



**JOHNSON CITY ENERGY AUTHORITY DBA  
BRIGHTRIDGE**

**AUDITED FINANCIAL STATEMENTS**

**2021**

**JOHNSON CITY ENERGY AUTHORITY  
DBA BRIGHTRIDGE**

**BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**For the Fiscal Year Ended June 30, 2021**

**JOHNSON CITY ENERGY AUTHORITY  
DBA BRIGHTRIDGE  
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**SECTION I**  
**INTRODUCTORY SECTION**  
**(UNAUDITED)**

**JOHNSON CITY ENERGY AUTHORITY  
DBA BRIGHTRIDGE  
SCHEDULE OF OFFICIALS  
June 30, 2021**

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Name and Title of Official

Officers at June 30, 2021

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, 2021

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

**SECTION II**  
**FINANCIAL SECTION**

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Johnson City Energy Authority dba  
BrightRidge

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Johnson City Energy Authority dba BrightRidge (BrightRidge), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise BrightRidge's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

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

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

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



## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Johnson City Energy Authority dba BrightRidge, as of June 30, 2021, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 13 and the pension and OPEB information on pages 59 through 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise BrightRidge's basic financial statements. The introductory section, supplementary information section, and other supplementary information section as detailed within the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2021, on our consideration of BrightRidge's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of BrightRidge's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BrightRidge's internal control over financial reporting and compliance.



BLACKBURN, CHILDERS & STEAGALL, PLC  
Johnson City, Tennessee

December 6, 2021

**JOHNSON CITY ENERGY AUTHORITY  
DBA BRIGHTRIDGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2021**

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Johnson City Energy Authority (JCEA), dba BrightRidge, is an energy authority created under the Municipal Energy Authority Act with the responsibility to provide electricity and related programs, services, and products. As the tenth largest of TVA's 154 local power companies, JCEA supplies electricity to around 80,919 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 4,466 customers as of June 30, 2021.

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, 2021. 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, 2021. The financial statements are comprised of the basic financial statements and the notes to the financial statements which provide detailed supporting information.

#### Basic Financial Statements

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

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

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

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

**JOHNSON CITY ENERGY AUTHORITY  
DBA BRIGHTRIDGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2021**

Financial Analysis

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position convey information about JCEA's activities highlighting the change in financial condition from one year to the next. Over time, increases or decreases in net position may serve as an indicator of whether the financial position of JCEA is improving or declining. Other considerations for electric distribution entities are the influences of non-financial indicators such as economic conditions, population growth, weather, changes in governmental legislation, and energy efficiency. The statements of net position reflect the launch and growth of our broadband division. The JCEA broadband budget annually includes purchasing equipment and building infrastructure to be able to deliver broadband services. The broadband business plan has eight phases of construction which cover fiscal years 2019 through 2026. As of the end of fiscal year 2021, the construction for phases one and two were complete and phase three was 95% complete.

Condensed Statement of Net Position is presented below:

**SUMMARY OF STATEMENT OF NET POSITION**

	FY 2021	FY 2020	Dollar Change	% Change
<b>Assets</b>				
Current and Other Assets	55,221,421	58,959,783	(3,738,362)	-6.3%
Designated Assets	31,631,571	24,818,487	6,813,084	27.5%
Capital Assets, Net	<u>224,970,206</u>	<u>212,264,912</u>	<u>12,705,294</u>	<u>6.0%</u>
<b>Total Assets</b>	<b><u>\$ 311,823,198</u></b>	<b><u>\$ 296,043,182</u></b>	<b><u>\$ 15,780,016</u></b>	<b><u>5.3%</u></b>
<b>Deferred Outflows of Resources</b>	<b><u>\$ 6,700,083</u></b>	<b><u>\$ 7,124,686</u></b>	<b><u>\$ (424,603)</u></b>	<b><u>-6.0%</u></b>
<b>Liabilities</b>				
Current Liabilities	37,317,460	33,073,034	4,244,426	12.8%
Long-Term Liabilities	<u>41,870,745</u>	<u>43,386,177</u>	<u>(1,515,432)</u>	<u>-3.5%</u>
<b>Total Liabilities</b>	<b><u>\$ 79,188,205</u></b>	<b><u>\$ 76,459,211</u></b>	<b><u>\$ 2,728,994</u></b>	<b><u>3.6%</u></b>
<b>Deferred Inflows of Resources</b>	<b><u>\$ 1,144,799</u></b>	<b><u>\$ 1,394,916</u></b>	<b><u>\$ (250,117)</u></b>	<b><u>-17.9%</u></b>
<b>Net Position</b>				
Net Investment in Capital Assets	197,882,648	182,400,307	15,482,341	8.5%
Unrestricted Net Position	<u>40,307,629</u>	<u>42,913,434</u>	<u>(2,605,805)</u>	<u>-6.1%</u>
<b>Total Net Position</b>	<b><u>\$ 238,190,277</u></b>	<b><u>\$ 225,313,741</u></b>	<b><u>\$ 12,876,536</u></b>	<b><u>5.7%</u></b>

Net position increased \$12,876,536 to \$238,190,277 in fiscal year 2021, up from \$225,313,741 in fiscal year 2020 for a 5.7% increase in total net position. Included within the \$12,876,536 gain in net position is an increase of \$10,668,933 in net capital assets for broadband and an increase of \$4,813,408 in net capital assets for electric. The primary cost in broadband capital assets is the construction of a fiber optic distribution network.

**JOHNSON CITY ENERGY AUTHORITY  
DBA BRIGHTRIDGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2021**

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 2021	FY 2020	Dollar Change	% Change
Electric Sales Revenue	191,617,453	193,048,016	(1,430,563)	-0.7%
Broadband Sales Revenue	3,617,333	898,302	2,719,031	302.7%
Other Operating Revenues	3,912,624	3,646,978	265,646	7.3%
<b>Total Operating Revenues</b>	<b><u>\$ 199,147,410</u></b>	<b><u>\$ 197,593,296</u></b>	<b><u>\$ 1,554,114</u></b>	<b><u>0.8%</u></b>
<b>Operating Expenses</b>				
Electric Purchased Power	138,496,089	141,337,194	(2,841,105)	-2.0%
Broadband Wholesale Delivery	836,425	403,747	432,678	107.2%
Broadband Installation Expenses	2,794,703	1,328,156	1,466,547	110.4%
Other Operating Expenses	17,272,380	17,955,661	(683,281)	-3.8%
Maintenance Expenses	11,166,989	10,110,012	1,056,977	10.5%
Provision for Depreciation	10,565,100	9,954,239	610,861	6.1%
Tax Equivalents	5,912,122	5,616,535	295,587	5.3%
<b>Total Operating Expenses</b>	<b><u>\$ 187,043,808</u></b>	<b><u>\$ 186,705,544</u></b>	<b><u>\$ 338,264</u></b>	<b><u>0.2%</u></b>
Nonoperating Revenues (Expenses)	<u>\$ 772,934</u>	<u>\$ (512,429)</u>	<u>\$ 1,285,363</u>	<u>-250.8%</u>
<b>Change In Net Position</b>	<b><u>\$ 12,876,536</u></b>	<b><u>\$ 10,375,323</u></b>	<b><u>\$ 2,501,213</u></b>	<b><u>24.1%</u></b>
Beginning Net Position	<u>\$ 225,313,741</u>	<u>\$ 214,938,418</u>	<u>\$ 10,375,323</u>	<u>4.8%</u>
Prior Period (Restatement) Adjustment	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>0.0%</u>
Beginning Net Position Restated	<u>\$ 225,313,741</u>	<u>\$ 214,938,418</u>	<u>\$ 10,375,323</u>	<u>4.8%</u>
<b>Ending Net Position</b>	<b><u>\$ 238,190,277</u></b>	<b><u>\$ 225,313,741</u></b>	<b><u>\$ 12,876,536</u></b>	<b><u>5.7%</u></b>

The change in net position from fiscal year 2020 to fiscal year 2021 is \$12,876,536 or 5.7%. 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 and investment in capital assets were their highest since inception of the business in FY 2019. 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 or accounts payables, has been eliminated to clearly reflect a single fund.

Operating revenues increased by \$1,554,114 or .8% during fiscal year 2021. This is related to an increase in Broadband Sales Revenues of \$2,719,031 over the prior fiscal year. This increase is due to the number of broadband customers growing from 1,506 to 4,466 during the year. Electric Sales Revenue is based on energy sold to customers, represented in kilowatt hours (kWh). The kWh sold and billed was 1,853,938,034 for fiscal year 2021 as compared to 1,798,056,963 kWh in fiscal year 2020. This represents an increase of 55,881,071 kWh or 3.11%.

**JOHNSON CITY ENERGY AUTHORITY  
DBA BRIGHTRIDGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2021**

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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 2020 were 5,018 compared to 5,174 for 2021 which represents a 3.1% increase in degree days. This increase percentage is similar to the increase in revenue. During the year, the number of electric customers increased from 79,860 in fiscal year 2020 to 80,919 in fiscal year 2021. Note that JCEA did not increase the base rate for electricity in FY 2021.

Total operating expenses for fiscal year 2021 are up by \$338,264 or .2% over fiscal year 2020. 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 \$138,496,089 which represents 74.04% of the total operating expenses of \$187,043,808. For fiscal year 2021, this was \$2,841,105 or 2.0% less than fiscal year 2020. The cost of purchased power decreased due to a wholesale power bill credit related to the pandemic that TVA provided to those local power companies it serves. Also, TVA's fuel cost adjustment over the year that represents the variable costs of generating fuels and off system purchases was at record lows. JCEA must purchase all its power from the Tennessee Valley Authority (TVA) under an all-requirements contract with an initial term of 20 years beginning June 30, 1985. The contract was extended in 5-year terms beginning October 1, 1997 and requires a 5-year written notice by either party to terminate. Effective September 2019, JCEA signed a 20-year rolling contract with TVA. The contract comes with a reduction in the form of a monthly credit on the wholesale power bill of approximately 3.1% on TVA's standard service rates. TVA refers to this as the TVA Partnership Credit. The credit for FY 2021 was \$3.47 million. TVA bills JCEA for wholesale electricity based on demand and energy. The demand component of the wholesale power bill drives the average cost of purchased power. Demand (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 2021. Also, TVA's fuel cost adjustment was 21% less than the prior year comparing June 2020 to June 2021. This is a pass-through from TVA to our customers that changes each month. Weather patterns during fiscal year 2021 were favorable to fiscal year 2020 for wholesale power costs. An industry standard calculation referred to as load factor is used to measure the relationship of demand to kWh. A lower load factor may indicate a higher cost of electricity. The less kWh purchased per unit of peak demand, the more the load factor declines, and the ultimate result is that the average cost of power increases. JCEA has limited ability to control peak demands as the weather is the primary driver of consumption. The average realized rate for fiscal year 2021 was \$.072 per kWh for purchased power while fiscal year 2020 was \$.076 per kWh for purchased power.

Broadband Wholesale Delivery and Broadband Installation Expense are categories included in the statements. Broadband Wholesale Delivery includes the cost of transporting services, cost of wholesale internet, cost of wholesale VoIP, and cost of video programming, 2021 was up \$432,678, a 107.2% increase over 2020. Broadband Installation Expense is the cost of going onsite to a customer's premise and connecting the services, fiscal year 2021 increased \$1,466,547 or a 110.4% increase. Both wholesale delivery and installation expenses are directly tied to increasing broadband customers during the fiscal year. Actual fiber infrastructure constructed is not included in this area but is reflected in the capital asset category. The increase of expenses within these categories will continue as we add more customers over the remaining five phases of our eight-phase plan.

**JOHNSON CITY ENERGY AUTHORITY  
DBA BRIGHTRIDGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2021**

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Other operating expenses were \$17,272,380 for fiscal year 2021 as compared to \$17,955,661 for fiscal year 2020. This is a decrease of \$683,281 or 3.8%. Other operating expenses include administrative and general, transmission, distribution, and customer service-related expenses. Broadband expenses included in other operating expense were \$3,211,044 for 2021, which was an increase of \$1,166,407 or 57.0%. Electric other operating expenses, net of eliminations between divisions, accounted for \$14,061,336 for 2021, which is a decrease from \$15,911,024 in 2020 or 11.6%

Maintenance expenses were up \$1,056,977 or 10.5%. Of this increase, electric accounted for \$548,731 or a 5.8% of this increase over last year and broadband maintenance expense increased \$508,246 or a 75.9% increase over last year. Further, depreciation expense is up \$610,860 or 6.1% with \$401,143 of this amount related to broadband.

In lieu of taxes or tax equivalent payments are computed with authoritative guidance under Tennessee Code Annotated 7-52. Revenues, utility plant, and depreciation are all primary components of the formula. TVA, as our regulatory authority, reviews the JCEA computation of 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 \$5,912,122 for fiscal year 2021 as compared to \$5,616,535 for fiscal year 2020. 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 2021 were up \$1,285,363 or 250.8%. 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, JCEA received a Broadband Accessibility Grant from the Tennessee Department of Community and Economic Development. 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 is not an offsetting non-operating expense. Interest and amortization expense on electric revenue bonds for fiscal year 2021 was \$1,036,431 as compared to \$1,136,490 for 2020. JCEA pays bond principal and interest payments twice each year.

**JOHNSON CITY ENERGY AUTHORITY  
DBA BRIGHTRIDGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2021**

Capital Assets and Debt Administration

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

	FY 2021	FY 2020	Dollar Change	% Change
<b>Electric</b>				
Intangibles	5,760	5,760	-	0.0%
Transmission Plant	53,607,600	52,520,420	1,087,180	2.1%
Distribution Plant	210,954,254	206,130,619	4,823,635	2.3%
Depreciable Capital Assets	47,227,565	46,635,609	591,956	1.3%
Construction Work in Progress	750,612	911,060	(160,448)	-17.6%
<b>Broadband</b>				
Intangibles	255,601	255,601	-	0.0%
Depreciable Capital Assets	18,603,078	7,226,506	11,376,572	157.4%
Construction Work in Progress	<u>4,524,600</u>	<u>4,449,977</u>	<u>74,623</u>	<u>1.7%</u>
<b>Total Capital Assets</b>	<b><u>\$ 335,929,070</u></b>	<b><u>\$ 318,135,552</u></b>	<b><u>\$ 17,793,518</u></b>	<b><u>5.6%</u></b>

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 2021 was phase three of an eight-year plan that will grow to over \$45 million in net broadband assets by fiscal year 2026.

The investment in electric utility plant on June 30, 2021 was \$312,545,791 as compared to \$306,203,468 on June 30, 2020. JCEA's electric capital budget for fiscal year 2021 was \$15,205,905. Additions during fiscal year 2021 were primarily related to normal renewal and replacements of the electric division. Historically, normal renewal and replacement account for \$5,000,000 to \$7,000,000. One of the major projects was the reconductoring of a 69 kV line from Jug Substation to Boone Hydro Substation for \$1,306,419. Automated switches were installed within the distribution system at a cost of \$669,902. The circuit breakers at West Primary Substation were upgraded for a cost of \$232,024. The final portions of an upgrade to the front and parking area of the main facility were completed at a cost of \$321,213. Six vehicles, which included three bucket trucks were purchased for \$708,000 and \$570,963 was spent for metering equipment. The investment in broadband plant on June 30, 2021, was \$23,383,279, which is an increase of \$11,451,195. The capital budget for broadband for fiscal year 2021 was \$8,926,720. The increase over budget is due to the Broadband Accessibility Grant, as previously discussed, that was unbudgeted. 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 \$24,815,000 on June 30, 2021, compared to \$27,400,000 on June 30, 2020. Bond payments are made twice a year in November and May. The final maturity date is May 1, 2033. The outstanding bond premium was \$3,044,757 on June 30, 2021, compared to \$3,302,061 on June 30, 2020. Each year \$257,304 is amortized for the debt premium.



**JOHNSON CITY ENERGY AUTHORITY  
DBA BRIGHTRIDGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2021**

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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 2.5% 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, 2021 was \$4,000,000. Both loans have principal and interest payments due each January. The combined outstanding loan principal balance as of June 30, 2021 was \$37,137,356 as compared to \$22,000,000 on June 30, 2020.

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 two USDA loans, one for \$560,000 and another 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 program. JCEA also has an existing USDA loan from 2014.

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

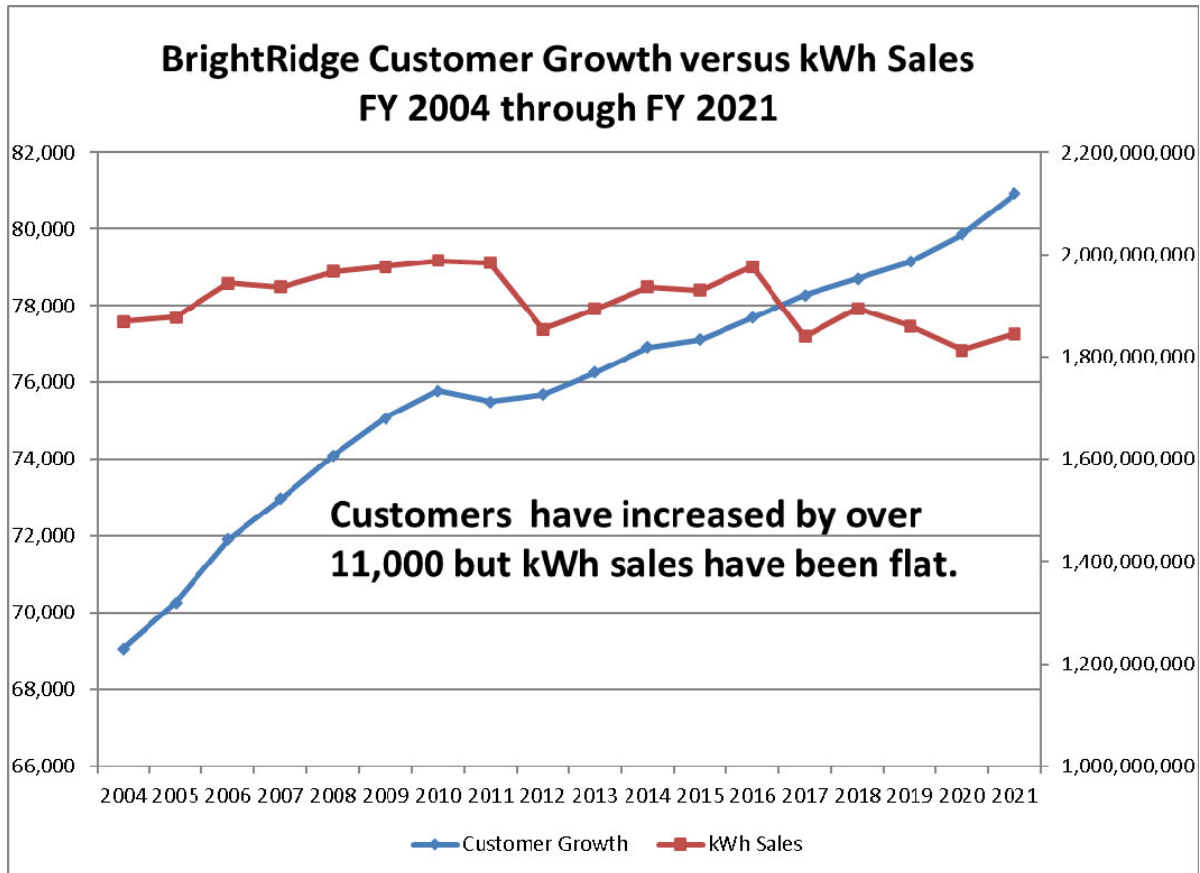
**Johnson City Energy Authority Highlights, Economic Factors, and Future**

JCEA experienced growth of 1,059 electric customers for a 1.33% overall percentage growth this year. The following chart shows the number of electric customers for each classification for the past two years

	<b>2021</b>	<b>2020</b>	<b>Change</b>	<b>% Change</b>
Residential	69,468	68,551	917	1.34%
Small Commercial	9,517	9,378	139	1.48%
Large Commercial/Industrial	994	991	3	0.30%
Street and Athletic Lighting	146	144	2	1.39%
Outdoor Lighting Only	<u>794</u>	<u>796</u>	<u>-2</u>	<u>-0.25%</u>
<b>Total Customers</b>	<b><u>80,919</u></b>	<b><u>79,860</u></b>	<b><u>1,059</u></b>	<b><u>1.33%</u></b>

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

**JOHNSON CITY ENERGY AUTHORITY  
DBA BRIGHTRIDGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2021**

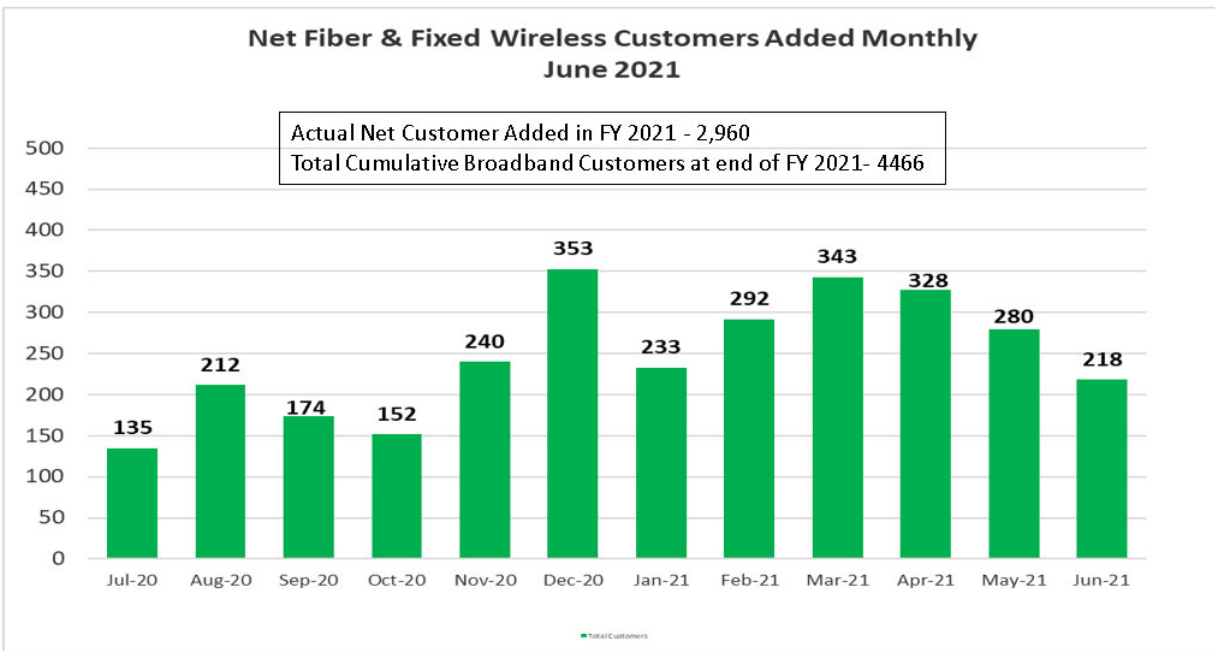


Since fiscal year July 2009, TVA has increased base wholesale power rates eight times per the following: 9.00% in October 2009; 3.08% in October 2011; 2.63% in October 2013; 2.61% in October 2014; 2.28% in October 2015; 1.88% in October 2016; 1.88% in October 2017; and 1.88% in October 2018. In fiscal 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 2021. 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.

**JOHNSON CITY ENERGY AUTHORITY  
DBA BRIGHTRIDGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2021**

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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 2021, the DCRA recovered \$845,502 to offset higher demands charges paid to TVA compared to \$2,512,629 recovered in 2020. 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 three 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 four through eight will cover fiscal years 2022 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, 2021**

ASSETS

CURRENT ASSETS

Cash on Hand and in Bank	\$ 20,109,744
Accounts Receivable - Customer Service, Net of Allowance for Uncollectible Accounts	21,084,911
Accounts Receivable - Rents and Other	1,352,622
Current Maturities of Notes Receivable	223,703
Inventories	9,947,094
Prepaid Expenses	317,705
	<hr/>
Total Current Assets	53,035,779

CAPITAL ASSETS

Land and Land Rights	5,623,567
Intangibles	261,361
Construction in Progress	5,275,212
Depreciable Capital Assets	324,768,930
Less: Accumulated Depreciation	(110,958,864)
	<hr/>
Net Capital Assets	224,970,206

DESIGNATED ASSETS

Cash and Cash Equivalents	29,631,571
Long-Term Certificate of Deposit	2,000,000
	<hr/>
Total Designated Assets	31,631,571

RESTRICTED ASSETS

TCRS Stabilization Reserve Trust	57,443
	<hr/>

OTHER ASSETS

Accounts Receivable - Customers - Heat Pumps	2,433,413
Advance from Tennessee Valley Authority	(2,433,413)
Long-Term Receivables	600,000
Notes Receivable, Net of Current Maturities	1,528,199
	<hr/>
Total Other Assets	2,128,199

TOTAL ASSETS

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311,823,198

DEFERRED OUTFLOWS OF RESOURCES

Deferred Loss on Bond Refunding	772,200
Deferred Outflows of Resources Related to Pension Plans	4,525,716
Deferred Outflows of Resources Related to OPEB	1,332,686
Deferred Outflows of Resources Related to USDA Loans	69,481
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TOTAL DEFERRED OUTFLOWS OF RESOURCES

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6,700,083

(Continued)

**JOHNSON CITY ENERGY AUTHORITY  
DBA BRIGHTRIDGE  
STATEMENT OF NET POSITION  
June 30, 2021**

<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Accounts Payable	25,969,823
Accrued Salaries	390,442
Accrued Interest	189,433
Customer Deposits	6,694,943
Unearned Revenue Related to USDA Loans	69,481
Current Portion of Compensated Absences	704,748
Current Maturities of Bonds Payable	2,685,000
Current Maturities of Notes Payable	187,556
Other Current and Accrued Liabilities	426,034
	<u>37,317,460</u>
<b>LONG-TERM LIABILITIES</b>	
Bonds Payable, Net of Current Maturities and Unamortized Bond Premium	25,174,758
Notes Payable, Net of Current Maturities	1,589,778
Compensated Absences, Net of Current Portion	3,100,377
Net Pension Liability	2,690,309
Other Post-Employment Benefits Liability	9,315,523
	<u>41,870,745</u>
<b>TOTAL LIABILITIES</b>	<u>79,188,205</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Inflows of Resources Related to Pension Plans	1,059,342
Deferred Inflows of Resources Related to OPEB	85,457
	<u>1,144,799</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	197,882,648
Restricted for Pension Stabilization Reserve Trust	57,443
Unrestricted	40,250,186
	<u>238,190,277</u>
<b>TOTAL NET POSITION</b>	<u>\$ 238,190,277</u>

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, 2021**

<b>OPERATING REVENUES</b>	
Sales of Electric Energy	
Residential	\$ 104,745,111
Large Lighting and Power	57,668,772
Small Lighting and Power	17,291,021
Street and Outdoor Lighting	3,568,398
Unbilled Revenue	8,344,151
Sales of Broadband	
Internet Operating Revenue - Residential	2,422,630
Internet Operating Revenue - Business	968,274
Internet Operating Revenue - Support Services	226,429
Other Operating Revenues	<u>3,912,624</u>
Total Operating Revenues (Pledged as Security for Revenue Bonds)	<u>199,147,410</u>
<b>OPERATING EXPENSES</b>	
Operations	
Power Purchased from Tennessee Valley Authority	138,496,089
Broadband Wholesale Delivery	836,425
Broadband Installation	2,794,703
Other Operating Expenses	17,272,380
Maintenance	11,166,989
Provision for Depreciation	10,565,100
Tax Equivalents	<u>5,912,122</u>
Total Operating Expenses	<u>187,043,808</u>
<b>NET OPERATING INCOME</b>	<u>12,103,602</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest Income	268,636
Other Income	85,738
Interest Expense	(1,228,479)
Amortization of Bond Premium	257,303
Amortization of Deferred Loss on Bond Refunding	(65,256)
Nonoperating Grant Revenues	3,345,684
Nonoperating Grant and Other Expenses	<u>(1,890,692)</u>
Total Nonoperating Revenues (Expenses)	<u>772,934</u>
<b>CHANGE IN NET POSITION</b>	12,876,536
<b>NET POSITION, BEGINNING</b>	<u>225,313,741</u>
<b>NET POSITION, ENDING</b>	<u>\$ 238,190,277</u>

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

**JOHNSON CITY ENERGY AUTHORITY  
DBA BRIGHTRIDGE  
STATEMENT OF CASH FLOWS  
For the Fiscal Year Ended June 30, 2021**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Electric Sales	\$ 190,490,813
Cash Received from Broadband Sales	3,532,722
Cash Received from Rentals and Other Sales	3,235,480
Cash Payments to Suppliers for Goods and Services	(152,540,107)
Cash Payments for Employee Services and Benefits	(13,351,960)
Cash Payments for Tax Equivalents	(5,912,122)
Net Cash Received from Customer Deposits	<u>771,237</u>
Net Cash Provided by Operating Activities	<u>26,226,063</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Payments to Recipients of USDA Grant Pass-Through	(1,490,519)
Payments Received on Notes Receivable Related to USDA Grant Pass-Through	104,001
Receipt from Grant Funding Sources	3,276,203
Payments for Grant-Related and Other Disbursements	(1,890,693)
Proceeds from USDA Notes Issuance	1,560,000
Principal Paid on USDA Notes Payable	(99,333)
Payments to Recipients of Notes Receivable	<u>(600,000)</u>
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>859,659</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition and Construction of Capital Assets	(24,108,353)
Payments Received on Note Receivable from Capital Contract	34,047
Principal Paid on Capital Debt	(2,585,000)
Interest Paid on Capital Debt	(1,245,712)
Net Proceeds from Other Income	<u>85,738</u>
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(27,819,280)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on Investments	268,636
Purchase of Designated Long-Term Certificate of Deposit	<u>(1,000,000)</u>
Net Cash Provided by (Used for) Investing Activities	<u>(731,364)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,464,922)
CASH AND CASH EQUIVALENTS, BEGINNING	<u>51,206,237</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 49,741,315</u>

(Continued)

**JOHNSON CITY ENERGY AUTHORITY  
DBA BRIGHTRIDGE  
STATEMENT OF CASH FLOWS  
For the Fiscal Year Ended June 30, 2021**

RECONCILIATION OF OPERATING INCOME TO	
NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income	\$ 12,103,602
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities:	
Depreciation Expense (Including Allocated Portion)	11,403,059
Decrease in Allowance for Uncollectible Accounts	199,731
(Increase) Decrease in Assets:	
Accounts Receivable	(1,888,395)
Inventories	(305,526)
Prepaid Expenses	464,460
TCRS Stabilization Reserve Trust	(57,443)
(Increase) Decrease in Deferred Outflows:	
Related to OPEB	328,812
Related to Pension Plans	100,016
Increase (Decrease) in Liabilities:	
Accounts Payable	3,049,240
Accrued Salaries	76,748
Customer Deposits	771,237
Unearned Revenue Related to USDA Notes	69,481
Compensated Absences	598,265
Other Current and Accrued Liabilities	36,391
Net Pension Liability	(698,612)
Other Post-Employment Benefits Liability	225,114
Increase (Decrease) in Deferred Inflows:	
Related to Pension Plans	(211,447)
Related to OPEB	(38,670)
Net Cash Provided by Operating Activities	<u>\$ 26,226,063</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS FROM STATEMENT	
OF CASH FLOWS TO STATEMENT OF NET POSITION	
Cash on Hand and in Bank	\$ 20,109,744
Designated Assets - Cash and Cash Equivalents	<u>29,631,571</u>
Cash and Cash Equivalents at End of Fiscal Year	<u>\$ 49,741,315</u>
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES	
Amortization of Bond Premium	\$ 257,303
Amortization of Deferred Loss on Bond Refunding	<u>(65,256)</u>
Non-Cash Capital and Related Financing Activities	<u>\$ 192,047</u>

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



**JOHNSON CITY ENERGY AUTHORITY  
DBA BRIGHTRIDGE  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2021**

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**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.

**Use of Estimates**

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

**Restricted 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, 2021, BrightRidge had a stabilization reserve asset consisting of \$64,112 held by the custodian related to the Hybrid Pension Plan, of which \$57,443 is recorded on the Statement of Net Position as TCRS Stabilization Reserve Trust. Given the timing of reporting to TVA, \$6,669 of the stabilization reserve largely related to the accrued investment income allocation is not recorded in the financial statements for the fiscal year ended June 30, 2021.

**JOHNSON CITY ENERGY AUTHORITY  
DBA BRIGHTRIDGE  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2021**

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

**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, 2021, BrightRidge invested certain designated assets, including cash and cash equivalents totaling \$29,631,571 and long-term certificates of deposit through Certificate of Deposit Account Registry Service (CDARS) program totaling \$2,000,000. These investment deposits were approved by the Board of Directors and have an interest rate of 0.85% over the term of 52-weeks, with the next maturity in February 2022.

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, 2021.

The general ledger carrying amount of BrightRidge's deposits with financial institutions along with petty cash was \$49,741,315 at June 30, 2021, and the bank balances along with petty cash was \$49,294,873. 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)	302,542
Deposits Insured by National Credit Union Association (NCUA)	5,954
Excess Deposits Insured with State of Tennessee Bank Collateral Pool	<u>48,973,377</u>
	<u><u>\$ 49,294,873</u></u>

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

**JOHNSON CITY ENERGY AUTHORITY  
DBA BRIGHTRIDGE  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2021**

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

**Designated Cash and Cash Equivalents**

Brightridge's designated cash and cash equivalents consist of money market accounts in the amount of \$20,785,181, which are designated for capital improvements; money market accounts in the amount of \$2,275,207, which are designated for bond principal and interest payments and interdivisional loan payments; a money market account in the amount of \$1,003,298, which is designated for insurance liabilities; and a money market account in the amount of \$5,567,885, 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 \$300,000 at June 30, 2021 and is netted against receivables in the financial statements. Estimated unbilled receivables are accrued as receivables, and approximated \$8,344,000 at June 30, 2021. In addition, BrightRidge had a single receivable of \$600,000 not expected to be collected until the fiscal year ended June 30, 2023 and thereafter.

**Inventories**

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

**Capital Assets**

Land and land rights, buildings, machinery and equipment including meters, intangible capital assets, and electrical distribution system are stated at historical cost and are defined as assets with an initial, individual cost of \$1,000 or greater. Expenses for maintenance and repairs, which do not improve or extend the life of the asset, are charged to expense as incurred. The capital assets, including non-electric divisions, are being depreciated on the straight-line method over the useful lives per guidelines of the TVA. Applicable intangible assets are treated as capital assets under GASB and amortized over the life of the contract, if available, and if no contract life is available, intangible assets are not amortized. Amortization expense is included in depreciation expense, when applicable. For the fiscal year ended June 30, 2021, 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.

**JOHNSON CITY ENERGY AUTHORITY  
DBA BRIGHTRIDGE  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2021**

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

**Capital Assets (Continued)**

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, 2021 was \$11,403,059, of which \$10,565,100 was charged to Depreciation Expense and \$837,959 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

**Payments In Lieu of Taxes**

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

**Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position sometimes reports a separate financial statement element, *deferred outflows of resources*, which represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. BrightRidge has 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 2021 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, 2020, 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 USDA Loans that will be paid in the ensuing fiscal year.

**JOHNSON CITY ENERGY AUTHORITY  
DBA BRIGHTRIDGE  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2021**

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

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

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.

**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, 2021, in the amount of \$3,805,125. The portion of this liability expected to be paid within one year is \$704,748 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, 2021.

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

**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 and was \$257,303 for the fiscal year 2021. In addition, deferred losses on bond refunding are amortized over the life of the related bonds (see Note 8).

**Pension**

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pension 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. Intrafund activity, as well as intrafund receivables, loans, and payables, have been eliminated to be presented as a single fund entity.

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

**Budgets**

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

**NOTE 2 - NOTES RECEIVABLE**

BrightRidge entered into a 10-year agreement with a local university for lighting efficiency in November 2012 for \$288,739. The note had a carrying balance at June 30, 2021 of \$55,049. The note is receivable at \$3,206 per month for 120 months. The note bears interest at a rate of 6.00% per fiscal year.

BrightRidge entered into a 10-year loan agreement with an international manufacturing company in August 2014 for \$760,000, which pertained to an equivalent note payable to the United States Department of Agriculture (USDA), Rural Economic Development from federal grant funds received for pass-through to this international manufacturing company (see Note 8). BrightRidge is obligated to USDA Rural Economic Development, and this international manufacturing company is obligated to BrightRidge. The note is receivable \$6,333 per month for 120 months, bearing no interest. Management deems the imputed interest due on the June 30, 2021 remaining balance of \$234,334 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 four 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, 2021:

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

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**NOTE 2 - NOTES RECEIVABLE (CONTINUED)**

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, 2021 remaining balance of \$532,000 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, with maturities as follows at June 30, 2021:

Year 1	\$	560,000
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, 2021 balance of \$930,519 receivable and related payable (Note 8) amounts to be immaterial. At June 30, 2021, BrightRidge also recognized a deferred outflow and related unearned revenue for the \$69,481 unpaid portion at fiscal year end.



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**NOTE 2 - NOTES RECEIVABLE (CONTINUED)**

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, 2021 (including the deferred outflow portion paid in early fiscal year 2021):

Year 1	\$	1,000,000
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 3 - RISK MANAGEMENT**

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

Since July 1, 1986, BrightRidge has set aside funds as self-insurance for deductibles and uninsured risks. Funds were originally set aside by the Board of Directors in the amount of \$1,000,000 and have accumulated to over \$2 million at June 30, 2021. For the fiscal year ended June 30, 2021, no settlements were paid from these funds.

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**NOTE 4 - CAPITAL ASSETS AND DEPRECIATION**

Capital asset activity for the fiscal year ended June 30, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Capital Assets, Not Being Depreciated</b>				
Land and Land Rights	\$ 5,609,152	14,415	-	5,623,567
Intangibles	261,361	-	-	261,361
Construction in Progress	5,361,037	42,003,732	(42,089,557)	5,275,212
<b>Total Capital Assets, Not Being Depreciated</b>	<u>11,231,550</u>	<u>42,018,147</u>	<u>(42,089,557)</u>	<u>11,160,140</u>
<b>Capital Assets, Being Depreciated</b>				
Buildings	31,126,034	578,050	(61,000)	31,643,084
Office Equipment	3,916,539	142,785	(772,299)	3,287,025
Transportation Equipment	7,905,742	703,003	(358,398)	8,250,347
Other Machinery and Equipment	11,357,008	3,882,033	(15,301)	15,223,740
Transmission and Power				
Distribution System	248,488,431	10,037,378	(4,077,486)	254,448,323
Fiber	4,110,248	7,806,163	-	11,916,411
<b>Total Capital Assets, Being Depreciated</b>	<u>306,904,002</u>	<u>23,149,412</u>	<u>(5,284,484)</u>	<u>324,768,930</u>
<b>Accumulated Depreciation</b>				
Buildings	(11,021,121)	(681,019)	61,000	(11,641,140)
Office Equipment	(1,793,010)	(212,830)	772,299	(1,233,541)
Transportation Equipment	(5,090,500)	(838,310)	247,724	(5,681,086)
Other Machinery and Equipment	(4,093,279)	(963,544)	8,280	(5,048,543)
Transmission and Power				
Distribution System	(83,814,210)	(8,480,711)	5,225,532	(87,069,389)
Fiber	(58,520)	(226,645)	-	(285,165)
<b>Total Accumulated Depreciation</b>	<u>(105,870,640)</u>	<u>(11,403,059)</u>	<u>6,314,835</u>	<u>(110,958,864)</u>
<b>Net Capital Assets, Being Depreciated</b>	<u>201,033,362</u>	<u>11,746,353</u>	<u>1,030,351</u>	<u>213,810,066</u>
<b>Net Capital Assets</b>	<u>\$ 212,264,912</u>	<u>53,764,500</u>	<u>(41,059,206)</u>	<u>224,970,206</u>

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**NOTE 5 - PENSION PLANS**

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

*Plan Description*

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

*Benefits Provided*

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

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

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**NOTE 5 - PENSION PLANS (CONTINUED)**

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

*Employees Covered by Benefit Terms*

At the measurement date of June 30, 2020, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	118
Inactive Employees Entitled to but not yet Receiving Benefits	182
Active Employees	<u>173</u>
Total Employees	<u><u>473</u></u>

At the measurement date of June 30, 2020, the Legacy plan closed to new entrants.

*Contributions*

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute five percent of salary. BrightRidge makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the fiscal year ended June 30, 2021, the employer contributions for BrightRidge’s Legacy pension plan were \$1,878,520 based on a rate of 13.53 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 – Legacy Plan**

*Pension Liabilities*

BrightRidge’s net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate net pension liability was determined by an actuarial valuation as of that date.

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**NOTE 5 - PENSION PLANS (CONTINUED)**

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

*Actuarial Assumptions*

The total pension liability as of June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2020 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.50 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation of each major asset class are summarized in the following table:

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

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

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**NOTE 5 - PENSION PLANS (CONTINUED)**

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

*Discount Rate*

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from BrightRidge will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Increase (Decrease) Net Pension Liability</b>
	(a)	(b)	(a) - (b)
<b>Balance at June 30, 2019</b>	\$ 61,513,022	58,121,075	3,391,947
<b>Changes for the Fiscal Year:</b>			
Service Cost	1,100,666	-	1,100,666
Interest	4,436,819	-	4,436,819
Differences between Expected and Actual Experience	(799,219)	-	(799,219)
Changes in Assumptions	-	-	-
Contributions - Employer	-	1,881,689	(1,881,689)
Contributions - Employees	-	695,377	(695,377)
Net Investment Income	-	2,876,138	(2,876,138)
Benefit Payments, Including Refunds of Employee Contributions	(2,832,370)	(2,832,370)	-
Administrative Expense	-	(15,647)	15,647
<b>Net Changes</b>	<b>1,905,896</b>	<b>2,605,187</b>	<b>(699,291)</b>
<b>Balance at June 30, 2020</b>	<b>\$ 63,418,918</b>	<b>60,726,262</b>	<b>2,692,656</b>

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**NOTE 5 - PENSION PLANS (CONTINUED)**

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

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

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

	<b>1% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
Net Pension Liability (Asset)	\$ 10,898,346	2,692,656	(4,206,244)

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

*Pension Expense*

For the fiscal year ended June 30, 2021, BrightRidge recognized pension expense of \$1,090,740.

*Deferred Outflows of Resources and Deferred Inflows of Resources*

For the fiscal year ended June 30, 2021, BrightRidge reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between Expected and Actual Experience	\$ 1,415,394	1,059,342
Net Difference between Projected and Actual Earnings on Pension Plan Investments	440,618	-
Changes in Assumptions	741,580	-
Contributions Subsequent to the Measurement Date of June 30, 2020	1,878,520	(not applicable)
Total	\$ 4,476,112	1,059,342

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**NOTE 5 - PENSION PLANS (CONTINUED)**

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

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

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2020,” 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:

<b>Fiscal Year Ended June 30:</b>	
2022	\$ 120,611
2023	372,136
2024	548,806
2025	570,039
2026	40,829
Thereafter	(114,171)

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, 2021, BrightRidge reported a payable of approximately \$149,000 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2021.

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

*Plan Description*

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



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**NOTE 5 - PENSION PLANS (CONTINUED)**

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

*Benefits Provided*

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

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

*Employees Covered by Benefit Terms*

At the measurement date of June 30, 2020, 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	1
Active Employees	16
Total Employees	17

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**NOTE 5 - PENSION PLANS (CONTINUED)**

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

*Contributions*

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute five percent of salary. BrightRidge makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4.00 percent, except in years when the maximum funded level, as established by the TCRS Board of Trustees, is reached. For the fiscal year ended June 30, 2021, the employer contributions for BrightRidge’s Hybrid pension plan were \$23,005 based on a rate of 1.52 percent of covered payroll, with an additional \$37,535 based on a rate of 2.48 percent contributed by BrightRidge to the Stabilization Reserve Trust, for a total of 4.00 percent employer contributions. 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) – Hybrid Plan**

*Pension Liabilities (Assets)*

BrightRidge’s net pension liability (asset) was measured as of June 30, 2020, 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, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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**NOTE 5 - PENSION PLANS (CONTINUED)**

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

*Actuarial Assumptions (Continued)*

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

The actuarial assumptions used in the June 30, 2020 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.50 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation of each major asset class are summarized in the following table:

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

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

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**NOTE 5 - PENSION PLANS (CONTINUED)**

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

*Discount Rate*

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from BrightRidge will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	<b>Total Pension Liability (Asset)</b>	<b>Increase (Decrease) Plan Fiduciary Net Position</b>	<b>Net Pension Liability (Asset)</b>
	(a)	(b)	(a) - (b)
<b>Balance at June 30, 2019</b>	\$ -	3,026	(3,026)
<b>Changes for the Fiscal Year:</b>			
Service Cost	17,735	-	17,735
Interest	1,286	-	1,286
Differences between Expected and Actual Experience	28,502	-	28,502
Changes in Assumptions	-	-	-
Contributions - Employer	-	11,621	(11,621)
Contributions - Employees	-	35,002	(35,002)
Net Investment Income	-	1,280	(1,280)
Benefit Payments, Including Refunds of Employee Contributions	-	-	-
Administrative Expense	-	(1,059)	1,059
<b>Net Changes</b>	<b>47,523</b>	<b>46,844</b>	<b>679</b>
<b>Balance at June 30, 2020</b>	<b>\$ 47,523</b>	<b>49,870</b>	<b>(2,347)</b>

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**NOTE 5 - PENSION PLANS (CONTINUED)**

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

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

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

	<b>1% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
Net Pension Liability (Asset)	\$ 10,871	(2,347)	(12,298)

**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, 2021, BrightRidge recognized pension expense (negative pension expense) of (\$14,301).

*Deferred Outflows of Resources and Deferred Inflows of Resources*

For the fiscal year ended June 30, 2021, BrightRidge reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between Expected and Actual Experience	\$ 26,127	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	472	-
Changes in Assumptions	-	-
Contributions Subsequent to the Measurement Date of June 30, 2020	23,005	(not applicable)
Total	\$ 49,604	-

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**NOTE 5 - PENSION PLANS (CONTINUED)**

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

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

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2019,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

<b>Fiscal Year Ended June 30:</b>		
2022	\$	2,492
2023		2,492
2024		2,492
2025		2,493
2026		2,375
Thereafter		14,255

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, 2021, BrightRidge reported a payable of approximately \$6,600 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2021.

**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.

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**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, 2021, represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Assets held are categorized for fair value measurement within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

- Level 1 - Unadjusted quoted prices for identical assets or liabilities in active markets that can be accessed at the measurement date.
- Level 2 - Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; assets or liabilities that have a bid-ask spread price in an inactive dealer market, brokered market and principal-to-principal market; and Level 1 assets or liabilities that are adjusted.
- Level 3 - Valuations derived from valuation techniques in which significant inputs are unobservable.

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

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**NOTE 5 - PENSION PLANS (CONTINUED)**

**TCRS Stabilization 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.



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**NOTE 5 - PENSION PLANS (CONTINUED)**

**TCRS Stabilization Reserve Trust (Continued)**

*Investment Balances (Continued)*

At June 30, 2021, BrightRidge had the following investments held by the trust on its behalf consisting of \$64,112 held by the custodian related to the Hybrid Pension Plan, of which \$57,443 is recorded on the Statement of Net Position as TCRS Stabilization Reserve Trust (restricted assets). Given the timing of reporting to TVA, \$6,669 of the stabilization reserve largely related to accrued investment income allocation is not recorded in the financial statements for the fiscal year ended June 30, 2021.

Investment	Weighted Average Maturity (days)	Maturities	Fair Value
Investments at Fair Value:			
U.S. Equity	N/A	N/A	\$ 19,876
Developed Market International Equity	N/A	N/A	8,976
Emerging Market International Equity	N/A	N/A	2,564
U.S. Fixed Income	N/A	N/A	12,822
Real Estate	N/A	N/A	6,411
Short-term Securities	N/A	N/A	641
NAV - Private Equity and Strategic Lending	N/A	N/A	12,822
<b>Total</b>			<b>\$ 64,112</b>

Investment by Fair Value Level	Fair Value June 30, 2021	Fair Value Measurements Using			NAV
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
U.S. Equity	\$ 19,876	19,876	-	-	-
Developed Market International Equity	8,976	8,976	-	-	-
Emerging Market International Equity	2,564	2,564	-	-	-
U.S. Fixed Income	12,822	-	12,822	-	-
Real Estate	6,411	-	-	6,411	-
Short-term Securities	641	-	641	-	-
Private Equity and Strategic Lending	12,822	-	-	-	12,822
<b>Total</b>	<b>\$ 64,112</b>	<b>31,416</b>	<b>13,463</b>	<b>6,411</b>	<b>12,822</b>

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**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>.

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

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

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

*a. Plan Types:* Employees and pre-65 retirees have a bundled PPO Medical plan and a Health Reimbursement Account (HRA) plan offered through BlueCross BlueShield of Tennessee.

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

Life insurance is through 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 a maximum annual benefit of \$4,000 per participant.

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

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

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

- d. *Spouse Benefit:* BrightRidge reimburses the HRA deductible for the retiree’s spouse, for a maximum annual benefit of \$4,000 per participant. The spouse pays 100% of the medical premium.
- e. *Surviving Spouse Benefit:* Yes, same as spouse benefit above.
- f. *Annual Medical Premium:* Effective January 1, 2020 through December 31, 2021

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

- 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 \$2,231 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:* Upon retirement, all retirees receive a \$25,000 life insurance policy.  
  
For current actives and certain new retirees indicated in the census data, BrightRidge is no longer purchasing paid up policies. BrightRidge is adding these retirees to the existing life insurance invoice at a rate of \$49.20 per annum per retiree.

*Employees Covered by Benefit Terms*

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

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

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

**Funding Policy**

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

**OPEB Liability**

BrightRidge's OPEB liability was measured based on an actuarial valuation performed as of July 1, 2019, updated on July 24, 2020, with a projection to June 30, 2021, and a measurement date of July 1, 2019.

*Actuarial Assumptions*

Discount Rate	A discount rate of 3.50% was used as of June 30, 2019. A discount rate of 2.21% was used as of June 30, 2020. A discount rate of 2.16% was used as of June 30, 2021. The discount based on a Bond Buyer's Bond 20 Index.
Mortality	Current Valuation: RP-2014 Headcount-weighted Fully Generational mortality table with projection scale MP-2018. Prior Valuation: RP-2000 Combined Fully Generational Mortality table with projection scale BB.
Retirement Rates	It was assumed that the following percentage of eligible employees would retire each year:

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

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

**OPEB Liability (Continued)**

*Actuarial Assumptions (Continued)*

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

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

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

<u>Year</u>	<u>Current Valuation Trend Rates*</u>	<u>Prior Valuation Trend Rates*</u>
2017	8.00%	5.00%
2018	7.50%	5.00%
2019	7.00%	5.00%
2020	6.50%	5.00%
2021	6.00%	5.00%
2022	5.50%	5.00%
2023+	5.00%	5.00%

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

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

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

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

**OPEB Liability (Continued)**

*Actuarial Assumptions (Continued)*

Administrative Expenses	Included in premiums used.
Participant Salary Increases	3.50 percent annually
Payroll Growth Rate	2.50 percent annually
Per Capita Claims Cost	Conventional insured equivalent premiums were age-graded on the current participants in the Medical plan. Further details of the annual per capita claims cost are shown below.

<u>Age</u>	<u>Male</u>	<u>Female</u>
50	\$ 5,991	\$ 6,911
51	6,224	7,041
52	6,467	7,176
53	6,722	7,297
54	6,992	7,422
55	7,274	7,548
56	7,566	7,678
57	7,867	7,808
58	8,158	8,001
59	8,459	8,203
60	8,773	8,410
61	9,096	8,616
62	9,433	8,831
63	9,612	9,002
64	9,796	9,173

*Changes in Actuarial Assumptions*

In the fiscal year ending June 30, 2021, assumption changes included the mortality table was updated; discount rate changed from 2.21% as of June 30, 2020 to 2.16% as of June 30, 2021; and health care cost trend rates changed from 7.00% in fiscal year 2020 (2019 Medical Trend Rates) to 6.50% in fiscal year 2021 (2020 Medical Trend Rates), grading down to an ultimate rate of 5.00%.

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

**Changes in the OPEB Liability**

	<b>Increase (Decrease)</b>
	<b>Total OPEB Liability</b>
<b>Balance at June 30, 2020</b>	\$ 9,090,409
<b>Changes for the Fiscal Year:</b>	
Service Cost	375,875
Interest	204,751
Changes in Benefit Terms	-
Difference Between Expected and Actual Experience	-
Changes in Assumptions	49,751
Benefit Payments	(405,263)
Net Changes	225,114
 <b>Balance at June 30, 2021</b>	 \$ 9,315,523

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

The following presents the OPEB liability of BrightRidge calculated using the discount rate of 2.16 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.16 percent) or 1-percentage-point higher (3.16 percent) than the current discount rate:

	<b>1% Decrease (1.16%)</b>	<b>Current Rate (2.16%)</b>	<b>1% Increase (3.16%)</b>
OPEB Liability	\$ 10,408,685	9,315,523	8,396,370



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**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 7.50 percent decreasing to 4.00 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 (6.50 percent decreasing to 4.00 percent) or 1-percentage-point higher (8.50 percent decreasing to 6.00 percent) than the current health care trend rate:

	<b>1% Decrease (6.50% decreasing to 4.00%)</b>	<b>Current Rate (7.50% decreasing to 5.00%)</b>	<b>1% Increase (8.50% decreasing to 6.00%)</b>
OPEB Liability	\$ 9,028,243	9,315,523	94,645,820

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

*OPEB Expense*

For the fiscal year ended June 30, 2021, BrightRidge recognized OPEB expense of \$753,383.

*Deferred Outflows of Resources and Deferred Inflows of Resources*

For the fiscal year ended June 30, 2021, BrightRidge reported the following deferred inflows of resources and deferred outflows of resources related to OPEB:

	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>
Differences between Expected and Actual Experience	\$ -	(307,868)
Changes in Assumptions	85,457	(1,024,818)
Total	\$ 85,457	(1,332,686)

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:**

2022	\$	172,757
2023		172,757
2024		172,757
2025		172,757
2026		183,975
Thereafter		372,226

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

**JOHNSON CITY ENERGY AUTHORITY  
DBA BRIGHTRIDGE  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2021**

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**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 contributed 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 \$254,779 and \$13,944, respectively, for the fiscal year ended June 30, 2021.

**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. 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, 2021, employees contributed \$141,868 and employer contributions were \$72,188. 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.

**JOHNSON CITY ENERGY AUTHORITY  
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NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2021**

**NOTE 8 - LONG-TERM DEBT**

Long-term debt activity for the year ended June 30, 2021 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds					
Revenue Bonds Payable	\$ 27,400,000	-	(2,585,000)	24,815,000	2,685,000
Premium	3,302,061	-	(257,303)	3,044,758	-
Total Revenue Bonds	<u>30,702,061</u>	<u>-</u>	<u>(2,842,303)</u>	<u>27,859,758</u>	<u>2,685,000</u>
Notes Payable	<u>316,667</u>	<u>1,560,000</u>	<u>(99,333)</u>	<u>1,777,334</u>	<u>187,556</u>
Total Long-Term Debt	<u>\$ 31,018,728</u>	<u>1,560,000</u>	<u>(2,941,636)</u>	<u>29,637,092</u>	<u>2,872,556</u>

**Bonds Payable**

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

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

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

On March 31, 2017, BrightRidge refunded and defeased in substance the outstanding Electric System Revenue Bonds, Series 2007A and 2008, as issued in the name of the prior entity, Johnson City Power Board. On that same date, Electric System Revenue Bonds, Series 2017 were issued by the new entity, JCEA. The defeased Series 2007A bonds, with varying outstanding maturity dates at the time of refund from May 1, 2017 through May 1, 2032, were called and redeemed on May 1, 2017 for the outstanding balance of \$18,075,000. The defeased Series 2008 bonds, with varying outstanding maturity dates at the time of refunding from May 1, 2017 through May 1, 2033, were called and redeemed on May 1, 2017 in the amount of \$910,000. The remaining \$21,630,000 of defeased bonds were called and redeemed on May 1, 2018. The advance refunding resulted in an economic loss (difference between the present values of the old and new debt service payments) of \$1,049,539, which is being amortized over the life of the bonds, and the unamortized portion at June 30, 2020 was \$772,200. During the fiscal year ended June 30, 2021, \$65,256 amortization expense was recognized for the economic loss.

**JOHNSON CITY ENERGY AUTHORITY  
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NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2021**

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

**Bonds Payable (Continued)**

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

The total interest incurred for the year ended June 30, 2021 was \$1,222,767 charged to expense.

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

	<u>Date Issued</u>	<u>Amount Issued</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Outstanding June 30, 2021</u>
Electric System Revenue Bonds - 2017	3/31/2017	\$ 34,480,000	3.00-5.00%	5/1/2033	\$ 24,815,000
					<u>\$ 24,815,000</u>

Changes in the Deferred Loss on Bond Refunding for the year ended June 30, 2021 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Deferred Loss on Bond Refunding	\$ 837,456	-	(65,256)	772,200
	<u>\$ 837,456</u>	<u>-</u>	<u>(65,256)</u>	<u>772,200</u>

**JOHNSON CITY ENERGY AUTHORITY  
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NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2021**

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

**Bonds Payable (Continued)**

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

Fiscal Year Ending June 30	Principal	Interest	Total
2022	\$ 2,685,000	1,136,600	3,821,600
2023	2,830,000	1,002,350	3,832,350
2024	1,635,000	860,850	2,495,850
2025	1,710,000	779,100	2,489,100
2026	1,765,000	727,800	2,492,800
2027-2031	10,250,000	2,223,250	12,473,250
2032-2033	3,940,000	205,600	4,145,600
	<u>\$ 24,815,000</u>	<u>6,935,550</u>	<u>31,750,550</u>

**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, 2021 is \$240,667. Note payable debt service requirements for the fiscal years subsequent to maturity are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2022	\$ 76,000	-	76,000
2023	76,000	-	76,000
2024	76,000	-	76,000
2025	12,667	-	12,667
	<u>\$ 240,667</u>	<u>-</u>	<u>240,667</u>

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.)

**JOHNSON CITY ENERGY AUTHORITY  
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NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2021**

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

**Notes Payable (Continued)**

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, 2021 is \$536,667. Note payable debt service requirements for the fiscal years subsequent to maturity are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2022	\$ 56,000	-	56,000
2023	56,000	-	56,000
2024	56,000	-	56,000
2025	56,000	-	56,000
2026	56,000	-	56,000
2027-2031	256,667	-	256,667
	<u>\$ 536,667</u>	<u>-</u>	<u>536,667</u>

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, 2021 is \$1,000,000. Note payable debt service requirements for the fiscal years subsequent to maturity are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2022	\$ 55,556	-	55,556
2023	111,111	-	111,111
2024	111,111	-	111,111
2025	111,111	-	111,111
2026	111,111	-	111,111
2027-2031	500,000	-	500,000
	<u>\$ 1,000,000</u>	<u>-</u>	<u>1,000,000</u>

**JOHNSON CITY ENERGY AUTHORITY  
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NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2021**

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**NOTE 9 - LONG-TERM OBLIGATIONS**

Changes to long-term obligations, other than long-term debt, for the year ended June 30, 2021 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated Absences	<u>\$ 3,206,860</u>	<u>1,134,633</u>	<u>(536,368)</u>	<u>3,805,125</u>	<u>704,748</u>
Total Long-Term Liabilities	<u>\$ 3,206,860</u>	<u>1,134,633</u>	<u>(536,368)</u>	<u>3,805,125</u>	<u>704,748</u>

**NOTE 10 - HEAT PUMP PROGRAM**

TVA's heat pump program offers financing to qualified BrightRidge customers for replacement of certain electric-related items, such as air sealing, attic insulation, doors, windows, electric water heaters, and certain heat pumps. BrightRidge 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 \$2,433,413 and (\$2,433,413), respectively. After May 2020, customers are able to obtain loans through TVA's vendor directly.

**JOHNSON CITY ENERGY AUTHORITY  
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NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2021**

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**NOTE 11 - 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 2021 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 AND RELATED RATIOS BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE  
PENSION PLAN OF TCRS – LEGACY PLAN  
Last Fiscal Year Ending June 30**

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

(Continued)

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

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**Notes to Schedule:**

*Changes in Assumptions*

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

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

See Independent Auditors' Report.

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Actuarially Determined Contribution	\$ 1,574,379	1,577,102	1,594,572	1,694,199	1,666,121	1,835,801	1,881,869	1,878,520
Contributions in relation to the								
Actuarially Determined Contribution	<u>1,574,379</u>	<u>1,577,102</u>	<u>1,594,572</u>	<u>1,694,199</u>	<u>1,666,121</u>	<u>1,835,801</u>	<u>1,881,869</u>	<u>1,878,520</u>
Contribution Deficiency (Excess)	\$ <u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
Covered Payroll	\$ 11,350,967	11,751,752	11,881,393	12,624,437	12,415,203	13,679,586	13,912,250	13,881,366
Contributions as a Percentage of								
Covered Payroll	13.87%	13.42%	13.42%	13.42%	13.42%	13.42%	13.53%	13.53%

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

(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**

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**Notes to Schedule:**

*Valuation Date*

Actuarially-determined contribution rates for fiscal year 2021 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  
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REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS BASED ON  
PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS – HYBRID PLAN  
Last Fiscal Year Ending June 30**

	<u>2019</u>	<u>2020</u>
<b>Total Pension Liability</b>		
Service Cost	\$ -	17,735
Interest	-	1,286
Differences between Expected and Actual Experience	-	28,502
Changes in Assumptions	-	-
Benefit Payments, including Refunds of Employee Contributions	-	-
<b>Net Change in Total Pension Liability</b>	<u>-</u>	<u>47,523</u>
<b>Total Pension Liability - Beginning</b>	-	-
<b>Total Pension Liability - Ending (a)</b>	<u>\$ -</u>	<u>47,523</u>
<b>Plan Fiduciary Net Position</b>		
Contributions - Employer	\$ 767	11,621
Contributions - Employees	2,311	35,002
Net Investment Income	109	1,280
Benefit Payments, including Refunds of Employee Contributions	-	-
Administrative Expense	(161)	(1,059)
<b>Net Change in Plan Fiduciary Net Position</b>	<u>3,026</u>	<u>46,844</u>
<b>Plan Fiduciary Net Position - Beginning</b>	-	3,026
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 3,026</u>	<u>49,870</u>
<b>Net Pension Liability - Ending (a) - (b)</b>	<u>\$ (3,026)</u>	<u>(2,347)</u>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	0.00%	104.94%
<b>Covered Payroll</b>	\$ 46,215	\$ 695,326
<b>Net Pension Liability as a Percentage of Covered Payroll</b>	-6.55%	-0.34%

**Notes to Schedule:**

*Valuation Date*

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

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

See Independent Auditors' Report.

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

	<u>2019</u>	<u>2020</u>	<u>2021</u>
Actuarially Determined Contribution	\$ 767	11,621	23,005
Contributions in relation to the			
Actuarially Determined Contribution	<u>767</u>	<u>11,621</u>	<u>23,005</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>
Covered Payroll	\$ 46,215	693,326	1,513,514
Contributions as a Percentage of			
Covered Payroll	1.66%	1.67%	1.52%

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%

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  
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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**

---

**Notes to Schedule:**

*Valuation Date*

Actuarially-determined contribution rates for fiscal year 2021 were calculated based on the June 30, 2020 actuarial valuation.

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

*Changes of Assumptions*

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

See Independent Auditors' Report.



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

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

**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.

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

*Non-Medicare Eligible Trend Rate:* Non-Medicare eligible trend rate changes from 8.0% in fiscal year 2017, to 7.5% in fiscal year 2018. Non-Medicare eligible cost trend rate was updated to 8.0% in 2019, grading down 0.5% per annum to an ultimate rate of 5.0% in years 2025 and later.

*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, 2021**

	Business-Type Fund			Total
	Electric Division	Broadband Division	Intrafund Eliminations	
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash on Hand and in Bank	\$ 19,410,957	698,787	-	20,109,744
Accounts Receivable - Customer Service, Net of Allowance for Uncollectible Accounts	20,823,192	261,719	-	21,084,911
Accounts Receivable - Rents and Other	1,240,574	12,442	99,606	1,352,622
Current Inter-Division Receivables	889,714	433,698	(1,323,412)	-
Current Maturities of Notes Receivable	223,703	-	-	223,703
Inventories	8,142,766	1,804,328	-	9,947,094
Prepaid Expenses	264,549	152,762	(99,606)	317,705
<b>Total Current Assets</b>	<b>50,995,455</b>	<b>3,363,736</b>	<b>(1,323,412)</b>	<b>53,035,779</b>
<b>CAPITAL ASSETS</b>				
Land and Land Rights	5,623,567	-	-	5,623,567
Intangibles	5,760	255,601	-	261,361
Construction in Progress	750,612	4,524,600	-	5,275,212
Depreciable Capital Assets	306,165,852	18,603,078	-	324,768,930
Less: Accumulated Depreciation	(109,726,783)	(1,232,081)	-	(110,958,864)
<b>Net Capital Assets</b>	<b>202,819,008</b>	<b>22,151,198</b>	<b>-</b>	<b>224,970,206</b>
<b>DESIGNATED ASSETS</b>				
Cash and Cash Equivalents	27,058,168	2,573,403	-	29,631,571
Long-Term Certificate of Deposit	2,000,000	-	-	2,000,000
<b>Total Designated Assets</b>	<b>29,058,168</b>	<b>2,573,403</b>	<b>-</b>	<b>31,631,571</b>
<b>RESTRICTED ASSETS</b>				
TCRS Stabilization Reserve Trust	46,326	11,117	-	57,443
<b>OTHER ASSETS</b>				
Inter-Division Receivables	37,137,356	3,000,000	(40,137,356)	-
Accounts Receivable - Customers - Heat Pumps	2,433,413	-	-	2,433,413
Advance from Tennessee Valley Authority	(2,433,413)	-	-	(2,433,413)
Long-Term Receivables	600,000	-	-	600,000
Notes Receivable, Net of Current Maturities	1,528,199	-	-	1,528,199
<b>Total Other Assets</b>	<b>39,265,555</b>	<b>3,000,000</b>	<b>(40,137,356)</b>	<b>2,128,199</b>
<b>TOTAL ASSETS</b>	<b>322,184,512</b>	<b>31,099,454</b>	<b>(41,460,768)</b>	<b>311,823,198</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Loss on Bond Refunding	772,200	-	-	772,200
Deferred Outflows of Resources Related to Pension Plans	4,401,840	123,876	-	4,525,716
Deferred Outflows of Resources Related to OPEB	1,157,838	174,848	-	1,332,686
Deferred Outflows of Resources Related to USDA Loans	69,481	-	-	69,481
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>6,401,359</b>	<b>298,724</b>	<b>-</b>	<b>6,700,083</b>

(Continued)

**JOHNSON CITY ENERGY AUTHORITY  
DBA BRIGHTRIDGE  
COMBINING SCHEDULE OF NET POSITION BY DIVISION  
June 30, 2021**

	Business-Type Fund			Total
	Electric Division	Broadband Division	Intrafund Eliminations	
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts Payable	25,012,751	957,072	-	25,969,823
Accrued Salaries	390,442	-	-	390,442
Accrued Interest	189,433	-	-	189,433
Customer Deposits	6,679,443	15,500	-	6,694,943
Unearned Revenue Related to USDA Loans	69,481	-	-	69,481
Current Portion of Compensated Absences	704,748	-	-	704,748
Current Maturities of Bonds Payable	2,685,000	-	-	2,685,000
Current Maturities of Notes Payable	187,556	-	-	187,556
Current Inter-Division Payables	70,180	1,253,232	(1,323,412)	-
Other Current and Accrued Liabilities	344,140	81,894	-	426,034
<b>Total Current Liabilities</b>	<b>36,333,174</b>	<b>2,307,698</b>	<b>(1,323,412)</b>	<b>37,317,460</b>
<b>LONG-TERM LIABILITIES</b>				
Inter-Division Payables	-	40,137,356	(40,137,356)	-
Bonds Payable, Net of Current Maturities and Unamortized Bond Premium	25,174,758	-	-	25,174,758
Notes Payable, Net of Current Maturities	1,589,778	-	-	1,589,778
Compensated Absences, Net of Current Portion	3,100,377	-	-	3,100,377
Net Pension Liability	2,762,151	(71,842)	-	2,690,309
Other Post-Employment Benefits Liability	8,093,326	1,222,197	-	9,315,523
<b>Total Long-Term Liabilities</b>	<b>40,720,390</b>	<b>41,287,711</b>	<b>(40,137,356)</b>	<b>41,870,745</b>
<b>TOTAL LIABILITIES</b>	<b>77,053,564</b>	<b>43,595,409</b>	<b>(41,460,768)</b>	<b>79,188,205</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Inflows of Resources Related to Pension Plans	1,159,344	(100,002)	-	1,059,342
Deferred Inflows of Resources Related to OPEB	74,245	11,212	-	85,457
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>1,233,589</b>	<b>(88,790)</b>	<b>-</b>	<b>1,144,799</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	175,731,450	22,151,198	-	197,882,648
Restricted for Pension Stabilization Reserve Trust	46,326	11,117	-	57,443
Unrestricted	74,520,942	(34,270,756)	-	40,250,186
<b>TOTAL NET POSITION</b>	<b>\$ 250,298,718</b>	<b>(12,108,441)</b>	<b>-</b>	<b>238,190,277</b>

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, 2021**

	Business-Type Fund			Total
	Electric Division	Broadband Division	Intrafund Eliminations	
<b>OPERATING REVENUES</b>				
Sales of Electric Energy				
Residential	\$ 104,745,111	-	-	104,745,111
Large Lighting and Power	57,668,772	-	-	57,668,772
Small Lighting and Power	17,291,021	-	-	17,291,021
Street and Outdoor Lighting	3,568,398	-	-	3,568,398
Unbilled Revenue	8,344,151	-	-	8,344,151
Sales of Broadband				
Internet Operating Revenue - Residential	-	2,422,630	-	2,422,630
Internet Operating Revenue - Business	-	1,053,524	(85,250)	968,274
Internet Operating Revenue - Support Services	-	226,429	-	226,429
Other Operating Revenues	4,508,271	89,355	(685,002)	3,912,624
Total Operating Revenues (Pledged as Revenue Bonds Security)	<u>196,125,724</u>	<u>3,791,938</u>	<u>(770,252)</u>	<u>199,147,410</u>
<b>OPERATING EXPENSES</b>				
Operations				
Power Purchased from Tennessee Valley Authority	138,496,089	-	-	138,496,089
Broadband Wholesale Delivery	-	1,172,348	(335,923)	836,425
Broadband Installation	-	2,794,703	-	2,794,703
Other Operating Expenses	14,417,707	3,211,044	(356,371)	17,272,380
Maintenance	10,066,985	1,177,962	(77,958)	11,166,989
Provision for Depreciation	9,865,209	699,891	-	10,565,100
Tax Equivalents	5,691,392	220,730	-	5,912,122
Total Operating Expenses	<u>178,537,382</u>	<u>9,276,678</u>	<u>(770,252)</u>	<u>187,043,808</u>
NET OPERATING INCOME	<u>17,588,342</u>	<u>(5,484,740)</u>	<u>-</u>	<u>12,103,602</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest Income	1,338,557	26,001	(1,095,922)	268,636
Other Income	85,538	200	-	85,738
Interest Expense	(1,228,478)	(1,095,923)	1,095,922	(1,228,479)
Amortization of Bond Premium	257,303	-	-	257,303
Amortization of Deferred Loss on Bond Refunding	(65,256)	-	-	(65,256)
Nonoperating Grant Revenues	1,490,519	1,855,165	-	3,345,684
Nonoperating Grant and Other Expenses	(1,890,692)	-	-	(1,890,692)
Total Nonoperating Revenues (Expenses)	<u>(12,509)</u>	<u>785,443</u>	<u>-</u>	<u>772,934</u>
CHANGE IN NET POSITION	17,575,833	(4,699,297)	-	12,876,536
NET POSITION, BEGINNING	<u>232,722,885</u>	<u>(7,409,144)</u>	<u>-</u>	<u>225,313,741</u>
NET POSITION, ENDING	<u>\$ 250,298,718</u>	<u>(12,108,441)</u>	<u>-</u>	<u>238,190,277</u>

See Independent Auditors' Report.

**JOHNSON CITY ENERGY AUTHORITY  
DBA BRIGHTRIDGE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2021**

Grantor Agency	Pass-Through Agency/Program Name	Assistance Listing Number	Contract Number	Expenditures	Passed-Through to Subrecipient
U.S. Department of Treasury	Pass-Through State of Tennessee Department of Economic and Community Development COVID-19-Coronavirus Relief Fund Tennessee Emergency Broadband Fund	21.019	[1]	\$ 1,855,167	\$ -
U.S. Department of Agriculture	Rural Economic Development Loans and Grants	10.854	[1]	<u>1,490,519</u>	<u>1,490,519</u>
TOTAL FEDERAL AWARDS				<u>\$ 3,345,686</u>	<u>\$ 1,490,519</u>

**NOTE A: BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of BrightRidge under programs of the federal government for the fiscal year ended June 30, 2021.

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Non-monetary assistance 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 costs allocation option.

[1] Information not available

See Independent Auditors' Report.

**JOHNSON CITY ENERGY AUTHORITY  
DBA BRIGHTRIDGE  
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS -  
2017 REFUNDING ISSUE  
June 30, 2021**

<u>Fiscal Year Ending</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
6-30-2022	5.00%	\$ 2,685,000	1,136,600	3,821,600
6-30-2023	5.00%	2,830,000	1,002,350	3,832,350
6-30-2024	5.00%	1,635,000	860,850	2,495,850
6-30-2025	3.00%	1,710,000	779,100	2,489,100
6-30-2026	5.00%	1,765,000	727,800	2,492,800
6-30-2027	5.00%	1,850,000	639,550	2,489,550
6-30-2028	5.00%	1,950,000	547,050	2,497,050
6-30-2029	5.00%	2,045,000	449,550	2,494,550
6-30-2030	5.00%	2,150,000	347,300	2,497,300
6-30-2031	4.00%	2,255,000	239,800	2,494,800
6-30-2032	4.00%	2,340,000	149,600	2,489,600
6-30-2033	3.50%	1,600,000	56,000	1,656,000
		<u>\$ 24,815,000</u>	<u>6,935,550</u>	<u>31,750,550</u>

See Independent Auditors' Report.

**JOHNSON CITY ENERGY AUTHORITY  
DBA BRIGHTRIDGE  
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE  
For the Fiscal Year Ended June 30, 2021**

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding July 1, 2020	Issued During Period	Paid and/or Matured During Period	Outstanding June 30, 2021
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	\$ 30,702,061	-	(2,842,304)	27,859,757
Total Bonds Payable, Net of Premium, Through Electric Fund					<u>\$ 30,702,061</u>	<u>-</u>	<u>(2,842,304)</u>	<u>27,859,757</u>
Notes Payable								
USDA Rural Development Obligations	\$ 760,000	0%	8/21/2014	8/21/2024	\$ 316,667	-	(76,000)	240,667
Payable Through Electric Fund	\$ 560,000	0%	1/4/2021	1/3/2031	-	560,000	(23,333)	536,667
Rural Economic Development Loans	\$ 1,000,000	0%	1/4/2021	1/3/2031	-	1,000,000	-	1,000,000
Total Notes Payable Through Electric Fund					<u>\$ 316,667</u>	<u>1,560,000</u>	<u>(99,333)</u>	<u>1,777,334</u>

See Independent Auditors' Report.

**JOHNSON CITY ENERGY AUTHORITY  
DBA BRIGHTRIDGE  
CHANGES IN STATEMENT OF NET POSITION ACCOUNTS (UNAUDITED)  
June 30, 2021 and 2020**

A comparison of the Statements of Net Position at June 30, 2021 and 2020 is shown below.

	<u>2021</u>	<u>2020</u>	Increase (Decrease)
Capital Assets	\$ 335,929,070	318,135,552	17,793,518
Less: Accumulated Depreciation	<u>(110,958,864)</u>	<u>(105,870,640)</u>	<u>(5,088,224)</u>
Net Capital Assets	<u>224,970,206</u>	<u>212,264,912</u>	<u>12,705,294</u>
Plus: Other Assets	33,817,213	25,107,871	8,709,342
Plus: Deferred Outflows of Resources	6,700,083	7,124,686	(424,603)
Current Assets	53,035,779	58,670,399	(5,634,620)
Less: Current Liabilities	<u>(37,317,460)</u>	<u>(33,073,034)</u>	<u>(4,244,426)</u>
Working Capital	<u>15,718,319</u>	<u>25,597,365</u>	<u>(9,879,046)</u>
Less: Long-Term Liabilities	(41,870,745)	(43,386,177)	1,515,432
Less: Deferred Inflows of Resources	<u>(1,144,799)</u>	<u>(1,394,916)</u>	<u>250,117</u>
Net Position	<u>\$ 238,190,277</u>	<u>225,313,741</u>	<u>12,876,536</u>

See Independent Auditors' Report.



**JOHNSON CITY ENERGY AUTHORITY  
DBA BRIGHTRIDGE  
COMPARATIVE RESULTS OF OPERATIONS (UNAUDITED)  
For the Fiscal Years Ended June 30, 2021 and 2020**

The operating results for the fiscal years ended June 30, 2021 and 2020 are summarized below.

Percent of Operating Revenues			Amount		Increase (Decrease)
2021	2020		2021	2020	
		Operating Revenues			
96.22 %	97.69	Sales of Electric Energy	\$ 191,617,453	193,048,016	(1,430,563)
1.82	0.45	Sales of Broadband	3,617,333	898,302	2,719,031
1.96	1.85	Other Operating Revenues	3,912,624	3,646,978	265,646
<u>100.00</u>	<u>99.99</u>	<b>Total Operating Revenues</b>	<u>199,147,410</u>	<u>197,593,296</u>	<u>1,554,114</u>
		Operating Expenses			
69.54	71.53	Power Purchased	138,496,089	141,337,194	(2,841,105)
1.82	0.88	Wholesale Broadband Delivery and Installation	3,631,128	1,731,903	1,899,225
14.28	14.20	Other Operation and Maintenance Expense	28,439,369	28,065,673	373,696
5.31	5.04	Provision for Depreciation	10,565,100	9,954,239	610,861
2.97	2.84	Tax Equivalent	5,912,122	5,616,535	295,587
<u>93.92</u>	<u>94.49</u>	<b>Total Operating Expenses</b>	<u>187,043,808</u>	<u>186,705,544</u>	<u>338,264</u>
6.08	5.51	Net Operating Income	12,103,602	10,887,752	1,215,850
0.39	(0.26)	Nonoperating Revenue (Expense)(Net)	772,934	(512,429)	1,285,363
<u>6.47 %</u>	<u>5.25</u>	<b>Change in Net Position</b>	<u>\$ 12,876,536</u>	<u>10,375,323</u>	<u>2,501,213</u>

See Independent Auditors' Report.

**JOHNSON CITY ENERGY AUTHORITY  
DBA BRIGHTRIDGE  
SELECTED DATA AND COMPARISONS (UNAUDITED)  
June 30, 2021 and 2020**

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

	2021	2020	Increase (Decrease)	Percent Increase (Decrease)
Operating Revenues	\$ 199,147,410	197,593,296	1,554,114	1%
Change in Net Position	12,876,536	10,375,323	2,501,213	24%
Gross Plant Additions				
Less or Plus Net Salvage	12,804,421	12,796,460	7,961	0%
Funds for Capital Asset Addition				
Provided Through Depreciation and Amortization	10,607,612	10,381,831	225,781	2%
Excess of Capital Asset Expenditures Over Amounts Provided by Depreciation	2,196,809	2,414,629	(217,820)	-9%
State Sales Tax Collections - TVA	3,217,285	3,330,129	(112,844)	-3%
Fiscal Year-End Number of Customers				
Electric Division	80,919	79,860	1,059	1%
Broadband Division	4,466	1,533	2,933	100%
Average Use (kWh) Per Residential Electric Customer	14,309	14,037	271	2%

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, 2021 and 2020**

Certain revenue statistics and operating costs of BrightRidge (Electric Division) for the fiscal years ended June 30, 2021 and 2020 are compared with the composite of Group A Municipalities in the TVA area for the fiscal year ended June 30, 2020.

	BrightRidge		2020 Composite of Group A Municipalities on TVA Area (Note 1)
	2021	2020	
Average Number of Customers - Electric	<u>80,919</u>	<u>79,860</u>	<u>15,632</u>
Electric Sales - Cents per Kilowatt Hour Sold	<u>10.34</u>	<u>10.74</u>	<u>9.68</u>
Percent of Revenue by Classes to Total Electric Sales			
Residential	57.07 %	56.58 %	45.19 %
Large Lighting and Power	31.65	31.75	41.74
Small Lighting and Power	9.42	9.58	11.10
Street and Outdoor	1.87	1.85	1.94
Unbilled Revenue - All Classes	(0.00)	0.25	0.04
	<u>100.00 %</u>	<u>100.01 %</u>	<u>100.00 %</u>
Purchased Power - Cents Per Kilowatt Hour Purchased	<u>7.16</u>	<u>7.57</u>	<u>7.20</u>
Percent of Unaccounted for Kilowatt Hours (Distribution Losses)	<u>4.10 %</u>	<u>3.66 %</u>	<u>3.65 %</u>
Certain Expenses Expressed in Dollar per Customer			
Transmission and Distribution	\$ 162.46	\$ 158.12	\$ 180.14
Customer Accounting and Collecting	52.57	52.03	51.16
Sales Promotion	4.91	5.51	5.87
Administrative and General	82.02	103.96	124.77
	<u>\$ 301.96</u>	<u>\$ 319.62</u>	<u>\$ 361.94</u>
Percent of Certain Operating Expenses to Revenue from Electric Sales			
Purchased Power	72.28 %	73.21 %	77.20 %
Other Operating Expenses (Depreciation and Taxes)	8.12	7.88	8.33
	<u>80.40 %</u>	<u>81.09 %</u>	<u>85.53 %</u>

Note 1 - Data compiled from information within "The 2020 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 2021 report was not available as of the date of this audit report.

See Independent Auditors' Report.

**SECTION IV**

**INTERNAL CONTROL AND COMPLIANCE SECTION**

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

To the Board of Directors  
Johnson City Energy Authority  
dba BrightRidge

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Johnson City Energy Authority dba BrightRidge (BrightRidge), as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise BrightRidge's basic financial statements, and have issued our report thereon dated December 6, 2021.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

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

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

**Purpose of this Report**

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



BLACKBURN, CHILDERS & STEAGALL, PLC  
Johnson City, Tennessee

December 6, 2021

**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**

We have audited the Johnson City Energy Authority dba BrightRidge (BrightRidge) compliance with the types of compliance requirements described 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, 2021. BrightRidge's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of BrightRidge's major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about BrightRidge's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the BrightRidge's compliance.

***Opinion on Each Major Federal Program***

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, 2021.

## Report on Internal Control Over Compliance

Management of BrightRidge is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered BrightRidge's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of BrightRidge's internal control over compliance.

*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.

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

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  
Johnson City, Tennessee

December 6, 2021



**JOHNSON CITY ENERGY AUTHORITY  
DBA BRIGHTRIDGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2021**

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**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 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 are no audit findings relative to the major federal award programs that are required to be disclosed in accordance with Title 2 U.S. CFR section 200.516(a) of the Uniform Guidance.

7. The programs tested as major programs were as follows:

<u>Program</u>	<u>CFDA Number</u>
COVID-19-Coronavirus Relief Fund – Tennessee	
Emergency Broadband Fund	21.019
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.

**JOHNSON CITY ENERGY AUTHORITY  
DBA BRIGHTRIDGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2021**

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

**Current Fiscal Year Findings**

No findings reported.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No findings reported.

**JOHNSON CITY ENERGY AUTHORITY  
DBA BRIGHTRIDGE  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS  
For the Fiscal Year Ended June 30, 2021**

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**FINANCIAL STATEMENT FINDINGS**

**Prior Fiscal Year Findings Not Implemented**

No findings reported.

**Prior Fiscal Year Findings Implemented**

No findings reported.