



**JOHNSON CITY ENERGY AUTHORITY DBA
BRIGHTRIDGE**

AUDITED FINANCIAL STATEMENTS

2020

**JOHNSON CITY ENERGY AUTHORITY
DBA BRIGHTRIDGE**

**BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

For the Fiscal Year Ended June 30, 2020

**JOHNSON CITY ENERGY AUTHORITY
DBA BRIGHTRIDGE
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SECTION I
INTRODUCTORY SECTION

**JOHNSON CITY ENERGY AUTHORITY
DBA BRIGHTRIDGE
SCHEDULE OF OFFICIALS
June 30, 2020**

Name and Title of Official

Officers at June 30, 2020

Jeff Dykes	Chief Executive Officer
Brian Bolling	CFO and Chief Customer 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 and Technology Officer
Rodney Metcalf	Chief Operations Officer

Members of Governing Board at June 30, 2020

Dr. B.J. King	Chair
James Smith	Vice-Chair
Dan Brant	
Jenny Brock	
Joe Grandy	
Dr. Hal Knight	
Gary Mabrey	
Robert Thomas	
Guy Wilson	

SECTION II
FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Johnson City Energy Authority dba
BrightRidge

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Johnson City Energy Authority dba BrightRidge (BrightRidge), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise BrightRidge's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to BrightRidge's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of BrightRidge's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Johnson City Energy Authority dba BrightRidge, as of June 30, 2020, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 13 and the pension and OPEB information on pages 55 through 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2020, 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
Johnson City, Tennessee

November 25, 2020

**JOHNSON CITY ENERGY AUTHORITY
DBA BRIGHTRIDGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020**

Johnson City Energy Authority (JCEA), dba BrightRidge, is an energy authority created under the Municipal Energy Authority Act with the responsibility to provide electricity and related programs, services, and products. As the tenth largest of TVA's 154 local power companies, JCEA supplies electricity to around 79,860 customers over nearly 350 square miles in Northeast Tennessee. The JCEA service area includes the City of Johnson City; the Town of Jonesborough; part of the City of Kingsport; all of Washington County; and parts of Sullivan, Carter, and Greene counties. 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 1,533 customers as of June 30, 2020.

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, 2020. 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, 2020. The basic financial statements are comprised of the financial statements and the notes to the financial statements which provide detailed supporting information.

Basic Financial Statements

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

The Statement of Net Position presents information on all JCEA's assets, 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 to assets without an increase to 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.

**JOHNSON CITY ENERGY AUTHORITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020**

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 launch and growth of our broadband division. The JCEA broadband budget annually 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. As of the end of fiscal year 2020, the construction for phases one and two were complete.

Condensed Statement of Net Position is presented below:

SUMMARY OF STATEMENT OF NET POSITION

	FY 2020	FY 2019	Dollar Change	% Change
Assets				
Current and Other Assets	58,959,783	66,321,044	(7,361,261)	-11.1%
Designated Assets	24,818,487	21,363,819	3,454,668	16.2%
Capital Assets, Net	<u>212,264,912</u>	<u>202,417,490</u>	<u>9,847,422</u>	<u>4.9%</u>
Total Assets	<u>\$ 296,043,182</u>	<u>\$ 290,102,353</u>	<u>\$ 5,940,829</u>	<u>2.0%</u>
Deferred Outflows of Resources	<u>\$ 7,124,686</u>	<u>\$ 4,792,126</u>	<u>\$ 2,332,560</u>	<u>48.7%</u>
Liabilities				
Current Liabilities	33,073,034	36,006,443	(2,933,409)	-8.1%
Long-Term Liabilities	<u>43,386,177</u>	<u>42,768,321</u>	<u>617,856</u>	<u>1.4%</u>
Total Liabilities	<u>\$ 76,459,211</u>	<u>\$ 78,774,764</u>	<u>\$ (2,315,553)</u>	<u>-2.9%</u>
Deferred Inflows of Resources	<u>\$ 1,394,916</u>	<u>\$ 1,181,297</u>	<u>\$ 213,619</u>	<u>18.1%</u>
Net Position				
Net Investment in Capital Assets	182,400,307	169,870,837	12,529,470	7.4%
Unrestricted Net Position	<u>42,913,434</u>	<u>45,067,581</u>	<u>(2,154,147)</u>	<u>-4.8%</u>
Total Net Position	<u>\$ 225,313,741</u>	<u>\$ 214,938,418</u>	<u>\$ 10,375,323</u>	<u>4.8%</u>

Net position increased \$10,375,323 to \$225,313,741 in fiscal year 2020, up from \$214,938,418 in fiscal year 2019 for a 4.8% increase in total net position. Included within the \$10,375,323 increase in net position is an increase of broadband net investment in capital assets of \$7,425,773. The primary cost in broadband capital assets is the construction of a fiber optic distribution network.

**JOHNSON CITY ENERGY AUTHORITY
DBA BRIGHTRIDGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020**

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 2020	FY 2019	Dollar Change	% Change
Electric Sales Revenue	193,048,016	200,087,186	(7,039,170)	-3.5%
Broadband Sales Revenue	898,302	12,480	885,822	7097.9%
Other Operating Revenues	3,646,978	4,124,982	(478,004)	-11.6%
Total Operating Revenues	<u>\$ 197,593,296</u>	<u>\$ 204,224,648</u>	<u>\$ (6,631,352)</u>	<u>-3.2%</u>
Operating Expenses				
Electric Purchased Power	141,337,194	151,954,739	(10,617,545)	-7.0%
Broadband Wholesale Delivery	403,747	242,529	161,218	66.5%
Broadband Installation Expenses	1,328,156	349,766	978,390	279.7%
Other Operating Expenses	17,955,661	14,798,061	3,157,600	21.3%
Maintenance Expenses	10,110,012	9,691,588	418,424	4.3%
Provision for Depreciation	9,954,239	9,335,450	618,789	6.6%
Tax Equivalents	5,616,535	5,574,301	42,234	0.8%
Total Operating Expenses	<u>\$ 186,705,544</u>	<u>\$ 191,946,434</u>	<u>\$ (5,240,890)</u>	<u>-2.7%</u>
Nonoperating Revenues (Expenses)	(512,429)	(804,716)	292,287	-36.3%
Change In Net Position	<u>\$ 10,375,323</u>	<u>\$ 11,473,498</u>	<u>\$ (1,098,175)</u>	<u>-9.6%</u>
Beginning Net Position	214,938,418	203,464,920	11,473,498	5.6%
Ending Net Position	<u>\$ 225,313,741</u>	<u>\$ 214,938,418</u>	<u>\$ 10,375,323</u>	<u>4.8%</u>

The change in net position from FY 2019 to FY 2020 is \$10,375,323 or 4.8%. The increase of broadband revenues and expenses was one of the most notable changes to our statements as compared to the prior fiscal years. While fiscal year 2019 included broadband capital and operating expense, most of our customer acquisition begin occurring in fiscal year 2020. 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 interdivisional activity, including receivables or accounts payables, has been eliminated to clearly reflect a single fund.

Operating revenues decreased by \$6,631,352 or -3.2% during fiscal year 2020. The decrease related directly to Electric Sales Revenue was \$7,039,170. Electric Sales Revenue is based on energy sold to customers, represented in kilowatt hours (kWh). kWh sold was 1,867,676,099 for fiscal year 2019 as compared to 1,798,056,963 kWh in fiscal year 2020. This represents a reduction of 3.7%. 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 2019 were 5,260 compared to 5,019 for 2020 which represents a 4.5% decrease in degree days.

**JOHNSON CITY ENERGY AUTHORITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020**

Electric revenues were 3.5% lower than FY 2019. In addition to weather, JCEA has estimated that the months of April, May, and June saw reduced kWh sales due to the Covid-19 pandemic. The primary customer types impacted by the pandemic were commercial and retail businesses rather than residential customers. Our estimates suggest a reduction of \$1.7 million in revenue due directly to Covid-19. Note that JCEA did not increase the base rate for electricity in FY 2020. The increase of \$885,822 in Broadband Sales Revenue was tied directly to the increasing customer base.

Total operating expenses for fiscal year 2020 are down by \$5,240,890 or 2.7% over fiscal year 2019. 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 \$141,337,194 which represents 75.7% of the total operating expenses of \$186,705,544. For fiscal year 2020, this was \$10,617,545 or 7.0% less than fiscal year 2019. The cost of purchased power decreased significantly from fiscal year 2019 to fiscal year 2020 based on three major factors: decreased kWh sales, a new wholesale power bill credit, and lower TVA fuel cost adjustment. JCEA must purchase all its power from the Tennessee Valley Authority (TVA) under an all-requirements contract with an initial term of 20 years beginning June 30, 1985. The contract has been extended in 5-year terms beginning October 1, 1997 and requires a 5-year written notice by either party to terminate. 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 FY 2020 was \$2.7 million. 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 kilowatt (kW) is determined by the highest one hour of usage in kW each month. Energy is measured in kilowatt hours (kWh). TVA did not increase base wholesale power rates in FY 2020. Also, TVA's fuel cost adjustment was 18% less than the prior year on average. This is a pass-through from TVA to our customers which represents the variable cost of fuel for generation and off system purchases. Weather patterns during fiscal year 2020 were comparable to fiscal year 2019 for wholesale power costs. 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 2020 was \$.076 per kWh for purchased power while fiscal year 2019 was \$.079 per kWh for purchased power.

Broadband Wholesale Delivery and Broadband Installation Expense 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, 2020 was up \$161,218, a 66.5% increase over 2019. Broadband Installation Expense is the cost of going onsite to a customer's premise and connecting the services, an increase of \$978,390 or a 279.7% increase. Both wholesale delivery and installation expenses are directly tied to increasing broadband customers during the fiscal year. Actual fiber infrastructure constructed is not included in this area but is reflected in the capital asset category. Fiscal Year 2021 and future years will reflect more costs as we gain customers.

**JOHNSON CITY ENERGY AUTHORITY
DBA BRIGHTRIDGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020**

Other operating expenses were \$14,798,061 for fiscal year 2019 as compared to \$17,955,661 for fiscal year 2020. This is an increase of \$3,157,000 or 21.3%. Other operating expenses include administrative and general, transmission, distribution, and customer service-related expenses. Broadband expenses included in other operating expense were \$2,044,638 for 2020, which was an increase of \$817,725 or 66.6%. Electric other operating expenses accounted for \$15,911,023 for 2020, which is an increase of \$2,339,875 from \$13,571,148 in 2019 or 17.2%.

Maintenance expenses were up \$418,424 or 4.3%. Electric accounted for \$653,360 or 7.4% of this increase, broadband maintenance expense decreased \$234,936 or -26.0% for fiscal year 2020. Further, depreciation expense is up \$618,789 or 6.6% with \$249,039 relating to broadband.

In lieu of taxes or tax equivalent payments are computed with authoritative guidance under Tennessee Code Annotated 7-52. Revenues, utility plant, and depreciation are all primary components of the formula. TVA, as our regulatory authority, reviews the JCEA computation of in lieu of taxes annually. The in lieu of tax payment from electric based on to the City of Johnson City was \$4,229,800 in 2020 down \$21,753 from 2019. Broadband in lieu of tax to the City of Johnson City for fiscal year 2020 was \$10,339. JCEA pays the maximum in lieu of tax payment allowed by state law and is the City of Johnson City's largest taxpayer.

Non-Operating Revenues and Expenses for fiscal year 2020 were down \$292,287 or -36.3%. Interest income and other income was up \$196,314 due to higher interest rates. Debt expense was down \$95,973, which represents interest paid on long-term debt and the amortization of deferred loss and premiums on debt. JCEA pays bond principal and interest payments twice each year.

**JOHNSON CITY ENERGY AUTHORITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020**

Capital Assets and Debt Administration

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

	FY 2020	FY 2019	Dollar Change	% Change
Electric				
Intangibles	5,760	-	5,760	0.0%
Transmission Plant	52,520,420	51,522,780	997,640	1.9%
Distribution Plant	206,130,619	201,203,716	4,926,903	2.4%
General Plant	46,635,609	45,403,458	1,232,151	2.7%
Construction Work in Progress	911,060	1,182,791	(271,731)	-23.0%
Broadband				
Intangibles	255,601	235,121	20,480	8.7%
General Plant	7,226,506	1,367,787	5,858,719	428.3%
Construction Work in Progress	4,449,977	2,528,258	1,921,719	76.0%
Total Capital Assets	<u>\$ 318,135,552</u>	<u>\$ 303,443,911</u>	<u>\$ 14,691,641</u>	<u>4.8%</u>

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. Fiscal Year 2020 was phase two of an eight-year plan that will grow to over \$45 million in net broadband assets by fiscal year 2026.

The investment in electric utility plant on June 30, 2020 was \$306,203,468 compared to \$299,312,745 on June 30, 2019; this includes net additions of \$11,663,109 and plant retirements of \$4,772,386. JCEA's electric capital budget for fiscal year 2020 was \$14,553,017. Additions during fiscal year 2020 were primarily related to normal renewal and replacements of the electric division. Historically, normal renewal and replacement account for \$5,000,000 to \$7,000,000. One of the major projects was the reconductoring of a 69 kV line from West Substation to Jug Substation for \$1,001,000 and the beginning portions of an upgrade to the front and parking area of the main facility for \$298,000. For fiscal year 2020, nineteen vehicles were purchased for \$555,000 and \$486,000 was spent for metering equipment. The investment in broadband plant on June 30, 2020 was \$11,932,084, which is an increase of \$7,800,918. The capital budget for broadband for fiscal year 2020 was \$8,922,894. The primary asset is the fiber distribution infrastructure, and it represents 90% of the broadband business. Note that JCEA has capital spending projections that cover five years for the electric division and seven years for the broadband division.

The electric division's outstanding bond principal was \$27,400,000 on June 30, 2020, compared to \$29,890,000 on June 30, 2019. Bond payments are made twice a year in November and May. The final maturity date is May 1, 2033. The outstanding bond premium was \$3,302,061 on June 30, 2020, compared to \$3,559,365 on June 30, 2019. Each year \$257,304 is amortized for the 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 interdivisional loans from the electric division to the broadband division. TVA, as our regulatory authority, has approved up to \$35 million in interdivisional borrowing.

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Loans have terms of 15 years and an interest rate of 4%. On June 30, 2020, the outstanding principal balance on the broadband division interdivisional loan to the electric division was \$22,000,000, which is eliminated for the single fund financial statement presentation.

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

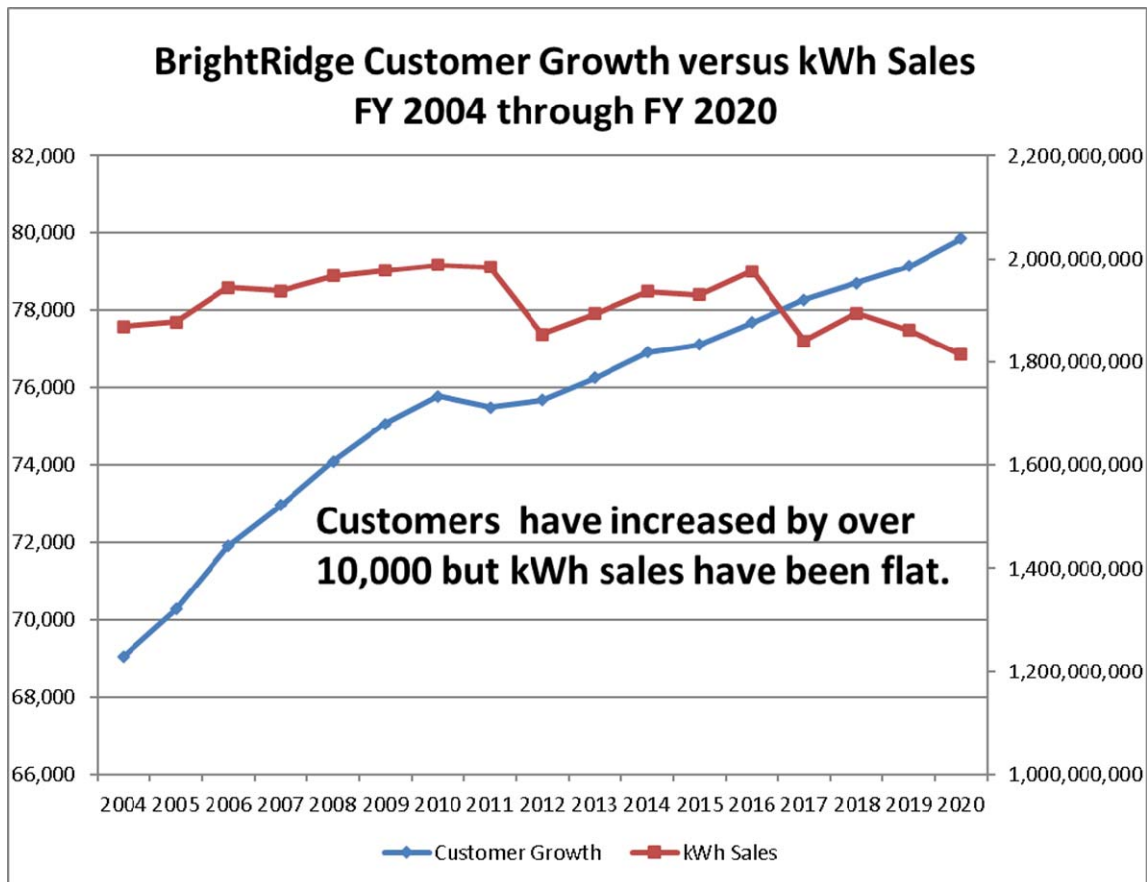
Johnson City Energy Authority Highlights, Economic Factors, and Future

JCEA experienced growth of 713 electric customers for a 0.9% overall percentage growth this year. The following chart shows the number of electric customers for each classification for the past two years:

	2020	2019	Change	% Change
Residential	68,551	67,920	631	0.9%
Small Commercial	9,378	9,261	117	1.3%
Large Commercial/Industrial	991	1,016	-25	-2.5%
Street and Athletic Lighting	144	142	2	1.4%
Outdoor Lighting Only	<u>796</u>	<u>808</u>	<u>-12</u>	<u>-1.5%</u>
Total Customers	<u>79,860</u>	<u>79,147</u>	<u>713</u>	<u>0.9%</u>

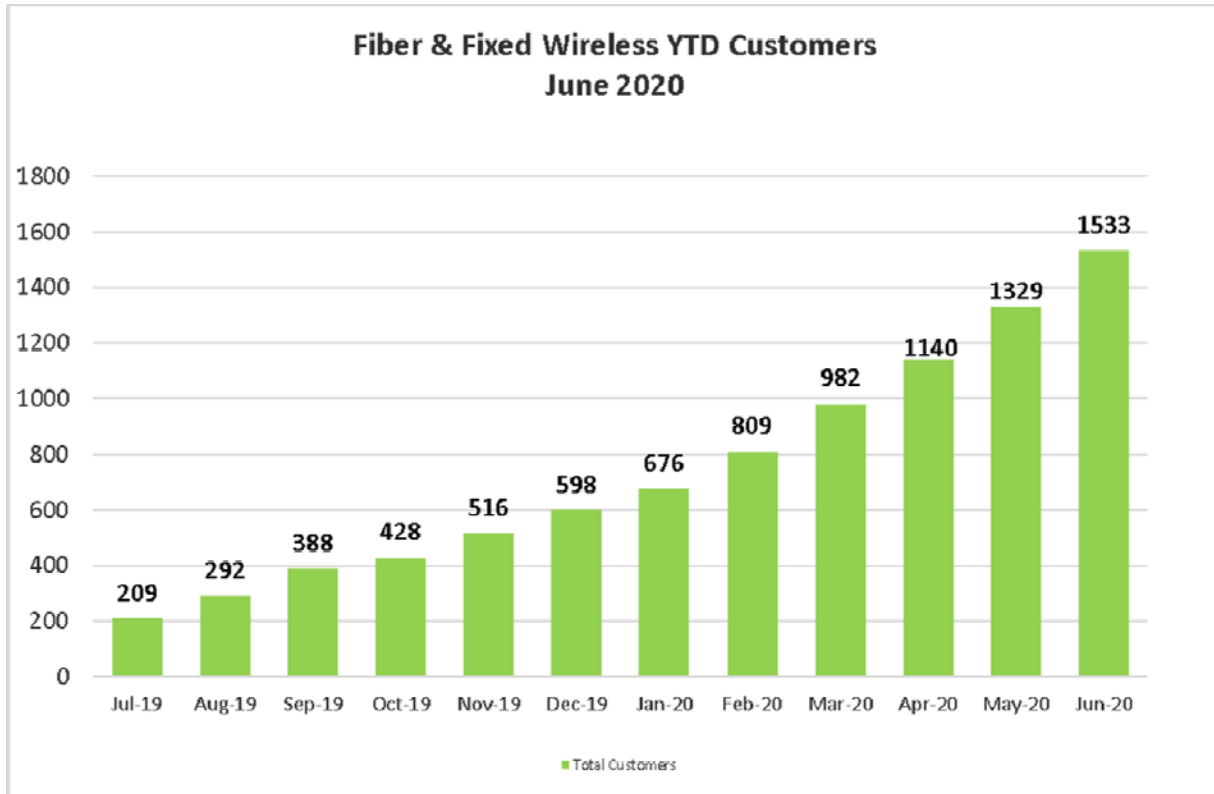
As customer growth has remained steady, energy sales have not remained on the same growth pattern. This pattern is mainly correlated to the national and local attention toward energy efficiency and conservation efforts. Our customer growth has helped to offset the impacts of reduced usage based on energy efficiency. The chart below visually represents the relationship between kWh (Energy) and customer growth.

**JOHNSON CITY ENERGY AUTHORITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020**



Since fiscal year July 2009, TVA has increased wholesale rates eight 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; and 1.88% in October 2018. 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. Continued volatility on the cost of wholesale power due to demand charges necessitate the increase to stabilize margins. Beginning in October 2016, JCEA implemented a demand cost recovery adjustment referred to as “DCRA”. The DCRA is a variable charge or credit applied to residential and small commercial customers. These customer classes do not pay a demand charge. To protect margins for operational and capital spending, this adjustment was created to recover excess demand charges paid to TVA. The adjustment was also set up to pay out a credit to customers when lower demand charges are paid to TVA. JCEA based the adjustment on the recent history of our normal load factor. When the monthly load factor is better than the normal monthly load factor, customers receive a credit adjustment and when the monthly load factor is lower than the normal monthly load factor, customers receive a charge adjustment. During fiscal year 2020, the DCRA recovered \$2,512,629 to offset higher demands charges paid to TVA compared to \$2,451,345 recovered in 2019. Without the DCRA, our revenue and our margin would have been reduced by this amount. In fiscal year 2020, TVA did not have a wholesale rate increase and JCEA did not have a retail electric rate increase.

**JOHNSON CITY ENERGY AUTHORITY
DBA BRIGHTRIDGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020**



The chart above reflects the cumulative broadband customers at the end of the month that are served by either a fiber optic service delivery or a wireless internet delivery. Customers growth is within the phase one and phase two of our build out. JCEA uses a variety of communication channels to notify customers of our ability to serve them in addition to more traditional forms of advertising. Phases three through eight will cover fiscal years 2021 through 2026. 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
STATEMENT OF NET POSITION
June 30, 2020**

ASSETS

CURRENT ASSETS

Cash on Hand and in Bank	\$ 27,387,750
Accounts Receivable - Customer Service, Net of Allowance for Uncollectible Accounts	19,963,034
Accounts Receivable - Rents and Other	785,836
Current Maturities of Notes Receivable	110,047
Inventories	9,641,567
Prepaid Expenses	782,165

Total Current Assets	58,670,399
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CAPITAL ASSETS

Land and Land Rights	5,609,152
Intangibles	261,361
Construction in Progress	5,361,037
Depreciable Capital Assets	306,904,002
Less: Accumulated Depreciation	(105,870,640)

Net Capital Assets	212,264,912
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DESIGNATED ASSETS

Cash and Cash Equivalents	23,818,487
Long-Term Certificate of Deposit	1,000,000

Total Designated Assets	24,818,487
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OTHER ASSETS

Accounts Receivable - Customers - Heat Pumps	3,347,350
Advance from Tennessee Valley Authority	(3,347,350)
Notes Receivable, Net of Current Maturities	289,384

Total Other Assets	289,384
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TOTAL ASSETS	296,043,182
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DEFERRED OUTFLOWS OF RESOURCES

Deferred Loss on Bond Refunding	837,456
Deferred Outflows of Resources Related to Pension Plans	4,625,732
Deferred Outflows of Resources Related to OPEB	1,661,498

TOTAL DEFERRED OUTFLOWS OF RESOURCES	7,124,686
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(Continued)

**JOHNSON CITY ENERGY AUTHORITY
DBA BRIGHTRIDGE
STATEMENT OF NET POSITION
June 30, 2020**

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	22,920,583
Accrued Salaries	313,694
Accrued Interest	206,667
Customer Deposits	5,923,706
Current Portion of Compensated Absences	657,741
Current Maturities of Bonds Payable	2,585,000
Current Maturities of Note Payable	76,000
Other Current and Accrued Liabilities	389,643

Total Current Liabilities	33,073,034
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LONG-TERM LIABILITIES

Bonds Payable, Net of Current Maturities and Unamortized Bond Premium	28,117,061
Note Payable, Net of Current Maturities	240,667
Compensated Absences, Net of Current Portion	2,549,119
Net Pension Liability	3,388,921
Other Post-Employment Benefits Liability	9,090,409

Total Long-Term Liabilities	43,386,177
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TOTAL LIABILITIES	76,459,211
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DEFERRED INFLOWS OF RESOURCES

Deferred Inflows of Resources Related to Pension Plans	1,270,789
Deferred Inflows of Resources Related to OPEB	124,127

TOTAL DEFERRED INFLOWS OF RESOURCES	1,394,916
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NET POSITION

Net Investment in Capital Assets	182,400,307
Unrestricted	42,913,434

TOTAL NET POSITION	\$ 225,313,741
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The accompanying notes are an integral part of these basic financial statements.

**JOHNSON CITY ENERGY AUTHORITY
DBA BRIGHTRIDGE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2020**

OPERATING REVENUES	
Sales of Electric Energy	
Residential	\$ 104,286,128
Large Lighting and Power	59,190,814
Small Lighting and Power	17,656,286
Street and Outdoor Lighting	3,563,547
Unbilled Revenue	8,351,241
Sales of Broadband	
Internet Operating Revenue - Residential	498,700
Internet Operating Revenue - Business	352,685
Internet Operating Revenue - Support Services	46,917
Other Operating Revenues	<u>3,646,978</u>
Total Operating Revenues (Pledged as Security for Revenue Bonds)	<u>197,593,296</u>
OPERATING EXPENSES	
Operations	
Power Purchased from Tennessee Valley Authority	141,337,194
Broadband Wholesale Delivery	403,747
Broadband Installation	1,328,156
Other Operating Expenses	17,955,661
Maintenance	10,110,012
Provision for Depreciation	9,954,239
Tax Equivalents	<u>5,616,535</u>
Total Operating Expenses	<u>186,705,544</u>
NET OPERATING INCOME	<u>10,887,752</u>
NONOPERATING REVENUES (EXPENSES)	
Interest Income	518,688
Other Income	105,373
Interest Expense	(1,328,538)
Amortization of Bond Premium	257,304
Amortization of Deferred Loss on Bond Refunding	<u>(65,256)</u>
Total Nonoperating Revenues (Expenses)	<u>(512,429)</u>
CHANGE IN NET POSITION	10,375,323
NET POSITION, BEGINNING	<u>214,938,418</u>
NET POSITION, ENDING	<u>\$ 225,313,741</u>

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

**JOHNSON CITY ENERGY AUTHORITY
DBA BRIGHTRIDGE
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2020**

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Electric Sales	\$ 193,477,096
Cash Received from Broadband Sales	809,007
Cash Received from Rentals and Other Sales	3,659,927
Cash Payments to Suppliers for Goods and Services	(162,129,034)
Cash Payments for Employee Services and Benefits	(11,749,714)
Cash Payments for Tax Equivalents	(5,616,535)
Net Cash Received from Customer Deposits	<u>341,329</u>
Net Cash Provided by Operating Activities	<u>18,792,076</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Payments Received on Note Receivable Related to USDA Grant Pass-Through	76,000
Principal Paid on USDA Note Payable	<u>(76,000)</u>
Net Cash Provided by Noncapital Financing Activities	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and Construction of Capital Assets	(20,597,709)
Payments Received on Note Receivable from Capital Contract	32,069
Principal Paid on Capital Debt	(2,490,000)
Interest Paid on Capital Debt	(1,345,138)
Net Proceeds from Other Income	<u>105,373</u>
Net Cash Used for Capital and Related Financing Activities	<u>(24,295,405)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on Investments	518,688
Proceeds from Maturity of Restricted Long-Term Certificate of Deposit	1,000,000
Purchase of Designated Long-Term Certificate of Deposit	<u>(1,000,000)</u>
Net Cash Provided by Investing Activities	<u>518,688</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,984,641)
BEGINNING CASH AND CASH EQUIVALENTS, JULY 1, 2019	<u>56,190,878</u>
ENDING CASH AND CASH EQUIVALENTS, JUNE 30, 2020	<u>\$ 51,206,237</u>

(Continued)

**JOHNSON CITY ENERGY AUTHORITY
DBA BRIGHTRIDGE
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2020**

RECONCILIATION OF OPERATING INCOME TO	
NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income	\$ 10,887,752
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities:	
Depreciation Expense (Including Allocated Portion)	10,750,287
Decrease in Allowance for Uncollectible Accounts	73,176
(Increase) Decrease in Assets:	
Accounts Receivable	352,734
Inventories	(1,239,671)
Prepaid Expenses	(372,356)
(Increase) Decrease in Deferred Outflows:	
Related to OPEB	(1,478,823)
Related to Pension Plans	(918,993)
Increase (Decrease) in Liabilities:	
Accounts Payable	(3,026,710)
Accrued Salaries	95,897
Customer Deposits	341,329
Compensated Absences	522,988
Other Current and Accrued Liabilities	(476,931)
Net Pension Liability	70,486
Other Post-Employment Benefits Liability	2,997,292
Increase (Decrease) in Deferred Inflows:	
Related to Pension Plans	213,619
Related to OPEB	-
Net Cash Provided by Operating Activities	<u>\$ 18,792,076</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS FROM STATEMENT	
OF CASH FLOWS TO STATEMENT OF NET POSITION	
Cash on Hand and in Bank	\$ 27,387,750
Designated Assets - Cash and Cash Equivalents	<u>23,818,487</u>
Cash and Cash Equivalents at End of Fiscal Year	<u>\$ 51,206,237</u>
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES	
Amortization of Bond Premium	\$ 257,304
Amortization of Deferred Loss on Bond Refunding	<u>(65,256)</u>
Non-Cash Capital and Related Financing Activities	<u>\$ 192,048</u>

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

**JOHNSON CITY ENERGY AUTHORITY
DBA BRIGHTRIDGE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020**

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 new 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.

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.

Restricted Funds

BrightRidge has certain restricted funds consisting of a stabilization reserve of \$17,830 related to the Hybrid Pension Plan as disclosed in Note 5. Given the timing of reporting to TVA, the stabilization reserve is not recorded in the financial statements for the fiscal year ended June 30, 2020. The funds are held by the Tennessee Consolidated Retirement System.

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.

**JOHNSON CITY ENERGY AUTHORITY
DBA BRIGHTRIDGE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deposits and Investments (Continued)

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, 2020, BrightRidge invested certain designated cash and cash equivalents in designated long-term certificates of deposit through Certificate of Deposit Account Registry Service (CDARS) program totaling \$1,000,000. These investment deposits were approved by the Board of Directors and have an interest rate of 1.80% over the term of 52-weeks, with the next maturity in February 2021.

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, 2020.

The general ledger carrying amount of BrightRidge's deposits with financial institutions along with petty cash was \$51,206,237 at June 30, 2020, and the bank balances along with petty cash was \$50,917,610.

Covered bank deposits and amounts not on deposit are detailed as follows:

Amount Not on Deposit (Petty Cash)	\$ 18,000
Deposits Insured by Federal Deposit Insurance Corporation (FDIC)	303,894
Excess Deposits Insured with State of Tennessee Bank Collateral Pool	<u>50,595,716</u>
	<u>\$ 50,917,610</u>

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 \$19,576,312, which are designated for capital improvements; money market accounts in the amount of \$2,194,076, which are designated for bond principal and interest payments; a money market account in the amount of \$2,043,850, which is designated for insurance liabilities; and a money market account in the amount of \$4,249, 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.

**JOHNSON CITY ENERGY AUTHORITY
DBA BRIGHTRIDGE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$84,000 at June 30, 2020 and is netted against receivables in the financial statements. Estimated unbilled receivables are accrued as receivables, and approximated \$8,418,000 at June 30, 2020.

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, 2020, all intangible capital 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, 2020 was \$10,750,287, of which \$9,954,239 was charged to Depreciation Expense and \$796,048 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

**JOHNSON CITY ENERGY AUTHORITY
DBA BRIGHTRIDGE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 three 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 Related to Pension Plans is related to differences between expected and actual experience and changes in assumptions, as well as BrightRidge's contributions made to the Tennessee Consolidated Retirement System (TCRS) during fiscal year 2020 for all plans, and (3) the Deferred Outflows of Resources Related to Other Post-Employment Benefits (OPEB) is related to differences between expected and actual experience and changes in assumptions, as well as BrightRidge's contributions made for OPEB during fiscal year 2020. The differences in experience and changes in assumptions are a result of the actuarial study for BrightRidge's pension plans through TCRS and the actuarial study for BrightRidge's OPEB commitment, and are being amortized over the average working lifetime of all participants and over the average service of OPEB participants, respectively. The contributions were made subsequent to the pension's measurement date of June 30, 2019 and OPEB's measurement date of July 1, 2019, and will be recognized as a reduction to the net pension liability or the OPEB liability, respectively, in the following measurement period.

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 two items reported as deferred inflows: (1) the Deferred Inflows of Resources Related to Pension Plans is related to differences between expected and actual experience and projected and actual earnings on pension plan investments. 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, and the net difference in earnings on pension plans investments is being amortized over a five-year period (staggered based on measurement year). (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 for BrightRidge's OPEB commitment. These changes are being amortized over the average service of OPEB participants.

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.

**JOHNSON CITY ENERGY AUTHORITY
DBA BRIGHTRIDGE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences (Continued)

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, 2020, in the amount of \$3,206,860. The portion of this liability expected to be paid within one year of \$657,741 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, 2020.

Long-Term Obligations

Bonds payable are reported net of the applicable bond premium, which are deferred and amortized over the life of the related bonds and was \$257,304 for the fiscal year 2020. In addition, deferred losses on bond refunding are amortized over the life of the related bonds (see Note 8).

Pension

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pension, 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.

**JOHNSON CITY ENERGY AUTHORITY
DBA BRIGHTRIDGE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Intrafund activity, as well as intrafund receivables 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 agreement with a local university for lighting efficiency in November 2012 for \$288,739. The note had a carrying balance at June 30, 2020 of \$89,097. The note is receivable at \$3,206 per month for 120 months. The note bears interest at a rate of 6.00% per fiscal year.

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, 2020 remaining balance of \$310,334 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 in the amount of \$760,000 on August 21, 2014 (start of Year 1) with a current expiration date of August 21, 2020 (end of Year 5) from a local financial institution.

**JOHNSON CITY ENERGY AUTHORITY
DBA BRIGHTRIDGE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020**

NOTE 2 - NOTES RECEIVABLE (CONTINUED)

This letter shall automatically renew for up to six 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 as follows at June 30, 2020:

Year 6	\$	380,000
Year 7		304,000
Year 8		228,000
Year 9		152,000
Year 10		76,000

NOTE 3 - 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 was no reduction 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 million at June 30, 2020. For the fiscal year ended June 30, 2020, no settlements were paid from these funds.

**JOHNSON CITY ENERGY AUTHORITY
DBA BRIGHTRIDGE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020**

NOTE 4 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the fiscal year ended June 30, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated				
Land and Land Rights	\$ 5,407,968	201,184	-	5,609,152
Intangibles	235,121	26,240	-	261,361
Construction in Progress	3,711,050	24,970,691	(23,320,704)	5,361,037
Total Capital Assets, Not Being Depreciated	<u>9,354,139</u>	<u>25,198,115</u>	<u>(23,320,704)</u>	<u>11,231,550</u>
Capital Assets, Being Depreciated				
Buildings	30,680,495	507,611	(62,072)	31,126,034
Office Equipment	3,816,226	107,625	(7,312)	3,916,539
Transportation Equipment	7,646,819	851,824	(592,901)	7,905,742
Other Machinery and Equipment	9,240,530	2,118,872	(2,394)	11,357,008
Transmission and Power				
Distribution System	242,566,956	10,039,503	(4,118,028)	248,488,431
Fiber	138,746	3,971,782	(280)	4,110,248
Total Capital Assets, Being Depreciated	<u>294,089,772</u>	<u>17,597,217</u>	<u>(4,782,987)</u>	<u>306,904,002</u>
Accumulated Depreciation				
Buildings	(10,415,423)	(667,770)	62,072	(11,021,121)
Office Equipment	(1,568,374)	(231,948)	7,312	(1,793,010)
Transportation Equipment	(4,842,101)	(796,044)	547,645	(5,090,500)
Other Machinery and Equipment	(3,393,555)	(702,446)	2,722	(4,093,279)
Transmission and Power				
Distribution System	(80,806,929)	(8,293,268)	5,285,987	(83,814,210)
Fiber	(39)	(58,811)	330	(58,520)
Total Accumulated Depreciation	<u>(101,026,421)</u>	<u>(10,750,287)</u>	<u>5,906,068</u>	<u>(105,870,640)</u>
Net Capital Assets, Being Depreciated	<u>193,063,351</u>	<u>6,846,930</u>	<u>1,123,081</u>	<u>201,033,362</u>
Net Capital Assets	<u>\$ 202,417,490</u>	<u>32,045,045</u>	<u>(22,197,623)</u>	<u>212,264,912</u>

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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.

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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, 2019, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	115
Inactive Employees Entitled to but not yet Receiving Benefits	181
Active Employees	<u>179</u>
Total Employees	<u><u>475</u></u>

At the measurement date of June 30, 2019, the Legacy plan 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, 2020, the employer contributions for BrightRidge’s Legacy pension plan were \$1,881,869 based on a rate of 13.42 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 ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability – Legacy Plan

Pension Liabilities

BrightRidge’s net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate net pension liability was determined by an actuarial valuation as of that date.

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NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020**

NOTE 5 - PENSION PLANS (CONTINUED)

Net Pension Liability – Legacy Plan (Continued)

Actuarial Assumptions

The total pension liability as of June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary Increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment Rate of Return	7.25 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.25 percent

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

The actuarial assumptions used in the June 30, 2019 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. 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, 2016 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 2.50 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	5.69%	31%
Developed Market International Equity	5.29%	14%
Emerging Market International Equity	6.36%	4%
Private Equity and Strategic Lending	5.79%	20%
U.S. Fixed Income	2.01%	20%
Real Estate	4.32%	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 7.25 percent based on a blending of the factors described above.

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NOTE 5 - PENSION PLANS (CONTINUED)

Net Pension Liability – Legacy Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.25 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 – Legacy Plan

	Total Pension Liability	Plan Fiduciary Net Position	Increase (Decrease) Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at June 30, 2018	\$ 57,581,602	54,263,167	3,318,435
Changes for the Fiscal Year:			
Service Cost	1,047,796	-	1,047,796
Interest	4,153,492	-	4,153,492
Differences between Expected and Actual Experience	1,409,848	-	1,409,848
Changes in Assumptions	-	-	-
Contributions - Employer	-	1,835,801	(1,835,801)
Contributions - Employees	-	683,980	(683,980)
Net Investment Income	-	4,033,866	(4,033,866)
Benefit Payments, Including Refunds of Employee Contributions	(2,679,716)	(2,679,716)	-
Administrative Expense	-	(16,023)	16,023
Net Changes	<u>3,931,420</u>	<u>3,857,908</u>	<u>73,512</u>
Balance at June 30, 2019	<u>\$ 61,513,022</u>	<u>58,121,075</u>	<u>3,391,947</u>

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NOTE 5 - PENSION PLANS (CONTINUED)

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

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

The following presents the net pension liability of BrightRidge calculated using the discount rate of 7.25 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net Pension Liability (Asset)	\$ 11,458,795	3,391,947	(3,375,386)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – Legacy Plan

Pension Expense

For the fiscal year ended June 30, 2020, BrightRidge recognized pension expense of \$1,273,487.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the fiscal year ended June 30, 2020, 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	\$ 1,790,404	604,834
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	665,953
Changes in Assumptions	926,975	-
Contributions Subsequent to the Measurement Date of June 30, 2019	1,881,869	(not applicable)
Total	\$ 4,599,248	1,270,787

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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, 2019,” 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:	
2021	\$ 285,547
2022	(30,779)
2023	220,746
2024	397,416
2025	418,649
Thereafter	155,013

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, 2020, BrightRidge reported a payable of approximately \$144,200 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2020.

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>.

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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, 2019, 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	0
Active Employees	6
Total Employees	<u>6</u>

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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. 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. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4 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, 2020, the employer contributions for BrightRidge’s Hybrid pension plan were \$26,484 based on a rate of 4.00 percent of covered payroll, including employer contributions of \$16,278 made to the Pension Stabilization Reserve Trust Fund during the fiscal year ended June 30, 2020 to fund future pension costs. The employer’s 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, 2019, 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, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary Increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment Rate of Return	7.25 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.25 percent

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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, 2019 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. 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, 2016 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 2.50 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:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. Equity	5.69%	31%
Developed Market International Equity	5.29%	14%
Emerging Market International Equity	6.36%	4%
Private Equity and Strategic Lending	5.79%	20%
U.S. Fixed Income	2.01%	20%
Real Estate	4.32%	10%
Short-Term Securities	0.00%	1%
		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25 percent based on a blending of the factors described above.

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NOTE 5 - PENSION PLANS (CONTINUED)

Net Pension Liability – Hybrid Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.25 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

	Total Pension Liability (Asset)	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balance at June 30, 2018	\$ -	-	-
Changes for the Fiscal Year:			
Service Cost	-	-	-
Interest	-	-	-
Differences between Expected and Actual Experience	-	-	-
Changes in Assumptions	-	-	-
Contributions - Employer	-	767	(767)
Contributions - Employees	-	2,311	(2,311)
Net Investment Income	-	109	(109)
Benefit Payments, Including Refunds of Employee Contributions	-	-	-
Administrative Expense	-	(161)	161
Net Changes	-	3,026	(3,026)
Balance at June 30, 2019	\$ -	3,026	(3,026)

**JOHNSON CITY ENERGY AUTHORITY
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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 7.25 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net Pension Liability (Asset)	\$ (3,026)	(3,026)	(3,026)

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, 2020, BrightRidge recognized pension expense (negative pension expense) of (\$2,257).

Deferred Outflows of Resources and Deferred Inflows of Resources

For the fiscal year ended June 30, 2020, 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	\$ -	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	2
Changes in Assumptions	-	-
Contributions Subsequent to the Measurement Date of June 30, 2019	26,484	(not applicable)
Total	\$ 26,484	2

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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, 2019,” 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:		
2021	\$	(1)
2022		(1)
2023		-
2024		-
2025		-
Thereafter		-

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, 2020, BrightRidge reported a payable of approximately \$4,300 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2020.

TCRS Stabilization 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.

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NOTE 5 - PENSION PLANS (CONTINUED)

TCRS Stabilization Trust

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, 2020, 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.

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NOTE 5 - PENSION PLANS (CONTINUED)

TCRS Stabilization Trust

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.

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NOTE 5 - PENSION PLANS (CONTINUED)

TCRS Stabilization Trust

At June 30, 2020, BrightRidge had the following investments held by the trust on its behalf:

Investment	Weighted Average Maturity (days)	Maturities	Fair Value
Investments at Fair Value:			
U.S. Equity	N/A	N/A	\$ 5,528
Developed Market International Equity	N/A	N/A	2,496
Emerging Market International Equity	N/A	N/A	713
U.S. Fixed Income	N/A	N/A	3,566
Real Estate	N/A	N/A	1,783
Short-term Securities	N/A	N/A	178
NAV - Private Equity and Strategic Lending	N/A	N/A	<u>3,566</u>
Total			<u><u>\$ 17,830</u></u>

Investment by Fair Value Level	Fair Value June 30, 2020	Fair Value Measurements Using			NAV
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
U.S. Equity	\$ 5,528	5,528	-	-	-
Developed Market International Equity	2,496	2,496	-	-	-
Emerging Market International Equity	713	713	-	-	-
U.S. Fixed Income	3,566	-	3,566	-	-
Real Estate	1,783	-	-	1,783	-
Short-term Securities	178	-	178	-	-
Private Equity and Strategic Lending	<u>3,566</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,566</u>
Total	<u><u>\$ 17,830</u></u>	<u><u>8,737</u></u>	<u><u>3,744</u></u>	<u><u>1,783</u></u>	<u><u>3,566</u></u>

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NOTE 5 - PENSION PLANS (CONTINUED)

TCRS Stabilization Trust

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 Brightridge 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, the county 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 at <https://comptroller.tn.gov/content/dam/cot/sa/advanced-search/disclaimer/2020/ag19091.pdf>.

**JOHNSON CITY ENERGY AUTHORITY
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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 pre-65 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 Companion Life Insurance.

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

c. Benefit/Cost Sharing: BrightRidge pays approximately 75% of the PPO Medical plan premium for the pre-65 retirees. In addition, BrightRidge reimburses the HRA deductible for a maximum annual benefit of \$4,000 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 as of September 1, 2016, upon retirement and reaching age 65. Employees hired after September 1, 2016 are not eligible for the Retiree HRA Program.

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June 30, 2020**

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

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

- d. Spouse Benefit:* BrightRidge reimburses the HRA deductible for the retiree's spouse, for a maximum annual benefit of \$4,000 per participant. The spouse pays 100% of the medical premium.
- e. Surviving Spouse Benefit:* Yes, same as spouse benefit above.
- f. Annual Medical Premium:* Effective January 1, 2019 through December 31, 2019

Plan	Premium	Retiree Contribution
Pre-65 Retiree	\$ 6,383	\$ 1,533
Pre-65 Retiree and Spouse	\$ 13,351	\$ 9,055

Effective January 1, 2020 through December 31, 2020

Plan	Premium	Retiree Contribution
Pre-65 Retiree	\$ 6,450	\$ 1,548
Pre-65 Retiree and Spouse	\$ 13,487	\$ 9,141

- g. Life:* Upon retirement, all retirees receive a \$25,000 life insurance policy.
- 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 \$49.20 per annum per retiree.

Employees Covered by Benefit Terms

At the actuarial valuation date of July 1, 2019, the following were covered by the benefit terms:

Inactives Receiving Benefits	85
Inactives Not Receiving Benefits	0
Actives	184
Total	269

**JOHNSON CITY ENERGY AUTHORITY
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June 30, 2020**

**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, 2019, updated on July 24, 2020, with a projection to June 30, 2020, and a measurement date of July 1, 2019.

Actuarial Assumptions

Discount Rate	A discount rate of 3.50% was used as of June 30, 2019. A discount rate of 2.21% was used as of June 30, 2020. The discount based on a Bond Buyer's Bond 20 Index.
Mortality	Current Valuation: RP-2014 Headcount-weighted Fully Generational mortality table with projection scale MP-2018. Prior Valuation: RP-2000 Combined Fully Generational Mortality table with projection scale BB.
Retirement Rates	It was assumed that the following percentage of eligible employees would retire each year:

<u>Age</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>
50 - 57	1.50%	67	24.40%
58	4.00%	68	22.10%
59	6.50%	69	19.80%
60	9.00%	70	17.50%
61	11.50%	71	15.20%
62	21.50%	72	12.90%
63	14.50%	73	10.60%
64	16.00%	74	8.30%
65	29.00%	75	100.00%
66	26.70%		

**JOHNSON CITY ENERGY AUTHORITY
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NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020**

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

OPEB Liability (Continued)

Actuarial Assumptions (Continued)

Termination Rates It was assumed that employees would terminate employment in accordance with the rates in the following two-year select and ultimate table for both males and females:

<u>Age</u>	<u>1st Year Employment</u>	<u>2nd Year Employment</u>	<u>Male Ultimate</u>	<u>Female Ultimate</u>
30	24.30%	20.00%	9.10%	11.10%
40	20.40%	15.10%	2.50%	3.50%
45	18.50%	13.90%	2.20%	3.00%
50	16.50%	12.70%	1.90%	2.40%
55	14.60%	11.50%	1.60%	1.90%

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

<u>Year</u>	<u>Medical Rates</u>	<u>Medicare Part B Rates</u>
2017	8.00%	5.00%
2018	7.50%	5.00%
2019	7.00%	5.00%
2020	6.50%	5.00%
2021	6.00%	5.00%
2022	5.50%	5.00%
2023+	5.00%	5.00%

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.

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.

**JOHNSON CITY ENERGY AUTHORITY
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NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020**

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

OPEB Liability (Continued)

Actuarial Assumptions (Continued)

Administrative Expenses	Included in premiums used.
Participant Salary Increases	3.50 percent annually
Payroll Growth Rate	2.50 percent annually
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.

<u>Age</u>	<u>Male</u>	<u>Female</u>
50	5991	6911
51	6224	7041
52	6467	7176
53	6722	7297
54	6992	7422
55	7274	7548
56	7566	7678
57	7867	7808
58	8158	8001
59	8459	8203
60	8773	8410
61	9096	8616
62	9433	8831
63	9612	9002
64	9796	9173

Changes in Actuarial Assumptions

In the fiscal year ending June 30, 2020, assumption changes included the mortality table was updated; discount rate changed from 3.50% as of June 30, 2019 to 2.21% as of June 30, 2020; and health care cost trend rates changed from 7.0% in fiscal year 2019 (2018 Medical Trend Rates) to 8.0% in fiscal year 2020 (2019 Medical Trend Rates), grading down to an ultimate rate of 5.0%.

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NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020**

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

OPEB Liability (Continued)

Changes in Plan Benefits

In the fiscal year ending June 30, 2020, the OPEB 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.

Changes in the OPEB Liability

	Increase (Decrease)
	Total OPEB Liability
Balance at June 30, 2019	\$ 6,093,117
Changes for the Fiscal Year:	
Service Cost	288,031
Interest	275,307
Changes in Benefit Terms	1,343,154
Difference Between Expected and Actual Experience	393,388
Changes in Assumptions	1,085,435
Benefit Payments	(388,023)
Net Changes	2,997,292
 Balance at June 30, 2020	 \$ 9,090,409

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 2.21 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21 percent) or 1-percentage-point higher (3.21 percent) than the current discount rate:

	1% Decrease (1.21%)	Current Rate (2.21%)	1% Increase (3.21%)
OPEB Liability	\$ 10,170,584	9,090,409	8,182,045

**JOHNSON CITY ENERGY AUTHORITY
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NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020**

**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 8.00 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 (7.00 percent decreasing to 4.00 percent) or 1-percentage-point higher (9.00 percent decreasing to 6.00 percent) than the current health care trend rate:

	<u>1% Decrease (7.00% decreasing to 4.00%)</u>	<u>Current Rate (8.00% decreasing to 5.00%)</u>	<u>1% Increase (9.00% decreasing to 6.00%)</u>
OPEB Liability	\$ 8,826,939	9,090,409	9,392,253

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

OPEB Expense

For the fiscal year ended June 30, 2020, BrightRidge recognized OPEB expense of \$2,073,628.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the fiscal year ended June 30, 2020, BrightRidge reported the following deferred inflows of resources and deferred outflows of resources related to OPEB:

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences between Expected and Actual Experience	\$ 393,388	-
Changes in Assumptions	1,268,110	124,127
Total	<u>\$ 1,661,498</u>	<u>124,127</u>

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:

2021	\$ 167,136
2022	167,136
2023	167,136
2024	167,136
2025	167,136
Thereafter	701,691

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

**JOHNSON CITY ENERGY AUTHORITY
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June 30, 2020**

NOTE 7 - DEFERRED COMPENSATION PLAN

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

NOTE 8 - LONG-TERM DEBT

Long-term debt activity for the year ended June 30, 2020 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds					
Revenue Bonds Payable	\$ 29,890,000	-	(2,490,000)	27,400,000	2,585,000
Premium	3,559,365	-	(257,304)	3,302,061	-
Total Revenue Bonds	33,449,365	-	(2,747,304)	30,702,061	2,585,000
Note Payable	392,667	-	(76,000)	316,667	76,000
Total Long-Term Debt	\$ 33,842,032	-	(2,823,304)	31,018,728	2,661,000

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.

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.

**JOHNSON CITY ENERGY AUTHORITY
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NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020**

NOTE 8 - LONG-TERM DEBT (CONTINUED)

Bonds Payable (Continued)

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, 2020 was \$837,456. During the fiscal year ended June 30, 2020, \$65,256 amortization expense was recognized.

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.

The total interest incurred for the year ended June 30, 2020 was \$1,328,538 charged to expense.

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

	<u>Date Issued</u>	<u>Amount Issued</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Outstanding June 30, 2020</u>
Electric System Revenue Bonds - 2017	3/31/2017	\$ 34,480,000	3.00-5.00%	5/1/2033	\$ 27,400,000
					<u>\$ 27,400,000</u>

Changes in the Deferred Loss on Bond Refunding for the year ended June 30, 2020 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Deferred Loss on Bond Refunding	\$ 902,712	-	(65,256)	837,456
	<u>\$ 902,712</u>	<u>-</u>	<u>(65,256)</u>	<u>837,456</u>

**JOHNSON CITY ENERGY AUTHORITY
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NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020**

NOTE 8 - LONG-TERM DEBT (CONTINUED)

Bonds Payable (Continued)

Electric System Revenue Bonds issued May 1, 2017 debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2021	\$ 2,585,000	1,240,000	3,825,000
2022	2,685,000	1,136,600	3,821,600
2023	2,830,000	1,002,350	3,832,350
2024	1,635,000	860,850	2,495,850
2025	1,710,000	779,100	2,489,100
2026-2030	9,760,000	2,711,250	12,471,250
2031-2033	6,195,000	445,400	6,640,400
	<u>\$ 27,400,000</u>	<u>8,175,550</u>	<u>35,575,550</u>

Note 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.) Principal payments of \$6,333 are due monthly. The balance at June 30, 2020 is \$316,667.

Note payable debt service requirements for the fiscal years subsequent to maturity are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2021	\$ 76,000	-	76,000
2022	76,000	-	76,000
2023	76,000	-	76,000
2024	76,000	-	76,000
2025	12,667	-	12,667
	<u>\$ 316,667</u>	<u>-</u>	<u>316,667</u>

**JOHNSON CITY ENERGY AUTHORITY
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NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020**

NOTE 9 - LONG-TERM OBLIGATIONS

Changes to long-term obligations, other than long-term debt, for the year ended June 30, 2020 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated Absences	\$ 2,683,872	984,730	(461,742)	3,206,860	657,741
Total Long-Term Liabilities	<u>\$ 2,683,872</u>	<u>984,730</u>	<u>(461,742)</u>	<u>3,206,860</u>	<u>657,741</u>

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 serves as a pass through agent for this program, as reflected in the offsetting asset and contra asset on the Statement of Net Position of \$3,347,350 and (\$3,347,350), respectively.

NOTE 11 - DEFERRED COMPENSATION AND DEFINED CONTRIBUTION PLANS

Deferred Compensation Plan

BrightRidge offers its employees a 457(b) deferred compensation plan available to all employees, which includes TCRS Legacy and Hybrid plan participants. 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. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The Plan assets are in custodial accounts and are not subject to the claims of BrightRidge's general creditors and are not reflected in the financial statements. Employee contributions totaled \$299,902 for the fiscal year ended June 30, 2020.

Defined Contribution Plans

BrightRidge offers its employees a defined contribution plan 401(k) as administered by Empower Retirement, as offered TCRS along with the defined benefit portion. Employees hired after July 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. 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 year, employees contributed approximately \$117,270 and employer contributions were \$32,290. 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.

**JOHNSON CITY ENERGY AUTHORITY
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NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020**

NOTE 11 - DEFERRED COMPENSATION AND DEFINED CONTRIBUTION PLANS

Defined Contribution Plans (Continued)

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 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.

In March 2020, the COVID-19 virus was declared a national pandemic as it spread worldwide. BrightRidge's services have generally been considered essential in nature and have not been materially interrupted, thus no significant adjustments have been made by management to the fiscal year 2020 financial statements as a result of this uncertainty. As the situation continues to evolve, management is closely monitoring the impact of the pandemic by factors which are largely uncertain, unpredictable and outside of management's control, such as the volatility in deposits and credit markets and sustainability of BrightRidge's customers, suppliers, vendors, and services.

SECTION III
SUPPLEMENTARY INFORMATION

**JOHNSON CITY ENERGY AUTHORITY
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REQUIRED SUPPLEMENTARY INFORMATION
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**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Total Pension Liability						
Service Cost	\$ 863,049	886,120	908,535	928,967	1,048,484	1,047,796
Interest	3,394,641	3,483,216	3,677,919	3,803,875	4,003,107	4,153,492
Differences between Expected and Actual Experience	(790,970)	667,467	(497,971)	626,009	(371,233)	1,409,848
Changes in Assumptions	-	-	-	1,483,160	-	-
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)
Net Change in Total Pension Liability	<u>1,314,613</u>	<u>2,571,341</u>	<u>1,627,577</u>	<u>4,443,901</u>	<u>2,149,286</u>	<u>3,931,420</u>
Total Pension Liability - Beginning	<u>45,474,884</u>	<u>46,789,497</u>	<u>49,360,838</u>	<u>50,988,415</u>	<u>55,432,316</u>	<u>57,581,602</u>
Total Pension Liability - Ending (a)	<u>\$ 46,789,497</u>	<u>49,360,838</u>	<u>50,988,415</u>	<u>55,432,316</u>	<u>57,581,602</u>	<u>61,513,022</u>
Plan Fiduciary Net Position						
Contributions - Employer	\$ 1,574,379	1,577,102	1,594,572	1,694,199	1,666,121	1,835,801
Contributions - Employees	567,549	587,572	593,982	631,222	620,761	683,980
Net Investment Income	6,171,384	1,331,964	1,174,476	5,129,570	4,168,938	4,033,866
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)
Administrative Expense	(8,578)	(9,074)	(13,285)	(14,692)	(16,596)	(16,023)
Net Change in Plan Fiduciary Net Position	<u>6,152,627</u>	<u>1,022,102</u>	<u>888,839</u>	<u>5,042,189</u>	<u>3,908,152</u>	<u>3,857,908</u>
Plan Fiduciary Net Position - Beginning	<u>37,249,258</u>	<u>43,401,885</u>	<u>44,423,987</u>	<u>45,312,826</u>	<u>50,355,015</u>	<u>54,263,167</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 43,401,885</u>	<u>44,423,987</u>	<u>45,312,826</u>	<u>50,355,015</u>	<u>54,263,167</u>	<u>58,121,075</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 3,387,612</u>	<u>4,936,851</u>	<u>5,675,589</u>	<u>5,077,301</u>	<u>3,318,435</u>	<u>3,391,947</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	92.76%	90.00%	88.87%	90.84%	94.24%	94.49%
Covered Payroll	\$ 11,350,967	\$ 11,751,752	\$ 11,881,393	\$ 12,624,437	\$ 12,415,203	\$ 13,679,586
Net Pension Liability as a Percentage of Covered Payroll	29.84%	42.01%	47.77%	40.22%	26.73%	24.80%

Notes to Schedule:

Changes in Assumptions

In fiscal year 2017, amounts reported as changes in 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
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**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Actuarially Determined Contribution Contributions in relation to the Actuarially Determined Contribution	\$ 1,574,379	1,577,102	1,594,572	1,694,199	1,666,121	1,835,801	1,881,869
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered Payroll	\$ 11,350,967	11,751,752	11,881,393	12,624,437	12,415,203	13,679,586	13,912,250
Contributions as a Percentage of Covered Payroll	13.87%	13.42%	13.42%	13.42%	13.42%	13.42%	13.53%

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.

Notes to Schedule:

Valuation Date

Actuarially-determined contribution rates for fiscal year 2020 were calculated based on the June 30, 2019 actuarial valuation.

Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar, Closed (not to exceed 20 years)
Remaining Amortization Period	Varies by Year
Asset Valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	2.50 percent
Salary Increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment Rate of Return	7.25 percent, net of investment expense, including inflation
Retirement Age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost-of-Living Adjustments	2.25 percent

Changes of Assumptions

In 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
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
Total Pension Liability	
Service Cost	\$ -
Interest	-
Differences between Expected and Actual Experience	-
Changes in Assumptions	-
Benefit Payments, including Refunds of Employee Contributions	-
Net Change in Total Pension Liability	-
Total Pension Liability - Beginning	-
Total Pension Liability - Ending (a)	\$ -
Plan Fiduciary Net Position	
Contributions - Employer	\$ 767
Contributions - Employees	2,311
Net Investment Income	109
Benefit Payments, including Refunds of Employee Contributions	-
Administrative Expense	(161)
Net Change in Plan Fiduciary Net Position	3,026
Plan Fiduciary Net Position - Beginning	-
Plan Fiduciary Net Position - Ending (b)	\$ 3,026
Net Pension Liability - Ending (a) - (b)	\$ (3,026)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	0.00%
Covered Payroll	\$ 46,215
Net Pension Liability as a Percentage of Covered Payroll	-6.55%

Notes to Schedule:

Changes in Assumptions

As applicable, in fiscal year 2017, amounts reported as changes in assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, and salary growth.

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
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**

	<u>2019</u>	<u>2020</u>
Actuarially Determined Contribution Contributions in relation to the Actuarially Determined Contribution Contribution Deficiency (Excess)	\$ 767	26,484
	<u>767</u>	<u>26,484</u>
	<u>\$ -</u>	<u>-</u>
Covered Payroll Contributions as a Percentage of Covered Payroll	\$ 46,215	693,326
	1.66%	3.82%

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.

Notes to Schedule:

Valuation Date

Actuarially-determined contribution rates for fiscal year 2020 were calculated based on the June 30, 2019 actuarial valuation.

Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar, Closed (not to exceed 20 years)
Remaining Amortization Period	Varies by Year
Asset Valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	2.50 percent
Salary Increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment Rate of Return	7.25 percent, net of investment expense, including inflation
Retirement Age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost-of-Living Adjustments	2.25 percent

Changes of Assumptions

As applicable, 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; and decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent.

See Independent Auditors' Report.

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

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Total OPEB Liability			
Service Cost	\$ 199,823	194,525	288,031
Interest	210,132	224,657	275,307
Changes in Benefit Terms	-	-	1,343,154
Difference Between Expected and Actual Experience	-	-	393,388
Changes in Assumptions	(162,797)	208,404	1,085,435
Benefit Payments	<u>(325,251)</u>	<u>(287,352)</u>	<u>(388,023)</u>
Net Change in Total OPEB Liability	(78,093)	340,234	2,997,292
Total OPEB Liability - Beginning	<u>5,830,976</u>	<u>5,752,883</u>	<u>6,093,117</u>
Total OPEB Liability - Ending	<u><u>\$ 5,752,883</u></u>	<u><u>6,093,117</u></u>	<u><u>9,090,409</u></u>
Covered Payroll	\$ 11,608,049	\$ 11,898,250	\$ 13,300,650
Net OPEB Liability as a Percentage of Covered Payroll	49.56%	51.21%	68.35%

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 in 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.

Mortality Table: In addition, 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 RP-2014 Headcount-weighted Fully Generational Table with projection scale MP2018 used in fiscal year 2020.

Non-Medicare Eligible Trend Rate: Non-Medicare eligible trend rate changes from 8.0% in fiscal year 2016, to 7.5% in fiscal year 2017, to 7.0% in fiscal year 2018, to 8.0% in 2019, and to 7.5% in 2020, grading down to an ultimate rate of 5.0%.

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
COMBINING SCHEDULE OF NET POSITION BY DIVISION
June 30, 2020**

	Business-Type Fund			Total
	Electric Division	Broadband Division	Intrafund Eliminations	
ASSETS				
CURRENT ASSETS				
Cash on Hand and in Bank	\$ 26,871,887	515,863	-	27,387,750
Accounts Receivable - Customer Service, Net of Allowance for Uncollectible Accounts	19,872,065	90,969	-	19,963,034
Accounts Receivable - Rents and Other	766,128	9,412	10,296	785,836
Current Inter-Division Receivables	946,921	385,112	(1,332,033)	-
Current Maturities of Notes Receivable	110,047	-	-	110,047
Inventories	7,586,723	2,054,844	-	9,641,567
Prepaid Expenses	738,969	53,492	(10,296)	782,165
Total Current Assets	56,892,740	3,109,692	(1,332,033)	58,670,399
CAPITAL ASSETS				
Land and Land Rights	5,609,152	-	-	5,609,152
Intangibles	5,760	255,601	-	261,361
Construction in Progress	911,060	4,449,977	-	5,361,037
Depreciable Capital Assets	299,677,496	7,226,506	-	306,904,002
Less: Accumulated Depreciation	(105,420,821)	(449,819)	-	(105,870,640)
Net Capital Assets	200,782,647	11,482,265	-	212,264,912
DESIGNATED ASSETS				
Cash and Cash Equivalents	22,312,960	1,505,527	-	23,818,487
Long-Term Certificate of Deposit	1,000,000	-	-	1,000,000
Total Designated Assets	23,312,960	1,505,527	-	24,818,487
OTHER ASSETS				
Inter-Division Receivables	22,000,000	1,300,000	(23,300,000)	-
Accounts Receivable - Customers - Heat Pumps	3,347,350	-	-	3,347,350
Advance from Tennessee Valley Authority	(3,347,350)	-	-	(3,347,350)
Notes Receivable, Net of Current Maturities	289,384	-	-	289,384
Total Other Assets	22,289,384	1,300,000	(23,300,000)	289,384
TOTAL ASSETS	303,277,731	17,397,484	(24,632,033)	296,043,182
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Loss on Bond Refunding	837,456	-	-	837,456
Deferred Outflows of Resources Related to OPEB	1,611,653	49,845	-	1,661,498
Deferred Outflows of Resources Related to Pension Plans	4,521,885	103,847	-	4,625,732
TOTAL DEFERRED OUTFLOWS OF RESOURCES	6,970,994	153,692	-	7,124,686

(Continued)

**JOHNSON CITY ENERGY AUTHORITY
DBA BRIGHTRIDGE
COMBINING SCHEDULE OF NET POSITION BY DIVISION
June 30, 2020**

	Business-Type Fund			Total
	Electric Division	Broadband Division	Intrafund Eliminations	
LIABILITIES				
CURRENT LIABILITIES				
Accounts Payable	22,522,328	398,255	-	22,920,583
Accrued Salaries	313,694	-	-	313,694
Accrued Interest	206,667	-	-	206,667
Customer Deposits	5,919,856	3,850	-	5,923,706
Current Portion of Compensated Absences	657,741	-	-	657,741
Current Maturities of Bonds Payable	2,585,000	-	-	2,585,000
Current Maturities of Note Payable	76,000	-	-	76,000
Current Inter-Division Payables	290,429	1,041,604	(1,332,033)	-
Other Current and Accrued Liabilities	385,516	4,127	-	389,643
Total Current Liabilities	32,957,231	1,447,836	(1,332,033)	33,073,034
LONG-TERM LIABILITIES				
Inter-Division Payables	-	23,300,000	(23,300,000)	-
Bonds Payable, Net of Current Maturities and Unamortized Bond Premium	28,117,061	-	-	28,117,061
Note Payable, Net of Current Maturities	240,667	-	-	240,667
Compensated Absences, Net of Current Portion	2,549,119	-	-	2,549,119
Net Pension Liability	3,384,144	4,777	-	3,388,921
Other Post-Employment Benefits Liability	8,817,697	272,712	-	9,090,409
Total Long-Term Liabilities	43,108,688	23,577,489	(23,300,000)	43,386,177
TOTAL LIABILITIES	76,065,919	25,025,325	(24,632,033)	76,459,211
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows of Resources Related to Pension Plans	1,339,518	(68,729)	-	1,270,789
Deferred Inflows of Resources Related to OPEB	120,403	3,724	-	124,127
TOTAL DEFERRED INFLOWS OF RESOURCES	1,459,921	(65,005)	-	1,394,916
NET POSITION				
Net Investment in Capital Assets	170,918,042	11,482,265	-	182,400,307
Unrestricted	61,804,843	(18,891,409)	-	42,913,434
TOTAL NET POSITION	\$ 232,722,885	(7,409,144)	-	225,313,741

See Independent Auditors' Report.

**JOHNSON CITY ENERGY AUTHORITY
DBA BRIGHTRIDGE
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BY DIVISION
For the Fiscal Year Ended June 30, 2020**

	Business-Type Fund			Total
	Electric Division	Broadband Division	Intrafund Eliminations	
OPERATING REVENUES				
Sales of Electric Energy				
Residential	\$ 104,286,128	-	-	104,286,128
Large Lighting and Power	59,190,814	-	-	59,190,814
Small Lighting and Power	17,656,990	-	(704)	17,656,286
Street and Outdoor Lighting	3,563,547	-	-	3,563,547
Unbilled Revenue	8,351,241	-	-	8,351,241
Sales of Broadband				
Internet Operating Revenue - Residential	-	498,700	-	498,700
Internet Operating Revenue - Business	-	352,685	-	352,685
Internet Operating Revenue - Support Services	-	46,917	-	46,917
Other Operating Revenues	3,991,542	13,863	(358,427)	3,646,978
Total Operating Revenues (Pledged as Revenue Bonds Security)	197,040,262	912,165	(359,131)	197,593,296
OPERATING EXPENSES				
Operations				
Power Purchased from Tennessee Valley Authority	141,337,194	-	-	141,337,194
Broadband Wholesale Delivery	-	639,323	(235,576)	403,747
Broadband Installation	-	1,328,156	-	1,328,156
Other Operating Expenses	15,997,447	2,044,637	(86,423)	17,955,661
Maintenance	9,477,428	669,716	(37,132)	10,110,012
Provision for Depreciation	9,655,491	298,748	-	9,954,239
Tax Equivalents	5,563,890	52,645	-	5,616,535
Total Operating Expenses	182,031,450	5,033,225	(359,131)	186,705,544
NET OPERATING INCOME	15,008,812	(4,121,060)	-	10,887,752
NONOPERATING REVENUES (EXPENSES)				
Interest Income	1,081,355	-	(562,667)	518,688
Other Income	76,552	28,821	-	105,373
Interest Expense	(1,328,538)	(562,667)	562,667	(1,328,538)
Amortization of Bond Premium	257,304	-	-	257,304
Amortization of Deferred Loss on Bond Refunding	(65,256)	-	-	(65,256)
Total Nonoperating Revenues (Expenses)	21,417	(533,846)	-	(512,429)
CHANGE IN NET POSITION	15,030,229	(4,654,906)	-	10,375,323
NET POSITION, BEGINNING	217,692,656	(2,754,238)	-	214,938,418
NET POSITION, ENDING	\$ 232,722,885	(7,409,144)	-	225,313,741

See Independent Auditors' Report.

**JOHNSON CITY ENERGY AUTHORITY
DBA BRIGHTRIDGE
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS -
2017 REFUNDING ISSUE
June 30, 2020**

<u>Fiscal Year Ending</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
6-30-2021	4.00%	\$ 2,585,000	1,240,000	3,825,000
6-30-2022	5.00%	2,685,000	1,136,600	3,821,600
6-30-2023	5.00%	2,830,000	1,002,350	3,832,350
6-30-2024	5.00%	1,635,000	860,850	2,495,850
6-30-2025	3.00%	1,710,000	779,100	2,489,100
6-30-2026	5.00%	1,765,000	727,800	2,492,800
6-30-2027	5.00%	1,850,000	639,550	2,489,550
6-30-2028	5.00%	1,950,000	547,050	2,497,050
6-30-2029	5.00%	2,045,000	449,550	2,494,550
6-30-2030	5.00%	2,150,000	347,300	2,497,300
6-30-2031	4.00%	2,255,000	239,800	2,494,800
6-30-2032	4.00%	2,340,000	149,600	2,489,600
6-30-2033	3.50%	1,600,000	56,000	1,656,000
		<u>\$ 27,400,000</u>	<u>8,175,550</u>	<u>35,575,550</u>

See Independent Auditors' Report.

**JOHNSON CITY ENERGY AUTHORITY
DBA BRIGHTRIDGE
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
For the Fiscal Year Ended June 30, 2020**

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding July 1, 2019	Issued During Period	Paid and/or Matured During Period	Outstanding June 30, 2020
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	\$ 33,449,365	-	(2,747,304)	30,702,061
Total Bonds Payable, Net of Premium, Through Electric Fund					<u>\$ 33,449,365</u>	<u>-</u>	<u>(2,747,304)</u>	<u>30,702,061</u>
Notes Payable								
USDA Rural Development Obligations								
Payable Through Electric Fund								
Rural Economic Development Loan	\$ 760,000	0%	8/21/2014	8/21/2024	\$ 392,667	-	(76,000)	316,667
Total Notes Payable Through Electric Fund					<u>\$ 392,667</u>	<u>-</u>	<u>(76,000)</u>	<u>316,667</u>

See Independent Auditors' Report.

**JOHNSON CITY ENERGY AUTHORITY
DBA BRIGHTRIDGE
CHANGES IN STATEMENT OF NET POSITION ACCOUNTS (UNAUDITED)
June 30, 2020 and 2019**

A comparison of the Statements of Net Position at June 30, 2020 and 2019 is shown below.

	<u>2020</u>	<u>2019</u>	Increase (Decrease)
Capital Assets	\$ 318,135,552	303,443,911	14,691,641
Less: Accumulated Depreciation	<u>(105,870,640)</u>	<u>(101,026,421)</u>	<u>(4,844,219)</u>
Net Capital Assets	<u>212,264,912</u>	<u>202,417,490</u>	<u>9,847,422</u>
Plus: Other Assets	25,107,871	21,763,249	3,344,622
Plus: Deferred Outflows of Resources	7,124,686	4,792,126	2,332,560
Current Assets	58,670,399	65,921,614	(7,251,215)
Less: Current Liabilities	<u>(33,073,034)</u>	<u>(36,006,443)</u>	<u>2,933,409</u>
Working Capital	<u>25,597,365</u>	<u>29,915,171</u>	<u>(4,317,806)</u>
Less: Long-Term Liabilities	(43,386,177)	(42,768,321)	(617,856)
Less: Deferred Inflows of Resources	<u>(1,394,916)</u>	<u>(1,181,297)</u>	<u>(213,619)</u>
Net Position	<u><u>\$ 225,313,741</u></u>	<u><u>214,938,418</u></u>	<u><u>10,375,323</u></u>

See Independent Auditors' Report.

**JOHNSON CITY ENERGY AUTHORITY
DBA BRIGHTRIDGE
COMPARATIVE RESULTS OF OPERATIONS (UNAUDITED)
For the Fiscal Years Ended June 30, 2020 and 2019**

The operating results for the fiscal years ended June 30, 2020 and 2019 are summarized below.

Percent of Operating Revenues			Amount		Increase (Decrease)
2020	2019		2020	2019	
		Operating Revenues			
97.70 %	97.96	Sales of Electric Energy	\$ 193,048,016	200,087,186	(7,039,170)
0.45	0.01	Sales of Broadband	898,302	12,480	885,822
1.85	2.02	Other Operating Revenues	3,646,978	4,124,982	(478,004)
<u>100.00</u>	<u>99.99</u>	Total Operating Revenues	<u>197,593,296</u>	<u>204,224,648</u>	<u>(6,631,352)</u>
		Operating Expenses			
71.53	74.41	Power Purchased	141,337,194	151,954,739	(10,617,545)
0.88	0.29	Wholesale Broadband Delivery and Installation	1,731,903	592,295	1,139,608
14.20	11.99	Other Operation and Maintenance Expense	28,065,673	24,489,649	3,576,024
5.04	4.57	Provision for Depreciation	9,954,239	9,335,450	618,789
2.84	2.73	Tax Equivalent	5,616,535	5,574,301	42,234
<u>94.49</u>	<u>93.99</u>	Total Operating Expenses	<u>186,705,544</u>	<u>191,946,434</u>	<u>(5,240,890)</u>
5.51	6.01	Net Operating Income	10,887,752	12,278,214	(1,390,462)
(0.26)	(0.39)	Nonoperating Revenue (Expense)(Net)	(512,429)	(804,716)	292,287
<u>5.25 %</u>	<u>5.62</u>	Change in Net Position	<u>\$ 10,375,323</u>	<u>11,473,498</u>	<u>(1,098,175)</u>

See Independent Auditors' Report.

**JOHNSON CITY ENERGY AUTHORITY
DBA BRIGHTRIDGE
SELECTED DATA AND COMPARISONS (UNAUDITED)
June 30, 2020 and 2019**

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

	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
Operating Revenues	\$ 197,593,296	204,224,648	(6,631,352)	-3%
Change in Net Position	10,375,323	11,473,498	(1,098,175)	-10%
Gross Plant Additions				
Less or Plus Net Salvage	12,796,460	14,234,488	(1,438,028)	-10%
Funds for Capital Asset Addition				
Provided Through Depreciation and Amortization	10,381,831	9,940,932	440,899	4%
Excess of Capital Asset Expenditures Over Amounts Provided by Depreciation	2,414,629	4,293,556	(1,878,927)	-44%
State Sales Tax Collections - TVA	3,217,285	3,330,129	(112,844)	-3%
Fiscal Year-End Number of Customers				
Electric Division	79,860	78,925	935	1%
Broadband Division	1,533	131	1,402	100%
Average Use (kWh) Per Residential Electric Customer	14,102	14,513	(411)	-3%

See Independent Auditors' Report.

**JOHNSON CITY ENERGY AUTHORITY
DBA BRIGHTRIDGE
COMPARATIVE STATISTICAL DATA - BRIGHTRIDGE AND OTHER GROUP A MUNICIPALITIES
IN THE TVA AREA (UNAUDITED)
For the Fiscal Years Ended June 30, 2020 and 2019**

Certain revenue statistics and operating costs of BrightRidge (Electric Division) for the fiscal years ended June 30, 2020 and 2019 are compared with the composite of Group A Municipalities in the TVA area for the fiscal year ended June 30, 2019.

	BrightRidge		2019 Composite of Group A Municipalities on TVA Area (Note 1)
	2020	2019	
Average Number of Customers - Electric	79,860	78,925	15,459
Electric Sales - Cents per Kilowatt Hour Sold	\$ 10.74	\$ 10.81	\$ 9.70
Percent of Revenue by Classes to Total Electric Sales			
Residential	56.58 %	55.56 %	44.41 %
Large Lighting and Power	31.75	32.60	42.88
Small Lighting and Power	9.58	9.36	10.91
Street and Outdoor	1.85	1.77	1.88
Unbilled Revenue - All Classes	0.25	0.71	(0.07)
	100.00 %	100.00 %	100.00 %
Purchased Power - Cents Per Kilowatt Hour Purchased	\$ 7.57	\$ 7.85	\$ 7.43
Percent of Unaccounted for Kilowatt Hours (Distribution Losses)	3.66 %	3.55 %	3.42 %
Certain Expenses Expressed in Dollar per Customer			
Transmission and Distribution	\$ 158.12	\$ 146.84	\$ 174.95
Customer Accounting and Collecting	52.03	50.72	50.65
Sales Promotion	5.51	5.15	6.23
Administrative and General	103.96	82.12	117.94
	\$ 319.62	\$ 284.83	\$ 349.77
Percent of Certain Operating Expenses to Revenue from Electric Sales			
Purchased Power	73.21 %	75.29 %	79.32 %
Other Operating Expenses (Depreciation and Taxes)	7.88	7.36	7.71
	81.09 %	82.65 %	87.03 %

Note 1 - Data compiled from information within "The 2019 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 2020 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 (BrightRidge), as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise BrightRidge's basic financial statements, and have issued our report thereon dated November 25, 2020.

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 may exist that have not been identified.

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.

Johnson City Energy Authority
dba BrightRidge
Independent Auditors' Report on Internal Control over
Financial Reporting and on Compliance and Other Matters

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
Johnson City, Tennessee

November 25, 2020

**JOHNSON CITY ENERGY AUTHORITY
DBA BRIGHTRIDGE
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2020**

Current Fiscal Year Findings

No findings reported.

Prior Fiscal Year Findings Not Implemented

No findings reported.

Prior Fiscal Year Findings Implemented

No findings reported.