JOHNSON CITY ENERGY AUTHORITY DBA BRIGHTRIDGE

AUDITED FINANCIAL STATEMENTS

2022

JOHNSON CITY ENERGY AUTHORITY
DBA BRIGHTRIDGE

BASIC FINANCIAL STATEMENTS

AND SUPPLEMENTARY INFORMATION

For the Fiscal Year Ended June 30, 2022

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DBA BRIGHTRIDGE
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INTRODUCTORY SECTION

(UNAUDITED)

JOHNSON CITY ENERGY AUTHORITY
DBA BRIGHTRIDGE
SCHEDULE OF OFFICIALS
June 30, 2022

Name and Title of Official

Officers at June 30, 2022	
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, 2022	
James Smith	Chair
Gary Mabrey	Vice-Chair
Jenny Brock	
James Haselsteiner	
Ronald Hite	
Dr. B.J. King	
Dr. Hal Knight	
Robert Thomas	
Kenneth Huffine	

SECTION II

FINANCIAL SECTION

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

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Johnson City Energy Authority dba
BrightRidge

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of the Johnson City Energy Authority dba BrightRidge (BrightRidge), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise BrightRidge's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Johnson City Energy Authority dba BrightRidge, as of June 30, 2022, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

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1361 South Wilcox Drive, Kingsport, TN 37660 423.246.1725
550 Tusculum Boulevard, Greeneville, TN 37745 423.638.8516
820 State Farm Road, Boone, NC 28607 828.264.3595

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Change in Accounting Principle

As described in Note 1, BrightRidge has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. GASB 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 6 through 15 and the pension and OPEB information on pages 67 through 74 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2022, on our consideration of BrightRidge's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of BrightRidge's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BrightRidge's internal control over financial reporting and compliance.

Blackburn, Childers & Steagall, PLC

BLACKBURN, CHILDERS & STEAGALL, PLC
Johnson City, Tennessee

December 7, 2022

Johnson City Energy Authority (JCEA), dba BrightRidge, is an energy authority created under the Tennessee Municipal Energy Authority Act with the responsibility to provide electricity and related programs, services, and products. As the tenth largest of TVA's 153 local power companies, JCEA supplies electricity to around 81,747 customers over 350 square miles in Northeast Tennessee. The JCEA service area includes the City of Johnson City; the Town of Jonesborough; part of the City of Kingsport; all of Washington County; and parts of Sullivan, Carter, and Greene counties. In September 2018, JCEA launched a broadband division to provide internet, voice, and video services via fiber optics and wireless technologies. Broadband continues to grow with 7,697 customers as of June 30, 2022.

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, 2022. 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, 2022. The financial statements are comprised of the basic financial statements and the notes to the financial statements which provide detailed supporting information.

Basic Financial Statements

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

The Statement of Net Position presents information on all JCEA's assets, 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. During the fiscal year, JCEA implemented Governmental Accounting Standards Board (GASB) Statement 87 which has new guidance on the accounting for leases. Certain leases are required to be recognized as a lease liability with a lease asset for a lessee and for a lessor as a lease receivable with a deferred inflow of resources.

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

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

Financial Analysis

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position convey information about JCEA's activities highlighting the change in financial condition from one year to the next. Over time, increases or decreases in net position may serve as an indicator of whether the financial position of JCEA is improving or declining. Other considerations for electric distribution entities are the influences of non-financial indicators such as economic conditions, population growth, weather, changes in governmental legislation, and energy efficiency. The statements of net position reflect the growth of our broadband division. The JCEA broadband budget 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 2022, the construction for phases three and four were complete and phase five was approximately 5% complete.

Condensed Statement of Net Position is presented below:

SUMMARY OF STATEMENT OF NET POSITION

	FY 2022	FY 2021	Dollar Change	% Change
Assets				
Current and Other Assets	70,770,584	55,163,978	15,606,606	28.3%
Designated and Restricted Assets	48,355,013	31,689,014	16,665,999	52.6%
Capital Assets, Net	236,403,834	224,970,206	11,433,628	5.1%
Total Assets	**$ 355,529,431**	**$ 311,823,198**	**$ 43,706,233**	**14.0%**
Deferred Outflows of Resources	**$ 15,018,452**	**$ 6,700,083**	**$ 8,318,369**	**124.2%**
Liabilities				
Current Liabilities	39,792,935	37,317,460	2,475,475	6.6%
Long-Term Liabilities	65,201,939	41,870,745	23,331,194	55.7%
Total Liabilities	**$ 104,994,874**	**$ 79,188,205**	**$ 25,806,669**	**32.6%**
Deferred Inflows of Resources	**$ 11,274,323**	**$ 1,144,799**	**$ 10,129,524**	**884.8%**
Net Position				
Net Investment in Capital Assets	184,006,784	197,882,648	(13,875,864)	-7.0%
Restricted for Pension Stabilization	119,845	57,443	62,402	108.6%
Unrestricted Net Position	70,152,057	40,250,186	29,901,871	74.3%
Total Net Position	**$ 254,278,686**	**$ 238,190,277**	**$ 16,088,409**	**6.8%**

Net position increased $16,088,409 to $254,278,686 in fiscal year 2022, up from $238,190,277 in fiscal year 2021 for a 6.8% increase in total net position. Included within the $16,088,409 gain in net position is an increase of $6,619,768 in net capital assets for electric and an increase of $4,813,860 in net capital assets for broadband totaling $11,433,628. The primary cost in broadband capital assets is the construction of a fiber optic distribution network. Electric revenue bonds were issued in August 2021 with proceeds of $28,002,542, net of issuance costs and premium.

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 2022	FY 2021	Dollar Change	% Change
Electric Sales Revenue	206,223,520	191,617,453	14,606,067	7.6%
Broadband Sales Revenue	7,667,460	3,617,333	4,050,127	112.0%
Other Operating Revenues	4,621,704	3,912,624	709,080	18.1%
Total Operating Revenues	**$ 218,512,684**	**$ 199,147,410**	**$ 19,365,274**	**9.7%**
Operating Expenses				
Electric Purchased Power	149,975,244	138,496,089	11,479,155	8.3%
Broadband Wholesale Delivery	1,754,098	836,425	917,673	109.7%
Broadband Installation Expenses	2,754,211	2,794,703	(40,492)	-1.4%
Other Operating Expenses	17,647,381	17,272,380	375,001	2.2%
Maintenance Expenses	11,157,011	11,166,989	(9,978)	-0.1%
Provision for Depreciation	11,495,219	10,565,100	930,119	8.8%
Tax Equivalents	5,827,503	5,912,122	(84,619)	-1.4%
Total Operating Expenses	**$ 200,610,667**	**$ 187,043,808**	**$ 13,566,859**	**7.3%**
Nonoperating Revenues (Expenses)	$ (1,813,608)	$ 772,934	$ (2,586,542)	-334.6%
Change In Net Position	**$ 16,088,409**	**$ 12,876,536**	**$ 3,211,873**	**24.9%**
Beginning Net Position	$ 238,190,277	$ 225,313,741	$ 12,876,536	5.7%
Ending Net Position	**$ 254,278,686**	**$ 238,190,277**	**$ 16,088,409**	**6.8%**

The change in net position from fiscal year 2021 to fiscal year 2022 is $16,088,409 or 6.8%. The increase of broadband revenues and expenses was one of the most notable changes to our statements as compared to the prior fiscal years. Broadband customer growth continues to drive revenues higher and some corresponding broadband expenses. The statements above reflect the broadband and electric divisions as a single fund. JCEA must segregate the electric and broadband divisions for regulatory reporting to the Tennessee Valley Authority. Within our statements any inter-divisional activity, including receivables, accounts payables, and interdivisional loans have been eliminated to clearly reflect a single fund.

Operating revenues increased by $19,365,274 or 9.7% during fiscal year 2022. Electric Revenue was up $14,606,067 over the prior fiscal year due to an increase in the TVA's Fuel Cost Adjustment (FCA) and a modest increase in electric kWh sales. The FCA represents the variable costs of generating fuels and off system purchases and is a pass-through from TVA to our customers. The primary generating fuels with increased costs for TVA were coal and natural gas. By the summer of 2022, natural gas prices had risen to their highest levels since 2008. The Broadband Sales Revenue was up $4,050,127 over the prior fiscal year. This increase is due to the number of broadband customers growing from 4,466 to 7,697 during the year. Electric Sales Revenue is based on energy sold to customers, represented in kilowatt hours (kWh). The kWh sold and billed was 1,908,072,854 for fiscal year 2022 as compared to 1,845,467,717 kWh in fiscal year 2021. This represents an increase of 62,605,137 kWh or 3.39%. 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 2021 were 5,174 compared to 5,200 for 2022 which represents a 0.5% increase in degree days. During the year, the number of electric customers increased from 80,919 in fiscal year 2021 to 81,747 in fiscal year 2022. Note that JCEA did not increase the base rate for electricity in FY 2022.

Total operating expenses for fiscal year 2022 are up by $13,566,859 or 7.3% over fiscal year 2021. 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 $149,975,244 which represents 74.76% of the total operating expenses of $200,610,667. For fiscal year 2022, this was $11,479,155 or 8.3% more than fiscal year 2021. The increase in Purchased Power was due to TVA's FCA and a modest increase in electric kWh sales purchased from TVA. The increase would have been more significant, however JCEA received a credit in the amount of $2.68 million related to the pandemic provided by TVA to the local power companies it serves. JCEA has historically purchased all of its power from the Tennessee Valley Authority (TVA) under an all-requirements contract with an initial term of 20 years beginning June 30, 1985. The contract was extended in 5-year terms beginning October 1, 1997 and required a 5-year written notice by either party to terminate. Effective September 2019, JCEA signed a 20-year rolling contract with TVA. The contract comes with a reduction in the form of a monthly credit on the wholesale power bill of approximately 3.1% on TVA's standard service rates. TVA refers to this as the TVA Partnership Credit. The credit for FY 2022 was $3.46 million. Also, the new contract allows for JCEA to generate or purchase up to 5% of its average standard service load requirements outside of the TVA contract. JCEA has a 30-year purchase power arrangement with Silicon Ranch for electricity generated from the new Martin Solar Farm. The Martin Solar Farm has a 9 MW capacity and came online in December 2021. Silicon Ranch bills BrightRidge for the actual kWh generated and delivered. Generation from a solar farm is negatively impacted by clouds and shorter hours of daylight in winter months. TVA bills JCEA for wholesale electricity based on demand and energy. The demand component of the wholesale power bill drives the average cost of purchased power. Demand (kW) is determined by the highest one hour of usage in kW each month. Energy is measured in kilowatt hours (kWh). TVA did not increase base wholesale power rates in FY 2022, but TVA's fuel cost adjustment was 56.66% more than the prior year comparing June 2021 to June 2022. This is a pass-through from TVA to our customers that changes each month. Weather is a primary driver of the sale of kWh with customer usage increasing during extremely cold or hot temperatures.

An industry standard calculation referred to as load factor is used to measure the relationship of demand to kWh. A lower load factor may indicate a higher cost of electricity. The less kWh purchased per unit of peak demand, the more the load factor declines, and the ultimate result is that the average cost of power increases. JCEA has limited ability to control peak demands as the weather is the primary driver of consumption. The average realized rate for fiscal year 2022 was $.076 per kWh for purchased power while fiscal year 2021 was $.072 per kWh for purchased power.

Broadband Wholesale Delivery and Broadband Installation Expenses are categories included in the statements. Broadband Wholesale Delivery includes the cost of transporting services, cost of wholesale internet, cost of wholesale VoIP, and cost of video programming, 2022 was up $917,673, a 109.7% increase over 2021. Increases are related to the growth in cumulative broadband customers. Broadband Installation Expenses are the costs of going onsite to a customer's premise and connecting the services; fiscal year 2022 decreased $40,492 or a 1.4%. The cost of installation expenses is tied to the number of broadband customers installed during the fiscal year. Actual fiber infrastructure constructed is not included in this area but is reflected in the capital asset category. The increase of expenses within these categories will continue as we add more customers over the remaining four phases of our eight-phase plan.

Other operating expenses were $17,647,381 for fiscal year 2022 as compared to $17,272,380 for fiscal year 2021. This is an increase of $375,001 or 2.2%. Other operating expenses include administrative and general, transmission, distribution, and customer service-related expenses. Broadband expenses included in other operating expense were $3,286,225 for 2022, which was an increase of $75,181 or 2.3%. Electric other operating expenses, net of eliminations between divisions, accounted for $14,361,156 for 2022, which is an increase from $14,061,336 in 2021 or 2.1%

Maintenance expenses were down $9,978 or 0.1%. Depreciation expense is up $930,119 or 8.8%, with $737,445 of this amount related to broadband. As we install more broadband capital assets, broadband depreciation expense is expected to grow.

In lieu of taxes or tax equivalent payments for the electric division are computed with authoritative guidance under Tennessee Code Annotated 7-52. Revenues, utility plant, and depreciation are all primary components of the formula. TVA, as our regulatory authority, reviews the JCEA computation of electric in lieu of taxes annually. Broadband also pays in lieu of taxes based on a different computation. The in lieu of tax expense was $5,827,503 for fiscal year 2022 as compared to $5,912,122 for fiscal year 2021. Taxes are paid to localities where capital assets are located, and services are provided. JCEA pays the maximum in lieu of tax payment allowed by state law and is the City of Johnson City's and Washington County Tennessee's largest taxpayer.

Non-Operating Revenues and Expenses for fiscal year 2022 were down $2,586,542 or 334.6%. Normally, this category consists of interest income on investments, interest expense, and bond amortization. The net of the category is usually a deduction as the interest expense on the bonds greatly exceeds the interest income. However, the primary reason for the decrease is that JCEA received a Broadband Accessibility Grant from the Tennessee Department of Community and Economic Development in FY 2021. The grant covered services to rural areas with no high-speed internet options and Wi-Fi to the parking areas of twenty-three schools and community centers to allow the students and the general public access.

The grant was $1,855,165 with JCEA providing matching funds of $463,791. Since the funds were used for operating expenses and capital expenses, there was not an offsetting non-operating expense. While JCEA applied for grants from the State of Tennessee for broadband in FY 2022, we were not awarded any grant funding. Interest, bond issuance cost, and amortization expense on electric revenue bonds for fiscal year 2022 was $1,822,626 as compared to $1,036,431 for FY 2021. The reason for the increase in interest and amortization expense is that JCEA issued 20-year electric revenue bonds in August 2021 with net proceeds of $28,002,542, which was net of premium and debt issuance costs. The amount of debt issuance costs was $301,036. JCEA pays bond principal and interest payments twice each year.

Capital Assets and Debt Administration

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

	FY 2022	FY 2021	Dollar Change	% Change
Electric				
Intangibles	80,176	5,760	74,416	1291.9%
Transmission Plant	55,233,555	53,607,600	1,625,955	3.0%
Distribution Plant	219,107,318	210,954,254	8,153,064	3.9%
Depreciable Capital Assets	48,111,460	47,227,565	883,895	1.9%
Construction Work in Progress	1,537,306	750,612	786,694	104.8%
Broadband				
Intangibles	255,601	255,601	-	0.0%
Depreciable Capital Assets	26,673,009	18,603,078	8,069,931	43.4%
Construction Work in Progress	2,801,202	4,524,600	(1,723,398)	-38.1%
Total Capital Assets	**$ 353,799,627**	**$ 335,929,070**	**$ 17,870,557**	**5.3%**

JCEA electric transmission and distribution facilities serve around 350 square miles which includes the City of Johnson City; the Town of Jonesborough; part of the City of Kingsport; all of Washington County; and parts of Sullivan, Carter, and Greene counties. Such facilities require significant annual capital and maintenance expenditures. Broadband assets represent the equipment, fiber, and wireless internet assets built in the City of Johnson City, Jonesborough, and Washington County. Fiscal Year 2022 was phase four of an eight-year plan that will grow to almost $45 million in net broadband assets by fiscal year 2026.

The investment in electric utility plant on June 30, 2022 was $324,069,815 as compared to $312,545,791 on June 30, 2021. JCEA's electric capital budget for fiscal year 2022 was $20,259,976. Additions during fiscal year 2022 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 refurbishing West Distribution Substation for $2,079,369. Automated switches connected by fiber optics were installed within the distribution system at a cost of $3,092,415 for faster outage restoration. Piney Flats Substation was refurbished at a cost of $373,280. Metering equipment was purchased at a cost of $513,390. The investment in broadband plant on June 30, 2022, was $29,729,812, which is an increase of $6,346,533. The capital budget for broadband for fiscal year 2022 was $6,265,475. The increase over budget is due to beginning phase five construction prior to FY 2023.

The primary asset is the fiber distribution infrastructure. 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 $47,880,000 on June 30, 2022, compared to $24,815,000 on June 30, 2021. The increase is due to the issuing new bonds in August 2021 with a principal of $25,750,000. Bond payments are made twice a year in November and May. The series 2017 bonds have a final maturity date is May 1, 2033 and the series 2021 bonds have a final maturity of May 1, 2041. The outstanding bond premium was $5,223,993 on June 30, 2022, compared to $3,044,758 on June 30, 2021. Each year $257,304 is amortized for the series 2017 bonds debt premium and $127,679 for the series 2021 bond debt premium. Note that the Bond rating for JCEA is Moody's "Aa2". JCEA's bonds are secured by the revenue of the JCEA. Funding for the broadband division comes from inter-divisional loans from the electric division to the broadband division. TVA, as our regulatory authority, has approved two separate loans that allow draws over a period of time similar to a construction loan. The first loan approved in 2018 was for $35 million and this loan has been fully subscribed. The loan terms are the first $22 million at an interest rate of 4.0% over 15 years and the next $13 million at interest rate of 2.5% over 15 years. The second loan approved in 2021 allows for $47 million to be taken in draws. The term of the loan is 2.5% over 20 years. The principal balance outstanding as of June 30, 2022 for the first loan is $31,2174,334 and the principal balance of the second loan is $17,500,000 with $29,500,000 remaining to be subscribed. Both loans have principal and interest payments due each January. The combined outstanding loan principal balance as of June 30, 2022 was $48,717,334 as compared to $37,137,356 on June 30, 2021. Within our statements, interdivisional loans have been eliminated to clearly reflect a single fund.

JCEA participates in the USDA 's Rural Economic Development Loan Program as an intermediary for interest free loans made to primarily businesses that are locating or expanding in rural areas. This is a voluntary program and JCEA utilizes the program to support local economic development. The USDA requires that there be a qualifying utility as the intermediary, otherwise there can be no loan made to the recipient. These loans are a pass-through, where that intermediary (JCEA) owes the USDA and the recipient owes the intermediary (JCEA). Loans are interest free and must be paid off within ten years. Recipients must provide an irrevocable standby letter of credit that secures the loan throughout the term. During the year BrightRidge issued one USDA loan for $1,000,000. JCEA has both a loan payable to the USDA and a loan receivable from the recipients for this pass-through type of program. JCEA is currently servicing four USDA loans with the oldest loan from 2014.

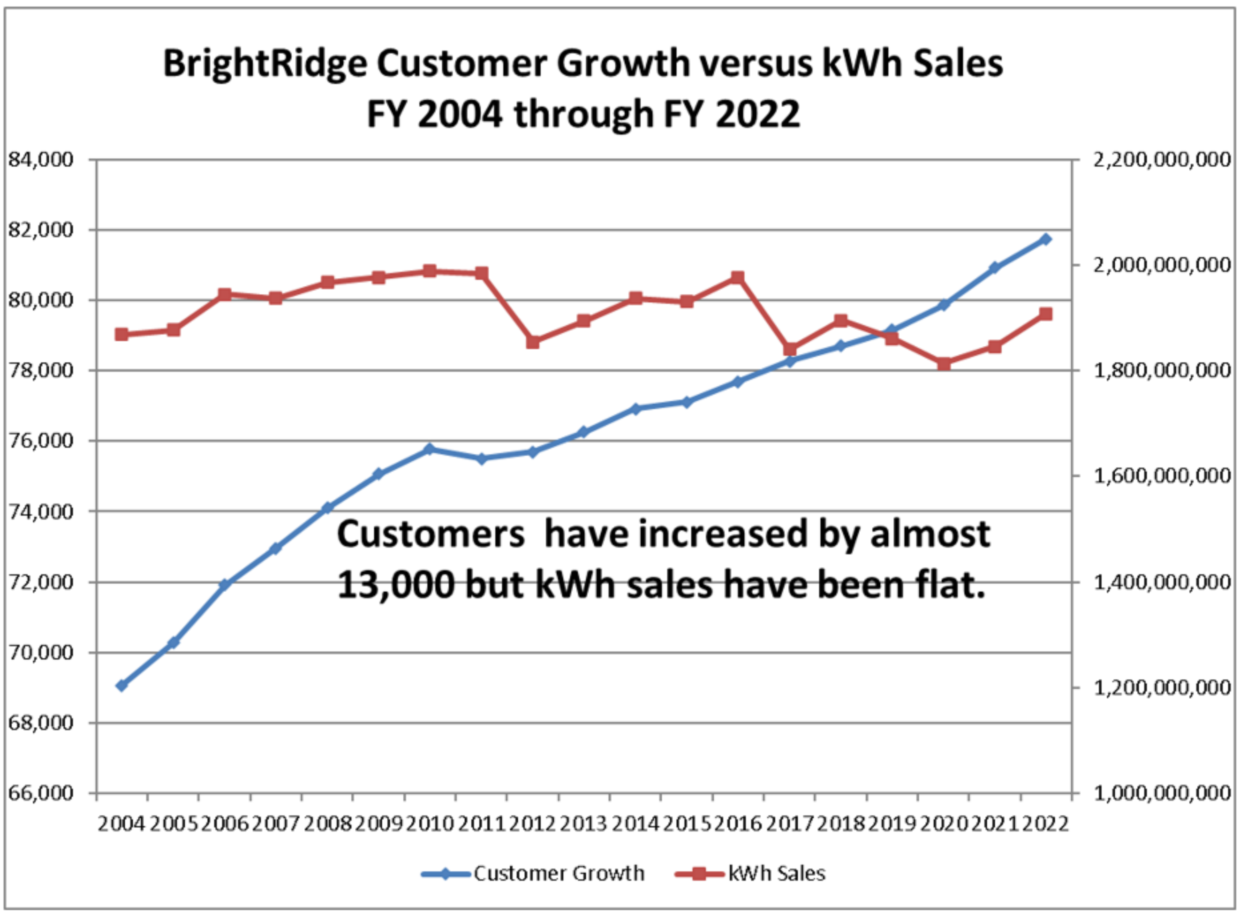
More detailed information about the JCEA's assets and debt can be found in the notes to the financial statements.

Johnson City Energy Authority Highlights, Economic Factors, and Future

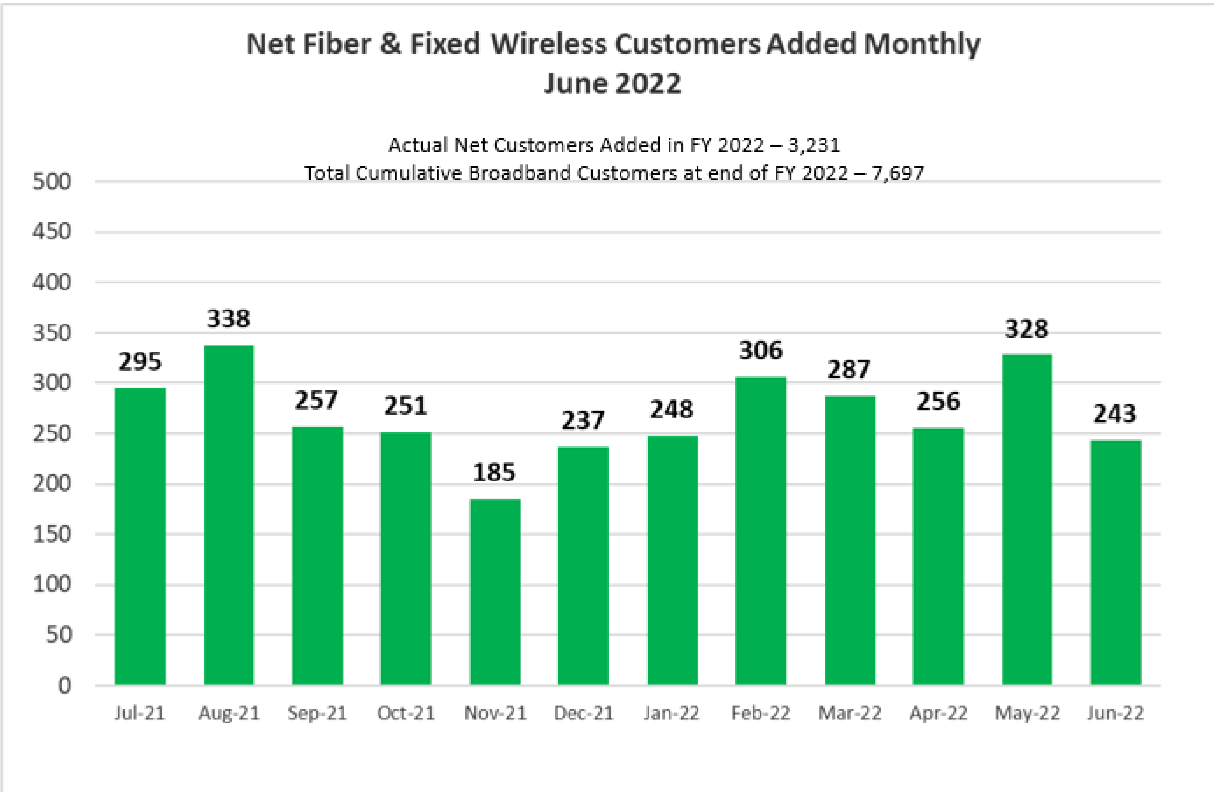
JCEA experienced growth of 828 electric customers for a 1.02% overall percentage growth this year. The following chart shows the number of electric customers for each classification for the past two years.

	2022	2021	Change	% Change
Residential	70,154	69,468	686	0.99%
Small Commercial	9,662	9,517	145	1.52%
Large Commercial/Industrial	1,014	994	20	2.01%
Street and Athletic Lighting	147	146	1	0.68%
Outdoor Lighting Only	770	794	-24	-3.02%
Total Customers	**81,747**	**80,919**	**828**	**1.02%**

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



Since fiscal year July 2009, TVA has increased base wholesale power 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. In fiscal year 2020, TVA did not have a base wholesale rate increase. However, TVA made a change in the way that they charge for electricity by taking $.005 per kWh of variable cost and moving this to a fixed cost. The impact to TVA was revenue neutral, but to JCEA specifically this resulted in a .44% increase in wholesale energy rates as of October 2019. TVA did not have a base wholesale rate increase in fiscal years 2021 and 2022. In an effort to maintain margins on electric sales, JCEA traditionally has passed the TVA wholesale rate increase to its retail customers. JCEA implemented rate increases of 1.9% in October 2015, 1.42% in October 2016, 1.42% in October 2017, and .51% in October 2018. These increases were in addition to the TVA increases. JCEA has not had a local rate increase since October 2018. Continued volatility on the cost of wholesale power due to demand charges 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 2022, the DCRA recovered $1,214,977 to offset higher demand charges paid to TVA compared to $845,502 recovered in 2021. Without the DCRA our revenue and our margin would have been reduced by this amount.



The chart above reflects net broadband customers added each month that are served by either a fiber optic service delivery or a wireless internet delivery. Customer growth comes from phase one through four of our eight phase plan. JCEA uses a variety of communication channels to notify customers of our ability to serve them in addition to more traditional forms of advertising. Phase five through eight will cover fiscal years 2023 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, 2022

ASSETS	
CURRENT ASSETS	
Cash on Hand and in Bank	$ 27,713,258
Accounts Receivable - Customer Service, Net of Allowance for Uncollectible Accounts	23,674,121
Accounts Receivable - Rents and Other	846,279
Current Maturities of Notes Receivable	343,111
Current Maturities of Leases Receivable	378,996
Inventories	14,399,745
Prepaid Expenses	515,707
Total Current Assets	67,871,217
CAPITAL ASSETS	
Land and Land Rights	5,623,567
Intangibles	335,777
Construction in Progress	4,338,508
Depreciable Capital Assets	343,501,775
Less: Accumulated Depreciation	(117,395,793)
Net Capital Assets	236,403,834
DESIGNATED ASSETS	
Cash and Cash Equivalents	48,235,168
RESTRICTED ASSETS	
TCRS Stabilization Reserve Trust	119,845
OTHER ASSETS	
Accounts Receivable - Customers - Heat Pumps	1,722,317
Advance from Tennessee Valley Authority	(1,722,317)
Long-Term Receivables	500,000
Leases Receivable, Net of Current Maturities	393,319
Notes Receivable, Net of Current Maturities	2,006,048
Total Other Assets	2,899,367
TOTAL ASSETS	355,529,431
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows of Resources Related to Pension Plans	12,648,429
Deferred Outflows of Resources Related to OPEB	1,529,387
Deferred Loss on Bond Refunding	706,943
Deferred Outflows of Resources Related to USDA Loans	133,693
TOTAL DEFERRED OUTFLOWS OF RESOURCES	15,018,452

(Continued)

JOHNSON CITY ENERGY AUTHORITY
DBA BRIGHTRIDGE
STATEMENT OF NET POSITION
June 30, 2022

LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	28,369,144
Accrued Salaries	432,552
Accrued Interest	298,691
Customer Deposits	6,298,018
Unearned Revenue Related to USDA Loans	133,693
Current Portion of Compensated Absences	696,455
Current Maturities of Bonds Payable	2,830,000
Current Maturities of Notes Payable	343,111
Other Current and Accrued Liabilities	391,271
Total Current Liabilities	39,792,935
LONG-TERM LIABILITIES	
Bonds Payable, Net of Current Maturities and Unamortized Bond Premium	50,273,993
Notes Payable, Net of Current Maturities	2,149,075
Compensated Absences, Net of Current Portion	3,502,805
Net Pension Liability	557,717
Other Post-Employment Benefits Liability	8,718,349
Total Long-Term Liabilities	65,201,939
TOTAL LIABILITIES	104,994,874
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows of Resources Related to Pension Plans	9,388,262
Deferred Inflows of Resources Related to OPEB	1,113,746
Deferred Inflows of Resources Related to Leases	772,315
TOTAL DEFERRED INFLOWS OF RESOURCES	11,274,323
NET POSITION	
Net Investment in Capital Assets	184,006,784
Restricted for Pension Stabilization Reserve Trust	119,845
Unrestricted	70,152,057
TOTAL NET POSITION	$ 254,278,686

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, 2022

OPERATING REVENUES	
Sales of Electric Energy	
Residential	$ 110,524,433
Large Lighting and Power	63,652,239
Small Lighting and Power	18,456,512
Street and Outdoor Lighting	3,701,047
Unbilled Revenue	9,889,289
Sales of Broadband	
Internet Operating Revenue - Residential	5,194,289
Internet Operating Revenue - Business	1,970,401
Internet Operating Revenue - Support Services	502,770
Other Operating Revenues	4,621,704
Total Operating Revenues (Pledged as Security for Revenue Bonds)	218,512,684
OPERATING EXPENSES	
Operations	
Power Purchased from Tennessee Valley Authority and Other Entities	149,975,244
Broadband Wholesale Delivery	1,754,098
Broadband Installation	2,754,211
Other Operating Expenses	17,647,381
Maintenance	11,157,011
Provision for Depreciation	11,495,219
Tax Equivalents	5,827,503
Total Operating Expenses	200,610,667
NET OPERATING INCOME	17,902,017
NONOPERATING REVENUES (EXPENSES)	
Interest Income	264,237
Other Income	130,878
Interest Expense	(1,830,677)
Bond Issuance Costs	(301,036)
Amortization of Bond Premium	374,343
Amortization of Deferred Loss on Bond Refunding	(65,256)
Nonoperating Grant Revenues	935,788
Nonoperating Grant and Other Expenses	(1,321,885)
Total Nonoperating Revenues (Expenses)	(1,813,608)
CHANGE IN NET POSITION	16,088,409
NET POSITION, BEGINNING	238,190,277
NET POSITION, ENDING	$ 254,278,686

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, 2022

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Electric Sales	$ 204,301,819
Cash Received from Broadband Sales	7,709,129
Cash Received from Rentals and Other Sales	4,456,859
Cash Payments to Suppliers for Goods and Services	(170,439,619)
Cash Payments for Employee Services and Benefits	(15,612,912)
Cash Payments for Tax Equivalents	(5,827,503)
Net Cash Received from (Paid to) Customers for Deposits	(396,925)
Net Cash Provided by Operating Activities	24,190,848
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Payments to Recipients of USDA Grant Pass-Through	(935,788)
Payments Received on Notes Receivable Related to USDA Grant Pass-Through	283,481
Receipt from Grant Funding Sources	935,788
Payments for Grant-Related and Other Disbursements	(1,321,885)
Proceeds from USDA Notes Issuance	1,000,000
Principal Paid on USDA Notes Payable	(285,148)
Net Cash Provided by (Used for) Noncapital Financing Activities	(323,552)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and Construction of Capital Assets	(23,642,261)
Payments Received on Note Receivable from Capital Contract	55,050
Proceeds from Capital Debt Issuance and Related Premium	28,303,578
Bond Issuance Costs Paid and Other Related Items on Capital Debt	(263,771)
Principal Paid on Capital Debt	(2,685,000)
Interest Paid on Capital Debt	(1,822,896)
Net Proceeds from Other Income	130,878
Net Cash Provided by (Used for) Capital and Related Financing Activities	75,578
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on Investments	264,237
Proceeds from Maturity of Restricted Long-Term Certificate of Deposit	2,000,000
Net Cash Provided by (Used for) Investing Activities	2,264,237
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	26,207,111
CASH AND CASH EQUIVALENTS, BEGINNING	49,741,315
CASH AND CASH EQUIVALENTS, ENDING	$ 75,948,426

(Continued)

JOHNSON CITY ENERGY AUTHORITY
DBA BRIGHTRIDGE
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2022

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	$	17,902,017
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities:		
Depreciation Expense (Including Allocated Portion)		12,208,633
Decrease in Allowance for Uncollectible Accounts		62,011
(Increase) Decrease in Assets:		
Accounts Receivable - Current and Long-Term		(2,044,877)
Inventories		(4,452,652)
Prepaid Expenses		(198,002)
TCRS Stabilization Reserve Trust		(62,402)
Leases Receivable - Current and Long-Term		(772,315)
(Increase) Decrease in Deferred Outflows:		
Related to OPEB		(196,701)
Related to Pension Plans		(8,122,712)
Increase (Decrease) in Liabilities:		
Accounts Payable		2,399,321
Accrued Salaries		42,110
Customer Deposits		(396,925)
Unearned Revenue Related to USDA Notes		64,212
Compensated Absences		394,135
Other Current and Accrued Liabilities		(34,763)
Net Pension Liability		(2,132,592)
Other Post-Employment Benefits Liability		(597,174)
Increase (Decrease) in Deferred Inflows:		
Related to Leases		772,315
Related to Pension Plans		8,328,920
Related to OPEB		1,028,289
Net Cash Provided by Operating Activities	$	24,190,848

RECONCILIATION OF CASH AND CASH EQUIVALENTS FROM STATEMENT OF CASH FLOWS TO STATEMENT OF NET POSITION		
Cash on Hand and in Bank	$	27,713,258
Designated Assets - Cash and Cash Equivalents		48,235,168
Cash and Cash Equivalents at End of Fiscal Year	$	75,948,426

NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Amortization of Bond Premium	$	374,343
Amortization of Deferred Loss on Bond Refunding		(65,256)
Non-Cash Capital and Related Financing Activities	$	309,087

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Johnson City Energy Authority (JCEA) was formed April 1, 2017, as a political subdivision of the State of Tennessee and is the legal entity which replaced the former Johnson City Power Board. The JCEA did file with the State of Tennessee to continue “doing business as” (dba) the Johnson City Power Board or JCPB through October 3, 2017, at which time the JCEA filed a new dba name of BrightRidge. BrightRidge is a local power company of the Tennessee Valley Authority (TVA), furnishing electrical power to Washington County and portions of other Upper East Tennessee counties, as purchased from TVA and providing broadband and related services to service area customers.

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.

Change in Accounting Principle

During the fiscal year ended June 30, 2022, BrightRidge implemented GASB Statement No. 87, *Leases*, which establishes a single model for lease accounting based on the foundation that leases finance an underlying right-to-use asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. BrightRidge implemented this statement as of July 1, 2021, and therefore did not restate opening balances, as BrightRidge believes any such restatement would be immaterial to the financial statements since the initial balances recorded for leases receivable are offset by deferred inflows.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Assets

BrightRidge has certain restricted funds held in a pension stabilization trust by the Tennessee Consolidated Retirement System (TCRS) for the benefit of BrightRidge's Hybrid Pension Plan. See Note 5. The purpose of this trust is to accumulate funds to provide stabilization (smoothing) of retirement costs to BrightRidge in times of fluctuating investment returns and market downturns. These funds are held and invested by TCRS pursuant to an irrevocable agreement and may only be used for the benefit of BrightRidge to fund retirement benefits upon approval of the TCRS Board of Directors. To date, BrightRidge has not withdrawn any funds from the trust to pay pension costs. Trust documents provide that the funds are not subject to the claims of general creditors of BrightRidge. At June 30, 2022, BrightRidge had a stabilization reserve asset consisting of $114,938 held by the custodian related to the Hybrid Pension Plan, of which ($4,907) is recorded as a current year investment loss allocation on the Statement of Net Position as TCRS Stabilization Reserve Trust. Given the timing of reporting to TVA, the ($4,907) investment loss allocation related to the stabilization reserve is not recorded in the financial statements for the fiscal year ended June 30, 2022.

Deposits and Investments

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

> DEPOSITS - All deposits with financial institutions must be insured or collateralized in an amount equal to 105% of the market value of uninsured deposits.
>
> INVESTMENTS - BrightRidge is authorized to make direct investments in bonds, notes or treasury bills of the U.S. Government and obligations guaranteed by the U.S. Government or any of its agencies. These investments may not have a maturity greater than two years. BrightRidge may make investments with longer maturities if it follows various restrictions established by state law. It is also authorized to make investments in the State Pooled Investment Fund and in repurchase agreements. Repurchase agreements must be approved by the State Director of Local Finance and executed in accordance with procedures established by the State Funding Board.

For the fiscal year ended June 30, 2022, BrightRidge held certain designated assets, including cash and cash equivalents totaling $48,235,168.

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, 2022.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deposits and Investments (Continued)

The general ledger carrying amount of BrightRidge's deposits with financial institutions along with petty cash was $75,948,426 at June 30, 2022, and the bank balances along with petty cash was $77,445,809. Covered bank deposits and amounts not on deposit are detailed as follows:

Amount Not on Deposit (Petty Cash)	$ 13,000
Deposits Insured by Federal Deposit Insurance Corporation (FDIC)	288,212
Deposits Insured by National Credit Union Association (NCUA)	6,056
Excess Deposits Insured with State of Tennessee Bank Collateral Pool	77,138,541
	$ 77,445,809

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 $21,369,460, which are designated for capital improvements; money market accounts in the amount of $24,848,814 , which are designated for bond principal and interest payments and interdivisional loan payments; a money market account in the amount of $2,013,921, which is designated for insurance liabilities; and a money market account in the amount of $2,973, which is designated for tax equivalent payments. All of these designations were approved by the Board of Directors. The funds in money market accounts are considered cash equivalents for purposes of the Statement of Cash Flows.

Accounts Receivable

Receivables are stated at the amount management expects to collect on outstanding balances. Management provides for probable uncollectible amounts based on receivable trends of historical collection experience. Balances outstanding after management has used reasonable collection efforts are written off through an allowance account, which had a balance of approximately $362,000 at June 30, 2022 and is netted against receivables in the financial statements. Estimated unbilled receivables are accrued as receivables and were approximately $9,889,000 at June 30, 2022. In addition, BrightRidge had a single receivable of $600,000, $100,000 considered current and $500,000 not expected to be collected within one year.

Inventories

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2022, 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, 2022 was $12,208,633, of which $11,495,219 was charged to Depreciation Expense and $713,414 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

Leases

For the fiscal year ended June 30, 2022, BrightRidge had certain leases as lessor recorded in the financial statements. BrightRidge is a lessor for certain noncancellable leases of land, dark fiber, and pole attachments. BrightRidge recognizes a lease receivable and a deferred inflow of resources in the statement of net position.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

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

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

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

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

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

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

For the fiscal year ended June 30, 2022, BrightRidge had certain leases as lessee which management considered to be immaterial to the financial statements or not meeting GASB requirements of leases, and thus are not recorded in the financial statements. Also, BrightRidge maintains ongoing interdivisional, intraentity leases, which are not disclosed as they are eliminated for the statement of net position.

Payments In Lieu of Taxes

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position sometimes reports a separate financial statement element, *deferred outflows of resources*, which represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. BrightRidge has four items reported as deferred outflows: (1) The Deferred Loss on Bond Refunding is reported as a deferred outflow and is being amortized over the life of the refunding bonds. (2) The Deferred Outflows of Resources Related to Pension Plans is related to the differences between expected and actual experience, projected and actual netted earnings on pension plan investments as applicable, changes in assumptions as applicable, and BrightRidge's contributions made to the Tennessee Consolidated Retirement System (TCRS) during fiscal year 2022 for all plans. The differences in experience and changes in assumptions are a result of the actuarial study for BrightRidge's pension plans through TCRS and are being amortized over the average working lifetime of all participants. The net difference in earnings on pension plans investments is being amortized over a five-year period (staggered based on measurement year), as applicable. The contributions were made subsequent to the pension's measurement date of June 30, 2021, and will be recognized as a reduction to the net pension liability in the following measurement period. (3) The Deferred Outflows of Resources Related to OPEB is related to the differences in experience and changes in assumptions are a result of the actuarial study for BrightRidge's OPEB liability, which are results of the actuarial study of the OPEB commitment. These changes are being amortized over the average service of OPEB participants. (4) The Deferred Outflows of Resources Related to USDA Loans are amounts that will be paid in the ensuing fiscal year.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

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

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

A liability for compensated absences and related fringe benefits is reflected on the Statement of Net Position at June 30, 2022, in the amount of $4,199,260. The portion of this liability expected to be paid within one year is $696,455 and is classified as a current liability and the remainder as a long-term liability.

Net Position

Net position is the difference between assets and deferred outflows of resources minus liabilities and deferred inflows of resources. The Net Investment in Capital Assets is calculated as capital assets, net of accumulated depreciation, plus the deferred loss on bond refunding, less any outstanding debt related to the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are legal limitations imposed on its use by external restrictions by other governments, creditors or grantors. Restricted funds are applied first when allowable. No such restrictions existed at June 30, 2022, other than restricted for pension stabilization reserve trust, the asset of which is discussed in Note 5.

Long-Term Obligations

Bonds payable are reported net of the applicable bond premium, which is deferred and amortized over the life of the related bonds. The balance of the bond premiums was $5,223,993 at June 30, 2022, which is net of $2,553,578 added and ($374,343) amortized during the fiscal year 2022. In addition, deferred losses on bond refunding are amortized over the life of the related bonds (see Note 8).

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pension

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

Other Post-Employment Benefits

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

Grants, Loans, and Unearned Revenues

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

Operating Revenues and Expenses, Intrafund Activity, and Divisional Allocations

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

Revenues and expenses are allocated by BrightRidge to the division incurring the expense or earning the revenue. Other than interdivisional billings and receipts based on established electric or broadband customer rates as "arm's length" transactions, any intrafund activity and intrafund balances (receivables, loans, and payables) have been eliminated to be presented as a single fund entity.

Budgets

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

NOTE 2 - NOTES RECEIVABLE

BrightRidge entered into a 10-year loan agreement with an international manufacturing company in August 2014 for $760,000, which pertained to an equivalent note payable to the United States Department of Agriculture (USDA), Rural Economic Development from federal grant funds received for pass-through to this international manufacturing company (see Note 8). BrightRidge is obligated to USDA Rural Economic Development, and this international manufacturing company is obligated to BrightRidge. The note is receivable $6,333 per month for 120 months, bearing no interest. Management deems the imputed interest due on the June 30, 2022 remaining balance of $158,334 receivable and related payable (Note 8) amounts to be immaterial. In conjunction with the note receivable from the international manufacturing company above, BrightRidge was named as beneficiary in an irrevocable standby commercial letter of credit from a local financial institution in the amount of $760,000 on August 21, 2014 (start of Year 1) with a current expiration date of August 21, 2024. The amount of the bond declines based on a schedule over the 10 years, being reduced as the company pays down the amount of the security. This letter will automatically renew for up to three additional consecutive one-year periods, with annual reductions in amount to coincide with the aforementioned matching note payable balance to USDA Rural Economic Development over the ten-year term of that note, with the remainder commitment by contract year as follows at June 30, 2022:

Year 8	$ 228,000
Year 9	152,000
Year 10	76,000

BrightRidge entered into a 10-year loan agreement with a local wood pallet manufacturing company in January 2021 for $560,000, which pertained to an equivalent note payable to the United States Department of Agriculture (USDA), Rural Economic Development from federal grant funds received for pass-through to this international manufacturing company (see Note 8). BrightRidge is obligated to USDA Rural Economic Development, and this manufacturing company is obligated to BrightRidge. The note is receivable $4,667 per month for 120 months, bearing no interest. Management deems the imputed interest due on the June 30, 2022 remaining balance of $476,000 receivable and related payable (Note 8) to be immaterial. In conjunction with the note receivable from the local wood pallet manufacturing company above, BrightRidge was named as beneficiary in an irrevocable standby commercial letter of credit from a local financial institution in the amount of $560,000 on January 4, 2021 (start of Year 1) with a current expiration date in January 2031. The amount of the bond declines based on a schedule over the 10 years, being reduced as the company pays down the amount of the security. The contract will automatically renew for up to nine additional consecutive one-year periods, with annual reductions in amount to coincide with the aforementioned matching note payable balance to USDA Rural Economic Development over the ten-year term of that note, with the remainder commitment by contract year.

NOTE 2 - NOTES RECEIVABLE (CONTINUED)

The contract has maturities as follows at June 30, 2022:

Year 2	$ 504,000
Year 3	448,000
Year 4	392,000
Year 5	336,000
Year 6	280,000
Year 7	224,000
Year 8	168,000
Year 9	112,000
Year 10	56,000

BrightRidge entered into a ten-year loan, including a one-year deferral, agreement with an international manufacturing company in January 2021 for $1,000,000, which pertained to an equivalent note payable to the United States Department of Agriculture (USDA), Rural Economic Development from federal grant funds received for pass-through to this international manufacturing company (see Note 8). BrightRidge is obligated to USDA Rural Economic Development, and this manufacturing company is obligated to BrightRidge. The note is receivable $9,259 per month for 120 months, bearing no interest and payments beginning in January, 2022. Management deems the imputed interest due on the June 30, 2022 balance of $935,185 receivable and related payable (Note 8) amounts to be immaterial. During the year ended June 30, 2022, BrightRidge recognized revenue earned for the $69,481 portion that was unpaid at the prior fiscal year end. In conjunction with the note receivable from the international manufacturing company above, BrightRidge was named as beneficiary in an irrevocable standby commercial letter of credit from a local financial institution in the amount of $1,000,000 on January 4, 2021 (start of Year 1) with a current expiration date in January 2031. The amount of the bond declines based on a schedule over the 10 years, being reduced as the company pays down the amount of the security. The contract will automatically renew for up to nine additional consecutive one-year periods, with annual reductions in amount to coincide with the aforementioned matching note payable balance to USDA Rural Economic Development over the ten-year term of that note, with the remainder commitment by contract year, with maturities as follows at June 30, 2022:

Year 2	$ 1,000,000
Year 3	888,889
Year 4	777,778
Year 5	666,667
Year 6	555,556
Year 7	444,445
Year 8	333,334
Year 9	222,223
Year 10	111,112

NOTE 2 - NOTES RECEIVABLE (CONTINUED)

BrightRidge entered into a ten-year loan agreement, including a one-month deferral, with a local manufacturing company in September 2021 for $1,000,000, which pertained to an equivalent note payable to the United States Department of Agriculture (USDA), Rural Economic Development from federal grant funds received for pass-through to this local manufacturing company (see Note 8). BrightRidge is obligated to USDA Rural Economic Development, and this manufacturing company is obligated to BrightRidge. The note is receivable $8,333 per month for 120 months, bearing no interest and payments beginning in October 1, 2021. Management deems the imputed interest due on the June 30, 2022 balance of $779,640 receivable and related payable (Note 8) amounts to be immaterial. At June 30, 2022, BrightRidge also recognized a deferred outflow and related unearned revenue for the $133,693 unpaid portion at fiscal year end. In conjunction with the note receivable from the local manufacturing company above, BrightRidge was named as beneficiary in an irrevocable standby commercial letter of credit from a local financial institution in the amount of $1,000,000 in September 2021 (start of Year 1) with a current expiration date in September 2031. The amount of the bond declines based on a schedule over the 10 years, being reduced as the company pays down the amount of the security. The contract will automatically renew for up to nine additional consecutive one-year periods, with annual reductions in amount to coincide with the aforementioned matching note payable balance to USDA Rural Economic Development over the ten-year term of that note, with the remainder commitment by contract year. The contract has maturities as follows at June 30, 2022 (including the deferred outflow portion paid in early fiscal year 2022):

Year 1	$ 1,000,000
Year 2	900,000
Year 3	800,000
Year 4	700,000
Year 5	600,000
Year 6	500,000
Year 7	400,000
Year 8	300,000
Year 9	200,000
Year 10	100,000

NOTE 3 - LEASES RECEIVABLE AND RELATED DEFERRED INFLOWS OF RESOURCES

BrightRidge functions as a lessor in various leases for certain noncancellable leases of land, dark fiber, and pole attachments. BrightRidge uses a discount rate estimate, as described in Note 1. During the fiscal year ended June 30, 2022, BrightRidge's leases as lessor included the following:

- BrightRidge leases land to an entity with monthly payments of $2,500. The noncancellable term expires December 2025. The discount rate estimate at date of implementation was 3.5%.
- BrightRidge leases dark fiber to various entities, with noncancelable terms expiring between November 2022 and January 2027, with monthly payments ranging from approximately $200 to approximately $10,000. The discount rate estimate at date of implementation was 3.5%.

NOTE 3 - LEASES RECEIVABLE AND RELATED DEFERRED INFLOWS OF RESOURCES (CONTINUED)

- BrightRidge leases numerous pole attachments to various entities, with noncancelable terms expiring between November 2022 and September 2025, with annual payments ranging from approximately $10,000 to approximately $267,000. The discount rate estimate at date of implementation was 3.5%.

The total leases receivable at June 30, 2022 was $772,315, which included $378,996 current and $393,319 long-term receivables. In addition, BrightRidge has deferred inflows of resources of $772,315 at June 30, 2022 which were associated with these leases and will be recognized as revenue over the lease term. Also, BrightRidge recognized lease revenue and lease interest revenue of $433,991 and $37,295, respectively, during the fiscal year ended June 30, 2022.

NOTE 4 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the fiscal year ended June 30, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated				
Land and Land Rights	$ 5,623,567	-	-	5,623,567
Intangibles	261,361	74,416	-	335,777
Construction in Progress	5,275,213	32,914,110	(33,850,815)	4,338,508
Total Capital Assets, Not Being Depreciated	11,160,141	32,988,526	(33,850,815)	10,297,852
Capital Assets, Being Depreciated				
Buildings	31,643,084	648,055	(249,469)	32,041,670
Office Equipment	3,287,025	49,471	(2,999)	3,333,497
Transportation Equipment	8,250,347	370,616	(40,596)	8,580,367
Other Machinery and Equipment	15,223,740	3,739,842	(43,167)	18,920,415
Transmission and Power Distribution System	254,448,322	13,736,385	(4,379,172)	263,805,535
Fiber	11,916,411	4,904,868	(988)	16,820,291
Total Capital Assets, Being Depreciated	324,768,929	23,449,237	(4,716,391)	343,501,775
Accumulated Depreciation				
Buildings	(11,641,140)	(692,857)	273,530	(12,060,467)
Office Equipment	(1,233,541)	(199,039)	3,000	(1,429,580)
Transportation Equipment	(5,681,086)	(713,304)	-	(6,394,390)
Other Machinery and Equipment	(5,048,543)	(1,382,051)	43,453	(6,387,141)
Transmission and Power Distribution System	(87,069,389)	(8,656,474)	5,450,681	(90,275,182)
Fiber	(285,165)	(564,908)	1,040	(849,033)
Total Accumulated Depreciation	(110,958,864)	(12,208,633)	5,771,704	(117,395,793)
Net Capital Assets, Being Depreciated	213,810,065	11,240,604	1,055,313	226,105,982
Net Capital Assets	$ 224,970,206	44,229,130	(32,795,502)	236,403,834

NOTE 5 - PENSION PLANS

General Information about the Pension Plan – Legacy Plan

Plan Description

Full-time employees hired prior to January 1, 2019 are enrolled in the TCRS Legacy plan. Employees of BrightRidge are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated (TCA) Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies.

Benefits Provided

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

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

NOTE 5 - PENSION PLANS (CONTINUED)

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

Employees Covered by Benefit Terms

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

Inactive Employees or Beneficiaries Currently Receiving Benefits	126
Inactive Employees Entitled to but not yet Receiving Benefits	178
Active Employees	167
Total Employees	471

At the measurement date of June 30, 2021, the Legacy plan continued to be closed to new entrants.

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute five percent of salary. BrightRidge makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the fiscal year ended June 30, 2022, the employer contributions for BrightRidge's Legacy pension plan were $1,835,676 based on a rate of 13.45 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept BrightRidge's state shared taxes if required employer contributions are not remitted. The employer's actuarial determined contribution and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset) – Legacy Plan

Pension Liabilities (Assets)

BrightRidge's net pension liability (asset) was measured as of June 30, 2021, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

NOTE 5 - PENSION PLANS (CONTINUED)

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

Actuarial Assumptions

The total pension liability as of June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2021 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

Changes of Assumptions

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

NOTE 5 - PENSION PLANS (CONTINUED)

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

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

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

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

Discount Rate

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

NOTE 5 - PENSION PLANS (CONTINUED)

Changes in the Net Pension Liability – Legacy Plan

	Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position** (b)	**Net Pension Liability** (a) - (b)
Balance at June 30, 2020	$ 63,418,918	60,726,262	2,692,656
Changes for the Fiscal Year:			
Service Cost	1,095,567	-	1,095,567
Interest	4,572,183	-	4,572,183
Differences between Expected and Actual Experience	(245,309)	-	(245,309)
Changes in Assumptions	10,628,605	-	10,628,605
Contributions - Employer	-	1,878,149	(1,878,149)
Contributions - Employees	-	694,068	(694,068)
Net Investment Income	-	15,621,290	(15,621,290)
Benefit Payments, Including Refunds of Employee Contributions	(2,899,795)	(2,899,795)	-
Administrative Expense	-	(15,071)	15,071
Net Changes	13,151,251	15,278,641	(2,127,390)
Balance at June 30, 2021	$ 76,570,169	76,004,903	565,266

NOTE 5 - PENSION PLANS (CONTINUED)

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

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

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

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net Pension Liability (Asset)	$ 11,843,588	565,266	(8,662,136)

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

Pension Expense (Negative Pension Expense)

For the fiscal year ended June 30, 2022, BrightRidge recognized pension expense (negative pension expense) of $($13,749).

Deferred Outflows of Resources and Deferred Inflows of Resources

For the fiscal year ended June 30, 2022, 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	$ 1,040,381	1,037,890
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	8,336,151
Changes in Assumptions	9,666,418	-
Contributions Subsequent to the Measurement Date of June 30, 2021	1,835,676	(not applicable)
Total	$ 12,542,475	9,374,041

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, 2021," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

Fiscal Year Ended June 30:		
2023	$	(390,747)
2024		(214,077)
2025		(192,844)
2026		(722,054)
2027		1,369,154
Thereafter		1,483,326

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, 2022, BrightRidge reported a payable of approximately $144,900 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2022.

General Information about the Pension Plan – Hybrid Plan

Plan Description

Full-time employees hired after January 1, 2019 are enrolled in the TCRS Hybrid plan. Employees of BrightRidge are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated (TCA) Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies.

NOTE 5 - PENSION PLANS (CONTINUED)

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

Benefits Provided

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

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

Employees Covered by Benefit Terms

At the measurement date of June 30, 2021, 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	3
Active Employees	24
Total Employees	27

NOTE 5 - PENSION PLANS (CONTINUED)

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

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly or by automatic cost controls set out in law. Employees contribute 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 4.00 percent, except in years when the maximum funded level, as established by the TCRS Board of Trustees, is reached. By law, employer contributions are required to be paid. The TCRS may intercept BrightRidge's state shared taxes if required employer contributions are not remitted. For the fiscal year ended June 30, 2022, the employer contributions for BrightRidge's Hybrid pension plan were $39,942 based on a rate of 1.67 percent of covered payroll, with an additional $55,734 based on a rate of 2.33 percent contributed by BrightRidge to the Stabilization Reserve Trust, for a total of 4.00 percent employer contributions. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset) – Hybrid Plan

Pension Liabilities (Assets)

BrightRidge's net pension liability (asset) was measured as of June 30, 2021, 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, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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, 2021 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

Changes of Assumptions

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

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

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

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

NOTE 5 - PENSION PLANS (CONTINUED)

Net Pension Liability – Hybrid Plan (Continued)

Discount Rate

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

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

	Increase (Decrease)		
	Total Pension Liability (Asset) (a)	**Plan Fiduciary Net Position** (b)	**Net Pension Liability (Asset)** (a) - (b)
Balance at June 30, 2020	$ 47,523	49,870	(2,347)
Changes for the Fiscal Year:			
Service Cost	63,331	-	63,331
Interest	8,037	-	8,037
Differences between Expected and Actual Experience	29,463	-	29,463
Changes in Assumptions	16,048	-	16,048
Contributions - Employer	-	23,005	(23,005)
Contributions - Employees	-	75,676	(75,676)
Net Investment Income	-	25,342	(25,342)
Benefit Payments, Including Refunds of Employee Contributions	-	-	-
Administrative Expense	-	(1,942)	1,942
Net Changes	116,879	122,081	(5,202)
Balance at June 30, 2021	$ 164,402	171,951	(7,549)

NOTE 5 - PENSION PLANS (CONTINUED)

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

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

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

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net Pension Liability (Asset)	$ 38,331	(7,549)	(42,531)

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, 2022, BrightRidge recognized pension expense (negative pension expense) of ($7,389).

Deferred Outflows of Resources and Deferred Inflows of Resources

For the fiscal year ended June 30, 2022, 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	$ 51,110	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	14,221
Changes in Assumptions	14,902	-
Contributions Subsequent to the Measurement Date of June 30, 2021	39,942	(not applicable)
Total	$ 105,954	14,221

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, 2021," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

Fiscal Year Ended June 30:		
2023	$	2,099
2024		2,099
2025		2,100
2026		1,982
2027		5,626
Thereafter		37,885

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, 2022, BrightRidge reported a payable of approximately $3,900 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2022.

TCRS Stabilization Reserve Trust

Legal Provisions

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

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

NOTE 5 - PENSION PLANS (CONTINUED)

TCRS Stabilization Reserve Trust (Continued)

Investment Balances

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

Investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price. Investment income consists of realized and unrealized appreciation (depreciation) in the fair value of investments and interest and dividend income. Interest income is recognized when earned. Securities and securities transactions are recorded in the financial statements on a trade-date basis. The fair value of assets of the TRGT held at June 30, 2022, represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Assets held are categorized for fair value measurement within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

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

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

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

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

NOTE 5 - PENSION PLANS (CONTINUED)

TCRS Stabilization Reserve Trust (Continued)

Investment Balances (Continued)

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

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

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

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

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

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

NOTE 5 - PENSION PLANS (CONTINUED)

TCRS Stabilization Reserve Trust (Continued)

Investment Balances (Continued)

At June 30, 2022, BrightRidge had the following investments held by the trust on its behalf consisting of $114,938 held by the custodian related to the Hybrid Pension Plan, of which $119,845 is recorded on the Statement of Net Position as TCRS Stabilization Reserve Trust (restricted assets). Given the timing of required reporting to TVA, ($4,907) of the stabilization reserve largely related to accrued investment income (loss) allocation is not recorded in the financial statements for the fiscal year ended June 30, 2022.

Investment	Weighted Average Maturity (days)	Maturities	Fair Value
Investments at Fair Value:			
U.S. Equity	N/A	N/A	$ 35,630
Developed Market International Equity	N/A	N/A	16,091
Emerging Market International Equity	N/A	N/A	4,598
U.S. Fixed Income	N/A	N/A	22,988
Real Estate	N/A	N/A	11,494
Short-term Securities	N/A	N/A	1,149
NAV - Private Equity and Strategic Lending	N/A	N/A	22,988
Total			$ 114,938

Investment by Fair Value Level	Fair Value June 30, 2021	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	NAV
U.S. Equity	$ 35,630	35,630	-	-	-
Developed Market International Equity	16,091	16,091	-	-	-
Emerging Market International Equity	4,598	4,598	-	-	-
U.S. Fixed Income	22,988	-	22,988	-	-
Real Estate	11,494	-	-	11,494	-
Short-term Securities	1,149	-	1,149	-	-
Private Equity and Strategic Lending	22,988	-	-	-	22,988
Total	$ 114,938	56,319	24,137	11,494	22,988

NOTE 5 - PENSION PLANS (CONTINUED)

TCRS Stabilization Reserve Trust (Continued)

Risks and Uncertainties

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

Interest Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of Brightridge's investment in a single issuer. Brightridge places no limit on the amount 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, BrightRidge will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Pursuant to the trust agreement, investments are held in the name of the trust for the benefit of Brightridge to pay retirement benefits of Brightridge employees.

For further information concerning Brightridge's investments with the TCRS Stabilization Reserve Trust, audited financial statements of the Tennessee Consolidated Retirement System may be obtained at https://comptroller.tn.gov/content/dam/cot/sa/advanced-search/disclaimer/2020/ag20045.pdf.

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

A Brief Description of the Retiree Life and Medical Insurance Plans

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

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

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

Life insurance is through Blue Cross.

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

c. *Benefit/Cost Sharing:* BrightRidge pays approximately 75% of the PPO Medical plan premium for the pre-65 retirees. In addition, BrightRidge reimburses the HRA deductible for the retiree and the retiree's spouse, for a maximum annual benefit of $4,400 per participant.

BrightRidge provides an annual HRA reimbursement of $2,231 or $2,434 for the post-65 retirees who were retired prior to October 25, 2016. BrightRidge provides an annual HRA reimbursement of $1,800 for existing employees upon retirement and reaching age 65. Employees hired after September 1, 2016 are not eligible for the Retiree HRA Program.

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 $4,400 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 July 1, 2020 through December 31, 2021

Plan	Premium	Retiree Contribution
Pre-65 Retiree	$ 7,419	$ 1,692
Pre-65 Retiree and Spouse	$ 15,521	$ 9,797

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

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

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

Employees Covered by Benefit Terms

At the actuarial valuation date of July 1, 2021, the following were covered by the benefit terms:

Inactives Receiving Benefits	86
Inactives Not Receiving Benefits	0
Actives	192
Total	278

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, 2021, updated on July 26, 2022, with a measurement date of July 1, 2021.

Actuarial Assumptions

Discount Rate

A discount rate of 2.16% was used as of June 30, 2021.
A discount rate of 3.54% was used as of June 30, 2022.
The discount based on a Bond Buyer's Bond 20 Index.

Health Care Trend Rates

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

Year	Current Valuation Trend Rates*
2021	7.00%
2022	6.50%
2023	6.00%
2024	5.50%
2025+	5.00%

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

Mortality

Current Valuation: RPH-2014 Total Dataset headcount-weighted fully generational mortality table with projection scale MP-2021.
Prior Valuation: RPH-2014 Total Dataset headcount-weighted fully generational mortality table with projection scale MP-2018.

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

OPEB Liability (Continued)

Actuarial Assumptions (Continued)

Termination Rates

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

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

Prior Valuation: 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:

Age	1st Year Employment	2nd Year Employment	Male Ultimate	Female Ultimate
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%

Retirement Rates

Current Valuation: From the TCRS Acturial Valuation as of June 30, 2020, it was assumed that the following percentage of eligible employees would retire each year:

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

OPEB Liability (Continued)

Actuarial Assumptions (Continued)

Males

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

Females

	Years of Service			
Age	**<15**	**15-19**	**20**	**21+**
55-59	0.0%	0.0%	735.0%	0.0%
60	11.0%	13.0%	13.0%	11.0%
61	13.0%	15.0%	15.0%	13.0%
62	18.0%	20.0%	20.0%	18.0%
63	16.0%	18.0%	18.0%	16.0%
64	16.0%	18.0%	18.0%	16.0%
65	22.0%	24.0%	24.0%	22.0%
70	19.0%	21.0%	21.0%	19.0%
75+	100.0%	100.0%	100.0%	100.0%

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

OPEB Liability (Continued)

Actuarial Assumptions (Continued)

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

Age	Rate	Age	Rate
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%		

Participation Rate

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

Percent Married

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

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

OPEB Liability (Continued)

Actuarial Assumptions (Continued)

Per Capita Claims Cost

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

Age	Male	Female
50	$ 6,731	$ 7,765
51	6,993	7,911
52	7,266	8,062
53	7,553	8,198
54	7,856	8,340
55	8,173	8,481
56	8,501	8,627
57	8,839	8,773
58	9,166	8,990
59	9,504	9,217
60	9,857	9,449
61	10,220	9,681
62	10,598	9,923
63	10,800	10,114
64	11,007	10,306

Administrative Expenses — Included in premiums used.

Participant Salary Increases — 3.50 percent annually

Payroll Growth Rate — 2.50 percent annually

Changes in Actuarial Assumptions

In the fiscal year ending June 30, 2022, assumption changes include: The mortality table was updated to MP-2021; the demographic assumptions were updated to be consistent with the June 30, 2020 TCRS annual rinancial report; discount rate changed from 2.16% as of June 30, 2021 to 3.54% at June 30, 2022; and health care cost trend rates changed from 7.00% in fiscal year 2021 (2020 Medical Trend Rates) to 6.50% in fiscal year 2022 (2021 Medical Trend Rates) grading down to an ultimate rate of 5.00%.

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

Changes in the OPEB Liability

	Increase (Decrease)
	Total OPEB Liability
Balance at June 30, 2021	$ 9,315,523
Changes for the Fiscal Year:	
Service Cost	384,661
Interest	216,690
Changes in Benefit Terms	-
Difference Between Expected and Actual Experience	440,460
Changes in Assumptions	(1,186,843)
Benefit Payments	(452,142)
Net Changes	(597,174)
Balance at June 30, 2022	$ 8,718,349

Sensitivity of the OPEB Liability to Changes in the Discount Rate

The following presents the OPEB liability of BrightRidge calculated using the discount rate of 3.54 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.54 percent) or 1-percentage-point higher (4.54 percent) than the current discount rate:

	1% Decrease (2.54%)	Current Rate (3.54%)	1% Increase (4.54%)
OPEB Liability	$ 9,632,678	8,718,349	7,936,639

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

Changes in the OPEB Liability (Continued)

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

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

	1% Decrease (5.50% decreasing to 4.00%)	Current Rate (6.50% decreasing to 5.00%)	1% Increase (7.50% decreasing to 6.00%)
OPEB Liability	$ 8,453,001	8,718,349	9,020,358

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

OPEB Expense

For the fiscal year ended June 30, 2022, BrightRidge recognized OPEB expense of $686,556.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the fiscal year ended June 30, 2022, BrightRidge reported the following deferred inflows of resources and deferred outflows of resources related to OPEB:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	$ 653,901	-
Changes in Assumptions	875,486	(1,113,746)
Total	$ 1,529,387	(1,113,746)

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

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

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

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

Fiscal Year Ended June 30:		
2023	$	85,205
2024		85,205
2025		85,205
2026		96,423
2027		81,383
Thereafter		(17,780)

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

NOTE 7 - DEFERRED COMPENSATION AND DEFINED CONTRIBUTION PLANS

Deferred Compensation Plan

BrightRidge offers its employees an optional 457(b) deferred compensation plan, the Johnson City Energy Authority 457(b) Plan (the Plan), available to all full-time employees. Employee must have reached age 18. Eligible employees are permitted to contribute pre-tax or post-tax dollars into the Plan, via a percentage of eligible compensation, which is defined as W-2 wages plus elective deferrals and Section 125 deductions, less fringe benefits, up to certain limits prescribed by the Internal Revenue Service. Elective contributions are amounts remitted by BrightRidge at the employee’s election to a qualified plan. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency circumstances. The Plan assets are in custodial accounts with the Trust Company or Nationwide, and therefore they are not subject to the claims of BrightRidge’s general creditors and are not reflected in the financial statements. Employee contributions and employee loan contributions were $386,387 and $20,167, respectively, for the fiscal year ended June 30, 2022.

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

Defined Contribution Plan

BrightRidge offers its employees a defined contribution plan 401(k) as administered by Empower Retirement, as offered by TCRS along with the defined benefit portion. Employees hired after January 1, 2019 participate in the hybrid pension plan. The employee must be 18 years to participate. The defined contribution plan is placed into the state's 401(k) plan and is managed by the employee, including loan applications if applicable. The defined contribution portion of the plan requires the employer to contribute 5.00% of the employee's retirement-related salary while employees are required to contribute a minimum of 2.00% of their related salary unless they opt out of the employee portion. During the fiscal year ended June 30, 2022, employees contributed $177,856, employer contributions were $115,298, and employee loan repayments were $980. Employees are 100% vested in employer contributions at date of hire. Retirement eligibility begins at age 65 and vested or if the Rule of 90 applies, where the sum of service and age must be equal to ninety. Employees hired prior to July 1, 2019 participate in the legacy pension plan and are not eligible for the hybrid pension plan. Legacy pension plan employees may elect to contribute to the defined contribution plan 401(k). There is no employer contribution to the plan for legacy pension plan employees.

NOTE 8 - LONG-TERM DEBT

Long-term debt activity for the year ended June 30, 2022 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds					
Revenue Bonds Payable	$ 24,815,000	25,750,000	(2,685,000)	47,880,000	2,830,000
Premium	3,044,758	2,553,578	(374,343)	5,223,993	-
Total Revenue Bonds	27,859,758	28,303,578	(3,059,343)	53,103,993	2,830,000
Notes Payable	1,777,334	1,000,000	(285,148)	2,492,186	343,111
Total Long-Term Debt	$ 29,637,092	29,303,578	(3,344,491)	55,596,179	3,173,111

Bonds Payable

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

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

NOTE 8 - LONG-TERM DEBT (CONTINUED)

Bonds Payable (Continued)

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

On March 31, 2017, BrightRidge refunded and defeased in substance the outstanding Electric System Revenue Bonds, Series 2007A and 2008, as issued in the name of the prior entity, Johnson City Power Board. On that same date, Electric System Revenue Bonds, Series 2017 were issued by the new entity, JCEA. The defeased Series 2007A bonds, with varying outstanding maturity dates at the time of refund from May 1, 2017 through May 1, 2032, were called and redeemed on May 1, 2017 for the outstanding balance of $18,075,000. The defeased Series 2008 bonds, with varying outstanding maturity dates at the time of refunding from May 1, 2017 through May 1, 2033, were called and redeemed on May 1, 2017 in the amount of $910,000. The remaining $21,630,000 of defeased bonds were called and redeemed on May 1, 2018. The advance refunding resulted in an economic loss (difference between the present values of the old and new debt service payments) of $1,049,539, which is being amortized over the life of the bonds, and the unamortized portion at June 30, 2022 was $706,943. During the fiscal year ended June 30, 2022, $65,256 amortization expense was recognized for the economic loss.

On March 31, 2017, BrightRidge issued Electric System Revenue Bonds, Series 2017, totaling $34,480,000 with interest rates from 3.00% - 5.00% and maturity of May 2033. The interest is payable semiannually on May 1 and November 1 of each fiscal year with the principal payments due on May 1. The revenue of the system is pledged as security collateral for the debt. Upon event of default, this obligation is in many aspects dependent upon judicial actions. The debt is a direct obligation and pledge the full faith and credit authority of BrightRidge and will be qualified as to the enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

On August 6, 2021, BrightRidge issued Electric System Revenue Bonds, Series 2021, totaling $25,750,000 with interest rates from 2.00% - 5.00% and maturity of June 2041. The interest is payable semiannually on May 1 and November 1 of each fiscal year with the principal payments due on May 1. The revenue of the system is pledged as security collateral for the debt. Upon event of default, this obligation is in many aspects dependent upon judicial actions. The debt is a direct obligation and pledge the full faith and credit authority of BrightRidge and will be qualified as to the enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

The total interest incurred for the year ended June 30, 2022 was $1,830,677 charged to expense.

NOTE 8 - LONG-TERM DEBT (CONTINUED)

Bonds Payable (Continued)

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

	Date Issued	Amount Issued	Interest Rate	Maturity Date	Outstanding June 30, 2022
Electric System Revenue Bonds - 2017	3/31/2017	$ 34,480,000	3.00-5.00%	5/1/2033	$ 22,130,000
Electric System Revenue Bonds - 2021	8/6/2021	25,750,000	2.00-5.00%	6/30/2041	25,750,000
					$ 47,880,000

Changes in the Deferred Loss on Bond Refunding for the year ended June 30, 2022 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Deferred Loss on Bond Refunding	$ 772,199	-	(65,256)	706,943

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

Fiscal Year Ending June 30	Principal	Interest	Total
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	1,765,000	727,800	2,492,800
2027	1,850,000	639,550	2,489,550
2028-2032	10,740,000	1,733,300	12,473,300
2033	1,600,000	56,000	1,656,000
	$ 22,130,000	5,798,950	27,928,950

NOTE 8 - LONG-TERM DEBT (CONTINUED)

Bonds Payable (Continued)

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

Fiscal Year Ending June 30	Principal	Interest	Total
2023	$ -	789,800	789,800
2024	1,005,000	789,800	1,794,800
2025	1,060,000	739,550	1,799,550
2026	1,110,000	686,550	1,796,550
2027	1,165,000	631,050	1,796,050
2028-2032	6,740,000	2,248,650	8,988,650
2033-2037	7,830,000	1,160,000	8,990,000
2038-2041	6,840,000	345,300	7,185,300
	$ 25,750,000	7,390,700	33,140,700

Notes Payable

In June 2014, BrightRidge entered into a promissory note agreement with USDA Rural Economic Development as a result of federal loan funds received in August 2014 for pass-through to an international manufacturing company for construction of their new facility in rural Piney Flats, Tennessee. This $760,000 note payable has a term of ten years with 0% interest, with imputed interest being deemed immaterial. (See Note 2.) It is collateralized with an irrevocable letter of credit held with a financial institution. Principal payments of $6,333 are due monthly. The balance at June 30, 2022 is $164,667. Note payable debt service requirements for the fiscal years subsequent to maturity are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2023	$ 76,000	-	76,000
2024	76,000	-	76,000
2025	12,667	-	12,667
	$ 164,667	-	164,667

NOTE 8 - LONG-TERM DEBT (CONTINUED)

Notes Payable (Continued)

In January 2021, BrightRidge entered into a promissory note agreement with USDA Rural Economic Development as a result of federal loan funds received in January 2021, for pass-through to a local wood pallet manufacturing company for the purchase of a new pallet nailing machine to replace the existing machine in rural Jonesborough, Tennessee. This $560,000 note payable has a term of ten years with 0% interest, with imputed interest being deemed immaterial. (See Note 2.) It is collateralized with an irrevocable letter of credit held with a financial institution. Principal payments of $4,667 are due monthly. The balance at June 30, 2022 is $480,667. Note payable debt service requirements for the fiscal years subsequent to maturity are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2023	$ 56,000	-	56,000
2024	56,000	-	56,000
2025	56,000	-	56,000
2026	56,000	-	56,000
2027	56,000	-	56,000
2028-2031	200,667	-	200,667
	$ 480,667	-	480,667

In January 2021, BrightRidge entered into a promissory note agreement with USDA Rural Economic Development as a result of federal loan funds received in January 2021, for pass-through to an international manufacturing company for additions to their facility in rural Piney Flats, Tennessee. This $1,000,000 note payable has a term of nine years with 0% interest, with imputed interest being deemed immaterial. (See Note 2.) It is collateralized with an irrevocable letter of credit held with a financial institution. Principal payments of $9,259 are due monthly beginning January 2022. The balance at June 30, 2022 is $935,185. Note payable debt service requirements for the fiscal years subsequent to maturity are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2023	$ 111,111	-	111,111
2024	111,111	-	111,111
2025	111,111	-	111,111
2026	111,111	-	111,111
2027	111,111	-	111,111
2028-2031	379,630	-	379,630
	$ 935,185	-	935,185

NOTE 8 - LONG-TERM DEBT (CONTINUED)

Notes Payable (Continued)

In September 2021, BrightRidge entered into a promissory note agreement with USDA Rural Economic Development as a result of federal loan funds received in September 2021, for pass-through to a local manufacturing company for expansions to their facility in rural Chuckey, Tennessee. This $1,000,000 note payable has a term of ten years with 0% interest, with imputed interest being deemed immaterial. (See Note 2.) It is collateralized with an irrevocable letter of credit held with a financial institution. Principal payments of $8,333 are due monthly beginning October 2021. The balance at June 30, 2022 is $911,667. Note payable debt service requirements for the fiscal years subsequent to maturity are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2023	$ 100,000	-	100,000
2024	100,000	-	100,000
2025	100,000	-	100,000
2026	100,000	-	100,000
2027	100,000	-	100,000
2028-2031	411,667	-	411,667
	$ 911,667	-	911,667

NOTE 9 - LONG-TERM OBLIGATIONS

Changes to long-term obligations, other than long-term debt, for the year ended June 30, 2022 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated Absences	$ 3,805,125	996,318	(602,183)	4,199,260	696,455
Total Long-Term Liabilities	$ 3,805,125	996,318	(602,183)	4,199,260	696,455

NOTE 10 - HEAT PUMP PROGRAM

TVA's heat pump program offers financing to qualified BrightRidge customers for replacement of certain electric-related items, such as air sealing, attic insulation, doors, windows, electric water heaters, and certain heat pumps. BrightRidge served as a pass through agent for this program through May 2020, as reflected in the offsetting asset and contra asset on the Statement of Net Position of $1,722,317 and ($1,722,317), respectively. Since May 2020, customers are able to obtain loans through TVA's vendor directly.

NOTE 11 - RISK MANAGEMENT

BrightRidge carries insurance for cyber and privacy, directors and officers, commercial crime, property, automobiles, general liability, worker's compensation, employee group health, and other coverages through external insurance carriers. There 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, 2022. For the fiscal year ended June 30, 2022, no settlements were paid from these funds.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

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

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 2022 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
DBA BRIGHTRIDGE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS – LEGACY PLAN
Last Fiscal Year Ending June 30

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

(Continued)

Notes to Schedule:

Changes in Assumptions

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

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022
Actuarially Determined Contribution	$ 1,574,379	1,577,102	1,594,572	1,694,199	1,666,121	1,835,801	1,881,869	1,878,149	1,835,676
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	1,878,149	1,835,676
Contribution Deficiency (Excess)	$ -	-	-	-	-	-	-	-	-
Covered Payroll	$ 11,350,967	11,751,752	11,881,393	12,624,437	12,415,203	13,679,586	13,912,250	13,881,366	13,653,117
Contributions as a Percentage of Covered Payroll	13.87%	13.42%	13.42%	13.42%	13.42%	13.42%	13.53%	13.53%	13.45%

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.

(Continued)

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

Notes to Schedule:

Valuation Date

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

Methods and Assumptions Used to Determine Contribution Rates

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

Changes of Assumptions

In 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	2020	2021
Total Pension Liability			
Service Cost	$ -	17,735	63,331
Interest	-	1,286	8,037
Differences between Expected and Actual Experience	-	28,502	29,463
Changes in Assumptions	-	-	16,048
Benefit Payments, including Refunds of Employee Contributions	-	-	-
Net Change in Total Pension Liability	-	47,523	116,879
Total Pension Liability - Beginning	-	-	47,523
Total Pension Liability - Ending (a)	$ -	47,523	164,402
Plan Fiduciary Net Position			
Contributions - Employer	$ 767	11,621	23,005
Contributions - Employees	2,311	35,002	75,676
Net Investment Income	109	1,280	25,342
Benefit Payments, including Refunds of Employee Contributions	-	-	-
Administrative Expense	(161)	(1,059)	(1,942)
Net Change in Plan Fiduciary Net Position	3,026	46,844	122,081
Plan Fiduciary Net Position - Beginning	-	3,026	49,870
Plan Fiduciary Net Position - Ending (b)	$ 3,026	49,870	171,951
Net Pension Liability - Ending (a) - (b)	$ (3,026)	(2,347)	(7,549)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	0.00%	104.94%	104.59%
Covered Payroll	$ 46,215	$ 695,326	$ 1,513,514
Net Pension Liability as a Percentage of Covered Payroll	-6.55%	-0.34%	-0.50%

Notes to Schedule:

Changes of Assumptions

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

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

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

		2019	2020	2021	2022
Actuarially Determined Contribution	$	767	11,621	23,005	39,942
Contributions in relation to the Actuarially Determined Contribution		767	11,621	23,005	39,942
Contribution Deficiency (Excess)	$	-	-	-	-
Covered Payroll	$	46,215	695,326	1,513,514	2,391,443
Contributions as a Percentage of Covered Payroll		1.66%	1.67%	1.52%	1.67%

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

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

2019: Pension 1.66%, SRT 2.44%
2020: Pension 1.67%, SRT 2.43%
2021: Pension 1.52%, SRT 2.48%
2022: Pension 1.67%, SRT 2.33%

(Continued)

Notes to Schedule:

Valuation Date

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

Methods and Assumptions Used to Determine Contribution Rates:

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

Changes of Assumptions

In 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

	2018	2019	2020	2021	2022
Total OPEB Liability					
Service Cost	$ 199,823	194,525	288,031	375,875	384,661
Interest	210,132	224,657	275,307	204,751	216,690
Changes in Benefit Terms	-	-	1,343,154	-	-
Difference Between Expected and Actual Experience	-	-	393,388	-	440,460
Changes in Assumptions	(162,797)	208,404	1,085,435	49,751	(1,186,843)
Benefit Payments	(325,251)	(287,352)	(388,023)	(405,263)	(452,142)
Net Change in Total OPEB Liability	(78,093)	340,234	2,997,292	225,114	(597,174)
Total OPEB Liability - Beginning	5,830,976	5,752,883	6,093,117	9,090,409	9,315,523
Total OPEB Liability - Ending	$ 5,752,883	6,093,117	9,090,409	9,315,523	8,718,349
Covered Payroll	$ 11,608,049	11,898,250	13,300,650	13,633,166	14,837,626
Total OPEB Liability as a Percentage of Covered Payroll	49.56%	51.21%	68.35%	68.33%	58.76%

Notes to Schedule:

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

Changes of Assumptions

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

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

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

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, 2022

	Business-Type Fund			
	Electric Division	Broadband Division	Intrafund Eliminations	Total
ASSETS				
CURRENT ASSETS				
Cash on Hand and in Bank	$ 27,327,459	385,799	-	27,713,258
Accounts Receivable - Customer Service, Net of Allowance for Uncollectible Accounts	23,272,522	401,599	-	23,674,121
Accounts Receivable - Rents and Other	713,554	6,736	125,989	846,279
Current Inter-Division Receivables	1,601,443	283,022	(1,884,465)	-
Current Maturities of Notes Receivable	343,111	-	-	343,111
Current Maturities of Leases Receivable	378,996	-	-	378,996
Inventories	9,395,320	5,004,425	-	14,399,745
Prepaid Expenses	347,970	293,726	(125,989)	515,707
Total Current Assets	63,380,375	6,375,307	(1,884,465)	67,871,217
CAPITAL ASSETS				
Land and Land Rights	5,623,567	-	-	5,623,567
Intangibles	80,176	255,601	-	335,777
Construction in Progress	1,537,306	2,801,202	-	4,338,508
Depreciable Capital Assets	316,828,766	26,673,009	-	343,501,775
Less: Accumulated Depreciation	(114,631,039)	(2,764,754)	-	(117,395,793)
Net Capital Assets	209,438,776	26,965,058	-	236,403,834
DESIGNATED ASSETS				
Cash and Cash Equivalents	46,204,961	2,030,207	-	48,235,168
RESTRICTED ASSETS				
TCRS Stabilization Reserve Trust	95,289	24,556	-	119,845
OTHER ASSETS				
Inter-Division Receivables	48,717,334	5,000,000	(53,717,334)	-
Accounts Receivable - Customers - Heat Pumps	1,722,317	-	-	1,722,317
Advance from Tennessee Valley Authority	(1,722,317)	-	-	(1,722,317)
Long-Term Receivables	500,000	-	-	500,000
Leases Receivable, Net of Current Maturities	393,319	-	-	393,319
Notes Receivable, Net of Current Maturities	2,006,048	-	-	2,006,048
Total Other Assets	51,616,701	5,000,000	(53,717,334)	2,899,367
TOTAL ASSETS	370,736,102	40,395,128	(55,601,799)	355,529,431
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows of Resources Related to Pension Plans	11,333,843	1,314,586	-	12,648,429
Deferred Outflows of Resources Related to OPEB	1,301,050	228,337	-	1,529,387
Deferred Loss on Bond Refunding	706,943	-	-	706,943
Deferred Outflows of Resources Related to USDA Loans	133,693	-	-	133,693
TOTAL DEFERRED OUTFLOWS OF RESOURCES	13,475,529	1,542,923	-	15,018,452

(Continued)

JOHNSON CITY ENERGY AUTHORITY
DBA BRIGHTRIDGE
COMBINING SCHEDULE OF NET POSITION BY DIVISION
June 30, 2022

	Business-Type Fund			
	Electric Division	Broadband Division	Intrafund Eliminations	Total
LIABILITIES				
CURRENT LIABILITIES				
Accounts Payable	27,746,984	622,160	-	28,369,144
Accrued Salaries	432,552	-	-	432,552
Accrued Interest	298,691	-	-	298,691
Customer Deposits	6,273,368	24,650	-	6,298,018
Unearned Revenue Related to USDA Loans	133,693	-	-	133,693
Current Portion of Compensated Absences	696,455	-	-	696,455
Current Maturities of Bonds Payable	2,830,000	-	-	2,830,000
Current Maturities of Notes Payable	343,111	-	-	343,111
Current Inter-Division Payables	120,019	1,764,446	(1,884,465)	-
Other Current and Accrued Liabilities	350,636	40,635	-	391,271
Total Current Liabilities	39,225,509	2,451,891	(1,884,465)	39,792,935
LONG-TERM LIABILITIES				
Inter-Division Payables	-	53,717,334	(53,717,334)	-
Bonds Payable, Net of Current Maturities and Unamortized Bond Premium	50,273,993	-	-	50,273,993
Notes Payable, Net of Current Maturities	2,149,075	-	-	2,149,075
Compensated Absences, Net of Current Portion	3,502,805	-	-	3,502,805
Net Pension Liability (Asset)	953,077	(395,360)	-	557,717
Other Post-Employment Benefits Liability	7,416,699	1,301,650	-	8,718,349
Total Long-Term Liabilities	64,295,649	54,623,624	(53,717,334)	65,201,939
TOTAL LIABILITIES	103,521,158	57,075,515	(55,601,799)	104,994,874
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows of Resources Related to Pension Plans	8,256,510	1,131,752	-	9,388,262
Deferred Inflows of Resources Related to OPEB	947,464	166,282	-	1,113,746
Deferred Inflows of Resources Related to Leases	772,315	-	-	772,315
TOTAL DEFERRED INFLOWS OF RESOURCES	9,976,289	1,298,034	-	11,274,323
NET POSITION (DEFICIT)				
Net Investment in Capital Assets	157,041,726	26,965,058	-	184,006,784
Restricted for Pension Stabilization Reserve Trust	95,289	24,556	-	119,845
Unrestricted (Deficit)	113,577,169	(43,425,112)	-	70,152,057
TOTAL NET POSITION (DEFICIT)	$ 270,714,184	(16,435,498)	-	254,278,686

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, 2022

	Business-Type Fund			
	Electric Division	Broadband Division	Intrafund Eliminations	Total
OPERATING REVENUES				
Sales of Electric Energy				
Residential	$ 110,524,433	-	-	110,524,433
Large Lighting and Power	63,652,239	-	-	63,652,239
Small Lighting and Power	18,456,512	-	-	18,456,512
Street and Outdoor Lighting	3,701,047	-	-	3,701,047
Unbilled Revenue	9,889,289	-	-	9,889,289
Sales of Broadband				
Internet Operating Revenue - Residential	-	5,194,289	-	5,194,289
Internet Operating Revenue - Business	-	1,970,401	-	1,970,401
Internet Operating Revenue - Support Services	-	502,770	-	502,770
Other Operating Revenues	5,045,555	179,061	(602,912)	4,621,704
Total Operating Revenues (Pledged as Revenue Bonds Security)	211,269,075	7,846,521	(602,912)	218,512,684
OPERATING EXPENSES				
Operations				
Power Purchased from Tennessee Valley Authority and Other Entities	149,975,244	-	-	149,975,244
Broadband Wholesale Delivery	-	2,104,133	(350,035)	1,754,098
Broadband Installation	-	2,754,211	-	2,754,211
Other Operating Expenses	14,529,740	3,286,225	(168,584)	17,647,381
Maintenance	10,304,549	936,755	(84,293)	11,157,011
Provision for Depreciation	10,057,883	1,437,336	-	11,495,219
Tax Equivalents	5,540,206	287,297	-	5,827,503
Total Operating Expenses	190,407,622	10,805,957	(602,912)	200,610,667
NET OPERATING INCOME	20,861,453	(2,959,436)	-	17,902,017
NONOPERATING REVENUES (EXPENSES)				
Interest Income	1,659,019	16,153	(1,410,935)	264,237
Other Income	103,717	27,161	-	130,878
Interest Expense	(1,830,677)	(1,410,935)	1,410,935	(1,830,677)
Bond Issuance Costs	(301,036)	-	-	(301,036)
Amortization of Bond Premium	374,343	-	-	374,343
Amortization of Deferred Loss on Bond Refunding	(65,256)	-	-	(65,256)
Nonoperating Grant Revenues	935,788	-	-	935,788
Nonoperating Grant and Other Expenses	(1,321,885)	-	-	(1,321,885)
Total Nonoperating Revenues (Expenses)	(445,987)	(1,367,621)	-	(1,813,608)
CHANGE IN NET POSITION (DEFICIT)	20,415,466	(4,327,057)	-	16,088,409
NET POSITION (DEFICIT), BEGINNING	250,298,718	(12,108,441)	-	238,190,277
NET POSITION (DEFICIT), ENDING	$ 270,714,184	(16,435,498)	-	254,278,686

See Independent Auditors’ Report.

JOHNSON CITY ENERGY AUTHORITY
DBA BRIGHTRIDGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2022

Grantor Agency	Pass-Through Agency/Program Name	Assistance Listing Number	Contract Number	Expenditures	Passed-Through to Subrecipient
U.S. Department of Agriculture	Rural Economic Development Loans and Grants	10.854	[1]	$ 935,788	935,788
TOTAL FEDERAL AWARDS				$ 935,788	935,788

[1] Information not available

Notes to Schedule:

NOTE A: BASIS OF PRESENTATION
The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant and loan activity of BrightRidge under programs of the federal government for the fiscal year ended June 30, 2022. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Since the schedule presents only a selected portion of the operations of BrightRidge, it is not intended to, and does not present, the financial position, changes in net position, or cash flows of BrightRidge.

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

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

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

(Continued)

Notes to Schedule (Continued):

NOTE D: FEDERAL LOANS PROGRAMS (Continued)

The balance of federal loans outstanding at June 30, 2022 and 2021 consists of:

Assistance Listing Number	Program Name	Outstanding Balance at June 30, 2021	2022
10.854	USDA - Rural Economic Development Loans and Grants	$ 1,777,334	2,492,186

See Independent Auditors' Report.

JOHNSON CITY ENERGY AUTHORITY
DBA BRIGHTRIDGE
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS -
2017 REFUNDING ISSUE
June 30, 2022

Fiscal Year Ending	Interest Rate	Principal	Interest	Total Requirements
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	5.00%	1,710,000	779,100	2,489,100
6-30-2026	3.00%	1,765,000	727,800	2,492,800
6-30-2027	5.00%	1,850,000	639,550	2,489,550
6-30-2028	5.00%	1,950,000	547,050	2,497,050
6-30-2029	5.00%	2,045,000	449,550	2,494,550
6-30-2030	5.00%	2,150,000	347,300	2,497,300
6-30-2031	4.00%	2,255,000	239,800	2,494,800
6-30-2032	4.00%	2,340,000	149,600	2,489,600
6-30-2033	3.50%	1,600,000	56,000	1,656,000
		$ 22,130,000	5,798,950	27,928,950

See Independent Auditors' Report.

JOHNSON CITY ENERGY AUTHORITY
DBA BRIGHTRIDGE
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS -
2021 REFUNDING ISSUE
June 30, 2022

Fiscal Year Ending	Interest Rate	Principal	Interest	Total Requirements
6-30-2023	5.00%	$ -	789,800	789,800
6-30-2024	5.00%	1,005,000	789,800	1,794,800
6-30-2025	5.00%	1,060,000	739,550	1,799,550
6-30-2026	5.00%	1,110,000	686,550	1,796,550
6-30-2027	5.00%	1,165,000	631,050	1,796,050
6-30-2028	5.00%	1,225,000	572,800	1,797,800
6-30-2029	5.00%	1,285,000	511,550	1,796,550
6-30-2030	5.00%	1,350,000	447,300	1,797,300
6-30-2031	3.00%	1,420,000	379,800	1,799,800
6-30-2032	3.00%	1,460,000	337,200	1,797,200
6-30-2033	2.00%	1,505,000	293,400	1,798,400
6-30-2034	2.00%	1,535,000	263,300	1,798,300
6-30-2035	2.00%	1,565,000	232,600	1,797,600
6-30-2036	2.00%	1,595,000	201,300	1,796,300
6-30-2037	2.00%	1,630,000	169,400	1,799,400
6-30-2038	2.00%	1,660,000	136,800	1,796,800
6-30-2039	2.00%	1,695,000	103,600	1,798,600
6-30-2040	2.00%	1,725,000	69,700	1,794,700
6-30-2041	2.00%	1,760,000	35,200	1,795,200
		$ 25,750,000	7,390,700	33,140,700

See Independent Auditors' Report.

JOHNSON CITY ENERGY AUTHORITY
DBA BRIGHTRIDGE
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS -
TOTAL COMBINED ISSUED DEBT
June 30, 2022

Fiscal Year Ending	Interest Rate	Principal	Interest	Total Requirements
6-30-2023	5.00%	$ 2,830,000	1,792,150	4,622,150
6-30-2024	5.00%	2,640,000	1,650,650	4,290,650
6-30-2025	5.00%	2,770,000	1,518,650	4,288,650
6-30-2026	3.00%-5.00%	2,875,000	1,414,350	4,289,350
6-30-2027	5.00%	3,015,000	1,270,600	4,285,600
6-30-2028	5.00%	3,175,000	1,119,850	4,294,850
6-30-2029	5.00%	3,330,000	961,100	4,291,100
6-30-2030	5.00%	3,500,000	794,600	4,294,600
6-30-2031	3.00%-4.00%	3,675,000	619,600	4,294,600
6-30-2032	3.00%-4.00%	3,800,000	486,800	4,286,800
6-30-2033	2.00%-3.50%	3,105,000	349,400	3,454,400
6-30-2034	2.00%	1,535,000	263,300	1,798,300
6-30-2035	2.00%	1,565,000	232,600	1,797,600
6-30-2036	2.00%	1,595,000	201,300	1,796,300
6-30-2037	2.00%	1,630,000	169,400	1,799,400
6-30-2038	2.00%	1,660,000	136,800	1,796,800
6-30-2039	2.00%	1,695,000	103,600	1,798,600
6-30-2040	2.00%	1,725,000	69,700	1,794,700
6-30-2041	2.00%	1,760,000	35,200	1,795,200
		$ 47,880,000	13,189,650	61,069,650

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, 2022

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding July 1, 2021	Issued During Period	Paid and/or Matured During Period	Outstanding June 30, 2022
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	$ 24,815,000	-	(2,685,000)	22,130,000
Electric System Revenue Bonds, Series 2021	$ 25,750,000	2% to 5%	8/6/2021	5/1/2041	-	25,750,000	-	25,750,000
Total Bonds Payable, Net of Premium, Through Electric Fund					$ 24,815,000	25,750,000	(2,685,000)	47,880,000
Notes Payable	$ 760,000	0%	8/21/2014	8/21/2024	$ 240,667	-	(76,000)	164,667
USDA Rural Development Obligations	$ 560,000	0%	1/4/2021	1/3/2031	536,667	-	(56,000)	480,667
Payable Through Electric Fund	$ 1,000,000	0%	1/4/2021	1/3/2031	1,000,000	-	(64,815)	935,185
Rural Economic Development Loans	$ 1,000,000	0%	9/1/2021	9/1/2031	-	1,000,000	(88,333)	911,667
Total Notes Payable Through Electric Fund					$ 1,777,334	1,000,000	(285,148)	2,492,186

See Independent Auditors' Report.

JOHNSON CITY ENERGY AUTHORITY
DBA BRIGHTRIDGE
CHANGES IN STATEMENT OF NET POSITION ACCOUNTS (UNAUDITED)
June 30, 2022 and 2021

A comparison of the Statements of Net Position at June 30, 2022 and 2021 is shown below.

	2022	2021	Increase (Decrease)
Capital Assets	$ 353,799,627	335,929,070	17,870,557
Less: Accumulated Depreciation	(117,395,793)	(110,958,864)	(6,436,929)
Net Capital Assets	236,403,834	224,970,206	11,433,628
Plus: Deferred Outflows of Resources	15,018,452	6,700,083	8,318,369
Plus: Restricted, Designated, and Other Assets	51,254,380	33,817,213	17,437,167
Current Assets	67,871,217	53,035,779	14,835,438
Less: Current Liabilities	(39,792,935)	(37,317,460)	(2,475,475)
Working Capital	28,078,282	15,718,319	12,359,963
Less: Long-Term Liabilities	(65,201,939)	(41,870,745)	(23,331,194)
Less: Deferred Inflows of Resources	(11,274,323)	(1,144,799)	(10,129,524)
Net Position	$ 254,278,686	238,190,277	16,088,409

See Independent Auditors' Report.

JOHNSON CITY ENERGY AUTHORITY
DBA BRIGHTRIDGE
COMPARATIVE RESULTS OF OPERATIONS (UNAUDITED)
For the Fiscal Years Ended June 30, 2022 and 2021

The operating results for the fiscal years ended June 30, 2022 and 2021 are summarized below.

Percent of Operating Revenues			Amount		
2022	2021		2022	2021	Increase (Decrease)
		Operating Revenues			
94.37 %	96.21	Sales of Electric Energy	$ 206,223,520	191,617,453	14,606,067
3.51	1.82	Sales of Broadband	7,667,460	3,615,558	4,051,902
2.12	1.97	Other Operating Revenues	4,621,704	3,914,399	707,305
100.00	100.00	Total Operating Revenues	218,512,684	199,147,410	19,365,274
		Operating Expenses			
68.63	69.54	Power Purchased	149,975,244	138,496,089	11,479,155
2.06	1.82	Wholesale Broadband Delivery and Installation	4,508,309	3,631,128	877,181
13.18	14.28	Other Operation and Maintenance Expense	28,804,392	28,439,369	365,023
5.26	5.31	Provision for Depreciation	11,495,219	10,565,100	930,119
2.67	2.97	Tax Equivalent	5,827,503	5,912,122	(84,619)
91.80	93.92	Total Operating Expenses	200,610,667	187,043,808	13,566,859
8.19	6.08	Net Operating Income	17,902,017	12,103,602	5,798,415
(0.83)	0.39	Nonoperating Revenue (Expense)(Net)	(1,813,608)	772,934	(2,586,542)
7.36 %	6.47	Change in Net Position	$ 16,088,409	12,876,536	3,211,873

See Independent Auditors' Report.

JOHNSON CITY ENERGY AUTHORITY
DBA BRIGHTRIDGE
SELECTED DATA AND COMPARISONS (UNAUDITED)
June 30, 2022 and 2021

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

	2022	2021	Increase (Decrease)	Percent Increase (Decrease)
Operating Revenues	$ 218,512,684	199,147,410	19,365,274	10%
Change in Net Position	16,088,409	12,876,536	3,211,873	25%
Gross Plant Additions Less or Plus Net Salvage	16,520,581	12,804,421	3,716,160	29%
Funds for Capital Asset Addition Provided Through Depreciation and Amortization	10,687,508	10,607,612	79,896	1%
Excess of Capital Asset Expenditures Over Amounts Provided by Depreciation	5,833,073	2,196,809	3,636,264	166%
Electric Division	81,747	80,919	828	1%
Broadband Division	4,466	1,533	2,933	100%
Average Use (kwH) Per Residential Electric Customer	14,180	14,309	(128)	-1%

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, 2022 and 2021

Certain revenue statistics and operating costs of BrightRidge (Electric Division) for the fiscal years ended June 30, 2022 and 2021 are compared with the composite of Group A Municipalities in the TVA area for the fiscal year ended June 30, 2021.

	BrightRidge 2022	BrightRidge 2021	2021 Composite of Group A Municipalities on TVA Area (Note 1)
Average Number of Customers - Electric	81,747	80,919	15,159
Electric Sales - Cents per Kilowatt Hour Sold	10.83	10.34	9.55
Percent of Revenue by Classes to Total Electric Sales			
Residential	56.20 %	57.07 %	45.71 %
Large Lighting and Power	31.87	31.65	40.88
Small Lighting and Power	9.38	9.42	11.34
Street and Outdoor	1.80	1.87	1.97
Unbilled Revenue - All Classes	0.75	-	0.10
	100.00 %	100.01 %	100.00 %
Purchased Power - Cents Per Kilowatt Hour Purchased	7.58	7.16	6.87
Percent of Unaccounted for Kilowatt Hours (Distribution Losses)	3.75 %	4.10 %	3.94 %
Certain Expenses Expressed in Dollar per Customer			
Transmission and Distribution	$ 164.17	$ 162.46	$ 188.22
Customer Accounting and Collecting	53.60	52.57	50.35
Sales Promotion	5.35	4.91	5.83
Administrative and General	80.67	82.02	126.29
	$ 303.79	$ 301.96	$ 370.69
Percent of Certain Operating Expenses to Revenue from Electric Sales			
Purchased Power	72.72 %	72.28 %	74.79 %
Other Operating Expenses (Depreciation and Taxes)	7.56	8.12	8.69
	80.28 %	80.40 %	83.48 %

Note 1 - Data compiled from information within "The 2021 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 2022 report was not available as of the date of this audit report.

See Independent Auditors' Report.

SECTION IV

INTERNAL CONTROL AND COMPLIANCE SECTION

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

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

To the Board of Directors
Johnson City 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, 2022, and the related notes to the financial statements, which collectively comprise BrightRidge's basic financial statements, and have issued our report thereon dated December 7, 2022.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether BrightRidge's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements.

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However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Blackburn, Childers & Steagall, PLC

BLACKBURN, CHILDERS & STEAGALL, PLC
Johnson City, Tennessee

December 7, 2022

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

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Johnson City Energy Authority
dba BrightRidge

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited theJohnson City Energy Authority dba BrightRidge (BrightRidge) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of BrightRidge's major federal programs for the fiscal year ended June 30, 2022. BrightRidge's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, BrightRidge complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of of Compliance section of our report.

We are required to be independent of BrightRidge and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of BrightRidge's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreemetns applicable to BrightRidge's federal programs.

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Auditors' Responsibilitities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on BrightRidge's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about BrightRidge's compliance with the requirements of each major federal program as a whole.

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

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

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding BrightRidge's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2022-001. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on BrightRidge's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. BrightRidge is also responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. BrightRidge's response and management's corrective action plan were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-001 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on BrightRidge's response to the internal control over compliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. BrightRidge is also responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. BrightRidge's response and management's corrective action plan were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Blackburn, Childers & Steagall, PLC

BLACKBURN, CHILDERS & STEAGALL, PLC
Johnson City, Tennessee

December 7, 2022

JOHNSON CITY ENERGY AUTHORITY
DBA BRIGHTRIDGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2022

SECTION I - SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of the business-type activities of the Johnson City Energy Authority dba BrightRidge (BrightRidge).

2. No material weaknesses or significant deficiencies are reported relating to the audit of the financial statements.

3. No instances of noncompliance material to the financial statements of BrightRidge are required to be reported in accordance with *Government Auditing Standards*.

4. No material weaknesses and one significant deficiency in internal control over major federal award programs are disclosed during the audit of BrightRidge.

5. The auditors' report on compliance for the major federal award programs for BrightRidge expresses an unmodified opinion on all major federal programs.

6. There is one audit finding relative to the major federal award programs that is required to be disclosed in accordance with Title 2 U.S. CFR section 200.516(a) of the Uniform Guidance.

7. The program tested as major programs was as follows:

Program	CFDA Number
Rural Economic Development Loans and Grants	10.854

8. The threshold for distinguishing Type A and B programs was $750,000.

9. BrightRidge was determined to not be a low-risk auditee.

SECTION II - FINANCIAL STATEMENT FINDINGS

Current Fiscal Year Findings

No findings reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Current Fiscal Year Findings

2022-001 Significant Deficiency: Subrecipient Monitoring of Matching Requirements (U.S. Department of Agriculture, Rural Economic Development Loans and Grants, ALN #10.854)

Criteria: In accordance with Uniform Guidance, a recipient of federal funds must monitor the subrecipients' contract terms, including matching requirements.

Condition and Cause: During the audit, it was noted that BrightRidge did not adequately monitor the subrecipient matching requirement according to the contract terms for its major program. This issue was caused by an lack of understanding regarding the required timing for the subrecipient's matching of federal funds.

Effect: Since BrightRidge did not have the understanding of the timing for the subrecipient's match, no matching funds had been submitted during the fiscal year when substantial funds were released to the subrecipient. However, when brought to BrightRidge's attention during the audit subsequent to fiscal year end, BrightRidge and the subrecipient determined that certain subrecipient expenditures qualified as matching funds during the fiscal year, leaving a remaining delayed required matching funding of approximately $54,000.

Questioned Costs: As of June 30, 2022, approximately $54,000 should have been held by BrightRidge until matched by the subrecipient.

Recommendation: BrightRidge should continue to monitor subrecipients, including the timing of the subrecipients' matching requirements.

Management's Response: After discussion of this matter with our auditors, BrightRidge understands that the timing of payments made to the ultimate recipient must not exceed 80% of the actual expenses. BrightRidge will continue to monitor the final payments to the ultimate recipient and will adhere to payout requirements on any future USDA Rural Development Loans.

JOHNSON CITY ENERGY AUTHORITY
DBA BRIGHTRIDGE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
For the Fiscal Year Ended June 30, 2022

PRIOR FISCAL YEAR FINANCIAL STATEMENT FINDINGS

No findings reported.

PRIOR FISCAL YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings reported.

BrightRidge®
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Corrective Action Plan
For Fiscal Year Ended June 30, 2022

Finding: 2022-001

Name of Contact Person and Person Responsible for Implementation: Brian Bolling
Title of Contact Person: CFO & Chief Customer Officer
Anticipated Completion Date: During Fiscal Year 2023

Corrective Action Plan:

The USDA Rural Economic Development Loan (REDL) is an 80%/20% loan, where the ultimate recipient is responsible for 20% of the cost of each dollar spent up to the maximum loan amount. For this finding, the ultimate recipient was approved for a $1,000,000 loan that requires $1,250,000 to be spent to receive the full loan of $1,000,000. BrightRidge, the intermediary, paid out 100% of the first $866,307 of receipts provided by the ultimate loan recipient instead of 80% which would have been $693,045.60. In doing so, BrightRidge intended to pay a lessor percentage on the remaining receipts provided by the ultimate recipient to ensure an 80%/20% sharing was complied with on the total loan amount of $1,000,000. The loan is secured by an irrevocable standby letter of credit provided by the ultimate recipient. BrightRidge was made aware by our independent auditors that regardless of the intent, payments of any monies should be supported by the 80%/20% split based on receipts from the ultimate recipient. BrightRidge agrees and understands that payments to the recipient must not exceed 80% of the receipts from approved expenditures on any future USDA REDL loan.

At June 30, 2022, the loan is not fully paid out due to delays in the delivery of cutting machinery that will account for most of the final payment. The remaining $133,693 of USDA funds will be paid out to the ultimate recipient when receipts of $383,693 are provided by the ultimate recipient. BrightRidge will continue to monitor the final payments to the ultimate recipient and will adhere to payout requirements on any future USDA Rural Development Loans.

BrightRidge has had four USDA REDL loans in the history of the organization making these an infrequent occurrence. As of June 30, 2022, BrightRidge has no other pending USDA REDL loan applicants.