

JELLICO UTILITIES AUTHORITY

**FINANCIAL STATEMENTS
With Required and Other
Supplementary Information**

June 30, 2022

and

INDEPENDENT AUDITOR'S REPORT

JELLICO UTILITIES AUTHORITY

Financial Statements
With Required and Other
Supplementary Information

June 30, 2022

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INTRODUCTORY SECTION

JELLICO UTILITIES AUTHORITY

Utility Officials

June 30, 2022

Officials serving Jellico Utilities Authority and the Jellico Utilities Authority Pension Plan at June 30, 2022 were as follows:

BOARD MEMBERS:

Sandy Terry, Chair
Sarah McQueen, Vice-Chair
Stan Marlow
Suzette Davenport
Jerry Neal

MANAGEMENT:

Joe D. Carroll, Jr., P.E.	President and CEO
Stacy Gulley	Accounting/Administrative Assistant
Garrett Bradley	CSR/Billing/Payroll
Michelle Kellogg	Purchasing/Inventory Assistant
Robert Leach	Engineering Supervisor

FINANCIAL SECTION

BROWN JAKE & McDANIEL, PC

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MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Jellico Utilities Authority
Board and Management

Report on the Financial Statements***Opinions***

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of the Jellico Utilities Authority (the "Authority"), a component unit of the City of Jellico, Tennessee, as of and for the year ended June 30, 2022, and the related notes to the financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of Jellico Utilities Authority, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and

Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 – 11 and the pension related schedules and notes on pages 39 – 42 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying other supplementary information as listed in the table of contents, are presented for purposes of additional analysis and are not required parts of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic

financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

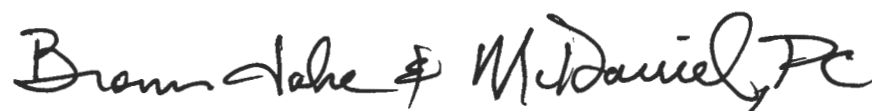
Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2023, on our consideration of the Authority'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 the 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Brown Lake & McDaniel, PC". The signature is written in a cursive, flowing style.

Knoxville, Tennessee
February 28, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

FISCAL YEAR 2022

Jellico Utilities Authority (the Authority) is an energy authority created under the Tennessee Municipal Energy Authority Act Title 7 Chapter 36. Jellico Utilities Authority is a municipality operating as an electrical power distributor with the responsibility to provide electric services and related programs to a defined service territory. The Authority sponsors the Jellico Utilities Authority Pension Plan, a single-employer defined benefit pension plan.

OVERVIEW

The Management's Discussion and Analysis (MD&A) for the Authority and the Plan is designed to assist the reader focus on significant financial activities and identify any meaningful changes in the financial positions for the year ending June 30, 2022. The MD&A is prepared in accordance with *Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. The MD&A should be read in conjunction with the Authority's and the Plan's financial statements.

Until June 30, 2019, the Jellico Electric Department was a department of the City of Jellico, Tennessee and managed and controlled by a Board of Directors who were appointed by the Jellico Mayor and approved by the Board of Aldermen of the City of Jellico, Tennessee. The Pension Plan for Employees of the City of Jellico Electric and Water System was a fiduciary fund of the City. During fiscal year 2020, all assets and liabilities of the Electric Department were transferred by the City of Jellico, Tennessee to the Jellico Utilities Authority. The Authority is governed by a five-member Board of Directors, who are appointed by the Authority's Board of Directors, subject to approval by the Mayor and Board of Aldermen of the City of Jellico, Tennessee. Plan sponsorship of the Pension Plan for Employees of the City of Jellico Electric and Water System was transferred to the Authority and the plan document was amended to change the name of the plan to the Jellico Utilities Authority Pension Plan. The plan trustee was also changed to the Authority from the City of Jellico and the plan's EIN was changed as well.

BASIC FINANCIAL STATEMENTS

A proprietary fund is used to account for the operations of the Authority, which is financed and operated in a manner similar to private business enterprises where the intent is that the cost of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

A Fiduciary Fund is used to account for resources held for the benefit of parties outside of the Authority. The resources of these funds are not available to support the Authority's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The Statement of Net Position presents information on the Authority's assets, liabilities, and deferred outflows/inflows with the difference reported as net position. It provides information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority.

The Statement of Revenues, Expenditures and Changes in Net Position presents the results of the Authority's activities over the course of the fiscal year and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its rates and fees, profitability, and credit worthiness.

The Statement of Cash Flows presents changes in cash and cash equivalents, resulting from operational, financing, and investing activities. This statement presents cash receipt and disbursement information, without consideration of the earnings event, or when an obligation arises.

The Statement of Fiduciary Net Position includes all assets and liabilities of the Jellico Utilities Authority Pension Plan and provides a snapshot at a point in time of the net position that is available for future payments to retirees.

The Statement of Changes in Fiduciary Net Position reports all additions and deductions from the Jellico Utilities Authority Pension Plan for the current fiscal year.

FINANCIAL HIGHLIGHTS – JELICO UTILITIES AUTHORITY

Management believes the Authority's financial condition is strong. The following are key financial highlights:

- Net Position increased \$1,012,591 during the year.
- Operating revenues were \$12.8 million for 2022, an increase from \$8.1 million in 2021, or 57.4%.
- Operating expenses were \$11.8 million for 2022, an increase from \$7.3 million in 2021, or 60.5%.

The following table focuses on the Authority's net position:

Table 1
Condensed Statements of Net Position

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Increase (Decrease)</u>	<u>Percent</u>
Current and Other Assets	\$ 7,059,265	\$ 4,725,116	\$ 2,334,149	49.40%
Capital Assets	<u>8,351,632</u>	<u>7,965,061</u>	<u>386,571</u>	4.85%
Total Assets	<u>\$ 15,410,897</u>	<u>\$ 12,690,177</u>	<u>\$ 2,720,720</u>	21.44%
Deferred Outflows of Resources	<u>\$ 292,935</u>	<u>\$ 374,696</u>	<u>\$ (81,761)</u>	-21.82%
Long-Term Liabilities	\$ 176,317	\$ 854,071	\$ (677,754)	-79.36%
Other Liabilities	<u>4,222,060</u>	<u>2,310,684</u>	<u>1,911,376</u>	82.72%
Total Liabilities	<u>\$ 4,398,377</u>	<u>\$ 3,164,755</u>	<u>\$ 1,233,622</u>	38.98%
Deferred Inflows of Resources	<u>\$ 520,593</u>	<u>\$ 127,847</u>	<u>\$ 392,746</u>	>100.00%
Net Investment in				
Capital Assets	\$ 8,129,663	\$ 7,545,510	\$ 584,153	7.74%
Unrestricted	<u>2,655,199</u>	<u>2,226,761</u>	<u>428,438</u>	19.24%
Total Net Position	<u>\$ 10,784,862</u>	<u>\$ 9,772,271</u>	<u>\$ 1,012,591</u>	10.36%

One way to measure financial health of a company is to look at its increases or decreases in net position over time. Increases in net position, in general, are signs that a company's financial health is improving. Decreases may indicate that its financial health is deteriorating. However, you will need to also consider non-financial factors such as economic conditions, customer growth and legislative mandates.

The following table focuses on the Statements of Revenue, Expenses, and Changes in Net Position for the Authority for 2022 and 2021:

Table 2
Statements of Revenue, Expenses, and Changes in Net Position

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Increase (Decrease)</u>	<u>Percent</u>
Operating Revenues	\$ 12,816,498	\$ 8,143,512	\$ 4,672,986	57.38%
Non-Operating Revenues	9,441	19,552	(10,111)	-51.71%
 Total Revenues	 <u>12,825,939</u>	 <u>8,163,064</u>	 <u>4,662,875</u>	 57.12%
 Purchased Electricity	 9,461,965	 5,461,275	 4,000,690	 73.26%
System Operations	686,482	383,541	302,941	78.99%
Customer Accounts Expense	235,648	203,379	32,269	15.87%
Administrative and General Expense	753,426	686,693	66,733	9.72%
Depreciation and Amortization	478,549	432,205	46,344	10.72%
Taxes and Tax Equivalents	185,167	182,699	2,468	1.35%
Interest Expense	11,031	6,473	4,558	70.42%
Miscellaneous Expense	1,080	3,198	(2,118)	-66.23%
 Total Expenses	 <u>11,813,348</u>	 <u>7,359,463</u>	 <u>4,453,885</u>	 60.52%
 Change in Net Position	 1,012,591	 803,601	 208,990	 26.01%
 Net Position, Beginning	 <u>9,772,271</u>	 <u>8,968,670</u>	 <u>803,601</u>	 8.96%
 Net Position, Ending	 <u>\$ 10,784,862</u>	 <u>\$ 9,772,271</u>	 <u>\$ 1,012,591</u>	 10.36%

As can be seen in Table 2, the Change in Net Position increased from the prior year by \$208,990. This increase is due primarily to the addition of a large crypto-mining customer during the year.

Table 3

Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Increase (Decrease)</u>	<u>Percent</u>
Net Electric Plant	\$ 8,351,632	\$ 7,965,061	\$ 386,571	4.85%

This year's plant additions include:

Land and Land Rights	\$ -
Structures and Improvements	-
Transmission and Distribution	1,943,542
General	<u>100,035</u>
Total Additions	<u>\$ 2,043,577</u>

The Jellico Electric System's fiscal year 2023 capital budget plans for investing another \$2,220,000 in capital projects, including the following:

Transmission and Substation Improvements	\$ 1,250,000
Distribution and Service Improvements	500,000
Meters and Meter Improvements	20,000
Administrative Equipment and Software	50,000
Transportation Equipment (Trucks)	350,000
Power Equipment and Attachments	<u>50,000</u>
Total Additions	<u>\$ 2,220,000</u>

The Authority plans on using existing cash and grants to fund the capital budget for the upcoming year, assuming that no major disasters or emergencies occur. The Authority, at this time, is pursuing revenue bonds in the next fiscal year.

There were no significant variations from fiscal year 2022 budgeted operational expenditures and fiscal year 2022 actual operational expenditures. Fiscal year 2023 budget contains no significant operational increases or decreases from fiscal year 2022. There are no major variations anticipated in either the makeup or requirements of the Authority's customer base.

FINANCIAL HIGHLIGHTS – JELICO UTILITIES AUTHORITY PENSION PLAN

Key financial highlights for the Plan for fiscal year 2022 are as follows:

- The Plan's annual money – weighted rate of return on investment for the year is - 14.94%.
- The net position of the plan decreased \$(750,848) for the year.
- The contribution by the employer was \$113,100. The minimum determined contribution by the actuary as of July 1, 2021 was \$81,468. The Authority funded \$31,632 more than the minimum actuarially determined contribution for the fiscal year.
- The Plan's funding objective is to meet its long-term benefit obligations through employer contributions and investment income. As of June 30, 2022, the Plan's net position as a percentage of the total pension liability is 75.39%.
- The Plan's assets are managed by Financial Partners of TN, LLC subject to an investment policy approved by the Authority's Board of Directors. The Custodian of the Plan's assets is SEI Private Trust Company.

The Plan's net position is as follows at June 30, 2022 and 2021:

	Table 4		
	<u>2022</u>	<u>2021</u>	<u>Net Change</u>
<u>Assets</u>			
Cash and Cash Equivalents	\$ 22,018	\$ 22,396	\$ (378)
Investments	<u>3,289,618</u>	<u>4,040,088</u>	<u>(750,470)</u>
Total Assets	<u><u>\$ 3,311,636</u></u>	<u><u>\$ 4,062,484</u></u>	<u><u>\$ (750,848)</u></u>
<u>Liabilities and Net Position</u>			
Net Position Restricted for Pensions	<u><u>\$ 3,311,636</u></u>	<u><u>\$ 4,062,484</u></u>	<u><u>\$ (750,848)</u></u>

The changes in the Plan's net position for the fiscal years ended June 30, 2022 and 2021 are as follows:

Table 5

	<u>2022</u>	<u>2021</u>	<u>Net Change</u>
<u>Additions</u>			
Employer Contributions	\$ 113,100	\$ 96,948	\$ 16,152
Net Investment Income/(Loss)	<u>(597,840)</u>	<u>856,983</u>	<u>(1,454,823)</u>
	<u>(484,740)</u>	<u>953,931</u>	<u>(1,438,671)</u>
<u>Deductions</u>			
Benefit Payments	<u>266,108</u>	<u>275,106</u>	<u>(8,998)</u>
	<u>266,108</u>	<u>275,106</u>	<u>(8,998)</u>
Net Increase/(Decrease) in Net Position	<u>\$ (750,848)</u>	<u>\$ 678,825</u>	<u>\$ (1,429,673)</u>

INFORMATION FOR NEXT YEAR – JELICO UTILITIES AUTHORITY PENSION PLAN

The actuarially determined contribution for the year beginning July 1, 2022 is \$165,876. Per the funding policy, Jellico Utilities Authority will contribute at least this minimum actuarially determined contribution for the fiscal year ending June 30, 2023.

This financial report is designed to provide ratepayers and creditors with an overview of the finances of the Authority and to demonstrate accountability for the money received. If there are questions, comments, or requests for additional information pertaining to this report, please contact:

Joe D. Carroll Jr., President and CEO
Jellico Utilities Authority
P.O. Box 510
Jellico, TN 37762

Telephone (423) 784-8431

JELLICO UTILITIES AUTHORITY

Statement of Net Position

June 30, 2022

<u>Assets</u>	<u>Electric Department</u>
Current assets:	
Cash	\$ 4,171,914
Certificates of deposit	437,162
Receivables:	
Customer, less allowance for doubtful accounts of \$14,886	1,907,374
Rent	82,002
Jellico Water and Sewer System	171,853
Prepaid expenses	16,050
Materials and supplies inventories	<u>184,379</u>
Total current assets	<u>6,970,734</u>
Noncurrent assets:	
Capital assets	17,686,697
Less accumulated depreciation	<u>9,335,065</u>
Total capital assets	<u>8,351,632</u>
Other noncurrent assets:	
Tennessee Valley Authority Energy Services Program receivable	6,590
Other	<u>81,941</u>
Total noncurrent assets	<u>8,440,163</u>
Total assets	<u>15,410,897</u>
 <u>Deferred Outflows of Resources</u>	
Pension contributions made after the net pension liability measurement date	113,100
Difference between projected and actual experience - pension plan	<u>179,835</u>
Total deferred outflows of resources	<u>292,935</u>

(Continued)

JELICO UTILITIES AUTHORITY

Statement of Net Position
(Continued)

June 30, 2022

<u>Liabilities</u>	<u>Electric Department</u>
Current liabilities	
Current maturities of long-term debt	\$ 162,396
Accounts payable:	
Trade	1,984,939
Jellico Water and Sewer System	232,329
City of Jellico, Tennessee	18,828
Accrued liabilities:	
Payroll related	152,419
Other	19,984
Customer deposits	<u>1,651,165</u>
Total current liabilities	<u>4,222,060</u>
Noncurrent liabilities:	
Long-term debt, less current maturities	59,573
Net pension liability	110,395
Advances from Tennessee Valley Authority	
Energy Service Loans	<u>6,349</u>
Total noncurrent liabilities	<u>176,317</u>
Total liabilities	<u>4,398,377</u>
<u>Deferred Inflows of Resources</u>	
Differences between expected and actual earnings on pension plan investments	409,641
Differences between expected and actual experience - pension plan	<u>110,952</u>
Total deferred inflows of resources	<u>520,593</u>
<u>Net Position</u>	
Net investment in capital assets	8,129,663
Unrestricted	<u>2,655,199</u>
Total net position	<u>\$ 10,784,862</u>

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

JELLICO UTILITIES AUTHORITY
Statement of Revenues, Expenses and Change in Net Position
Year Ended June 30, 2022

	<u>Electric Department</u>
Operating revenue:	
Sales	\$ 12,230,265
Other revenue	<u>586,233</u>
	<u>12,816,498</u>
Operating expenses:	
Purchased electricity	9,461,965
System operations and maintenance	686,482
Customer accounts expense	235,648
Administrative and general expense	753,426
Depreciation and amortization	478,549
Taxes and tax equivalents	<u>185,167</u>
	<u>11,801,237</u>
Operating income	<u>1,015,261</u>
Non-operating revenue (expenses):	
Interest income	9,441
Interest expense	(11,031)
Miscellaneous income (expense)	<u>(1,080)</u>
	<u>(2,670)</u>
Change in net position	1,012,591
Net position, beginning of the year	<u>9,772,271</u>
Net position, end of the year	<u>\$ 10,784,862</u>

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

JELLICO UTILITIES AUTHORITY

Statement of Cash Flows

Year Ended June 30, 2022

	Electric Department
Cash flows from operating activities:	
Cash received from customers	\$ 13,384,494
Cash payments to suppliers	(9,302,248)
Cash payments to employees	(800,759)
Cash payments for in lieu of taxes	(121,253)
Net cash provided by operating activities	<u>3,160,234</u>
Cash flows from noncapital financing activities:	
Net change in receivable/payable - Jellico Water and Sewer System	(200,513)
Cash received from Tennessee Valley Authority Residential Energy Services Program, net	<u>1,433</u>
Net cash used by noncapital financing activities	<u>(199,080)</u>
Cash flows from capital and related financing activities:	
Acquisition, construction and removal of capital assets	(844,467)
Principal payments on long-term debt	(197,582)
Interest paid	(11,031)
Net cash used by capital and related financing activities	<u>(1,053,080)</u>
Cash flows from investing activities:	
Interest received on investments	<u>9,441</u>
Net cash provided by investing activities	<u>9,441</u>
Net increase in cash and cash equivalents	1,917,515
Cash and cash equivalents, beginning of year	<u>2,691,561</u>
Cash and cash equivalents, end of year	<u>\$ 4,609,076</u>
Cash	\$ 4,171,914
Certificates of deposit	<u>437,162</u>
Cash and cash equivalents - end of year	<u>\$ 4,609,076</u>
<u>Reconciliation of operating income to net cash provided by operating activities:</u>	
Operating income	\$ 1,015,261
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	478,549
Miscellaneous income (expense)	(1,080)
(Increase) decrease in:	
Receivables	(593,871)
Prepaid expenses	(960)
Inventories	(15,527)
Other assets	2,824
Deferred outflows related to pension plan	81,761
Increase (decrease) in:	
Accounts payable	1,085,106
Accrued liabilities	40,041
Customer deposits	1,186,494
Net pension liability	(511,110)
Deferred inflows related to pension plan	<u>392,746</u>
Net cash provided by operating activities	<u>\$ 3,160,234</u>

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

JELICO UTILITIES AUTHORITY
PENSION PLAN

Statement of Fiduciary Net Position

June 30, 2022

Assets

Assets held by trustee:

Cash and cash equivalents \$ 22,018

Investments:

Mutual funds - equities 1,953,729

Mutual funds - fixed income 1,335,889

Total investments held by trustee 3,289,618

Net position restricted for pensions **\$ 3,311,636**

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

JELLICO UTILITIES AUTHORITY
PENSION PLAN

Statement of Changes in Fiduciary Net Position

For the Fiscal Year Ended June 30, 2022

Additions:	
Employer contributions	<u>\$ 113,100</u>
Investment income (loss):	
Interest and dividend income	100,198
Net decrease in fair value of investments	(677,129)
Less: Direct investment expense	<u>(20,909)</u>
Net investment income (loss)	<u>(597,840)</u>
Total additions (decreases)	<u>(484,740)</u>
Deductions:	
Benefit payments	<u>266,108</u>
Total deductions	<u>266,108</u>
Net decrease in fiduciary net position	(750,848)
Net position restricted for pensions:	
Beginning of year	<u>4,062,484</u>
End of year	<u>\$ 3,311,636</u>

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

JELICO UTILITIES AUTHORITY

Notes to Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies

The following items set forth the significant accounting policies which the Jellico Utilities Authority ("the Authority") and the Jellico Utilities Authority Pension Plan ("the Plan") follows in presenting its financial statements, and which are not disclosed elsewhere in the notes to the financial statements.

Reporting Entity

The Jellico Utilities Authority was formed by resolution on September 3, 2019 by the Board of Mayor and Aldermen of the City of Jellico, Tennessee and, as such is a political subdivision of the State of Tennessee. The Authority was created as a separate legal entity for the purpose of planning, acquiring, constructing, improving, furnishing, equipping, financing, owning, operating, and maintaining electric utility systems within or outside the corporate limits of the City of Jellico, Tennessee. Upon creation of the Authority, the Board of Mayor and Alderman of the City of Jellico, Tennessee was authorized to transfer to the Authority all its rights, title, and interest in all assets of the City of Jellico, Tennessee's Electric Department's assets and the assumption of the Department's liabilities to the Authority.

The Authority is governed by a five member Board of Directors, who are appointed by the Authority's Board of Directors, subject to approval by the Mayor and Board of Aldermen of the City of Jellico, Tennessee. The Authority is reported as a blended component unit in the financial statements of the City of Jellico, Tennessee. This presentation is required since the governing bodies of both entities are substantially the same.

Basis of Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The Authority is an enterprise fund, which is a proprietary fund type and the Jellico Utilities Authority Pension Plan is a fiduciary fund. Both are reported using the economic resources measurement focus and the full accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The accounting policies of the Authority conform to applicable accounting principles generally accepted in the United States of America as defined by the Governmental Accounting Standards Board (GASB).

Deposits and Investments

Cash and cash equivalents consist of cash on hand, demand deposits, and all highly liquid investments having original maturities of three months or less from the date of acquisition.

JELLICO UTILITIES AUTHORITY

Notes to Financial Statements
(Continued)

1. Summary of Significant Accounting Policies (Continued)

Deposits and Investments (Continued)

The Authority restricts its investments to the types of Investments authorized by the State of Tennessee.

Accounts Receivable

Trade receivables result from unpaid billings for services to customers and from unpaid billings related to work performed for or materials sold to certain entities. All trade receivables are shown net of an allowance for uncollectible accounts. The allowance for uncollectible customer accounts recorded by the Authority is based on past history of uncollectible accounts and management's analysis of current accounts.

Inventories and Prepaid Items

Inventories are valued at the lower of cost or market using the average cost method and consist of expendable supplies and materials. The cost of such inventories is recorded as expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. The cost of prepaid items is recorded as expenses when consumed rather than when purchased.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year.

As the Authority constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life.

Land and construction in progress are not depreciated. The other property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Capital Asset Classes</u>	<u>Lives</u>
Structures and Improvements	33 – 50
Transmission and Distribution	12.5 – 50
General	5 – 20

JELLICO UTILITIES AUTHORITY

Notes to Financial Statements
(Continued)1. Summary of Significant Accounting Policies (Continued)Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Authority has two items that qualify for reporting in this category. These are pension contributions made after the net pension liability measurement date and differences between expected and actual pension plan experience.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Authority has two items that qualify for reporting in this category. These include differences between expected and actual pension plan experience and net differences between projected and actual earnings on pension plan investments. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net Position Flow Assumption

Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted — net position and unrestricted — net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted — net position to have been depleted before unrestricted — net position is applied.

Revenue Recognition

The Authority records revenue as billed to its customers based on a monthly meter reading cycle. Any service rendered from the latest billing cycle date to the end of the month is unbilled and is reflected in the financial statements. At June 30, 2022, all meters were read and billed, and therefore, the Authority does not report any unbilled revenue.

Operating and Non-Operating Revenues and Expenses

The Authority distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

JELICO UTILITIES AUTHORITY

Notes to Financial Statements
(Continued)1. Summary of Significant Accounting Policies (Continued)Regulated Operations

The Authority operates an electric utility in Jellico, Tennessee that is regulated by Tennessee Valley Authority (TVA), an agency of the federal government. TVA exercises oversight in the rate setting process and requires the use of accounting policies for public electric utilities as prescribed by the Federal Energy Regulatory Commission (FERC). Specific accounting policies which are unique to FERC include when capital assets are retired or otherwise disposed of, the average cost is removed from the asset account and the accumulated depreciation account. Removal costs less salvage is charged or credited to the accumulated depreciation account.

The Authority also has a power contract with TVA whereby the Authority purchases all of its electric power from TVA and is subject to certain restrictions and conditions as provided in the contract.

Finally, the Authority participates in TVA's Residential Energy Efficiency Program which provides loans to the Authority's residential customers for heat pump and insulation costs.

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.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources, and pension expense, information about the fiduciary net position of the Jellico Utilities Authority's participation in the Jellico Utilities Authority Pension Plan, and additions to/deductions from Jellico Utilities Authority's fiduciary net position have been determined on the same basis as they are reported by the Jellico Utilities Authority Pension Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Operating Agreement

The Authority entered into an operating agreement during the year with the Jellico Water and Sewer System ("the System"), and enterprise fund of the City of Jellico, Tennessee. All personnel of the Jellico Water and Sewer System are employees of the Authority and these costs, including, but not limited to salaries, taxes, benefits, and pensions are allocated to the System.

The net pension liability of the Authority, and all related deferred outflows of resources and deferred inflows of resources are reflected on the Authority's Statement of Net Position.

JELICO UTILITIES AUTHORITY

Notes to Financial Statements
(Continued)

1. Summary of Significant Accounting Policies (Continued)

Recently Issued and Adopted Accounting Pronouncements

GASB has issued the following recent pronouncements that are effective in the current fiscal year:

Statement No. 87, *Leases*
 Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
 Statement No. 98, *The Annual Comprehensive Financial Report*
 Statement No. 92, *Omnibus 2020*
 Statement No. 93, *Replacement of Interbank Offered Rates*
 Statement No. 97, *Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*
 Implementation Guide No. 2019-3, *Leases*

The adoption of these statements and implementation guide has had no effect on the Authority's financial statements.

2. Cash and Cash Equivalents

Cash and cash equivalents consisted of the following at June 30, 2022:

Cash on hand and in banks	\$ 4,171,914
Certificates of deposit	<u>437,162</u>
	<u>\$ 4,609,076</u>
 Current funds	 <u>\$ 4,609,076</u>

Cash and cash equivalents are covered by federal depository insurance, insured by the depository bank's participation in the State of Tennessee Bank Collateral Pool or collateralized by securities, pledged for deposits, held by an independent third-party financial institution under the terms of a safekeeping collateral agreement in the Authority's name. At June 30, 2022, the Authority's deposits were adequately collateralized. Investment policies of the Authority follow state law and bond requirements prohibiting investments that are not secured or insured by the U.S. Government. Interest-bearing accounts had rates ranging from 0.00% to 0.30% at June 30, 2022.

3. Concentration of Credit Risk

The Authority provides electric services to the City of Jellico, surrounding counties and portions of Kentucky. The Authority grants credit to its customers, substantially all of whom are local businesses and residents.

JELLICO UTILITIES AUTHORITY

Notes to Financial Statements
(Continued)4. Capital Assets

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

	Beginning Balance	Increases	(Decreases)	Adjustments	Ending Balance
Capital assets, not being depreciated:					
Land and land rights	\$ 19,776	\$ -	\$ -	\$ -	\$ 19,776
Construction work in progress	1,166,187	(1,132,899)	-	-	33,288
Total capital assets, not being depreciated	<u>1,185,963</u>	<u>(1,132,899)</u>	<u>-</u>	<u>-</u>	<u>53,064</u>
Capital assets, being depreciated:					
Structures and improvements	11,095,993	1,807,762	(234)	(500,000)	12,403,521
Transmission and distribution	2,737,447	135,780	(3,001)	-	2,870,226
General	1,759,851	100,035	-	500,000	2,359,886
Total capital assets, being depreciated	<u>15,593,291</u>	<u>2,043,577</u>	<u>-</u>	<u>-</u>	<u>17,633,633</u>
Less accumulated depreciation for:					
Structures and improvements	6,168,108	285,061	(234)	(1,292)	6,451,643
Transmission and distribution	1,391,526	106,587	(3,001)	(6,255)	1,488,857
General	1,254,559	140,006	-	-	1,394,565
Total accumulated depreciation	<u>8,814,193</u>	<u>531,654</u>	<u>(3,235)</u>	<u>(7,547)</u>	<u>9,335,065</u>
Total capital assets, being depreciated, net	<u>6,779,098</u>	<u>1,511,923</u>	<u>3,235</u>	<u>7,547</u>	<u>8,298,568</u>
Total net capital assets, excluding plant acquisition adjustments	<u>\$ 7,965,061</u>	<u>\$ 379,024</u>	<u>\$ 3,235</u>	<u>\$ 7,547</u>	<u>\$ 8,351,632</u>

Depreciation expense was \$531,654 in 2022, including \$73,760 charged to clearing accounts.

5. Other Assets

The Authority invested in GIS mapping and software during the fiscal year ending June 30, 2016. These costs are amortized over the estimated useful lives of these assets. For the year ended June 30, 2022, amortization expense was \$20,655.

6. Long-Term Debt

The Authority has issued a capital outlay note for the acquisition and construction of an administration building. The note is secured by the land and building that was purchased with the proceeds. Capital outlay notes outstanding at June 30, 2022 are as follows:

JELLICO UTILITIES AUTHORITY

Notes to Financial Statements
(Continued)6. Long-Term Debt (Continued)

<u>Description</u>	<u>Issued</u>	<u>Original Borrowing</u>	<u>Interest Rates</u>	<u>Final Maturity</u>	<u>Outstanding June 30, 2022</u>
Capital outlay note (direct borrowing)					
First State Bank of the Southeast	1/5/21	\$ 500,000	3.30%	2024	<u>\$ 221,969</u>

Changes in long-term debt for the year ended June 30, 2022 are as follows:

	<u>July 1, 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2022</u>	<u>Due Within One Year</u>
Capital outlay note (direct borrowing)					
First State Bank of the Southeast	\$ 419,551	\$ -	\$ 197,582	\$ 221,969	\$ 162,396
	<u>\$ 419,551</u>	<u>\$ -</u>	<u>\$ 197,582</u>	<u>\$ 221,969</u>	<u>\$ 162,396</u>

The debt service requirements for the Authority's long-term debt are as follows:

<u>Maturity Date</u>	<u>Principal Amount*</u>	<u>Interest Amount</u>
2023	\$ 162,396	\$ 4,551
2024	<u>59,573</u>	<u>640</u>
	<u>\$ 221,969</u>	<u>\$ 5,191</u>

*Direct borrowing

In the event of default, the loan becomes due and payable immediately.

7. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The Authority participates in the Tennessee Municipal League Insurance Risk Pool and pays an annual premium to the pool for its property, employee dishonesty, and workers' compensation and general liability insurance coverage.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The pooling agreement allows the pool to make additional assessments or refund surplus revenues to the Authority. It is not possible to estimate the amount of such additional assessments or refunds.

JELLICO UTILITIES AUTHORITY

Notes to Financial Statements
(Continued)

8. Related Party Transactions

The Authority performs the billing and collection function for the Solid Waste Fund of the City of Jellico, Tennessee and the Jellico Water and Sewer System, an enterprise fund of the City of Jellico, Tennessee. Accordingly, accounts receivable related to these charges are collected by the Authority on behalf of these funds. At June 30, 2022, the Authority held \$18,828 due to the Solid Waste Fund of the City of Jellico, Tennessee and \$232,329 due to the Jellico Water and Sewer Systems.

The Authority also performs various accounts payable functions for the Jellico Water and Sewer System and all of the System's employees are leased from the Authority. At June 30, 2022, the Authority had a receivable from the System in the amount of \$171,853.

The charges for performing the billing and collection functions for the Solid Waste Fund of the City of Jellico, Tennessee were \$6,000 for the year ended June 30, 2022.

The Authority pays month to month rent to the City of Jellico, Tennessee. Rental payments made to the Government for the year ended June 30, 2022 were \$64,500. Of this amount, \$18,705 was charged to overhead construction.

The Authority remitted \$103,180 to the City of Jellico, Tennessee during the year for in lieu of tax payments.

9. Retirement Plan

Jellico Utilities Authority Pension Plan

General Information about the Pension Plan

Plan Description. The Jellico Utilities Authority Pension Plan (the "Plan") provides pensions for all permanent full-time employees of the Authority who work at least 20 hours per week for at least 5 months out of the year, and are eligible after completing 6 months of service on the first day of the year. The Plan is a single-employer, non-contributory, defined benefit plan. The Authority's Board of Directors establishes and amends all benefit provisions.

Benefits Provided. The Plan provides retirement, disability and death benefits. Normal retirement benefits for all participants will be 2.0% of the participant's average compensation multiplied by credited service at normal retirement. The Plan defines average compensation as an average of earnings for the 10 years during which the average is the highest. Credited service is defined as all years during which an employee is continuously employed by the employer. The normal retirement date is the first day of the month coinciding with or next following attainment of age 65 or 5th year of credited service, whichever is later. The Plan also provides for a special retirement age of 62 and 25 years of credited service. Participants may retire at age 55 with 10 years of vesting service. The accrued benefit is reduced by one-half of one percent (.5%) for each complete month preceding the normal retirement date.

JELICO UTILITIES AUTHORITY

Notes to Financial Statements
(Continued)9. Retirement Plan (Continued)**Jellico Utilities Authority Pension Plan (Continued)**General Information about the Pension Plan (Continued)

Employees covered by the benefit terms. At the measurement date of June 30, 2021, the Authority had 56 total plan participants as follows:

Active participants	26
Inactive participants entitled to deferred benefits	7
Inactive participants currently receiving benefits	<u>23</u>
	<u>56</u>

Contributions. The Plan is funded by employer contributions. The Contributions to the plan from the Authority were \$113,100 for the year ended June 30, 2022.

Net Pension Liability

Net Pension Liability. At June 30, 2022, the Authority reported a net pension liability of \$110,395. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	3.00% per annum
Salary Increases	5.00% per annum
Investment Return	7.00% per annum

Mortality rates were based on the 1983 Group Annuity Mortality table for males, set back 6 years in age for females.

JELLICO UTILITIES AUTHORITY

Notes to Financial Statements
(Continued)9. Retirement Plan (Continued)Jellico Utilities Authority Pension Plan (Continued)Net Pension Liability (Continued)*Actuarial assumptions (continued)*

The Plan is an ongoing plan with a perpetual time horizon. For this reason, long term capital market assumptions (20+ years) are applicable to approximate future return expectations. The long-term expected rate of return on pension plan investments is based on multiple levels of diversification, which have been designed to optimize return while managing risk. The top level includes asset classes like equities and income-generating securities such as bonds. The second level consists of multiple sub-asset classes and styles like large cap, small cap, growth and value. The third level demonstrates geographic diversification. The fourth level consists of individual managers specializing in a particular asset class. The fifth level represents individual securities selected for each portfolio by those managers. All levels are continuously monitored and adjusted as changes in the markets or economy dictate. The expected rates of return are arithmetic and are as follows:

Asset Class	Long-Term Expected Rate of Return
Money Market	0.00%
Domestic Equities	7.0-9.0%
Fixed Income	4.0-5.0%
International Equities	0.00%

Investments. The Plan's policy in regard to the allocation of invested assets is established and may be amended by the Authority's Board of Directors. It is the policy of the Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Board has appointed a fiduciary to direct investment of plan assets. The investment fiduciary shall have the exclusive authority and discretion to select the investment funds available under the plan. The following was the asset allocation policy as of the measurement date of June 30, 2020:

Asset Class	Target Allocation
Domestic Equities	60.00%
Fixed Income	40.00%

JELICO UTILITIES AUTHORITY

Notes to Financial Statements
(Continued)9. Retirement Plan (Continued)**Jellico Utilities Authority Pension Plan (Continued)**Net Pension Liability (Continued)

Discount Rate. The discount rate used to measure the total pension liability was 7.00%. The pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 6/30/21 (measurement date 6/30/20)	\$ 4,005,164	\$ 3,383,659	\$ 621,505
Changes for the year:			
Service cost	70,456	-	70,456
Interest	280,362	-	280,362
Differences between expected and actual experience	92,003	-	92,003
Contributions - employer	-	96,948	(96,948)
Net investment income	-	856,983	(856,983)
Benefit payments	(275,106)	(275,106)	-
Net changes	167,715	678,825	(511,110)
Balance at 6/30/22 (measurement date 6/30/21)	\$ 4,172,879	\$ 4,062,484	\$ 110,395

JELLICO UTILITIES AUTHORITY

Notes to Financial Statements
(Continued)9. Retirement Plan (Continued)**Jellico Utilities Authority Pension Plan (Continued)**Changes in the Net Pension Liability (Continued)*Sensitivity of Net Pension Liability to Changes in the Discount Rate*

The following represents the net pension liability of the Authority calculated using the stated discount rate, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Authority's net pension liability (asset)	\$ 564,428	\$ 110,395	\$ (277,553)

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

For the year ended June 30, 2022, the Authority recognized pension expense of \$43,924. Pension expense allocated to the Jellico Water and Sewer System for the ended June 30, 2021, was \$32,573.

At June 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions made after the net pension liability measurement date	\$ 113,100	\$ -
Differences between projected and actual earnings on pension plan investments	-	409,641
Differences between expected and actual experience - pension plan	<u>179,835</u>	<u>110,952</u>
Total	<u>\$ 292,935</u>	<u>\$ 520,593</u>

JELLICO UTILITIES AUTHORITY

Notes to Financial Statements
(Continued)

9. Retirement Plan (Continued)

Jellico Utilities Authority Pension Plan (Continued)

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

\$113,100 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources (excluding pensions contributions made after the measurement date) and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2023	\$ (89,597)
2024	(84,793)
2025	(105,472)
2026	(143,407)
2027	(3,407)
Thereafter	85,918

10. Leased Facilities

Certain agreements provide for the joint use of the Authority's distribution facilities by other utilities and certain customers. Rental revenues from the above-mentioned arrangements amount to \$224,762 in 2022. Rental expense applicable to such agreements amounted to \$25,962 in 2022.

During the year, the Authority purchased land and a building for renovation and future use for Authority administration. The Authority also purchased all rights, title and interest in a lease between the former owner and the current lessee. The lease expires January 5, 2023 and the provisions of GASB 87 do not apply. As of June 30, 2022, minimum future base rentals to be received are as follows:

Year Ended June 30:

2023	\$ 41,667
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11. Compensated Absences

Employees earn one day of sick leave per month up to an accumulated maximum of ninety working days. Sick leave that is accrued in excess of ninety days is converted to a retirement account. At retirement or death, employees will be paid their regular straight-time pay for all sick leave days accumulated up to ninety workdays. In the event of termination, employees forfeit all unused sick leave.

Employees earn vacation days, ranging from 10 to 20 days per year, based on hours worked and number of years of continuous service. Vacation leave accrued in excess of maximum is transferred to sick leave annually. Accumulated vacation is paid upon resignation, retirement or death. Accrued vacation and sick leave at June 30, 2022 totaled \$125,752.

JELICO UTILITIES AUTHORITY

Notes to Financial Statements
(Continued)12. Litigation

There are several lawsuits filed against the Utility; however, management intends to vigorously defend these complaints and believes the outcome of these complaints will not have an adverse effect on the Authority's financial position.

13. Jellico Utilities Authority Pension PlanSummary of Significant Accounting Policies

Method used to Value Investments. Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Plan Description**Plan Administration**

The Jellico Utilities Authority Pension Plan (the "Plan") is a single-employer, non-contributory, defined benefit plan established by the City of Jellico, Tennessee (the "City") effective July 1, 1967, amended and restated July 1, 2011. This Plan covers only employees of the Jellico Utilities Authority (the "Authority").

Management of the Plan is vested in the Jellico Utilities Authority Board of Directors, who are appointed by the Authority's Board of Directors, subject to approval by the Mayor and Board of Aldermen of the City of Jellico, Tennessee.

Plan Participants

Inactive plan participants as of June 30, 2021 -	
Retirees and beneficiaries currently receiving benefits	23
Terminated employees entitled to deferred benefits	7
Disabled employees entitled to deferred benefits	<u>0</u>
 Total inactive plan participants	 <u>30</u>
Active plan participants as of June 30, 2021 -	
Vested	18
Non-vested	<u>8</u>
 Total active plan participants	 <u>26</u>
 Total plan participants	 <u><u>56</u></u>

JELLICO UTILITIES AUTHORITY

Notes to Financial Statements
(Continued)13. Jellico Utilities Authority Pension Plan (Continued)Plan Description (Continued)**Plan Provisions**A). Eligibility

Employees who work at least 20 hours per week for at least 5 months out of the year are eligible after completing 6 months of service on the first day of the plan year.

B). Normal Retirement Date

The normal retirement date is the first day of the month coinciding with or next following attainment of age 65 or 5th year of credited service, whichever is later. The Plan also provides for a special retirement age of 62 and 25 years of credited service.

C). Normal Retirement Benefit

The normal retirement benefit will be 2.0% of the participant's average compensation multiplied by credited service at normal retirement.

The amount a retiree will receive will be in the form of a monthly straight life annuity for single participants, and an actuarial equivalent joint & 50%, 75% or 100% survivor annuity for married participants.

The Plan defines average compensation as an average of earnings for the 10 years during which the average is the highest. Credited service is defined as all years during which an employee is continuously employed by the employer. The maximum annual benefit for the Plan is \$245,000 as adjusted per Internal Revenue Code Section 415 for retirement age other than social security retirement age.

D). Early Retirement Benefit

Participants may retire at age 55 with 10 years of vesting service. The accrued benefit is reduced by one-half of one percent (.5%) for each complete month preceding the Normal Retirement Date.

E). Death Benefit

If the participant is not eligible for full early retirement at the time of death, his spouse will receive the same benefit that would be payable as a survivor annuity if the participant had retired with an immediate Joint & Survivor Annuity on the day before his death. Beneficiaries of participants who are not married at the time of death will receive no death benefit except for a return of any employee contributions made, accumulated with interest.

JELICO UTILITIES AUTHORITY

Notes to Financial Statements
(Continued)13. Jellico Utilities Authority Pension Plan (Continued)Plan Description (Continued)**Plan Provisions (Continued)**F). Disability Benefit

The plan provides that a participant who has not reached his normal retirement date, but ceases to be employed on account of permanent and total disability, shall be retired from service on a disability retirement pension. The benefit will be payable as of the first day of the month following disability and the benefit amount will be the accrued benefit at date of disability, reduced for commencement prior to normal retirement.

G). Vested Termination Benefit

The vested portion of any participant's accrued benefit attributable to employer contributions is determined based on his years of service. The applicable vesting schedule is as follows:

Less than 5 years	0%
Five or more years	100%

That portion of a terminated participant's accrued benefit that is not vested shall be forfeited and used only to reduce future costs of the Plan.

Contributions

The Plan is funded by employer contributions. The Authority shall annually contribute amounts necessary to provide the benefits set forth herein and to maintain the plan on an actuarially sound basis. Actuarially determined contributions to the Plan are determined each year as part of the actuarial valuation process. These contributions are determined according to the following contribution policy:

Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Closed, level dollar amortization for the initial unfunded accrued liability as of July 1, 2009. Subsequent gains and losses will be amortized over a closed 5 year period. The amortization period for experience gains and losses, changes in actuarial methods or assumptions, or plan amendments shall be amortized 20 years from the date of the valuation in which such event occurred.
Asset Valuation Method:	Market Value.

For the year ended June 30, 2022, employer contributions were \$113,100.

JELICO UTILITIES AUTHORITY

Notes to Financial Statements
(Continued)13. Jellico Utilities Authority Pension Plan (Continued)Plan Description (Continued)**Contributions** (Continued)

The principal goal of the funding policy is to assure that future Authority contributions and current plan assets should be sufficient to provide for all benefits expected to be paid to current active, inactive, and retired members, and their beneficiaries. Contributions should include the cost of current service plus a series of amortization payments or credits to fully fund or recognize any unfunded or overfunded past service costs.

Investments

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the Authority's Board of Directors. It is the policy of the Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Board has appointed a fiduciary to direct investment of plan assets. The investment fiduciary shall have the exclusive authority and discretion to select the investment funds available under the plan. The following was the asset allocation policy as of June 30, 2022:

Asset Class	Target Allocation
Domestic Equities	60.00%
Fixed Income	40.00%

The following table presents the fair value of investments at June 30, 2022. Those investments which represent 5% or more of net position restricted for pensions are separately stated.

Mutual Funds:

SEI Institutional Managed Trust Funds –	
Large Cap Growth Fund Class A	\$ 554,693
Large Cap Value Fund Class A	612,173
Core Fixed Income Fund Class A	869,670
International Equity Fund Class A	389,774
Emerging Markets Equity Fund Class A	189,038
International Fixed Income Fund Class A	202,707
Other (no individual fund greater than 5%)	<u>493,581</u>
Total	<u>\$3,311,636</u>

Rate of Return

For the year ended June 30, 2022, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was -14.94%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

JELICO UTILITIES AUTHORITY

Notes to Financial Statements
(Continued)13. Jellico Utilities Authority Pension Plan (Continued)Fair Value Measurements

The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Plan has the following recurring fair value measurements as of June 30, 2022:

	<u>June 30, 2022</u>	<u>Fair Value Measurement using Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
Investments by fair value level:		
Mutual funds:		
Equities	\$ 1,953,729	\$ 1,953,729
Fixed Income	<u>1,335,889</u>	<u>1,335,889</u>
	<u>\$ 3,289,618</u>	<u>\$ 3,289,618</u>

Net Pension Liability of the Authority

The components of the net pension liability of the Authority at June 30, 2022 were as follows:

Total pension liability	\$ 4,392,443
Plan fiduciary net position	<u>(3,311,636)</u>
Authority's net pension liability	<u>\$ 1,080,807</u>
Plan fiduciary net position as a percentage of total pension liability	75.39%

JELICO UTILITIES AUTHORITY

Notes to Financial Statements
(Continued)13. Jellico Utilities Authority Pension Plan (Continued)Net Pension Liability of the Authority (Continued)**Actuarial Assumptions for the Calculation of the Net Pension Liability**

Measurement Date	June 30, 2022
Valuation Date	June 30, 2022
Inflation	3.00% per annum
Salary Increases	5.00% per annum
Investment Return	7.00% per annum
Post-retirement benefit changes	None
Projected service credits	Assumed one full year of service credit per year for all active participants
Mortality	1983 Group Annuity Mortality table for males, set back 6 years in age for females. See rates illustrated in table below.
Retirement Age	Age 65 and five years of service
Cost of Living Increase	0.00% per annum
Marriage	It is assumed that 100% of plan participants are married and that husbands are three years older than their wives.
Termination of Employment	See rates illustrated in table below
Disability Rates	See rates illustrated in table below
Expenses	Assumed to be paid outside the trust.

Pre-Retirement Decrement Rates (per 1,000 lives)

Age	Mortality		Withdrawal		Disability	
	Male	Female	Male	Female	Male	Female
25	0.0	0.0	78.0	78.0	1.5	1.5
35	0.9	0.6	64.1	64.1	1.9	1.9
45	2.2	1.1	43.3	43.3	4.4	4.4
55	6.1	3.5	19.8	19.8	11.9	11.9
65	15.6	8.4	0.0	0.0	0.0	0.0
75	44.6	24.8	0.0	0.0	0.0	0.0
85	114.8	67.1	0.0	0.0	0.0	0.0

JELLICO UTILITIES AUTHORITY

Notes to Financial Statements
(Continued)13. Jellico Utilities Authority Pension Plan (Continued)Net Pension Liability of the Authority (Continued)**Long-Term Expected Rate of Return on Pension Plan Investments**

The Plan is an ongoing plan with a perpetual time horizon. For this reason, long term capital market assumptions (20+ years) are applicable to approximate future return expectations. The long-term expected rate of return on pension plan investments is based on multiple levels of diversification, which have been designed to optimize return while managing risk. The top level includes asset classes like equities and income-generating securities such as bonds. The second level consists of multiple sub-asset classes and styles like large cap, small cap, growth and value. The third level demonstrates geographic diversification. The fourth level consists of individual managers specializing in a particular asset class. The fifth level represents individual securities selected for each portfolio by those managers. All levels are continuously monitored and adjusted as changes in the markets or economy dictate. The expected rates of return are arithmetic and are as follows:

Asset Class	Long-Term
Money Market	0.00%
Domestic Equities	7.0% - 9.0%
Fixed Income	4.0% - 5.0%
International Equities	0.00%

Discount Rate

The discount rate used to measure the total pension liability at June 30, 2022 was 7.00%. The pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan 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.

Sensitivity of Net Pension Liability to Changes in the Discount Rate

The following represents the net pension liability of the Authority at June 30, 2022 calculated using the stated discount rate, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Authority's net pension liability (asset)	\$ 1,560,295	\$ 1,080,807	\$ 671,293

JELICO UTILITIES AUTHORITY

Notes to Financial Statements
(Continued)13. Jellico Utilities Authority Pension Plan (Continued)Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. 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 in the statement of fiduciary net position.

Recently Issued and Adopted Accounting Pronouncements

GASB has issued the following recent pronouncements that are effective in the current fiscal year:

Statement No. 87, *Leases*

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*

Statement No. 98, *The Annual Comprehensive Financial Report*

Statement No. 92, *Omnibus 2020*

Statement No. 93, *Replacement of Interbank Offered Rates*

Statement No. 97, *Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*

Implementation Guide No. 2019-3, *Leases*

The adoption of these statements and implementation guide has had no effect on the Authority's financial statements.

14. Subsequent Events

Subsequent events were evaluated through February 28, 2023, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

JELLICO UTILITIES AUTHORITY

Schedule of Changes in the Net
Pension Liability and Related Ratios

For the Last 10 Measurement Periods Ended on June 30*

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability									
Service cost	\$ 78,977	\$ 70,456	\$ 62,536	\$ 62,430	\$ 64,864	\$ 64,112	\$ 71,665	\$ 70,482	\$ 76,336
Interest	292,102	280,362	273,258	265,032	255,009	251,543	240,267	235,644	232,564
Differences between expected and actual experience	114,593	92,003	13,257	31,030	56,950	(8,830)	26,166	(90,498)	(138,763)
Benefit payments / refunds	(266,108)	(275,106)	(247,577)	(240,973)	(233,639)	(257,303)	(177,020)	(149,588)	(126,126)
Net change in total pension liability	219,564	167,715	101,474	117,519	143,184	49,522	161,078	66,040	44,011
Total pension liability - beginning	4,172,879	4,005,164	3,903,690	3,786,171	3,642,987	3,593,465	3,432,387	3,366,347	3,322,336
Total pension liability - ending (a)	\$ 4,392,443	\$ 4,172,879	\$ 4,005,164	\$ 3,903,690	\$ 3,786,171	\$ 3,642,987	\$ 3,593,465	\$ 3,432,387	\$ 3,366,347
Plan fiduciary net position									
Contributions - employer	\$ 113,100	\$ 96,948	\$ 92,484	\$ 88,675	\$ 88,675	\$ 88,675	\$ 88,675	\$ 88,675	\$ 88,675
Net investment income (loss)	(597,840)	856,983	50,830	141,145	264,766	368,267	(87,870)	77,995	452,765
Benefit payments	(266,108)	(275,106)	(247,577)	(240,973)	(233,639)	(257,303)	(177,020)	(149,588)	(126,126)
Net change in plan fiduciary net position	(750,848)	678,825	(104,263)	(11,153)	119,802	199,639	(176,215)	17,082	415,314
Plan fiduciary net position - beginning	4,062,484	3,383,659	3,487,922	3,499,075	3,379,273	3,179,634	3,355,849	3,338,767	2,923,453
Plan fiduciary net position - ending (b)	\$ 3,311,636	\$ 4,062,484	\$ 3,383,659	\$ 3,487,922	\$ 3,499,075	\$ 3,379,273	\$ 3,179,634	\$ 3,355,849	\$ 3,338,767
Authority's net pension liability - ending (a) - (b)	\$ 1,080,807	\$ 110,395	\$ 621,505	\$ 415,768	\$ 287,096	\$ 263,714	\$ 413,831	\$ 76,538	\$ 27,580
Plan fiduciary net position as a percentage of the total pension liability	75.39%	97.35%	84.48%	89.35%	92.42%	92.76%	88.48%	97.77%	99.18%
Covered payroll	\$ 1,229,187	\$ 1,080,009	\$ 974,943	\$ 1,148,746	\$ 992,158	\$ 914,563	\$ 1,307,059	\$ 1,321,679	\$ 1,221,864
Authority's net pension liability as a percentage of covered payroll	87.93%	10.22%	63.75%	36.19%	28.94%	28.83%	31.66%	5.79%	2.26%

* Presentation has been made for the years that information is available. The requirement to present 10 year trend information will be fulfilled as the information becomes available.

See independent auditor's report.

JELLICO UTILITIES AUTHORITY

Schedule of Contributions

For the Last 10 Measurement Periods Ended on June 30*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 81,468	\$ 113,100	\$ 102,492	\$ 92,484	\$ 91,152	\$ 104,076	\$ 81,108	\$ 76,692	\$ 133,836
Contributions in relation to the actuarially determined contribution	<u>113,100</u>	<u>96,948</u>	<u>92,484</u>	<u>88,675</u>	<u>88,675</u>	<u>88,675</u>	<u>88,675</u>	<u>88,675</u>	<u>88,675</u>
Contribution deficiency (excess)	<u>\$ (31,632)</u>	<u>\$ 16,152</u>	<u>\$ 10,008</u>	<u>\$ 3,809</u>	<u>\$ 2,477</u>	<u>\$ 15,401</u>	<u>\$ (7,567)</u>	<u>\$ (11,983)</u>	<u>\$ 45,161</u>
Covered payroll	\$ 1,229,187	\$ 1,080,009	\$ 974,943	\$ 1,148,746	\$ 992,158	\$ 914,563	\$ 1,307,059	\$ 1,321,679	\$ 1,221,864
Contributions as a percentage of covered payroll	9.20%	8.98%	9.49%	7.72%	8.94%	9.70%	6.78%	6.71%	7.26%

* Presentation has been made for years that information is available. The requirement to present 10 year trend information will be fulfilled as the information becomes available.

See independent auditor's report.

JELLICO UTILITIES AUTHORITY
PENSION PLAN

Schedule of Investment Returns

For the Last 10 Measurement Periods Ended on June 30*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	-14.94%	25.86%	1.49%	4.11%	7.99%	11.86%	-2.64%	2.36%	16.09%

* Presentation has been made for years that information is available. The requirement to present 10 year trend information will be fulfilled as the information becomes available.

See independent auditor's report.

JELLICO UTILITIES AUTHORITY

Notes to Required Supplementary Information

For the Last 10 Measurement Periods Ended on June 30

Changes to Benefit Terms:

There have been no benefit changes.

Changes of Assumptions:

There have been no changes of assumptions.

Valuation Date:

Actuarially determined contribution rates are calculated as of July 1, one year prior to the end of the fiscal year in which contributions are reported.

Actuarial Methods and Assumptions:

Actuarial Cost Method:	Entry age normal
Amortization Method:	Closed level dollar amortization
Asset Valuation Method:	Market Value
Inflation:	3.00%
Salary increases:	5.00%
Investment rate of return:	7.00%
Retirement age:	65 with 5 years of service
Mortality:	1983 GA for males, setback 6 years for females

OTHER SUPPLEMENTARY INFORMATION

JELLICO UTILITIES AUTHORITY
 Schedule of Operating Revenues and Expenses
 For the Fiscal Year Ended June 30, 2022

	<u>2022 Actual</u>
Operating revenues:	
Sales:	
Residential sales	\$ 5,307,979
Green power credit solar/wind	(9,751)
Small commercial sales	1,248,619
Large commercial sales	1,339,258
Large commercial green power solar/wind	(11,620)
Large industry commercial sales	4,029,565
Public streets/athletic light	106,495
Outdoor lighting	<u>219,720</u>
Total sales	<u>12,230,265</u>
Other revenues:	
Forfeited discounts	135,651
Miscellaneous service revenue	90,435
Miscellaneous collection fees	6,000
Late notice fee	18,092
Rent from electric property	224,769
Other rental income	100,000
Revenue from snack machines	133
Other electric revenue	<u>11,153</u>
Total other revenues	<u>586,233</u>
Total revenues	<u>12,816,498</u>
Operating expenses:	
Purchased power:	
Purchased power - TVA	<u>9,461,965</u>
Total purchased power	<u>9,461,965</u>
System operations and maintenance:	
Operation superintendent engineer	58,079
Station	5,213
Overhead line	133,237
Underground line expense	59
Street lighting and signal system	1,453

(Continued)

JELLICO UTILITIES AUTHORITY

Schedule of Operating Revenues and Expenses
(Continued)

For the Fiscal Year Ended June 30, 2022

	<u>2022 Actual</u>
Operating expenses (continued):	
System operations and maintenance (continued):	
Meter expense	\$ 27,176
Customer installations	4,663
Miscellaneous distribution	15,802
Pole attachment	25,962
Supervision and engineer	17,593
Maintenance of overhead lines	65,633
KY main of overhead lines	55,084
Maintenance of overhead lines - Storm TN	5,924
Maintenance of overhead lines - Storm KY	6,518
Right of way clearing - TN	235,652
Right of way clearing - KY	14,631
Maintenance of street lights - signals	3,947
Maintenance of outdoor lighting - TN	2,203
Maintenance of outdoor lighting - KY	2,754
Maintenance of general plant	<u>4,899</u>
Total system operations and maintenance	<u>686,482</u>
Customer accounts:	
Meter reading	9,086
Customer records and collection	118,073
Customer cutoff and reconnect	5,091
Cashier over and short Drawer 4	289
Uncollectible accounts	27,000
Customer assistance	68,607
Advertising	100
Miscellaneous sales expense	<u>7,402</u>
Total customer accounts	<u>235,648</u>

(Continued)

JELLICO UTILITIES AUTHORITY

Schedule of Operating Revenues and Expenses
(Continued)

For the Fiscal Year Ended June 30, 2022

	2022 <u>Actual</u>
Operating expenses (continued):	
Administrative and general:	
Other income - Christmas lighting	\$ 6,272
Administrative and general salaries	160,725
Office supplies	44,202
Outside services employed	79,953
Property insurance	27,143
Injuries and damages insurance	41,410
Employee pension and benefits	302,125
Miscellaneous general	45,801
Rent	<u>45,795</u>
Total administrative and general	<u>753,426</u>
Depreciation and amortization:	
Depreciation expense - distribution plant	415,428
Depreciation expense - general plant	<u>63,121</u>
Total depreciation and amortization	<u>478,549</u>
Taxes and tax equivalents:	
FICA taxes	62,957
Employment security taxes	957
In lieu of taxes	<u>121,253</u>
Total taxes	<u>185,167</u>
Total operating expenses	<u>11,801,237</u>
Operating income	<u>\$ 1,015,261</u>

See independent auditor's report.

JELICO UTILITIES AUTHORITY

Schedule of Electric Capital Assets and Accumulated Depreciation

Year Ended June 30, 2022

	Assets				Accumulated Depreciation					Net Plant	
	Balance July 1, 2021	Additions	Retirements	Adjustments	Balance June 30, 2022	Balance July 1, 2021	Additions	Retirements	Adjustments		Balance June 30, 2022
Distribution:											
Land and land rights	\$ 19,276	\$ -	\$ -	\$ -	\$ 19,276	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,276
Structures and improvements	734,425	-	-	(500,000)	234,425	140,623	14,688	-	-	155,311	79,114
Station equipment	2,265,625	-	-	-	2,265,625	1,372,808	45,312	-	-	1,418,120	847,505
Poles, towers and fixtures	3,444,046	379,096	230	-	3,822,912	2,058,999	103,321	230	(139)	2,161,951	1,660,961
Overhead conductors	2,541,793	1,393,470	1	-	3,935,262	1,192,429	69,899	1	(1,150)	1,261,177	2,674,085
Underground conduit	9,515	-	-	-	9,515	9,515	-	-	-	9,515	-
Underground conductors	26,957	287	-	-	27,244	26,957	-	-	-	26,957	287
Line transformers	2,073,632	34,909	3	-	2,108,538	1,366,777	51,841	3	(3)	1,418,612	689,926
Services	899,401	4,666	1	-	904,066	767,557	31,479	1	(1,744)	797,291	106,775
Meters	1,156,779	47,427	-	-	1,204,206	138,450	28,920	-	-	167,370	1,036,836
Installation on customer premises	473,442	62,113	3,000	-	532,555	356,943	37,875	3,000	(4,511)	387,307	145,248
Street lighting and signals	207,825	21,574	-	-	229,399	128,576	8,313	-	-	136,889	92,510
Total distribution	13,852,716	1,943,542	3,235	(500,000)	15,293,023	7,559,634	391,648	3,235	(7,547)	7,940,500	7,352,523
General:											
Land and land rights	500	-	-	-	500	-	-	-	-	-	500
Structures and improvements	-	-	-	500,000	500,000	-	-	-	-	-	500,000
Office furniture and equipment	237,154	2,727	-	-	239,881	193,498	23,715	-	-	217,213	22,668
Transportation equipment	768,863	35,618	-	-	804,481	474,190	76,886	-	-	551,076	253,405
Stores equipment	9,551	-	-	-	9,551	9,551	-	-	-	9,551	-
Tools, shop and garage equipment	169,420	7,983	-	-	177,403	163,621	5,801	-	-	169,422	7,981
Laboratory equipment	11,307	-	-	-	11,307	11,307	-	-	-	11,307	-
Power operated equipment	299,162	44,357	-	-	343,519	156,990	23,933	-	-	180,923	162,596
Communication equipment	143,501	-	-	-	143,501	143,501	-	-	-	143,501	-
Other tangible property	120,893	9,350	-	-	130,243	101,901	9,671	-	-	111,572	18,671
Total general	1,760,351	100,035	-	500,000	2,360,386	1,254,559	140,006	-	-	1,394,565	965,821
Total plant in service	15,613,067	2,043,577	3,235	-	17,653,409	8,814,193	531,654	3,235	(7,547)	9,335,065	8,318,344
Construction work in progress	1,166,187	(1,132,899)	-	-	33,288	-	-	-	-	-	33,288
Total utility plant	\$ 16,779,254	\$ 910,678	\$ 3,235	\$ -	\$ 17,686,697	\$ 8,814,193	\$ 531,654	\$ 3,235	\$ (7,547)	\$ 9,335,065	\$ 8,351,632

See independent auditor's report.

JELLICO UTILITIES AUTHORITY

Schedule of Long-Term Debt Principal and Interest Requirements

June 30, 2022

Fiscal Year	First State Bank of the Southeast Capital Outlay Note 3.30%		Total	
	Principal	Interest	Principal	Interest
	2023	\$ 162,396	\$ 4,551	\$ 162,396
2024	59,573	640	59,573	640
	<u>\$ 221,969</u>	<u>\$ 5,191</u>	<u>\$ 221,969</u>	<u>\$ 5,191</u>

See independent auditor's report.

JELLICO UTILITIES AUTHORITY

Schedule of Changes in Long-Term Debt by Individual Issue

June 30, 2022

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 6/30/2021	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 6/30/2022
Notes Payable:									
First State Bank of the Southeast Capital Outlay Note	\$ 500,000	3.30%	01/05/2021	01/05/2024	\$ 419,551	\$ -	\$ 197,582	\$ -	\$ 221,969
Total Notes Payable					<u>\$ 419,551</u>	<u>\$ -</u>	<u>\$ 197,582</u>	<u>\$ -</u>	<u>\$ 221,969</u>

See independent auditor's report.

JELLICO UTILITIES AUTHORITY
Utility Rates and Statistical Information
June 30, 2022

RESIDENTIAL RATE - SCHEDULE RS

Customer Charge.....\$18.50 per month
Energy Charge..... 10.817¢ per kWh per month

GENERAL POWER RATE - SCHEDULE GSA

PART 1.

Customer Charge.....\$22.75 per delivery point per month
Energy Charge..... 12.031¢ per kWh per month

PART 2.

Customer Charge.....\$100.00 per delivery point per month
Demand Charge.....First 50 kW of billing demand per month, no charge
Excess over 50 kW of billing demand per month at \$13.50 per kW
Energy Charge.....First 15,000 kWh per month at 12.426¢ per kWh
Additional kWh per month at 7.627¢ per kWh

PART 3.

Customer Charge.....\$300.00 per delivery point per month
Demand Charge.....First 1,000 kW of billing demand per month at \$15.31 per kW
Excess over 1,000 kW of billing demand per month at \$17.17 per kW
Energy Charge.....All kWh per month at 7.627¢ per kWh

OUTDOOR LIGHTING RATE - SCHEDULE LS

175 M MV Circular\$10.45
400 M MV Circular\$20.39
100W HPS Circular.....\$9.24
150W HPS Circular.....\$11.62
400W HPS Directional\$19.64
1000W HM Directional.....\$40.64
175 LED R5 Circular.....\$10.45
200 LED R5 Directional\$20.39
260 LED R5 Directional\$40.64
210 LED Cobrahead\$20.39
70 LED Cobrahead R2\$20.39

(Continued)

JELLICO UTILITIES AUTHORITY
Utility Rates and Statistical Information
(Continued)
June 30, 2022

Statistical Information:

Number of customers	4,451
KWH sold	144,574,828
KWH purchased	148,958,245
Line losses	2.94%

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION

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**INDEPENDENT AUDITOR'S 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***

Jellico Utilities Authority
Board and Management

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 and the aggregate remaining fund information of the Jellico Utilities Authority ("the Authority"), a component unit of the City of Jellico, Tennessee, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Jellico Utilities Authority's basic financial statements and have issued our report thereon dated February 28, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

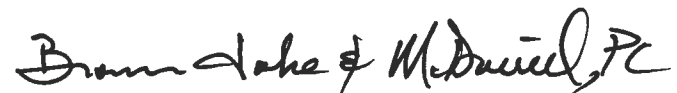
Report on Compliance and Other Matters

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

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Brian Lake & McDaniel, PC". The signature is written in a cursive, flowing style.

CERTIFIED PUBLIC ACCOUNTANTS

Knoxville, Tennessee
February 28, 2023

JELLICO UTILITIES AUTHORITY
Summary Schedule of Prior Audit Findings
June 30, 2022

Finding Number	Original Finding Number	Finding Title	Status
2021-001	09-1 (As Jellico Electric and Water System)	Financial Statement Presentation	Corrected
2021-002	2019-002	Closing of Official Accounting Records	Corrected
2021-003	2020-003	Employer Contributions to the Plan	Corrected