(\$78,675.76)	(\$21,770.54)	\$3,653,417.15
44	(\$100,446.30)	(\$79,134.70)	(\$21,311.60)	\$3,574,282.45
45	(\$100,446.30)	(\$79,596.32)	(\$20,849.98)	\$3,494,686.13
46	(\$100,446.30)	(\$80,060.63)	(\$20,385.67)	\$3,414,625.50
47	(\$100,446.30)	(\$80,527.65)	(\$19,918.65)	\$3,334,097.85
48	(\$100,446.30)	(\$80,997.39)	(\$19,448.90)	\$3,253,100.46
49	(\$100,446.30)	(\$81,469.88)	(\$18,976.42)	\$3,171,630.58
50	(\$100,446.30)	(\$81,945.12)	(\$18,501.18)	\$3,089,685.46
51	(\$100,446.30)	(\$82,423.13)	(\$18,023.17)	\$3,007,262.33
52	(\$100,446.30)	(\$82,903.93)	(\$17,542.36)	\$2,924,358.39
53	(\$100,446.30)	(\$83,387.54)	(\$17,058.76)	\$2,840,970.85
54	(\$100,446.30)	(\$83,873.97)	(\$16,572.33)	\$2,757,096.89
55	(\$100,446.30)	(\$84,363.23)	(\$16,083.07)	\$2,672,733.65
56	(\$100,446.30)	(\$84,855.35)	(\$15,590.95)	\$2,587,878.30
57	(\$100,446.30)	(\$85,350.34)	(\$15,095.96)	\$2,502,527.96
58	(\$100,446.30)	(\$85,848.22)	(\$14,598.08)	\$2,416,679.74
59	(\$100,446.30)	(\$86,349.00)	(\$14,097.30)	\$2,330,330.74
60	(\$100,446.30)	(\$86,852.70)	(\$13,593.60)	\$2,243,478.04
61	(\$100,446.30)	(\$87,359.34)	(\$13,086.96)	\$2,156,118.70
62	(\$100,446.30)	(\$87,868.94)	(\$12,577.36)	\$2,068,249.76
63	(\$100,446.30)	(\$88,381.51)	(\$12,064.79)	\$1,979,868.25
64	(\$100,446.30)	(\$88,897.07)	(\$11,549.23)	\$1,890,971.18
65	(\$100,446.30)	(\$89,415.63)	(\$11,030.67)	\$1,801,555.55
66	(\$100,446.30)	(\$89,937.22)	(\$10,509.07)	\$1,711,618.33
67	(\$100,446.30)	(\$90,461.86)	(\$9,984.44)	\$1,621,156.47
68	(\$100,446.30)	(\$90,989.55)	(\$9,456.75)	\$1,530,166.92
69	(\$100,446.30)	(\$91,520.32)	(\$8,925.97)	\$1,438,646.59

# Interdivisional Loan

Annual Interest Rate 7.00%  
 Years 7  
 Payments Per year 12  
 Amount \$ 6,655,299.00

Payment number	Payment	Principal	Interest	Balance
70	(\$100,446.30)	(\$92,054.19)	(\$8,392.11)	\$1,346,592.40
71	(\$100,446.30)	(\$92,591.18)	(\$7,855.12)	\$1,254,001.22
72	(\$100,446.30)	(\$93,131.29)	(\$7,315.01)	\$1,160,869.93
73	(\$100,446.30)	(\$93,674.56)	(\$6,771.74)	\$1,067,195.38
74	(\$100,446.30)	(\$94,220.99)	(\$6,225.31)	\$972,974.39
75	(\$100,446.30)	(\$94,770.61)	(\$5,675.68)	\$878,203.77
76	(\$100,446.30)	(\$95,323.44)	(\$5,122.86)	\$782,880.33
77	(\$100,446.30)	(\$95,879.50)	(\$4,566.80)	\$687,000.83
78	(\$100,446.30)	(\$96,438.79)	(\$4,007.50)	\$590,562.04
79	(\$100,446.30)	(\$97,001.35)	(\$3,444.95)	\$493,560.69
80	(\$100,446.30)	(\$97,567.19)	(\$2,879.10)	\$395,993.49
81	(\$100,446.30)	(\$98,136.34)	(\$2,309.96)	\$297,857.16
82	(\$100,446.30)	(\$98,708.80)	(\$1,737.50)	\$199,148.36
83	(\$100,446.30)	(\$99,284.60)	(\$1,161.70)	\$99,863.76
84	(\$100,446.30)	(\$99,863.76)	(\$582.54)	(\$0.00)