# JOHNSON CITY ENERGY AUTHORITY DBA
# BRIGHTRIDGE

## AUDITED FINANCIAL STATEMENTS

## 2024

**JOHNSON CITY ENERGY AUTHORITY**
**DBA BRIGHTRIDGE**
**A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE**

**BASIC FINANCIAL STATEMENTS**

**AND SUPPLEMENTARY INFORMATION**

**For the Fiscal Year Ended June 30, 2024**

**JOHNSON CITY ENERGY AUTHORITY**
**DBA BRIGHTRIDGE**
**A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE**
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**JOHNSON CITY ENERGY AUTHORITY**
**DBA BRIGHTRIDGE**
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**SECTION I**

**INTRODUCTORY SECTION**

**(UNAUDITED)**

**JOHNSON CITY ENERGY AUTHORITY**
**DBA BRIGHTRIDGE**
**A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE**
**SCHEDULE OF OFFICIALS**
**June 30, 2024**

Name and Title of Official

| | |
|---|---|
| Officers at June 30, 2024 | |
| Jeff Dykes | Chief Executive Officer |
| Brian Bolling | CFO and Supply Chain Officer |
| Bonnie Donnolly | Chief Development and Market Strategy Officer |
| Connie Crouch | Chief Employee Relations Officer |
| Mark Eades | Chief Engineering and Facilities Officer |
| Eric Egan | Chief Data Officer |
| Stacy Evans | Chief Broadband Officer |
| Rob Arnold | Chief Operations Officer |
| Tiphanie Watson | Chief Customer Officer |
| Members of Governing Board at June 30, 2024 | |
| Gary Mabrey | Chair |
| James Haselsteiner | Vice-Chair |
| Andy Dietrich | |
| James Smith | |
| Ronald Hite | |
| John Hunter | |
| Dr. Kimberly McCorkle | |
| Robert Thomas | |
| Kenneth Huffine | |

# SECTION II

# FINANCIAL SECTION

# INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Johnson City Energy Authority dba
BrightRidge

## Report on the Audit of the Financial Statements

### *Opinion*

We have audited the accompanying financial statements of the business-type activities of the Johnson City Energy Authority dba BrightRidge, a component unit of the City of Johnson City, Tennessee, (BrightRidge), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise BrightRidge's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Johnson City Energy Authority dba BrightRidge, a component unit of the City of Johnson City, Tennessee, as of June 30, 2024, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of BrightRidge and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Responsibilities of Management for the Financial Statements*

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

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

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1361 SOUTH WILCOX DR, KINGSPORT, TN 37660 423.246.1725 136 FURMAN RD, SUITE 4, BOONE, NC 28607 828.264.3595

### *Auditors' Responsibilities for the Audit of the Financial Statements*

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of BrightRidge's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about BrightRidge's ability to continue as a going concern for a reasonable period of time.

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

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 6 through 15 and the pension and OPEB information on pages 69 through 76 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

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

### *Other Information*

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and other supplementary information subsection but does not include the basic financial statements and our auditors' report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2024, on our consideration of BrightRidge's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of BrightRidge's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BrightRidge's internal control over financial reporting and compliance.

Blackburn, Childers & Steagall, PLC

BLACKBURN, CHILDERS & STEAGALL, PLC
Johnson City, Tennessee

December 6, 2024

Johnson City Energy Authority (JCEA), dba BrightRidge, is an energy authority created under the Tennessee Municipal Energy Authority Act with the responsibility to provide electricity and related programs, services, and products. As the tenth largest of TVA's 153 local power companies, JCEA supplies electricity to around 83,804 customers over 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. In September 2018, JCEA launched a broadband division to provide internet, voice, and video services via fiber optics and wireless technologies. Broadband continues to grow with 16,155 customers as of June 30, 2024.

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, 2024. 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 are to introduce the financial statements and provide an analytical overview of JCEA's financial activities for the fiscal year ending June 30, 2024. The financial statements are comprised of the basic financial statements and 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, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference 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 in assets without an increase in liabilities, resulting in an 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 of 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 distribution entities are the influences of non-financial indicators such as economic conditions, population growth, weather, changes in governmental legislation, and energy efficiency. The statements of net position reflect the growth of our broadband division. The JCEA broadband budget includes purchasing equipment and building infrastructure to be able to deliver broadband services. The broadband business plan has eight phases of construction which cover fiscal years 2019 through 2026. During fiscal year 2024, the construction for phases 5 and 6 were completed except for a few underground subdivisions that will be completed in early FY 2025. Phases 7 and 8 were started near the end of the fiscal year. Also, in addition to the original plan, Colonial Heights was a new area added as phase 9 and was completed.

Condensed Statement of Net Position is presented below:

### SUMMARY OF STATEMENT OF NET POSITION

| | FY 2024 | FY 2023 | Dollar Change | % Change |
|---|---|---|---|---|
| **Assets** | | | | |
| Current and Other Assets | 70,164,623 | 74,356,481 | (4,191,858) | -5.6% |
| Designated and Restricted Assets | 26,990,867 | 33,809,637 | (6,818,770) | -20.2% |
| Capital Assets, Net | 286,456,714 | 256,464,719 | 29,991,995 | 11.7% |
| **Total Assets** | **$ 383,612,204** | **$ 364,630,837** | **$ 18,981,367** | **5.2%** |
| **Deferred Outflows of Resources** | **$ 15,221,437** | **$ 12,944,511** | **$ 2,276,926** | **17.6%** |
| **Liabilities** | | | | |
| Current Liabilities | 46,389,984 | 36,077,186 | 10,312,798 | 28.6% |
| Long-Term Liabilities | 64,170,058 | 63,808,399 | 361,659 | 0.6% |
| **Total Liabilities** | **$ 110,560,042** | **$ 99,885,585** | **$ 10,674,457** | **10.7%** |
| **Deferred Inflows of Resources** | **$ 4,576,886** | **$ 6,187,852** | **$ (1,610,966)** | **-26.0%** |
| **Net Position** | | | | |
| Net Investment in Capital Assets | 240,169,116 | 207,130,485 | 33,038,631 | 16.0% |
| Restricted for Pension Stabilization | 221,971 | 152,995 | 68,976 | 45.1% |
| Unrestricted Net Position | 43,305,626 | 64,218,431 | (20,912,805) | -32.6% |
| **Total Net Position** | **$ 283,696,713** | **$ 271,501,911** | **$ 12,194,802** | **4.5%** |

Net position increased by $12,194,802 to $283,696,713 in fiscal year 2024, up from $271,501,911 in fiscal year 2023 for a 4.5% increase in total net position. The primary causes of growth in electric net capital assets are the continued investment in the renewal and replacement of equipment in our distribution network and a rebuild of Northeast Substation. The primary driver of the growth in broadband net capital assets is the construction of our fiber optic distribution network.

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 2024 | FY 2023 | Dollar Change | % Change |
|---|---|---|---|---|
| Electric Sales Revenue | 211,946,975 | 218,229,659 | (6,282,684) | -2.9% |
| Broadband Sales Revenue | 15,152,256 | 11,247,440 | 3,904,816 | 34.7% |
| Other Operating Revenues | 5,491,196 | 5,405,058 | 86,138 | 1.6% |
| **Total Operating Revenues** | **$ 232,590,427** | **$ 234,882,157** | **$ (2,291,730)** | **-1.0%** |
| **Operating Expenses** | | | | |
| Electric Purchased Power | 158,071,223 | 162,376,537 | (4,305,314) | -2.7% |
| Broadband Wholesale Delivery | 1,634,954 | 1,888,779 | (253,825) | -13.4% |
| Broadband Installation Expenses | 3,689,702 | 3,343,612 | 346,090 | 10.4% |
| Other Operating Expenses | 24,309,679 | 20,165,808 | 4,143,871 | 20.5% |
| Maintenance Expenses | 14,519,761 | 13,300,676 | 1,219,085 | 9.2% |
| Provision for Depreciation | 13,130,630 | 12,413,581 | 717,049 | 5.8% |
| Tax Equivalents | 5,566,372 | 6,163,096 | (596,724) | -9.7% |
| **Total Operating Expenses** | **$ 220,922,321** | **$ 219,652,089** | **$ 1,270,232** | **0.6%** |
| Nonoperating Revenues (Expenses) | $ 452,572 | $ 2,003,911 | $ (1,551,339) | -77.4% |
| **Change In Net Position** | **$ 12,120,678** | **$ 17,233,979** | **$ (5,113,301)** | **-29.7%** |
| Beginning Net Position | $ 271,501,911 | $ 254,267,932 | $ 17,233,979 | 6.8% |
| Prior Period (Restatement) Adjustment | $ 74,124 | $ - | $ 74,124 | 0.0% |
| **Ending Net Position** | **$ 283,696,713** | **$ 271,501,911** | **$ 12,194,802** | **4.5%** |

The increase in broadband revenues and expenses continues to grow as we rapidly gain customers. The expansion of our fiber optic distribution network to be able to provide service to new locations is driving our broadband customer growth. The statements above reflect the broadband and electric divisions as a single fund. JCEA must segregate the electric and broadband divisions for regulatory reporting to the Tennessee Valley Authority. Within our statements, any inter-divisional activity, including receivables, accounts payables, and interdivisional loans have been eliminated to clearly reflect a single fund.

Operating revenues decreased by $2,291,730 or 1.0% during fiscal year 2024. Electric Revenue was down $6,282,684 over the prior fiscal year due to a decrease in the TVA's Fuel Cost Adjustment (FCA), even with TVA increasing the wholesale power rate in October 2023 by 4.5%, which BrightRidge passed through to its retail customers. TVA's FCA represents the variable costs of generating fuels and off system purchases and is a pass-through from TVA to our customers. TVA had experienced record highs in the TVA Fuel Cost adjustment during 2022 and part of 2023. Coal and natural gas prices saw the largest increases. Natural gas prices began rising in the spring of 2022 and during the summer natural gas prices had risen to their highest levels since 2008. In FY 2024, the TVA FCA continues to decline as a result of those prices paid for generating fuels. The TVA FCA does not increase gross margin for JCEA as it is in effective a pass through to TVA. The Broadband Sales Revenue was $3,904,816 more than the prior fiscal year. This increase is due to the number of broadband customers growing from 11,684 to 16,155 during the year. Electric Sales Revenue is based on energy sold to customers, represented in kilowatt hours (kWh). The kWh sold, billed and unbilled was 1,926,174,441 for fiscal year 2024 as compared to 1,835,051,396 kWh in fiscal year 2023. This represents an increase of 91,123,045 kWh or 4.97%. Weather serves an important part in determining electric 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 2024 were 4,824 compared to 4,678 for 2023 which represents a 3.1% increase in degree days. During the year, the number of electric customers increased from 82,727 in fiscal year 2023 to 83,804 in fiscal year 2024.

Total operating expenses for fiscal year 2024 are up by $1,270,232 or 0.6% over fiscal year 2023. Operating expenses include Purchased Power, Broadband Wholesale Delivery, Broadband Installation Expense, Other Operating Expense, Maintenance Expense, Depreciation Expense, and Tax Equivalents.

The primary operating expense is Purchased Power. Purchased Power was $158,071,223 which represents 71.55% of the total operating expenses of $220,922,321. For fiscal year 2024, this was $4,305,314 or 2.7% less than fiscal year 2023. The decrease in Purchased Power was due to TVA's FCA rates decreasing during the period. There was a decrease in the overall amount paid even with TVA's October 2023 wholesale rate increase. Note that the decrease in electric purchased power of 2.7% is similar to the decrease in electric sales revenue of 2.9%. This reflects the pass-through of the TVA FCA being lower than in the prior fiscal year. If the TVA FCA increases the wholesale purchased power, then the FCA portion of the retail electric bills reflects that increase. JCEA has historically purchased 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 was extended to 5-year terms beginning October 1, 1997 and required a 5-year written notice by either party to terminate. Effective September 2019, JCEA signed a 20-year rolling contract with TVA. The contract comes with a reduction in the form of a monthly credit on the wholesale power bill of approximately 3.1% on TVA's standard service rates. TVA refers to this as the TVA Partnership Credit. The credit for fiscal year 2024 was $3.57 million. Also, the current contract allows JCEA to generate or purchase up to 5% of its average standard service load requirements outside of the TVA contract. JCEA has a 30-year purchase power arrangement with Silicon Ranch for electricity generated by the Martin Solar Farm. The Martin Solar Farm has a 9 MW capacity and began generating electricity in December 2021. Silicon Ranch bills JCEA for the actual kWh generated and delivered. JCEA constructed a 300-kW solar farm adjacent to our main campus that went online in August of 2023. Generation from a solar farm is negatively impacted by clouds and shorter hours of daylight in winter months.

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). TVA increased base wholesale power rates in October 2023 by 4.5%, and TVA's fuel cost adjustment decreased by approximately 10% from June 2023 to June 2024. As mentioned previously, fuel cost adjustment is pass-through from TVA to our customers, which changes each month. Weather is a primary driver of the sale of kWh with customer usage increasing during extremely cold or hot temperatures. An industry standard calculation referred to as load factor is used to measure the relationship of demand to kWh. A lower load factor may indicate a higher cost of electricity. The less kWh purchased per unit of peak demand, the more the load factor declines, and the ultimate result is that the average cost of power increases. JCEA has limited ability to control peak demands as the weather is the primary driver of consumption. The average realized rate for fiscal year 2024 was $.079 cents per kWh for purchased power while fiscal year 2023 was $.085 per kWh for purchased power.

Broadband Wholesale Delivery and Broadband Installation Expenses are categories included in the statements. Broadband Wholesale Delivery includes the cost of transporting services, cost of wholesale internet, cost of wholesale VoIP, and cost of video programming. These expenses were down $253,825, a 13.4% decrease over 2023. The primary driver in this decrease is a reduction in wholesale video and transport costs of over $400,000. BrightRidge capped video sales to new customers as of November 22, 2022, with a planned sunset of the video service by June 2025. Since November 2022, our number of active video customers has steadily declined due to educating regarding video streaming options and promotions that we have offered to customers who discontinue our video service but maintain their internet service with BrightRidge. Broadband Installation Expenses are the costs of going onsite to a customer's premises and connecting the services; fiscal year 2024 increased $346,090 or 10.4% as we had record growth in new customers. The cost of installation expenses corresponds to the number of broadband customers installed during the fiscal year. Actual fiber infrastructure constructed is not included in this area but is reflected in the capital asset category. The increase in expenses within these categories should continue as we will add more customers over the next two to three years as we expand our fiber distribution network.

Other operating expenses were $24,309,679 for fiscal year 2024 as compared to $20,165,808 for fiscal year 2023. This is an increase of $4,143,871 or 20.5%. Other operating expenses include administrative and general, transmission, distribution, and customer service-related expenses. Broadband expenses included in other operating expenses were $5,580,212 for 2024, which was an increase of $1,155,539 or 26.1%. Electric other operating expenses, net of eliminations between divisions, accounted for $18,729,467 for 2024, which is an increase of $2,988,332 or 19.0%.

Maintenance expenses were up $1,219,085 or 9.2%. Depreciation expense is up $717,049 or 5.8%, with $267,396 of this amount related to broadband. As we install more broadband capital assets, broadband depreciation expense is expected to grow.

In lieu of taxes or tax equivalent payments for the electric division 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 electric in lieu of taxes annually. Broadband also pays in lieu of taxes based on a different computation.

The combined in lieu of tax expense was $5,566,372 for fiscal year 2024 as compared to $6,163,096 for fiscal year 2023. The reason the amount of in lieu of taxes declined is due to the State of Tennessee's equalization ratios declining over the prior year. Equalization ratios are a key part of the calculation. Taxes are paid to localities where capital assets are located, and services are provided. JCEA pays the maximum in lieu of tax payment allowed by state law and is the City of Johnson City's and Washington County Tennessee's largest taxpayer.

Non-Operating Revenues and Expenses for fiscal year 2024 were down $1,551,339 or 77.4%. The reduction is due to $2.3 million of grant funds recognized in FY 2023 as non-operating income and we did not receive any large grants in FY 2024. During fiscal year 2023, the City of Johnson provided part of their ARPA funds as a $2.3 million grant to JCEA to accelerate the deployment of broadband services with a focus on low-income areas of the community. While these grant funds were tied to specific expenditures, the accounting treatment was to recognize the $2.3 million as miscellaneous nonoperating grant revenues. Normally, this category consists of interest income on investments, interest expense, and bond amortization. The net of the category is usually a deduction as the interest expense on debt typically exceeded the interest income.

## Capital Assets and Debt Administration

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

| | FY 2024 | FY 2023 | Dollar Change | % Change |
|---|---|---|---|---|
| **Electric** | | | | |
| Intangibles | 80,176 | 80,176 | - | 0.0% |
| Transmission Plant | 62,165,225 | 55,698,637 | 6,466,588 | 11.6% |
| Distribution Plant | 244,894,045 | 230,045,234 | 14,848,811 | 6.5% |
| Depreciable Capital Assets | 51,325,839 | 49,090,944 | 2,234,895 | 4.6% |
| Construction Work in Progress | 3,490,342 | 7,425,248 | (3,934,906) | -53.0% |
| **Broadband** | | | | |
| Intangibles | 255,601 | 255,601 | - | 0.0% |
| Depreciable Capital Assets | 35,911,526 | 30,497,585 | 5,413,941 | 17.8% |
| Construction Work in Progress | 18,571,663 | 7,977,841 | 10,593,822 | 132.8% |
| **Total Capital Assets** | **$ 416,694,417** | **$ 381,071,266** | **$ 35,623,151** | **9.3%** |

JCEA electric 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. Broadband assets represent the equipment, fiber, and wireless internet assets built in the City of Johnson City, Jonesborough, and Washington County. Based on our forecast, broadband assets will grow to more than $73 million in broadband assets by the end of fiscal year 2026.

The investment in electric utility plant on June 30, 2024 was $361,955,627 as compared to $342,340,239 on June 30, 2023. JCEA's electric capital budget for fiscal year 2024 was $26,771,073. The actual increase in electric capital assets was $19,615,388. Additions during the years related are related to normal year to year work, which we refer to as renewal and replacements, and specific projects.

Historically, our normal renewals and replacement capital expenditures accounted for between $5,000,000 and $8,000,000 of the electric capital budget, but due to the increased cost of materials renewals and replacement capital expenditures are now $8,000,000 to $10,000,000 annually. Major projects include the rebuild of Northeast Substation for $7,872,164. The City of Johnson City is redesigning West Walnut Street and our costs to reconstruct new facilities were $1,220,206 during the period. Note that a significant portion of this project will be reimbursed through an aid to construction payment. There was $1,326,817 spent on the renewal of our 69 kV transmission lines within our system with significant amounts of work on the line from Tanglewood Substation to West Substation and from Washington College Substation to the Greene County line. During the fiscal year, we added $2,364,979 in distribution transformers to electric assets. There has been a significant increase in the cost of transformers since Covid-19. The broadband capital budget for fiscal year 2024 was $20,634,095. The actual change in broadband capital assets was $16,007,763. Construction of the fiber distribution network related to phases five and six of our eight phase plan and the construction of Colonial Heights, phase 9, was the primary driver in costs. Note that JCEA has capital spending projections that cover five years for the electric and broadband divisions.

The electric division's outstanding bond principal was $42,410,000 on June 30, 2024, compared to $45,050,000 on June 30, 2023. Bond payments are made twice a year in November and May. The series 2017 bonds have a final maturity date is May 1, 2033, and the series 2021 bonds have a final maturity of May 1, 2041. The outstanding bond premium was $4,454,029 on June 30, 2023, compared to $4,839,011 on June 30, 2023. Each year $257,304 is amortized for the series 2017 bonds debt premium and $127,679 for the series 2021 bond debt premium. Note that the Bond rating for JCEA is Moody's "Aa2". JCEA's bonds are secured by the revenue of the JCEA. Funding for the broadband division comes from inter-divisional loans from the electric division to the broadband division. TVA, as our regulatory authority, has approved four separate loans that allow draws over a period of time similar to a construction loan. The first loan approved in 2018 was $35 million and this loan has been fully subscribed. The loan terms are the first $22 million at an interest rate of 4.0% over 15 years and the next $13 million at an interest rate of 2.5% over 15 years. The second loan approved in 2021 allows for $47 million to be taken in draws. The term of the loan is 2.5% over 20 years. The third loan was approved in summer of 2023 and allows for $8 million to be taken in draws. The term of the loan is 2.9% over 10 years. The fourth loan was approved in the fall of 2023 and allows for $15.5 million to be taken in draws. The term of the loan is 3.3% over 15 years. The principal balance outstanding as of June 30, 2024 for the first loan is $27,190,488, the principal balance of the second loan is $40,367,376, the principal balance of the third loan is $3,000,000 with $5,000,000 left remaining to be subscribed, and the principal balance of the fourth loan is $6,000,000 with $9,500,000 left remaining to be subscribed. Both loans have principal and interest payments due each January. The combined outstanding loan principal balance as of June 30, 2024, was $76,557,864 as compared to $59,685,452 on June 30, 2023. Within our statements, interdivisional loans have been eliminated to clearly reflect a single fund.

JCEA participates in the USDA 's Rural Economic Development Loan Program as an intermediary for interest free loans made to primarily businesses that are locating or expanding in rural areas. This is a voluntary program and JCEA utilizes the program to support local economic development. The USDA requires that there be a qualifying utility as the intermediary, otherwise there can be no loan made to the recipient. These loans are a pass-through, where that intermediary (JCEA) owes the USDA, and the recipient owes the intermediary (JCEA). Loans are interest-free and must be paid off within ten years. Recipients must provide an irrevocable standby letter of credit that secures the loan throughout the term.

JCEA has both a loan payable to the USDA and a loan receivable from the recipients for this pass-through type of program. JCEA is currently servicing four USDA loans with the oldest loan from 2014.

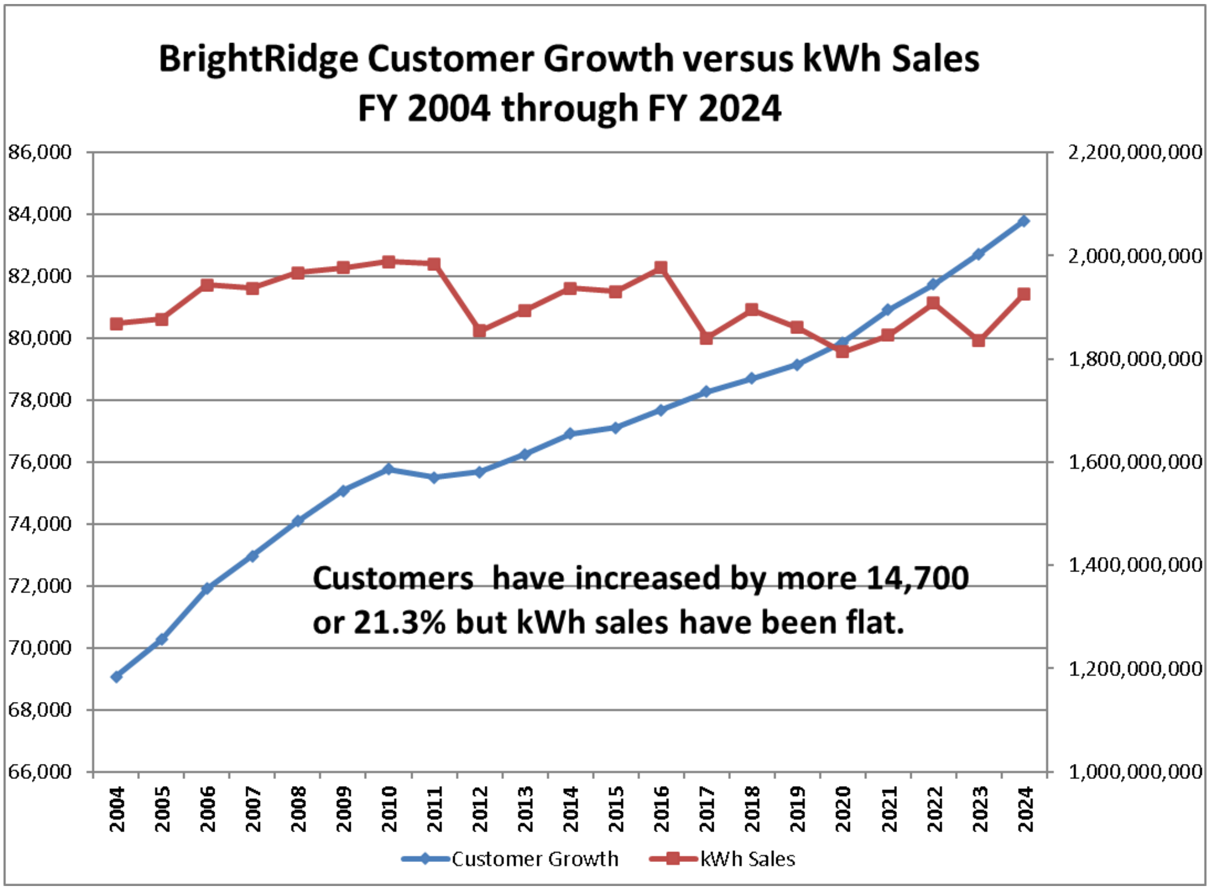
More detailed information about the JCEA's assets and debt can be found in the notes to the financial statements.

## Johnson City Energy Authority Highlights, Economic Factors, and Future

JCEA experienced growth of 1,077 electric customers for a 1.3% overall percentage growth this year. The following chart shows the number of electric customers for each classification for the past two years.

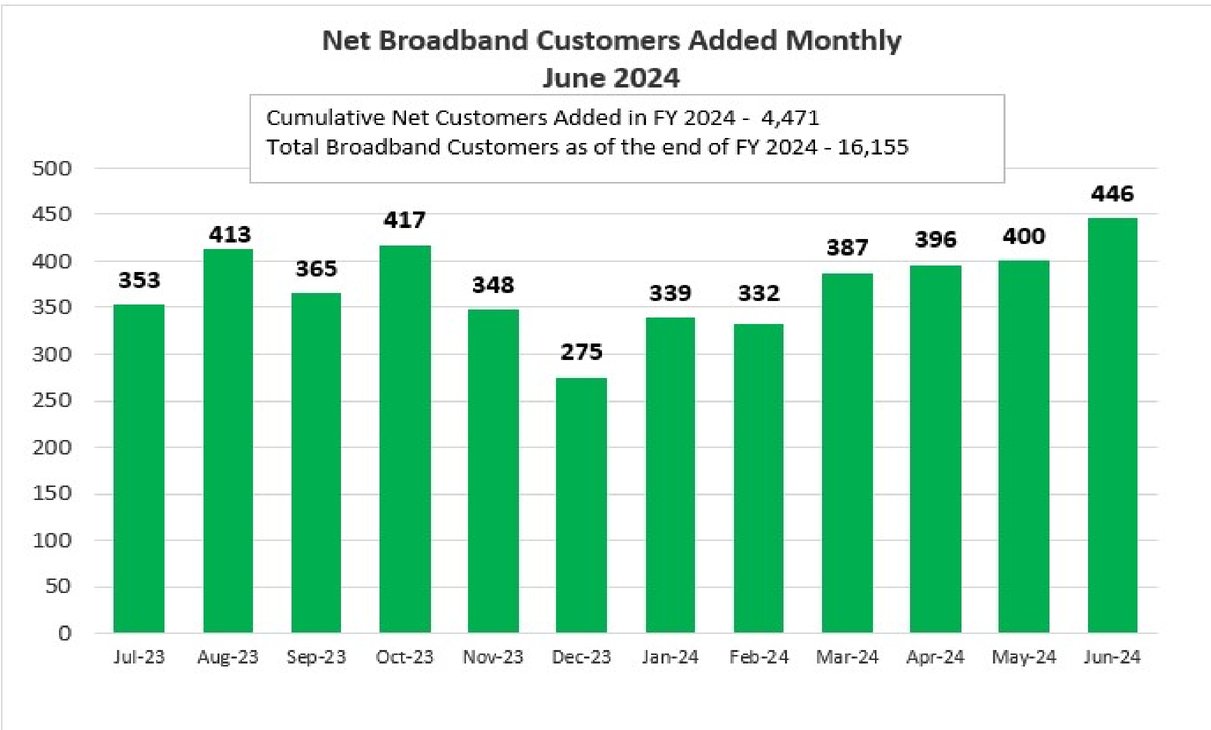
| | 2024 | 2023 | Change | % Change |
|---|---|---|---|---|
| Residential | 71,954 | 70,986 | 968 | 1.36% |
| Small Commercial | 9,934 | 9,826 | 108 | 1.10% |
| Large Commercial/Industrial | 1,003 | 1,001 | 2 | 0.20% |
| Street and Athletic Lighting | 147 | 147 | 0 | 0.00% |
| Outdoor Lighting Only | 766 | 767 | -1 | -0.13% |
| **Total Customers** | **83,804** | **82,727** | **1,077** | **1.30%** |

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. Our customer growth has helped to offset the impacts of reduced usage based on energy efficiency. The chart below visually represents the relationship between kWh (Energy) and customer growth.




Since October 2009, TVA has increased wholesale power rates ten 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; 1.88% in October 2016; 1.88% in October 2017; 1.88% in October 2018; .44% increase in October 2019; and 4.5% increase in October 2023. TVA's increase in October 2023 was the first increase since the Grid Access Charge increase of .44% in October 2019. To maintain margins on electric sales, JCEA traditionally has passed the TVA wholesale rate increase to its retail customers. JCEA implemented rate increases of 1.9% in October 2015, 1.42% in October 2016, 1.42% in October 2017, and .51% in October 2018. These increases were in addition to the TVA increases. JCEA has not had a local rate increase since October 2018. Continued volatility on the cost of wholesale power due to demand charges can cause margin to be unpredictable. 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 2024, the DCRA recovered $2,699,589 to offset higher demand charges paid to TVA compared to $1,214,977 recovered in 2023. The load factor for fiscal year 2024 was 57.91%, which is the worst load factor in the last three years. A lower percentage indicates that the amount of kWh purchased each month in relationship to the monthly peak demand in kW was poor. Poor load factors may explain why the overall average cost each kWh purchased is higher, ignoring the impacts of TVA's FCA. Load factor norms vary from utility to utility. Without the DCRA, our revenue and corresponding gross margin would have been reduced by this amount.




The chart above reflects net broadband customers added each month that are served by either a fiber optic service delivery or a wireless internet delivery. Fiscal year 2024 saw the completion of construction of the fiber distribution network in phase 5,6 and 9 along with portions of phase 7 and 8. JCEA uses a variety of communication channels to notify customers of our ability to serve them in addition to more traditional forms of advertising. While our eight-phase plan was to extend through 2026, we anticipate the completion of phases seven and eight in fiscal year 2025. Completion of each phase increases the number of potential customers having access to services and will help to grow our broadband customer base.

## 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 BRIGHTRIDGE**
**A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE**
**STATEMENT OF NET POSITION**
**June 30, 2024**

| | |
|---|---|
| ASSETS | |
| CURRENT ASSETS | |
| Cash on Hand and in Bank | $ 27,822,399 |
| Accounts Receivable - Customer Service, Net of Allowance for Uncollectible Accounts | 22,181,300 |
| Accounts Receivable - Rents and Other | 1,914,518 |
| Current Inter-Division Receivables | (530) |
| Current Maturities of Notes Receivable | 273,445 |
| Current Maturities of Leases Receivable | 204,737 |
| Inventories | 14,823,392 |
| Other Current Assets | 17,915 |
| Prepaid Expenses | 1,047,017 |
| Total Current Assets | 68,284,193 |
| CAPITAL ASSETS | |
| Land and Land Rights | 6,155,234 |
| Intangibles | 335,777 |
| Construction in Progress | 22,062,005 |
| Depreciable Capital Assets | 388,141,401 |
| Less: Accumulated Depreciation | (130,237,703) |
| Net Capital Assets | 286,456,714 |
| DESIGNATED ASSETS | |
| Cash and Cash Equivalents | 24,268,896 |
| Investments | 2,500,000 |
| Net Designated Assets | 26,768,896 |
| RESTRICTED ASSETS | |
| TCRS Stabilization Reserve Trust | 221,971 |
| OTHER ASSETS | |
| Accounts Receivable - Customers - Heat Pumps | 798,533 |
| Advance from Tennessee Valley Authority | (798,533) |
| Leases Receivable, Net of Current Maturities | 363,911 |
| Notes Receivable, Net of Current Maturities | 1,516,519 |
| Total Other Assets | 1,880,430 |
| TOTAL ASSETS | 383,612,204 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred Outflows of Resources Related to Pension Plans | 11,899,050 |
| Deferred Outflows of Resources Related to OPEB | 2,727,383 |
| Deferred Outflows of Resources SBITA Interest | 18,574 |
| Deferred Loss on Bond Refunding | 576,430 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 15,221,437 |

(Continued)

**JOHNSON CITY ENERGY AUTHORITY**
**DBA BRIGHTRIDGE**
**A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE**
**STATEMENT OF NET POSITION**
**June 30, 2024**

| | |
|---|---|
| LIABILITIES | |
| CURRENT LIABILITIES | |
| Accounts Payable | 35,931,311 |
| Accrued Salaries | 945,630 |
| Accrued Interest | 253,108 |
| Customer Deposits | 5,163,857 |
| Current Portion of Compensated Absences | 755,752 |
| Current Maturities of Bonds Payable | 2,770,000 |
| Current Maturities of Notes Payable | 279,778 |
| Other Current and Accrued Liabilities | 290,548 |
| Total Current Liabilities | 46,389,984 |
| LONG-TERM LIABILITIES | |
| Bonds Payable, Net of Current Maturities and Unamortized Bond Premium | 44,094,028 |
| Notes Payable, Net of Current Maturities | 1,521,186 |
| Compensated Absences, Net of Current Portion | 3,308,750 |
| Net Pension Liability | 4,344,891 |
| Other Post-Employment Benefits Liability | 10,901,203 |
| Total Long-Term Liabilities | 64,170,058 |
| TOTAL LIABILITIES | 110,560,042 |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred Inflows of Resources Related to Pension Plans | 3,211,600 |
| Deferred Inflows of Resources Related to OPEB | 796,638 |
| Deferred Inflows of Resources Related to Leases | 568,648 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 4,576,886 |
| NET POSITION | |
| Net Investment in Capital Assets | 240,169,116 |
| Restricted for Pension Stabilization Reserve Trust | 221,971 |
| Unrestricted | 43,305,626 |
| TOTAL NET POSITION | $ 283,696,713 |

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

**JOHNSON CITY ENERGY AUTHORITY**
**DBA BRIGHTRIDGE**
**A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE**
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**
**For the Fiscal Year Ended June 30, 2024**

| | |
|---|---|
| OPERATING REVENUES | |
| Sales of Electric Energy | |
| Residential | $ 114,295,215 |
| Large Lighting and Power | 65,318,532 |
| Small Lighting and Power | 19,378,223 |
| Street and Outdoor Lighting | 3,810,555 |
| Unbilled Revenue | 9,144,450 |
| Sales of Broadband | |
| Internet Operating Revenue - Residential | 10,302,980 |
| Internet Operating Revenue - Business | 3,784,000 |
| Internet Operating Revenue - Support Services | 1,065,276 |
| Other Operating Revenues | 5,491,196 |
| Total Operating Revenues (Pledged as Security for Revenue Bonds) | 232,590,427 |
| OPERATING EXPENSES | |
| Operations | |
| Power Purchased from Tennessee Valley Authority and Other Entities | 158,071,223 |
| Broadband Wholesale Delivery | 1,634,954 |
| Broadband Installation | 3,689,702 |
| Other Operating Expenses | 24,309,679 |
| Maintenance | 14,519,761 |
| Provision for Depreciation | 13,130,630 |
| Tax Equivalents | 5,566,372 |
| Total Operating Expenses | 220,922,321 |
| NET OPERATING INCOME | 11,668,106 |
| NONOPERATING REVENUES (EXPENSES) | |
| Interest Income | 1,884,661 |
| Other Income | 297,405 |
| Interest Expense | (1,636,823) |
| Amortization of Bond Premium | 384,983 |
| Amortization of Deferred Loss on Bond Refunding | (65,256) |
| Nonoperating Grant Revenues | 22,226 |
| Nonoperating Grant and Other Expenses | (391,130) |
| Loss on Disposal of Assets | (43,494) |
| Total Nonoperating Revenues (Expenses) | 452,572 |
| CHANGE IN NET POSITION | 12,120,678 |
| NET POSITION (DEFICIT), JULY 1, 2023 | 271,501,911 |
| Prior Period Adjustments | 74,124 |
| NET POSITION (DEFICIT), JULY 1, 2023, RESTATED | 271,576,035 |
| NET POSITION (DEFICIT), JUNE 30, 2024 | $ 283,696,713 |

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

**JOHNSON CITY ENERGY AUTHORITY**
**DBA BRIGHTRIDGE**
**A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE**
**STATEMENT OF CASH FLOWS**
**For the Fiscal Year Ended June 30, 2024**

| | |
|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash Received from Electric Sales | $ 210,836,282 |
| Cash Received from Broadband Sales | 15,243,918 |
| Cash Received from Rentals and Other Sales | 4,125,062 |
| Cash Payments to Suppliers for Goods and Services | (173,481,437) |
| Cash Payments for Employee Services and Benefits | (16,323,047) |
| Cash Payments for Tax Equivalents | (5,566,372) |
| Net Cash Received from (Paid to) Customers for Deposits | (178,680) |
| Net Cash Provided by Operating Activities | 34,655,726 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| Payments Received on Notes Receivable Related to USDA Grant Pass-Through | 343,111 |
| Receipt from Grant Funding Sources | 22,226 |
| Payments for Grant-Related and Other Disbursements | (391,130) |
| Principal Paid on USDA Notes Payable | (343,111) |
| Net Cash Provided by (Used for) Noncapital Financing Activities | (368,904) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Acquisition and Construction of Capital Assets | (43,687,016) |
| Intangible Right of Use Asset | (82,530) |
| Principal Paid on Capital Debt | (2,640,000) |
| Interest Paid on Capital Debt | (1,607,652) |
| Net Proceeds from Other Income | 253,911 |
| Net Cash Provided by (Used for) Capital and Related Financing Activities | (47,763,287) |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest on Investments | 1,884,661 |
| Proceeds from Maturity of Restricted Long-Term Certificate of Deposit | 6,000,000 |
| Net Cash Provided by (Used for) Investing Activities | 7,884,661 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (5,591,804) |
| CASH AND CASH EQUIVALENTS, BEGINNING | 57,683,099 |
| CASH AND CASH EQUIVALENTS, ENDING | $ 52,091,295 |

(Continued)

**JOHNSON CITY ENERGY AUTHORITY**
**DBA BRIGHTRIDGE**
**A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE**
**STATEMENT OF CASH FLOWS**
**For the Fiscal Year Ended June 30, 2024**

| | |
|---|---|
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES | |
| Operating Income | $ 11,668,106 |
| Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities: | |
| Depreciation Expense (Including Allocated Portion) | 13,695,021 |
| Increase in Allowance for Uncollectible Accounts | 131,118 |
| (Increase) Decrease in Assets: | |
| Accounts Receivable - Current and Long-Term | (2,385,165) |
| Inventories | 865,092 |
| Prepaid Expenses | 173,466 |
| Other Current Assets | (17,915) |
| TCRS Stabilization Reserve Trust | (68,976) |
| Leases Receivable - Current and Long-Term | 378,093 |
| (Increase) Decrease in Deferred Outflows: | |
| Related to OPEB | (1,441,755) |
| Related to Pension Plans | (881,854) |
| Increase (Decrease) in Liabilities: | |
| Accounts Payable | 10,043,194 |
| Accrued Salaries | 427,549 |
| Customer Deposits | (178,680) |
| Unearned Revenue Related to USDA Notes | (10,000) |
| Compensated Absences | (68,038) |
| Other Current and Accrued Liabilities | (35,946) |
| Net Pension Liability | 1,906,420 |
| Other Post-Employment Benefits Liability | 2,066,962 |
| Increase (Decrease) in Deferred Inflows: | |
| Related to Leases | (378,093) |
| Related to Pension Plans | (1,074,319) |
| Related to OPEB | (158,554) |
| Net Cash Provided by Operating Activities | $ 34,655,726 |

| | |
|---|---|
| RECONCILIATION OF CASH AND CASH EQUIVALENTS FROM STATEMENT OF CASH FLOWS TO STATEMENT OF NET POSITION | |
| Cash on Hand and in Bank | $ 27,822,399 |
| Designated Assets - Cash and Cash Equivalents | 24,268,896 |
| Cash and Cash Equivalents at End of Fiscal Year | $ 52,091,295 |

| | |
|---|---|
| NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Amortization of Bond Premium | $ 384,983 |
| Amortization of Deferred Loss on Bond Refunding | (65,257) |
| Non-Cash Capital and Related Financing Activities | $ 319,726 |

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

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Johnson City Energy Authority (JCEA) was formed April 1, 2017, as a political subdivision of the State of Tennessee and is the legal entity which replaced the former Johnson City Power Board. The JCEA did file with the State of Tennessee to continue "doing business as" (dba) the Johnson City Power Board or JCPB through October 3, 2017, at which time the JCEA filed a new dba name of BrightRidge. BrightRidge 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 and providing broadband and related services to service area customers.

Johnson City Energy Authority is a component unit of the City of Johnson City, Tennessee. These basic financial statements include only the statements of the Johnson City Energy Authority and not the City of Johnson City, Tennessee, as a whole.

The basic financial statements of BrightRidge 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.

### Payments In Lieu of Taxes

Certain payments in lieu of taxes have been recorded in the financial statements related to the electric and broadband divisions, including for related voice and video services within the division, as applicable.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Restricted Assets

BrightRidge has certain restricted funds held in a pension stabilization trust by the Tennessee Consolidated Retirement System (TCRS) for the benefit of BrightRidge's Hybrid Pension Plan. See Note 5. The purpose of this trust is to accumulate funds to provide stabilization (smoothing) of retirement costs to BrightRidge in times of fluctuating investment returns and market downturns. These funds are held and invested by TCRS pursuant to an irrevocable agreement and may only be used for the benefit of BrightRidge to fund retirement benefits upon approval of the TCRS Board of Directors. To date, BrightRidge has not withdrawn any funds from the trust to pay pension costs. Trust documents provide that the funds are not subject to the claims of general creditors of BrightRidge. At June 30, 2024, BrightRidge had a stabilization reserve asset consisting of $279,467 held by the custodian related to the Hybrid Pension Plan, of which $57,496 is recorded as a current year investment gain allocation on the Statement of Net Position as TCRS Stabilization Reserve Trust. Given the timing of reporting to TVA, the $57,496 investment gain allocation related to the stabilization reserve is not recorded in the financial statements for the fiscal year ended June 30, 2024.

### Deposits and Investments

Cash on the Statement of Net Position includes cash on hand and demand deposits in a local bank. Various restrictions on deposits and investments, including repurchase agreements, are imposed by state statutes. These restrictions are summarized as follows.

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 - BrightRidge 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. BrightRidge may make investments with longer maturities if it follows various restrictions established by state law. It 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.

For the fiscal year ended June 30, 2024, BrightRidge held designated assets, including cash and cash equivalents totaling $24,268,896 and long-term certificates of deposit through Certificate of Deposit Account Registry Service (CDARS) program totaling $2,500,000. These long-term certificates of deposits have an interest rate of 4.75% over the term of 52-weeks, with the next maturity in March 2025.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Deposits and Investments (Continued)

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 2.00% below the market value of the securities on the day of purchase. No repurchase agreements existed as of June 30, 2024.

The general ledger carrying amount of BrightRidge's deposits with financial institutions along with petty cash was $52,091,295 at June 30, 2024, and the bank balances along with petty cash was $50,621,830. Covered bank deposits and amounts not on deposit are detailed as follows:

| | |
|---|---|
| Amount Not on Deposit (Petty Cash) | $ 13,000 |
| Deposits Insured by Federal Deposit Insurance Corporation (FDIC) | 274,071 |
| Deposits Insured by National Credit Union Association (NCUA) | 4,809 |
| Excess Deposits Insured with State of Tennessee Bank Collateral Pool | 51,799,415 |
| | $ 52,091,295 |

BrightRidge's policy for deposits, investments, and custodial credit rate risk on deposits is to follow state guidelines.

### Designated Cash and Cash Equivalents

BrightRidge's designated cash and cash equivalents consist of money market accounts in the amount of $19,505,772, which are designated for capital improvements; money market accounts in the amount of $4,056,733, which are designated for bond principal and interest payments and interdivisional loan payments; a money market account in the amount of $506,605, which is designated for insurance liabilities; and a money market account in the amount of $199,786, which is designated for tax equivalent payments. All of these designations were approved by the Board of Directors. The funds in money market accounts are considered cash equivalents for purposes of the Statement of Cash Flows.

### Accounts Receivable

Receivables are stated at the amount management expects to collect on outstanding balances. Management provides for probable uncollectible amounts based on receivable trends of historical collection experience. Balances outstanding after management has used reasonable collection efforts are written off through an allowance account, which had a balance of approximately $489,000 at June 30, 2024 and is netted against receivables in the financial statements. Estimated unbilled receivables are accrued as receivables and were approximately $9,144,000 at June 30, 2024.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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 and land rights, buildings, machinery and equipment including meters, intangible capital assets, 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. The capital assets, including non-electric divisions, are being depreciated on the straight-line method over the useful lives per guidelines of the TVA. Applicable intangible assets are treated as capital assets under GASB and amortized over the life of the contract, if available, and if no contract life is available, intangible assets are not amortized. Amortization expense is included in depreciation expense, when applicable. For the fiscal year ended June 30, 2024, all intangible capital assets, other than SBITA assets, did not have available contract lives. Following Federal Energy Regulation Commission (FERC) guidelines, 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 required by FERC guidelines, which differs from generally accepted accounting principles. 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 required by FERC guidelines and in accordance with guidance of the Financial Accounting Standards Board.

The FERC guideline methods are also followed by non-electric divisions of BrightRidge, even though not required, to provide consistency within the entity. The depreciation expense for the fiscal year ended June 30, 2024 was $13,695,021, of which $13,130,630 was charged to Depreciation Expense and $564,391 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 |

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Leases

For the fiscal year ended June 30, 2024, BrightRidge had certain leases as lessor recorded in the financial statements. BrightRidge is a lessor for certain noncancellable leases of land, dark fiber, and pole attachments. BrightRidge recognizes a lease receivable and a deferred inflow of resources in the statement of net position.

At the commencement of a lease, BrightRidge initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how BrightRidge determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- BrightRidge uses published prime rate at the contract or implementation date as the discount rate for leases, since its actual incremental borrowing rate for similar termed items and other rate estimates are not readily available.

- The lease term includes the noncancellable period of the lease.

- Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

BrightRidge monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

For the fiscal year ended June 30, 2024, BrightRidge had certain leases as lessee which management considered to be immaterial to the financial statements or not meeting GASB requirements of leases, and thus are not recorded in the financial statements. Also, BrightRidge maintains ongoing interdivisional, intra-entity leases, which are not disclosed as they are eliminated for the statement of net position.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position sometimes reports a separate financial statement element, *deferred outflows of resources*, which represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. BrightRidge 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 Deferred Outflows of Resources SBITA Interest is reported as a deferred outflow and is being amortized over the life of the SBITA Contract. (3) The Deferred Outflows of Resources Related to Pension Plans is related to the differences between expected and actual experience, projected and actual netted earnings on pension plan investments as applicable, changes in assumptions as applicable, and BrightRidge's contributions made to the Tennessee Consolidated Retirement System (TCRS) during fiscal year 2023 for all plans. The differences in experience and changes in assumptions are a result of the actuarial study for BrightRidge's pension plans through TCRS and are being amortized over the average working lifetime of all participants. The net difference in earnings on pension plans investments is being amortized over a five-year period (staggered based on measurement year), as applicable. The contributions were made subsequent to the pension's measurement date of June 30, 2023, and will be recognized as a reduction to the net pension liability in the following measurement period. (4) The Deferred Outflows of Resources Related to OPEB is related to the differences in experience and changes in assumptions are a result of the actuarial study for BrightRidge's OPEB liability, which are results of the actuarial study of the OPEB commitment. These changes are being amortized over the average service of OPEB participants.

In addition to liabilities, the Statement of Net Position sometimes reports a separate financial statement element, *deferred inflows of resources*, representing an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. BrightRidge has three items reported as deferred inflows: (1) The Deferred Inflows of Resources Related to Pension Plans is related to differences between expected and actual experience as well as differences between projected and actual netted earnings on pension plan investments when applicable. These differences are a result of the actuarial study for BrightRidge's pension plans through TCRS. The differences in experience are being amortized over the average working lifetime of all participants. The net difference in earnings on pension plans investments is being amortized over a five-year period (staggered based on measurement year), as applicable. (2) The Deferred Inflows of Resources Related to OPEB is related to the changes in assumptions for the OPEB liability, which is a result of the actuarial study of the OPEB commitment. These changes are being amortized over the average service of OPEB participants. (3) The Deferred Inflows of Resources Related to Leases is related to the leases receivable for the portion to be received in ensuing years.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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.

For full-time employees hired on or before December 31, 2019, BrightRidge is obligated for 75% of accumulated sick leave days, payable upon either date of retirement or death. For such employees, remaining sick leave is applied as service credit to the TCRS Legacy pension benefit. For full-time employees hired after December 31, 2019, BrightRidge is not obligated to pay accumulated sick leave. The full amount of such employees' sick leave at the time of retirement may be applied toward their TCRS Hybrid pension benefit. TCRS' conversion factor is 20 days of accumulated sick leave equals one month of service credit.

A liability for compensated absences and related fringe benefits is reflected on the Statement of Net Position at June 30, 2024, in the amount of $4,064,502. The portion of this liability expected to be paid within one year is $755,752 and 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, net of accumulated depreciation, plus the deferred loss on bond refunding, less 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. Restricted funds are applied first when allowable. No such restrictions existed at June 30, 2024, other than restricted for pension stabilization reserve trust, the asset of which is discussed in Note 5.

### Long-Term Obligations

Bonds payable are reported net of the applicable bond premium, which is deferred and amortized over the life of the related bonds. $384,984 was amortized during fiscal year 2024, which leaves the balance of the bond premiums at $4,454,028 as of June 30, 2024. In addition, deferred losses on bond refunding are amortized over the life of the related bonds (see Note 8).

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Pension

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pension plans, and pension expense (negative pension expense), information about the fiduciary net position of BrightRidge's participation in the Public Employee Retirement Plan of TCRS, and additions to/deductions from BrightRidge's fiduciary net position have been determined on the same basis as they are reported by 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.

### Other Post-Employment Benefits

For purposes of measuring the OPEB liability, BrightRidge recognizes benefits (including refunds of employee contributions) when they are due and payable, including related deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, in accordance with the benefit terms and actuarial valuations. BrightRidge does not fund the OPEB liability; expenses are paid as incurred.

### Grants, Loans, and Unearned Revenues

Grant and loan fundings are reported as expensed and thus earned. Amounts not earned at fiscal year end are reported as unearned revenues.

### Operating Revenues and Expenses, Intrafund Activity, and Divisional Allocations

Operating revenues and expenses generally result from providing services and producing and delivering goods. BrightRidge's principal operating revenues are charges to customers for sales and services. Operating expenses 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 are allocated by BrightRidge to the division incurring the expense or earning the revenue. Other than interdivisional billings and receipts based on established electric or broadband customer rates as "arm's length" transactions, any intrafund activity and intrafund balances (receivables, loans, and payables) have been eliminated to be presented as a single fund entity.

### Budgets

Under the by-laws, management must submit an annual budget to the Board of Directors for approval. BrightRidge 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.

## NOTE 2 - NOTES RECEIVABLE

BrightRidge 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). BrightRidge is obligated to USDA Rural Economic Development, and this international manufacturing company is obligated to BrightRidge. The note is receivable $6,333 per month for 120 months, bearing no interest. Management deems the imputed interest due on the June 30, 2024 remaining balance of $6,334 receivable and related payable (Note 8) amounts to be immaterial. In conjunction with the note receivable from the international manufacturing company above, BrightRidge was named as beneficiary in an irrevocable standby commercial letter of credit from a local financial institution in the amount of $760,000 on August 21, 2014 (start of Year 1) with a current expiration date of August 21, 2024. The amount of the bond declines based on a schedule over the 10 years, being reduced as the company pays down the amount of the security. This letter will automatically renew for up to three 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 ten-year term of that note, with the subsequent remaining balance of the contract having been paid off in August 2024.

BrightRidge entered into a 10-year loan agreement with a local wood pallet manufacturing company in January 2021 for $560,000, 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 local wood pallet manufacturing company (see Note 8). BrightRidge is obligated to USDA Rural Economic Development, and this manufacturing company is obligated to BrightRidge. The note is receivable $4,667 per month for 120 months, bearing no interest. Management deems the imputed interest due on the June 30, 2024 remaining balance of $364,000 receivable and related payable (Note 8) to be immaterial. In conjunction with the note receivable from the local wood pallet manufacturing company above, BrightRidge was named as beneficiary in an irrevocable standby commercial letter of credit from a local financial institution in the amount of $560,000 on January 4, 2021 (start of Year 1) with a current expiration date in January 2031. The amount of the bond declines based on a schedule over the 10 years, being reduced as the company pays down the amount of the security. The contract will automatically renew for up to nine 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 ten-year term of that note, with the remainder commitment by contract year.

## NOTE 2 - NOTES RECEIVABLE (CONTINUED)

BrightRidge entered into a ten-year loan, including a one-year deferral, agreement with an international manufacturing company in January 2021 for $1,000,000, 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). BrightRidge is obligated to USDA Rural Economic Development, and this manufacturing company is obligated to BrightRidge. The note is receivable $9,259 per month for 120 months, bearing no interest. Management deems the imputed interest due on the June 30, 2024 balance of $712,963 receivable and related payable (Note 8) amounts to be immaterial. In conjunction with the note receivable from the international manufacturing company above, BrightRidge was named as beneficiary in an irrevocable standby commercial letter of credit from a local financial institution in the amount of $1,000,000 on January 4, 2021 (start of Year 1) with a current expiration date in January 2031. The amount of the bond declines based on a schedule over the 10 years, being reduced as the company pays down the amount of the security. The contract will automatically renew for up to nine 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 ten-year term of that note, with the remainder commitment by contract year.

BrightRidge entered into a ten-year loan agreement, including a one-month deferral, with a local manufacturing company in September 2021 for $1,000,000, 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 local manufacturing company (see Note 8). BrightRidge is obligated to USDA Rural Economic Development, and this manufacturing company is obligated to BrightRidge. The note is receivable $8,333 per month for 120 months, bearing no interest. Management deems the imputed interest due on the June 30, 2024 balance of $706,667 receivable and related payable (Note 8) amounts to be immaterial. In conjunction with the note receivable from the local manufacturing company above, BrightRidge was named as beneficiary in an irrevocable standby commercial letter of credit from a local financial institution in the amount of $1,000,000 in September 2021 (start of Year 1) with a current expiration date in September 2031. The amount of the bond declines based on a schedule over the 10 years, being reduced as the company pays down the amount of the security. The contract will automatically renew for up to nine 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 ten-year term of that note, with the remainder commitment by contract year.

## NOTE 2 - NOTES RECEIVABLE (CONTINUED)

Future maturities of the notes receivable are as follows at June 30, 2024:

| Fiscal Year Ending June 30 | Receivable |
|---|---|
| 2025 | $ 273,445 |
| 2026 | 267,111 |
| 2027 | 267,111 |
| 2028 | 267,111 |
| 2029 | 267,111 |
| 2030-2032 | 448,075 |
| | $ 1,789,964 |

## NOTE 3 - LEASES RECEIVABLE AND RELATED DEFERRED INFLOWS OF RESOURCES

BrightRidge functions as a lessor in various leases for certain noncancellable leases of land, dark fiber, and pole attachments. BrightRidge uses a discount rate estimate, as described in Note 1. During the fiscal year ended June 30, 2024, BrightRidge's leases as lessor included the following:

- BrightRidge leases land to an entity with monthly payments of $2,500. The noncancellable term expires December 2025. The discount rate estimate at date of implementation was 3.5%.

- BrightRidge leases dark fiber to various entities, with noncancelable terms expiring between June 2024 and May 2041, with monthly payments ranging from approximately $200 to approximately $10,000. The discount rate estimate at date of implementation was 7.00%-8.25%.

- BrightRidge leases numerous pole attachments to various entities, with noncancelable terms expiring between July 2023 and July 2026, with annual payments ranging from approximately $10,000 to approximately $267,000. The discount rate estimate at date of implementation was 3.25%.

The total leases receivable at June 30, 2024 was $568,648, which included $204,737 current and $363,911 long-term receivables. In addition, BrightRidge has deferred inflows of resources of $568,648 at June 30, 2024 which were associated with these leases and will be recognized as revenue over the lease term. Also, BrightRidge recognized lease revenue and lease interest revenue of $446,673 and $43,944, respectively, during the fiscal year ended June 30, 2024

## NOTE 4 - CAPITAL ASSETS AND DEPRECIATION

As described in Note 1, BrightRidge has recorded a capital asset for one subscription arrangement under the scope of GASB 96. This is reported in the capital asset schedule below as Intangible ROU Software Arrangements.

BrightRidge has an arrangement with Calix for the access and use of software. These services are provided in a 3-year term ending on August 31, 2024. BrightRidge has imputed an 8.25% discount rate for these arrangements as of July 1, 2022, the date of the standard implementation. This rate was used to determine the present value of the intangible right-to-use asset and SBITA liability.

Capital asset activity for the fiscal year ended June 30, 2024 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| Capital Assets, Not Being Depreciated | | | | |
| Land and Land Rights | $ 5,623,567 | 531,667 | - | 6,155,234 |
| Intangibles | 335,777 | - | - | 335,777 |
| Construction in Progress | 15,403,089 | 67,971,366 | (61,312,450) | 22,062,005 |
| Total Capital Assets, Not Being Depreciated | 21,362,433 | 68,503,033 | (61,312,450) | 28,553,016 |
| Capital Assets, Being Depreciated | | | | |
| Buildings | 31,883,184 | 1,863,270 | (58,706) | 33,687,748 |
| Office Equipment | 3,433,722 | 196,233 | - | 3,629,955 |
| Transportation Equipment | 8,759,672 | 1,156,732 | (455,289) | 9,461,115 |
| Other Machinery and Equipment | 21,546,970 | 2,534,093 | (117,353) | 23,963,710 |
| Transmission and Power Distribution System | 275,152,627 | 25,308,651 | (5,443,736) | 295,017,542 |
| Fiber | 18,794,432 | 3,449,399 | (726) | 22,243,105 |
| Intangible ROU Software Arrangements | 138,226 | - | - | 138,226 |
| Total Capital Assets, Being Depreciated | 359,708,833 | 34,508,378 | (6,075,810) | 388,141,401 |
| Accumulated Depreciation | | | | |
| Buildings | (12,589,585) | (734,390) | 58,706 | (13,265,269) |
| Office Equipment | (1,593,020) | (213,520) | - | (1,806,540) |
| Transportation Equipment | (6,883,766) | (564,388) | 299,765 | (7,148,389) |
| Other Machinery and Equipment | (7,924,559) | (1,966,415) | 127,487 | (9,763,487) |
| Transmission and Power Distribution System | (94,000,038) | (9,371,822) | 7,577,040 | (95,794,820) |
| Fiber | (1,551,782) | (780,690) | 867 | (2,331,605) |
| Intangible ROU Software Arrangements | (63,797) | (63,796) | - | (127,593) |
| Total Accumulated Depreciation | (124,606,547) | (13,695,021) | 8,063,865 | (130,237,703) |
| Net Capital Assets, Being Depreciated | 235,102,286 | 20,813,357 | 1,988,055 | 257,903,698 |
| Net Capital Assets | $ 256,464,719 | 89,316,390 | (59,324,395) | 286,456,714 |

## NOTE 5 - PENSION PLANS

### General Information about the Pension Plan – Legacy Plan

*Plan Description*

Full-time employees hired prior to January 1, 2019 are enrolled in the TCRS Legacy plan. Employees of BrightRidge 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 (TCA) Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies.

*Benefits Provided*

TCA 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 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 BrightRidge 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.

## NOTE 5 - PENSION PLANS (CONTINUED)

### General Information about the Pension Plan – Legacy Plan (Continued)

*Employees Covered by Benefit Terms*

At the measurement date of June 30, 2023, the following employees were covered by the benefit terms:

| | |
|---|---|
| Inactive Employees or Beneficiaries Currently Receiving Benefits | 121 |
| Inactive Employees Entitled to but not yet Receiving Benefits | 28 |
| Active Employees | 138 |
| Total Employees | 287 |

At the measurement date of June 30, 2023, the Legacy plan continued to be closed to new entrants.

*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. BrightRidge 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, 2024, the employer contributions for BrightRidge's Legacy pension plan were $1,723,526 based on a rate of 13.58 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept BrightRidge's state shared taxes if required employer contributions are not remitted. The employer's actuarial determined contribution and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

### Net Pension Liability (Asset) – Legacy Plan

*Pension Liabilities (Assets)*

BrightRidge's net pension liability (asset) was measured as of June 30, 2023, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

## NOTE 5 - PENSION PLANS (CONTINUED)

### Net Pension Liability (Asset) – Legacy Plan (Continued)

*Actuarial Assumptions*

The total pension liability as of June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2023 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

## NOTE 5 - PENSION PLANS (CONTINUED)

### Net Pension Liability (Asset) – Legacy Plan (Continued)

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2020 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.25 percent. The best estimates of geometric real rates of return and the TCRS investment policy target asset allocation of each major asset class are summarized in the following table:

| Asset Class | Long-Term Expected Real Rate of Return | Target Allocation |
|---|---|---|
| U.S. Equity | 4.88% | 31% |
| Developed Market International Equity | 5.37% | 14% |
| Emerging Market International Equity | 6.09% | 4% |
| Private Equity and Strategic Lending | 6.57% | 20% |
| U.S. Fixed Income | 1.20% | 20% |
| Real Estate | 4.38% | 10% |
| Short-Term Securities | 0.00% | 1% |
| | | 100% |

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

*Discount Rate*

The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from BrightRidge 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.

## NOTE 5 - PENSION PLANS (CONTINUED)

### Changes in the Net Pension Liability – Legacy Plan

| | Increase (Decrease) | | |
|---|---|---|---|
| | **Total Pension Liability** (a) | **Plan Fiduciary Net Position** (b) | **Net Pension Liability** (a) - (b) |
| **Balance at June 30, 2022** | $ 75,003,655 | 72,604,640 | 2,399,015 |
| **Changes for the Fiscal Year:** | | | |
| Service Cost | 1,251,993 | - | 1,251,993 |
| Interest | 5,034,355 | - | 5,034,355 |
| Differences between Expected and Actual Experience | 3,008,218 | - | 3,008,218 |
| Changes in Assumptions | - | - | - |
| Contributions - Employer | - | 1,872,321 | (1,872,321) |
| Contributions - Employees | - | 690,313 | (690,313) |
| Net Investment Income | - | 4,853,537 | (4,853,537) |
| Benefit Payments, Including Refunds of Employee Contributions | (3,345,229) | (3,345,229) | - |
| Administrative Expense | - | (16,301) | 16,301 |
| Net Changes | 5,949,337 | 4,054,641 | 1,894,696 |
| **Balance at June 30, 2023** | $ 80,952,992 | 76,659,281 | 4,293,711 |

## NOTE 5 - PENSION PLANS (CONTINUED)

### Changes in the Net Pension Liability (Asset)– Legacy Plan (Continued)

*Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate*

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

| | 1% Decrease (5.75%) | Current Discount Rate (6.75%) | 1% Increase (7.75%) |
|---|---|---|---|
| Net Pension Liability (Asset) | $ 14,842,411 | 4,293,711 | (4,554,114) |

### Pension Expense (Negative Pension Expense) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – Legacy Plan

*Pension Expense (Negative Pension Expense)*

For the fiscal year ended June 30, 2024, BrightRidge recognized pension expense (negative pension expense) of $(1,853,705).

*Deferred Outflows of Resources and Deferred Inflows of Resources*

For the fiscal year ended June 30, 2024, BrightRidge reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between Expected and Actual Experience | $ 2,887,639 | 3,211,600 |
| Net Difference between Projected and Actual Earnings on Pension Plan Investments | 596,248 | - |
| Changes in Assumptions | 6,258,884 | - |
| Contributions Subsequent to the Measurement Date of June 30, 2023 | 1,723,526 | (not applicable) |
| Total | $ 11,466,297 | 3,211,600 |

## NOTE 5 - PENSION PLANS (CONTINUED)

### Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – Legacy Plan (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, 2023," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

| **Fiscal Year Ended June 30:** | | |
|---|---|---|
| 2025 | $ | 1,136,452 |
| 2026 | | 607,242 |
| 2027 | | 2,698,450 |
| 2028 | | 2,089,027 |

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

### Payable to the Pension Plan – Legacy Plan

At June 30, 2024, BrightRidge reported a payable of approximately $130,500 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2024.

### General Information about the Pension Plan – Hybrid Plan

*Plan Description*

Full-time employees hired after January 1, 2019 are enrolled in the TCRS Hybrid plan. Employees of BrightRidge 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 (TCA) Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies.

## NOTE 5 - PENSION PLANS (CONTINUED)

### General Information about the Pension Plan – Hybrid Plan (Continued)

*Benefits Provided*

Tennessee Code Annotated, Title 8, Chapters 34-37, establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 60 and vested or pursuant to the rule of 80 in which the member's age and service credit total 80. Members vest with five years of service credit. Service-related disability benefits are provided regardless of length of service. Five years of service is required for nonservice-related disability eligibility. The service-related and nonservice-related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost-of-living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 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. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

*Employees Covered by Benefit Terms*

At the measurement date of June 30, 2023, the following employees were covered by the benefit terms:

| | |
|---|---|
| Inactive Employees or Beneficiaries Currently Receiving Benefits | 0 |
| Inactive Employees Entitled to but not yet Receiving Benefits | 8 |
| Active Employees | 62 |
| Total Employees | 70 |

## NOTE 5 - PENSION PLANS (CONTINUED)

### General Information about the Pension Plan – Hybrid Plan (Continued)

*Contributions*

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly or by automatic cost controls set out in law. Employees contribute 5.00 percent of salary. BrightRidge makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4.00 percent, except in years when the maximum funded level, as established by the TCRS Board of Trustees, is reached. By law, employer contributions are required to be paid. The TCRS may intercept BrightRidge's state shared taxes if required employer contributions are not remitted. For the fiscal year ended June 30, 2024, the employer contributions for BrightRidge's Hybrid pension plan were $145,390 based on a rate of 2.62 percent of covered payroll, with an additional $76,581 based on a rate of 1.38 percent contributed by BrightRidge to the Stabilization Reserve Trust, for a total of 4.00 percent employer contributions. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

### Net Pension Liability (Asset) – Hybrid Plan

*Pension Liabilities (Assets)*

BrightRidge's net pension liability (asset) was measured as of June 30, 2023, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

*Actuarial Assumptions*

The total pension liability as of June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

## NOTE 5 - PENSION PLANS (CONTINUED)

### Net Pension Liability (Asset) – Hybrid Plan (Continued)

*Actuarial Assumptions (Continued)*

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

The actuarial assumptions used in the June 30, 2023 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2020 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.25 percent. The best estimates of geometric real rates of return and the TCRS investment policy target asset allocation of each major asset class are summarized in the following table:

| Asset Class | Long-Term Expected Real Rate of Return | Target Allocation |
|---|---|---|
| U.S. Equity | 4.88% | 31% |
| Developed Market International Equity | 5.37% | 14% |
| Emerging Market International Equity | 6.09% | 4% |
| Private Equity and Strategic Lending | 6.57% | 20% |
| U.S. Fixed Income | 1.20% | 20% |
| Real Estate | 4.38% | 10% |
| Short-Term Securities | 0.00% | 1% |
| | | 100% |

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

## NOTE 5 - PENSION PLANS (CONTINUED)

### Net Pension Liability – Hybrid Plan (Continued)

*Discount Rate*

The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from BrightRidge will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

### Changes in the Net Pension Liability (Asset) – Hybrid Plan

| | Increase (Decrease) | | |
|---|---|---|---|
| | **Total Pension Liability (Asset)** (a) | **Plan Fiduciary Net Position** (b) | **Net Pension Liability (Asset)** (a) - (b) |
| **Balance at June 30, 2022** | $ 357,751 | 318,295 | 39,456 |
| **Changes for the Fiscal Year:** | | | |
| Service Cost | 189,207 | - | 189,207 |
| Interest | 36,920 | - | 36,920 |
| Differences between Expected and Actual Experience | 101,404 | - | 101,404 |
| Changes in Assumptions | - | - | - |
| Contributions - Employer | - | 96,746 | (96,746) |
| Contributions - Employees | - | 191,324 | (191,324) |
| Net Investment Income | - | 30,968 | (30,968) |
| Benefit Payments, Including Refunds of Employee Contributions | - | - | - |
| Administrative Expense | - | (3,231) | 3,231 |
| Net Changes | 327,531 | 315,807 | 11,724 |
| **Balance at June 30, 2023** | $ 685,282 | 634,102 | 51,180 |

## NOTE 5 - PENSION PLANS (CONTINUED)

### Changes in the Net Pension Liability (Asset) – Hybrid Plan (Continued)

*Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate*

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

| | 1% Decrease (5.75%) | Current Discount Rate (6.75%) | 1% Increase (7.75%) |
|---|---|---|---|
| Net Pension Liability (Asset) | $ 238,228 | 51,180 | (92,373) |

### Pension Expense (Negative Pension Expense) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – Hybrid Plan

*Pension Expense (Negative Pension Expense)*

For the fiscal year ended June 30, 2023, BrightRidge recognized pension expense (negative pension expense) of $26,764.

*Deferred Outflows of Resources and Deferred Inflows of Resources*

For the fiscal year ended June 30, 2024, BrightRidge reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between Expected and Actual Experience | $ 186,515 | - |
| Net Difference between Projected and Actual Earnings on Pension Plan Investments | 8,791 | - |
| Changes in Assumptions | 12,610 | - |
| Contributions Subsequent to the Measurement Date of June 30, 2023 | 145,390 | (not applicable) |
| Total | $ 353,306 | - |

## NOTE 5 - PENSION PLANS (CONTINUED)

### Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – Hybrid Plan (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, 2023," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

| **Fiscal Year Ended June 30:** | | |
|---|---|---|
| 2025 | $ | 19,827 |
| 2026 | | 19,709 |
| 2027 | | 23,353 |
| 2028 | | 18,067 |
| 2029 | | 18,041 |
| Thereafter | | 108,919 |

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

### Payable to the Pension Plan – Hybrid Plan

At June 30, 2024, BrightRidge reported a payable of approximately $13,600 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2024.

### TCRS Stabilization Reserve Trust

*Legal Provisions*

BrightRidge is a member of the Tennessee Consolidated Retirement System (TCRS) Stabilization Reserve Trust. BrightRidge has placed funds into the irrevocable trust as authorized by statute under *Tennessee Code Annotated* (TCA), Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the trust. Funds of trust members are held and invested in the name of the trust for the benefit of each member. Each member's funds are restricted for the payment of retirement benefits of that member's employees. Trust funds are not subject to the claims of general creditors of BrightRidge.

The trust is authorized to make investments as directed by the TCRS Board of Trustees. BrightRidge may not impose any restrictions on investments placed by the trust on their behalf. It is the intent of the plan trustees to allocate these funds in the future to offset pension costs.

## NOTE 5 - PENSION PLANS (CONTINUED)

### TCRS Stabilization Reserve Trust (Continued)

*Investment Balances*

Assets of the TCRS, including the Stabilization Reserve Trust, are invested in the Tennessee Retiree Group Trust (TRGT). The TRGT is not registered with the Securities and Exchange Commission (SEC) as an investment company. The State of Tennessee has not obtained a credit quality rating for the TRGT from a nationally recognized credit ratings agency. The fair value of investment positions in the TRGT is determined daily based on the fair value of the pool's underlying portfolio. Furthermore, TCRS had not obtained or provided any legally binding guarantees to support the value of participant shares during the fiscal year. There are no restrictions on the sale or redemption of shares.

Investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price. Investment income consists of realized and unrealized appreciation (depreciation) in the fair value of investments and interest and dividend income. Interest income is recognized when earned. Securities and securities transactions are recorded in the financial statements on a trade-date basis. The fair value of assets of the TRGT held at June 30, 2024, represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Assets held are categorized for fair value measurement within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

- Level 1 - Unadjusted quoted prices for identical assets or liabilities in active markets that can be accessed at the measurement date.

- Level 2 - Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; assets or liabilities that have a bid-ask spread price in an inactive dealer market, brokered market and principal-to-principal market; and Level 1 assets or liabilities that are adjusted.

- Level 3 - Valuations derived from valuation techniques in which significant inputs are unobservable.

Investments where fair value is measured using the Net Asset Value ("NAV") per share have no readily determinable fair value and have been determined to be calculated with FASB principles for investment companies.

## NOTE 5 - PENSION PLANS (CONTINUED)

### TCRS Stabilization Reserve Trust (Continued)

*Investment Balances (Continued)*

Where inputs used in the measurement of fair value fall into different levels of the hierarchy, fair value of the instrument in its entirety is categorized based on the lowest level input that is significant to the valuation. This assessment requires professional judgment and as such management of the TRGT developed a fair value committee that worked in conjunction with the plan's custodian and investment professional to make these valuations. All assets held were valued individually and aggregated into classes to be represented in the table below.

Short-term securities generally include investments in money market-type securities reported at cost plus accrued interest.

Equity and equity derivative securities classified in Level 1 are valued using last reported sales prices quoted in active markets that can be accessed at the measurement date. Equity and equity derivative securities classified in Level 2 are securities whose values are derived daily from associated traded securities. Equity securities classified in Level 3 are valued with last trade data having limited trading volume.

U.S. Treasury Bills, Bonds, Notes and Futures classified in Level 1 are valued using last reported sales prices quoted in active markets that can be accessed at the measurement date. Debt and debt derivative securities classified in Level 2 are valued using a bid-ask spread price from multiple independent brokers, dealers, or market principals, which are known to be actively involved in the market. Level 3 debt securities are valued using proprietary information, a single pricing source, or other unobservable inputs related to similar assets or liabilities.

Real estate investments classified in Level 3 are valued using the last valuations provided by external investment advisors or independent external appraisers. Generally, all direct real estate investments are appraised by a qualified independent appraiser(s) with the professional designation of Member of the Appraisal Institute ("MAI"), or its equivalent, every three (3) years beginning from the acquisition date of the property. The appraisals are performed using generally accepted valuation approaches applicable to the property type.

Investments in private mutual funds, traditional private equity funds, strategic lending funds and real estate funds that report using GAAP, the fair value, as well as the unfunded commitments, were determined using the prior quarter's NAV, as reported by the fund managers, plus the current cash flows. These assets were then categorized by investment strategy. In instances where the fund investment reported using non-GAAP standards, the investment was valued using the same method, but was classified in Level 3.

## NOTE 5 - PENSION PLANS (CONTINUED)

### TCRS Stabilization Reserve Trust (Continued)

*Investment Balances (Continued)*

At June 30, 2024, BrightRidge had the following investments held by the trust on its behalf consisting of $279,467 held by the custodian related to the Hybrid Pension Plan, of which $221,971 is recorded on the Statement of Net Position as TCRS Stabilization Reserve Trust (restricted assets). Given the timing of required reporting to TVA, $57,496 of the stabilization reserve largely related to accrued investment income (loss) allocation is not recorded in the financial statements for the fiscal year ended June 30, 2024.

| Investment | Weighted Average Maturity (days) | Maturities | Fair Value |
|---|---|---|---|
| Investments at Fair Value: | | | |
| U.S. Equity | N/A | N/A | $ 86,635 |
| Developed Market International Equity | N/A | N/A | 39,125 |
| Emerging Market International Equity | N/A | N/A | 11,179 |
| U.S. Fixed Income | N/A | N/A | 55,893 |
| Real Estate | N/A | N/A | 27,947 |
| Short-term Securities | N/A | N/A | 2,795 |
| NAV - Private Equity and Strategic Lending | N/A | N/A | 55,893 |
| Total | | | $ 279,467 |

| | | Fair Value Measurements Using | | | |
|---|---|---|---|---|---|
| Investment by Fair Value Level | Fair Value June 30, 2024 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | NAV |
| U.S. Equity | $ 86,635 | 86,635 | - | - | - |
| Developed Market International Equity | 39,125 | 39,125 | - | - | - |
| Emerging Market International Equity | 11,179 | 11,179 | - | - | - |
| U.S. Fixed Income | 55,893 | - | 55,893 | - | - |
| Real Estate | 27,947 | - | - | 27,947 | - |
| Short-term Securities | 2,795 | - | 2,795 | - | - |
| Private Equity and Strategic Lending | 55,893 | - | - | - | 55,893 |
| Total | $ 279,467 | 136,939 | 58,688 | 27,947 | 55,893 |

## NOTE 5 - PENSION PLANS (CONTINUED)

### TCRS Stabilization Reserve Trust (Continued)

*Risks and Uncertainties*

The trust's investments include various types of investment funds, which in turn invest in any combination of stock, bonds and other investments exposed to various risks, such as interest rate, credit, and market risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported for trust investments.

*Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. BrightRidge does not have the ability to limit trust investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. BrightRidge does not have the ability to limit the credit ratings of individual investments made by the trust.

*Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributed to the magnitude of BrightRidge's investment in a single issuer. BrightRidge places no limit on the amount it may invest in one issuer.

*Custodial Credit Risk*

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, BrightRidge will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Pursuant to the trust agreement, investments are held in the name of the trust for the benefit of BrightRidge to pay retirement benefits of BrightRidge employees.

For further information concerning BrightRidge's investments with the TCRS Stabilization Reserve Trust, audited financial statements of the Tennessee Consolidated Retirement System may be obtained from the State of Tennessee.

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

### A Brief Description of the Retiree Life and Medical Insurance Plans

BrightRidge, as a single employer, offers multiple life and medical post-employment benefits which are summarized below. These benefits are approved by the Board of Directors and require their approval for amendment. No assets are accumulated in a trust that meets the criteria in GASB Statement No. 75, paragraph 4.

a. *Plan Types:* Employees and retirees have a bundled PPO Medical plan and a Health Reimbursement Account (HRA) plan offered through BlueCross BlueShield of Tennessee.

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

   Life insurance is through Blue Cross.

b. *Eligibility:* Age 55 with 5 years of service, or 30 years of service

c. *Benefit/Cost Sharing:* BrightRidge pays approximately 79% of the PPO Medical plan premium for the pre-65 retirees. In addition, BrightRidge reimburses the HRA deductible for the retiree and the retiree's spouse, for a maximum annual benefit of $4,400 per participant.

   BrightRidge provides an annual HRA reimbursement of $2,231 or $2,434 for the post-65 retirees who were retired prior to October 25, 2016. BrightRidge provides an annual HRA reimbursement of $1,800 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:* BrightRidge reimburses the HRA deductible for the retiree's spouse, for a maximum annual benefit of $4,400 per participant. The spouse pays 100% of the medical premium.

e. *Surviving Spouse Benefit:* Yes, same as spouse benefit above.

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

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

*f.* *Annual Medical Premium:* Effective January 1, 2023 through December 31, 2023

| Plan | Premium | Retiree Contribution |
|---|---|---|
| Pre-65 Retiree | $ 9,006 | $ 1,871 |
| Pre-65 Retiree and Spouse | $ 18,852 | $ 10,839 |

*g.* *Medicare Age Retirees:*

Current Post-65 Retirees:
Actual annual reimbursements were used, in the amount of $2,231 or 2,434.
Current Pre-65 Retirees:
BrightRidge will reimburse the retiree $2,434 per annum.
Current Actives hired prior to September 1, 2016:
BrightRidge will reimburse the retiree $1,800 per annum.
Those hired after September 1, 2016 are not eligible for this benefit.

*h.* *Life:* All retirees receive a $25,000 life insurance policy upon retirement.

For current actives and certain new retirees indicated in the census data, BrightRidge is no longer purchasing paid up policies. BrightRidge is adding these retirees to the existing life insurance invoice at a rate of $48.00 per annum per retiree.

*Employees Covered by Benefit Terms*

At the actuarial valuation date of July 1, 2023, the following were covered by the benefit terms:

| | |
|---|---|
| Inactives Receiving Benefits | 97 |
| Inactives Not Receiving Benefits | 0 |
| Actives | 198 |
| Total | 295 |

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

### Funding Policy

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

### OPEB Liability

BrightRidge's OPEB liability was measured based on an actuarial valuation performed as of July 1, 2023, and a measurement date of July 1, 2023.

*Actuarial Assumptions*

Discount Rate

A discount rate of 3.54% was used as of June 30, 2023.
A discount rate of 3.93% was used as of June 30, 2024.
The discount based on a Bond Buyer's Bond 20 Index.

Health Care Trend Rates

It was assumed that health care costs would increase in accordance with the trend rates in the following table:

| Year | Current Valuation Trend Rates* | Prior Valuation Trend Rates* |
|---|---|---|
| 2023 | 8.00% | 6.00% |
| 2024 | 7.50% | 5.50% |
| 2025 | 7.00% | 5.00% |
| 2026 | 6.50% | 5.00% |
| 2027 | 6.00% | 5.00% |
| 2028 | 5.50% | 5.00% |
| 2029+ | 5.00% | 5.00% |

**Medicare Eligible health care costs were assumed to increase at 5.0% per annum*

Mortality

Current Valuation: PUB-2010 headcount-weighted mortality tables using projection scale MP-2021.
Prior Valuation: RPH-2014 Total Dataset headcount-weighted fully generational mortality table with projection scale MP-2021.

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

### OPEB Liability (Continued)

*Actuarial Assumptions (Continued)*

Termination Rates

Current Valuation: From the TCRS Actuarial Valuation as of June 30, 2022, it was assumed that employees would terminate employment in accordance with the table as shown below (Male/Female):

| | Years of Service | | |
|---|---|---|---|
| **Age** | **0** | **1** | **2+** |
| 20 | 26.2% | 21.8% | 13.7%/19.6% |
| 25 | 23.0% | 19.1% | 10.3%/15.1% |
| 30 | 21.8% | 17.9% | 7.4%/11.1% |
| 35 | 20.7% | 17.0% | 5.1%/7.7% |
| 40 | 19.2% | 15.9% | 3.5%/5.4% |
| 45 | 17.7% | 14.1% | 2.8%/4.1% |
| 50 | 17.0% | 13.0% | 2.8%/3.8% |
| 55 | 17.4% | 13.0% | 3.6%/4.3% |
| 60 | 20.4% | 14.9% | 4.6%/5.3% |
| 65 | 26.3% | 19.1% | 0.0%/0.0% |

Prior Valuation: From the TCRS Actuarial Valuation as of June 30, 2020, it was assumed that employees would terminate employment in accordance with the table as shown below (Male/Female):

| | Years of Service | | |
|---|---|---|---|
| **Age** | **1** | **2** | **3+** |
| 30 | 21.80% | 17.90% | 7.40%/11.10% |
| 40 | 19.20% | 15.90% | 3.50%/5.40% |
| 50 | 17.00% | 13.00% | 2.80%/3.80% |

Retirement Rates

Current Valuation: From the TCRS Actuarial Valuation as of June 30, 2022, it was assumed that the following percentage of eligible employees would retire each year:

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

### OPEB Liability (Continued)

*Actuarial Assumptions (Continued)*

| | Males | | | Females | | |
|---|---|---|---|---|---|---|
| | Years of Service | | | Years of Service | | |
| Age | <15 | 15-30 | 30+ | <15 | 15-30 | 30+ |
| 50 | | | 16.5% | | | 15.5% |
| 51 | | | 16.5% | | | 15.5% |
| 52 | | | 16.5% | | | 15.5% |
| 53 | | | 16.5% | | | 15.5% |
| 54 | | | 16.5% | | | 15.5% |
| 55 | | | 16.5% | | | 15.5% |
| 56 | | | 16.5% | | | 16.5% |
| 57 | | | 17.0% | | | 17.0% |
| 58 | | | 17.0% | | | 17.5% |
| 59 | | | 17.5% | | | 18.5% |
| 60 | 10.5% | 12.5% | 12.5% | 11.0% | 13.0% | 13.0% |
| 61 | 15.0% | 17.0% | 17.0% | 13.0% | 15.0% | 15.0% |
| 62 | 20.0% | 22.0% | 22.0% | 18.0% | 20.0% | 20.0% |
| 63 | 17.5% | 19.5% | 19.5% | 16.0% | 18.0% | 18.0% |
| 64 | 17.5% | 19.5% | 19.5% | 16.0% | 18.0% | 18.0% |
| 65 | 24.0% | 26.0% | 26.0% | 22.0% | 24.0% | 24.0% |
| 66 | 18.5% | 20.5% | 20.5% | 19.0% | 21.0% | 21.0% |
| 67 | 16.0% | 18.0% | 18.0% | 19.0% | 21.0% | 21.0% |
| 68 | 16.0% | 18.0% | 18.0% | 19.0% | 21.0% | 21.0% |
| 69 | 16.5% | 18.5% | 18.5% | 19.0% | 21.0% | 21.0% |
| 70 | 18.0% | 20.0% | 20.0% | 19.0% | 21.0% | 21.0% |
| 71 | 18.0% | 20.0% | 20.0% | 19.0% | 21.0% | 21.0% |
| 72 | 18.0% | 20.0% | 20.0% | 19.0% | 21.0% | 21.0% |
| 73 | 18.0% | 20.0% | 20.0% | 19.0% | 21.0% | 21.0% |
| 74 | 18.0% | 20.0% | 20.0% | 19.0% | 21.0% | 21.0% |
| 75+ | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

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

### OPEB Liability (Continued)

*Actuarial Assumptions (Continued)*

Prior Valuation: It was assumed that the following percentage of eligible employees would retire each year:

***Males***

| | Years of Service | | | |
|---|---|---|---|---|
| **Age** | **<15** | **15-19** | **20** | **21+** |
| 55-59 | 0.0% | 0.0% | 7.5% | 0.0% |
| 60 | 10.5% | 12.5% | 12.5% | 10.5% |
| 61 | 15.0% | 17.0% | 17.0% | 15.0% |
| 62 | 20.0% | 22.0% | 22.0% | 20.0% |
| 63 | 17.5% | 19.5% | 19.5% | 17.5% |
| 64 | 17.5% | 19.5% | 19.5% | 17.5% |
| 65 | 24.0% | 26.0% | 26.0% | 24.0% |
| 70 | 18.0% | 20.0% | 20.0% | 18.0% |
| 75+ | 100.0% | 100.0% | 100.0% | 100.0% |

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

### OPEB Liability (Continued)

*Actuarial Assumptions (Continued)*

***Females***

| | Years of Service | | | |
|---|---|---|---|---|
| **Age** | **<15** | **15-19** | **20** | **21+** |
| 55-59 | 0.0% | 0.0% | 7.5% | 0.0% |
| 60 | 11.0% | 13.0% | 13.0% | 11.0% |
| 61 | 13.0% | 15.0% | 15.0% | 13.0% |
| 62 | 18.0% | 20.0% | 20.0% | 18.0% |
| 63 | 16.0% | 18.0% | 18.0% | 16.0% |
| 64 | 16.0% | 18.0% | 18.0% | 16.0% |
| 65 | 22.0% | 24.0% | 24.0% | 22.0% |
| 70 | 19.0% | 21.0% | 21.0% | 19.0% |
| 75+ | 100.0% | 100.0% | 100.0% | 100.0% |

Participation Rate — It was assumed that 100 percent of the current active employees covered under the active plan on the day before retirement would enroll in the retiree medical plan upon retirement.

Percent Married — It was assumed that 40 percent of the male and 40 percent of the female employees who elect retiree health care coverage for themselves would also elect coverage for their spouse upon retirement. It was assumed that male spouses are three years older than their wives and female spouses are three years younger than the retiree. For current retirees, actual census information was used.

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

### OPEB Liability (Continued)

*Actuarial Assumptions (Continued)*

Per Capita Claims Cost — Conventional insured equivalent premiums were age-graded on the current participants in the Medical plan. Further details of the annual per capita claims cost are shown below. For Post-65 plans, actual rates were used.

| Age | Male | Female |
|---|---|---|
| 50 | $ 8,420 | $ 9,713 |
| 51 | 8,748 | 9,896 |
| 52 | 9,089 | 10,086 |
| 53 | 9,449 | 10,256 |
| 54 | 9,827 | 10,433 |
| 55 | 10,224 | 10,609 |
| 56 | 10,634 | 10,792 |
| 57 | 11,057 | 10,975 |
| 58 | 11,467 | 11,246 |
| 59 | 11,890 | 11,530 |
| 60 | 12,331 | 11,820 |
| 61 | 12,785 | 12,110 |
| 62 | 13,258 | 12,413 |
| 63 | 13,511 | 12,653 |
| 64 | 13,769 | 12,892 |

Administrative Expenses — Included in premiums used.

Participant Salary Increases — 3.50 percent annually.

Payroll Growth Rate — 2.50 percent annually

*Changes in Actuarial Assumptions*

In the fiscal year ending June 30, 2024, assumption changes include: The mortality table was updated to PUB-2010; the demographic assumptions were updated to be consistent with the June 30, 2022 TCRS annual financial report; discount rate changed from 3.65% as of June 30, 2023 to 3.93% at June 30, 2024; and health care cost trend rate was reset to 8.0% in 2023, grading down 0.5% per annum to an ultimate trend rate of 5.0% in years 2029 and later.

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

### Changes in the OPEB Liability

| | Increase (Decrease) |
|---|---|
| | Total OPEB Liability |
| **Balance at June 30, 2023** | $ 8,834,241 |
| **Changes for the Fiscal Year:** | |
| Service Cost | 380,566 |
| Interest | 397,113 |
| Changes in Benefit Terms | - |
| Difference Between Expected and Actual Experience | 1,087,132 |
| Changes in Assumptions | 846,070 |
| Benefit Payments | (643,919) |
| Net Changes | 2,066,962 |
| **Balance at June 30, 2024** | $ 10,901,203 |

*Sensitivity of the OPEB Liability to Changes in the Discount Rate*

The following presents the OPEB liability of BrightRidge calculated using the discount rate of 3.93 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.93 percent) or 1-percentage-point higher (4.93 percent) than the current discount rate:

| | 1% Decrease (2.93%) | Current Rate (3.93%) | 1% Increase (4.93%) |
|---|---|---|---|
| OPEB Liability | $ 11,946,612 | 10,901,203 | 9,999,110 |

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

### Changes in the OPEB Liability (Continued)

*Sensitivity of the OPEB Liability to Changes in the Health Care Trend Rate*

The following presents the OPEB liability of BrightRidge calculated using the health care trend rate of 6.50 percent decreasing to 5.00 percent, as well as what the OPEB liability would be if it were calculated using a health care trend rate that is 1-percentage-point lower (5.50 percent decreasing to 4.00 percent) or 1-percentage-point higher (7.50 percent decreasing to 6.00 percent) than the current health care trend rate:

| | 1% Decrease (5.50% decreasing to 4.00%) | Current Rate (6.50% decreasing to 5.00%) | 1% Increase (7.50% decreasing to 6.00%) |
|---|---|---|---|
| OPEB Liability | $ 10,479,240 | 10,901,203 | 11,383,391 |

### OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

*OPEB Expense*

For the fiscal year ended June 30, 2024, BrightRidge recognized OPEB expense of $1,110,572.

*Deferred Outflows of Resources and Deferred Inflows of Resources*

For the fiscal year ended June 30, 2024, BrightRidge reported the following deferred inflows of resources and deferred outflows of resources related to OPEB:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between Expected and Actual Experience | $ 1,412,892 | - |
| Changes in Assumptions | 1,314,491 | (796,638) |
| Total | $ 2,727,383 | (796,638) |

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

### OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

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

The net amount reported as deferred inflows of resources and deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Fiscal Year Ended June 30: | | |
|---|---|---|
| 2025 | $ | 332,893 |
| 2026 | | 344,111 |
| 2027 | | 329,071 |
| 2028 | | 326,499 |
| 2029 | | 197,064 |
| Thereafter | | 401,107 |

In the table shown above, negative amounts, as applicable, will decrease OPEB expense.

## NOTE 7 - DEFERRED COMPENSATION AND DEFINED CONTRIBUTION PLANS

### Deferred Compensation Plan

BrightRidge offers its employees an optional 457(b) deferred compensation plan, the Johnson City Energy Authority 457(b) Plan (the Plan), available to all full-time employees. Employee must have reached age 18. Eligible employees are permitted 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 deferrals and Section 125 deductions, less fringe benefits, up to certain limits prescribed by the Internal Revenue Service. Elective contributions are amounts remitted by BrightRidge at the employee's election to a qualified plan. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency circumstances. The Plan assets are in custodial accounts with the Trust Company or Nationwide, and therefore they are not subject to the claims of BrightRidge's general creditors and are not reflected in the financial statements. Employee contributions and employee loan contributions were $635,846 and $21,094, respectively, for the fiscal year ended June 30, 2024.

## NOTE 7 - DEFERRED COMPENSATION AND DEFINED CONTRIBUTION PLANS (CONTINUED)

### Defined Contribution Plan

BrightRidge offers its employees a defined contribution plan 401(k) as administered by Empower Retirement, as offered by TCRS along with the defined benefit portion. Employees hired after January 1, 2019 participate in the hybrid pension plan. The employee must be 18 years to participate. The defined contribution plan is placed into the state's 401(k) plan and is managed by the employee, including loan applications if applicable. The defined contribution portion of the plan requires the employer to contribute 5.00% of the employee's retirement-related salary while employees are required to contribute a minimum of 2.00% of their related salary unless they opt out of the employee portion. During the fiscal year ended June 30, 2024, employees contributed $400,492, employer contributions were $277,467, and employee loan repayments were $7,571. Employees are 100% vested in employer contributions at date of hire. Retirement eligibility begins at age 65 and vested or if the Rule of 90 applies, where the sum of service and age must be equal to ninety. Employees hired prior to July 1, 2019 participate in the legacy pension plan and are not eligible for the hybrid pension plan. Legacy pension plan employees may elect to contribute to the defined contribution plan 401(k). There is no employer contribution to the plan for legacy pension plan employees.

## NOTE 8 - LONG-TERM DEBT

Long-term debt activity for the year ended June 30, 2024 was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| Revenue Bonds | | | | | |
| Revenue Bonds Payable | $ 45,050,000 | - | (2,640,000) | 42,410,000 | 2,770,000 |
| Premium | 4,839,012 | - | (384,984) | 4,454,028 | - |
| Total Revenue Bonds | 49,889,012 | - | (3,024,984) | 46,864,028 | 2,770,000 |
| Notes Payable | 2,144,075 | - | (343,111) | 1,800,964 | 279,778 |
| Total Long-Term Debt | $ 52,033,087 | - | (3,368,095) | 48,664,992 | 3,049,778 |

### Bonds Payable

BrightRidge issues general obligation revenue bonds to provide funds for various construction and major electric infrastructure improvements. In addition, general obligation revenue bonds have been issued to refund other general obligation revenue bonds. The bonds are direct obligations and are payable from and are secured by a pledge of the net revenues to be derived from the operation of BrightRidge. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt.

On May 1, 2007, BrightRidge issued Electric System Revenue Bonds in the amount of $33,515,000. The Series 2007A Bonds were issued with interest rates ranging from 4.00% to 5.10% and maturity of May 2032.

## NOTE 8 - LONG-TERM DEBT (CONTINUED)

### Bonds Payable (Continued)

On June 30, 2009, BrightRidge issued Electric System Revenue Bonds in the amount of $28,000,000. The Series 2008 Bonds were issued with interest rates ranging from 4.00% to 5.00% and maturity of May 2033.

On March 31, 2017, BrightRidge refunded and defeased in substance the outstanding Electric System Revenue Bonds, Series 2007A and 2008, as issued in the name of the prior entity, Johnson City Power Board. 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 refund 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. The remaining $21,630,000 of defeased bonds were called and redeemed on May 1, 2018. 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, and the unamortized portion at June 30, 2024 was $576,430. During the fiscal year ended June 30, 2024, $65,257 amortization expense was recognized for the economic loss.

On March 31, 2017, BrightRidge 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 collateral for the debt. Upon event of default, this obligation is in many aspects dependent upon judicial actions. The debt is a direct obligation and pledge the full faith and credit authority of BrightRidge and will be qualified as to the enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

On August 6, 2021, BrightRidge issued Electric System Revenue Bonds, Series 2021, totaling $25,750,000 with interest rates from 2.00% - 5.00% and maturity of June 2041. 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 collateral for the debt. Upon event of default, this obligation is in many aspects dependent upon judicial actions. The debt is a direct obligation and pledge the full faith and credit authority of BrightRidge and will be qualified as to the enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

The total interest incurred for the year ended June 30, 2024 was $1,636,823 charged to expense.

## NOTE 8 - LONG-TERM DEBT (CONTINUED)

### Bonds Payable (Continued)

The following is a summary of general obligation revenue bonds currently outstanding:

| | Date Issued | Amount Issued | Interest Rate | Maturity Date | Outstanding June 30, 2024 |
|---|---|---|---|---|---|
| Electric System Revenue Bonds - 2017 | 3/31/2017 | $ 34,480,000 | 3.00-5.00% | 5/1/2033 | $ 17,665,000 |
| Electric System Revenue Bonds - 2021 | 8/6/2021 | 25,750,000 | 2.00-5.00% | 6/30/2041 | 24,745,000 |
| | | | | | $ 42,410,000 |

Changes in the Deferred Loss on Bond Refunding for the year ended June 30, 2024 are as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance |
|---|---|---|---|---|
| Deferred Loss on Bond Refunding | $ 641,687 | - | (65,257) | 576,430 |

Electric System Revenue Bonds issued March 31, 2017 debt service requirements to maturity are as follows:

| Fiscal Year Ending June 30 | Principal | Interest | Total |
|---|---|---|---|
| 2025 | $ 1,710,000 | 779,100 | 2,489,100 |
| 2026 | 1,765,000 | 727,800 | 2,492,800 |
| 2027 | 1,850,000 | 639,550 | 2,489,550 |
| 2028 | 1,950,000 | 547,050 | 2,497,050 |
| 2029 | 2,045,000 | 449,550 | 2,494,550 |
| 2030-2033 | 8,345,000 | 792,700 | 9,137,700 |
| | $ 17,665,000 | 3,935,750 | 21,600,750 |

## NOTE 8 - LONG-TERM DEBT (CONTINUED)

### Bonds Payable (Continued)

Electric System Revenue Bonds issued August 6, 2021 debt service requirements to maturity are as follows:

| Fiscal Year Ending June 30 | Principal | Interest | Total |
|---|---|---|---|
| 2025 | $ 1,060,000 | 739,550 | 1,799,550 |
| 2026 | 1,110,000 | 686,550 | 1,796,550 |
| 2027 | 1,165,000 | 631,050 | 1,796,050 |
| 2028 | 1,225,000 | 572,800 | 1,797,800 |
| 2029 | 1,285,000 | 511,550 | 1,796,550 |
| 2030-2034 | 7,270,000 | 1,721,000 | 8,991,000 |
| 2035-2039 | 8,145,000 | 843,700 | 8,988,700 |
| 2040-2041 | 3,485,000 | 104,900 | 3,589,900 |
| | $ 24,745,000 | 5,811,100 | 30,556,100 |

### Notes Payable

In June 2014, BrightRidge 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. (See Note 2.) It is collateralized with an irrevocable letter of credit held with a financial institution. Principal payments of $6,333 are due monthly. The balance at June 30, 2024 is $12,667. Note payable debt service requirements for the fiscal years subsequent to maturity are as follows:

| Fiscal Year Ending June 30 | Principal | Interest | Total |
|---|---|---|---|
| 2025 | $ 12,667 | - | 12,667 |
| | $ 12,667 | - | 12,667 |

## NOTE 8 - LONG-TERM DEBT (CONTINUED)

### Notes Payable (Continued)

In January 2021, BrightRidge entered into a promissory note agreement with USDA Rural Economic Development as a result of federal loan funds received in January 2021, for pass-through to a local wood pallet manufacturing company for the purchase of a new pallet nailing machine to replace the existing machine in rural Jonesborough, Tennessee. This $560,000 note payable has a term of ten years with 0% interest, with imputed interest being deemed immaterial. (See Note 2.) It is collateralized with an irrevocable letter of credit held with a financial institution. Principal payments of $4,667 are due monthly. The balance at June 30, 2024 is $368,667. Note payable debt service requirements for the fiscal years subsequent to maturity are as follows:

| Fiscal Year Ending June 30 | Principal | Interest | Total |
|---|---|---|---|
| 2025 | $ 56,000 | - | 56,000 |
| 2026 | 56,000 | - | 56,000 |
| 2027 | 56,000 | - | 56,000 |
| 2028 | 56,000 | - | 56,000 |
| 2029 | 56,000 | - | 56,000 |
| 2030-2031 | 88,667 | - | 88,667 |
| | $ 368,667 | - | 368,667 |

In January 2021, BrightRidge entered into a promissory note agreement with USDA Rural Economic Development as a result of federal loan funds received in January 2021, for pass-through to an international manufacturing company for additions to their facility in rural Piney Flats, Tennessee. This $1,000,000 note payable has a term of nine years with 0% interest, with imputed interest being deemed immaterial. (See Note 2.) It is collateralized with an irrevocable letter of credit held with a financial institution. Principal payments of $9,259 are due monthly. The balance at June 30, 2024 is $712,963. Note payable debt service requirements for the fiscal years subsequent to maturity are as follows:

| Fiscal Year Ending June 30 | Principal | Interest | Total |
|---|---|---|---|
| 2025 | $ 111,111 | - | 111,111 |
| 2026 | 111,111 | - | 111,111 |
| 2027 | 111,111 | - | 111,111 |
| 2028 | 111,111 | - | 111,111 |
| 2029 | 111,111 | - | 111,111 |
| 2030-2031 | 157,408 | - | 157,408 |
| | $ 712,963 | - | 712,963 |

## NOTE 8 - LONG-TERM DEBT (CONTINUED)

### Notes Payable (Continued)

In September 2021, BrightRidge entered into a promissory note agreement with USDA Rural Economic Development as a result of federal loan funds received in September 2021, for pass-through to a local manufacturing company for expansions to their facility in rural Chuckey, Tennessee. This $1,000,000 note payable has a term of ten years with 0% interest, with imputed interest being deemed immaterial. (See Note 2.) It is collateralized with an irrevocable letter of credit held with a financial institution. Principal payments of $8,333 are due monthly. The balance at June 30, 2024 is $706,667. Note payable debt service requirements for the fiscal years subsequent to maturity are as follows:

| Fiscal Year Ending June 30 | Principal | Interest | Total |
|---|---|---|---|
| 2025 | $ 100,000 | - | 100,000 |
| 2026 | 100,000 | - | 100,000 |
| 2027 | 100,000 | - | 100,000 |
| 2028 | 100,000 | - | 100,000 |
| 2029 | 100,000 | - | 100,000 |
| 2030-2031 | 206,667 | - | 206,667 |
| | $ 706,667 | - | 706,667 |

## NOTE 9 - LONG-TERM OBLIGATIONS

Changes to long-term obligations, other than long-term debt, for the year ended June 30, 2024 were as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| Compensated Absences | $ 4,132,540 | 534,145 | (602,183) | 4,064,502 | 755,752 |
| Subscription Liability | 86,910 | - | (86,910) | - | - |
| Total Long-Term Liabilities | $ 4,219,450 | 534,145 | (689,093) | 4,064,502 | 755,752 |

## NOTE 9 - LONG-TERM OBLIGATIONS (CONTINUED)

### Subscription-Based Information Technology Arrangements

Intangible right-to-use software arrangements of $138,226 have been recorded in capital assets. Due to the implementation of GASB Statement No. 96, these arrangements for software met the criteria of a SBITA; thus, requiring it to be recorded by the System as intangible assets and a SBITA liability. See Note 4 for additional details regarding these subscription arrangements. In addition to the SBITA liability, additional payments are made to CALIX throughout the year for variable charges based on monthly usage. These are not considered to be part of the SBITA liability and are expensed as incurred.

## NOTE 10 - HEAT PUMP PROGRAM

TVA's heat pump program offers financing to qualified BrightRidge customers for replacement of certain electric-related items, such as air sealing, attic insulation, doors, windows, electric water heaters, and certain heat pumps. BrightRidge served as a pass-through agent for this program through May 2020, as reflected in the offsetting asset and contra asset on the Statement of Net Position of $798,533 and ($798,533), respectively. Since May 2020, customers are able to obtain loans through TVA's vendor directly.

## NOTE 11 - RISK MANAGEMENT

BrightRidge carries insurance for cyber and privacy, directors and officers, commercial crime, property, automobiles, general liability, worker's compensation, employee group health, and other coverages through external insurance carriers. There were no significant reductions in coverage from the prior fiscal year, and BrightRidge did not have any settlements in the last three fiscal years which were not covered by insurance.

Since July 1, 1986, BrightRidge has set aside funds as self-insurance for deductibles and uninsured risks. Funds were originally set aside by the Board of Directors in the amount of $1,000,000 and have accumulated to over $2,000,000 at June 30, 2024. For the fiscal year ended June 30, 2024, no settlements were paid from these funds.

## NOTE 12 - COMMITMENTS AND CONTINGENCIES

Periodically, BrightRidge is active in lawsuits arising principally in the normal course of operations. In the opinion of management and attorneys consulted, the outcome of these lawsuits will not have a material adverse effect on the accompanying financial statements and accordingly, no material provision for losses has been recorded.

## NOTE 13 - INTERDIVISION TRANSACTIONS

During the year ended June 30, 2019, a note payable from the Broadband Division to the Electric Division was approved by the Tennessee Valley Authority. This loan was to be used for capital expenditures associated with the construction and maintenance of a fiber optic network and certain wireless facilities and for working capital in the Broadband Division. The Tennessee Valley Authority has subsequently approved three more loans for the continued capital expenditures relating the fiber optic network. The loans carry a 2.5%-3.3% interest rate and the original loan had a maturity date of January 15, 2035. As of June 30, 2024, the Broadband Division had a total note payable of $76,557,864 due to the Electric Division.

A portion of each of the approved loans has been allocated from Broadband to assist with the startup of the Voice and Video departments of Broadband. As of June 30, 2024, the Voice department owes the Broadband division $3,175,000 while the Video department owes $4,175,000 for a total of $7,350,000.

The full $83,907,864 interdivisional loan payables and receivables as of June 30, 2024, are eliminated within the various divisions and departments.

## NOTE 14 - PRIOR PERIOD ADJUSTMENTS

BrightRidge recorded a pole attachment revenue incorrectly between the electric and broadband divisions which required a prior period adjustment to move fund balances between the two divisions in the amount of $121,369. The electric division's beginning net position was increased because of the prior period adjustment while the broadband division's beginning net position was decreased. BrightRidge also determined that one of the initial entries relating to SBITA was incorrect which resulted in prior period adjustment that increased beginning net position by $62,720. Additionally, there was a deferred outflow of resources SBITA interest expense which was incorrectly expensed and not deferred. This prior period adjustment resulted in an increased beginning net position of $11,404. This resulted in a overall decrease in beginning net position for broadband in the amount of $47,245.

## NOTE 15 - SUBSEQUENT EVENT

On September 27, 2024, the remnants of hurricane Helene passed through northeast Tennessee causing widespread flooding and storm related property damage to various areas throughout BrightRidge's service area. The extent of the damage and an estimated of loss are unknown as of the date of this report.

# SECTION III

# SUPPLEMENTARY INFORMATION

## JOHNSON CITY ENERGY AUTHORITY
## DBA BRIGHTRIDGE
## A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE
## REQUIRED SUPPLEMENTARY INFORMATION
## SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS – LEGACY PLAN
## Last Fiscal Year Ending June 30

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Total Pension Liability** | | | | | | | | | | |
| Service Cost | $ 863,049 | 886,120 | 908,535 | 928,967 | 1,048,484 | 1,047,796 | 1,100,666 | 1,095,567 | 729,073 | 1,251,993 |
| Interest | 3,394,641 | 3,483,216 | 3,677,919 | 3,803,875 | 4,003,107 | 4,153,492 | 4,436,819 | 4,572,183 | 5,115,843 | 5,034,355 |
| Differences between Expected and Actual Experience | (790,970) | 667,467 | (497,971) | 626,009 | (371,233) | 1,409,848 | (799,219) | (245,309) | (4,393,485) | 3,008,218 |
| Changes in Assumptions | - | - | - | 1,483,160 | - | - | - | 10,628,605 | - | - |
| Benefit Payments, including Refunds of Employee Contributions | (2,152,107) | (2,465,462) | (2,460,906) | (2,398,110) | (2,531,072) | (2,679,716) | (2,832,370) | (2,899,795) | (3,017,945) | (3,345,229) |
| **Net Change in Total Pension Liability** | 1,314,613 | 2,571,341 | 1,627,577 | 4,443,901 | 2,149,286 | 3,931,420 | 1,905,896 | 13,151,251 | (1,566,514) | 5,949,337 |
| **Total Pension Liability - Beginning** | 45,474,884 | 46,789,497 | 49,360,838 | 50,988,415 | 55,432,316 | 57,581,602 | 61,513,022 | 63,418,918 | 76,570,169 | 75,003,655 |
| **Total Pension Liability - Ending (a)** | $ 46,789,497 | 49,360,838 | 50,988,415 | 55,432,316 | 57,581,602 | 61,513,022 | 63,418,918 | 76,570,169 | 75,003,655 | 80,952,992 |
| **Plan Fiduciary Net Position** | | | | | | | | | | |
| Contributions - Employer | $ 1,574,379 | 1,577,102 | 1,594,572 | 1,694,199 | 1,666,121 | 1,835,801 | 1,881,689 | 1,878,149 | 1,848,649 | 1,872,321 |
| Contributions - Employees | 567,549 | 587,572 | 593,982 | 631,222 | 620,761 | 683,980 | 695,377 | 694,068 | 682,639 | 690,313 |
| Net Investment Income | 6,171,384 | 1,331,964 | 1,174,476 | 5,129,570 | 4,168,938 | 4,033,866 | 2,876,138 | 15,621,290 | (2,898,051) | 4,853,537 |
| Benefit Payments, including Refunds of Employee Contributions | (2,152,107) | (2,465,462) | (2,460,906) | (2,398,110) | (2,531,072) | (2,679,716) | (2,832,370) | (2,899,795) | (3,017,945) | (3,345,229) |
| Administrative Expense | (8,578) | (9,074) | (13,285) | (14,692) | (16,596) | (16,023) | (15,647) | (15,071) | (15,555) | (16,301) |
| **Net Change in Plan Fiduciary Net Position** | 6,152,627 | 1,022,102 | 888,839 | 5,042,189 | 3,908,152 | 3,857,908 | 2,605,187 | 15,278,641 | (3,400,263) | 4,054,641 |
| **Plan Fiduciary Net Position - Beginning** | 37,249,258 | 43,401,885 | 44,423,987 | 45,312,826 | 50,355,015 | 54,263,167 | 58,121,075 | 60,726,262 | 76,004,903 | 72,604,640 |
| **Plan Fiduciary Net Position - Ending (b)** | $ 43,401,885 | 44,423,987 | 45,312,826 | 50,355,015 | 54,263,167 | 58,121,075 | 60,726,262 | 76,004,903 | 72,604,640 | 76,659,281 |
| **Net Pension Liability - Ending (a) - (b)** | $ 3,387,612 | 4,936,851 | 5,675,589 | 5,077,301 | 3,318,435 | 3,391,947 | 2,692,656 | 565,266 | 2,399,015 | 4,293,711 |
| **Plan Fiduciary Net Position as a Percentage of Total Pension Liability** | 92.76% | 90.00% | 88.87% | 90.84% | 94.24% | 94.49% | 95.75% | 99.26% | 96.80% | 94.70% |
| **Covered Payroll** | $ 11,350,967 | $ 11,751,752 | $ 11,881,393 | $ 12,624,437 | $ 12,415,203 | $ 13,679,586 | $ 13,912,250 | $ 13,881,366 | $ 13,653,117 | $ 13,807,295 |
| **Net Pension Liability as a Percentage of Covered Payroll** | 29.84% | 42.01% | 47.77% | 40.22% | 26.73% | 24.80% | 19.35% | 4.07% | 17.57% | 31.10% |

(Continued)

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS – LEGACY PLAN**
**Last Fiscal Year Ending June 30**

## Notes to Schedule:

*Changes in Assumptions*

In fiscal year 2021, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, and mortality improvements. In fiscal year 2017, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, salary growth and mortality improvements.

# JOHNSON CITY ENERGY AUTHORITY
# DBA BRIGHTRIDGE
# A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE
# REQUIRED SUPPLEMENTARY INFORMATION
# SCHEDULE OF CONTRIBUTIONS BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS – LEGACY PLAN
## Last Fiscal Year Ending June 30

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|---|---|---|
| Actuarially Determined Contribution | $ 1,577,102 | 1,594,572 | 1,694,199 | 1,666,121 | 1,835,801 | 1,881,869 | 1,878,149 | 1,848,649 | 1,872,270 | 1,723,526 |
| Contributions in relation to the Actuarially Determined Contribution | 1,577,102 | 1,594,572 | 1,694,199 | 1,666,121 | 1,835,801 | 1,881,869 | 1,878,149 | 1,848,649 | 1,872,270 | 1,723,526 |
| Contribution Deficiency (Excess) | $ - | - | - | - | - | - | - | - | - | - |
| Covered Payroll | $ 11,751,752 | 11,881,393 | 12,624,437 | 12,415,203 | 13,679,586 | 13,912,250 | 13,881,366 | 13,653,117 | 13,807,295 | 12,710,371 |
| Contributions as a Percentage of Covered Payroll | 13.42% | 13.42% | 13.42% | 13.42% | 13.42% | 13.53% | 13.53% | 13.54% | 13.56% | 13.56% |

(Continued)

**SCHEDULE OF CONTRIBUTIONS BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS – LEGACY PLAN**
**Last Fiscal Year Ending June 30**

**Notes to Schedule:**

*Valuation Date*

Actuarially determined contribution rates for fiscal year 2024 were calculated based on the June 30, 2022 actuarial valuation.

*Methods and Assumptions Used to Determine Contribution Rates*

| | |
|---|---|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level Dollar, Closed (not to exceed 20 years) |
| Remaining Amortization Period | Varies by Year |
| Asset Valuation | 10-year smoothed within a 20 percent corridor to market value. |
| Inflation | 2.25 percent |
| Salary Increases | Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent . |
| Investment Rate of Return | 6.75 percent, net of investment expense, including inflation |
| Retirement Age | Pattern of retirement determined by experience study. |
| Mortality | Customized table based on actual experience including an adjustment for some anticipated improvement. |
| Cost-of-Living Adjustments | 2.125 percent. |

*Changes of Assumptions*

In fiscal year 2021, the following assumptions were changed: decreased inflation rate from 2.50 percent to 2.25 percent; decreased investment rate of return from 7.25 percent to 6.75 percent; decreased the cost-of-living adjustment from 2.25 percent to 2.125 percent; and modified mortality assumptions. In fiscal year 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

See Independent Auditors' Report.

**JOHNSON CITY ENERGY AUTHORITY**
**DBA BRIGHTRIDGE**
**A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE**
**REQUIRED SUPPLEMENTARY INFORMATION**
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS – HYBRID PLAN**
**Last Fiscal Year Ending June 30**

| | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|
| **Total Pension Liability** | | | | | |
| Service Cost | $ - | 17,735 | 63,331 | 114,530 | 189,207 |
| Interest | - | 1,286 | 8,037 | 18,828 | 36,920 |
| Differences between Expected and Actual Experience | - | 28,502 | 29,463 | 59,991 | 101,404 |
| Changes in Assumptions | - | - | 16,048 | - | - |
| Benefit Payments, including Refunds of Employee Contributions | - | - | - | - | - |
| **Net Change in Total Pension Liability** | - | 47,523 | 116,879 | 193,349 | 327,531 |
| **Total Pension Liability - Beginning** | - | - | 47,523 | 164,402 | 357,751 |
| **Total Pension Liability - Ending (a)** | $ - | 47,523 | 164,402 | 357,751 | 685,282 |
| **Plan Fiduciary Net Position** | | | | | |
| Contributions - Employer | $ 767 | 11,621 | 23,005 | 39,942 | 96,746 |
| Contributions - Employees | 2,311 | 35,002 | 75,676 | 119,601 | 191,324 |
| Net Investment Income | 109 | 1,280 | 25,342 | (9,560) | 30,968 |
| Benefit Payments, including Refunds of Employee Contributions | - | - | - | - | - |
| Administrative Expense | (161) | (1,059) | (1,942) | (3,639) | (3,231) |
| **Net Change in Plan Fiduciary Net Position** | 3,026 | 46,844 | 122,081 | 146,344 | 315,807 |
| **Plan Fiduciary Net Position - Beginning** | - | 3,026 | 49,870 | 171,951 | 318,295 |
| **Plan Fiduciary Net Position - Ending (b)** | $ 3,026 | 49,870 | 171,951 | 318,295 | 634,102 |
| **Net Pension Liability - Ending (a) - (b)** | $ (3,026) | (2,347) | (7,549) | 39,456 | 51,180 |
| **Plan Fiduciary Net Position as a Percentage of Total Pension Liability** | 0.00% | 104.94% | 104.59% | 88.97% | 92.53% |
| **Covered Payroll** | $ 46,215 | $ 695,326 | $ 1,513,514 | $ 2,392,008 | $ 3,826,471 |
| **Net Pension Liability as a Percentage of Covered Payroll** | -6.55% | -0.34% | -0.50% | 1.65% | 1.34% |

## Notes to Schedule:

*Changes of Assumptions*

In fiscal year 2021, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-living adjustment, and mortality improvements. In fiscal year 2017, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, salary growth, and mortality improvements.

GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from the TCRS GASB website for prior years' data, if needed.

See Independent Auditors' Report.

**JOHNSON CITY ENERGY AUTHORITY**
**DBA BRIGHTRIDGE**
**A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE**
**REQUIRED SUPPLEMENTARY INFORMATION**
**SCHEDULE OF CONTRIBUTIONS BASED ON PARTICIPATION**
**IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS – HYBRID PLAN**
**Last Fiscal Year Ending June 30**

| | | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|
| Actuarially Determined Contribution | $ | 767 | 11,621 | 23,005 | 39,942 | 96,746 | 145,390 |
| Contributions in relation to the Actuarially Determined Contribution | | 767 | 11,621 | 23,005 | 39,942 | 96,746 | 145,390 |
| Contribution Deficiency (Excess) | $ | - | - | - | - | - | - |
| Covered Payroll | $ | 46,215 | 695,326 | 1,513,514 | 2,392,008 | 3,826,471 | 5,549,342 |
| Contributions as a Percentage of Covered Payroll | | 1.66% | 1.67% | 1.52% | 1.67% | 2.53% | 2.62% |

GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from the TCRS GASB website for prior years' data, if needed.

Beginning in fiscal year 2019, BrightRidge placed the actuarially determined contribution rate of covered payroll into the pension plan and placed the remainder of the four percent contractually required contribution into the Pension Stabilization Reserve Trust (SRT), as follows:

2019: Pension 1.66%, SRT 2.44%
2020: Pension 1.67%, SRT 2.43%
2021: Pension 1.52%, SRT 2.48%
2022: Pension 1.67%, SRT 2.33%
2023: Pension 2.53%, SRT 1.47%
2024: Pension 2.62%, SRT 1.38%

(Continued)

**Notes to Schedule:**

*Valuation Date*

Actuarially determined contribution rates for fiscal year 2024 were calculated based on the June 30, 2022 actuarial valuation.

*Methods and Assumptions Used to Determine Contribution Rates:*

| | |
|---|---|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level Dollar, Closed (not to exceed 20 years) |
| Remaining Amortization Period | Varies by Year |
| Asset Valuation | 10-year smoothed within a 20 percent corridor to market value. |
| Inflation | 2.25 percent |
| Salary Increases | Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent. |
| Investment Rate of Return | 6.75 percent, net of investment expense, including inflation |
| Retirement Age | Pattern of retirement determined by experience study. |
| Mortality | Customized table based on actual experience including an adjustment for some anticipated improvement. |
| Cost-of-Living Adjustments | 2.125 percent. |

*Changes of Assumptions*

In fiscal year 2021, the following assumptions were changed: decreased inflation rate from 2.50 percent to 2.25 percent; decreased investment rate of return from 7.25 percent to 6.75 percent; decreased the cost-of-living adjustment from 2.25 percent to 2.125 percent; and modified mortality assumptions. In fiscal year 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

See Independent Auditors' Report.

**JOHNSON CITY ENERGY AUTHORITY**
**DBA BRIGHTRIDGE**
**A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE**
**REQUIRED SUPPLEMENTARY INFORMATION**
**SCHEDULE OF CHANGES IN OPEB LIABILITY AND RELATED RATIOS**
**Last Fiscal Year Ending June 30**

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|
| **Total OPEB Liability** | | | | | | | |
| Service Cost | $ 199,823 | 194,525 | 288,031 | 375,875 | 384,661 | 301,915 | 380,566 |
| Interest | 210,132 | 224,657 | 275,307 | 204,751 | 216,690 | 310,604 | 397,113 |
| Changes in Benefit Terms | - | - | 1,343,154 | - | - | - | - |
| Difference Between Expected and Actual Experience | - | - | 393,388 | - | 440,460 | - | 1,087,132 |
| Changes in Assumptions | (162,797) | 208,404 | 1,085,435 | 49,751 | (1,186,843) | - | 846,070 |
| Benefit Payments | (325,251) | (287,352) | (388,023) | (405,263) | (452,142) | (496,627) | (643,919) |
| **Net Change in Total OPEB Liability** | (78,093) | 340,234 | 2,997,292 | 225,114 | (597,174) | 115,892 | 2,066,962 |
| **Total OPEB Liability - Beginning** | 5,830,976 | 5,752,883 | 6,093,117 | 9,090,409 | 9,315,523 | 8,718,349 | 8,834,241 |
| **Total OPEB Liability - Ending** | $ 5,752,883 | 6,093,117 | 9,090,409 | 9,315,523 | 8,718,349 | 8,834,241 | 10,901,203 |
| **Covered Payroll** | $ 11,608,049 | 11,898,250 | 13,300,650 | 13,633,166 | 14,837,626 | 15,208,567 | 16,100,459 |
| **Total OPEB Liability as a Percentage of Covered Payroll** | 49.56% | 51.21% | 68.35% | 68.33% | 58.76% | 58.09% | 67.71% |

(Continued)

# SCHEDULE OF CHANGES IN OPEB LIABILITY AND RELATED RATIOS
## Last Fiscal Year Ending June 30

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**Notes to Schedule:**

No assets are accumulated in a trust that meets the criteria in GASB Statement No. 75, paragraph 4 to pay related benefits.

*Changes of Assumptions*

*Discount Rate:* In fiscal year 2018, discount rates changes from 3.58 percent at June 30, 2017 to 3.87 percent at June 30, 2018. In fiscal year 2019, discount rates changes from 3.87 percent at June 30, 2018 to 3.50 percent at June 30, 2019. In fiscal year 2020, discount rates changes from 3.50 percent at June 30, 2019 to 2.21 percent at June 30, 2020. In fiscal year 2021, discount rates changes from 2.21 percent at June 30, 2020 to 2.16 percent at June 30, 2021. In fiscal year 2022, discount rates changes from 2.16 percent at June 30, 2021 to 3.54 percent at June 30, 2022. In fiscal year 2024, discount rates changes from 3.54 percent at June 30, 2023 to 3.93 percent at June 30, 2024.

*Mortality Table:* In fiscal year 2020, the mortality table used was changed from RP-2000 Fully Generational Table with projection scale BB used in fiscal year 2019 to RPH-2014 Headcount-weighted Fully Generational Table with projection scale MP-2018. In fiscal year 2022, the mortality table used was changed from RPH-2014 Headcount-weighted Fully Generational Table with projection scale MP-2018 to RPH-2014 Headcount-weighted Fully Generational Table with projection scale MP-2021. In fiscal year 2024, the mortality table used was changed from RPH-2014 Headcount-weighted Fully Generational Table with projection scale MP-2021 in fiscal year 2023 to PUB-2010 Headcount-weighted Fully Generational Tables using projection scale MP-2021.

*Non-Medicare Eligible Health Care Trend Rates:* In fiscal year 2018, health care trend rate was updated to 8.0% in 2018, grading down 0.5% per annum to an ultimate rate of 5.0% in years after 2023. In fiscal year 2020, health care trend rate was updated to 8.0% in 2020, grading down 0.5% per annum to an ultimate rate of 5.0% in years after 2025. In fiscal year 2024, health care trend rate was updated to 8.0% in 2024, grading down 0.5% per annum to an ultimate rate of 5.0% in years after 2029.

*Changes in Benefit Terms*

*Plan changes:* In fiscal year 2020, benefit terms changed from paid-up life insurance policies for retirees in fiscal year 2019 to life insurance benefits for new retirees and actives are no longer paid-up beginning in fiscal year 2020.

GASB 75 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 75. The information in this schedule is not required to be presented retroactively prior to the implementation date. Fiscal 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 BRIGHTRIDGE**
**A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE**
**COMBINING SCHEDULE OF NET POSITION BY DIVISION**
**June 30, 2024**

| | Business-Type Fund | | | |
|---|---|---|---|---|
| | Electric Division | Broadband Division | Intrafund Eliminations | Total |
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Cash on Hand and in Bank | $ 26,144,276 | 1,678,123 | - | 27,822,399 |
| Accounts Receivable - Customer Service, Net of Allowance for Uncollectible Accounts | 21,402,518 | 778,782 | - | 22,181,300 |
| Accounts Receivable - Rents and Other | 1,672,416 | 2,048 | 240,054 | 1,914,518 |
| Current Inter-Division Receivables | 2,124,185 | 541,977 | (2,666,692) | (530) |
| Current Maturities of Notes Receivable | 273,445 | - | - | 273,445 |
| Current Maturities of Leases Receivable | 200,272 | 4,465 | - | 204,737 |
| Inventories | 10,334,286 | 4,489,106 | - | 14,823,392 |
| Other Current Assets | - | 17,915 | - | 17,915 |
| Prepaid Expenses | 751,114 | 535,957 | (240,054) | 1,047,017 |
| Total Current Assets | 62,902,512 | 8,048,373 | (2,666,692) | 68,284,193 |
| CAPITAL ASSETS | | | | |
| Land and Land Rights | 6,155,234 | - | - | 6,155,234 |
| Intangibles | 80,176 | 255,601 | - | 335,777 |
| Construction in Progress | 3,490,342 | 18,571,663 | - | 22,062,005 |
| Depreciable Capital Assets | 352,229,875 | 35,911,526 | - | 388,141,401 |
| Less: Accumulated Depreciation | (123,239,190) | (6,998,513) | - | (130,237,703) |
| Net Capital Assets | 238,716,437 | 47,740,277 | - | 286,456,714 |
| DESIGNATED ASSETS | | | | |
| Cash and Cash Equivalents | 18,087,502 | 6,181,394 | - | 24,268,896 |
| Investments | 2,500,000 | - | - | 2,500,000 |
| Net Designated Assets | 20,587,502 | 6,181,394 | - | 26,768,896 |
| RESTRICTED ASSETS | | | | |
| TCRS Stabilization Reserve Trust | 166,733 | 55,238 | - | 221,971 |
| OTHER ASSETS | | | | |
| Inter-Division Receivables | 76,557,864 | 7,350,000 | (83,907,864) | - |
| Accounts Receivable - Customers - Heat Pumps | 798,533 | - | - | 798,533 |
| Advance from Tennessee Valley Authority | (798,533) | - | - | (798,533) |
| Leases Receivable, Net of Current Maturities | 208,214 | 155,697 | - | 363,911 |
| Notes Receivable, Net of Current Maturities | 1,516,519 | - | - | 1,516,519 |
| Total Other Assets | 78,282,597 | 7,505,697 | (83,907,864) | 1,880,430 |
| TOTAL ASSETS | 400,655,781 | 69,530,979 | (86,574,556) | 383,612,204 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred Outflows of Resources Related to Pension Plans | 10,595,592 | 1,303,458 | - | 11,899,050 |
| Deferred Outflows of Resources Related to OPEB | 2,315,275 | 412,108 | - | 2,727,383 |
| Deferred Outflows of Resources SBITA Interest | - | 18,574 | - | 18,574 |
| Deferred Loss on Bond Refunding | 576,430 | - | - | 576,430 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 13,487,297 | 1,734,140 | - | 15,221,437 |

(Continued)

**JOHNSON CITY ENERGY AUTHORITY**
**DBA BRIGHTRIDGE**
**A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE**
**COMBINING SCHEDULE OF NET POSITION BY DIVISION**
**June 30, 2024**

| | Business-Type Fund | | | |
|---|---|---|---|---|
| | Electric Division | Broadband Division | Intrafund Eliminations | Total |
| LIABILITIES | | | | |
| CURRENT LIABILITIES | | | | |
| Accounts Payable | 34,298,551 | 1,632,760 | - | 35,931,311 |
| Accrued Salaries | 945,630 | - | - | 945,630 |
| Accrued Interest | 253,108 | - | - | 253,108 |
| Customer Deposits | 5,118,695 | 45,162 | - | 5,163,857 |
| Unearned Revenue Related to USDA Loans | - | - | - | - |
| Current Portion of Compensated Absences | 755,752 | - | - | 755,752 |
| Current Maturities of Bonds Payable | 2,770,000 | - | - | 2,770,000 |
| Current Maturities of Notes Payable | 279,778 | - | - | 279,778 |
| Current Inter-Division Payables | 418,955 | 2,247,737 | (2,666,692) | - |
| Other Current and Accrued Liabilities | 266,863 | 23,685 | - | 290,548 |
| Subscription Liability | - | - | - | - |
| Total Current Liabilities | 45,107,332 | 3,949,344 | (2,666,692) | 46,389,984 |
| LONG-TERM LIABILITIES | | | | |
| Inter-Division Payables | - | 83,907,864 | (83,907,864) | - |
| Bonds Payable, Net of Current Maturities and Unamortized Bond Premium | 44,094,028 | - | - | 44,094,028 |
| Notes Payable, Net of Current Maturities | 1,521,186 | - | - | 1,521,186 |
| Compensated Absences, Net of Current Portion | 3,308,750 | - | - | 3,308,750 |
| Net Pension Liability (Asset) | 4,073,984 | 270,907 | - | 4,344,891 |
| Other Post-Employment Benefits Liability | 9,254,031 | 1,647,172 | - | 10,901,203 |
| Total Long-Term Liabilities | 62,251,979 | 85,825,943 | (83,907,864) | 64,170,058 |
| TOTAL LIABILITIES | 107,359,311 | 89,775,287 | (86,574,556) | 110,560,042 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred Inflows of Resources Related to Pension Plans | 3,014,432 | 197,168 | - | 3,211,600 |
| Deferred Inflows of Resources Related to OPEB | 676,266 | 120,372 | - | 796,638 |
| Deferred Inflows of Resources Related to Leases | 408,486 | 160,162 | - | 568,648 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 4,099,184 | 477,702 | - | 4,576,886 |
| NET POSITION (DEFICIT) | | | | |
| Net Investment in Capital Assets | 192,428,839 | 47,740,277 | - | 240,169,116 |
| Restricted for Pension Stabilization Reserve Trust | 166,733 | 55,238 | - | 221,971 |
| Unrestricted (Deficit) | 110,089,011 | (66,783,385) | - | 43,305,626 |
| TOTAL NET POSITION (DEFICIT) | $ 302,684,583 | (18,987,870) | - | 283,696,713 |

See Independent Auditors' Report.

**JOHNSON CITY ENERGY AUTHORITY**
**DBA BRIGHTRIDGE**
**A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE**
**COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BY DIVISION**
**For the Fiscal Year Ended June 30, 2024**

| | Business-Type Fund | | | |
|---|---|---|---|---|
| | Electric Division | Broadband Division | Intrafund Eliminations | Total |
| OPERATING REVENUES | | | | |
| Sales of Electric Energy | | | | |
| Residential | $ 114,295,215 | - | - | 114,295,215 |
| Large Lighting and Power | 65,318,532 | - | - | 65,318,532 |
| Small Lighting and Power | 19,378,223 | - | - | 19,378,223 |
| Street and Outdoor Lighting | 3,810,555 | - | - | 3,810,555 |
| Unbilled Revenue | 9,144,450 | - | - | 9,144,450 |
| Sales of Broadband | | | | |
| Internet Operating Revenue - Residential | - | 10,302,980 | - | 10,302,980 |
| Internet Operating Revenue - Business | - | 3,784,000 | - | 3,784,000 |
| Internet Operating Revenue - Support Services | - | 1,065,276 | - | 1,065,276 |
| Other Operating Revenues | 5,889,429 | 318,769 | (717,002) | 5,491,196 |
| Total Operating Revenues (Pledged as Revenue Bonds Security) | 217,836,404 | 15,471,025 | (717,002) | 232,590,427 |
| OPERATING EXPENSES | | | | |
| Operations | | | | |
| Power Purchased from Tennessee Valley Authority and Other Entities | 158,071,223 | - | - | 158,071,223 |
| Broadband Wholesale Delivery | - | 2,097,888 | (462,934) | 1,634,954 |
| Broadband Installation | - | 3,689,702 | - | 3,689,702 |
| Other Operating Expenses | 18,729,467 | 5,749,590 | (169,378) | 24,309,679 |
| Maintenance | 13,362,606 | 1,241,845 | (84,690) | 14,519,761 |
| Provision for Depreciation | 10,937,000 | 2,193,630 | - | 13,130,630 |
| Tax Equivalents | 5,183,344 | 383,028 | - | 5,566,372 |
| Total Operating Expenses | 206,283,640 | 15,355,683 | (717,002) | 220,922,321 |
| NET OPERATING INCOME | 11,552,764 | 115,342 | - | 11,668,106 |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Interest Income | 3,554,075 | 296,104 | (1,965,518) | 1,884,661 |
| Other Income | 109,567 | 187,838 | - | 297,405 |
| Interest Expense | (1,636,736) | (1,965,605) | 1,965,518 | (1,636,823) |
| Bond Issuance Costs | - | - | - | - |
| Amortization of Bond Premium | 384,983 | - | - | 384,983 |
| Amortization of Deferred Loss on Bond Refunding | (65,256) | - | - | (65,256) |
| Nonoperating Grant Revenues | 1,342 | 20,884 | - | 22,226 |
| Nonoperating Grant and Other Expenses | (391,130) | - | - | (391,130) |
| Loss on Disposal of Assets | (43,494) | - | - | (43,494) |
| Total Nonoperating Revenues (Expenses) | 1,913,351 | (1,460,779) | - | 452,572 |
| CHANGE IN NET POSITION (DEFICIT) | 13,466,115 | (1,345,437) | - | 12,120,678 |
| NET POSITION (DEFICIT), JULY 1, 2023 | 289,097,099 | (17,595,188) | - | 271,501,911 |
| Prior Period Adjustments | 121,369 | (47,245) | | 74,124 |
| NET POSITION (DEFICIT), JULY 1, 2023, RESTATED | 289,218,468 | (17,642,433) | - | 271,576,035 |
| NET POSITION (DEFICIT), JUNE 30, 2024 | $ 302,684,583 | (18,987,870) | - | 283,696,713 |

See Independent Auditors' Report.

**JOHNSON CITY ENERGY AUTHORITY**
**DBA BRIGHTRIDGE**
**A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE**
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
**For the Fiscal Year Ended June 30, 2024**

| Grantor Agency | Pass-Through Agency/Program Name | Assistance Listing Number | Contract Number | Expenditures |
|---|---|---|---|---|
| U.S. Department of Homeland Security | Disaster Grants - Public Assistance | 97.036 | [1] | $ 1,342 |
| TOTAL FEDERAL AWARDS | | | | $ 1,342 |

[1] Information not available

**Notes to Schedule:**

NOTE A: BASIS OF PRESENTATION
The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant and loan activity of BrightRidge under programs of the federal government for the fiscal year ended June 30, 2024. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Since the schedule presents only a selected portion of the operations of BrightRidge, it is not intended to, and does not present, the financial position, changes in net position, or cash flows of BrightRidge.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
Expenditures reported on the schedule are reported on the accrual basis of accounting. Non-monetary assistance, when applicable, is reported in the schedule at the estimated fair market value of property received and used.

NOTE C: INDIRECT COSTS
BrightRidge has not elected to use the 10% *de minimis* indirect cost allocation option.

(Continued)

**Notes to Schedule (Continued):**

NOTE D: FEDERAL LOANS PROGRAMS

The federal loan programs listed subsequently are administered directly by BrightRidge, and balances and transactions relating to these programs are included in BrightRidge basic financial statements. Loans outstanding at the beginning of the year, loans made during the year, and other required components are included in the federal expenditures presented in the schedule.

The balance of federal loans outstanding at June 30, 2024 and 2023 consists of:

| Assistance Listing Number | Program Name | Outstanding Balance at June 30, 2023 | 2024 |
|---|---|---|---|
| 10.854 | USDA - Rural Economic Development Loans and Grants | $ 2,144,075 | 1,800,964 |

See Independent Auditors' Report.

# JOHNSON CITY ENERGY AUTHORITY
# DBA BRIGHTRIDGE
# A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE
# SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS - 2017 REFUNDING ISSUE
# June 30, 2024

| Fiscal Year Ending | Interest Rate | Principal | Interest | Total Requirements |
|---|---|---|---|---|
| 6-30-2025 | 5.00% | $ 1,710,000 | 779,100 | 2,489,100 |
| 6-30-2026 | 3.00% | 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 |
| | | $ 17,665,000 | 3,935,750 | 21,600,750 |

See Independent Auditors’ Report.

**JOHNSON CITY ENERGY AUTHORITY**
**DBA BRIGHTRIDGE**
**A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE**
**SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS -**
**2021 REFUNDING ISSUE**
**June 30, 2024**

| Fiscal Year Ending | Interest Rate | Principal | Interest | Total Requirements |
|---|---|---|---|---|
| 6-30-2025 | 5.00% | $ 1,060,000 | 739,550 | 1,799,550 |
| 6-30-2026 | 5.00% | 1,110,000 | 686,550 | 1,796,550 |
| 6-30-2027 | 5.00% | 1,165,000 | 631,050 | 1,796,050 |
| 6-30-2028 | 5.00% | 1,225,000 | 572,800 | 1,797,800 |
| 6-30-2029 | 5.00% | 1,285,000 | 511,550 | 1,796,550 |
| 6-30-2030 | 5.00% | 1,350,000 | 447,300 | 1,797,300 |
| 6-30-2031 | 3.00% | 1,420,000 | 379,800 | 1,799,800 |
| 6-30-2032 | 3.00% | 1,460,000 | 337,200 | 1,797,200 |
| 6-30-2033 | 2.00% | 1,505,000 | 293,400 | 1,798,400 |
| 6-30-2034 | 2.00% | 1,535,000 | 263,300 | 1,798,300 |
| 6-30-2035 | 2.00% | 1,565,000 | 232,600 | 1,797,600 |
| 6-30-2036 | 2.00% | 1,595,000 | 201,300 | 1,796,300 |
| 6-30-2037 | 2.00% | 1,630,000 | 169,400 | 1,799,400 |
| 6-30-2038 | 2.00% | 1,660,000 | 136,800 | 1,796,800 |
| 6-30-2039 | 2.00% | 1,695,000 | 103,600 | 1,798,600 |
| 6-30-2040 | 2.00% | 1,725,000 | 69,700 | 1,794,700 |
| 6-30-2041 | 2.00% | 1,760,000 | 35,200 | 1,795,200 |
| | | $ 24,745,000 | 5,811,100 | 30,556,100 |

See Independent Auditors' Report.

**JOHNSON CITY ENERGY AUTHORITY**
**DBA BRIGHTRIDGE**
**A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE**
**SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS -**
**TOTAL COMBINED ISSUED DEBT**
**June 30, 2024**

| Fiscal Year Ending | Interest Rate | Principal | Interest | Total Requirements |
|---|---|---|---|---|
| 6-30-2025 | 5.00% | $ 2,770,000 | 1,518,650 | 4,288,650 |
| 6-30-2026 | 5.00% | 2,875,000 | 1,414,350 | 4,289,350 |
| 6-30-2027 | 3.00%-5.00% | 3,015,000 | 1,270,600 | 4,285,600 |
| 6-30-2028 | 5.00% | 3,175,000 | 1,119,850 | 4,294,850 |
| 6-30-2029 | 5.00% | 3,330,000 | 961,100 | 4,291,100 |
| 6-30-2030 | 5.00% | 3,500,000 | 794,600 | 4,294,600 |
| 6-30-2031 | 5.00% | 3,675,000 | 619,600 | 4,294,600 |
| 6-30-2032 | 3.00%-4.00% | 3,800,000 | 486,800 | 4,286,800 |
| 6-30-2033 | 3.00%-4.00% | 3,105,000 | 349,400 | 3,454,400 |
| 6-30-2034 | 2.00%-3.50% | 1,535,000 | 263,300 | 1,798,300 |
| 6-30-2035 | 2.00% | 1,565,000 | 232,600 | 1,797,600 |
| 6-30-2036 | 2.00% | 1,595,000 | 201,300 | 1,796,300 |
| 6-30-2037 | 2.00% | 1,630,000 | 169,400 | 1,799,400 |
| 6-30-2038 | 2.00% | 1,660,000 | 136,800 | 1,796,800 |
| 6-30-2039 | 2.00% | 1,695,000 | 103,600 | 1,798,600 |
| 6-30-2040 | 2.00% | 1,725,000 | 69,700 | 1,794,700 |
| 6-30-2041 | 2.00% | 1,760,000 | 35,200 | 1,795,200 |
| | | $ 42,410,000 | 9,746,850 | 52,156,850 |

See Independent Auditors' Report.

**JOHNSON CITY ENERGY AUTHORITY**
**DBA BRIGHTRIDGE**
**A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE**
**SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE**
**For the Fiscal Year Ended June 30, 2024**

| Description of Indebtedness | Original Amount of Issue | Interest Rate | Date of Issue | Last Maturity Date | Outstanding July 1, 2023 | Issued During Period | Paid and/or Matured During Period | Outstanding June 30, 2024 |
|---|---|---|---|---|---|---|---|---|
| Bonds Payable, Net of Premium | | | | | | | | |
| Payable Through Electric Fund | | | | | | | | |
| Electric System Revenue Bonds, Series 2017 | $ 34,480,000 | 3% to 5% | 3/31/2017 | 5/1/2033 | $ 19,300,000 | - | (1,635,000) | 17,665,000 |
| Electric System Revenue Bonds, Series 2021 | $ 25,750,000 | 2% to 5% | 8/6/2021 | 6/30/2041 | 25,750,000 | - | (1,005,000) | 24,745,000 |
| Total Bonds Payable, Net of Premium, Through Electric Fund | | | | | $ 45,050,000 | - | (2,640,000) | 42,410,000 |
| Notes Payable | $ 760,000 | 0% | 8/21/2014 | 8/21/2024 | $ 88,667 | - | (76,000) | 12,667 |
| USDA Rural Development Obligations | $ 560,000 | 0% | 1/4/2021 | 1/3/2031 | 424,667 | - | (56,000) | 368,667 |
| Payable Through Electric Fund | $ 1,000,000 | 0% | 1/4/2021 | 1/3/2031 | 824,074 | - | (111,111) | 712,963 |
| Rural Economic Development Loans | $ 1,000,000 | 0% | 9/1/2021 | 9/1/2031 | 806,667 | - | (100,000) | 706,667 |
| Total Notes Payable Through Electric Fund | | | | | $ 2,144,075 | - | (343,111) | 1,800,964 |

See Independent Auditors' Report.

**JOHNSON CITY ENERGY AUTHORITY**
**DBA BRIGHTRIDGE**
**A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE**
**CHANGES IN STATEMENT OF NET POSITION ACCOUNTS (UNAUDITED)**
**June 30, 2024 and 2023**

A comparison of the Statements of Net Position at June 30, 2024 and 2023 is shown below.

| | 2024 | 2023 | Increase (Decrease) |
|---|---|---|---|
| Capital Assets | $ 416,694,417 | 381,071,266 | 35,623,151 |
| Less: Accumulated Depreciation | (130,237,703) | (124,606,547) | (5,631,156) |
| Net Capital Assets | 286,456,714 | 256,464,719 | 29,991,995 |
| Plus: Deferred Outflows of Resources | 15,221,437 | 12,944,511 | 2,276,926 |
| Plus: Restricted, Designated, and Other Assets | 28,871,297 | 36,118,839 | (7,247,542) |
| Current Assets | 68,284,193 | 72,047,279 | (3,763,086) |
| Less: Current Liabilities | (46,389,984) | (36,077,186) | (10,312,798) |
| Working Capital | 21,894,209 | 35,970,093 | (14,075,884) |
| Less: Long-Term Liabilities | (64,170,058) | (63,808,399) | (361,659) |
| Less: Deferred Inflows of Resources | (4,576,886) | (6,187,852) | 1,610,966 |
| Net Position | $ 283,696,713 | 271,501,911 | 12,194,802 |

See Independent Auditors' Report.

**JOHNSON CITY ENERGY AUTHORITY**
**DBA BRIGHTRIDGE**
**A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE**
**COMPARATIVE RESULTS OF OPERATIONS (UNAUDITED)**
**For the Fiscal Years Ended June 30, 2024 and 2023**

The operating results for the fiscal years ended June 30, 2024 and 2023 are summarized below.

| Percent of Operating Revenues 2024 | Percent of Operating Revenues 2023 | | Amount 2024 | Amount 2023 | Increase (Decrease) |
|---|---|---|---|---|---|
| | | Operating Revenues | | | |
| 91.13 % | 92.91 | Sales of Electric Energy | $ 211,946,975 | 218,229,659 | (6,282,684) |
| 6.51 | 4.79 | Sales of Broadband | 15,152,256 | 11,247,440 | 3,904,816 |
| 2.36 | 2.30 | Other Operating Revenues | 5,491,196 | 5,405,058 | 86,138 |
| 100.00 | 100.00 | Total Operating Revenues | 232,590,427 | 234,882,157 | (2,291,730) |
| | | Operating Expenses | | | |
| 67.96 | 69.13 | Power Purchased | 158,071,223 | 162,376,537 | (4,305,314) |
| 2.29 | 2.23 | Wholesale Broadband Delivery and Installation | 5,324,656 | 5,232,391 | 92,265 |
| 16.69 | 14.25 | Other Operation and Maintenance Expense | 38,829,440 | 33,466,484 | 5,362,956 |
| 5.65 | 5.29 | Provision for Depreciation | 13,130,630 | 12,413,581 | 717,049 |
| 2.39 | 2.62 | Tax Equivalent | 5,566,372 | 6,163,096 | (596,724) |
| 94.98 | 93.52 | Total Operating Expenses | 220,922,321 | 219,652,089 | 1,270,232 |
| 5.02 | 6.48 | Net Operating Income | 11,668,106 | 15,230,068 | (3,561,962) |
| 0.19 | 0.86 | Nonoperating Revenue (Expense)(Net) | 452,572 | 2,015,315 | (1,562,743) |
| 5.21 % | 7.34 | Change in Net Position | $ 12,120,678 | 17,245,383 | (5,124,705) |

See Independent Auditors' Report.

**JOHNSON CITY ENERGY AUTHORITY**
**DBA BRIGHTRIDGE**
**A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE**
**SELECTED DATA AND COMPARISONS (UNAUDITED)**
**June 30, 2024 and 2023**

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

| | 2024 | 2023 | Increase (Decrease) | Percent Increase (Decrease) |
|---|---|---|---|---|
| Operating Revenues | $ 232,590,427 | 234,882,157 | (2,291,730) | -1% |
| Change in Net Position | 12,120,678 | 17,245,383 | (5,124,705) | -30% |
| Gross Plant Additions Less or Plus Net Salvage | 31,532,095 | 18,370,247 | 13,161,848 | 72% |
| Funds for Capital Asset Addition Provided Through Depreciation and Amortization | 11,392,712 | 11,114,242 | 278,470 | 3% |
| Excess of Capital Asset Expenditures Over Amounts Provided by Depreciation | 20,139,383 | 7,256,005 | 12,883,378 | 178% |
| Electric Division | 83,804 | 82,727 | 1,077 | 1% |
| Broadband Division | 16,155 | 11,684 | 4,471 | 38% |
| Average Use (kwH) Per Residential Electric Customer | 13,597 | 13,489 | 108 | 1% |

See Independent Auditors' Report.

# JOHNSON CITY ENERGY AUTHORITY
## DBA BRIGHTRIDGE
## A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE
## COMPARATIVE STATISTICAL DATA - BRIGHTRIDGE AND OTHER GROUP A MUNICIPALITIES IN THE TVA AREA (UNAUDITED)
## For the Fiscal Years Ended June 30, 2024 and 2023

Certain revenue statistics and operating costs of BrightRidge (Electric Division) for the fiscal years ended June 30, 2024 and 2023 are compared with the composite of Group A Municipalities in the TVA area for the fiscal year ended June 30, 2023.

| | BrightRidge | | 2023 Composite of Group A Municipalities on TVA Area (Note 1) |
|---|---|---|---|
| | 2024 | 2023 | |
| Average Number of Customers - Electric | 83,804 | 82,727 | 15,280 |
| Electric Sales - Cents per Kilowatt Hour Sold | 11.08 | 11.81 | 11.07 |
| Percent of Revenue by Classes to Total Electric Sales | | | |
| Residential | 56.39 % | 57.08 % | 44.52 % |
| Large Lighting and Power | 31.77 | 32.38 | 42.65 |
| Small Lighting and Power | 9.56 | 9.58 | 11.33 |
| Street and Outdoor | 1.80 | 1.77 | 1.82 |
| Unbilled Revenue - All Classes | 0.48 | (0.81) | (0.32) |
| | 100.00 % | 100.00 % | 100.00 % |
| Purchased Power - Cents Per Kilowatt Hour Purchased | 7.90 | 8.51 | 8.35 |
| Percent of Unaccounted for Kilowatt Hours (Distribution Losses) | 4.32 % | 3.12 % | 3.22 % |
| Certain Expenses Expressed in Dollar per Customer | | | |
| Transmission and Distribution | $ 197.06 | $ 178.74 | $ 219.87 |
| Customer Accounting and Collecting | 57.18 | 51.38 | 52.37 |
| Sales Promotion | 12.12 | 8.43 | 6.67 |
| Administrative and General | 116.57 | 99.79 | 137.95 |
| | $ 382.93 | $ 338.34 | $ 416.86 |
| Percent of Certain Operating Expenses to Revenue from Electric Sales | | | |
| Purchased Power | 74.58 % | 74.41 % | 77.96 % |
| Other Operating Expenses (Depreciation and Taxes) | 7.61 | 7.46 | 7.78 |
| | 82.19 % | 81.87 % | 85.74 % |

Note 1 - Data compiled from information within "The 2023 Financial and Statistical Report for Municipal and Cooperative Distributors of TVA Power" published by the Tennessee Valley Authority. For comparative purposes, large distributors (Memphis, Chattanooga, Knoxville, Huntsville and Nashville) have been excluded from the Composite. The 2024 report was not available as of the date of this audit report.

See Independent Auditors' Report.

# SECTION IV

# INTERNAL CONTROL AND COMPLIANCE SECTION

# 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 Energy Authority
dba BrightRidge

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 BrightRidge, a component unit of the City of Johnson City, Tennessee, (BrightRidge), as of and for the fiscal year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise BrightRidge's basic financial statements, and have issued our report thereon dated December 6, 2024.

## Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered BrightRidge's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of BrightRidge's internal control. Accordingly, we do not express an opinion on the effectiveness of BrightRidge'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 BrightRidge's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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1361 SOUTH WILCOX DR, KINGSPORT, TN 37660 423.246.1725 136 FURMAN RD, SUITE 4, BOONE, NC 28607 828.264.3595

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether BrightRidge's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 BrightRidge's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BrightRidge'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

December 6, 2024

**JOHNSON CITY ENERGY AUTHORITY**
**DBA BRIGHTRIDGE**
**A COMPONENT UNIT OF THE CITY OF JOHNSON CITY, TENNESSEE**
**SCHEDULE OF FINDINGS AND RESPONSES**
**For the Fiscal Year Ended June 30, 2024**

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## Current Fiscal Year Findings

No findings reported.

## Prior Year Fiscal Year Findings Not Implemented

No findings reported.

## Prior Year Fiscal Year Findings Implemented

No findings reported.