JOHNSON CITY ENERGY AUTHORITY DBA

JOHNSON CITY POWER BOARD

AUDITED FINANCIAL STATEMENTS

2017

JOHNSON CITY ENERGY AUTHORITY
DBA JOHNSON CITY POWER BOARD

BASIC FINANCIAL STATEMENTS

AND SUPPLEMENTARY INFORMATION

For the Fiscal Year Ended June 30, 2017

JOHNSON CITY ENERGY AUTHORITY
DBA JOHNSON CITY POWER BOARD
TABLE OF CONTENTS
June 30, 2017

JOHNSON CITY ENERGY AUTHORITY
DBA JOHNSON CITY POWER BOARD
TABLE OF CONTENTS
June 30, 2017

SECTION I

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Johnson City Energy Authority dba
Johnson City Power Board
Johnson City, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Johnson City Energy Authority dba Johnson City Power Board (the Power Board), as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Power Board's basic financial statements as listed in the table of contents.

Management's Responsibility 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Power Board's preparation and fair presentation of the financial statements 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 Power Board's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Johnson City Energy Authority dba Johnson City Power Board, as of June 30, 2017, and the respective changes in financial position and cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Changes in Net Pension Liability and Related Ratios Based on Participation in the Public Employee Pension Plan of TCRS, the Schedule of Contributions Based on Participation in the Public Employee Pension Plan of TCRS, and the Schedule of Funding Progress of Post-Employment Benefits Other than Pensions on pages 4 through 12 and pages 37 through 39, respectively, 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Power Board's basic financial statements. The supplementary information and other supplementary information sections, as detailed within the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information section 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 section is fairly stated in all material respects in relation to the basic financial statements as a whole.

The other supplementary information section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the business-type activities of the Johnson City Electric Authority dba Johnson City Power Board and do not purport to, and do not present fairly the financial position of the City of Johnson City, Tennessee, through March 31, 2017, the date through which the Johnson City Power Board was an enterprise fund of the City of Johnson City, Tennessee, the changes in its financial position, or, where applicable, its cash flows for the fiscal 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2017, on our consideration of the Power Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Power Board's internal control over financial reporting and compliance.

Blackburn, Childers + Steagall, PLC

BLACKBURN, CHILDERS & STEAGALL, PLC
Johnson City, Tennessee

November 13, 2017

Johnson City Energy Authority (JCEA), dba Johnson City Power Board (JCPB), is an energy authority created under the Municipal Energy Authority Act with responsibility to provide electricity and related programs, services, and products. As the tenth largest of TVA's 154 local power companies, JCEA supplies electricity to around 78,300 customers over nearly 350 square miles in Northeast Tennessee. The JCEA service area includes the City of Johnson City; the Town of Jonesborough; part of the City of Kingsport; all of Washington County; and parts of Sullivan, Carter, and Greene counties.

The Management's Discussion and Analysis (MD&A) for JCEA is designed to help the reader focus on significant financial activities and identify any meaningful changes in the financial position for the fiscal year ending June 30, 2017. This MD&A is in accordance with *Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments.* We encourage readers to consider the information presented here in conjunction with the financial statements and supporting documents taken as a whole.

Overview of the Financial Statements

This discussion and analysis is to introduce the financial statements and provide an analytical overview of JCEA's financial activities for the fiscal year ending June 30, 2017. The financial statements are comprised of the basic financial statements and the notes to the financial statements which provide detailed supporting information.

Basic Financial Statements

The basic financial statements should provide a broad overview of JCEA's finances like those used by a private sector business. The financial statements are prepared using the accrual basis of accounting and offer short- and long-term information about financial activities.

The Statement of Net Position presents information on all JCEA's assets and deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between the two reported as net position. Net position is an indicator of financial status at a given point in time and can be tracked over time to assess whether the standing is improving or deteriorating. Net position increases when revenues exceed expenses. Improved financial position is shown by an increase to assets without an increase to liabilities, resulting in increased net position.

The current fiscal year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. All changes in net position are reported as soon as the underlying event occurs, regardless of the timing of cash flows. The success of JCEA operations over the past fiscal year can be measured by this statement and it is useful to determine whether costs are successfully recovered through rates and other charges.

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities. This statement provides details as to the sources of cash, the uses of cash, and the change in the cash balance during the reporting period, without consideration to the timing of the event.

Financial Analysis

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position convey information about JCEA's activities highlighting the change in financial condition from one year to the next. Over time, increases or decreases in net position may serve as an indicator of whether the financial position of JCEA is improving or declining. Other considerations for electric distributors are the influences of non-financial indicators such as economic conditions, population growth, weather, changes in governmental legislation, and energy efficiency.

Condensed Statement of Net Position is presented below:

SUMMARY OF STATEMENT OF NET POSITION

	FY 2017	FY 2016	Dollar Change	% Change
Assets				
Current and Other Assets	51,622,140	42,487,917	9,134,223	21.5%
Restricted Assets	22,024,010	21,750,671	273,339	1.3%
Capital Assets, Net	189,709,825	189,935,564	(225,739)	-0.1%
Total Assets	**$ 263,355,975**	**$ 254,174,152**	**$ 9,181,823**	**3.6%**
Deferred Outflows of Resources	**$ 4,716,979**	**$ 2,166,611**	**$ 2,550,368**	**117.7%**
Liabilities				
Current Liabilities	26,539,568	28,281,478	(1,741,910)	-6.2%
Long-Term Liabilities	49,434,421	48,857,436	576,985	1.2%
Total Liabilities	**$ 75,973,989**	**$ 77,138,914**	**$ (1,164,925)**	**-1.5%**
Deferred Inflows of Resources	**$ 878,814**	**$ 1,338,510**	**$ (459,696)**	**-34.3%**
Net Position				
Net Investment in Capital Assets	152,189,078	149,269,584	2,919,494	2.0%
Unrestricted Net Position	39,031,073	28,593,755	10,437,318	36.5%
Total Net Position	**$ 191,220,151**	**$ 177,863,339**	**$ 13,356,812**	**7.5%**

Net position increased $13,356,812 to $191,220,151 in fiscal year 2017, up from $177,863,339 in fiscal year 2016 for a 7.5% increase in total net position. The $13,356,812 gain in net position includes the effect of a prior period adjustment of $920,056. For fiscal year 2017, the management of JCEA implemented a plan to align the allowance for uncollectible accounts receivable with historical write-offs and trends in bad debts, net position was restated upward by $920,056 to correct this accumulation of prior fiscal year overstatements to the allowance.

Condensed Statement of Revenues, Expenses and Changes in Net Position is presented below:

SUMMARY OF STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	FY 2017	FY 2016	Dollar Change	% Change
Electric Sales Revenue	195,172,763	183,186,138	11,986,625	6.5%
Other Operating Revenues	3,850,156	3,674,608	175,548	4.8%
Total Operating Revenues	**$ 199,022,919**	**$ 186,860,746**	**$ 12,162,173**	**6.5%**
Operating Expenses				
Purchased Power	149,158,111	143,896,633	5,261,478	3.7%
Other Operating Expenses	13,851,055	13,835,232	15,823	0.1%
Maintenance Expense	7,737,170	8,011,458	(274,288)	-3.4%
Provision for Deprecation	8,857,205	8,713,399	143,806	1.7%
Tax Equivalents	2,259,975	1,173,874	1,086,101	92.5%
Total Operating Expenses	**181,863,516**	**175,630,596**	**6,232,920**	**3.5%**
Nonoperating Revenues (Expenses)	(1,706,075)	(1,853,069)	146,994	-7.9%
Income before Transfer	**15,453,328**	**9,377,081**	**6,076,247**	**64.8%**
Transfer to City of Johnson City	(3,016,572)	(3,753,098)	736,526	-19.6%
Change In Net Position	**12,436,756**	**5,623,983**	**6,812,773**	**121.1%**
Beginning Net Position	177,863,339	165,173,780	12,689,559	7.7%
Prior Period Adjustments	920,056	7,065,576	(6,145,520)	-87.0%
Beginning Net Position Restated	178,783,395	172,239,356	6,544,039	3.8%
Ending Net Position	**191,220,151**	**177,863,339**	**13,356,812**	**7.5%**

On April 1, 2017, Johnson City Power Board changed from a municipal electric system to an energy authority. An energy authority is a governmental authority and a public corporation created under the Municipal Energy Authority Act under *Tennessee Code Annotated* Title 7, Chapter 36. As authorized by the Act, the City of Johnson City and the Power Board agreed to transfer and assign the assets comprising the Power Board to the Johnson City Energy Authority, and the Johnson City Energy Authority agreed to assume the operating liabilities of the Power Board.

Johnson City Energy Authority filed with the State of Tennessee to continue using Johnson City Power Board and JCPB as DBA names.

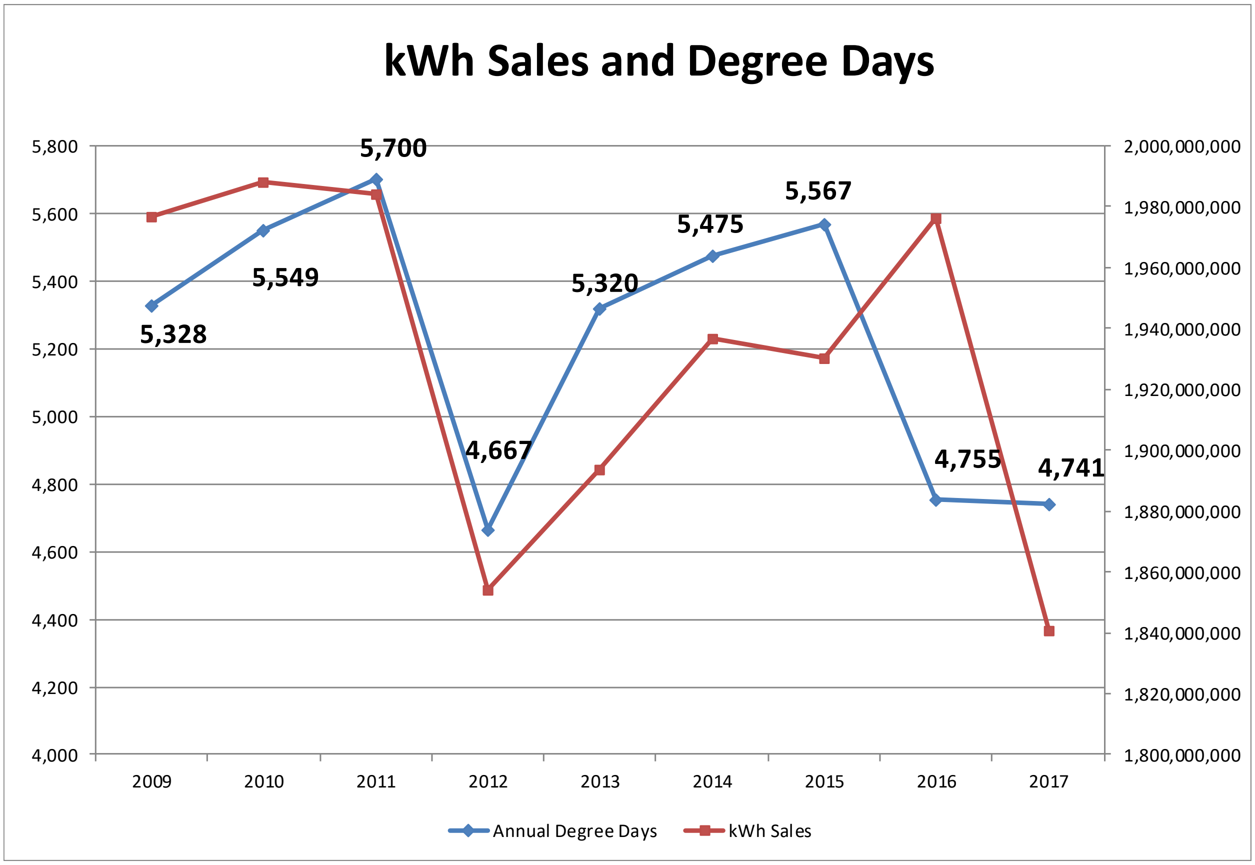
The change in net position from fiscal year 2016 to fiscal year 2017 is $6,812,773 or 121.1%.

Operating revenues increased by $12,162,173 or 6.5% during fiscal year 2017. Energy sold is represented in kilowatt hours (kWh). Total kWh sales for 2017 were 1,840,704,675 compared to 1,976,202,640 in 2016 which is a decrease of 135,497,965 kWh or -6.86%. Weather serves an important part in determining operating revenue for any given year, its influence is reflected in the comparison of degree days from one period to the next. Degree days are a simplified form of historical weather data and are commonly used in monitoring the relationship between energy consumption and outside air temperature. Total degree days for 2017 were 4,741 compared to 4,755 for 2016 which represents a .29% decrease in degree days. This makes fiscal year 2017 one of the mildest weather periods in recent history. Also, the electric industry has seen flat or declining sales due to energy efficiency and conservation efforts. This is not a local issue but a nationwide issue.

Total operating expenses for fiscal year 2017 are up by $6,232,920 or 3.5% over fiscal year 2016. Operating expenses include Purchased Power, Other Operating Expense, Maintenance Expense, Depreciation Expense, and Tax Equivalents.

The primary operating expense is Purchased Power. Purchased Power was $149,158,111 which represents 82% of the total operating expenses of $181,863,516. For fiscal year 2017, this was $5,261,478 or 3.7% more than fiscal year 2016. JCEA must purchase all its power from the Tennessee Valley Authority (TVA) under an all-requirements contract with an initial term of 20 years beginning June 30, 1985. The contract has been extended in 5-year terms beginning October 1, 1997 and requires a 5-year written notice by either party to terminate. TVA bills JCEA for wholesale electricity based on demand and energy. The demand component of the wholesale power bill drives the average cost of purchased power. Demand (kW) is determined by the highest one hour of usage in kW each month. Energy is measured in kilowatt hours (kWh). The cost of purchased power increased from fiscal year 2016 to fiscal year 2017 primarily due to a 1.4% wholesale rate increase by TVA in October 2016 and unfavorable weather patterns that caused higher monthly peak demands in relationship to kWh sold. An industry standard calculation referred to as load factor is used to measure the relationship of demand to kWh. The more kWh purchased per unit of peak demand, the more the load factor improves, and the ultimate result is that the average cost of power decreases. The average realized rate for fiscal year 2017 was $.079 per kWh for purchased power while fiscal year 2016 was $.074 per kWh for purchased power. JCEA has limited ability to control peak demands as weather is the primary driver of consumption.

The chart on the next page visually represents the relationship between kWH (Energy) and Degree Days (Weather).



Other operating expenses were $13,851,055 for fiscal year 2017 as compared to $13,835,232 for fiscal year 2016. This is an increase of $15,823 or 0.1%. Other operating expenses include administrative and general, transmission, distribution, and customer service related expenses. Administrative and General Expenses for fiscal year 2017 were up $95,031 or 1.5%. Transmission expenses were up $667 or 0.3%. Distribution Expenses were up $216,969 or 7.9%. Customer Service related expense were down $296,846 or -6.8%.

Maintenance expenses were down $274,288 or -3.4%. Further, depreciation expense is up $143,806 or 1.7%.

In lieu of taxes or tax equivalent payments are computed with authoritative guidance under *Tennessee Code Annotated* 7-52. Revenues, utility plant, and depreciation are all primary components of the formula. TVA, as our regulatory authority, reviews the JCEA computation of in lieu of taxes annually. Tax equivalents made to local taxing jurisdictions in our service area other than the City of Johnson City were up $80,577 or 6.9%. The classification of Transfer to the City of Johnson City was $3,016,572, however, the total payment to the City was $4,022,096, with the remaining $1,005,524 was classified as an operating expense for the three months operating as an energy authority. The total in lieu of tax payment to the City, was up $268,998 or 7.8%. JCEA pays the maximum in lieu of tax payment allowed by state law and is the City of Johnson City's largest taxpayer.

Non-Operating Revenues and Expenses for fiscal year 2017 were down $146,994 or -7.9%. Interest income and other income was up $40,983. Interest expense was down $106,011 or -5.3%. This represents interest paid on long-term debt. JCEA pays bond principal and interest payments twice each year. The expected annual savings in interest expense is over $300,000 per year through fiscal year 2033 due to favorable interest rates when the new JCEA debt was issued on March 31, 2017.

Capital Assets and Debt Administration

Condensed financial information relating to JCEA Capital Assets is presented below:

	FY 2017	FY 2016	Dollar Change	% Change
Transmission Plant	48,322,752	47,957,395	365,357	0.8%
Distribution Plant	187,609,361	184,179,673	3,429,688	1.9%
General Plant	42,333,138	41,083,005	1,250,133	3.0%
Construction Work in Progress	1,839,750	1,503,257	336,493	22.4%
Total Capital Assets	**$ 280,105,001**	**$ 274,723,330**	**$ 5,381,671**	**2.0%**

JCEA transmission and distribution facilities serve around 350 square miles which includes the City of Johnson City; the Town of Jonesborough; part of the City of Kingsport; all of Washington County; and parts of Sullivan, Carter, and Greene counties. Such facilities require significant annual capital and maintenance expenditures.

The investment in utility plant, at June 30, 2017 was $280,105,001 compared to $274,723,330 at June 30, 2016, this includes utility plant additions of $9,327,210 and plant retirements of $3,945,539. JCEA's capital budget for fiscal year 2017 was $10,839,282. Additions during fiscal year 2017 include the purchase of land to build a new substation in Jonesborough for $582,840 and breaker replacement at West Primary and Distribution substation for $410,000. For fiscal year 2017, six vehicles were purchased for $581,524. Roofing replacement material accounted for $236,955 and $463,130 was spent for metering equipment.

Not considering large scale projects, JCEA's normal renewal and replacement construction projects typically cost $6,000,000 to $7,000,000. JCEA's fiscal year 2017 capital budget includes a five-year projection for spending.

These future capital budgets are planned to be funded out of cash and JCEA does not intend to issue new debt. The outstanding bonds payable was $34,480,000 at June 30, 2017, compared to $40,615,000 at June 30, 2016. Note that the Bond rating for JCEA are Moody's "Aa2" and Standard and Poor's "AA". JCEA's bonds are secured by the revenue of the energy authority. During FY 2017, JCEA refinanced these bonds due to the conditions of becoming an authority which also allowed the advantage of lower market interest rates. This refinance resulted in estimated net present value interest savings of approximately $4,000,000. Johnson City Energy Authority paid the City of Johnson City an amount sufficient to permit the City to discharge its bonded indebtedness (electric revenue bonds) related to the Power Board. The Authority issued electric revenue bonds, referred to as Series 2017 Bonds, as the method of paying the necessary funds to the City that were placed in escrow. The bond transaction completed as of the close of business on March 31, 2017.

More detailed information about the JCEA's assets and debt can be found in the notes to the financial statements.

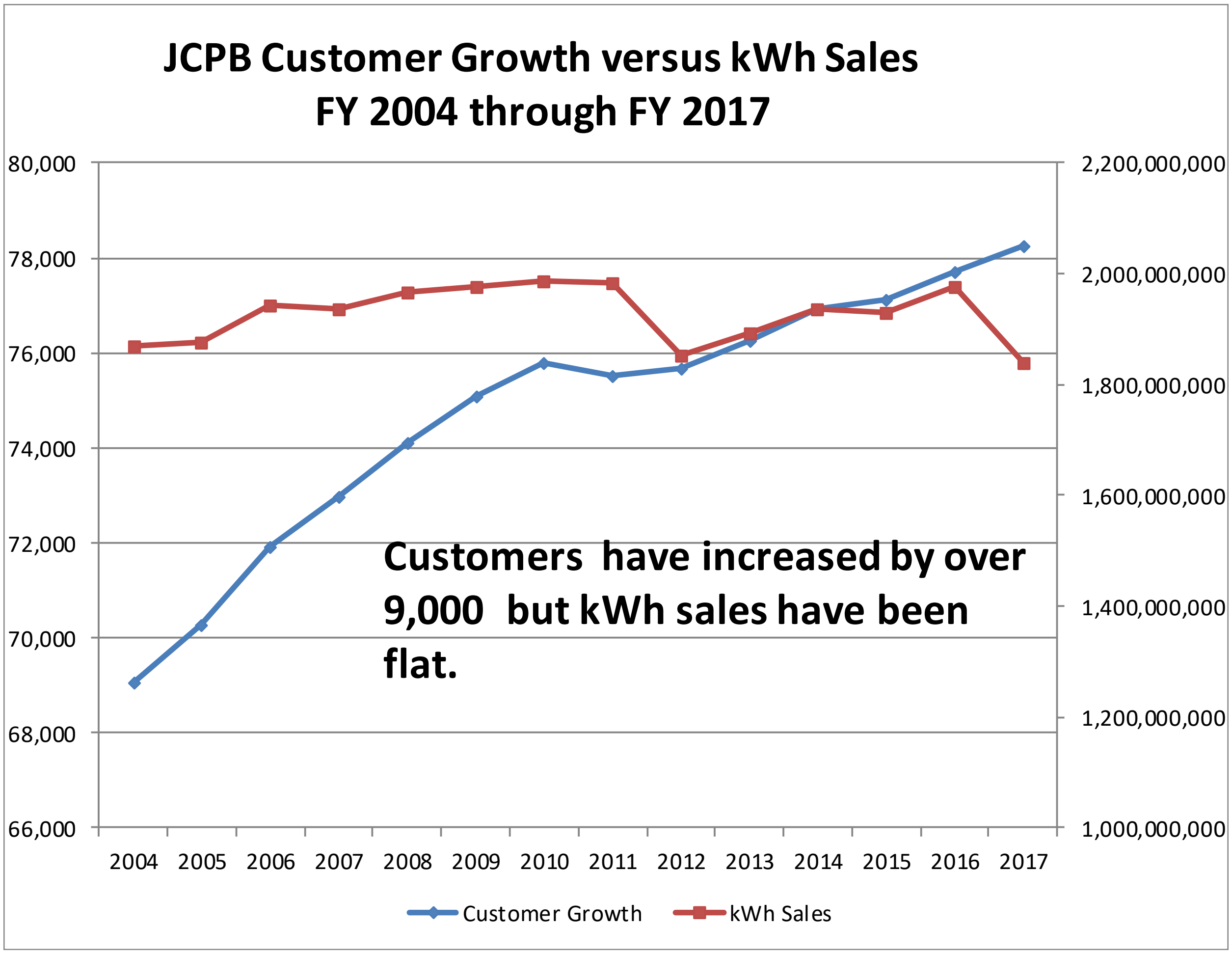
Johnson City Power Board Highlights, Economic Factors, and Future

JCEA experienced overall growth in customers this year. The following chart shows the number of customers for each classification for the past two years.

	2017	2016	Change	% Change
Residential	67,223	66,762	461	0.69%
Small Commercial	9,070	8,960	110	1.23%
Large Commercial/Industrial	1,034	1,044	-10	-0.96%
Street and Athletic Lighting	144	149	-5	-3.36%
Outdoor Lighting Only	803	775	28	3.61%
Total Customers	**78,274**	**77,690**	**584**	**0.75%**

As indicated by the above chart, the overall growth was 584 customers with an overall percentage growth of 0.75%. As customer growth has remained steady, energy sales have not remained on the same growth pattern. This pattern is mainly correlated to the national and local attention toward energy efficiency and conservation efforts.

The chart on the next page visually represents the relationship between kWH (Energy) and Customer Growth.



Since July 2009, TVA has increased wholesale rates six times per the following: 9.00% in October 2009; 3.08% in October 2011; 2.63% in October 2013; 2.61% in October 2014; 2.28% in October 2015; and 1.88% in October 2016. JCEA implemented rate increases of 1.9% in October 2015 and 1.42% in October 2016, these increases were in addition to the TVA increases. Continued volatility in the cost of wholesale power due to demand charges necessitate the increase to stabilize margins. Beginning in October 2016, JCEA implemented a demand cost recovery adjustment referred to as "DCRA". The DCRA is a variable charge or credit applied to residential and small commercial customers. These customer classes do not pay a demand charge. To protect margins for operational and capital spending, this adjustment was created to recover excess demand charges paid to TVA. The adjustment was also set up to pay out a credit to customers when lower demand charges are paid to TVA. JCEA based the adjustment on the recent history of our normal load factor. When the monthly load factor is better than the normal monthly load factor, customers receive a credit adjustment and when the monthly load factor is lower than the normal monthly load factor, customers receive a charge adjustment. During fiscal year 2017, the DCRA recovered $2,739,192 to offset higher demand charges paid to TVA. Without the DCRA, our revenue and our margin would have been reduced by this amount.

Financial Contact

This discussion and analysis is designed to provide JCEA customers, investors, and other interested parties with a general overview of the financial position and results of operations. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Chief Financial Officer, Johnson City Energy Authority, 2600 Boones Creek Road, Johnson City, Tennessee 37615.

JOHNSON CITY ENERGY AUTHORITY
DBA JOHNSON CITY POWER BOARD
STATEMENT OF NET POSITION
June 30, 2017

ASSETS	
CURRENT ASSETS	
Cash on Hand and in Bank	$ 20,931,686
Accounts Receivable - Customer Service, Net of Allowance for Uncollectible Accounts	21,927,743
Accounts Receivable - Rents and Other	796,282
Current Maturities of Notes Receivable	104,452
Inventories	6,915,935
Prepaid Expenses	332,337
Total Current Assets	51,008,435
CAPITAL ASSETS	
Cost	280,105,001
Less: Accumulated Depreciation	(90,395,176)
Net Capital Assets	189,709,825
RESTRICTED ASSETS	
Cash and Cash Equivalents	20,024,010
Long-Term Certificate of Deposit	2,000,000
Total Restricted Assets	22,024,010
OTHER ASSETS	
Accounts Receivable - Customers - Heat Pumps	4,590,020
Advance from Tennessee Valley Authority	(4,590,020)
Notes Receivable, Net of Current Maturities	613,705
Total Other Assets	613,705
TOTAL ASSETS	263,355,975
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Loss on Bond Refunding	1,033,225
Differences between Expected and Actual Experience on Pension	476,763
Net Difference between Projected and Actual Earnings on Pension Plan Investments	1,512,792
Contributions Subsequent to the Pension Measurement Date	1,694,199
TOTAL DEFERRED OUTFLOWS OF RESOURCES	4,716,979

(Continued)

JOHNSON CITY ENERGY AUTHORITY
DBA JOHNSON CITY POWER BOARD
STATEMENT OF NET POSITION
June 30, 2017

LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	18,109,596
Customer Deposits	4,942,992
Accrued Interest	377,087
Accrued Salaries	233,112
Current Portion of Compensated Absences	469,428
Current Maturities of Bonds Payable	2,200,000
Current Maturities of Note Payable	76,000
Other Current and Accrued Liabilities	131,353
Total Current Liabilities	26,539,568
LONG-TERM LIABILITIES	
Bonds Payable, Net of Current Maturities and Unamortized Bond Premium	36,353,972
Note Payable, Net of Current Maturities	468,666
Compensated Absences, Net of Current Portion	1,817,714
Net Pension Liability	5,675,619
Other Post-Employment Benefits	5,118,450
Total Long-Term Liabilities	49,434,421
TOTAL LIABILITIES	75,973,989
DEFERRED INFLOWS OF RESOURCES	
Differences between Expected and Actual Experience on Pension	878,814
NET POSITION	
Net Investment in Capital Assets	152,189,078
Unrestricted	39,031,073
TOTAL NET POSITION	$ 191,220,151

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

JOHNSON CITY ENERGY AUTHORITY
DBA JOHNSON CITY POWER BOARD
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2017

OPERATING REVENUES	
Sales of Electric Energy	
Residential	$ 107,660,354
Large Lighting and Power	68,052,859
Small Lighting and Power	18,334,467
Street and Outdoor Lighting	3,529,526
Unbilled Revenue	(2,404,443)
Other Operating Revenues	3,850,156
Total Operating Revenues (Pledged as Security for Revenue Bonds)	199,022,919
OPERATING EXPENSES	
Operations	
Power Purchased from Tennessee Valley Authority	149,158,111
Other Operating Expenses	13,851,055
Maintenance	7,737,170
Provision for Depreciation	8,857,205
Tax Equivalents	2,259,975
Total Operating Expenses	181,863,516
NET OPERATING INCOME	17,159,403
NONOPERATING REVENUES (EXPENSES)	
Interest Income	126,410
Other Income	67,351
Interest Expense	(1,600,400)
Bond Issuance Costs	(349,670)
Amortization of Bond Premiums / Discounts	55,293
Amortization of Deferred Gain / Loss on Bond Refunding	(5,059)
Total Nonoperating Revenues (Expenses)	(1,706,075)
INCOME BEFORE TRANSFER	15,453,328
TRANSFER	
City of Johnson City, Tennessee General Fund	(3,016,572)
CHANGE IN NET POSITION	12,436,756
BEGINNING NET POSITION, JULY 1, 2016	177,863,339
PRIOR PERIOD ADJUSTMENT	
Decrease to Allowance for Uncollectible Accounts	920,056
BEGINNING NET POSITION, JULY 1, 2016, RESTATED	178,783,395
ENDING NET POSITION, JUNE 30, 2017	$ 191,220,151

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

JOHNSON CITY ENERGY AUTHORITY
DBA JOHNSON CITY POWER BOARD
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Electric Sales	$ 188,544,974
Cash Received from City of Johnson City, Tennessee	4,984,912
Cash Received from Rentals and Other Sales	3,862,286
Cash Payments to Suppliers for Goods and Services	(161,969,363)
Cash Payments for Employee Services and Benefits	(11,274,060)
Cash Payments for Tax Equivalents	(2,259,975)
Change in Customer Deposits	391,912
Net Cash Provided by Operating Activities	22,280,686
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer to Other Funds	(3,016,572)
Payments Received on Note Receivable	76,000
Principal Paid on Note Receivable	(76,000)
Net Cash Used for Noncapital Financing Activities	(3,016,572)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Payments Received on Note Receivable	26,800
Acquisition and Construction of Capital Assets	(9,280,316)
Net Proceeds from Issuance of Revenue Bonds	34,130,330
Principal Paid on Revenue Bonds	(40,615,000)
Net Proceeds from Other Income	67,351
Change in Interest related to Debt	1,502,548
Net Cash Used for Capital and Related Financing Activities	(14,168,287)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on Investments	126,410
Purchase of Restricted Long-Term Certificate of Deposit	(2,000,000)
Net Cash Used for Investing Activities	(1,873,590)
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,222,237
BEGINNING CASH AND CASH EQUIVALENTS, JULY 1, 2016	37,733,459
ENDING CASH AND CASH EQUIVALENTS, JUNE 30, 2017	$ 40,955,696

(Continued)

JOHNSON CITY ENERGY AUTHORITY
DBA JOHNSON CITY POWER BOARD
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2017

RECONCILIATION OF OPERATING INCOME TO
NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating Income	$ 17,159,403
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities:	
Prior Period Adjustment for Allowance for Uncollectible Accounts	920,056
Depreciation Expense	9,506,055
Decrease in Allowance for Uncollectible Accounts	(1,115,528)
(Increase) Decrease in Assets:	
Accounts Receivable	(1,630,747)
Inventories	(1,428,660)
Prepaid Expenses	(113,190)
(Increase) Decrease in Deferred Outflows of Resources Related to Pension	(1,517,143)
Increase (Decrease) in Liabilities:	
Accounts Payable	(963,082)
Customer Deposits	391,912
Accrued Salaries	(423,773)
Compensated Absences	254,177
Other Current and Accrued Liabilities	86,391
Net Pension Liability	738,768
Other Post-Employment Benefits	600,000
Increase (Decrease) in Net Deferred Inflows of Resources Related to Pension	(183,953)
Net Cash Provided by Operating Activities	$ 22,280,686

RECONCILIATION OF CASH AND CASH EQUIVALENTS FROM STATEMENT
OF CASH FLOWS TO STATEMENT OF NET POSITION

Cash on Hand and in Bank	$ 20,931,686
Restricted Assets - Cash and Cash Equivalents	20,024,010
Cash and Cash Equivalents at End of Fiscal Year	$ 40,955,696

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Johnson City Electric Authority (JCEA) was formed April 1, 2017, as a political subdivision of the State of Tennessee, and is the new legal entity which replaced the former Johnson City Power Board (JCPB), which ceased to exist legally at the end of business day, March 31, 2017. The JCEA did file with the State of Tennessee to continue “doing business as” the JCPB (hereinafter referred to as the Power Board). The Power Board is a local power company of the Tennessee Valley Authority (TVA), furnishing electrical power to Washington County and portions of other Upper East Tennessee counties, as purchased from TVA. At the date of transition, the Power Board ceased being an enterprise fund of the City of Johnson City. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources were transferred to the new entity, though operations continued as normal. The separate operations of each entity for the aforementioned periods are detailed within the supplementary information section as the Combining Statement of Revenues, Expenses and Changes in Net Position.

During the applicable period of July 1, 2016 through March 31, 2017, these basic financial statements include only the statements of the Power Board and not the City of Johnson City, Tennessee, as a whole.

The basic financial statements of the Power Board have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Basis of Accounting

Basis of accounting refers to the timing of recognizing revenues and expenses in the basic financial statements. The accompanying basic financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets are recognized when earned, and expenses are recognized when the obligation is incurred regardless of the timing of related cash flows.

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.

Deposits and Investments

Cash on the Statement of Net Position includes cash on hand and demand deposits in local banks.

Various restrictions on deposits and investments, including repurchase agreements, are imposed by state statutes. These restrictions are summarized as follows.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deposits and Investments (Continued)

DEPOSITS - All deposits with financial institutions must be insured or collateralized in an amount equal to 105% of the market value of uninsured deposits.

INVESTMENTS - The Power Board is authorized to make direct investments in bonds, notes or treasury bills of the U.S. Government and obligations guaranteed by the U.S. Government or any of its agencies. These investments may not have a maturity greater than two years. The Power Board may make investments with longer maturities if it follows various restrictions established by state law. The Power Board is also authorized to make investments in the State Pooled Investment Fund and in repurchase agreements. Repurchase agreements must be approved by the State Director of Local Finance and executed in accordance with procedures established by the State Funding Board.

During the fiscal year ended June 30, 2017, the Power Board invested certain restricted cash and cash equivalents into a restricted long-term certificate of deposit in the amount of $2,000,000. This investment bears interest of 0.90% over its term of 12 months.

Securities purchased under a repurchase agreement must be obligations of the U.S. Government or obligations guaranteed by the U.S. Government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least 2% below the market value of the securities on the day of purchase. No repurchase agreements existed as of June 30, 2017.

The carrying amount of the Power Board's deposits with financial institutions was $40,937,596 at June 30, 2017, and the bank balance was $40,956,070.

The insurance of bank balances is as follows:

Amount Insured by Federal Deposit Insurance Corporation (FDIC)	$ 508,744
Amount Insured with State of Tennessee Bank Collateral Pool	40,447,326
	$ 40,956,070

The Power Board’s policy for custodial credit rate risk on deposits is to follow state guidelines.

Restricted Cash and Cash Equivalents

The Power Board's restricted cash and cash equivalents consist of money market accounts in the amount of $13,283,602, which are restricted for capital improvements, money market accounts in the amount of $5,697,591, which are restricted for bond principal and interest payments, a money market account in the amount of $1,000,000 which is restricted for insurance liabilities, and a money market account in the amount of $42,817, which is restricted for tax equivalent payments. All of these restrictions were approved by the Board of Directors.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Investment

The Power Board's restricted investment consists of a long-term certificate of deposit in which $1,000,000 is restricted for insurance liabilities, and $1,000,000 is restricted for capital improvements. These restrictions were approved by the Board of Directors.

Inventories

Materials and supplies inventories are stated at average cost on a per item basis using the first-in, first-out method of costing.

Capital Assets

Land, buildings, machinery and equipment, and electrical distribution system are stated at historical cost and are defined as assets with an initial, individual cost of $1,000 or greater. Expenses for maintenance and repairs, which do not improve or extend the life of the asset, are charged to expense as incurred. Interest incurred during the construction of large projects is reflected in the capitalized value of the project. The assets are being depreciated on the straight-line method over the useful lives per guidelines of the TVA. 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 as per FERC guidelines. Also, a disallowance of plant for rate-making purposes is recorded for the amount of capital contributions received resulting in a reduction in the cost of the related capital asset as per FERC guidelines and in accordance with guidance of the Financial Accounting Standards Board. The depreciation expense for the fiscal year ended June 30, 2017 was $9,506,055 of which $648,850 was charged to Other Operating Expenses.

Estimated useful lives of the various classes of depreciable capital assets are as follows:

Buildings	33 - 50 years
Office Equipment	3 - 10 years
Transportation and Equipment	3 - 8 years
Other Machinery and Equipment	8 - 25 years
Transmission and Power Distribution System	25 - 40 years

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources (Continued)

The Power Board has four items reported as deferred outflows: (1), the Deferred Loss on Bond Refunding is reported as a deferred outflow and is being amortized over the life of the refunding bonds, (2) the Differences between Expected and Actual Experience on Pension is a result of the June 30, 2016 actuarial study for the Power Board's agent multiple-employer pension plan through TCRS, and is being amortized over the average remaining service period, (3) the Net Difference between Projected and Actual Earnings on Pension Plan Investments is the result of the June 30, 2017, 2016, and 2015 actuarial studies for the Power Board's agent multiple-employer pension plan through TCRS, and is being amortized over a five-year period (staggered based on measurement year), and (4) the Contributions Subsequent to the Pension Measurement Date are equivalent to the Power Board's pension contributions made to the Tennessee Consolidated Retirement System (TCRS) during fiscal year 2017, and will be recognized as a reduction to net pension liability in the following measurement period.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Power Board has one item reported as deferred inflows: (1) the Differences between Expected and Actual Experience on Pension is a result of the June 30, 2017 and 2015 actuarial studies for the Power Board's agent multiple-employer pension plan through TCRS, and is being amortized over the average remaining service period.

Compensated Absences

Employees earn various vacation days determined on years of service. Vacation days can be accumulated to a maximum of 40 days, which are payable upon separation of employment. Sick leave is granted after 90 days of employment. The employee earns one day for each one full month employed. Sick leave can be accumulated with no limitation as to the number of days. No obligation exists for payment of accumulated sick leave upon termination for reasons other than death or retirement. On date of retirement or death, the Power Board is obligated for 75% of accumulated days on eligible employees.

A liability for compensated absences and related fringe benefits is reflected on the Statement of Net Position at June 30, 2017, in the amount of $2,287,142. The portion of this liability expected to be paid within one year is classified as a current liability and the remainder as a long-term liability.

Net Position

Net position is the difference between assets and deferred outflows of resources minus liabilities and deferred inflows of resources. The Net Investment in Capital Assets is calculated as capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are legal limitations imposed on its use by external restrictions by other governments, creditors or grantors. No such restrictions existed at June 30, 2017.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-Term Obligations

In the basic financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premiums and discounts.

Pension

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

Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods. The principal operating revenues of the Power Board are charges to customers for sales and services. Operating expenses for the Power Board include the cost of sales and services, administrative expenses, amortization and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Budgets

Under the by-laws, management must submit an annual budget to the Board of Directors for approval. The Power Board is not required to demonstrate statutory compliance with budgets. Accordingly, budgetary data is not included in the basic financial statements. All budgets are prepared in accordance with bond covenants. Unexpended appropriations lapse at fiscal year end.

Transfers

The transfer out is the tax equivalent payment to the City of Johnson City, Tennessee for the period of July 1, 2016 through March 31, 2017, the period by which the Power Board was an enterprise fund of the City of Johnson City, Tennessee, in the amount of $3,016,572. The tax equivalent payments to the City of Johnson City, Tennessee continued through fiscal year end in the amount of $1,005,524 and are included in Operating Expenses as Tax Equivalents.

NOTE 2 - NOTES RECEIVABLE

The Power Board entered into a 10-year agreement with a local university in November 2012 for $288,739. The note had a carrying balance at June 30, 2017 of $179,824. The note is receivable at $3,206 per month for 120 months. The note bears interest at a rate of 6.00% per fiscal year.

The Power Board entered into a 10-year loan agreement with an international manufacturing company in August 2014 for $760,000, which pertained to an equivalent note payable to the United States Department of Agriculture (USDA), Rural Economic Development from federal grant funds received for pass-through to this international manufacturing company (see NOTE 8). The Power Board is obligated to USDA Rural Economic Development, and this international manufacturing company is obligated to the Power Board. The note is receivable $6,333 per month for 120 months, bearing no interest. Management deems the imputed interest due on the June 30, 2017 balance of $538,333 to be immaterial.

In conjunction with the note receivable from an international manufacturing company above, the Power Board was named as beneficiary in an irrevocable standby commercial letter of credit on August 21, 2014 (start of Year 1) with a current expiration date of August 21, 2017 (end of Year 3) from a local financial institution in the amount of $760,000. This letter shall automatically renew for up to seven additional consecutive one-year periods, with annual reductions in amount to coincide with the aforementioned matching note payable balance to USDA Rural Economic Development over the term of that note, being ten years, as follows:

Year 1	$	760,000
Year 2		684,000
Year 3		608,000
Year 4		532,000
Year 5		456,000
Year 6		380,000
Year 7		304,000
Year 8		228,000
Year 9		152,000
Year 10		76,000

NOTE 3 - RISK MANAGEMENT

The Power Board carries insurance coverage for cyber and privacy, directors and officers, commercial crime, property, automobiles, workman’s compensation, and employee group health insurance through various external insurance carriers. There was no reduction in insurance coverage from the prior fiscal year, and the Power Board has not had any settlements in the last three fiscal years which were not covered by insurance.

NOTE 3 - RISK MANAGEMENT (CONTINUED)

Since July 1, 1986, the Power Board has been self-insured for general liability. Funds were originally set aside by the Board of Directors in the amount of $1,000,000 and have accumulated to $2,000,000 at June 30, 2017, $1,000,000 of which is included in restricted cash and cash equivalents and another $1,000,000 is included in restricted long-term certificate of deposit. For the fiscal year ended June 30, 2017, $0 in settlements was paid from these funds.

NOTE 4 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the fiscal year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated				
Land	$ 5,255,030	145,610	-	5,400,640
Construction in Progress	1,503,257	13,061,588	(12,725,095)	1,839,750
Total Capital Assets, Not Being Depreciated	6,758,287	13,207,198	(12,725,095)	7,240,390
Capital Assets, Being Depreciated				
Buildings	28,865,544	580,395	(98,934)	29,347,005
Office Equipment	3,305,478	50,733	(44,313)	3,311,898
Transportation Equipment	6,138,315	581,524	(101,288)	6,618,551
Other Machinery and Equipment	6,860,548	379,181	(97,166)	7,142,563
Transmission and Power Distribution System	222,795,158	7,253,274	(3,603,838)	226,444,594
Total Capital Assets, Being Depreciated	267,965,043	8,845,107	(3,945,539)	272,864,611
Accumulated Depreciation				
Buildings	(8,827,854)	(628,678)	98,935	(9,357,597)
Office Equipment	(1,477,753)	(197,383)	44,313	(1,630,823)
Transportation Equipment	(3,275,980)	(648,848)	33,840	(3,890,988)
Other Machinery and Equipment	(2,327,343)	(397,425)	91,965	(2,632,803)
Transmission and Power Distribution System	(68,878,836)	(7,633,721)	3,629,592	(72,882,965)
Total Accumulated Depreciation	(84,787,766)	(9,506,055)	3,898,645	(90,395,176)
Net Capital Assets, Being Depreciated	183,177,277	(660,948)	(46,894)	182,469,435
Net Capital Assets	$ 189,935,564	12,546,250	(12,771,989)	189,709,825

NOTE 5 - PENSION PLAN

General Information about the Pension Plan

Plan Description

Employees of the Power Board are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under *Tennessee Code Annotated* Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. In addition, per a resolution adopted by the Board of Directors of the Power Board in March 1998, a member may retire prior to age 55 upon attaining 25 years of creditable service. In this situation, the member's benefit will be the actuarial equivalent of the benefit computation for early service retirement that the member could have received at age 55. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost-of-living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees Covered by Benefit Terms

At the measurement date of June 30, 2016, the following employees were covered by the benefit terms:

NOTE 5 - PENSION PLAN (CONTINUED)

General Information about the Pension Plan (Continued)

Employees Covered by Benefit Terms (Continued)

Inactive Employees or Beneficiaries Currently Receiving Benefits	97
Inactive Employees Entitled to but not yet Receiving Benefits	22
Active Employees	172
	291

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute five percent of salary. The Power Board makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the fiscal year ended June 30, 2017, the employer contributions for the Power Board were $1,694,199 based on a rate of 13.42 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the Power Board's state shared taxes if required employer contributions are not remitted. The employer's ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability

The Power Board's net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability as of June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary Increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment Rate of Return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.5 percent

NOTE 5 - PENSION PLAN (CONTINUED)

Net Pension Liability (Continued)

Actuarial Assumptions (Continued)

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2016 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of three percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. Equity	6.46%	33%
Developed Market International Equity	6.26%	17%
Emerging Market International Equity	6.40%	5%
Private Equity and Strategic Lending	4.61%	8%
U.S. Fixed Income	0.98%	29%
Real Estate	4.73%	7%
Short-Term Securities	0.00%	1%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

NOTE 5 - PENSION PLAN (CONTINUED)

Net Pension Liability (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the Power Board will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position** (b)	**Net Pension Liability** (a) - (b)
Balance at June 30, 2015	$ 49,360,838	44,423,987	4,936,851
Changes for the Fiscal Year:			
Service Cost	908,535	-	908,535
Interest	3,677,919	-	3,677,919
Differences between Expected and Actual Experience	(497,971)	-	(497,971)
Contributions - Employer	-	1,594,572	(1,594,572)
Contributions - Employees	-	593,982	(593,982)
Net Investment Income	-	1,174,476	(1,174,476)
Benefit Payments, Including Refunds of Employee Contributions	(2,460,906)	(2,460,906)	-
Administrative Expense	-	(13,315)	13,315
Net Changes	1,627,577	888,809	738,768
Balance at June 30, 2016	$ 50,988,415	45,312,796	5,675,619

NOTE 5 - PENSION PLAN (CONTINUED)

Changes in the Net Pension Liability (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Power Board calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Johnson City Power Board's Net Pension Liability (Asset)	$ 12,590,476	5,675,619	(98,613)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Expense

For the fiscal year ended June 30, 2017, the Power Board recognized pension expense of $731,841.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the fiscal year ended June 30, 2017, the Power Board reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	$ 476,763	878,814
Net Difference between Projected and Actual Earnings on Pension Plan Investments	1,512,792	-
Contributions Subsequent to the Measurement Date of June 30, 2016	1,694,199	(not applicable)
Total	$ 3,683,754	878,814

NOTE 5 - PENSION PLAN (CONTINUED)

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

Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2016," will be recognized as a reduction to net pension liability in the following measurement period.

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

Fiscal Year Ended June 30:		
2018	$	47,172
2019		47,172
2020		722,851
2021		340,539
2022		24,213
Thereafter		(71,206)

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

NOTE 6 - POST-EMPLOYMENT BENEFIT COMMITMENTS OTHER THAN PENSIONS (OPEB)

A Brief Description of the Retiree Life and Medical Insurance Plans

a. Plan Types: Pre-65 retirees have a bundled PPO Medical Plan and Health Reimbursement Account (HRA) plan offered through BCBS of Tennessee.

Effective October 25, 2016, upon reaching age 65, each retiree will be enrolled in the Power Board's Retiree HRA program.

b. Eligibility: 30 years of service or age 60 with five years of service.
Early retirement – 25 years of service prior to age 55.
Early retirement – Vested service at age 55.
Service-related disability for any length of service.
Non-service-related disability with 5 years of service.

NOTE 6 - POST-EMPLOYMENT BENEFIT COMMITMENTS OTHER THAN PENSIONS (OPEB) (CONTINUED)

A Brief Description of the Retiree Life and Medical Insurance Plans (Continued)

c. *Benefit/Cost Sharing:* The Power Board pays approximately 75% of the PPO Medical plan premium for the pre-65 retiree. In addition, the Power Board reimburses the HRA deductible, for a maximum annual benefit of $2,000 for the retiree and $2,000 for any covered dependent.

The Power Board Retiree HRA program provides an annual reimbursement of $2,231, or $2,434 for post-65 retirees who were retired before October 25, 2016.

Effective October 25, 2016, the Retiree HRA program reimbursement is $1,800 annually for existing employees upon retirement and reaching age 65.

Employees hired after September 1, 2016 are not eligible for the Retiree HRA program.

d. *Spouse Benefit:* Spouse pays 100% of the medical premium.

e. *Surviving Spouse Benefit:* No

f. *Annual Medical Premium:* Effective January 1, 2017 through December 31, 2017

Plan	Premium	Retiree Contribution
Pre-65 Retiree	$ 6,070	$ 1,533
Pre-65 Retiree and Spouse	$ 12,695	$ 9,055

g. *Life:* Upon retirement, all retirees receive a $25,000 life insurance policy.

Funding Policy

The contribution requirements of plan members and the Power Board are based on pay-as-you-go financing requirements.

Annual OPEB Cost and Net OPEB Obligation

The Power Board's other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45.

NOTE 6 - POST-EMPLOYMENT BENEFIT COMMITMENTS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each fiscal year and amortize any unfunded actuarial liabilities (of funding excess) over a period not to exceed thirty years. The following table shows the components of the Power Board's annual OPEB cost for the fiscal year, the amount actually contributed to the plan, and changes in the Power Board's OPEB obligation.

1. Annual Required Contribution (ARC)	$ 942,558
2. Interest on Net OPEB Obligation	177,876
3. Adjustment to ARC	(241,567)
4. Annual OPEB Cost (Expense) (1+2+3)	878,867
5. Contribution Made (assumed middle of fiscal year)*	(333,362)
6. Increase in Net OPEB Obligation (4 - 5)	545,505
7. Net OPEB Obligation - Beginning of Fiscal Year	4,446,890
8. Net OPEB Obligation - End of Fiscal Year (6 + 7)	4,992,395
9. Additional Voluntary Power Board Accrual	126,055
10. Total Other Post-Employment Benefits	$ 5,118,450

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2017 and 2016 are as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2016	$ 844,749	37.5%	$ 4,446,890
6/30/2017	878,867	37.9%	4,992,395

Funded Status and Funding Progress

As of July 1, 2015, the plan was not funded. The actuarial accrued liability for benefits was $9,501,117. The covered payroll (annual payroll of active employees covered by the plan) was $10,948,448.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

NOTE 6 - POST-EMPLOYMENT BENEFIT COMMITMENTS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Funded Status and Funding Progress (Continued)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Estimated Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (AAL) ((b) - (a)) / (c)
7/1/2011	$ -	$ 9,062,060	$ 9,062,060	0.0%	$ 9,544,400	94.9%
7/1/2013	-	9,802,544	9,802,544	0.0%	10,564,075	92.8%
7/1/2015	-	9,501,117	9,501,117	0.0%	10,948,448	86.8%

Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The following methods and assumptions were used.

Interest Rate	4.00%
2015 Medical Trend Rates Pre-Medicare / Medicare	9.00% / 5.00%
Ultimate Medical Trend Rate	5.00%
Year Ultimate Trend Rates Reached	2023
Actuarial Cost Method	Entry Age Normal
The Remaining Amortization Period	21.89
Annual Payroll Increase	2.50%

NOTE 7 - DEFERRED COMPENSATION PLAN

The Power Board offers its employees participation in an optional deferred compensation plan, the Johnson City Power Board 457(b) Plan (the Plan). This Plan is available to all full-time employees. It permits all eligible employees to contribute pre-tax or post-tax dollars into the Plan, via a percentage of eligible compensation, which is defined as W-2 wages plus elective contributions, up to certain limits prescribed by the Internal Revenue Service. Elective contributions are amounts contributed by the Power Board at the employee's election to a qualified plan. The deferred compensation is not available to employees until termination, retirement, deployment, death, or unforeseeable emergency circumstances. The Plan assets are in custodial accounts with the Trust Company and are not reflected in the assets of the Power Board.

NOTE 8 - LONG-TERM DEBT

Long-term liability activity for the fiscal year ended June 30, 2017 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds					
Revenue Bonds Payable	$ 40,615,000	34,480,000	(40,615,000)	34,480,000	2,200,000
Premiums (Discounts)	(224,763)	4,138,298	160,437	4,073,972	-
Total Revenue Bonds	40,390,237	38,618,298	(40,454,563)	38,553,972	2,200,000
Note Payable	620,666	-	(76,000)	544,666	76,000
Compensated Absences	2,032,965	667,954	(413,777)	2,287,142	469,428
Net Pension Liability	4,936,851	4,599,769	(3,861,001)	5,675,619	-
OPEB Liability	4,518,450	933,362	(333,362)	5,118,450	-
Total Long-Term Debt	$ 52,499,169	44,819,383	(45,138,703)	52,179,849	2,745,428

Bonds Payable

On March 31, 2017, the Power Board refunded and defeased in substance the outstanding Electric System Revenue Bonds, Series 2007A and 2008, as issued in the name of the prior entity, JCPB. On that same date, Electric System Revenue Bonds, Series 2017 were issued by the new entity, JCEA. The defeased Series 2007A bonds, with varying outstanding maturity dates at the time of refunding from May 1, 2017 through May 1, 2032, were called and redeemed on May 1, 2017 for the outstanding balance of $18,075,000. The defeased Series 2008 bonds, with varying outstanding maturity dates at the time of refunding from May 1, 2017 through May 1, 2033, were called and redeemed on May 1, 2017 in the amount of $910,000, leaving remaining defeased bonds of $21,630,000, which are not included on the Power Board's financial statements as of June 30, 2017. The remaining $21,630,000 of defeased bonds are scheduled to be called and redeemed on May 1, 2018.

Bond issuance costs of $349,670 were paid from bond proceeds. The net proceeds, after the reoffering premium of $4,138,298, were $42,303,712, and were used to purchase United States Treasury Notes which were placed in an escrow account of the City of Johnson City, Tennessee to provide for the payment of the defeased debt at the appropriate call dates. The advance refunding resulted in an economic loss (difference between the present values of the old and new debt service payments) of $1,049,539, which is being amortized over the life of the bonds.

On March 31, 2017, the Power Board issued Electric System Revenue Bonds, Series 2017, totaling $34,480,000 with interest rates from 3.00% - 5.00% and maturity of May 2033. The interest is payable semiannually on May 1 and November 1 of each fiscal year with the principal payments due on May 1. The revenue of the system is pledged as security for the debt.

NOTE 8 - LONG-TERM DEBT (CONTINUED)

Bonds Payable (Continued)

Debt service requirements for the fiscal years subsequent to the fiscal year ended June 30, 2017 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2018	$ 2,200,000	1,630,470	3,830,470
2019	2,390,000	1,435,200	3,825,200
2020	2,490,000	1,339,600	3,829,600
2021	2,585,000	1,240,000	3,825,000
2022	2,685,000	1,136,600	3,821,600
2023-2027	9,790,000	4,009,650	13,799,650
2028-2032	10,740,000	1,733,300	12,473,300
2033	1,600,000	56,000	1,656,000
	$ 34,480,000	12,580,820	47,060,820

Changes in the Deferred Loss on Bond Refunding for the fiscal year ended June 30, 2017 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Deferred Loss on Bond Refunding	$ -	(1,049,539)	16,314	(1,033,225)

Note Payable

In June 2014, the Power Board entered into a promissory note agreement with USDA Rural Economic Development as a result of federal loan funds received in August 2014 for pass-through to an international manufacturing company for construction of their new facility in rural Piney Flats, Tennessee. This $760,000 note payable has a term of ten years with 0% interest, with imputed interest being deemed immaterial. Principal payments of $6,333 are due monthly. The balance at June 30, 2017 is $544,666.

NOTE 8 - LONG-TERM DEBT (CONTINUED)

Note Payable (Continued)

Debt service requirements for the fiscal years subsequent to the fiscal year ended June 30, 2017 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2018	$ 76,000	-	76,000
2019	76,000	-	76,000
2020	76,000	-	76,000
2021	76,000	-	76,000
2022	76,000	-	76,000
2023-2025	164,666	-	164,666
	$ 544,666	0	544,666

NOTE 9 - PRIOR PERIOD ADJUSTMENT

For the fiscal year ended June 30, 2017, management of the Power Board implemented a plan to align the allowance for uncollectible accounts receivable with historical write-offs and trends in bad debts. This plan included this prior period restatement to decrease the beginning allowance for uncollectible accounts receivable at July 1, 2016, by $920,056 and to decrease the monthly reserve adjustment in order to cease the overstatement of the allowance from occurring in the future. Net Position was restated upward by $920,056 at July 1, 2016, to correct this accumulation of prior fiscal year overstatements to the allowance.

NOTE 10 - SUBSEQUENT EVENTS

The Board of Directors of the Power Board unanimously voted on October 3, 2017, to change the Power Board's "doing business as" name and all branding to BrightRidge.

The Power Board has evaluated subsequent events through November 13, 2017, the date which the financial statements were available to be issued.

SECTION II

SUPPLEMENTARY INFORMATION

JOHNSON CITY ENERGY AUTHORITY
DBA JOHNSON CITY POWER BOARD
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS
Last Fiscal Year Ending June 30

Schedule 1

	2014	2015	2016
Total Pension Liability			
Service Cost	$ 863,049	886,120	908,535
Interest	3,394,641	3,483,216	3,677,919
Differences between Actual and Expected Experience	(790,970)	667,467	(497,971)
Benefit Payments, including Refunds of Employee Contributions	(2,152,107)	(2,465,462)	(2,460,906)
Net Change in Total Pension Liability	1,314,613	2,571,341	1,627,577
Total Pension Liability - Beginning	45,474,884	46,789,497	49,360,838
Total Pension Liability - Ending (a)	$ 46,789,497	$ 49,360,838	50,988,415
Plan Fiduciary Net Position			
Contributions - Employer	$ 1,574,379	1,577,102	1,594,572
Contributions - Employees	567,549	587,572	593,982
Net Investment Income	6,171,384	1,331,964	1,174,476
Benefit Payments, including Refunds of Employee Contributions	(2,152,107)	(2,465,462)	(2,460,906)
Administrative Expense	(8,578)	(9,074)	(13,315)
Net Change in Plan Fiduciary Net Position	6,152,627	1,022,102	888,809
Plan Fiduciary Net Position - Beginning	37,249,258	43,401,885	44,423,987
Plan Fiduciary Net Position - Ending (b)	$ 43,401,885	$ 44,423,987	45,312,796
Net Pension Liability - Ending (a) - (b)	$ 3,387,612	4,936,851	5,675,619
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	92.76%	90.00%	88.87%
Covered Payroll	$ 11,350,967	$ 11,751,752	$ 11,881,393
Net Pension Liability as a Percentage of Covered Payroll	29.84%	42.01%	47.77%

GASB 68 requires a 10-Year Schedule for this data to be presented starting with the implementation of GASB 68. The information in this Schedule is not required to be presented retroactively prior to the implementation date. Years will be added to this Schedule in future fiscal years until 10 fiscal years of information is available.

See Independent Auditors' Report.

JOHNSON CITY ENERGY AUTHORITY
DBA JOHNSON CITY POWER BOARD
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS BASED ON PARTICIPATION
IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS
Last Fiscal Year Ending June 30

Schedule 2

	2014	2015	2016	2017
Actuarially Determined Contribution	$ 1,574,379	1,577,102	1,594,572	1,694,199
Contributions in relation to the Actuarially Determined Contribution	1,574,379	1,577,102	1,594,572	1,694,199
Contribution Deficiency (Excess)	$ 0	0	0	0
Covered Payroll	$ 11,350,967	11,751,752	11,881,393	12,624,438
Contributions as a Percentage of Covered Payroll	13.87%	13.42%	13.42%	13.42%

GASB 68 requires a 10-Year Schedule for this data to be presented starting with the implementation of GASB 68. The information in this Schedule is not required to be presented retroactively prior to the implementation date. Years will be added to this Schedule in future fiscal years until 10 fiscal years of information is available.

Notes to Schedule

Valuation Date:
Actuarially determined contribution rates for 2017 were calculated based on the June 30, 2015 actuarial valuation.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Frozen Initial Liability
Amortization Method	Level Dollar, Closed (not to exceed 20 years)
Remaining Amortization Period	Varies by Year
Asset Valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary Increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation
Investment Rate of Return	7.5 percent, net of investment expense, including inflation
Retirement Age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost-of-Living Adjustments	2.5 percent

See Independent Auditors' Report.

JOHNSON CITY ENERGY AUTHORITY
DBA JOHNSON CITY POWER BOARD
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS OF POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS
June 30, 2017

Schedule 3

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) (AAL) Actuarial Accrued Liability	(b) - (a) (UAAL) Unfunded AAL	(a) / (b) Funded Ratio	(c) Covered Payroll	((b) - (a)) / (c) UAAL as a % of Covered Payroll
July 1, 2015	$ -	$ 9,501,117	$ 9,501,117	0.00%	$ 10,948,448	86.8%
July 1, 2013	-	9,802,544	9,802,544	0.00%	10,564,075	92.8%
July 1, 2011	-	9,062,060	9,062,060	0.00%	9,544,400	94.9%
July 1, 2009	-	8,614,792	8,614,792	0.00%	N/A	N/A

See Independent Auditors' Report.

JOHNSON CITY ENERGY AUTHORITY
DBA JOHNSON CITY POWER BOARD
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
June 30, 2017

Schedule 4

	JCPB For the Period of July 1, 2016 through March 31, 2017	JCEA For the Period of April 1, 2017 through June 30, 2017	Combined Total
OPERATING REVENUES			
Sales of Electric Energy			
Residential	$ 84,839,843	22,820,511	107,660,354
Large Lighting and Power	51,886,097	16,166,762	68,052,859
Small Lighting and Power	14,106,979	4,227,488	18,334,467
Street and Outdoor Lighting	2,665,342	864,184	3,529,526
Unbilled Revenue	(2,218,545)	(185,898)	(2,404,443)
Other Operating Revenues	2,913,758	936,398	3,850,156
Total Operating Revenues (Pledged as Security for Revenue Bonds)	154,193,474	44,829,445	199,022,919
OPERATING EXPENSES			
Operations			
Power Purchased from Tennessee Valley Authority	116,289,760	32,868,351	149,158,111
Other Operating Expenses	10,421,358	3,429,697	13,851,055
Maintenance	5,837,442	1,899,728	7,737,170
Provision for Depreciation	6,634,078	2,223,127	8,857,205
Tax Equivalents	900,596	1,359,379	2,259,975
Total Operating Expenses	140,083,234	41,780,282	181,863,516
NET OPERATING INCOME	14,110,240	3,049,163	17,159,403

(Continued)

JOHNSON CITY ENERGY AUTHORITY
DBA JOHNSON CITY POWER BOARD
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
June 30, 2017

Schedule 4

	JCPB For the Period of July 1, 2016 through March 31, 2017	JCEA For the Period of April 1, 2017 through June 30, 2017	Combined Total
NONOPERATING REVENUES (EXPENSES)			
Interest Income	87,493	38,917	126,410
Other Income	52,343	15,008	67,351
Interest Expense	(1,571,793)	(28,607)	(1,600,400)
Bond Issuance Costs	-	(349,670)	(349,670)
Amortization of Bond Premiums / Discounts	(9,033)	64,326	55,293
Amortization of Deferred Gain / Loss on Bond Refunding	11,255	(16,314)	(5,059)
Total Nonoperating Revenues (Expenses)	(1,429,735)	(276,340)	(1,706,075)
INCOME BEFORE TRANSFER	12,680,505	2,772,823	15,453,328
TRANSFER			
City of Johnson City, Tennessee General Fund	(3,016,572)	-	(3,016,572)
CHANGE IN NET POSITION	9,663,933	2,772,823	12,436,756

(Continued)

JOHNSON CITY ENERGY AUTHORITY
DBA JOHNSON CITY POWER BOARD
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
June 30, 2017

Schedule 4

	JCPB For the Period of July 1, 2016 through March 31, 2017	JCEA For the Period of April 1, 2017 through June 30, 2017	Combined Total
BEGINNING NET POSITION, JULY 1, 2016	177,863,339	-	177,863,339
PRIOR PERIOD ADJUSTMENT			
Decrease to Allowance for Doubtful Accounts	920,056	-	920,056
BEGINNING NET POSITION, JULY 1, 2016, RESTATED	178,783,395	-	178,783,395
ENDING NET POSITION, JUNE 30, 2017	$ 188,447,328	2,772,823	191,220,151

See Independent Auditors' Report.

JOHNSON CITY ENERGY AUTHORITY
DBA JOHNSON CITY POWER BOARD
SCHEDULE OF CHANGES IN CAPITAL ASSETS
For the Fiscal Year Ended June 30, 2017

Schedule 5

	Balance June 30, 2016	Additions	Decrease	Balance June 30, 2017
Land and Land Rights	$ 5,255,030	145,610	-	5,400,640
Buildings	28,865,544	580,395	98,934	29,347,005
Office Equipment	3,305,478	50,733	44,313	3,311,898
Transportation Equipment	6,138,315	581,524	101,288	6,618,551
Other Machinery and Equipment	6,860,548	379,181	97,166	7,142,563
Transmission and Power Distribution System	222,795,158	7,253,274	3,603,838	226,444,594
Construction in Progress	1,503,257	13,061,588	12,725,095	1,839,750
Total	$ 274,723,330	22,052,305	16,670,634	280,105,001

See Independent Auditors' Report.

JOHNSON CITY ENERGY AUTHORITY
DBA JOHNSON CITY POWER BOARD
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS -
2017 REFUNDING ISSUE
June 30, 2017

Schedule 6

Fiscal Year Ending	Interest Rate	Principal	Interest	Total Requirements
6-30-2018	3.00%	$ 2,200,000	1,630,470	3,830,470
6-30-2019	4.00%	2,390,000	1,435,200	3,825,200
6-30-2020	4.00%	2,490,000	1,339,600	3,829,600
6-30-2021	4.00%	2,585,000	1,240,000	3,825,000
6-30-2022	5.00%	2,685,000	1,136,600	3,821,600
6-30-2023	5.00%	2,830,000	1,002,350	3,832,350
6-30-2024	5.00%	1,635,000	860,850	2,495,850
6-30-2025	3.00%	1,710,000	779,100	2,489,100
6-30-2026	5.00%	1,765,000	727,800	2,492,800
6-30-2027	5.00%	1,850,000	639,550	2,489,550
6-30-2028	5.00%	1,950,000	547,050	2,497,050
6-30-2029	5.00%	2,045,000	449,550	2,494,550
6-30-2030	5.00%	2,150,000	347,300	2,497,300
6-30-2031	4.00%	2,255,000	239,800	2,494,800
6-30-2032	4.00%	2,340,000	149,600	2,489,600
6-30-2033	3.50%	1,600,000	56,000	1,656,000
		$ 34,480,000	12,580,820	47,060,820

See Independent Auditors' Report.

JOHNSON CITY ENERGY AUTHORITY
DBA JOHNSON CITY POWER BOARD
CHANGES IN STATEMENT OF NET POSITION ACCOUNTS (UNAUDITED)
June 30, 2017

Schedule 7

A comparison of the Statements of Net Position at June 30, 2017 and 2016 is shown below.

	2017	2016	Increase (Decrease)
Capital Assets	$ 280,105,001	274,723,330	5,381,671
Less: Accumulated Depreciation	(90,395,176)	(84,787,766)	(5,607,410)
Net Capital Assets	189,709,825	189,935,564	(225,739)
Plus: Other Assets	22,637,715	22,468,829	168,886
Plus: Deferred Outflows of Resources	4,716,979	2,166,611	2,550,368
Current Assets	51,008,435	41,769,759	9,238,676
Less: Current Liabilities	(26,539,568)	(28,281,478)	1,741,910
Working Capital	24,468,867	13,488,281	10,980,586
Less: Long-Term Liabilities	(49,434,421)	(48,857,436)	(576,985)
Less: Deferred Inflows of Resources	(878,814)	(1,338,510)	459,696
Net Position	$ 191,220,151	177,863,339	13,356,812

See Independent Auditors' Report.

JOHNSON CITY ENERGY AUTHORITY
DBA JOHNSON CITY POWER BOARD
COMPARATIVE RESULTS OF OPERATIONS (UNAUDITED)
June 30, 2017

Schedule 8

The operating results for the fiscal years ended June 30, 2017 and 2016 are summarized below.

Percent of Operating Revenues 2017	Percent of Operating Revenues 2016		Amount 2017	Amount 2016	Increase (Decrease)
		Operating Revenues			
98.07 %	98.03	Sales of Electric Energy	$ 195,172,763	183,186,138	11,986,625
1.93	1.97	Other Operating Revenues	3,850,156	3,674,608	175,548
100.00	100.00	Total Operating Revenues	199,022,919	186,860,746	12,162,173
		Operating Expenses			
74.95	77.01	Power Purchased	149,158,111	143,896,633	5,261,478
10.85	11.69	Other Operation and Maintenance Expense	21,588,225	21,846,690	(258,465)
4.45	4.66	Provision for Depreciation	8,857,205	8,713,399	143,806
1.14	0.63	Tax Equivalent	2,259,975	1,173,874	1,086,101
91.38	93.99	Total Operating Expenses	181,863,516	175,630,596	6,232,920
8.62	6.01	Net Operating Income	17,159,403	11,230,150	5,929,253
(0.86)	(0.99)	Nonoperating Revenue (Expense)(Net)	(1,706,075)	(1,853,069)	146,994
7.76	5.02	Income Before Transfer	15,453,328	9,377,081	6,076,247
(1.52)	(2.01)	Transfer Out	(3,016,572)	(3,753,098)	736,526
6.25 %	3.01	Change in Net Position	$ 12,436,756	5,623,983	6,812,773

See Independent Auditors' Report.

JOHNSON CITY ENERGY AUTHORITY
DBA JOHNSON CITY POWER BOARD
SELECTED DATA AND COMPARISONS (UNAUDITED)
June 30, 2017

Schedule 9

Presented below is a summary of certain changes in financial position together with selected data and comparisons.

	2017	2016	Increase (Decrease)	Percent Increase (Decrease)
Operating Revenues	$ 199,022,919	186,860,746	12,162,173	7%
Change in Net Position	12,436,756	5,623,983	6,812,773	121%
Gross Plant Additions Less or Plus Net Salvage	9,280,316	8,177,103	1,103,213	13%
Funds for Plant Addition Provided Through Depreciation and Amortization	9,506,055	9,332,249	173,806	2%
Excess of Plant Expenditures over Amounts Provided by Depreciation	(225,739)	(1,155,146)	929,407	-80%
State Sales Tax Collections	3,375,265	3,405,759	(30,494)	-1%
Average Number of Customers	77,982	77,403	578	1%
Average Use (kwH) Per Residential Customer	14,405	14,179	226	2%

See Independent Auditors' Report.

JOHNSON CITY ENERGY AUTHORITY
DBA JOHNSON CITY POWER BOARD
COMPARATIVE STATISTICAL DATA - POWER BOARD AND OTHER GROUP A MUNICIPALITIES IN THE TVA AREA (UNAUDITED)
June 30, 2017

Schedule 10

Certain revenue statistics and operating costs of the Power Board for the fiscal years ended June 30, 2017 and 2016 are compared with the composite of Group A Municipalities in the TVA area for the fiscal year ended June 30, 2016.

	Johnson City Power Board 2017	Johnson City Power Board 2016	2016 Composite of Group A Municipalities on TVA Area (Note 1)
Average Number of Customers	77,982	77,403	14,938
Electric Sales - Cents per Kilowatt Hour Sold	$ 10.60	$ 9.27	$ 9.42
Percent of Revenue by Classes to Total Electric Sales			
Residential	55.16 %	53.08 %	42.33 %
Large Lighting and Power	34.87	35.90	44.73
Small Lighting and Power	9.39	9.11	10.60
Street and Outdoor	1.81	1.87	1.97
Unbilled Revenue - All Classes	(1.23)	0.04	0.37
	100.00 %	100.00 %	100.00 %
Purchased Power - Cents Per Kilowatt Hour Purchased	$ 7.65	$ 7.47	$ 7.23
Percent of Unaccounted for Kilowatt Hours (Distribution Losses)	3.16 %	3.63 %	3.69 %
Certain Expenses Expressed in Dollar per Customer			
Transmission and Distribution	$ 134.91	$ 135.23	$ 162.67
Customer Accounting and Collecting	48.12	52.51	49.68
Sales Promotion	3.90	3.74	6.24
Administrative and General	89.90	90.77	108.65
	$ 276.84	$ 282.25	$ 327.24
Percent of Certain Operating Expenses to Revenue from Electric Sales			
Purchased Power	76.42 %	78.55 %	79.79 %
Other Operating Expenses (Depreciation and Taxes)	5.70	5.40	7.48
	82.12 %	83.95 %	87.27 %

Note 1 - Data compiled from information set forth in "The 2016 Financial and Statistical Report for Municipal and Cooperative Distributors of TVA Power" published by the Tennessee Valley Authority. For comparative purposes, amounts for Memphis, Chattanooga, Knoxville, Huntsville and Nashville have been excluded from the Composite. The 2017 report was not available as of the date of this audit report.

See Independent Auditors’ Report.

JOHNSON CITY ENERGY AUTHORITY
DBA JOHNSON CITY POWER BOARD
SCHEDULE OF OFFICIALS AND SURETY BOND
June 30, 2017

Schedule 11

<u>Name and Title of Official</u>

Johnson City Power Board Officers	
Jeff Dykes	Chief Executive Officer
Brian Bolling	CFO and Chief Customer Officer
Mark Eades	Chief Engineering and Technology Officer
Rodney Metcalf	Chief Operations Officer
Eric Egan	Chief Data Officer
Connie Crouch	Human Resource Manager
Members of Governing Board	
Scott Bowman	Chair
Dr. B.J. King	Vice-Chair
Dan Brant	
Jenny Brock	
Bob Cantler	
Joe Grandy	
Dr. Hal Knight	
Robert Thomas	
Guy Wilson	

<u>Surety Bond</u>

All Board Members, Officers and Employees are covered under a single policy.

Limits of Liability:	
Each Loss	$1,000,000
Each Policy Period	$1,000,000
Deductible	$25,000

See Independent Auditors' Report.

SECTION III

INTERNAL CONTROL AND COMPLIANCE SECTION

Blackburn, Childers & Steagall, PLC
Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' 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*

To the Board of Directors
Johnson City Power Board

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 financial statements of the business-type activities of the Johnson City Energy Authority dba Johnson City Power Board (the Power Board), as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Power Board's basic financial statements, and have issued our report thereon dated November 13, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Power Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Power Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Power 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Power Board'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 within 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Power 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 Power Board'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 Power Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Blackburn, Childers + Steagall, PLC

BLACKBURN, CHILDERS & STEAGALL, PLC
Johnson City, Tennessee

November 13, 2017

JOHNSON CITY ENERGY AUTHORITY
DBA JOHNSON CITY POWER BOARD
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2017

FINANCIAL STATEMENT AUDIT

Current Fiscal Year Findings

No findings reported.

Prior Fiscal Year Findings Not Implemented

No findings reported.

Prior Fiscal Year Findings Implemented

No findings reported.